



NATALIE A. HUBLEY
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NOTICE OF MEETING

COMPLIANCE AND OPERATIONS COMMITTEE

A meeting of the Compliance and Operations Committee will be held at the Automobile Insurers Bureau Conference Center at 101 Arch Street, 7th Floor, Boston, on

WEDNESDAY, SEPTEMBER 4, 2019 AT 10:00 A.M.

MEMBERS OF THE COMMITTEE

Mr. Jerry Sleeper – Chair
Safety Insurance Company

Mr. Trent Bohacz
Ms. Erin Cummings
Mr. Thomas Harris
Mr. Robert Littlewood
Mr. Kenneth Olivieri
Mr. Barry Tagen
Mr. Christopher Taylor
Ms. Marie-Armel Theodat
Ms. Brenda Williams

Allstate Insurance Company
The Norfolk & Dedham Group
Quincy Mutual Group
Arbella Insurance Group
J.K. Olivieri Insurance Agency, Inc.
Pilgrim Insurance Company
The Hanover Insurance Company
R. Theodat Insurance Agency
MAPFRE U.S.A. Corporation

AGENDA

COPC

19.01 Records of Previous Meeting

The Records of the Compliance and Operations Committee meeting of April 3, 2019 should be read and approved.

COPC

19.03 CAR Conflict of Interest Policy

The Chair will read a statement relative to CAR's Conflict of Interest Policy.

COPC

19.04 Informational Items

The Chair will report on any Governing Committee actions that impact the Compliance and Operations Committee.

COPC

19.05 Compliance Audit Program

Staff will present an overview of the most recent private passenger and commercial audit results conducted in accordance with the Compliance Audit Program. The Committee should be prepared to discuss the audit findings.

COPC

19.06 Operational Reports

The 1st Quarter 2019 Operational Reports were posted to CAR's website in mid-June. Questions or comments relative to these reports will be discussed at the meeting.

COPC

19.09 Private Passenger and Commercial Statistical Plans

Staff will present modifications to the Private Passenger Statistical Plan to introduce a new Decision Table value. Because there are several data fields contained in the Plan that are only relevant for policies assigned through the Massachusetts Automobile Insurance Plan (MAIP), a new value is being added to the Decision Table to indicate those classification codes for which the field is only required to be reported on MAIP business. Additionally, staff will present modifications to eliminate classification code 0400 (Electric Cars), as that code is no longer relevant.

A summary of the proposed modifications and the Private Passenger Statistical Plan pages impacted are attached. (Docket #COPC19.09, Exhibit #2)

COPC

19.12 Final Close-Out of Policy Effective Years 2008 and 2009

A review of the ceded outstanding losses reported in the June 2019 monthly accounting submissions has demonstrated that the volume of open ceded claims for both policy effective years 2008 and 2009 is low enough to warrant a final close-out. As the private passenger ceded pool transitioned to an assigned risk program in April 2009, the close-out of policy effective year 2009 marks the end of ceded private passenger claims. In order to complete a final close of the ceded Private Passenger pool, staff has prepared the attached proposal for the Committee's consideration. (Docket #COPC19.12, Exhibit #1)

Other Business

To transact any other business that may properly come before this Committee.

Executive Session

The Compliance and Operations Committee may convene in Executive Session in accordance with the provisions of G.L. c. 30A, § 21.

MATTHEW HIRSH
Compliance Audit Supervisor

Attachments

Boston, Massachusetts
August 23, 2019

Proposed Modifications to the Private Passenger Statistical Plan

Proposed Effective Date	Description	Pages Impacted	Records Impacted
January 1, 2020	<p>Several data fields contained in the Private Passenger Statistical Plan are only required to be reported on policies assigned through the Massachusetts Automobile Insurance Plan (MAIP). These include the Anti-Theft Device Identification Code, the Continuous Coverage Discount Code, the Extra-Risk Rating Collision and Other than Collision Codes, the High-Theft Vehicle Code, and the Low Frequency Discount Code.</p> <p>Accordingly, modifications to Appendix A – Classification and Coverage Decision Tables which clarify this requirement are proposed. A new Decision Table value of “M” is being introduced that indicates that for the classification codes identified, the field is only required to be reported on business assigned through the MAIP. Additionally, a clarification has been added to Part III – General Reporting Requirements to reference that specific instructions relative to Extra Risk Rating may also be found in Appendix A.</p>	<p>III:5 A:1-2</p>	<p>For Clarification Only</p>
January 1, 2021	<p>A classification code representing electric cars has been part of the Private Passenger Statistical Plan for many years, dating as far back as the late 1970s. Now that electric cars are mass produced and commonplace, the distinction of this type of vehicle is no longer relevant. Statistical classification code assignments for electric cars should be based upon the characteristics of the operator used to rate the vehicle and the private passenger defined classification codes in the Coding Section of the Private Passenger Statistical Plan should be used for reporting purposes.</p> <p>Accordingly, classification code 0400 (Electric Cars) has been eliminated from the Private Passenger Statistical Plan.</p>	<p>VI:12 A:2</p>	<p>All</p>

