



NATALIE A. HUBLEY
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

101 Arch Street, Suite 400 Boston, Massachusetts 02110
www.commauto.com 617-338-4000

ADDITIONAL INFORMATION

TO MEMBERS OF THE MAIP STEERING COMMITTEE

FOR THE MEETING OF:

Wednesday, August 14, 2024, at 10:00 a.m.

MSC

22.08 MAIP Physical Damage Maximum Loss Payable

As Assigned Risk Carriers begin to implement systems changes relating to the \$175,000 maximum loss payable, CAR has received a number of procedural questions. Attached is a list of questions raised by Assigned Risk Carriers for the Committee's discussion. (Docket #MSC22.08, Exhibit #6)

MSC

24.05 Residual Market Private Passenger Volume

At its meeting of May 30, 2024, the Committee requested further analysis of agency assignment data to assist in its discussion related to the increase in the size of the MAIP. Also, CAR contacted a sample of producers with significantly increased assignment activity to solicit feedback on the factors driving the increase. An exhibit relating to agency assignment volumes and a summary of the agency calls is attached. (Docket #MSC24.05, Exhibit #10)

LYNNE ROSENBURG

Director of Operations and Residual Market Services

Attachments

Boston, Massachusetts
August 8, 2024

MAIP Steering Committee – August 14, 2024
Physical Damage Maximum Limit of Loss
Additional Procedural Questions

CAR has received a number of procedural questions from Assigned Risk Carriers (ARCs) preparing to implement necessary systems changes resulting from the Governing Committee approval of the \$175,000 maximum loss payable on physical damage coverage for MAIP policies. While CAR will publish a Bulletin outlining consistent procedures for producers and carriers upon final approval by the Division of Insurance, the list of questions below serves as a starting point to document consistent procedures while encouraging Committee input and discussion. CAR's intended response follows each question.

- 1) Should the endorsement MP-0004 (Coverage for Damage to Your Auto – \$175,000 Maximum Limit of Loss) be attached to all policies including those that do not contain physical damage coverage?

Response: For Committee discussion.

- 2) Does each company need to place on file a corresponding rating procedure in the event that an ARC's voluntary rate is lower than the MAIP rate on a MAIP policy?

Response: CAR has referred this question to the SRB and is awaiting a response.

- 3) If a company is completing the Lane-Bolling rate comparison for an assignment, does the company writing the vehicle voluntarily rate at the same \$175,000 cap, or is the vehicle uncapped and rated in accordance with its approved voluntary rates?

Response: The response is dependent upon the reply from the SRB to question 2. Staff has advised that regardless of whether a "cap" exists in the ARC's rates, the company would use the rating procedure as described in Rule 22 of CAR's Private Passenger Residual Market Rating Manual for its voluntary rate calculation.

- 4) How would carriers handle stated or agreed amount greater than \$175,000?

Response: The maximum limit still applies. The residual market will not cover losses greater than \$175,000. Therefore, the stated amount and agreed amount contracts should be capped at that limit. Any amount greater will not be accepted by the MAIP application.

- 5) How would carriers handle customized equipment on a vehicle that was greater than \$175,000 or where the customized equipment brought the vehicle above \$175,000?

Response: The value of the customized equipment is added to the value of the vehicle, then rated. The maximum allowable is \$175,000 for physical damage.

- 6) How would carriers handle electric equipment on a vehicle that was greater than \$175,000 or where the electric equipment brought the vehicle above \$175,000?

Response: Same as above.

- 7) If the value of the vehicle is greater than \$175,000 but the VRG assigned is less than 50, should the vehicle be rated with the VRG that was assigned without amendments? (Not all VRGs are 50 if the Cost New is greater than \$175,000)

Response: The MAIP Manual sets the VRG 50 rate maximum for Collision as \$145,000 for Van/Wagon/Pickup, \$110,000 for all other PP Vehicles, and \$75,000 for OTC. For amounts greater than these limits, a factor is applied to rate per additional \$1,000. The proposed change includes specifying that if the maximum physical damage cost is greater than \$175,000, then use \$175,000 as the base list price in this step. The policy is then rated on the \$175,000 value.

