



COMMONWEALTH AUTOMOBILE REINSURERS  
MASSACHUSETTS AUTOMOBILE INSURANCE PLAN

# ANNUAL REPORT 2024



# TABLE OF CONTENTS

## 1 ABOUT THE COMPANY

- 1.1 OUR COMPANY
- 1.2 YEAR IN REVIEW

## 2 OPERATIONAL HIGHLIGHTS

- 2.1 FINANCIAL RESULTS
- 2.2 COMMERCIAL AUTO RESIDUAL MARKET
- 2.3 MASSACHUSETTS AUTOMOBILE INSURANCE PLAN
- 2.4 STATISTICAL AGENT

## 3 GOVERNANCE

- 3.1 GOVERNING COMMITTEE
- 3.2 ADVISORY COMMITTEES



# 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](http://www.commauto.com) under About CAR/Company Memberships.



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# YEAR IN REVIEW

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

## **Financial Summary**

The projected fiscal year income statement shown in the Financial Results section anticipates a \$17,238,000 net underwriting loss. The fiscal year deficit reflects a 151% increase in the deficit over the fiscal year 2023 underwriting loss of \$6,862,892. The result is largely driven by the volatile impact of high severity losses on CAR's policy year underwriting results, as well as a 13% increase in ceded vehicles, mostly attributed to TTTs and buses.

## **Massachusetts Automobile Insurance Plan**

CAR committees convened throughout the year to monitor growth in MAIP assignment volume. Both the Actuarial Committee and the MAIP Steering Committee recognize the impact on company underwriting guidelines resulting from rate need in both the voluntary and residual markets. The Actuarial Committee recommended no change to the current credit factors but resolved to evaluate alternatives to transition credit factors to the indicated need when the Committee convenes early next year. The MAIP Steering Committee, asked to consider opportunities to address potential incentives to seek placement in the residual market, concluded that amendments would not materially impact assignment volumes. The Committee was also asked to review the installment payment plan set forth in Rule 28. Based on Committee discussion, Staff will present proposed amendments to the Rule to provide direction when the installment plan is impacted by endorsement activity and late payments.

A MAIP rate change was placed on file for policies effective May 1, 2024 and later, and CAR adopted revised increased limits factors for policies effective November 1, 2024 and later. Improved MAIP rate levels are expected to have a positive impact on market conditions.

## **Commercial Automobile Program**

CAR staff successfully ushered the complex rule and form filing through the review process with the updated coverage and endorsement forms placed on file in July 2024 for policies effective January 1, 2027 and later. Staff has begun the process of preparing related rate filings and amendments to the Rules of Operation, the Manual of Administrative Procedures and the Commercial Statistical Plan.

The Commercial Automobile Committee met throughout the year to monitor legislative activity and evaluate coverage availability relating to the peer-to-peer vehicle sharing industry. At this time, the Committee is recommending no change to the CAR program but will continue to monitor legislative activity. The Committee also continued discussions to enhance consistency of procedures among Servicing Carriers where possible. The Committee developed and implemented a standard inspection form to ensure proper classification of taxi, limousine and car service risks. The Committee defined criteria to be used in determining classification if an insured fails to provide necessary documentation. The new methodology ensures appropriate defaults regardless of rating changes and ensures that new businesses are enabled to be re-rated after securing contracts. The Committee also clarified the determination of rating territory for non-zone-rated risks and modified the description of vehicles classified as Bus NOC to address buses owned by or operated for day care centers. Finally, the Committee adopted the on-hook coverage endorsement for insureds without garage or service locations. These updates are pending SRB review.

## **Commercial Automobile Program (cont'd)**

CAR staff continues to research topics to facilitate Committee discussion of additional improvement opportunities. The Committee plans to next discuss pollution coverage, principal place of business in a remote work environment, and a checklist of required documents for new business.

As the Commercial Program Oversight Committee developed the RFP for Servicing Carrier appointments, the Committee carefully considered the disruptive impacts of producer reassignments and whether program changes could minimize the need for realignment of the ceded books of business among Servicing Carriers. To that end, the Committee discussed alternative expense allocation methods and assignment rules for affiliated agencies and network clusters to evaluate whether changes could improve the program. Ultimately, the Committee recommended no changes but reaffirmed its Statement of Intent which identifies guiding principles as the Committee considers a recommendation to redistribute ceded books of business. The Committee also requested that the Commercial Automobile Committee research the operations of agency network clusters to determine the extent of agency independence and the feasibility of modified assignment rules. The RFP was distributed in July, with responses due in September and Committee selection to be presented to the Governing Committee in November.

