COMMONWEALTH AUTOMOBILE REINSURERS
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NATALIE A. HUBLEY
PRESIDENT

**NOTICE OF MEETING**

**COMMERCIAL PROGRAM OVERSIGHT COMMITTEE**

A meeting of the Commercial Program Oversight Committee will be held virtually via Zoom video conferencing software on

**WEDNESDAY, JUNE 8, 2022, 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
J.K. Olivieri Insurance Agency, Inc.

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| Mr. Donald Bredberg | Norfolk and Dedham Group |
| Mr. Brian Hayes | Quincy Mutual Group |
| Mr. David McCormick | McCormick & Sons Insurance Agency, Inc. |
| Ms. Sharon Murphy | Acadia Insurance Company |

**AGENDA**

**CPOC**
**22.01 Records of Previous Meeting**

The Records of the Commercial Program Oversight Committee meeting of March 29, 2022 should be read and approved.

**CPOC**
**22.03 CAR Conflict of Interest Policy**

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

**CPOC**
**22.04 2021 Servicing Carrier Annual Report Review**

The Commercial Servicing Carrier Annual Reports are intended to provide Servicing Carriers with a framework to report annually to CAR their efforts in managing the commercial automobile residual market. At the meeting, the Committee should be prepared to review and discuss the 2021 Annual Report submissions of the four commercial automobile Servicing Carriers. The report submissions and a summary document, prepared by CAR staff, are attached. Data reports identifying current residual market volumes and financial results will be distributed as Additional Information prior to the meeting.

- 2021 Servicing Carrier Annual Report Summary (Docket #CPOC22.04, Exhibit #2)
- 2021 Annual Report – Arbella (Docket #CPOC22.04, Exhibit #3)
- 2021 Annual Report – MAPFRE (Docket #CPOC22.04, Exhibit #4)
- 2021 Annual Report – Pilgrim (Docket #CPOC22.04, Exhibit #5)
- 2021 Annual Report – Safety (Docket #CPOC22.04, Exhibit #6)

**Other Business**

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

**Executive Session**

The Commercial Program Oversight Committee may convene in Executive Session in accordance with the provisions of G.L. c. 30A, § 21.

RICHARD DALTON
Residual Market Liaison

Attachments

Boston, Massachusetts
May 27, 2022

Commonwealth Automobile Reinsurers
Commercial Program Oversight Committee
Summary of Servicing Carrier 2021 Annual Reports

| **1. Comments on trends and impacts to the Massachusetts Commercial Residual Market related to COVID 19** | | | |
|---|---|---|---|
| Arbella | MAPFRE | Pilgrim | Safety |
| a. Identify the trends and impacts to the Massachusetts commercial automobile residual market that arose in 2020 because of the public health crisis and comment on how those evolved and transitioned in 2021 | | | |
| In 2020, Arbella made billing and cancellation accommodations pursuing reasonable efforts to collect unpaid premium. As the economy rebounded during 2021, the company began to see more vehicles back out on the Commonwealth's roadways, most evident among commercial buses and zone-rated buses which saw a sharp decrease in 2020. Arbella transitioned to normal billing arrangements for our insureds as the economy rebounded during 2021. | The Commercial Automobile industry saw increased requests for billing accommodations due to financial hardships, requests to reduce limits while vehicles were not in use, requests to change public auto garaging while schools were closed and the need for public transportation was significantly diminished in 2020. Noticed a trend emerge for non-owned/hired coverage for business that did not previously provide delivery service. The exposures in the Massachusetts Commercial Automobile Market dropped by 1.9%. The Residual Market saw a decrease of 12.6%. Zone rated buses saw a decrease of 64.1%, the largest percentage reduction. NF-PPTs had a 40.8% reduction. The impact to Zone Rate Buses can be attributed to the shutdown/ restrictions of travel. While the NF-PPT reduction is a result of both rate adequacy and underwriting by the Servicing Carriers and the impact of the pandemic. Loss Ratios were impacted by the reduction of cars on the road but offset by the rising trends of distracted driving and speeding on the roadways. MAPFRE saw the beginnings of normalization in the second quarter of 2022 with an increase in requests to reinstate or re-write coverage and fewer requests for billing accommodations. In April of 2021, drivers returned to the roads at 2019 levels. However, supply chain issues and inflation impacted the second half of 2021 and will continue to emerge in the 2022 policy year results. A survey done in 2020 indicated that agents were highly satisfied with the level of accommodations afforded. | The immediate and largest impact was to public transportation risks. Instead of cancelling and/or removing vehicles from policies, Pilgrim worked with risks to reduce or remove coverage on those vehicles not in use during that time until those vehicles were put back on the road. Although during this time, premiums decreased at a higher rate, policy exposure counts did not. | Per the direction of the Division of Insurance and CAR, Safety made billing accommodations and hardship deals, instituted nonpayment cancellation moratoriums, made accommodations for deleting vehicles, made accommodations for reducing policy coverages, which all led to an increase in earned but uncollected premium. Safety suggested Owed Premium be added to the Ineligible Risk Database which notified Servicing Carriers that there was earned but outstanding premium that could be collected on behalf of the other Servicing Carriers. Additionally, the profile of the vehicle classes in the commercial automobile residual market changed over the course of the pandemic. There was a decline in business especially bus companies which went out of business or paused operations during the pandemic. |

| **1. Comments on trends and impacts to the Massachusetts Commercial Residual Market related to COVID 19** | | | |
|---|---|---|---|
| Arbella | MAPFRE | Pilgrim | Safety |
| b. Comment on the trends and impacts that may continue to evolve or transition in 2022 | | | |
| In 2021, loss ratios began to climb toward the end of the year and into 2022. A pandemic trend which has continued into 2022 is the disruption of supply chains, causing delays in repairs, driving up costs of the materials for those repairs and increasing rental costs because of these delays. Reduced personnel is also delaying repairs. | The residual market will likely see a continued increase in volume in public transportation classes. Labor shortages will continue to evolve resulting in some businesses having to hire less experienced staff. SCs will need to maintain a level of training and quality assurance with agencies having staffing challenges. Home delivery services has increased since 2020 and warrants continued monitoring by CAR committees. Supply Chain issues and inflation will continue to challenge individuals and businesses, impacting the cost of claims and potentially resulting in the need for a premium rate increase. | Do not expect significant changes in policy limits nor expect to encounter policy processing/handling issues. | The financial impact to businessowners may continue to evolve or transition into 2022. The earned but uncollected premium that remains from the pandemic may or may not be collected. Additionally, it remains to be seen how many businesses will re-open and how many new businesses will open to replace those that closed. The increased cost to repair vehicles may continue into 2022, as supply chain/inflation issues persist. |

| **2. Describe and quantify efforts pursuant to Rule 10 modifications to include both claims and underwriting concerns investigated by SIU** | | | |
|---|---|---|---|
| Arbella | MAPFRE | Pilgrim | Safety |
| a. Identify the number of policies investigated for underwriting concerns and the number of residual policies cancelled, nonrenewed or not written as a result | | | |
| In 2021, Arbella had 148 SIU investigation requests for underwriting concerns. The investigations found a trend of fraudulent Social Service contracts, premium avoidance by providing lower-rated operational territories, fraudulent garage/parking agreements and businesses not located in MA. As a result, the company amended 38 policies which resulted in premium adjustments of $221,171, non-renewed 1 policy, and cancelled 21 policies for various reasons. | In 2021, Underwriting referred 20 cases to SIU. Three policies were revised due to garaging corrections which resulted in premium adjustments. Seven were either cancelled or not written because of the SIU investigation. Of the cases referred to SIU 50% were impacted by the SIU investigation. | In 2021, 28 policies were sent to SIU. Of those, 7 were cancelled as a result and two policies were re-rated resulting in total additional premium of $1,629. | Subsequent to Safety's report being submitted to CAR the company followed up with the following information regarding their Rule 10 efforts: In 2021, Safety reported 28 audit sample policies to CAR (related to Rule 10 underwriting concerns that warranted SIU investigation). Of those 28 policies, 3 policies were cancelled as a result of the SIU investigations. 0 policies were non-renewed or otherwise not written as a result of those investigations. |

| **2. Describe and quantify efforts pursuant to Rule 10 modifications to include both claims and underwriting concerns investigated by SIU** | | | |
|---|---|---|---|
| Arbella | MAPFRE | Pilgrim | Safety |
| b. Describe the efforts established and identify the number of policies audited by SIU to verify garaging and policy details in adherence with CAR Rule 10. C. | | | |
| Underwriters are well aware for the potential of fraud and look for anything that seems suspicious to protect the integrity of the business. Policy investigation referrals are made to SIU by the Commercial Underwriting Dept. for inconsistencies/ discrepancies in policy application submission and policy performance history. The company reviews a sample of policies annually using a confidence interval of 90% based on the average number of active residual market policies for a given year. | In 2021, 102 random policies were reviewed. A sampling of one case per SIU adjuster per quarter was reviewed in the first half of the year. The sampling size was increased to one case per SIU adjuster per month, thus tripling the amount of cases being reviewed for the second half of the year. | In 2021, 40 policies were referred to SIU. Of those, 6 were cancelled with an additional policy being cancelled for nonpayment of premium during the SIU investigation. The SIU investigations resulted in the re-rating of 6 policies. Of those, 2 policies received a premium credit and 4 resulted in additional premium for an aggregate total of $10,317. | Safety verifies garaging and policy details on all new business policies. Safety wrote 1,216 new business ceded commercial automobile polices in 2021 and all were reviewed for garaging and other policy details. Safety audited 10 representative sample policies in 2021 to verify garaging and policy details. The SIU audits resulted with 6 risks that did not cooperate with the investigations, 2 cancellations for misrepresentation, and 2 risks which the classifications were amended because of the audit. |

| **3. Describe the efforts to control the underwriting deficit generated by the NF-PPT classification.** | | | |
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| Arbella | MAPFRE | Pilgrim | Safety |
| The loss ratio of ceded non-fleet private passenger types written by Arbella was better than the industry result for the second straight year in 2021, resulting in a surplus-per-exposure that exceeded the industry's result. This was accomplished while writing the business at a lower average premium than the industry. The pre-screening process for all ceded NF-PPT new business helps us determine the residual market eligibility of these risks. | MAPFRE made significant changes to our rating plan from 2018 thru 2020 to focus on NF-PPT policies. These included rate factor increases as indicated in the Average Premiums shown. In 2017, Commerce's Average Rate was lower than the industry by 5.7%. However, Commerce's Average Rate in 2021 was 54% higher than the industry. There was one policy written in 2020 that has loss reserves of $1.5M. This account is being reviewed closely. Removing this policy results in the 2020 Policy Year Loss Ratio for Commerce dropping to 69% and the industry loss ratio dropping to 71.5%. MAPFRE continues to decrease exposures in this class at a similar trend, but even slightly higher reduction, than the market. | Pilgrim's volume of exposures remains low compared to other carriers because of the continued reviews of each submitted risk for eligibility as a business risk, for eligibility with the Massachusetts licensing rules, and for adequate rating of the risk. Pilgrim historically has more appropriate rates for this business. | Safety reported 601 policies to the Ineligible Risk Database in 2020 for invalid license or no license, combined, and 35 in 2021. Safety reported 12 policies to the IRD in 2020 for unverifiable commercial entity and 2 in 2021. Safety checks the database on all new business policies to verify that the risk has not been previously submitted. Underwriting verifies the class/use of NF-PPT type vehicles to determine if the vehicles are being used for public transportation. Additionally, Safety verifies that NF-PPT vehicles are registered to a business or under an FID to ensure that the insured business is a verifiable commercial entity. SIU investigations are conducted on suspicious NF-PPT risk operations. The claims department also notifies our underwriting department of suspicious claims and inconsistent policy information. Driver experience factors are utilized for Private Passenger Type vehicles, based on the total number of surchargeable violations and/or at-fault accidents in the prior 3 years, whether the driver has an active license or a verifiable driving record, and the number of years of driving experience. |

**4. The Ineligible Risk Application has been and is used as a communication and documentation tool by Servicing Carriers relative to underwriting and management of business submissions positively effecting the commercial automobile residual market since its November 2018 implementation.**

| *Reported in 2021* | | | *Reported in 2020* | |
|---|---|---|---|---|
| **Reason** | **Industry** | | **Reason** | **Industry** |
| Owed Premium | 125 | | Invalid License | 608 |
| Other | 68 | | Other | 234 |
| Failiure to provide documention | 58 | | PPoB | 72 |
| Invalid License | 45 | | Unverifiablee Commercial Entity | 60 |
| PPoB | 43 | | No License | 40 |
| Unverifiablee Commercial Entity | 14 | | Mispresentation | 21 |
| Mispresentation | 14 | | Failure to cooperate | 13 |
| Failure to cooperate | 13 | | Fraudulent Claim | 4 |
| No License | 2 | | | |
| | | | | |
| Total | 382 | | Total | 1052 |

| Arbella | MAPFRE | Pilgrim | Safety |
|---|---|---|---|
| a. Please comment on the impact of the application based on the trending numbers in the chart | | | |
| The IRD has been a valuable tool for staff reviewing new business submissions. If a risk is listed in the database it is usually for failure to provide documentation, invalid license, or unverifiable commercial entity. These issues are easily remedied because of the signed CAR forms and evidence they require when time for review. | The numbers in the chart above show a substantial decrease with all Servicing Carriers having sizable reductions of risks reported from 2020 to 2021. A large reason for the drop includes the level of cleanup that has been done at policy renewals or upon re-assignment of Servicing Carriers during 2019-2020. The application reduces the time needed researching a risk. It pinpoints certain details which Servicing Carriers can focus on. The addition of Unverifiable Commercial Entity is helpful for those risks that have a valid license but are unable to supply the necessary proof of an actual business. | The reduction in the number of the invalid licenses reported to the database appears to be a result of all four servicing carriers handling licensing in a consistent manner. The decrease in the other category is a result of risks having a more specific place in the Owed Premium category. | Safety actively uses the database; both to submit ineligible risks and to review new business submissions for residual market qualification. Safety has seen the value in this database and will continue to utilize it and provide suggestions for CAR regarding how to enhance it. In 2021, of the 125 policies submitted to the IRD for owed premium, 99% were submitted by Safety. Of the 45 policies submitted to the IRD for invalid license, 78% were submitted by Safety. Overall, 48% of the policies submitted to the Ineligible Risk Database in 2021were submitted by Safety. |

| **4. The Ineligible Risk Application has been and is used as a communication and documentation tool by Servicing Carriers relative to underwriting and management of business submissions positively effecting the commercial automobile residual market since its November 2018 implementation.** | | | |
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| Arbella | MAPFRE | Pilgrim | Safety |
| b. An enhancement to the application was made because of feedback from the Service Carriers in 2021. Please comment on whether further opportunities exist to include additional information within the application | | | |
| The current reason codes contain the necessary information to properly review a submission. Arbella does not have any recommendations to add additional information to the application. | There seems to be a varying use of the new reason code in reviewing the Owed Premium entries. Clarification may be warranted on what policies should be entered into the database for this additional option. | No suggestions for additional enhancements at this time but will bring them to the Commercial Auto Committee should any arise. | Safety has suggested an enhancement to the database to grant Servicing Carriers the ability to search the database by business address. Safety has discovered fraudulent activity of different risks using the same business address and feel this would help Servicing Carriers identify potential fraud in the market. In addition, CAR should relay to Servicing Carriers how best to use the Ineligible Risk Database via a bulletin and/or committee discussion to ensure consistent handling of business submissions and collection of owed premiums since owed premium is a new feature of the database. Additionally, guidance from CAR regarding the methods of searching the database would ensure consistency amongst the Servicing Carriers as well. |

| **5. Several policy processing standards, forms and procedures were developed and implemented to address issues within the commercial residual market from 2018 through 2020.** | | | |
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| Arbella | MAPFRE | Pilgrim | Safety |
| a. Comment on the impact the standards and procedures have had in addressing those issues | | | |
| Agents have become accustomed to the new form requirements implemented in the latter part of 2019. Their adherence to the standards and requirements has improved over time. The proper use of the tools provided by CAR and the enforcement of CAR's standards have led to the improved loss ratio and deficit/surplus results shown in the chart: Ceded Loss Ratio by Vehicle Type for Policy Years 2019-2021. Arbella continues to look for opportunities to depopulate the residual market. Use of tools provided by CAR along with their rating methodology allows Arbella's underwriters to evaluate each risk for potential depopulation. | The forms help ensure underwriting consistency among the Servicing Carriers as well as allowing only eligible risks into the market. These procedures have been an effective tool in obtaining the proper rate for insureds unwilling to provide complete underwriting details on their intended operations. The supplemental application is helpful in ensuring all Servicing Carriers are securing the same information. A need for higher rate levels and/or segmentation remains. More appropriate rates will minimize the desire to be insured within the Massachusetts market. | The enhancements are exceptional. From a depopulation standpoint, changing to an exposure basis rather than a premium basis distribution would exclude the impact of rate changes of which there were three representing a 7.7% average increase during the recently expired Servicing Carrier term. The impact of the improvements can be seen in the zone rated bus exposures. The loss ratio for this class has decreased steadily. The tools implemented and used by the Servicing Carriers has significantly depopulated a class of businesses that carries $5 million in liability limits 90% of the time. Consistent adherence to operator licensing and business entity eligibility and the Servicing Carriers attaining adequate rates have resulted in profitability and depopulation improvements for the NF-PPT classification. | The Principal Place of Business standards and form helped depopulate the residual market and improve the deficit and has had an impact on pricing. Risks are and can be priced accurately because of the verification of the principal place of business, and subsequent cancellations, non-renewals, or declinations. The NF-PPT standards and form have helped to depopulate the residual market and improve the deficit. Servicing Carriers have been able to cancel, non-renew and decline business determined not to be a commercial entity. The Radius Class and Geographic Classification of TTT's and Public Autos standards has created consistency among the Servicing Carriers in the handling of those classes. These standards allow for more accurate pricing, thereby aiding in the reduction of the deficit. The Commercial Supplemental Application has created consistency among the Servicing Carriers. |
| b. Comment on the marketplace compliance with the standards and procedures implemented | | | |
| Agents have become accustomed to the new form requirements implemented in the latter part of 2019. | Those agents that are consistently writing CAR business are aware and have a high level of completion of the forms. The challenge lies with those agents less familiar with CAR and with those assigned or reassigned agencies to a new servicing carrier. A three-month sample shows a 70% compliance rate with new business submissions with the remaining 30% requiring additional contact to obtain the forms. | With very few exceptions, producers have implemented procedures that have minimized compliance or responsiveness issues. | Safety's producers have a 90-95% compliance rate for the submission of PPoB Certification Form. A 75-80% compliance rate with the submission of the NF-PPT Form. A 50-60% compliance rate for the submission of supporting documentation. Safety's Underwriters need to follow up frequently with producers to receive supporting documentation. Producers often have trouble obtaining documentation to validate radius of operations and geographic classifications. As a result, 90% of submissions are defaulted to intermediate class. Producers may need additional guidance from CAR or where CAR can be of additional assistance. Producers are 90-95% compliant in submitting out-of-state or out-of-country driver's licenses. Producers are 85% compliant in submitting Commercial Supplemental Applications. |

| **5. Several policy processing standards, forms and procedures were developed and implemented to address issues within the commercial residual market from 2018 through 2020.** | | | |
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| Arbella | MAPFRE | Pilgrim | Safety |
| c. Comment on any other issues that may have developed or may arise from the implementation of those standards | | | |
| | The process of obtaining forms can be cumbersome for the agents upon re-assignment, Servicing Carriers and customers. In addition, underwriters have encountered challenges with the defaults for the radius of operations procedure with specific risks that are likely local rather than intermediate radius. | Suggest amending the NF-PPT certification form to include PPT written on fleet policies. Would address situations such as the Social Service fleet policy with a $67,500 cost new Porsche that is leased and registered to the company but for the owner's personal use. | Safety has received feedback from its assigned producers that there are too many CAR Forms. This slows down the quote and policy issuance process and makes it more difficult for them to do business. For the Servicing Carriers, time is spent following up with agents to obtain the required documentation/forms. Safety suggests consolidating, updating or discontinuing forms as the market evolves. |

| **6. Comment on any signification implementation issues or observations with the combining of the Taxi/Limo/Car Service and the Commercial Servicing Carrier Programs beginning January 1, 2022.** | | | |
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| Arbella | MAPFRE | Pilgrim | Safety |
| Integration of the taxi, limousine and car service program was relatively uncomplicated for Arbella. One issue to consider is adjustment of the Taxi/Limousine/Car Service Application required by CAR to require the submission of trip logs, app-based logs, TNC inspections, plate/registration requirements or anything that provides information of their operational territory or the amount of time during the day. they are working as a taxi, a limo or car service. Including these requirements in the application would provide agents clear guidance about obtaining trip logs and app-based logs and contracts. There is currently similar language in CAR's Public Vehicle Supplemental. For the sake of consistency among Servicing Carriers handling this business, it would be helpful to have direction from CAR about using the highest rated operational territory if we do not hear back from the agent with trip logs. Are carriers using Boston as the operational territory in the absence of this proof? Additionally, it appears that in the MA Registry, a risk could apply for the on-demand paratransit program with the MBTA which is operated through an Uber app. So, an insured could engage in multiple app-based businesses with one registered vehicle. They could be operating as social service buses, school buses or car service and there may not be an 80% threshold for a single use. When this is the case, should the default classification be car service? It would be helpful to have guidance from CAR relative to this issue. | The implementation did provide an IT challenge including the high cost to program the forms within our system(s). MAPFRE continues to monitor the implementation and provide additional feedback on the inspection process and renewal questionnaires. | No implementation issues. Pilgrim served as a Servicing Carrier for Taxi/Limo/Car Service Program since its inception in 1995 and assisted other servicing carriers with the transitioning of these classes of risks to the Commercial Servicing Carrier Program. Additionally, the redistribution of producers progressed smoothly. | Safety was/is as an existing Taxi/Limousine/Car Service Servicing Carrier. Implementation issues arose from the combination of the programs. Safety had to change the way they kept track of different "types" of agents in their systems i.e., Taxi/Limousine/Car Service vs Commercial Auto. Safety had to change the way business was reported to CAR. Safety previously had a separate company for Taxi/Limousine/Car Service business. The reduction of Taxi/Limo/Car Service business changed underwriting procedures to some extent with less focus on these types of risks and more focus on Commercial Auto. Agent reassignments related to the combining of the programs and the new assignment period has been challenging. Safety has seen a large increase in rollover business and newly assigned agents are getting used to working with our processes and procedures. Feedback from producers indicates that having one ceded carrier to work with is beneficial. Recently, Safety raised the issue of underwriting inspections on Taxi/Limousine/Car Service business with CAR. The vendor who provided underwriting inspections on these risks for Safety is no longer offering this service. Safety created its own inspection form and shared it with CAR so that CAR could create an inspection form for all the Servicing Carriers to use. In addition, Safety feels this is an opportunity to modernize the rule related to mandatory underwriting inspections ensuring that this rule is updated to meet the current needs of the residual market. |

