



NATALIE A. HUBLEY
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

101 Arch Street, Suite 400 Boston, Massachusetts 02110

www.commauto.com

617-338-4000

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

TUESDAY, FEBRUARY 13, 2024, AT 10:30 A.M.

MEMBERS OF THE COMMITTEE

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

Ms. Pamela. Bodenstab-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, LLC
Safety Insurance Company
BRZ Insurance, LLC
The Hanover Insurance Company
Liberty Mutual Insurance Companies

AGENDA

GC

23.01 Transcript of Previous Meeting

The Transcript of the Governing Committee meeting of November 14, 2023 should be read and approved.

GC

24.03 CAR Conflict of Interest Policy

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

GC

24.04 President's Report

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

GC

24.05 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

23.11 Loss Reserving Committee

The Governing Committee will hear the report of the Loss Reserving Committee meeting of December 6, 2023.

The Summary of the Loss Reserving Committee meeting of December 6, 2023 is attached (Docket #GC23.11, Exhibit #4).

The Records of the Loss Reserving Committee meeting of December 6, 2023 have been distributed and are on file.

GC

24.06 Commercial Automobile Committee

The Governing Committee will hear the reports of the Commercial Automobile Committee meetings of December 8, 2023, January 10, 2024, and February 1, 2024.

The Records of the Commercial Automobile Committee meetings of December 8, 2023 and January 10, 2024 are attached (Docket #GC24.06, Exhibits #1 and #2).

The Records of the Commercial Automobile Committee meetings of December 8, 2023 and January 10, 2024 have been distributed and are on file.

The Records of the Commercial Automobile Committee meeting of February 1, 2024 will be distributed as additional information prior to the meeting.

GC

24.07 Actuarial Committee

The Governing Committee will hear the report of the Actuarial Committee meeting of January 17, 2024.

The Records of the Actuarial Committee meeting of January 17, 2024 are attached (Docket #GC24.07, Exhibit #1).

The Records of the Actuarial Committee meeting of January 17, 2024 have been distributed and are on file.

**GC
24.08 Commercial Program Oversight Committee**

The Governing Committee will hear the report of the Commercial Program Oversight Committee meeting of January 25, 2024.

The Records of the Commercial Program Oversight Committee meeting of January 25, 2024 are attached (Docket #GC24.08, Exhibit #1).

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

**GC
24.09 Personnel Committee**

The Governing Committee will hear the report of the Personnel Committee meeting of January 30, 2024.

The Records of the Personnel Committee meeting of January 30, 2024 are attached (Docket #GC24.09, Exhibit #1).

The Records of the Personnel Committee meeting of January 30, 2024 have been distributed and are on file.

**GC
24.10 Financial Audit Committee**

The Governing Committee will hear the report of the Financial Audit Committee meeting of January 30, 2024.

The Records of the Financial Audit Committee meeting of January 30, 2024 are attached (Docket #GC24.10, Exhibit #1).

The Records of the Financial Audit Committee meeting of January 30, 2024 have been distributed and are on file.

**GC
24.11 Compliance and Operations Committee**

The Governing Committee will hear the report of the Compliance and Operations Committee meeting of January 31, 2024.

The Records of the Compliance and Operations Committee meeting of January 31, 2024 will be distributed as additional information prior to the meeting.

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
February 1, 2024



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PRESIDENT

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SUMMARY OF MEETING

LOSS RESERVING COMMITTEE – DECEMBER 6, 2023

Members Present

Ms. Lynellen Ramirez – Chair	Arbella Insurance Group
Ms. Julie Ann Frechette	The Hanover Insurance Company
Ms. Satomi Miyanaga	Liberty Mutual Insurance Companies
Mr. Martin Murphy	Plymouth Rock Assurance Corporation
Mr. Gavin Traverso	MAPFRE U.S.A. Corporation
Ms. Melissa Vaughn	Safety Insurance Company

23.01 Records of Previous Meeting

On a roll call vote, the Committee unanimously voted to approve the Records of the Loss Reserving Committee meeting of September 6, 2023. The Records have been distributed and are on file.

22.08 Committee Membership Considerations

In light of continued turnover on the Committee, the Committee was asked to again consider whether delegating the commercial residual market loss reserving and deficit projection function to CAR's Actuarial/Statistical Department staff is advisable. Committee members were asked to discuss this matter and present their opinions, suggestions, or general comments regarding the delegation of these responsibilities.

Ms. Natalie Hubley opened the conversation with a summary of the prior discussions and events regarding committee turnover. She made note of CAR's efforts to have all four servicing carriers as well as some of the larger voluntary writing companies represented on the committee following a previous discussion where all parties expressed an interest in maintaining the current loss reserving process. However, the newer participating companies experienced staffing issues that resulted in additional membership turnover.

Mr. Gavin Traverso pointed out that if CAR Staff were to take over the reserving function, there may be costs involved in hiring an actuary either on staff or as a consultant to review the results. He opined that if the committee turnover can be withstood, it would be in everyone's best interest to maintain the current process of reserving and avoid this additional cost. Ms. Melissa Vaughn concurred but noted that there would be benefits to CAR handling the reserving process due to their integral involvement and familiarity with the data used by the committee. She noted her willingness to remain as a committee member.

Speaking as a new member, Ms. Satomi Miyanaga made note of the challenges she encountered in transitioning onto the committee due to a lack of historical context and insight into the loss reserving process. However, she noted that there is value in the committee process, even in light of continuity issues. To this point, Ms. Hubley added that CAR's actuarial department has been working consistently with this process for many years, and though the issue of lacking an accredited actuary would take some time to address, CAR staff is certainly qualified and capable of taking on a more involved role in the reserving process.

Mr. Timothy Galligan weighed in as well, stating that he and his department at CAR have proactively addressed member transition with training sessions for all new members. He noted that the addition of new reports could be added to assist in providing more information to the committee to enhance their understanding of the data, including the IBNR shift from policy year to accident year. This includes more detail on large losses that occur in a different accident year from the policy year. This, in turn, could contribute to more discussion and involvement in that process.

Ms. Lynellen Ramirez added that CAR staff's knowledge and experience with the more complicated aspects of the loss reserving process is an asset to the committee that would be beneficial to utilize, especially in the current environment where it is unlikely for this turnover to stop anytime soon. It was also noted by Ms. Ramirez that it is unfair to expect new committee members to join for a quarter and sufficiently contribute to a process with which they have little to no experience.

The Committee then resolved to direct staff to outline the process in which CAR could take on additional Loss Reserving Committee responsibilities. Ms. Hubley noted that the outline would include alternatives for back-end review of CAR's reserving results. It was agreed to continue the discussion at a future meeting in an effort to formulate a recommendation to the Governing Committee.

