



NATALIE A. HUBLEY  
PRESIDENT

# COMMONWEALTH AUTOMOBILE REINSURERS

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

## NOTICE OF MEETING

### GOVERNING COMMITTEE

A meeting of the Governing Committee will be held at the Automobile Insurers Bureau Conference Center at 101 Arch Street, 7<sup>th</sup> Floor, Boston, on

**WEDNESDAY, FEBRUARY 13, 2019 AT 10:30 A.M.**

### MEMBERS OF THE COMMITTEE

Mr. Thomas C. DePaulo – Chair  
Cabot Risk Strategies, LLC

Ms. Pamela L. Bodestab-Krynicky	P.L. Krynicky Insurance Agency, Inc.
Ms. Elizabeth B. Brodeur	Safety Insurance Company
Mr. Christopher D. Dupill	EM Freedman Insurance Agency, Inc.
Ms. Paula W. Gold	Plymouth Rock Assurance Corporation
Mr. Thomas A. Harris	Quincy Mutual Group
Mr. James S. Hyatt	Arbella Insurance Group
Mr. John V. Kelly	MAPFRE U.S.A. Corporation
Mr. M. John Olivieri, Jr.	J.K. Olivieri Insurance Agency, Inc.
Ms. Kellie A. Thibodeau	The Hanover Insurance Company
Ms. Meredith M. Woodcock	Liberty Mutual Group

### AGENDA

**GC**

#### **18.01 Transcript of Previous Meeting**

The Transcript of the Governing Committee meeting of November 14, 2018 should be read and approved.

**GC**

#### **19.03 CAR Conflict of Interest Policy**

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

**GC**

**19.04 President's Report**

Commonwealth Automobile Reinsurers' President will report on matters affecting CAR.

**GC**

**19.05 Counsel's Report**

Commonwealth Automobile Reinsurers' counsel will report on pending litigation, CAR Rule changes and any other matters relevant to legal issues at CAR.

**GC**

**18.10 Loss Reserving Committee**

The Governing Committee will hear the report of the Loss Reserving Committee meeting of December 5, 2018.

A Summary of the Loss Reserving Committee meeting of December 5, 2018 is attached. (Docket #GC18.10, Exhibit #4)

The Records of the Loss Reserving Committee meeting of December 5, 2018 have been distributed and are on file.

**GC**

**18.16 Market Review Committee**

The Governing Committee will hear the report of the Market Review Committee meeting of December 19, 2018.

The Records of the Market Review Committee meeting of December 19, 2018 have been distributed and are on file. (Docket #GC18.16, Exhibit #1)

**GC**

**19.06 Commercial Program Oversight Committee**

The Governing Committee will hear the reports of the Commercial Program Oversight Committee meetings of December 18, 2018 and January 22, 2019.

The Records of the Commercial Program Oversight Committee meeting of December 18, 2018 have been distributed and are on file. (Docket #GC19.06, Exhibit #1)

The Records of the Commercial Program Oversight Committee meeting of January 22, 2019 will be distributed as additional information prior to the meeting.

**GC**

**19.07 Commercial Automobile Committee**

The Governing Committee will hear the report of the Commercial Automobile Committee meeting of January 22, 2019.

The Records of the Commercial Automobile Committee meeting of January 22, 2019 will be distributed as additional information prior to the meeting.

**GC**

**19.08 CAR Commercial Automobile Rate Need Study**

During its review of CAR's filing, the Division of Insurance recognized a significant rate need among several classes such that a planned phased-in approach addressing the need will be required. The DOI has indicated that an in-depth study of CAR's rating plan should be undertaken by an independent actuary to identify all areas of rate need and prepare a comprehensive transition plan. While this study is in process, CAR will continue its annual review of indicated rate need, filing base rate changes for consideration. The Governing Committee will discuss a recommended approach to the DOI direction.

**GC**

**19.09 Compliance and Operations Committee**

The Governing Committee will hear the report of the Compliance and Operations Committee meeting of January 30, 2019.

The Records of the Compliance and Operations Committee meeting of January 30, 2019 will be distributed as additional information prior to the meeting.

**GC**

**19.10 Personnel Committee**

The Governing Committee will hear the report of the Personnel Committee meeting of February 11, 2019.

**GC**

**19.11 Financial Audit Committee**

The Governing Committee will hear the report of the Financial Audit Committee meeting of February 7, 2019.

The Records of the Financial Audit Committee meeting of February 7, 2019 will be distributed as additional information prior to the meeting.

**Other Business**

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

**Executive Session**

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

NATALIE A. HUBLEY  
President

Boston, Massachusetts  
January 31, 2019



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101 Arch Street, Suite 400 Boston, Massachusetts 02110  
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## SUMMARY OF MEETING

### LOSS RESERVING COMMITTEE – DECEMBER 5, 2018

Ms. Lynellen Ramirez – Chair  
Mr. Jonathan Blake <sup>(1)</sup>  
Mr. Michael Lombardi <sup>(2)</sup>  
Ms. Melissa Vaughn <sup>(3)</sup>

Arbella Insurance Group  
The Hanover Insurance Company  
MAPFRE U.S.A. Corporation  
Safety Insurance Company

Substituted for:

<sup>(1)</sup> Ms. Alyssa Potter  
<sup>(2)</sup> Mr. Warren Ehrlich  
<sup>(3)</sup> Mr. Glenn Hiltbold

#### 18.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Loss Reserving Committee meeting of September 5, 2018. The Records have been distributed and are on file.

#### 18.04 Quality of Current Quarter Reporting

The Committee was informed that 10 Bodily Injury (BI) large loss claims and one Property Damage Liability (PDL) loss were referred this quarter to CAR's Compliance Audit Department for additional information and verification. These claims were identified because the reserve changed significantly from the prior quarter, was new, or experienced payment activity significantly higher than the prior quarter's reserve. The Servicing Carriers shared details relating to these claims with CAR staff in their effort to verify the validity and reasonableness of the data.

To date, all known large losses have been reported to CAR and are included in the loss reserving data.

The Committee reviewed two new historical large loss reports that identify individual claims with large losses. Both reports were implemented to better inform this Committee, the Governing Committee, and all member companies, of large loss activity that has been influencing the ultimate loss results. These reports are attached as pages 5-7 of this report, and will be part of the record of the meeting to ensure that the information is made available for those who need it, and will be provided to the Governing Committee on a quarterly basis.

The Committee also reviewed alternative ultimate loss projections for the Bodily Injury coverage that removed large losses for accidents with incurred losses greater than \$1.0 million, developed projections to ultimate, and then added the large losses back in. This alternate projection methodology minimizes the over-projecting of large losses that are already at their reported policy limits. The

Committee discussed the results, which included lower ultimate loss projections than indicated by the unadjusted methodologies customarily used by the Committee. The Committee directed staff to produce the exhibit on an ongoing basis to assist as a reasonability check on the current loss projection methodologies.