| **7. Comment on any other successes and/or challengers relative to the commercial automobile residual market in 2021** | | | |
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| Arbella | MAPFRE | Pilgrim | Safety |
| CAR's Commercial Auto Committee successfully developed and implemented a solution in 2021 to the burgeoning Transportation Network and Ridesharing industry for passenger conveyance and parcel delivery. CAR filed and received approval for rules and forms to appropriately classify and rate as public livery TNC passenger conveyance and on-demand delivery services on an excess basis, to exclude primary coverage when an insured is logged in to a Transportation Network platform or Delivery Network platform. CAR also excluded coverage for any auto enrolled or participating in a vehicle sharing program. We believe these changes will have a positive impact on the residual market going forward. The Committee is currently reviewing a number of endorsements that have been developed in response to the needs of the changing commercial auto market. At this point it is unclear that there are any potential changes that could positively impact these conditions, absent awareness and ongoing discussion. | Identifying the need for and the implementation of the Transportation Network forms by the Commercial Auto Committee was important. Challenges to identify the "New Normal" as we exit COVID may have an impact on the Residual Market. This uncertainty has caused concern with the Insurance Regulators and the need for premium rate increases. CAR committees should continue to monitor and file for rates where and when needed. MAPFRE is proud of the claims efficiencies gained including the work of staff appraisers and staff counsel, digital settlement processes and vendor relationships for parts and repairs during 2021. In addition, MAPFRE will introduce a new agency front end application in 2022 which will improve the agent experience. | Nothing additional to add currently. | Safety's producers have had challenges with validating risks' radius classes and geographic classifications. |

| **8. Servicing Carrier Program recommendations for 2023 and later** | | | |
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| Arbella | MAPFRE | Pilgrim | Safety |
| It would be helpful to have CAR clarify procedures related to the insurance of private passenger autos registered to individuals, so that it is clear when a vehicle should be written on a commercial policy or should be written in MAIP using Business Class 30. | | Pilgrim looks forward to continuing to work with peers from the other Servicing Carriers and through CAR's committees to further improve the performance of the pool. | |
| a. Provide input on any market concerns and/or identify any new conditions not currently being addressed and provide recommendations | | | |
| Arbella would like to see CAR address the issue of company name changes as the former company may owe money to a carrier but changes its name to avoid payment or to avoid a negative experience rating impact. Arbella is aware of business entities that have changed their business name but have the same address and operator. | A detailed analysis of the revised AIB forms, the Garagekeepers and Auto Dealers coverage forms should be completed and their applicability to the Residual market assessed. CAR Committees should carefully review the impacts of the recently passed legislation approving undocumented immigrants for Massachusetts driver's licenses and with a large percentage of the commercial residual market risks carrying high limits, how Servicing Carriers may minimize the impacts of increased litigation. | One area to evaluate is pollution liability. A new form should be developed and implemented that clearly identifies the level of coverage as the current forms appear to provide a broadened coverage regardless of the selected coverage level. | Safety feels that, while still retaining the value of the various forms, some of CAR's required forms could be consolidated and updated for agent and insured ease of doing business. |

| **8. Servicing Carrier Program recommendations for 2023 and later** | | | |
|---|---|---|---|
| Arbella | MAPFRE | Pilgrim | Safety |
| b. Provide suggests, recommendations and/or solutions to further control claims and service costs for 2023 and later | | | |
| CAR may wish to consider adding the following to the Taxi, Limousine and Car Service Application:<br>For CAR Service:<br>• Which TNC applications are being used Uber, Lyft etc.? This helps to identify the entity providing primary insurance when the driver is using the application.<br>• If the risk has more than one vehicle, how are employees provided with trips or deliveries? Are they all connected to one app-based system? Do drivers have their own individual applications?<br>• Provide a copy of the TNC Contract<br>• Provide a copy of the TNC Inspection<br>• How many app-based businesses are you working for each day?<br>• Services provided (paratransit, delivery of goods, etc.) and percentage of time engaged in each.<br>• Trip or App-based logs which will aide in determining the operational territory.<br>For Taxi and Limousines: Trip logs, which will determine operational territory.<br>• Any out-of-state operation?<br>• Are there any other business operations provided other than taxi or limousine service?<br>Finally, a forum consisting of individuals from each Servicing Carrier that handle taxi, limousine and car service business should be developed to foster greater communication among the Servicing Carriers. It would eliminate inconsistencies and ease the movement of business among carriers. | Carriers should continue to train their claims staff to be aware of ongoing fraud and litigation trends. Servicing Carriers should continue to bring efficiencies to the market by exploring the impacts of digital tools and models. | Unanticipated publishing changes can be a significant expense to a servicing carrier. One recent Commercial Automobile Committee topic that deserves comment is the consideration of a mid-term adoption of AIB endorsements. CAR has not adopted the Auto Dealers Coverage or the Motor Carrier Coverage forms. The AIB forms would need to be tailored to work with these current policy offerings. While Pilgrim is not close to estimating the scope of this potential work, Pilgrim believes that this type of project should be vetted during the RFP process so Servicing Carriers can provide specific feedback on the associated costs. Pilgrim is not in favor of broadening coverage within the residual market unless there is a significant coverage gap that cannot be covered elsewhere. In addition, Pilgrim believes that this has historically been the position taken by the Committee. | |

| **C. General Topics – Comment on market conditions and your company's handling of commercial auto business in 2021** | | | |
|---|---|---|---|
| Arbella | MAPFRE | Pilgrim | Safety |
| Like the underwriting questions raised above in the Taxi, Limousine and Car Service Program Integration Section, Arbella has the same issues with Truckers. The Supplemental Application states IFTA's are required to see how far they are traveling but CAR should consider Bills of Lading. Arbella is asking CAR to provide guidance for consistent handling of residual market business. How are the other servicing carriers handling these accounts when the insured is not cooperating with the agent or with SIU to provide this information? | MAPFRE is proud of what has been accomplished to minimize the size of the Residual Market and the negative impacts that the deficit was having on the Massachusetts Commercial Auto Insurance Industry. The distribution of the written premium by class type and the regular TTT class types continue to be the largest segment of the premium with an increase of 3.9% from 2019 to 2021 partially due to the increase in regular TTT exposures and premium but also due to the decreases in written premium for the zone rated buses and the NF-PPTs. The zone rated bus class reduction is likely a result of the pandemic environment and will likely rebound over time. The NF-PPTs will likely remain lower due to the various profit initiatives in this segment. If the premium mix sustains, there will likely be a favorable impact to the Residual Market results. The charts indicate Commerce grew by 3.1%, while the market decreased by 6.2% from 2020 to 2021 with regards to the exposure changes by Class Type Group. Three sizable risks moved from the Residual Market in 2021. Normalizing for those adjustments, MAPFRE grew by 3.1% compared to an Industry growth of 0.5%. This disparity is likely a function of the individual risks and/or agencies assigned to MAPFRE. The Commerce and Industry results show favorable trends with regards to the Loss Ratios partly due to the pandemic. It is important to note that the 2020 and 2021 results will likely deteriorate as the Policy Year develops. | Pilgrim has provided comprehensive commentary on the efforts and results of Pilgrim and the other Servicing Carriers throughout this report. The data in this report speak volumes about Pilgrim's successful management of its portion of the program. Pilgrim continues to be pleased with its results, including but not limited to depopulation, loss ratio and contribution to the recent surpluses. | Safety experienced a reduction in ceded exposures and improvements in loss ratios in the Zone Rated TTT and Zone Rated TTT Fleet classifications. Safety wrote 974 exposures in 2019, which reduced by 17.2% to 807 exposures in 2020 compared to a 7% reduction in the industry. Safety experienced a reduction in ceded exposures in the Zone Rated Bus and Zone Rated Bus Fleet classification. In 2019, Safety wrote 389 exposures, which reduced by 74.9% to 98 exposures in 2020 compared to a 64.1% reduction in the industry. Safety's loss ratio for this classification dropped from 273% in 2019, to 90.6% in 2020, and to 14.6% in 2021 compared to a 17.7% loss ratio in the industry in 2021. Safety experienced a reduction in ceded exposures in the Non-Fleet Private Passenger Types classification. In 2019, Safety wrote 3,225 exposures which reduced by 58.1% to 1,351 exposures in 2020 and further reduced by 18.6% to 1,100 exposures in 2020 compared to a 40.8% reduction in the industry from 2019-2020 and a 15.7% reduction in the industry from 2020-2021. Safety's loss ratio for this classification dropped from 118.1% in 2019 to 83.2% in 2020. Over all classifications, Safety's loss ratio dropped from 99.8% in 2019 to 63.2% in 2020 and 50.7% in 2021. While the reductions in exposures and loss ratios between 2019 and 2021 were driven in part by the impacts of the pandemic, Safety has also put into place underwriting procedures that have helped to reduce exposures and continues to review risks and its residual market book versus the industry to identify underwriting concerns, fraudulent activity and premium leakage in the commercial automobile residual market. |

ARBELLA
PROTECTION INSURANCE COMPANY

# COMMONWEALTH AUTOMOBILE REINSURERS
# COMMERCIAL SERVICING CARRIER ANNUAL REPORT – 2021 REVIEW

Since 1988 when Arbella Insurance began writing automobile insurance in Massachusetts, Arbella has handled commercial auto residual market business. Our staff is well aware of our responsibility to Commonwealth Automobile Reinsurers and the marketplace and takes pride in how this business is serviced.

## COVID PANDEMIC TRENDS AND IMPACTS

In 2020, as directed by CAR and the Massachusetts Division of Insurance, Arbella made billing and cancelation accommodations, pursuing reasonable efforts to collect unpaid premium. As the economy rebounded during 2021, we transitioned to normal billing arrangements for our insureds, in both the voluntary and residual commercial auto markets.

As we entered the second year of the COVID pandemic, we began to see many businesses emerge from a year of diminished operation. Premium for residual market business was 8% higher in 2021 compared to 2020, as more vehicles got back out on the Commonwealth's roadways. These changes were most evident among commercial buses and zone-rated buses, which saw a sharp decrease in 2020 and a significant rebound in 2021.

With increasing traffic on the roads in 2021, we began to see loss ratios climb toward the end of the year and into 2022.

A pandemic-related trend that impacted the insurance market, like many others, in 2021 and which has continued into 2022, has been disruption to supply chains. Auto repairs are taking longer and costing more. Additionally, rental periods for substitute autos are longer and more costly as claimants wait for repair shops to acquire parts and allocate reduced personnel resources to effect repairs.

## MODIFIED PERFORMANCE STANDARDS

A. In 2021, we had 148 SIU Investigation requests, our Underwriting concerns for these investigations were:
   - confirming the Principal Place of Business,
   - garaging,
   - operational territory,
   - radius of travel,
   - confirming a Social Service or sub contract agreement to prove they are running an active commercial business.

   In 2021 we found a trend of fraudulent Social Service contracts, premium avoidance by providing lower-rated operational territories, fraudulent garage/parking agreements and businesses not located in MA.

   Based on the information we received from the investigations, we amended 38 policies that generated a total additional premium of $221,171, non-renewed one policy, and canceled 21 policies for various reasons, such as non-payment of premium, material misrepresentation, not based in MA, 2A, not responding to our investigators, and not providing requested Underwriting documentation. Policies not written as a result of our investigations are reported on the Ineligible Risk Application. Our underwriters declined to write nine policies based on various reasons as noted in the Ineligible Risk Report.

B. Our underwriters are keenly aware of the potential for fraud and keep an eye out for anything that looks suspicious in order to protect the integrity of the business we write. Policy investigation referrals to the Arbella Special Investigative Unit are made from the Commercial Underwriting Department based on inconsistencies/discrepancies in policy application submission and policy performance history. Arbella calculates a sample threshold for the number of policies to review annually using a confidence interval of 90% based on the average number of active residual market policies for a given year.

NON-FLEET PRIVATE PASSENGER TYPES – DEFICIT CONTROL

The loss ratio of ceded non-fleet private passenger types written by Arbella was better than the industry result for the second straight year in 2021, resulting in a surplus-per-exposure that exceeded the industry result. We accomplished this while writing this business at a lower average premium than the industry. Our rating methodology for this class accurately pricing these risks has led to improved loss ratios for this class of business.

Additionally, Arbella's pre-screening process for all ceded non-fleet PPT new business helps us determine upon receipt of the submission that it qualifies for a commercial auto policy. The tools that CAR has provided, including the Non-Fleet Private Passenger Type Certification Form, Principal Place of Business Certification Form, Operator Exclusion Form and Ineligible Risk Application, have been instrumental in helping us achieve these results.

INELIGIBLE RISK APPLICATION

The Ineligible Risk Application, as enhanced by CAR in 2021, has been a valuable tool for staff reviewing new business submissions. When we come across a submission that is in the Ineligible Database, the majority of the time it is for failure to provide documentation, invalid license or unverifiable commercial entity. By the time it comes to Arbella, those issues are easily taken care of because of the signed CAR forms and evidence we require when it comes in for us to review. Members of our CAR team agree that the Ineligible Risk Application, as enhanced by CAR in 2021 with new reason codes, contains the information necessary to properly review a new submission. At this time, we do not have any recommendations to add additional information to the application.

POLICY PROCESSING STANDARDS, FORMS AND PROCEDURES

The trends reflected in the Ineligible Risks Database results chart provided by CAR tell us that agents have become accustomed to the new form requirements implemented in the latter part of 2019, and their adherence to the standards and requirements has improved over time.

We believe the proper use of the tools provided by CAR and enforcement of CAR's standards have led to the improved loss ratio and deficit/surplus results shown for both Arbella and the Industry in the chart **Ceded Loss Ratio by Vehicle Type for Policy Years 2019-2021** provided by CAR. Arbella continues to look for opportunities to depopulate the residual market. Use of CAR's tools along with our rating methodology allows Arbella's underwriters to evaluate each risk for potential depopulation.

TAXI, LIMOUSINE AND CAR SERVICE PROGRAM INTEGRATION

Integration of the taxi, limousine and car service program was relatively uncomplicated for Arbella. Several years ago, we adopted CAR's rates for our voluntary Value Class tier, and used this tier to write taxi, limousine and car service classes on a voluntary basis when they met our underwriting guidelines. As a result, we did not have to program from scratch the addition of these classifications and rates into our policy processing system. Adding CAR's Taxi, Limousine and Car Service Application to our website for agents' use was simple and straightforward.

One issue to consider is adjustment of the Taxi/Limousine/Car Service Application required by CAR to require the submission of trip logs, app-based logs, TNC inspections, plate/registration requirements or anything that provides us information of their operational territory or the amount of time during the day

they are working as a taxi, limo or car service. Including these requirements in the application will provide the agents clear guidance about obtaining trip logs and app-based logs and contracts. There is currently similar language in CAR's Public Vehicle Supplemental, which states:

*Note that independent contractors must provide a current executed contract with a social service agency (i.e. MART, GATRA, etc.). Failure to do so may result in a premium increase or cancellation of the insurance policy.

**Note that the past 3 months of trips logs supporting this information must be provided. Failure to do so may result in a premium increase.

For the sake of consistency among servicing carriers handling this business, it would be helpful to have direction from CAR about using the highest rated operational territory if we do not hear back from the agent with trip logs. Are carriers using Boston as the operational territory in the absence of this proof?

It appears that in the MA Registry one could apply for on-demand paratransit program, The Ride Flex with the MBTA, which is operated through an Uber app. So, one insured could engage in multiple app-based businesses all with one registered vehicle. They could be operating as social service buses, school buses or car service; there may not be an 80% threshold for any single use. When this is the case, should the default classification be car service? It would be helpful to have guidance from CAR relative to this issue.

2021 SUCCESSES, CHALLENGES AND RECOMMENDATIONS FOR THE FUTURE

The commercial auto market continues to evolve, with new exposures or potential exposures routinely cropping up and requiring consideration and response from the market, both voluntary and residual.

CAR's Commercial Auto Committee successfully developed and implemented a solution in 2021 to the burgeoning Transportation Network and Ridesharing industry for passenger conveyance and parcel delivery. CAR filed and received approval for rules and forms to appropriately classify and rate as public livery TNC passenger conveyance and on-demand delivery services on an excess basis, to exclude primary coverage when an insured is logged in to a Transportation Network platform or Delivery Network platform. CAR also excluded coverage for any auto enrolled or participating in a vehicle sharing program. We believe these changes will have a positive impact on the residual market going forward.

The Committee is currently reviewing a number of endorsements that have been developed in response to the needs of the changing commercial auto market. These include: broadened non-ownership endorsements; hired auto coverage for volunteers; on-hook towing coverage; exclusion forms for unmanned aircraft (drones) and for cross suits liability; and expanded towing coverage. Arbella supports CAR's efforts to thoughtfully address the emerging insurance needs of the residual commercial auto market and stands ready to implement the changes that CAR sees fit to introduce.

From a claims perspective, we believe it's important to be aware of the impact of labor shortages across many markets, supply chain issues, replacement parts availability and the overall repair time. Further, we think it is important to consider and discuss the increased repair costs associated with advanced driver assistance systems (ADAS), vehicle materials and composition, and manufacturer warranty repair requirements/suggestions. Similarly, a restricted supply of replacement vehicles is negatively impacting costs associated with substitute transportation. At this point it is unclear that there are any potential changes that could positively impact these conditions, absent awareness and ongoing discussion. At Arbella, our Claim and SIU staff will continue to work closely with Underwriters to obtain the proper information at the time of application, questioning incomplete applications/information. Proper assignment of DOR's, when appropriate, from the Claim department in addition to continuing to audit new business and standardizing what to look for will help contain costs.

We believe it would be helpful to have CAR clarify procedures related to the insurance of private passenger autos registered to individuals, so that it is clear when a vehicle should be written in MAIP using Class 30 or on a Commercial Auto insurance policy. CAR may wish to consider revising Rule 27, the Private

Passenger Definition rule in the MAIP Manual, to align with the vehicle registration requirements in Regulation in 540 CMR 2.05.

Currently, Rule 27, the Private Passenger Definition rule in the MAIP Manual states:

A motor vehicle that is a pick-up or van, that is owned or leased under contract for a continuous period of at least 12 months by one or more individuals, excluding (1) partnerships, (2) corporations, (3) unincorporated business associations, and (4) other legal business entities with a federal employer identification number, and 1. has a gross vehicle weight rating of less than 10,000 pounds or has a vehicle rating group assigned to it by the Automobile Insurers Bureau of MA (AIB), and 2. is not used for the delivery or transportation of goods or materials unless such use is incidental to the insured's business of installing, maintaining or repairing furnishings or equipment.

The gross vehicle weight limitation of "less than 10,000 pounds" does not align with the vehicle registration requirements under 540 CMR 2.05, which qualifies a pickup truck or cargo van with a Gross Vehicle Weight Rating (GVWR) of 16,000 lbs. or less, registered or leased to an individual or individual trust, and used solely for personal use, as a Private Passenger Motor Vehicle.

The regulation stipulates that a vehicle required to display a commercial registration is not a private passenger vehicle used for hire to transport or store goods, wares or merchandise, provided that the private passenger motor vehicle which is owned by an individual and which is so used on only a part time basis shall not be deemed a commercial plates required vehicle under 540 CMR 2.05(3). "Part time basis" means that not more than 40% of the total usage of the vehicle is devoted to the transporting or storing of goods, wares or merchandise.

The regulation also says, a vehicle used to transport or store goods, wares or merchandise intended for sale in the ordinary course of the vehicle operator's or owner's business, provided that if the vehicle is owned by an individual, has a maximum load carrying capacity of 1,000 lbs. or less, and is so used on only a part-time basis, such vehicle shall not be deemed a commercial plates-required vehicle under 540 CMR 2.05(3). "Part-time basis" shall mean that not more than 40% of the total usage of the vehicle is devoted to the transporting or storing of goods, wares or merchandise.

Additionally, we would like to see CAR address the issue of company name changes. We are aware of entities that have changed their business name but have the same address and operator. In these situations, the former company may owe money to a carrier but changed its name to avoid payment or perhaps changed its name to avoid a negative experience rating impact. Some contracts specifically state that the parties "now known as XYZ Corporation" or "by any other name" or "by which the party may be titled." or something to that effect can protect parties to the contract by ensuring the legal obligation of the insured to pay their premium. Appropriate wording could be added to the Experience Rating Plan to help accurately price insured risks, regardless of a name change.

CAR may wish to consider adding the following to the Taxi, Limousine and Car Service Application:

<u>CAR Service</u>

- Which TNC applications are being used (Uber? Lyft? etc.) This identifies the entity providing primary insurance when the driver is using the application.
- If the risk has more than one vehicle, how are employees provided with trips/deliveries? Are they all connected to one app-based system, or do drivers have their own individual applications?
- Provide a copy of the TNC Contract
- Provide a copy of the TNC Inspection
- How many app-based businesses are you working for each day?
- Services provided and percentage of time engaged in each (paratransit, delivery of goods, etc.)
- Trip or App-based logs, which will determine operational territory

Taxi and Limousines

- Trip logs, which will determine operational territory (What cities/towns do they operate in most?)
- Any out-of-state operation?
- Are there any other business operations provided other than taxi or limousine service?

A forum consisting of individuals from each servicing carrier handling taxi, limousine and car service business could foster greater communication among servicing carriers, eliminate inconsistencies, and ease the movement of business among carriers.

Finally, akin to the questions raised at the end of the Taxi, Limousine and Car Service Program Integration section above, we have the same issue with Truckers: The Supplemental Application states IFTA's are required to see how far they are traveling, but we should consider Bills of Lading. How are the other servicing carriers handling these accounts when the insured is not cooperating with the agent or with SIU to provide this information? We are asking CAR to provide guidance for consistent handling of residual market business.

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**Commercial Servicing Carrier Annual Report**

**2021 Review**

## A. Introduction

The purpose of the Commercial Servicing Carrier Annual Report is to provide Servicing Carriers a framework to report annually to CAR their efforts in managing the commercial automobile residual market. The Servicing Carriers will provide a self-assessment of their performance in addressing past commercial market concerns and the results of those efforts. The Servicing Carriers will outline their objectives to maintain current levels of achievement in dealing with the issues identified in the marketplace over the past years and strategies for maintaining or exceeding those expectations in upcoming years.

Please comment on each area identified below and submit to CAR staff.

## B. Specific Areas for Servicing Carrier Comment

1. The COVID pandemic has impacted the automobile insurance industry over the past two plus years.

    a. Identify the trends and impacts to the Massachusetts commercial automobile residual market that arose in 2020 as a result of the public health crisis and its effect on MA businesses. Also discuss how those trends and impacts evolved or transitioned in 2021.

