



NATALIE A. HUBLEY  
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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www.commauto.com 617-338-4000

## NOTICE OF MEETING

### COMMERCIAL PROGRAM OVERSIGHT COMMITTEE

A meeting of the Commercial Program Oversight Committee will be held virtually via Zoom video conferencing software, on

**THURSDAY, APRIL 8, 2021 AT 11:00 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. Charles Boynton, III  
Mr. Brian Hayes  
Mr. Bryan Hurwitz  
Ms. Sharon Murphy

Boynton Insurance Agency, Inc.  
Quincy Mutual Group  
The Norfolk & Dedham Group  
Acadia Insurance Company

### AGENDA

#### CPOC

##### 21.01 Records of Previous Meeting

The Records of the Commercial Program Oversight Committee meeting of February 3, 2021 should be read and approved.

#### CPOC

##### 21.03 CAR Conflict of Interest Policy

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

**CPOC**

**20.06 Commercial Program Evaluation – 2021 Request for Proposal**

The current Commercial Servicing Carrier Program is set to expire on December 31, 2021. A Request for Proposal (RFP) is scheduled to be distributed to the industry by May 1, 2021 for Servicing Carrier appointments to service the commercial automobile residual market, beginning with policies effective January 1, 2022 and subsequent.

At the meeting, the Committee's should be prepared to approve the RFP for the upcoming Servicing Carrier term in order to provide a recommendation to the Governing Committee at its April 21, 2021 meeting.

A draft of the RFP for the Commercial Automobile Program, including an updated schedule of events is attached. (Docket #CPOC20.06, Exhibit #10)

**CPOC**

**21.04 Ad Hoc Redistribution Committee**

The Chair of the Ad Hoc Redistribution Committee will report on its meetings of February 24, 2021, March 18, 2021 and April 8, 2021.

The Records of the Ad Hoc Redistribution Committee meeting of February 24, 2021 are attached. (Docket #CPOC21.04, Exhibit #1).

The Records of the Ad Hoc Redistribution Committee meeting of March 18, 2021 will be distributed as additional information prior to the meeting.

**CPOC**

**21.05 2020 Servicing Carrier Annual Reports**

The Commercial Servicing Carrier Annual Report is intended to provide Servicing Carriers a framework to report annually to CAR their efforts in managing the commercial automobile residual market.

The Committee should be prepared to discuss whether Servicing Carriers will be required to submit a 2020 Annual Report as the Commercial Servicing Carrier Program Request for Proposal (RFP) process will be ongoing for the upcoming appointment term.

**Other Business**

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

**Executive Session**

The Commercial Program Oversight Committee may convene in Executive Session in accordance with the provisions of G.L. c. 30A, § 21.

JOHN METCALFE  
Director – Residual Market Services

Attachments

Boston, Massachusetts  
March 24, 2021



NATALIE A. HUBLEY  
PRESIDENT

# COMMONWEALTH AUTOMOBILE REINSURERS

101 Arch Street, Suite 400 Boston, Massachusetts 02110

[www.commauto.com](http://www.commauto.com)

617-338-4000

**REQUEST FOR PROPOSAL**  
**FOR COMMERCIAL SERVICING CARRIER APPOINTMENT**  
**MASSACHUSETTS AUTOMOBILE RESIDUAL MARKET**  
**COMMERCIAL AUTOMOBILE PROGRAM**  
**CEDED POLICIES EFFECTIVE JANUARY 1, 2022**

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Section 1 – Background and Purpose

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1.1 Schedule of Events

Commonwealth Automobile Reinsurers (CAR) intends to progress in this procurement in a series of orderly steps. The schedule that follows has been developed in order to provide adequate information for proposers to prepare definitive proposals and to permit CAR to consider fully various factors that may affect its decision. These dates should be carefully observed.

<u>Event</u>	<u>Date</u>
Notice of RFP Issued	April 30, 2021
Mandatory Pre-Response Conference	May 12, 2021
Final Date for Proposer Questions	May 28, 2021
Final Date to Submit Proposals	June 16, 2021
Selection Committee Evaluation of Proposals	July 12-30, 2021
Governing Committee Decision	August 5, 2021
Servicing Carrier Appointment Notification	August 6, 2021
ERP Distribution Notification	September 1, 2021
ERPs Contracted by Servicing Carriers	October 29, 2021
Servicing Carrier Implementation of Services	January 1, 2022

1.2 Background Information

CAR has employed separate specialized programs to manage, 1) ceded commercial automobile risks other than taxi, limousine, and car service classifications and 2) ceded taxi, limo, and car service classifications in order to control the size of the residual market and to establish equitable access to the residual market for all classes of commercial automobile business. The programs consolidate the servicing of commercial residual market business to a limited number of Servicing Carriers; each appointed for a specific term. The programs were designed to enhance the effectiveness of underwriting and loss control practices by assigning each producer to one Servicing Carrier for each program. For the upcoming Servicing Carrier appointment term, the programs will be combined into a single program to service all classes of commercial automobile residual market business, eliminating the separate programs of prior terms. The Commercial Program Oversight Committee has indicated its preference to appoint four Servicing Carriers for the upcoming program term. However, the Committee noted that a final decision regarding the number of Servicing Carriers will be determined subsequent to the evaluation of the submitted proposals.



