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RECORDS OF MEETING

ACTUARIAL COMMITTEE – SEPTEMBER 13, 2017

Members Present

Ms. Lynellen Ramirez – Chair	Arbella Insurance Group
Mr. Geoffrey Arnold	Plymouth Rock Assurance Corporation
Mr. Alex Butensky	The Norfolk & Dedham Group
Ms. Sara Clemens	MAPFRE U.S.A. Corporation
Mr. Hall Crowder	Allstate Insurance Company
Mr. Christopher Dupill	EM Freedman Insurance Agency, Inc.
Mr. Glenn Hiltbold	Safety Insurance Company
Mr. Adam Kreuser	The Hanover Insurance Company
Mr. Todd Lehmann	Quincy Mutual Group
Ms. Meredith Woodcock	Liberty Mutual Group

Substituted for:
N/A

Not in Attendance:
Mr. Joseph F. Cofield, Metropolitan P & C Insurance Company

17.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Actuarial Committee meeting of June 7, 2017. The Records have been distributed and are on file.

17.04 Quota Share Credits for Policies Effective April 1, 2018 and Later

Staff reviewed exhibits requested by the Committee at the last meeting relative to the April 1, 2018 Quota Share credit offer. The first exhibit included credit indications that indexed the Market Share Group Ranges by year, with varying minimum thresholds for credit eligibility, and resulted in a 13.5% decrease to potential credit eligible premium, and a 18.1% decrease to an credit eligible exposures, compared to the prior year. The second exhibit incorporated merit rating status into the eligibility criteria for those cells where a credit was proposed to be eliminated, and resulted in a 6.9% decrease to potential credit eligible premium, and a 8.1% decrease to an credit eligible exposures. Mr. Timothy Galligan advised that this latter exhibit was prepared by staff based on limited discussion at the previous Actuarial Committee meeting. It is intended to generate discussion in order to get more specific direction from the Committee.

Mr. Glenn Hiltbold, representing Safety Insurance Company, distributed an exhibit that outlines a methodology that would incorporate both the yearly “indexing” of the Residual Market Groupings and the addition of the Merit Rating Group parameters employed in staff’s model. Because Safety’s proposal incorporated the merit rating component not only in cells for which the credit is proposed to be eliminated, but in all cells, the Committee believed it added a more objective methodology into the credit formula indication. Mr. Hiltbold suggested that this method enhances the credit model by offering more credit to policies that are placed in the MAIP due to a higher level of risk associated with unfavorable accident history.

Several members supported the underlying concept of offering more credit for cells with higher risk and agreed that the Safety model should be studied further to determine its impact on the overall credit offer. The members also expressed concern that the added dimension inserted undue complexity. Some noted that many companies do not use CAR’s merit rating scheme and therefore would not know which risks are eligible for credit. Others questioned the quality of the reported merit rating data element and its impact on the quota share results.

Mr. Hall Crowder proposed that, in addition to further analysis of the merit rating approach, the Committee also continue to study the so-called “relative range” approach, considering methods for indexing the yearly threshold for offering credit to the statewide residual market share. Others agreed, suggesting however that the model include a minimum threshold.

Mr. Geoffrey Arnold noted that the statute for credits focuses specifically on the disproportionality of classes and territories. He suggested a different approach for the Committee to consider. Mr. Arnold suggested starting with the existing credit methodology codified in Rule 29, and fine tuning the individual class/territory cells by manual review by the Committee each year. There was no significant interest by the Committee in pursuing this approach.

Finally, some members noted that the Division of Insurance decisions on the proposed credit offers for the last two years suggested that absent a compelling increase in the size of the residual market, a change to the credit offer would not be viewed favorably. Accordingly, the Committee agreed that no change to the credit offer should also be considered.

