



NATALIE A. HUBLEY  
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

101 Arch Street, Suite 400 Boston, Massachusetts 02110  
www.commauto.com 617-338-4000

**ADDITIONAL INFORMATION**

**TO MEMBERS OF THE COMMERCIAL PROGRAM OVERSIGHT COMMITTEE**

**FOR THE MEETING OF:**

**Tuesday, December 18, 2018 at 12:30 p.m.**

**CPOC**

**18.04 Commercial Program Oversight**

To assist the Committee in its continued discussions, attached are the following documents:

- A draft of a template for Servicing Carriers to use for preparing their 2018 Annual Reports (Docket #CPOC18.04, Exhibit #11)
- A tentative 2018 Servicing Carrier Annual Report schedule (Docket #CPOC18.04, Exhibit #12)
- A tentative Commercial Servicing Carrier and Taxi/Limousine Programs Request for Proposal schedule for the appointment term commencing on January 1, 2022 (Docket #CPOC18.04, Exhibit #13)

**CPOC**

**18.06 Request for Reimbursement of Extraordinary Expenses – Arbella Protection Insurance Company**

Attached is additional information provided by Arbella to further illustrate its determination of employee costs included in its request for reimbursement of extraordinary expenses. (Docket #CPOC18.06, Exhibit #3)

JOHN METCALFE  
Director – Residual Market Services

Attachments

Boston, Massachusetts  
December 13, 2018

## Commercial Servicing Carrier Annual Report

### 2018 Review

#### I. Introduction

The purpose of the Commercial Servicing Carrier Annual Report is to provide Servicing Carriers a framework to report annually to CAR their efforts in managing the commercial automobile residual market. The Servicing Carriers will provide a self-assessment of their performance in addressing past commercial market concerns and the results of those efforts, including depopulation efforts. The Servicing Carriers will outline their objectives to maintain current levels of achievement in dealing with the issues identified in the marketplace over the past years and strategies for maintaining or exceeding those expectations in upcoming years.

CAR will provide data and profile reports reflecting the residual market experience for the 2018 policy year and will also include historical data in some of the reporting elements for perspective and reference. The data reports should be used by Servicing Carriers to comment on and reference their experiences, challenges and successes during the review year. Reports may include:

- Cession Rate Summary: Industry
- Cession Rate Summary by Class Type: Servicing Carrier vs. Industry
- Written Premium by Class Type: Servicing Carrier vs. Industry
- Exposure Summary by Class Type: Servicing Carrier vs. Industry
- Claim Count by Policy Year: opened, closed, total incurred
- Claim Count by Class Type by Policy Year
- Claim Count by Type of Loss by Policy Year
- Loss Reserve Dollars by Policy Year
- Paid Loss Dollars by Policy Year
- Total Incurred Loss Dollars by Policy Year
- Loss Ratios by Policy Year
- Loss Reserve Dollars by Policy Year by Class Type
- Paid Loss Dollars by Policy Year by Class Type
- Total Incurred Loss Dollars by Class Type: Servicing Carrier vs. Industry
- Loss Ratios Summary by Class Type: Servicing Carrier vs. Industry

#### II. Topics to be Addressed by the Servicing Carrier in the Annual Report

Servicing Carriers are expected to comment on market conditions and experience from both an industry perspective and specific to their company in the handling of commercial automobile residual market business during the 2018 policy year. Reference the information in the data reports provided to comment on your company's efforts, challenges and successes in handling business.

