



NATALIE A. HUBLEY
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ADDITIONAL INFORMATION

TO MEMBERS OF THE COMMERCIAL PROGRAM OVERSIGHT COMMITTEE

FOR THE MEETING OF:

Thursday, March 5, 2020 at 10:30 a.m.

CPOC

20.04 Fitzgerald Insurance Agency – Change in Servicing Carrier

Attached is additional information provided by the Fitzgerald Insurance Agency relative to the agency's Request for Review. (Docket #CPOC20.04, Exhibit #2)

CPOC

20.05 2019 Servicing Carrier Annual Reports

Attached is a draft of the 2019 Servicing Carrier Annual Report template for the Committee's review and discussion. (Docket #CPOC20.05, Exhibit #1)

JOHN METCALFE
Director – Residual Market Services

Attachments

Boston, Massachusetts
February 26, 2020

UPDATE 2/24/2020

Supplement to our original letter for relief.

Management software change:

Effective 11/1/19 we changed systems to Applied Epic. As most of you know a system change is never quick and finite. We expected a 1-3 month learning curve and prepared for the disruptions, service issues and additional person hours that went with a new system. The long term goal of changing to Epic was to bring our service up a notch and move into a system that deals better with today's client needs.

Normally during that transition you are "shut" down for 7-10 days. Once you are back online you must replicate all of your actions, emails and attachments that happened during that closed time period while also providing service to your clients. Once we were live we found numerous errors in the database. We found out that the new system had corrupted portions of the database. Here are but two in particular:

1. Changed client names so the normal way to find a client did not work.
2. Policy info, details, premiums, dates were not right in at least 35% of the clients.

The most important result of these issues, as it relates to our change to Commerce, is that we cannot produce a credible report that we know with certainty is correct. We are working with Epic to resolve database issues and progress is being made but our expirations reports are not right. In light of this ongoing issue my concerns about potential E&O claims is very worrisome.

Epic tells me they will resolve the issue and I believe that to be true but it could be months before everyone, Epic and Fitzgerald, know the data to be fool proof.



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Commercial Servicing Carrier Annual Report 2019 Review

A. 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. 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.

Please comment on each area identified below and submit to CAR staff.

B. Specific Areas for Servicing Carrier Comment

1. Comment on rating and underwriting efforts relating to the implementation of the standards for determining and validating radius class and geographic classification of Trucks, Tractors and Trailers and Public Automobiles. Additionally, quantify the use of the default radius class and rating territory in the absence of credible permanent records from the applicant.
2. Comment on the application of the changes implemented in 2019 that clarified the definition of zone and assignment of zone combination for zone rated risks, as well as the modifications to the Zone Rating Tables in the Rate Section of the Commercial Manual to assure that an appropriate rate is selected based upon whether the automobile's principal place of garaging is in a metropolitan or regional zone, and the correct combination of those zones.
3. Describe efforts and quantify results pursuant to compliance with Rule 10 – Claims of CAR's Rules of Operation which requires a Servicing Carrier's SIU to conduct audits on representative samples of policies to verify garaging and policy facts.
 - a. Identify the number of audits conducted and the number of exposures and policies audited.
 - b. Staff concluded that a Servicing Carrier's SIU was utilized in determining eligibility but infrequently reported to CAR. Explain how your company will ensure that SIU activity is properly documented.

B. Specific Areas for Servicing Carrier Comment (continued)

4. Describe efforts and quantify results relating to the implementation of standards in 2019 for validation of a risk's principal place of business relative to:
 - a. The validation of Nerve Center.
 - b. The number of risks evaluated and the number of risks deemed ineligible.
 - c. The number of SIU Investigations performed.
 - d. The impact that the implementation of the Principal Place of Business certification form has had on your company's efforts to evaluate eligibility.
 - e. Your company's plans to ensure that bus risks are reevaluated for residual market eligibility on a scheduled and continuing basis.
 - f. Any additional efforts employed by your company in 2019 that sought to manage and control the growth in the volume of ceded buses and TTTs.

5. 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 impact that the implementation of the NF-PPT certification form and Operator Exclusion form has had on your company's efforts to evaluate eligibility.
 - d. Any additional efforts employed by your company in 2019 that sought to manage and control the cession growth in the non-fleet private passenger types. The charts below provide data as of December, 2019 to assist you in your response.

Ceded PDL Exposures	% Chg			
	<u>PY 18</u>	<u>PY 19</u>	<u>Diff</u>	<u>19/18</u>
Company	████	████	████	████
Industry	10,347	6,991	(3,356)	-32.4%
Percent of IND Exp	████	████		

Cession Rate (Exposures)	% Chg			
	<u>PY 18</u>	<u>PY 19</u>	<u>Diff</u>	<u>19/18</u>
Company	████	████	████	████
Industry	23.5%	18.6%	-4.9%	-20.9%

B. Specific Areas for Servicing Carrier Comment (continued)

6. For the NF-PPT classification, describe efforts to address rate concerns that exist for the residual market. The table below provides data as of December, 2019 to assist you in your response.

