



NATALIE A. HUBLEY
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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NOTICE OF MEETING

COMMERCIAL AUTOMOBILE COMMITTEE

A meeting of the Commercial Automobile Committee will be held at the Automobile Insurers Bureau Conference Center at 101 Arch Street, 7th Floor, Boston, on

THURSDAY, FEBRUARY 8, 2018 AT 10:30 A.M.

MEMBERS OF THE COMMITTEE

Mr. Thomas DePaulo – Chair
Cabot Risk Strategies, LLC

Mr. Peter Chung
Ms. Sarah Clemens
Ms. Sheila Doherty
Ms. Mayre Hammond
Mr. Coleman Johnson
Mr. Brian Lam
Mr. John Olivieri, Jr.
Mr. Thomas Skelly, Jr.
Mr. Barry Tagen

The Norfolk & Dedham Group
MAPFRE U.S.A. Group
Doherty Insurance Agency
Arbella Insurance Group
The Hanover Insurance Company
Safety Insurance Company
J.K. Olivieri Insurance Agency, Inc.
Deland, Gibson Insurance Associates, Inc.
Pilgrim Insurance Company

AGENDA

CAC

17.01 Records of Previous Meeting

The Records of the Commercial Automobile Committee meeting of September 14, 2017 should be read and approved.

CAC

18.03 CAR Conflict of Interest Policy

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

CAC

18.04 Servicing Carrier Service Levels Subcommittee

The Chair of the Servicing Carrier Service Levels Subcommittee will report on the meetings of November 9, 2017, January 23, 2018 and February 6, 2018 relative to efforts to define overall expectations for commercial Servicing Carrier service levels and procedures for the review of requests for reimbursement of extraordinary expenses pursuant to Rule 11.C.2. The Records of the November 9, 2017 meeting have been distributed and are on file.

CAC

18.05 Commercial Classification Subcommittee

The Chair of the Commercial Classification Subcommittee will report on the meetings of November 16, 2017 and December 14, 2017 regarding its discussions relative to the development of a Private Passenger Type classification plan. The Records of both meetings have been distributed and are on file.

CAC

18.06 Commercial Automobile Residual Market Standards Subcommittee

The Chair of the Commercial Automobile Residual Market Standards Subcommittee will report on the meetings of December 11, 2017, January 23, 2018 and February 6, 2018 relative to efforts to address various issues and opportunities to enhance Servicing Carrier communications, risk evaluations, as well as to establish underwriting standards to assist consistency in the processing of business in the commercial automobile residual market. The Records of the December 11, 2017 meeting have been distributed and are on file.

CAC

18.07 Distribution of Residual Market Books of Business

Attached is a letter from Arbella Protection Insurance Company requesting that CAR pre-authorize Staff to redistribute the residual market book of business as soon as 12 months of data is available for review. (Docket #CAC18.07, Exhibit #1)

CAC

18.08 Commercial Servicing Carrier Annual Report

The RFP requires that Servicing Carriers provide an annual report outlining their strategies to depopulate the residual market and address market conditions, as well as the successes and challenges of those efforts. Early in 2017, the Committee directed Staff to prepare Servicing Carrier Company Profiles and outlined topics to be addressed in the Servicing Carrier Annual Reports. A schedule for the submission and review of Servicing Carrier Annual Reports has also been prepared. (Docket #CAC18.08, Exhibits #1 and #2)

The Committee should be prepared to discuss and confirm expectations.

Other Business

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

Executive Session

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

WENDY BROWNE
Vice President – Business Operations

Attachments

Boston, Massachusetts
January 26, 2018

LAW OFFICES OF ROBERTA FITZPATRICK

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617 769-3500 | 617 946-0569 (Fax)

Roberta R. Fitzpatrick– 617-769-3511
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January 19, 2018

Via Email

Mr. John Metcalfe
Commonwealth Automobile Reinsurers
101 Arch Street, Suite 400
Boston, Massachusetts 02110

**Request to Add Item to the Agenda for the February Meeting
of the Commercial Automobile Committee**

Dear Mr. Metcalfe:

Kindly accept this request on behalf of Arbella Protection Insurance Company relative to adding an item to the agenda for the upcoming February Commercial Automobile Committee Meeting.