Finally, the Committee was updated on the status of staff's research concerning out-of-state and out-of-country claims and the potential for Personal Injury Protection (PIP) payments to exceed the \$8,000 Massachusetts residual market coverage limit. The Loss Reserving Committee previously discussed this issue at the prior meeting, in relation to an accident year 2018 bus loss that occurred in Canada and was reserved at 5.0 million CSL. The Committee was advised that Canadian law requires up to \$1.0 million per passenger PIP coverage. Accordingly, the claim with current reported PIP reserves of \$47,000 may increase significantly as the status of the claim develops. CAR's counsel has advised that losses must be paid in accordance with Canadian law. However, Counsel has identified precedential court decisions allowing for the offset of the PIP payments from the BI coverage limits. Counsel has discussed this issue with the Servicing Carrier involved.

### **18.06 Policy Year Deficit and Loss Ratio Report**

The Committee set loss and loss adjustment expense reserves, using data through September 30, 2018.

The Committee discussed the variability in the ultimate loss development for the past 6-8 quarters, even in older years, in part due to the increased large loss activity. For the AOBI coverage, the Committee considered the need for tempering the ultimate selections, in part due to the influence of the formulaic development of large losses that are already at their reported policy limits. The Committee concluded that lower ultimate loss selections were warranted for some accident years.

The Committee estimated a policy year 2016 commercial deficit of \$49.1 million with a loss ratio of 103.5 percent, representing an increase of \$2.0 million from the prior quarter. This increase is primarily related to significant increases in reserves to 3 policies totaling approximately \$2.3 million.

The Committee estimated a policy year 2017 commercial deficit of \$33.4 million with a loss ratio of 93.4 percent, representing an improvement of \$6.5 million from the prior quarter. This decrease is partially related to the tempering of the AOBI loss ratio, and the Committee felt that while it is still early in development of 2017 losses, it felt that the prior quarter's ultimate loss was high.

The Committee estimated a policy year 2018 commercial deficit of \$39.3 million with a loss ratio of 96.3 percent. This is the first ultimate deficit projection for 2018. There are currently two significant losses greater than 1.0 million in 2018, one of which relates to a bus accident occurring in Canada that was reserved at the \$5.0 million CSL during the current quarter and has the potential for future PIP reserve growth due to the Canadian law that allows for up to \$1.0 million per passenger.

Ultimate loss ratio and deficit projections for policy years 2016-2018 are attached as pages 8-9.

The following summary displays results from the December 5, 2018 meeting:

**Total AO**

<u>CAL/AY</u>	<u>Earned Premium(000)</u>	<u>Loss &amp; Allocated Loss Adjustment Expense (000)</u>				<u>Number of Open Claims</u>
		<u>Paid</u>	<u>Case Outstanding</u>	<u>IBNR</u>	<u>Held Ultimate</u>	
2009	111,743	75,166	131	-	75,297	2
2010	95,938	73,922	275	2	74,199	3
2011	88,176	74,771	122	1	74,894	2
2012	91,576	64,877	2,065	31	66,973	15
2013	102,216	73,084	8,226	(86)	81,224	47
2014	117,843	93,560	8,780	200	102,540	85
2015	140,066	97,207	13,649	2,549	113,405	237
2016	160,227	103,224	50,365	12,381	165,970	726
2017	175,275	92,545	53,427	25,412	171,384	1,969
2018	140,940	44,421	40,801	49,965	135,187	4,382
<b>Total</b>	<b>1,224,000</b>	<b>792,777</b>	<b>177,841</b>	<b>90,455</b>	<b>1,061,073</b>	<b>7,468</b>

**Total PP**

<u>CAL/AY</u>	<u>Earned Premium(000)</u>	<u>Loss &amp; Allocated Loss Adjustment Expense (000)</u>				<u>Number of Open Claims</u>
		<u>Paid</u>	<u>Case Outstanding</u>	<u>IBNR</u>	<u>Held Ultimate</u>	
2009	82,820	81,515	2	-	81,517	8
2010	2,871	2,792	-	-	2,792	-
<b>Total</b>	<b>85,691</b>	<b>84,307</b>	<b>2</b>	<b>-</b>	<b>84,309</b>	<b>8</b>

SHANNON CHIU  
Actuarial/Statistical Analyst

Boston, Massachusetts  
January 31, 2019

## Loss Reserving Committee Executive Summary – Attachments

<u>Report Name</u>	<u>Page(s)</u>
Historical Large Loss Summary by Policy Year (> \$ 1.0 Million)	5-6
Large Loss Summary by Policy Year (> \$ 300,000)	7
Ultimate Loss Ratio and Deficit Projections at September, 2018	8-9



Commonwealth Automobile Reinsurers  
 Historical Large Loss Summary By Policy Year (Large Losses \$1.0 Million and Greater)  
 Data Reported Through September, 2018

