



NATALIE A. HUBLEY  
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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## RECORDS OF MEETING

### JOINT ACTUARIAL COMMERCIAL LINES COMMITTEE – JULY 16, 2020

#### Members Present

Mr. Glenn Hiltbold – Chair  
Ms. Sarah Clemens  
Ms. Sheila Doherty  
Mr. James French  
Mr. Levi Kamenetsky<sup>(1)</sup>  
Mr. Thomas Skelly, Jr.  
Mr. Barry Tagen  
Mr. Hugh Thai<sup>(2)</sup>

Safety Insurance Company  
MAPFRE U.S.A. Corporation  
Doherty Insurance Agency, Inc.  
Quincy Mutual Group  
The Hanover Insurance Company  
Deland, Gibson Insurance Associates, Inc.  
Pilgrim Insurance Company  
Arbella Insurance Group

Substituted for:  
Ms. Stephanie Seibold<sup>(1)</sup>  
Ms. Lynellen Ramirez<sup>(2)</sup>

Not in Attendance:  
N/A

#### 20.01 Records of Previous Meeting

On a roll call vote, the Committee voted to approve the Records of the Joint Actuarial Commercial Lines Committee meeting of June 10, 2020. The Records have been distributed and are on file.

#### 20.06 CAR Commercial Rate Need Review

At its last meeting, the Committee requested additional information related to anticipated rate differentials for TTTs and buses garaged outside of Massachusetts. A summary of out-of-state differentials was distributed prior to the meeting, reflecting the base rates of other states as compared to CAR's current base rates. Mr. William Scully explained that the differential for non-zone rated vehicles is calculated using the base rates for the highest rated territories, as included in the AIPSO report. For the zone rated vehicles, Mr. Scully advised that the differentials reflect an exposure-based weighted average of the base rates for each zone combination. Mr. Scully noted that the differential factors were intended to be a starting point for the Committee's discussion, with the intention of ultimately including factors, based on the current data, in CAR's 2021 commercial rate filing. When reviewing rate indications in the fall, the Committee will consider a number of issues, such as whether to select individual out-of-state factors or one "all-other-than-MA" factor.

Ms. Sarah Clemens suggested that CAR request additional data from AIPSO to enable a calculation of rate differentials for the average base rates of other states rather than comparing only to the highest rated territory.

Ms. Natalie Hubley reviewed with the Committee the current version of the rate adequacy white paper, highlighting the updates made to reflect Committee discussions to date. Notably, a section was added to identify proposed changes to the determination of physical damage zone rates for vehicles valued over \$90,000. She also noted that the AIPSO report, along with CAR's proposal to implement the AIPSO recommendations, is now included as an appendix to the white paper.

The Committee agreed that the white paper is thorough and clearly presents the issues impacting the residual market rate need. The Committee suggested that an executive summary be added to more clearly identify the estimated rate need and highlight the most substantive conclusions and recommendations. After discussion, the Committee voted unanimously, via roll call vote, to approve the final version of the white paper with the addition of an executive summary, and to direct staff to submit the white paper to the State Rating Bureau. Ms. Hubley commended the collaborative efforts of CAR staff, AIB, AIPSO, and the Committee in producing this document.

Ms. Wendy Browne presented to the Committee an overview of the system changes that would be required of both CAR and Servicing Carriers in order to achieve the two-year transition plan set forth in the white paper. She noted that Committee input is necessary to address any concerns that the Servicing Carriers and producers might have with the scope of the proposed changes and the time required to implement these changes. The process would also include consideration by CAR's Compliance and Operations Committee to review needed statistical plan changes in the fall, in order to implement those changes in the 2022 reporting year.

Committee discussion ensued with two out of the four Servicing Carriers opining that while the programming changes will be extensive, the schedule would allow the time needed for completion. Mr. Hugh Thai suggested that CAR staff prepare a document to illustrate the proposed rating algorithm changes, using specific examples, to assist the Servicing Carriers in implementing the required rating system changes. Ms. Hubley noted that the physical damage rating algorithm would be the biggest change, and that CAR staff would draft examples on how the calculation would work.

KATY PROCTOR  
Actuarial/Statistical Analyst

Boston, Massachusetts  
August 6, 2020

**ATTACHMENT LISTING**

Docket #JACL20.02, Exhibit #3

Attendance Listing

