



COMMONWEALTH OF MASSACHUSETTS  
OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION  
DIVISION OF INSURANCE

*REPORT OF EXAMINATION OF THE*  
COMMERCE INSURANCE COMPANY

Webster, Massachusetts

As of December 31, 2023

NAIC GROUP CODE 0411

NAIC COMPANY CODE 34754

EMPLOYER ID NUMBER 04-2495247

## COMMERCE INSURANCE COMPANY

TABLE OF CONTENTS	<u>Page</u>
Salutation	1
Scope of Examination	2
Summary of Significant Findings of Fact	3
Company History	3
General	3
Management and Control	4
Board of Directors	4
Committees of the Board of Directors	5
Officers	5
Affiliated Companies	6
Organization Chart	6
Transactions and Agreements with Subsidiaries and Affiliates	6
Territory and Plan of Operation	7
Treatment of Policyholders	8
Reinsurance	8
Assumed Reinsurance	8
Ceded Reinsurance	8
Financial Statements	11
Statement of Assets	12
Statement of Liabilities, Surplus, and Other Funds	13
Statement of Income, Capital, and Surplus	14
Reconciliation of Capital and Surplus	15
Analysis of Changes in Financial Statement Resulting from Examination	16
Comments on Financial Statements	16
Subsequent Events	17
Summary of Recommendations	17
Signature Page	18



# COMMONWEALTH OF MASSACHUSETTS

## Office of Consumer Affairs and Business Regulation

### DIVISION OF INSURANCE

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GOVERNOR

**MICHAEL T. CALJOUW**  
COMMISSIONER OF INSURANCE

**KIMBERLEY DRISCOLL**  
LIEUTENANT GOVERNOR

May 22, 2025

The Honorable Michael T. Caljouw  
Commissioner of Insurance  
Commonwealth of Massachusetts  
Division of Insurance  
One Federal Street, Suite 700  
Boston, MA 02110

Honorable Commissioner:

Pursuant to your instructions and in accordance with Massachusetts General Laws, Chapter 175, Section 4 an examination has been made of the financial condition and affairs of

### COMMERCE INSURANCE COMPANY

at its home office located at 211 Main Street, Webster, Massachusetts 01570. The following report thereon is respectfully submitted.

## Commerce Insurance Company

### SCOPE OF EXAMINATION

Commerce Insurance Company ("the Company" or "Commerce") was last examined as of December 31, 2018 by the Massachusetts Division of Insurance ("the Division or the DOI"). The current multi- state examination was also conducted by the Division and covers the five-year period from January 1, 2019 through December 31, 2023, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with standards and procedures established by the National Association of Insurance Commissioners ("NAIC") Financial Condition (E) Committee and prescribed by the current NAIC *Financial Condition Examiners Handbook*, the examination standards of the Division and with Massachusetts General Laws. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify current and prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in the Massachusetts General Laws, Chapter 175, Section 4, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

The Company is audited annually by KPMG, LLP ("KPMG"), an independent certified public accounting firm. The firm expressed unqualified opinions on the Company's financial statements for the calendar years 2019 through 2023. A review and use of the Certified Public Accountants' work papers was made to the extent deemed appropriate and effective.

Baker Tilly Advisory Group, LP ("Baker Tilly") was engaged to perform certain agreed upon procedures, which are in compliance with the NAIC *Financial Condition Examiners' Handbook*. The assistance included a review of information systems and information technology general controls ("ITGC's") and a review of the actuarially determined loss and loss adjustment expense reserves, as well as other significant actuarial estimates.

The examination was conducted in compliance with the coordinated examination framework of the NAIC. The Company is a party to the Reinsurance Pooling Agreement between the direct and indirect property and casualty insurance company subsidiaries of MAPFRE U.S.A. Corp. These

## Commerce Insurance Company

subsidiaries are domiciled in various states, including California, Florida, New Jersey, Vermont (Captive Reinsurer), and Ohio. As such, the California Department of Insurance, Florida Office of Insurance Regulation, New Jersey Department of Banking and Insurance, Vermont Department of Financial Regulation, and Ohio Department of Insurance coordinated with the Division to conduct the examination of their domiciled insurers, collectively referred to as the MAPFRE Group. The participating state Insurance Departments relied upon work performed by the Division impacting the MAPFRE Group, including IT and actuarial work performed on the MAPFRE Group's pooled operations.