#	Policy Year	Liability Limit	Liability Limit ID	Accident Year	Accident Month	Accident Day	Accident Date	Claims	Description	ITD Paid	Current	ITD Total	Prior	Prior Qtr	Change Total	Accdt				
										Losses	Reserves		ALAE ITD	Loss	Reserves	Total Loss	Loss	PIP Loss	Town	Accdt Town/State
1	18	5.0 M	CSL	18	06	04	6/4/18	49	SIGHTSEEING BUS, ZONE RATED FLEET	25,772	5,016,185	96,804	5,138,761	5,063,000	5,091,950	46,811	92,761	999	OTHER (NON-MA)	
2	18	1.0 M	CSL	18	03	07	3/7/18	1	MEDIUM TRUCKS, FLEET	0	1,000,000	75,000	1,075,000	0	0	1,075,000	0	821	BOSTON	
<b>18 Total</b>										<b>25,772</b>	<b>6,016,185</b>	<b>171,804</b>	<b>6,213,761</b>	<b>5,063,000</b>	<b>5,091,950</b>	<b>1,121,811</b>	<b>92,761</b>			
1	17	1.0 M	CSL	17	07	20	7/20/17	8	EXTRA-HEAVY TRUCK-TRACTORS, FLEET	1,139,102	0	3,762	1,142,864	0	1,142,864	0	4,100	514	WARE	
2	17	1.0 M	CSL	17	10	21	10/21/17	1	NON-OWNED	1,000,000	0	3,456	1,003,456	0	1,003,456	0	0	999	OTHER (NON-MA)	
3	17	1.0 M	CSL	18	06	14	6/14/18	2	HEAVY TRUCKS, NON FLEET	0	1,005,000	15,030	1,020,030	0	0	1,020,030	0	201	FALL RIVER	
4	17	1.0 M	CSL	17	09	11	9/11/17	2	URBAN BUS FLEET	0	1,000,000	26	1,000,026	1,000,000	1,000,026	0	0	202	TAUNTON	
5	17	1.0 M	CSL	17	03	21	3/21/17	1	TRAILER TYPES, FLEET	8,175	999,825	150,000	1,158,000	999,825	1,158,000	0	8,000	304	SALEM	
<b>17 Total</b>										<b>2,147,277</b>	<b>3,004,825</b>	<b>172,274</b>	<b>5,324,376</b>	<b>1,999,825</b>	<b>4,304,346</b>	<b>1,020,030</b>	<b>12,100</b>			
1	16	5.0 M	CSL	17	09	18	9/18/17	27	CHARTER BUS, FLEET	71,921	5,523,000	194,063	5,788,984	5,516,128	5,780,975	8,009	73,915	994	NEW YORK	
2	16	5.0 M	CSL	17	05	26	5/26/17	37	CHARTER BUS, ZONE RATED, FLEET	315,177	1,169,547	105,874	1,590,598	1,191,528	1,597,940	(7,342)	165,108	999	OTHER (NON-MA)	
3	16	1.0 M	CSL	16	11	10	11/10/16	4	NON-OWNED: NON OWNERSHIP LIABILITY	0	1,015,002	96,429	1,111,431	1,000,001	1,081,092	30,339	0		NOT RPT	
4	16	5.0 M	CSL	16	08	24	8/24/16	2	INTER CITY BUS,FLEET	0	5,038,500	260,007	5,298,507	5,038,500	5,298,506	1	3,500	995	RHODE ISLAND	
5	16	1.5 M	CSL	16	05	25	5/25/16	4	AIRPORT BUS OR AIRPORT LIMOUSINE, FLEET	35,321	1,514,678	145,250	1,695,249	1,491,564	1,657,698	37,551	50,250	994	NEW YORK	
6	16	1.0 M	CSL	16	08	05	8/5/16	2	NON-OWNED: HIRED AUTOS	1,000,000	0	45	1,000,045	0	1,000,045	0	0		NOT RPT	
7	16	1.0 M	CSL	17	05	27	5/27/17	2	NON-OWNED: HIRED AUTOS	0	1,000,000	10,017	1,010,017	1,000,000	1,010,017	0	0	993	NEW HAMPSHIRE	
8	16	1.0 M	CSL	16	11	01	11/1/16	10	MEDIUM TRUCKS, FLEET	205,856	781,750	44,318	1,031,924	796,750	1,039,417	(7,493)	0	013	MIDDLEBOROUGH	
9	16	1.0 M	CSL	17	03	30	3/30/17	3	GARAGES: RISKS SUBJECT TO COMPULSORY LAW	120,507	1,000,000	30,004	1,150,511	1,000,000	1,150,511	0	0	995	RHODE ISLAND	
10	16	1.0 M	CSL	16	09	29	9/29/16	2	GARAGES: RISKS SUBJECT TO COMPULSORY LAW	0	1,000,000	83,501	1,083,501	0	0	1,083,501	3,352	605	NEWTON	
11	16	1.0 M	CSL	16	10	18	10/18/16	3	EXTRA-HEAVY TRUCK-TRACTORS, NON FLEET, ZONE RATED	26,314	976,906	37,252	1,040,472	0	0	1,040,472	0	999	OTHER (NON-MA)	
12	16	1.0 M	CSL	17	05	03	5/3/17	15	GARAGES: RISKS SUBJECT TO COMPULSORY LAW	0	1,012,500	1,500	1,014,000	1,012,500	1,014,000	0	0	634	BILLERICA	
13	16	1.0 M	CSL	16	07	20	7/20/16	1	PRIVATE PASSENGER TYPES, FLEET	50,000	1,000,000	95,918	1,145,918	1,000,000	1,142,154	3,764	50,025	994	NEW YORK	
14	16	1.0 M	CSL	16	07	12	7/12/16	2	EXTRA-HEAVY TRUCK-TRACTORS, NON FLEET	2,773	1,000,000	60,000	1,062,773	0	0	1,062,773	0	994	NEW YORK	