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Section 1 – Background and Purpose (Continued)

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1.3 Administrative Procedures - Servicing Carrier and Producer Requirements

Servicing Carriers shall 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 Claims Performance Standards. These manuals are available on CAR's website at [www.commauto.com](http://www.commauto.com).

1.4 Purpose

The purpose of this Request for Proposal (RFP) is to provide qualified Member Companies with sufficient information to enable submission of proposals for appointment as a Servicing Carrier to service all classes of Massachusetts ceded commercial automobile business effective January 1, 2022. Proposals shall respond to all terms and conditions of this RFP. Proposers shall complete all information requested.

1.5 Program Oversight

Oversight of the Commercial Servicing Carrier Program is managed through the combined efforts of the Commercial Program Oversight Committee and the Compliance and Operations Committee.

The Commercial Program Oversight Committee is responsible for the general oversight of the Commercial Servicing Carrier Program and acts as the selection committee for Servicing Carrier appointments. The Committee reviews Servicing Carrier annual reports and CAR audit results to recommend potential enhancements to program standards that may involve further consideration by the Commercial Auto Committee. The Committee also engages in reviews of and recommendations to the Governing Committee relative to Servicing Carrier requests for extraordinary expenses, and any other issues that may arise concerning oversight of the programs.

The Compliance and Operations Committee reviews the results of recurring and focused audits conducted by CAR staff designed to monitor Servicing Carrier adherence to the program standards, statistical reporting requirements, and claims handling performance standards. The Committee may recommend corrective action where appropriate.

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## Section 2 – Program and Performance Requirements

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### 2.1 Administrative and Account Management Services

The Servicing Carrier(s) will be expected to:

- Assign a management level account executive with knowledge of the Program responsible for responding to CAR inquiries and the requirements set forth herein and, upon reasonable notice, be available to meet with CAR staff and committee(s).
- For commercial automobile residual market business with policy effective dates beginning on or after January 1, 2022, each appointed Servicing Carrier shall utilize an installment payment plan that has been filed with and approved by the Commissioner of Insurance. The plan shall include the application of an installment finance charge based on an annual percentage rate (APR), and no more than a 30% first or deposit payment due on or before the policy effective date. The plan shall also include that no fewer than seven monthly payments thereafter must be offered to the insured that chooses to pay in installments. The Servicing Carrier will cooperate with its producers assigned through the program to assure that policyholders are made aware of their option to utilize an installment plan.

### 2.2 Underwriting and Policy Processing

Subject to general direction of CAR, the Servicing Carrier(s) will be required to provide the ability for assigned Exclusive Representative Producers to immediately bind coverage and certify registrations for commercial automobile residual market business. The Servicing Carrier(s) shall:

- Evaluate and confirm residual market eligibility.
- Properly classify and rate all risks ceded to the commercial residual market.
- Comply with all standards and issuance of all appropriate commercial forms, endorsements, and applications with each risk's underwriting file as described in the Commercial Automobile Manual and Chapter 10 of the Manual of Administrative Procedures.
- Provide training for, support to, and oversight of assigned producers.

### 2.3 Claims Management Services

Subject to general direction of CAR, the Servicing Carrier(s) shall establish procedures for claims management for the risks insured through this program pursuant to the provisions of CAR's Rules of Operation, Manual of Administrative Procedures, and Commercial Claims Performance Standards.

- The Servicing Carrier(s)' Massachusetts claims units will manage claims arising out of state.
- Each Servicing Carrier is required to maintain a Special Investigative Unit in accordance with M.G.L. Chapter 175 Section 113H, Articles III and IV of the Plan of Operation and Rule 10 of the Rules of Operation to investigate suspicious claims and to assist in the underwriting of questionable risks with the objective to eliminate fraud.

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Section 2 – Program and Performance Requirements (Continued)

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2.3 Claims Management Services (Continued)

- The Servicing Carrier must employ litigation management and legal cost containment processes.
- The Servicing Carrier must develop a fraud management program and describe related costs associated with it.

2.4 Management Information Systems

Subject to general direction of CAR, the Servicing Carrier(s) shall gather and produce reliable, relevant, and properly organized data that supports the decision-making process.

- Provide all data required by CAR's Rules of Operation and Manual of Administrative Procedures.
- Produce ad hoc reports as may be requested by CAR staff and its committees.
- Meet all statistical reporting requirements.

2.5 Loss Control Services

The Servicing Carrier(s) will be expected to provide safety engineering or loss control services consistent with best practices and as directed by the Governing Committee. Minimum parameters for the establishment of loss control programs to be made available to qualifying policyholders are as follows:

- Upon request, any risk regardless of size will be provided written material concerning loss control. Any risk with five or more power units or the equivalent of such exposure, if hired by the risk, that develops an experience rating debit will be offered a loss control survey.
- Program features shall include vehicle inspection, driver and equipment evaluation, a review of accident and loss experience, a safety newsletter or other informational mailings.
- The results of the loss control survey shall include a corrective action plan, safety management features and, if applicable to the risk, a hazardous material plan.