## **Statistical Agent**

The Compliance and Operations Committee has conceptually approved statistical plan changes relating to the updated policy forms. Staff is in the process of drafting amendments for final approval.

Staff completed six hybrid and focus audits, three merit rating audits of companies identified as non-compliant, and four reinsurance audits of Servicing Carrier ceded loss data. Staff also implemented an automated system for CAR's enhanced commercial audit program and the first Servicing Carrier audit is underway.

Staff continued to automate data quality assurance tools. A new front-end report was developed to monitor the quality of company reporting of new data elements and assist them with correction efforts as needed. Staff worked with 13 separate reporting companies to help test the quality of data submissions for new reporters or companies implementing significant system conversions and oversaw Electric's efficient withdrawal from the private passenger automobile residual market. Staff also continues to monitor MAIP quota share results to proactively ensure that Assigned Risk Carriers are prepared to fulfill their residual market obligations.

Finally, CAR completed the migration of its producer management system and company file application to the web platform.

## **101 Arch Street Office Lease**

CAR successfully renegotiated its current lease for office space, extending the lease for an additional 10-year term beyond the current end date of February 28, 2027. By securing more favorable terms as of September 1, 2024, CAR was able to immediately take advantage of savings made possible by the current commercial real estate marketplace.



## **A Note of Thanks**

Management expresses its appreciation to Mr. John Olivieri, Jr. as he completes his term as Governing Committee Chair. CAR has valued his expert leadership in overseeing CAR committee activities addressing the myriad of challenges that arise in managing the Massachusetts automobile residual markets. As always, management thanks the Governing Committee for its continued support. We express our appreciation to Mr. Tom Harris of Quincy Mutual for his many years of dedicated service to CAR and its committees. CAR welcomes Ms. Jean Houghton of Norfolk & Dedham to the Governing Committee and thanks her for her willingness to serve. Finally, management expresses its appreciation for the partnership 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 exemplary 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  
Steven Gautieri, Controller



# OPERATIONAL HIGHLIGHTS

# FINANCIAL RESULTS

## FINANCIAL RESULTS

	Fiscal Year 2024 Projected		Fiscal Year 2023 Actual	
UNDERWRITING INCOME				
Premium Written	\$237,983,000		\$200,698,615	
Unearned Premium (Prior)	103,419,300		94,141,575	
Unearned Premium (Current)	<u>(125,611,300)</u>		<u>(103,419,285)</u>	
Premium Earned	\$215,791,000		\$191,420,905	
UNDERWRITING DEDUCTIONS				
Losses Incurred & LAE	\$175,638,000	81.4%	\$150,358,439	78.5%
Ceding Expense Allowance	<u>57,391,000</u>	24.1%	<u>47,925,358</u>	23.9%
Total Underwriting Deductions	\$233,029,000	108.0%	\$198,283,797	103.6%
NET UNDERWRITING GAIN(LOSS)	<u>(\$17,238,000)</u>	(8.0%)	<u>(\$6,862,892)</u>	(3.6%)
MISCELLANEOUS EXPENSE & INCOME				
Operating Expense	(\$10,279,000)		(\$9,841,436)	
All Other Misc Expense & Income	225,000		<u>157,727</u>	
Total Misc Expense(Income)	(\$10,054,000)		(\$9,683,709)	
NET OPERATING GAIN(LOSS)	<u>(\$27,292,000)</u>		<u>(\$16,546,601)</u>	

