



NATALIE A. HUBLEY  
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

101 Arch Street, Suite 400 Boston, Massachusetts 02110

www.commauto.com

617-338-4000

## RECORDS OF MEETING

### COMMERCIAL PROGRAM OVERSIGHT COMMITTEE – APRIL 25, 2024

#### Members Present

Mr. John Olivieri, Jr – Chair  
Ms. Nicole Martorana  
Ms. Sharon Murphy  
Mr. Henry Risman  
Ms. Meredith Woodcock

J.K. Olivieri Insurance Agency, Inc.  
FBInsure, LLC  
Acadia Insurance Company  
Risman Insurance Agency, Inc.  
Liberty Mutual Insurance Companies

Substituted for:  
N/A

Not in Attendance:  
Mr. Brian Hayes, Quincy Mutual Group

In light of the meeting time change announced on April 18, 2024, the Committee unanimously voted to waive the 10-day notice of meeting requirement.

#### **24.01 Records of Previous Meeting**

The Committee unanimously voted to approve the Records of the Commercial Program Oversight Committee meeting of January 25, 2024. The Records have been distributed and are on file.

#### **24.04 Redistribution of Residual Market Books of Business**

At its last meeting, the Committee discussed alternatives to minimizing market disruption associated the redistribution of residual market books of business to maintain equity among Servicing Carriers. To further assist the Committee in its discussion, Ms. Natalie Hubley reviewed an exhibit highlighting the two major ideas raised during the Committee’s prior meeting: 1) potentially assigning more than one Servicing Carrier to networks and/or large agencies and 2) reviewing the expense allowance allocation procedures. Ms. Hubley explained that there are five major networks comprised of independently owned and operated agencies whereas the larger agencies are under single ownership. Therefore, focusing on networks may provide an opportunity for individual appointments to be made to each agency within a network. Alternatively, to minimize the potential for the brokering of business, each agency would be individually assigned to a Servicing Carrier. In this scenario however, Ms. Hubley recognized the difficulty in monitoring and overseeing a prohibition on brokering of residual market business. She advised that if the Committee supports this scenario, the Rules of Operation and Manual of Administrative Procedures would need review and update, but that this objective could be addressed independent of the RFP process.

Next, Ms. Hubley presented alternative expense allowance allocation procedures to address Servicing Carriers' previous comments highlighting revenue as the major factor in their decision to request a redistribution. The exhibit provided a premium distribution as of December 2023, and illustrated the current percent of premium approach, a flat expense allowance approach, and a hybrid approach employing a 50/50 combination of the percent of premium allocation and the flat allowance allocation. Ms. Hubley further explained that the flat allowance approach, reverses the Servicing Carrier perspective such that the oversubscribed carrier would request a redistribution. The Servicing Carrier asking for the redistribution under this approach will need to describe the market conditions that resulted in the over subscription. Ms. Hubley noted that the hybrid approach continues the current dynamics but mitigates the gap between the actual and expected expense allowance that occurs when the distribution becomes imbalanced. She requested that the Committee discuss whether the hybrid approach would enable consideration of an increased tolerance level to trigger a request for redistribution.

Mr. Henry Risman expressed concern that the current three percent tolerance is too low, opining that 12 of the largest agencies in the network account for nine percent of the total ceded premium. He also agreed that a prohibition on brokering within the networks should be considered but recognized the difficulty in monitoring and overseeing it. Mr. Barry Tegen supported the hybrid expense allocation approach, but commented that the three percent tolerance is suitable as it results in more than a \$400,000 impact to the expense allocation. . Mr. David Zawilinski suggested considering loss ratio incentives to improve the underwriting results.

After discussion, the Committee requested that Staff solicit more detailed feedback from the Servicing Carriers for further discussion at the next meeting. Ms. Hubley suggested that, if the Committee has not yet decided upon an expense allocation methodology, the RFP could indicate that CAR is considering different approaches and request that the respondents comment in their proposals.

#### **24.05 2027 Commercial Program Request for Proposal**

Ms. Wendy Browne noted that this is the time of year when CAR would typically develop a template for the 2023 Servicing Carrier Annual Reports. She noted that at the last meeting, the Committee was asked to consider waiving the 2023 Annual Reports as many of these topics would be addressed in the RFP. Recognizing the multiple activities in process, including RFP preparation, rate/rule/form changes, and statistical plan reporting considerations, Ms. Browne advised that staff supports the recommendation.

Ms. Lynne Rosenberg reviewed a redlined draft of the RFP containing suggested language changes addressing components of the commercial Servicing Carrier program highlighting the more substantive changes to the RFP recommended by staff. Mr. Tegen noted the emphasis added to Section 4.11 which requires the proposer to describe its implementation plan to ensure a smooth transition and minimal disruption to the producer and the insured. He pointed out that the added language refers to the producer training relating to the newer policy forms. Mr. Tegen noted his expectation that producer training would be a collaborative effort. Staff confirmed that it would work with MAIA to ensure that producers are provided with the materials developed by staff and reviewed by the Committee highlighting changes and the coverage impacts set forth in the newer forms.

Ms. Rosenberg advised that staff is in the process of reviewing the expense section of the RFP to consider prior committee comments and to address the one-time forms implementation. Committee members were encouraged to provide feedback prior to the next meeting so that staff could address their suggestions and complete the RFP draft.

RICHARD DALTON  
Residual Market Liaison

Boston, Massachusetts  
May 16, 2024

**ATTACHMENT LISTING**

Docket #CPOC24.02, Exhibit #2

Attendance Listing

**COMMERCIAL PROGRAM OVERSIGHT COMMITTEE MEETING  
MEETING ATTENDEES  
APRIL 25, 2024**

Individual's Name

Company / Agency

PLEASE PRINT

M. John Olivieri, Jr.	J.K. Olivieri Insurance Agency, Inc.
Nicole Martorana	FBInsure, LLC
Sharon Murphy	Acadia Insurance Company
Henry Risman	Risman Insurance Agency, Inc.
Meredith Woodcock	Liberty Mutual Insurance Companies
Roberta Fitzpatrick	Arbella Insurance Group
David Zawilinski	Arbella Insurance Group
John Magadiou	Arbella Insurance Group
Barry Tagen	Pilgrim Insurance Company
Michael Brady	Pilgrim Insurance Company
Jesse Zimmerman	MAPFRE U.S.A. Corporation
Mary Ellen Thompson	Division of Insurance
Benjamin Hincks	TSH & D – CAR Counsel
Steven Torres	TSH & D – CAR Counsel
Linda Zarella	Arbella Insurance Group
Peter Barton	Safety Insurance Company
Mary McConnell	Safety Insurance Company
Wendy Browne	CAR Staff
Shannon Chiu	CAR Staff
Adrienne Donovan	CAR Staff
Timothy Galligan	CAR Staff
Steven Gautieri	CAR Staff
Matthew Hirsh	CAR Staff

**COMMERCIAL PROGRAM OVERSIGHT COMMITTEE MEETING  
MEETING ATTENDEES  
APRIL 25, 2024**

Individual's Name

Company / Agency

PLEASE PRINT

Cheryl Kopas	CAR Staff
Tiffany Manning	CAR Staff
Katy Proctor	CAR Staff
James Robery	CAR Staff
Lynne Rosenberg	CAR Staff
Evan Ross	CAR Staff
Alison Ruggiero	CAR Staff
Robin Tigges	CAR Staff