COMMONWEALTH AUTOMOBILE REINSURERS
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NATALIE A. HUBLEY
PRESIDENT

RECORDS OF MEETING

COMMERCIAL AUTOMOBILE COMMITTEE – FEBRUARY 8, 2018

Members Present

Mr. Thomas DePaulo – Chair	Cabot Risk Strategies, LLC
Mr. Peter Chung	The Norfolk & Dedham Group
Ms. Sarah Clemens	MAPFRE U.S.A. Corporation
Ms. Sheila Doherty	Doherty Insurance Agency, Inc.
Mr. Brian Lam	Safety Insurance Company
Mr. Dennis Morris(1)	Arbella Insurance Group
Mr. John Olivieri, Jr.	J.K. Olivieri Insurance Agency, Inc.
Mr. Barry Tagen	Pilgrim Insurance Company
Mr. Sean Thompson(2)	The Hanover Insurance Company

Substituted for:
(1)Ms. Mayre Hammond
(2)Mr. Coleman Johnson

Not in Attendance:
Mr. Thomas Skelly, Jr., Deland, Gibson Insurance Associates, Inc.

17.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Commercial Automobile Committee meeting of September 14, 2017. The Records have been distributed and are on file.

18.04 Servicing Carrier Service Levels Subcommittee

Mr. John Olivieri reported on the Subcommittee's meetings of November 9, 2017, January 23, 2018 and February 6, 2018. He noted that the Subcommittee unanimously approved updates to Rule 11.C. of the Rules of Operation and Chapter III – Servicing Carrier Responsibilities of the Manual of Administrative Procedures to incorporate procedures relative to Servicing Carrier requests for reimbursement of extraordinary expenses.

The modifications made to Rule 11.C.2. reflect the Subcommittee's discussion that the existing Rule language predates the commercial Servicing Carrier programs and emphasize the fact that the expenses being requested are of an extraordinary nature. Further, the updated language describes the requirement to ensure that requested expenses are in excess of the expenses anticipated when accepting the terms of the request for proposal, that the Servicing Carrier must petition the Governing Committee for relief and the expense must be actually paid before reimbursement. The Commercial Automobile

Committee unanimously voted to accept the recommendation of the Subcommittee to approve the proposed updates to Rule 11.C.2. and recommended their adoption by the Governing Committee.

The language added to Chapter III of the Manual of Administrative Procedures describes the procedure for requesting reimbursement of extraordinary expenses and the process for committee review. The process includes the appointment of an advisory committee to review and recommend requests for reimbursement including the form that should be used to initiate a petition for reimbursement of extraordinary expenses. Additionally, the language reflects a need for a Servicing Carrier to provide reasonable notification to CAR when it recognizes that it has encountered an extraordinary circumstance for which it intends to seek reimbursement. The Commercial Automobile Committee unanimously voted to accept the recommendation of the Subcommittee to approve the proposed updates to Section E. of Chapter III of the Manual of Administrative Procedures regarding the procedures for the request for reimbursement of extraordinary expenses and recommended their adoption by the Governing Committee.

18.05 Commercial Classification Subcommittee

Mr. Glenn Hiltpold reported on the Subcommittee's meetings of November 16, 2017 and December 14, 2017. He stated that the Subcommittee discussed the development of a class plan for private passenger type risks. However, the Subcommittee noted the extensive and costly effort that would be required by Servicing Carriers to collect data to support an initial rate filing, as well as the significant IT and statistical reporting resources that would be needed. It was also noted that the Commercial Residual Market Standards Subcommittee is currently discussing methods for developing consistent standards for Servicing Carrier underwriting of these risks. The Subcommittee recommended tabling discussion on this topic and reconvening after these efforts are more fully developed and implemented, if needed.

18.06 Commercial Automobile Residual Market Standards Subcommittee

Mr. John Olivieri reported on the Subcommittee's meetings of December 11, 2017, January 23, 2018 and February 6, 2018. He noted that the Subcommittee has begun addressing its compiled list of issues impacting the commercial residual market and is recommending to the Commercial Automobile Committee modification to the Principal Place of Business definition in Rule 2 – Definitions of the Rules of Operation.

The modifications made to Rule 2 incorporate the so-called nerve center test, which refers to the corporation's center of direction, control, and coordination in the determination of principal place of business in order to verify a risk's eligibility to be placed in the residual market. The Commercial Automobile Committee unanimously voted to accept the recommendation of the Subcommittee to approve the proposed modifications to the Principal Place of Business definition in Rule 2 and recommended their adoption by the Governing Committee.