After additional discussion, Ms. Lynellen Ramirez summarized the Committee’s discussion, noting three credit approaches that the Committee still has interest in pursuing: the Indexed Market Share Group Range Methodology, Safety’s proposal to add a Merit Rating component, and no change to last year’s credits for the current year. The Committee therefore directed Staff to further quantify the impact of the approach outlined by Safety in order that the Committee may continue discussion of the three options at the next Actuarial Committee meeting, scheduled for October 11, 2018.

17.05 Rule 21.D. Constraints on Placement of Clean-in-Three Risks through the MAIP

Mr. John Metcalfe updated the Committee of efforts by Staff to assist the remaining producers without an outlet to a voluntary contract or brokerage agreement, as directed by the Governing Committee during last year’s deliberations. This effort is being done in advance of the sunset of the constraints on placement of Clean-in-Three risks pursuant to Rule 21.D.6., set to terminate for policies effective April 1, 2018 and later.

Mr. Metcalfe informed the Committee that there are currently 11 producers without a voluntary outlet, with approximately 540 in-force exposures qualifying for the exclusion. These producers were asked to provide a business plan to assist insurance companies to better evaluate them for a potential voluntary contract relationship. The business plans were distributed to the Member Companies and

already it appears that two producers will be offered voluntary contracts. Complete company feedback is expected by the end of September. Staff will provide a final update on the status of these efforts at the October Actuarial Committee meeting.

SHANNON CHIU
Actuarial and Statistical Analyst

Boston, Massachusetts
September 19, 2017

ATTACHMENT LISTING

Docket #AC17.02, Exhibit #2

Attendance Listing

Docket #AC17.04 Exhibit #11

Exhibit Distributed By Safety Insurance Company

ACTUARIAL COMMITTEE MEETING
 SIGN-IN SHEET
 September 13, 2017

Individual's Name	Company / Agency
Adam KREUSER	Hanover Ins Company
Sarah Clemens	Mapfre Insurance
Chris Dupin	EM Freedman Ins.
Meredith Woodcock	Liberty Mutual Ins.
Alex Butensky	The N&D Group
Todd Lehmann	Quincy Mutual
Hans Clowder	ACUSTATE
Geoffrey Arnold	Plymouth Rock
Glenn Huppas	Safety Insurance
Wendy Browne	CAR
Natalie Hubley	CAR
Lynellen Ramirez	Arbella
The Galley	CAR
Shamirchi	CAR

ACTUARIAL COMMITTEE MEETING
SIGN-IN SHEET
September 13, 2017

Individual's Name	Company / Agency
Marian Adgate	CAR
Grey Kurubinos	ND Group
Sean Thompson	Hanover
Allen Chaves	Arbella
Burt Feinberg	AGO
KAM PROCTOR	CAR
JOHN METCALFE	CAR

Glenn Hiltbold, FCAS
glennhiltbold@safetyinsurance.com
617 951-0600 ext. 1277

2018 MAIP Credit Indication - Including Merit Rating

Three Year Average EM Share by Merit Rating + Territory

Source: Exhibit 10, Sheet 3 of 21
(This is all Operator Classes, not just Class 10)

New Grouping Ranges for 2018

Source: Exhibit 9, Sheet 1

	>	<=	Credits
0	0.0%	2.7%	0.00
1	2.7%	4.3%	1.00
2	4.3%	5.9%	1.00
3	5.9%	9.2%	1.00
4	9.2%	12.4%	1.25
5	12.4%	15.7%	1.50
6	15.7%	18.9%	1.75
7	18.9%	22.1%	2.00
8	22.1%	25.4%	2.25
9	25.4%	100.0%	2.50

Exhibit 9,
Sheet 4 of 14
(Class 10 Indication)

