



NATALIE A. HUBLEY
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

101 Arch Street, Suite 400 Boston, Massachusetts 02110
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NOTICE OF MEETING

GOVERNING COMMITTEE

A meeting of the Governing Committee will be held at the Automobile Insurers Bureau Conference Center at 101 Arch Street, 7th Floor, Boston, on

WEDNESDAY, JUNE 14, 2023, AT 10:30 A.M.

*****PLEASE NOTE THE CHANGE IN MEETING DATE*****

MEMBERS OF THE COMMITTEE

Mr. John Olivieri, Jr. – Chair
J.K. Olivieri Insurance Agency, Inc

Ms. Pamela Bodenshtab-Krynicky
Ms. Sarah Clemens
Mr. Kevin Costigan
Mr. Thomas DePaulo
Mr. Thomas Harris
Mr. William Hughes
Ms. Ida Denard Jones
Ms. Nicole Martorana
Ms. Mary McConnell
Mr. Tiago Prado
Mr. Christopher Taylor
Ms. Meredith Woodcock

P.L. Krynicky Insurance Agency, Inc.
MAPFRE U.S.A. Corporation
GEICO
Cabot Risk Strategies, LLC
Quincy Mutual Group
Arbella Insurance Group
Denard Insurance Agency, Inc.
FBInsure
Safety Insurance Company
BRZ Insurance
The Hanover Insurance Company
Liberty Mutual Insurance Companies

AGENDA

GC

23.01 Transcript of Previous Meeting

The Transcript of the Governing Committee meeting of April 12, 2023 should be read and approved.

GC

23.03 CAR Conflict of Interest Policy

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

GC

23.04 President's Report

Commonwealth Automobile Reinsurers' President will report on matters affecting CAR.

GC

23.05 Counsel's Report

Commonwealth Automobile Reinsurers' counsel will report on pending litigation, CAR Rule changes and any other matters relevant to legal issues at CAR.

GC

23.07 Compliance and Operations Committee

The Governing Committee will hear the report of the Compliance and Operations Committee meeting of June 7, 2023.

The Records of the Compliance and Operations Committee meeting of June 7, 2023 will be distributed as additional information prior to the meeting.

GC

23.11 Loss Reserving Committee

The Governing Committee will hear the report of the Loss Reserving Committee meeting of June 7, 2023.

A Summary of the Loss Reserving Committee meeting of June 7, 2023 will be distributed as additional information prior to the meeting.

GC

23.12 Commercial Automobile Committee

The Governing Committee will hear the report of the Commercial Automobile Committee meeting of April 26, 2023.

The Records of the Commercial Automobile Committee meeting of April 26, 2023 are attached (Docket #GC23.12, Exhibit #2).

The Records of the Commercial Automobile Committee meeting of April 26, 2023 have been distributed and are on file.

GC

23.13 Commercial Program Oversight Committee

The Governing Committee will hear the report of the Commercial Program Oversight Committee meeting of May 25, 2023.

The Records of the Commercial Program Oversight Committee meeting of May 25, 2023 are attached (Docket #GC23.13, Exhibit #2).

The Records of the Commercial Program Oversight Committee meeting of May 25, 2023 have been distributed and are on file.

GC

23.14 Actuarial Committee

The Governing Committee will hear the report of the Actuarial Committee meeting of May 10, 2023.

The Records of the Actuarial Committee meeting of May 10, 2023 are attached (Docket #GC23.14, Exhibit #1).

The Records of the Actuarial Committee meeting of May 10, 2023 have been distributed and are on file.