15	16	1.0 M	CSL	17	05	03	5/3/17	16	GARAGES: RISKS SUBJECT TO COMPULSORY LAW	10,100	1,000,000	151,300	1,161,400	1,004,900	1,166,400	(5,000)	0	634	BILLERICA	
<b>16 Total</b>										<b>1,837,969</b>	<b>23,031,883</b>	<b>1,315,478</b>	<b>26,185,330</b>	<b>20,051,871</b>	<b>22,938,755</b>	<b>3,246,575</b>	<b>346,150</b>			
1	15	1.0 M	CSL	16	11	01	11/1/16	2	HEAVY TRUCKS, FLEET	1,016,000	0	12,957	1,028,957	0	1,028,391	566	16,000	626	WOBURN	
2	15	5.0 M	CSL	16	02	08	2/8/16	21	NON-OWNED: NON OWNERSHIP LIABILITY	300,000	4,700,000	149,995	5,149,995	5,000,000	5,149,995	0	0	991	CONNECTICUT	
3	15	1.5 M	CSL	16	03	27	3/27/16	7	BUS NOT OTHERWISE CLASSIFIED, ZONE RATED FLEET	79,278	1,500,000	63,573	1,642,851	0	0	1,642,851	82,351	994	NEW YORK	
4	15	5.0 M	CSL	16	02	08	2/8/16	74	CHARTER BUS, ZONE RATED, FLEET	4,246,288	939,821	813,101	5,999,210	5,174,116	6,479,411	(480,201)	351,289	991	CONNECTICUT	
5	15	5.0 M	CSL	16	05	17	5/17/16	15	CHARTER BUS, ZONE RATED, NON-FLEET	1,369,996	2,191,000	254,957	3,815,953	2,156,498	2,772,653	1,043,300	55,845	999	OTHER (NON-MA)	
6	15	1.0 M	CSL	15	09	03	9/3/15	4	SOCIAL SERVICES AUTO (ALL OTHERER), FLEET	1,016,106	0	539	1,016,645	0	1,016,645	0	6,380	410	GREENFIELD	
7	15	1.0 M	CSL	16	10	07	10/7/16	2	LIGHT TRUCK, FLEET	14,288	985,711	1,800	1,001,799	985,711	1,001,799	0	0	999	OTHER (NON-MA)	
8	15	5.0 M	CSL	16	03	02	3/2/16	4	SPECIAL RATING AND ADJUSTMENT: COMPOSITE RATED RISKS	1,824,935	0	146,584	1,971,519	0	1,977,764	(6,245)	0	923	WESTBOROUGH	
9	15	5.0 M	CSL	16	04	13	4/13/16	2	CHARTER BUS, ZONE RATED, FLEET	13,969	1,503,556	41,083	1,558,608	1,503,556	1,558,607	1	0	994	NEW YORK	
<b>15 Total</b>										<b>9,880,860</b>	<b>11,820,088</b>	<b>1,484,589</b>	<b>23,185,537</b>	<b>14,819,881</b>	<b>20,985,265</b>	<b>2,200,272</b>	<b>511,865</b>			
1	14	1.5 M	CSL	15	09	10	9/10/15	6	BUS NOT OTHERWISE CLASSIFIED, ZONE RATED, NON-FLEET	1,672,346	0	47,640	1,719,986	0	1,719,986	0	167,114	994	NEW YORK	
2	14	1.0 M	CSL	14	10	12	10/12/14	4	EXTRA-HEAVY TRUCK-TRACTORS, FLEET	1,027,733	0	56,146	1,083,879	0	1,083,879	0	0	991	CONNECTICUT	
3	14	1.0 M	CSL	14	09	06	9/6/14	4	NON-OWNED: HIRED AUTOS	938,211	0	295,018	1,233,229	0	1,233,229	0	0	999	OTHER (NON-MA)	
4	14	1.0 M	BI	15	06	07	6/7/15	3	PRIVATE PASSENGER TYPES, NON FLEET	1,065,335	0	3,315	1,068,650	0	1,068,650	0	22,362	615	FRAMINGHAM	
5	14	1.0 M	CSL	15	07	18	7/18/15	9	GARAGES: RISKS SUBJECT TO COMPULSORY LAW	0	1,000,000	437,298	1,437,298	1,000,000	1,438,032	(734)	0	994	NEW YORK	
6	14	1.0 M	CSL	15	02	01	2/1/15	2	NON-OWNED: NON OWNERSHIP LIABILITY	1,000,000	0	0	1,000,000	0	1,000,000	0	0	030	CARVER	
<b>14 Total</b>										<b>5,703,625</b>	<b>1,000,000</b>	<b>839,417</b>	<b>7,543,042</b>	<b>1,000,000</b>	<b>7,543,776</b>	<b>(734)</b>	<b>189,476</b>			
1	13	1.0 M	CSL	14	08	13	8/13/14	2	EXTRA-HEAVY TRUCK-TRACTORS, NON FLEET, ZONE RATED	42,344	1,007,656	255,000	1,305,000	1,007,656	1,305,000	0	55,000	994	NEW YORK	
2	13	1.0 M	CSL	14	06	16	6/16/14	1	NON-OWNED: HIRED AUTOS	1,000,000	0	25,432	1,025,432	0	1,025,432	0	0		NOT RPT	
3	13	5.0 M	CSL	14	06	11	6/11/14	2	SPECIAL RATING AND ADJUSTMENT: COMPOSITE RATED RISKS	2,508,153	0	23,224	2,531,377	0	2,547,004	(15,627)	8,000	652	WILMINGTON	
4	13	5.0 M	CSL	13	12	31	12/31/13	2	INTER CITY BUS, FLEET	1,764,617	0	66,058	1,830,675	0	1,830,675	0	0	994	NEW YORK	
5	13	1.0 M	CSL	13	11	01	11/1/13	2	NON-OWNED: NON OWNERSHIP LIABILITY	1,000,000	0	26,833	1,026,833	0	1,026,833	0	0	993	NEW YORK	