Servicing Carriers were requested to provide CAR with examples of documentation they have considered acceptable to validate a risk's principal place of business and staff will summarize the information received in order to draft additional guidance to Servicing Carriers and producers. Mr. Olivieri noted that the Subcommittee will continue to discuss the remaining issues on the list after compiling additional information from the Servicing Carriers and reviewing research requested of CAR staff. Finally, he noted that the Subcommittee is in the process of reviewing the Rules in the Commercial Automobile Manual that staff has identified as containing ambiguous wording which may provide a Servicing Carrier with discretion in application of the Rule. He stated that the Subcommittee has no recommended modifications to the Manual at this time.

18.07 Distribution of Residual Market Books of Business

Arbella Protection Insurance Company has requested that the Committee pre-authorize CAR staff to perform a redistribution in the commercial residual market pursuant to Rule 13.C.2. which requires CAR to perform a quarterly review of the distribution of ceded commercial written premium and, if necessary, permits a redistribution of residual market books of business to maintain equity among the Servicing Carriers. Redistribution may occur 12 reporting months from the effective date of the previous distribution with the redistribution performed no sooner than 60 days from the date of the review. Mr. Dennis Morris of Arbella, Mr. Barry Tagen of Pilgrim, Mr. Brian Lam of Safety and Ms. Sarah Clemens of MAPFRE recused themselves from Committee discussion of this agenda item.

Ms. Roberta Fitzpatrick, representing Arbella, referred to Arbella's request for a redistribution to maintain equity in the ceded commercial market and noted that the imbalance existing in the distribution of ceded premium among the Servicing Carriers has left Arbella significantly undersubscribed for well over a year. She noted that the effective date of the last premium redistribution was January 1, 2017 and that 12 reporting months of data will be available as of February 15, 2018 when the December 2017 shipment is due. Ms. Fitzpatrick requested that the Committee consider Arbella's request to direct CAR to comply with the schedule presented in her letter dated January 19, 2018 which was attached to the Notice of Meeting. The schedule includes staff review of commercial ceded premium after the reporting of the data due on February 15, 2018 and if a disproportionate distribution of written premium among the Servicing Carriers is confirmed, perform the redistribution so as to provide equity among Servicing Carriers and ensure the least disruption possible to producers and consumers. Specifically, Arbella proposed that notice be provided to all impacted parties by March 1, 2018 and the redistribution of books of business be for policies effective no later than 60 days following the review, approximately May 1, 2018.

Responding to questions from the Committee relative to the redistribution process, Ms. Natalie Hubley indicated that CAR makes as few changes as possible to restore equity, taking into consideration agency affiliations and keeping reassignments to a minimum. She noted that typically a redistribution is performed for policies effective 90 days from review of the data so the Committee would also need to consider the timing aspect of Arbella's request.

Discussion ensued relative to how equity should be measured with the members referencing the documentation distributed by staff which demonstrated differences among Servicing Carriers based upon how premium is distributed and expenses are allocated. It was suggested that in the future the Committee may want to discuss whether there exists more appropriate methods for achieving equity among Servicing Carriers, such as using exposure instead of premium when reviewing books of business consistent with the method for allocating expense dollars. However, for the purposes of the Arbella request, the Committee agreed that it would be appropriate to proceed with the redistribution based upon premium as this is specifically contemplated under Rule 13.C.2.

The Committee agreed that there exists a clear inequity among Servicing Carriers that needs to be addressed and that any redistribution effort should attempt to attain equity by causing the least disruption as possible. A motion was made to move forward with redistribution per Arbella's request using data received by February 15, 2018, for notification to all impacted agencies and Servicing Carriers by March 1, 2018. The methodology in place today should be used and the redistribution should have an effective date of not more than 90 days subsequent to the notification and should cause the least amount of disruption as possible. The motion failed with vote of two in favor and two opposed. Those opposed expressed interest in knowing the number of producers that would be impacted and felt that more information was needed to identify what was driving the numbers before recommending a redistribution.

Accordingly, staff was directed to use current premium volumes to prepare data by March 1, 2018 for Committee review at a subsequent meeting in March 2018. The number of agencies impacted should be identified and the Committee would make its recommendation to the Governing Committee at its April meeting with a potential effective date of July 1, 2018.

18.08 Commercial Servicing Carrier Annual Report

The Committee tabled discussion on this item until its next meeting.