**Massachusetts Private Passenger Automobile
 Statistical Plan
 Part III – General Reporting Requirements**

Section A – Premiums

7. EXTRA-RISK RATING



Physical damage premium records should be coded to identify the appropriate extra-risk category, and if applicable, should reflect the extra-risk rate charged to the insured. Note that extra-risk rating does not apply to limited collision coverage. Refer to the Coding Section [and Appendix A – Class and Coverage Decision Tables](#) of this Plan for specific instructions.

In cases where separate other than collision and collision records are reported for the same vehicle, and a rate adjustment is made to one coverage and not the other, the extra-risk coding must be provided for both records. For example, when coding records with an extra-risk category that only provides for a rate adjustment to the other than collision but not the collision portion of the insured’s physical damage premium, each record should contain the applicable extra-risk rate code.

In this example, the collision record reported must contain extra-risk coding, even though the rate adjustment to the collision premium is zero. The extra-risk rate for two or more fire claims or two or more total theft claims only affects the other than collision coverage as shown below:

Record	Other Than Collision Extra-Risk Rate Code	Collision Extra-Risk Rate Code	Rate Adjustment to Base Premium
Other Than Collision	4	0	1.5
Collision	0	8	None

8. RATE DEVIATIONS

Under Section 193R of Chapter 175 of the Massachusetts General Laws, companies may request approval from the Massachusetts Division of Insurance to deviate below the insurance company’s otherwise applicable private passenger automobile premium. Statistical records reported on policies for which rate deviations have been applied must be coded with the appropriate Type of Risk Code. Additionally, the premium reported on statistical records must reflect the policy premium after the application of rate deviations.

Refer to the Coding Section for applicable codes and examples.

9. MULTIPLE YEAR POLICIES AND INSTALLMENT POLICIES

Multiple year policies rated on an annual basis shall be reported in the same manner as one year policies. If the policy is written and rated for a period longer than one year, report the total policy premium for the full policy period and the total exposure for the full policy period.

The statistical reporting of policies written on an installment basis for terms not longer than one year is the same for policies written on a prepayment basis. Any interest or finance charge shall not be included in the premium reported for the policy.

**Massachusetts Private Passenger Automobile
 Statistical Plan
 Part VI - Coding Section**

CLASSIFICATION CODE

MISCELLANEOUS RATED AS PRIVATE PASSENGER DEFINITION

Description (Merit Rating does not apply)	Code	
	Liability	Physical Damage
Snowmobiles	042600	042600
Antique Motor Cars and Antique Motorcycles	048300	048300
Golfmobiles (motorized)	049500	049500
Lawnmowers (motorized)	049500	049500
All Other – Miscellaneous Rated as Private Passenger	049900	049900

Description: First Four Positions (Merit Rating does apply)	Code	
	Liability	Physical Damage
★ Electric (Private Passenger)	0400	0400
Trailers designed for use with Private Passenger Motor Vehicles	----	0453
Travel Trailers – Including Mobile Home Trailers not on an enclosed foundation	----	0459
Motor Homes (Self Propelled) – Not including Camping Trailers, Travel Trailers and Mobile Homes	0455	0455
Low Speed Vehicles	0460	0460
Vehicles Carrying School Children (Seating 0-9 passengers) Not registered for Carrying Passengers for hire	0539	0539

Description: Fifth and Sixth Positions (Merit Rating Status)	Code
Premium, Loss and Outstanding Loss Records	
No merit rating credit or points apply	00
Rated operator incident free for a period of at least 6 years	99
Rated operator incident free for a period of at least 5 years but less than 6	98
Merit rating points apply	01 – 45

**Massachusetts Private Passenger Automobile
 Statistical Plan
 Appendix A - Classification and Coverage Code Decision Tables**

TABLES OF REQUIRED PRIVATE PASSENGER FIELDS

The fields identified below are required to be reported on all private passenger statistical records and are therefore not listed in the Decision Tables contained on the following pages. For all other fields not noted below, refer to the Classification Code and Coverage Code Decision Tables to determine which fields are required to be reported.

A value of “Y” in the Classification Code and Coverage Code Decision Tables indicates that the field is required to be reported.

A value of “N” indicates that the field is not required to be reported.

A value of “O” indicates that the field is not required to be reported, but the company may optionally report data in that field. Note that if data is reported in an optional field, it will be verified for accuracy.

★ A value of “M” indicates that the field is only required to be reported on business assigned through the Massachusetts Automobile Insurance Plan (MAIP).