### **SUMMARY OF SIGNIFICANT FINDINGS OF FACT**

There have been no exam finding for this examination period.

### **COMPANY HISTORY**

#### General

The Company was incorporated as a stock property and casualty insurer on September 15, 1971 under the laws of the Commonwealth of Massachusetts and commenced business in Massachusetts on May 10, 1972. Effective June 2008, the Company's former parent, Commerce Group, Inc., was acquired by MAPFRE S.A. and renamed the parent, effective January 1, 2010, as MAPFRE U.S.A. Corp ("MAPFRE USA").

Over the course of our examination period, Commerce has been a party to the Reinsurance Pooling Agreement. Further, Commerce is the lead insurer of the pool which consists of seven property and casualty insurers as of the examination date, December 31, 2023. Effective January 1, 2022, MAPFRE USA sold a previous affiliate and pool participant, MAPFRE Insurance Company of New York, to Plymouth Rock Assurance Corporation.

The Company is one of the largest writers of personal property and casualty insurance in the State of Massachusetts and the largest writer of private passenger automobile insurance in Massachusetts.

#### Capital Stock

The Company has authorized, issued, and outstanding 50,000 shares of common capital stock with a par value of \$50.00 per share. All the outstanding capital stock is owned by MAPFRE USA.

#### Dividends to Stockholders

The following table illustrates the total ordinary and extraordinary dividends paid by the Company to its parent, MAPFRE USA, during the period covered by this examination:

## Commerce Insurance Company

<b>Date</b>	<b>Dividends Paid</b>	
2023	\$ 25,000,000	Ordinary
2022	\$ 32,400,000	Ordinary
2021	\$ 86,350,000	Ordinary
2020	\$ 48,000,000	Ordinary
2019	<u>\$ 54,900,000</u>	Ordinary
Total	<u>\$ 246,650,000</u>	

## MANAGEMENT AND CONTROL

### Board of Directors

According to the bylaws, the Company's business shall be managed under the direction of the Board of Directors, who may exercise all powers of the Company, except such as are expressly conferred upon the stockholders by law, by the Certificate of Incorporation or by the Bylaws. The Board of Directors may, by resolution or resolutions passed by a majority of the whole Board, designate one or more committees to exercise the powers of the Board of Directors in the management of the business and affairs of the corporation.

The Board of Directors was comprised of the following members as of December 31, 2023.

<u>Name of Director</u>	<u>Principal Occupation</u>
Randall V. Becker	Chairman of the Board MAPFRE U.S.A. Corp.
Jaime Tamayo	President & Chief Executive Officer MAPFRE U.S.A. Corp.
Maureen Brundage	Senior Advisor Baker Gilmore
Joaquin Castrillo	Senior Advisor MAPFRE Group in Puerto Rico
Bernardo Hernandez	Spanish Technology Entrepreneur & General Partner e.ventures
Edward Timmes	Managing Director, Chief Financial Officer TCE Associates Consulting LLC
Luis Viceira	Professor; Dean for International Development Harvard Business School

## Commerce Insurance Company

### Committees of the Board of Directors

Effective January 1, 2023, the MAPFRE USA Audit Committee was designated to serve as the Audit Committee for Commerce as allowed under Massachusetts Law. Prior, the Company had its own Audit Committee. Further, during the examination period, the Company had established an Investment Strategy Committee of the Board of Directors; though as of December 31, 2023, this committee was dismantled and the responsibilities assumed by the entire Board of Directors.

#### *Audit Committee*

Per the committee charter, the committee's purpose is to oversee the work of the independent accountant related to each insurance subsidiary and to perform such other duties and responsibilities as the Board may delegate to the Committee in compliance with Company's Articles of Organization and Bylaws. The committee also has oversight responsibility of Internal Audit; including approval of the Annual Audit Plan, review of Internal Audit activities, and review of material reports and the follow-up related to findings and recommendations. Further, the charter establishes the oversight responsibilities related to Risk Management, Internal Controls, and Corporate Governance and Conflict of Interests.

The Audit Committee was comprised of the following members as of December 31, 2023.

