



NATALIE A. HUBLEY
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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RECORDS OF MEETING

AD HOC REDISTRIBUTION COMMITTEE – FEBRUARY 24, 2021

Members Present

Mr. John Olivieri, Jr. – Chair
Mr. John Kelly
Ms. Mary McConnell
Mr. Thomas Skelly, Jr.
Mr. Barry Tagen
Mr. David Zawilinski

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

Substituted for:
N/A

Not in Attendance:
N/A

21.04 Commercial Program Evaluation – 2021 Request for Proposal

Ms. Natalie Hubley stated that the exhibit distributed with the Notice of Meeting provides an historical summary of redistributions that have occurred over the life of the Commercial Servicing Carrier Program. The exhibit, which was previously presented to the Commercial Program Oversight Committee (CPOC) at its last meeting, is intended to facilitate discussion on redistributions and their impacts in order to determine if there are ways to either minimize the number of redistributions performed or to minimize the negative impacts of redistribution.

Ms. Hubley provided the Committee with an overview of past redistributions. In the first Servicing Carrier term, she stated that there were six Servicing Carriers and during that five-year term there were two redistributions. Both occurred when there was approximately a 2.5 percentage point disparity in the distribution of the books of business as a result of the successful depopulation efforts of the Servicing Carriers. In the second term there was a reduction in the number of Servicing Carriers to four, and during that five-year appointment term, one redistribution took place and it occurred upon a similar disparity in the distribution of the books of business. The most recent term included a change in the selected Servicing Carriers, and two redistributions occurred during the term. However, Ms. Hubley noted that in the most recent redistribution, there was a much wider disparity in the distribution of the books of business before the rebalancing of the books was initiated. Currently at eleven months since the last redistribution, she stated that Servicing Carrier books of businesses are maintaining stability and balance.

Ms. Hubley stated that alternative methods for minimizing the frequency of redistributions were presented for consideration by the CPOC, including: 1) implementing premium and/or expense variance

thresholds for triggering a redistribution, 2) limiting the number of redistributions performed during the five year appointment term to one redistribution, 3) compensating ERPs for the work required to move a books of business, 4) providing another means of compensation to Servicing Carriers to regain financial equity without performing a physical redistribution, and 5) redefining the specifications CAR uses for reassigning the book of business such as a redistribution based upon new business versus renewal policies. She requested the Committee to consider whether any of these alternatives warrant further review or if members have any additional suggestions.

Lastly, Ms. Hubley stated that discussion also took place at the CPOC meeting relative to the inclusion of a disclosure statement in the RFP that indicates that discussion on this topic is on-going. However, since this Committee's intention is to discuss and provide a recommendation to the CPOC prior to finalizing the RFP for Governing Committee approval at its April 21, 2021 meeting, it was agreed that a disclosure is not intended for the RFP at this time.

Committee discussion ensued on various alternatives for minimizing the negative impact of redistribution on agents and insureds, with focus on specific agent concerns with the redistribution process. Mr. Nick Fyntrilakis, representing MAIA, stated that although the Committee's work over the past few years has resulted in the implementation of standards that provided some consistency among Servicing Carriers and less disruption in the marketplace, producers are still observing some variability between carriers in both their underwriting processes and their general administrative procedures. He, as well as agent members of the Committee, acknowledged that appeals of Servicing Carrier appointments cannot be entertained for the integrity of the Program, but they suggested that some means by which an agent can resolve concerns with certain Servicing Carrier processes should be considered. Mr. Fyntrilakis questioned whether CAR's redistribution procedure could be altered such that it would be possible for those producers that desire a change in Servicing Carrier to volunteer to be moved first, as that may somewhat help to limit disruption.

Staff noted that the process for producer assignments to Servicing Carriers was a highly complicated one in which many considerations are involved in the attempt to distribute the business equitably among the companies. There are several steps involved in reassigning agencies including: agency group and affiliate memberships being assigned together to a single Servicing Carrier, consideration to agency assignments to a Servicing Carrier with whom the agency has an existing voluntary relationship, avoiding the reassignment of an agency that has been reassigned in a previous redistribution, and distributing classes of business in an attempt to distribute them among the Servicing Carriers as equitably as possible. It was also noted that accommodating one request for a change in assignment could result in additional requests for changes, ultimately defeating the purpose of the redistribution concept.

Some members opined that, other than the redistributions needed at the start of each appointment term, the interim rebalancing of the ceded books of business have been managed well with little disruption. They suggested that the Program improvements implemented during this most current term may further minimize the need for rebalancing. It was further recommended that CAR research programs in other states to identify measures that may be implemented to encourage depopulation without relaxing the rules currently in place. One member also suggested that some means of producer education relative to the impacts of a large residual market could further enhance depopulation efforts.

Committee members agreed that the suggested alternative to limit redistributions to a specific number may not be realistic due to the continued uncertainty in the commercial market, although it would still be beneficial to limit the number of redistributions in some manner. It was noted that the equitable distribution of books of business can be significantly impacted by agency mergers, particularly involving a single agency that may write a large amount of high premium policies. Members also agreed that the suggested alternative for providing additional compensation to the parties impacted by a redistribution was not an alternative that they wished to pursue due to the potential impact to the deficit.

Some members suggested that it may be appropriate to develop reasonable parameters for introducing a threshold upon which a redistribution would be considered and guidance for committee evaluation of Servicing Carrier requests for a redistribution. Staff was requested to develop a model to identify the impact to Servicing Carrier expense allowances under different book of business distribution scenarios in order that the Committee may further discuss a threshold approach.

MARIAN ADGATE
Corporate Documentation Specialist

Boston, Massachusetts
March 15, 2021

ATTACHMENT LISTING

Docket #AHRC21.02, Exhibit #1

Attendance Listing

**AD HOC REDISTRIBUTION COMMITTEE MEETING
 MEETING ATTENDEES
 FEBRUARY 24, 2021**

Individual's Name

Company / Agency

PLEASE PRINT

John Olivieri, Jr.	J.K. Olivieri Insurance Agency Inc.
John Kelly	MAPFRE U.S.A. Corporation
Mary McConnell	Safety Insurance Company
Thomas Skelly, Jr.	Deland, Gibson Insurance Associates, Inc.
Barry Tagen	Pilgrim Insurance Company
David Zawilinski	Arbella Insurance Group
Mary Ellen Thompson	Division of Insurance
Nick Fyntrilakis	MAIA
Peter Barton	Safety Insurance Company
Marian Adgate	CAR Staff
Wendy Browne	CAR Staff
Shannon Chiu	CAR Staff
Tim Costain	CAR Staff
Richard Dalton	CAR Staff
Timothy Galligan	CAR Staff
Natalie Hubley	CAR Staff
John Metcalfe	CAR Staff
Katy Proctor	CAR Staff
Lynne Rosenburg	CAR Staff
Robin Tigges	CAR Staff
Ben Hincks	TSH & D – CAR Counsel