December 20, 2011

BULLETIN NO. 953

DECISION

PROPOSED CHANGES TO THE RULES OF OPERATION

Rule 21 – General Provisions
Rule 26 – Policyholder Rights and Responsibilities
Rule 29 – Assignment Process
Rule 36 – Limited Assignment Distribution Agreements

Proposed changes to the Rules of Operation amending Rules 21, 26, 29 and 36 were filed with the Commissioner of Insurance on November 18, 2011. The proposed changes were furnished to all members and interested parties as Bulletin No. 950, dated November 18, 2011.

Under the provisions of Article X of the Plan of Operation, a proposed Rule of Operation becomes effective either upon approval by the Commissioner of Insurance, or upon expiration of 30 days from the time of submission, provided that no public hearing was requested within 5 days by an interested party and the Commissioner has not otherwise disapproved the Rule change within the 30-day period.

The Commissioner of Insurance has, in correspondence dated December 19, 2011, issued his decision disapproving the proposed amendments to Rules 21.D., 29.E.2., 29.E.3., 36.C.iii, 36.D.1. and 36.D.2. The remainder of the proposed amendments to Rules 21, 26, 29 and 36 are approved as filed. A copy of the decision is attached.

Please bring these changes to the attention of all interested parties. The Rules of Operation, including all approved changes, are available on CAR's website.

DANIEL R. JUDSON
President

Attachment

December 19, 2011

VIA ELECTRONIC AND REGULAR MAIL

Daniel R. Judson, President
Commonwealth Automobile Reinsurers
225 Franklin Street
Boston, MA 02110

      Re: Proposed Amendments to Rules 21, 26, 29, and 36 of the Massachusetts Automobile
                 Insurance Plan

Dear Mr. Judson:

      On November 18, 2011, the Governing Committee of the Commonwealth Automobile
Reinsurers ("CAR") voted to amend Rules 21, 26, 29, and 36 of the Massachusetts Automobile
Insurance Plan ("MAIP"). The proposed amendments address the following issues: (1) restrictions
on the non-renewal of clean-in-three risks (Rules 21.D., 21.F., and 29.H.); (2) update references to
the Assigned Risk Company Procedures Manual and other edits (Rule 26); (3) voluntary credits
(Rules 29.E.1. and 29.E.2); (4) take-out credits (Rule 29.E.3); and (5) miscellaneous editorial
changes (Rule 36). The proposed amendments were distributed to CAR members and submitted to
me for review. I have carefully reviewed CAR's proposed amendments and, for all the reasons set
forth below, I am approving such proposed changes with exception of CAR's proposed
amendments to Rules 21.D, 29.E.2, 29.E.3, 36.C.iii, 36.D.1 and 36.D.2.

Rule 21.D

CAR's proposed amendments to Rule 21.D concern additional protections for clean-in-three ("CIT") drivers. The proposal sets forth a new end date for the period within which Members may not non-renew most CIT risks. The proposal also sets forth limited reasons under which a CIT risk may be non-renewed between certain time periods.

Rule 21.D currently provides that CIT risks with renewal dates from April 1, 2008 through *March 31, 2012* cannot be non-renewed by a Member unless: (1) the CIT risk chooses, at their own initiative, to not renew their policy with such Member; (2) the producer terminates their relationship with a Member and transfers their book of business, including the CIT risk, to a new Member; or (3) the Member terminates its relationship with a producer and the producer transfers their book of business, including the CIT risk, to a new Member. CAR now proposes to extend the date during which CIT risks may not be non-renewed to the period of April 1, 2008 through *March 31, 2014*. For the reasons set forth below, this change is unnecessary and is therefore disapproved.

Proposed Rules 21.D.3, 21.D.4 and 21 D.5 phase out the prohibition on a Member non-renewing CIT risks written by producers without voluntary contracts. Rule 21.D.3 states that policies effective April 1, 2012 through March 31, 2013 may not be non-renewed by a Member if the producer does not have a voluntary contract with a Member as of April 1, 2009. Similarly, Rule 21.D.4 states that policies effective April 1, 2013 through March 31, 2014 may not be non-renewed by a Member if the producer does not have a voluntary contract with a Member as of April 1, 2010. Finally, Rule 21.D.5 states that, for policies effective April 1, 2014 and subsequent, the restriction on non-renewing a CIT risk no longer applies. The rule further provides that CAR must confirm that end date no later than December 13, 2013.

The Division notes that if CAR's intention is to phase out the prohibition on non-renewals of CIT risks over an additional two year period (i.e. until March 31, 2014), then extending the prohibition on such non-renewals through March 31, 2014 in proposed Rule 21.D.1 is at best contradictory with proposed Rules 21.D.3 and 21.D.4, and at worst subsumes those rules such that *no* CIT risk that has a renewal date prior to March 31, 2014 may be non-renewed, regardless of the status of the producer of that policy.[1] The Division does not object to CAR proposal to phase out the prohibition on non-renewals of CIT risks, however, such intention must be unambiguously articulated in the rules. For these reasons, Proposed Rules 21.D.1 21.D.3, 21 D.4 and 21.D.5 are disapproved.

Proposed Rule 21.D.2 provides that for polices effective prior to April 1, 2012, a CIT risk cannot be non-renewed by a Member. This proposal appears to be a blanket prohibition on non-renewing *any* CIT risk through April 1, 2012, which is inconsistent with other portions of Rule 21.D.1. For this reason, proposed Rule 21.D.2 is disapproved.

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[1] The Division further notes that to the extent proposed Rules 21.D.3 and 21.D.4 refer to whether a producer had a voluntary contract on a past date, these rules should read "...if the member *did* not have a voluntary contract...", rather than "if the member does not have a voluntary contract...".

Rule 29.E.2

Rule 29.E requires CAR to review credits annually and to submit them to the Commissioner for approval. MAIP voluntary credits are intended to control the size of the residual market and to provide an incentive for companies to voluntarily write private passenger automobile insurance in those territories and classifications that would otherwise be disproportionately represented in the MAIP. CAR proposes new credit factors for policies with effective dates from April 1, 2012 through March 31, 2013. It points out that the selected factors represent essentially no change to credit eligible exposures and a 10.2% decrease in available credit premium.

The statutory purpose of residual market credits is to control the size of the residual market. For the purpose of keep-out credits, this means that the percentage of the total private passenger automobile insurance market that is eligible for credit will increase as the size of the residual market increases, and decrease as the size of the residual market decreases. If keep-out credits are to effectively control the size of the residual market, the criteria for determining whether a market segment is eligible for keep-out credit must include a target residual market size and a well-defined process that allows a market segment's credit eligibility to adjust with changes in residual market share. Residual market share, defined as the ratio of vehicles insured through the residual market over total insured vehicles, effectively communicates the industry's ability and willingness to provide coverage in all market segments.

CAR's 2010 and 2011 credit offers determined market segments to be "credit eligible" (i.e. disproportionately represented in the residual market) if the twelve-month moving residual market share was more than 5.0%. I have accepted this standard for determining credit eligibility in the past because it reflects a reasonable variance around a target residual market share. I believe a total residual market share target of 2.0% is reasonable for Massachusetts because of its very small uninsured vehicle population. While the size of the residual market has declined since the introduction of the MAIP, data indicate that the residual market still is a considerable distance from the 2.0% target.

Year	Residual Market Share
2007	4.3%
2008	3.5%
2009	2.7%
2010	2.6%
2011 through September 30	2.8%

Source: CAR residual market volume report

The Division's analysis of the variance in residual market share across rating territory and operator class consistently indicates a standard deviation about the average of approximately 3.0%. A 5.0% residual market share standard for identifying market segments as credit eligible means their actual residual market share must be higher than one standard deviation above the target residual market share. Based on the residual market share data considered by CAR in the development of its 2012 credit program, approximately 89.0% of all vehicles have a residual market share less than 5.0%. This means that approximately 11.0% of the market is currently eligible for keep-out credit.

The consistent application of the 5.0% residual market share standard over time will allow the credit structure to rationally respond to changes in actual residual market share. If the observed standard deviation across residual market share declines with an attendant decrease in average residual market share, use of the 5% standard will indicate a greater proportion of the total market as ineligible for residual market credit. If the observed standard deviation across residual market share declines over time with an attendant increase in average residual market share, the use of the 5.0% standard will indicate a smaller portion of the total market as ineligible for residual market credit. This sort of data driven process is essential to the fair application of a credit program.

CAR's proposed credit values to be effective on April 1, 2012 are partially based on a 7.5% residual market share standard for credit eligibility, and partially based on a "halfway" proposal. Without a clear and consistent standard for determining credit eligibility in the face of residual market share changes over time, I am not confident that CAR's 2012 proposed credits will operate to control the size of the residual market or enhance the prospects that no market segment is disproportionately insured through the residual market.

The 2010 credit offer was the industry's first attempt at developing a credit program with a fully implemented MAIP in the context of a competitive market. The program developed was designed to meet certain conditions outlined in my order to CAR dated December 18, 2009. The method used to develop the 2010 credits was updated to produce the 2011 credit program without adjustment.

