COMMONWEALTH AUTOMOBILE REINSURERS
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NATALIE A. HUBLEY
PRESIDENT

NOTICE OF MEETING

AD HOC PRODUCER REASSIGNMENT COMMITTEE

A meeting of the Ad Hoc Producer Reassignment Committee will be held virtually via Zoom video conferencing software on

THURSDAY, JANUARY 29, 2026, AT 10:00 A.M

If you plan to attend this meeting and are not a member of this Committee, please RSVP by completing the Visitor Security Form located in the Contact Us/Visitor Information section of CAR's website. CAR will then forward to you, via email, meeting access information. Please do not share access information provided by CAR, but refer others wishing to attend the meeting to CAR's Visitor Security Form.

MEMBERS OF THE COMMITTEE

Mr. John Olivieri, Jr. – Chair
World Insurance Associates, LLC

Mr. Thomas DePaulo	Cabot Risk Strategies, LLC
Mr. Andrew Lazjer	Safety Insurance Company
Ms. Nicole Martorana	FBInsure
Ms. Sharon Murphy	Acadia Insurance Company
Ms. Alison Ratliff	MAPFRE U.S.A. Corporation
Mr. Barry Tagen	Pilgrim Insurance Company
Mr. David Zawilinski	Arbella Insurance Company

AGENDA

PRC
25.01 Records of Previous Meeting

The Records of the Ad Hoc Producer Reassignment Committee meeting of August 20, 2025, should be read and approved.

PRC
26.03 CAR Conflict of Interest Policy

The Chair will read a statement relative to CAR's Conflict of Interest Policy.

PRC
25.04 Procedures to Mitigate Disruptive Impacts of ERP Reassignments

The Committee should be prepared to continue its discussion on mitigating the disruptive impacts of commercial ERP reassignments that are needed to realign the ceded books of business to maintain equity among the Servicing Carriers. Based upon discussion at the prior meeting, staff produced various models to illustrate the allocation of expenses if a hybrid expense allowance methodology were in place at the time of past redistributions (Docket #PRC25.04, Exhibit #1).

To further facilitate Committee discussion, staff has prepared an exhibit illustrating current producer assignment procedures applied due to recent merger and acquisition activity involving large agencies and demonstrating the impact that activity has on the distribution of ceded books of business. Also included for the Committee's reference are excerpts of relevant CAR Rules (Docket #PRC25.04, Exhibit #2).

Other Business

To transact any other business that may properly come before this Committee.

Executive Session

The Ad Hoc Producer Reassignment Committee may convene in Executive Session in accordance with the provisions of G.L. c. 30A, § 21.

ADRIANNE DONOVAN
Residual Market Services Liaison

Attachments

Boston, Massachusetts
January 15, 2026

Commercial Program Oversight Committee
Illustration of Alternate Expense Allocation Methods
Percent-of-Premium vs Flat Allowance

