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

MONDAY, AUGUST 24, 2026, AT 11:00 A.M.

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

MEMBERS OF THE COMMITTEE

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

Mr. Matthew Chesson	The Hanover Insurance Company
Ms. Jean Houghton	Norfolk and Dedham Group
Ms. Nicole Martorana	Patriot Growth Insurance Services, LLC
Ms. Sharon Murphy	Acadia Insurance Company
Mr. Henry Risman	Risman Insurance Agency, Inc.

AGENDA

CPOC
26.01 Records of Previous Meeting

The Records of the Commercial Program Oversight Committee meeting of May 22, 2026 should be read and approved.

CPOC
26.03 CAR Conflict of Interest Policy

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

CPOC
26.04 2025 Servicing Carrier Annual Report Review

The Commercial Servicing Carrier Annual Reports provide Servicing Carriers with a framework to describe annually their efforts in managing the commercial automobile residual market to CAR. At the meeting, the Committee should be prepared to review and discuss the 2025 Annual Reports submitted by the four Servicing Carriers. The Servicing Carrier submissions and summary documents prepared by CAR staff are attached.

- 2025 Servicing Carrier Annual Report Summary and Recommendations (Docket #CPOC26.04, Exhibit #2)
- 2025 Annual Report – Arbella (Docket #CPOC26.04, Exhibit #3)
- 2025 Annual Report – MAPFRE (Docket #CPOC26.04, Exhibit #4)
- 2025 Annual Report – Pilgrim (Docket #CPOC26.04, Exhibit #5)
- 2025 Annual Report – Safety (Docket #CPOC26.04, Exhibit #6)

CPOC
26.05 Distribution of Ceded Books of Business

In accordance with the schedule published in CAR's Request for Proposal (RFP) for Servicing Carrier five-year appointment terms beginning with policies effective January 1, 2027, CAR will realign the ceded books of business among the Servicing Carriers and will notify carriers and impacted producers of reappointments by September 1, 2026. The attached exhibit identifies the volume of business to be reassigned as well as the resulting expected distribution of the commercial ceded books of business (Docket #CPOC26.05, Exhibit #1). Specifically, the exhibit reflects:

- The current distribution as of May 2026,
- The expected distribution after reassignments due to mergers and acquisition activity, and
- The expected distribution after final alignment among the carriers.
- An outline of the transition procedures, including additional suggestions for consideration, is also attached (Docket #CPOC26.05, Exhibit #2).

CAR staff will discuss the impact of the redistribution and the recommended changes to the transition procedures, and will advise the committee with respect to a potential future merger of two of the four Servicing Carriers.

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
August 13, 2026

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Commercial Servicing Carrier Annual Report
2025 Review – CPOC August 24, 2026
Topics Recommended for Committee Action

Introduction

Servicing Carriers offered a wide range of constructive observations in their 2025 Annual Report submissions to facilitate discussion of program enhancements that strengthen consistency and communications. Staff has accumulated the responses in the attached summary and recommends next steps as noted below.

ERP Reassignment Process:

- To ease producer disruption, Servicing Carriers recommend changes to the reassignment transition procedures. Staff suggests that the Committee discuss whether some changes are advised for the upcoming redistribution associated with the appointment term beginning January 1, 2027, and whether others warrant further discussion. Staff will introduce these topics under the Redistribution agenda item:
  - Staff confirmation of contact information for reassigned producers
  - Staff provide listings of expiring policies of reassigned producers to the producer and the successor carrier
  - Adopt carrier-to-carrier information transfer procedures to reduce need for producers to re-submit applications and supporting documentation
  - Provide additional detail in the notice to reassigned producers and include a schedule of events and description of the transition procedures
  - Ensure consistency among Servicing Carriers in documentation requirements for reassigned producers
- To minimize the need to realign ceded books of business during the Servicing Carrier appointment term, a second carrier recommended increasing the tolerance for variance among the carriers. Staff recommends the Ad Hoc Producer Reassignment Committee continue its deliberations in this regard.

Enhance Consistent Procedures among Servicing Carriers:

Staff recommends the following topics be referred to the Commercial Automobile Committee and prioritized among its ongoing list of issues to be addressed.

- Underwriting/Classification:
  - Review classification procedures to ensure consistency among carriers
    - Public autos
    - Golf mobiles and low-speed vehicles
    - Rental bus operations and short term rentals transporting more than 8 passengers
    - Trailer interchange and truckers' endorsements
    - Personal use trucks registered to a business
    - Towing and auto-hauling operations, consider additional secondary class
  - Consider assigning Boston as the default territory when truckers' risks list out of state operators without evidence of MA residence.

- Residual Market Eligibility:
  - Light and medium trucks GVW from 10,000 to 16,000 denied voluntary private passenger coverage
  - Electric vehicles
  - Kei vehicles (federal law mandating 25 years or older to be imported to U.S.)
  - Vehicle sharing platforms

- Forms:
  - Consider combining the Public Auto Addendum and the Taxi/Limousine/Car Service Application

Experience Rating Plan:

Servicing Carriers have noted that certain experience rating components should be evaluated for potential amendments to the plan. Staff will review the following topics with AIB and develop a recommendation for appropriate next steps:

- Minimum statutory limits
- Spouse as named insured, with multiple entities owned by spouses and operating from a common location
- Affiliated risks and voluntary experience
- Multiple classifications written on one policy

Longer-Term Platform Enhancements:

Staff recommends that the following topics be evaluated as CAR resources allow:

- Develop an information sharing process for certain classes commonly seeking coverage with another carrier and presenting different underwriting facts
- CAR training of Servicing Carrier employees
- Dedicated website location for ERP information regarding the commercial program highlights, changes, key schedules

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Commercial Servicing Carrier Annual Report
2025 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. 2025 Annual Report Schedule

Completed Annual Report responses for 2025 will be due to CAR by July 11, 2026. In August 2026, 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**.**

June 1-14, 2026	**CAR data and cover document sent to Servicing Carriers**
July 11, 2026	**Servicing Carrier Annual Reports due to CAR**
August, 2026	**Oversight Committee Review of Annual Reports**

C. Specific Areas for Servicing Carrier Comment

1. Please provide an update regarding the process of implementing the new commercial policy forms and endorsements effective January 1, 2027, including the training of staff and specifically the training of underwriting and claims staff on the differences between the Garage and Auto Dealers forms.

   Arbella: The IT department and our print vendor are working on the implementation of the new forms and endorsements. Started some initial training with staff and will continue to do so in the coming months to be fully prepared for 1/1/27.

   Commerce: On track and includes coordinated efforts across the various domains to ensure a smooth transition for all areas. Working closely with our technology partners to ensure accurate integration, with user acceptance testing scheduled to be completed in advance of the effective date. Training strategy is planned and includes training material such as job aids, quick reference guides, FAQs, and live training sessions. Formal training rollout in phases well in advance of January 1, 2027.

Pilgrim: Fully developed and in testing. Underwriting staff participating in testing. Claims staff training scheduled fourth quarter 2026.

Safety: Changes will be implemented prior to 1/1/2027. Minor delays due to ongoing filing changes CAR has implemented in the past year, adding additional time and cost to the project. Has held multiple training sessions for clams and underwriting staff and is in the process of creating a presentation on the new forms to be used on their online training platform.

2. Please explain your company's plans to assist producers with training in servicing the needs of the commercial automobile residual market, and if your company has experienced any unexpected issues.

Arbella: Will be able to assist producers as questions arise during the underwriting process.

Commerce: Will provide communication, training, job aids and quick reference guides, FAQs, and other materials to support our agent base in understanding the form updates, new forms, as well as coverage structure, particularly for the new Auto Dealers coverage form. Training will include detailed instruction on policy forms, endorsements, and coverage considerations specific to residual market business, helping producers clearly understand distinctions from the voluntary market. Commerce has not encountered any material or systemic issues that would impact our ability to support producers or service the residual market effectively.

Pilgrim: Provide producers with training in Pilgrim and CAR procedures and Pilgrim's web-based quoting and inquiry tools.

Safety: Dedicated team made up of a customer service manager, underwriting and agency services personnel to provide training to producers. Safety will make their internal training resources available to the agents and has an online platform called the Agents Virtual Community (AVC). It is a resource for agent which contains manuals, forms and applications as well as provides notifications of updates and revisions.

3. Please provide feedback on successes or challenges related to the latest re-assignment of ERP's books of business which occurred in March 2025, as well as the carrier's preparedness for a potential reassignment of large volume producers associated with the January 2027 appointment term.

Arbella: Received some resistance from agencies that were reassigned to us when we are requesting supporting documentation that is outlined on the Agent/Carrier Underwriting checklist. It would help to have all four Servicing Carriers consistent with the current CAR underwriting rules and guidelines. There were rule changes in the manual prior to the last reassignment and it would be a good time to see if there are any lessons to be learned for the next one.

Commerce: In 2027, staffing levels within the CAR team will increase to support ease of doing business and enhance the producer experience. For the upcoming potential reassignment Commerce recommends: allowing for higher variance among LSC prior to reassignment, provide timely notice by posting a Bulletin with the redistribution date, including direct notice to impact agencies to avoid date confusion and inform agent of the pending change, adopt a carrier-to-carrier book roll approach to reduce the need for agents to re-submit applications and documents.

Pilgrim: Miscommunication between CAR and Pilgrim regarding the effective date of the renewal transfer process presented a challenge. Additionally, merger and acquisition agents were not fully aware of the redistribution process due to a generalized letter leaving them confused on the specifics of the rollover process. The quality of underwriting done by the prior servicing carrier also created challengers and gathering documentation to support prior policy premiums proved difficult. In the future, Pilgrim will draft an enhanced communication detailing the rollover process in addition to communication form CAR and reiterate all documentation required.

Safety: Confusion arose due to miscommunication from CAR on the renewal date however, the affected policies were identified and corrections completed.

4. Observations from prior Annual Reports listed inflation, supply chain, labor, and technological advancements (such as driver assist systems) as factors putting pressure on costs of underwriting and claims within the industry. Comment on developments on this issue since the last annual report and provide any new insights into mitigating those expenses.

Arbella: Has experienced parts price pressures as the cost of OEM and recycled parts has increased across the marketplace. Mitigated some of this exposure through the use of established preference for aftermarket parts when appropriate. Cycle times benefited since aftermarket parts have shorter delivery periods. However, the growing requirement for expertise and more diagnostic scanning and calibration associated with complex ADAS systems increase expenses.

Commerce: General cost-of-living pressures have prompted a record number of consumers to choose higher deductibles. This shift siphons small, cosmetic claims out of the insurance system entirely, leaving the remaining underwritten risk pool heavily concentrated with complex, high-severity outcomes. Pandemic-era parts shortages have faded; new international tariff policies and economic shifts maintain high component prices. Advanced Driver Assistance Systems (ADAS) have become standard vehicle equipment. Diagnostic scans appear on 87.7% of repairs with calibrations affecting 28.3% of estimates according to most recent industry published data. Coupled with a shortage of specialized technicians and aging tech heavy fleets from the mid-to-late 2010s with lower market values, the cost to repair these vehicles exceeds their worth quickly. To mitigate escalating costs, Commerce relies on direct, long-term partnerships with preferred repair networks managing high-tech repair invoices requires that safety scans and calibrations no longer be treated as unmonitored line items. Monitoring, tracking, controlling, and validating non-standard scan and calibration costs, paired with standardized platform controls for outsourced sublet work helps to minimize friction and reduce supplemental cost inflation.

Pilgrim: By the end of 2021, as prior comments indicate the industry had returned to pre-pandemic levels. Inflation is out of Pilgrim’s control and supply chain issues have been resolved. Technological advancements will result in increased vehicle costs.

Safety: Inflation and supply chain pressure has moderated. However, repair costs remain high due to vehicle complexities, technologies, appraisers, and lack of qualified repair technicians. The use of automation, predictive analytics, and telematics to improve underwriting accuracy will reduce costs.

5. There has been considerable discussion in the trade press relating to legal abuse, third party litigation funding, and aggressive advertising and the resulting impact to losses and legal expenses. Describe your company's experience, actions you may have taken, and any financial impacts to reported losses and reserves.