Edward Timmes, Chair  
Randall Becker  
Maureen Brundage

#### Officers

Principal Officers of the Company as of December 31, 2023 were as follows:

<u>Name of Officer</u>	<u>Title</u>
Jaime Tamayo	President & CEO
Jesus Carillo	Executive VP & Chief Financial Officer
Daniel Olohan	Secretary, General Counsel, & Executive VP
John M. Meciak	Treasurer, Chief Accounting Officer, & Senior VP

## Commerce Insurance Company

### Affiliated Companies

As stated in the Insurance Holding Company System Form B as filed with the Division, the Company is a member of a holding company system and is subject to the registration requirements of Massachusetts General Laws, Chapter 175, Section 206C, and 211 CMR 7.00. The Company is a direct wholly owned subsidiary of MAPFRE USA, a Massachusetts corporation wholly owned by MAPFRE Internacional S.A. MAPFRE Internacional S.A. is a sociedad anonimia organized under the laws of Spain and wholly owned by MAPFRE S.A.; a sociedad anonimia organized under the laws of Spain; which is 68.2% owned by FUNDACION MAPFRE; the ultimate controlling entity.

### Organization Chart

A summary of ownership of the Company as of December 31, 2023 is illustrated below:

Fundacion Mapfre

Catera MAPFRE S.L.

MAPFRES.A.

MAPFRE Asistencia Compania Internacional De Seguros y Reaseguros, S.A.

MAPFRE RE Compania De Reaseguros, S.A.

MAPFRE RE Vermont Corporation

MAPFRE Internacional S.A.

MAPFRE U.S.A Corp.

**Commerce Insurance Company**

**MAPFRE Insurance Company of Florida**

**MAPFRE Insurance Company**

**Citation Insurance Company**

**Verti Insurance Company**

BFC Holding Corporation

MAPFRE Life Insurance Company

MAPFRE Tech USA Inc.

ACIC Holding Co., Inc.

**Commerce West Insurance Company**

**American Commerce Insurance Company**

**MAPFRE Insurance Company of New York**

### Transactions and Agreements with Subsidiaries and Affiliates

#### *Management and Cost Allocation Agreement*

The Company's Management Cost Allocation Agreement provides that the company is charged or reimbursed for services rendered by the Company or its insurance affiliates and entails 1) investment related and 2) non-investment related services. Costs pertaining to investment related services are actual costs borne by the company which, per agreement, were determined to be the total rate of fifteen basis points per annum times the investment balance at each regular calendar quarter. The non-investment related charges are costs borne by the Company and or its affiliates for functions supporting the affiliated companies. Loss adjustment expenses will be apportioned



## Commerce Insurance Company

through the studies in accordance with the SSAP No. 70 which such studies shall be conducted no less than annually. Expenses other than investment related expenses and loss adjustment expenses will be apportioned to each company based on its direct written premium relative to that of the other companies.

### *Inter-Company Technology Development, Operations and Support Agreement*

The Inter-Company Technology Development, Operation and Support agreement is effective 10/1/2017. The companies involved are Commerce, Citation Insurance Company, Verti Insurance Company, and MAPFRE Tech. MAPFRE Tech USA will provide technological services to the other parties. Services may include Joint Technology Development Projects, Client Specific Development Projects, and Support and Maintenance Services. MAPFRE Tech will invoice parties receiving services based on actual costs and expenses incurred and allocated amongst parties in compliance. The agreement provides for terms in which a client party (i.e., Commerce, Citation, or Verti) may provide dedicated and non-dedicated personnel to MAPFRE Tech; for which MAPFRE Tech would reimburse the client party for actual amounts incurred. A Client Parties' fair and reasonable share of costs reasonably incurred and allocated. The service fee is paid monthly.