It appears from the results that the method underlying the 2010 credit program has done little to reduce the size of the residual market towards the 2.0% goal. Additional inspection of the residual market shares since the introduction of the 2010 credit program indicate that, while the program was reasonably successful in reducing the disproportionate residual market share of principal operators licensed less than six years, it was not at all successful in reducing the disproportionate residual market share of certain cities. Since the 2010 credit program was implemented, the residual market share for principal operators licensed less than six years dropped from being 3.66 times higher than the statewide average to being 2.46 times higher. Yet, despite this progress, the residual market share for the communities of Chelsea, Hyde Park, Dorchester, Roxbury, East Boston, Holyoke, Lowell, Springfield, Lynn, Lawrence, and Brockton as group increased from being three times higher than the statewide average to 3.4 times higher. The individual residual market shares for each of these communities continue to be at least 2.5 times higher than the statewide average.

The reason for this outcome likely is due to the fact that the current keep-out credit program, on average, has a lower value than a take-out credit or an assignment through the MAIP. The Division's analysis of the 2010 and 2011 credit programs indicate that the average credit adjusted MAIP liability rate under each program was considerably less than the average MAIP liability rate that would otherwise be used to adjust quota share when an assignment is made as shown in the table below.

Year	Credit Eligible* Average MAIP Rate	Credit Adjusted Average MAIP Rate	Credit Adjusted/ Credit Eligible
2010	$914.30	$716.92	78.4%
2011	$1,146.98	$905.32	78.9%

'*MAIP rates are the base rates in effect when the credit offer was prepared and include 20/40 bodily injury liability (Parts 1 & 5), $5,000 property damage liability, $0 deductible personal injury protection, and 20/40 uninsured vehicle. MAIP rates used to compute each average are those in effect at the time the credit program was developed.

A keep-out credit program that has a smaller effect on quota share than the effect of a MAIP assignment is not likely to encourage insurers to voluntarily begin or expand operations in otherwise costly or high risk market segments. Such an incentive is necessary to controlling the size of the residual market.

The source of this undervaluation is clearly in the credit values offered for operators licensed more than six years. Based on a 5.0% residual market share standard for credit eligibility, this group of operators constitutes 70.0% of all credit eligible operators. All credit values for this operator class currently are less than 1.0. Keep-out credits for this class only are available in the communities of Chelsea, Roslindale, Hyde Park, Dorchester, Roxbury, East Boston, Holyoke, Lowell, Springfield, Lynn, Lawrence, and Brockton.

Based on the 2011 meeting notices and records of the CAR Actuarial Committee, the 2010 method for calculating credits again was updated for consideration in the preparation of the 2012 credit program. Based on CAR's update, the number of credit eligible risks would increase by 3.1%, and the average MAIP premium credit would decline by about 12.0% relative to the 2011 credit program. Based on the Division's review of the results of this update, continuation of the credit program established in 2010 would only make matters worse. The expected relationship between the average credit adjusted MAIP rate and the average credit eligible MAIP rate would drop from roughly 78.0% to 70.0% if the 2012 credits were based on an update of the 2010 credit program. The results of that update would not improve the likelihood that residual market shares would decline in certain communities, and, moreover, likely would undo some of the progress made with respect to depopulating the MAIP in connection with principal operators licensed less than six years. The actual 2012 credit program proposed by CAR produces similarly unacceptable results.

The process that CAR has used for establishing credits since 2009 lacks foundation and objectivity. I am not able to conclude that any of the so-called credit programs considered by CAR with regard to the proposed keep out credits will facilitate further reductions in residual market share, or that they will result in a fair allocation of residual market obligations. The current process fails in the following ways:

1. The process has no established basis for determining which market segments qualify for keep-out credit over time that is strictly based on changes in residual market share.

2. The process applies inconsistent values of credits based on common residual market share results. As a result, the credit value for a particular market segment is not based on actual levels or changes in the residual market share for that segment. This is contrary to the statutory goals of residual market credits.

3. The process does not contain a formal method for determining an "indicated" residual market share group from which a credit value can be assigned that is based on the recent changes in the residual market share for each market segment.

For all of these reasons, I cannot approve the proposed changes to Rule 29.E.2.

Because there are many reasons individual insurers may pursue or withdraw from certain market segments in any given year, all of which will affect residual market share, the process for determining credit eligibility and values must consistently recognize changes over time. The process must be able to accommodate market segments where residual market share is increasing as well as decreasing.

Changes in residual market share often are triggered by changes in rate adequacy. Under competitive rating, rates now change on the basis of need, rather than on a date specified in a statute, and the annual credit update does not need to be anything more than an update of each market segments' credit eligibility status based on actual residual market share results.

The process for determining credit eligibility and values must be based on principles of fairness and balance. Changes in both measures should be triggered directly by changes in market conditions as measured by changes in residual market share. The process must be transparent and predictable so that individual insurers can compete on a level playing field in the voluntary market. To that end, the specific criteria for determining credit eligibility and a fixed scale of credit values based on residual market share should be specified in Rule 29.E.2, in addition to the actual tables of credit factors associated with each year.

I am remanding Rule 29.E.2 back to CAR to correct the deficiencies I have noted with the current process. I will approve revisions to Rule 29.E.2. that include substantially all of the features in the attachment to this letter. I will disapprove any proposal that produces a keep out credit program that offers an average credit adjusted MAIP liability premium that is less than the average MAIP liability premium that would be used to adjust quota share had the risk been assigned through the MAIP.

Rule 29.E.3

Rule 29.E.3 outlines the eligibility requirements for a policy to be eligible for take-out credit. The current rule allows take-out credit for policies with effective dates on or after April 1, 2009 that were previously insured through the MAIP or that had been ceded to CAR (CAR ID Codes 4 and 5) that it writes voluntarily at the expiration of that policy. A Member may receive a

credit for the first year in which an Eligible Risk is written voluntarily after the expiration of the policy previously issued through the residual market.

CAR proposes two changes to Rule 29.E.3. The first change is to amend the current rule language described above to apply only to policies with effective dates of April 1, 2008 through March 31, 2009. The second change is to add a new paragraph that applies to policies with effective dates on or after April 1, 2009. Under the new language, take-out credit only will be available if the policy previously was insured through the MAIP and a Member offers to write the policy voluntarily at the end of the initial term of the policy or its first renewal. CAR points out that the reason for the proposed changes is due to recently approved procedures outlined in Rule 29.D.2. Rule 29.D.2 describes a process that will be followed if the assigned risk company intends to non-renew the policy at the end of an assigned policy's three year assignment period.

The procedures outlined in Rule 29.D.2 apply only if the Assigned Risk Carrier intends to non-renew the policy at the end of its three year assignment period. The fact that the Assigned Risk Carrier has the option to non-renew the policy at that point does not mean the carrier will necessarily choose to non-renew the policy at that time. The eligibility for take-out credit is not now, nor was it ever intended to be, an option limited to the designated Assigned Risk Carrier. For this reason, and the fact that the proposed changes retroactively change the value of take out credits that have already been granted, I am disapproving CAR's proposed changes to Rule 29.E.3.

Rule 36.C.iii, D.1, and D.2

CAR has recommended that Rule 36.C.iii be eliminated. Rule 36.C.iii is an example that explains the rule regarding how the limitation of assignment volume under Limited Assignment Distribution Agreements should be calculated. I believe that example is useful as a tool to companies and to CAR, therefore, I am disapproving the proposed removal of the example in Rule 36.C.iii.

CAR also proposes editorial changes to Rule 36.D.1. CAR proposes to remove language and instead reference "market share pursuant to Rule 29.B." Rule 29.B makes no direct reference to the term "market share". The current language is consistent with the language in Rule 29.B. Further, because quota share is a premium based measure and "market share" is an exposure based measure that can also be premium based, it is important not to confuse the concepts. Therefore, I am disapproving the proposed changes to Rule 36.D.1 with the exception of the proposed removal of the term "non-fleet".
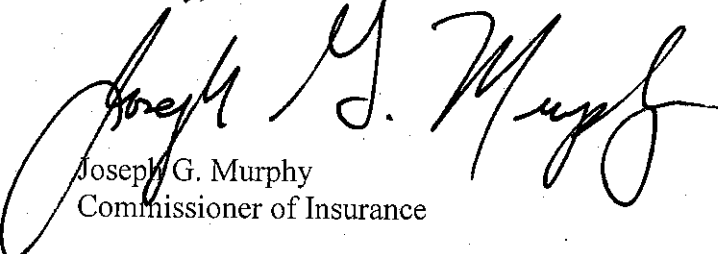
CAR additionally proposes editorial changes to Rule 36.D.2. I am disapproving these proposed changes for the same reasons noted above in connection with Rule 36.D.1, with the exception of the proposed removal of the term "non-fleet".

