



NATALIE A. HUBLEY  
PRESIDENT

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## ADDITIONAL INFORMATION

### TO MEMBERS OF THE COMMERCIAL PROGRAM OVERSIGHT COMMITTEE

#### FOR THE MEETING OF:

**Tuesday, August 7, 2018 at 10:30 a.m.**

#### CPOC

##### 18.04 Commercial Program Oversight

Attached is a series of reports to assist the Committee in its discussions, including:

- Commercial Residual Market Volumes – provides four years of premium and cession rate by Class Type to highlight the growth in the residual market (Docket #CPOC18.04, Exhibit #2)
- Distribution of Residual Market Books of Business – identifies the anticipated book of business distribution as of January 1, 2017, after 12 months, and after the recent reassignment effective July 1, 2018 (Docket #CPOC18.04, Exhibit #3)
- Summary of Program Expenses – provides a comparison of the proposed bid prices and actual expense allowances paid to each of the four Servicing Carriers (Docket #CPOC18.04, Exhibit #4)
- Profile – Error/Penalty Information – provides reporting error and penalty information for 2017 for the four Servicing Carriers (Docket #CPOC18.04, Exhibit #5)
- Servicing Carrier Depopulation – provides cession volume information for each carrier relative to assigned producers with which they have no prior voluntary relationship (Docket #CPOC18.04, Exhibit #6)

WENDY BROWNE  
Vice President – Business Operations

Attachments

Boston, Massachusetts  
August 2, 2018

**Commonwealth Automobile Reinsurers  
Commercial Servicing Carrier Programs  
Residual Market Volume Policy Years 2014-2017 at 12 months**

Class Types	Description	2014		2015		2016		2017	
		Writ Prem	Cession Rate	Writ Prem	Cession Rate	Writ Prem	Cession Rate	Writ Prem	Cession Rate
21,23	Trucks, Tractors, Trailers	\$42,438,571	13.4%	\$52,057,990	15.1%	\$60,037,108	16.0%	\$69,269,186	17.2%
22,24	ZR Trucks, Tractors, Trailers	\$12,396,523	84.7%	\$13,982,557	85.8%	\$14,162,383	84.4%	\$16,090,588	89.0%
82	PPT Fleet	\$2,709,703	8.1%	\$2,778,004	7.8%	\$3,618,623	9.6%	\$3,581,035	9.1%
32,35,37,39	Buses	\$21,624,066	39.5%	\$26,474,323	42.5%	\$30,697,188	46.5%	\$33,774,698	49.9%
34,38	ZR Buses	\$4,810,381	99.9%	\$6,255,310	96.0%	\$7,395,645	95.2%	\$9,245,103	97.0%
33	Van Pools	\$614,177	73.5%	\$639,200	79.4%	\$689,063	74.7%	\$742,827	81.5%
41,42,43	Garages	\$9,946,443	26.2%	\$9,698,171	25.7%	\$10,041,848	26.4%	\$10,240,576	26.1%
51,71,72	Special Types & Operations	\$10,222,503	8.0%	\$10,783,600	8.2%	\$12,149,307	8.9%	\$7,727,755	5.3%
61,62	Non Owned	\$2,257,530	15.7%	\$2,501,656	16.9%	\$2,628,666	16.6%	\$2,713,489	18.2%
52	Motorcycles	\$92,089	79.9%	\$90,690	75.2%	\$108,605	78.2%	\$102,773	78.3%
81	PPT NonFleet	\$13,950,886	22.1%	\$17,945,034	26.4%	\$20,910,751	28.9%	\$20,109,020	27.5%
28,29	Limo/Car Service	\$3,890,238	35.2%	\$4,519,640	40.2%	\$5,491,865	43.9%	\$6,389,162	46.9%
31,36	Taxi	<u>\$5,438,973</u>	33.1%	<u>\$6,102,077</u>	34.8%	<u>\$5,795,565</u>	34.9%	<u>\$5,132,359</u>	41.8%
	<b>All Classes</b>	\$130,392,083	18.7%	\$153,828,252	20.5%	\$173,726,617	21.8%	\$185,118,571	22.1%