Arbella: A rise in the number of lawsuits filed shortly after the loss, and without demand packages, impacting our ability to adjust losses without the need to retain counsel. Arbella continues to focus on claims handling, monitoring tort reforms in other states to help evaluate what reforms may prove effective in Massachusetts, reforming the Massachusetts no-fault system to address the increased frivolous and excessive PIP litigation that the industry is experiencing to address Florida law firms coming to Massachusetts after tort reform in Florida and educating lawmakers on this abuse and supporting pending legislation which would provide a safe harbor to insurers that tender PIP benefits owed timely upon the filing of valid lawsuits.

Commerce: Increased activity, loss severity, and elevated legal expenses are consistent with broader social inflation trends. This has been driven by aggressive attorney advertising, new medical treatment methods, medical billing, sophisticated plaintiff representation, longer claim lifecycles, higher settlement demands, and increased variability in outcomes particularly within higher-exposure liability segments are leading to higher verdicts. Commerce has strengthened our claims approach through earlier identification and segmentation of litigated and high-exposure matters with a focus on proactive case management and disciplined reserves with enhanced oversight of complex claims, including more rigorous file review protocols, earlier escalation of venue-sensitive cases, and greater involvement of senior technical claims resources ensuring appropriate litigation strategies are deployed. Commerce has invested heavily in training and knowledge sharing in the areas of social inflation, legal system abuse, new trial strategies, and nuclear verdicts with increased coordination with SIU expanding the use of investigative and analytical tools to identify potential claim inflation and emerging patterns in representation. These trends have mandated increased pressure on severity assumptions and case reserving specifically targeting litigated claims. Commerce has aligned resources toward more effective litigation management including earlier case evaluation, more selective trial engagement, and the strategic use of experienced trial counsel to mitigate adverse outcomes. Social inflation remains a significant and ongoing driver of loss and expense uncertainty.

Pilgrim: Pilgrim experienced very little third-party litigation funding except for two case in New York. Aggressive advertising has resulted in increased cases from one firm, however; there has not been any oblivious and measurable impact on losses or reserves.

Safety: No direct data correlating the impact of advertising on claims costs, however; real inflation, litigation practices and societal views are influencing claims costs. Safety monitors trends and patterns, investigates claims, works with defense counsel, and settles when appropriate mitigating severity.

6. Has your company experienced any significant changes in overall staffing or key personnel in the past year and, if so, how have you mitigated the impacts to servicing residual market business?

   Arbella: No changes to any key personnel. Some turnover and promotions within the staff that handle the residual market business. However, Arbella continues to train all employees that handle the residual market business with the same underwriting guidelines and principles.

   Commerce: Experienced no significant changes in staff or key personnel, however; are currently expanding staffing within the CAR underwriting team to further support operational needs and future growth.

   Pilgrim: Experienced no significant changes in staff or key personnel.

   Safety: Experienced no significant changes in staff or key personnel.

7. Has your company implemented any significant system changes in the past year and, if so, did you experience any problems that impacted statistical reporting and/or servicing of residual market business?

   Arbella: Decided to upgrade our voluntary commercial auto program to align with the CAR upgrade effective 1/1/27 but it has not impacted statistical reporting or the servicing of the residual market business.

   Commerce: No significant changes were implemented.

   Pilgrim: No significant changes were implemented.

   Safety: Updated their policy administration system to automate the calculation of premiums for certain types of business and did not experience implementation problems.

8. New minimum statutory compulsory coverage limits for policies effective July 1, 2025 and subsequent were implemented by the Commonwealth of Massachusetts. Comment on activities to implement this change.

   Arbella: Worked closely with our IT department and print vendors to thoroughly test and implement this change and sent e-blasts to agents and attached policyholder notices on any renewal business effective on/after 7/1/25.

   Commerce: Initiated a cross-functional effort to ensure a timely implementation throughout all impacted Commercial Auto policies and business functions. Required regulatory filings were submitted, approved, and training and communications have been provided to impacted employees and producers to ensure awareness of the changes and implementation requirements.

   Pilgrim: Created significant system challenges as CAR rates were anchored to the historical 20/40/5 minimum rates requiring those rates be maintained while integrating increased limit factors to the CAR base premium to elevate the premium to the new requirements level. Furthermore, it was necessary to preserve the old rates to adhere to CAR’s experience rating plan. Additionally, CAR needed to adopt or create new forms which required substantial operational effort to develop, implement, and test these forms in a compressed time limit.

Safety: Worked with their policy administration vendor to ensure the new limits were accurately reflected on the forms, during premium calculations and statistically reported. CAR staff should consider updating the experience rating manuals and factors to reflect the basic limits for property damage and bodily injury coverages.

9. A change to the Servicing Carrier's responsibilities requiring Servicing Carriers maintain access with FMCSA in order to ensure the required filings were implemented on behalf their ceded risk. Did your company experience any access issues during the year.

   Arbella: Experienced access issues with FMCSA and the transition to MOTUS. Challenge to gain access for our Underwriters as the customer support on FMCSA has been slow to respond to any inquiries.

   Commerce: Access to FMCSA systems was maintained without issue throughout 2025. While the transition to the new MOTUS platform presented challenges primarily related to system access and navigation, there was no disruption to our ability to submit required filings in a timely manner.

   Pilgrim: Maintained access to FMCSA.

   Safety: Maintained access throughout the year. FMCSA launched Motus, a new registration system allowing Safety to create customer accounts and profiles.

10. Comment on any other successes and/or challenges in 2025 relative to the commercial automobile residual market activities.

    Arbella: Classification is critical to achieving appropriate pricing. Ensuring public auto risks are underwritten accurately, particularly with obtaining the correct vehicle classification.

    Commerce: AI-enabled underwriting tools to assist with the review of trip logs and IFTA documentation, improving both efficiency and accuracy within the underwriting process. Ongoing challenges remain with Continued differences in underwriting interpretation and application among the servicing carriers such as handling dissolved business entities, trailer Interchange and Truckers Coverage endorsements, personal-use trucks registered to businesses and classification used, treatment of spouses as Named Insureds for experience rating purposes, and additional challenges persist regarding commercial versus personal lines eligibility for light trucks, medium trucks with the increased weight eligibility effective 1/1/27, trailers and certain business-use exposures. Vehicle-sharing platforms continue to present classification and eligibility challenges. Classification issues persist for certain vehicle types and exposures including golf mobiles, low-speed vehicles, short-term rental vehicles transporting more than eight passengers, and rental bus operations. Agency mergers and acquisitions have also created administrative and book transfer complexities. The distinctions between towing and auto-hauling operations continue to require additional clarification and education. From a product and implementation perspective, the forthcoming transition to the new Rules, Forms and Rates and Rate filing has presented various challenges due to its scope and complexity requiring system, operational, procedural, and filing challengers.

    Pilgrim: None

Safety: Working with the other servicing carriers has proved successful in collecting owed premium, identifying fraud, and insuring consistency for the residual market business. The changes for Bus NOC has provided clarity and consistency amongst the carriers. SIU investigations identified five separate polices with a combined premium of $181,669 that were cancelled because the PPoB was not Massachusetts. Obtaining the proper documentation remains a challenge.

11. Servicing Carrier Program Recommendations for 2027:

a. Identify any market concerns, red flags, opportunities, or conditions not currently addressed by the commercial automobile residual market. Provide suggested recommendations for addressing these issues.

Arbella: One concern is the ability of an insured to be able to move from one ceded carrier to another either mid-term or just after issuance of a new business. Some insureds have provided different information to different agencies and/or servicing carriers in order to obtain a more favorable policy premium. A shared database for certain classifications containing information submitted to a servicing carrier would be a solution to this issue.

Commerce: Some continued market concerns or conditions not currently addressed by the commercial automobile residual market: electric vehicles; Kei vehicles, trailer-only policies, provide additional guidance regarding taxi experience rating, including the treatment of multiple entities owned by spouses and operating from a common location for experience rating purposes, consider removing Option B of the Operator Exclusion Form as it can be difficult to administer when a specified vehicle is replaced or additional vehicles are added during the policy term, while the excluded operator remains unlicensed, evaluate combining the Public Auto Addendum and Taxi/Limousine/Car Service Application into a single form. The consolidated application could also capture information related to Transportation Network Companies, vehicle-sharing platforms, delivery services, and other conveyance operations.

Pilgrim: Producers would benefit from CAR creating a producer information link that provides details regarding program updates as producers can find it difficult to navigate CAR's system bulletins, notices, and records. CAR and its committees should take a proactive approach to identifying potential issues, patterns and trends within the market and monitor other residual markets to identify things that Massachusetts has not considered.

Safety: Consider adding clarifying language as to whether a spouse qualifies as a named insured when combining interest for experience rating. Consider using Boston as the default rating territory on trucking risks when out of state driver are utilized unless creditable evidence is provided proving the driver's residence is Massachusetts.

b. Provide suggestions, recommendations and/or solutions that would further enhance consistency of procedures among Servicing Carriers.

Arbella: suggests more training courses through CAR for the servicing carriers employees to improve consistency for both current and new employees within the Servicing Carriers.

Commerce: From a product and implementation perspective, enhanced communication, and collaboration between CAR and the LSCs would help promote greater consistency across the residual market. Regular updates regarding filing status, approvals, and effective date changes would enable carriers to better manage planning, resource allocation, and implementation timelines. Earlier engagement with the LSCs on forms, rules, and rate filings prior to submission and approval would also support more efficient and consistent implementation. For significant filing initiatives, such as the 1/1/27 filing, proactive discussions regarding rules, rates, and form interpretation would help ensure alignment, address implementation questions, and facilitate timely execution. Additionally, more frequent review and adoption of AIB rule and form filings could help prevent the accumulation of numerous changes into large-scale initiatives, reducing operational complexity and implementation challenges for both CAR and the servicing carriers. Ongoing communication, collaboration, and timely guidance from CAR will help support consistent underwriting practices, product implementation, and overall administration of the Commercial Automobile Residual Market.

Pilgrim: Encouraged that CAR is considering requiring Servicing Carriers to re-underwrite risks at renewal or redistribution and proposes a tracking database to notify CAR that a risk is moving between Serving Carriers as risks sometimes provided conflicting information creating significant rating discrepancies. CAR staff would review transfer submissions and require the carrier involved to provide in this database their policy declarations page for cross policy comparison. Servicing Carriers would also document their underwriting rational under this proposed framework further aligning industry practices, rules clarifications, industry training inefficiencies and exposing potential areas of premium evasion or fraud.

Safety: CAR should consider reviewing the PPoB procedures because of the increased use of mobile technologies and virtual workspaces. Safety suggest adding secondary class codes to the rating tables to identify various types of tow companies, i.e., general verses auto hauler.

12. As outlined in the RFP, Servicing Carriers are requested to provide CAR with annual expense data containing the same information and detail the level your company provided in its proposal for the RFP (Exhibit 5.1.1).

    In the following tables, separately identify 2025 operating expenses and expenses related to implementing the new forms (note that not all categories may reflect expenses related to the forms implementation). 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.

    Company expense reporting has been removed from this report and will be compiled and reviewed at a later date.

D. <u>General Topics to be Addressed by the Servicing Carrier in the Annual Report</u>

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 2025.

    Commerce: Continue to see increased submission activity as insureds and agents seek alternative coverage options due to ongoing profitability challenges within the Commercial Auto marketplace. The growth within the Public Auto segment is driven in part by carrier withdrawals, reduced market appetite, and higher excess and umbrella liability limits present a challenging environment which may make CAR an attractive option.

Pilgrim: Many producers are failing to properly examine PPoB prior to submitting them for review and approval. The "Take All Comers Mandate" forces the carriers to accept noncompliant risks. One producer threatened litigation when Pilgrim refused to write an explicit out of state risk. Additionally, private passenger MAIP submission are being denied by voluntary carriers because the gross vehicle weight exceeds 10,000 pounds failing to recognize the 16,000-pound limit. There are other incorrect denials too such as commercial plates or a vehicle wrap and leading producers to think this denial automatically obligates the Servicing Carrier to underwrite it in the commercial residual market.

2. Residual Market Trends by Class Type Group (Policy Year 2025 vs. Policy Year 2024)

The chart below identifies PDL exposure data evaluated at 12 months. During 2025, the residual market experienced a 1.9% increase over 2024. Comment on trends in the market and suggest potential areas for program enhancements to encourage reduction in the size of the residual market.