	Total	SC1	SC2	SC3	SC4
			Target Distribution		
PY2024 Written Premium	$243,428,010	$60,857,003	$60,857,003	$60,857,003	$60,857,003
Expense Allowance (13.53%)	$32,935,810	$8,233,952	$8,233,952	$8,233,952	$8,233,952
			Actual Distribution		
PY2024 Written Premium	$243,428,010	$50,181,045	$66,658,534	$54,694,825	$71,893,606
Pct of Total		20.6%	27.4%	22.5%	29.5%
Expense Allowance (13.53%)	$32,935,810	$6,789,495	$9,018,900	$7,400,210	$9,727,205
Difference from Target		($1,444,457)	$784,947	($833,743)	$1,493,252
Hybrid Approach Alternatives					
.5 Pct-of-Prem	$16,467,905	$3,394,748	$4,509,450	$3,700,105	$4,863,602
.5 Fixed Allowance	$16,467,905	$4,116,976	$4,116,976	$4,116,976	$4,116,976
Total Allowance	$32,935,810	$7,511,724	$8,626,426	$7,817,081	$8,980,579
Difference from target		($722,229)	$392,474	($416,871)	$746,626
.75 Pct-of-Prem	$24,701,857	$5,092,122	$6,764,175	$5,550,157	$7,295,404
.25 Fixed Allowance	$8,233,952	$2,058,488	$2,058,488	$2,058,488	$2,058,488
Total Allowance	$32,935,810	$7,150,610	$8,822,663	$7,608,645	$9,353,892
Difference from target		($1,083,343)	$588,710	($625,307)	$1,119,939
.25 Pct-of-Prem	$8,233,952	$1,697,374	$2,254,725	$1,850,052	$2,431,801
.75 Fixed Allowance	$24,701,857	$6,175,464	$6,175,464	$6,175,464	$6,175,464
Total Allowance	$32,935,810	$7,872,838	$8,430,189	$8,025,517	$8,607,266
Difference from target		($361,114)	$196,237	($208,436)	$373,313

Illustration of Varying Tolerance for Book-of-Business Distribution
(Assuming $243,000,000 Ceded Premium Volume)

	3%	4%	4.5%	5%	6%
Target Premium Distribution	$60,750,000	$60,750,000	$60,750,000	$60,750,000	$60,750,000
Implied Acceptable Prem Var	$7,290,000	$9,720,000	$10,935,000	$12,150,000	$14,580,000
Allowance Variance					
Pct-of-Prem Allowance	$986,337	$1,315,116	$1,479,506	$1,643,895	$1,972,674
Fixed Allowance	$0	$0	$0	$0	$0
Hybrid Allowance (.5/.5)	$493,169	$657,558	$739,753	$821,948	$986,337
Hybrid Allowance (.75/.25)	$739,753	$986,337	$1,109,629	$1,232,921	$1,479,506
Hybrid Allowance (.25/.75)	$246,584	$328,779	$369,876	$410,974	$493,169

Commercial Program Oversight Committee
Impact of Alternate Expense Allocation Methods
April 1, 2020 Redistribution

	Total	SC1	SC2	SC3	SC4
		Estimated Distribution with M/A Activity Accounted			
Estimated WP Dist B4 Reallign	$195,191,530	$44,192,468	$47,425,671	$41,538,088	$62,035,303
Pct of Total		22.6%	24.3%	21.3%	31.8%
Expense Allowance (10.16%)	$19,831,459	$4,489,955	$4,818,448	$4,220,270	$6,302,787
(based on R12 Premium at 8/2019)					
		Target Distribution After Reallignment			
Estimated WP Dist After Reallign	$195,191,530	$48,714,210	$48,893,543	$48,741,912	$48,841,865
Pct of Total		25.0%	25.0%	25.0%	25.0%
Expense Allowance (10.16%)	$19,831,459	$4,949,364	$4,967,584	$4,952,178	$4,962,333
Estimated Impact to Allowance		$459,409	$149,136	$731,909	($1,340,453)
Actual WP One Year After Redist			**4/1/20-3/31/21 Rolling Total**		
Written Premium	$174,243,973	$42,509,898	$47,850,014	$45,650,873	$38,233,188
Pct of Total		24.4%	27.5%	26.2%	21.9%
Expense Allowance (10.16%)	$17,703,188	$4,319,006	$4,861,561	$4,638,129	$3,884,492
Difference from Target		($106,791)	$435,765	$212,332	($541,305)