Other Business

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

Executive Session

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

NATALIE HUBLEY
President

Attachments

Boston, Massachusetts
June 1, 2023



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101 Arch Street, Suite 400 Boston, Massachusetts 02110

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RECORDS OF MEETING

COMMERCIAL AUTOMOBILE COMMITTEE – APRIL 26, 2023

Members Present

Mr. Thomas DePaulo – Chair	Cabot Risk Strategies, LLC
Ms. Kristina Broskey	MAPFRE U.S.A. Corporation
Ms. Annmarie Castonguay	The Hanover Insurance Company
Ms. Mary McConnell	Safety Insurance Company
Ms. Sharon Murphy	Acadia Insurance Company
Mr. John Olivieri, Jr.	J.K. Olivieri Insurance Agency, Inc.
Mr. Tiago Prado	BRZ Insurance, LLC
Mr. Thomas Skelly, Jr.	Deland, Gibson Insurance Associates, Inc.
Mr. Barry Tagen	Pilgrim Insurance Company
Mr. Mark Winiker	A-Affordable Insurance Agency, Inc.
Mr. David Zawilinski	Arbella Insurance Group

Substituted for:
N/A

Not in Attendance:
N/A

23.01 Records of Previous Meeting

On a roll call vote, the Committee unanimously voted to approve the Records of the Commercial Automobile Committee meeting of March 15, 2023 continued to March 29, 2023. The Records have been distributed and are on file.

22.05 AIB Commercial Automobile Insurance Manual and Endorsement Changes

Ms. Hubley noted that at the last meeting concerns were raised by the Servicing Carriers relative to the substantial cost of implementing the policy form upgrades. She advised that the scope of the engagement between CAR and the appointed Servicing Carriers, as well as allowances to Servicing Carriers for managing ceded business, is the responsibility of the Commercial Program Oversight Committee. Accordingly, this issue will be referred to that committee for discussion of implementation schedules and Servicing Carrier compensation. The Committee was informed that an initial meeting of the Oversight Committee to consider these issues is being planned for late May.

The Committee agreed that it would continue its work to consider the updated language of the newer policy forms and evaluate the scope of the policy form upgrade project. To that end, the committee members had no additional feedback on the forms that were reviewed at the prior meeting.

Staff then presented a comparison of the Massachusetts Garage Insurance Policy Coverage Form currently on file for ceded policies to the most recent version of the Auto Dealers Coverage Form (ADCF) together with the Auto Dealers Massachusetts Mandatory Endorsement (ADMM). It was noted that many of the changes to the forms are consistent with those of the Business Auto Policy. Staff commented that the most substantial and complex changes associated with upgrading to the ADCF is the reorganization of the policy language. The revised construction separates the description of coverage afforded for covered autos from that associated with the business operations or premises coverages. Staff also noted that coverage afforded under the ADCF is modified by attaching the ADMM endorsement to ensure compliance with Massachusetts statutes and regulations. In addition, the ADCF incorporates certain coverages associated with the Commercial General Liability policy which are not eligible for cession to CAR and therefore, some exclusion endorsements will be needed to maintain coverage pursuant to the current CAR rules.

The committee members agreed to further review the materials and provide additional feedback at the next meeting.

Lastly, Ms. Browne reviewed with the Committee an updated schedule of policy form and endorsement upgrades and noted the following changes since the last meeting:

- The Business Auto Declarations – CA DS 03 11 20 was added back to the list to be available for use with risks not subject to the compulsory law as pointed out at the prior meeting.
- After completing the review of the ADCF, staff determined that the Exclusion – Acts, Errors, or Omissions Liability Coverage - CA 25 63 10 13, Exclusion - Damage to Rented Premises - CA 25 50 10 13, and Exclusion – Personal and Advertising Injury Liability Coverages - CA 25 54 10 13 were necessary to exclude coverages that are included in the ADCF but are not offered in the Massachusetts commercial automobile residual market. Thus, these forms were added to the schedule.
- Similarly, after reviewing the ADCF, the Physical Damage Coverage – Autos Held for Sale by Non-Dealers - CA 20 78 11 20 and the Covered Auto Designation Symbol - CA 99 54 10 13 were still necessary, and thus were added to the Special Types and Common Coverages sections, respectively, of the schedule.
- Based on discussions with the Automobile Insurers Bureau, it was determined that the Premium Adjustment and Coverage Endorsement – Massachusetts – MM 99 68 09 98 and Rate Modification – Massachusetts – MM 00 23 09 98 will need to be updated to include the ADCF as an applicable policy form. This update will be reflected in the next version of the schedule.