**Commonwealth Automobile Reinsurers  
Historical Large Loss Summary By Policy Year (Large Losses \$1.0 Million and Greater)  
Data Reported Through September, 2018**

6	13	5.0 M	CSL	14	01	10	1/10/14	2	CHARTER BUS, FLEET	1,217,136	0	52,574	1,269,710	0	1,269,710	0	0	994	NEW YORK	
7	13	5.0 M	CSL	14	01	21	1/21/14	15	CHARTER BUS, ZONE RATED, NON-FLEET	3,386,839	2,157	292,859	3,681,855	2,157	3,676,659	5,196	208,052	999	OTHER (NON-MA)	
8	13	5.0 M	CSL	14	02	22	2/22/14	3	CHARTER BUS, ZONE RATED, NON-FLEET	1,432,188	0	75,117	1,507,305	0	1,507,305	0	0	999	OTHER (NON-MA)	
9	13	1.5 M	CSL	14	04	13	4/13/14	17	BUS NOT OTHERWISE CLASSIFIED, ZONE RATED, NON-FLEET	1,521,226	0	10,096	1,531,322	0	1,531,322	0	22,359	991	CONNECTICUT	
<b>13 Total</b>										<b>13,872,503</b>	<b>1,009,813</b>	<b>827,193</b>	<b>15,709,509</b>	<b>1,009,813</b>	<b>15,719,940</b>	<b>(10,431)</b>	<b>293,411</b>			
1	12	1.0 M	CSL	12	07	21	7/21/12	2	NON-OWNED: NON OWNERSHIP LIABILITY	1,000,000	0	3,810	1,003,810	0	1,003,810	0	0		NOT RPT	
2	12	5.0 M	CSL	13	05	05	5/5/13	4	INTER CITY BUS, FLEET	1,495,842	0	24,568	1,520,410	0	1,520,410	0	0	999	OTHER (NON-MA)	
3	12	5.0 M	CSL	13	01	07	1/7/13	3	INTER CITY BUS, FLEET	99,894	4,750,000	80,577	4,930,471	4,750,000	4,930,471	0	100,455	994	NEW YORK	
4	12	5.0 M	CSL	12	10	25	10/25/12	1	BUS NOT OTHERWISE CLASSIFIED, FLEET	3,858,000	0	24,490	3,882,490	0	3,882,490	0	8,000	600	CAMBRIDGE	
5	12	5.0 M	CSL	12	12	05	12/5/12	2	BUS NOT OTHERWISE CLASSIFIED, ZONE RATED, NON-FLEET	1,250,000	0	67,167	1,317,167	0	1,317,167	0	0	991	CONNECTICUT	
6	12	1.0 M	CSL	12	07	16	7/16/12	2	EXTRA-HEAVY TRUCK-TRACTORS, FLEET	1,088,400	0	10,895	1,099,295	0	1,099,295	0	0	626	WOBURN	
<b>12 Total</b>										<b>8,792,136</b>	<b>4,750,000</b>	<b>211,507</b>	<b>13,753,643</b>	<b>4,750,000</b>	<b>13,753,643</b>	<b>0</b>	<b>108,455</b>			
1	11	AO	CSL	12	03	11	3/11/12	1	ALL OTHERER SPECIAL RATING AND ADJUSTMENT	962,503	0	53,247	1,015,750	0	1,015,750	0	0	994	NEW YORK	
2	11	1.0 M	CSL	12	02	16	2/16/12	1	GARAGES: RISKS SUBJECT TO COMPULSORY LAW	10,531	1,000,000	100,612	1,111,143	1,000,000	1,097,395	13,748	0	014	PLYMOUTH	
3	11	1.0 M	CSL	11	08	27	8/27/11	7	LIGHT TRUCK, FLEET	1,008,378	0	22,620	1,030,998	0	1,030,998	0	0	923	WESTBOROUGH	
4	11	1.0 M	CSL	11	10	19	10/19/11	2	CAR SERVICE, NON-FLEET	1,008,000	0	117,088	1,125,088	0	1,125,574	(486)	8,069	821	BOSTON	
5	11	5.0 M	CSL	11	07	23	7/23/11	14	TRAILER TYPES, FLEET	5,130,932	0	227,409	5,358,341	0	5,358,341	0	0	321	SAUGUS	
<b>11 Total</b>										<b>8,120,344</b>	<b>1,000,000</b>	<b>520,976</b>	<b>9,641,320</b>	<b>1,000,000</b>	<b>9,628,058</b>	<b>13,262</b>	<b>8,069</b>			
1	10	1.0 M	CSL	11	07	09	7/9/11	2	NON-OWNED: HIRED AUTOS	1,000,000	0	402,416	1,402,416	0	1,402,416	0	0		NOT RPT	
2	10	1.0 M	CSL	10	03	26	3/26/10	2	GARAGES: RISKS SUBJECT TO COMPULSORY LAW	1,000,000	0	68,416	1,068,416	0	1,068,416	0	1	900	WORCESTER	
3	10	1.0 M	CSL	11	08	01	8/1/11	1	HEAVY TRUCKS, NON FLEET	1,002,680	0	5,803	1,008,483	0	1,008,483	0	0	621	NATICK	
4	10	1.0 M	CSL	10	04	26	4/26/10	3	HEAVY TRUCKS, NON FLEET	1,012,086	0	2,313	1,014,399	0	1,014,399	0	0	900	WORCESTER	
5	10	1.0 M	CSL	10	07	30	7/30/10	4	GARAGES: RISKS SUBJECT TO COMPULSORY LAW	1,047,336	0	7,576	1,054,912	0	1,054,912	0	0	300	LYNN	
<b>10 Total</b>										<b>5,062,102</b>	<b>0</b>	<b>486,524</b>	<b>5,548,626</b>	<b>0</b>	<b>5,548,626</b>	<b>0</b>	<b>1</b>			
1	09	1.0 M	CSL	10	07	18	7/18/10	2	EXTRA-HEAVY TRUCK-TRACTORS, NON FLEET, ZONE RATED	1,000,000	0	126,062	1,126,062	0	1,126,062	0	0	999	OTHER (NON-MA)	
2	09	1.0 M	CSL	10	05	05	5/5/10	3	NON-OWNED: NON OWNERSHIP LIABILITY	1,000,000	0	2,773	1,002,773	0	1,002,773	0	0	607	WALTHAM	
3	09	5.0 M	CSL	10	05	31	5/31/10	1	FLCHARTER BUS, FLEET	1,300,000	0	40,299	1,340,299	0	1,340,299	0	50,051	994	NEW YORK	
4	09	1.0 M	CSL	09	10	01	10/1/09	1	NON-OWNED: HIRED AUTOS	1,000,000	0	1,036	1,001,036	0	1,001,036	0	0		NOT RPT	
5	09	1.0 M	CSL	09	06	19	6/19/09	2	SPECIAL TYPES: PRIVATE PASSENGER AUTOS	1,000,000	0	1,452	1,001,452	0	1,001,452	0	0	720	WELLESLEY	
<b>09 Total</b>										<b>5,300,000</b>	<b>0</b>	<b>171,622</b>	<b>5,471,622</b>	<b>0</b>	<b>5,471,622</b>	<b>0</b>	<b>50,051</b>			
<b>67</b>	<b>Grand Total</b>									<b>60,742,588</b>	<b>51,632,794</b>	<b>6,201,384</b>	<b>118,576,766</b>	<b>49,694,390</b>	<b>110,985,981</b>	<b>7,590,785</b>	<b>1,612,339</b>			

**Commonwealth Automobile Reinsurers  
Large Loss Policy Summary By Policy Year  
Data Reported Through September, 2018  
(Large Losses \$300,000 or Greater)**

