



NATALIE A. HUBLEY
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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RECORDS OF MEETING

COMPLIANCE AND OPERATIONS COMMITTEE – SEPTEMBER 2, 2020

Members Present

Mr. Jerry Sleeper – Chair
Mr. Trent Bohacz
Ms. Erin Cummings
Mr. Thomas Harris
Mr. Robert Littlewood
Ms. Sharon Murphy
Mr. Kenneth Olivieri
Mr. Henry Risman
Mr. Barry Tagen
Mr. Christopher Taylor
Ms. Brenda Williams

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

Substituted for:
N/A

Not in Attendance:
N/A

20.01 Records of Previous Meeting

On a roll call vote, the Committee unanimously voted to approve the Records of the Compliance and Operations Committee meeting of June 3, 2020. The Records have been distributed and are on file.

20.05 Compliance Audit Program

Mr. Matthew Hirsh reviewed the focus audit results of Integon Insurance. Mr. Trent Bohacz recused himself from participating in the discussion. Mr. Hirsh explained that the Committee previously recommended that staff conduct a subsequent focus audit of Integon data due to reporting issues noted in the Hybrid Audit report discussed at the January 30, 2019 meeting. Mr. Hirsh commented that the focus audit plan was to test specific statistical reporting issues not in compliance with the Statistical Plan that were identified in the original Hybrid Audit results. Also, the focus audit was to evaluate quota share and ratemaking data quality, and determine if Integon was compliant to the statutory requirement that each company maintain its own Special Investigative Unit (SIU).

Mr. Hirsh stated that in general, the results worsened slightly on the premium side and improved on the loss side, further noting that it is common for the lack of improvement with the premium results attributed to the rigidity of the audit procedures. Mr. Hirsh further explained that focus audit results

demonstrated clear improvement pertaining to six of the eight data quality issues identified in the Hybrid Audit. However, three new recurring data quality issues were identified in the focus audit results. Mr. Hirsh emphasized that Integon continues to underreport credit premium, which impacts only the audited company. Lastly, he noted that staff was unable to test Integon's SIU program during the original Hybrid Audit due to a lack of SIU referrals. However, since then, Integon has uploaded enough referrals into the CAR SIU System to allow for testing in accordance with documented procedures in the Performance Standards. Mr. Hirsh confirmed that Integon is now compliant with the statutory requirement pertaining to the SIU.

On a roll call vote, the Committee voted unanimously, with one recusal, to accept the audit report and directed CAR staff to return Integon to the normal audit schedule.

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 project has been partitioned into three parts – CAR Accounting Policies Histories, CAR Accounting Corrections, and Reinsurance Audit Access – and that the first phase regarding the migration of Policy Histories online was successfully completed in August. Servicing Carriers now have the ability to view ceded policy information on CAR's website.

Ms. Rosenberg then noted that the second phase of the project will move the CAR Accounting Corrections application to CAR's website in 2021. In conjunction with this rewrite, staff also performed a review of the accounting edits. Ms. Rosenberg explained that the accounting edits are broken into two categories – critical and non-critical. A critical error indicates that a critical component of the policy is not reported correctly and loss coverage would not be provided for a record failing any of the critical edits. Non-critical errors indicate that a less-critical component of the policy is in error, such as a lack of consistency in the reporting of certain fields from record to record. Non-critical errors do not impact loss coverage.

With private passenger business moving to an assigned risk plan and with the implementation of the commercial Servicing Carrier and Taxi programs, the volume of both critical and non-critical errors has decreased significantly. As such, Ms. Rosenberg presented three changes to the edits to the Committee for conceptual approval. These proposed changes include eliminating most of the non-critical edits since the volume of these errors is low and the impact is minimal, and combining the two remaining non-critical edits into one edit, removing the distinction between critical and non-critical. Additionally, CAR is proposing to develop a new policy-based edit that will compare the ceded loss dollars reported for each loss occurrence to the policy's liability limits and identify those ceded losses that exceed the policy limits. An adjustment would then be processed through the loss write-off process to reduce the ceded loss dollars to the policy's limits.

Ms. Rosenberg stated that upon the Committee's conceptual approval of these changes, CAR will prepare modifications to the Manual of Administrative Procedures to identify the specific details of each change, and will present the updates to the Committee at a future meeting. The Committee agreed with the conceptual changes as presented.

20.10 Claims Subcommittee

Mr. Mark Alves provided the Committee an overview of the Claims Subcommittee meeting of August 19, 2020. The Subcommittee met to complete the biennial review of the Private Passenger and

Commercial Claims Performance Standards (the Standards) as required by G.L.c.175, §113H. Mr. Alves reviewed each proposed change while explaining staff's intent of the modifications.

In general, the majority of changes pertain to the SIU reporting responsibilities. Modifications included the requirement that both private passenger and commercial underwriting SIU referrals be uploaded into a single web-based reporting system. The underwriting referrals will then be included in SIU audit samples to fulfill volume requirements per the current approved procedures. Also, staff recommended a defined methodology for companies to determine the savings reported to CAR in the quarterly referral activity logs in order to ensure consistency among carriers. Also, staff recommended a penalty program for non-compliance with the SIU statute in the Private Passenger Standards that is consistent to the current Tier I Schedule of Penalties in the Commercial Standards. Lastly, the language pertaining to the requirement that all companies adhere to the special investigations standards was improved upon in both Standards.

On a roll call vote, the Committee voted unanimously to accept the amendments to the Private Passenger and Commercial Performance Standards as presented, and recommended that the Standards be adopted by the Governing Committee and forwarded to the Commissioner of Insurance for approval.