    The impacts of the COVID-19 crisis were widespread and varied amongst the MA business population. As you know, many businesses were forced to close their doors during the peak of COVID, other business had to vary their business operations, and others thrived due to new and unique demands created from the crisis.

    From a policy and coverage perspective, in 2020, the Commercial Automobile industry saw increased requests for billing accommodations due to financial hardships, requests to reduce limits while vehicles were not in use, requests to change public auto garaging while schools were closed and the need for public transportation was significantly diminished. A trend also emerged for non-owned and hired coverage for businesses who normally did not provide delivery service. Note, MAPFRE acted in accordance with CAR Bulletin No. 1097, Guidance For Servicing Carriers and Exclusive Representative Producers, during the COVID-19 Public Health Crisis. A survey in 2020 indicated that agents, including those who we were the Servicing Carrier for, were highly satisfied with the level of accommodations afforded.

As a result of the change in MA Business environment, the overall MA Commercial Automobile Market exposures dropped by 1.9%, with the Residual Market seeing a much more sizable decrease of 12.6%. The largest percentage reduction within the Residual Market were the Zone Rate Buses, with a decrease of -64.1% and the "Private Passenger Types – Non Fleet" of -40.8%. While the Zone Rate Buses are likely are a direct reflection of shut down/restrictions of travel, the "Private Passenger Types – Non Fleet" reduction is a result of both rate adequacy and underwriting by the Servicing Carriers, as well as environmental changes with the shutdown of small offices and companies.

Continuing on the 2020 impacts, the resulting Loss Ratios in 2020 were impacted by the reduction in cars on the road (frequency) but offset by the rising trends of distracted driving and speeding on the roadways (severity). Overall, the auto market saw favorable Loss Ratio trends, with the Residual Market seeing a drop in Loss Ratio from 67.9% to 51.5% (2019 to 2020 Policy Year).

| Industry Residual Market | | | | | | |
|---|---|---|---|---|---|---|
| | Written Exposures | Cession Percentage | Written Premium (000s) | PD Freq | Collision Freq | PY Loss Ratio |
| 2019 | 46,889 | 13.7% | 182,952 | 11.09 | 10.46 | 67.9% |
| 2020 | 40,967 | 10.7% | 168,265 | 9.00 | 8.11 | 51.5% |
| 2021 | 38,412* | 9.1% | 181,693 | 10.17 | 7.17 | 36.3% |
| | | | | | | |
| * Includes sizable reductions for 3 risks amounting to approximately 2,800 exposures. | | | | | | |

As the pandemic continued into 2021, Q2 saw the beginnings of normalization with businesses reopening. As many businesses began to rebound, there was an increase in requests to reinstate/rewrite coverage. These include insureds who closed during COVID such as private student transportation. As revenues increased and financial stability of many businesses have returned, there were fewer request for large billing accommodations.

Regarding the financial results of the market, 2021 saw many drivers return to the office and normalcy, thus resulting in mileage returning to 2019 levels beginning in April. This can be seen in some of the frequency figures. In addition, supply chain issues and inflation impacted the second half of 2021, which will likely emerge in the Policy Year 2021 results as the year develops.

b. Comment on the trends and impacts that may continue to evolve or transition into 2022. (i.e. change in policy limits, general policy processing and handling issues, differences by class type, growth or decline of business, etc.).

There are several direct and indirect trends that will likely continue to impact the Residual Market in 2022 and future years.

- As the pandemic impacts lessen and there is more use of public transportation, we will likely see a continued increase in volume in these classes of business. We expect the Residual Market to increase from 2020/2021 levels as a result.

- One of the more notable items impacting 2022 is the labor shortage. This will likely result in some businesses having to hire less experienced staff (including drivers) or operating as lessened capacity. In addition, many agencies may have challenges with staffing, and the Servicing Carriers will need to maintain a level of training and quality assurance on the risks written in the Residual Market.

- The volume of home delivery services (products, food, cannabis) has accelerated dramatically since 2020. The CAR Committees should continue to evaluate and monitor the market exposure.

- With regards to financial results, the sustained Supply Chain issues and inflation will continue to challenge individuals and businesses. The direct impact to the cost of claims, will likely result in a strain in the Residual Market results and potentially increase the premium rate need.

2. Modifications to the Performance Standards were approved by the DOI in April 2021 to improve the quality of the SIU data reported to CAR. These changes included a mechanism for reporting Rule 10 underwriting concerns referred to the SIU for investigation to CAR. The audit sample for measuring efforts to control fraud as outlined in Massachusetts G.L. c. 175 § 113H can now include both claims and underwriting concerns investigated by SIU.

   a. Identify the volume of policies investigated for underwriting concerns and the number of residual market policies that were cancelled or non-renewed or otherwise not written as a result of those investigations.

      It should be noted; MAPFRE implemented procedures and began tracking this information in Q4-2020 before the Performance Standards noted above were required. MAPFRE reports this data on a quarterly basis to Mark Alves at CAR.

      For 2021 underwriting referred a total of 20 cases to SIU which were investigated for various underwriting concerns. Three policies were revised, primarily due to garaging corrections, resulting in premium adjustments. Another seven either cancelled or were not written because of the SIU investigation. Therefore, 50% of the cases referred to SIU were impacted in some way by the SIU investigation.

   b. CAR Rule 10.C. requires that SIU conduct an audit on a representative sampling of policies to verify garaging and policy details. Describe the efforts established and identify the number of policies audited to adhere to this requirement.

      A total of 102 random policies were reviewed in 2021. Initially, in the first half of the year, a sampling of one case per SIU adjuster per quarter were reviewed. The sampling size was increased to one case per SIU adjuster per month, thus tripling the amount of cases being reviewed through the second half of 2021.

3. For the non-fleet private passenger type classification, comment on the company's efforts to control the underwriting deficit generated by the NF-PPT classification. Below is a chart displaying ultimate deficit data for both your company and all Servicing Carriers combined.

PPT NF Ultimate (Deficit)/Surplus Projections By Company at December, 2021

Commerce

| Policy Year | Reported Losses | Losses To Ultimate | LDF To Ultimate | Earned Premium | Loss Ratio | Ultimate Premium | Ceding Expense | Ultimate (Deficit)/Surplus | Ultimate PDL Exp | Ult (Deficit) / Surplus Per Exp | Avg Prem |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2017 | 3,919,239 | 3,854,963 | 0.984 | 3,323,893 | 1.160 | 3,323,893 | 830,973 | (1,362,043) | 2,242 | (608) | 1,483 |
| 2018 | 3,323,948 | 3,332,053 | 1.002 | 2,821,158 | 1.181 | 2,821,158 | 660,151 | (1,171,046) | 1,652 | (709) | 1,708 |
| 2019 | 1,901,179 | 1,869,952 | 0.984 | 2,590,092 | 0.722 | 2,590,092 | 562,050 | 158,090 | 1,055 | 150 | 2,454 |
| 2020 | 2,912,958 | 2,940,947 | 1.010 | 2,062,251 | 1.426 | 2,062,251 | 443,384 | (1,322,080) | 620 | (2,133) | 3,326 |
| 2021 | 480,138 | 1,045,303 | 2.177 | 842,359 | 0.621 | 1,682,240 | 344,859 | 292,078 | 482 | 606 | 3,490 |

Industry

| Policy Year | Reported Losses | Losses To Ultimate | LDF To Ultimate | Earned Premium | Loss Ratio | Ultimate Premium | Ceding Expense | Ultimate (Deficit)/Surplus | Ultimate PDL Exp | Ult (Deficit) / Surplus Per Exp | Avg Prem |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2017 | 24,665,576 | 24,596,859 | 0.997 | 19,346,177 | 1.271 | 19,346,177 | 4,836,544 | (10,087,226) | 12,301 | (820) | 1,573 |
| 2018 | 21,002,891 | 20,743,942 | 0.988 | 17,692,311 | 1.172 | 17,692,311 | 4,140,001 | (7,191,632) | 10,345 | (695) | 1,710 |
| 2019 | 12,684,677 | 12,248,233 | 0.966 | 12,706,958 | 0.964 | 12,706,958 | 2,757,410 | (2,298,685) | 6,576 | (350) | 1,932 |
| 2020 | 7,692,912 | 7,591,533 | 0.987 | 8,539,548 | 0.889 | 8,539,548 | 1,836,003 | (887,988) | 3,892 | (228) | 2,194 |
| 2021 | 2,725,467 | 5,537,488 | 2.032 | 3,647,950 | 0.779 | 7,112,015 | 1,457,963 | 116,564 | 3,137 | 37 | 2,267 |

Reported Losses = Reported Incurred Losses (Paid + Outstanding) as of December, 2021.
Ultimate Losses include projected Liability and Physical Damage Incurred Losses separately to ultimate.
LDF to Ultimate = Loss Development Factors to Ultimate. LDF = Ultimate Loss / Reported Loss.
Loss Ratio = Ultimate Loss / Earned Premium
Ultimate Premium = projected Total Premiums to ultimate.
Ceding Expense Ratios use current allowances and include all True-Up adjustments to date. PY 2017 25.0% PY 2018 23.4% PY 2019 21.7% PY2020 21.5% PY2021 20.5%
Ultimate Deficit = (Ultimate Premium - (Loss Ratio*Ultimate Premium) - Ceding Expense)
Ultimate PDL Exp = projected PDL exposures to ultimate.

MAPFRE is proud of the efforts made in the last several years with regards to the "Private Passenger Types – Non Fleet" class and the impact that it has had on the Industry results. The MAPFRE Underwriting team has a continued focus on fraud detection and ensuring that the policy submissions are eligible for coverage in the Commercial Lines Residual Market.

MAPFRE made significant changes to our rating plan in 2018, 2019 and 2020 to focus on the profitability of the "Private Passenger Type – Non Fleet' policies. These included rate factor increases up to 70%. This can be seen in the Average Premiums shown above. In 2017, the Commerce Average Rate was lower than the Industry by -5.7%. Conversely, in 2021, the Commerce Average Rate was 54% higher than the Industry.

Please note, when reviewing the "Private Passenger Type – Non Fleet" Loss Ratios for Commerce, 2020 shows as an outlier. There is one policy that has loss activity with reserves of $1.5M. This account is being reviewed closely. If this policy was removed, the 2020 Policy Year Loss Ratio for Commerce drops to 69% and the industry loss ratio drops to 71.5%. Using the 2019, adjusted 2020, and 2021 Policy Year results show that MAPFRE is running 25%, 5% and 20% better than Industry. In addition to the improvement in Loss Ratio, MAPFRE continues to decrease exposures in this class at a similar trend, but even slightly higher reduction, than the market.

4. The Ineligible Risk Application was introduced in November 2018 for use as a communication and documentation tool for the commercial automobile Servicing Carriers relative to the underwriting and management of business submissions to the residual market. Since its introduction, the application has been positively received, actively used and information shared by each of the Servicing Carriers.

   a. Based on the trending numbers in the chart below please comment on the impact of the application to your company and the overall residual market results.

| *Reported in 2021* | | | *Reported in 2020* | |
|---|---|---|---|---|
| Reason | Industry | | Reason | Industry |
| Owed Premium | 125 | | Invalid License | 608 |
| Other | 68 | | Other | 234 |
| Failiure to provide documention | 58 | | PPoB | 72 |
| Invalid License | 45 | | Unverifiablee Commercial Entity | 60 |
| PPoB | 43 | | No License | 40 |
| Unverifiablee Commercial Entity | 14 | | Mispresentation | 21 |
| Mispresentation | 14 | | Failure to cooperate | 13 |
| Failure to cooperate | 13 | | Fraudulent Claim | 4 |
| No License | 2 | | | |
| | | | | |
| Total | 382 | | Total | 1052 |

This has been a tremendous asset for the Servicing Carriers to share information and quickly identify ineligible risks. It reduces the time we need to spend researching a risk as it pinpoints certain details and enables us to focus on that. Additionally, adding the Unverifiable Commercial Entity is helpful for those risks that have a valid license but are unable to supply the necessary proof to support an actual business.

The numbers in the chart above show a substantial decrease from 2020 to 2021, with all Servicing Carriers having sizable reductions of risks reported, between 45% to 70%. A large reason for the drop includes the level of "cleanup" that has been done at policy renewals or upon re-assignment of Servicing Carriers during 2019-2020. Regardless of the decrease, the work of all Servicing Carriers should be applauded, including documenting their continued efforts.

   b. Feedback from the Servicing Carrier community in 2021 resulted in an enhancement to the application adding a new reason code, owed premium, to aid in the identification of action reasons and trends. Please comment on whether further opportunities are seen to include additional information in the application that may be helpful to Servicing Carriers in the consistent handling of business submissions.

In reviewing the "Owed Premium" entries to date, it is worth noting that there seems to be a varying use of the new reason code (120 of 125 records to date are from one carrier). Clarification may be needed on what policies should be entered into the database for this additional option. We have no other suggestions at this time.

5. Several policy processing standards, forms and procedures were developed and implemented to address various issued within the commercial automobile residual market in 2018-2020. These standards and forms included Principal Place of Business, Non-Fleet Private Passenger Type Vehicles, Radius Class and Geographic Class of Truck, Tractors and Trailers and Public Autos, Servicing Carrier and Exclusive Representative Producer Verification of Applicant Driver's Licenses, and a Commercial Supplemental Application.

    a. Consider and comment on the impact the standards and procedures have had in addressing those issues from a residual market standpoint since their implementation (depopulation, deficit, etc.).

    There have been direct and indirect impacts of the numerous efforts taken on by the Servicing Carriers.

    As noted in a prior section, the "Private Passenger Type – Non Fleet" Class of Business has been reduced dramatically over the recent years (-50% from 2019 to 2021). This is a Class that was consistently running at a deficit, as high as -$10M in 2017. Some of the actions noted in the list above have aided in this including the Non-Fleet PPT forms and Principal Place of Business forms. The forms help ensure consistency and allow only eligible risks into the Market. By reducing the size of this Class and Servicing Carriers getting more appropriate rates on these policies, the Residual Market will benefit.

    Regarding the Radius Class of Truck, Tractors and Public Autos, these procedures have been an effective tool in obtaining the proper rate for insureds who are unwilling to provide complete underwriting details on their intended operations. This ensures adequate pricing for the applicable Classes of Business.

    The supplemental applications have been very helpful in ensuring all servicing carriers are securing the same information. The consistency of the process prevents one agent following different processes and prevents the potential underwriting gap between Servicing Carriers.

    While these actions have been very meaningful, there remains a need for higher rate levels and/or segmentation (i.e. Out of State Garaging). The more appropriate rates will minimize the desire to be insured within the Massachusetts market and these rate changes should be pursued aggressively.

    b. Consider and comment on marketplace compliance with the standards and procedures since their implementation (producer compliance and responsiveness, etc.).

    Our experience is that those agents that are consistently writing CAR business are aware and have a high level of completion of the required forms. We have encountered some challenges on those agents that are less familiar, and often require several reach outs to ensure they are being obtained. A three-month sample shows a 70% compliance upon New Business with the remaining 30% requiring manual reach out to obtain the forms.

c. Consider and comment on any other issues that may have developed or may arise from the implementation of those standards.

A challenge with the forms has developed with regards to the re-assignment of an Agency to a new Servicing Carrier, as the process to obtain new or existing forms can be cumbersome for the Agents, Servicing Carriers and Customers.

In addition, the Underwriters have encountered some challenges with the defaults of the Radius of Operations procedure, with some specific risks, including Contractors, who are likely Local rather than Intermediate radius.

These items should be discussed at the CAR Commercial Auto Committee.

6. The Taxi/Limo/Car Service Program and the Commercial Servicing Carrier Program were combined for the new term beginning January 1, 2022. Comment on any significant implementation issues or observations with combining the two programs.

We see the benefits of combining the Taxi/Limo/Car Service Program and Commercial program and only have preliminary observations to date. The implementation did provide an IT challenge including a high cost to program the forms within our system(s). We will continue to monitor the implementation and likely provide additional feedback on the inspection process and renewal questionnaires.

7. Comment on any other successes and/or challenges in 2021 relative to the commercial automobile residual market activities.

As we all emerge from the pandemic, the Servicing Carriers should be proud of their adaptiveness to the environment and continuous service of an important sector of Massachusetts businesses. The Commercial Auto Committee continued to discuss and execute on important matters, including identifying the need and implementation of the Transportation Network forms.

Challenges have existed during 2021 to decipher what the “New Normal” will be and the impact on the Residual Market. This uncertainty has caused concern with the Insurance Regulators and the need for premium rate increases. While this has, and may continue, to make the process more difficult, the CAR committees and AIB should continue to monitor and file for rate where and when needed to obtain premium adequacy by Class of Business.

Specific to MAPFRE, we are proud of the Claims efficiencies we have gained including the work on Staff Appraisers and Staff Counsel, Digital settlement processes and vendor relationships for parts and repairs during 2021. In addition, MAPFRE has been building and introduced a new Agency Front End in 2022, which will improve the agent experience, including policies submitted through the Residual Market.

8. Servicing Carrier Program Recommendations for 2023 and later:

a. Provide input on any market concerns and/or identify any new conditions not currently being addressed by the Commercial Automobile Committee and provide recommendations to focus on these issues.

The Commercial Automobile Committee has done a great job identifying and tracking pending issues or opportunities for improvement. In 2022, there are several issues that should be reviewed. These include the review of the revised AIB forms, coverages, and applicability to the Residual market. A detailed analysis of the Garagekeepers coverage and Auto Dealers forms should be completed.

In addition, the Massachusetts House and Senate recently passed legislation that approved undocumented immigrants to obtain MA driver licenses. The CAR Committees should carefully review what the impacts of this may be.

Another trend worth reviewing is the impacts of Social Inflation, and how Servicing Carriers and the Claims teams may minimize the impacts of increased litigation. With high limits on a large percentage of Commercial Residual Market risks, this trend has a direct impact on the results.

b. Provide suggestions, recommendations and/or solutions that would further control claims and service costs for 2023 and later.

Carriers should continue to train their Claims staff to be aware ongoing trends such as Fraud and Social Inflation. In addition, Servicing Carriers should continue to bring efficiencies to the market by exploring the impacts of digital tools and models.

## C. General Topics to be Addressed by the Servicing Carrier in the Annual Report

Servicing Carriers are expected to comment on market conditions and experience both relative to the industry and specific to their company in the handling of commercial automobile residual market business during the 2021 policy year. Comment on the industry and your company's efforts, challenges and successes in handling this business. The charts below provide industry and company data as of December, 2021 to assist you in your evaluation and comments. Additional data reports can be found on CAR's website on the Commercial Only – Servicing Carrier Profile Page.

MAPFRE appreciates the opportunity to participate in the Annual Report process to describe the challenges, successes, and opportunities within the Residual Market. As active members on the CAR Committees, we are proud of what has been accomplished to minimize the size of the Residual Market and the negative impacts that the deficit was having on the MA Commercial Auto Industry. We continue to strive to provide high quality Underwriting and Claims settlement processes to the agents and policyholders within the market.

## Ceded Written Premium by Vehicle Type for Policy Years 2019-2021

| Commerce | | | | | |
|---|---|---|---|---|---|
| Class Type Group | 2019 | 2020 | 20/19 % Chg | 2021 | 21/20 % Chg |
| Regular TTT and Regular TTT - Fleet | 23,621 | 24,617 | 4.2% | 27,775 | 12.8% |
| Zone Rated TTT and Zone Rated TTT - Fleet | 3,320 | 3,428 | 3.3% | 3,737 | 9.0% |
| Commercial Buses and Commercial Buses - Fleet | 4,436 | 3,646 | -17.8% | 3,711 | 1.8% |
| Zone Rated Buses and Zone Rated Buses - Fleet | 246 | 183 | -25.5% | 357 | 95.4% |
| PPT Buses and PPT Buses - Fleet | 5,613 | 4,485 | -20.1% | 4,999 | 11.5% |
| Garages Subject to Compulsory Law | 3,327 | 3,452 | 3.8% | 3,969 | 15.0% |
| Garages - Premises and Garages Not Subject to Compulsory Law | 18 | 16 | -7.8% | 17 | 5.7% |
| Van Pools | 213 | 168 | -21.1% | 158 | -5.6% |
| Private Passenger Types - Non Fleet | 2,590 | 2,063 | -20.3% | 1,779 | -13.8% |
| Private Passenger Types - Fleet | 1,309 | 1,285 | -1.9% | 1,221 | -5.0% |
| Special Types and Motorcycles | 1,710 | 1,833 | 7.2% | 2,014 | 9.9% |
| Non-Owned, Special Rating and Gross Receipts and Mileage | 1,137 | 990 | -13.0% | 1,099 | 11.0% |
| Total | 47,540 | 46,167 | -2.9% | 50,838 | 10.1% |

| Industry | | | | | |
|---|---|---|---|---|---|
| Class Type Group | 2019 | 2020 | 20/19 % Chg | 2021 | 21/20 % Chg |
| Regular TTT and Regular TTT - Fleet | 81,003 | 78,288 | -3.4% | 87,201 | 11.4% |
| Zone Rated TTT and Zone Rated TTT - Fleet | 20,489 | 22,009 | 7.4% | 23,466 | 6.6% |
| Commercial Buses and Commercial Buses - Fleet | 16,246 | 14,617 | -10.0% | 15,026 | 2.8% |
| Zone Rated Buses and Zone Rated Buses - Fleet | 8,265 | 2,780 | -66.4% | 4,031 | 45.0% |
| PPT Buses and PPT Buses - Fleet | 17,803 | 16,436 | -7.7% | 17,483 | 6.4% |
| Garages Subject to Compulsory Law | 11,113 | 11,132 | 0.2% | 11,940 | 7.3% |
| Garages - Premises and Garages Not Subject to Compulsory Law | 66 | 61 | -8.2% | 60 | -0.5% |
| Van Pools | 755 | 703 | -7.0% | 683 | -2.8% |
| Private Passenger Types - Non Fleet | 12,707 | 8,543 | -32.8% | 7,445 | -12.8% |
| Private Passenger Types - Fleet | 4,365 | 3,624 | -17.0% | 3,682 | 1.6% |
| Special Types and Motorcycles | 7,035 | 7,000 | -0.5% | 7,328 | 4.7% |
| Non-Owned, Special Rating and Gross Receipts and Mileage | 3,103 | 3,072 | -1.0% | 3,347 | 9.0% |
| Total | 182,952 | 168,265 | -8.0% | 181,693 | 8.0% |

Written premium (000) based on statistically reported data for all coverages combined

The Written Premium charts above show very similar trends for Commerce and the Industry from 2020 to 2021.