MARIAN ADGATE
Corporate Documentation Specialist

Boston, Massachusetts
February 13, 2018

ATTACHMENT LISTING

Docket #CAC18.02, Exhibit #1	Attendance Listing
Docket #CAC18.07, Exhibit #2	Commercial Servicing Carrier Program Exhibits

COMMERCIAL AUTOMOBILE COMMITTEE MEETING
SIGN-IN SHEET
THURSDAY, FEBRUARY 8, 2018

Individual's Name	Company / Agency
PLEASE PRINT	
Sarah Clemens	MAPFRE
Sean Thompson	Hanover
Peter Chung	NY I
Sheila M Doherty	Doherty Ins Agcy Inc
Dennis Morris	Arbella
[illegible] John [illegible]	agent
Barry Tacon	Pilgrim
Brian Lam	Safety
Benjamin Hinckes	TSH & D - CAR Counsel
Steven Torres	"
Natalie Hubitz	CAR
Tom D'Paoli	CABOT
Wendy Browne	CAR
[illegible]	CAR
Marian Adgate	CAR

COMMERCIAL AUTOMOBILE COMMITTEE MEETING
SIGN-IN SHEET
THURSDAY, FEBRUARY 8, 2018

Individual's Name	Company / Agency
PETER McCABE	CAR STAFF
Leandro Rodrigues	Point
Mona McCowen	Arbella
KATY PROCTOR	CAR
Shannon Chin	CAR
Mary Ella Thompson	DOI
PETE DORTON	SAFety
Richard Dacuna	CAR
Alison Ruggiero	CAR
Glenn Hillyard	Safety Insurance
ROBERTA FITZPATRICK	Arbella

PLEASE PRINT

Commercial Servicing Carrier Program

Premium Distribution and Expense Allocation

I. Written Premium for Policy Year 2017 @ December 2017

	Arbella	MAPFRE	Pilgrim	Safety	Total
TTT	14,434,224	21,187,157	11,571,296	22,076,509	69,269,186
Zone Rated TTT	645,661	3,281,423	6,659,934	5,503,570	16,090,588
PPT Fleet	842,272	1,180,599	675,520	882,644	3,581,035
PPT Non-Fleet	4,392,955	3,449,043	1,136,447	11,130,575	20,109,020
Garage - Liability Only	2,172,473	2,901,031	2,027,119	3,057,795	10,158,418
Other Buses/Van Pools	7,165,328	8,648,944	13,158,356	5,544,651	34,517,279
Zone Rated Buses	1,130,873	311,405	4,530,716	3,272,109	9,245,103
Special Types/Moto	2,386,059	1,560,683	885,487	1,946,656	6,778,885
Total	**33,169,845**	**42,520,285**	**40,644,875**	**53,414,509**	**169,749,514**
Percent of Total	**19.5%**	**25.0%**	**23.9%**	**31.5%**	

II. PDL Exposure for Policy Year 2017 @ December 2017

	Arbella	MAPFRE	Pilgrim	Safety	Total
TTT	4,918	6,109	3,558	7,442	22,027
Zone Rated TTT	105	749	1,350	1,127	3,331
PPT Fleet	287	411	266	328	1,292
PPT Non-Fleet	3,318	2,351	616	6,557	12,843
Garage - Liability Only	790	984	752	992	3,518
Other Buses/Van Pools	1,711	1,964	3,764	1,317	8,757
Zone Rated Buses	149	40	635	337	1,161
Special Types/Moto	514	566	405	589	2,075
Total	**11,792**	**13,174**	**11,347**	**18,689**	**55,003**
Percent of Total	**21.4%**	**24.0%**	**20.6%**	**34.0%**	

III. Expense @ $396 per exposure

	Arbella	MAPFRE	Pilgrim	Safety	Total
TTT	1,947,530	2,419,120	1,408,882	2,946,997	8,722,528
Zone Rated TTT	41,446	296,636	534,794	446,156	1,319,032
PPT Fleet	113,746	162,717	105,332	129,818	511,613
PPT Non-Fleet	1,313,849	931,142	243,994	2,596,687	5,085,672
Garage - Liability Only	312,771	389,561	297,987	392,759	1,393,079
Other Buses/Van Pools	677,746	777,728	1,490,662	521,650	3,467,787
Zone Rated Buses	59,135	15,773	251,525	133,351	459,785
Special Types/Moto	203,572	224,263	160,375	233,400	821,610
Total	**4,669,796**	**5,216,941**	**4,493,552**	**7,400,817**	**21,781,106**
	21.4%	**24.0%**	**20.6%**	**34.0%**	

*Note: All data excludes classes that do not report exposures on a car year basis.

