



NATALIE A. HUBLEY  
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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**ADDITIONAL INFORMATION**

**TO MEMBERS OF THE GOVERNING COMMITTEE**

**FOR THE SPECIAL MEETING OF:**

**Thursday, August 5, 2021 at 10:30 a.m.**

**GC  
21.06 Commercial Program Oversight Committee**

The Records of the Commercial Program Oversight Committee meeting of July 26, 2021 are attached. (Docket #GC21.06, Exhibit #4)

The Records of the Commercial Program Oversight Committee meeting of July 26, 2021 have been distributed and are on file.

NATALIE A. HUBLEY  
President

Attachment

Boston, Massachusetts  
July 29, 2021



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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

Commercial Servicing Carrier Program  
Program Transition Procedures  
January 1, 2022

The upcoming Servicing Carrier Program term will combine the taxi, limousine, and car service classes into the full commercial automobile program. Accordingly, the Commercial Program Oversight Committee is recommending to the Governing Committee agency reassignment and policy issuance transition procedures described below

Agency Reassignment Procedures

- To the extent possible, assign an agency with taxi, limousine, and/or car service risks to the carrier with which it has its commercial Servicing Carrier appointment.
- Agencies with identified affiliations will be placed with the same carrier to avoid adverse selection, pursuant to Rule 14.
- To maintain an equitable distribution of premium volume and loss ratio among the Servicing Carriers by class type group, reassign agencies as needed minimizing the number of impacted agencies and the volume of reassigned ceded business to the extent possible.

Policy Issuance Transition Procedures

- Non-renewal notices will be provided to the producer of record a minimum of 45 days prior to the expiration date for ceded policies that will be rewritten with a new Servicing Carrier.
- To assist producers in identifying well in advance business transferring to a new carrier, Staff will distribute a listing of expirations to producers.
- For non-fleet business (excluding non-fleet taxi, limousine, and car service):
  - Expiring policies' declarations page may be submitted in place of a new business application.
  - If the declarations page is submitted to the new Servicing Carrier at least 60 days prior to the policy effective date, the deposit premium is waived.
- For all fleet business and for non-fleet taxi, limousine, and car service business:
  - Normal company application submission procedures will be followed pursuant to the Manual of Administrative Procedures.