23.04 Quality of Current Quarter Reporting

The Committee reviewed an adjustment made for missing loss reserving data from one servicing carrier. The data included missing premium, paid, and outstanding losses for the September, 2023 accounting shipment. The servicing carrier provided CAR with estimates of the missing data that was included in the loss reserving development data and loss projections. A summary of the estimated policy year data is as follows:

Written Premium	\$4.4 million for PY 2021 - 2023
Paid Losses	\$3.2 million for PY 2014 - 2023
Outstanding Losses	\$86.8 million for PY 2014 – 2023

The Committee was informed that two Bodily Injury (BI) claims were referred this quarter to CAR's Compliance Audit Department for additional information and verification of the reported statistics. Of the two BI large losses investigated, one carried a \$1.0 million combined single limit (CSL) coverage, and one policy was reviewed due to a large decrease in the reserves of \$600,000. The claims referred were either newly reported, experienced large upward or downward reserve changes, or were paid in excess of the prior quarter reserve and were verified for accuracy with the reporting Servicing Carrier.

The Committee was informed that the current quarter's large loss reports were not updated due to the missing data. However, Staff noted that the servicing carrier was able to confirm that a significant increase in their outstanding losses for policy year 2022 was related to two large loss claims carrying a \$5.0 million CSL with estimated outstanding losses totaling \$7.3 million, along with an additional thirteen

claims between \$385,000 and \$1.0 million with a total outstanding loss amount of approximately \$4.5 million.

The Committee was also informed that six new claims were reported using the Large Loss Notification Form during the current quarter. This report is attached as page 6. Five claims have \$1.0 million CSL, and one claim carried a \$5.0 million CSL that is currently estimated to be \$700,000 with \$42,000 currently statistically reported to CAR.

23.06 Policy Year Deficit and Loss Ratio Report

The Committee estimated a policy year 2021 surplus of \$23.2 million with an ultimate loss ratio of 67.5%. The estimate results in a \$.7 million increase of the prior quarter's projected surplus of \$22.5 million.

The Committee estimated a policy year 2022 deficit of \$17.2 million with an ultimate loss ratio of 85.6%, resulting in a \$12.1 million increase of the prior quarter's projected deficit of \$5.1 million. The increased deficit results are in part due to seven new large losses with current quarter incurred losses totaling \$11.5 million, a \$9.7 million increase from the prior quarter. In total, sixteen large losses have been reported for policy year 2022 with incurred losses of \$30.0 million, an \$11.5 million increase from the prior quarter.

The Committee estimated a policy year 2023 deficit of \$6.6 million with an ultimate loss ratio of 79.3%. This was the first estimate of the policy year 2023 results.

The Ultimate Deficit results for policy years 2016 – 2020 using ultimate loss ratios from the meeting were also reviewed by the committee and are included on the ultimate deficit report.

Ultimate loss ratio and deficit projections for all policy years are attached as pages 7-10.

The following summary displays the policy year results:

Policy Year Results Total Commercial Ceded

PY	Earned Premium (000)	Loss & Allocated Loss Adjustment Expense (000)				Number of Open Claims
		Paid	Case Outstanding	IBNR	Held Ultimate	
2014	127,937	99,730	1882	226	101,838	12
2015	151,439	129,956	219	47	130,222	5
2016	169,141	155,214	7336	4404	166,954	49
2017	182,590	136,233	4,191	1426	141,850	42
2018	195,958	156,405	10,964	10850	178,219	73
2019	190,284	110,962	8,950	14,477	134,389	71
2020	172,642	71,991	23,088	9,886	104,965	246
2021	183,367	79,693	23,261	20,825	123,779	426
2022	180,825	56,748	31,628	66,445	154,821	1,458
2023@9 mos	59,240	11,959	9,468	25,540	46,967	891
Total	1,613,423	1,008,891	120,987	154,125	1,284,003	3,273

Policy Year Change in Ultimate Loss

<u>PY</u>	Current Quarter			Prior Quarter			Difference	
	<u>Ultimate Loss(000)</u>	<u>Earned Prem(000)</u>	<u>Loss Ratio</u>	<u>Ultimate Loss(000)</u>	<u>Earned Prem(000)</u>	<u>Loss Ratio</u>	<u>Ultimate Loss(000)</u>	<u>Loss Ratio</u>
2014	101,838	127,937	79.60%	101,834	127,937	79.60%	4	0.0%
2015	130,222	151,439	85.99%	130,886	151,439	86.40%	-664	-0.4%
2016	166,954	169,141	98.71%	166,979	169,141	98.70%	-25	0.0%
2017	141,850	182,590	77.69%	142,539	182,590	78.10%	-689.4	-0.4%
2018	178,219	195,958	90.95%	179,493	195,958	91.60%	-1,274	-0.7%
2019	134,389	190,284	70.63%	135,792	190,284	71.40%	-1,403	-0.7%
2020	104,965	172,642	60.80%	108,739	172,642	63.00%	-3774	-2.2%
2021	123,779	183,367	67.50%	124,449	183,380	67.90%	-670	-0.4%
2022	154,821	180,825	85.62%	129,816	164,024	79.10%	25,005	6.5%
2023@9 mos	46,967	59,240	79.28%	20,307	26,508	76.60%	26,660	2.7%

The following summary displays the accident year results from the meeting:

Accident Year Results
Total Commercial Ceded

<u>CAL/AY</u>	<u>Earned Prem(000)</u>	<u>Paid</u>	<u>Loss & Allocated Loss Adjustment Expense (000)</u>			<u>Number of Open Claims</u>
			<u>Case Outstanding</u>	<u>IBNR</u>	<u>Held Ultimate</u>	
2014	117,843	101,056	621	226	101,903	3
2015	140,066	109,586	1,262	47	110,895	10
2016	160,225	151,030	617	4404	156,051	13
2017	175,270	147,984	7,911	1148	157,043	50
2018	189,480	148,358	8,098	7677	164,133	66
2019	198,126	142,391	11,963	11773	166,127	81
2020	176,009	78,096	13,846	10,035	101,977	133
2021	181,579	73,981	20,247	16,381	110,609	279
2022	184,471	76,185	33,904	43,076	153,165	817
2023@9 mos	145,342	33,678	22,515	59,359	115,552	1821
Total	1,668,411	1,062,345	120,984	154,125	1,337,455	3,273