You may recall that on July 6, 2017, Arbella submitted a request to CAR regarding redistribution in the commercial residual market to maintain equity among the Limited Servicing Carriers. As discussed at that time, due in part to the substantial efforts made by Arbella to ensure that only those risks which are eligible for commercial insurance are written through the CAR Commercial market, there was a significant shift in the distribution of risks among the Servicing Carriers.

The imbalance in the distribution of premium written pursuant to the Commercial Servicing Carrier Program continues to climb to the substantial detriment of Arbella. (See Industry Ceded Premium Summary Exhibit attached hereto).

Arbella respectfully requests that the Committee direct CAR staff to proceed with the necessary steps to ensure that the required redistribution occurs on the earliest effective date permitted by the CAR Rules. **To be clear, Arbella is not asking for a redistribution to occur any earlier than is authorized under the Rules.**

In this regard, the CAR Rules provide as follows:

CAR Rule 13 Servicing Carrier Requirements

C. Exclusive Representative Producer Assignment Methodology

2. CAR will perform quarterly reviews of the distribution of ceded commercial written premium and, if necessary, may perform a redistribution of residual market books of business to maintain equity among Servicing Carriers. Any such redistribution shall occur no sooner than 60 calendar days from the date of review. If a redistribution is performed, any subsequent redistribution shall not occur for at least 12 reporting months after the effective date of the previous redistribution.

The effective date of the most recent redistribution was January 1, 2017. The book transfer from that redistribution is now complete. CAR Rule 13 permits the review of the data now and authorizes the

Mr. John Metcalf
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next redistribution 60 calendar days after that review and 12 reporting months after 1/1/17. The December 2017 data is due February 15, 2018. Further, the data currently available, as summarized in the attached chart, supports the need for redistribution to comply with the equitable distribution requirements.

In short, Arbella respectfully requests that the Commercial Auto Committee direct CAR staff to comply with the following schedule:

Review the distribution of commercial ceded premium promptly following the reporting of the data that is due on February 15, 2018;

Confirm that there is currently a disproportionate distribution of written premium among the Servicing Carriers;

Proceed with the redistribution process in the manner that will be least disruptive to the market;

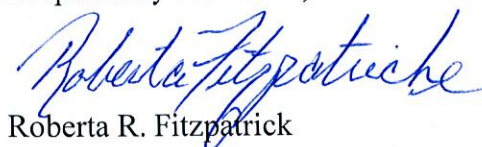
Issue notice to all impacted producers and carriers as soon as possible after February 15, 2018 and in no event after March 1, 2018;

Take the steps necessary to ensure that the “redistribution of residual market books of business to maintain equity among Servicing Carriers” occurs effective 60 days after the review of the data (in accordance in Rule 13) and on or about May 1, 2018.

The Commercial Servicing Carrier Program contemplates that the distribution among the Servicing Carriers will be equitable. Rule 13 was enacted to provide CAR with a mechanism for maintaining the required equity. The Limited Servicing Carriers submit proposals in response to the Commercial RFP “on the assumption that your company will service a specified volume of ceded commercial premium, *distributed equitably* among...selected Servicing Carriers”. *Excerpt from CAR Bulletin 1014, Request For Proposal – Commercial Servicing Carrier Program, March 1, 2016 (emphasis added).*

In conclusion, Arbella respectfully notes that the disproportionate distribution of premium has persisted throughout 2017, and that the imbalance has continued to increase month over month to the substantial detriment of Arbella. Insofar as the required Rule 13 time period for redistribution has elapsed, it would be fair and proper for the committee to direct CAR staff to proceed with the redistribution process following the reporting of the data on February 15, 2018, without delay, and to take all reasonable steps necessary to ensure that the effective date of the redistribution occurs on or about May 1, 2018.

Respectfully submitted,



Roberta R. Fitzpatrick

**Industry Ceded Written Premium, Policy Year 2016 and Projected Policy Year 2017
Compiled from Statistically Reported Data as of October 31, 2017**