20.11 Private Passenger and Commercial Statistical Plans

Based on the feedback provided at the previous meeting, Ms. Marian Adgate reviewed proposed modifications to the Private Passenger Statistical Plan to update classification codes in light of the RMV's implementation of the non-binary Gender X designation. The proposed updates to the Classification Code Private Passenger Definition table include modifications to the existing inexperienced youthful male gender designated class codes to include the non-binary gender designation. For wording consistency, the descriptions for the female gender designated class codes have also been updated. Ms. Adgate noted that these proposed modifications would be optional for policies effective January 1, 2021, and mandatory for policies effective January 1, 2022 and subsequent.

Ms. Adgate also reviewed proposed changes to both the Private Passenger and Commercial Statistical Plans to reflect the addition of new "classic car" classification codes for vehicles that meet the statutory definition of an Antique Automobile for usage, but do not meet the age and registration requirements of an Antique Automobile. Ms. Adgate noted that companies that write this class of business may incorrectly utilize the existing Antique Motor Cars and Antique Motorcycles class code for statistical reporting. However, as stipulated by statute, this class code is excluded in the calculation of MAIP Quota Share. At its August 5, 2020 meeting, the Actuarial Committee agreed that exposures for these types of vehicles should be included in a company's Quota Share calculation. The proposed private passenger and commercial Specialty and Classic Cars and Motorcycles class codes would identify data for these types of vehicles for residual market and MAIP Quota Share purposes. The proposed class codes would be optional for policies effective January 1, 2021, and mandatory for policies effective January 1, 2022 and subsequent.

On a roll call vote, the Committee unanimously voted to recommend to the Governing Committee approval of the proposed Private Passenger and Commercial Statistical Plan pages as presented.

20.12 Ceded Commercial Reporting Issues

Ms. Wendy Browne informed the Committee that CAR's Joint Actuarial Commercial Lines Committee has been working with CAR staff and the Automobile Insurers Bureau (AIB) to perform a comprehensive review of CAR commercial rate need and to develop a filing schedule to achieve rate adequacy. At the July 16, 2020 meeting, the Joint Actuarial Commercial Lines Committee recommended the submission of a white paper to the State Rating Bureau.

Ms. Browne indicated that two issues were presented that will have an impact to statistical reporting for the Servicing Carriers. The first issue is the introduction of a rate differential for vehicles garaged outside of Massachusetts. The current plan is to develop appropriate state-specific rate differentials for both zone-rated and non-zone-rated TTTs and other buses to reflect the loss experience of vehicles that are garaged outside of Massachusetts. The second issue pertains to the development of new breakdowns within the Non-Owned coverages. Ms. Browne noted that fast-food delivery is a key piece of non-owned coverage, and that there are numerous policies that reflect only stand-alone non-owned coverage. As such, CAR is preparing to develop a rating structure for each. Once approved, future amendments to the Commercial Statistical Plan will be considered to address the data needs of each of the two issues on a prospective basis.

Ms. Browne noted that CAR is developing a Data Call in order to solicit information from the Servicing Carriers regarding the issues noted, and presented several questions to the Committee in order to facilitate the process. Discussion followed in which several Committee members provided suggestions and comments on the best way for CAR to obtain the requested information.

20.12 Final Close-Out of Policy Effective Years 2010 and 2011

Ms. Browne informed the Committee that the volume of open claims reported in the June 2020 ceded outstanding loss shipments for policy effective years 2010 and 2011 is low enough to warrant a final close-out. The Committee unanimously voted to recommend to the Governing Committee a final close-out of policy effective years 2010 and 2011 for statistical reporting and financial purposes as of the 3rd Quarter 2020.

Ms. Browne also presented the Committee with proposed changes to Chapters VII and VIII of the Manual of Administrative Procedures which document an automated process for CAR staff to close out a policy effective year, without requiring Committee approval. This proposal includes a change in the tolerance level of open claims from 50 or fewer records and a dollar amount of \$200,000 or less, to a dollar amount of \$100,000 or less. If the total reserve amount is less than \$100,000 for a given year, CAR would perform a final close-out that year for financial and statistical reporting purposes. She noted that an Accounting and Statistical Notice would be published to notify the industry of the policy effective year(s) being closed out.

On a roll call vote, the Committee unanimously voted to recommend to the Governing Committee the updates to the Manual of Administrative Procedures as presented.

MATTHEW HIRSH
Compliance Audit Supervisor

Boston, Massachusetts
September 15, 2020

ATTACHMENT LISTING

Docket #COPC20.02, Exhibit #3

Attendance Listing

**COMPLIANCE AND OPERATIONS COMMITTEE MEETING
 MEETING ATTENDEES
 SEPTEMBER 2, 2020**

Individual's Name

Company / Agency

PLEASE PRINT

Jerry Sleeper	Safety Insurance Company
Trent Bohacz	Allstate Insurance Company
Erin Cummings	The Norfolk & Dedham Group
Thomas Harris	Quincy Mutual Group
Robert Littlewood	Arbella Insurance Group
Sharon Murphy	Acadia Insurance Company
Kenneth Olivieri	J.K. Olivieri Insurance Agency, Inc.
Henry Risman	Risman Insurance Agency, Inc.
Barry Tagen	Pilgrim Insurance Company
Christopher Taylor	The Hanover Insurance Company
Brenda Williams	MAPFRE U.S.A. Corporation
Bill Scully	AIB
Carol Willis-Webb	Safety Insurance Company
Marian Adgate	CAR Staff
Mark Alves	CAR Staff
Peter Bertoni	CAR Staff
Wendy Browne	CAR Staff
Shannon Chiu	CAR Staff
Tim Costain	CAR Staff
Tim Galligan	CAR Staff
Matt Hirsh	CAR Staff
Natalie Hubley	CAR Staff
Daniel Mason	CAR Staff
Lynne Rosenburg	CAR Staff
Robin Tigges	CAR Staff