



NATALIE A. HUBLEY
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

101 Arch Street, Suite 400 Boston, Massachusetts 02110
www.commauto.com 617-338-4000

**ADDITIONAL INFORMATION
TO MEMBERS OF THE GOVERNING COMMITTEE**

FOR THE MEETING OF:

Wednesday, November 15, 2017 at 11:00 a.m.

**GC
17.14 Actuarial Committee**

Attached is correspondence dated November 13, 2017 from Mr. Glenn Kaplan at the Office of the Attorney General. Note that the prior letter referenced in this correspondence was previously included in the Additional Information notice distributed to the Governing Committee on November 8, 2017. (Docket #GC17.14, Exhibit #5)

NATALIE A. HUBLEY
President

Attachment

Boston, Massachusetts
November 14, 2017



THE COMMONWEALTH OF MASSACHUSETTS
OFFICE OF THE ATTORNEY GENERAL

ONE ASHBURTON PLACE
BOSTON, MASSACHUSETTS 02108

MAURA HEALEY
ATTORNEY GENERAL

TEL: (617) 727-2200
www.mass.gov/ago

November 13, 2017

Governing Committee
Commonwealth Automobile Reinsurers
101 Arch Street, Suite 400
Boston, MA 02110

Dear Members of the Governing Committee,

I am writing to express our Office's concern with the reduction of quota share credits in the Massachusetts Auto Insurance Plan ("MAIP"). We understand that the Actuarial Committee has proposed reducing credit exposures in the MAIP by 17.6%. We last wrote to you on November 13, 2015 to address a similar proposal, subsequently rejected by the Division of Insurance, that proposed reducing credits by approximately 23%. A copy of our prior letter is enclosed.

The Actuarial Committee's current proposal indicates that credit eligible exposures in key territories cited by the Division of Insurance are expected to be reduced by 42.6%. Holyoke, Lowell, Springfield, and Lynn will see reductions in the 85% to 90% range, with Class 10 credits in these territories disappearing entirely.

We believe these reductions are improper. Massachusetts General Laws Chapter 175, § 113H requires the residual market plan to adopt credits that enhance the prospect that no class and territory is disproportionately represented in the MAIP. In comparison to the mean, the territories losing substantial credits under the Actuarial Committee's current proposal are presently overrepresented by between approximately 50% and 100%.

This overrepresentation is of particular concern because these territories are low-income and have large minority populations. Policyholders in these territories already pay, on average, significantly higher premiums than statewide premiums while purchasing less coverage. Reducing or removing credits in these territories will decrease incentives for carriers to write policies voluntarily or at lower rates, and may ultimately result in increased overrepresentation in the MAIP.

As discussed in our prior letter, being forced into the MAIP has numerous disadvantages for policyholders, including higher policy fees, ineligibility for certain policy benefits, restricted payment methods, and denial of carrier choice. Moreover, while the MAIP is typically thought of as a market of last resort for high risk drivers, there are many drivers insured through the MAIP who have perfect or near perfect driving records.

The overall MAIP market share has not materially changed since 2015, remaining at approximately 1.3% to 1.4%. While this is a relatively small proportion of the overall market, the small size of the MAIP has not reduced the overrepresentation of certain territories and classifications in the residual market. The disproportionate representation of low-income territories with large minority populations, generally, continues to be a significant problem, and statute requires the residual market to address the problem through allocation of credits.

We urge CAR to carefully consider its statutory obligation and to take steps to enhance the likelihood that no classification or territory is disproportionately represented in the MAIP, including considering a credit offer that surpasses both current and proposed credit levels for significantly overrepresented classes and territories.

Sincerely,



Glenn Kaplan, Chief
Insurance & Financial Services Division