In summary, pursuant to my authority under Article X of the CAR Plan of Operation, I am approving CAR's proposed amendments to Rules 21, 26, 29, and 36 with the exception of the proposed amendments to Rules 21.D, 29.E.2, 29.E.3, 36.C.iii, 36.D.1, and 36.D.2. Rules 21.D and 29.E.2 are remanded to CAR for revisions that address the Division's concerns and are consistent with its suggestions. CAR shall submit its revisions to the Division within thirty days of its receipt of this letter.

Sincerely,

Joseph G. Murphy
Commissioner of Insurance

Attachment

December 19, 2011

Determining Eligibility for Keep Out Credit

The statutory purpose of residual market credits is to control the size of the residual market. This implies that there is a tolerable proportion of the total market that will find coverage through the residual market, and that any market segment that exceeds that proportion is disproportionately represented in the residual market.

If keep out credits are to effectively control the size of the residual market, the criteria for determining whether a market segment is credit eligible must include a target residual market size and a well defined process that allows credit eligibility to adjust with changes in market behavior. Residual market share, defined as the ratio of vehicles insured through the residual market over total insured vehicles, effectively communicates the industry's ability and willingness to provide coverage in all market segments.

The 2010 and 2011 credit offers determined market segments to be "credit eligible" (i.e. disproportionately represented in the residual market) if the twelve month moving residual market share was more than 5%. This is based on a 2.0% target residual market share plus on standard deviation of 3.0%. While the size of the residual market has declined since the introduction of the MAIP, data indicate that the residual market is still a considerable distance from the 2.0% target.

Year	Residual Market Share
2007	4.3%
2008	3.5%
2009	2.7%
2010	2.6%
2011 through September 30	2.8%

Source: CAR residual market volume report

Based on the residual market share data considered by CAR in the development of its 2012 credit offer, approximately 89% of all vehicles have a residual market share less than 5%. This means that approximately 11% of the market is currently eligible for keep out credit.

Consistent application of the 5% residual market share threshold for credit eligibility would have produced the following expected volume of credit eligible exposures over the past four years.

Effective Date of Credit Offer	Credit Eligible Exposures*	Percentage Change Over Prior Year
April 1, 2009	834,738	
April 1, 2010	451,362	-45.9%
April 2, 2011	422,868	-6.3%
April 1, 2012	449,173	+6.2%

* Excludes motorcycles and miscellaneous vehicles; 2009 estimated.

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The consistent application of the 5% residual market share threshold over time will rationally respond to changes in actual residual market share. If the observed standard deviation across residual market share declines with an attendant reduction in average residual market share, use of the 5% standard will indicate a smaller proportion of the total market as eligible for residual market credit. If the observed standard deviation across residual market share declines over time with an attendant increase in average residual market, the use of the 5% standard will indicate a larger portion of the total market as eligible for residual market credit. This sort of data driven process is essential to the fair application of any credit program.

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Defining Residual Market Share Groups

If a keep out credit program is to align credit values with actual residual market results, the program must recognize the full range of residual market shares within the credit eligible group. Residual market shares between the first and second standard deviations of the target mean encompasses a significant proportion of the credit eligible market, and should be recognized as its own group. For market segments with residual market share results that are higher than the target average plus two standard deviations, the volume of credit eligible exposure underlying the residual market share results is smaller which in turn allows for wider fluctuation in results from year to year. Wider bands for defining residual market share groups at this level limits the degree to which abrupt changes in annual residual market share resulting from random variations affect the residual market share group assignment in any given year.

6% residual market share groups were selected as being broad enough to accommodate random fluctuations in residual market share, but also narrow enough to evaluate whether true changes in the underlying residual market share have occurred. A summary of the residual market share groups is shown below.

Credit Eligible Market Segments

Residual Market Group	Residual Market Share Range
0	[0.0%, 5.0%)
1	[5.0%, 8.0%)
2	[8.0%, 11.0%)
3	[11.0%, 17.0%)
4	[17.0%, 23.0%)
5	[23.0%, 29.0%)
6	[29.0%, 35.0%)
7	[35.0%, 41.0%)
8	[41.0%, 47.0%)
9	[47.0%, 100.0%]

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Establishing Credit Values

The purpose of the MAIP quota share and credit options is to fairly allocate the costs of the residual market across the industry. The process of determining an insurer's residual market quota share is based on the MAIP premium for the risk[1]. Premium most accurately reflects the relative risk associated with the policy. Each residual market risk assigned to an insurer reduces the insurer's quota share by the amount of the MAIP premium for that risk.

When an insurer voluntarily insures a risk that is eligible for keep out credit, the same principle should apply. The insurer's quota share of residual market risk is reduced by the MAIP premium that would have applied to that risk if had it obtained insurance through the MAIP. In other words, the credit factor for a keep out credit is 1.0. Without such balance, the credit program is not likely to encourage insurers to voluntarily begin or expand operations in otherwise costly or high risk market segments which is necessary to controlling the size of the residual market.

Using the 5% residual market share standard to determine credit eligibility, the average MAIP rate can be computed at successive levels of residual market share. This provides an overview of the relative risk associated with credit eligible residual market share values. Using the MAIP base rates effective April 1, 2011 for liability[2], the average MAIP rate for successive levels of residual market share are calculated below[3].

Average MAIP Liability Rate Based on Residual Market Share		
Residual Market Share Range	2011 Credit Eligible* Exposures	4/1/11 Average MAIP Liability Base Rate**
[0.0%, 5.0%)	N/A	$710.08
[5.0%, 8.0%)	150,401	$1,159.88
[8.0%, 11.0%)	233,358	$1,192.04
[11.0%, 17.0%)	49,387	$1,591.99
[17.0%, 23.0%)	10,511	$2,230.27
[23.0%, 29.0%)	1,403	$2,618.86
[29.0%, 35.0%)	3,872	$2,654.03
[35.0%, 41.0%)	0	N/A
[41.0%, 47.0%)	216	$2,616.00
[47.0%, 100.0%]	0	N/A

*Excludes motorcycles and miscellaneous vehicles
** Average merit rating factors were not available for this illustration

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[1] See CAR Rule 29.B
[2] Liability is 20/40 bodily injury liability (coverage parts 1 and 5), $5,000 property damage liability, $0 deductible personal injury protection, and 20/40 uninsured vehicle.
[3] Based on data underlying residual market shares in CAR Docket #AC11.03, Exhibit 11, page 9.

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When the value of a keep out credit is equal to the MAIP premium, equity with the value of the quota share adjustment for a comparable MAIP assignment is easy to obtain. While the use of the otherwise applicable MAIP premium as the value of a keep out credit recognizes relative risk reasonably well, G.L. c. 175, §113H permits the use of higher multiples of MAIP premium as the basis for valuing credits if it enhances the prospect that insurers would voluntarily write certain market segments. Such adjustments are appropriate when certain classifications continue to demonstrate disproportionate representation after being identified as credit eligible.

Measuring the average residual market share for credit eligible risks by operator class provides an indicator as to whether or not there is value in enhancing the credit factor beyond 1.0 in order to encourage insurers to voluntarily write the risk. Assuming the 5% residual market share standard for credit eligibility had been used since 2009, the residual market shares used to develop the MAIP credit offer effective April 1, 2009 and the proposed credit offer effective April 1, 2012 produce the average residual market shares for credit eligible risks shown below[4].

	Residual Market Share for Credit Eligible Risk	
Operator Classification	Sept. 2008 – Aug. 2009	Sept. 2010-Aug. 2011
Licensed 6+ Years, Under Age 65	7.7%	8.9%
Licensed 6+ Years, Age 65 and over	7.9%	6.9%
Licensed 4-6 Years, Principal Operator	10.7%	8.9%
Licensed 4-6 Years, Occasional Operator	9.0%	7.9%
Licensed 1-3 Years, Principal Operator	15.1%	14.7%
Licensed 1-3 Years, Occasional Operator	8.7%	8.6%
Business Use	9.1%	6.1%
Total (excl. M/M)	9.0%	9.3%

The above chart indicates that the most recent average residual market shares within the credit eligible market are reasonably uniform across operator class, with the notable exception of principal operators licensed less than three years.

This situation seems to indicate that a credit factor greater than 1.0 might be appropriate for market segments where the residual market share exceeds the highest average residual market share for any one operator class[5]. If such a factor was applied, the degree to which the average credit adjusted MAIP

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[4] Both estimates are based on the total market exposure data underlying the market share in CAR Docket #AC11.03, Exhibit 11, page 9. The residual market share used for the April 1, 2009 credit offer is from in CAR Docket #AC08.06, Exhibit 7, page 7.

[5] While it may seem reasonable to specifically adjust credits for the operator class with the highest residual market share among credit eligible risks, there is a range of residual market share surrounding the averages for all classes.

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premium exceeds the value of the average MAIP premium adjustment that would apply in the event of an assignment is the value of the "enhancement" to reduce the disproportionate representation of certain market segments in the residual market. The following table provides an illustration of this concept.