Accident Year Change in Ultimate Loss

<u>CAL/AY</u>	Current Quarter			Prior Quarter			Difference	
	<u>Ultimate Loss(000)</u>	<u>Earned Prem(000)</u>	<u>Loss Ratio</u>	<u>Ultimate Loss(000)</u>	<u>Earned Prem(000)</u>	<u>Loss Ratio</u>	<u>Ultimate Loss(000)</u>	<u>Loss Ratio</u>
2014	101,903	117,843	86.47%	102,339	117,843	86.84%	-436	-0.4%
2015	110,895	140,066	79.17%	110,955	140,066	79.22%	-60	0.0%
2016	156,051	160,225	97.39%	156,706	160,225	97.80%	-655	-0.4%
2017	157,043	175,270	89.60%	157,350	175,270	89.78%	-307	-0.2%
2018	164,133	189,480	86.62%	164,582	189,480	86.86%	-449	-0.2%
2019	166,127	198,126	83.85%	167,479	198,126	84.53%	-1,352	-0.7%
2020	101,977	176,009	57.94%	104,888	176,009	59.59%	-2911	-1.7%
2021	110,609	181,579	60.92%	114,120	181,582	62.85%	-3,511	-1.9%
2022	153,165	184,471	83.03%	149,502	184,530	81.02%	3,663	2.0%
2023@9 mos	115,552	145,342	79.50%	66,816	95,758	69.78%	48,736	9.7%

SHANNON CHIU
Actuarial/Statistical Analyst

Boston, Massachusetts
January 17, 2024

Loss Reserving Committee Executive Summary – Attachments

<u>Report Name</u>	<u>Page(s)</u>
Large Loss Notification Form Summary	6
Ultimate Loss Ratio and Deficit Projections at September, 2023	7-10

Large Loss Notification Summary
September, 2023 Loss Reserving Committee Meeting

Large Loss Notifications By Policy Year

#	* Notification Date	Policy Year	Accident Year/Qtr	Estimated \$							Current Qtr	Difference of	Difference of
				Liab Limit	Class Description	BI	PDL	PIP	Total	State	Stat Reported Total	Estimate to Current Qtr	Prior to Current Qtr Reported Losses
Prior Quarter Loss Notifications													
1	8/9/2023	2023	20233	\$1,000,000		750,000	0	2,200	752,200	MA	796,162	(43,962)	796,162
2	8/14/2023	2022	20233	\$5,000,000	ZR Bus	4,000,000	7,000	0	4,007,000	Out Of State	0	0	0
3	8/25/2023	2022	20232	\$1,000,000	ZR TTT	735,200	4,200	0	739,400	MA	785,166	(45,766)	393,750
4	7/19/2023	2020	20212	\$1,500,000		250,000	1,200	0	251,200	MA	263,695	(12,495)	50,000
5	8/30/2023	2018	20193	\$1,000,000		650,000	25,000	0	675,000	Out Of State	558,758	116,242	440,701
6	6/8/2023	2017	20182	\$1,000,000		250,000	22,000	0	272,000	MA	321,119	(49,119)	(13,773)
Current Quarter Loss Notifications													
1	10/26/2023	2023	20233	\$5,000,000		650,000	50,000	0	700,000	Out Of State	42,100	657,900	42,100
2	9/19/2023	2023	20233	\$1,000,000	TTT	35,200	0	2,500	37,700	MA	0	0	0
3	9/19/2023	2023	20232	\$1,000,000	ZR TTT	50,500	0	0	50,500	Out Of State	53,078	(2,578)	53,078
4	9/13/2023	2021	20222	\$1,000,000		430,000	25,000	0	455,000	Out Of State	462,392	(7,392)	162,500
5	9/27/2023	2019	20193	\$1,000,000		750,000	20,000	0	770,000	Out Of State	195,098	574,902	125,373
6	9/15/2023	2019	20192	\$1,000,000	TTT	1,000,000	0	0	1,000,000	MA	1,150,026	(150,026)	266,782
Current Quarter Updates													
1	4/13/2023	2020	20204	\$1,000,000		800,000	0	0	800,000	MA	752,200	47,800	0

* Updated records that had been previously reported

COMMERCIAL ULTIMATE POLICY YEAR DEFICIT PROJECTIONS
 BASED ON DATA REPORTED THROUGH QUARTER ENDING SEPTEMBER 2023
 (000's OMITTED)

SUMMARY EXHIBIT

	Policy Year 2021		Policy Year 2022		Policy Year 2023	
	Dollars	% Prem	Dollars	% Prem	Dollars	% Prem
Premium	183,400	100.0%	186,400	100.0%	205,478	100.0%
Losses Incurred and ALAE	123,795	67.5%	159,558	85.6%	162,944	79.3%
Underwriting Expenses	36,444	19.9%	44,056	23.6%	49,109	23.9%
Underwriting Result	23,161	12.6%	(17,214)	-9.2%	(6,575)	-3.2%

COMPARISON OF ULTIMATE POLICY YEAR DEFICIT PROJECTIONS
PRIOR AND CURRENT QUARTER ESTIMATES

Policy Year 2023

	Prior Qtr Estimate		Current Qtr Estimate		Variance	
	Dollars	% Prem	Dollars	% Prem	Dollars	Percent
Premium			205,478	100.0%		
Losses Incurred and ALAE			162,944	79.3%		
Underwriting Expenses			49,109	23.9%		
Underwriting Result			(6,575)	-3.2%		

Policy Year 2022

	Prior Qtr Estimate		Current Qtr Estimate		Variance	
	Dollars	% Prem	Dollars	% Prem	Dollars	Percent
Premium	186,300	100.0%	186,400	100.0%	100	0.1%
Losses Incurred and ALAE	147,363	79.1%	159,558	85.6%	12,195	8.3%
Underwriting Expenses	44,041	23.6%	44,056	23.6%	15	0.0%
Underwriting Result	(5,104)	-2.7%	(17,214)	-9.2%	(12,110)	237.3%

Policy Year 2021

	Prior Qtr Estimate		Current Qtr Estimate		Variance	
	Dollars	% Prem	Dollars	% Prem	Dollars	Percent
Premium	183,400	100.0%	183,400	100.0%	0	0.0%
Losses Incurred and ALAE	124,529	67.9%	123,795	67.5%	(734)	-0.6%
Underwriting Expenses	36,364	19.8%	36,444	19.9%	80	0.2%
Underwriting Result	22,507	12.3%	23,161	12.6%	654	2.9%

COMPARISON OF ULTIMATE POLICY YEAR DEFICIT PROJECTIONS
PRIOR AND CURRENT QUARTER ESTIMATES

Policy Year 2020

	Prior Qtr Estimate		Current Qtr Estimate		Variance	
	Dollars	% Prem	Dollars	% Prem	Dollars	Percent
Premium	172,644	100.0%	172,644	100.0%	0	0.0%
Losses Incurred and ALAE	108,766	63.0%	104,965	60.8%	(3,801)	-3.5%
Underwriting Expenses	37,120	21.5%	37,120	21.5%	0	0.0%
Underwriting Result	26,758	15.5%	30,559	17.7%	3,801	14.2%