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Section 2 – Program and Performance Requirements (Continued)

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2.6 Integration of Claims and Underwriting Operations with Loss Control

The Servicing Carrier(s) must provide the means to facilitate successful integration of the claims, underwriting and loss control functions including but not limited to an SIU investigation of suspicious underwriting issues and the establishment of procedures for claims alerts to the underwriting and loss control personnel. It is critically important that the claims and underwriting operations are fully coordinated with loss control services.

2.7 Innovative and Creative Solutions

As CAR's statutory obligation is to contain and control costs, CAR is very interested in pursuing innovative and creative ideas that would strengthen the underwriting, claim administration and loss control process in a cost-effective manner, applying them to the Program wherever appropriate. Proposals will be evaluated, in part, on their ability to bring fresh ideas and concepts to all classes of commercial business.

2.8 Additional Services

CAR is interested in any other services which the proposer is qualified to offer that would enhance, or expand in a related manner, the services that CAR provides to its Members, producers, and insureds in a cost-effective manner.

2.9 Staffing

Whenever possible, staff should be assigned full time to the Program. Any and all staff assigned to the Program must have an excellent working knowledge of the needs and requirements of the Program and how these may differ from other business. The account executive must be able to make a time commitment to the management of this account and will be held responsible for the delivery of all services provided by the Servicing Carrier(s).

2.10 Implementation

CAR will be very interested in the development of an implementation plan which will provide the smoothest transition and minimal service disruption for the producer and the insured.

2.11 Term and Termination

CAR seeks a multi-year appointment of five years. In accordance with the provisions of CAR's Rules of Operation and Manual of Administrative Procedures, CAR has the ability to terminate the appointment for lack of acceptable performance by the Servicing Carrier.

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Section 2 – Program and Performance Requirements (Continued)

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2.11 Term and Termination (continued)

Refer to Rule 16 of CAR's Rules of Operation which addresses voluntary and involuntary Servicing Carrier terminations.

2.12 Residual Market Management Control Efforts

The Servicing Carrier(s) are expected to assist CAR in its efforts to control the size and the financial results of the commercial residual market. CAR will require an annual report from each Servicing Carrier providing a self-assessment of its performance in addressing commercial market concerns and the results of those efforts. The Servicing Carriers will outline their objectives to maintain the highest levels of achievement in dealing with the issues of concern identified in the marketplace and strategies for maintaining or exceeding those expectations. The report will include any factors that may have successfully permitted or negatively impacted the company's efforts to effectively manage the residual market. Annually, CAR will provide Servicing Carriers a template and schedule for the reports to be delivered and reviewed.

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Section 3 – General Conditions for Content of Proposals

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3.1 Eligibility of Proposers

Proposers must be Massachusetts licensed motor vehicle insurance companies with an acceptable A.M. Best rating of A- or better or comparable financial and operating performance as determined by CAR.

3.2 Regular Proposals

Each proposer shall comply with all requirements as directed by this notice. Proposals which are defective, or irregular may be rejected immediately.

3.3 Uniform Proposals

To facilitate comparative analysis and evaluation of proposals, it is desired that a uniform format be employed in structuring each proposal. The required format is specified in Section 7 of the RFP. Proposals with major deviations or omissions may not be considered for detailed study.

3.4 Requests for Additional Information

Questions regarding the RFP and the selection process should be directed to:

Richard Dalton  
CAR Residual Market Services  
Tel: 617-880-2319  
[Email: rdalton@commauto.com](mailto:rdalton@commauto.com)

Proposers may also submit questions orally or in writing at the pre-response conference (see Section 3.6). All questions and answers of general interest will be circulated in writing after the pre-response conference to all firms who have attended. Officials or employees of CAR, its consultants or committee members shall not be contacted at any time by proposers. Any unauthorized contact may be grounds for disqualification of the proposer's proposal.

Any questions submitted after the mandatory pre-response conference must be submitted by May 28, 2021. Answers will be returned in writing to all proposers.

3.5 Revisions

If it should become necessary to revise any part of this RFP or otherwise provide additional information, an addendum will be issued by CAR and furnished to all prospective proposers that have attended the CAR pre-response conference.

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Section 3 – General Conditions for Content of Proposals (Continued)

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3.6 Pre-Response Conference

A mandatory pre-response conference for prospective proposers will be held virtually via Zoom video conferencing software at 11:00 A.M. on May 12, 2021. Only those firms represented at the mandatory pre-response conference shall be eligible to submit proposals to CAR.

3.7 Proposer's Examination of the RFP

Proposers shall examine all information and materials contained in and with this RFP. Proposers shall also be responsible for having full knowledge of all relevant laws and regulations of the State of Massachusetts and the United States Government. Failure to do so shall be at the proposer's risk.

3.8 Exceptions to the RFP

It is anticipated that proposers may find instances where their proposals are not completely consistent with the specifications of this RFP. All such exceptions shall be clearly identified and written explanations shall include the scope of the exceptions, the ramifications of the exceptions for CAR, its Members, representative producers and insureds, and a description of the advantages to be gained by CAR, its Members, representative producers and insureds as a result of these exceptions. This written description shall be included in Section 7.3.2 of this RFP.

3.9 Proposals Considered Firm

All proposals received by CAR in response to this RFP shall be considered firm and may not be amended during the pendency of the selection process unless CAR amends any data or RFP requirements during that process.

3.10 Statement of Time

Time, if stated as a number of days, shall include Monday through Friday, excluding legal holidays, unless specifically stated otherwise.