Expense Allocations Under 50/50 Hybrid Approach

	Total	SC1	SC2	SC3	SC4
		Estimate Allowance Before Reallignment			
.5 Pct-of-Prem (5.08%)	$9,915,730	$2,244,977	$2,409,224	$2,110,135	$3,151,393
.5 Fixed Allowance (WP_{tot}*5.08%/4)	$9,915,730	$2,478,932	$2,478,932	$2,478,932	$2,478,932
Total Allowance	$19,831,459	$4,723,910	$4,888,157	$4,589,067	$5,630,326
Difference from target		**($225,454)**	**($79,427)**	**($363,111)**	**$667,992**
		Estimated Allowance Target after Reallignment			
.5 Pct-of-Prem (5.08%)	$9,915,730	$2,474,682	$2,483,792	$2,476,089	$2,481,167
.5 Fixed Allowance (WP_{tot}*5.08%/4)	$9,915,730	$2,478,932	$2,478,932	$2,478,932	$2,478,932
Total Allowance	$19,831,459	$4,953,614	$4,962,724	$4,955,022	$4,960,099
Difference from target		**$4,251**	**($4,860)**	**$2,843**	**($2,234)**
		Actual Allowance if 50/50 Model			
.5 Pct-of-Prem (5.08%)	$8,851,594	$2,159,503	$2,430,781	$2,319,064	$1,942,246
.5 Fixed Allowance (WP_{tot}*5.08%/4)	$8,851,594	$2,212,898	$2,212,898	$2,212,898	$2,212,898
Total Allowance	$17,703,188	$4,372,401	$4,643,679	$4,531,963	$4,155,144
Percent of Total		24.70%	26.23%	25.60%	23.47%
Difference from target		**($53,396)**	**$217,882**	**$106,166**	**($270,653)**

Commercial Program Oversight Committee
Impact of Alternate Expense Allocation Methods
January 1, 2022 Redistribution

	Total	SC1	SC2	SC3	SC4
		Estimated Distribution with M/A Activity Accounted			
Estimated WP Dist B4 Reallign	$183,493,072	$44,227,099	$48,873,628	$52,309,759	$38,082,586
Pct of Total		24.1%	26.6%	28.5%	20.8%
Expense Allowance (13.00%)	$23,854,099	$5,749,523	$6,353,572	$6,800,269	$4,950,736
(based on R12 Premium at 5/2021)					
		Target Distribution After Reallignment			
Estimated WP Dist After Reallign	$183,493,072	$45,870,337	$45,879,521	$45,878,020	$45,865,194
Pct of Total		25.0%	25.0%	25.0%	25.0%
Expense Allowance (13.00%)	$23,854,099	$5,963,144	$5,964,338	$5,964,143	$5,962,475
Estimated Impact to Allowance		$213,621	($389,234)	($836,126)	$1,011,739
Actual WP One Year After Redist		**1/1/22-12/31/22 Rolling Total**			
Written Premium	$186,335,342	$43,044,047	$47,957,063	$44,333,133	$51,001,099
Pct of Total		23.1%	25.7%	23.8%	27.4%
Expense Allowance (13.00%)	$24,223,594	$5,595,726	$6,234,418	$5,763,307	$6,630,143
Difference from Target		($460,173)	$178,520	($292,591)	$574,244

Expense Allocations Under 50/50 Hybrid Approach

	Total	SC1	SC2	SC3	SC4
		Estimate Allowance Before Reallignment			
.5 Pct-of-Prem (6.50%)	$11,927,050	$2,874,761	$3,176,786	$3,400,134	$2,475,368
.5 Fixed Allowance (WP_{tot}*6.50%/4)	$11,927,050	$2,981,762	$2,981,762	$2,981,762	$2,981,762
Total Allowance	$23,854,099	$5,856,524	$6,158,548	$6,381,897	$5,457,131
Difference from target		**($106,620)**	**$194,211**	**$417,754**	**($505,345)**
		Estimated Allowance Target after Reallignment			
.5 Pct-of-Prem (6.50%)	$11,927,050	$2,981,572	$2,982,169	$2,982,071	$2,981,238
.5 Fixed Allowance (WP_{tot}*6.50%/4)	$11,927,050	$2,981,762	$2,981,762	$2,981,762	$2,981,762
Total Allowance	$23,854,099	$5,963,334	$5,963,931	$5,963,834	$5,963,000
Difference from target		**$191**	**($406)**	**($309)**	**$525**
		Actual Allowance if 50/50 Model			
.5 Pct-of-Prem (6.50%)	$12,111,797	$2,797,863	$3,117,209	$2,881,654	$3,315,071
.5 Fixed Allowance (WP_{tot}*6.50%/4)	$12,111,797	$3,027,949	$3,027,949	$3,027,949	$3,027,949
Total Allowance	$24,223,594	$5,825,812	$6,145,158	$5,909,603	$6,343,021
Percent of Total		24.05%	25.37%	24.40%	26.19%
Difference from target		**($230,086)**	**$89,260**	**($146,296)**	**$287,122**