Residual Market Share Range	2011 Credit Eligible* Exposures	4/1/11 Average MAIP Liability Base Rate**	Incentive Credit Value	4/1/11 Credit Adjusted Average MAIP Liability Base Rate**
1-[5.0%, 8.0%)	150,401	$1,159.88	1.00	$869.91
2-[8.0%, 11.0%)	233,358	$1,192.04	1.00	$1,192.04
3-[11.0%, 17.0%)	49,387	$1,591.99	1.00	$1,591.99
4-[17.0%, 23.0%)	10,511	$2,230.27	1.25	$2,787.84
5-[23.0%, 29.0%)	1,403	$2,618.86	1.50	$3,928.29
6-[29.0%, 35.0%)	3,872	$2,654.03	1.75	$4,644.55
7-[35.0%, 41.0%)	0	N/A	2.00	N/A
8-[41.0%, 47.0%)	216	$2616.00	2.25	$5,886.00
9-[47.0%, 100.0%]	0	N/A	2.50	N/A
Total Credit Eligible	449,147	$1,267.29		$1,303.16

*Excludes motorcycles and miscellaneous vehicles
** Not adjusted for average merit rating factor

The assignment of the credit values above was based on the following principles:

1. A credit factor greater than 1.0 was selected for residual market share groups whose lower bound exceeds the average highest average residual market share by operator class for credit eligible risks.

2. The incremental increase in credit factor is the same for each incremental change in residual market share group.

Based on these criteria, the resulting average credit adjusted MAIP liability rate is 102.8% of the actual average MAIP liability rate for credit eligible risks. This provides a starting point for determining the indicated residual market share group for all market segments.

It is difficult to know in advance what market segments the industry will pursue in any given year. In the interests of fairness, any credit offering should return the same credit value for the same residual market share.

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Determining Indicated Residual Market Groups Over Time

Since there many reasons individual insurers may pursue or withdraw from certain market segments in any given year, all of which will affect residual market share, the process for determining credit eligibility and values must consistently recognize changes over time. The process must be able to accommodate market segments where residual market share is increasing as well as decreasing.

One method for doing this is to develop decision logic for determining a market segment's residual market share group using the residual market shares underlying each of the two most recent credit programs in addition to the most recent residual market share data. This exercise will reveal whether or not the residual market share of a particular market segment is changing enough to warrant a change in residual market share group, and possibly a change in credit factor.

For example, the "indicated" residual market share group for operators licensed more than six years who are under the age of 65[6] in Revere could be determined as follows:

1. The residual market share in Revere underlying the 2010 credit program was 5.04%[7]. Based on the previously defined residual market share groups, the residual market share group would be 1.

2. The residual market share in Revere underlying the 2011 credit program was 4.89%[8]. Based on the previously defined residual market share groups, the residual market share group would be 0.

3. The residual market share in Revere underlying the proposed 2012 credit program was 5.78%[9]. Based on the previously defined residual market share groups, the residual market share group would be 1.

This market segment presents an interesting situation when it comes to determining residual market share group. The residual market share for this segment has fluctuated around a boundary for residual market credit values. In two of the past three years, it was eligible for credit in residual market group 1. Variation about a residual market share boundary should not automatically change a market segment's eligibility for credit, or the value of the credit. In this case, since two of the three years indicate the same residual market share group, the proposed residual market share group for 2012 should be set

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[6] Operators licensed more than six years who are under the age of 65 currently constitute approximately 70% of all credit eligible risks.

[7] See CAR Docket #AC09.09, Exhibit 4, page 10.

[8] See CAR Docket #AC10.06, Exhibit 1, page 6

[9] See CAR Docket #AC11.03, Exhibit 11, page 9

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equal to 1. CAR's proposed 2012 credit offer does not include this market segment because the segment was not credit eligible in the prior year.

As another example, consider the "indicated" residual market share group for operators licensed more than six years who are under the age of 65[10] in Lowell:

- The residual market share in Lowell underlying the 2010 credit program was 6.91%[11]. Based on the previously defined residual market share groups, the residual market share group would be 1.

- The residual market share in Lowell underlying the 2011 credit program was 7.07%[12]. Based on the previously defined residual market share groups, the residual market share group would be 1.

- The residual market share in Lowell underlying the proposed 2012 credit program was 7.31%[13]. Based on the previously defined residual market share groups, the residual market share group would be 1.

In this case, the residual market share group for this market segment has not changed in the last three years, thus strongly indicating that the 2012 residual market share group should remain unchanged along with the credit value associated with that group. CAR's 2012 credit offer proposes to reduce the current credit factor in this market segment by almost 50%.

Finally, consider an example of the "indicated" residual market share groups for principal operators licensed less than three years who have no formal driver training in Brockton:

1. The residual market share in Brockton underlying the 2010 credit program was 49.5%[14]. Based on the previously defined residual market share groups, the residual market share group would be 9.

2. The residual market share in Brockton underlying the 2011 credit program was 40.75%[15]. Based on the previously defined residual market share groups, the residual market share group would be 7.

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[10] Operators licensed more than six years who are under the age of 65 currently constitute approximately 70% of all credit eligible risks.
[11] See CAR Docket #AC09.09, Exhibit 4, page 10.
[12] See CAR Docket #AC10.06, Exhibit 1, page 6
[13] See CAR Docket #AC11.03, Exhibit 11, page 9
[14] See CAR Docket #AC09.09, Exhibit 4, page 10.

[15] See CAR Docket #AC10.06, Exhibit 1, page 6

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3. The residual market share in Brockton underlying the proposed 2012 credit program was 34.43%[16]. Based on the previously defined residual market share groups, the residual market share group would be 6.

The residual market share of this market segment has steadily declined over the last three years indicating increased market willingness to voluntarily insure inexperienced operators. While this is certainly good news, fully reflecting the improvement in 2012 should be delayed until it is confirmed by next year's experience. In the instance where the indicated residual market share groups are different in each of the three years considered, the proposed 2012 residual market share group should be the median value of the three. This limits the likelihood that the residual market share group is reassigned in response to random variation in residual market results rather than a true signal of the industry's willingness to voluntarily insure this market segment. Using this decision logic, the proposed residual market share group should be 6 which is assigned a credit factor of 2.0. CAR's 2012 credit offer proposes to reduce the current credit factor in this market segment from 2.5 to 2.0.

A complete summary of the results of this decision logic and the selected residual market share groups is contained in Exhibit A of this attachment.

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[16] See CAR Docket #AC11.03, Exhibit 11, page 9

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Reasonability Check on the Level of Credit Enhancement

Once final credit values are assigned based on a market segment's selected residual market share group, the average credit adjusted MAIP liability premium that results from the credit program needs to be checked relative to the average MAIP liability premium for that would apply had all such risk been assigned.

Based on the credit program outlined above, the expected average credit eligible MAIP liability rates for credit eligible risk is as follows:

Residual Market Share Group	2011 Credit Eligible* Exposures	4/1/11 Average MAIP Liability Base Rate**	Incentive Credit Value	4/1/11 Credit Adjusted Average MAIP Liability Base Rate**
1-[5.0%, 8.0%)	151,750	$1,166.95	1.00	$875.21
2-[8.0%, 11.0%)	232,550	$1,190.44	1.00	$1,190.44
3-[11.0%, 17.0%)	38,873	$1,418.83	1.00	$1,418.83
4-[17.0%, 23.0%)	16,937	$2,144.48	1.25	$2,680.60
5-[23.0%, 29.0%)	3,631	$2,561.90	1.50	$3,842.84
6-[29.0%, 35.0%)	1,881	$2,667.59	1.75	$4,668.29
7-[35.0%, 41.0%)	3,499	$2,670.34	2.00	$5,340.69
8-[41.0%, 47.0%)	292	$2,598.00	2.25	$5,845.50
9-[47.0%, 100.0%]	216	$2,616.00	2.50	$6,540.00
Total Credit Eligible	449,147	$1,267.29		$1,332.25

*Excludes motorcycles and miscellaneous vehicles
** Average merit rating factors were not available for the purposes of this illustration

After making adjustments for changes in residual market share, the credit value scale produces a credit adjusted average MAIP liability rate that is 105.1% of the non-credit adjusted average MAIP liability rate for credit eligible risks. This appears reasonable in light of the fact that the average residual market share for credit eligible principal operators that have less than three years of experience is approximately 5.0% more than the statewide average residual market share for all credit eligible operators.