3.11 Incurring Costs

CAR shall not be liable for any costs incurred by proposers in preparing, submitting or presenting proposals, or in satisfying any other requirements. CAR shall not reimburse any costs incurred by proposers in anticipation of being awarded a Servicing Carrier appointment under this RFP. CAR shall not accept billings for additional costs except as may be otherwise specified in this RFP.

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Section 3 – General Conditions for Content of Proposals (Continued)

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3.12 Responsibilities of Servicing Carrier

The successful proposer(s) shall be considered the Servicing Carrier(s) and shall be required to comply with all CAR's Servicing Carrier requirements and to assume total responsibility for all services offered in this proposal, whether or not it is the producer, author, or supplier of them.

CAR shall consider the authorized representative of the successful proposer(s) to be the sole point of contact regarding all obligations incurred and all services supplied or performed pursuant to this RFP.

Prior to final selection, proposers may be required to submit any additional information which CAR may deem necessary to determine the proposer's qualification to respond to this RFP.

3.13 Firm Price

Prices provided pursuant to this RFP shall be firm and not subject to increase during the term of any appointment arising between CAR and the successful proposer(s) as a result of this RFP, except as may be approved by CAR's Governing Committee.

3.14 Exceptions to Firm Price

In accordance with Rule 11 of CAR's Rules of Operation and Chapter III of CAR's Manual of Administrative Procedures, a Servicing Carrier may petition to be reimbursed in whole or in part for a specific, necessary and extraordinary expense incurred in performing its obligations as a Servicing Carrier. The expense must be actually incurred before reimbursement. Such expense must be explained by the Servicing Carrier in such detail as is requested and establish that the expense is necessary and significantly in excess of the normal additional expense that could reasonably have been contemplated by the Servicing Carrier in acceptance of the terms of CAR's request for proposal for the current service period.

Servicing Carriers may also petition CAR for reimbursement of unanticipated expenses resulting from statutory or regulatory assessments that include ceded premium in the determination of the company's market-share-based assessment during the term of this agreement period. Any agreed upon reimbursement under this condition will expire at the end of the service term.

3.15 Open Procurement

CAR reserves the right to accept any item or group of items proposed in any response, unless the proposer qualifies its offer by specific limitation. CAR reserves the right to negotiate with proposers regarding variations to the original proposal(s), to include cost(s),



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Section 3 – General Conditions for Content of Proposals (Continued)

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3.15 Open Procurement (Continued)

which may be in the best interest of CAR. CAR reserves the right to accept or reject any or all proposals in whole or in part.

3.16 Terminology

Terms used in this RFP are not intended to imply or denote a proposer and are not to be construed as restrictive in any way.

3.17 Implementation Dates

Proposers shall be expected to fully implement their services on January 1, 2022 and contract with those producers appointed to them no later than October 29, 2021.

3.18 Execution of Appointment

Upon the acceptance of a proposal(s), CAR shall name the selected Servicing Carrier(s) in accordance with the provisions of CAR's Rules of Operation and Manual of Administrative Procedures, and as approved by its Governing Committee.

3.19 No Assignment

Assignment by the successful proposer(s) to any third party of any contract based on this RFP or any monies shall be absolutely prohibited and will not be recognized by CAR unless approved by CAR in writing.

3.20 Proposer Responsibility

Notwithstanding the details presented in this RFP, it is the responsibility of the proposer to verify the completeness and suitability of the services proposed to meet the intent of these specifications. Any additional services which may be required within each individual component of service proposed, even if not specifically mentioned herein, shall be provided by the proposer without claim for additional payment. The successful proposer shall be obligated to provide a program which meets all guarantees in its proposal for the price contained herein. This includes, but is not limited to, all requirements of the Commonwealth of Massachusetts and the United States Government, whether or not specifically identified in this RFP.

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Section 3 – General Conditions for Content of Proposals (Continued)

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3.21 Proposer Commitment

The proposer shall provide and maintain all services proposed pursuant to this RFP for the term of the appointment by CAR unless otherwise directed by the Governing Committee.

3.22 Rights to Submitted Material

All proposals, responses, inquiries, or correspondence relating to or in reference to this RFP, and all reports, charts, displays, schedules, exhibits and other documentation submitted by proposers shall become the property of CAR when received. CAR shall have no obligation to return any such submitted material.

Supporting technical manuals will be returned at the request of the proposer. CAR retains the right to use any or all ideas presented in any proposal in response to the RFP, whether selected or not. Selection or rejection of any proposal does not affect this right.

3.23 Proposals Not Selected

Non-selection of proposals will mean that another proposal was deemed to be more advantageous to CAR or that no proposal was accepted. The decision of CAR's Governing Committee is final. Proposers whose proposals are not accepted will be so notified.

3.24 Non-Discrimination in Employment and Affirmative Action

The proposer shall not discriminate against any qualified employee or applicant for employment because of race, color, national origin, ancestry, age, sex, religion or physical or mental handicap. The proposer agrees to comply with all applicable federal and state statutes, rules and regulations prohibiting discrimination in employment.