We reviewed the distribution of the Written Premium by Class Type. The Regular TTT Class Types continue to be the largest segment of the premium, with an increase of 3.9% from 2019 to 2021. This is partially due to the increase in the Regular TTT exposures and premium, but also due to the decreases in Written Premium for the Zone Rated Buses and the Private Passenger Types – Non Fleet. As noted earlier in the report, the Zone Rated Bus reduction is likely a result of the pandemic environment and will likely see a rebound over time. The Private Passenger Types – Non Fleet will likely remain lower due to the various profit initiatives in this segment.

Note that the two classes that decreased, the Zone Rated Buses and the Private Passenger Types – Non Fleet, had the highest 3 Year Loss Ratios from 2019-2021. If the premium mix sustains, there will likely be a favorable impact to the Residual Market results.

| | % Premium 2019 | % Premium 2020 | % Premium 2021 | Change 2021 - 2019 | 3 Year Loss Ratio (Simple Average) 2019-2021 |
|---|---|---|---|---|---|
| Regular TTT and Regular TTT - Fleet | 45.1% | 47.4% | 48.9% | 3.9% | 50% |
| Zone Rated TTT and Zone Rated TTT - Fleet | 11.4% | 13.3% | 13.2% | 1.8% | 62% |
| Commercial Buses and Commercial Buses - Fleet | 9.0% | 8.9% | 8.4% | -0.6% | 25% |
| Zone Rate Buses and Zone Rated Buses - Fleet | 4.6% | 1.7% | 2.3% | -2.3% | 74% |
| PPT Buses and PPT Buses - Fleet | 9.9% | 10.0% | 9.8% | -0.1% | 45% |
| Garages Subject to Compulsory Law | 6.2% | 6.7% | 6.7% | 0.5% | 49% |
| Van Pools | 0.4% | 0.4% | 0.4% | 0.0% | 39% |
| Private Passenger Types - Non Fleet | 7.1% | 5.2% | 4.2% | -2.9% | 87% |
| Private Passenger Types - Fleet | 2.4% | 2.2% | 2.1% | -0.4% | 39% |
| Special Types and Motorcycles | 3.9% | 4.2% | 4.1% | 0.2% | 33% |
| Total | 100% | 100% | 100% | 0.0% | 52% |

Total Excludes Garages Not Subject to Compulsory Law and Non-Owned, Special Rated and Gross Receipts

## C. General Topics to be Addressed by the Servicing Carrier in the Annual Report (continued)

### Ceded PDL Exposures by Vehicle Type for Policy Years 2019-2021

| Commerce | | | | | |
|---|---|---|---|---|---|
| Class Type Group | 2019 | 2020 | 20/19 % Chg | 2021 | 21/20 % Chg |
| Regular TTT and Regular TTT - Fleet | 5,654 | 5,426 | -4.0% | 5,751 | 6.0% |
| Zone Rated TTT and Zone Rated TTT - Fleet | 699 | 649 | -7.1% | 621 | -4.3% |
| Commercial Buses and Commercial Buses - Fleet | 789 | 667 | -15.4% | 665 | -0.3% |
| Zone Rated Buses and Zone Rated Buses - Fleet | 23 | 16 | -29.2% | 28 | 75.5% |
| PPT Buses and PPT Buses - Fleet | 1,167 | 929 | -20.4% | 989 | 6.5% |
| Garages Subject to Compulsory Law | 1,037 | 1,069 | 3.1% | 1,150 | 7.6% |
| Van Pools | 45 | 33 | -26.3% | 31 | -6.3% |
| Private Passenger Types - Non Fleet | 1,055 | 620 | -41.2% | 508 | -18.1% |
| Private Passenger Types - Fleet | 337 | 297 | -12.1% | 293 | -1.2% |
| Special Types and Motorcycles | 512 | 494 | -3.5% | 477 | -3.5% |
| Total | 11,318 | 10,201 | -9.9% | 10,514 | 3.1% |

| Industry | | | | | |
|---|---|---|---|---|---|
| Class Type Group | 2019 | 2020 | 20/19 % Chg | 2021 | 21/20 % Chg |
| Regular TTT and Regular TTT - Fleet | 20,991 | 18,607 | -11.4% | 19,231 | 3.4% |
| Zone Rated TTT and Zone Rated TTT - Fleet | 4,012 | 3,729 | -7.0% | 3,424 | -8.2% |
| Commercial Buses and Commercial Buses - Fleet | 3,564 | 3,606 | 1.2% | 2,459 | -31.8% |
| Zone Rated Buses and Zone Rated Buses - Fleet | 746 | 268 | -64.1% | 262 | -2.2% |
| PPT Buses and PPT Buses - Fleet | 4,493 | 4,809 | 7.0% | 3,705 | -22.9% |
| Garages Subject to Compulsory Law | 3,358 | 3,255 | -3.0% | 3,299 | 1.3% |
| Van Pools | 154 | 135 | -12.1% | 130 | -3.5% |
| Private Passenger Types - Non Fleet | 6,576 | 3,894 | -40.8% | 3,283 | -15.7% |
| Private Passenger Types - Fleet | 1,218 | 952 | -21.8% | 951 | -0.1% |
| Special Types and Motorcycles | 1,779 | 1,713 | -3.7% | 1,666 | -2.7% |
| Total | 46,889 | 40,967 | -12.6% | 38,412 | -6.2% |

Note: Excludes Garge Premise, Not Subject to Compulsary Law, Non-Owned, Special Rating and Gross Receipts that do not report exposures on a car year basis.

MAPFRE closely analyzed the data above with regards to the exposure changes by Class Type Group. The charts above indicate Commerce grew by 3.1%, while the market decreased by -6.2% from 2020 to 2021. It is our understanding is that there were three sizable risks that were moved from the Residual Market in 2021 and amounted to approximately 2,800 decreased exposures within the "Industry". Normalizing for those adjustments, MAPFRE grew by 3.1% compared to an Industry growth of 0.5%. We do not see this disparity as significant and likely a function of the individual risks and/or agencies assigned to MAPFRE.

## C. General Topics to be Addressed by the Servicing Carrier in the Annual Report (continued)

### Ceded Loss Ratio by Vehicle Type for Policy Years 2019-2021

| Commerce | | | |
|---|---|---|---|
| Class Type Group | 2019 | 2020 | 2021 |
| Regular TTT and Regular TTT - Fleet | 66.60% | 46.10% | 42.70% |
| Zone Rated TTT and Zone Rated TTT - Fleet | 57.80% | 139.10% | 51.30% |
| Commercial Buses and Commercial Buses - Fleet | 19.00% | 15.30% | 19.00% |
| Zone Rated Buses and Zone Rated Buses - Fleet | 148.00% | 47.50% | 65.00% |
| PPT Buses and PPT Buses - Fleet | 57.90% | 54.20% | 35.30% |
| Garages Subject to Compulsory Law | 75.80% | 60.20% | 28.90% |
| Garages - Premises and Garages Not Subject to Compulsory Law | 0.00% | 0.00% | 0.00% |
| Van Pools | 22.40% | 6.40% | 160.40% |
| Private Passenger Types - Non Fleet | 73.40% | 141.20% | 53.90% |
| Private Passenger Types - Fleet | 23.60% | 97.60% | 25.30% |
| Special Types and Motorcycles | 20.90% | 40.10% | 35.90% |
| Non-Owned, Special Rating and Gross Receipts and Mileage | 101.70% | 4.20% | 2.20% |
| Total | 59.80% | 56.80% | 39.20% |

| Industry | | | |
|---|---|---|---|
| Class Type Group | 2019 | 2020 | 2021 |
| Regular TTT and Regular TTT - Fleet | 65.61% | 46.34% | 37.94% |
| Zone Rated TTT and Zone Rated TTT - Fleet | 75.64% | 71.38% | 38.49% |
| Commercial Buses and Commercial Buses - Fleet | 26.17% | 29.15% | 18.63% |
| Zone Rated Buses and Zone Rated Buses - Fleet | 158.97% | 43.97% | 17.70% |
| PPT Buses and PPT Buses - Fleet | 61.80% | 39.94% | 32.60% |
| Garages Subject to Compulsory Law | 64.73% | 67.70% | 43.79% |
| Garages - Premises and Garages Not Subject to Compulsory Law | 8.82% | 0.00% | 0.00% |
| Van Pools | 33.36% | 19.09% | 63.35% |
| Private Passenger Types - Non Fleet | 99.82% | 90.05% | 71.37% |
| Private Passenger Types - Fleet | 27.07% | 50.76% | 39.54% |
| Special Types and Motorcycles | 35.66% | 38.92% | 23.04% |
| Non-Owned, Special Rating and Gross Receipts and Mileage | 108.25% | 85.95% | 16.67% |
| Total | 67.90% | 51.47% | 36.34% |

Loss Ratio = (Incurred Losses including ALAE / (Earned Premium). This data reflects statistically reported data only, with no premium or loss development / IBNR.

The Commerce and Industry results show favorable trends with regards to the Loss Ratio results, in large part due to the pandemic. It is important to note that the 2020 and 2021 results will likely deteriorate as the Policy Year develops.

## C. General Topics to be Addressed by the Servicing Carrier in the Annual Report (continued)

### Ceded Exposures by Class Type Group and Liability Limit for Policy Year 2021

| Industry | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| CSL | TTT | ZR TTT | AO Buses | ZR Buses | PPT Buses | Van Pools | Garages | PPT NF | PP Fleet | Special Types |
| 45,000 | 31 | 0 | 8 | 0 | 11 | 0 | 7 | 0 | 0 | 0 |
| 50,000 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 75,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 100,000 | 49 | 0 | 3 | 0 | 2 | 0 | 14 | 1 | 2 | 4 |
| 150,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 200,000 | 25 | 0 | 0 | 0 | 0 | 0 | 5 | 1 | 1 | 0 |
| 250,000 | 17 | 0 | 0 | 0 | 0 | 0 | 3 | 1 | 2 | 0 |
| 300,000 | 79 | 0 | 3 | 0 | 24 | 7 | 13 | 34 | 6 | 5 |
| 400,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 500,000 | 318 | 3 | 46 | 0 | 248 | 9 | 67 | 59 | 29 | 40 |
| 750,000 | 155 | 3 | 0 | 0 | 0 | 0 | 35 | 3 | 5 | 5 |
| 1,000,000 | 12,564 | 3,358 | 960 | 0 | 1,638 | 65 | 1,917 | 1,082 | 611 | 1,089 |
| 1,500,000 | 5 | 0 | 170 | 24 | 274 | 0 | 0 | 0 | 2 | 0 |
| 3,000,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5,000,000 | 270 | 46 | 870 | 242 | 26 | 0 | 1 | 0 | 1 | 1 |
| 7,500,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| All Other | 1 | 0 | 7 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| Total | 13,516 | 3,409 | 2,059 | 266 | 2,223 | 81 | 2,062 | 1,181 | 659 | 1,145 |
| | | | | | | | | | | |
| BI Single Limit | TTT | ZR TTT | AO Buses | ZR Buses | PPT Buses | Van Pools | Garages | PPT NF | PP Fleet | Special Types |
| 20/40 | 19 | 0 | 2 | 0 | 0 | 0 | 2 | 3 | 0 | 3 |
| 20/40 w/optional BI | 971 | 9 | 85 | 1 | 207 | 2 | 281 | 319 | 70 | 205 |
| 20/50 | 92 | 0 | 1 | 0 | 2 | 1 | 7 | 162 | 3 | 3 |
| 25/60 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 0 |
| 25/50 | 457 | 0 | 12 | 0 | 10 | 4 | 34 | 179 | 12 | 9 |
| 30/70 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 35/80 | 202 | 0 | 0 | 0 | 0 | 0 | 9 | 66 | 15 | 6 |
| 50/100 | 966 | 0 | 23 | 0 | 95 | 5 | 183 | 271 | 49 | 57 |
| 100/300 | 2,151 | 9 | 164 | 0 | 208 | 17 | 513 | 722 | 88 | 203 |
| 250/500 | 583 | 0 | 73 | 1 | 776 | 19 | 145 | 310 | 43 | 80 |
| 500/500 | 57 | 0 | 12 | 0 | 47 | 0 | 22 | 21 | 0 | 6 |
| 500/1000 | 37 | 0 | 8 | 0 | 81 | 0 | 17 | 12 | 5 | 13 |
| 1000/1000 | 82 | 0 | 13 | 0 | 54 | 1 | 7 | 24 | 1 | 36 |
| All Other | 40 | 0 | 0 | 0 | 0 | 1 | 16 | 7 | 2 | 5 |
| No BI | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 5,664 | 19 | 393 | 2 | 1,481 | 49 | 1,237 | 2,096 | 289 | 625 |
| | | | | | | | | | | |
| PDL Single Limit | TTT | ZR TTT | AO Buses | ZR Buses | PPT Buses | Van Pools | Garages | PPT NF | PP Fleet | Special Types |
| 5,000 | 86 | 1 | 48 | 1 | 160 | 1 | 47 | 13 | 8 | 79 |
| 10,000 | 4 | 0 | 1 | 0 | 0 | 0 | 5 | 3 | 0 | 20 |
| 15,000 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 0 | 0 |
| 25,000 | 4 | 0 | 2 | 0 | 26 | 0 | 12 | 2 | 0 | 19 |
| 35,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| 50,000 | 98 | 0 | 14 | 0 | 46 | 0 | 50 | 62 | 19 | 17 |
| 100,000 | 4,442 | 17 | 234 | 0 | 1,082 | 39 | 911 | 1,710 | 235 | 320 |
| 250,000 | 820 | 0 | 75 | 1 | 142 | 9 | 154 | 255 | 24 | 102 |
| 500,000 | 97 | 0 | 9 | 0 | 16 | 1 | 29 | 21 | 1 | 18 |
| 750,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 |
| 1,000,000 | 2 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 0 |
| All Other | 105 | 0 | 10 | 0 | 10 | 0 | 29 | 23 | 2 | 12 |
| PDL Deductible | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 5,659 | 19 | 394 | 2 | 1,481 | 49 | 1,237 | 2,094 | 289 | 586 |

*Garage Premises, Non-Owned, Special Rating and Gross Receipts and Mileage are excluded

## C. General Topics to be Addressed by the Servicing Carrier in the Annual Report (continued)

### Ceded Exposures Distribution by Class Type Group and Liability Limit for Policy Year 2021

| Industry | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| CSL | TTT | ZR TTT | AO Buses | ZR Buses | PPT Buses | Van Pools | Garages | PPT NF | PP Fleet | Special Types |
| 45,000 | 0.23% | 0.00% | 0.38% | 0.00% | 0.49% | 0.00% | 0.34% | 0.01% | 0.00% | 0.04% |
| 50,000 | 0.02% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 75,000 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 100,000 | 0.36% | 0.00% | 0.13% | 0.00% | 0.07% | 0.00% | 0.68% | 0.12% | 0.30% | 0.39% |
| 150,000 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 200,000 | 0.19% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.24% | 0.08% | 0.15% | 0.00% |
| 250,000 | 0.12% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.15% | 0.08% | 0.30% | 0.00% |
| 300,000 | 0.59% | 0.00% | 0.14% | 0.00% | 1.07% | 9.07% | 0.65% | 2.84% | 0.87% | 0.44% |
| 400,000 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 500,000 | 2.35% | 0.09% | 2.23% | 0.00% | 11.18% | 11.13% | 3.25% | 4.98% | 4.41% | 3.52% |
| 750,000 | 1.14% | 0.08% | 0.00% | 0.00% | 0.00% | 0.00% | 1.67% | 0.23% | 0.78% | 0.40% |
| 1,000,000 | 92.96% | 98.50% | 46.63% | 0.00% | 73.69% | 79.79% | 92.98% | 91.64% | 92.72% | 95.13% |
| 1,500,000 | 0.04% | 0.00% | 8.24% | 8.93% | 12.31% | 0.00% | 0.00% | 0.00% | 0.30% | 0.00% |
| 3,000,000 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 5,000,000 | 2.00% | 1.33% | 42.25% | 91.07% | 1.18% | 0.00% | 0.05% | 0.00% | 0.15% | 0.09% |
| 7,500,000 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | | | | | | | | | |
| BI Single Limit | TTT | ZR TTT | AO Buses | ZR Buses | PPT Buses | Van Pools | Garages | PPT NF | PP Fleet | Special Types |
| 20/40 | 0.33% | 0.00% | 0.44% | 0.00% | 0.00% | 0.00% | 0.16% | 0.15% | 0.00% | 0.48% |
| 20/40 w/optional BI | 17.14% | 51.35% | 21.71% | 50.00% | 13.97% | 3.54% | 22.72% | 15.21% | 24.32% | 32.80% |
| 20/50 | 1.62% | 0.00% | 0.30% | 0.00% | 0.15% | 2.02% | 0.57% | 7.72% | 1.04% | 0.45% |
| 25/60 | 0.00% | 0.00% | 0.25% | 0.00% | 0.00% | 0.00% | 0.00% | 0.05% | 0.00% | 0.00% |
| 25/50 | 8.08% | 0.00% | 2.96% | 0.00% | 0.69% | 8.09% | 2.76% | 8.51% | 4.27% | 1.37% |
| 30/70 | 0.12% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 35/80 | 3.57% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.72% | 3.15% | 5.08% | 1.00% |
| 50/100 | 17.06% | 0.00% | 5.76% | 0.00% | 6.40% | 10.29% | 14.82% | 12.93% | 16.85% | 9.09% |
| 100/300 | 37.98% | 48.65% | 41.68% | 0.00% | 14.08% | 33.73% | 41.49% | 34.45% | 30.50% | 32.39% |
| 250/500 | 10.29% | 0.00% | 18.59% | 50.00% | 52.43% | 37.77% | 11.73% | 14.80% | 15.06% | 12.80% |
| 500/500 | 1.01% | 0.00% | 2.96% | 0.00% | 3.17% | 0.00% | 1.79% | 1.02% | 0.00% | 0.99% |
| 500/1000 | 0.65% | 0.00% | 2.03% | 0.00% | 5.46% | 0.00% | 1.37% | 0.56% | 1.73% | 2.08% |
| 1000/1000 | 1.44% | 0.00% | 3.30% | 0.00% | 3.66% | 2.53% | 0.57% | 1.12% | 0.46% | 5.79% |
| All Other | 0.70% | 0.00% | 0.00% | 0.00% | 0.00% | 2.02% | 1.29% | 0.34% | 0.69% | 0.76% |
| No BI | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | | | | | | | | | |
| PDL Single Limit | TTT | ZR TTT | AO Buses | ZR Buses | PPT Buses | Van Pools | Garages | PPT NF | PP Fleet | Special Types |
| 5,000 | 1.53% | 7.66% | 12.24% | 50.00% | 10.79% | 1.52% | 3.79% | 0.62% | 2.60% | 13.48% |
| 10,000 | 0.07% | 0.00% | 0.25% | 0.00% | 0.00% | 0.00% | 0.43% | 0.14% | 0.00% | 3.37% |
| 15,000 | 0.02% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.13% | 0.00% | 0.00% |
| 25,000 | 0.07% | 0.00% | 0.44% | 0.00% | 1.79% | 0.00% | 0.97% | 0.08% | 0.00% | 3.23% |
| 35,000 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.17% |
| 50,000 | 1.73% | 0.00% | 3.68% | 0.00% | 3.08% | 0.00% | 4.03% | 2.97% | 6.61% | 2.86% |
| 100,000 | 78.50% | 92.34% | 59.40% | 0.00% | 73.08% | 78.08% | 73.61% | 81.69% | 81.28% | 54.49% |
| 250000 | 14.48% | 0.00% | 19.10% | 50.00% | 9.55% | 18.38% | 12.41% | 12.18% | 8.34% | 17.33% |
| 500000 | 1.72% | 0.00% | 2.35% | 0.00% | 1.05% | 2.02% | 2.32% | 1.01% | 0.38% | 3.03% |
| 750,000 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.05% | 0.00% | 0.00% |
| 1,000,000 | 0.04% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.08% | 0.05% | 0.00% | 0.00% |
| All Other | 1.86% | 0.00% | 2.52% | 0.00% | 0.67% | 0.00% | 2.35% | 1.08% | 0.81% | 2.05% |
| PDL Deductible | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | | | | | | | | | |
| *Garage Premises, Non-Owned, Special Rating and Gross Receipts and Mileage are excluded | | | | | | | | | | |

**Completed Annual Report responses for 2021 will be due to CAR by Friday, May 13, 2022. In June of 2022, the Commercial Program Oversight Committee will hold a meeting to discuss its review of the reports. Servicing Carriers are expected to be present at that meeting to respond to any questions from Committee members.**

## 2021 Annual Report Schedule

| | |
|---|---|
| **April 1-15, 2022** | **CAR data and cover document sent to Servicing Carriers** |
| **May 13, 2022** | **Servicing Carrier Annual Reports due to CAR** |
| **June 2022** | **Oversight Committee Review of Annual Report** |

**PILGRIM INSURANCE COMPANY**
**695 ATLANTIC AVENUE**
**BOSTON, MA 02111**

# 2021 ANNUAL REPORT FOR MASSACHUSETTS RESIDUAL MARKET COMMERCIAL SERVICING CARRIER PROGRAM

**SUBMITTED TO:**

**COMMONWEALTH AUTOMOBILE REINSURERS**
**101 ARCH STREET**
**BOSTON, MA 02110**

**MAY 13, 2022**

## A. Introduction

The purpose of the Commercial Servicing Carrier Annual Report is to provide Servicing Carriers a framework to report annually to CAR their efforts in managing the commercial automobile residual market. The Servicing Carriers will provide a self-assessment of their performance in addressing past commercial market concerns and the results of those efforts. The Servicing Carriers will outline their objectives to maintain current levels of achievement in dealing with the issues identified in the marketplace over the past years and strategies for maintaining or exceeding those expectations in upcoming years.