Fields Common to All Records
Accounting Date
Annual Statement Line of Business Code
CAR Identification Code
PIP Coverage Code (No-Fault)
PIP Deductible Code (No-Fault)
Policy Effective Date
Policy Identification Code
State Code
Transaction Type Code

Fields Common to Premium Records Only
Policy Expiration Date
Premium Amounts
Transaction Effective Date

Fields Common to Loss Records Only
Accident Date
Catastrophe Code (Physical Damage)
Claim Identification Number
Loss Amount
Reporting Date (Liability)
Type of Claimant Code (No-Fault)
Type of Loss Code

Massachusetts Private Passenger Automobile Statistical Plan

Appendix A - Classification and Coverage Code Decision Tables

CLASSIFICATION CODE DECISION TABLE

Classification Code	Rating Class	★ Anti-Theft Device ID Code	★ Coverage Code (Phys. Dam.)	★ Continuous Cov. Discount	Discount Code	Annual Mileage Code	Exposure	★ Extra-Risk Rating Codes	★ High-Theft Vehicle Code	★ Limits Codes (Liability)	★ Low Frequency Discount	Model Year Century Code	Model Year Code	OEM Coverage Code	Partial/Total Loss Indicator	Passive Restraint Device	Territory Code	Type of Risk Code	Value Code	Vehicle Identification No.	ZIP Code	Producer Code	Subline
###1##	10	EM	Y	YM	Y	O	Y	YM	YM	Y	YM	Y	Y	O	O	O	Y	Y	N	Y	Y	O	O
###2##	15	EM	Y	YM	Y	O	Y	YM	YM	Y	YM	Y	Y	O	O	O	Y	Y	N	Y	Y	O	O
###3##	17	EM	Y	YM	Y	O	Y	YM	YM	Y	YM	Y	Y	O	O	O	Y	Y	N	Y	Y	O	O
###4##	18	EM	Y	YM	Y	O	Y	YM	YM	Y	YM	Y	Y	O	O	O	Y	Y	N	Y	Y	O	O
###5##	30	EM	Y	YM	Y	O	Y	YM	YM	Y	YM	Y	Y	O	O	O	Y	Y	N	Y	Y	O	O
###6##	20	EM	Y	YM	Y	O	Y	YM	YM	Y	YM	Y	Y	O	O	O	Y	Y	N	Y	Y	O	O
###7##	21	EM	Y	YM	Y	O	Y	YM	YM	Y	YM	Y	Y	O	O	O	Y	Y	N	Y	Y	O	O
###8##	25	EM	Y	YM	Y	O	Y	YM	YM	Y	YM	Y	Y	O	O	O	Y	Y	N	Y	Y	O	O
###9##	26	EM	Y	YM	Y	O	Y	YM	YM	Y	YM	Y	Y	O	O	O	Y	Y	N	Y	Y	O	O
0400##		N	Y	N	N	Y	Y	Y	Y	Y	N	N	N	O	O	N	Y	Y	N	Y	Y	O	O
0401##, 0408## 0409##, 041### 0420## - 0425## 0427## - 0429## 043###, 0501## 0508##, 0509##, 051###, 052###, 0530##, 0531##, 0601##, 0608## 0609##, 061### 062###, 063###		EM	Y	N	Y	N	Y	YM	YM	Y	N	Y	Y	N	O	N	Y	Y	Y	Y	Y	O	O
042600		N	Y	N	N	N	Y	N	N	Y	N	N	N	N	N	N	Y	Y	N	N	Y	O	O
0453##		N	Y	N	N	N	Y	YN	YN	N	N	N	N	N	N	N	Y	Y	N	Y	Y	O	O
0455##		NM	Y	N	N	N	Y	YM	YM	Y	N	Y	Y	N	O	N	Y	Y	N	Y	Y	O	O
0459##		N	Y	N	N	N	Y	YN	YN	N	N	N	N	N	N	N	Y	Y	N	Y	Y	O	O
0460##		EM	Y	YM	Y	O	Y	YM	YM	Y	YM	Y	Y	O	O	O	Y	Y	N	Y	Y	O	O
048300		N	Y	N	N	N	Y	N	N	Y	N	N	N	N	O	N	Y	Y	N	Y	Y	O	O
049500		N	Y	N	N	N	Y	N	N	Y	N	N	N	N	N	N	Y	Y	N	N	Y	O	O
049900		N	Y	N	N	N	Y	N	N	Y	N	N	N	N	N	N	Y	Y	N	N	Y	O	O
0539##		EM	Y	N	N	N	Y	YM	YM	Y	N	Y	Y	O	O	O	Y	Y	N	Y	Y	O	O
190000		N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	O	O
700000		N	Y	N	N	N	N	N	N	Y	N	N	N	N	N	N	N	Y	N	N	N	O	O
800000		N	Y	N	N	N	N	N	N	Y	N	N	N	N	N	N	N	Y	N	N	N	O	O
900000		N	Y	N	N	N	N	N	N	Y	N	N	N	N	N	N	N	Y	N	N	N	O	O
902000		N	Y	N	N	N	N	N	N	Y	N	N	N	N	N	N	N	Y	N	N	N	O	O
998000		N	Y	N	N	N	N	N	N	N	N	N	N	N	N	N	N	Y	N	N	N	O	O