Class Type Group	**2024**	**2025**	**25/24 Exposure Difference**	**25/24 % change**
Regular TTT and Regular TTT - Fleet	21,996	21,796	-200	-0.9%
Zone Rated TTT and Zone Rated TTT - Fleet	2,869	2,899	30	1.0%
Commercial Buses and Commercial Buses - Fleet	3,585	4,030	445	12.4%
Zone Rated Buses and Zone Rated Buses - Fleet	279	298	19	6.8%
Public Transportation and Public Transportation - Fleet	7,026	7,731	705	10.0%
Garages - Premises and Garages Not Subject to Compulsory Law *	0	0	0	0%
Garages Subject to Compulsory Law	3,524	3,695	171	4.8%
Van Pools	152	124	-29	-18.9%
Private Passenger Types - Non Fleet	2,826	2,287	-539	-19.1%
Private Passenger Types – Fleet	1,581	1,674	93	5.9%
Special Types and Motorcycles	2,108	2,294	186	8.8%
Non-Owned, Special Rating and Gross Receipts and Mileage*	0	0	0	0%
Taxis and Taxis – Fleet	257	274	18	6.8%
Limos and Limos – Fleet	160	213	52	32.5%
Car Service and Car Service – Fleet	729	682	-47	-6.5%
Total	47,092	47,995	903	1.9%

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

Arbella: Due to the nature of commercial buses and public vehicles fewer voluntary carriers are willing to insure them resulting in increased exposures. These risks will continue to enter the residual market.

Commerce: Challenges obtaining coverage through standard market channels particularly within the public auto sector. Exposure growth transportation-related classes as these classes have presented underwriting, pricing, loss experience, and treaty challenges that can make voluntary market placement more difficult. Opportunities may be achieved through ongoing reviews classifications, rules, and program structures; modernization of rating methodologies; and expanded use of data analytics and predictive modeling to better identify risks suitable for voluntary market placement. The overall increase in exposures was modest, continued focus on overall risk quality, underwriting sophistication, pricing accuracy, and loss prevention efforts specifically in those segments with the most voluntary placement opportunity may help increase voluntary market participation and support a gradual reduction in the size of the residual market over time.

Pilgrim: No reoccurring trends to comment on given the data provided.

Safety: The cession rate in the industry is up 0.2% in 2025, while Safety's cession rate saw a 1% decrease over that same time retaining more risks voluntarily than in 2024. Safety has implemented initiatives such as the assignment of an experienced underwriters to accurately classify and rate risks, coordinate efforts of underwriters and SIU to identify fraud, non-renew and/or cancel risks based on their PPoB, validate radius of operation per Bulletin 1075, communicate with the other Servicing Carriers to reduce fraud and ensure consistency a classification and rating of risks.

ARBELLA
PROTECTION INSURANCE COMPANY

COMMONWEALTH AUTOMOBILE REINSURERS
COMMERCIAL SERVICING CARRIER ANNUAL REPORT – 2025 REVIEW

In partnership with CAR, Arbella Protection Insurance Company has worked diligently to manage the commercial automobile residual market and address the issues and concerns that have arisen successfully.

The loss ratio for the residual market business continued to improve for both the industry as well as Arbella in 2025. The loss ratio for business written by Arbella was better than the industry for the fourth straight year.

C. Specific Areas for Servicing Carrier Comment

1. Please provide an update regarding the process of implementing the new commercial policy forms and endorsements effective January 1, 2027, including the training of staff and specifically the training of underwriting and claims staff on the differences between the Garage and Auto Dealers forms.
   The process is going well; we have been working closely with our IT department and our print vendor on the implementation of the new forms and endorsements. We have started some initial training with staff and will continue to do so in the coming months to be fully prepared in advance of the 1/1/27.

2. Please explain your company's plans to assist producers with training in servicing the needs of the commercial automobile residual market, and if your company has experienced any unexpected issues.
   All our Underwriters are trained with the same principles and will all be able to assist producers as questions arise during the underwriting process. We have not experienced any unexpected issues.

3. Please provide feedback on successes or challenges related to the latest re-assignment of ERP's books of business which occurred in March 2025, as well as the carrier's preparedness for a potential reassignment of large volume producers associated with the January 2027 appointment term.
   The reassignment has been a bit of a challenge as we have been receiving some resistance from agencies that were reassigned to us when we are requesting supporting documentation that is outlined on the Agent/Carrier Underwriting checklist. These agencies have commented that their previous servicing carrier did not require such information. We have worked closely with these agencies to help manage through the transition and are in a good place now.

   We believe we are prepared for any reassignment, but it would help to have all four servicing carriers be consistent with the current CAR underwriting rules and guidelines. In fairness to everyone, there were rules changes in the manual prior to the last reassignment. Now would be a good time to see if there is any learnings from this last reassignment to look to adjust the rollover process for the next one.

4. Observations from prior Annual Reports listed inflation, supply chain, labor, and technological advancements (such as driver assist systems) as factors putting pressure on costs of underwriting and claims within the industry. Comment on developments on this issue since the last annual report and provide any new insights into mitigating those expenses.
   Arbella, like other carriers, has experienced parts price pressures as the cost of OEM and recycled parts has increased across the marketplace. We have mitigated some of this exposure through an established preference for aftermarket parts where appropriate and consistent with repair quality standards. This preference extends a further benefit to cycle times, as aftermarket parts carry shorter delivery timeframes that positively impact repair duration and associated rental costs. We continue to navigate the collision repair industry's persistent labor shortages, as well as the growing expertise requirements and expense associated with complex ADAS systems requiring more diagnostic scanning and calibration. As the average age of vehicles entering the repair stream declines, we are presented with greater repair complexity and a need for certified technicians and more precise calibration procedures.

5. There has been considerable discussion in the trade press relating to legal abuse, third party litigation funding, and aggressive advertising and the resulting impact to losses and legal expenses. Describe your company's experience, actions you may have taken, and any financial impacts to reported losses and reserves.

   Like the rest of the industry, the impact of legal system abuse is driving a noticeable increase in our prior year loss development. In 2025, we saw older accident years in commercial auto develop unfavorably and our spending on direct defense and cost containment expenses grow significantly because of increased and drawn-out litigation. We are seeing a rise in the number of lawsuits filed shortly after the loss, and without demand packages, impacting our ability to adjust losses without the need to retain counsel.

   To stay ahead of these trends, we continue to focus on claim handling excellence that is grounded in responsiveness, thorough investigations, fair evaluations, and trying to bring claims to resolution expeditiously. We have also been closely monitoring tort reforms in other states (Florida, Georgia and New York in particular) to help evaluate what reforms may prove effective in responding to the growing social inflation and legal system abuse in Massachusetts. We have been advocating for reform in our no-fault system to address the increased frivolous and excessive PIP litigation that the industry is experiencing. Specifically, we have been seeing Florida law firms coming to Massachusetts after tort reform in Florida and taking advantage of the attorney's fees shifting provision in our no-fault law. We have been educating lawmakers on this abuse and supporting pending legislation which would provide a safe harbor to insurers that tender PIP benefits owed timely upon the filing of valid lawsuits.

6. Has your company experienced any significant changes in overall staffing or key personnel in the past year and, if so, how have you mitigated the impacts to servicing residual market business?
   In 2025, we had no changes to any key personnel. There was some turnover and promotions within the staff that handle the residual market business. We continue to train all employees that handle the residual market business with the same underwriting guidelines and principles in order to be efficient and provide exceptional customer service.

7. Has your company implemented any significant system changes in the past year and, if so, did you experience any problems that impacted statistical reporting and/or servicing of residual market business?
   We have chosen to upgrade our voluntary commercial auto program to align with the CAR upgrade effective 1/1/27 but it has not impacted statistical reporting or the servicing of the residual market business.

8. New minimum statutory compulsory coverage limits for policies effective July 1, 2025 and subsequent were implemented by the Commonwealth of Massachusetts. Comment on activities to implement this change.
   As this was a mandatory change, we worked closely with our IT department and print vendors to thoroughly test and implement this change. We sent out e-blasts to agents and attached policyholder notices on any renewal business effective on/after 7/1/25.

9. A change to the Servicing Carrier's responsibilities requiring Servicing Carriers maintain access with FMCSA in order to ensure the required filings were implemented on behalf their ceded risk. Did your company experience any access issues during the year.
   Yes, we have experienced access issues with FMCSA and the transition to MOTUS. It has been a challenge to gain access for our Underwriters as the customer support on FMCSA has been slow to respond to any inquiries. The lack of urgency has been frustrating at times, and we continue to experience challenges gaining access for all users.

10. Comment on any other successes and/or challenges in 2025 relative to the commercial automobile residual market activities.
    One of the continuing challenges in 2025 has been ensuring public auto risks are underwritten accurately, particularly with obtaining the correct vehicle classification. Proper classification remains critical to achieving appropriate pricing and having a focus here will help improve consistency.

11. Servicing Carrier Program Recommendations for 2027:

    a. Identify any market concerns, red flags, opportunities, or conditions not currently addressed by the commercial automobile residual market. Provide suggested recommendations for addressing these issues.
       One concern we have is the ability of an insured to be able to move from one ceded carrier to another either mid-term or just after issuance of a new business. It appears that some insureds have provided different information to different agencies/servicing carriers to obtain a more favorable policy premium. One solution to this would be a shared database for certain classifications that contains information submitted to a servicing carrier.

    b. Provide suggestions, recommendations and/or solutions that would further enhance consistency of procedures among Servicing Carriers.
       One suggestion would be more training courses through CAR for the servicing carriers employees to improve consistency for both current and new employees within the servicing carriers.

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 2025.
   Please see response to question #5 in the Specific Areas for Servicing Carrier Comment section.
2. Residual Market Trends by Class Type Group (Policy Year 2025 vs. Policy Year 2024)

   The chart below identifies PDL exposure data evaluated at 12 months. During 2025, the residual market experienced a 1.9% increase over 2024. Comment on trends in the market and suggest potential areas for program enhancements to encourage reduction in the size of the residual market.
   We believe that due to the nature of Commercial Buses and Public Vehicles having increased exposures, more of these risks will continue to enter the residual market as less voluntary carriers are willing to insure these risks.

Class Type Group	2024	2025	25/24 Exposure Difference	25/24 % change
Regular TTT and Regular TTT - Fleet	21,996	21,796	-200	-0.9%
Zone Rated TTT and Zone Rated TTT - Fleet	2,869	2,899	30	1.0%
Commercial Buses and Commercial Buses - Fleet	3,585	4,030	445	12.4%
Zone Rated Buses and Zone Rated Buses - Fleet	279	298	19	6.8%
Public Transportation and Public Transportation - Fleet	7,026	7,731	705	10.0%
Garages - Premises and Garages Not Subject to Compulsory Law *	0	0	0	0%
Garages Subject to Compulsory Law	3,524	3,695	171	4.8%
Van Pools	152	124	-29	-18.9%
Private Passenger Types - Non Fleet	2,826	2,287	-539	-19.1%
Private Passenger Types – Fleet	1,581	1,674	93	5.9%
Special Types and Motorcycles	2,108	2,294	186	8.8%
Non-Owned, Special Rating and Gross Receipts and Mileage*	0	0	0	0%
Taxis and Taxis – Fleet	257	274	18	6.8%
Limos and Limos – Fleet	160	213	52	32.5%
Car Service and Car Service – Fleet	729	682	-47	-6.5%
Total	47,092	47,995	903	1.9%

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

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Commercial Servicing Carrier Annual Report
2025 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. 2025 Annual Report Schedule

Completed Annual Report responses for 2025 will be due to CAR by July 11, 2026. In August 2026, 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**.**

June 1-14, 2026	**CAR data and cover document sent to Servicing Carriers**
July 11, 2026	**Servicing Carrier Annual Reports due to CAR**
August, 2026	**Oversight Committee Review of Annual Reports**

C. Specific Areas for Servicing Carrier Comment

1. Please provide an update regarding the process of implementing the new commercial policy forms and endorsements effective January 1, 2027, including the training of staff and specifically the training of underwriting and claims staff on the differences between the Garage and Auto Dealers forms.

   We continue to make steady progress toward readiness for the upcoming effective date. The implementation plan is on track and includes coordinated efforts across the various domains to ensure a smooth transition for all areas. The updated commercial forms, rules, and affected rates are currently progressing through system configuration and testing. We are working closely with our technology partners to ensure accurate integration, with user acceptance testing scheduled to be completed in advance of the effective date.

