



COMMONWEALTH AUTOMOBILE REINSURERS

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ADDITIONAL INFORMATION

TO MEMBERS OF THE ACTUARIAL COMMITTEE

FOR THE MEETING OF:

Thursday, February 5, 2026, at 11:00 a.m.

AC

26.04 Quota Share Credits for Policies Effective April 1, 2027 and Later

Attached is a submission from Plymouth Rock Assurance Corporation for the Committee's discussion as part of its credit deliberations (Docket #AC26.04, Exhibit #5).

TIMOTHY GALLIGAN
Director of Actuarial & Statistical Services

Attachment

Boston, Massachusetts
February 3, 2026

Alternative Approach

- In prior meetings, interest was brought up in an alternative that A) did not impact “DOI territories”, B) would address disproportionate representation mandate and C) is responsive but also stable
- Alternative approach accomplishes this by 1) allowing downward movement of existing credit cells in DOI territories – but not below a 1.00 credit factor, and 2) Adjusting the Territory/Class credit indication thresholds by $\frac{1}{2}$ of the movement of overall MAIP since 2012
- The $\frac{1}{2}$ adjustment calculation is illustrated here: a 30% size reduction in MAIP in 2010-2012 vs. 2024-2025 results in a 15% reduction (0.85 factor) applied to each credit indication threshold:

The diagram illustrates the flow of data from the Existing Rule to the Alternative Approach. It starts with the 'Existing Rule' table, which feeds into the 'Threshold Adjustment Calculations' table. This table then feeds into the 'Alternative Approach' table.

Existing Rule		
Existing Rule 29.D.2		
Residual Market Group	Residual Market Share Range	Voluntary Credit Factor
0	0.0% - 4.9%	0.00
1	5.0% - 7.9%	1.00
2	8.0% - 10.9%	1.00
3	11.0% - 16.9%	1.00
4	17.0% - 22.9%	1.25
5	23.0% - 28.9%	1.50
6	29.0% - 34.9%	1.75
7	35.0% - 40.9%	2.00
8	41.0% - 46.9%	2.25
9	47.0% - 100.0%	2.50

Threshold Adjustment Calculations		
2.50%	Approx MAIP share in 2010-2012	
1.76%	Latest 3 Yr MAIP Share	
-30%	Change in MAIP	
50%	MAIP Chg to Threshold Adjustment Ratio	
-15%	Change in Credit Threshold	
0.85	Threshold Adjustment Factor	

Alternative Approach			
Thresholds adjusted by 50% of MAIP Share Change			
Residual Market Group	Residual Market Share	Voluntary Credit Factor	
	Min	Max	
0	0.0%	4.3%	0.00
1	4.3%	6.8%	1.00
2	6.8%	9.4%	1.00
3	9.4%	14.5%	1.00
4	14.5%	19.6%	1.25
5	19.6%	24.7%	1.50
6	24.7%	29.8%	1.75
7	29.8%	34.9%	2.00
8	34.9%	40.0%	2.25
9	40.0%	100.0%	2.50

Result (part 1)

- Simply preventing any DOI Territory cells with a current credit from going below a 1.00 credit while making no adjustment in credit indication thresholds results in essentially no change to overall credits vs. the current rule with latest results indicating a 43% decrease.

4/1/2026 Credit Factors				4/1/27 Indicated - Current Rule				4/1/27 Indicated - DOI Territory 1.00 minimum			
Rate Class	Total Mkt Exposures	Credit Eligible Exposures	Potential Credit Premium	Credit Eligible Exposures	%Δ	Potential Credit Premium	%Δ	Credit Eligible Exposures	%Δ	Potential Credit Premium	%Δ
10	3,167,099	325,966	878,694,252	103,815	-68.2%	264,577,175	-69.9%	314,022	-3.7%	846,249,897	-3.7%
15	1,149,125	11,861	29,610,974	0	-100.0%	0	-100.0%	11,861	0.0%	29,610,974	0.0%
17	148,402	68,963	239,553,616	83,464	21.0%	279,044,495	16.5%	83,464	21.0%	279,044,495	16.5%
18	71,674	1,604	5,022,407	610	-62.0%	1,638,527	-67.4%	1,992	24.2%	5,939,070	18.3%
20	43,123	42,174	240,667,478	42,533	0.9%	238,148,002	-1.0%	42,533	0.9%	238,148,002	-1.0%
21	22,321	7,554	33,898,970	2,786	-63.1%	12,667,809	-62.6%	3,957	-47.6%	18,793,749	-44.6%
25	65,566	3,911	23,449,888	6,289	60.8%	34,722,595	48.1%	7,022	79.5%	39,719,052	69.4%
26	65,745	483	2,777,527	299	-38.1%	1,072,617	-61.4%	782	61.9%	3,850,144	38.6%
30	37,726	408	1,176,192	497	21.9%	1,427,192	21.3%	497	21.9%	1,427,192	21.3%
M/M	183,737	22,831	10,220,777	0	-100.0%	0	-100.0%	10,974	-51.9%	5,230,366	-48.8%
Total	4,954,518	485,754	1,465,072,081	240,294	-50.5%	833,298,412	-43.1%	477,104	-1.8%	1,468,012,941	0.2%