<u>Company</u>		
PY	Written Premium	Avg Prem
2018		
2019		
Change		
% Change		

<u>Industry</u>		
PY	Written Premium	Avg Prem
2018	\$17,696,005	\$1,710
2019	\$13,549,790	\$1,938
Change		\$228
% Change		13%

7. The tables below contain your company's count for reported ineligible risks by Reason and by Class Type from the Ineligible Risk database for the period of January 1, 2019 through December 31, 2019. The industry totals have been provided for each category for informational as well as relational comparison. Using this information, comment on the effects information sharing has had on your company's underwriting results and the automobile residual market and include any emerging trends or patterns.

Reason	SC Count	Ind Count	% SC to Ind
Principal Place of Business not MA		114	
Unverifiable Commercial Entity		218	
Misrepresentation of Information		21	
Invalid License		218	
Other		94	
Totals		665	

Class Description	SC Count	Ind Count	% SC to Ind
Private Passenger Types - Non Fleet		343	
Regular TTT Fleet and Non Fleet		220	
Zone Rated TTT Fleet & Non Fleet		36	
Comm Buses Fleet & Non Fleet		17	
Private Passenger Types - Fleet		13	
Non-Owned, Special Rating and Gross Receipts and Mileage		11	
Taxis –Fleet and Non Fleet		2	
Totals		678	

B. Specific Areas for Servicing Carrier Comment (continued)

Also, provide suggestions for additional data elements to be captured within the Ineligible Risk database, if any.

8. Describe other successes and/or challenges in 2019, including agency management, availability of proper documentation, compliance issues and other significant residual market activities.
9. Comment on the reporting method and use of the Large Loss Pre-Reporting Notification form.
10. Servicing Carrier Program Recommendations for 2020:
 - a. 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.
 - b. Provide suggestions, recommendations and/or solutions that would further control claims and service costs for 2020.

C. General Topics to be Addressed by the Servicing Carrier in the Annual Report

Servicing Carriers are expected to comment on market conditions and experience both relative to the industry and specific to their company in the handling of commercial automobile residual market business during the 2019 policy year. Comment on the industry and your company’s efforts, challenges and successes in handling business. The charts below provide industry and company data report information as of December, 2019 to assist you in your evaluation and comments. Additional data reports can be found on CAR’s website on the Commercial Only – Servicing Carrier Profile Page.

Ceded written premium by vehicle type for policy years 2017-2019

Industry			
Class Type Group	2017	2018	2019
Regular TTT and Regular TTT - Fleet	67,737,279	75,618,682	84,665,027
Zone Rated TTT and Zone Rated TTT - Fleet	16,561,823	19,477,185	20,696,714
Commercial Buses and Commercial Buses - Fleet	17,865,334	18,281,926	19,029,194
Zone Rated Buses and Zone Rated Buses - Fleet	9,462,551	10,676,300	10,722,136
PPT Buses and PPT Buses - Fleet	15,901,952	17,707,745	20,458,185
Garages - Premises and Garages Not Subject to Compulsory Law	79,552	77,033	68,595
Garages Subject to Compulsory Law	10,092,803	11,006,158	11,138,401
Van Pools	734,758	807,562	780,089
Private Passenger Types - Non Fleet	19,346,177	17,696,005	13,549,790
Private Passenger Types - Fleet	3,554,980	4,426,078	4,765,593
Special Types and Motorcycles	6,651,199	7,080,942	7,427,000
Non-Owned, Special Rating and Gross Receipts and Mileage	3,495,487	3,695,957	3,154,552
Total	171,483,895	186,551,573	196,455,276
Company			
Class Type Group	2017	2018	2019
Regular TTT and Regular TTT - Fleet			
Zone Rated TTT and Zone Rated TTT - Fleet			
Commercial Buses and Commercial Buses - Fleet			
Zone Rated Buses and Zone Rated Buses - Fleet			
PPT Buses and PPT Buses - Fleet			
Garages - Premises and Garages Not Subject to Compulsory Law			
Garages Subject to Compulsory Law			
Van Pools			
Private Passenger Types - Non Fleet			
Private Passenger Types - Fleet			
Special Types and Motorcycles			
Non-Owned, Special Rating and Gross Receipts and Mileage			
Total			

