



NATALIE A. HUBLEY
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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RECORDS OF MEETING

COMMERCIAL PROGRAM OVERSIGHT COMMITTEE – JULY 26, 2021

Members Present

Mr. John Olivieri, Jr – Chair
Mr. Charles Boynton, III
Mr. Brian Hayes
Mr. Bryan Hurwitz
Ms. Sharon Murphy

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

Substituted for:
N/A

Not in Attendance:
N/A

21.01 Records of Previous Meeting

On a roll call vote, the Committee unanimously voted to approve the Records of the Commercial Program Oversight Committee meeting of April 8, 2021. The Records have been distributed and are on file.

20.06 Commercial Program Evaluation - 2021 Request for Proposal

Mr. John Metcalfe advised that each committee member is in receipt of the proposals submitted by Arbella Protection Insurance Company, The Commerce Insurance Company, Pilgrim Insurance Company and Safety Insurance Company for appointment as a commercial Servicing Carrier for the upcoming term commencing on January 1, 2022. In addition, staff provided to each committee member a tabular summary of the expense exhibits and bid proposals included in each submission. As committee members have had an opportunity to review the proposals prior to the meeting, each proposer offered additional comment, highlighting financial strengths, experience with the Massachusetts residual markets and success in addressing issues that emerged during the current term. Proposers also noted their continued interest in developing and implementing additional solutions to further improve the commercial residual market results during the upcoming term.

Questions from the Committee focused on how systems were affected by solutions addressing the emerging issues during the current term, and how these additional program requirements impacted the bid pricing for the upcoming term.

Chair John Olivieri inquired of the Committee their thoughts regarding the number of Servicing Carriers necessary to service the business based on the bids received. Mr. Charles Boynton recognized the significant market disruption that would ensue with a change in the number of Servicing Carriers, particularly given the size of the commercial residual market. He therefore strongly favored reappointing the four current Servicing Carriers. The Committee further noted that the current carriers have performed

successfully throughout the current term. After discussion, the Committee agreed not to deviate from its stated preference of four Servicing Carriers.

The Committee then began discussions on the expense allowance for the upcoming Commercial Servicing Carrier Program term and examined each bidder's price proposal. Noting the wide variance among the bids, Mr. Olivieri requested the proposers to further clarify their bid pricing. The proposers noted increasing demands of the Program, a shift in the size and make-up of the commercial residual market and the reduced expense reimbursement as a percentage of written premium. The Committee observed that the disparity among the bids mainly related to Administrative/Account Management Services and Management Information System Services under the General Expenses section. One member suggested that future RFPs further clarify expenses to be included in the price proposals.

Mr. Bryan Hurwitz suggested that the Committee consider an allowance of 13.45% of premium, representing the median anticipated 2022 expense ratio of the four proposers. Mr. Brian Hayes observed that two proposers bid well below the 13.45% rate, a compelling indication that 13.45% may be excessive. Mr. Hayes suggested that the Committee consider an allowance of 12.5% of premium, representing the middle of the three proposals, after eliminating the highest and outlying bid.

Mr. Boynton also observed that most of the proposals included an annual increase and questioned how this was addressed in the past. Ms. Natalie Hubley advised that past appointment terms included a 2% escalation per year.

After discussion, Mr. Hurwitz made a motion, which was seconded by Mr. Boynton, to recommend an expense allowance of 13.45% of premium for policy year 2022, with a 2% annual increase for the remaining years of the term. On a roll call vote, the motion failed with two members, Mr. Hurwitz and Mr. Boynton, voting in favor and three opposed, Mr. Hayes, Ms. Murphy and Mr. Olivieri.

Following further discussion, Mr. Hayes made a motion, that was seconded by Ms. Murphy, to recommend an expense allowance of 12.5% for policy year 2022, with a 2% annual increase for the remaining years of the term. On a roll call vote, the motion failed with two members voting in favor, Ms. Murphy and Mr. Hayes, and three opposed, Mr. Hurwitz, Mr. Boynton and Mr. Olivieri.

After further discussion by the Committee, Mr. Hurwitz made a motion, which was seconded by Mr. Boynton, to recommend reappointment of the current four Servicing Carriers and an expense allowance of 13.0% of premium for policy year 2022, with a 2% annual increase for the remaining years of the term. On a roll call vote, the Committee voted unanimously in favor of the motion.

Finally, to assist the Committee in its discussion of transition procedures, staff presented recommendations with respect to the redistribution of commercial ceded premium and policy issuance procedures for those risks affected by an agency redistribution. Mr. John Kelly noted that the current taxi, limousine, and car service classes are required to be evaluated with each renewal and suggested that continuing that would not result in added disruption to insureds or producers. **Accordingly, on a roll call vote, the Committee voted unanimously to recommend to the Governing Committee the proposed agency reassignment procedures, amended to reflect that all fleet and non-fleet taxi, limousine, and car service business will be subject to normal company application submission procedures and pursuant to CAR's Manual of Administrative Procedures.**

RICHARD DALTON
Residual Market Liaison

Boston, Massachusetts
July 29, 2021

ATTACHMENT LISTING

Docket #CPOC21.02, Exhibit #4

Attendance Listing

**COMMERCIAL PROGRAM OVERSIGHT COMMITTEE MEETING
 MEETING ATTENDEES
 JULY 26, 2021**

Individual's Name

Company / Agency

PLEASE PRINT

John Olivieri, Jr.	J.K. Olivieri Insurance Agency, Inc.
Charles Boynton, III	Boynton Insurance Agency, Inc.
Brian Hayes	Quincy Mutual Group
Bryan Hurwitz	The Norfolk & Dedham Group
Sharon Murphy	Acadia Insurance Company
Roberta Fitzpatrick	Arbella Insurance Group
William Hughes	Arbella Insurance Group
John Magadieu	Arbella Insurance Group
David Zawilinski	Arbella Insurance Group
Kathy Cormier	MAIA
John Kelly	MAPFRE U.S.A. Corporation
Peter Kelleher	MAPFRE U.S.A. Corporation
Beth Poplawski	MAPFRE U.S.A. Corporation
Patrick Avery	Pilgrim Insurance Company
Michael Brady	Pilgrim Insurance Company
William Hartranft	Pilgrim Insurance Company
Joseph Mullen	Pilgrim Insurance Company
Barry Tagen	Pilgrim Insurance Company
Kenneth Willis	Plymouth Rock Assurance Corporation
Pete Barton	Safety Insurance Company
Elizabeth Brodeur	Safety Insurance Company
Glenn Hiltbold	Safety Insurance Company
Mary McConnell	Safety Insurance Company
John Ottaviani	Safety Insurance Company
Christopher Rushton	Safety Insurance Company

**COMMERCIAL PROGRAM OVERSIGHT COMMITTEE MEETING
MEETING ATTENDEES
JULY 26, 2021**

Individual's Name

Company / Agency

PLEASE PRINT

Christopher Whitford	Safety Insurance Company
Wendy Browne	CAR Staff
Shannon Chiu	CAR Staff
Timothy Costain	CAR Staff
Richard Dalton	CAR Staff
Timothy Galligan	CAR Staff
Natalie Hubley	CAR Staff
Cheryl Kopas	CAR Staff
John Metcalfe	CAR Staff
Katy Proctor	CAR Staff
Lynne Rosenberg	CAR Staff
Robin Tigges	CAR Staff
Benjamin Hincks	TSH & D – CAR Counsel