##### A. Residual Market Trends and Issues

Include general observations and comments relative to:

1. Market Conditions
  - a. Deficit Trending
  - b. Cession Rate Trending
  - c. Classification and Rating Issues

2. Concerns
  - a. Rates
  - b. Classifications
  - c. Rating

B. Servicing Carrier Performance and Results

1. Quantitative

Include comments relative to:

  - a. Number of policies taken voluntary over the year
  - b. Written premium taken voluntary during 2018
  - c. Classification and rating efforts and results
  - d. Servicing Carriers will provide their year to year company results on trending classifications to indicate the effect of their depopulation efforts on those class types.
2. Qualitative

Comment on efforts undertaken relative to:

  - a. Exclusive Representative Producer management
  - b. Actions undertaken to address developing market issues or specific classification and/or rating issues.
  - c. Residual market losses/loss ratios

C. Specific Areas for Servicing Carrier Comment for 2018

1. Describe what efforts were employed in 2018 that sought to reduce the cession rate for all classes of commercial auto business. Response would address all areas of depopulation efforts (i.e. voluntary writing, eligibility determination, renewal reviews, etc.).
2. Describe what efforts were employed in 2018 that sought to manage and control the cession growth in the non-fleet private passenger types and bus classes.
3. Describe how the claims, underwriting and loss control functions integrate to address the following (provide detail and/or examples):
  - a. Renewal reviews and audits (by class)
  - b. Large loss handling and audit process
  - c. Class determination
  - d. Rate development
4. Describe efforts and quantify results pursuant to compliance with Rule 10 of the CAR Rules of Operation which requires a Servicing Carrier to conduct audits on representative samples of policies to verify garaging and policy facts.
5. Describe efforts and quantify results relating to the implementation of standards in 2018 for validation a risk's principal place of business.
6. Describe efforts and quantify results relating to the implementation of standards for non-fleet private passenger type risks relative to:
  - a. The validation of the business entity
  - b. The validation of operator licenses

- c. The process for filing and obtaining approval for rates recognizing driver experience
7. Comment on the impact of information sharing efforts in 2018, including use of the Ineligible Risk Data Base.
8. Describe other successes and/or challenges in 2018, including agency management and compliance issues as well as significant residual market activities.

D. Servicing Carrier Program Recommendations for 2019

1. Servicing Carriers should provide input on any market concerns and/or identify any new conditions not currently being addressed by the Committee and provide recommendations to focus on these issues.
2. Provide suggestions, recommendations and/or solutions that would further control claims and service costs for 2019.

2018 Annual Report Schedule

April 1-15, 2019	CAR data and cover document sent to Servicing Carriers
May 15, 2019	Servicing Carrier Annual Reports due to CAR
Late May/Early June 2019	Oversight Committee Review of Annual Reports
June 19, 2019	Governing Committee meeting

The Commercial Program Oversight Committee may wish to discuss the distribution of the completed annual reports and whether they would prefer to have the Servicing Carriers present and/or make presentations at their meeting in late May/early June.

**Request For Proposal – Commercial Servicing Carrier and Taxi/Limousine Programs**  
**Program Appointment Term Beginning January 1, 2022**

On December 31, 2021, the current Commercial Servicing Carrier appointments for the Commercial Automobile Program and the Taxi/Limousine Program will expire. At that time, the Commercial Program Oversight Committee, as charged, will proceed with the procurement of commercial carrier services for these programs. The following schedule of events has been developed to provide Committee members and potential proposers advanced notice of the impending time table. Prior to the expiration of the current appointments, the Committee will meet to discuss and evaluate such matters as the content contained in the Request for Proposals, the terms of the agreements, and the appropriate number of Servicing Carriers given the market conditions at that time. The event schedule associated with the 2022 Commercial Servicing Carrier Appointments is as follows:

**Tentative Program and RFP Review and Appointment Schedule**

Late Fall, 2020	Commercial Program Oversight Committee meets to review and finalize 2022 program details
March 1, 2021	Release of the RFP
March 17, 2021	Mandatory Pre-Response Conference
March 31, 2021	Final Date for Proposer Questions
April 16, 2021	Final Date for Submitting Proposals
May 2-27, 2021	Selection Committee Evaluation of Proposals
June 16, 2021	Governing Committee Decision
June 17, 2021	Servicing Carrier Appointment Notifications
September 1, 2021	ERP Distribution Notification
October 31, 2021	ERPs contracted by the Servicing Carriers
January 1, 2022	Implementation of the Programs Services

