



DANIEL R. JUDSON
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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RECORDS OF MEETING

ACTUARIAL COMMITTEE – JANUARY 9, 2012

Members Present

Mr. Joseph F. Cofield – Chairman	Metropolitan P & C Insurance Company
Mr. Geoffrey H. Arnold	Plymouth Rock Assurance Corporation
Mr. Hall D. Crowder	The Hanover Insurance Company
Mr. Glenn R. Hiltbold	Safety Insurance Company
Mr. John V. Kelly	The Commerce Insurance Company
Mr. Raymond A. Lukas	Chase, Clarke, Stewart & Fontana
Mr. Michael Petrarca, Jr.	Amica Mutual Insurance Company
Mr. Andrew J. Quigg	Progressive Insurance
Ms. Susan K. Scott*	Travelers of Massachusetts
Mr. John P. Tierney	Quincy Mutual Group
Ms. Meredith M. Woodcock	Liberty Mutual Group

Substituted for:

Mr. Christopher S. Skorcz*

Not in Attendance:

N/A

11.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Actuarial Committee meeting of November 8, 2011. The Records have been distributed and are on file with CAR's Secretary.

11.03 Quota Share Credits for Policies Effective April 1, 2012 and Later

In correspondence dated December 19, 2011, the Commissioner of Insurance remanded to CAR proposed amendments to Rules 21.D. and 29.E.2. for revisions that address concerns raised in the Commissioner's Decision and which are consistent with its suggestions. To that end, Staff reviewed voluntary "keep out" credit indications incorporating the algorithm outlined in the Decision.

Commenting on the estimated 37% increase in available quota share credit premium, some committee members expressed concern with the substantial increase. Ms. Susan Scott suggested that a more targeted, cost effective approach to depopulate certain class/territory cells would be to enhance the take-out credit program, while maintaining the current credit factors into the next year. She urged the Committee to study the effectiveness of an alternative such as raising the take-out credit factor and applying the take-out credit for up to three years.

While other members agreed that added take-out credits may result in additional depopulation, it was suggested that enhancement to the take-out credit should be considered in conjunction with the Division's recommended modification to the keep-out credit model. Some members opined that the added keep-out credits would shift costs to marginal risks, and therefore increase the likelihood that the residual market would be more equitably distributed among classes and territories. It was also suggested that in spite of the substantial increase in available credit premium in the first year of implementation, the model promotes stability going forward by determining credit eligibility based on changes in residual market share over a three year period, and by defining a fixed scale of credit values.

After some discussion, a motion was made and seconded to recommend to the Governing Committee adoption of the Division of Insurance model for keep-out credits for policies effective April 1, 2012 and later, and to further consider enhancements to the take-out credit program next year. The motion passed with six members in favor, two opposed, and two abstained.

The Committee then reviewed draft amendments to Rule 21.D. which clarify the Committee's proposal to phase out the prohibition on non-renewal of Clean-in-Three risks. The Committee noted that carriers have already begun the underwriting evaluation process for April effective date renewal policies. Accordingly, the Committee recommended modifying the Rule to implement the phase out beginning with policies effective June 1, 2012 and later. The Committee voted unanimously to recommend to the Governing Committee adoption of the Rule 21.D. amendments as modified.

Finally, the Committee reviewed draft amendments to Rule 29.E. reflecting its action to recommend adoption of the Division of Insurance model for keep-out credits for policies effective April 1, 2012 and later. The Committee voted with nine members in favor and one opposed to recommend to the Governing Committee adoption of the Rule 29.E. amendments as drafted.

NATALIE HUBLEY
Vice President – Financial Services & Treasurer

Attachment

Boston, Massachusetts
January 11, 2012

ATTACHMENT LISTING

Docket #AC12.02, Exhibit #1

Attendance Listing

