



NATALIE A. HUBLEY
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RECORDS OF MEETING

ACTUARIAL COMMITTEE – JANUARY 17, 2024

Members Present

Ms. Sarah Clemens – Chair	MAPFRE U.S.A. Corporation
Ms. Kara Boehm	Allstate Insurance Group
Mr. Glenn Hiltbold	Safety Insurance Company
Mr. Todd Lehmann	Quincy Mutual Group
Ms. Lynellen Ramirez	Arbella Insurance Group
Mr. Jaris Wicklund	The Hanover Insurance Company
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:

Mr. Tiago Prado, BRZ Insurance, LLC

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 September 5, 2023. The Records have been distributed and are on file.

24.04 Market Conditions Impacting Assignment Volume

The Actuarial Committee continued discussion relative to monitoring the size of the residual market including current conditions that are contributing to the rise in assignment volume. In past discussions, the Committee has attributed this rise as a temporary phase as companies and the MAIP pursue rate adequacy. Mr. Timothy Galligan reviewed reports displaying the most recent data showing trends of MAIP exposures and assignments. Initially, the Committee discussed several additional topics relating to the cause of the increasing trends including the MAIP rate, assignment retention rates, and the Family Work and Mobility Act.

Committee members noted that while voluntary rates have improved, carriers continue to hesitate to write marginal risks in the voluntary market. The Committee also stressed the impact of an insufficient MAIP rate not only on companies' tolerance to write marginal risks voluntarily but also on a risk's incentive

to seek coverage in the residual market. Staff indicated that discussions with the SRB addressed these topics.

The Committee continued discussion on other environmental factors contributing to the increase to the size of the MAIP including the following:

- Rising direct loss ratios, in part due to continued inflation and higher repair costs experienced nationally
- Resulting changes in voluntary underwriting guidelines with increased scrutiny on driver characteristics including years of driving experience, accident history, non-payment history, time with current carrier
- Lower volumes written by companies specializing in writing sub-standard business
- Reduced advertising targeting new business as a result of changes in company underwriting guidelines

The committee members recognized that the above factors are not specific to the residual market and somewhat out of the control of the Committee to fix. In regard to credits, the Committee considered whether changes in credit value would encourage companies to write more business on a voluntary basis. Most members agreed that the residual market size is still low at 1% of the total market, and that no immediate action is advisable. The Committee reiterated its position that the current increase in assignment volume is temporary and should improve with continued rate improvement. Some members felt that the increase in assignments is largely unrelated to the credit values but rather changes in underwriting standards, noting that the past residual market decreases have all occurred with credits frozen at 2015 levels. One member further noted that the current formula codified in MAIP Rules to evaluate credit indications was designed in 2009, when market conditions were significantly different. It was suggested that a proposed change to credit factors should be considered in conjunction with a new mechanism designed in the context of today's market.

Going forward, the Committee agreed to a 1.5% residual market size threshold for 2024 to trigger an immediate reconvening of the Committee to further discuss these issues. In the interim, the Committee directed staff to prepare several new data reports to assist in future discussions including the following:

- Data to identify whether certain agency demographics were contributing more to MAIP assignment growth
- Changes in residual market size by class and territory, highlighting credit eligible cells
- A new report identifying retention rates
- A review of the Rules requiring voluntary declinations prior to MAIP placement as a lower MAIP rate may influence risks to seek assignment

24.05 Company Considerations for Implementation of New Rating Procedures

Mr. Galligan informed the Committee that in an effort to be responsive to indicated rate need, CAR has inquired with Assigned Risk Companies (ARC's) about the impact to their systems of effective date changes that differ between new and renewal business, as well as updates to territory groupings. Because these informal surveys indicated that the impacts to systems vary widely among ARC's, staff brought the topic to the Committee for further discussion. The Committee considered the two issues in their deliberations.

With respect to the staggered effective date, the impact to company systems also vary widely among committee members. Members noted obstacles that include older IT systems and difficulty in securing

resources without significant lead time. Such a change would also have impacts to companies' own ratemaking processes, such as addressing rating caps tied to the MAIP rate. After discussion, it was apparent that the change would not yield responsiveness that would outweigh the complex systems changes that would be required.

For the town/territory alignment updates, several companies indicated that they were able to implement the proposed changes, and many indicated that appropriate town/territory groupings would improve residual market rate adequacy. However, the committee members noted that such a change would be encouraged when the overall MAIP rate need is low and most companies expressed a need for significant lead time to address systems and programming needs.

Several members suggested that while these proposed changes are important, the priority should be in obtaining a more adequate rate now, including both the MAIP and voluntary rates. The potential changes for a town realignment could be addressed in the future.

24.06 Excess Credit Authorization Form Updates

Mr. Galligan reviewed proposed updates to the Excess Credit Authorization Form and the Assigned Risk Company Procedures Manual to provide clarity with respect to the effective and expiration date inputs on the form, as well as other minor clerical updates. If approved, the proposed effective date of these changes will be March 1, 2024.

After discussion, the Committee unanimously voted to recommend the proposed modifications, as presented, to the Governing Committee.

TIMOTHY GALLIGAN
Actuarial/Statistical Services Director

Boston, Massachusetts
January 30, 2024

ATTACHMENT LISTING

Docket #AC24.02, Exhibit #1

Attendance Listing

**ACTUARIAL COMMITTEE MEETING
 MEETING ATTENDEES
 JANUARY 17, 2024**

Individual's Name

Company / Agency

PLEASE PRINT

Sarah Clemens	MAPFRE U.S.A. Corporation
Kara Boehm	Allstate Insurance Group
Glenn Hiltbold	Safety Insurance Company
Todd Lehmann	Quincy Mutual Group
Lynellen Ramirez	Arbella Insurance Group
Jaris Wicklund	The Hanover Insurance Company
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
Mary Ellen Thompson	Division of Insurance
Laura Poulin	MAIA
Monique Miller	AIB
Ron Martin	Preferred Mutual Insurance Company
Barry Tagen	Pilgrim Insurance Company
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