- 8) Should the Lienholder Notice be attached to New Business or is it intended only for renewal business with vehicles greater than \$175,000?

Response: The Lienholder Notice shall be sent to the lienholders for MAIP policies renewing during the 12-month renewal cycle following the effective date of the implementation to advise lienholders of the change in coverage. For new business, lienholders will be notified of the limited coverage through the producer's appropriate completion of the insurance binder.

- 9) Can the Policyholder Notice and Lienholder Notice be provided in MS Word?

Response: MAIP has no stipulation on the type of document to use. CAR will provide the notices to carriers in MS Word form to facilitate systems development.

MAIP Steering Committee
Summary of Agency Assignment Volume
2023 vs 2022

2023 Assignment Year		2023	2022	
<u>Volume Range</u>	<u># Agencies</u>	<u>Assignments</u>	<u>Assignments</u>	<u>23/22</u>
0	76	0	301	0.00
1 - 50	879	8,041	2,941	2.73
50 - 100	48	3,442	1,391	2.47
100 - 200	39	5,344	1,371	3.90
200 - 300	13	3,077	1,050	2.93
300 - 400	5	1,731	522	3.32
400 - 500	4	1,704	635	2.68
500 - 600	3	1,559	558	2.79
600 - 700	1	697	36	19.36
700 - 800	4	2,941	492	5.98
800 - 900	1	854	242	3.53
900 - 1000	1	920	293	3.14
1000 - 2000	3	3,572	986	3.62
> 2000	2	<u>14,640</u>	<u>4,867</u>	3.01
Totals	1079	48,522	15,685	3.09

Commonwealth Automobile Reinsurers
MAIP Steering Committee
Residual Market Private Passenger Volume
Agency Assignment Data

At the last meeting, the Committee requested a review of agency assignment data to assist in the understanding of market conditions. The attached exhibit highlights the number of agencies and increased assignments from 2022 to 2023 for different ranges of assignment volumes. To further assist the Committee in its discussions, CAR contacted a sample of producers with significantly increased assignment activity to solicit feedback on the factors driving the increases. A summary of the comments is provided below:

- Restricted underwriting guidelines for voluntary policies are the biggest factor of increased MAIP policies. For example,
 - No voluntary offers if the step exceeds a certain value
 - No voluntary offers if a prior history of late payments or cancellations exists
 - No voluntary offers if there was no coverage during the preceding year
 - No voluntary offers for new business
 - No voluntary offers for new operators
 - No voluntary offers that include a foreign license
 - No voluntary offers if the policy is for a single vehicle/single operator
 - Policy will be non-renewed if one claim occurred during the preceding year, regardless of whether the operator has been determined to be at fault
- Insurance companies that focus on the sub-standard market have either tightened guidelines, are writing less volume, and/or have increased rates substantially, placing additional strain on the market in general as well as increasing the number of walk-ins at an agency seeking a new business policy
- Additional companies have volume limitations on how many new business policies they will accept in a given month
- The number of new operators has increased as a result of the Family Work and Mobility Act
- The cost of insurance has increased significantly impacting risks -
 - Even an increase of \$20/month can impact certain risks
 - Voluntary rates for new drivers can be cost prohibitive
 - In certain cases, the MAIP rate is lower than the voluntary rate

Note that, with the elimination of producer code as a required statistical data element, data is unavailable to evaluate the changes in assignment volumes at the producer level in the context of total market changes. If the Committee determines that such data may enable meaningful evaluation of factors contributing to market trends and potential remedies to improve results, the Committee might consider alternatives to collect additional data for future discussions. Possible considerations include:

- Reintroduce the producer code as a required data element. This would provide data for both voluntary and residual market policies, as well as a study of certain demographic data such as classification, territory, and merit rating status on a producer level.
- Require producers to provide total market policy counts on an annual basis. While not at the detail level of statistical data, this information would demonstrate overall changes in a producer's book as well as the breakdown between voluntary and MAIP policies (when combined with the assignment/MPR data). This information could be collected through the MAIP Policy Application System.
- Require producers to identify the carriers with which they have voluntary contracts on an annual basis. This information that could also be collected through the MAIP Policy Application, would enable CAR to evaluate whether statistical data reported on an optional basis is credible and to highlight trends in the market.