Ms. Browne noted that the schedule of forms will continue to be revised as needed as staff, counsel, and the Committee finalize their review.

23.04 Eligibility of Peer-to-Peer Vehicle Sharing Programs

The Committee began discussions regarding the eligibility for cession of risks engaged in peer-to-peer vehicle sharing programs. Staff noted that this issue was brought to the Committee through concern

that peer-to-peer clients are unable to secure coverage in the standard markets, and that the residual market currently excludes vehicle sharing programs. Ms. Browne explained that at its meetings of October 2020 and February 2021, the Committee carefully considered the issue of coverage afforded in the residual market for risks engaged in TNC-related activities. The Committee's recommendations at that time were developed based on legislation adopted to define and regulate insurance requirements for these activities. As a result of its discussions, the Committee determined that coverage for vehicle sharing programs would be excluded from the residual market due to the unknown experience of drivers operating the vehicles. At the time, the Committee noted that this approach is consistent with other procedures adopted to ensure that all drivers are listed on policies.

Ms. Browne also provided information on how this risk was being handled in other states' residual markets, noting that, of the plans reviewed, some exclude this coverage and others are silent. She also informed the Committee relative to filed legislation related to insurance requirements of peer-to-peer vehicle sharing programs. She explained that the filed legislation notes specifically that peer-to-peer car sharing does not mean rental car or rental activity as defined in Section 32E1/2 of Chapter 90. Ms. Browne expressed concern about adopting changes until the legislature completes its review.

Discussion ensued regarding challenges with respect to definition of the exposure and resulting classification and rating, with members noting that in some cases, drivers are using the vehicles for livery and delivery services on other TNC platforms. A question was also raised regarding whether a difference in exposure exists between an individual sharing his personal vehicle to supplement income versus an individual purchasing a fleet of vehicles for hire without drivers. Other topics identified for further evaluation include contracts and agreements between the various parties, processes in place to evaluate driving experience, and insurance coverage afforded through the various platforms. Some members expressed interest in awaiting legislative action on the issue, also commenting that legislative action may result not only in a clearer definition of the responsibilities of the various parties but also in increased willingness to write this risk in the voluntary market.

After discussion, the Committee directed staff to continue research into the topics discussed and agreed to continue discussion at subsequent meetings.

TIMOTHY GALLIGAN
Director of Actuarial and Statistical Services

Boston, Massachusetts
May 24, 2023



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RECORDS OF MEETING

COMMERCIAL PROGRAM OVERSIGHT COMMITTEE – MAY 25, 2023

Members Present

Mr. John Olivieri, Jr – Chair
Mr. Brian Hayes
Ms. Sharon Murphy
Mr. Henry Risman
Ms. Meredith Woodcock

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

Substituted for:
N/A

Not in Attendance:
N/A

23.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Commercial Program Oversight Committee meeting of March 21, 2023. The Records have been distributed and are on file.