3.25 Force Majeure

Neither the proposer nor CAR shall be liable, nor may either cancel the Appointment pursuant to this RFP, when delays arise out of causes beyond the control and without fault or negligence of the proposer or CAR. Such causes may include but are not restricted to acts of God or the public enemy, fires, floods, lightning strikes, epidemics, quarantine restrictions, strikes, freight embargoes, wars, civil disturbances, work stoppage, power failures, laws, regulations, ordinances, acts or orders of any governmental agency or official thereof, and unusually severe weather. In every case, the delay must be beyond the control and without the fault or negligence of either party.

If the proposer is delayed in its performance as a result of the above causes, CAR may either (1) extend the time for completion of such responsibilities for a period of time equivalent to the time lost for the completion of such responsibilities by reason of any or

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Section 3 – General Conditions for Content of Proposals (Continued)

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3.25 Force Majeure (Continued)

during the duration of the excusable delay and reduce performance and payment under this Appointment, or (3) terminate all or a portion of this Appointment when the delay totally precludes the proposer's performance or materially affects it and the delay continues for a period of thirty (30) consecutive days. CAR agrees that within 10 business days after commencement of the delay, it shall give the proposer written notice of its election as to options (1), (2) or (3).

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Section 4 – Proposal for Services

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4.1 Administration and Account Management Services

Referring to Section 2.1 of the RFP, indicate how your firm would approach the delivery of administrative and account management services.

4.2 Underwriting and Technical Services

Referring to Section 2.2 of the RFP, indicate how your firm would approach the delivery of underwriting and technical services.

4.3 Claims Management Services

Referring to Section 2.3 of the RFP, please describe in detail the process by which your firm will manage claims from the point of accident to the closing of the case. Include any charts or diagrams which you believe would be helpful to CAR in understanding your presentation on this subject.

4.4 Management Information Systems

Referring to Section 2.4 of the RFP, describe how your firm would meet the information storage and reporting requirements of CAR. Include samples of your reporting formats.

4.5 Loss Control Services

Referring to Section 2.5 of the RFP, indicate how your firm would approach the delivery of loss control services.

4.6 Integration with Loss Control

Referring to Section 2.6 of the RFP, describe how your firm would integrate the claims management operation with that of loss control.

4.7 Innovative and Creative Solutions

Referring to Section 2.7 of the RFP, list and describe any services which your firm could offer that would further control claims and service costs.

4.8 Additional Services

Referring to Section 2.8 of the RFP, describe any additional services that your firm could make available to CAR that would be relevant and useful to the operation of a property and liability pool.

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Section 4 – Proposal for Services (Continued)

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4.9 Implementation Plan

Referring to Section 2.10 of the RFP, describe your firm's proposed implementation plan which will provide the smoothest transition and minimal service disruption for the producer and the insured.

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## Section 5 – Program Price

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### 5.1 Projected Costs/Expense Allowance

Proposers should provide detailed cost projections to service this business. Your analysis should assume that your company will service a specified volume of ceded commercial written premium, distributed equitably among either two, three, or four selected Servicing Carrier(s). The total ceded written premium identified in Section 5.4 of the RFP is used as a basis for calculating estimated residual market premium. Your analysis should conclude with a price proposal, calculated as a percentage of ceded written premium, for policy year 2022 as well as each additional year of the appointment. Additional information providing a more detailed breakdown of this data will be distributed under separate cover.

Using Exhibit 5.1.1 in Appendix A, provide the following information to detail your company's cost projections and price proposal for servicing this business.

1. In Sections A, B, C and D, separately identify total policy year 2022 projected company expenses for servicing ceded business by ULAE expenses, Underwriting/Technical Services expenses, Loss Control Services expenses, and Company/General expenses. Include detail as specified in the exhibit and based on the ceded written premium scenarios given in Section F. Specify your preference for an optimal premium volume by completing the column titled Preference. If actual proposed expenses are not used, please specify the methodology used to allocate these expenses.
2. In Section G, calculate your company's projected policy year 2022 expense ratio using the ceded written premium given in Section F.
3. In Section H, provide your company's proposed policy year 2022 program price.
4. Provide program price proposals for each additional year of the appointment. In Sections I, J, K and L, include your proposals for policy years 2023-2026. All price proposals should be based on the ceded written premium given in Section F.

The selected price, as approved by CAR's Governing Committee, shall be uniformly applicable to each carrier selected to be a Servicing Carrier. Note that the selected Servicing Carriers will be requested to provide CAR with an annual expense call containing the same information and detail level your company is providing in this proposal.

### 5.2 General Cost-Related Information

The tables in the following sections provide statistics which identify the current size of the residual market and general claim costs. More detailed data will be posted to CAR's website in March. Respondents may also request additional statistics at the pre-response conference.