Commercial Program Oversight Committee

Impact of Alternate Expense Allocation Methods

March 1, 2025 Redistribution

	Total	SC1	SC2	SC3	SC4
		Estimated Distribution with M/A Activity Accounted			
Estimated WP Dist B4 Reallign	$218,613,020	$47,947,933	$60,128,016	$50,061,381	$60,475,690
Pct of Total		21.9%	27.5%	22.9%	27.7%
Expense Allowance (13.80%)	$30,168,597	$6,616,815	$8,297,666	$6,908,471	$8,345,645
(based on R12 Premium at 3/2024)					
		Target Distribution After Reallignment			
Estimated WP Dist After Reallign	$218,613,020	$54,645,497	$54,655,517	$54,653,148	$54,658,858
Pct of Total		25.0%	25.0%	25.0%	25.0%
Expense Allowance (13.80%)	$30,168,597	$7,541,079	$7,542,461	$7,542,134	$7,542,922
Estimated Impact to Allowance		$924,264	($755,205)	$633,664	($802,723)
Actual WP Since Redist		**3/1/25-10/31/25 Rolling Total to date**			
Written Premium	$183,039,700	$43,036,935	$45,953,269	$43,249,028	$50,800,468
Pct of Total		23.5%	25.1%	23.6%	27.8%
Expense Allowance (13.80%)	$25,259,479	$5,939,097	$6,341,551	$5,968,366	$7,010,465
Difference from Target		($375,773)	$26,681	($346,504)	$695,595
Expense Allocations Under 50/50 Hybrid Approach					
		Estimate Allowance Before Reallignment			
.5 Pct-of-Prem (6.90%)	$15,084,298	$3,308,407	$4,148,833	$3,454,235	$4,172,823
.5 Fixed Allowance (WP_{tot}*6.90%/4)	$15,084,298	$3,771,075	$3,771,075	$3,771,075	$3,771,075
Total Allowance	$30,168,597	$7,079,482	$7,919,908	$7,225,310	$7,943,897
Difference from target		**($461,597)**	**$377,446**	**($316,825)**	**$400,975**
		Estimated Allowance Target after Reallignment			
.5 Pct-of-Prem (6.90%)	$15,084,298	$3,770,539	$3,771,231	$3,771,067	$3,771,461
.5 Fixed Allowance (WP_{tot}*6.90%/4)	$15,084,298	$3,771,075	$3,771,075	$3,771,075	$3,771,075
Total Allowance	$30,168,597	$7,541,614	$7,542,305	$7,542,142	$7,542,536
Difference from target		**$535**	**($156)**	**$7**	**($387)**
		Actual Allowance if 50/50 Model			
.5 Pct-of-Prem (6.90%)	$12,629,739	$2,969,549	$3,170,776	$2,984,183	$3,505,232
.5 Fixed Allowance (WP_{tot}*6.90%/4)	$12,629,739	$3,157,435	$3,157,435	$3,157,435	$3,157,435
Total Allowance	$25,259,479	$6,126,983	$6,328,210	$6,141,618	$6,662,667
Percent of Total		24.26%	25.05%	24.31%	26.38%
Difference from target		**($187,886)**	**$13,341**	**($173,252)**	**$347,797**

