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PRESIDENT

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RECORDS OF MEETING

ACTUARIAL COMMITTEE – SEPTEMBER 5, 2023

Members Present

Ms. Sarah Clemens – Chair	MAPFRE U.S.A. Corporation
Ms. Kara Boehm	Allstate 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
Ms. Lynellen Ramirez	Arbella Insurance Group
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:
N/A

Not in Attendance:
N/A

23.01 Records of Previous Meeting

On a roll call vote, the Committee unanimously voted to approve the Records of the Actuarial Committee meeting of May 10, 2023. 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 continued discussion relative to the April 1, 2024 Quota Share credit offer. Mr. Timothy Galligan reviewed reports requested by the Committee including an exhibit displaying trends of MAIP exposures and assignments, and an historical summary of indicated credit offers for 2015 through 2024 that highlighted credit factors, residual market exposures and cession rates, and statewide average relativities. Additional exhibits were included to assist the Committee in its discussion, including credit cell variations, take-out credit premium and exposure data, and three-year loss ratios by rate class and territory that highlighted residual market share.

Mr. Galligan also noted that two exhibits were included that had been used by the Committee in past years. Specifically, the “Relative Range Methodology” and the “Statewide Average Relativity Methodology” adjust credit group ranges to better reflect changes in the size of the residual market. To

assign residual market share group threshold for credits, the “Relative Range Methodology” uses the ratio of the current residual market share to the 2011 residual market share; the year the original ranges were introduced. In contrast, the “Statewide Average Relativity Methodology” model uses a statewide average residual market share relativity to define the credit thresholds. This model begins to offer credits in those cells that are 1.8 times the statewide average residual market share, as compared to a 5% overall threshold used in the current formula.

In the discussion that followed, some committee members expressed concern that the models are not responsive to recent shifts in residual market share, noting the loss of credit in certain territories including those that have been previously highlighted by the Division of Insurance as territories of concern. Mr. Glenn Hiltbold suggested a methodology that assigns credit factors based on the 2023 market share. Mr. Kelley favored an approach that evaluates the change in market share from 2022 to 2023. However, Ms. Lynellen Ramirez rebutted this concern, asserting that the market’s movement can be attributed to pricing changes in the voluntary market, as opposed to credit impact. Ms. Ramirez noted that when comparing the current market data to a pre-pandemic year, such as 2019, the changes experienced between 2022 and 2023 do not appear to be abnormal; instead, the growth suggests a natural recovery of the market from the impact of the pandemic. Ms. Woodcock agreed and pointed out that the overall size of the MAIP is still very small. Ms. Woodcock noted the importance of maintaining stability in light of the market conditions, and she favored keeping the credit factors that are in place.

Further discussion ensued about the causes driving the increase in the residual market. There was a consensus that due to voluntary rate increases lagging behind rising loss costs, companies have been reluctant to write new business. In addition, as those carriers specializing in non-standard business turn consumers away, these risks are being placed in the MAIP. Further, committee members noted that the current MAIP rates remain essentially unchanged since pre-pandemic and commented that, as carriers raise their voluntary rates, the attractive MAIP rates contribute to growth in the residual market. In light of the instability caused by these conditions, the committee members did not advise changing credit factors at this time. **Accordingly, a motion was duly made and seconded to recommend no change to the current quota share credit factors. The motion passed with 9 members in favor and one opposed. In addition, a motion to recommend no change to take-out credits passed unanimously.**

The committee members agreed, however, on the importance of monitoring the market conditions and their impact on the size of the residual market. To that end, the Committee agreed to meet in January. Further, the Committee agreed to convene sooner if, in the interim, the size of the residual market exceeds 1.5% market share.

TIMOTHY GALLIGAN
Actuarial/Statistical Services Director

Boston, Massachusetts
September 11, 2023

ATTACHMENT LISTING

Docket #AC23.02, Exhibit #2

Attendance Listing

**ACTUARIAL COMMITTEE MEETING
MEETING ATTENDEES
SEPTEMBER 5, 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
Lynellen Ramirez	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
Jean Houghton	Norfolk & Dedham Group
Sean Thompson	The Hanover Insurance Company
Mary Ellen Thompson	Division of Insurance
Barry Tagen	Pilgrim Insurance Company
Melinda Etschman	Arbella Insurance Group
Wendy Browne	CAR Staff
Shannon Chiu	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