Pilgrim Insurance Company is pleased to present a 2021 overview as it pertains to our participation as a servicing carrier with CAR's Commercial Servicing Carrier program. Our focus has always been to control the size of the commercial automobile residual market and to improve the results of the pool. Company and industry data provided by CAR in this report illustrate that we have been successful in both aspects. For the majority of the 2017 – 2021 program term, Pilgrim's depopulation efforts resulted in it receiving a share of the commercial residual market premium significantly below 25%. It was not until the successful May 1, 2020 redistribution of producers that Pilgrim obtained an equitable share.

| | Premium | | |
|---|---|---|---|
| | Pilgrim | Total CSC | Pilgrim % of CSC |
| **2017** | $41,190,171 | $173,671,320 | 23.7% |
| **2018** | $42,762,282 | $192,076,311 | 22.3% |
| **2019** | $41,385,971 | $196,460,879 | 21.1% |
| **2020** | $43,685,495 | $172,511,684 | 25.3% |
| **2021** | $46,812,222 | $181,764,779 | 25.8% |

Data from CAR Cession Volume Analysis

Pilgrim's share of the pool's written exposures was also below 25% of the total commercial pool until the above mentioned redistribution. Note that our 2020 exposures include a large public transportation risk that was ceded for one year before moving back to the voluntary market in 2021.

| | Exposures | | |
|---|---|---|---|
| | Pilgrim | Total CSC | Pilgrim % of CSC |
| **2019** | 9,931 | 46,889 | 21.2% |
| **2020** | 11,763 | 40,967 | 28.7% |
| **2021** | 9,620 | 38,412 | 25.0% |

Lastly, the loss ratio associated with the total business we manage has been consistently better than the industry for all five years of the current program term, and would compare even more favorably to the average of just the other three carriers, excluding Pilgrim.

| | Ceded Loss Ratio | |
|---|---|---|
| | Pilgrim | Total CSC |
| **2019** | 44.1% | 67.9% |
| **2020** | 38.9% | 51.5% |
| **2021** | 30.4% | 36.3% |

Loss ratio = incurred losses / earned premium through 12/2021

## B. Specific Areas for Servicing Carrier Comment

1. The COVID pandemic has impacted the automobile insurance industry over the past two plus years.

   a. Identify the trends and impacts to the Massachusetts commercial automobile residual market that arose in 2020 as a result of the public health crisis and its effect on MA business. Also discuss how those trends and impacts evolved or transitioned in 2021.

As the COVID-19 pandemic began affecting the United States in 2020, and consistent with various Executive Orders and Bulletins, Pilgrim worked with risks to provide as much flexibility as was reasonably possible to maintain existing coverage on a case-by-case basis. Although all class types were affected by COVID, our experience was that the immediate and largest impact was to public transportation risks, and we worked with them on strategies that made sense to both parties. In lieu of cancelling registrations and removing vehicles from the policy, many risks instead chose to not operate vehicles and reduce or remove coverages until such time as the vehicles would once again be on the road. As the chart below shows, this resulted in premiums managed by Pilgrim decreasing at a higher rate than policy and exposure counts during the height of the restrictions. Coverages and/or limits have been subsequently brought to pre-COVID levels. In addition, as we detail after the charts below, there were two other factors that affected our volume of business managed through 2021.

**Pilgrim Inforce Data**

| | Dec 2019 | June 2020 | Dec 2020 | June 2021 | Dec 2021 |
|---|---|---|---|---|---|
| **Premium** | $40,114,949 | $35,093,026 | $43,591,435 | $48,338,746 | $46,430,688 |
| **Policies** | 2,458 | 2,398 | 2,716 | 2,914 | 2,904 |
| **Exposures** | 10,404 | 9,952 | 12,448 | 12,721 | 9,783 |

**% Change each six months**

| | 12/2019-6/2020 | 6/2020-12/2020 | 12/2020-6/2021 | 6/2021-12/2021 |
|---|---|---|---|---|
| **Premium** | -12.5% | 24.2% | 10.9% | -3.9% |
| **Policies** | -2.4% | 13.3% | 7.3% | -0.3% |
| **Exposures** | -4.3% | 25.1% | 2.2% | -23.1% |

We experienced a 12.5% COVID-related decline in inforce premiums during the first half of 2020, but much lesser decreases of 2.4% and 4.3% in policies and exposures, respectively. Over the next six-month period, these Pilgrim's volume rebounded as a result of the producer redistribution and a large (approximately $3.2 million in premium and 3,100 exposures) risk unexpectedly written in the fourth quarter. In addition to the COVID-related coverages/limits being restored in 2021, the June 2021 data includes the balance of the producer redistribution. The December 2021 data reflects the loss of the aforementioned risk, as it once again found a home in the voluntary market. Our 9,783 year-end 2021 inforce exposures compare to CAR's written exposures for Pilgrim of 9,620 (25% of the industry at the end of 2021) as our $46.4 million of inforce premium does to CAR's 2021 written premium for Pilgrim of $46.8 million (25.8% of the industry).

b. Comment on the trends and impacts that may continue to evolve or transition into 2022. (i.e. change in policy limits, general policy processing and handling issues, difference by class type, growth or decline of business. Etc.).

We do not expect to experience significant changes in policy limits from the point to which they have recovered. Additionally, we have not -- and do not expect to -- encounter policy processing or handling issues. As the summary we present above illustrates, the share of the pool we manage, along with the make-up of our portion, is ever-changing and can be affected by multiple factors. As the January 2022 redistribution was based on data that included the very large risk detailed previously, the volume of business that is being moved from Pilgrim now appears to be overstated. We will continue to monitor servicing carrier volumes and, as we have in the past, request redistributions as necessary.

2. Modifications to the Performance Standards were approved by the DOI in April 2021 to improve the quality of the SIU data reported to CAR. These changes included a mechanism for reporting Rule 10 underwriting concerns referred to the SIU for investigation to CAR. The audit sample for measuring efforts to control fraud as outlined in Massachusetts G.L.c.175 § 113H can now include both claims and underwriting concerns investigated by SIU.

Pilgrim has aggressively investigated risks in order to assert eligibility for a Massachusetts commercial residual market policy from the first day of our participation in the prior CSC program term. We quickly determined that the business we took over would require additional SIU staff and we added an experienced representative to our existing experienced, high-performing investigative unit. As reflected in CAR's focus audit results, Pilgrim's utilization rate of SIU to determine eligibility has been significantly high.

a. Identify the volume of policies investigated for underwriting concerns and the number of residual market policies that were cancelled or non-renewed or otherwise not written as a result of those investigations.

For the calendar year 2021, a total of 28 policies were sent to SIU for investigation due to underwriting concerns. Of those, seven were canceled as a result of the investigator's findings or the policyholders' failure to cooperate with the investigation. No policies were non-renewed as a result of these investigations, but two policies were re-rated resulting in an additional premium of $1,629. The remaining policies were investigated and, with the cooperation of the policyholder, the information we received was found to be consistent with what was reported to us.

b. CAR Rule 10.C. requires that SIU conduct an audit on a representative sampling of policies to verify garaging and policy details. Describe the efforts established and identify the number of policies audited to adhere to this requirement.

For the calendar year 2021, a total of 40 policies were sent to SIU for verification of various rating elements. Of those, six were cancelled as a result of the investigator's findings or the policyholders' failure to cooperate with the investigation. Another policy canceled for non-payment of insurance premium while the investigation was ongoing. No policies were non-renewed as a result of these investigations, but six policies were re-rated with two resulting in a premium credit and four resulting in additional premium. The aggregate

of these changes was additional premium of $10,317. The remaining policies were investigated and, with the cooperation of the policyholder, the information we had on file was found to be accurate.

3. For the non-fleet private passenger type classification, comment on the company's efforts to control the underwriting deficit generated by the NF-PPT classification. Below is a chart displaying ultimate deficit data for both your company and all Servicing Carriers combined.

**PPT NF Ultimate (Deficit)/Surplus Projections By Company at December, 2021**

**Pilgrim**

| Policy Year | Reported Losses | Losses To Ultimate | LDF To Ultimate | Earned Premium | Loss Ratio | Ultimate Premium | Ceding Expense | Ultimate (Deficit)/Surplus | Ultimate PDL Exp | Ult (Deficit) / Surplus Per Exp | Avg Prem |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2017 | 861,816 | 861,816 | 1.000 | 1,073,106 | 0.803 | 1,073,106 | 268,277 | (56,987) | 587 | (97) | 1,827 |
| 2018 | 846,412 | 852,977 | 1.008 | 1,213,495 | 0.703 | 1,213,495 | 283,958 | 76,560 | 610 | 125 | 1,989 |
| 2019 | 531,104 | 525,882 | 0.990 | 933,556 | 0.563 | 933,556 | 202,582 | 205,093 | 429 | 478 | 2,177 |
| 2020 | 456,261 | 458,099 | 1.004 | 980,004 | 0.467 | 980,004 | 210,701 | 311,204 | 426 | 730 | 2,298 |
| 2021 | 326,418 | 948,652 | 2.906 | 437,125 | 1.083 | 876,155 | 179,612 | (252,109) | 391 | (645) | 2,242 |

**Industry**

| Policy Year | Reported Losses | Losses To Ultimate | LDF To Ultimate | Earned Premium | Loss Ratio | Ultimate Premium | Ceding Expense | Ultimate (Deficit)/Surplus | Ultimate PDL Exp | Ult (Deficit) / Surplus Per Exp | Avg Prem |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2017 | 24,665,576 | 24,596,859 | 0.997 | 19,346,177 | 1.271 | 19,346,177 | 4,836,544 | (10,087,226) | 12,301 | (820) | 1,573 |
| 2018 | 21,002,891 | 20,743,942 | 0.988 | 17,692,311 | 1.172 | 17,692,311 | 4,140,001 | (7,191,632) | 10,345 | (695) | 1,710 |
| 2019 | 12,684,677 | 12,248,233 | 0.966 | 12,706,958 | 0.964 | 12,706,958 | 2,757,410 | (2,298,685) | 6,576 | (350) | 1,932 |
| 2020 | 7,692,912 | 7,591,533 | 0.987 | 8,539,548 | 0.889 | 8,539,548 | 1,836,003 | (887,988) | 3,892 | (228) | 2,194 |
| 2021 | 2,725,467 | 5,537,488 | 2.032 | 3,647,950 | 0.779 | 7,112,015 | 1,457,963 | 116,564 | 3,137 | 37 | 2,267 |

**Reported Losses** = Reported Incurred Losses (Paid + Outstanding) as of December, 2021.
**Ultimate Losses** include projected Liability and Physical Damage Incurred Losses separately to ultimate.
**LDF to Ultimate** = Loss Development Factors to Ultimate. LDF = Ultimate Loss / Reported Loss.
**Loss Ratio** = Ultimate Loss / Earned Premium
**Ultimate Premium** = projected Total Premiums to ultimate.
**Ceding Expense Ratios** use current allowances and include all True-Up adjustments to date. PY 2017 25.0% PY 2018 23.4% PY 2019 21.7% PY2020 21.5% PY2021 20.5%
**Ultimate Deficit** = (Ultimate Premium - (Loss Ratio*Ultimate Premium) - Ceding Expense)
**Ultimate PDL Exp** = projected PDL exposures to ultimate.

Pilgrim's volume of NF-PPT exposures remains low compared to other carriers as a result of our following efforts to control cession rates in the non-fleet private passenger class:

**Eligibility as a Business Entity** - We continue to review each submitted risk to ensure that it is, in fact, a business entity. The first step towards reducing the cession rate, and thus reducing the opportunity for loss, is to weed out the risks that are not eligible for coverage in the pool. Our efforts have been bolstered by the various forms and standards that CAR has implemented.

**Eligibility with Massachusetts Driver's License** - We continue to adhere to Massachusetts licensing eligibility rules, which had not historically been a consistent practice by all carriers. We are very pleased that all four servicing carriers now handle licensing in a consistent manner. The data in the Ineligible Risk database reveals that risks have been non-renewed for no Massachusetts license at a rapid clip.

**Rate Adequacy** - We historically had more appropriate rates for this business. The industry and Pilgrim loss ratios for non-fleet private passenger business with data through December 2021 are detailed above. Our loss ratio results have been consistently better than the industry. Additionally, the data illustrate that the non-fleet private passenger business we manage is projected to produce a cumulative modest *surplus* for the 2017 through 2021 term as compared with a deficit of approximately $560 per exposure or over $20 million for the entire industry including Pilgrim.

Per the data in the chart above, Pilgrim's premium per exposure averaged more than 15% higher than the industry average for the first three years of the recently expired program term, and was even higher if we were to compare our results to the industry excluding Pilgrim. We continue to monitor rate need and address accordingly. We are encouraged that the other carriers have taken action regarding pricing, as the industry average premium per exposure has increased by over 40 percent.

To comment on the early 2021 Ultimate Deficit projection for Pilgrim, review of our data does not reveal any significant changes in frequency, severity or larger losses. Looking back at the 2019 data CAR provided for the 2020 annual report, we had a similar situation – our LDF to Ultimate was much higher than the Industry (2.723 vs 2.137) at 12 months. The 2019 Ultimate Surplus for Pilgrim was $46,000 at 12 months and has since increased to $205,000. As our Ultimate PDL exposures still represent a small percentage of the industry total, and there appears nothing particularly worrisome in the data, we are not concerned with the initial deficit/surplus as projected by CAR – we believe that we recognize ultimate losses via case reserves more quickly than other carriers.

4. The Ineligible Risk Application was introduced in November 2018 for use as a communication and documentation tool for the commercial automobile Servicing Carriers relative to the underwriting and management of business submissions to the residual market. Since its introduction, the application and information has been positively received, actively used and shared by each of the Servicing Carriers.

   a. Based on the trending numbers in the chart below please comment on the impact of the application to your company and the overall residual market results.

| *Reported in 2021* | | | *Reported in 2020* | |
|---|---|---|---|---|
| **Reason** | **Industry** | | **Reason** | **Industry** |
| Owed Premium | 125 | | Invalid License | 608 |
| Other | 68 | | Other | 234 |
| Failiure to provide documention | 58 | | PPoB | 72 |
| Invalid License | 45 | | Unverifiablee Commercial Entity | 60 |
| PPoB | 43 | | No License | 40 |
| Unverifiablee Commercial Entity | 14 | | Mispresentation | 21 |
| Mispresentation | 14 | | Failure to cooperate | 13 |
| Failure to cooperate | 13 | | Fraudulent Claim | 4 |
| No License | 2 | | | |
| | | | | |
| Total | 382 | | Total | 1052 |

Pilgrim originally suggested the concept of a shared database to CAR early on last term when we identified that there were different opinions among the servicing carriers as to what information regarding SIU investigations was proprietary and could not be shared. In our opinion, this is still one of the best tools we have in place. The submission of data and the daily reporting of it to all carriers allows a head start on investigations and prevents ineligible risks from jumping from carrier to carrier.

Based on review of the summary data in the above chart, as well as the details within the Ineligible Risk Application, we are not surprised by the decrease in volumes associated with both the Invalid License and Other reasons. The reduction in the former appears to be a result of all four servicing carriers now handling licensing in a consistent manner and the number of risks to be addressed decreasing over time. One reason for the decrease in the Other category is that risks historically in this category now have a more specific place in

the new Owed Premium category. Another reason is that in 2020 it was in the Other category where you would find Failure to Provide Documentation, which is now its own category in 2021. Specific to Pilgrim, our most commonly used reasons are PPoB, Unverifiable Commercial Entity, and Failure to Provide Documentation.

b. Feedback from the Servicing Carrier community in 2021 resulted in an enhancement to the application adding a new reason code, owed premium, to aid in the identification of action reasons and trends. Please comment on whether further opportunities are seen to include additional information in the application that may be helpful to Servicing Carriers in the consistent handling of business submissions.

The addition of Owed Premium to the database made sense as it provides carriers additional information to evaluate. We still follow industry accepted procedures to verify uncollected earned premium in the ATLAS system and, if needed, reach out to the appropriate carrier for additional information or clarification. We do not have suggestions for additional enhancements at this time, but will bring these to the Commercial Automobile Committee should any arise.

5. Several policy processing standards, forms and procedures were developed and implemented to address various issues within the commercial automobile residual market in 2018-2020. These standards and forms included Principal Place of Business, Non-Fleet Private Passenger Type Vehicles, Radius Class and Geographic Class of Truck, Tractors and Trailers and Public Autos, Servicing Carrier and Exclusive Representative Producer Verification of Applicant Driver's Licenses, and a Commercial Supplemental Application.

a. Consider and comment on the impact the standards and procedures have had in addressing those issues from a residual market standpoint since their implementation (depopulation, deficit, etc.).

In our opinion, the enhancements made to the program during the 2017 – 2021 term are exceptional. We now have all servicing carriers handling business in a similar fashion and working together to improve program results. After four years (PY 2015 through 2018) of deficits averaging over $25 million per year, the pool has been generating surpluses.

**Ultimate Policy Year Deficit (Surplus) Projections @ 12/31/2021 (In Millions)***

| | Policy Year 2019 | Policy Year 2020 | Policy Year 2021 |
|---|---|---|---|
| **Premium** | $190,300 | $172,700 | $183,100 |
| **Losses Incurred and ALAE** | $141,774 | $108,456 | $121,578 |
| **Underwriting Expenses** | $41,381 | $37,131 | $37,481 |
| **Underwriting Result** | ($7,145) | ($27,113) | ($24,041) |

*Data from March 2022 CAR Loss Reserving Committee Meeting

From a depopulation standpoint, we like to consider change in exposures rather than premium as it excludes the impact of rate changes, of which there were three during the recently expired term averaging an increase of 7.7%. More importantly, the most recent rate change included a major rate increase on Zone-Rated vehicles. The chart below summarizes the total industry reduction in exposures.

**Total Industry (PDL) Exposures**

| | Exposures | % change y-o-y |
|---|---|---|
| **2017** | 53,821 | |
| **2018** | 53,446 | -0.7% |
| **2019** | 46,889 | -12.3% |
| **2020** | 40,967 | -12.6% |
| **2021** | 38,412 | -6.2% |
| **2017 - 2021** | | -28.6% |

*2017 and 2018 Data from CAR latest RFP.

Two areas to which we can point regarding the impact of the implementation of program improvements are Zone-Rated bus exposures and non-fleet private passenger types. Improvements included, but are not limited to, strengthening definitions in the Rules of Operation, beefing up of standards/procedures, development and implementation of forms, creation of the Ineligible Risk database, and adoption of a consistent operator license process.

Specific to Zone-Rated buses, the loss ratio for this class decreased steadily each year from over 300% in 2018. The tools implemented and utilized by the servicing carriers, along with their diligent efforts to identify and remove from the pool ineligible risks, has significantly depopulated a class of business that over 90% of the time carries $5 million liability limits and can thus have a major impact on the overall program results.

**Total Industry ZR bus (PDL) Exposures**

| | Exposures | % change y-o-y |
|---|---|---|
| **2017** | 1,176 | |
| **2018** | 1,194 | 1.5% |
| **2019** | 746 | -37.5% |
| **2020** | 268 | -64.1% |
| **2021** | 262 | -2.2% |
| **2017 - 2021** | | -77.7% |

*2017 and 2018 Data from CAR latest RFP.

As detailed earlier in this report, significant improvement has been made as it applies to the deficit associated with NF-PPT class types. Consistent adherence to operator licensing and business entity eligibility

requirements, as well as attaining rate adequacy across all servicing carriers have resulted in dramatic profitability and depopulation improvements for this class.

**Total Industry NF-PPT (PDL) Exposures**

| | Exposures | % change y-o-y |
|---|---|---|
| **2017** | 12,301 | |
| **2018** | 10,345 | -15.9% |
| **2019** | 6,576 | -36.4% |
| **2020** | 3,894 | -40.8% |
| **2021** | 3,283 | -15.7% |
| **2017 - 2021** | | -73.3% |

*2017 and 2018 Data from CAR latest RFP.

b. Consider and comment on the marketplace compliance with the standards and procedures since their implementation (producer compliance and responsiveness, etc.).

Pilgrim strives to establish and maintain effective lines of communication with those producers assigned. The producer must understand what is expected of us and what we expect from them. Our experience is that, with very few exceptions, producers have implemented procedures that have minimized compliance or responsiveness issues.

c. Consider and comment on any other issues that may have developed or may arise from the implementation of those standards.

One suggestion we have would be to amend the Non-Fleet Private Passenger Type (NF-PPT) Certification Form to include PPT types written on fleet policies. An existing example is a Social Service fleet policy that also has a $67,500 cost new Porsche -- the owner's personal use vehicle – leased and registered to the company. Because the current form is specific to non-fleet risks, the insured is not required to complete the form and provide information that would allow us to handle all PPT types in a consistent manner.

6. The Taxi/Limo/Car Service Program and the Commercial Servicing Carrier Program were combined for the new term beginning January 1, 2022. Comment on any significant implementation issues or observations with combining the two programs.

As Pilgrim served as a servicing carrier for the Taxi/Limo/Car Service program since its inception in 1995, we have long been familiar with these classes of vehicles and we effectively added these vehicle types to our Commercial Servicing Carrier system configurations. We also provided our knowledge and assistance to other carriers as they did the same. Additionally, the redistribution of producers progressed smoothly.

7. Comment on any other successes and/or challenges in 2021 relative to the commercial automobile residual market activities.

Other than what has been previously addressed in this report, Pilgrim focused on continuing to provide exceptional service while delivering positive results to the program in 2021. The data provided by CAR as well as the information we have added illustrate that we have been successful.

8. Servicing Carrier Program Recommendations for 2023 and later:

Pilgrim was a catalyst for change and improvement for the CSC program throughout the recently expired term. We have proactively brought forth multiple suggestions and have initiated much discussion in an effort to get all carriers handling business in a similar fashion, control the size of the pool, and improve results. We are extremely pleased at how positively the relationships across carriers have developed. We look forward to continuing the work with our peers at the other carriers as well as through the CAR committee structure to further improve the performance of the pool.

a. Provide input on any market concerns and/or identify any new conditions not currently being addressed by the Commercial Automobile Committee and provide recommendations to focus on these issues.

One area we are evaluating is Pollution Liability. Our current thought process is that a new form should be developed and implemented that clearly identifies the level of coverage being provided, as the current forms appear to offer broadened coverage regardless of the coverage selected. We will continue our review and will bring it to the committee's attention, if necessary.

b. Provide suggestions, recommendations and/or solutions that would further control claims and service costs for 2023 and later.

One very recent Commercial Automobile Committee topic that deserves comment is the consideration of a mid-term adoption of AIB endorsements. As noted, CAR has not adopted the auto dealers coverage or the motor carrier coverage form. The AIB forms would need to be drafted to work with the current policy offerings for garage and truckers policies. Unanticipated publishing changes can be a significant expense to a servicing carrier, even more so if variable premiums are involved. Understanding that we are not remotely close to estimating a scope to this potential work, we believe that this type of project be vetted during the RFP process so that servicing carries can provide specific feedback on the associated costs. In addition, we are not in favor of broadening coverage within the residual market unless there is a significant gap in coverage that cannot be obtained elsewhere. We believe this has historically been the position taken by the committee.

## C. General Topics to be Addressed by the Servicing Carrier in the Annual Report

Servicing Carriers are expected to comment on market conditions and experience both relative to the industry and specific to their company in the handling of commercial automobile residual market business during the 2021 policy year. Comment on the industry and your company's efforts, challenges and successes in handling this business. The charts below provide industry and company data as of December, 2021 to assist

you in your evaluation and comments. Additional data reports can be found on CAR's website on the Commercial Only – Servicing Carrier Profile Page.