Section 5 – Program Price (Continued)

5.3 Volume of Business

Residual market business is written through approximately 1,323 producers. The 2020 policy year residual market volume at 12 months for all commercial classes is as follows:

<b>Pools</b>	<b>Premiums</b>	<b>Exposures</b>	<b>Exposure- Based Cession Rate</b>
Regular TTT & Regular TTT Fleet	\$81,508,833	19,379	7.1%
Zone Rated TTT & Zone Rated TTT Fleet	\$22,085,628	3,711	89.5%
Commercial Buses & Commercial Buses - Fleet	\$14,632,632	3,657	31.9%
Zone Rated Buses & Zone Rated Buses - Fleet	\$2,727,816	261	87.6%
PPT Buses & PPT Buses-Fleet	\$16,724,754	4,944	41.6%
Garages Subject to Compulsory Law	\$11,185,549	3,285	27.8%
Garages Premises	\$60,957		
Van Pools	\$716,472	138	79.3%
Private Passenger Types - Non-Fleet	\$8,826,711	4,039	10.7%
Private Passenger Types - Fleet	\$3,738,565	981	4.1%
Taxi	\$1,649,847	260	18.9%
Limo	\$474,223	113	18.3%
Car Service	\$2,633,370	554	43.7%
Special Types & Motorcycles	\$7,152,116	1,780	7.0%
Non-Owned, Special Rating & Gross Receipts	\$3,147,231		
<b>Total</b>	<b>\$177,264,704</b>	<b>43,102</b>	<b>10.7%</b>
<b>Approximate number of agencies</b>	<b>1,323</b>		
<b>Approximate number of policies</b>	<b>18,664</b>		

Section 5 – Program Price (Continued)

5.4 Ceded Commercial Claim Experience

<b>Ceded Commercial Claim Experience</b>			
<b>Data as of December, 2020</b>			
<b>(CAR ID Codes 4,5)</b>			
<b>Policy Year</b>			
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b><u>Written Premium</u></b>	\$177,264,704	\$190,413,072	\$195,911,408
<b><u>Cession Rate*</u></b>	18.6%	20.4%	21.9%
<b><u>Earned Premium</u></b>	\$85,260,870	\$190,413,072	\$195,911,408
<b><u>Reported Loss Ratio</u></b>	37.5%	65.0%	89.9%
<b><u>Incurred Claim Counts</u></b>			
Liability	2,510	7,828	10,970
Physical Damage	<u>2,200</u>	<u>7,498</u>	<u>10,880</u>
Total	4,710	15,326	21,850
<b><u>Incurred Losses</u></b>			
Liability	\$22,076,282	\$94,333,956	\$137,526,955
Physical Damage	<u>\$9,887,548</u>	<u>\$29,396,895</u>	<u>\$38,621,882</u>
Total	\$31,963,830	\$123,730,851	\$176,148,837
<b><u>Cost Per Claim Count</u></b>			
Liability	\$8,795	\$12,051	\$12,537
Physical Damage	\$4,494	\$3,921	\$3,550
Total	\$6,786	\$8,073	\$8,062

\* Cession rate based on written premium



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Section 6 – General Instructions

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6.1 Contact Information and Deadline of Submission of Proposals

It is intended that this be a “turnaround” document, i.e. that each proposer furnishes all information in the format presented by this RFP. Submissions of manuals, promotional literature and other documents should be minimized except as the proposer may consider absolutely necessary to meet the requirements of this RFP.

Each proposal shall include a letter of transmittal, not to exceed two pages in length, which bears the signature of an authorized representative of the proposer and designates by name not more than two individuals authorized to represent the proposer with binding authority.

The letter of transmittal may also briefly set forth any particular information the proposer wishes to bring to CAR’s attention.

The proposer shall provide one electronic copy of its proposal no later than 12:00 noon on June 16, 2021 to:

Mr. Richard Dalton  
Residual Market Services  
Commonwealth Automobile Reinsurers  
101 Arch Street, Boston, MA 02110  
Tel: 617-880-2319  
Fax: 617-880-7298  
Email: [rdalton@commauto.com](mailto:rdalton@commauto.com)



Section 7 – Proposal Information (Continued)

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Who is the individual responsible for this account?

Name: \_\_\_\_\_

Title: \_\_\_\_\_

By submitting this proposal, the proposer certifies that the firm is in compliance with all laws of the Commonwealth of Massachusetts, the Internal Revenue Service relating to taxes and 201 CMR 17.00 relating to confidentiality and protection of personal information.

7.1.2 Service Profile

List the location of the office(s) that would service this account.

\_\_\_\_\_

What is your current staffing for underwriting, claims, and loss control services in the Boston/New England area:

<u>Position Classification</u>	<u>Number of FTE Personnel</u>
Underwriting	_____
Claims	_____
Loss Control	_____

For this program:

Describe your firm's billing payment plan.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

What minimum and maximum levels of assigned ceded written premium are necessary for your firm to bid on servicing this business?

Minimum: \_\_\_\_\_

Maximum: \_\_\_\_\_

What ratio of premium or insureds to underwriters does your firm propose to maintain? \_\_\_\_\_

What ratio of underwriters to supervisors will your firm maintain?

\_\_\_\_\_

Section 7 – Proposal Information (Continued)

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What ratio of open claims to claim adjusters does your firm propose to maintain?  
If applicable, separate your response by coverage: BI, PDL, and PIP/med pay.

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What ratio of adjusters to supervisors will your firm maintain?

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What ratio of premium or insureds to loss control representatives does your firm propose to maintain?

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What ratio of loss control representatives to supervisors will your firm maintain?

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Describe what efforts your firm would employ in seeking to reduce the cession rate for all classes of commercial automobile business.

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Ask about the company's use of SIU for underwriting and loss investigations.

7.1.3 Division of Responsibilities

If the proposer intends to utilize one or more subcontractors, provide a summary description of responsibilities among (a) the proposer and (b) each subcontractor. Also, describe how you have worked with the subcontractor in the past. If no subcontractors are to be used, so state.