Policy Year 2019

	Prior Qtr Estimate		Current Qtr Estimate		Variance	
	Dollars	% Prem	Dollars	% Prem	Dollars	Percent
Premium	190,284	100.0%	190,284	100.0%	0	0.0%
Losses Incurred and ALAE	135,794	71.4%	134,389	70.6%	(1,405)	-1.0%
Underwriting Expenses	41,379	21.7%	41,379	21.7%	0	0.0%
Underwriting Result	13,111	6.9%	14,516	7.6%	1,405	10.7%

Policy Year 2018

	Prior Qtr Estimate		Current Qtr Estimate		Variance	
	Dollars	% Prem	Dollars	% Prem	Dollars	Percent
Premium	195,958	100.0%	195,958	100.0%	0	0.0%
Losses Incurred and ALAE	179,493	91.6%	178,219	90.9%	(1,274)	-0.7%
Underwriting Expenses	45,927	23.4%	45,927	23.4%	0	0.0%
Underwriting Result	(29,462)	-15.0%	(28,188)	-14.4%	1,274	-4.3%

COMPARISON OF ULTIMATE POLICY YEAR DEFICIT PROJECTIONS
PRIOR AND CURRENT QUARTER ESTIMATES

PY 2017

	Prior Qtr Estimate		Current Qtr Estimate		Variance	
	Dollars	% Prem	Dollars	% Prem	Dollars	Percent
Premium	182,591	100.0%	182,591	100.0%	0	0.0%
Losses Incurred and ALAE	142,538	78.1%	141,850	77.7%	(688)	-0.5%
Underwriting Expenses	45,686	25.0%	45,686	25.0%	0	0.0%
Underwriting Result	(5,633)	-3.1%	(4,945)	-2.7%	688	-12.2%

PY 2016

	Prior Qtr Estimate		Current Qtr Estimate		Variance	
	Dollars	% Prem	Dollars	% Prem	Dollars	Percent
Premium	169,141	100.0%	169,141	100.0%	0	0.0%
Losses Incurred and ALAE	166,979	98.7%	166,954	98.7%	(25)	0.0%
Underwriting Expenses	43,287	25.6%	43,287	25.6%	0	0.0%
Underwriting Result	(41,125)	-24.3%	(41,100)	-24.3%	25	-0.1%



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RECORDS OF MEETING

COMMERCIAL AUTOMOBILE COMMITTEE – DECEMBER 8, 2023

Members Present

Mr. Thomas DePaulo – Chair	Cabot Risk Strategies, LLC
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
Mr. Jesse Zimmerman	MAPFRE U.S.A. Corporation

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 October 27, 2023. The Records have been distributed and are on file.

23.04 Eligibility of Peer-to-Peer Vehicle Sharing Programs

At the October 27, 2023 meeting, the Committee identified several questions, comments and suggestions that were listed in the notice of meeting for further discussion of peer-to-peer vehicle sharing program eligibility in the MA residual market. Chair Thomas DePaulo advised that Staff will continue its review and research of the topics listed in order to enable continued committee discussion.

23.06 Implementation of Commercial Policy Coverage and Endorsement Forms

The Committee continued its review of manual rule amendments related to the implementation of new policy coverage and endorsement forms already approved by the Committee. Ms. Katy Proctor outlined the amendments to Section III – Trucks, Tractors and Trailers, highlighting the addition of references to specific endorsements, language modifications for consistency and the addition of towing and labor coverage as directed by the Committee. She also noted that staff recommends withdrawing the Truckers – Excess Coverage for the Named Insured and Names Lessors for Leased Autos (CA 23 08) and Truckers- Named Lessee as Insured (CA 23 12) endorsements. These two endorsements must be in accordance with a written hold harmless agreement, which is not applicable in the residual market, nor does CAR currently have applicable rates or rules. Furthermore, Ms. Proctor indicated that the proposed updates to the manual currently reference the 2020 version of the motor carrier endorsement and that CAR plans to adopt the 2023 version once it becomes available in MA. At this time, the Committee had no comments or questions regarding the presented amendments to Section III or the withdrawal of the two endorsements.

Ms. Proctor next reviewed the amendment to Section IV – Private Passenger Types for the Committee, noting only language modification for consistency was needed. At this time, the Committee had no comments or questions regarding the presented amendments to Section IV.

Finally, Ms. Proctor reviewed proposed amendments to Section VII – Special Types and Operations, again highlighting the addition of references to specific endorsements, language modifications for consistency as well as some changes to stay in sync with the AIB’s updated Commercial Automobile Insurance Manual. Ms. Proctor also stated that staff recommends the removal of Contingent Coverage, Rule 120.C.1.B and withdrawal of the Leasing and Rental Concerns – Contingent Coverage endorsement (CA 20 09). Currently CAR does not have a rate for this coverage and a review of historical data indicates that this type of coverage has not been written in the residual market. The Committee had no comments or questions regarding the presented amendments to Section VII, including the withdrawal of the endorsements.

Ms. Wendy Browne informed the Committee that staff is in the process of drafting amendments to the Auto Dealers section of the Commercial Automobile Insurance Manual and has identified a point of clarification regarding “who is an insured” with respect to covered auto liability coverage for customers. The Massachusetts Garage Insurance Policy defaults to limited customer coverage and the Garage Declarations – Massachusetts form enables the risk to opt for full customer coverage. While the Auto Dealers coverage form also defaults to limited customer coverage, the Massachusetts Mandatory Endorsement deletes the language relating to limited customer coverage thereby enabling only full customer coverage. Ms. Browne noted that currently only one Servicing Carrier has written ceded auto dealer risks with limited customer coverage, representing less than 10% of ceded auto dealer premium. She inquired whether the Committee thought this coverage should continue being offered in the residual market.

Discussion ensued, with members agreeing that limited customer coverage should continue to be offered in the residual market. Accordingly, Ms. Browne noted that staff will move forward with draft changes maintaining both limited and unlimited customer coverage in the Auto Dealers section. She noted that staff has already raised this issue with the AIB and will continue to work with them to develop an option to enable limited customer coverage. Staff will provide an update at a future meeting.

Mr. DePaulo noted that, as the Committee had no additional input relating to the proposed amendments presented to date, CAR staff should continue to move forward with preparing the remaining sections of the Commercial Automobile Insurance Manual for presentation at the next CAC meeting on January 10, 2024. It is anticipated that the manual, in its entirety, will then be presented to the Committee in February for final review and approval.

