



COMMONWEALTH AUTOMOBILE REINSURERS
MASSACHUSETTS AUTOMOBILE INSURANCE PLAN

ANNUAL REPORT 2023



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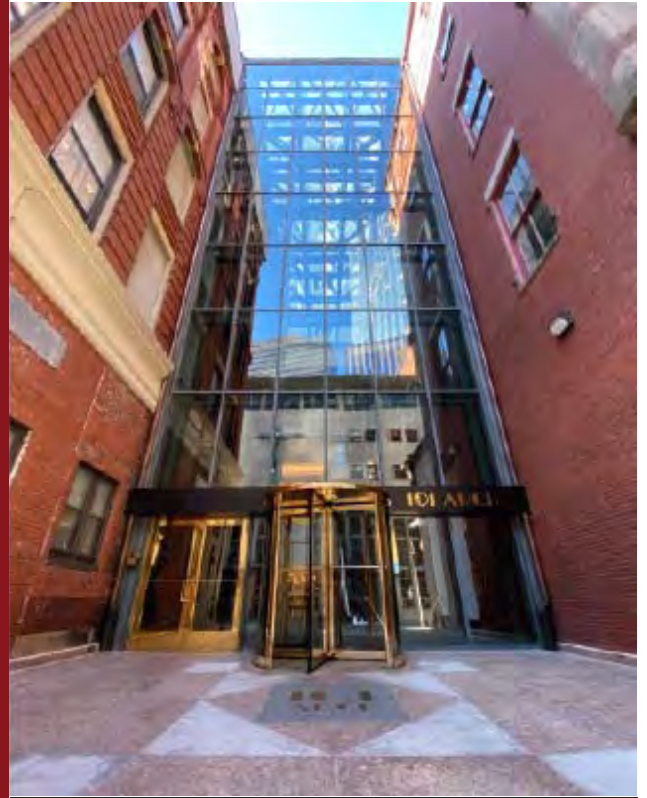
OUR COMPANY

COMMONWEALTH AUTOMOBILE REINSURERS

Created pursuant to M.G.L. c. 175, §113H, CAR is the industry-operated residual market administrator for motor vehicle insurance in the Commonwealth of Massachusetts. CAR provides access to private passenger and commercial motor vehicle liability and physical damage insurance to that segment of the state's motoring public that is unable to obtain insurance through the method by which insurance is voluntarily make available.

CAR is also the Commonwealth's statistical agent for motor vehicle insurance, designated by the Commissioner of Insurance pursuant to M.G.L. c. 175A, §15. As such, CAR is responsible for the collection, maintenance, and dissemination of statistical data pursuant to the Commissioner's statistical plans.

Every company licensed to write motor vehicle liability insurance in Massachusetts is required to become a Member of CAR. A complete list of Member Companies is available on CAR's website at www.commauto.com under About CAR/Company Memberships.



101 Arch Street, Suite 400
Boston, MA 02110

617-338-4000

www.commauto.com



YEAR IN REVIEW

CAR management relies significantly on its strong partnership with CAR's committees in fulfilling its mission. With this approach, together we have achieved many successes in recent years. Still, new challenges continue to present themselves requiring action to minimize deficits and market disruptions.

Financial Summary

For the 12-month effective period as of August 2023, ceded exposures of 40,567 represent 9.6% of the total market, up from 9.3% for the same period one year ago. The small increase in the volume of vehicles insured in the commercial residual market is mainly due to increased exposures in the bus classes as these businesses are back on track post-pandemic. The projected income statement shown in the Financial Results section essentially anticipates a breakeven net underwriting result for the fiscal year. The \$520K underwriting deficit reflects adjustments to older policy year reserves offset by initial Loss Reserving Committee projections of higher loss ratios for policy years 2022 and 2023 as of June 2023. Rate increases placed on file effective in November 2022 and December 2023 target improvement in those financial results.

Commercial Automobile Residual Market

Commercial residual market rates were placed on file for ceded policies effective December 1, 2023 and later. The filing completes the two-year transition to improve rating for zone-rated risks, introducing impactful modifications that adopt ISO primary rating factors and physical damage rating procedures. In addition, with this filing we completed the phase-out of the physical damage experience rating which is anticipated to have positive impact on ceded financial results. Staff's implementation of programming updates is nearing completion. Internally, CAR continues to work with its consulting actuaries at AIB to review more recent data, evaluate rate indications, and consider strategies to implement further rate improvements.