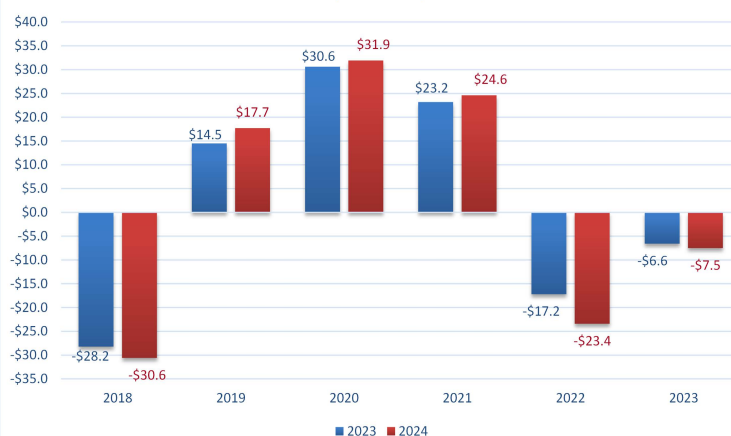
The increased fiscal year underwriting loss reflects a 13% increase in ceded vehicles and the volatile impact of high severity losses on the Loss Reserving Committee's projected loss ratios.

### CAR Loss Reserving Committee Projected Loss Ratios

Policy Year	Quarter Ending				Fiscal Year		
	09-21	09-22	09-23	06-24	FY22/21	FY23/22	FY24/23
2024				81.1%			
2023			79.3%	79.7%			0.5%
2022		72.4%	85.6%	88.9%		18.2%	3.9%
2021	65.4%	66.5%	67.5%	66.7%	1.7%	1.5%	-1.2%
2020	62.2%	62.3%	60.8%	60.0%	0.2%	-2.4%	-1.3%
2019	74.8%	74.6%	70.6%	68.9%	-0.3%	-5.4%	-2.4%
2018	93.6%	92.7%	90.9%	92.2%	-1.0%	-1.9%	1.4%
2017	80.3%	78.9%	77.7%	76.9%	-1.7%	-1.5%	-1.0%

### COMMERCIAL ULTIMATE UNDERWRITING RESULT

Policy Years 2018 - 2023  
As Projected by Loss Reserving Committee  
@ Sept 2023 vs @ June 2024  
(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.

Residual Market Exposures by Class						
12-Month Rolling Total						
	July 2023		July 2024		2024 vs 2023	
	<u>Ceded Exps</u>	<u>Cession Rate</u>	<u>Ceded Exps</u>	<u>Cession Rate</u>	<u>Exp Change</u>	<u>% Change</u>
<b>TTT</b>	18,584	6.4%	21,272	7.4%	2,688	14.5%
<b>ZR TTT</b>	3,217	84.4%	2,858	87.8%	(360)	-11.2%
<b>ZR Bus</b>	275	84.6%	288	82.3%	13	4.6%
<b>Bus</b>	8,342	38.8%	10,415	43.6%	2,073	24.8%
<b>Limo/CS</b>	627	20.0%	824	23.5%	197	31.5%
<b>Taxi</b>	197	12.0%	232	15.0%	36	18.2%
<b>Van Pools</b>	130	45.3%	152	81.1%	22	17.0%
<b>Garage</b>	3,395	22.5%	3,496	20.3%	101	3.0%
<b>Special Types</b>	1,849	8.2%	2,027	9.4%	178	9.6%
<b>PPT FL</b>	1,207	4.6%	1,547	6.0%	340	28.2%
<b>PPT NF</b>	2,746	6.9%	2,829	6.9%	83	3.0%
<b>Total</b>	<b>40,567</b>	<b>9.3%</b>	<b>45,939</b>	<b>10.8%</b>	<b>5,372</b>	<b>13.2%</b>

The 13% increase in ceded vehicles is mostly attributed to TTT and bus classes. High severity losses reported in the fiscal year also impacted the financial results for these classes.

