



NATALIE A. HUBLEY
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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RECORDS OF MEETING

ACTUARIAL COMMITTEE – MAY 13, 2021

Members Present

Ms. Lynellen Ramirez – Chair	Arbella Insurance Group
Ms. Kara Boehm	Allstate Insurance Group
Ms. Sarah Clemens	MAPFRE U.S.A. Corporation
Mr. Christopher Dupill	EM Freedman Insurance Agency, Inc.
Mr. Todd Lehmann	Quincy Mutual Group
Ms. Kim Miller	The Hanover Insurance Company
Mr. Christopher Walendin ⁽¹⁾	Safety Insurance Company
Mr. Mark Winiker	A-Affordable Insurance Agency, Inc.
Ms. Meredith Woodcock	Liberty Mutual Insurance Companies
Mr. Joshua Wykle	Vermont Mutual Insurance Group
Mr. Hao Zhang	Plymouth Rock Assurance Corporation

Substituted for:

⁽¹⁾Mr. Glenn Hiltpold

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 Actuarial Committee meeting of February 3, 2021. The Records have been distributed and are on file.

21.04 Quota Share Credits for Policies Effective April 1, 2022 and Later

The Actuarial Committee began discussions relative to the April 1, 2022 Quota Share credit offer. The Committee noted that the market is stable and that less than 1% of policies are assigned through the MAIP. Members noted that the Division of Insurance (DOI) has cautioned CAR not to consider changes to credit eligibility absent a compelling reversal in the size of the residual market. Therefore, the Committee agreed that a change to credit factors is not warranted at this time. However, the members expressed interest in evaluating trend data for next year's review in order to identify characteristics, such as higher merit rating value, that may be predominately represented in the residual market.

Following a brief discussion, the Committee unanimously voted to recommend no change to the current credit factors for policies effective April 1, 2022 and subsequent.

21.05 Impact to Participation Ratios of Covid-19 Related Refunds and Premium Credits

Ms. Katy Proctor reviewed the results of CAR's data call to collect summary statistics for refunds and premium credits related to Covid-19 filings. Ms. Proctor noted that staff is seeking input from the Committee on whether CAR should calculate policy year 2020 participation ratios net or gross of the refunds and premium credits. Ms. Proctor noted that the majority of companies had financially booked these credits as premiums on their annual statement Page 14, although some companies had booked the refunds as an expenses or dividends.

Ms. Proctor informed the Committee that for private passenger, 31 out of 32 of the active groups offered a refund or premium credit, with an average refund of approximately 4.4%. The impact to the carriers' administrative expense ratios, if calculated net of premium credits, ranged from -4.7% to +4.4%. Ms. Proctor pointed out that the carriers that offered a refund greater than the average would see a decrease in their administrative expense ratios, and companies that offered lower than the average or no refund would see an increase.

For commercial, 16 of the 82 commercial company groups offered a refund or premium credit. The impact to carriers' administrative expense and underwriting results participation ratios ranged from +0.6% to -11.4%. Ms. Proctor noted that one carrier's ratio is impacted -35 % due to its very small market share.

The Committee decided to deliberate on the private passenger and commercial calculations separately, starting with private passenger. The Committee noted that, because the premium credits reflected a temporary, one-time adjustment to premium, reducing premium for these refunds would not appropriately reflect a carrier's market share. Most members therefore agreed that the administrative expense ratios should be determined gross of the premium credits, by adding back the refund into the annual statement premium, and that no adjustment would be necessary for those companies that booked the refunds as expenses or dividends. One member noted that some companies may have filed rate adjustments to address Covid relief and questioned whether calculating ratios gross of credits would result in inequitable treatment. However, other members suggested that such filings are not one-time changes as they remain in place until the carrier determines that additional rate is needed, and therefore should be included in ratio calculations. Following a brief discussion, the Committee voted with nine members in favor and one opposed, to recommend the administrative expense allocation be performed gross of premium credits, expenses or refunds given during 2020.

For commercial, the Committee noted that calculations gross of credits, consistent with private passenger, would be preferable. However, members recognized that the commercial carriers have a wide range of tools available to them to address Covid relief, such as changes in limits, vehicles, and credit modifications, and that to identify and quantify these adjustments would not be possible in most situations. Accordingly, the Committee agreed that commercial ratios should be calculated net of premium credits in order to ensure equitable treatment of all carriers.

After discussion, the Committee unanimously voted to recommend calculating commercial ratios net of premium credits by utilizing the annual statement premium adjusted for Covid refunds that have been reflected as expenses.

TIMOTHY GALLIGAN
Actuarial/Statistical Services Director

Boston, Massachusetts
June 2, 2021

ATTACHMENT LISTING

Docket #AC21.02, Exhibit #2

Attendance Listing

**ACTUARIAL COMMITTEE MEETING
 MEETING ATTENDEES
 MAY 13, 2021**

Individual's Name

Company / Agency

PLEASE PRINT

Lynellen Ramirez	Arbella Insurance Group
Kara Boehm	Allstate Insurance Group
Sarah Clemens	MAPFRE U.S.A. Corporation
Christopher Dupill	EM Freedman Insurance Agency, Inc.
Todd Lehmann	Quincy Mutual Group
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Meredith Woodcock	Liberty Mutual Insurance Companies
Joshua Wykle	Vermont Mutual Insurance Group
Hao Zhang	Plymouth Rock Assurance Corporation
Mary Ellen Thompson	Division of Insurance
Marian Adgate	CAR Staff
Wendy Browne	CAR Staff
Shannon Chiu	CAR Staff
Tim Galligan	CAR Staff
Natalie Hubley	CAR Staff
Katy Proctor	CAR Staff
Lynne Rosenberg	CAR Staff
Robin Tigges	CAR Staff