Large Merger and Acquisition Activity - 2025
Resulting Changes to Premium Distribution

Servicing Carrier: Percent of Ceded Business as of June 2025 Submissions

Servicing Carrier	% Ceded Business	Premium Distribution
1	23.6%	$61,262,096
2	25.3%	$65,889,783
3	23.5%	$61,143,629
4	27.6%	$71,717,015

Agency Merger and Acquisition Activity

Agent: A

- Current Servicing Carrier: **1**
- Current Ceded Commercial Premium: $652,791

Action/Comment	Current SC	Agency Ceded Premium Total
Acquired Agent AA	**2**	$60,188
Acquired Agent AB	**2**	$6,740
Total amt of ceded prem moving from SC-**2** to SC-**1**		$66,928
Total agency combined ceded premium after merger	**1**	$719,719 (652,791 + 66,928)
Impact to distribution percentage		SC-1 = No Change SC-2 = No Change SC-3 = No Change SC-4 = No Change

Agent: B

- Current Servicing Carrier: **4**
- Current Ceded Commercial Premium: $1.2M

Action/Comment	Current SC	Agency Ceded Premium Total
Acquired Agent A: Amt of ceded prem Moving from SC-**1** to SC-**4**	**1**	$719,719
Total agency combined ceded premium after merger	**4**	$1,919,719 (1.2M + 719,719)
Impact to distribution percentage		SC-1 = 23.6% down to 23.3% SC-2 = No Change SC-3 = No Change SC-4 = 27.6% up to 27.9%

Agent: C

- Current Servicing Carrier: **1**
- Current Ceded Commercial Premium: $2.1M

Action/Comment	**Current SC**	**Agency Ceded Premium Total**
Acquired Agent DD: Amt of ceded prem Moving from SC-**4** to SC-**1**	**4**	$3.5M
Total agency combined ceded premium after merger	**1**	$5.6M (2.1M + 3.5M)
Impact to distribution percentage		SC-1 = 23.3% up to 24.6% SC-2 = No Change SC-3 = No Change SC-4 = 27.9% down to 26.5%

Projected Premium Shifts after Reassignments

Servicing Carrier	**Prem Before Reassign**	**%**	**Net Added Prem**	**Net Sub Prem**	**Prem After Reassignment**	**%**
1	$61,262,096	23.6	3,566,928	-719,719	64,109,305	24.7
2	$65,889,783	25.3		-66,928	65,822,855	25.3
3	$61,143,629	23.5			61,143,629	23.5
4	$71,717,015	27.6	719,719	-3,500,000	68,936,734	26.5
Total	$260, 012,523	100			260,012,523	100

References to ERP appointments in CAR's Manuals

1) CAR Rule 14 outlines the procedures for new ERP appointments and sales of existing books of business relative to Servicing Carrier assignment:

   Rule 14.A.2.a, addressing affiliated producers, states:

   If a producer applying for appointment as an ERP is found to have a contractual relationship or membership in a so-called producer cluster or network, or a direct or indirect material and continuing proprietary or management interest in another agency or brokerage firm which also has an ERP appointment to a Servicing Carrier, such producer is presumed to be an affiliate of the other agency or brokerage firm. A producer who applies for an ERP appointment and who is determined to have an affiliated relationship will be appointed to the same Servicing Carrier as all members of the affiliated group. Existing ERPs identified as having an affiliated relationship will be appointed to the same Servicing Carrier as all members of the affiliated group.

   Rule 14.A.3, addressing the sale of an ERP's business, states:

   If an ERP sells its stock or its book of business to a producer which does not have a Motor Vehicle Insurance relationship with a Servicing Carrier, such appointment will inure to the purchaser subject to the eligibility requirements in Section A.4. and production criteria in Section C. Any probationary status of the ERP appointment, resulting from failure of the ERP to maintain eligibility requirements or failure to develop and maintain the established minimum written premium volume requirement will carry over to the purchaser of the business.