**Commonwealth Automobile Reinsurers  
Commercial Servicing Carrier Program - Other than Taxi, Limo, CS  
Distribution of Residual Market Books of Business**

Assignment Distribution Effective January 1, 2017

Underlying Data: Policy Years 2013-2015 @ March 2016

	Assigned Premium	Market Share	Agency Count	Assigned Exposures
Arbella	\$36,939,593	25%	249	NA
MAPFRE	\$36,939,446	25%	508	NA
Pilgrim	\$36,939,444	25%	270	NA
Safety	<u>\$36,939,227</u>	<u>25%</u>	<u>368</u>	NA
	\$147,757,710	100%	1,395	

Reported Data through 12 Months of Assignment

Underlying Data: Policy Years 2015-2017 @ December 2017

	Reported Premium	Market Share	Agency Count	Reported Exposures	Market Share
Arbella	\$35,075,606	20%	248	12,126	22%
MAPFRE	\$43,505,116	25%	502	12,806	23%
Pilgrim	\$41,180,246	24%	245	11,359	21%
Safety	<u>\$53,786,775</u>	<u>31%</u>	<u>361</u>	<u>18,620</u>	<u>34%</u>
	\$173,547,743	100%	1,356	54,911	100%

Reassignment Distribution Effective July 1, 2018

Underlying Data: Policy Years 2015-2017 @ December 2017

	Assigned Premium	Market Share	Agency Count	Assigned Exposures	
Arbella	\$43,386,792	25%	259	13,853	25%
MAPFRE	\$43,386,626	25%	499	13,555	25%
Pilgrim	\$43,387,686	25%	243	13,836	25%
Safety	<u>\$43,386,639</u>	<u>25%</u>	<u>355</u>	<u>13,667</u>	<u>25%</u>
	\$173,547,743	100%	1,356	54,911	100%

## Commercial Servicing Carrier Program

### Premium by Class Type

Ceded Business (Car ID 4, 5)

Written Premium Based on Latest 12 Months Ending December 2017

Loss Ratio for Policy Year 2015-2017 Valued through December 2017

Reassigned

Class Type	Arbella Insurance Company				Commerce Insurance Company			
	Written Premium	Class WP %	1yr Loss Ratio	3yr Loss Ratio	Written Premium	Class WP %	1yr Loss Ratio	3yr Loss Ratio
TTT	\$17,521,497	40.4%	36.1%	52.6%	\$19,460,194	44.9%	59.4%	58.6%
Zone Rated TTT	\$4,362,507	10.1%	46.3%	62.2%	\$2,874,856	6.6%	31.0%	44.3%
PPT Fleet	\$901,810	2.1%	42.8%	52.4%	\$1,151,401	2.7%	46.2%	123.6%
PPT Non-Fleet	\$4,524,906	10.4%	100.2%	125.6%	\$4,541,497	10.5%	132.5%	136.4%
Bus/Van Pools	\$10,502,202	24.2%	38.2%	126.5%	\$9,102,226	21.0%	36.7%	54.4%
A/O (ex Taxi / Limo)	\$5,573,870	12.8%	30.4%	47.0%	\$6,256,452	14.4%	29.1%	56.4%
<b>Total</b>	<b>\$43,386,792</b>		<b>43.8%</b>	<b>79.5%</b>	<b>\$43,386,626</b>		<b>55.7%</b>	<b>66.0%</b>
Market Share	25.0%				25.0%			
PDL Exp	13,853				13,555			
% Total	25.2%				24.7%			
Agency Count	259				499			
Class Type	Pilgrim Insurance Company				Safety Insurance Company			
	Written Premium	Class WP %	1yr Loss Ratio	3yr Loss Ratio	Written Premium	Class WP %	1yr Loss Ratio	3yr Loss Ratio
TTT	\$11,613,459	26.8%	36.9%	50.1%	\$20,614,334	47.5%	67.3%	71.0%
Zone Rated TTT	\$6,356,448	14.7%	38.9%	48.9%	\$2,496,777	5.8%	38.0%	52.0%
PPT Fleet	\$665,296	1.5%	38.8%	77.6%	\$862,528	2.0%	33.8%	63.5%
PPT Non-Fleet	\$5,556,656	12.8%	151.5%	117.3%	\$5,422,858	12.5%	133.6%	127.4%
Bus/Van Pools	\$15,723,471	36.2%	54.9%	90.3%	\$8,434,729	19.4%	66.0%	103.0%
A/O (ex Taxi / Limo)	\$3,472,356	8.0%	40.8%	72.4%	\$5,555,413	12.8%	78.7%	94.9%
<b>Total</b>	<b>\$43,387,686</b>		<b>58.3%</b>	<b>72.6%</b>	<b>\$43,386,639</b>		<b>74.4%</b>	<b>85.9%</b>
Market Share	25.0%				25.0%			
PDL Exp	13,836				13,667			
% Total	25.2%				24.9%			
Agency Count	243				355			
Class Type	Total							
	Written Premium	Class WP %	1yr Loss Ratio	3yr Loss Ratio				
TTT	\$69,209,484	39.9%	52.0%	58.9%				
Zone Rated TTT	\$16,090,588	9.3%	39.4%	52.0%				
PPT Fleet	\$3,581,035	2.1%	48.4%	93.1%				
PPT Non-Fleet	\$20,045,917	11.6%	129.8%	127.0%				
Bus/Van Pools	\$43,762,628	25.2%	41.0%	83.7%				
A/O (ex Taxi / Limo)	\$20,858,091	12.0%	44.0%	68.1%				
<b>Total</b>	<b>\$173,547,743</b>		<b>57.8%</b>	<b>75.9%</b>				
Total PDL Exp	54,911							
Total Agency Count	1356							