### *Tax Allocation Agreement*

The Tax Allocation Agreement is effective 11/1/2022. The companies involved are MAPFRE U.S.A. Corp., The Commerce Insurance Company, ACIC Holding Co., Inc., American Commerce Insurance Company, Citation Insurance Company, Commerce West Insurance Company, BFC Holding Corporation, MAPFRE Insurance Company, MAPFRE Insurance Company of Florida, Bright Idea Insurance Solutions, Inc., formerly known as MAPFRE Intermediaries, Inc., Verti Insurance Company, MAPFRE Tech USA, Inc., MAPFRE Assistance USA Inc., Century Automotive Service Corporation, Federal Assist Company, and MAPFRE Warranty Corporation of Florida. The parties desire to provide for (i) the preparation and filing of federal and state income tax returns, which they are required or elect to file jointly on a consolidated or combined basis and, (ii) the sharing of all tax liabilities shown on such returns. Preliminary settlement of amounts owed under this agreement for and with respect to a Consolidated Return Year shall be made within 30 days of filing the federal extension and shall be based on the estimated tax liability as determined for the federal extension. Final settlement shall be made within 30 days of filing the consolidated tax return. The service fee is paid within 30 days of filing.

## **TERRITORY AND PLAN OF OPERATION**

As noted, the Company is the largest writer of private passenger auto in the State of Massachusetts. Other core products include homeowners and commercial auto. The Company's products are primarily marketed through a network of independent agents. While the Company is licensed in eight states; it writes the entirety of its business within six states: Massachusetts, New Hampshire, Maine, Vermont, Connecticut, and Rhode Island.

The MAPFRE Group had a total direct written premiums of over \$291 million in 2023 written across fifty-two states and territories. The top five states in relation to direct written premiums for the MAPFRE Group are Massachusetts, Connecticut, California, Washington, and Rhode Island. Per the Reinsurance Pooling Agreement, the total MAPFRE Group business is ceded to Commerce and then retroceded to the parties based on their participation percentages included within the

## Commerce Insurance Company

Agreement.

### *Treatment of Policyholders – Market Conduct*

During the course of the examination, a general review was made of the manner in which the Company conducts its business practices and fulfills its contractual obligations to policyholders and claimants. This review was limited in nature and was substantially narrower than a full scope market conduct examination. During the claims test work, it was noted that the Company investigates and settles claims on a timely and fair basis.

## REINSURANCE

### Assumed Reinsurance

The Company operates under the Reinsurance Pooling Agreement with its affiliated insurance entities of the MAPFRE U.S.A Corp.: Citation Insurance Company, MAPFRE Insurance Company, Commerce West Insurance Company, and American Commerce Insurance Company. The Company is the lead insurer in the pool and assumes 100% of premium written and loss insurance liabilities. The participation in the pool is dictated by the percentages included in the agreement which are updated from time to time. As of December 31, 2023 the participation percentages were as follows:

	<b>Pooling Participation</b>
Commerce Insurance Company	70.8%
Citation Insurance Company	7.4%
American Commerce Insurance Company	10.9%
Commerce West Insurance Company	6.1%
MAPFRE Insurance Company	2.4%

Effective January 1, 2019, the Reinsurance Pooling Agreement was amended to remove MAPFRE Insurance Company of New York, which was sold to Plymouth Rock Assurance.

### Ceded Reinsurance

The MAPFRE Group has a Quota Share and Catastrophe Reinsurance Program establishing coverage to mitigate the adverse financial consequences of a severe loss under individual policies or catastrophic events where a number of claims can produce an extraordinary aggregate loss. The Aggregate Winter Cover program provides stop loss coverage designed to protect against winter losses and / or the amalgamation of certain multiple smaller events.

The Quota Share Treaty, which excludes Florida risks, provides first dollar coverage for all layers including the first \$87.5 million of an event for non-automobile business. It also covers all FAIR Plan-type participants in excess of reinsurance purchased by any of the Plans. Premiums related to this program were \$382,502 for 2023, and coverage is placed with Vermont RE.

The Property Catastrophe Excess of Loss Reinsurance Contract, with coverage in the United States of America, except for Florida. The first layer covers 35% of the retained business in MUSA, includes protection against aggregate winter events, premiums related to this program were \$19 million for 2023.

## Commerce Insurance Company

The Property Catastrophe Excess of Reinsurance Contract, with coverage in the United States of America, except Florida. The first layer covers an additional 5% of the retained business in the USA. Premiums related to this program were \$850 thousand for 2023, and coverage is placed with MAPFRE RE. This program was not continued after June 30, 2023.

The Property Tail Catastrophe Excess of Loss Reinsurance Contract, with coverage in the United States of America, except Florida. The first layer covers the gap between Quota Share limit of \$1.5 billion and the total CAT Gross limit of \$1.95 billion. Premiums related to this program were \$6.6 million for 2023, and coverage is placed with Vermont RE.