The Commercial Automobile Committee completed its evaluation of coverage forms and endorsements. In supporting the Committee during this effort, management engaged staff at all levels across the organization to take advantage of the knowledge gained through years of experience and to train a diverse team of new and seasoned professionals. Staff is currently drafting rating and rule amendments, targeting a February completion for Committee approval. Staff will consult with the regulator to coordinate filing activities in preparation for implementation coinciding with the next Servicing Carrier appointment term.

CAR's Compliance Audit staff collaborated with the Commercial Automobile Committee to develop an underwriting inspection form for use by all Servicing Carriers for taxi, limo, and car service risks. This new form replaces one previously provided by a third-party vendor. Staff is also supporting the Committee in its evaluation of the expanding peer-to-peer vehicle sharing industry. Finally, in an effort to improve results through consistent procedures, staff has refreshed the array of topics identified for review by the committee to continue to clarify defined program requirements.

The Compliance and Operations Committee adopted staff's recommended process of incorporating enhanced procedures into the overall commercial audit process. Staff is in the process of automating sample and reporting procedures incorporating these updates. The Commercial Program Oversight Committee considered Servicing Carrier and producer resource requirements needed to implement updated coverage forms and train their respective staffs. The Committee recommended adoption of the new forms in 2027 and initiation of the next Servicing Carrier selection process in a timeframe that ensures sufficient planning, budgeting, and resource allocation for the selected Servicing Carriers.

Private Passenger Residual Market

CAR's most recent MAIP rates were placed on file for policies effective May 1, 2023. This filing included data reported through March 2022. Responding to more recent data available through March 2023 and the increasing trends in loss severities and repair costs, staff filed in early September for a rate adjustment for policies effective February 1, 2024.

After incorporating enhancements identified through producer process testing, CAR implemented its electronic MAIP stamp on March 1, 2023. Staff developed an online tutorial and published written procedures to instruct producers in using the e-stamp.

Staff announced amendments to the private passenger manual rules placed on file to modify the private passenger definition to include SUVs and increase the gross vehicle weight to 16,000 pounds for policies effective May 1, 2023 and later. This clean-up ensures consistency with registry definitions and eliminates gaps in eligibility definitions.

The MAIP Steering Committee is in the process of evaluating amendments to CAR's Rules of Operation and rating rules and forms to implement its recommended physical damage coverage limits. Staff is researching issues raised at its last meeting and will present new draft amendments later this year.

Statistical Agent

CAR announced the availability of its web-based statistical policy history application in June. The new application replaces the need for company users to access CAR's mainframe to view policy history data. Improvements to the application introduce enhanced view, sort and export capabilities. And migration of in-house IDEAL systems continues with focus on CAR's producer management system, enabling staff to perform certain production functions more efficiently.

The biennial review of the Claims Performance Standards resulted in regulatory approval of enhancements to the SIU audit compliance requirements that will have a long-term impact to data quality. Also, the Business Operations staff continues to improve the process of using specialized data quality reviews and focus audits to identify reporting problems early on with new entrants and other companies making changes to their own reporting systems. Notably, staff has worked with companies in instances of duplicate reported losses or reported loss payments in excess of policy limits on ceded policies.

Finally, amendments to the Private Passenger and Commercial Statistical Plans were approved by the Division of Insurance late in 2022 and implemented by CAR during 2023, with mandatory reporting as of January 1, 2024. Notably, carriers are migrating their reporting of commercial symbol code to original cost new. Staff is in the process of developing reports to monitor the quality of the new reporting.

A Note of Thanks

As always, management thanks the Governing Committee for its continued support. We welcomed several new committee members who have expertly and professionally contributed their service to address the challenging topics of the ever-changing Massachusetts automobile marketplace. Management also expresses its appreciation of CAR's advisory committees and in particular the committee Chairs who work closely with the staff to bring relevant solutions forward and to further meaningful discussion. Finally, management acknowledges the staff for their dedication to the success of the organization, recognizing their quality customer service and impactful contributions to committee initiatives.