A comprehensive training strategy is planned and includes training material such as job aids, quick reference guides, FAQs, and live training sessions. Training materials are being developed to address both high-level changes and detailed coverage implications. These documents will include updates to coverage structure, mandatory and available forms and exclusions, and any key changes as part of this update. We will provide a heavy focus on the transition from the Garage coverage form to the Auto Dealers and the changes between the current program to the new program.

We anticipate formal training rollout in phases well in advance of the January 1, 2027 effective date to allow sufficient time for knowledge absorption and reinforcement.

2. Please explain your company's plans to assist producers with training in servicing the needs of the commercial automobile residual market, and if your company has experienced any unexpected issues.

   We are developing comprehensive communication and training to assist producers in effectively serving the needs of the commercial automobile residual market. Our strategy focuses on equipping producers with both foundational knowledge and practical tools to navigate these upcoming changes specifically related to the transition from the garage coverage form to the auto dealers coverage form.

   Similar to the communication and training for our internal customers, we will provide communication, training, job aids and quick reference guides, FAQs and other materials to support our agent base in understanding the form updates, new forms, as well as coverage structure, particularly for the new Auto Dealers coverage form.

   Training will include detailed instruction on policy forms, endorsements, and coverage considerations specific to residual market business, helping producers clearly understand distinctions from the voluntary market.

   To date, we have not encountered any material or systemic issues that would impact our ability to support producers or service the residual market effectively. As expected in a transition of this scope, we have identified coverage or rating clarifications and knowledge gaps; however, these are continuously being addressed through additional communications and correspondence.

   We will continue to monitor implementation closely and proactively address any issues to ensure producers are fully supported and policyholders receive consistent, high-quality service.

3. Please provide feedback on successes or challenges related to the latest re-assignment of ERP's books of business which occurred in March 2025, as well as the carrier's preparedness for a potential reassignment of large volume producers associated with the January 2027 appointment term.

   Reassignments can be disruptive for both the LSC and the ERP. Requiring new applications and updated CAR forms creates additional administrative burden for all parties involved. Maintaining an appropriate premium balance among LSCs is also challenging, particularly given the increasing frequency of agency mergers and consolidations.

In 2027, staffing levels within the CAR team will increase to support ease of doing business and enhance the producer experience. As a result, MAPFRE will be well-positioned to manage any reassignment activity efficiently and effectively.

Recommendations include.

1. Allow for variance higher variance among LSC prior to reassignment.
2. Provide timely notice by posting a Bulletin with the redistribution date, including direct notice to impact agencies to avoid date confusion and inform agent of the pending change.
3. Adopt a carrier-to-carrier book roll approach to reduce the need for agents to re-submit applications and documents.

4. Observations from prior Annual Reports listed inflation, supply chain, labor, and technological advancements (such as driver assist systems) as factors putting pressure on costs of underwriting and claims within the industry. Comment on developments on this issue since the last annual report and provide any new insights into mitigating those expenses.

The structural cost pressures facing the Massachusetts automobile insurance market have transitioned from simple inflation into compounding operational complexity. General cost-of-living pressures have prompted a record number of consumers to choose higher deductibles ($1,000 to $2,500). This shift siphons small, cosmetic claims out of the insurance system entirely, leaving the remaining underwritten risk pool heavily concentrated with complex, high-severity outcomes.

Pandemic-era parts shortages have faded, but new international tariff policies and economic shifts maintain high component prices. These forces complicate parts sourcing for every stakeholder, squeezing suppliers trying to import goods and delaying repair facilities trying to secure parts. Concurrently, Advanced Driver Assistance Systems (ADAS) have become baseline vehicle real estate, with diagnostic scans appearing on 87.7% of repairs and calibrations affecting 28.3% of estimates according to most recent industry published data.

A shortage of specialized technicians is further colliding with an aging vehicle fleet composed of tech-heavy models from the mid-to-late 2010s. Because these depreciated vehicles have lower market values, the high cost of advanced electronics and labor quickly eclipses the vehicle's actual worth. Highlighting this recruitment strain, the 2025 Massachusetts Auto Body Labor Rate Advisory Board noted that changing enrollment trends are causing local trade schools to adjust and consolidate their vocational programs.

New Insights into Mitigating Expenses:
Navigating these compounding technical and economic pressures involves continuous refinement of claims handling, network utilization, and cost-control strategies. The 2025 MA Auto Body Labor Rate Survey identified prevailing insurer rates between $43 and $55 hourly. To navigate varying collision repair operational cost structures across the state, Mapfre relies on direct, long-term

partnerships with preferred repair networks to coordinate efficiencies, streamline scheduling, and standardize authorization pipelines.

Relying on our trusted preferred shop network (Mapfre carez program) serves as an effective tool to counter workforce shortages and bypass cycle-time delays. Collaborating closely with our network facilities allows us to optimize vehicle throughput while ensuring repair safety through regimented re-inspections. This collaborative structure successfully guarantees repair workmanship and protects consumers from being sent unexpected balance-bills by non-network facilities.

Finally, managing high-tech repair invoices requires that safety scans and calibrations no longer be treated as unmonitored line items. Monitoring, tracking, controlling, and validating non-standard scan and calibration costs, paired with standardized platform controls for outsourced sublet work helps to minimize friction and reduce supplemental cost inflation. Furthermore, actively auditing appraisals to maximize the sourcing of Grade A recycled and alternative parts contributes to shielding our operations against new original equipment price volatility.

5. There has been considerable discussion in the trade press relating to legal abuse, third party litigation funding, and aggressive advertising and the resulting impact to losses and legal expenses. Describe your company's experience, actions you may have taken, and any financial impacts to reported losses and reserves.

Mapfre has been experiencing increased incurred activity and loss severity as well as elevated legal expenses consistent with broader social inflation trends. This has been driven by aggressive attorney advertising, new medical treatment methods and billing, and more sophisticated plaintiff representation and strategies leading to higher verdicts. These dynamics are contributing to longer claim lifecycles, higher settlement demands, and increased variability in outcomes, particularly within higher-exposure liability segments.

In response, we have strengthened our claims approach through earlier identification and segmentation of litigated and high-exposure matters, with a focus on proactive case management and disciplined reserves. We have enhanced oversight of complex claims, including more rigorous file review protocols, earlier escalation of venue-sensitive cases, and greater involvement of senior technical claims resources to ensure appropriate litigation strategies are deployed. We have trained all of our staff on the early warning signs of nuclear verdicts and new trial strategies. Mapfre has invested heavily in training and knowledge sharing in the areas of social inflation, legal system abuse, new trial strategies, and nuclear verdicts.

We have also increased coordination with SIU and expanded the use of investigative and analytical tools to identify potential claim inflation and emerging patterns in representation. Additionally, we have aligned resources toward more effective litigation management, including earlier case evaluation, more selective trial engagement, and the strategic use of experienced trial counsel to mitigate adverse outcomes.

From a financial standpoint, these trends have required upward pressure on severity assumptions and case reserves, with the most significant impact observed in litigated claims. While these actions are helping to better position claims for defensibility and resolution, social inflation remains a significant and ongoing driver of loss and expense uncertainty.

6. Has your company experienced any significant changes in overall staffing or key personnel in the past year and, if so, how have you mitigated the impacts to servicing residual market business?

   Overall company staffing supporting the ceded book of business has not significantly changed in 2025.

   Mapfre maintains a dedicated CAR underwriting unit responsible for both new and renewal business. Underwriters are assigned to specific agencies, allowing for consistent agency relationships and underwriting oversight.

   Overall underwriting staffing levels remained relatively stable throughout 2025 and we are currently expanding staffing within the CAR underwriting team to further support operational needs and future growth.

7. Has your company implemented any significant system changes in the past year and, if so, did you experience any problems that impacted statistical reporting and/or servicing of residual market business?

   In 2025, Mapfre did not implement any significant changes to its Guidewire platform. However, we continuously assess opportunities to improve operational efficiency, streamline system functionality, and enhance business processes through ongoing process improvement initiatives.

8. New minimum statutory compulsory coverage limits for policies effective July 1, 2025 and subsequent were implemented by the Commonwealth of Massachusetts. Comment on activities to implement this change.

   Upon notification of the revised statutory minimum limits, we initiated a cross-functional effort to ensure timely implementation across all impacted Commercial Auto policies and business functions.

   Policy forms, endorsements, rating plans, and system configurations were reviewed and updated as necessary. Required regulatory filings were submitted and approved prior to the effective date. System updates were implemented to support the new limits, premium calculations, and policy documentation requirements.

   Comprehensive testing, including user acceptance testing, was completed to validate functionality. Training and communications were provided to impacted employees and producers to ensure awareness of the changes and implementation requirements.

   Monitoring and quality control processes were established to verify compliance for policies issued on or after July 1, 2025. Despite a compressed timeline, implementation was completed successfully and on schedule.

9. A change to the Servicing Carrier's responsibilities requiring Servicing Carriers maintain access with FMCSA in order to ensure the required filings were implemented on behalf their ceded risk. Did your company experience any access issues during the year.

   Access to FMCSA systems was maintained without issue throughout 2025, allowing us to successfully complete all required filings. While the transition to the new MOTUS platform presented challenges, primarily related to system access and navigation, there was no disruption to our ability to submit required filings in a timely manner.

10. Comment on any other successes and/or challenges in 2025 relative to the commercial automobile residual market activities.

    A notable success was the introduction of AI-enabled underwriting tools to assist with the review of trip logs and IFTA documentation, improving both efficiency and accuracy within the underwriting process.

    Several ongoing challenges remain within the residual market including the following:

    - Continued differences in underwriting interpretation and application among the servicing carriers create consistency challenges in areas such as
        - Dissolved business entities,
        - Trailer Interchange and Truckers Coverage endorsements,
        - Personal-use trucks registered to businesses and classification used,
        - Treatment of spouses as Named Insureds for experience rating purposes, and
        - Additional challenges persist regarding commercial versus personal lines eligibility, particularly for light trucks (and soon to be medium with the personal lines eligibility increase to 16,000 GVW as part of the 1/1/27 filing), trailers, and certain business-use exposures.

    - Emerging vehicle-sharing platforms continue to present classification and eligibility challenges, particularly when determining the appropriate treatment of vehicles used through platforms such as Turo.
    - Classification issues also remain for certain vehicle types and exposures, including golfmobiles, low-speed vehicles, short-term rental vehicles transporting more than eight passengers, and rental bus operations.
    - Agency mergers and acquisitions have also created administrative and book transfer complexities, while distinctions between towing and auto-hauling operations continue to require additional clarification and education.

    From a product and implementation perspective, the forthcoming 1/1/27 Forms, Rules, and Rates filing has presented various challenges due to its scope and complexity. In addition to requiring system, operational, and procedural changes, unexpected filing amendments and supplemental filings have created planning challenges and necessitated revisions to previously developed requirements and programming. The filing has also required ongoing clarifications from CAR to ensure alignment with various rule, rate, and form interpretations as well as ensure consistent implementation across the servicing carriers.

11. Servicing Carrier Program Recommendations for 2027:

a. Identify any market concerns, red flags, opportunities, or conditions not currently addressed by the commercial automobile residual market. Provide suggested recommendations for addressing these issues.

The following are some continued market concerns or conditions not currently addressed by the commercial automobile residual market:

Electric Vehicles (EVs): Consideration should be given to developing additional guidelines, endorsements, or forms to address exposures associated with electric vehicles, including higher-value vehicles such as Tesla and Rivian models.

Kei Vehicles: With the Massachusetts RMV now permitting the registration of Kei vehicles, CAR may need to evaluate the development of specific underwriting guidelines, classifications, and rating treatments for these exposures.

Trailer-Only Policies: Review premium adequacy for service and utility trailer policies, particularly where little or no liability premium is generated.

Experience Rating Clarification: Provide additional guidance regarding taxi experience rating, including the treatment of multiple entities owned by spouses and operating from a common location for experience rating purposes.

CAR Form Enhancements:

- **Operator Exclusion Form:** Consider removing Option B. The current approach can be difficult to administer when a specified vehicle is replaced or additional vehicles are added during the policy term, while the excluded operator remains unlicensed.

