



NATALIE A. HUBLEY
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COMMONWEALTH AUTOMOBILE REINSURERS

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RECORDS OF MEETING

COMMERCIAL PROGRAM OVERSIGHT COMMITTEE – NOVEMBER 8, 2018

Members Present

Mr. William Cahill, Jr. – Chair
Mr. Charles Boynton, III
Mr. Peter Chung
Mr. Brian Hayes⁽¹⁾
Mr. John Olivieri, Jr.

The Hanover Insurance Company
Boynton Insurance Agency, Inc.
The Norfolk & Dedham Group
Quincy Mutual Group
J.K. Olivieri Insurance Agency, Inc.

Substituted for:
⁽¹⁾Mr. Thomas Harris

Not in Attendance:
N/A

18.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Commercial Program Oversight Committee meeting of August 7, 2018. The Records have been distributed and are on file.

18.04 Commercial Program Oversight

Mr. John Metcalfe stated that based on the Committee's discussions at its last meeting, staff has prepared several exhibits for the Committee's review. The exhibits included an outline of the Commercial Program Oversight Committee's responsibilities, a summary of the results of the 2017 Servicing Carrier Annual Reports, a suggested template for Servicing Carriers to use for preparing future Annual Report submissions using Servicing Carrier and staff recommendations and proposed Best Practices for measuring commercial residual market performance. He noted that the development of specific details relative to the implementation of Best Practices will be referred to the Commercial Automobile Residual Market Standards Subcommittee and requested that the Committee members review the documents and provide staff with any further comments or suggestions. Mr. Metcalfe also noted that at the next meeting, staff will present the Committee with a draft of the 2018 Annual Report template incorporating any comments received.

18.05 Servicing Carrier Compliance Audit Program – Servicing Carrier Focus Audits

Mr. Mark Alves stated that the objective of the focus audits were to identify detailed information relative to procedures used by Servicing Carriers to validate the eligibility, classification and rating of risks placed in the commercial residual market. The focus audit results are intended to assist CAR committees in ongoing efforts to develop standard procedures to ensure consistency among Servicing Carriers and in the development of a long term audit plan. He noted that recommendations requiring modification to

CAR's rules, manuals, or request for proposal requirements will be referred to the appropriate Subcommittee for further development.

Mr. Alves provided the Committee with a summary of staff's general observations relative to the commercial Servicing Carrier Focus Audits. He noted the auditor's inability to verify Servicing Carrier procedures to confirm risk eligibility or classification due to a lack of underwriting notes provided with audit files. This resulted in a high volume of "unable to verify" findings. He also noted that the auditors observed that, due to a lack of clarity in the rating manual rules, Servicing Carriers are subjectively using garaging location and vehicle operation to determine radius class, zone combination and rating territory. He indicated that the Commercial Automobile Residual Market Standards Subcommittee is currently addressing this issue by developing standards for validating radius class, zone combination and rating territory and considering amendments to Rule 72. Finally, he noted that an item identified in the audit process that fell outside the scope of the focus audits relative to the listing of additional insureds on a policy, will be referred to the Subcommittee for further evaluation.

CPOC

18.06 Request for Reimbursement of Extraordinary Expenses – Arbella Protection Insurance Company

Ms. Roberta Fitzpatrick, representing the Arbella Protection Insurance Company, presented the Committee with a detailed description of the extraordinary efforts undertaken by Arbella necessitated by the widespread fraud in the Point Insurance Agency book of business, the unique circumstances surrounding the creation of the Point Agency and the appointment of Point to Arbella, and the conduct of Point in resisting Arbella's efforts to eradicate the fraud within the agency.

Ms. Fitzpatrick referred the Committee to the timeline of events and the breakdown of employee and legal expenses for which Arbella is requesting reimbursement that were distributed with the Additional Information Notice. She stated that subject to validation, the Commercial Automobile Committee had previously approved a reimbursement amount of up to \$585,934. However, she noted that Arbella's current request for approximately \$371,170 no longer includes lost opportunity costs, as CAR's committees had previous concerns with the validation of those types of costs.

The Committee noted that the parties have appeals pending at the Division of Insurance relative to this matter and discussed whether a decision on Arbella's request is time-sensitive. In fairness to Arbella, the Committee agreed that a decision on their request should not necessarily await decisions from the Division of Insurance. Subsequently, the Committee members expressed support of Arbella's request, noting their agreement that the efforts required of Arbella were extraordinary and in the best interest of the residual market and requested Arbella and CAR staff to provide further clarification of the requested dollar amounts prior to any Committee approval of a reimbursement amount. The Committee agreed to meet prior to the end of the year to further consider Arbella's request.

MARIAN ADGATE
Corporate Documentation Specialist

Boston, Massachusetts
November 12, 2018

ATTACHMENT LISTING

Docket #CPOC18.02, Exhibit #2

Attendance Listing

