



NATALIE A. HUBLEY  
PRESIDENT

# COMMONWEALTH AUTOMOBILE REINSURERS

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## RECORDS OF MEETING

### ACTUARIAL COMMITTEE – MAY 10, 2023

#### Members Present

Ms. Sarah Clemens – Chair	MAPFRE U.S.A. Corporation
Ms. Kara Boehm	Allstate Insurance Group
Ms. Melinda Etschman <sup>(1)</sup>	Arbella Insurance Group
Mr. Glenn Hiltbold	Safety Insurance Company
Mr. William Kelley	The Hanover Insurance Company
Mr. Todd Lehmann	Quincy Mutual Group
Mr. Tiago Prado	BRZ Insurance, LLC
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:

<sup>(1)</sup>Ms. Lynellen Ramirez

Not in Attendance:

N/A

#### 22.01 Records of Previous Meeting

On a roll call vote, the Committee unanimously voted to approve the Records of the Actuarial Committee meeting of May 26, 2022. The Records have been distributed and are on file.

#### 23.04 Quota Share Credits for Policies Effective April 1, 2024 and Later

The Actuarial Committee began discussions relative to the April 1, 2024 Quota Share credit offer. To initiate discussion, Mr. Galligan reviewed reports typically provided to the Committee for their annual review including an exhibit displaying historical residual market shares by class and territory, an exhibit displaying trends of MAIP exposures and assignments, and a historical summary of credit offers for 2015 through 2023.

Members noted that while the number of assignments has increased, the total market exposures also increased and therefore the relative size of the MAIP has increased less dramatically. The current residual market share is 0.6% as of February 2023. The Committee discussed the residual market volume over the past ten years, citing 2012 and 2013 as the last years the residual market share exceeded 2.0%. In 2014, the residual market share lowered to 1.7%, and then gradually declined to 1.2% in 2019. The residual

market share then dropped substantially and hit a low point of 0.4% in 2022. The increase in assignments is reflected by the rise in the residual market share to 0.6% into early 2023.

Some members commented that the periods of smaller residual market volumes were driven more by adequate company rate levels, with companies more willing to write voluntarily risks that provide them with a potential to make a fair profit. It was noted that during COVID, rates were perceived to be redundant, and the residual market volume continued to decline. Other members commented that the available credits also contributed to the reduced volumes.

It was noted that post-COVID, companies' perception of rate adequacy has changed. Members opined that the overall adequacy of rate has diminished, citing increasing loss severities, rising costs to repair caused by inflation and supply chain issues, as well as delayed rate earnings that have negatively impacted company decisions to write business voluntarily. Some Committee members anticipated the increasing assignment level to be a temporary condition that will stabilize as rate adequacy improves.

Members also discussed the potential impact of the Work and Mobility Act on assignment volume. Some members predicted an initial increase in assignments beginning in July 2023 until documented driving experience develops over time.

After considerable discussion, members noted their anticipation that the size of the residual market will continue to grow, at least in the short term, as a result of the market conditions discussed. However, it was also noted that the Committee should be cautious in how it reacts as this trend may be temporary.

Committee members then discussed the formula in place today for evaluating credit need by class and territory. In regard to the current credit factors, which have remained constant since 2015, some members suggested that there may be a need to redistribute credits among class/territory cells.

The Committee expressed an interest in monitoring assignment data and reviewing indicated credit factors since 2015. The Committee agreed to meet in late summer to continue its discussions.

TIMOTHY GALLIGAN  
Actuarial/Statistical Services Director

Boston, Massachusetts  
May 26, 2023

**ATTACHMENT LISTING**

Docket #AC23.02, Exhibit #1

Attendance Listing

**ACTUARIAL COMMITTEE MEETING  
MEETING ATTENDEES  
MAY 10, 2023**

Individual's Name

Company / Agency

PLEASE PRINT

Sarah Clemens	MAPFRE U.S.A. Corporation
Kara Boehm	Allstate Insurance Group
Glenn Hiltbold	Safety Insurance Company
William Kelley	The Hanover Insurance Company
Todd Lehmann	Quincy Mutual Group
Tiago Prado	BRZ Insurance, LLC
Melinda Etschman	Arbella Insurance Group
Mark Winiker	A-Affordable Insurance Agency, Inc.
Meredith Woodcock	Liberty Mutual Insurance Companies
Joshua Wykle	Vermont Mutual Insurance Group
Hao Zhang	Plymouth Rock Assurance Corporation
Benjamin Hincks	TSH & D – CAR Counsel
Steven Torres	TSH & D – CAR Counsel
Mary Ellen Thompson	Division of Insurance
Austin Tocci	Pilgrim Insurance Company
Barry Tagen	Pilgrim Insurance Company
Wendy Browne	CAR Staff
Timothy Galligan	CAR Staff
Steven Gautieri	CAR Staff
Natalie Hubley	CAR Staff
Katy Proctor	CAR Staff
Lynne Rosenburg	CAR Staff
Evan Ross	CAR Staff
Robin Tigges	CAR Staff