Respectfully submitted by CAR's senior staff,

Natalie Hubley, President

Wendy Browne, VP of Business Operations

Peter McCabe, VP of Information Technology

Timothy Costain, Chief of Staff

Steven Gautieri, Controller



OPERATIONAL HIGHLIGHTS

FINANCIAL RESULTS

FINANCIAL RESULTS

	Fiscal Year 2023 Projected		Fiscal Year 2022 Actual	
UNDERWRITING INCOME				
Premium Written	\$198,697,000		\$186,492,947	
Unearned Premium (Prior)	100,731,500		92,347,549	
Unearned Premium (Current)	(108,539,500)		(94,141,575)	
Premium Earned	\$190,889,000		\$184,698,921	
UNDERWRITING DEDUCTIONS				
Losses Incurred & LAE Ceding	\$143,965,000	75.4%	\$121,266,113	65.6%
Expense Allowance	47,444,000	23.9%	40,792,131	21.9%
Total Underwriting Deductions	\$191,409,000	100.3%	\$162,058,244	87.7%
NET UNDERWRITING GAIN(LOSS)	<u>(\$520,000)</u>	-0.3%	<u>\$22,640,677</u>	12.3%
MISCELLANEOUS EXPENSE & INCOME				
Operating Expense	(\$9,998,000)		(\$10,141,018)	
All Other Misc Expense & Income	157,000		(699)	
Total Misc Expense(Income)	(\$9,841,000)		(\$10,141,717)	
NET OPERATING GAIN(LOSS)	<u>(\$10,361,000)</u>		<u>\$12,498,960</u>	

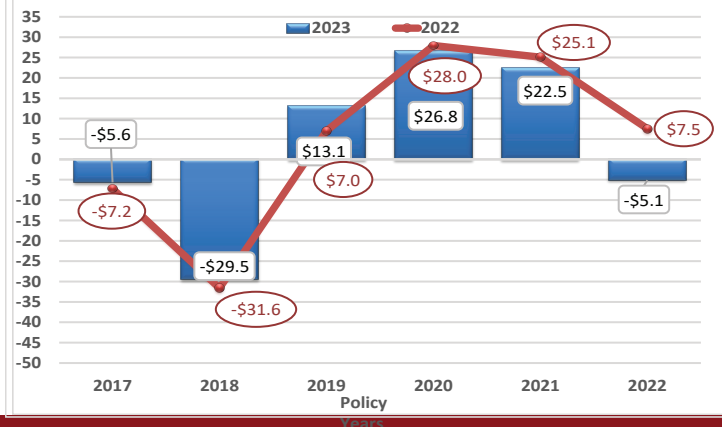
The FY2023 underwriting result reflects adjustments to older policy year reserves offset by higher loss ratios projected by the Loss Reserving Committee for policy years 2022 and 2023 as of June 2023.

CAR Loss Reserving Committee Projected Loss Ratios

Policy Year	Quarter Ending				Fiscal Year		
	09-20	09-21	09-22	06-23	FY21/20	FY22/21	FY23/22
2023				76.6%			
2022			72.4%	79.1%			9.3%
2021		65.4%	66.5%	67.9%		1.7%	2.1%
2020	62.5%	62.2%	62.3%	63.0%	-0.5%	0.2%	1.1%
2019	79.5%	74.8%	74.6%	71.4%	-5.9%	-0.3%	-4.3%
2018	95.0%	93.6%	92.7%	91.6%	-1.5%	-1.0%	-1.2%
2017	81.3%	80.3%	78.9%	78.1%	-1.2%	-1.7%	-1.0%
2016	98.0%	99.5%	99.5%	98.7%	1.5%	0.0%	-0.8%

COMMERCIAL ULTIMATE UNDERWRITING RESULT

Policy Years 2017 - 2022
As Projected by Loss Reserving Committee
@ Sept 2022* vs @ June 2023* (in millions)