   If the sale does not result in the continuation of the appointment to the seller's Servicing Carrier, then that Servicing Carrier shall enter an agreement with the purchaser whereby all risks written by the Servicing Carrier on behalf of the seller, for policies with an effective date as of 90 days subsequent to the date of the sale for renewal business and as of the date of sale for new business, will be fully serviced through the purchaser until the policy expiration date of each risk, as noted on the declaration page of each policy in force as of these respective dates. "Servicing" shall include, but not be limited to, changing existing vehicles, adding additional insureds, adding named operators onto the existing policy, endorsing coverage limits, providing all notices required by law, processing claims and collecting premium. All other obligations of both Servicing Carrier and producer as set forth pursuant to the Plan and Rules of Operation shall remain in force during the term of this agreement.

2) Chapter II of the Manual of Administrative Procedures also outlines the procedures for new ERP appointments:

   MAP Chapter II.B.1.c., addressing an applicant who purchases a book of business, states:

   Notwithstanding an existing voluntary commercial automobile contract with an active Massachusetts commercial automobile insurer, an applicant purchasing the book of business of an ERP or former ERP who has been terminated pursuant to CAR Rules, or has withdrawn from an appointment where grounds for termination were previously issued, must petition the committee for a Servicing Carrier appointment. The applicant must satisfy the committee that the conditions for termination are not present in the purchase and must demonstrate that a market need exists that would be uniquely served by the applicant's appointment.

MAP Chapter II.B.2, addressing the premium redistribution process, states in part:

Routine changes in group membership will not affect changes in Servicing Carrier assignments until a subsequent redistribution review takes place. However, all other affiliation changes, including private agency affiliations or agency purchases and sales will result in immediate reassignment, if warranted

MAP Chapter II.B.3.c., addressing agency terminations, states:

An ERP appointment, whether made to a Servicing Carrier with which the producer has a voluntary relationship or a Serving Carrier with which the producer does not have a voluntary relationship, terminates with the sale of the agency.

Instances where CAR has used discretion in ERP assignment due to a merger/sale:

1) Agency AAA purchased agency BBB
   Agency AAA assigned to SC-4 with approx. $150,000 ceded premium
   Agency BBB assigned to SC- 2 with approx. $2.9M

   According to Rule 14 and the Manual of Administrative Procedures, the newly, merged agency would be assigned to SC-4. Due to the inequitable premium distribution this would have caused, the new, merged agency was instead assigned to SC-2.

2) Agency XXX moved as part of the redistribution in March 2025 to SC-3 ($1.2M ceded).
   Agency XXX subsequently was pending sale to agency YYY in 2025.
   Agency YYY assigned to SC-2 ($2.781M ceded).
   .
   If CAR were to move agency XXX to agency YYY's SC, then agency XXX would be moved multiple times in one year and SC-3's premium distribution would decrease. Because CAR has not received official notification of the sale, no action has yet been taken on this merger. Once CAR is notified of the sale, Agency XXX will be moved with the next redistribution occurring with the next Servicing Carrier contract term beginning 1/1/2027. The chart below outlines the impact of this sale based on the same data used in the earlier examples.

<u>Projected Premium Shifts after Reassignment including #2 above</u>

Servicing Carrier	Prem Before Reassign	%	Net Added Prem	Net Sub Prem	Prem After Reassignment	%
1	$61,262,096	23.6	3,566,928	-719,719	64,109,305	24.7
2	$65,889,783	25.3	1,200,000	-66,928	67,022,855	25.8
3	$61,143,629	23.5		-1,200,000	59,943,629	23.1
4	$71,717,015	27.6	719,719	-3,500,000	68,936,734	26.5
Total	$260, 012,523	100			260,012,523	100