C. General Topics to be Addressed by the Servicing Carrier in the Annual Report (continued)

Ceded PDL exposures by vehicle type for policy years 2017-2019

Industry			
Class Type Group	2017	2018	2019
Regular TTT and Regular TTT - Fleet	21,398	22,578	21,884
Zone Rated TTT and Zone Rated TTT - Fleet	3,426	3,958	4,139
Commercial Buses and Commercial Buses - Fleet	4,055	3,887	3,943
Zone Rated Buses and Zone Rated Buses - Fleet	1,176	1,195	910
PPT Buses and PPT Buses - Fleet	4,490	4,513	4,913
Garages - Premises and Garages Not Subject to Compulsory Law *			
Garages Subject to Compulsory Law	3,477	3,518	3,385
Van Pools	166	188	158
Private Passenger Types - Non Fleet	12,302	10,347	6,991
Private Passenger Types - Fleet	1,271	1,301	1320
Special Types and Motorcycles	2,063	2,501	2,352
Non-Owned, Special Rating and Gross Receipts and Mileage*			
Total	53,823	53,986	49,995
Company			
Class Type Group	2017	2018	2019
Regular TTT and Regular TTT - Fleet			
Zone Rated TTT and Zone Rated TTT - Fleet			
Commercial Buses and Commercial Buses - Fleet			
Zone Rated Buses and Zone Rated Buses - Fleet			
PPT Buses and PPT Buses - Fleet			
Garages - Premises and Garages Not Subject to Compulsory Law *			
Garages Subject to Compulsory Law			
Van Pools			
Private Passenger Types - Non Fleet			
Private Passenger Types - Fleet			
Special Types and Motorcycles			
Non-Owned, Special Rating and Gross Receipts and Mileage*			
Total			

C. General Topics to be Addressed by the Servicing Carrier in the Annual Report (continued)

Ceded exposures by class type group and liability limit for policy year 2019

Industry										
CSL	TTT	ZR TTT	AO Buses	ZR Buses	PPT Buses	Van Pools	Garages	PPT NF	PP Fleet	Special Types
45,000	8	0	0	0	0	0	0	1	0	0
50,000	4	0	0	0	1	0	5	1	0	0
75,000	0	0	0	0	0	0	0	0	0	0
100,000	29	0	19	0	78	0	22	4	1	9
150,000	3	0	0	0	0	0	2	1	0	0
200,000	3	0	0	0	0	0	0	3	0	0
300,000	100	1	1	0	7	6	22	25	3	8
400,000	0	0	0	0	0	0	0	0	0	0
500,000	360	5	74	0	414	1	65	108	43	30
750,000	157	15	0	0	0	0	31	4	4	5
1,000,000	13,165	3,835	1,292	5	1,904	88	1,887	1,459	785	1,546
1,500,000	9	0	371	35	841	0	0	1	2	0
3,000,000	0	0	0	0	0	0	0	0	0	0
5,000,000	190	253	1,649	868	20	1	1	0	2	0
7,500,000	0	0	0	0	0	0	0	0	0	0
Total	14,028	4,109	3,407	908	3,265	96	2,034	1,607	840	1,598
BI Single Limit	TTT	ZR TTT	AO Buses	ZR Buses	PPT Buses	Van Pools	Garages	PPT NF	PP Fleet	Special Types
20/40	0	1	1	6	26	0	1	12	0	10
20/40 w/optional BI	9	466	41	284	325	0	18	3,388	117	1,486
20/50	0	59	0	5	0	0	8	950	11	1,051
25/60	0	1	0	0	0	0	0	11	0	5
25/50	1	99	5	51	34	0	2	416	13	366
30/70	0	0	0	0	0	0	0	0	0	0
35/80	0	39	5	14	1	0	1	185	19	126
50/100	0	309	10	217	67	0	11	1,211	66	697
100/300	17	690	197	669	296	1	17	1,685	142	1,472
250/500	1	181	708	545	108	1	6	583	78	530
500/500	0	12	2	40	18	0	0	42	1	38
500/1000	0	56	63	30	20	0	0	28	6	26
1000/1000	3	36	106	24	63	0	0	28	5	42
All Other	1	15	7	30	2	0	0	20	0	17
No BI	0	0	0	0	0	0	0	0	0	0
Total	31	1,964	1,144	1,915	957	2	64	8,560	456	5,865
PDL Single Limit	TTT	ZR TTT	AO Buses	ZR Buses	PPT Buses	Van Pools	Garages	PPT NF	PP Fleet	Special Types
5,000	108	0	5	0	18	1	42	63	11	105
10,000	8	0	0	0	1	0	8	3	0	9
15,000	0	0	0	0	0	0	0	2	0	0
25,000	20	0	1	0	1	0	13	15	2	25
35,000	0	0	0	0	0	0	0	0	0	3
50,000	140	0	16	0	51	2	62	128	6	17
100,000	6,413	29	398	1	1,344	43	997	4,719	402	394
250,000	952	0	93	1	202	16	161	380	54	120
500,000	94	0	11	0	25	1	43	34	4	26
750,000	0	0	0	0	0	0	0	1	0	0
1,000,000	0	0	0	0	0	0	0	3	0	0
All Other	123	2	8	0	4	0	25	37	5	20
PDL Deductible	0	0	0	0	0	0	0	0	0	0
Total	7,857	31	531	2	1,644	63	1,350	5,384	485	720

Completed Annual Report responses for 2019 will be due to CAR by Friday, May 15, 2020. The Commercial Program Oversight Committee will hold a meeting to discuss its review of the reports in late May or early June of 2020. Servicing Carriers are expected to be present at that meeting to respond to any questions from Committee members.

2019 Annual Report Schedule

April 1-15, 2020	CAR data and cover document sent to Servicing Carriers
May 15, 2020	Servicing Carrier Annual Reports due to CAR
Late May/Early June 2020	Oversight Committee Review of Annual Reports