Subcontractor Information:

Name, Address, and Telephone Number:

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Specify this subcontractor's responsibility for this engagement.

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Section 7 – Proposal Information (Continued)

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Name, Address, and Telephone Number:

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Specify this subcontractor’s responsibility for this engagement.

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Name, Address, and Telephone Number:

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Specify this subcontractor’s responsibility for this engagement.

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7.1.4 Executive Summary

Provide a summary of your proposal, prepared in such a manner as to be understood to individuals at a general management level with experience in commercial automobile insurance. The synopsis should contain a summary of your proposal and a brief description of the following:

- Your claim and management philosophy and proposed approach.
- Your proposed services.
- Your integration of functions.
- The distinctive elements of your proposal and your firm’s capabilities.
- Your training and support commitments.
- The experience of your firm with similar programs, with Massachusetts commercial business, and with other commercial business.
- Your additional recommendations for this engagement.

7.2 Implementation

Provide your implementation plan, referring to Section 2.10 of the RFP.

Section 7 – Proposal Information (Continued)

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7.3 Miscellaneous Provisions

7.3.1 Capability to Respond to Significant Changes

Explain your firm's capability to respond to significant changes in this engagement.

7.3.2 Exceptions to the RFP

Summarize material exceptions which your firm has to this RFP.

7.3.3 Additional Services and Associated Costs

List any additional services or approaches and the anticipated costs.

7.3.4 Addendum

Specify in not more than two pages any additional information which your firm feels CAR should have in evaluating your proposal.

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## Section 8 – Selection Process

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The selection of Servicing Carrier(s) to serve CAR's needs is an important and complex task. CAR will follow the process outlined in the following subsections.

### 8.1 Request for Proposal (RFP)

This RFP is intended to provide the interested proposers with uniform information concerning the nature of the services desired and conditions for submitting proposals. The pre-response conference will be held to clarify any points which may be in question. In responding to this RFP, proposers shall adhere to the format provided herein so that comparable objective data will be provided for CAR's review and analysis.

### 8.2 Evaluation Responsibility

CAR's Commercial Program Oversight Committee, with the advice of any consultants and/or subcommittees it may choose to engage, will have responsibility for reviewing and evaluating all proposals submitted, and making its recommendation for Servicing Carrier appointments to CAR's Governing Committee.

### 8.3 General Objectives for Evaluation

The general objectives to be evaluated include but are not limited to the proposer's ability to properly establish eligibility for placement in the residual market, to underwrite risks written through the Program according to classification and garaging (territory) and to minimize fraud and mitigate the frequency and severity of losses through effective claims management and loss control.

Servicing Carrier(s) will be selected based on their proven ability to handle all classes of commercial business. Measurement of a Servicing Carrier's qualifications will include a basis for an expectation of superior performance and improvement in overall underwriting results within the Program.

### 8.4 Evaluation Factors

Proposals will be evaluated against the specifications presented in the RFP. A proposer may or may not be eliminated from consideration for failure to comply completely with one or more of the Program requirements as outlined in this RFP, depending on the nature of the requirement. CAR will apply a weighted factor approach in its evaluation of proposals with each category evaluated from 0% to the maximum shown.

The award of an appointment pursuant to this RFP will be made to that responsible proposer(s) whose proposal is determined to have the greatest overall benefit to CAR, its Members, agents and insureds. CAR will apply the following weighted factors in evaluating the proposals received. The relative importance of these factors involves

Section 8 – Selection Process (Continued)

8.4 Evaluation Factors (continued)

management judgments and will include both objective and subjective analysis.

<b>Underwriting and Policy Processing Evaluation</b>	
A. Experience/Demonstrated Performance	
1. Demonstrated performance writing Massachusetts commercial automobile business	8%
2. Demonstrated performance with commercial business, including servicing residual market automobile programs	4%
3. General Experience of proposer	3%
B. Personnel and Leadership	
1. Administrative and account management leadership	4%
2. Capability and experience of staff assigned	6%
3. Integration of underwriting operation with loss control	2%
C. Location of Staff	
	3%
D. Capability for Adjusting to Changed Exposure	
	3%
Subtotal	33%

<b>Claims Management Services Evaluation</b>	
A. Experience/Demonstrated Performance	
1. Demonstrated performance writing Massachusetts commercial automobile business	8%
2. Demonstrated performance with commercial business, including servicing residual market automobile programs	4%
3. General experience of proposer	3%
B. Personnel and Leadership	
1. Administrative and account management leadership	4%
2. Capability and experience of staff assigned	6%
3. Integration of claims operation with loss control	2%
C. Location of Staff	
	4%
D. Capability for Adjusting to Changed Exposure	
	3%
Subtotal	34%



Section 8 – Selection Process (Continued)

8.4 Evaluation Factors (continued)

<b>Loss Control Services Evaluation</b>	
A. Experience/Demonstrated Performance	
1. Demonstrated performance writing Massachusetts commercial automobile business	4%
2. Demonstrated performance with commercial business, including servicing residual market automobile programs	2%
3. General experience of proposer	2%
B. Personnel and Leadership	
1. Administrative and account management leadership	2%
2. Capability and experience of staff assigned	4%
3. Integration of loss control with underwriting and claims operations	2%
C. Location of Staff	
	3%
D. Capability for Adjusting to Changed Exposure	
	2%
Subtotal	
	21%