**Extra Ordinary Expense for Point Procedures, Investigation and Litigation**

Extra Ordinary Resources Dedicated to Point Insurance	% of time spent 2016	% of 2017	months involved	average % of time spent over entire period	cost per month	7/1/16 - 6/30/17	Expense Bills	GRAND TOTAL
Employee 1 Claims	0%	80%	5	40%	\$3,897.00	\$19,485		
Employee 1 SIU	30%	30%	12	30%	\$5,825.00	\$69,900		
Employee 2 SIU	10%	10%	12	10%	\$1,458.00	\$17,496		
Employee 3 SIU	50%	100%	12	75%	\$5,434.00	\$65,208		
Employee 1 Underwriting	40%	40%	9	40%	\$4,900.00	\$44,100		
Employee 2 Underwriting	50%	50%	4	50%	\$3,750.00	\$15,000		
Employee 3 Underwriting	5%	5%	9	5%	\$612.00	\$5,508		
Employee 4 Underwriting	40%	40%	9	40%	\$2,162.00	\$19,458		
Employee 5 Underwriting	60%	60%	9	60%	\$3,234.00	\$29,106		
Employee 6 Underwriting	10%	10%	2	10%	\$770.00	\$1,540.00		
Employee 1 Operations	43%	25%	8	34%	\$1,005.13	\$8,041.10		
Employee 2 Operations	0%	55%	6	28%	\$1,996.63	\$11,979.78		
Employee 3 Operations	8%	12%	4	10%	\$265.29	\$1,061.17		
Employee 4 Operations	0%	5%	2	3%	\$111.04	\$ 222.08		
In-house Counsel							\$62,842.71	
<b>Totals</b>				<b>31.1%</b>	<b>\$35,420.09</b>	<b>\$308,105.13</b>	<b>\$62,842.71</b>	<b>\$371,169.92</b>

Month	Employee 1 Operations				Employee 2 Operations				Employee 3 Operations				Employee 4 Operations				Total Monthly Available Hours
	Hours	% Month	Cost/Hr	Cost/Month	Hours	% Month	Cost/Hr	Cost/Month	Hours	% Month	Cost/Hr	Cost/Month	Hours	% Month	Cost/Hr	Cost/Month	
Jun-16						0.0%				0.0%				0.0%			159.5
Jul-16		0.0%				0.0%				0.0%				0.0%			145.0
Aug-16		0.0%				0.0%				0.0%				0.0%			166.8
Sep-16		0.0%				0.0%				0.0%				0.0%			152.3
Oct-16	75	49.3%	\$ 27.80	\$ 2,085.00		0.0%	\$ -			0.0%	\$ 22.87	\$ -		0.0%	\$ -		152.3
Nov-16	60	39.4%	\$ 27.80	\$ 1,668.00		0.0%	\$ -		14	9.2%	\$ 22.87	\$ 320.18		0.0%	\$ -		152.3
Dec-16	63.5	39.8%	\$ 27.80	\$ 1,765.30		0.0%	\$ -		12	7.5%	\$ 22.87	\$ 274.44		0.0%	\$ -		159.5
Jan-17	56	35.1%	\$ 27.80	\$ 1,556.80		0.0%	\$ -		19.85	12.4%	\$ 22.87	\$ 453.97		0.0%	\$ -		159.5
Feb-17	18.75	12.9%	\$ 27.80	\$ 521.25	40	27.6%	\$ 25.60	\$ 1,024.00	0.55	0.4%	\$ 22.87	\$ 12.58		0.0%	\$ -		145.0
Mar-17	10.75	6.4%	\$ 27.80	\$ 298.85	90.75	54.4%	\$ 25.60	\$ 2,323.20		0.0%	\$ 22.87	\$ -		0.0%	\$ -		166.8
Apr-17		0.0%	\$ 29.18	\$ -	99.75	68.8%	\$ 26.10	\$ 2,603.48		0.0%	\$ 22.87	\$ -		0.0%	\$ -		145.0
May-17	2.25	1.4%	\$ 29.18	\$ 65.66	96.25	60.3%	\$ 26.10	\$ 2,512.13		0.0%	\$ 22.87	\$ -		0.0%	\$ -		159.5
Jun-17		0.0%	\$ 29.18	\$ -	97.5	61.1%	\$ 26.10	\$ 2,544.75		0.0%	\$ 22.87	\$ -	9.75	6.1%	\$ 18.90	\$ 184.28	159.5
Jul-17	2.75	1.8%	\$ 29.18	\$ 80.25	37.25	24.5%	\$ 26.10	\$ 972.23		0.0%	\$ 22.87	\$ -	2	1.3%	\$ 18.90	\$ 37.80	152.3
Totals	289			\$ 8,041.10	461.5			\$ 11,979.78	46.4			\$ 1,061.17	11.75			\$ 222.08	1,551.5