23.08 Default Radius Standardization

In its previous meeting, the Commercial Auto Committee discussed a list of objectives for 2024 and determined that a review of the default radius class for trucks, tractors, and trailers, and certain public classes should be prioritized. Ms. Lynne Rosenberg began discussion by explaining that the concern arose from Servicing Carriers having noticed that the procedure to default to the intermediate radius classification as outlined in Chapter X of CAR's Manual of Administrative Procedures can result in a lower premium determination, which provides incentive for risks to withhold proper documentation. It was noted that CAR staff has begun reviewing different rating options to determine which scenarios produce consistent results to incentivize applicants to provide proper documentation with the goal of ensuring an accurate classification.

Discussion ensued regarding the scope of concerns relating to this issue. Servicing Carriers indicated that missing documentation is prevalent and requires significant resources to address. Committee members supported thoughtful consideration of default alternatives, noting that as rates are updated, risks are incented accordingly and that guidelines should ensure consistency among carriers.

23.09 Consistency in Determining Classification

Another item that the Committee prioritized at its last meeting pertains to the issue of inconsistency in determining the classification of certain public vehicle risks, including school and NOC buses, and mixed-use scenarios involving social services and other public classifications. Ms. Browne opened the discussion by addressing agents' concerns over differences among Servicing Carriers in classification and premium determination. The Committee was then asked to assist in identifying the issues causing these discrepancies to determine how improved consistency can be brought about in classifying these exposures.

Mr. David Zawilinski commented that a common issue involves the timing of securing municipal contracts and the need to have insurance in place to respond to an RFP for school bus services. Absent a contract in place, the underwriter employs judgement in assigning classification. Committee members also noted that certain buses have been found to have mixed uses such as secondary use of school buses to provide charter services or transportation for social service agencies.

As other committee members provided input, an apparent trend emerged in which the rates and premium determinations for such mixed-use cases are subject to the underwriter's judgement on a case-by-case basis. In some cases, the underwriter may assign a classification based on the primary use of the vehicle while others may employ the bus NOC classification. Members noted that in the voluntary market, carriers may choose not to insure a risk engaged in certain incidental use, and others may add additional charges for certain incidental or alternate use.

Ms. Sharon Murphy suggested that the Committee consider further clarification in defining primary operation and evaluate the feasibility of additional charges to ensure appropriate pricing. Mr. Barry Tagen cautioned that a solution to ensure consistency among Servicing Carriers requires the assumption that each carrier will be provided the same information from the insured and the producer, which is often not the case. Therefore, any proposed guidelines should identify required documentation to the extent possible.

Ms. Browne noted that staff will consider the committee's comments as it prepares options for Committee discussion at a future meeting.

TIMOTHY GALLIGAN
Director of Actuarial and Statistical Services

Boston, Massachusetts
December 28, 2023



NATALIE A. HUBLEY
PRESIDENT

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RECORDS OF MEETING

COMMERCIAL AUTOMOBILE COMMITTEE – JANUARY 10, 2024

Members Present

Mr. Thomas DePaulo – Chair	Cabot Risk Strategies, LLC
Ms. Annmarie Castonguay	The Hanover Insurance Company
Ms. Shelia Doherty	Doherty Insurance Agency, Inc.
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. David Zawilinski	Arbella Insurance Group
Mr. Jesse Zimmerman	MAPFRE U.S.A. Corporation

Substituted for:
N/A

Not in Attendance:
N/A

23.01 Records of Previous Meeting

On a roll call vote, the Committee voted with one abstention to approve the Records of the Commercial Automobile Committee meeting of December 8, 2023. The Records have been distributed and are on file.

23.06 Implementation of Commercial Policy Coverage and Endorsement Forms

The Committee reviewed the last two sections of manual rule amendments related to the implementation of new policy coverage and endorsement forms already approved by the Committee. Ms. Shannon Chiu outlined the amendments to Section V – Public Transportation, highlighting the addition of references to specific endorsements, language modifications for consistency and the clarification of territory rating for vehicles garaged out of state. At this time, the Committee had no comments or questions regarding the presented amendments to Section V.

Ms. Katy Proctor then reviewed the amendments to Section VI – Auto Dealers, highlighting the change from the Massachusetts Garage Insurance Policy to the Auto Dealers Coverage Form and Auto Dealers Massachusetts Mandatory Endorsement. Additionally, other modifications included appropriate endorsement references, added language to address new endorsements, language modifications for consistency, the addition of On-Hook coverage and further changes consistent with the AIB’s updated Commercial Automobile Insurance Manual. Ms. Proctor then asked the Committee for input relative to two endorsements CAR currently has on file which CAR Staff is considering withdrawal: the Additional Insured – Lessor of Leased Equipment Endorsement (CA 20 47) and Franchised Products Endorsement (MM 25 97). These endorsements extend additional coverage and require rate not currently included in AIB’s advisory filing. It was the Committee’s consensus to withdraw the two endorsements. A question arose on the On-Hook coverage with Mr. Barry Tagen asking to enhance the rule language to clarify that the endorsement is also needed to cover towing operations associated with transporting between locations other than the insured’s specified location. CAR staff noted that they would review the issue and modify the draft accordingly. Ms. Annmarie Castonguay questioned why the General Liability Exclusions were mandatory. Ms. Wendy Browne explained that those coverages were not offered under the Massachusetts Garage Insurance Policy, therefore, the Committee previously determined that, to maintain the same level of coverage for the residual market, the use of the exclusion endorsements would be mandatory. The Committee had no further comments or questions regarding the presented amendments to Section VI.

Lastly, Ms. Proctor noted that CAR is recommending the adoption of two new endorsements. As the Committee previously agreed that the Abuse and Molestation Exclusion for Covered Autos Liability Exposure (CA 28 03) should be adopted, staff also recommends adoption of CA 27 21 - Abuse and Molestation Exclusion for General Liability and Acts, Errors, and Omissions Liability Coverage to also exclude coverage for other than covered auto exposure. These endorsements will be added to rules in Section II – Common Coverages and Rating Procedures, along with CA 25 36 General Liability Coverages – Pollution Exclusion with a Building Heating Exception and Hostile Exception to also extend the pollution exclusion to the other than covered auto exposure. The Committee had no comments regarding the additional endorsements.

Ms. Wendy Browne informed the Committee that the draft of a new appendix to the Commercial Automobile Insurance Manual that lists the policy coverage and endorsement forms was distributed as additional information for review. Mr. David Zawilinski raised the question as to whether the residual market was going to remain with the current Physical Damage Coverage – Autos Held for Sale by Non-Dealers Endorsement (MM 20 27) or adopt ISO’s newest version CA 20 28. Ms. Browne noted that CAR tends to stay with the Massachusetts specific endorsements but will review the two endorsements to ensure that something hasn’t been overlooked.

