



NATALIE A. HUBLEY
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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RECORDS OF MEETING

COMMERCIAL PROGRAM OVERSIGHT COMMITTEE – JULY 31, 2024

Members Present

Mr. John Olivieri, Jr. – Chair
Mr. Brian Hayes
Ms. Nicole Martorana
Ms. Sharon Murphy
Mr. Henry Risman

J.K. Olivieri Insurance Agency, Inc.
Quincy Mutual Group
FBInsure
Acadia Insurance Company
Risman Insurance Agency, Inc.

Substituted for:
N/A

Not in Attendance:
Ms. Meredith Woodcock, Liberty Mutual Insurance Companies

24.01 Records of Previous Meeting

The Committee unanimously voted to approve the records of the Commercial Program Oversight Committee meeting of May 29, 2024. The records have been distributed and are on file.

24.04 Redistribution of Residual Market Books of Business

At its last meeting, staff had recommended that the Committee consider a redistribution of the Servicing Carrier ceded books of business for policies effective January 1, 2025 to address merger and acquisition activity since the inception of this appointment term and to rebalance the books of business due to one Servicing Carrier falling below the 3% threshold. Ms. Wendy Browne outlined three exhibits which showed the distribution of business as of March 2024, the distribution of business after aligning agencies due to mergers and acquisitions, and the distribution of business after aligning the books. Ms. Browne advised that staff identified 13 agencies to be moved in order to re-balance the book of business. She referred to an additional exhibit that showed each agency's premium volume, policy count, and exposure totals while also indicating whether the agency had an existing voluntary contract with the newly assigned Servicing Carrier. Ms. Browne then reviewed the transitional procedures used in the past, noting that for non-fleet business, the policy's declarations page may be submitted in lieu of the new business application and deposit premium is waived if the declarations page is submitted at least 60 days prior to the policy effective date. She explained that for fleet business, the normal company application submission procedures should be followed. Finally, Ms. Browne advised that approximately 55 fleet policies would be reassigned.

Considerable discussion ensued relative to the transition procedures for reassigned fleet policies. Producer members expressed concern with the disruptive impact to these risks and questioned whether the January effective date allows enough time to collect detailed documentation and reevaluate the risk, including experience rating. Some suggested considering allowing declarations pages for risks that had submitted a new application in the past year or accepting the declarations page initially with complete underwriting to follow later in the policy period or upon renewal. Servicing Carriers noted that the declarations pages for fleet risks do not provide complete information in to properly rate these policies. The Committee recognized the importance of re-evaluating these complex risks and pointed out that the small volume of affected policies will be spread over the twelve-month cycle but also noted that the redistribution includes reassignments due to merger and acquisition activity. The Committee ultimately noted the time limitations for processing the fleet risks early in the renewal cycle and agreed to implement the rebalancing effective March 1, 2025.

The Committee voted unanimously to recommend authorizing the redistribution of the books of business effective March 1, 2025 to the Governing Committee.

The Committee then continued discussion relative to whether alternative producer assignment procedures and expense allocation methods may present opportunities to mitigate the disruptive impacts of a realignment of the ceded books of business. At its last meeting, the Committee requested additional information highlighting the advantages and disadvantages of the alternative methodologies.

Ms. Natalie Hubley reviewed an outline of alternatives to consider with respect to the assignment of affiliated agencies and agencies participating in network clusters. Specifically, she described scenarios to maintain current procedures, enable networks to be assigned as independent agencies, and assign networks and affiliations to multiple Servicing Carriers. She advised that the latter options will require additional committee work to review and define the specifications, and amend the Rules of Operation. She also noted that those options would present oversight challenges with respect to brokering of business. Committee members further discussed the nature of the business relationship of agencies participating in network clusters. The Committee expressed interest in the ability to be flexible in addressing networks and clusters but noted the lack of understanding of the shared services such as policy processing, staffing, and servicing risks. After discussion, the Committee favored no change to the assignment procedures at this time but agreed to refer the issue to the Commercial Automobile Committee for further evaluation.

The Committee then discussed the alternative expense allowance allocation methods intended to enhance equity among Servicing Carriers from a revenue perspective and potentially minimize the need to realign the ceded books of business. Ms. Hubley reviewed the exhibits provided to assist the Committee in its evaluation of the different approaches. She noted that the Servicing Carriers have expressed the need to confirm the recommended approach when responding to the RFP. She therefore noted that the proposers would be advised of the Committee's determination at the pre-response conference scheduled for August 15, 2024.

The Committee noted Servicing Carriers' comments that percent-of-premium correlates best to actual expenses incurred. The members, therefore, did not support a change to the current expense allocation methodology. Instead, the Committee discussed the Statement of Intent adopted for the current appointment term. Some members suggested increasing the 3% premium threshold to evaluate Servicing Carrier requests for redistribution citing the growing potential for large agencies to be involved in merger and acquisition activity. But Servicing Carriers noted the material impact to revenue resulting from a 3% variance in the ceded book distribution. It was suggested that expressing the Committee's priority to limit redistributions to the start of a new appointment term and one additional mid-term redistribution would be an appropriate compromise to balance the need for equity among Servicing Carriers and the need to

minimize market disruption. After discussion, the committee members agreed and directed staff to modify the Statement of Intent accordingly. The Committee recognized, however, that the modified Statement of Intent demonstrates the Committee's commitment to minimize market disruption but does not preclude a Servicing Carrier from requesting a second mid-term redistribution if significant market conditions warrant.

RICHARD DALTON
Residual Market Liaison

Boston, Massachusetts
August 22, 2024

ATTACHMENT LISTING

Docket #CPOC24.02, Exhibit #4

Attendance Listing

**COMMERCIAL PROGRAM OVERSIGHT COMMITTEE MEETING
MEETING ATTENDEES
JULY 31, 2024**

Individual's Name

Company / Agency

PLEASE PRINT

M. John Olivieri, Jr.	J.K. Olivieri Insurance Agency, Inc.
Sharon Murphy	Acadia Insurance Company
Brian Hayes	Quincy Mutual Group
Nicole Martorana	FBInsure
Henry Risman	Risman Insurance Agency, Inc.
Jesse Zimmerman	MAPFRE U.S.A. Corporation
Roberta Fitzpatrick	Arbella Insurance Group
David Zawilinski	Arbella Insurance Group
William Hughes	Arbella Insurance Group
John Magadieu	Arbella Insurance Group
Matthew Devine	Arbella Insurance Group
Barry Tagen	Pilgrim Insurance Company
Michael Brady	Pilgrim Insurance Company
Joseph Mullen	Pilgrim Insurance Company
Laura Poulin	MAIA
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
Andrew Lajzer	Safety Insurance Company
Mary McConnell	Safety Insurance Company
Wendy Browne	CAR Staff
Shannon Chiu	CAR Staff
Richard Dalton	CAR Staff
Adrianne Donovan	CAR Staff

**COMMERCIAL PROGRAM OVERSIGHT COMMITTEE MEETING
MEETING ATTENDEES
JULY 31, 2024**

Individual's Name

Company / Agency

PLEASE PRINT

Matthew Hirsh	CAR Staff
Natalie Hubley	CAR Staff
Cheryl Kopas	CAR Staff
Tiffany Manning	CAR Staff
Katy Proctor	CAR Staff
James Robery	CAR Staff
Lynne Rosenberg	CAR Staff
Evan Ross	CAR Staff
Robin Tigges	CAR Staff