Indicated Private Passenger Auto Residual Market Share Group - Operator Class 10

Territory	Residual Market Share			Indicated Market Share Range			Selected Market Share Range*	2012 Credit	2011 Credit	Change
	2010	2011	2012	2010	2011	2012				
1	0.85%	0.91%	1.21%	0	0	0	0	0.00	0.00	-
2	0.98%	0.98%	1.21%	0	0	0	0	0.00	0.00	-
3	1.23%	1.27%	1.56%	0	0	0	0	0.00	0.00	-
4	1.12%	1.16%	1.34%	0	0	0	0	0.00	0.00	-
5	1.71%	1.68%	1.99%	0	0	0	0	0.00	0.00	-
6	1.62%	1.70%	2.02%	0	0	0	0	0.00	0.00	-
7	2.18%	2.27%	2.74%	0	0	0	0	0.00	0.00	-
8	1.97%	2.08%	2.39%	0	0	0	0	0.00	0.00	-
9	3.14%	3.31%	3.88%	0	0	0	0	0.00	0.00	-
10	2.63%	2.77%	3.10%	0	0	0	0	0.00	0.00	-
11	2.10%	2.13%	2.44%	0	0	0	0	0.00	0.00	-
12	2.47%	2.63%	2.94%	0	0	0	0	0.00	0.00	-
13	4.47%	4.39%	4.94%	0	0	0	0	0.00	0.00	-
14	4.29%	4.29%	4.86%	0	0	0	0	0.00	0.00	-
15	5.04%	4.89%	5.78%	1	0	1	1	1.00	0.00	1.00
16	10.13%	9.66%	9.10%	2	2	2	2	1.00	0.75	0.25
17	2.12%	2.42%	2.38%	0	0	0	0	0.00	0.00	-
18	6.02%	6.73%	6.60%	1	1	1	1	1.00	0.35	0.65
19	3.87%	4.41%	4.67%	0	0	0	0	0.00	0.00	-
20	6.90%	8.11%	8.22%	1	2	2	2	1.00	0.75	0.25
21	9.24%	10.27%	10.21%	2	2	2	2	1.00	0.85	0.15
22	11.76%	11.59%	12.49%	3	3	3	3	1.00	0.85	0.15
23	3.69%	4.10%	4.40%	0	0	0	0	0.00	0.00	-
24	3.04%	3.21%	3.40%	0	0	0	0	0.00	0.00	-
25	2.63%	2.75%	2.81%	0	0	0	0	0.00	0.00	-
26	5.01%	5.59%	6.00%	1	1	1	1	1.00	0.35	0.65
27	0.75%	0.76%	0.95%	0	0	0	0	0.00	0.00	-
40	11.28%	13.30%	13.34%	3	3	3	3	1.00	0.85	0.15
41	6.91%	7.07%	7.31%	1	1	1	1	1.00	0.35	0.65
42	10.84%	11.66%	9.77%	2	3	2	2	1.00	0.85	0.15
43	9.09%	8.67%	8.34%	2	2	2	2	1.00	0.75	0.25
44	9.36%	8.38%	9.18%	2	2	2	2	1.00	0.75	0.25
45	8.24%	8.19%	9.19%	2	2	2	2	1.00	0.75	0.25

Residual Market Share Group	Keep Out Credit
0	0.00
1	1.00
2	1.00
3	1.00
4	1.25
5	1.50
6	1.75
7	2.00
8	2.25
9	2.50

* Selection Critieria:

a. If all indicated residual market share group equal in all three years, select that residual market share group

b. If two of the three years indicate the same residual market share group, select that residual market share group.

c. If all three years indicate a different residual market share group, select the median residual market share group

Indicated Private Passenger Auto Residual Market Share Group - Operator Class 15

Territory	Residual Market Share			Indicated Market Share Range			Selected Market Share Range*	2012 Credit	2011 Credit	Change
	2010	2011	2012	2010	2011	2012				
1	0.28%	0.19%	0.26%	0	0	0	0	0.00	0.00	-
2	0.17%	0.21%	0.25%	0	0	0	0	0.00	0.00	-
3	0.25%	2.20%	0.31%	0	0	0	0	0.00	0.00	-
4	0.28%	0.23%	0.27%	0	0	0	0	0.00	0.00	-
5	0.38%	0.28%	0.35%	0	0	0	0	0.00	0.00	-
6	0.54%	0.41%	0.50%	0	0	0	0	0.00	0.00	-
7	0.41%	0.43%	0.47%	0	0	0	0	0.00	0.00	-
8	0.59%	0.49%	0.60%	0	0	0	0	0.00	0.00	-
9	0.51%	0.54%	0.72%	0	0	0	0	0.00	0.00	-
10	0.52%	0.40%	0.55%	0	0	0	0	0.00	0.00	-
11	1.35%	0.90%	1.08%	0	0	0	0	0.00	0.00	-
12	0.56%	0.54%	0.81%	0	0	0	0	0.00	0.00	-
13	1.43%	0.99%	1.25%	0	0	0	0	0.00	0.00	-
14	1.11%	1.02%	1.26%	0	0	0	0	0.00	0.00	-
15	0.79%	0.79%	1.38%	0	0	0	0	0.00	0.00	-
16	2.91%	2.24%	3.17%	0	0	0	0	0.00	0.00	-
17	0.59%	0.66%	0.86%	0	0	0	0	0.00	0.00	-
18	1.70%	2.71%	3.12%	0	0	0	0	0.00	0.00	-
19	2.99%	2.74%	3.04%	0	0	0	0	0.00	0.00	-
20	2.68%	2.40%	2.86%	0	0	0	0	0.00	0.00	-
21	5.32%	5.67%	6.45%	1	1	1	1	1.00	0.35	0.65
22	8.26%	8.52%	8.32%	2	2	2	2	1.00	0.75	0.25
23	2.94%	2.93%	3.17%	0	0	0	0	0.00	0.00	-
24	3.39%	2.97%	3.72%	0	0	0	0	0.00	0.00	-
25	1.44%	1.07%	1.54%	0	0	0	0	0.00	0.00	-
26	1.64%	1.10%	1.37%	0	0	0	0	0.00	0.00	-
27	0.16%	0.15%	0.20%	0	0	0	0	0.00	0.00	-
40	2.76%	3.18%	2.86%	0	0	0	0	0.00	0.00	-
41	1.75%	1.36%	1.72%	0	0	0	0	0.00	0.00	-
42	3.96%	3.43%	3.18%	0	0	0	0	0.00	0.00	-
43	2.18%	1.18%	1.45%	0	0	0	0	0.00	0.00	-
44	2.21%	1.97%	2.76%	0	0	0	0	0.00	0.00	-
45	2.43%	2.25%	2.87%	0	0	0	0	0.00	0.00	-

Residual Market Share Group	Keep Out Credit
0	0.00
1	1.00
2	1.00
3	1.00
4	1.25
5	1.50
6	1.75
7	2.00
8	2.25
9	2.50

* Selection Criteria:

a. If all indicated residual market share group equal in all three years, select that residual market share group

b. If two of the three years indicate the same residual market share group, select that residual market share group

c. If all three years indicate a different residual market share group, select the median residual market share group

Indicated Private Passenger Auto Residual Market Share Group – Operator Class 17

Territory	Residual Market Share 2010	Residual Market Share 2011	Residual Market Share 2012	Indicated Market Share Range 2010	Indicated Market Share Range 2011	Indicated Market Share Range 2012	Selected Market Share Range*	2012 Credit	2011 Credit	Change
1	3.04%	3.40%	3.79%	0	0	0	0	0.00	0.00	-
2	3.27%	3.27%	3.30%	0	0	0	0	0.00	0.00	-
3	3.90%	3.88%	4.01%	0	0	0	0	0.00	0.00	-
4	3.70%	3.60%	3.56%	0	0	0	0	0.00	0.00	-
5	5.28%	5.13%	5.01%	1	1	1	1	1.00	0.25	0.75
6	4.40%	4.69%	4.87%	0	0	0	0	0.00	0.00	-
7	6.21%	6.27%	6.16%	1	1	1	1	1.00	0.25	0.75
8	5.20%	6.27%	6.37%	1	1	1	1	1.00	0.25	0.75
9	7.93%	8.00%	8.16%	1	2	2	2	1.00	0.70	0.30
10	6.12%	7.06%	7.28%	1	1	1	1	1.00	0.25	0.75
11	6.80%	8.34%	8.67%	1	2	2	2	1.00	0.70	0.30
12	7.07%	7.88%	7.17%	1	1	1	1	1.00	0.70	0.30
13	10.00%	9.75%	9.02%	2	2	2	2	1.00	0.70	0.30
14	9.91%	9.57%	10.29%	2	2	2	2	1.00	0.70	0.30
15	9.96%	11.55%	13.32%	2	3	3	3	1.00	0.80	0.20
16	18.41%	17.85%	15.58%	4	4	3	4	1.25	1.50	-0.25
17	8.98%	9.30%	6.16%	2	2	1	2	1.00	0.70	0.30
18	12.75%	17.64%	18.20%	3	4	4	4	1.25	1.50	-0.25
19	15.68%	16.56%	13.66%	3	3	3	3	1.00	1.50	-0.50
20	17.53%	16.96%	14.02%	4	3	3	3	1.00	1.50	-0.50
21	18.94%	20.13%	17.41%	4	4	4	4	1.25	1.50	-0.25
22	18.25%	20.29%	14.84%	4	4	3	4	1.25	1.50	-0.25
23	19.48%	14.61%	13.63%	4	3	3	3	1.00	0.80	0.20
24	8.18%	8.91%	8.01%	2	2	2	2	1.00	0.70	0.30
25	11.06%	14.89%	10.74%	3	3	2	3	1.00	0.80	0.20
26	17.47%	13.82%	10.91%	4	3	2	3	1.00	0.80	0.20
27	3.11%	2.88%	2.68%	0	0	0	0	0.00	0.00	-
40	22.48%	26.36%	22.66%	4	5	4	4	1.25	1.50	-0.25
41	16.79%	15.67%	14.13%	3	3	3	3	1.00	1.50	-0.50
42	21.16%	20.02%	15.06%	4	4	3	4	1.25	1.50	-0.25
43	13.95%	13.91%	11.91%	3	3	3	3	1.00	0.80	0.20
44	14.40%	14.67%	14.18%	3	3	3	3	1.00	0.80	0.20
45	17.34%	20.51%	19.75%	4	4	4	4	1.25	1.50	-0.25