A Casualty Excess of Loss treaty, effective July 1, 2023, is written to provide coverage in any event or occurrence with a maximum recovery of \$8 million excess a retention of \$2 million. This policy excludes umbrella policies and the coverage is placed with MAPFRE RE.

An Umbrella Quota Share treaty, effective July 1, 2023, covers personal and commercial liability umbrella policies for amounts up to but not exceeding \$1 million on a 50% quota share basis. Policies issued in excess of \$1 million and not exceeding \$3 million are reinsured on a 50% quota share basis on the first \$1 million and on a 100% quota share for the amount in excess of \$1 million. Similarly, the quota share percentages applies for umbrella policies issued in excess of \$3 million and not exceeding \$5 million; with a 50% quota share on the first million and 100% quota share for amounts in excess of that. Further, the Company has also established personal liability umbrella reinsurance coverage for policies with underlying automobile coverage up to but not exceeding \$1 million on a 65% quota share basis. Policies in excess of \$1 million though not exceeding \$3 million are reinsured on the quota share basis of 65% for the first million and 100% in excess of \$1 million for each loss occurrence. Finally, this agreement provide reinsurance for business owners limits of \$2 million for each loss occurrence and \$4 million for all loss occurrences on a 65% quota share percentage. This coverage is placed with MAPFRE RE.

Effective July 1, 2022, a second per risk excess of loss program is for personal homeowner and commercial business for all companies. The program has two layers; first, which excludes Massachusetts personal lines and Florida, \$3.0 million x \$3.0 million., and second, excluding Florida, \$2.25 million x \$6.0 million. This program was not continued after June 30, 2023.

- *FAIR Plan* - The MAPFRE Group is a required participant in various Property Insurance Underwriting Associations; for which the Fair Access to Insurance Requirements Plan ("FAIR Plan") in MA is the most significant.
- *American Nuclear Insurance* - Commerce is a voluntary member of the non-profit, unincorporated American Nuclear Insurers ("ANI") through which members provide property insurance protection and nuclear energy liability insurance protection, which covers hazards arising out of risks related to nuclear installations, operations or facilities. Membership is on a percentage participation basis applied through each pool in which the member participates. Members must be approved by the ANI Board, may terminate in writing prior to June 30th of each calendar year, and may participate as a direct writing member, ceding member, assuming member, or a combination. Commerce is an assuming and ceding member.

## Commerce Insurance Company

- *Horace Mann Quota Share* – Effective December 31, 2018, the Company entered into an eight year 20% quota share agreement for private passenger automobile policies produced by the Horace Mann Brokerage of Massachusetts. As of December 1, 2022, the Horace Mann agreement was extended to include business written in the State of Rhode Island.
- *Other Reinsurance* – The Company reinsurers personal and commercial line of business on Faculative basis with General Reinsurance Corp (Gen Re) and began placing personal property faculative reinsurance with MAPFRE RE on January 1, 2012. There are four agreements in place with Gen Re for Faculative Reinsurance as well as individual faculative policies on commercial business written by MICFL. These programs were not continued after May 1, 2023. In addition, the Company has treaty quota share reinsurance with Hartford Steam Boiler and Factory Mutual for equipment breakdown coverage.

Commerce Insurance Company

**FINANCIAL STATEMENTS**

The following financial exhibits are based on the statutory financial statements prepared by management and filed by the Company with the Division and present the financial condition of the Company for the period ending December 31, 2023. The financial statements are the responsibility of Company management.

Statement of Assets, Liabilities, Surplus, and Other Funds as of December 31, 2023.

Statement of Income, Capital and Surplus for the Year Ended December 31, 2023.

Reconciliation of Capital and Surplus for Each Year in the Five-Year Period Ended December 31, 2023.