	2016 Written Premium	October, 2016 Written Premium	October, 2017 Written Premium	Change from Oct. 16 - Oct. 17	Projected 2017 Written Premium*	Difference From Fair Market Share	Market Share Split
Safety	\$46,781,865	\$36,919,776	\$44,122,520	19.5%	\$55,908,621	\$11,984,068	\$43,924,553
Commerce	\$34,560,425	\$28,370,539	\$37,681,460	32.8%	\$45,902,803	\$1,978,250	\$43,924,553
Travelers PRAC	\$44,375,395	-	-			-	
Travelers/PRAC	\$44,375,395	\$34,659,844	\$31,148,130	-10.1%	\$39,879,307	-	
Rapo and Point Agencies	\$12,095,729	\$10,543,096	\$4,624,758	-56.1%	\$5,305,825	-	
Arbella x Rapo and Point	\$24,631,959	\$20,565,223	\$24,173,801	17.5%	\$28,954,127	(\$14,970,426)	
Arbella	\$36,727,688	\$31,108,319	\$28,798,559	-7.4%	\$34,000,696	(\$9,923,857)	\$43,924,553
Industry	\$162,445,373	\$131,058,478	\$141,750,669	8.2%	\$175,698,212	-	

Industry Ceded Written Premium excludes Taxis, Limos and Car Service.

*Projected Policy Year 2017 premium assumes the same year over year change for November-December as was experienced, January – October

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Commercial Automobile Committee
Servicing Carrier Company Profiles

Servicing Carrier Company Profiles

At the November 2016 meeting of the Commercial Automobile Committee, Staff indicated that it would develop Annual Company Profiles to assist the Committee in evaluating residual market results and Servicing Carrier performance. In January 2017, Staff distributed the following list of items for consideration for inclusion in the Profiles, which was approved by the Committee:

- Total Written Premium
- Market Share
- Voluntary Written Premium and Percent
- Ceded Written Premium and Percent
- Voluntary Written Premium from Assigned agencies and Percent
- Ceded Written Premium from Assigned agencies and Percent
- Number of Agencies set up for Auto Backdating
- Auto Backdated Cession Count and Percent

- Ceded Paid Losses
- Ceded Reserves
- Ceded Loss Ratio

- Ceded Premium by Class Type
- Ceded Losses by Class Type
- Ceded Loss Ratio by Class Type

- Premium and Loss Counts
- Premium and Loss Statistical Error Counts
- Premium and Loss Statistical Error Percentages
- Ceded Policy Counts
- Cession Error Counts
- Critical Error Counts
- Non-Critical Error Counts
- Rate Edit Eligible and Error Counts (by subline)
- Experience Rated Policy Information

- Stat Penalties
- Ceded Penalties

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Servicing Carrier Annual Reports

Servicing Carrier Annual Reports

The concept of a Servicing Carrier annual report was initially discussed during the Servicing Carrier selection process as a means to facilitate the monitoring of the Servicing Carriers' residual market performance by CAR and the Commercial Automobile Committee. During discussions, it was agreed that this tool would also enable the Committee and CAR to obtain input from the Servicing Carriers relative to their successes and challenges in addressing market issues in order to consider value added enhancements to the program. Accordingly, Staff has updated the outline of suggested topics for inclusion in the Servicing Carrier Annual Reports to reflect topics discussed during the Committee's discussion of market issues. Additionally, a schedule for the submission and review of the Annual Reports is included for the Committee's review.

Servicing Carrier Annual Reports – Suggested Topics

General Components

Program and Performance Requirements Listed in the RFP:

- Underwriting
- Claims Management
- Loss Control
- Integration of Underwriting and Loss Control (SIU)
- Innovative and Creative Solutions
- Depopulation Errors

Servicing Carrier Requirements Pursuant to CAR Rules:

- Management of ERPs
- Inspection Services
- Communication
- Fraud

Other Components/Current Concerns:

The residual market has seen growth in written premium in the following classifications:

- Non-Fleet Private Passenger Types
- Bus classifications
- Other, including Long Haul Truckers.

Please describe your company's efforts in addressing these areas related to underwriting and depopulation of this business.

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Servicing Carrier Annual Reports

Servicing Carrier Annual Reports – Schedule

- March 15, 2018 – CAR will complete preparation of the Servicing Carrier Company Profiles
- March 15, 2018 – Servicing Carriers will submit their Annual Reports to CAR
- By April 1, 2018 – CAR will distribute the Annual Reports and Company Profiles to members of the Commercial Automobile Committee
- By April 30 2018 – Servicing Carriers will present their Annual Reports to the Commercial Automobile Committee
- By May 30, 2018 – the Commercial Automobile Committee will identify and recommend additional areas where standard procedures and improvements in processes will benefit the residual market.
- June 20, 2018 – the Commercial Automobile Committee will report its findings to the Governing Committee