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NATALIE A. HUBLEY
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- M E M O R A N D U M -

To: Members of the Compliance and Operations Committee

From: Wendy Browne

Date: August 23, 2019

Re: Final Close-out of Policy Effective Years 2008 & 2009/Ceded Private Passenger Losses

Background

Each year, subsequent to the reporting of the June statistical submissions, CAR reviews ceded outstanding loss data for all open policy effective years that are in at least the 10th year of reporting (for example in 2019, CAR is reviewing policy effective years 2008, 2009 and 2010). If the volume and loss amounts are low enough to warrant a final close-out for cash sharing and statistical reporting, CAR presents this recommendation to the Compliance and Operations Committee for consideration.

With a final close of policy effective years 2008 and 2009, CAR will end cash sharing for the ceded private passenger pool. While the reserves reported as of June 2019 indicate that the close is warranted, staff is recommending a delay of one year in order to allow for a final review and settlement of all open private passenger claims since inception and to ensure that a final close-out will not have a negative financial impact on any ceding company. Accordingly, staff has considered the following issues in preparing this recommendation:

Status of Current Reserves

As demonstrated by the table below, the volume of open claims for policy effective years 2008 and 2009 is less than the threshold of 50 records and \$200,000.

<u>Co-No</u>	<u>2008 Reserve Amt</u>	<u>2008 # of Claims</u>	<u>2009 Reserve Amt</u>	<u>2009 # of Claims</u>	<u>2010 Reserve Amt</u>	<u>2009 # of Claims</u>
154	0	0	0	0	0	0
245	0	0	0	0	3,969	1
279	0	0	0	0	0	0
312	0	0	0	0	0	0
455	2,625	1	0	0	262,511	2
514	5,402	3	0	0	0	0
773	121,409	1	0	0	0	0
Total	129,436	5	0	0	266,480	3
Comm	124,034	2	0	0	266,480	3
PP	5,402	3	0	0	0	0

Further, in order to evaluate the status of all open claims, staff has contacted each company regarding its respective private passenger effective year 2008 and 2009 open claims, as well as those that remain open for effective years 2006 and 2007 (which were closed for reporting in December 2017 and December 2018, respectively). Pursuant to that review, the carriers have indicated that some claims may remain open while other claims are anticipated to be closed by the June 2020 quarter as noted below:

Eff-Year	Co-No	# of Claims	Reserve Amt	Status
2006	279	1	20,000	Open
	514	1	1,756	Open
	773	1	120,172	Open
2007	773	1	52,212	Should finalize/report by 06/2020

Recommendation for Final Reporting of Policy Effective Years 2008 and 2009

Normal procedures call for the close-out of an older effective year for financial purposes as of June quarter, and for statistical reporting purposes as of the subsequent December quarter. Further, companies may request reimbursement for older effective year claims that are paid after the close-out via bulk adjustment. In those instances, the loss is rolled into the oldest open effective year for cash sharing purposes. However, due to system constraints, in order to complete a final close of the private passenger pool, staff recommends that policy effective years 2008 and 2009 be concurrently closed-out, as of the June 2020 quarter.

Recommendation for Final Close-Out of the Private Passenger Pool

Note that is expected that a few ceded private passenger claims may settle after the pool is closed for cash sharing. Because there is no open year after 2009 for cash sharing purposes on the private passenger side, approved payments will be processed as miscellaneous expenses through CAR's Settlement of Balances and shared among Members using current administrative expense participation ratios based on the Massachusetts Page 14 written premium market share. Additionally, staff recommends that requests for reimbursements of new claims for which reserves were not reported as of the date of closing, be presented to the Compliance and Operations Committee for review.

Recommendation for On-Going Commercial Cash Sharing and Statistical Reporting

After the final close of the private passenger pool is complete, staff recommends that the process for the commercial pool return to current procedures. Staff will review effective year 2010 after the June 2020 reserves are reported. Assuming reserves continue to decrease, staff will recommend a close-out of cash sharing after the June 2020 quarter, and a close-out of statistical reporting after the December 2020 submission. Companies may continue to request payment for losses for close-out years for validly ceded policies. Staff will confirm and process those approved requests as a bulk adjustment to be shared among members companies in the oldest open effective year.