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## NOTICE OF MEETING

### AD HOC REDISTRIBUTION COMMITTEE

A meeting of the Ad Hoc Redistribution Committee will be held virtually via Zoom video conferencing software, on

**WEDNESDAY, FEBRUARY 24, 2021 AT 10:00 A.M.**

If you plan to attend this meeting and are not a member of this Committee, please RSVP by completing the Visitor Security Form located in the Contact Us/Visitor Information section of CAR's website. CAR will then forward to you, via email, meeting access information. Please do not share access information provided by CAR, but refer others wishing to attend the meeting to CAR's Visitor Security Form.

### MEMBERS OF THE COMMITTEE

Mr. John Olivieri, Jr. – Chair  
J.K. Olivieri Insurance Agency, Inc.

Mr. John Kelly  
Ms. Mary McConnell  
Mr. Thomas Skelly  
Mr. Barry Tagen  
Mr. David Zawilinski

MAPFRE U.S.A. Corporation  
Safety Insurance Company  
Deland, Gibson Insurance Associates Inc.  
Pilgrim Insurance Company  
Arbella Insurance Group

### AGENDA

#### AHRC

##### 21.03 CAR Conflict of Interest Policy

The Chair will read a statement relative to CAR's Conflict of Interest Policy.

#### AHRC

##### 21.04 Commercial Program Evaluation – 2021 Request for Proposal

The Ad Hoc Redistribution Committee has been established by the Chair of the Commercial Program Oversight Committee to further discuss measures that could be taken to minimize the negative impacts of book of business redistributions. The Committee should be prepared to discuss all potential

options and prepare a recommendation for consideration by the Commercial Program Oversight Committee (CPOC).

To assist the Committee in its deliberations, attached is an exhibit previously distributed to the CPOC that addresses previous redistributions, including the status of the current book of business distribution among the existing Servicing Carriers, and suggests options for committee discussion, including potential alternatives for minimizing the frequency of redistributions. (Docket #AHRC21.04, Exhibit #1)

**Other Business**

To transact any other business that may properly come before this Committee.

**Executive Session**

The Ad Hoc Redistribution Committee may convene in Executive Session in accordance with the provisions of G.L. c. 30A, § 21.

JOHN METCALFE  
Director – Residual Market Services

Attachment

Boston, Massachusetts  
February 11, 2021

Commercial Program Oversight Committee  
On-Going Discussion of (Re)Distribution of Ceded Books of Business

Rule 13.C.2. provides that, if necessary, CAR may perform a redistribution of commercial residual market books of business to maintain equity among the Servicing Carriers. As the Commercial Program Oversight Committee (Oversight Committee) reviewed the draft Request for Proposal for Servicing Carrier Appointments, concern was raised relative to the disruptive impact to producers of ERP reappointments. The following points have been raised during discussion of this issue. A subcommittee will be established to prepare a recommendation with respect to measures that may be taken to minimize the negative impacts of book of business redistributions. The Oversight Committee should be prepared to comment on the list and may suggest additional items for discussion by the subcommittee.

Historical Summary of ERP Redistributions:

Attached is a summary of ceded book of business redistributions since the program's inception. The summary identifies premium volumes and the extent to which the books of business and expense allowances varied among the Servicing Carriers.

Current Status of Book of Business Distribution:

- 11 reporting months since last redistribution
- Premium volume: \$170.9M (\$42.7M/SC prem goal; \$4.5M/SC allowance goal)
- Premium range: \$40,193,000 - \$47,051,000
- Percent range: 23.5% - 27.5%
- Gen Exp/ULAE Allowance \$4,137,000 - \$4,999,000

Alternatives to Minimize Frequency of Redistributions:

- Premium and/or expense variance thresholds that may indicate inequity
- Limit of up to 1 redistribution per appointment term, unless SC can demonstrate significant harm
- Other compensation to SCs to regain financial equity
- Compensation to reassigned producer to mitigate hardship
- Reassignment specifications such as new business vs renewals

In light of anticipated subcommittee discussions, the Oversight Committee should consider the status of its recommendation relative to the distribution of the Request for Proposal such as:

- Insert a disclaimer, such as the attached, in RFP document indicating on-going discussions.
- Extend current appointment terms 6 months to allow for ongoing discussions.