**Commonwealth Automobile Reinsurers  
Commercial Servicing Carrier Program - Excluding Taxi, Limo, CS  
Comparison of Proposal Bids and Actual Expenses Given  
Policy Year 2017 @ 12 Months**

<u>Company</u>	<u>Bid Proposal</u>	<u>Written Premium</u>	<u>Company &amp; ULAE Expense Allowance</u>	<u>Pct of Premium</u>	<u>Prem Tax and Commission Dollars</u>	<u>Total Expense</u>	<u>Total Expense Percent</u>
Arbella	15.10%	33,800,464	4,750,781	14.06%	4,147,317	8,898,098	26.33%
MAPFRE	16.53%	44,612,129	5,485,450	12.30%	5,473,908	10,959,359	24.57%
Pilgrim	13.07%	41,190,171	4,563,546	11.08%	5,054,034	9,617,580	23.35%
Safety	12.30%	54,068,556	7,484,802	13.84%	6,634,212	14,119,014	26.11%
Total		173,671,320	22,284,580	12.83%	21,309,471	43,594,051	25.10%

Servicing Carrier Contract Term: Policies Effective January 1, 2017-December 31, 2021

Approved Company & ULAE Expense Allowance

per PDL Car

<u>Policy Year</u>	<u>Year</u>
2017	\$396
2018	\$404
2019	\$412
2020	\$420
2021	\$429

**Commonwealth Automobile Reinsurers  
Commercial Servicing Carrier Program - Other than Taxi, Limo, CS  
Profile - Error/Penalty Information - 2017**

	Active Cessions	Error Cesions	Cession Error Percent	Critical Error Policies	Critical Error Percent	NonCritical Error Policies	NonCritical Error Percent	Rate Edit Eligible Records	Rate Edit Errors	Rate Edit Error Percent	Experience Rating Penalties
Arbella	6,431	40	0.62%	2	0.03%	18	0.28%	30,031	90	0.30%	\$700
MAPFRE	7,231	26	0.36%	0	0.00%	5	0.07%	39,713	155	0.39%	\$1,400
Pilgrim	5,660	7	0.12%	2	0.04%	1	0.02%	34,599	75	0.22%	\$900
Safety	14,894	950	6.38%	10	0.07%	22	0.15%	41,046	773	1.88%	\$275
Total	34,216	1,023	2.99%	14	0.04%	46	0.13%	145,389	1,093	0.75%	\$3,275