OPERATIONAL HIGHLIGHTS

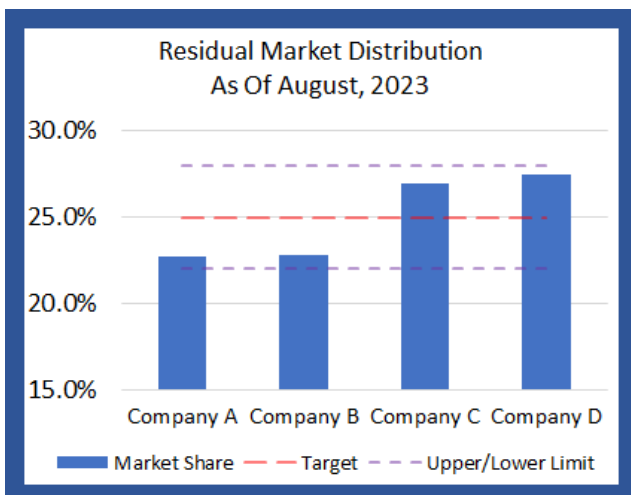
COMMERCIAL AUTO RESIDUAL MARKET

CAR manages the commercial residual market pooling mechanism through its Commercial Automobile Program. Servicing Carriers are contracted to service the ceded policies of the program for 5-year terms and the books of business are reviewed annually to ensure an equitable distribution of the residual market. Members share in the pooled results based on voluntary commercial written premium.

	2018		2022		2023		2023/2022	
	Ceded Exps	Cession Rate	Ceded Exps	Cession Rate	Ceded Exps	Cession Rate	Exp Change	% Change
TTT	22,472	8.4%	19,265	6.8%	18,584	6.4%	(681)	-3.5%
ZR TTT	3,711	91.0%	2,922	86.7%	3,217	84.4%	295	10.1%
ZR Bus	1,180	94.9%	229	83.0%	275	84.6%	46	19.9%
Bus	8,375	36.8%	6,794	33.5%	8,342	38.8%	1,547	22.8%
Limo/CS	1,237	40.3%	603	23.6%	627	20.0%	24	3.9%
Taxi	509	21.1%	210	12.7%	197	12.0%	(14)	-6.5%
Van Pools	191	81.7%	141	79.1%	130	45.3%	(11)	-8.1%
Garage	3,522	49.7%	3,287	16.9%	3,395	22.5%	108	3.3%
Special Types	2,023	5.6%	1,682	6.8%	1,849	8.2%	166	9.9%
PPT FL	1,270	5.1%	1,005	4.0%	1,207	4.6%	202	20.1%
PPT NF	11,319	25.1%	2,930	7.7%	2,746	6.9%	(184)	-6.3%
Total	55,808	13.5%	39,071	9.3%	40,567	9.6%	1,497	3.8%

The small increase in the volume of ceded vehicles mainly reflects increased exposures in the bus classes as these businesses are back on track post-pandemic. 3-year loss ratios reflect continued improvement in financial results for most classes.

Written Premium - Policy Effective Months Sept - Aug as of August, 2023				
Three-Year Loss Ratio Valued Through June, 2023				
Class Type	2022		2023	
	Ceded Premium	2019-2021 Loss Ratio	Ceded Premium	2020-2022 Loss Ratio
TTT	\$87,136,697	60.3%	\$86,893,855	54.2%
Zone Rated TTT	\$23,752,504	79.4%	\$24,658,336	72.9%
Zone Rated Bus	\$4,098,247	130.9%	\$4,241,110	89.1%
Bus	\$34,655,130	49.6%	\$45,021,413	61.6%
Limo/Car Service	\$3,043,905	45.0%	\$3,666,988	50.1%
Taxi	\$1,544,812	56.4%	\$1,364,397	53.8%
Van Pools	\$735,150	35.4%	\$676,607	50.5%
Garage	\$12,074,458	62.4%	\$12,855,174	62.6%
Special Types	\$7,230,032	39.1%	\$7,781,680	39.4%
PPT Fleet	\$3,822,776	34.6%	\$4,237,023	39.3%
PPT Non-Fleet	\$6,720,485	93.6%	\$6,740,911	87.3%
A/O	\$3,406,135	97.6%	\$3,558,039	73.6%
Total	\$188,220,331	63.4%	\$201,695,533	60.0%



The distribution of ceded written premium among Servicing Carriers has remained within established targets since the latest appointment engagement beginning January 1, 2022.