### Historical Summary of ERP Redistributions

#### **1/1/2006: Program Implementation (6 Servicing Carriers; \$188M Prem volume; \$31.3M/SC or 16.7%)**

1/1/2008: Redistribution (SC Request - Depopulation Efforts)

- Premium Volume: \$175.8M (\$29.3M/SC prem goal; \$4.8M/SC allowance goal)
- Premium Range: \$24,886,000 - \$33,552,000
- Percent Range: 14.2% - 19.1%
- Gen Exp/ULAE Allowance \$4,089,000 - \$5,513,000
- # Agencies moved: unavailable

7/1/2009: Redistribution (Annual Review - Depopulation Efforts)

- Premium Volume: \$115.6M (\$19.3M/SC prem goal; \$3.6M/SC allowance goal)
- Premium Range: \$17,818,000 - \$22,301,000
- Percent Range: 15.4% - 19.3%
- Gen Exp/ULAE Allowance \$3,287,000 - \$4,115,000
- # Agencies moved: 16 agencies

#### **7/1/2011: New Appointment Term (4 Servicing Carriers; \$77.1 M prem volume; \$19.2M/SC)**

9/1/2013: Redistribution (Annual Review - Depopulation Efforts)

- Premium Volume: \$86.7M (\$21.7M/SC prem goal; \$3.2M/SC allowance goal)
- Premium Range: \$18,095,000 - \$23,999,000
- Percent Range: 20.9% - 27.7%
- Gen Exp/ULAE Allowance \$2,726,000 - \$3,571,000
- # Agencies moved: 19; 12 of which were assigned to SC w/ vol contract

#### **1/1/2016: New Appointment Term (4 Servicing Carriers; \$111.7M prem volume; \$27.9M/SC)**

7/1/2018: Redistribution (SC Request – Producer Termination)

- Premium Volume: \$173.5M (\$43.4M/SC prem goal; \$5.4M/SC allowance goal)
- Premium Range: \$35,076,000 - \$53,787,000
- Percent Range: 20.2% - 31.0%
- Gen Exp/ULAE Allowance \$4,498,000 - \$7,373,000
- # Agencies moved: 26; 11 of which were assigned to SC w/ vol contract

1/1/2020: Redistribution (SC Request – Eligibility reviews/unpredictable distributions)

- Premium Volume: \$193.6M (\$48.4M/SC prem goal; \$5.3M/SC allowance goal)
- Premium Range: \$42,244,000 - \$60,561,000
- Percent Range: 21.8% - 31.3%
- Gen Exp/ULAE Allowance \$4,682,000 - \$6,858,000
- # Agencies moved: 22; 13 of which were assigned to SC w/ vol contract

8.7 Potential Amendment to Rules Regarding Redistribution of Residual Market Books

Under Section 1.3 of this RFP, Servicing Carriers are required to comply with all provisions of Rules 1 through 20 of CAR's Rules of Operation and required procedures set forth in CAR's Manual of Administrative Procedures, Commercial Automobile Manual, and Commercial Performance Standards. While all such provisions are subject to change, the field of proposers are hereby notified that the CAR Governing Committee and one or more of its subcommittees, including the Commercial Program Oversight Committee, are currently considering possible changes to CAR Rule of Operation 13.C. (and associated provisions in the Manual of Administrative Procedures) concerning the frequency of redistributions of residual market books of business within the Commercial Servicing Carrier Program, as well as the specific criteria to be employed in determining the need for redistribution and the manner in which any such redistribution shall be accomplished. Accordingly, CAR expressly reserves the right to make any such changes in the Commercial Servicing Carrier Program during this RFP process [or thereafter] with respect to redistribution. Upon any such amendment of Rule 13.C., should any proposer decide that it wishes to amend or withdraw a pending proposal, it may do so at any point between receiving notice of such amendment and final selection under this RFP process.