Finally, Ms. Browne noted that Staff will provide the Committee with the full Commercial Automobile Manual, including amendments based on discussion to date for the next meeting scheduled for February 1, 2024. The Committee will review the final updates with the intention of making a recommendation to the Governing Committee at its February, 2024 meeting. Ms. Browne encouraged committee members to reach out to CAR should any further questions or comments arise.

TIMOTHY GALLIGAN
Director of Actuarial and Statistical Services

Boston, Massachusetts
January 19, 2024



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PRESIDENT

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RECORDS OF MEETING

ACTUARIAL COMMITTEE – JANUARY 17, 2024

Members Present

Ms. Sarah Clemens – Chair	MAPFRE U.S.A. Corporation
Ms. Kara Boehm	Allstate Insurance Group
Mr. Glenn Hiltbold	Safety Insurance Company
Mr. Todd Lehmann	Quincy Mutual Group
Ms. Lynellen Ramirez	Arbella Insurance Group
Mr. Jaris Wicklund	The Hanover Insurance Company
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:

N/A

Not in Attendance:

Mr. Tiago Prado, BRZ Insurance, LLC

23.01 Records of Previous Meeting

On a roll call vote, the Committee unanimously voted to approve the Records of the Actuarial Committee meeting of September 5, 2023. The Records have been distributed and are on file.

24.04 Market Conditions Impacting Assignment Volume

The Actuarial Committee continued discussion relative to monitoring the size of the residual market including current conditions that are contributing to the rise in assignment volume. In past discussions, the Committee has attributed this rise as a temporary phase as companies and the MAIP pursue rate adequacy. Mr. Timothy Galligan reviewed reports displaying the most recent data showing trends of MAIP exposures and assignments. Initially, the Committee discussed several additional topics relating to the cause of the increasing trends including the MAIP rate, assignment retention rates, and the Family Work and Mobility Act.

Committee members noted that while voluntary rates have improved, carriers continue to hesitate to write marginal risks in the voluntary market. The Committee also stressed the impact of an insufficient MAIP rate not only on companies' tolerance to write marginal risks voluntarily but also on a risk's incentive

to seek coverage in the residual market. Staff indicated that discussions with the SRB addressed these topics.

The Committee continued discussion on other environmental factors contributing to the increase to the size of the MAIP including the following:

- Rising direct loss ratios, in part due to continued inflation and higher repair costs experienced nationally
- Resulting changes in voluntary underwriting guidelines with increased scrutiny on driver characteristics including years of driving experience, accident history, non-payment history, time with current carrier
- Lower volumes written by companies specializing in writing sub-standard business
- Reduced advertising targeting new business as a result of changes in company underwriting guidelines

The committee members recognized that the above factors are not specific to the residual market and somewhat out of the control of the Committee to fix. In regard to credits, the Committee considered whether changes in credit value would encourage companies to write more business on a voluntary basis. Most members agreed that the residual market size is still low at 1% of the total market, and that no immediate action is advisable. The Committee reiterated its position that the current increase in assignment volume is temporary and should improve with continued rate improvement. Some members felt that the increase in assignments is largely unrelated to the credit values but rather changes in underwriting standards, noting that the past residual market decreases have all occurred with credits frozen at 2015 levels. One member further noted that the current formula codified in MAIP Rules to evaluate credit indications was designed in 2009, when market conditions were significantly different. It was suggested that a proposed change to credit factors should be considered in conjunction with a new mechanism designed in the context of today's market.

Going forward, the Committee agreed to a 1.5% residual market size threshold for 2024 to trigger an immediate reconvening of the Committee to further discuss these issues. In the interim, the Committee directed staff to prepare several new data reports to assist in future discussions including the following:

- Data to identify whether certain agency demographics were contributing more to MAIP assignment growth
- Changes in residual market size by class and territory, highlighting credit eligible cells
- A new report identifying retention rates
- A review of the Rules requiring voluntary declinations prior to MAIP placement as a lower MAIP rate may influence risks to seek assignment

24.05 Company Considerations for Implementation of New Rating Procedures

Mr. Galligan informed the Committee that in an effort to be responsive to indicated rate need, CAR has inquired with Assigned Risk Companies (ARC's) about the impact to their systems of effective date changes that differ between new and renewal business, as well as updates to territory groupings. Because these informal surveys indicated that the impacts to systems vary widely among ARC's, staff brought the topic to the Committee for further discussion. The Committee considered the two issues in their deliberations.

With respect to the staggered effective date, the impact to company systems also vary widely among committee members. Members noted obstacles that include older IT systems and difficulty in securing

resources without significant lead time. Such a change would also have impacts to companies' own ratemaking processes, such as addressing rating caps tied to the MAIP rate. After discussion, it was apparent that the change would not yield responsiveness that would outweigh the complex systems changes that would be required.

For the town/territory alignment updates, several companies indicated that they were able to implement the proposed changes, and many indicated that appropriate town/territory groupings would improve residual market rate adequacy. However, the committee members noted that such a change would be encouraged when the overall MAIP rate need is low and most companies expressed a need for significant lead time to address systems and programming needs.

Several members suggested that while these proposed changes are important, the priority should be in obtaining a more adequate rate now, including both the MAIP and voluntary rates. The potential changes for a town realignment could be addressed in the future.

24.06 Excess Credit Authorization Form Updates

Mr. Galligan reviewed proposed updates to the Excess Credit Authorization Form and the Assigned Risk Company Procedures Manual to provide clarity with respect to the effective and expiration date inputs on the form, as well as other minor clerical updates. If approved, the proposed effective date of these changes will be March 1, 2024.

After discussion, the Committee unanimously voted to recommend the proposed modifications, as presented, to the Governing Committee.

TIMOTHY GALLIGAN
Actuarial/Statistical Services Director

Boston, Massachusetts
January 30, 2024



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NATALIE A. HUBLEY
PRESIDENT

AUTHORIZATION FOR THE SALE AND TRANSFER OF MAIP CREDITS

Selling Company, pursuant to Rule 29.F, agrees to
transfer excess MAIP credits to
Receiving Company
in accordance with the following terms (provide description below):

Credits will be calculated and transferred monthly (corresponding to the monthly submission dates of statistical data) for the following period:

Starting Quota Share Report Date:

Ending Quota Share Report Date:

Seller Authorization

Buyer Authorization

Name:	<input type="text"/>	<input type="text"/>
Title:	<input type="text"/>	<input type="text"/>
Address:	<input type="text"/>	<input type="text"/>
E-mail:	<input type="text"/>	<input type="text"/>

Signature: _____
Date:

Please return form to CAR

Commonwealth Automobile Reinsurers
Timothy Galligan
101 Arch Street
Suite 400
Boston, MA 02110
(617) 338-5422 (fax)
ActStat@commauto.com

For CAR use only

Confirmation Signature

CAR confirms that the authorized transfer of credits is in accordance with CAR rules and procedures.