- **Application Consolidation:** Evaluate combining the Public Auto Addendum and Taxi/Limousine/Car Service Application into a single form. The consolidated application could also capture information related to Transportation Network Companies (TNCs), vehicle-sharing platforms, delivery services, and other conveyance operations.

b. Provide suggestions, recommendations and/or solutions that would further enhance consistency of procedures among Servicing Carriers.

Continued collaboration between the Limited Servicing Carriers (LSCs) and CAR staff is essential to ensuring consistent administration of the residual market. Ongoing discussions related to ineligible risks, CAR rule interpretations, payment history considerations, and collection-related matters help promote a more uniform application of underwriting practices across carriers. CAR's continued guidance and clarification on rule interpretation remain valuable and contribute significantly to market consistency.

From a product and implementation perspective, enhanced communication and collaboration between CAR and the LSCs would help promote greater consistency across the residual market. Regular updates regarding filing status, approvals, and effective date changes would enable carriers to better manage planning, resource allocation, and implementation timelines. Earlier engagement with the LSCs on forms, rules, and rate filings prior to submission and approval would also support more efficient and consistent implementation.

For significant filing initiatives, such as the 1/1/27 filing, proactive discussions regarding rules, rates, and form interpretation would help ensure alignment, address implementation questions, and facilitate timely execution. Additionally, more frequent review and adoption of AIB rule and form filings could help prevent the accumulation of numerous changes into large-scale initiatives, reducing operational complexity and implementation challenges for both CAR and the servicing carriers.

Ongoing communication, collaboration, and timely guidance from CAR will help support consistent underwriting practices, product implementation, and overall administration of the Commercial Automobile Residual Market.

12. As outlined in the RFP, Servicing Carriers are requested to provide CAR with annual expense data containing the same information and detail the level your company provided in its proposal for the RFP (Exhibit 5.1.1).

    In the following tables, separately identify 2025 operating expenses and expenses related to implementing the new forms (note that not all categories may reflect expenses related to the forms implementation). 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.

[redacted]

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 2025.

   Due to ongoing profitability challenges within the Commercial Auto marketplace, we continue to see increased submission activity as insureds and agents seek alternative coverage options.

   Growth has been particularly noticeable within the Public Auto segment, driven in part by carrier withdrawals, reduced market appetite, and a challenging excess and umbrella liability environment. The higher excess liability limits often required for Public Auto risks can make the CAR residual market a more attractive and viable option for Bus, Livery, and other Public Transportation accounts that may be difficult to secure coverage in the voluntary market.

2. Residual Market Trends by Class Type Group (Policy Year 2025 vs. Policy Year 2024)

   The chart below identifies PDL exposure data evaluated at 12 months. During 2025, the residual market experienced a 1.9% increase over 2024. Comment on trends in the market and suggest potential areas for program enhancements to encourage reduction in the size of the residual market.

Class Type Group	**2024**	**2025**	**25/24 Exposure Difference**	**25/24 % change**
Regular TTT and Regular TTT - Fleet	21,996	21,796	-200	-0.9%
Zone Rated TTT and Zone Rated TTT - Fleet	2,869	2,899	30	1.0%
Commercial Buses and Commercial Buses - Fleet	3,585	4,030	445	12.4%
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Private Passenger Types – Fleet	1,581	1,674	93	5.9%
Special Types and Motorcycles	2,108	2,294	186	8.8%
Non-Owned, Special Rating and Gross Receipts and Mileage*	0	0	0	0%

Taxis and Taxis – Fleet	257	274	18	6.8%
Limos and Limos – Fleet	160	213	52	32.5%
Car Service and Car Service – Fleet	729	682	-47	-6.5%
Total	47,092	47,995	903	1.9%

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

Certain segments of the market continue to face challenges obtaining coverage through standard market channels, particularly within the public auto sector. Exposure growth remains concentrated in transportation-related classes, including Public Transportation, Taxis, Commercial Buses, and certain Zone-Rated risks. Historically, these classes have presented underwriting, pricing, loss experience, and treaty challenges that can make voluntary market placement more difficult.

Opportunities to help reduce the size of the residual market include enhanced risk management and loss control initiatives, particularly for transportation-related risks, as well as improved education and communication regarding voluntary market options, eligibility requirements, and risk improvement strategies.

Outside of the public auto sector, continued growth in Private Passenger Fleet business may present opportunities for depopulation from the residual market, however this segment is reviewed cautiously as it can be difficult to maintain profitability. Further opportunities may be achieved through ongoing reviews classifications, rules, and program structures; modernization of rating methodologies; and expanded use of data analytics and predictive modeling to better identify risks suitable for voluntary market placement.

While the overall increase in exposures was modest, continued focus on overall risk quality, underwriting sophistication, pricing accuracy, and loss prevention efforts specifically in those segments with the most voluntary placement opportunity may help increase voluntary market participation and support a gradual reduction in the size of the residual market over time.

Additionally, it would be beneficial for CAR to share industry data and their own perspectives regarding current market conditions, including public auto growth trends, rate adequacy pressures in both the voluntary and E&S markets, and CAR's experience with recent filing activity with the Limited Servicing Carriers.

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2025 ANNUAL REPORT FOR MASSACHUSETTS RESIDUAL MARKET COMMERCIAL SERVICING CARRIER PROGRAM

SUBMITTED TO:

COMMONWEALTH AUTOMOBILE REINSURERS
101 ARCH STREET
BOSTON, MA 02110

JULY 9, 2026

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 year.

Pilgrim Insurance Company is pleased to present a 2025 overview as it pertains to our participation as a servicing carrier with CAR's Commercial Servicing Carrier program. Our focus remains 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. Due in part to our strict adherence to CAR's rules and servicing carrier standards and guidelines, Pilgrim has historically had difficulty maintaining a 25% share of premium, exposures and revenue. A redistribution of agents completed in 2020 temporarily remedied the situation, but Pilgrim's share has since slipped back to well below the target market share.

CSC Program Premium

	Pilgrim	Total CSC	Pilgrim's % of Industry
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	$186,609,592	25.1%
2022	$44,626,328	$189,364,088	23.6%
2023	$48,160,635	$211,187,811	22.8%
2024	$56,534,826	$249,040,405	22.7%
2025	$59,984,569	$265,349,383	22.6%

Data from CAR's Cession Volume Analysis @ 6/2026

Pilgrim's share of the pool's written exposures was also below 25% of the total commercial pool for 2017 through 2019, until the above-mentioned redistribution. Similar to the premium trend detailed above, subsequent to the redistribution, our share of exposures again declined below 25%.

CSC Program Exposures

	Pilgrim	Total CSC	Pilgrim's % of Industry
2022	8,509	38,238	22.3%
2023	8,927	41,672	21.4%
2024	9,924	45,991	21.6%
2025	10,598	48,097	22.0%

Lastly, the loss ratio associated with the business we manage has been consistently better than the industry for all five years of the prior program term as well as for the first four years of the current term. Additionally, our results would compare even more favorably to the average of just the other three carriers, excluding Pilgrim. The most recent two years are illustrated below.

Ceded Loss Ratio

	Pilgrim	Total CSC
2024	39.2%	69.1%
2025	28.3%	45.1%

CAR data as of 4th Quarter 2025

Specific Areas for Servicing Carrier Comment

1. Please provide an update regarding the process of implementing the new commercial policy forms and endorsements effective January 1, 2017, including the training of staff and specifically the training of underwriting and claims staff on the difference between the Garage and Auto Dealers forms.

   Forms for the new CAR product, effective January 1, 2027, are fully developed and are currently undergoing testing. The underwriting staff understand the updates and will actively participate in User Acceptance Testing (UAT). The training of the claims staff is scheduled for Q4 2026.

2. Please explain your company's plans to assist producers with training in servicing the needs of the commercial automobile residual market, and if your company has experienced any unexpected issues.

   Pilgrim has established strong relationships with a large population of agents through our successful roles as a servicing carrier for the CSC Program, the Taxi and Limousine Program and the MAIP. Additionally, the Plymouth Rock Assurance Group has voluntary underwriting relationships with a significant volume of agents across Massachusetts. We will continue to provide producers with thorough training on both Pilgrim and CAR procedures. Furthermore, agents appointed to Pilgrim for this Program will be provided with comprehensive training on our web-based quoting and inquiry tool.

3. Please provide feedback on successes or challenges related to the latest re-assignment of ERP's books of business which occurred in March 2025, as well as the carrier's preparedness for a potential reassignment of large volume producers associated with the January 2027 appointment term.

   This particular redistribution was uniquely challenging for a variety of reasons. First, there was a miscommunication between CAR staff and Pilgrim as to the effective date of the renewal transfer process. Additionally, some agents were not fully aware of the process as those agents being reassigned due to an acquisition or merger received a more generic letter than those that were part of the redistribution process, leaving them confused regarding the specifics of the rollover process.

Another obstacle we faced was the quality of the underwriting by the prior carrier. We inherited many risks that were ineligible for the program, for reasons including they were eligible for the MAIP, being unregistered with the Massachusetts Secretary of the Commonwealth, or simply not Massachusetts entities. Gathering documentation to support prior policy premiums proved difficult. When we requested trip logs for garaging verification, or IFTA/ELD data for trucking radius classes, producers frequently pushed back, demanding we show them where the requirements for documentation be found. It was evident that the prior carrier(s) had not required such documentation. If verification was not provided we adjusted class codes, radius definitions, and/or rating territories. This ultimately resulted in premium increases and producer friction regarding the duties to provide records.

For future redistributions, in addition to any communication from CAR, we will draft and share more enhanced communication with producers that details the rollover process. We will also clearly reiterate all documentation required.

4. Observations from prior Annual Report's listed inflation, supply chain, labor, and technological advancements (such as driver assist systems) as factors putting pressure on costs of underwriting and claims within the industry. Comment on developments on this issue since the last annual report and provide any new insights into mitigating those expenses.

   Our prior comments, starting with the 2022 Annual Report, focused on the fact that by the end of 2021, coverages and/or limits that had been adjusted as we worked with risks to provide flexibility consistent with Executive Orders and Bulletins implemented as a result of COVID-19, had been brought back to pre-pandemic levels. Inflation is out of our control and to our knowledge the supply chain issues have been resolved. Technological advancements will result in increased vehicle costs. Again, our focus is on underwriting and claims handling, and our results over the latest two terms of the program have been exemplary.

5. There has been considerable discussion in the trade press relating to legal abuse, third party litigation funding, and aggressive advertising and the resulting impact to losses and legal expenses. Describe your company's experience, action you may have taken, and any financial impacts to reported losses and reserves.

   We have experienced very little third-party litigation funding, except for two lawsuits venued in New York City. In terms of aggressive advertising from the plaintiff bar, we've seen an increase in cases in Massachusetts from one firm, Morgan & Morgan. Aside from this firm taking more cases away from local attorneys, we really haven't seen any obvious and measurable impact on losses and reserves, though that might be very difficult to quantify.

6. Has your company experienced any significant changes in overall staffing or key personnel in the past year and, if so, how have you mitigated the impacts to servicing residual market business?

   There have been no significant changes in either overall staffing or key personnel responsible for handling the Commercial Servicing Carrier Program business.

7. Has your company implemented any significant system changes in the past year and, if so, did you experience any problems that impacted statistical reporting and/or servicing of residual market business?

   Pilgrim did not implement any significant changes in the past year.

8. New minimum statutory compulsory coverage limits for policies effective July 1, 2025 and subsequent were implemented by the Commonwealth of Massachusetts. Comment on activities to implement this change.

   Implementing this change presented significant system challenges. As CAR rates remain anchored to the historical 20/40/5 minimum limits, we could not simply overwrite the legacy rates. Instead, we had to maintain the historical base limits while integrating Increased Limit Factors to elevate the CAR base premium to the new compulsory requirements. Additionally, preserving legacy rates is necessary to adhere to CAR's experience rating plan. In conjunction with the new limits, CAR needed to adopt or create multiple new forms. Developing, implementing, and testing these forms required a substantial operational effort given the compressed timeline.

9. A change to the Servicing Carrier's responsibilities requiring Servicing Carriers maintain access with FMCSA in order to ensure the required filings were implemented on behalf of their ceded risk. Did your company experience any access issues during the year.

   Pilgrim has always accessed the FMCSA in order to correctly handle filings. We successfully negotiated FMCSA's changes, and it remains business as usual.

