



NATALIE A. HUBLEY  
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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## RECORDS OF MEETING

### COMPLIANCE AND OPERATIONS COMMITTEE – JANUARY 29, 2020

#### Members Present

Mr. Jerry Sleeper – Chair	Safety Insurance Company
Mr. Thomas Bird <sup>(1)</sup>	Acadia Insurance Company
Mr. Trent Bohacz	Allstate Insurance Company
Ms. Erin Cummings	The Norfolk & Dedham Group
Mr. Thomas Harris	Quincy Mutual Group
Mr. Robert Littlewood	Arbella Insurance Group
Mr. Kenneth Olivieri	J.K. Olivieri Insurance Agency, Inc.
Mr. Henry Risman	Risman Insurance Agency, Inc.
Mr. Barry Tagen	Pilgrim Insurance Company
Mr. Sean Thompson <sup>(2)</sup>	The Hanover Insurance Company
Ms. Brenda Williams	MAPFRE U.S.A. Corporation

Substituted for:

<sup>(1)</sup>Ms. Sharon Pontes

<sup>(2)</sup>Mr. Christopher Taylor

Not in Attendance:

N/A

#### 19.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Compliance and Operations Committee meeting of September 4, 2019. The Records have been distributed and are on file.

#### 20.04 Informational Items

Ms. Wendy Browne informed the members that the Governing Committee approved the two actions items from the September Compliance and Operations Committee meeting. These included updates to the Classification Code Decision Table in the Private Passenger Statistical Plan to indicate MAIP only fields, the elimination of an obsolete class code for electric cars (0400), and the procedures for the Final Close-Out of effective years 2008 and 2009. The Statistical Plan updates were approved by the Division of Insurance (DOI) and published to the industry in late October. Additionally, the Committee was informed that the DOI had approved other changes to the Statistical Plans that were submitted for consideration in November 2018. These changes included the addition of two new premium/accident town codes and the addition of a data quality penalty program for the Distributional Analysis Program. The

effective dates for both changes were extended one year as a result of the delayed DOI approval. Ms. Browne also noted that staff would communicate with the industry to ensure all companies are aware of the new data quality penalty program.

## **20.05 Compliance Audit Program**

Mr. Mark Alves provided an overview pertaining to the recent audits of the Commercial Servicing Carrier (SC) Program. The reports provided to the Committee are the initial findings from phase one of enhanced audit procedures of the commercial residual market. The audit specifically considered residual market eligibility relating to Principal Place of Business (PPoB) and nerve center test for certain bus risks pursuant to the CAR Rules of Operation and Manual of Administrative Procedures (MAP).

Samples were developed using statistical data matched to cession file records that included policies with bus classification codes effective as of January 2019. In particular, the samples focused on policies with multi-state buses. However, if a complete sample of 15 policies with multi-state bus risks was not available, policies with other bus classifications were then selected. To capture all supports and avoid incomplete findings, each SC was required to provide an electronic or hard copy file of all documentation, including material retained by the agent, that the SC considered relevant to its determination of eligibility. An audit methodology was established to ensure consistency in cataloguing all supporting documentation. Audit procedures were developed using the documentation provided by each SC specific to requirements noted in Bulletins 1055 and 1065, which outline PPoB standards and certification forms, and Bulletin 1066 detailing implementation of the Ineligible Risk Database. In accordance with the MAP, status reports were distributed and agreed to by the SC. The status reports were not intended as a measurement tool but only to identify the document types provided by the SC in its efforts to determine residual market eligibility.

Draft reports were provided to each SC that included an outcome determined by staff based on the review of the policy documentation. The outcome was limited to either staff agreement that sufficient documentation existed to support the SC eligibility decision or another recommendation/comment was provided. The simplified outcomes were intended to provide SCs reasonable conclusions based on the documentation it had provided. Upon receipt of the report, the SC was afforded an opportunity to comment on each outcome or provide further clarification. Staff then either modified the outcome based on the SC comments or included the comments into the report to document the company's perspective. However, all outcomes included in the final reports were determined by staff.

Prior to reviewing the reports individually, Mr. Alves commented that in general, overall results demonstrated that all four SCs responded to the Bulletin requirements and use the underwriting tools and opportunities included in the SC and Exclusive Representative Producer (ERP) Standards for validating the risk's PPoB. In most instances, documentation including PPoB certifications existed to confirm that the SC worked to support the eligibility determinations for new business and reevaluate policies upon renewal. Also, use of the SIU to effectively investigate the validity of PPoB as part of the eligibility determination was present. Lastly, while not designed as a measurement tool, the status reports confirmed that most sampled policies included varying types of business supports and evidence towards a process for the consideration of eligibility.

At the outset of the individual report discussions, Mr. Barry Tagen of Pilgrim recused himself from participating in the consideration of all audit reports.

The Arbella Protection sample included seven policies with zone rated vehicles; four new business and three renewals. Mr. Robert Littlewood of Arbella recused himself from participating in the consideration of the Arbella report. Overall, the staff outcome noted agreement that sufficient

documentation existed to support the SC eligibility decision for all 15 sampled policies. The Committee voted unanimously, with two recusals, to accept the audit report without further consideration.