Average % of Time Spent Over Entire Year		Average % of Time Spent Over Entire Year		Average % of Time Spent Over Entire Year		Average % of Time Spent Over Entire Year	
2016	43.3%	2016	0.0%	2016	8.4%	2016	0.0%
2017	25.3%	2017	55.4%	2017	12.1%	2017	5.3%



Month	Hours	Cost	FTE
October	85	\$ 2,635.00	0.56
November	75	\$ 1,723.00	0.49
December	76.5	\$ 1,820.30	0.50
January	76.85	\$ 1,611.80	0.50
February	60.3	\$ 1,600.25	0.42
March	102.5	\$ 2,677.05	0.61
April	100.75	\$ 2,646.98	0.69
May	99.5	\$ 2,621.28	0.62
June	117.25	\$ 3,164.03	0.74
July	45	\$ 1,217.77	0.69
<b>Totals</b>	838.65	\$ 21,717.45	0.58

**Loaded Salary** \$ 27,798.34

Month	EE2 Hours	Cost/Hr	Cost/Month	EE1 Hours	Cost/Hr	Cost/Month	EE3 Hours	Cost/Hr	Cost/Month
Jul-16									
Aug-16									
Sep-16									
Oct-16			\$ -	75	\$ 27.80	\$ 2,085.00		\$ 22.87	\$ -
Nov-16			\$ -	60	\$ 27.80	\$ 1,668.00	14	\$ 22.87	\$ 320.18
Dec-16			\$ -	63.5	\$ 27.80	\$ 1,765.30	12	\$ 22.87	\$ 274.44
Jan-17			\$ -	56	\$ 27.80	\$ 1,556.80	19.85	\$ 22.87	\$ 453.97
Feb-17	40	\$ 25.60	\$ 1,024.00	18.75	\$ 27.80	\$ 521.25	0.55	\$ 22.87	\$ 12.58
Mar-17	90.75	\$ 25.60	\$ 2,323.20	10.75	\$ 27.80	\$ 298.85		\$ 22.87	\$ -
Apr-17	99.75	\$ 26.10	\$ 2,603.48		\$ 29.18	\$ -		\$ 22.87	\$ -
May-17	96.25	\$ 26.10	\$ 2,512.13	2.25	\$ 29.18	\$ 65.66		\$ 22.87	\$ -
Jun-17	97.5	\$ 26.10	\$ 2,544.75		\$ 29.18	\$ -		\$ 22.87	\$ -
Jul-17	37.25	\$ 26.10	\$ 972.23	2.75	\$ 29.18	\$ 80.25		\$ 22.87	\$ -
Totals	461.5		\$ 11,979.78	289		\$ 8,041.10	46.4		\$ 1,061.17