# Commerce Insurance Company

## Commerce Insurance Company Statement of Assets as of December 31, 2023

	Per Annual Statement
<b>Assets</b>	
Bonds	\$1,089,588,581
Preferred stock	
Common stock	144,162,871
Real estate	
Properties occupied by the company	27,593,090
Properties held for the production of income	
Cash, cash equivalents, and short-term investments	71,399,565
Other invested assets	72,199,706
Aggregate write-ins for invested assets	
Subtotals, cash and invested assets	1,404,943,813
Investment income due and accrued	8,086,948
Premiums and considerations:	
Uncollected premiums and agents' balances in course of collection	102,563,786
Premium and agents balances deferred and not yet due	401,048,712
Reinsurance	
Amounts recoverable from reinsurers	75,022,371
Funds held by or deposited with reinsured companies	323,922
Current federal income tax recoverable	18,240,577
Net Deferred tax assets	30,688,590
Electronic data processing equipment and software	3,846,236
Receivable from parent, subsidiaries, and affiliates	
Aggregate write-ins for other-than-invested-assets	<u>43,371,723</u>
Total Assets	<u>\$ 2,088,116,678</u>

# Commerce Insurance Company

## Commerce Insurance Company Statement of Liabilities, Surplus, and Other Funds as of December 31, 2023

	Per Annual Statement
<b>Liabilities</b>	
Losses	\$ 535,536,138
Reinsurance payable on paid loss and loss adjustment expenses	30,682,437
Loss adjustment expense	60,961,710
Commissions payable, contingent commissions and other similar charges	24,377,098
Other expenses	33,214,029
Taxes, licenses, and fees	147
Unearned premiums	638,966,947
Advance premium	24,970,329
Ceded reinsurance premium payable	104,649,074
Funds held by company under reinsurance treaties	48,691,225
Amounts withheld or retained by company for account of others	2,421,233
Provision for reinsurance	187,000
Payable to parent, subsidiaries, and affiliates	19,367,068
Aggregate write-ins for liabilities	<u>3,135,713</u>
Total Liabilities	<u>1,527,160,148</u>
Common capital stock	2,500,000
Gross paid in and contributed surplus	202,399,104
Unassigned funds (surplus)	356,057,426
Surplus as regards policyholders	<u>560,956,530</u>
Total liabilities and policyholder surplus	<u>\$2,088,116,678</u>

# Commerce Insurance Company

## Commerce Insurance Company Statement of Income For the Year Ended December 31, 2023

	Per Annual Statement
<b>Underwriting Income</b>	
Premiums earned	\$ 1,144,179,656
<b>Deductions</b>	
Losses incurred	774,184,269
Loss adjustment expenses incurred	147,175,261
Other underwriting expenses incurred	331,990,705
Aggregate write-ins for underwriting deductions	
Total underwriting deductions	<u>1,253,350,235</u>
Net underwriting gain (loss)	(109,170,579)
<b>Investment Income</b>	
Net investment income earned	39,316,631
Net realized capital gains or (losses)	<u>(3,130,570)</u>
Net investment gain or (loss)	36,186,061
<b>Other Income</b>	
Net gain (loss) from agents' or premium balances charged off	
Finance and service charges not included in premiums	27,229,236
Aggregate write-ins for miscellaneous income	<u>6,625,680</u>
Total other income	33,854,916
Net income before dividends to policyholders and before federal income taxes	(39,129,602)
Foreign and federal income taxes incurred	2,382,586
Net income	<u>\$ (41,512,188)</u>
<b>Capital and Surplus Account</b>	
Surplus as regards policyholders, December 31 prior year	589,823,197
Net income	(41,512,188)
Change in net unrealized capital gains or (losses)	14,580,025
Change in net deferred income tax	14,580,025
Change in nonadmitted assets	14,144,562
Change in provision for reinsurance	
Dividends to stockholders	(25,000,000)
Aggregate write-ins for gains and losses in surplus	770,557
Change in surplus	<u>(28,866,667)</u>
Surplus as regards policyholders, December 31 current year	<u>\$ 560,956,530</u>



# Commerce Insurance Company

## Commerce Insurance Company Reconciliation of Capital & Surplus For Each Year in the Five-Year Period Ended December 31, 2023