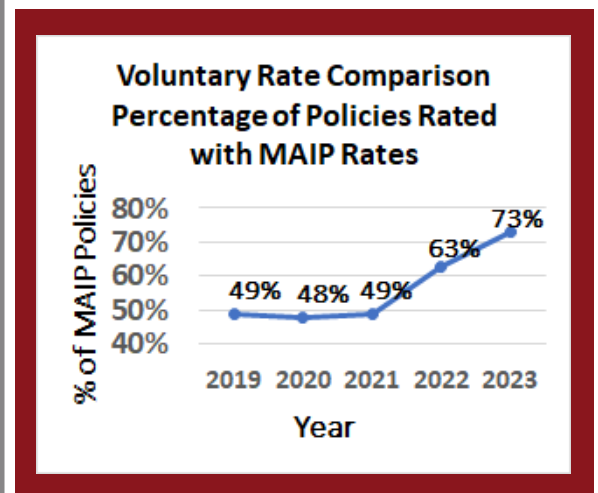
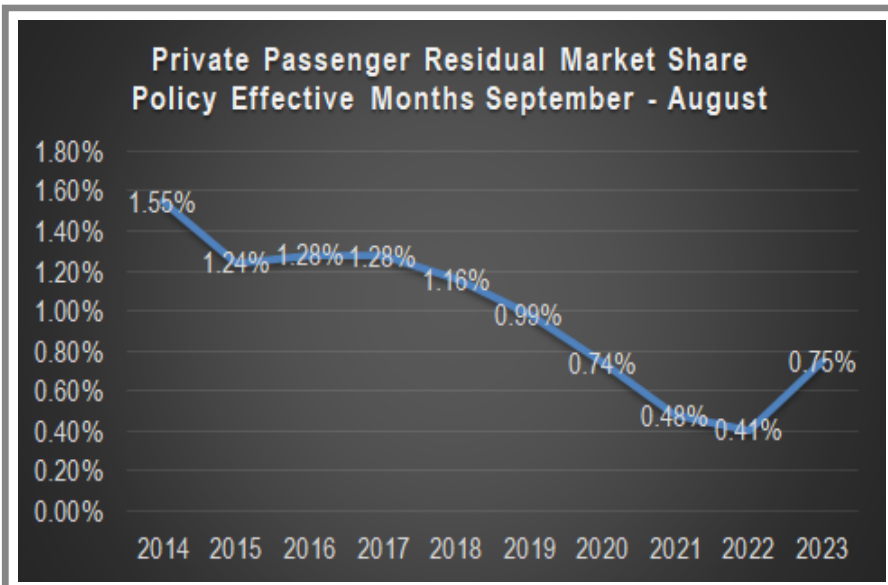
OPERATIONAL HIGHLIGHTS

MASSACHUSETTS AUTOMOBILE INSURANCE PLAN

CAR administers the Massachusetts Automobile Insurance Plan (MAIP), which provides access to private passenger motor vehicle insurance to eligible risks who are unable to obtain such insurance through the voluntary market, and ensures that the risks written through the MAIP are distributed equitably based on the quota share of each Member.

Date	2019	2022	2023	Pre-Covid
	Assignment Count	Assignment Count	Assignment Count	Comparison 23/19
Jan	2,563	760	2,165	-15.5%
Feb	2,617	783	2,275	-13.1%
Mar	3,199	1,163	3,281	2.6%
Apr	2,934	1,086	3,012	2.7%
May	2,659	1,179	3,238	21.8%
Jun	2,349	1,273	3,611	53.7%
Jul	2,197	1,289	3,771	71.6%
Aug	2,303	1,533	4,805	108.6%
Sep	2,154	1,519	5,171	140.1%
Oct	2,171	1,604	5,605	158.2%
Nov	1,800	1,660		
Dec	1,667	1,848		
Total YTD	28,613	15,697	36,934	29.1%
Avg Mo	2,384	1,308	3,693	54.9%
Through October	25,146	12,189	36,934	46.9%

With monthly assignment volumes exceeding pre-pandemic levels, the private passenger residual market share is now 0.75% of the total. The sharp increase in the number of assigned policies rated with MAIP rates contributes to this growth. Revised rates are currently under review with a proposed effective date early next year.



OPERATIONAL HIGHLIGHTS

STATISTICAL AGENT

As the designated Statistical Agent, CAR maintains the private passenger and commercial automobile statistical plans, which contain the reporting requirements and data elements that are reported to CAR monthly. Modifications to the statistical plans are filed with the Division of Insurance periodically as market needs dictate.