23.05 Commercial Forms Implementation

Ms. Natalie Hubley provided an overview of the Commercial Automobile Committee's ongoing review of updates to the policy forms on file for use in the commercial residual market. Ms. Hubley informed the Committee that the recommendation is to update the existing policy forms to the newer ISO forms and includes implementation of the November 2020 version of the Business Auto Policy, withdrawal of the Truckers Coverage Form, and instead writing the trucking risks on the Business Auto Coverage Form together with the Motor Carrier endorsement. Additionally, the implementation of the Auto Dealers Coverage Form would replace the Massachusetts Garage Policy Form for Auto Dealer risks. Staff has continued its review of these forms and determined that the update will require adoption of approximately 83 updated or new forms and endorsements. In consideration of the implementation of these forms, there was a consensus of the Commercial Automobile Committee that sufficient lead time to budget, plan, and implement system and resource changes, including training for both company employees and producers, would need to be incorporated into the plan. Servicing Carriers have indicated that system changes and staff training will require at least 18 months of lead time with producers, similarly, indicating that producer training with respect to the newer forms will also require 18 months of lead time. Continuing, Ms. Hubley stated that because of the extensive scope of this effort, Servicing Carriers have expressed concern that the workload and costs associated with this project were not contemplated in their bid response to the most recent RFP. Further, because the scope of the engagement between CAR and the appointed Servicing Carriers, as well as allowances to Servicing Carriers for managing ceded business, is the responsibility of the Commercial Program Oversight Committee, the issue of an implementation schedule and Servicing Carrier compensation has been referred to this Committee for consideration. To assist the Committee in its

discussion, staff drafted alternative implementation schedules for the forms upgrade. The first scenario considers implementation in the current term rather than waiting until the next appointment term and anticipates an implementation of the new forms between October 1, 2025 and January 1, 2026. Alternatively, the second scenario considers delaying implementation until the next Servicing Carrier appointment term which is scheduled to begin on January 1, 2027.

The Committee discussed the alternate timelines for implementation and questioned if there were any benefits or drawbacks to either scenario. Mr. Barry Tagen expressed concern that both timelines, while allowing the 18 months of lead time necessary to complete systems work and staff training, do not provide sufficient lead time from a planning and budgeting perspective. For example, Servicing Carriers would need to begin planning in 2023 in order to allocate system and staffing resources in 2024 and 2025. After considerable discussion on Timeline 1, the Committee agreed that it did not provide sufficient lead time given the scope of the work. The Committee proceeded to discuss Timeline 2 which schedules the implementation of the forms on or about January 1, 2027 coinciding with the new Servicing Carrier appointment term. Mr. David Zawilinski expressed concern with the timing of the RFP selection process in that it may not provide enough time to account for three months of renewal processing prior to the January 1, 2027 effective date. After discussion, Ms. Meredith Woodcock made a motion, which was seconded by Mr. Henry Risman, to recommend Timeline 2 with an adjustment to initiate the RFP within a timeframe that will enable Servicing Carrier selection with sufficient lead time for needed planning, budgeting, and implementation activities. The motion also included the recommendation to address compensation within the RFP and evaluation of the bid proposals. On a roll call vote, the Committee voted unanimously in favor of the motion.

23.06 Distribution of Ceded Commercial Written Premium among Servicing Carriers

Ms. Hubley noted that CAR now has 12 months of data available since the most recent redistribution of the ceded books of business which occurred in conjunction with the new Servicing Carrier appointment term for policies effective January 1, 2022. She noted that Rule 13.C.2. of the Rules of Operation requires that CAR monitor the distribution of the ceded books of business quarterly and that CAR may perform a re-distribution of residual market books of business to maintain equity among the Servicing Carriers. The Rule further provides that a re-distribution shall not occur for at least 12 reporting months after the effective date of the previous re-distribution. As 12 months of data is now available, one Servicing Carrier has requested the report that has been provided to the Committee for informational purposes. A copy of the Redistribution Statement of Intent developed by the Ad Hoc Redistribution Committee and approved by the Commercial Program Oversight Committee and the Governing Committee in 2021 was also provided for the Committee's reference. The statement of intent anticipates a +/- 3% distribution of premium threshold be exceeded for the Committee to consider a request for re-distribution. The exhibit, which includes data reported through the February 2023 statistical submissions, indicates that the premium volumes range from 23% to 27.5%, with none falling outside of the +/- 3% tolerance.

Following a brief discussion, the Committee directed staff to provide quarterly reports to the Servicing Carriers with it then being incumbent upon the Servicing Carriers to request consideration of a redistribution pursuant to Rule 13. It was further agreed that the Commercial Program Oversight Committee would review the status of the book of business distribution annually in the absence of a specific Servicing Carrier request.