### Per Annual Statements

	2019	2020	2021	2022	2023
Surplus as regards to policyholders, Dec. 31 prior year	\$ 556,045,401	\$614,434,795	\$ 683,804,080	\$ 684,276,902	\$ 589,823,197
Net Income	108,628,906	86,372,153	78,762,836	(54,523,814)	(41,512,188)
gains or losses	23,075,882	21,655,841	(2,340,887)	(35,247,698)	14,580,025
Change in net deferred income tax	(14,910,111)	(6,015,575)	2,125,206	10,350,554	8,150,377
Change in nonadmitted assets	(25,251,570)	15,501,075	10,930,923	26,294,513	14,144,562
Change in provision for reinsurance	(308,000)	664,000	2,000		
Paid in Surplus					
Dividends to stockholders	(54,9000,000)	(48,000,000)	(86,350,000)	(32,400,000)	(25,000,000)
Aggregate write-ins for gains and losses in surplus	19,954,286	(808,209)	(2,657,256)	(8,927,260)	770,557
Change in surplus	56,289,393	69,369,285	(472,822)	(94,453,705)	(28,866,667)
Surplus as regards to policyholders, Dec. current year	\$ 612,334,795	\$683,804,080	\$684,276,902	\$589,823,197	\$ 560,956,530

## **ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION**

There were no changes in the financial statements resulting from the examination.

### **COMMENTS ON FINANCIAL STATEMENT ITEMS**

Baker Tilly was retained to assist in the analysis of various actuarially determined items in the 2023 Annual Statement. Given the "risk focused" examination approach of the overall examination, Baker Tilly's primary objective was to perform an assessment of reserve risk by performing a qualitative review of the work papers and documentation supporting the estimates of loss and loss adjustment expense liabilities in order to assess reasonableness, the data used, the methodologies, and the assumptions applied. This review included the analysis prepared by the Company's appointed actuary and review and evaluation of the Company's reconciliation as of December 31, 2023 of the actuarial data to Schedule P. This evaluation was also intended to consider data integrity and the appropriateness of the data segmentation. Baker Tilly also performed a high-level evaluation of the Group's actuarial process for development of pricing indications.

Based on Baker Tilly's analysis and applied examination procedures, Baker Tilly determined that the Company's carried Loss and LAE reserves are approximately \$24.7 lower than Baker Tilly's central estimate, but still within Baker Tilly's range of reasonable estimates.

Below shows the pooled reserves and the amount allocated to Commerce as a result of their participation percentage for the year ended December 31, 2023. Further, the above analysis notes that the Company's and MAPFRE Group's carried reserves are \$4.4 million and \$6.3 million below the appointed actuary's central estimate.

Commerce Insurance Company

<u>MAPFRE Group Intercompany Reinsurance Pool</u> (in millions)					
<u>Baker Tilly Estimates</u>					
	<u>Low</u>	<u>Central</u>	<u>High</u>	<u>Total Carried</u>	<u>(Deficiency) Vs. Indicated</u>
Net Loss & LAE	\$800.2	\$877.4	\$958.1	\$842.5	(\$34.9)
<u>Appointed Actuary Estimates</u>					
	<u>Low</u>	<u>Central</u>	<u>High</u>	<u>Total Carried</u>	<u>(Deficiency) Vs. Indicated</u>
Net Loss & LAE	\$759.9	\$848.8	\$921.3	\$842.5	(\$6.3)

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<u>Commerce Insurance Company (70.8% of Pool)</u> (in millions)					
<u>Baker Tilly Estimates</u>					
	<u>Low</u>	<u>Central</u>	<u>High</u>	<u>Total Carried</u>	<u>(Deficiency) Vs. Indicated</u>
Net Loss & LAE	\$566.5	\$621.2	\$678.3	\$596.5	(\$24.7)
<u>Appointed Actuary Estimates</u>					
	<u>Low</u>	<u>Central</u>	<u>High</u>	<u>Total Carried</u>	<u>(Deficiency) Vs. Indicated</u>
Net Loss & LAE	\$538	\$600.9	\$652.3	\$596.5	(\$4.4)

**SUBSEQUENT EVENTS**

There have not been any current subsequent events to report as of the examination period.

**SUMMARY OF RECOMMENDATIONS**

There were no significant recommendations noted by the examination team for improvements in process, activities and/or controls that should be noted in this report.

Commerce Insurance Company

**SIGNATURE PAGE**

Acknowledgement is made of the cooperation and courtesies extended by the officers and employees of the Company during the examination.

The assistance rendered by Baker Tilly in this examination is hereby acknowledged.

*Maanik Gupta*

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Maanik Gupta, CFE  
Examiner in charge  
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