10. Comment on any other successes and/or challenges in 2025 relative to the commercial automobile residual market activities.

    None at this time.

11. Servicing Carrier Program Recommendations for 2027:

    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.

       Pilgrim regularly brings forward issues we identify as well as suggests recommendations and improvements to the program.

       As mentioned last year, we believe that producers would benefit from CAR creating a producer information link on their website that provides details regarding program changes/enhancements. Although we communicate program changes, they do not always get to the appropriate agency personnel. Producers can find it difficult to navigate CAR's system of Bulletins/Notices/Records. Providing carriers with the ability to point producers to the CAR site for summaries of changes would enhance the communication process.

       Moving forward, we believe CAR and its committees should look to take a proactive approach to identify potential issues, discuss where we think the market is heading, and how we plan to react to future changes. One suggestion may be to monitor other residual markets to identify issues/topics that we have not yet considered.

    b. Provide suggestions, recommendations and/or solutions that would further enhance consistency of procedures among Servicing Carriers.

We are encouraged that CAR is considering implementing a requirement that Servicing Carriers, in lieu of simply using ineffective renewal questionnaires, re-underwrite risks upon renewal or redistribution. As we have stated over the years, the best form of loss control is to remove ineligible risks from the Program, which results in both a reduction in claims and loss dollars. We continue to invest considerable effort to verify eligibility. Each new business application, roll-over due to redistribution, and renewal is reviewed by an underwriter to determine initial or continued eligibility for the Program. Pilgrim purposely has not configured automatic renewal functionality, as we believe that it is essential to have all policies reviewed by an underwriter. Over the course of both the prior and current CSC terms, Pilgrim has successfully identified and removed a significant volume of business that we determined was ineligible for the pool. This continued as we navigated through the most recent redistribution.

We are always trying to find ways to enhance and improve the results of the residual market and are pleased that many of our prior suggestions have been adopted. To further build on this progress, we propose developing a tracking database, modeled after the Ineligible Risk Database, to notify CAR to a ceded risk moving between servicing carriers. While many transfers stem from routine producer changes or policyholder relocation, others occur because applicants provide conflicting information to the carriers. This can create significant rating discrepancies, as carriers depend entirely on the integrity of the documentation received.

Under this proposed framework, CAR staff would review transfer submissions and require the carriers involved to email or upload their respective policy Declarations Page for cross-policy comparison. Servicing Carriers would also document their underwriting rationale for class codes, radii, rating territories, etc. This centralized approach would serve to further align industry practices, highlight rules requiring regulatory clarification, pinpoint carrier or producer training deficiencies, and potentially expose rate evasion or fraudulent premium manipulation.

12. 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).

    We have included, as Appendix A, the policy year 2025 company expenses as requested.

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 2025.

   We are identifying an increasing number of risk submissions with clear underwriting red flags regarding their Massachusetts Principal Place of Business (PPoB). Many producers are failing to properly vet these risks prior to submitting them for review and approval. Simple due diligence, such as reviewing an applicant's website, can and has revealed out-of-state PPoB's. We have received submissions with a UPS Store mailbox listed as the PPoB, as well as business owners residing far from Massachusetts. Some producers have argued that the residual market's 'take-all-comers' mandate forces us to accept non-compliant risks, with one producer even threatening litigation when we refused an explicitly out-of-state risk.

There is also confusion regarding MAIP eligibility requirements among both producers and voluntary carriers. Some voluntary carriers are erroneously denying MAIP submissions because the Gross Vehicle Weight (GVW) exceeds 10,000 lbs., failing to recognize that the actual MAIP threshold is 16,000 lbs. Other incorrect denials are being issued simply because a vehicle displays commercial plates or a business wrap. Furthermore, producers mistakenly believe that any MAIP denial, even one that is not supported by the eligibility rules, automatically obligates us to accept the risk in the commercial residual market.

These widespread misunderstandings underscore the need for targeted producer and carrier training across all CAR appointed producers.

2. Residual Market Trends by Class Type Group (Policy Year 2025 vs. Policy Year 2024)

The chart below identifies PDL exposure data evaluated at 12 months. During 2025, the residual market experienced a 1.9% increase over 2024. Comment on trends in the market and suggest potential areas for program enhancements to encourage reduction in the size of the residual market.

As previously mentioned, our focus remains on controlling the size of the pool and producing positive results. Our efforts to ascertain eligibility have resulted in positive depopulation results. We do not believe we are doing anything that other carriers could be doing. However, we regularly find that during the redistribution process we decline to write a good volume of roll-over risks as we determine they are not eligible.

It is interesting to compare the PY 2025 vs. PY 2024 exposure data to the PY 2024 vs. PY 2023 data in last years review. As CAR had reported, during 2024 the residual market experienced a 13% increase in exposures over 2023, with greater increases for five vehicle types – none of which increased close to the same rate the next year, and in fact two of the five types decreased. The increase in exposures for 2025 over 2024 was only 1.9%, with only two classes having increases greater than 10%, and one of these were Limos which make up less than one half of one percent of all industry exposures. Simply put, we do not see recurring trends to comment on given the data provided.

Class Type Group	2024	2025	25/24 Exposure Difference	25/24 % change
Regular TTT and Regular TTT - Fleet	21,996	21,796	-200	-0.9%
Zone Rated TTT and Zone Rated TTT - Fleet	2,869	2,899	30	1.0%
Commercial Buses and Commercial Buses - Fleet	3,585	4,030	445	12.4%
Zone Rated Buses and Zone Rated Buses - Fleet	279	298	19	6.8%
Public Transportation and Public Transportation - Fleet	7,026	7,731	705	10.0%
Garages - Premises and Garages Not Subject to Compulsory Law *	0	0	0	0%
Garages Subject to Compulsory Law	3,524	3,695	171	4.8%
Van Pools	152	124	-29	-18.9%
Private Passenger Types - Non Fleet	2,826	2,287	-539	-19.1%
Private Passenger Types – Fleet	1,581	1,674	93	5.9%
Special Types and Motorcycles	2,108	2,294	186	8.8%
Non-Owned, Special Rating and Gross Receipts and Mileage*	0	0	0	0%
Taxis and Taxis – Fleet	257	274	18	6.8%
Limos and Limos – Fleet	160	213	52	32.5%
Car Service and Car Service – Fleet	729	682	-47	-6.5%
Total	47,092	47,995	903	1.9%

Safety Insurance Company
Commercial Servicing Carrier Annual Report
2025 Review

Following is Safety Insurance Company's ("Safety") Commercial Servicing Carrier Annual Report for the 2025 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").

<u>Specific Areas for Servicing Carrier Comment</u>

1. *Please provide an update regarding the process of implementing the new commercial policy forms and endorsements effective January 1, 2027, including the training of staff and specifically the training of underwriting and claims staff on the differences between the Garage and Auto Dealers forms.*

    Safety Insurance Company ("Safety") has been working with our policy administration vendor to implement the new Auto Dealers Coverage Forms and Business Auto Coverage Forms. We are making good progress, and the changes will be implemented prior to the 1/1/2027 effective date. There have been some minor delays due to the ongoing filing changes CAR has implemented in the past year. These changes have added limited additional time and cost to the project as the changes needed to be made in the existing rating environment, as well as the future state, for January 1, 2027; however, we are on schedule and the process has gone smoothly. Most of the expenses related to this project will be realized in FY 2026.

    Safety's Products and Services Department, in conjunction with the Underwriting Department, has held multiple training sessions with both Claims and Underwriting to review and discuss the form updates. We are also in the process of creating a presentation on the new Auto Dealers Coverage Forms, aimed at educating new underwriting and claims staff on the distinctions between new and existing coverage forms. We plan to use that presentation to create staff training modules within our internal online training platform.

2. *Please explain your company's plans to assist producers with training in servicing the needs of the commercial automobile residual market, and if your company has experienced any unexpected issues.*

    Safety leverages a dedicated team of seasoned professionals in Customer Relations Management ("CRM"), Underwriting, and Agency Services to deliver comprehensive training to producers regarding updates in the commercial automobile residual market. Producers can access the Agents Virtual Community ("AVC"), an online platform that centralizes essential resources such as applications, manuals, and forms. Moreover, notifications regarding revisions to the manuals and forms are promptly posted on the AVC. Our Agency Services Manager is available to train agents either in-office or virtually on our system changes and answer any coverage questions as they come up. We will also make our internal training resources available to agents to help with the transition.

3. *Please provide feedback on successes or challenges related to the latest re-assignment of ERP's books of business which occurred in March 2025, as well as the carrier's preparedness for a potential reassignment of large volume producers associated with the January 2027 appointment term.*

Initially, confusion arose regarding the reassignment of ERP's books of business in March 2025 due to a miscommunication where CAR provided incorrect renewal termination dates to certain Servicing Carriers, stating 06/01/2025 instead of the true date of 03/01/2025, which aligned with new business. Consequently, by the time CAR clarified the error, renewal policies for March 2025 had already been processed. Safety was successful in identifying the March 2025 renewal policies that were released and reaching out to agents to advise of the error. The policies were then cancelled, and non-renewal notices were sent to the agent.

Safety's Underwriting and Marketing departments reached out to each reassigned agent to advise them about their new Servicing Carrier and walk them through the reassignment process. The producers were provided with a list of their ceded policy numbers to assist with the reassignment.

Safety is well-prepared for the potential large volume of producer reassignments associated with the January 2027 appointment term, leveraging extensive experience and technical expertise in handling high volumes of such reassignments.

4. *Observations from prior Annual Reports listed inflation, supply chain, labor, and technological advancements (such as driver assist systems) as factors putting pressure on costs of underwriting and claims within the industry. Comment on developments on this issue since the last annual report and provide any new insights into mitigating those expenses.*

Since the prior annual report, broad inflation and supply chain pressures have moderated but continue to impact commercial automobile underwriting and claims costs. Repair expenses remain elevated due to increasing vehicle complexity, particularly the widespread use of Advanced Driver Assistance Systems (ADAS), cameras, sensors, telematics equipment, and electric vehicle technology. Even relatively minor accidents now often require specialized diagnostics, recalibration, and OEM parts, increasing both repair costs and claim severity. Labor shortages among qualified repair technicians, appraisers, and commercial drivers also continue to place upward pressure on costs and can contribute to extended repair times.

To help mitigate these expenses, carriers are increasingly leveraging automation, predictive analytics, and telematics to improve underwriting accuracy, identify high-risk exposures, and reduce manual processing costs. Continued collaboration among Servicing Carriers to identify fraud, verify operations, and improve premium accuracy remains critical. Relaying that information to CAR, especially through various Committees, is the best way to create consistency amongst the Servicing Carriers, as well as to combat fraud, change rules as appropriate, and improve premium accuracy. Additionally, promoting driver safety programs, telematics adoption, and more refined risk segmentation can help improve loss experience over time, while workflow automation and operational efficiency initiatives can help offset increasing administrative and claim handling expenses.

5. *There has been considerable discussion in the trade press relating to legal abuse, third party litigation funding, and aggressive advertising and the resulting impact to losses and legal expenses. Describe your company's experience, actions you may have taken, and any financial impacts to reported losses and reserves.*

   Safety is aware of these issues. Aggressive advertising by personal injury attorneys seems to be everywhere you turn, and although we have no direct data on the impact of advertising to claim severity, it is one factor contributing to the rising costs related to social inflation. Real inflation, litigation practices, and changes in societal views are driving rising claim severity. We closely monitor severity and claim trends, work with defense counsel, and take the necessary actions to investigate the claims presented and settle claims in a fair and equitable manner, while mitigating claim severities.

6. *Has your company experienced any significant changes in overall staffing or key personnel in the past year and, if so, how have you mitigated the impacts to servicing residual market business?*

   There have been no significant changes in our overall staffing or key personnel at Safety in the past year. Our Underwriting staff has over ninety years of combined experience with Safety Insurance, and we continue to employ long-term Claims, Actuarial, Underwriting, and Agency Services staff dedicated to servicing residual market business.

7. *Has your company implemented any significant system changes in the past year and, if so, did you experience any problems that impacted statistical reporting and/or servicing of residual market business?*

   Safety has implemented a few system updates which were beneficial to servicing and reporting residual market business in 2025. These changes positively impacted our ability to service business and improved processing times for our agents. These changes include updating our policy administration system to allow for the following:

   - Automatically calculating premiums for certain business which previously required manual intervention, including:
     - GKLL Coverages
     - Registration Plates
     - Certain other miscellaneous vehicle classifications

   Safety did not experience any problems during these implementations, and our ability to service residual market business was only affected in a positive manner.