Indicated Range based on Columns (2) through (6)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8) Selected Range	(9)	(10)	(11)	(12)	(13)
	99	98	00	01-06	07+	Jun-17		99	98	00	01-06	07+
01	0.23%	0.60%	0.93%	1.28%	9.51%	0.76%	0	0	0	0	0	1.25
02	0.23%	0.65%	1.04%	1.28%	9.00%	0.79%	0	0	0	0	0	1
03	0.26%	0.72%	1.09%	1.32%	9.03%	0.85%	0	0	0	0	0	1
04	0.24%	0.61%	1.00%	1.21%	8.68%	0.76%	0	0	0	0	0	1
05	0.35%	0.90%	1.92%	1.68%	9.48%	1.17%	0	0	0	0	0	1.25
06	0.36%	1.02%	1.54%	1.81%	10.22%	1.11%	0	0	0	0	0	1.25
07	0.54%	1.27%	2.36%	2.14%	10.10%	1.52%	0	0	0	0	0	1.25
08	0.50%	1.16%	1.90%	2.13%	10.49%	1.35%	0	0	0	0	0	1.25
09	0.60%	1.45%	2.83%	2.20%	9.28%	1.66%	0	0	0	1	0	1.25
10	0.60%	1.38%	2.91%	2.48%	10.11%	1.62%	0	0	0	1	0	1.25
11	0.56%	1.08%	1.67%	1.87%	9.91%	1.27%	0	0	0	0	0	1.25
12	0.60%	1.38%	2.75%	2.39%	11.43%	1.56%	0	0	0	1	0	1.25
13	1.26%	2.36%	4.13%	3.25%	10.72%	2.71%	1	0	0	1	1	1.25
14	1.22%	2.31%	4.76%	3.38%	11.21%	2.90%	1	0	0	1	1	1.25
15	1.24%	2.14%	5.18%	3.23%	11.36%	2.73%	1	0	0	1	1	1.25
16	2.13%	2.17%	6.45%	5.03%	11.44%	3.50%	1	0	0	1	1	1.25
17	0.70%	1.51%	3.36%	2.53%	10.32%	1.70%	0	0	0	1	0	1.25
18	2.07%	3.35%	5.71%	4.63%	11.00%	3.29%	1	0	1	1	1	1.25
19	1.31%	2.52%	4.46%	4.18%	10.90%	2.44%	0	0	0	1	1	1.25
20	2.68%	4.30%	7.50%	6.56%	16.69%	5.01%	1	0	1	1	1	1.5
21	3.13%	5.24%	9.95%	7.50%	16.32%	5.93%	1	1	1	1.25	1	1.5
22	4.43%	5.82%	9.70%	8.90%	15.71%	7.59%	1	1	1	1.25	1	1.5
23	0.84%	1.51%	2.81%	2.91%	10.21%	1.59%	0	0	0	1	1	1.25
24	0.74%	1.08%	2.61%	1.77%	9.05%	1.31%	0	0	0	0	0	1
25	0.61%	1.35%	2.76%	2.10%	9.62%	1.39%	0	0	0	1	0	1.25
26	1.26%	1.82%	4.84%	2.93%	10.83%	2.35%	0	0	0	1	1	1.25
27	0.17%	0.41%	0.84%	1.00%	8.12%	0.60%	0	0	0	0	0	1
40	1.41%	2.22%	4.60%	3.26%	6.71%	2.45%	0	0	0	1	1	1
41	1.00%	1.75%	4.37%	3.32%	10.59%	2.65%	0	0	0	1	1	1.25
42	1.48%	2.48%	3.56%	3.04%	6.33%	2.30%	0	0	0	1	1	1
43	1.43%	2.01%	4.64%	2.70%	9.79%	2.64%	0	0	0	1	0	1.25
44	2.83%	3.88%	7.19%	5.94%	10.00%	4.74%	1	1	1	1	1	1.25
45	1.88%	3.46%	7.19%	5.09%	13.73%	4.14%	1	0	1	1	1	1.50
99	0.19%	0.22%	0.32%	0.66%	7.46%	0.53%	0	0	0	0	0	1
Total	0.55%	1.27%	2.38%	2.15%	9.86%	Count: 10		3	6	22	16	34
						Str. Avg: 0.294		0.088	0.176	0.662	0.471	1.221

New Grouping Ranges for 2018

 = When Column is different from Column (8)