



NATALIE A. HUBLEY
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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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, MARCH 12, 2025, 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.

Ms. Jean Houghton
Ms. Nicole Martorana
Ms. Sharon Murphy
Mr. Henry Risman
Ms. Meredith Woodcock

Norfolk and Dedham Group
FBInsure, LLC
Acadia Insurance Company
Risman Insurance Agency, Inc.
Liberty Mutual Insurance Companies

AGENDA

CPOC

24.01 Records of Previous Meeting

The Records of the Commercial Program Oversight Committee meeting of November 8, 2024 should be read and approved.

CPOC

25.03 CAR Conflict of Interest Policy

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

CPOC

25.04 2024 Servicing Carrier Annual Report Review

The Commercial Servicing Carrier Annual Reports are intended to provide Servicing Carriers a framework to report annually to CAR its efforts in managing the commercial automobile residual market. A draft of the 2024 Servicing Carrier Annual Report template is included for the Committee's review and recommendations prior to distribution to the four Servicing Carriers. (Docket #CPOC25.04, Exhibit #1)

CPOC

25.05 Compensation Schedule for the Forms Implementation Project

At the November 8, 2024 meeting of the Commercial Program Oversight Committee, the Committee unanimously voted to offer each carrier \$475,000 in compensation for the new forms implementation project with the payment made prior to January 1, 2027. The specific payment schedule and process was to be determined since each proposer requested a slightly different compensation schedule. Staff will present its recommendation regarding reimbursement to the Committee for its discussion. (Docket #CPOC25.05, Exhibit #1)

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
February 26, 2025



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Commercial Servicing Carrier Annual Report 2024 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 should provide a self-assessment of their performance in addressing key issues identified each year.

B. 2024 Annual Report Schedule

Completed Annual Report responses for 2024 will be due to CAR by May 12, 2025. In June 2025, 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.

April 1-14, 2025	CAR data and cover document sent to Servicing Carriers
May 12, 2025	Servicing Carrier Annual Reports due to CAR
June, 2025	Oversight Committee Review of Annual Reports

C. Specific Areas for Servicing Carrier Comment

1. Has your company experienced any significant changes in overall staffing or key personnel assigned to service the CAR program? If so,
 - a. How have you mitigated the impacts to servicing residual market business?
 - b. Changes in staffing levels and key personnel can be disruptive to the residual market. How were such changes conveyed to CAR, its committees, and assigned producers? If there were any problems with the transition or communications, what improvements can be implemented in the future.
2. Has your company implemented any significant system changes in the past year and, if so, did you experience any problems that impacted your ability to service or report residual market business?
3. During prior committee discussions, it has been indicated that it can be difficult to obtain information to validate the percentage of operations derived from vehicle sharing versus other forms of public transportation as an insured may be operating under a social service contract, a school bus contract, and operating as a car service simultaneously. Do you have any suggestions on how to improve the process in order to create consistency among the carriers.

4. Comment on any impact or issues relating to the use of the inspection form developed for Taxi, Limousine and Car Service business.
5. In the spring of 2024, the process of determining radius and geographic classification was clarified to perform two separate calculations in order to determine the highest premium as an incentive for risks to provide credible documentation. Similarly, a clarification to the underwriting evaluation of public buses when credible documentation was lacking was implemented in the summer. Did these changes bring about the intended result?
6. Please comment on the underwriting procedures your company employs in communicating underwriting classification and eligibility decisions of a risk. Are producers assigned to a specific underwriter such that there is an opportunity to develop an effective working relationship?
7. Observations from the carriers in the 2022 Annual Report noted issues with inflation, the supply chain, labor, and technological advancements such as driver assist systems as factors putting pressure on costs within the industry. Comment on the development of these issues since the last annual report and provide any new insights to mitigate those expenses with respect to the Massachusetts commercial automobile residual market.
8. It is our understanding that Servicing Carriers have begun the effort to transition to the new commercial policy forms and endorsements. Please provide an update as to how that effort is progressing and if you have experienced any unexpected issues.
9. While the effective date of the re-assignment of ERP books does not occur until March 2025, Servicing Carriers began the process of contracting and providing information to the producers in late 2024. Please provide feedback on successes or challenges related to this process.
10. CAR understands that the re-assignment process can be disruptive for the residual market in general. Please provide any suggestions to mitigate this disruption or to improve this process.
11. Comment on any other successes and/or challenges in 2024 relative to the commercial automobile residual market activities.
12. Servicing Carrier Program Recommendations for 2025:
 - a. Identify any market concerns, red flags, opportunities, or conditions not currently being addressed by the commercial automobile residual market. Provide suggested recommendations for addressing these issues.
 - b. Provide suggestions, recommendations and/or solutions that would further control claims and service costs for 2025 and later.
13. As outlined in the RFP, Servicing Carriers are requested to provide CAR with annual expense data containing the same information and detail level that your company provided in its proposal for the RFP (Exhibit 5.1.1).

In Sections A, B, C and D, separately identify total policy year 2022 company expenses for servicing ceded business by ULAE expenses, Underwriting/Technical Services expenses, Loss Control Services expenses, and Company/General expenses. As discussed by CPOC in evaluating the 2021 proposals, Servicing Carriers should report only expenses specifically incurred in relation to servicing ceded business and should not include enhancements implemented to improve their total market operations.