<b>Other</b>	
A. Management Information Systems which include the ability to produce ad-hoc reports.	2%
B. Minimize/Mitigate Market Disruption	3%
C. Experience with Massachusetts reporting requirements which includes statistical reporting, financial reporting and Registry of Motor Vehicle requirements	2%
D. Quality of Implementation Plan	1%
E. Additional Services/Creativity	1%
F. AM Best Rating	3%
Subtotal	
	12%
TOTAL	
	100%

Summary of Evaluation Factors

Category	Underwriting	Claims	Loss Control	Total
Experience	15%	15%	8%	38%
Personnel & Leadership	12%	12%	8%	32%
Location of Staff	3%	4%	3%	10%
Adjust to Change	3%	3%	2%	8%
Subtotal	33%	34%	21%	88%
AM Best Rating				3%
Other				9%
Total				100%

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Section 8 – Selection Process (Continued)

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8.5 Proposer Conferences

Following the initial screening of proposals, some of the proposers may be eliminated from consideration. Those that have not been eliminated may then be requested at no cost to CAR to meet with CAR staff and its committees and advisors for the purpose of presenting distinguishing elements of its proposal and responding to questions. Each such conference may be expected to take up to two hours.

8.6 Proposer Selection

The field of proposers shall be reduced to a group of finalists. The finalists, or a subset thereof, may be invited to participate in a more detailed review of qualifications and capabilities with CAR. CAR's personnel will also be available during that time to meet with each proposer's personnel to discuss any special requirements presented by this RFP.

These conferences may be supplemented by visits to the proposer's office. Interviews with individual staff on-site may be required.

Concurrently, each finalist may be requested to submit supplemental information based on its meeting with CAR and the ongoing evaluation of its proposal. This supplemental information will also be considered in CAR's selection process.

Following the procedures previously described, CAR will make a decision regarding selection of the proposer(s) to whom it will engage for the purpose of servicing ceded commercial business.

**Appendix A**

**Exhibit 5.1.1**

**Summary of Projected Costs for Servicing the Commercial Residual Market**

<b>A. ULAE Expenses</b>	<b>2 Carriers</b>	<b>3 Carriers</b>	<b>4 Carriers</b>	<b>Preference</b>
Claims Management Services Loaded Annual Staffing Costs				
Overhead/Traveling Expenses*				
Special Investigations (concerning the facts of the loss)				
Adjuster's Fees				
Motor Vehicle Appraisal Fees				
Fees for retrieval of pre-inspection reports				
Other				
<b>Total</b>				
* All salaries, including ULAE-related salaries, should be reported in the salary supplement.				

<b>B. Underwriting/Technical Services Expenses</b>	<b>2 Carriers</b>	<b>3 Carriers</b>	<b>4 Carriers</b>	<b>Preference</b>
Underwriting/Technical Services Loaded Annual Staffing Costs				
Agency Education and Training				
General Processing Expenses				
Other				
<b>Total</b>				

<b>C. Loss Control Services Expenses</b>	<b>2 Carriers</b>	<b>3 Carriers</b>	<b>4 Carriers</b>	<b>Preference</b>
Loss Control Services Loaded Annual Staffing Costs				
Surveys of New Insureds				
Surveys of Renewal Insureds				
Cost for Vehicle Inspection				
Educational Programs				
Monitoring of Loss Control Recommendations				
Special Services				
Other				
<b>Total</b>				

**Appendix A**

**Exhibit 5.1.1**

**Summary of Projected Costs for Servicing the Commercial Residual Market**

<b>D. Company/General Expenses</b>	2 Carriers	3 Carriers	4 Carriers	Preference
Other Loaded Annual Staffing Costs				
Administrative/Account Management Services				
Management Information System Services				
All Other Services				
Rent and Rent Items				
Office Equipment & Supplies				
Professional Services (Auditors, Actuarial, Legal, etc.)				
Taxes, Licenses, & Fees				
Other				
<b>Total</b>				

<b>E. Calculation of Total Expenses</b>	2 Carriers	3 Carriers	4 Carriers	Preference
Section A. Total: ULAE Expenses				
Section B. Total: Underwriting/Technical Services Expenses				
Section C. Total: Loss Control Services Expenses				
Section D. Total: Company/General Expenses				
<b>TOTAL: (A+B+C+D)</b>				

<b>F. Estimated Residual Market Premium</b>	\$88,632,352	\$59,088,235	\$44,316,176	
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<b>G. PY 2022 Expense Ratio (Total E / F)</b>				
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**Appendix A**

**Exhibit 5.1.1**

**Summary of Projected Costs for Servicing the Commercial Residual Market**

	2 Carriers	3 Carriers	4 Carriers	Preference
<b>H. PY 2022 Price</b>				
If different from H., please explain				
<b>I. PY 2023 Price</b>				
If different from H., please explain				
<b>J. PY 2024 Price</b>				
If different from I., please explain				
<b>K. PY 2025 Price</b>				
If different from J., please explain				
<b>L. PY 2026 Price</b>				
If different from K., please explain				



NATALIE A. HUBLEY  
PRESIDENT

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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