The MAPFRE U.S.A. Corporation sample included seven policies with zone rated vehicles; four new business and three renewals. Ms. Brenda Williams of MAPFRE recused herself from participating in the consideration of the MAPFRE report. Overall, the staff outcome noted agreement that sufficient documentation existed to support the SC eligibility decision for 13 sampled policies. Two policies included a recommendation that the SC reconfirm eligibility and obtain an updated PPOB certification upon renewal. Also that the SC consider underwriting tools and opportunities in accordance with the established SC and ERP PPOB Standards. MAPFRE agreed with the recommendations but noted a current PPOB certification was provided on one of the two policies. The Committee voted unanimously, with two recusals, to accept the audit report without further consideration.

The Pilgrim Insurance sample included five policies with zone rated vehicles; three new business and two renewals. Overall, the staff outcome noted agreement that sufficient documentation existed to support the SC eligibility decision for all 15 sampled policies. The Committee voted unanimously, with one recusal, to accept the audit report without further consideration.

The Safety Insurance sample included zone rated vehicles on all 15 policies; seven new business and eight renewals. Mr. Jerry Sleeper of Safety recused himself from participating in the consideration of the Safety report. Overall, the staff outcome noted agreement that sufficient documentation existed to support the SC eligibility decision for 8 sampled policies. Seven policies included a recommendation that the SC reconfirm eligibility and obtain an updated PPOB certification upon renewal. Safety disagreed with two of the recommendations indicating that the risk had provided sufficient documentation to support residual market eligibility. Staff noted the company's perspective in the report. Staff also noted that several policies included business documentation including leases and office bills provided by the risks. However, other documentation on the same policies raised red flags making the eligibility decision less clear. In these instances, staff recommended reevaluating eligibility and obtaining an updated PPOB certification upon renewal. Safety agreed with the remaining recommendations. The Committee voted unanimously, with two recusals, to accept the audit report without further consideration.

Mr. Alves then provided an overview of the MAPFRE Claims Performance Standards and SIU commercial audit report. Ms. Brenda Williams of MAPFRE recused herself from participating in the consideration of this report. The Performance Standards approved by the Division of Insurance establish a benchmark for the handling of claims while documenting audit procedures. Staff tested both ceded and voluntary claims in accordance with the Performance Standards and conducted distributional testing to ensure consistent claims handling between the voluntary and residual markets as mandated by statute. Ceded policies are required to have a minimum 80% rate of compliance. Overall, MAPFRE was compliant with all Performance Standards as measured by coverage within each Best Practice and with all three of the distributional tests compiled to determine consistency in claims handling. Separately, MAPFRE was well above the 80% minimum benchmark on ceded claims within all coverages. The SIU testing resulted in 100% compliance with each measured Best Practice. The Committee voted unanimously, with two recusals, to accept the audit report without further consideration.

## **20.07 CAR Accounting System Rewrite**

Ms. Lynne Rosenberg presented a status report on the system development efforts related to the conversion of the mainframe CAR accounting system to an online application available through CAR's website. Ms. Rosenberg indicated that the system rewrite is in the initial stages of development and that more information would be available as development progresses.

## **20.08 Impacts of Gender X on Statistical Reporting**

Ms. Rosenberg described for the Committee a number of approaches that could be considered in modifying the reporting of classification code in light of the RMV's implementation of the Gender X designation. These alternatives range from the adoption of new codes to identify Gender X to a redefinition of all class codes to eliminate all gender distinction. However, she noted that this would also be an appropriate time to allow the Actuarial Committee to consider whether a more complex redefinition of class codes to gather risk characteristics such as years driving experience and number of accidents and incidents would benefit MAIP quota share and ratemaking requirements. Accordingly, Ms. Rosenberg advised that the issue will be presented to the Actuarial Committee for discussion in March, prior to any final decision on recommended Statistical Plan changes. The status of those deliberations will be provided to the Compliance and Operations Committee for further discussion at its April 2020 meeting.

MATTHEW HIRSH  
Compliance Audit Supervisor

Boston, Massachusetts  
February 7, 2020

**ATTACHMENT LISTING**

Docket #COPC20.02, Exhibit #1

Attendance Listing

COMPLIANCE AND OPERATIONS COMMITTEE MEETING  
 SIGN-IN SHEET

Wednesday, January 29, 2020

Individual's Name

Company / Agency

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Mark Alves	CAR
Jerry Steerer	SAFETY
Wendy Brown	CAR
Stu Torres	TS&D
Ben Hincik's	TS&D
Ken Olivieri	J.K. Olivieri Ins Agency
Barry Tague	Pilgrim
Tom Harris	Quincy
Sean Thompson	Heaven Insurance
Henry Pizzini	M. Rubin Ins.
Trent Bohacz	Allstate
Tim Asico	Alcoria
Rob Duffwood	ARBELLA
Erin Cummings	Norfolk & Dedham
BRENDA WILLIAMS	MAPFRE
Lynne Rosenberg	CAR
Matt Hirsh	CAR
Tim Galligan	CAR
Maman Adgate	CAR
Katy Proctor	CAR
Robert Jones	CAR
JAMES ROBBERY	CAR
Alison Ruggiero	CAR
Dipak Lamsal	CAR
Natalie Hubley	CAR

**COMPLIANCE AND OPERATIONS COMMITTEE MEETING  
SIGN-IN SHEET**

**Wednesday, January 29, 2020**

Individual's Name

Company / Agency

PLEASE PRINT

Individual's Name	Company / Agency
Leandro Rodrigues	Point Ins
Shannon Chiz	CAR
Edith Wendell	AIB