RICHARD DALTON
Residual Market Liaison

Boston, Massachusetts
May 31, 2023



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RECORDS OF MEETING

ACTUARIAL COMMITTEE – MAY 10, 2023

Members Present

Ms. Sarah Clemens – Chair	MAPFRE U.S.A. Corporation
Ms. Kara Boehm	Allstate Insurance Group
Ms. Melinda Etschman ⁽¹⁾	Arbella Insurance Group
Mr. Glenn Hiltbold	Safety Insurance Company
Mr. William Kelley	The Hanover Insurance Company
Mr. Todd Lehmann	Quincy Mutual Group
Mr. Tiago Prado	BRZ Insurance, LLC
Mr. Mark Winiker	A-Affordable Insurance Agency, Inc.
Ms. Meredith Woodcock	Liberty Mutual Insurance Companies
Mr. Joshua Wykle	Vermont Mutual Insurance Group
Mr. Hao Zhang	Plymouth Rock Assurance Corporation

Substituted for:

⁽¹⁾Ms. Lynellen Ramirez

Not in Attendance:

N/A

22.01 Records of Previous Meeting

On a roll call vote, the Committee unanimously voted to approve the Records of the Actuarial Committee meeting of May 26, 2022. The Records have been distributed and are on file.

23.04 Quota Share Credits for Policies Effective April 1, 2024 and Later

The Actuarial Committee began discussions relative to the April 1, 2024 Quota Share credit offer. To initiate discussion, Mr. Galligan reviewed reports typically provided to the Committee for their annual review including an exhibit displaying historical residual market shares by class and territory, an exhibit displaying trends of MAIP exposures and assignments, and a historical summary of credit offers for 2015 through 2023.

Members noted that while the number of assignments has increased, the total market exposures also increased and therefore the relative size of the MAIP has increased less dramatically. The current residual market share is 0.6% as of February 2023. The Committee discussed the residual market volume over the past ten years, citing 2012 and 2013 as the last years the residual market share exceeded 2.0%. In 2014, the residual market share lowered to 1.7%, and then gradually declined to 1.2% in 2019. The residual

market share then dropped substantially and hit a low point of 0.4% in 2022. The increase in assignments is reflected by the rise in the residual market share to 0.6% into early 2023.

Some members commented that the periods of smaller residual market volumes were driven more by adequate company rate levels, with companies more willing to write voluntarily risks that provide them with a potential to make a fair profit. It was noted that during COVID, rates were perceived to be redundant, and the residual market volume continued to decline. Other members commented that the available credits also contributed to the reduced volumes.

It was noted that post-COVID, companies' perception of rate adequacy has changed. Members opined that the overall adequacy of rate has diminished, citing increasing loss severities, rising costs to repair caused by inflation and supply chain issues, as well as delayed rate earnings that have negatively impacted company decisions to write business voluntarily. Some Committee members anticipated the increasing assignment level to be a temporary condition that will stabilize as rate adequacy improves.

Members also discussed the potential impact of the Work and Mobility Act on assignment volume. Some members predicted an initial increase in assignments beginning in July 2023 until documented driving experience develops over time.

After considerable discussion, members noted their anticipation that the size of the residual market will continue to grow, at least in the short term, as a result of the market conditions discussed. However, it was also noted that the Committee should be cautious in how it reacts as this trend may be temporary.

Committee members then discussed the formula in place today for evaluating credit need by class and territory. In regard to the current credit factors, which have remained constant since 2015, some members suggested that there may be a need to redistribute credits among class/territory cells.

The Committee expressed an interest in monitoring assignment data and reviewing indicated credit factors since 2015. The Committee agreed to meet in late summer to continue its discussions.

TIMOTHY GALLIGAN
Actuarial/Statistical Services Director

Boston, Massachusetts
May 26, 2023