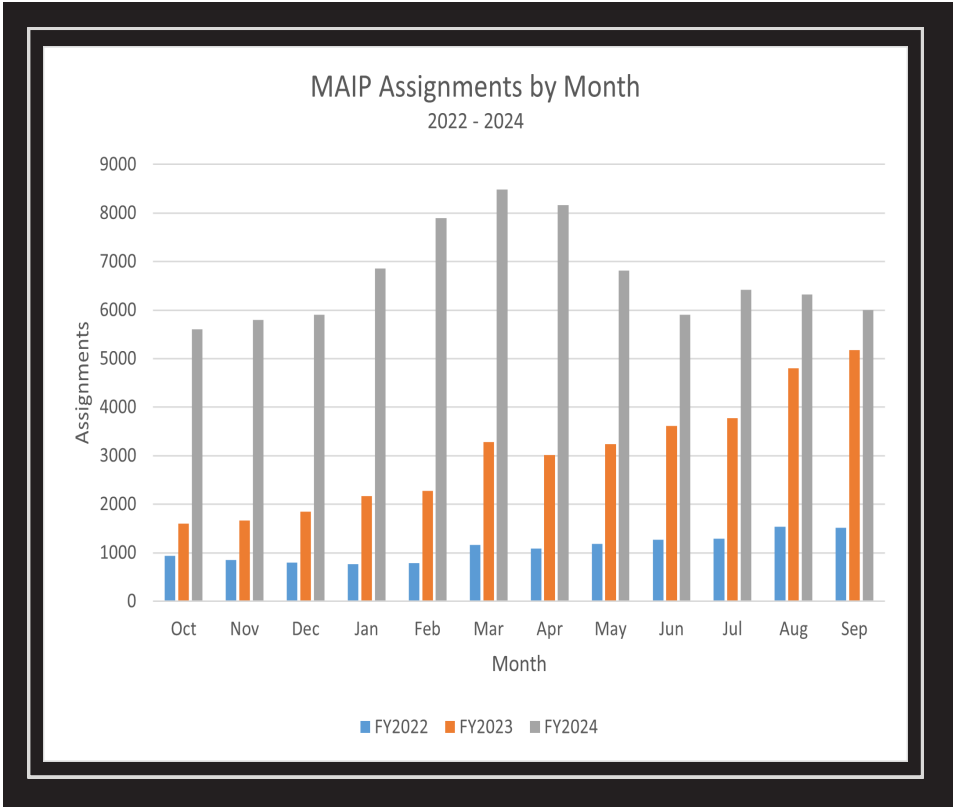
Commercial Residual Market Summary				
Written Premium - Rolling 12 Policy Effective Months Ending August				
Three-Year Loss Ratio Valued Through June				
Class Type	LR @ June 2023		LR @ June 2024	
	2023 Ceded Premium	2020-2022 Loss Ratio	2024 Ceded Premium	2021-2023 Loss Ratio
<b>TTT</b>	\$86,893,855	54.2%	\$103,255,508	62.7%
<b>ZR TTT</b>	\$24,658,336	72.9%	\$24,897,553	75.4%
<b>ZR Bus</b>	\$4,241,110	89.1%	\$6,120,466	175.0%
<b>Bus</b>	\$45,021,413	61.6%	\$57,675,002	65.7%
<b>Limo /CS</b>	\$3,666,988	50.1%	\$5,192,760	64.2%
<b>Taxi</b>	\$1,364,397	53.8%	\$1,552,160	64.8%
<b>Van Pools</b>	\$676,607	50.5%	\$778,212	48.1%
<b>Garage</b>	\$12,855,174	62.6%	\$14,310,021	59.2%
<b>Special Types</b>	\$7,781,680	39.4%	\$8,706,515	50.4%
<b>PPT FL</b>	\$4,237,023	39.3%	\$5,362,888	47.6%
<b>PPT NF</b>	\$6,740,911	87.3%	\$7,457,811	82.1%
<b>A/O</b>	\$3,558,039	73.6%	\$3,741,637	101.9%
<b>Total</b>	<b>\$201,695,533</b>	<b>60.0%</b>	<b>\$239,050,533</b>	<b>67.6%</b>