Throughout this report, we believe we have provided comprehensive commentary on the efforts and results of Pilgrim and the other servicing carriers. The data in this report speak volumes about Pilgrim's successful management of its portion of the program. We continue to be pleased with our results, including but not limited to depopulation, loss ratio and contribution to the recent surpluses.

## APPENDIX

### Ceded Written Premium by Vehicle Type for Policy Years 2019-2021

| Pilgrim | | | | | |
|---|---|---|---|---|---|
| **Class Type Group** | **2019** | **2020** | **20/19 % Chg** | **2021** | **21/20 % Chg** |
| Regular TTT and Regular TTT - Fleet | 12,827 | 15,770 | 22.9% | 20,623 | 30.8% |
| Zone Rated TTT and Zone Rated TTT - Fleet | 7,102 | 8,381 | 18.0% | 8,259 | -1.4% |
| Commercial Buses and Commercial Buses - Fleet | 4,860 | 5,260 | 8.2% | 4,333 | -17.6% |
| Zone Rated Buses and Zone Rated Buses - Fleet | 2,092 | 1,206 | -42.3% | 1,183 | -1.9% |
| PPT Buses and PPT Buses - Fleet | 5,456 | 6,140 | 12.5% | 5,617 | -8.5% |
| Garages Subject to Compulsory Law | 2,263 | 2,376 | 5.0% | 2,652 | 11.6% |
| Garages - Premises and Garages Not Subject to Compulsory Law | 16 | 16 | -2.0% | 14 | -13.1% |
| Van Pools | 63 | 178 | 185.1% | 204 | 14.4% |
| Private Passenger Types - Non Fleet | 934 | 981 | 5.1% | 929 | -5.3% |
| Private Passenger Types - Fleet | 917 | 790 | -13.8% | 904 | 14.4% |
| Special Types and Motorcycles | 1,045 | 1,265 | 21.0% | 1,306 | 3.3% |
| Non-Owned, Special Rating and Gross Receipts and Mileage | 500 | 604 | 20.9% | 718 | 18.9% |
| Total | 38,074 | 42,965 | 12.8% | 46,742 | 8.8% |

| Industry | | | | | |
|---|---|---|---|---|---|
| **Class Type Group** | **2019** | **2020** | **20/19 % Chg** | **2021** | **21/20 % Chg** |
| Regular TTT and Regular TTT - Fleet | 81,003 | 78,288 | -3.4% | 87,201 | 11.4% |
| Zone Rated TTT and Zone Rated TTT - Fleet | 20,489 | 22,009 | 7.4% | 23,466 | 6.6% |
| Commercial Buses and Commercial Buses - Fleet | 16,246 | 14,617 | -10.0% | 15,026 | 2.8% |
| Zone Rated Buses and Zone Rated Buses - Fleet | 8,265 | 2,780 | -66.4% | 4,031 | 45.0% |
| PPT Buses and PPT Buses - Fleet | 17,803 | 16,436 | -7.7% | 17,483 | 6.4% |
| Garages Subject to Compulsory Law | 11,113 | 11,132 | 0.2% | 11,940 | 7.3% |
| Garages - Premises and Garages Not Subject to Compulsory Law | 66 | 61 | -8.2% | 60 | -0.5% |
| Van Pools | 755 | 703 | -7.0% | 683 | -2.8% |
| Private Passenger Types - Non Fleet | 12,707 | 8,543 | -32.8% | 7,445 | -12.8% |
| Private Passenger Types - Fleet | 4,365 | 3,624 | -17.0% | 3,682 | 1.6% |
| Special Types and Motorcycles | 7,035 | 7,000 | -0.5% | 7,328 | 4.7% |
| Non-Owned, Special Rating and Gross Receipts and Mileage | 3,103 | 3,072 | -1.0% | 3,347 | 9.0% |
| Total | 182,952 | 168,265 | -8.0% | 181,693 | 8.0% |

Written premium (000) based on statistically reported data for all coverages combined.

# Ceded PDL Exposures by Vehicle Type for Policy Years 2019-2021

| Pilgrim | | | | | |
|---|---|---|---|---|---|
| **Class Type Group** | **2019** | **2020** | **20/19 % Chg** | **2021** | **21/20 % Chg** |
| Regular TTT and Regular TTT - Fleet | 3,212 | 3,757 | 17.0% | 4,456 | 18.6% |
| Zone Rated TTT and Zone Rated TTT - Fleet | 1,330 | 1,381 | 3.8% | 1,132 | -18.0% |
| Commercial Buses and Commercial Buses - Fleet | 1,604 | 2,052 | 27.9% | 772 | -62.4% |
| Zone Rated Buses and Zone Rated Buses - Fleet | 228 | 143 | -37.4% | 107 | -25.2% |
| PPT Buses and PPT Buses - Fleet | 1,748 | 2,582 | 47.7% | 1,283 | -50.3% |
| Garages Subject to Compulsory Law | 702 | 711 | 1.3% | 740 | 4.1% |
| Van Pools | 11 | 32 | 191.5% | 40 | 25.9% |
| Private Passenger Types - Non Fleet | 429 | 427 | -0.5% | 413 | -3.1% |
| Private Passenger Types - Fleet | 278 | 246 | -11.6% | 254 | 3.6% |
| Special Types and Motorcycles | 389 | 433 | 11.3% | 423 | -2.4% |
| Total | 9,931 | 11,763 | 18.4% | 9,620 | -18.2% |

| Industry | | | | | |
|---|---|---|---|---|---|
| **Class Type Group** | **2019** | **2020** | **20/19 % Chg** | **2021** | **21/20 % Chg** |
| Regular TTT and Regular TTT - Fleet | 20,991 | 18,607 | -11.4% | 19,231 | 3.4% |
| Zone Rated TTT and Zone Rated TTT - Fleet | 4,012 | 3,729 | -7.0% | 3,424 | -8.2% |
| Commercial Buses and Commercial Buses - Fleet | 3,564 | 3,606 | 1.2% | 2,459 | -31.8% |
| Zone Rated Buses and Zone Rated Buses - Fleet | 746 | 268 | -64.1% | 262 | -2.2% |
| PPT Buses and PPT Buses - Fleet | 4,493 | 4,809 | 7.0% | 3,705 | -22.9% |
| Garages Subject to Compulsory Law | 3,358 | 3,255 | -3.0% | 3,299 | 1.3% |
| Van Pools | 154 | 135 | -12.1% | 130 | -3.5% |
| Private Passenger Types - Non Fleet | 6,576 | 3,894 | -40.8% | 3,283 | -15.7% |
| Private Passenger Types - Fleet | 1,218 | 952 | -21.8% | 951 | -0.1% |
| Special Types and Motorcycles | 1,779 | 1,713 | -3.7% | 1,666 | -2.7% |
| Total | 46,889 | 40,967 | -12.6% | 38,412 | -6.2% |

Note: Excludes Garge Premise, Not Subject to Compulsary Law, Non-Owned, Special Rating and Gross Receipts that do not report exposures on a car year basis.

## Ceded Loss Ratio by Vehicle Type for Policy Years 2019-2021

| Pilgrim | | | |
|---|---|---|---|
| **Class Type Group** | **2019** | **2020** | **2021** |
| Regular TTT and Regular TTT - Fleet | 49.40% | 36.90% | 27.50% |
| Zone Rated TTT and Zone Rated TTT - Fleet | 45.10% | 41.70% | 39.10% |
| Commercial Buses and Commercial Buses - Fleet | 17.90% | 40.60% | 20.20% |
| Zone Rated Buses and Zone Rated Buses - Fleet | 8.00% | 3.20% | 13.70% |
| PPT Buses and PPT Buses - Fleet | 65.80% | 37.10% | 31.70% |
| Garages Subject to Compulsory Law | 38.20% | 31.80% | 48.10% |
| Garages - Premises and Garages Not Subject to Compulsory Law | 0.00% | 0.00% | 0.00% |
| Van Pools | 12.40% | 8.40% | 13.90% |
| Private Passenger Types - Non Fleet | 56.90% | 46.50% | 70.40% |
| Private Passenger Types - Fleet | 20.30% | 11.50% | 40.90% |
| Special Types and Motorcycles | 24.60% | 23.40% | 8.30% |
| Non-Owned, Special Rating and Gross Receipts and Mileage | 156.40% | 219.70% | 5.20% |
| Total | 44.10% | 38.90% | 30.40% |

| Industry | | | |
|---|---|---|---|
| **Class Type Group** | **2019** | **2020** | **2021** |
| Regular TTT and Regular TTT - Fleet | 65.61% | 46.34% | 37.94% |
| Zone Rated TTT and Zone Rated TTT - Fleet | 75.64% | 71.38% | 38.49% |
| Commercial Buses and Commercial Buses - Fleet | 26.17% | 29.15% | 18.63% |
| Zone Rated Buses and Zone Rated Buses - Fleet | 158.97% | 43.97% | 17.70% |
| PPT Buses and PPT Buses - Fleet | 61.80% | 39.94% | 32.60% |
| Garages Subject to Compulsory Law | 64.73% | 67.70% | 43.79% |
| Garages - Premises and Garages Not Subject to Compulsory Law | 8.82% | 0.00% | 0.00% |
| Van Pools | 33.36% | 19.09% | 63.35% |
| Private Passenger Types - Non Fleet | 99.82% | 90.05% | 71.37% |
| Private Passenger Types - Fleet | 27.07% | 50.76% | 39.54% |
| Special Types and Motorcycles | 35.66% | 38.92% | 23.04% |
| Non-Owned, Special Rating and Gross Receipts and Mileage | 108.25% | 85.95% | 16.67% |
| Total | 67.90% | 51.47% | 36.34% |

Loss Ratio = (Incurred Losses including ALAE) / (Earned Premium). This data reflects statistically reported data only, with no premium or loss development / IBNR.

# Ceded Exposure by Class Type Group and Liability Limit for Policy Years 2019-2021

| Industry | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **CSL** | **TTT** | **ZR TTT** | **AO Buses** | **ZR Buses** | **PPT Buses** | **Van Pools** | **Garages** | **PPT NF** | **PP Fleet** | **Special Types** |
| 45,000 | 31 | 0 | 8 | 0 | 11 | 0 | 7 | 0 | 0 | 0 |
| 50,000 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 75,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 100,000 | 49 | 0 | 3 | 0 | 2 | 0 | 14 | 1 | 2 | 4 |
| 150,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 200,000 | 25 | 0 | 0 | 0 | 0 | 0 | 5 | 1 | 1 | 0 |
| 250,000 | 17 | 0 | 0 | 0 | 0 | 0 | 3 | 1 | 2 | 0 |
| 300,000 | 79 | 0 | 3 | 0 | 24 | 7 | 13 | 34 | 6 | 5 |
| 400,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 500,000 | 318 | 3 | 46 | 0 | 248 | 9 | 67 | 59 | 29 | 40 |
| 750,000 | 155 | 3 | 0 | 0 | 0 | 0 | 35 | 3 | 5 | 5 |
| 1,000,000 | 12,564 | 3,358 | 960 | 0 | 1,638 | 65 | 1,917 | 1,082 | 611 | 1,089 |
| 1,500,000 | 5 | 0 | 170 | 24 | 274 | 0 | 0 | 0 | 2 | 0 |
| 3,000,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5,000,000 | 270 | 46 | 870 | 242 | 26 | 0 | 1 | 0 | 1 | 1 |
| 7,500,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| All Other | 1 | 0 | 7 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| Total | 13,516 | 3,409 | 2,059 | 266 | 2,223 | 81 | 2,062 | 1,181 | 659 | 1,145 |
| | | | | | | | | | | |
| **BI Single Limit** | **TTT** | **ZR TTT** | **AO Buses** | **ZR Buses** | **PPT Buses** | **Van Pools** | **Garages** | **PPT NF** | **PP Fleet** | **Special Types** |
| 20/40 | 19 | 0 | 2 | 0 | 0 | 0 | 2 | 3 | 0 | 3 |
| 20/40 w/optional BI | 971 | 9 | 85 | 1 | 207 | 2 | 281 | 319 | 70 | 205 |
| 20/50 | 92 | 0 | 1 | 0 | 2 | 1 | 7 | 162 | 3 | 3 |
| 25/60 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 0 |
| 25/50 | 457 | 0 | 12 | 0 | 10 | 4 | 34 | 179 | 12 | 9 |
| 30/70 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 35/80 | 202 | 0 | 0 | 0 | 0 | 0 | 9 | 66 | 15 | 6 |
| 50/100 | 966 | 0 | 23 | 0 | 95 | 5 | 183 | 271 | 49 | 57 |
| 100/300 | 2,151 | 9 | 164 | 0 | 208 | 17 | 513 | 722 | 88 | 203 |
| 250/500 | 583 | 0 | 73 | 1 | 776 | 19 | 145 | 310 | 43 | 80 |
| 500/500 | 57 | 0 | 12 | 0 | 47 | 0 | 22 | 21 | 0 | 6 |
| 500/1000 | 37 | 0 | 8 | 0 | 81 | 0 | 17 | 12 | 5 | 13 |
| 1000/1000 | 82 | 0 | 13 | 0 | 54 | 1 | 7 | 24 | 1 | 36 |
| All Other | 40 | 0 | 0 | 0 | 0 | 1 | 16 | 7 | 2 | 5 |
| No BI | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 5,664 | 19 | 393 | 2 | 1,481 | 49 | 1,237 | 2,096 | 289 | 625 |
| | | | | | | | | | | |
| **PDL Single Limit** | **TTT** | **ZR TTT** | **AO Buses** | **ZR Buses** | **PPT Buses** | **Van Pools** | **Garages** | **PPT NF** | **PP Fleet** | **Special Types** |
| 5,000 | 86 | 1 | 48 | 1 | 160 | 1 | 47 | 13 | 8 | 79 |
| 10,000 | 4 | 0 | 1 | 0 | 0 | 0 | 5 | 3 | 0 | 20 |
| 15,000 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 0 | 0 |
| 25,000 | 4 | 0 | 2 | 0 | 26 | 0 | 12 | 2 | 0 | 19 |
| 35,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| 50,000 | 98 | 0 | 14 | 0 | 46 | 0 | 50 | 62 | 19 | 17 |
| 100,000 | 4,442 | 17 | 234 | 0 | 1,082 | 39 | 911 | 1,710 | 235 | 320 |
| 250,000 | 820 | 0 | 75 | 1 | 142 | 9 | 154 | 255 | 24 | 102 |
| 500,000 | 97 | 0 | 9 | 0 | 16 | 1 | 29 | 21 | 1 | 18 |
| 750,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 |
| 1,000,000 | 2 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 0 |
| All Other | 105 | 0 | 10 | 0 | 10 | 0 | 29 | 23 | 2 | 12 |
| PDL Deductible | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 5,659 | 19 | 394 | 2 | 1,481 | 49 | 1,237 | 2,094 | 289 | 586 |

*Garage Premises, Non-Owned, Special Rating and Gross Receipts and Mileage are excluded

## Ceded Exposure Distribution by Class Type Group and Liability Limit for Policy Years 2019-2021

| Industry | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **CSL** | **TTT** | **ZR TTT** | **AO Buses** | **ZR Buses** | **PPT Buses** | **Van Pools** | **Garages** | **PPT NF** | **PP Fleet** | **Special Types** |
| 45,000 | 0.23% | 0.00% | 0.38% | 0.00% | 0.49% | 0.00% | 0.34% | 0.01% | 0.00% | 0.04% |
| 50,000 | 0.02% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 75,000 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 100,000 | 0.36% | 0.00% | 0.13% | 0.00% | 0.07% | 0.00% | 0.68% | 0.12% | 0.30% | 0.39% |
| 150,000 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 200,000 | 0.19% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.24% | 0.08% | 0.15% | 0.00% |
| 250,000 | 0.12% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.15% | 0.08% | 0.30% | 0.00% |
| 300,000 | 0.59% | 0.00% | 0.14% | 0.00% | 1.07% | 9.07% | 0.65% | 2.84% | 0.87% | 0.44% |
| 400,000 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 500,000 | 2.35% | 0.09% | 2.23% | 0.00% | 11.18% | 11.13% | 3.25% | 4.98% | 4.41% | 3.52% |
| 750,000 | 1.14% | 0.08% | 0.00% | 0.00% | 0.00% | 0.00% | 1.67% | 0.23% | 0.78% | 0.40% |
| 1,000,000 | 92.96% | 98.50% | 46.63% | 0.00% | 73.69% | 79.79% | 92.98% | 91.64% | 92.72% | 95.13% |
| 1,500,000 | 0.04% | 0.00% | 8.24% | 8.93% | 12.31% | 0.00% | 0.00% | 0.00% | 0.30% | 0.00% |
| 3,000,000 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 5,000,000 | 2.00% | 1.33% | 42.25% | 91.07% | 1.18% | 0.00% | 0.05% | 0.00% | 0.15% | 0.09% |
| 7,500,000 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | | | | | | | | | |
| **BI Single Limit** | **TTT** | **ZR TTT** | **AO Buses** | **ZR Buses** | **PPT Buses** | **Van Pools** | **Garages** | **PPT NF** | **PP Fleet** | **Special Types** |
| 20/40 | 0.33% | 0.00% | 0.44% | 0.00% | 0.00% | 0.00% | 0.16% | 0.15% | 0.00% | 0.48% |
| 20/40 w/optional BI | 17.14% | 51.35% | 21.71% | 50.00% | 13.97% | 3.54% | 22.72% | 15.21% | 24.32% | 32.80% |
| 20/50 | 1.62% | 0.00% | 0.30% | 0.00% | 0.15% | 2.02% | 0.57% | 7.72% | 1.04% | 0.45% |
| 25/60 | 0.00% | 0.00% | 0.25% | 0.00% | 0.00% | 0.00% | 0.00% | 0.05% | 0.00% | 0.00% |
| 25/50 | 8.08% | 0.00% | 2.96% | 0.00% | 0.69% | 8.09% | 2.76% | 8.51% | 4.27% | 1.37% |
| 30/70 | 0.12% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 35/80 | 3.57% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.72% | 3.15% | 5.08% | 1.00% |
| 50/100 | 17.06% | 0.00% | 5.76% | 0.00% | 6.40% | 10.29% | 14.82% | 12.93% | 16.85% | 9.09% |
| 100/300 | 37.98% | 48.65% | 41.68% | 0.00% | 14.08% | 33.73% | 41.49% | 34.45% | 30.50% | 32.39% |
| 250/500 | 10.29% | 0.00% | 18.59% | 50.00% | 52.43% | 37.77% | 11.73% | 14.80% | 15.06% | 12.80% |
| 500/500 | 1.01% | 0.00% | 2.96% | 0.00% | 3.17% | 0.00% | 1.79% | 1.02% | 0.00% | 0.99% |
| 500/1000 | 0.65% | 0.00% | 2.03% | 0.00% | 5.46% | 0.00% | 1.37% | 0.56% | 1.73% | 2.08% |
| 1000/1000 | 1.44% | 0.00% | 3.30% | 0.00% | 3.66% | 2.53% | 0.57% | 1.12% | 0.46% | 5.79% |
| All Other | 0.70% | 0.00% | 0.00% | 0.00% | 0.00% | 2.02% | 1.29% | 0.34% | 0.69% | 0.76% |
| No BI | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | | | | | | | | | |
| **PDL Single Limit** | **TTT** | **ZR TTT** | **AO Buses** | **ZR Buses** | **PPT Buses** | **Van Pools** | **Garages** | **PPT NF** | **PP Fleet** | **Special Types** |
| 5,000 | 1.53% | 7.66% | 12.24% | 50.00% | 10.79% | 1.52% | 3.79% | 0.62% | 2.60% | 13.48% |
| 10,000 | 0.07% | 0.00% | 0.25% | 0.00% | 0.00% | 0.00% | 0.43% | 0.14% | 0.00% | 3.37% |
| 15,000 | 0.02% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.13% | 0.00% | 0.00% |
| 25,000 | 0.07% | 0.00% | 0.44% | 0.00% | 1.79% | 0.00% | 0.97% | 0.08% | 0.00% | 3.23% |
| 35,000 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.17% |
| 50,000 | 1.73% | 0.00% | 3.68% | 0.00% | 3.08% | 0.00% | 4.03% | 2.97% | 6.61% | 2.86% |
| 100,000 | 78.50% | 92.34% | 59.40% | 0.00% | 73.08% | 78.08% | 73.61% | 81.69% | 81.28% | 54.49% |
| 250000 | 14.48% | 0.00% | 19.10% | 50.00% | 9.55% | 18.38% | 12.41% | 12.18% | 8.34% | 17.33% |
| 500000 | 1.72% | 0.00% | 2.35% | 0.00% | 1.05% | 2.02% | 2.32% | 1.01% | 0.38% | 3.03% |
| 750,000 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.05% | 0.00% | 0.00% |
| 1,000,000 | 0.04% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.08% | 0.05% | 0.00% | 0.00% |
| All Other | 1.86% | 0.00% | 2.52% | 0.00% | 0.67% | 0.00% | 2.35% | 1.08% | 0.81% | 2.05% |
| PDL Deductible | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | | | | | | | | | |
| *Garage Premises, Non-Owned, Special Rating and Gross Receipts and Mileage are excluded | | | | | | | | | | |

# Safety Insurance Company
# Commercial Servicing Carrier Annual Report
# 2021 Review

Following is Safety Insurance Company's ("Safety") Commercial Servicing Carrier Annual Report for the 2021 review period ("Report"). For ease of reference, Safety will title and discuss items in this Report in the order set forth in the report template previously provided by Commonwealth Automobile Reinsurers ("CAR").

***Specific Areas for Servicing Carrier Comment***

1. *The COVID pandemic has impacted the automobile insurance industry over the past two plus years.*

   a. *Identify the trends and impacts to the Massachusetts commercial automobile residual market that arose in 2020 as a result of the public health crisis and its effect on MA businesses. Also discuss how those trends and impacts evolved or transitioned in 2021.*

   As a result of the COVID pandemic, the commercial automobile residual market was impacted because businesses were unable to make full and/or timely payments. As a result, there was an increase in earned but uncollected premium. Carriers, per the direction of the Division of Insurance and CAR, made billing accommodations and hardship "deals", instituted nonpayment cancellation moratoriums, made accommodations for deleting vehicles, made accommodations for reducing policy coverages, etc., which all lead to an increase in earned but uncollected premium. Per Safety's suggestion, owed premium was added to the Ineligible Risk Database, such that the Servicing Carriers could collect premium on behalf of the other Servicing Carriers.