Residual Market Share Group	Keep Out Credit
0	0.00
1	1.00
2	1.00
3	1.00
4	1.25
5	1.50
6	1.75
7	2.00
8	2.25
9	2.50

* Selection Critieria:

a. If all indicated residual market share group equal in all three years, select that residual market share group

b. If two of the three years indicate the same residual market share group, select that residual market share group

c. If all three years indicate a different residual market share group, select the median residual market share group

Indicated Private Passenger Auto Residual Market Share Group - Operator Class 18

Territory	Residual Market Share 2010	2011	2012	Indicated Market Share Range 2010	2011	2012	Selected Market Share Range*	2012 Credit	2011 Credit	Change
1	0.69%	0.86%	1.04%	0	0	0	0	0.00	0.00	-
2	0.79%	0.69%	0.72%	0	0	0	0	0.00	0.00	-
3	0.97%	0.93%	1.21%	0	0	0	0	0.00	0.00	-
4	0.87%	1.02%	1.07%	0	0	0	0	0.00	0.00	-
5	1.49%	1.41%	1.73%	0	0	0	0	0.00	0.00	-
6	1.24%	1.64%	1.76%	0	0	0	0	0.00	0.00	-
7	1.47%	2.38%	2.53%	0	0	0	0	0.00	0.00	-
8	1.79%	1.84%	2.10%	0	0	0	0	0.00	0.00	-
9	2.92%	3.01%	3.36%	0	0	0	0	0.00	0.00	-
10	2.98%	2.56%	1.80%	0	0	0	0	0.00	0.00	-
11	1.84%	1.96%	1.75%	0	0	0	0	0.00	0.00	-
12	2.17%	2.52%	2.26%	0	0	0	0	0.00	0.00	-
13	3.42%	4.56%	4.95%	0	0	0	0	0.00	0.00	-
14	2.12%	3.72%	4.12%	0	0	0	0	0.00	0.00	-
15	7.14%	7.44%	4.35%	1	1	0	1	1.00	0.35	0.65
16	12.30%	11.36%	10.97%	3	3	2	3	1.00	0.85	0.15
17	1.75%	2.16%	4.39%	0	0	0	0	0.00	0.00	-
18	4.52%	2.99%	5.36%	0	0	1	0	0.00	0.00	-
19	2.60%	5.84%	5.99%	0	1	1	1	1.00	0.35	0.65
20	6.84%	5.88%	8.17%	1	1	2	1	1.00	0.35	0.65
21	8.59%	10.18%	9.42%	2	2	2	2	1.00	0.85	0.15
22	6.15%	5.48%	9.93%	1	1	2	1	1.00	0.35	0.65
23	2.91%	3.86%	4.91%	0	0	0	0	0.00	0.00	-
24	2.79%	4.77%	3.23%	0	0	0	0	0.00	0.00	-
25	3.41%	2.80%	3.24%	0	0	0	0	0.00	0.00	-
26	5.28%	5.46%	5.65%	1	1	1	1	1.00	0.35	0.65
27	0.62%	0.69%	0.73%	0	0	0	0	0.00	0.00	-
40	3.39%	11.31%	10.87%	0	3	2	2	1.00	0.85	0.15
41	9.63%	9.37%	8.23%	2	2	2	2	1.00	0.75	0.25
42	8.66%	9.28%	8.54%	2	2	2	2	1.00	0.75	0.25
43	6.60%	5.08%	4.26%	1	1	0	1	1.00	0.35	0.65
44	9.03%	9.16%	6.90%	2	2	1	2	1.00	0.75	0.25
45	4.72%	7.74%	6.40%	0	1	1	1	1.00	0.75	0.25

Residual Market Share Group	Keep Out Credit
0	0.00
1	1.00
2	1.00
3	1.00
4	1.25
5	1.50
6	1.75
7	2.00
8	2.25
9	2.50

* Selection Criteria:

a. If all indicated residual market share group equal in all three years, select that residual market share group

b. If two of the three years indicate the same residual market share group, select that residual market share group

c. If all three years indicate a different residual market share group, select the median residual market share group

Indicated Private Passenger Auto Residual Market Share Group - Operator Class 20

Territory	Residual Market Share 2010	Residual Market Share 2011	Residual Market Share 2012	Indicated Market Share Range 2010	Indicated Market Share Range 2011	Indicated Market Share Range 2012	Selected Market Share Range*	2012 Credit	2011 Credit	Change
1	13.08%	14.45%	10.00%	3	3	2	3	1.00	0.80	0.20
2	13.96%	10.54%	8.82%	3	2	2	2	1.00	0.80	0.20
3	16.42%	14.07%	8.89%	3	3	2	3	1.00	0.80	0.20
4	13.25%	11.12%	7.49%	3	3	1	3	1.00	0.80	0.20
5	21.33%	16.76%	13.95%	4	3	3	3	1.00	1.50	-0.50
6	17.83%	13.42%	11.22%	4	3	3	3	1.00	0.80	0.20
7	22.56%	18.40%	13.71%	4	4	3	4	1.25	1.50	-0.25
8	22.09%	19.22%	14.12%	4	4	3	4	1.25	1.50	-0.25
9	23.55%	20.11%	16.67%	5	4	3	4	1.25	1.50	-0.25
10	27.21%	22.49%	16.30%	5	4	3	4	1.25	1.50	-0.25
11	21.82%	23.64%	16.09%	4	5	3	4	1.25	1.50	-0.25
12	20.06%	17.85%	14.03%	4	4	3	4	1.25	1.50	-0.25
13	29.23%	23.33%	17.03%	6	5	4	5	1.50	1.50	-
14	22.05%	23.34%	18.56%	4	5	4	4	1.25	1.50	-0.25
15	50.53%	34.96%	31.56%	9	6	6	6	1.75	1.50	0.25
16	54.47%	42.96%	32.05%	9	8	6	8	2.25	2.50	-0.25
17	22.34%	16.86%	17.73%	4	3	4	4	1.25	1.50	-0.25
18	38.89%	31.94%	24.32%	7	6	5	6	1.75	1.50	0.25
19	44.85%	32.29%	17.22%	8	6	4	6	1.75	1.50	0.25
20	36.52%	29.68%	29.89%	7	6	6	6	1.75	1.50	0.25
21	43.33%	39.60%	32.09%	8	7	6	7	2.00	2.50	-0.50
22	35.24%	37.48%	34.54%	7	7	6	7	2.00	2.50	-0.50
23	50.14%	36.58%	25.43%	9	7	5	7	2.00	2.50	-0.50
24	28.34%	20.76%	17.71%	5	4	4	4	1.25	1.50	-0.25
25	28.71%	22.06%	16.77%	5	4	3	4	1.25	1.50	-0.25
26	39.31%	37.10%	32.45%	7	7	6	7	2.00	2.50	-0.50
27	15.09%	12.89%	9.47%	3	3	2	3	1.00	0.80	0.20
40	54.85%	47.16%	41.14%	9	9	8	9	2.50	2.50	-
41	33.81%	28.94%	23.11%	6	5	5	5	1.50	1.50	-
42	42.25%	31.78%	22.27%	8	6	4	6	1.75	1.50	0.25
43	42.90%	37.10%	29.90%	8	7	6	7	2.00	2.50	-0.50
44	41.65%	26.27%	21.69%	8	5	4	5	1.50	1.50	-
45	49.51%	40.75%	34.43%	9	7	6	7	2.00	2.50	-0.50

Residual Market Share Group	Keep Out Credit
0	0.00
1	1.00
2	1.00
3	1.00
4	1.25
5	1.50
6	1.75
7	2.00
8	2.25
9	2.50

* Selection Critieria:

   a. If all indicated residual market share group equal in all three years, select that residual market share group

   b. If two of the three years indicate the same residual market share group, select that residual market share group

   c. If all three years indicate a different residual market share group, select the median residual market share group