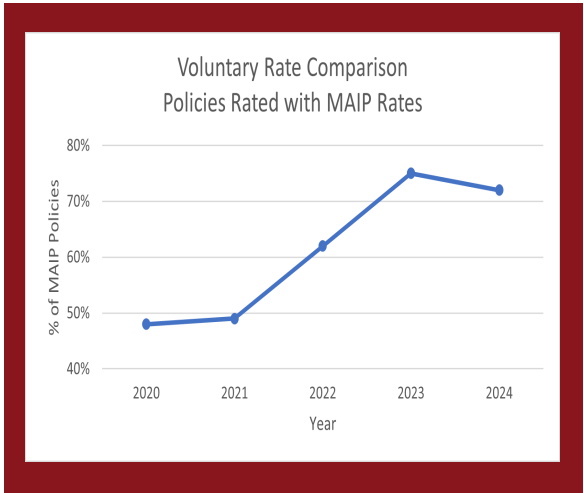
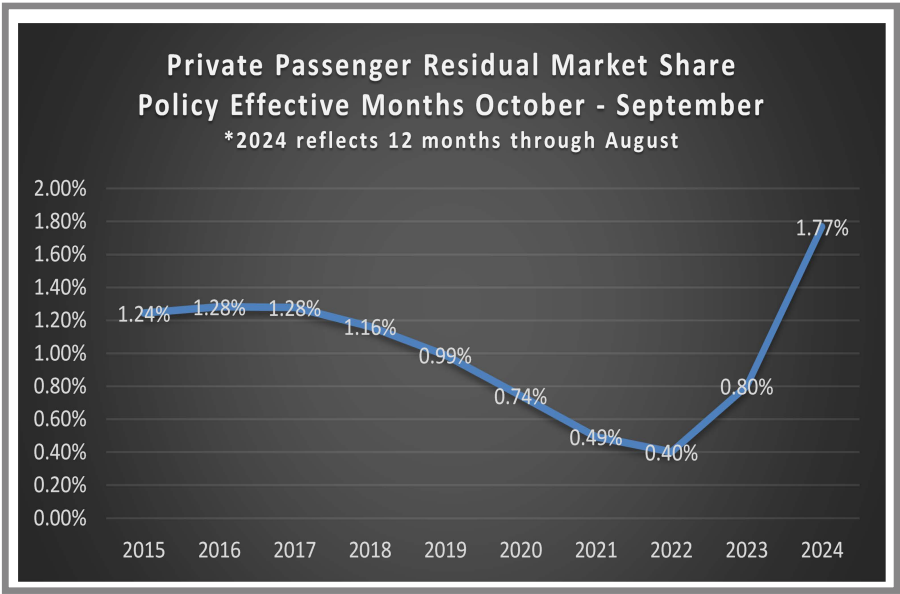
# OPERATIONAL HIGHLIGHTS

## 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.



The impact on company underwriting guidelines resulting from rate need in the voluntary and residual markets contributed to a sharp rise in assignment volumes.



# 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			
Private Passenger Total Market PDL Exposures			
R12 At August, 2023		R12 At August, 2024	
	Market		Market
Company	Share	Company	Share
Commerce	19.9%	Commerce	18.9%
GEICO	15.5%	GEICO	13.0%
Safety	8.2%	Safety	9.2%
Arbella Mutual	7.6%	Progressive	8.6%
Plymouth Rock	7.0%	Plymouth Rock	7.5%
Progressive	6.7%	Arbella	7.2%
Liberty Mutual	6.6%	Liberty Mutual	5.5%
Standard Fire	4.5%	Standard Fire	4.9%
USAA	3.7%	USAA	4.0%
Amica	2.8%	Amica	3.1%
Top Ten Total	82.6%	Top Ten Total	82.0%

Top 10 Writing Companies			
Commercial Total Market Written Premium			
R12 at August, 2023		R12 at August, 2024	
	Market		Market
Company	Share	Company	Share
Commerce	14.0%	Commerce	13.3%
Safety	12.7%	Safety	12.8%
Arbella	10.6%	Arbella	10.4%
Progressive	8.9%	Progressive	9.2%
Travelers	7.1%	Travelers	7.0%
Plymouth Rock	4.8%	Plymouth Rock	4.9%
Tokio Marine	3.8%	Fireman's	3.7%
Fireman's	3.7%	Tokio Marine	3.7%
Zurich	2.9%	Zurich	2.8%
Hanover	2.8%	Selective	2.5%
Top Ten Total	71.2%	Top Ten Total	70.5%

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 and works directly with new entrants and seasoned companies making reporting systems changes to proactively test and evaluate reporting integrity.

CAR Customer Support Maximizing Data Quality Assurance	
<b><u>New Entrants</u></b>	
Incline Mobilitas Spinnaker	
<b><u>Systems Conversions</u></b>	
Amica Berkely Imperium Lancer Pure Safety Sampo	
<b><u>Focus and Hybrid Audits</u></b>	
AIG Electric Farm Family Permanent General USAA Vermont Mutual	
<b><u>Reinsurance Audits</u></b>	
Arbella Pilgrim MAPFRE Safety	
<b><u>FTP Reporting</u></b>	
Allstate American Modern Metropolitan Verisk Vermont Mutual	

# 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
- MS. JEAN HOUGHTON  
Norfolk and Dedham 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 - Melissa Vaughn - Safety Insurance Company

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