**Commonwealth Automobile Reinsurers**  
**Policy Year 2017 Written Premium as of March 2018**  
**Producers Assigned as of 1/1/2017**  
**No Voluntary Contract with Their Current Servicing Carrier**

<b>Company</b>	<b>Class Description</b>	<b>Voluntary Written Premium</b>	<b>Ceded Written Premium</b>	<b>Total Written Premium</b>	<b>% Vol of Total</b>
<b>Arbella</b>	TTT	306,484	4,239,901	4,546,385	6.7%
	Zone Rated TTT	54,630	313,123	367,753	14.9%
	PPT Fleet	80,848	353,928	434,776	18.6%
	PPT Non-Fleet	60,784	1,019,064	1,079,848	5.6%
	Garage - Liability	1,823	444,174	445,997	0.4%
	Other Buses/Van Pools	-	524,035	524,035	0.0%
	Zone Rated Buses	-	287,213	287,213	0.0%
	Special Types/Moto	3,392	1,114,717	1,118,109	0.3%
	A/O (ex Taxi/Limo)	19,672	155,637	175,309	11.2%
	<b>Subtotal</b>		<b>527,633</b>	<b>8,451,792</b>	<b>8,979,425</b>
<b>MAPFRE</b>	TTT	1,717,930	5,940,939	7,658,869	22.4%
	Zone Rated TTT	-	726,390	726,390	0.0%
	PPT Fleet	69,963	159,682	229,645	30.5%
	PPT Non-Fleet	253,974	1,193,050	1,447,024	17.6%
	Garage - Liability	306,979	611,868	918,847	33.4%
	Other Buses/Van Pools	4,234	3,842,757	3,846,991	0.1%
	Zone Rated Buses	-	115,867	115,867	0.0%
	Special Types/Moto	92,037	194,237	286,274	32.1%
	A/O (ex Taxi/Limo)	44,143	172,319	216,462	20.4%
	<b>Subtotal</b>		<b>2,489,260</b>	<b>12,957,109</b>	<b>15,446,369</b>
<b>Pilgrim</b>	TTT	90,178	7,416,940	7,507,118	1.2%
	Zone Rated TTT	-	5,277,702	5,277,702	0.0%
	PPT Fleet	-	370,567	370,567	0.0%
	PPT Non-Fleet	42,132	742,447	784,579	5.4%
	Garage - Liability	-	1,142,087	1,142,087	0.0%
	Other Buses/Van Pools	-	5,024,059	5,024,059	0.0%
	Zone Rated Buses	-	2,240,864	2,240,864	0.0%
	Special Types/Moto	-	575,253	575,253	0.0%
	A/O (ex Taxi/Limo)	2,443	257,819	260,262	0.9%
	<b>Subtotal</b>		<b>134,753</b>	<b>23,047,738</b>	<b>23,182,491</b>
<b>Safety</b>	TTT	1,651,316	7,849,002	9,500,318	17.4%
	Zone Rated TTT	-	1,164,485	1,164,485	0.0%
	PPT Fleet	74,132	386,370	460,502	16.1%
	PPT Non-Fleet	772,282	6,685,935	7,458,217	10.4%
	Garage - Liability	32,428	1,109,157	1,141,585	2.8%
	Other Buses/Van Pools	27,615	1,629,754	1,657,369	1.7%
	Zone Rated Buses	-	2,080,305	2,080,305	0.0%
	Special Types/Moto	33,247	449,936	483,183	6.9%
	A/O (ex Taxi/Limo)	37,690	168,760	206,450	18.3%
	<b>Subtotal</b>		<b>2,628,710</b>	<b>21,523,704</b>	<b>24,152,414</b>
<b>TOTAL</b>		<b>5,780,356</b>	<b>65,980,343</b>	<b>71,760,699</b>	<b>8.1%</b>