   Additionally, there was a general decline in business over the course of the pandemic. The profile of the vehicle classes in the commercial automobile residual market changed as well. Some businesses, especially bus companies, went out of business or paused operations during the pandemic.

   b. *Comment on the trends and impacts that may continue to evolve or transition into 2022. (i.e., change in policy limits, general policy processing and handling issues, differences by class type, growth or decline of business, etc.).*

   The financial impact to businessowners may continue to evolve or transition into 2022. The earned but uncollected premium that remains from the pandemic may or may not be collected; with companies going out of business, the earned but uncollected premium may never be received. Businesses may continue to have financial difficulties and have trouble paying their insurance bills.

   Additionally, it remains to be seen how many businesses will re-open and how many new businesses will open to replace those that closed.

   The increased cost to repair vehicles may continue into 2022, as supply chain/inflation issues persist.

2. *Modifications to the Performance Standards were approved by the DOI in April 2021 to improve the quality of the SIU data reported to CAR. These changes included a mechanism for reporting Rule 10 underwriting concerns referred to the SIU for investigation to CAR. The audit sample for measuring efforts to control fraud as outlined in Massachusetts G.L. c. 175 § 113H can now include both claims and underwriting concerns investigated by SIU.*

   a. *Identify the volume of policies investigated for underwriting concerns and the number of residual market policies that were cancelled or non-renewed or otherwise not written as a result of those investigations.*

   In 2020, Safety investigated over 660 policies for underwriting concerns and submitted them to the Ineligible Risk Database. Safety reported 577 policies to the Ineligible Risk Database for invalid license, 26 for principal place of business not in Massachusetts, 24 for no license, 12 for unverifiable commercial entity, 11 for failure to cooperate with an investigation, 5 for misrepresentation of information, 4 for fraudulent claims, and 8 for other underwriting concerns.

   In 2021, Safety investigated over 180 policies for underwriting concerns and submitted them to the Ineligible Risk Database. Safety reported 124 policies to the Ineligible Risk Database for owed premium, 35 for invalid licenses, 16 for principal place of business not in Massachusetts, 4 for failure to cooperate with an investigation, 3 for misrepresentation of information, and 2 for unverifiable commercial entity.

   b. *CAR Rule 10.C. requires that SIU conduct an audit on a representative sampling of policies to verify garaging and policy details. Describe the efforts established and identify the number of policies audited to adhere to this requirement.*

   Safety verifies garaging and policy details on all new business policies. Safety wrote approximately 1,276 new business ceded commercial automobile policies in 2020 and 1,216 new business ceded commercial automobile policies in 2021. All policies were reviewed for garaging and other policy details.

   Safety audited 10 representative sample policies in 2020 to verify garaging and policy details. Our underwriters refer policies to our SIU department, and SIU staff then conduct audits on these policies to verify garaging, classifications, insured operations, and other policy information. These policies were chosen because of the underwriting suspicions regarding business operations and classifications. The SIU audit resulted with three risks that were determined to be non-verifiable commercial entities, three risks where the garaging was amended, two risks with no action required, one risk with inconsistent driver information, and one risk that did not cooperate with the investigation.

   Safety audited 10 representative sample policies in 2021 to verify garaging and policy details. The SIU audit resulted with six risks that did not cooperate with the investigations, two cancellations for misrepresentation, and two risks on which the classifications were amended because of the audit.

3. *For the non-fleet private passenger type classification, comment on the company's efforts to control the underwriting deficit generated by the NF-PPT classification. Below is a chart displaying ultimate deficit data for both your company and all Servicing Carriers combined.*

   As noted above, Safety reported 601 policies to the Ineligible Risk Database in 2020 for invalid license or no license, combined, and 35 in 2021. Additionally, we reported 12 policies to the Ineligible Risk Database in 2020 for unverifiable commercial entity and 2 in 2021. We also check the Ineligible Risk Database on all new business policies, to verify that the risk has not been submitted to the IRD by Safety or another Servicing Carrier.

   Our underwriting staff also verify the class/use of Non-Fleet Private Passenger Type ("NF-PPT") vehicles, to determine if the vehicles are being used for public transportation. Additionally, we verify that NF-PPT vehicles are registered to a business or under an FID number, to ensure that the insured business is a verifiable commercial entity. We conduct SIU investigations on suspicious NF-PPT risk operations. Our claims department also notifies our underwriting department of suspicious claims and inconsistent policy information.

   Safety also utilizes driver experience factors for Private Passenger Type vehicles, based on the total number of surchargeable violations and/or at-fault accidents in the prior 3 years, whether or not the driver has an active license or a verifiable driving record, and the number of years of driving experience.

**PPT NF Ultimate (Deficit)/Surplus Projections By Company at December, 2021**

**Safety**

| Policy Year | Reported Losses | Losses To Ultimate | LDF To Ultimate | Earned Premium | Loss Ratio | Ultimate Premium | Ceding Expense | Ultimate (Deficit)/Surplus | Ultimate PDL Exp | Ult (Deficit) / Surplus Per Exp | Avg Prem |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2017 | 14,574,552 | 14,584,144 | 1.001 | 10,637,931 | 1.371 | 10,637,931 | 2,659,483 | (6,605,696) | 6,233 | (1,060) | 1,707 |
| 2018 | 12,164,285 | 11,882,992 | 0.977 | 9,897,381 | 1.201 | 9,897,381 | 2,315,987 | (4,301,598) | 5,550 | (775) | 1,783 |
| 2019 | 7,185,829 | 6,785,421 | 0.944 | 6,082,256 | 1.116 | 6,082,256 | 1,319,850 | (2,023,014) | 3,225 | (627) | 1,886 |
| 2020 | 2,329,135 | 2,147,268 | 0.922 | 2,798,166 | 0.767 | 2,798,166 | 601,606 | 49,292 | 1,351 | 36 | 2,072 |
| 2021 | 1,263,502 | 2,093,710 | 1.657 | 1,186,672 | 0.928 | 2,257,051 | 462,695 | (299,355) | 1,049 | (285) | 2,152 |

**Industry**

| Policy Year | Reported Losses | Losses To Ultimate | LDF To Ultimate | Earned Premium | Loss Ratio | Ultimate Premium | Ceding Expense | Ultimate (Deficit)/Surplus | Ultimate PDL Exp | Ult (Deficit) / Surplus Per Exp | Avg Prem |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2017 | 24,665,576 | 24,596,859 | 0.997 | 19,346,177 | 1.271 | 19,346,177 | 4,836,544 | (10,087,226) | 12,301 | (820) | 1,573 |
| 2018 | 21,002,891 | 20,743,942 | 0.988 | 17,692,311 | 1.172 | 17,692,311 | 4,140,001 | (7,191,632) | 10,345 | (695) | 1,710 |
| 2019 | 12,684,677 | 12,248,233 | 0.966 | 12,706,958 | 0.964 | 12,706,958 | 2,757,410 | (2,298,685) | 6,576 | (350) | 1,932 |
| 2020 | 7,692,912 | 7,591,533 | 0.987 | 8,539,548 | 0.889 | 8,539,548 | 1,836,003 | (887,988) | 3,892 | (228) | 2,194 |
| 2021 | 2,725,467 | 5,537,488 | 2.032 | 3,647,950 | 0.779 | 7,112,015 | 1,457,963 | 116,564 | 3,137 | 37 | 2,267 |

**Reported Losses** = Reported Incurred Losses (Paid + Outstanding) as of December, 2021.
**Ultimate Losses** include projected Liability and Physical Damage Incurred Losses separately to ultimate.
**LDF to Ultimate** = Loss Development Factors to Ultimate. LDF = Ultimate Loss / Reported Loss.
**Loss Ratio** = Ultimate Loss / Earned Premium
**Ultimate Premium** = projected Total Premiums to ultimate.
**Ceding Expense Ratios** use current allowances and include all True-Up adjustments to date. PY 2017 25.0% PY 2018 23.4% PY 2019 21.7% PY2020 21.5% PY 2021 20.5%
**Ultimate Deficit** = (Ultimate Premium - (Loss Ratio* Ultimate Premium) - Ceding Expense)
**Ultimate PDL Exp** = projected PDL exposures to ultimate.

4. *The Ineligible Risk Application was introduced in November 2018 for use as a communication and documentation tool for the commercial automobile Servicing Carriers relative to the underwriting and management of business submissions to the residual market. Since its introduction, the application has been positively received, actively used and information shared by each of the Servicing Carriers.*

   a. *Based on the trending numbers in the chart below please comment on the impact of the application to your company and the overall residual market results.*

We have found that the Ineligible Risk Database ("IRD") is a useful tool for underwriting and managing residual market business submissions. Safety actively uses the database; both to submit ineligible risks and to review new business submissions for residual market qualification.

In 2020, of the 611 total policies submitted to the IRD for invalid license, 95% were reported by Safety. Of the 13 policies submitted to the IRD for failure to cooperate with a Servicing Carrier's investigation, 85% were submitted by Safety. Of the 40 policies submitted to the IRD for no license, 60% were submitted by Safety. Overall, 63% of the policies submitted to the Ineligible Risk Database in 2020 were submitted by Safety. Safety has seen the value in this database and will continue to utilize it and provide suggestions for CAR regarding how to enhance it.

In 2021, of the 125 policies submitted to the IRD for owed premium, 99% were submitted by Safety. Of the 45 policies submitted to the IRD for invalid license, 78% were submitted by Safety. Overall, 48% of the policies submitted to the Ineligible Risk Database in 2021 were submitted by Safety.

Below, we have included an overview of all the risks Safety submitted to the IRD in 2020 and 2021. Safety actively uses the Ineligible Risk Database to submit risks that we cancel, non-renew, or decline. Additionally, we review the IRD on all new business policies to ensure that the risk (or businessowner) has not been submitted to the IRD by Safety or another Servicing Carrier.

| 2020 | | | |
|---|---|---|---|
| **Reason** | **Safety** | **Industry** | **Safety %** |
| Invalid License | 577 | 608 | 95% |
| Other | 8 | 234 | 3% |
| Principle Place of Business not in MA | 26 | 72 | 36% |
| Unverifiable Commercial Entity | 12 | 60 | 20% |
| No License | 24 | 40 | 60% |
| Misrepresentation of Information | 5 | 21 | 24% |
| Failure to Cooperate with SC Invetigation | 11 | 13 | 85% |
| Fraudulent Claim | 4 | 4 | 100% |
| | | | |
| **Total** | **667** | **1,052** | **63%** |

| 2021 | | | |
|---|---|---|---|
| | **Safety** | **Industry** | **Safety %** |
| Owed Premium | 124 | 125 | 99% |
| Other | 0 | 68 | 0% |
| Failure to Provide Documentation | 0 | 58 | 0% |
| Invalid License | 35 | 45 | 78% |
| Principle Place of Business not in MA | 16 | 43 | 37% |
| Misrepresentation of Information | 3 | 14 | 21% |
| Unverifiable Commercial Entity | 2 | 14 | 14% |
| Failure to Cooperate with SC Invetigation | 4 | 13 | 31% |
| No License | 0 | 2 | 0% |
| **Total** | **184** | **382** | **48%** |

| *Reported in 2021* | | | *Reported in 2020* | |
|---|---|---|---|---|
| **Reason** | **Industry** | | **Reason** | **Industry** |
| Owed Premium | 125 | | Invalid License | 608 |
| Other | 68 | | Other | 234 |
| Failiure to provide documention | 58 | | PPoB | 72 |
| Invalid License | 45 | | Unverifiablee Commercial Entity | 60 |
| PPoB | 43 | | No License | 40 |
| Unverifiablee Commercial Entity | 14 | | Mispresentation | 21 |
| Mispresentation | 14 | | Failure to cooperate | 13 |
| Failure to cooperate | 13 | | Fraudulent Claim | 4 |
| No License | 2 | | | |
| | | | | |
| Total | 382 | | Total | 1052 |

b. *Feedback from the Servicing Carrier community in 2021 resulted in an enhancement to the application adding a new reason code, owed premium, to aid in the identification of action reasons and trends. Please comment on whether further opportunities are seen to include additional information in the application that may be helpful to Servicing Carriers in the consistent handling of business submissions.*

Safety had suggested that owed premium be added to the Ineligible Risk Database, and we have found this to be helpful in terms of collecting owed premium for Safety. We also collect owed premium that has been reported to the IRD by other Servicing Carriers. We review the IRD on all new business submissions.

Safety recently suggested to CAR that Servicing Carriers be able to search the IRD by business address. We have discovered fraudulent activity when different risks are using the same business address. We think this feature, if added to the IRD, would help Servicing Carriers to identify potential fraud in the market.

We also suggest that CAR relay to Servicing Carriers how best to use the Ineligible Risk Database, via a bulletin and/or committee discussion. Where owed premium is a new feature in the IRD, awareness amongst the Servicing Carriers would ensure consistent handling of business submissions and the collection of owed premium. Additionally, guidance from CAR regarding the methods of searching the database would ensure consistency amongst the Servicing Carriers (i.e., searching by partial business name, searching separately by businessowner name, and searching by business address, if added to the database).

5. *Several policy processing standards, forms and procedures were developed and implemented to address various issues within the commercial automobile residual market in 2018-2020. These standards and forms included Principal Place of Business, Non-Fleet Private Passenger Type Vehicles, Radius Class and Geographic Class of Truck, Tractors and Trailers and Public Autos, Servicing Carrier and Exclusive Representative Producer Verification of Applicant Driver's Licenses, and a Commercial Supplemental Application.*

*a. Consider and comment on the impact the standards and procedures have had in addressing those issues from a residual market standpoint since their implementation (depopulation, deficit, etc.).*

The Principal Place of Business standards and form have helped to depopulate the residual market and improve the deficit. Additionally, it has had an impact on pricing. The risks that should truly be in the Massachusetts residual market now are and can be priced more accurately, because of the verification of risks' principal place of business, and subsequent cancellations, non-renewals, or declinations.

The Non-Fleet Private Passenger Type Vehicles standards and form have helped to depopulate the residual market and improve the deficit. Servicing Carriers have cancelled, non-renewed, and declined business that are determined to be non-verifiable commercial entities, through the validation of driver's licenses, for example. Verification of Applicant Driver's Licenses has helped to depopulate the market and improve the deficit.

The Radius Class and Geographic Classification of TTT's and Public Autos standards have created consistency amongst servicing carriers in the handling of those classes. Additionally, these standards allow for more accurate pricing, thereby aiding in the reduction of the deficit.

The Commercial Supplemental Application has created consistency amongst the Servicing Carriers. As information is added (or removed) from the application, depopulation of the residual market, improvements to the deficit, and improved pricing can result from those changes.

*b. Consider and comment on marketplace compliance with the standards and procedures since their implementation (producer compliance and responsiveness, etc.).*

- Principal Place of Business Certification Form – Safety's producers have a 90-95% compliance rate for the submission of this form.
- Non-Fleet Private Passenger Type Vehicle Form – Safety's producers have a 75-80% compliance rate for the submission of this form, and a 50-60% compliance rate for the submission of supporting documentation (i.e., General Liability and Workers' Comp documentation). Safety's Underwriters do have to follow up frequently with producers to receive supporting documentation.
- Radius Class and Geographic Classification of TTT's and Public Autos – Producers often have trouble obtaining documentation to validate radius of operations and geographic classifications. As a result, 90% of submissions are defaulted to intermediate class. This is an area where producers may need additional guidance from CAR, or where CAR can be of additional assistance.
- Verification of Applicant's Driver's Licenses – Producers are 90-95% compliant in submitting out-of-state or out-of-country driver's licenses.
- Commercial Supplemental Application - Producers are 85% compliant in submitting Commercial Supplemental Applications.

*c. Consider and comment on any other issues that may have developed or may arise from the implementation of those standards.*

Safety has received feedback from its assigned producers that there are "too many" CAR forms, which slows down the quote and policy issuance process and makes it more difficult for them to do business. Safety suggests consolidating forms and discontinuing or updating forms as the market evolves. For the Servicing Carriers, a lot of time is spent following up with agents to obtain required documentation/forms.

6. *The Taxi/Limo/Car Service Program and the Commercial Servicing Carrier Program were combined for the new term beginning January 1, 2022. Comment on any significant implementation issues or observations with combining the two programs.*

   For Safety, as an existing Taxi/Limousine/Car Service Servicing Carrier, implementation issues arose from the combination of the programs. For example, we had to change the way we kept track of different "types" of agents in our systems (Taxi/Limousine/Car Service vs Commercial Auto) and we had to change the way we reported business to CAR (i.e., we previously had a separate company for Taxi/Limousine/Car Service business). With the reduction in Taxi/Limousine/Car Service business for Safety, this changed our underwriting procedures to some extent (less focus on these types of risks and more focus on Commercial Auto). Agent reassignments (related to the combining of the programs and the new assignment period) have been challenging. We have seen a large increase in rollover business and our newly assigned agents are getting used to working with us, learning our processes and procedures. For producers, we think the combining of the programs was beneficial, in that they now only have one ceded carrier to submit business to/work with.

   Safety recently brought to CAR, for discussion, the issue of underwriting inspections on Taxi/Limousine/Car Service business. A vendor who provided us with underwriting inspections on these risks is no longer offering this service. We provided CAR with a sample inspection, such that CAR could create an inspection form for all the Servicing Carriers to use. We also created our own form, which was shared with CAR staff. We also see this as an opportunity to modernize the rule related to mandatory underwriting inspections, to ensure that the rule is updated to meet the current needs of the market.

7. *Comment on any other successes and/or challenges in 2021 relative to the commercial automobile residual market activities.*

   Aside from the challenges with the combining of the Taxi/Limousine/Car Service program with the Commercial Automobile program, Safety's producers have had challenges with validating risks' radius classes and geographic classifications. We understand that CAR is looking into alternative methods for validating this information and we look forward to continuing discussions related to this issue at CAR committees.

   We have received feedback from producers that the combining of the Taxi/Limousine/Car Service program with the Commercial Automobile program has been beneficial to them. For agents who did not have a Taxi/Limousine/Car Service appointment in the past, this change has created an opportunity for them to write more business. Additionally, producers have noted that it is easier to do business with just one Servicing Carrier, rather than with two carriers.

*8. Servicing Carrier Program Recommendations for 2023 and later:*

*a. Provide input on any market concerns and/or identify any new conditions not currently being addressed by the Commercial Automobile Committee and provide recommendations to focus on these issues.*

As mentioned previously, we feel that some of CAR's required forms could be consolidated and updated, for agent and insured ease of doing business, while still retaining the value of the various forms.

*b. Provide suggestions, recommendations and/or solutions that would further control claims and service costs for 2023 and later.*

As noted previously, we suggest that certain enhancements be made to the Ineligible Risk Database:

- Add business address to the Ineligible Risk Database, as a search field. This will help Servicing Carriers to identify potentially fraudulent business, which would further control claims costs.
- Provide guidance to Servicing Carriers regarding how to best use the IRD. We suggest a bulletin to carriers regarding how to best search the database. We suggest searching separately by business name (partial business name to ensure comprehensive results), by business owner name, and by business address. We have found instances of fraud whereby the business name changes, the business owner has multiple businesses, or the applicant is using the same address on multiple fraudulent policies. Additionally, CAR could provide guidance on how carriers should search the IRD at new business, and what we are responsible for, especially with recent enhancements to the database (i.e., reporting and collecting owed premium and potentially searching the database by business address).

***General Topics to be Addressed by the Servicing Carrier in the Annual Report***

*Servicing Carriers are expected to comment on market conditions and experience both relative to the industry and specific to their company in the handling of commercial automobile residual market business during the 2021 policy year. Comment on the industry and your company's efforts, challenges and successes in handling this business. The charts below provide industry and company data as of December 2021 to assist you in your evaluation and comments. Additional data reports can be found on CAR's website on the Commercial Only – Servicing Carrier Profile Page.*

Safety Insurance Company is experienced in handling residual commercial automobile business for over 40 years. The residual market had seen the deficit increase steadily due to large losses and high-risk exposures (such as operators with invalid licenses, invalid business entities, or ineligible multi-state bus and trucker's risks). Over the past few years, Safety has been working with the CAR Commercial Automobile Committee and the other 3 Servicing Carriers to produce new rules and procedures to address these high-risk exposures that

contributed to the deficit. To address these concerns, the Committee approved the following standardized forms and rules to ensure consistency amongst servicing carriers:

- Principal Place of Business Certification Form ("Nerve Center")
- Non-Fleet Private Passenger Type Certification Form
- Operator Exclusion Form
- Servicing Carrier and Exclusive Representative Producer Standards for the Verification of Applicant Drivers' Licenses
- Radius Class and Geographical Classification of Trucks, Tractors, Trailers and Public Automobiles
- Zone and Zone Combination
- Large Loss Notification Procedures

In 2020 and 2021, Safety has experienced success in addressing the main issues that had been contributing to the deficit. Safety has seen fewer submissions of ineligible multi-state bus risks, fewer submissions of invalid business entities, and fewer submissions of policies with operators with invalid licenses. We continue to conduct SIU underwriting investigations on these risks, as well as take underwriting action as necessary (i.e., through cancellations, non-renewals, requests for Operator Exclusion Forms, etc.).

Safety has experienced a reduction in ceded exposures and improvements in loss ratios, in certain classifications, over the last few years. In the Zone Rated TTT and Zone Rated TTT Fleet classification, Safety wrote 974 exposures in 2019, which reduced by -17.2% to 807 exposures in 2020 (compared to a -7% reduction in the industry). Additionally, Safety experienced a reduction in ceded exposures in the Zone Rated Bus and Zone Rated Bus Fleet classification. In 2019, Safety wrote 389 exposures, which reduced by -74.9% to 98 exposures in 2020 (compared to a -64.1% reduction in the industry). Safety's loss ratio for this classification dropped from 273% in 2019, to 90.6% in 2020, and to 14.6% in 2021 (compared to a 17.7% loss ratio in the industry in 2021). Safety also experienced a reduction in ceded exposures in the Non-Fleet Private Passenger Types classification. In 2019, Safety wrote 3,225 exposures, which reduced by -58.1% to 1,351 exposures in 2020, and further reduced by -18.6% to 1,100 exposures in 2020 (compared to a -40.8% reduction in the industry from 2019-2020 and a -15.7% reduction in the industry from 2020-2021). Safety's loss ratio for this classification dropped from 118.1% in 2019 to 83.2% in 2020. Over all classifications, Safety's loss ratio dropped from 99.8% in 2019 to 63.2% in 2020 and 50.7% in 2021.

While the reductions in exposures and loss ratios between 2019 and 2021 were partially driven by the impacts of the COVID pandemic, Safety has also put into place underwriting procedures that have helped to reduce exposures in the commercial automobile residual market (as has CAR, through its various committees, over the last few years). Safety has ensured that risks meet CAR's Principal Place of Business requirements, underwrites risks accordingly, and refers risks to our SIU department for further investigation. Additionally, Safety non-renewed or cancelled several risks that did not meet CAR's requirements regarding valid drivers' licenses, as well as for not meeting Principal Place of Business requirements. On Non-Fleet Private Passenger Type vehicles, Safety recently implemented a Non-Fleet PPT Tier Factor to improve pricing on these risks. Safety's underwriters also utilize the underwriting tools suggested by CAR to determine if a risk is a legitimate business entity. Whenever the legitimacy of a risk's business operation is questionable, the underwriter requests an SIU underwriting investigation to verify that the risk is a legitimate business entity. If the SIU

underwriting investigation reveals that the risk is not a legitimate business entity, Safety cancels or non-renews the policy.