8. *New minimum statutory compulsory coverage limits for policies effective July 1, 2025 and subsequent were implemented by the Commonwealth of Massachusetts. Comment on activities to implement this change.*

In collaboration with our policy administration vendor, Safety worked diligently to ensure that the minimum statutory compulsory coverage limits were accurately reflected on new business and renewal declarations pages, correctly calculated, and statistically reported to CAR for policies effective July 1, 2025, and subsequent. The project was completed on time and with no complications. We would suggest CAR staff considers updating the experience rating manuals and factors to reflect basic limits of $25/$50 for BI and $30K for PD, in line with the new compulsory coverage limits.

9. *A change to the Servicing Carrier's responsibilities requiring Servicing Carriers maintain access with FMCSA in order to ensure the required filings were implemented on behalf their ceded risk. Did your company experience any access issues during the year.*

Safety has maintained continuous access to FMCSA throughout the year to ensure timely filing of insurance forms on behalf of our insureds. FMCSA's recent launch of Motus, a new registration system for its customers and supporting companies, enabled Safety to create company accounts and user profiles, thereby ensuring uninterrupted support for our insureds. Safety did not experience any access issues during the past year. We have had some questions about access brought up by a few agents, but they were all related to insureds not correctly setting up their accounts within the new Motus system. When Underwriters received these inquiries, they reached out to FMCSA for information on how to resolve the issue and provided that information to the agents.

10. *Comment on any other successes and/or challenges in 2025 relative to the commercial automobile residual market activities.*

Some of the successes that Safety has seen in 2025 relative to the commercial automobile market activities include continuing to work closely with the four servicing carriers to collect owed premiums, identify and eliminate fraud, and ensure consistency for residual market business. Safety was successful in implementing the changes to policies issued or renewed on or after July 1, 2025, to ensure compliance with new statutory limits in response to Sections 1, 2, and 3 of Chapter 275 of the Acts of 2024. The changes CAR introduced in 2025 to amend Rule 72 for BUS NOC classification has helped provide clarity and consistency amongst the carriers for this class of business.

In addition, the SIU Underwriting Investigations we conducted have resulted in uncovering businesses whose PPOB is not Massachusetts. We identified and cancelled five separate policies in 2025, with other investigations ongoing. These five policies were cancelled due to misrepresentation and had a combined total premium of $181,669.

One of the challenges we continue to see is the acquisition and submission of proper policy documentation. Safety is currently working to make the required forms more accessible within our policy platform, which should help with compliance going forward.

11. *Servicing Carrier Program Recommendations for 2027:*

    a. *Identify any market concerns, red flags, opportunities, or conditions not currently addressed by the commercial automobile residual market. Provide suggested recommendations for addressing these issues.*

    Safety has identified a few areas within the commercial automobile residual market which we think should be addressed:

    - Consider clarifying language around whether spouses qualify as Named Insured when combining interests and experience rating, and whether or not vehicles registered separately under each spouse's name can be insured under a single ceded policy.
    - Consider requiring trucking companies employing out-of-state drivers to use Boston as the rating territory for assigned trucks unless credible evidence is provided showing the operator’s residence is in Massachusetts.

    b. *Provide suggestions, recommendations and/or solutions that would further enhance consistency of procedures among Servicing Carriers.*

    - As mobile technology and virtual workspaces proliferate, CAR should consider addressing these advancements into the Principal Place of Business procedures.
    - Towing companies are a common risk written by the Servicing Carriers, however a secondary classification is not available in the classification codes rate tables to identify the various types of tow companies, such as general towing and auto haulers. It would be beneficial to carriers if these classes were further segmented, making it easier to identify these risks for loss control purposes.

12. *As outlined in the RFP, Servicing Carriers are requested to provide CAR with annual expense data containing the same information and detail the level your company provided in its proposal for the RFP (Exhibit 5.1.1).*

    In the following tables, separately identify 2025 operating expenses and expenses related to implementing the new forms (note that not all categories may reflect expenses related to the forms implementation). 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.

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 2025.*

2. *Residual Market Trends by Class Type Group (Policy Year 2025 vs. Policy Year 2024)*

   The chart below identifies PDL exposure data evaluated at 12 months. During 2025, the residual market experienced a 1.9% increase over 2024. Comment on trends in the market and suggest potential areas for program enhancements to encourage reduction in the size of the residual market.

Safety Insurance Company has over 40 years of experience in handling residual commercial automobile business. Over the past few years, Safety has been working with the CAR Commercial Automobile Committee and the other three Servicing Carriers to produce new rules and procedures to address high-risk exposures to improve the market and ensure rating accuracy through proper documentation of risk exposures.

The ceded market has grown over the past year due to continued market pressures, but those pressures seem to be starting to moderate slightly. To regain profitability in the voluntary market, carriers continue to have a reduced appetite for high-risk classes of business, including Public Autos, Zone Rated Truckers, and Zone Rated Buses. A suggestion to reduce the size of the residual market is to review competitive rates for the classes of business with the largest volume increases and ensure that the residual market is not being utilized as a price competitor for standard market risks. Also, additional segmentation within vehicle classes could help to better identify policies for potential voluntary placement.

The cession rate in the industry is up 0.2% in 2025, while Safety's cession rate saw a 1% decrease over that same time. We are retaining more risks voluntarily than we were in 2024. The only area that we saw a measurable increase in our cession rate (9%) was in the limo classes, but we also had a growth in exposures in those classes of over 38%. Industry-wide, the cession rate for Zone Rated TTT classes is 4% lower in 2025, while Safety's cession rate didn't change for that class of business. Zone Rated Buses saw a significant increase in their cession rate across the industry from 68% ceded in 2024 to almost 91% ceded in 2025. Van Pools also saw a significant increase from 58% ceded to almost 80% ceded industry-wide, however this is a small class of business with not much impact on the overall market, and it looks to be decreasing in size.

In 2025, Safety experienced success in improving our loss ratios across multiple classes of business. We have seen a significant improvement in our overall loss ratio from 110% in 2024 down to 64% in 2025. The biggest areas of improvement are the Zone Rated Buses, Zone Rated TTT's, Commercial Buses, Regular TTT's, and our Public Transportation classes. We continue to conduct SIU underwriting investigations on these risks, as well as take underwriting action as necessary (i.e., through cancellations, non-renewals, etc.). Safety continues to review both new and renewal risks to ensure proper classification and identify potential areas of fraud and premium leakage as well as potential placement in the voluntary market for risks within our appetite. Safety has undertaken a number of initiatives to improve our loss ratios, including:

- Assignment of experienced Underwriters who properly and thoroughly review risks, in accordance with CAR rules, to accurately classify and rate risks.

- Coordinate efforts of Underwriters and SIU Investigators to identify potential fraud and premium avoidance.

- Non-renew and cancel risks that we determine do not have their Principal Place of Business ("PPOB") in Massachusetts.

- Proper application of the Zone and Zone Combination rules.

- Proper application of Bulletin 1075 to validate radius of operations and geographic classification of Trucks, Tractors and Trailers, and Public Automobiles.

- Ensure communication between Underwriting and Claims to uncover fraud and premium avoidance.

- Ensure communication between Safety and the other Servicing Carriers to help reduce fraudulent activity and ensure consistency in the rating and classification of risks.

- Underwrite risks using resources available to determine a risk's proper classification, territory, and operations (SAFER inspection information, IFTA's/trip logs, internet searches, Safety's Zone Rating Questionnaire, CAR forms, etc.).

Safety's Underwriting, Claims, SIU, and 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. Additionally, we have focused our efforts on reviewing the business mix and growth of individual agents' books of business, to identify areas of growth that may warrant additional review. We hope that our efforts, along with the efforts of CAR's Commercial Automobile Committee (and others), along with the efforts of the other Servicing Carriers, will lead to a continued improvement in the commercial automobile residual market.

Class Type Group	**2024**	**2025**	**25/24 Exposure Difference**	**25/24 % change**
Regular TTT and Regular TTT - Fleet	21,996	21,796	-200	-0.9%
Zone Rated TTT and Zone Rated TTT - Fleet	2,869	2,899	30	1.0%
Commercial Buses and Commercial Buses - Fleet	3,585	4,030	445	12.4%
Zone Rated Buses and Zone Rated Buses - Fleet	279	298	19	6.8%
Public Transportation and Public Transportation - Fleet	7,026	7,731	705	10.0%
Garages - Premises and Garages Not Subject to Compulsory Law *	0	0	0	0%
Garages Subject to Compulsory Law	3,524	3,695	171	4.8%
Van Pools	152	124	-29	-18.9%
Private Passenger Types - Non Fleet	2,826	2,287	-539	-19.1%
Private Passenger Types – Fleet	1,581	1,674	93	5.9%
Special Types and Motorcycles	2,108	2,294	186	8.8%
Non-Owned, Special Rating and Gross Receipts and Mileage*	0	0	0	0%
Taxis and Taxis – Fleet	257	274	18	6.8%
Limos and Limos – Fleet	160	213	52	32.5%
Car Service and Car Service – Fleet	729	682	-47	-6.5%
Total	47,092	47,995	903	1.9%

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

Commercial Servicing Carrier Program
Premium by Class Type
Ceded Business (Car ID 4, 5)
Written Premium Based on Latest 12 Months @ May 2026
Loss Ratio for Policy Year 2023-2025 Valued through March 2026

Arbella Insurance Company

Class Type	Written Premium	Class WP %	1yr Loss Ratio	3yr Loss Ratio
TTT	$22,830,157	34.6%	53.7%	48.7%
Zone Rated TTT	$6,676,300	10.1%	61.0%	50.6%
PPT Fleet	$1,378,794	2.1%	48.3%	66.3%
PPT Non-Fleet	$2,116,280	3.2%	68.5%	72.4%
Bus/Van Pools	$24,338,969	36.8%	57.9%	45.7%
A/O (ex Taxi / Limo)	$7,933,941	12.0%	88.7%	69.2%
Taxi	$71,490	0.1%	72.2%	72.6%
Limousine	$134,603	0.2%	35.3%	8.5%
Car Service	$592,079	0.9%	79.2%	59.7%
Total	**$66,072,613**		**61.1%**	**51.6%**
Market Share	**24.1%**			
Agency Count	**218**			

Commerce Insurance Company

Class Type	Written Premium	Class WP %	1yr Loss Ratio	3yr Loss Ratio
TTT	$35,570,209	48.1%	82.8%	69.8%
Zone Rated TTT	$4,051,015	5.5%	68.9%	84.4%
PPT Fleet	$1,876,262	2.5%	43.1%	40.5%
PPT Non-Fleet	$1,662,213	2.2%	45.3%	45.1%
Bus/Van Pools	$20,248,662	27.4%	60.4%	68.8%
A/O (ex Taxi / Limo)	$8,181,877	11.1%	47.6%	42.1%
Taxi	$1,015,067	1.4%	29.1%	56.0%
Limousine	$7,644	0.0%	21.5%	18.1%
Car Service	$1,281,620	1.7%	25.1%	55.0%
Total	**$73,894,569**		**68.7%**	**65.0%**
Market Share	**26.9%**			
Agency Count	**348**			

Pilgrim Insurance Company

Class Type	Written Premium	Class WP %	1yr Loss Ratio	3yr Loss Ratio
TTT	$19,601,300	33.9%	54.2%	43.5%
Zone Rated TTT	$5,637,536	9.7%	64.4%	54.3%
PPT Fleet	$1,322,183	2.3%	53.6%	44.4%
PPT Non-Fleet	$835,622	1.4%	63.4%	48.9%
Bus/Van Pools	$23,005,679	39.8%	59.0%	50.6%
A/O (ex Taxi / Limo)	$6,490,741	11.2%	75.2%	46.9%
Taxi	$70,400	0.1%	84.7%	57.9%
Limousine	$34,564	0.1%	92.1%	111.2%
Car Service	$833,096	1.4%	78.7%	29.0%
Total	**$57,831,121**		**60.0%**	**47.8%**
Market Share	**21.1%**			
Agency Count	**241**			