Top 10 Writing Companies			
Commercial Total Market Written Premium			
R12 at August, 2022		R12 at August, 2023	
Company	Market Share	Company	Market Share
Commerce	14.2%	Commerce	14.0%
Safety	12.6%	Safety	12.7%
Arbella	10.6%	Arbella	10.6%
Progressive	8.5%	Progressive	8.9%
Travelers	7.3%	Travelers	7.1%
Plymouth Rock	5.2%	Plymouth Rock	4.8%
Fireman's	3.7%	Tokio Marine	3.8%
Tokio Marine	3.7%	Fireman's	3.7%
Liberty Mutual	3.2%	Zurich	2.9%
Hanover	3.1%	Hanover	2.8%
Top 10 Total	72.0%	Top 10 Total	71.2%

Top 10 Writing Companies			
Private Passenger Total Market PDL Exposures			
R12 At August, 2022		R12 At August, 2023	
Company	Market Share	Company	Market Share
Commerce	20.9%	Commerce	19.9%
GEICO	16.4%	GEICO	15.5%
Liberty Mutual	7.9%	Safety	8.2%
Arbella Mutual	7.7%	Arbella Mutual	7.6%
Safety	7.6%	Plymouth Rock	7.0%
Plymouth Rock	6.6%	Progressive	6.7%
Progressive	6.1%	Liberty Mutual	6.6%
Standard Fire	4.4%	Standard Fire	4.5%
USAA	3.6%	USAA	3.7%
Hanover	2.9%	Amica	2.8%
Top 10 Total	84.2%	Top 10 Total	82.6%

As companies compete for market share, new entrants continue to join in the Massachusetts automobile insurance marketplace. Staff uses specialized data quality reviews and focus audits to timely identify reporting problems with new entrants and seasoned companies making reporting systems changes.

New Entrants and New Reporters	
<u>Private Passenger</u>	<u>Commercial</u>
Everspan Insurance	Amerisure Mutual
Liberty Mutual Fire	AmGuard Insurance
Nationwide Insurance of America	Pharmacists Insurance
Spinnaker Insurance	Watford Insurance

GOVERNANCE

GOVERNING COMMITTEE

CHAIR

■ MR. M. JOHN OLIVIERI, JR.
J.K. Olivieri Insurance Agency, Inc.

VICE CHAIR

■ MR. WILLIAM HUGHES
Arbella Insurance Group

MEMBERS

■ MS. PAMELA BODENSTAB-KRYNICKI
P.L. Krynicki Insurance Agency

■ MS. SARAH CLEMENS
MAPFRE U.S.A. Corporation

■ MR. KEVIN COSTIGAN
GEICO

■ MR. THOMAS DePAULO
Cabot Risk Strategies, LLC

■ MR. THOMAS HARRIS
Quincy Mutual Group

■ MS. IDA DENARD JONES
Denard Insurance Agency, Inc.

■ MS. NICOLE MARTORANA
FBInsure, LLC

■ MS. MARY McCONNELL
Safety Insurance Company

■ MR. TIAGO PRADO
BRZ Insurance, LLC

■ MR. CHRISTOPHER TAYLOR
The Hanover Insurance Company

■ MS. MEREDITH WOODCOCK
Liberty Mutual Insurance Companies

■ Company Representative
■ Producer Representative

GOVERNANCE

ADVISORY COMMITTEES

ACTUARIAL

- Chair - Sarah Clemens - MAPFRE U.S.A. Corporation

BUDGET

- Chair - William Hughes - Arbella Mutual Insurance Group

COMMERCIAL AUTOMOBILE

- Chair - Thomas DePaulo - Cabot Risk Strategies, LLC.

COMMERCIAL PROGRAM OVERSIGHT

- Chair - M. John Olivieri, Jr. - J.K. Olivieri Insurance Agency, Inc.

COMPLIANCE AND OPERATIONS

- Chair - Erin Cummings – Norfolk and Dedham Group

FINANCIAL AUDIT

- Chair - Thomas LaFrancois - Arbella Insurance Group

JOINT ACTUARIAL COMMERCIAL LINES

- Chair - Glenn Hiltbold - Safety Insurance Company

LOSS RESERVING

- Chair - Lynellen Ramirez - Arbella Insurance Group

MAIP STEERING

- Chair - Barry Tagen - Pilgrim Insurance Company

MARKET REVIEW

- Chair - Sheila Doherty - Doherty Insurance Agency, Inc.

PERSONNEL

- Chair - M. John Olivieri, Jr. - J.K. Olivieri Insurance Agency, Inc.

-
- Company Representative
 - Producer Representative