Commercial Servicing Carrier Program
Premium by Class Type
Ceded Business (Car ID 4, 5)
Written Premium Based on Latest 12 Months Ending April 2016
Loss Ratio for Policy Year 2013-2015 Valued through March 2016
After Reassigned

	Arbella Insurance Company				Commerce Insurance Company			
Class Type	**Written Premium**	**Class WP %**	**1yr Loss Ratio**	**3yr Loss Ratio**	**Written Premium**	**Class WP %**	**1yr Loss Ratio**	**3yr Loss Ratio**
TTT	$12,834,653	34.7%	43.0%	47.6%	$16,505,619	44.7%	53.7%	60.7%
Zone Rated TTT	$582,338	1.6%	78.0%	85.7%	$2,876,018	7.8%	52.5%	76.3%
PPT Fleet	$599,769	1.6%	75.5%	63.4%	$972,156	2.6%	99.4%	72.0%
PPT Non-Fleet	$10,400,075	28.2%	164.4%	146.8%	$3,044,409	8.2%	152.2%	150.8%
Bus/Van Pools	$7,604,522	20.6%	57.6%	48.7%	$7,683,624	20.8%	64.3%	56.9%
A/O (ex Taxi / Limo)	$4,918,236	13.3%	26.2%	49.0%	$5,857,620	15.9%	41.6%	59.2%
Total	**$36,939,593**		**74.3%**	**70.4%**	**$36,939,446**		**63.6%**	**68.3%**
Market Share	**25.0%**				**25.0%**			
Agency Count	**249**				**508**			

	Safety Insurance Company				Pilgram Insurance Company			
Class Type	**Written Premium**	**Class WP %**	**1yr Loss Ratio**	**3yr Loss Ratio**	**Written Premium**	**Class WP %**	**1yr Loss Ratio**	**3yr Loss Ratio**
TTT	$13,844,457	37.5%	58.9%	68.3%	$9,644,854	26.1%	49.1%	62.2%
Zone Rated TTT	$5,298,030	14.3%	38.6%	71.2%	$5,805,381	15.7%	27.0%	43.0%
PPT Fleet	$567,011	1.5%	38.9%	44.6%	$691,887	1.9%	58.0%	45.9%
PPT Non-Fleet	$3,821,378	10.3%	121.0%	112.3%	$1,892,423	5.1%	99.7%	97.7%
Bus/Van Pools	$7,171,412	19.4%	53.0%	96.2%	$12,116,503	32.8%	69.1%	81.1%
A/O (ex Taxi / Limo)	$6,236,939	16.9%	61.4%	85.6%	$6,788,396	18.4%	64.1%	72.3%
Total	**$36,939,227**		**61.2%**	**81.2%**	**$36,939,444**		**56.6%**	**68.3%**
Market Share	**25.0%**				**25.0%**			
Agency Count	**368**				**270**			

	Total			
Class Type	**Written Premium**	**Class WP %**	**1yr Loss Ratio**	**3yr Loss Ratio**
TTT	$52,829,583	35.8%	51.6%	59.8%
Zone Rated TTT	$14,561,767	9.9%	37.5%	62.2%
PPT Fleet	$2,830,823	1.9%	62.2%	69.8%
PPT Non-Fleet	$19,158,285	13.0%	147.0%	133.3%
Bus/Van Pools	$34,576,061	23.4%	71.2%	58.0%
A/O (ex Taxi / Limo)	$23,801,191	16.1%	47.4%	66.7%
Total	**$147,757,710**		**64.0%**	**72.0%**

Commercial Servicing Carrier Program

Outline of Agency Reassignment Procedures

1. No Producer will be moved more than once in a three year period, unless the movement is unavoidable.

2. Producer reassignments will be made to equalize the total written premium for the Servicing Carriers.

3. Agency Affiliations will be kept together and assigned to the same Servicing Carrier.

4. The producer will be assigned to the Servicing Carrier that it already has a voluntary contract with, if possible. If multiple relationships exist, the producer will be assigned to the Servicing Carrier with the greatest amount of business with the producer.

5. When possible, loss ratio and premium distribution by class will be taken into consideration.

Measurement of Equity

1. Written Premium vs Exposure
2. Distribution by Class