Print

MAIP | Assigned Risk Company Procedures Manual
Chapter X | Quota Share and Credit Programs
Revision Date | ~~2023~~2024.0903.2001
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B. Sale and Transfer of Excess Credits

An Assigned Risk Company (ARC) may accrue excess credits. An ARC is determined to have excess credit premium if its MAIP Credit Premium as calculated in Section A.3. of this Chapter is greater than its MAIP Quota Share Premium as calculated in Section A.4. of this Chapter and as displayed on the Quota Share and Assignment Order Report (refer to Exhibit X-A-1, Columns (4) and (5)). The ARC may choose to enter into an agreement with another ARC to sell and transfer its excess credit premium to that ARC on a monthly basis. For additional information regarding the sale and transfer of excess credits, refer to Rule 29.F. of CAR's Rules of Operation.

The excess credit premium that CAR determines to be eligible for transfer will be included in the monthly Quota Share and Assignment Order Report as part of the monthly statistical base data update.

1. Credit Sale Agreement Approval Process

In order to notify CAR of the intent to sell and transfer MAIP credit premium, an ARC must provide CAR with a completed Authorization for the Sale and Transfer of MAIP Credits form. Refer to Exhibit X-A-3. A link to this form is located on the MAIP Company Forms page of CAR's website.

The ARC must submit the Authorization for the Sale and Transfer of MAIP Credits form to CAR 30 days prior to the due date of the monthly accounting shipment with which the ARC requests the credit transfer to be included in the Quota Share report. For example, if the ARC intends for the transfer of credits to commence with the Quota Share report which includes data reported in the June monthly accounting shipment, the form must be received at CAR no later than July 15, which is 30 days prior to the August 15 due date of the June accounting/statistical reporting submission.

The terms of the credit sale agreement will be reviewed by CAR to ensure consistency with CAR's Rules of Operation and to confirm that the specific requirements in the agreement are administratively feasible using CAR's Quota Share system. If questions arise, CAR will work with the selling ARC to ensure that the terms of the agreement are clarified or modified as necessary.

MAIP | **Assigned Risk Company Procedures Manual**
Chapter X | **Quota Share and Credit Programs**
Revision Date 2023~~2024~~.09~~03~~.2001
Page **9 of 14**

Every agreement must specify a time period ~~corresponding to the monthly submission dates of statistical data~~ -in which the transfer of excess credit premium is to occur, up to a maximum of twelve months.

The Starting Quota Share Report Date and Ending Quota Share Report Date shall be specified on the Authorization Form. These dates correspond with CAR's monthly accounting/statistical shipments.

For example, if the starting date is intended for the Quota Share report which is updated with January, 2024 base data:

The January, 2024 monthly accounting shipment is due to CAR on March 15, 2024. The corresponding Quota Share report is referred to as the January, 2024 Quota Share report, and will be posted to CAR's website ~~published to the Industry~~ in late March. In the "Starting Quota Share Report Date", enter "January, 2024 QS Report".

Agreements that meet these requirements will be approved by CAR and the transfer of MAIP credits will commence as of the monthly base data update of the Quota Share and Assignment Order Report specified in the transfer agreement.

In no instance will a credit transfer be made if it results in a negative credit position for the selling ARC on the day that the Quota Share report is updated and posted to CAR's website. If this occurs, CAR will reduce the amount of credit premium transferred to the buying ARC(s).

2. Procedure to Calculate Excess Credits

On a monthly basis, CAR will update the Quota Share and Assignment Order Report to include the latest 12 months of statistically reported data, as well as any data adjustments including previously approved credit premium transfers. The report will also be updated with the latest available assignment data.

a. Newly Approved Credit Premium Sales Agreements

- (1) Obtain the contractual transfer amount of credit premium from the approved credit sale and transfer agreement.
- (2) Determine the amount of available excess credit premium from the selling ARC.



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PRESIDENT

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RECORDS OF MEETING

COMMERCIAL PROGRAM OVERSIGHT COMMITTEE – JANUARY 25, 2024

Members Present

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

J.K. Olivieri Insurance Agency, Inc.
Quincy Mutual Group
FBInsure, LLC
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 August 31, 2023. The Records have been distributed and are on file.

24.04 Redistribution of Residual Market Books of Business

Ms. Natalie Hubley noted that a Servicing Carrier Request for Proposal (RFP) will be distributed to the industry in June, 2024 in order to accommodate the residual market's transition to the new commercial forms and endorsements effective January 1, 2027. Ms. Hubley stated that, as CAR staff moved forward in preparing the draft of the RFP, it became apparent that minimizing market disruption will become more difficult in the future when redistributing the Exclusive Representative Producer's (ERP's) books of business, given current market trends and the redistribution requirements. Mr. John Olivieri observed that it was an optimal time to review the redistribution process.

The Committee noted that the current procedures for redistribution have held up well yet, the dynamics in current residual market conditions with mergers and acquisitions, market trends and potential premium volume shifts make it worth reviewing. The Committee then questioned the Servicing Carriers regarding the influence of elements such as agency count, classification mix, and the number and size of policies they write. It was the consensus of the Servicing Carriers that those elements were important and each created difficult challenges; however, the inequity of revenue has been the significant factor when determining whether to request a redistribution.

The Committee then discussed alternatives to the current practice with some members suggesting consideration of ways to enable more flexibility in allowing two Servicing Carriers in cases involving mergers of larger books of business and large networks, but noted that parameters needed to be established. Further discussion centered around alternatives or changes to the current allocation of premium method such as increasing the three percent tolerance level that triggers a redistribution. Mr. Barry Tagen suggested the Committee consider a change to the expense allocation procedure to enhance incentives to depopulate the residual market and to minimize the potential need for redistributions. Specifically, he suggested a flat expense allocation for each servicing carrier based on an equal portion of the total expense allocation. Ms. Hubley advised that staff will review the suggestions expressed and outline alternatives for consideration at the next meeting.

Other Business

Mr. Barry Tagen introduced the topic of the Servicing Carrier's Annual Reports to the Committee and questioned whether these reports would be waived as was the case when Servicing Carriers responded to the 2020 RFP. The Committee agreed to add this topic to the agenda for further discussion at its next meeting.