		2009			2010			2011			2012		
≥	≤	Policies	Inc Loss	% TOT <sup>(1)</sup>	Policies	Inc Loss	% TOT	Policies	Inc Loss	% TOT	Policies	Inc Loss	% TOT
5.0 M	+	-	-	0.0%	-	-	0.0%	1	5,358,341	7.4%	-	-	0.0%
2.5 M	5.0 M	-	-	0.0%	-	-	0.0%	-	-	0.0%	2	8,812,961	11.3%
2.0 M	2.5 M	-	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%
1.5 M	2.0 M	-	-	0.0%	-	-	0.0%	-	-	0.0%	1	1,520,410	2.0%
1.0 M	1.5 M	5	5,471,622	7.5%	5	5,548,626	8.2%	4	4,282,979	5.9%	3	3,420,272	4.4%
<b>Policies &gt; 1.0 M</b>		<b>5</b>	<b>5,471,622</b>	<b>7.5%</b>	<b>5</b>	<b>5,548,626</b>	<b>8.2%</b>	<b>5</b>	<b>9,641,320</b>	<b>13.3%</b>	<b>6</b>	<b>13,753,643</b>	<b>17.7%</b>
500,000	1.0 M	12	9,402,210	12.9%	7	4,946,202	7.3%	10	7,439,633	10.3%	7	4,476,441	5.8%
300,000	500,000	13	4,816,189	6.6%	10	3,735,733	5.5%	7	2,749,915	3.8%	12	4,989,016	6.4%
<b>Sum of Large Losses</b>		<b>30</b>	<b>19,690,021</b>	<b>27.0%</b>	<b>22</b>	<b>14,230,561</b>	<b>20.9%</b>	<b>22</b>	<b>19,830,868</b>	<b>27.4%</b>	<b>25</b>	<b>23,219,100</b>	<b>29.9%</b>
<b>Total Incurred Losses</b>		<b>72,943,064</b>			<b>67,999,523</b>			<b>72,502,328</b>			<b>77,667,618</b>		
		2013			2014			2015			2016		
≥	≤	Policies	Inc Loss	% TOT	Policies	Inc Loss	% TOT	Policies	Inc Loss	% TOT	Policies	Inc Loss	% TOT
5.0 M	+	-	-	0.0%	-	-	0.0%	2	11,149,205	8.3%	2	11,087,491	7.2%
2.5 M	5.0 M	2	6,213,232	6.3%	-	-	0.0%	1	3,815,953	2.9%	-	-	0.0%
2.0 M	2.5 M	-	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%
1.5 M	2.0 M	3	4,869,302	4.9%	1	1,719,986	1.7%	3	5,172,978	3.9%	2	3,285,847	2.1%
1.0 M	1.5 M	4	4,626,975	4.7%	5	5,823,056	5.8%	3	3,047,401	2.3%	11	11,811,992	7.6%
<b>Policies &gt; 1.0 M</b>		<b>9</b>	<b>15,709,509</b>	<b>16.0%</b>	<b>6</b>	<b>7,543,042</b>	<b>7.6%</b>	<b>9</b>	<b>23,185,537</b>	<b>17.3%</b>	<b>15</b>	<b>26,185,330</b>	<b>16.9%</b>
500,000	1.0 M	11	7,940,777	8.1%	6	4,245,214	4.3%	12	8,328,611	6.2%	19	13,739,772	8.9%
300,000	500,000	16	5,604,416	5.7%	13	5,277,578	5.3%	11	4,088,906	3.1%	23	8,672,907	5.6%
<b>Sum of Large Losses</b>		<b>36</b>	<b>29,254,702</b>	<b>29.7%</b>	<b>25</b>	<b>17,065,834</b>	<b>17.1%</b>	<b>32</b>	<b>35,603,054</b>	<b>26.6%</b>	<b>57</b>	<b>48,598,009</b>	<b>31.4%</b>
<b>Total Incurred Losses</b>		<b>98,475,950</b>			<b>99,842,645</b>			<b>133,684,470</b>			<b>154,538,354</b>		
		2017			2018			Total All Years					
≥	≤	Policies	Inc Loss	% TOT	Policies	Inc Loss	% TOT	Policies	Inc Loss	% TOT			
5.0 M	+	-	-	0.0%	1	5,138,761	15.6%	6	32,733,798	3.5%			
2.5 M	5.0 M	-	-	0.0%	-	-	0.0%	5	18,842,146	2.0%			
2.0 M	2.5 M	-	-	0.0%	-	-	0.0%	-	-	0.0%			
1.5 M	2.0 M	-	-	0.0%	-	-	0.0%	10	16,568,523	1.8%			
1.0 M	1.5 M	5	5,324,376	4.4%	1	1,075,000	3.3%	46	50,432,299	5.4%			
<b>Policies &gt; 1.0 M</b>		<b>5</b>	<b>5,324,376</b>	<b>4.4%</b>	<b>2</b>	<b>6,213,761</b>	<b>18.8%</b>	<b>67</b>	<b>118,576,766</b>	<b>12.7%</b>			
500,000	1.0 M	14	9,159,791	7.5%	1	874,979	2.7%	99	70,553,630	7.6%			
300,000	500,000	9	3,240,365	2.7%	2	698,007	2.1%	116	43,873,032	4.7%			
<b>Sum of Large Losses</b>		<b>28</b>	<b>17,724,532</b>	<b>14.5%</b>	<b>5</b>	<b>7,786,747</b>	<b>23.6%</b>	<b>282</b>	<b>233,003,428</b>	<b>25.0%</b>			
<b>Total Incurred Losses</b>		<b>122,013,066</b>			<b>32,966,322</b>			<b>932,633,340</b>					

<sup>(1)</sup> % TOT = Large Loss / Total Incurred Losses

COMMERCIAL ULTIMATE POLICY YEAR DEFICIT PROJECTIONS  
 BASED ON DATA REPORTED THROUGH QUARTER ENDING SEPTEMBER 2018  
 (000's OMITTED)

SUMMARY EXHIBIT

	Policy Year 2016		Policy Year 2017		Policy Year 2018	
	Dollars	% Prem	Dollars	% Prem	Dollars	% Prem
Premium	169,100	100.0%	182,400	100.0%	195,600	100.0%
Losses Incurred and ALAE	175,007	103.5%	170,362	93.4%	188,363	96.3%
Underwriting Expenses	43,148	25.5%	45,448	24.9%	46,553	23.8%
Underwriting Result	(49,055)	-29.0%	(33,410)	-18.3%	(39,316)	-20.1%

COMPARISON OF ULTIMATE POLICY YEAR DEFICIT PROJECTIONS  
PRIOR AND CURRENT QUARTER ESTIMATES

Policy Year 2018

	Prior Qtr Estimate		Current Qtr Estimate		Variance	
	Dollars	% Prem	Dollars	% Prem	Dollars	Percent
Premium			195,600	100.0%		
Losses Incurred and ALAE			188,363	96.3%		
Underwriting Expenses			46,553	23.8%		
Underwriting Result			(39,316)	-20.1%		

Policy Year 2017

	Prior Qtr Estimate		Current Qtr Estimate		Variance	
	Dollars	% Prem	Dollars	% Prem	Dollars	Percent
Premium	182,400	100.0%	182,400	100.0%	0	0.0%
Losses Incurred and ALAE	176,563	96.8%	170,362	93.4%	(6,201)	-3.5%
Underwriting Expenses	45,782	25.1%	45,448	24.9%	(334)	-0.7%
Underwriting Result	(39,945)	-21.9%	(33,410)	-18.3%	6,535	-16.4%

Policy Year 2016

	Prior Qtr Estimate		Current Qtr Estimate		Variance	
	Dollars	% Prem	Dollars	% Prem	Dollars	Percent
Premium	169,100	100.0%	169,100	100.0%	0	0.0%
Losses Incurred and ALAE	172,989	102.3%	175,007	103.5%	2,018	1.2%
Underwriting Expenses	43,151	25.5%	43,148	25.5%	(3)	0.0%
Underwriting Result	(47,040)	-27.8%	(49,055)	-29.0%	(2,015)	4.3%



NATALIE A. HUBLEY  
PRESIDENT

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## RECORDS OF MEETING

### MARKET REVIEW COMMITTEE – DECEMBER 19, 2018

#### Members Present

Mr. Charles Boynton, III – Chair	Boynton Insurance Agency
Ms. Elizabeth Brodeur	Safety Insurance Company
Ms. Sheila Doherty	Doherty Insurance Agency, Inc.
Mr. Andrew Drayer	MAPFRE U.S.A. Corporation
Ms. Roberta Fitzpatrick	Arbella Insurance Group
Mr. Harold Gerbis	Quincy Mutual Group
Mr. Sumner Gilman	Economy Insurance Agency, Inc.
Mr. David McCormick	McCormick and Sons Insurance Agency, Inc.
Ms. Marie-Armel Theodat	R. Theodat Insurance Agency, Inc.
Mr. Kenneth Willis	Plymouth Rock Assurance Corporation

Substituted for:  
N/A

Not in Attendance:  
N/A

#### 17.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Market Review Committee meeting of November 28, 2017. The Records have been distributed and are on file.

#### 18.05 Shannon Insurance Agency, LLC/Commerce Insurance Company

The Shannon Insurance Agency is requesting relief of the termination of the agency's commercial automobile Exclusive Representative Producer appointment by the Commerce Insurance Company for violations of CAR Rule 14.B.1.d., e., g., j., x., and y. Commerce's termination of the agency was by letter dated September 11, 2018, but the agency has taken the position that it never received the termination letter and was not aware of the termination until November 2018. Mr. Andrew Drayer of MAPFRE U.S.A. Corporation recused himself from Committee discussion on this agenda item.