One of the main challenges Safety faces is obtaining the proper documentation from our ERP agents. Safety's underwriters work diligently to ensure that the agents submit proper documentation, such as the Principal Place of Business Certification Form, the Non-Fleet Private Passenger Type Certification form, and the Operator Exclusion Form. Most agents comply with CAR rules and submit proper documentation, but there are agents who often do not submit the required or proper documentation, which requires frequent follow-up with the agents. We do work with our Marketing/Agent Support departments to address/contact agents who are not in compliance with CAR rules and procedures. As noted previously, we think that combining and updating the various CAR forms might be of benefit to the market.

Safety's Underwriting, Claims, SIU, Marketing/Agent Support departments continue to work closely to address industry concerns. We continue to review individual risks, and our entire book versus the industry, to identify potential underwriting concerns, fraudulent activity, and premium leakage. We hope that our efforts, along with the efforts of CAR's Commercial Automobile Committee (and others) and the efforts of the other Servicing Carriers, will lead to a continued improvement in the commercial automobile residual market.

## *Ceded Written Premium by Vehicle Type for Policy Years 2019-2021*

| Safety | | | | | |
|---|---|---|---|---|---|
| **Class Type Group** | **2019** | **2020** | **20/19 % Chg** | **2021** | **21/20 % Chg** |
| Regular TTT and Regular TTT - Fleet | 27,017 | 20,328 | -24.8% | 20,497 | 0.8% |
| Zone Rated TTT and Zone Rated TTT - Fleet | 4,913 | 4,707 | -4.2% | 5,351 | 13.7% |
| Commercial Buses and Commercial Buses - Fleet | 2,974 | 1,938 | -34.8% | 2,510 | 29.5% |
| Zone Rated Buses and Zone Rated Buses - Fleet | 4,561 | 1,210 | -73.5% | 2,272 | 87.7% |
| PPT Buses and PPT Buses - Fleet | 3,725 | 2,004 | -46.2% | 2,052 | 2.4% |
| Garages Subject to Compulsory Law | 3,229 | 2,934 | -9.1% | 3,083 | 5.1% |
| Garages - Premises and Garages Not Subject to Compulsory Law | 19 | 15 | -25.4% | 15 | 6.0% |
| Van Pools | 361 | 200 | -44.6% | 159 | -20.4% |
| Private Passenger Types - Non Fleet | 6,082 | 2,799 | -54.0% | 2,360 | -15.7% |
| Private Passenger Types - Fleet | 1,267 | 800 | -36.9% | 854 | 6.8% |
| Special Types and Motorcycles | 1,697 | 1,401 | -17.4% | 1,435 | 2.4% |
| Non-Owned, Special Rating and Gross Receipts and Mileage | 728 | 668 | -8.3% | 683 | 2.4% |
| Total | 56,574 | 39,004 | -31.1% | 41,272 | 5.8% |

| Industry | | | | | |
|---|---|---|---|---|---|
| **Class Type Group** | **2019** | **2020** | **20/19 % Chg** | **2021** | **21/20 % Chg** |
| Regular TTT and Regular TTT - Fleet | 81,003 | 78,288 | -3.4% | 87,201 | 11.4% |
| Zone Rated TTT and Zone Rated TTT - Fleet | 20,489 | 22,009 | 7.4% | 23,466 | 6.6% |
| Commercial Buses and Commercial Buses - Fleet | 16,246 | 14,617 | -10.0% | 15,026 | 2.8% |
| Zone Rated Buses and Zone Rated Buses - Fleet | 8,265 | 2,780 | -66.4% | 4,031 | 45.0% |
| PPT Buses and PPT Buses - Fleet | 17,803 | 16,436 | -7.7% | 17,483 | 6.4% |
| Garages Subject to Compulsory Law | 11,113 | 11,132 | 0.2% | 11,940 | 7.3% |
| Garages - Premises and Garages Not Subject to Compulsory Law | 66 | 61 | -8.2% | 60 | -0.5% |
| Van Pools | 755 | 703 | -7.0% | 683 | -2.8% |
| Private Passenger Types - Non Fleet | 12,707 | 8,543 | -32.8% | 7,445 | -12.8% |
| Private Passenger Types - Fleet | 4,365 | 3,624 | -17.0% | 3,682 | 1.6% |
| Special Types and Motorcycles | 7,035 | 7,000 | -0.5% | 7,328 | 4.7% |
| Non-Owned, Special Rating and Gross Receipts and Mileage | 3,103 | 3,072 | -1.0% | 3,347 | 9.0% |
| Total | 182,952 | 168,265 | -8.0% | 181,693 | 8.0% |

Written premium (000) based on statistically reported data for all coverages combined.

## *Ceded PDL Exposures by Vehicle Type for Policy Years 2019-2021*

| Safety | | | | | |
|---|---|---|---|---|---|
| **Class Type Group** | **2019** | **2020** | **20/19** | **2021** | **21/20 % Chg** |
| Regular TTT and Regular TTT - Fleet | 7,374 | 5,016 | -32.0% | 4,714 | -6.0% |
| Zone Rated TTT and Zone Rated TTT - Fleet | 974 | 807 | -17.2% | 835 | 3.5% |
| Commercial Buses and Commercial Buses - Fleet | 516 | 292 | -43.5% | 348 | 19.3% |
| Zone Rated Buses and Zone Rated Buses - Fleet | 389 | 98 | -74.9% | 114 | 17.2% |
| PPT Buses and PPT Buses - Fleet | 833 | 458 | -44.9% | 452 | -1.5% |
| Garages Subject to Compulsory Law | 887 | 791 | -10.9% | 820 | 3.7% |
| Van Pools | 73 | 41 | -43.6% | 32 | -21.8% |
| Private Passenger Types - Non Fleet | 3,225 | 1,351 | -58.1% | 1,100 | -18.6% |
| Private Passenger Types - Fleet | 373 | 210 | -43.8% | 219 | 4.3% |
| Special Types and Motorcycles | 398 | 319 | -19.7% | 315 | -1.2% |
| Total | 15,041 | 9,383 | -37.6% | 8,949 | -4.6% |

| Industry | | | | | |
|---|---|---|---|---|---|
| **Class Type Group** | **2019** | **2020** | **20/19** | **2021** | **21/20 % Chg** |
| Regular TTT and Regular TTT - Fleet | 20,991 | 18,607 | -11.4% | 19,231 | 3.4% |
| Zone Rated TTT and Zone Rated TTT - Fleet | 4,012 | 3,729 | -7.0% | 3,424 | -8.2% |
| Commercial Buses and Commercial Buses - Fleet | 3,564 | 3,606 | 1.2% | 2,459 | -31.8% |
| Zone Rated Buses and Zone Rated Buses - Fleet | 746 | 268 | -64.1% | 262.08 | -2.2% |
| PPT Buses and PPT Buses - Fleet | 4,493 | 4,809 | 7.0% | 3,705 | -22.9% |
| Garages Subject to Compulsory Law | 3,358 | 3,255 | -3.0% | 3,299 | 1.3% |
| Van Pools | 153.5 | 134.92 | -12.1% | 130.25 | -3.5% |
| Private Passenger Types - Non Fleet | 6,576 | 3,894 | -40.8% | 3,283 | -15.7% |
| Private Passenger Types - Fleet | 1,218 | 952 | -21.8% | 951 | -0.1% |
| Special Types and Motorcycles | 1,779 | 1,713 | -3.7% | 1,666 | -2.7% |
| Total | 46,889 | 40,967 | -12.6% | 38,412 | -6.2% |

Note: Excludes Garge Premise, Not Subject to Compulsary Law, Non-Owned, Special Rating and Gross Receipts that do not report exposures on a car year basis.

## *Ceded Loss Ratio by Vehicle Type for Policy Years 2019-2021*

| Safety | | | |
|---|---|---|---|
| **Class Type Group** | **2019** | **2020** | **2021** |
| Regular TTT and Regular TTT - Fleet | 82.60% | 49.50% | 51.70% |
| Zone Rated TTT and Zone Rated TTT - Fleet | 124.40% | 95.10% | 43.70% |
| Commercial Buses and Commercial Buses - Fleet | 62.30% | 50.40% | 20.10% |
| Zone Rated Buses and Zone Rated Buses - Fleet | 273.00% | 90.60% | 14.60% |
| PPT Buses and PPT Buses - Fleet | 55.80% | 33.40% | 49.00% |
| Garages Subject to Compulsory Law | 73.50% | 121.70% | 78.00% |
| Garages - Premises and Garages Not Subject to Compulsory Law | 30.00% | 0.00% | 0.00% |
| Van Pools | 21.30% | 27.10% | 6.60% |
| Private Passenger Types - Non Fleet | 118.10% | 83.20% | 101.80% |
| Private Passenger Types - Fleet | 34.20% | 32.80% | 45.00% |
| Special Types and Motorcycles | 56.70% | 57.50% | 47.30% |
| Non-Owned, Special Rating and Gross Receipts and Mileage | 86.70% | 52.60% | 28.30% |
| Total | 99.80% | 63.20% | 50.70% |

| Industry | | | |
|---|---|---|---|
| **Class Type Group** | **2019** | **2020** | **2021** |
| Regular TTT and Regular TTT - Fleet | 65.61% | 46.34% | 37.94% |
| Zone Rated TTT and Zone Rated TTT - Fleet | 75.64% | 71.38% | 38.49% |
| Commercial Buses and Commercial Buses - Fleet | 26.17% | 29.15% | 18.63% |
| Zone Rated Buses and Zone Rated Buses - Fleet | 158.97% | 43.97% | 17.70% |
| PPT Buses and PPT Buses - Fleet | 61.80% | 39.94% | 32.60% |
| Garages Subject to Compulsory Law | 64.73% | 67.70% | 43.79% |
| Garages - Premises and Garages Not Subject to Compulsory Law | 8.82% | 0.00% | 0.00% |
| Van Pools | 33.36% | 19.09% | 63.35% |
| Private Passenger Types - Non Fleet | 99.82% | 90.05% | 71.37% |
| Private Passenger Types - Fleet | 27.07% | 50.76% | 39.54% |
| Special Types and Motorcycles | 35.66% | 38.92% | 23.04% |
| Non-Owned, Special Rating and Gross Receipts and Mileage | 108.25% | 85.95% | 16.67% |
| Total | 67.90% | 51.47% | 36.34% |

Loss Ratio = (Incurred Losses including ALAE) / (Earned Premium). This data reflects statistically reported data only, with no premium or loss development / IBNR.

## *Ceded Exposures by Class Type Group and Liability Limit for Policy Year 2021*

| Industry | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **CSL** | **TTT** | **ZR TTT** | **AO Buses** | **ZR Buses** | **PPT Buses** | **Van Pools** | **Garages** | **PPT NF** | **PP Fleet** | **Special Types** |
| 45,000 | 31 | 0 | 8 | 0 | 11 | 0 | 7 | 0 | 0 | 0 |
| 50,000 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 75,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 100,000 | 49 | 0 | 3 | 0 | 2 | 0 | 14 | 1 | 2 | 4 |
| 150,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 200,000 | 25 | 0 | 0 | 0 | 0 | 0 | 5 | 1 | 1 | 0 |
| 250,000 | 17 | 0 | 0 | 0 | 0 | 0 | 3 | 1 | 2 | 0 |
| 300,000 | 79 | 0 | 3 | 0 | 24 | 7 | 13 | 34 | 6 | 5 |
| 400,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 500,000 | 318 | 3 | 46 | 0 | 248 | 9 | 67 | 59 | 29 | 40 |
| 750,000 | 155 | 3 | 0 | 0 | 0 | 0 | 35 | 3 | 5 | 5 |
| 1,000,000 | 12,564 | 3,358 | 960 | 0 | 1,638 | 65 | 1,917 | 1,082 | 611 | 1,089 |
| 1,500,000 | 5 | 0 | 170 | 24 | 274 | 0 | 0 | 0 | 2 | 0 |
| 3,000,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5,000,000 | 270 | 46 | 870 | 242 | 26 | 0 | 1 | 0 | 1 | 1 |
| 7,500,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| All Other | 1 | 0 | 7 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| Total | 13,516 | 3,409 | 2,059 | 266 | 2,223 | 81 | 2,062 | 1,181 | 659 | 1,145 |
| | | | | | | | | | | |
| **BI Single Limit** | **TTT** | **ZR TTT** | **AO Buses** | **ZR Buses** | **PPT Buses** | **Van Pools** | **Garages** | **PPT NF** | **PP Fleet** | **Special Types** |
| 20/40 | 19 | 0 | 2 | 0 | 0 | 0 | 2 | 3 | 0 | 3 |
| 20/40 w/optional BI | 971 | 9 | 85 | 1 | 207 | 2 | 281 | 319 | 70 | 205 |
| 20/50 | 92 | 0 | 1 | 0 | 2 | 1 | 7 | 162 | 3 | 3 |
| 25/60 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 0 |
| 25/50 | 457 | 0 | 12 | 0 | 10 | 4 | 34 | 179 | 12 | 9 |
| 30/70 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 35/80 | 202 | 0 | 0 | 0 | 0 | 0 | 9 | 66 | 15 | 6 |
| 50/100 | 966 | 0 | 23 | 0 | 95 | 5 | 183 | 271 | 49 | 57 |
| 100/300 | 2,151 | 9 | 164 | 0 | 208 | 17 | 513 | 722 | 88 | 203 |
| 250/500 | 583 | 0 | 73 | 1 | 776 | 19 | 145 | 310 | 43 | 80 |
| 500/500 | 57 | 0 | 12 | 0 | 47 | 0 | 22 | 21 | 0 | 6 |
| 500/1000 | 37 | 0 | 8 | 0 | 81 | 0 | 17 | 12 | 5 | 13 |
| 1000/1000 | 82 | 0 | 13 | 0 | 54 | 1 | 7 | 24 | 1 | 36 |
| All Other | 40 | 0 | 0 | 0 | 0 | 1 | 16 | 7 | 2 | 5 |
| No BI | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 5,664 | 19 | 393 | 2 | 1,481 | 49 | 1,237 | 2,096 | 289 | 625 |
| | | | | | | | | | | |
| **PDL Single Limit** | **TTT** | **ZR TTT** | **AO Buses** | **ZR Buses** | **PPT Buses** | **Van Pools** | **Garages** | **PPT NF** | **PP Fleet** | **Special Types** |
| 5,000 | 86 | 1 | 48 | 1 | 160 | 1 | 47 | 13 | 8 | 79 |
| 10,000 | 4 | 0 | 1 | 0 | 0 | 0 | 5 | 3 | 0 | 20 |
| 15,000 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 0 | 0 |
| 25,000 | 4 | 0 | 2 | 0 | 26 | 0 | 12 | 2 | 0 | 19 |
| 35,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| 50,000 | 98 | 0 | 14 | 0 | 46 | 0 | 50 | 62 | 19 | 17 |
| 100,000 | 4,442 | 17 | 234 | 0 | 1,082 | 39 | 911 | 1,710 | 235 | 320 |
| 250,000 | 820 | 0 | 75 | 1 | 142 | 9 | 154 | 255 | 24 | 102 |
| 500,000 | 97 | 0 | 9 | 0 | 16 | 1 | 29 | 21 | 1 | 18 |
| 750,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 |
| 1,000,000 | 2 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 0 |
| All Other | 105 | 0 | 10 | 0 | 10 | 0 | 29 | 23 | 2 | 12 |
| PDL Deductible | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 5,659 | 19 | 394 | 2 | 1,481 | 49 | 1,237 | 2,094 | 289 | 586 |

*Garage Premises, Non-Owned, Special Rating and Gross Receipts and Mileage are excluded

## *Ceded Exposures Distribution by Class Type Group and Liability Limit for Policy Year 2021*

| Industry | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| CSL | TTT | ZR TTT | AO Buses | ZR Buses | PPT Buses | Van Pools | Garages | PPT NF | PP Fleet | Special Types |
| 45,000 | 0.23% | 0.00% | 0.38% | 0.00% | 0.49% | 0.00% | 0.34% | 0.01% | 0.00% | 0.04% |
| 50,000 | 0.02% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 75,000 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 100,000 | 0.36% | 0.00% | 0.13% | 0.00% | 0.07% | 0.00% | 0.68% | 0.12% | 0.30% | 0.39% |
| 150,000 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 200,000 | 0.19% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.24% | 0.08% | 0.15% | 0.00% |
| 250,000 | 0.12% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.15% | 0.08% | 0.30% | 0.00% |
| 300,000 | 0.59% | 0.00% | 0.14% | 0.00% | 1.07% | 9.07% | 0.65% | 2.84% | 0.87% | 0.44% |
| 400,000 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 500,000 | 2.35% | 0.09% | 2.23% | 0.00% | 11.18% | 11.13% | 3.25% | 4.98% | 4.41% | 3.52% |
| 750,000 | 1.14% | 0.08% | 0.00% | 0.00% | 0.00% | 0.00% | 1.67% | 0.23% | 0.78% | 0.40% |
| 1,000,000 | 92.96% | 98.50% | 46.63% | 0.00% | 73.69% | 79.79% | 92.98% | 91.64% | 92.72% | 95.13% |
| 1,500,000 | 0.04% | 0.00% | 8.24% | 8.93% | 12.31% | 0.00% | 0.00% | 0.00% | 0.30% | 0.00% |
| 3,000,000 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 5,000,000 | 2.00% | 1.33% | 42.25% | 91.07% | 1.18% | 0.00% | 0.05% | 0.00% | 0.15% | 0.09% |
| 7,500,000 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | | | | | | | | | |
| BI Single Limit | TTT | ZR TTT | AO Buses | ZR Buses | PPT Buses | Van Pools | Garages | PPT NF | PP Fleet | Special Types |
| 20/40 | 0.33% | 0.00% | 0.44% | 0.00% | 0.00% | 0.00% | 0.16% | 0.15% | 0.00% | 0.48% |
| 20/40 w/optional BI | 17.14% | 51.35% | 21.71% | 50.00% | 13.97% | 3.54% | 22.72% | 15.21% | 24.32% | 32.80% |
| 20/50 | 1.62% | 0.00% | 0.30% | 0.00% | 0.15% | 2.02% | 0.57% | 7.72% | 1.04% | 0.45% |
| 25/60 | 0.00% | 0.00% | 0.25% | 0.00% | 0.00% | 0.00% | 0.00% | 0.05% | 0.00% | 0.00% |
| 25/50 | 8.08% | 0.00% | 2.96% | 0.00% | 0.69% | 8.09% | 2.76% | 8.51% | 4.27% | 1.37% |
| 30/70 | 0.12% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 35/80 | 3.57% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.72% | 3.15% | 5.08% | 1.00% |
| 50/100 | 17.06% | 0.00% | 5.76% | 0.00% | 6.40% | 10.29% | 14.82% | 12.93% | 16.85% | 9.09% |
| 100/300 | 37.98% | 48.65% | 41.68% | 0.00% | 14.08% | 33.73% | 41.49% | 34.45% | 30.50% | 32.39% |
| 250/500 | 10.29% | 0.00% | 18.59% | 50.00% | 52.43% | 37.77% | 11.73% | 14.80% | 15.06% | 12.80% |
| 500/500 | 1.01% | 0.00% | 2.96% | 0.00% | 3.17% | 0.00% | 1.79% | 1.02% | 0.00% | 0.99% |
| 500/1000 | 0.65% | 0.00% | 2.03% | 0.00% | 5.46% | 0.00% | 1.37% | 0.56% | 1.73% | 2.08% |
| 1000/1000 | 1.44% | 0.00% | 3.30% | 0.00% | 3.66% | 2.53% | 0.57% | 1.12% | 0.46% | 5.79% |
| All Other | 0.70% | 0.00% | 0.00% | 0.00% | 0.00% | 2.02% | 1.29% | 0.34% | 0.69% | 0.76% |
| No BI | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | | | | | | | | | |
| PDL Single Limit | TTT | ZR TTT | AO Buses | ZR Buses | PPT Buses | Van Pools | Garages | PPT NF | PP Fleet | Special Types |
| 5,000 | 1.53% | 7.66% | 12.24% | 50.00% | 10.79% | 1.52% | 3.79% | 0.62% | 2.60% | 13.48% |
| 10,000 | 0.07% | 0.00% | 0.25% | 0.00% | 0.00% | 0.00% | 0.43% | 0.14% | 0.00% | 3.37% |
| 15,000 | 0.02% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.13% | 0.00% | 0.00% |
| 25,000 | 0.07% | 0.00% | 0.44% | 0.00% | 1.79% | 0.00% | 0.97% | 0.08% | 0.00% | 3.23% |
| 35,000 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.17% |
| 50,000 | 1.73% | 0.00% | 3.68% | 0.00% | 3.08% | 0.00% | 4.03% | 2.97% | 6.61% | 2.86% |
| 100,000 | 78.50% | 92.34% | 59.40% | 0.00% | 73.08% | 78.08% | 73.61% | 81.69% | 81.28% | 54.49% |
| 250000 | 14.48% | 0.00% | 19.10% | 50.00% | 9.55% | 18.38% | 12.41% | 12.18% | 8.34% | 17.33% |
| 500000 | 1.72% | 0.00% | 2.35% | 0.00% | 1.05% | 2.02% | 2.32% | 1.01% | 0.38% | 3.03% |
| 750,000 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.05% | 0.00% | 0.00% |
| 1,000,000 | 0.04% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.08% | 0.05% | 0.00% | 0.00% |
| All Other | 1.86% | 0.00% | 2.52% | 0.00% | 0.67% | 0.00% | 2.35% | 1.08% | 0.81% | 2.05% |
| PDL Deductible | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

*Garage Premises, Non-Owned, Special Rating and Gross Receipts and Mileage are excluded

***Completed Annual Report responses for 2021 will be due to CAR by Friday, May 13, 2022. In June of 2022, the Commercial Program Oversight Committee will hold a meeting to discuss its review of the reports. Servicing Carriers are expected to be present at that meeting to respond to any questions from Committee members.***

***2021 Annual Report Schedule***

| | |
|---|---|
| ***April 1-15, 2022*** | ***CAR data and cover document sent to Servicing Carriers*** |
| ***May 13, 2022*** | ***Servicing Carrier Annual Reports due to CAR*** |
| ***June 2022*** | ***Oversight Committee Review of Annual Reports*** |