



NATALIE A. HUBLEY
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

101 Arch Street, Suite 400 Boston, Massachusetts 02110

www.commauto.com

617-338-4000

RECORDS OF MEETING

REINSURANCE COMMITTEE – MAY 16, 2019

Members Present

Mr. James Hyatt – Chair
Mr. Douglas Briggs
Ms. Kellie Thibodeau

Arbella Insurance Group
Quincy Mutual Group
The Hanover Insurance Company

Substituted for:
N/A

Not in Attendance:
N/A

19.04 Commercial Residual Market Reinsurance Arrangement

The Chair, Mr. James Hyatt, opened the meeting with remarks on the initial direction of the Committee. He advised that the Committee is tasked with investigating the feasibility of entering into a reinsurance treaty for CAR as a temporary solution to address the growing commercial deficit while measures are implemented to improve consistency of procedures among Servicing Carriers, strengthen program oversight, and achieve rate adequacy. He also suggested that the Committee may consider whether a longer term relationship may be beneficial to protect the pool against large loss activity that is difficult to address with pricing alone. According to his preliminary research, Mr. Hyatt advised that only one state, Maryland, has employed a reinsurance arrangement for its automobile residual market, and that North Carolina had considered but rejected such an approach. Further, he noted that he has reached out to a couple of reinsurance brokers to inquire as to the information that may be required to design a program.

The Committee considered the general idea of a reinsurance arrangement, recognizing that with the current level of rate inadequacy and the continued growth in the size of the residual market, it may be difficult to find a cost effective solution. However, the Committee also noted that efforts have been put in place over the past year to improve the financial results in the commercial residual market. The reinsurer should be made aware of these specific efforts and the areas where improvement is expected, even if the current data is not yet reflective of these enhancements. The Committee also felt that a broader slice of the program may be more attractive to potential reinsurers, rather than focusing on only the vehicle types with the worst results.

Mr. Hyatt recommended reviewing the current residual market data by segment and by class to identify areas on which to concentrate in order to challenge brokers and their actuaries to define options for a reinsurance treaty. Staff presented several exhibits reflecting results by vehicle type, including underwriting results, cession rates, severity and frequency, and loss ratio. Staff advised that the data presented reflects reported statistics, and does not project results to ultimate. Using these exhibits, the Committee identified a number of vehicle types generating the worst results over the past several years.

These vehicle types included Zone Rated Buses and TTTs, Commercial Buses, Limousines – Fleet, PPT Non-Fleet, and Non-Owned.

After discussion, the Committee requested additional information for review at its next meeting including:

- On-level underwriting results, loss frequency and severity, where premiums and losses are projected and trended consistent with pricing methodologies
- Large loss exhibit by vehicle type
- Underwriting results exhibit updated to remove large losses
- Claim count triangles for large losses
- Description of the data exhibits requested by the broker

The Committee noted that other issues to consider will include limitations, if any, on incorporating reinsurance costs into the residual market rates, as well as financial reporting, and deficit sharing. The Committee agreed to meet again prior to the September Governing Committee meeting to continue discussion and review the additional data exhibits.

Shannon Chiu
Actuarial/Statistical Analyst

Boston, Massachusetts
June 6, 2019

ATTACHMENT LISTING

Docket #RC19.02, Exhibit #1

Attendance Listing

REINSURANCE COMMITTEE MEETING
SIGN-IN SHEET
May 16, 2019

Individual's Name	Company / Agency
Tim Galligan	CAR Staff
Wendy Browne	CAR
Tim Hyatt	Arbella
Natalie Hubler	CAR
St. J. T.	TSH & D
Ben Hincus	TSH & D
Doug Briggs	Quincy Mutual
Marian Adgate	CAR
Steve Gaudier	CAR
Bill Scully	AIB
KATI Proctor	CAR
Kellie Thurdean	Hammer