RICHARD DALTON
Residual Market Liaison

Boston, Massachusetts
January 30, 2024



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RECORDS OF MEETING

PERSONNEL COMMITTEE – JANUARY 30, 2024

Members Present

Mr. John Olivieri, Jr. – Chair
Ms. Sarah Clemens
Mr. Thomas DePaulo
Mr. William Hughes
Ms. Nicole Martorana
Mr. Christopher Taylor
Ms. Meredith Woodcock

J.K Olivieri Insurance Agency, Inc
MAPFRE U.S.A. Corporation
Cabot Risk Strategies, LLC
Arbella Insurance Group
FBInsure, LLC
The Hanover Insurance Company
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 Personnel Committee meeting of October 26, 2023. The Records have been distributed and are on file.

24.08 Retirement Savings Plan

Ms. Natalie Hubley presented a proposal to amend CAR's retirement savings plan (401K) for employees hired after April 1, 2010. The proposal is intended to help CAR present an attractive recruiting posture and provide a strong retention incentive. She indicated that the proposal is also intended to encourage employee contributions with a goal toward financial wellness.

Ms. Hubley noted that approximately 18 months ago, CAR's peer organizations added an employer matching component back to their 401K plans for all eligible employees. Ms. Hubley explained that her proposal seeks to bring CAR's program more in line with those peer organizations. She pointed out however that CAR's proposal does not include all employees, but rather continues to focus only on those eligible employees hired after 6/1/2010, about one quarter of the company workforce.

Committee members questioned the cost of the proposal and how the plan amendment might impact total employee compensation, if approved. The mechanics of plan enrollment, vesting, safe harbor concerns and the implementation timeframe were also discussed. There was recognition that recruitment and

retention of new employees is difficult under current labor market conditions and cost-effective programs like the one proposed can help to stabilize company staffing levels.

The Committee unanimously voted to recommend to the Governing Committee adoption of the proposed changes to CAR's 401K plan effective January 1, 2025.

24.04 2024 Annual Merit Increase

Mr. Timothy Costain provided a current market context within which CAR's merit increase proposal was developed. He noted the current rate of inflation, merit increase averages reflected in national survey firm results, and the 2024 Social Security cost of living adjustment. Mr. Costain reviewed merit increase information of industry-funded peer organizations to which CAR ties its recommendation, noting that CAR's proposed increase is in line with the average of those companies for 2024.

Ms. Hubley provided a proposal for a President's discretionary percentage for outstanding performers in addition to the merit increase being recommended. She noted the practice has been highly successful over the past four years in motivating middle and lower-level staff who are now more directly involved in committee activity, problem solving and the implementation of impactful solutions throughout the company. She stressed that the recommendation is fiscally responsible, adding that the discretionary compensation is awarded as one-time payments and does represent an increase to base salary. Ms. Hubley proposed a 2024 merit increase percentage, plus an amount to target individuals whose performance is deserving of meaningful additional compensation.

The Committee unanimously voted to recommend to the Governing Committee adoption of a merit increase for calendar year 2024 as proposed by Ms. Hubley, with an additional percentage to be distributed on a discretionary basis by the President to deserving employees.

24.05 2024 Annual Range Movement

Staff provided a review of salary range survey information reflecting industry-funded peer organizations planned salary range increases for 2024. Based on the survey information and in keeping with past practice, a salary range increase percentage was proposed to align CAR with those organizations for 2024.

Following brief consideration, the Committee unanimously voted to recommend to the Governing Committee a salary range increase percentage as recommended for calendar year 2024.

24.06 Officer Salary Recommendations

Ms. Hubley provided 2023 job performance assessments of Ms. Wendy Browne, Vice President of Business Operations and Mr. Peter McCabe, Vice President of Technical Operations. She indicated that both individuals performed beyond expectations in 2023. Ms. Hubley detailed numerous accomplishments of both officers during the past year and articulated their importance to CAR's continued success.

Ms. Hubley proposed a salary increase for Ms. Browne and for Mr. McCabe consistent with the merit increase percentage approved for CAR staff for 2024.

The Committee unanimously voted to recommend to the Governing Committee a 2024 salary increase for Wendy Browne, Vice President of Business Operations, as proposed by Ms. Hubley.

The Committee also unanimously voted to recommend to the Governing Committee a 2024 salary increase for Peter McCabe, Vice President of Technical Operations, as proposed by Ms. Hubley.

24.07 President's Salary Recommendation

The Committee discussed the 2023 job performance of CAR President, Natalie Hubley. Committee members offered comments centered around her accessibility, transparency, and ability to involve more staff in committee activity and other service-related challenges during the past year. Comments also noted that she is goal oriented, persistent, and takes her responsibilities very seriously, all of which have served the company well during the past year.

Following discussion, the Committee unanimously voted to recommend to the Governing Committee a merit increase for Ms. Hubley in 2024.

TIMOTHY COSTAIN
Chief of Staff

Boston, Massachusetts
January 31, 2024



NATALIE A. HUBLEY
PRESIDENT

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RECORDS OF MEETING

FINANCIAL AUDIT COMMITTEE – JANUARY 30, 2024

Members Present

Mr. Thomas LaFrancois – Chair	Arbella Insurance Group
Mr. Matthew Anglim	Plymouth Rock Assurance Corporation
Ms. Pamela Bodenstab-Krynicky	P L Krynicky Insurance Agency
Mr. Brian Breeden	MAPFRE U.S.A. Corporation
Mr. Christopher Burke	Safety Insurance Company
Mr. Sean Moone	Norfolk & Dedham Group
Mr. Henry Risman	Risman Insurance Agency

Substituted for:
N/A

Not in Attendance:
N/A

23.01 Records of Previous Meeting

On a roll call vote, the Committee voted unanimously to approve the Records of the Financial Audit Committee meeting of August 29, 2023. The Records have been distributed and are on file.

23.04 Annual Audit of CAR for Fiscal Year Ending September 30, 2023

Mr. Thomas Perruna, representing Alexander, Aronson, Finning & Co. (AAF CPA), discussed the procedures performed, and stated that there were no exceptions found in any of the procedures performed. Mr. John Buckley, representing (AAF CPA), discussed the review of CAR's financial statements indicating that no differences were noted, and no adjustments were needed. During the discussion, Mr. Buckley walked the committee through the financial statements pointing out the adoption of the FASB-issued Accounting Standards Update (ASU) 2016-02 Leases and the impact to the balance sheet. Mr. Buckley then advised that, based on the agreed upon procedures performed in accordance with standards established by the American Institute of Certified Public Accountants, and its review of CAR's financial statements, AAF CPA will issue a clean, unqualified review report as of, and for the year ended, September 30, 2023.

After a brief discussion, on a roll call vote, the Committee members voted unanimously to recommend Governing Committee approval of CAR's financial statements for the fiscal year ending September 30, 2023.

WENDY BROWNE
Vice President of Business Operations

Boston, Massachusetts
January 31, 2024