Safety Insurance Company

Class Type	Written Premium	Class WP %	1yr Loss Ratio	3yr Loss Ratio
TTT	$32,549,974	42.5%	78.3%	100.6%
Zone Rated TTT	$12,532,636	16.3%	132.0%	115.0%
PPT Fleet	$1,199,416	1.6%	56.9%	85.2%
PPT Non-Fleet	$1,983,085	2.6%	135.9%	111.9%
Bus/Van Pools	$16,915,003	22.1%	79.2%	93.8%
A/O (ex Taxi / Limo)	$7,199,023	9.4%	116.5%	81.0%
Taxi	$543,768	0.7%	85.3%	94.1%
Limousine	$1,011,997	1.3%	45.8%	81.8%
Car Service	$2,722,938	3.6%	140.0%	87.5%
Total	**$76,657,840**		**92.9%**	**98.8%**
Market Share	**27.9%**			
Agency Count	**241**			

Total

Class Type	Written Premium	Class WP %	1yr Loss Ratio	3yr Loss Ratio
TTT	$110,551,640	40.3%	69.6%	69.0%
Zone Rated TTT	$28,897,487	10.5%	85.7%	79.8%
PPT Fleet	$5,776,655	2.1%	62.9%	61.8%
PPT Non-Fleet	$6,597,200	2.4%	84.2%	74.5%
Bus/Van Pools	$84,508,313	30.8%	50.1%	57.2%
A/O (ex Taxi / Limo)	$29,805,582	10.9%	80.4%	59.1%
Taxi	$1,700,725	0.6%	52.1%	68.2%
Limousine	$1,188,808	0.4%	46.2%	77.0%
Car Service	$5,429,733	2.0%	88.3%	67.9%
Total	**$274,456,143**		**71.0%**	**66.9%**
Total Agency Count	**1048**			

Commercial Servicing Carrier Program
Premium by Class Type
Ceded Business (Car ID 4, 5)
Written Premium Based on Latest 12 Months @ May 2026
Loss Ratio for Policy Year 2023-2025 Valued through March 2026
With Merger and Acquisition

	Arbella Insurance Company				Commerce Insurance Company			
Class Type	Written Premium	Class WP %	1yr Loss Ratio	3yr Loss Ratio	Written Premium	Class WP %	1yr Loss Ratio	3yr Loss Ratio
TTT	$25,383,554	36.4%	53.2%	52.6%	$33,895,221	49.4%	76.0%	68.2%
Zone Rated TTT	$7,059,636	10.1%	60.7%	50.6%	$3,754,571	5.5%	71.2%	88.6%
PPT Fleet	$1,416,581	2.0%	48.4%	71.8%	$1,735,854	2.5%	44.9%	39.1%
PPT Non-Fleet	$2,137,578	3.1%	68.1%	71.6%	$1,577,472	2.3%	47.2%	46.8%
Bus/Van Pools	$24,893,179	35.7%	57.3%	44.9%	$17,672,338	25.7%	62.4%	70.8%
A/O (ex Taxi / Limo)	$8,077,934	11.6%	88.5%	69.2%	$7,729,101	11.3%	50.0%	43.3%
Taxi	$71,490	0.1%	72.2%	72.6%	$1,010,542	1.5%	29.1%	56.2%
Limousine	$134,603	0.2%	35.3%	8.5%	$7,644	0.0%	23.5%	19.3%
Car Service	$592,079	0.8%	79.2%	58.0%	$1,269,370	1.8%	25.4%	55.5%
Total	**$69,766,634**		**60.5%**	**52.9%**	**$68,652,113**		**66.0%**	**65.0%**
Market Share	**25.4%**				**25.0%**			
Agency Count	**219**				**344**			

	Pilgrim Insurance Company				Safety Insurance Company			
Class Type	Written Premium	Class WP %	1yr Loss Ratio	3yr Loss Ratio	Written Premium	Class WP %	1yr Loss Ratio	3yr Loss Ratio
TTT	$21,276,288	33.7%	66.2%	48.2%	$29,996,577	41.1%	79.5%	100.3%
Zone Rated TTT	$5,933,980	9.4%	63.5%	53.1%	$12,149,300	16.7%	132.7%	116.6%
PPT Fleet	$1,462,591	2.3%	51.4%	45.6%	$1,161,629	1.6%	56.9%	80.0%
PPT Non-Fleet	$920,363	1.5%	59.1%	46.2%	$1,961,787	2.7%	136.7%	113.2%
Bus/Van Pools	$25,582,003	40.6%	57.6%	49.6%	$16,360,793	22.4%	80.6%	96.6%
A/O (ex Taxi / Limo)	$6,943,517	11.0%	70.9%	45.3%	$7,055,030	9.7%	117.0%	81.1%
Taxi	$74,925	0.1%	78.4%	54.9%	$543,768	0.7%	85.3%	94.1%
Limousine	$34,564	0.1%	81.3%	104.5%	$1,011,997	1.4%	45.8%	81.8%
Car Service	$845,346	1.3%	74.9%	28.4%	$2,722,938	3.7%	140.0%	88.1%
Total	**$63,073,577**		**63.3%**	**48.7%**	**$72,963,819**		**94.2%**	**99.4%**
Market Share	**23.0%**				**26.6%**			
Agency Count	**245**				**240**			

	Total			
Class Type	Written Premium	Class WP %	1yr Loss Ratio	3yr Loss Ratio
TTT	$110,551,640	40.3%	69.6%	69.0%
Zone Rated TTT	$28,897,487	10.5%	85.7%	79.8%
PPT Fleet	$5,776,655	2.1%	62.9%	61.8%
PPT Non-Fleet	$6,597,200	2.4%	84.2%	74.5%
Bus/Van Pools	$84,508,313	30.8%	50.1%	57.2%
A/O (ex Taxi / Limo)	$29,805,582	10.9%	80.4%	59.1%
Taxi	$1,700,725	0.6%	52.1%	68.2%
Limousine	$1,188,808	0.4%	46.2%	77.0%
Car Service	$5,429,733	2.0%	88.3%	67.9%
Total	**$274,456,143**		**71.0%**	**66.9%**
Total Agency Count	**1048**			

Commercial Servicing Carrier Program
Premium by Class Type
Ceded Business (Car ID 4, 5)
Written Premium Based on Latest 12 Months @ May 2026
Loss Ratio for Policy Year 2023-2025 Valued through March 2026
After Reassigned

	Arbella Insurance Company				Commerce Insurance Company			
Class Type	Written Premium	Class WP %	1yr Loss Ratio	3yr Loss Ratio	Written Premium	Class WP %	1yr Loss Ratio	3yr Loss Ratio
TTT	$25,383,554	36.4%	53.2%	52.6%	$33,895,221	49.4%	76.0%	68.2%
Zone Rated TTT	$7,059,636	10.1%	60.7%	50.6%	$3,754,571	5.5%	71.2%	88.6%
PPT Fleet	$1,416,581	2.0%	48.4%	71.8%	$1,735,854	2.5%	44.9%	39.1%
PPT Non-Fleet	$2,137,578	3.1%	68.1%	71.6%	$1,577,472	2.3%	47.2%	46.8%
Bus/Van Pools	$24,893,179	35.7%	57.3%	44.9%	$17,672,338	25.7%	62.4%	70.8%
A/O (ex Taxi / Limo)	$8,077,934	11.6%	88.5%	69.2%	$7,729,101	11.3%	50.0%	43.3%
Taxi	$71,490	0.1%	72.2%	72.6%	$1,010,542	1.5%	29.1%	56.2%
Limousine	$134,603	0.2%	35.3%	8.5%	$7,644	0.0%	23.5%	19.3%
Car Service	$592,079	0.8%	79.2%	58.0%	$1,269,370	1.8%	25.4%	55.5%
Total	**$69,766,634**		**60.5%**	**52.9%**	**$68,652,113**		**66.0%**	**65.0%**
Market Share	**25.4%**				**25.0%**			
Agency Count	**219**				**344**			

	Pilgrim Insurance Company				Safety Insurance Company			
Class Type	Written Premium	Class WP %	1yr Loss Ratio	3yr Loss Ratio	Written Premium	Class WP %	1yr Loss Ratio	3yr Loss Ratio
TTT	$25,499,801	36.5%	76.3%	65.2%	$25,773,064	38.9%	70.4%	90.7%
Zone Rated TTT	$8,249,302	11.8%	79.8%	69.2%	$9,833,978	14.8%	130.9%	113.4%
PPT Fleet	$1,463,512	2.1%	51.3%	45.5%	$1,160,708	1.8%	57.2%	80.2%
PPT Non-Fleet	$920,363	1.3%	59.1%	46.2%	$1,961,787	3.0%	136.7%	113.2%
Bus/Van Pools	$25,586,504	36.7%	57.6%	49.6%	$16,356,292	24.7%	80.7%	96.6%
A/O (ex Taxi / Limo)	$7,125,744	10.2%	72.1%	47.6%	$6,872,803	10.4%	116.9%	79.4%
Taxi	$74,925	0.1%	78.4%	54.9%	$543,768	0.8%	85.3%	94.1%
Limousine	$34,564	0.0%	81.3%	104.5%	$1,011,997	1.5%	45.8%	81.8%
Car Service	$845,346	1.2%	74.9%	28.4%	$2,722,938	4.1%	140.0%	88.1%
Total	**$69,800,061**		**70.2%**	**58.0%**	**$66,237,335**		**89.6%**	**94.2%**
Market Share	**25.4%**				**24.1%**			
Agency Count	**246**				**239**			

	Total			
Class Type	Written Premium	Class WP %	1yr Loss Ratio	3yr Loss Ratio
TTT	$110,551,640	40.3%	69.6%	69.0%
Zone Rated TTT	$28,897,487	10.5%	85.7%	79.8%
PPT Fleet	$5,776,655	2.1%	62.9%	61.8%
PPT Non-Fleet	$6,597,200	2.4%	84.2%	74.5%
Bus/Van Pools	$84,508,313	30.8%	50.1%	57.2%
A/O (ex Taxi / Limo)	$29,805,582	10.9%	80.4%	59.1%
Taxi	$1,700,725	0.6%	52.1%	68.2%
Limousine	$1,188,808	0.4%	46.2%	77.0%
Car Service	$5,429,733	2.0%	88.3%	67.9%
Total	**$274,456,143**		**71.0%**	**66.9%**
Total Agency Count	**1048**			

Commonwealth Automobile Reinsurers
Commercial Program Oversight Committee
Redistribution of Residual Market Business – Effective Date January 1, 2027
Agency Transition Procedures

When there is a need for agencies to be reassigned, either because of a new Servicing Carrier term or due to the need to rebalance Servicing Carrier's books of business, the goal is to minimize disruption while assisting the impacted policyholders, producers and Servicing Carriers. To achieve this goal, the transition procedures described below incorporate those utilized in the past and include additional suggestions proposed in the Servicing Carrier Annual Reports. Other recent suggestions are noted separately for the Committee's consideration.

To realign the books of business for the upcoming appointment term effective January 1, 2027, three producers will be reassigned, two of which coincide with merger and acquisition activity. The transition procedures described below will apply for each of the reassigned producers.

Transition Procedures:

- Non-renewal notices will be provided to the producer of record a minimum 45 days prior to the expiration date for ceded policies that will be re-written with a new Servicing Carrier.
- To assist producers with the reassignment process:
  - CAR will create communication that provides key dates and actions
  - CAR will distribute a monthly listing of expirations to producers, which will include the ceded premium amount per policy
- To assist companies with the reassignment process:
  - CAR will create a communication that will provide key dates and actions, as well as a listing of producers being reassigned. CAR will validate each producer's contact information.
  - CAR will provide a list of expirations for each producer for the upcoming year.
- Non-Fleet Policies
  - The expiring policy's DEC page may be submitted in place of a new business application.
  - If that DEC page is submitted to the new Servicing Carrier at least 60 days in advance of the policy effective date, then the deposit premium is waived.
- Fleet Policies
  - Due to the complexity of these risks, normal company application submission procedures will be followed.

Additional suggestions for consideration:

- Require the original Servicing Carrier to provide DEC pages to the new Servicing Carrier for all reassigned policies
- Identify carrier-to-carrier information that may be provided to the successor carrier to reduce need for producers to re-submit applications and supporting documentation.
- Ensure consistency among Servicing Carriers in documentation requirements for reassigned producers.