Summary of PY 2024 Expenses

A. ULAE Expenses

Expenses

Claims Management Services Loaded Annual Staffing Costs	
Overhead/Traveling Expenses*	
*All salaries, including ULAE-related salaries, should be reported in the salary supplement.	
Special Investigations (concerning the facts of the loss)	
Adjusters Fees	
Motor Vehicle Appraisal Fees	
Fees for retrieval of pre-inspection reports	
Other	
Total	

B. Underwriting/Technical Services Expenses

Expenses

Underwriting/Technical Services Loaded Annual Staffing Costs	
Agency Education and Training	
General Processing Expenses	
Other	
Total	

C. Company/General Expenses

Expenses

Other Loaded Annual Staffing Costs	
Administrative/Account Management Services	
Management Information System Services	
All Other Services	
Rent and Rent Items	
Office Equipment & Supplies	
Professional Services (Auditors, Actuarial, Legal, etc.)	
Taxes, Licenses, & Fees	
Other	
Total	

D. Calculation of Total Expenses

Expenses

Section A. Total: ULAE Expenses	
Section B. Total: Underwriting/Technical Services Expenses	
Section C. Total: Loss Control Services Expenses	
Section D. Total: Company/General Expenses	
TOTAL: (A+B+C+D)	

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

1. Servicing Carriers will be expected to comment on market conditions and experience both relative to the residual market and specific to their company in the handling of commercial automobile residual market business during the 2024 policy year.
2. Residual Market Trends by Class Type Group (Policy Year 2024 vs. Policy Year 2023)

The chart below identifies PDL exposure data as of December, 2024. During 2024, the residual market experienced a 13% increase over 2023 with greater increases for certain vehicle types. However, TTT, Public Transportation, PPT Fleet, and Car Service classes have increased more substantially. Comment on this trend in the market, including contributing factors for this increase. Suggest potential areas for program enhancements to encourage reduction in the size of the residual market.

Class Type Group	2023	2024	24/23 Exp Difference	24/23 % Difference
Regular TTT and Regular TTT - Fleet	19,012	21,996	2,984	16%
Zone Rated TTT and Zone Rated TTT - Fleet	2,868	2,869	1	0%
Commercial Buses and Commercial Buses - Fleet	3,178	3,585	407	13%
Zone Rated Buses and Zone Rated Buses - Fleet	257	279	22	9%
Public Transportation and Public Transportation - Fleet	6,001	7,026	1,025	17%
Garages - Premises and Garages Not Subject to Compulsory Law *	0	0	0	
Garages Subject to Compulsory Law	3,435	3,627	192	6%
Van Pools	140	152	12	9%
Private Passenger Types - Non Fleet	2,693	2,826	133	5%
Private Passenger Types – Fleet	1,340	1,581	241	18%
Special Types and Motorcycles	1,895	2,108	213	11%
Non-Owned, Special Rating and Gross Receipts and Mileage*	0	0	0	
Taxis and Taxis – Fleet	171	257	86	50%
Limos and Car Service, including Fleet	148	160	12	8%
Car Service and Car Service – Fleet	534	729	195	37%
Total	41,673	47,195	5,523	13%

*Denotes excluded class type groups that do not report exposures on a CAR year basis.

Commonwealth Automobile Reinsurers
Commercial Program Oversight Committee
Servicing Carrier Compensation – January 1, 2027 Forms Update

Introduction:

At its November 19, 2024 meeting, the Governing Committee approved the recommendation of the Commercial Program Oversight Committee to compensate each Servicing Carrier \$475,000 for costs associated with upgrading the commercial policy coverage forms and endorsements to their current versions, with a payment schedule to be determined taking into account the four Servicing Carrier proposals.

Servicing Carrier Proposals:

Proposers for Servicing Carrier appointments for the January 1, 2027 term were asked to indicate their preferred compensation schedule. Each proposal was somewhat unique as follows:

Carrier A: upon implementation of the forms project
Carrier B: prior to January 1, 2027
Carrier C: by July 1, 2025
Carrier D: 45% in 2025/55% in 2026

Recommended Payment Schedule:

Although each Servicing Carrier indicates a different preferred payment schedule, all request compensation either during or immediately following the two-year implementation project. To accommodate the noted preferences, staff recommends two payments to each Servicing Carrier, processed as a miscellaneous expense through the Settlement of Balances as follows:

March 2025 Quarter Settlement of Balances
Cashflow date: mid-late June 2025
First 50% payment or \$237,500 to each Servicing Carrier
Total miscellaneous expense in FY2025: \$950,000

March 2026 Quarter Settlement of Balances
Cashflow date: mid-late June 2026
First 50% payment or \$237,500 to each Servicing Carrier
Total miscellaneous expense in FY2026: \$950,000

Miscellaneous Expense Processing:

Processing the expense to CAR as a miscellaneous expense over two years ensures that:

- Timing of payments to Servicing Carriers is consistent with expenses incurred
- Spreads the total cost to CAR members of \$1.9M over two years
- Miscellaneous expense is not reflected in CAR's underwriting results deficit
- Sharing among member companies based on commercial administrative expense participation ratios, which are materially the same as commercial underwriting results participation
- Miscellaneous expenses are not included in rating