Mr. Ben Hincks, CAR counsel, provided the Committee with procedural information to assist in its consideration of the appeal. He advised that that the Committee has been convened to initially consider whether or not the termination should be upheld on the procedural ground that CAR received the Shannon agency's Request for Review on November 6, 2018 rather than within 30 calendar days of the date on which Commerce alleges the termination letter was delivered to the agency. He further advised that irrespective of how the Committee rules on that procedural matter, the Committee should then determine whether Commerce's termination should be upheld based on any or all of the specific grounds stated in the notice

of termination. The Committee should deliberate on each alleged violation that was the basis of the termination and determine if each one individually was a valid basis for termination and whether, pursuant to Rule 20 of CAR's Rules of Operation, whether Commerce's termination on each ground is an unfair, unreasonable or improper practice.

Mr. Paul Shannon of the Shannon Insurance Agency, LLC, presented the agency's appeal. He stated that he was assigned to Commerce in 2012 and in December 2017, a new Commerce underwriter was assigned to his agency. In the past, he never encountered any issues with the company, but beginning in December of 2017, many of the agency's policies that included large risks such as buses, sand and gravel haulers and van pools were being non-renewed by Commerce. Additionally, the company was no longer accepting any new business policies written by the agency. He stated that risks that had been on his books for many years and renewed by Commerce each year without issue, were now being scrutinized and additional reports such as quarterly fuel tax records and trip logs were being requested at renewal. If this documentation was not received, Commerce would non-renew the policies. However, Mr. Shannon pointed out that Commerce was then rewriting the same policies with another Commerce agent, without requesting the documentation previously requested from the Shannon agency. In his opinion, he felt that this inconsistency in underwriting requirements demonstrates a clear bias against the agency. He further noted that although he did not have a large amount of business with Commerce, he averaged approximately \$35-40,000 in commissions yearly over the past six years, a substantial loss of income for his agency.

In response to questions from the Committee members, Mr. Shannon indicated that he was in receipt of the June 5, 2018 letter from Commerce which identified a number of concerns that the carrier requested the agency to address. He noted that prior to receiving this letter, due to the numerous issues that he was having with Commerce, he had been in communication with CAR staff to request reassignment to another carrier. He also indicated that throughout the years, he had never been visited by a Commerce marketing representative and while he had many conversations with his new underwriter, his requests to speak with an underwriting manager went unheeded. He noted that at the present time, the agency's current book of business with Commerce is approximately 8-10 policies, with most of his larger accounts already non-renewed.

Ms. Sarah Clemens, representing MAPFRE/Commerce, initially addressed the 30-day appeal requirement, noting that Commerce had complied with the method of termination specified in Rule 13.B.6.b. She stated that the company had mailed the termination letter in compliance with CAR Rules, included proof of mailing to the agent's principal place of business and that a confirmed receipt to the agency's front door in Attleboro was received.

Ms. Clemens acknowledged that in December 2017, a new individual took over as the agency's underwriter. She stated that the actions of Commerce's underwriter, however, were consistent with the obligations of the Limited Servicing Carrier Agreement and the requests for additional reports were to validate eligibility, proper classification and rating of the risk. She further noted that over the past year, CAR's committees have approved standards to create consistency among Servicing Carriers' handling of risks in the commercial marketplace, as well as Rule modifications to further define principal place of business and confirm Massachusetts operation. Therefore increased scrutiny on risks is to be expected for all Servicing Carriers.

On June 5, 2018, Commerce issued a warning letter to Mr. Shannon identifying the areas of the agency's non-compliance and inconsistencies with CAR Rules. Mr. Shannon was given sufficient opportunity to communicate with Commerce's underwriting team relative to the issues contained in the letter, however, no communication was ever made and identified concerns were never addressed. Additionally, an offer for Mr. Shannon to reach out to Mr. John Kelly at MAPFRE was also not accepted.

Ms. Clemens then addressed the information contained in Commerce's termination letter, and pointed out additional information and some inaccuracies not disclosed by Mr. Shannon. She identified several of the Rule 14 violations incurred by the agency, including; failure to provide a signed premium finance application/agreement in accordance with the two business day requirement, failure to verify information provided by the applicant, failure to verify policies cancelled by non-pay and collect unearned premium due to other carriers, and forwarding payments to the Servicing Carrier within two business days. Ms. Clemens further noted that the Shannon agency currently has a returned commission balance of over \$24,000 owed to Commerce relative to policies that have been cancelled.

Significant Committee discussion ensued relative to several specific policies that were in violation of the Rules and members then proceeded to a vote. Mr. Hincks reiterated that the Committee should consider first the procedural issue relative to the late receipt of the Request for Review and then consider each of the separate bases for termination on its own merit and whether each is grounds for termination, irrespective of the Committee's decision on the procedural issue.

Accordingly on a unanimous motion, the Committee recommended that it take up the appeal on the merits of the termination itself, accept the late appeal and consider the termination on its merits despite the lateness of appeal.

The Committee then proceeded to vote on each of the Rule sections cited in Commerce's termination letter as follows:

**Rule 14.B.1.d.**

In a vote with 7 in favor, 1 opposed and 1 recused, the Committee agreed that Commerce has established that Shannon Insurance has violated CAR Rule 14.B.1.d. by failing to submit for all applicants a new business application for insurance with appropriate certification form(s), completed in their entirety, and a signed premium finance agreement/application, if applicable, within two business days.

In a vote with 7 in favor, 1 opposed and 1 recused, the Committee agreed that the violation of Rule 14.B.1.d. provides a valid basis for termination.

**Rule 14.B.1.e.**

In a vote with 8 in favor and 1 recused, the Committee agreed that Commerce has established that Shannon Insurance has violated CAR Rule 14.B.1.e. by failing to provide a reasonable and good faith effort to verify the information provided by the applicants, including licensing and rating data.

In vote with 8 in favor and 1 recused, the Committee agreed that the violation of Rule 14.B.1.e. provides a valid basis for termination.

**Rule 14.B.1.g.**

In a vote with 8 in favor and 1 recused, the Committee agreed that Commerce has established that Shannon Insurance has violate CAR Rule 14.B.1.g. by failing to verify that the applicant has not been in default in the payment of any Motor Vehicle Insurance premium in the past 24 months.

In a vote with 8 in favor and 1 recused, the Committee agreed that the violation of Rule 14.B.1.g. provides a valid basis for termination.