Result (part 2)

- Also adjusting thresholds by 50% of MAIP movement (lowering credit thresholds by 15%) results in +18% indicated credits.
- Changes by territory are small in absolute terms: Terr 14 sees a significant increase and Terr 18 sees a large decrease from changes in their respective Class 10 MAIP Credit eligibility.
 - The actual Class 10 MAIP representation in those territories is not significantly different (~4.4% vs. 3.6%)
 - With the biggest changes coming on those territories driven by small actual differences in results, it may not respect the value of stability in our credit offer

Rate Class	4/1/2026 Credit Factors			4/1/27 Indicated - Current Rule				4/1/27 Indicated - PRAC Proposal			
	Total Mkt Exposures	Credit Eligible Exposures	Potential Credit Premium	Credit Eligible Exposures	%Δ	Potential Credit Premium	%Δ	Credit Eligible Exposures	%Δ	Potential Credit Premium	%Δ
	10	3,167,099	325,966	878,694,252	103,815	-68.2%	264,577,175	-69.9%	373,577	14.6%	983,767,507
15	1,149,125	11,861	29,610,974	0	-100.0%	0	-100.0%	11,861	0.0%	29,610,974	0.0%
17	148,402	68,963	239,553,616	83,464	21.0%	279,044,495	16.5%	112,352	62.9%	360,497,067	50.5%
18	71,674	1,604	5,022,407	610	-62.0%	1,638,527	-67.4%	1,992	24.2%	5,939,070	18.3%
20	43,123	42,174	240,667,478	42,533	0.9%	238,148,002	-1.0%	43,009	2.0%	258,565,275	7.4%
21	22,321	7,554	33,898,970	2,786	-63.1%	12,667,809	-62.6%	6,181	-18.2%	28,386,700	-16.3%
25	65,566	3,911	23,449,888	6,289	60.8%	34,722,595	48.1%	8,619	120.4%	47,039,055	100.6%
26	65,745	483	2,777,527	299	-38.1%	1,072,617	-61.4%	782	61.9%	3,850,144	38.6%
30	37,726	408	1,176,192	497	21.9%	1,427,192	21.3%	781	91.3%	2,364,721	101.0%
M/M	183,737	22,831	10,220,777	0	-100.0%	0	-100.0%	10,974	-51.9%	5,230,366	-48.8%
Total	4,954,518	485,754	1,465,072,081	240,294	-50.5%	833,298,412	-43.1%	570,126	17.4%	1,725,250,879	17.8%

Territory 14: Everett, Malden, Randolph

Territory 18: Roslindale

Appendix

(prior Committee Meeting slides)

MGL Chapter 175, Section 113H

- Chapter 175, Section 113H states: “To control the size of the population of the plan, the plan shall annually provide for territorial and classification credits for those companies voluntarily writing private passenger automobile insurance within those territories and classifications that would otherwise be disproportionately represented in the plan. The size of the credits shall be such as to enhance the prospects that no classification or territory is disproportionately represented in the plan.”
- Guidance from the DOI and AG’s Office since 2012 has reinforced that statutory mandate. Three times the DOI has rejected CAR proposals that reduced total credits by focusing primarily on total market share of MAIP while ignoring disproportionate representation.
 - This includes a rejection in 2019 when MAIP was even smaller in share (1.25%) than it is today.
- The lowest threshold for receiving credits set in 2012 was 5% MAIP representation, when MAIP was ~2.5% of the industry. Therefore, territory/class combinations were credit-eligible if they had ~2x the statewide average MAIP representation – a reasonable threshold for “disproportionate representation”.
- Over the past 13 years while statewide MAIP market share has fluctuated there has been no change to this static 5% threshold, implicitly ignoring the mandated disproportionate representation consideration.
- Given today’s 3 year average MAIP market share of 1.5% (~40% lower than in 2012), 2x the statewide average would suggest 3% plan representation as a reasonable level to indicate a Credit today.
- Using such a 3% threshold would indicate a 53% increase in credits rather than a 30% decrease.
- To effectuate the goals of the statute, Plymouth Rock is – at a minimum – opposed to any decrease in the current credit offering.