Indicated Private Passenger Auto Residual Market Share Group - Operator Class 21

Territory	Residual Market Share 2010	Residual Market Share 2011	Residual Market Share 2012	Indicated Market Share Range 2010	Indicated Market Share Range 2011	Indicated Market Share Range 2012	Selected Market Share Range*	2012 Credit	2011 Credit	Change
1	4.10%	3.86%	2.84%	0	0	0	0	0.00	0.00	-
2	1.60%	2.04%	2.10%	0	0	0	0	0.00	0.00	-
3	3.99%	3.52%	3.75%	0	0	0	0	0.00	0.00	-
4	3.84%	2.61%	3.00%	0	0	0	0	0.00	0.00	-
5	6.25%	6.00%	5.04%	1	1	1	1	1.00	0.35	0.65
6	3.00%	4.77%	3.04%	0	0	0	0	0.00	0.00	-
7	9.18%	6.04%	5.43%	2	1	1	1	1.00	0.35	0.65
8	3.95%	6.18%	3.52%	0	1	0	0	0.00	0.35	-0.35
9	5.60%	6.80%	6.19%	1	1	1	1	1.00	0.35	0.65
10	8.89%	6.57%	8.48%	2	1	2	2	1.00	0.35	0.65
11	4.81%	6.69%	5.96%	0	1	1	1	1.00	0.35	0.65
12	7.61%	6.69%	5.92%	1	1	1	1	1.00	0.35	0.65
13	9.64%	8.77%	9.57%	2	2	2	2	1.00	0.75	0.25
14	5.07%	4.60%	8.75%	1	0	2	1	1.00	0.00	1.00
15	16.67%	17.61%	12.03%	3	4	3	3	1.00	1.75	-0.75
16	15.08%	9.70%	17.62%	3	2	4	3	1.00	0.75	0.25
17	4.74%	0.15%	3.19%	0	0	0	0	0.00	0.00	-
18	2.84%	17.24%	16.64%	0	4	3	3	1.00	1.75	-0.75
19	3.28%	9.77%	10.15%	0	2	2	2	1.00	0.75	0.25
20	2.12%	14.43%	6.45%	0	3	1	1	1.00	0.85	0.15
21	16.51%	15.46%	14.40%	3	3	3	3	1.00	1.75	-0.75
22	13.46%	12.71%	10.73%	3	3	2	3	1.00	0.85	0.15
23	9.30%	10.96%	11.68%	2	2	3	2	1.00	0.85	0.15
24	10.45%	6.31%	0.19%	2	1	0	1	1.00	0.35	0.65
25	9.23%	10.98%	2.93%	2	2	0	2	1.00	0.85	0.15
26	23.83%	15.68%	13.61%	5	3	3	3	1.00	1.75	-0.75
27	3.66%	1.87%	2.44%	0	0	0	0	0.00	0.00	-
40	11.37%	27.49%	29.02%	3	5	6	5	1.50	1.75	-0.25
41	15.54%	15.44%	13.54%	3	3	3	3	1.00	1.75	-0.75
42	18.45%	18.23%	11.80%	4	4	3	4	1.25	1.75	-0.50
43	16.00%	13.12%	11.76%	3	3	3	3	1.00	0.85	0.15
44	11.62%	8.66%	11.45%	3	2	3	3	1.00	0.75	0.25
45	12.83%	11.85%	11.15%	3	3	3	3	1.00	0.85	0.15

Residual Market Share Group	Keep Out Credit
0	0.00
1	1.00
2	1.00
3	1.00
4	1.25
5	1.50
6	1.75
7	2.00
8	2.25
9	2.50

* Selection Criteria:
a. If all indicated residual market share group equal in all three years, select that residual market share group
b. If two of the three years indicate the same residual market share group, select that residual market share group
c. If all three years indicate a different residual market share group, select the median residual market share group

Indicated Private Passenger Auto Residual Market Share Group - Operator Class 25

Territory	Residual Market Share 2010	2011	2012	Indicated Market Share Range 2010	2011	2012	Selected Market Share Range*	2012 Credit	2011 Credit	Change
1	2.15%	2.19%	2.19%	0	0	0	0	0.00	0.00	-
2	2.13%	2.66%	2.28%	0	0	0	0	0.00	0.00	-
3	3.12%	3.00%	2.40%	0	0	0	0	0.00	0.00	-
4	3.45%	2.93%	2.06%	0	0	0	0	0.00	0.00	-
5	3.34%	3.43%	3.04%	0	0	0	0	0.00	0.00	-
6	3.51%	3.19%	2.87%	0	0	0	0	0.00	0.00	-
7	4.07%	3.75%	2.92%	0	0	0	0	0.00	0.00	-
8	5.26%	4.44%	3.73%	1	0	0	0	0.00	0.00	-
9	5.02%	5.13%	4.50%	1	1	0	1	1.00	0.25	0.75
10	4.68%	4.04%	3.43%	0	0	0	0	0.00	0.00	-
11	6.46%	5.92%	4.82%	1	1	0	1	1.00	0.25	0.75
12	7.22%	7.06%	5.23%	1	1	1	1	1.00	0.25	0.75
13	8.27%	7.82%	5.34%	2	1	1	1	1.00	0.70	0.30
14	9.86%	8.57%	7.12%	2	2	1	2	1.00	0.70	0.30
15	16.82%	20.53%	12.71%	3	4	3	3	1.00	1.50	-0.50
16	28.94%	30.78%	15.32%	5	6	3	5	1.50	1.50	-
17	16.08%	7.80%	6.22%	3	1	1	1	1.00	0.70	0.30
18	7.27%	14.85%	11.64%	1	3	3	3	1.00	0.80	0.20
19	13.47%	12.45%	10.38%	3	3	2	3	1.00	0.80	0.20
20	10.59%	12.22%	14.12%	2	3	3	3	1.00	0.80	0.20
21	16.41%	16.55%	13.37%	3	3	3	3	1.00	1.50	-0.50
22	13.15%	17.35%	13.71%	3	4	3	3	1.00	1.50	-0.50
23	15.60%	15.83%	9.23%	3	3	2	3	1.00	1.50	-0.50
24	11.76%	8.64%	9.22%	3	2	2	2	1.00	0.70	0.30
25	3.45%	9.29%	6.09%	0	2	1	1	1.00	0.70	0.30
26	11.80%	14.37%	10.32%	3	3	2	3	1.00	0.80	0.20
27	2.31%	1.88%	1.49%	0	0	0	0	0.00	0.00	-
40	17.49%	14.24%	7.98%	4	3	1	3	1.00	0.80	0.20
41	16.50%	11.41%	8.24%	3	3	2	3	1.00	0.80	0.20
42	14.40%	11.03%	5.61%	3	3	1	3	1.00	0.80	0.20
43	13.88%	12.83%	8.63%	3	3	2	3	1.00	0.80	0.20
44	13.12%	12.31%	7.51%	3	3	1	3	1.00	0.80	0.20
45	16.22%	14.34%	9.88%	3	3	2	3	1.00	0.80	0.20

Residual Market Share Group	Keep Out Credit
0	0.00
1	1.00
2	1.00
3	1.00
4	1.25
5	1.50
6	1.75
7	2.00
8	2.25
9	2.50

* Selection Criteria:
a. If all indicated residual market share group equal in all three years, select that residual market share group
b. If two of the three years indicate the same residual market share group, select that residual market share group
c. If all three years indicate a different residual market share group, select the median residual market share group

Indicated Private Passenger Auto Residual Market Share Group - Operator Class 26

Territory	Residual Market Share 2010	2011	2012	Indicated Market Share Range 2010	2011	2012	Selected Market Share Range*	2012 Credit	2011 Credit	Change
1	0.19%	0.58%	0.62%	0	0	0	0	0.00	0.00	-
2	0.39%	0.50%	0.49%	0	0	0	0	0.00	0.00	-
3	0.57%	0.77%	1.05%	0	0	0	0	0.00	0.00	-
4	0.54%	0.42%	0.57%	0	0	0	0	0.00	0.00	-
5	0.52%	0.95%	1.19%	0	0	0	0	0.00	0.00	-
6	0.83%	0.76%	0.78%	0	0	0	0	0.00	0.00	-
7	1.10%	1.22%	1.22%	0	0	0	0	0.00	0.00	-
8	1.05%	1.07%	0.98%	0	0	0	0	0.00	0.00	-
9	0.87%	1.19%	1.29%	0	0	0	0	0.00	0.00	-
10	1.66%	0.73%	1.08%	0	0	0	0	0.00	0.00	-
11	0.72%	0.59%	1.08%	0	0	0	0	0.00	0.00	-
12	1.23%	1.27%	1.72%	0	0	0	0	0.00	0.00	-
13	2.93%	2.13%	2.17%	0	0	0	0	0.00	0.00	-
14	1.26%	2.58%	3.50%	0	0	0	0	0.00	0.00	-
15	2.19%	2.61%	3.93%	0	0	0	0	0.00	0.00	-
16	17.88%	4.25%	6.21%	4	0	1	1	1.00	0.00	1.00
17	2.56%	1.85%	1.97%	0	0	0	0	0.00	0.00	-
18	3.73%	3.36%	2.77%	0	0	0	0	0.00	0.00	-
19	3.95%	3.85%	3.10%	0	0	0	0	0.00	0.00	-
20	6.41%	10.10%	7.04%	1	2	1	1	1.00	0.85	0.15
21	4.99%	3.98%	2.73%	0	0	0	0	0.00	0.00	-
22	2.91%	7.16%	6.53%	0	1	1	1	1.00	0.35	0.65
23	1.68%	2.47%	3.30%	0	0	0	0	0.00	0.00	-
24	1.45%	2.54%	4.92%	0	0	0	0	0.00	0.00	-
25	0.00%	1.05%	0.49%	0	0	0	0	0.00	0.00	-
26	3.30%	4.16%	1.48%	0	0	0	0	0.00	0.00	-
27	0.18%	0.31%	0.57%	0	0	0	0	0.00	0.00	-
40	2.74%	4.76%	2.81%	0	0	0	0	0.00	0.00	-
41	7.41%	4.88%	3.54%	1	0	0	0	0.00	0.00	-
42	4.49%	3.63%	3.28%	0	0	0	0	0.00	0.00	-
43	4.83%	3.18%	2.34%	0	0	0	0	0.00	0.00	-
44	7.35%	5.70%	2.20%	1	1	0	1	1.00	0.35	0.65
45	1.72%	3.23%	4.76%	0	0	0	0	0.00	0.00	-