**Rule 14.B.1.j.**

In a vote with 8 in favor and 1 recused, the Committee agreed that Commerce has established that Shannon Insurance has violated CAR Rule 14.B.1.j. by failing to forward all premium payments to a Servicing Carrier within two business days of receipt. However, a Servicing Carrier shall extend the payment period for an additional seven days upon sufficient notice that all or part of a premium is being



financed by a licensed premium finance company where the premium finance company has given its written assurance to pay the full premium financed directly to the Servicing Carrier. This provision shall not obligate a Servicing Carrier to provide such additional time if notwithstanding any written assurances the premium finance company has previously failed to perform its commitment.

In a vote with 8 in favor and 1 recused, the Committee agreed that the violation of Rule 14.B.1.j. provides a valid basis for termination.

**Rule 14.B.1.x.**

In a vote with 7 in favor, 1 opposed and 1 recused, the Committee agreed that Commerce has established that Shannon Insurance has violated CAR Rule 14.B.1.x. by failing to comply with all of the conditions set forth in its Limited Servicing Carrier Agreement with Commerce, namely paragraphs 1.B. and 1.H of that Agreement.

In a vote with 7 in favor, 1 opposed and 1 recused, the Committee agreed that the violation of Rule 14.B.1.x. provides a valid basis for termination.

**Rule 14.B.1.y.**

In a vote with 6 in favor, 2 opposed and 1 recused, the Committee agreed that Commerce has established that Shannon Insurance has violated CAR Rule 14.B.1.y. by failing to comply with all of the provisions of the Rules of Operation and the Manual of Administrative Procedures.

In a vote with 6 in favor, 2 opposed and 1 recused, the Committee agreed that the violation of Rule 14.B.1.y. provides a valid basis for termination.

Mr. John Metcalfe advised the agency that it has 30 days to petition CAR for a subsequent review of the Committee's decision by the Governing Committee pursuant to Rule 20 – Review and Appeal and during that time, the termination is stayed until the appeal process is completed.

MARIAN ADGATE  
Corporate Documentation Specialist

Boston, Massachusetts  
January 28, 2019



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## RECORDS OF MEETING

### COMMERCIAL PROGRAM OVERSIGHT COMMITTEE – DECEMBER 18, 2018

#### Members Present

Mr. William Cahill, Jr. – Chair  
Mr. Peter Chung  
Mr. Brian Hayes<sup>(1)</sup>  
Mr. John Olivieri, Jr.

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

Substituted for:

<sup>(1)</sup>Mr. Thomas Harris

Not in Attendance:

Mr. Charles Boynton, III

Boynton Insurance Agency, Inc.

#### 18.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Commercial Program Oversight Committee meeting of November 8, 2018. The Records have been distributed and are on file.

#### 18.04 Commercial Program Oversight

Mr. John Metcalfe stated that attached to the meeting's Additional Information Notice, was a draft of a template for Servicing Carriers to use for preparing their 2018 Annual Reports and a tentative 2018 Annual Report schedule. Also attached for the Committee's reference was a tentative Commercial Servicing Carrier and Taxi/Limousine Program Request for Proposal (RFP) event schedule for the appointment term beginning January 1, 2022.

Mr. Peter Chung suggested that it would be helpful to the Committee members reviewing the Annual Reports if Servicing Carrier responses are summarized and displayed in a consistent manner. He further requested that the CAR data reports reflecting 2018 residual market experience also provide Servicing Carriers with frequency and severity information, in addition to claim count, for better comparison among the carriers. Additionally, Mr. Chung identified other helpful pieces of information to be provided by Servicing Carriers under the Residual Market Trends and Issues and Servicing Carrier Performance and Results sections of the report, including the identification of other eligibility and underwriting and rules concerns, a percent of policies written voluntarily in addition to the number and a count of agents that the Servicing Carrier has. The Committee requested that staff update the Annual Report template based upon Committee discussion and, in advance of the next meeting, provide the Committee with a document that would be designed such that it would be effective in the collection and summarization of the Servicing Carrier responses.

Finally, members agreed that although a presentation was not required, Servicing Carriers should be available at the Committee's meeting to review and discuss the completed annual reports in order to respond to potential questions by the Committee members. The Committee also agreed that it would be

important to advise Servicing Carriers that the information included in their Annual Report and discussed at a future Committee meeting will be made available to the general public in accordance with the Open Meeting Law. Mr. Steven Torres, CAR counsel, stated that he will review this issue further, especially as it relates to potential proprietary information that may be reported on a Servicing Carrier's Annual Report.

#### **18.06 Request for Reimbursement of Extraordinary Expenses – Arbella Protection Insurance Company**

In response to a request from the Chair, Ms. Hubley advised the Committee that staff has confirmed the dollar amounts included in Arbella's current expense reimbursement request, noting that the original submission to the Commercial Automobile Committee inadvertently double-counted the prorating of employee expenses allocated to the Point matter. She further advised that Arbella has submitted additional information relative to the derivation of employee expenses, and Ms. Roberta Fitzpatrick, representing Arbella, is available to discuss this information in more detail at the Committee's pleasure.

Before addressing the specifics of Arbella's request, the Committee discussed the precedential consequence of recommending the reimbursement. The members recognized that in the current market environment, additional requests may follow. Ms. Hubley advised that at least one Servicing Carrier has suggested that the extraordinary measures required of Arbella in this instance is a symptom of underlying market conditions experienced by all Servicing Carriers. It was also noted that all Servicing Carriers are implementing the new standards recently developed and approved by CAR committees. The Committee considered whether a broader approach should be taken to review the expense allowance provision of the current contract term. However, counsel cautioned that the expense allowance resulted from the RFP process, the terms of which were agreed upon by each Servicing Carrier in accepting their appointment. Careful consideration should be given not only to the appropriateness of modifying those terms mid-term, but also to the impact to all member companies.

After discussion, some Committee members suggested that it would be more appropriate to address the current request on its merits. Mr. Olivieri noted that Arbella has presented the extraordinary nature of the circumstances surrounding the Point Exclusive Representative Producer appointment. He suggested that the Committee should not speculate on the likelihood of other requests, but rather address those if presented, and determine whether a pattern develops that would indicate an underlying issue that would warrant a more systematic approach.

The Committee then considered Arbella's request in the context of the expense allowance received for 2017. Ms. Fitzpatrick described the process by which Arbella identified the extraordinary expenses it had incurred. She noted that, as a standard operating procedure, most Arbella employees track their time in order to measure productivity. These logs were used to calculate time spent on the Point matter. Special Investigator resources were measured, not by time, but by number of investigations.

Referring to the exhibits attached to the meeting's Additional Information Notice, the Committee requested further explanation of the determination of the cost/hour figures, and asked for sample activity logs used to track employee hours. Some members suggested that such logs may be beneficial to include in future RFPs.

After discussion, the Committee agreed to continue discussion at its next meeting with the intention to prepare a recommendation for the February Governing Committee.

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January 16, 2019