Residual Market Share Group	Keep Out Credit
0	0.00
1	1.00
2	1.00
3	1.00
4	1.25
5	1.50
6	1.75
7	2.00
8	2.25
9	2.50

* Selection Critieria:

a. If all indicated residual market share group equal in all three years, select that residual market share group

b. If two of the three years indicate the same residual market share group, select that residual market share group

c. If all three years indicate a different residual market share group, select the median residual market share group

Indicated Private Passenger Auto Residual Market Share Group - Operator Class 30

Territory	Residual Market Share 2010	2011	2012	Indicated Market Share Range 2010	2011	2012	Selected Market Share Range*	2012 Credit	2011 Credit	Change
1	0.33%	0.50%	0.56%	0	0	0	0	0.00	0.00	-
2	0.68%	0.61%	0.96%	0	0	0	0	0.00	0.00	-
3	0.51%	0.60%	0.77%	0	0	0	0	0.00	0.00	-
4	0.61%	0.74%	0.73%	0	0	0	0	0.00	0.00	-
5	0.86%	0.92%	1.31%	0	0	0	0	0.00	0.00	-
6	0.57%	1.17%	0.97%	0	0	0	0	0.00	0.00	-
7	0.79%	1.19%	1.29%	0	0	0	0	0.00	0.00	-
8	1.51%	1.36%	1.10%	0	0	0	0	0.00	0.00	-
9	1.14%	1.61%	1.80%	0	0	0	0	0.00	0.00	-
10	2.78%	2.28%	1.92%	0	0	0	0	0.00	0.00	-
11	0.95%	1.41%	1.60%	0	0	0	0	0.00	0.00	-
12	2.01%	2.46%	2.17%	0	0	0	0	0.00	0.00	-
13	1.55%	1.84%	2.59%	0	0	0	0	0.00	0.00	-
14	4.62%	3.35%	2.34%	0	0	0	0	0.00	0.00	-
15	6.78%	3.24%	4.22%	1	0	0	0	0.00	0.00	-
16	9.20%	6.22%	7.05%	2	1	1	1	1.00	0.35	0.65
17	2.35%	1.65%	0.99%	0	0	0	0	0.00	0.00	-
18	5.21%	4.29%	5.49%	1	0	1	1	1.00	0.00	1.00
19	0.89%	0.98%	1.49%	0	0	0	0	0.00	0.00	-
20	5.28%	0.68%	0.79%	1	0	0	0	0.00	0.00	-
21	9.63%	7.85%	6.55%	2	1	1	1	1.00	0.75	0.25
22	3.57%	1.64%	9.91%	0	0	2	0	0.00	0.00	-
23	1.20%	1.62%	1.63%	0	0	0	0	0.00	0.00	-
24	1.98%	1.80%	3.61%	0	0	0	0	0.00	0.00	-
25	1.43%	2.15%	1.32%	0	0	0	0	0.00	0.00	-
26	3.53%	3.37%	0.59%	0	0	0	0	0.00	0.00	-
27	0.30%	0.39%	0.43%	0	0	0	0	0.00	0.00	-
40	1.78%	0.05%	0.09%	0	0	0	0	0.00	0.00	-
41	1.05%	2.06%	1.75%	0	0	0	0	0.00	0.00	-
42	2.05%	2.92%	2.44%	0	0	0	0	0.00	0.00	-
43	4.10%	2.32%	3.28%	0	0	0	0	0.00	0.00	-
44	5.71%	6.14%	5.93%	1	1	1	1	1.00	0.35	0.65
45	5.16%	4.71%	5.24%	1	0	1	1	1.00	0.00	1.00

Residual Market Share Group	Keep Out Credit
0	0.00
1	1.00
2	1.00
3	1.00
4	1.25
5	1.50
6	1.75
7	2.00
8	2.25
9	2.50

* Selection Critieria:

a. If all indicated residual market share group equal in all three years, select that residual market share group

b. If two of the three years indicate the same residual market share group, select that residual market share group

c. If all three years indicate a different residual market share group, select the median residual market share group

Indicated Private Passenger Auto Residual Market Share Group - Operator Class MM

Territory	Residual Market Share 2010	2011	2012	Indicated Market Share Range 2010	2011	2012	Selected Market Share Range*	2012 Credit	2011 Credit	Change
1	1.76%	1.69%	1.89%	0	0	0	0	0.00	0.00	-
2	1.91%	1.77%	1.62%	0	0	0	0	0.00	0.00	-
3	2.37%	2.20%	2.09%	0	0	0	0	0.00	0.00	-
4	1.83%	1.56%	1.49%	0	0	0	0	0.00	0.00	-
5	2.72%	2.28%	2.44%	0	0	0	0	0.00	0.00	-
6	2.35%	2.19%	2.31%	0	0	0	0	0.00	0.00	-
7	3.72%	3.18%	3.28%	0	0	0	0	0.00	0.00	-
8	3.35%	3.26%	3.50%	0	0	0	0	0.00	0.00	-
9	3.84%	3.47%	3.81%	0	0	0	0	0.00	0.00	-
10	3.97%	3.22%	4.06%	0	0	0	0	0.00	0.00	-
11	4.63%	4.17%	4.34%	0	0	0	0	0.00	0.00	-
12	5.01%	4.45%	4.16%	1	0	0	0	0.00	0.00	-
13	6.40%	5.47%	5.05%	1	1	1	1	1.00	0.35	0.65
14	8.47%	7.01%	6.53%	2	1	1	1	1.00	0.35	0.65
15	11.69%	11.23%	10.13%	3	3	2	3	1.00	0.85	0.15
16	11.45%	12.14%	6.95%	3	3	1	3	1.00	0.85	0.15
17	4.41%	4.12%	4.06%	0	0	0	0	0.00	0.00	-
18	8.44%	6.84%	3.93%	2	1	0	1	1.00	0.35	0.65
19	9.99%	5.19%	5.53%	2	1	1	1	1.00	0.35	0.65
20	10.67%	10.25%	7.98%	2	2	1	2	1.00	0.85	0.15
21	12.87%	12.71%	10.70%	3	3	2	3	1.00	0.85	0.15
22	16.39%	12.68%	10.15%	3	3	2	3	1.00	0.85	0.15
23	12.50%	7.81%	6.65%	3	1	1	1	1.00	0.75	0.25
24	8.94%	3.83%	4.72%	2	0	0	0	0.00	0.00	-
25	4.45%	3.68%	4.91%	0	0	0	0	0.00	0.00	-
26	13.71%	8.28%	6.11%	3	2	1	2	1.00	0.75	0.25
27	1.64%	1.38%	1.34%	0	0	0	0	0.00	0.00	-
40	11.55%	11.56%	12.51%	3	3	3	3	1.00	0.85	0.15
41	6.57%	6.94%	6.76%	1	1	1	1	1.00	0.35	0.65
42	11.63%	10.04%	7.08%	3	2	1	2	1.00	0.85	0.15
43	7.43%	5.81%	5.86%	1	1	1	1	1.00	0.35	0.65
44	12.58%	11.48%	10.89%	3	3	2	3	1.00	0.85	0.15
45	10.88%	9.72%	11.00%	2	2	3	2	1.00	0.75	0.25

Residual Market Share Group	Keep Out Credit
0	0.00
1	1.00
2	1.00
3	1.00
4	1.25
5	1.50
6	1.75
7	2.00
8	2.25
9	2.50

* Selection Critieria:

a. If all indicated residual market share group equal in all three years, select that residual market share group

b. If two of the three years indicate the same residual market share group, select that residual market share group

c. If all three years indicate a different residual market share group, select the median residual market share group