



NATALIE A. HUBLEY
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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RECORDS OF MEETING

COMPLIANCE AND OPERATIONS COMMITTEE – JUNE 2, 2021

Members Present

Mr. Jerry Sleeper – Chair
Ms. Kara Boehm
Ms. Erin Cummings
Ms. Melissa Harmon ⁽¹⁾
Mr. Thomas Harris
Mr. Robert Littlewood
Ms. Sharon Murphy
Mr. Kenneth Olivieri
Mr. Henry Risman
Mr. Barry Tagen
Mr. Christopher Taylor

Safety Insurance Company
Allstate Insurance Company
Norfolk & Dedham Group
MAPFRE U.S.A. Corporation
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

Substituted for:
Ms. Brenda Williams ⁽¹⁾

Not in Attendance:
N/A

21.01 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 April 7, 2021. The Records have been distributed and are on file.

21.04 Informational Items

Ms. Wendy Browne informed the members that the two modifications to Chapter V – Premium of the Manual of Administrative Procedures relative to the Specialty and Classic Auto – Massachusetts endorsement and the Non-Fleet Private Passenger Type Certification Form presented at the April Compliance and Operations Committee meeting were approved by the Governing Committee at its April 21, 2021 meeting.

21.05 Compliance Audit Program

Mr. Mark Alves provided an overview pertaining to the recent audits of the Commercial Servicing Carrier Program. The reports distributed to the Committee are the third enhanced procedure audits of the commercial residual market. The audit specifically considered residual market eligibility relating to Trucks, Tractors and Trailers (TTT) 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 TTT classification codes effective between January and April 2020. Audit samples consisted of fifteen policies that included ten new business and five renewal policies. To capture all supporting documentation and avoid incomplete findings, each Servicing Carrier was required to provide an electronic or hard copy file of all documentation, including any material retained by the agent, that the company 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 company specific to requirements noted in Bulletin Nos. 1055 and 1065, which outline Principal Place of Business (PPoB) standards and certification forms, Bulletin No. 1066 detailing implementation of the Ineligible Risk Database (IRD), and Bulletin No. 1075 that establishes standards for the validation of Radius Class and Geographic Classification of TTTs and Public Autos.

Mr. Mathew Hirsh provided an overview of the status report section of the report that catalogued the documentation provided by the Servicing Carriers. He explained that twelve distinct groupings of document types were developed to categorize the various supports. He noted that the status reports were not intended as a measurement tool, but to identify the document types provided by the company in its efforts to determine residual market eligibility. In accordance with the MAP, the status reports were distributed and agreed to by the four Servicing Carriers.

Draft reports that included an outcome determined by staff based on the review of the policy documentation were provided to each Servicing Carrier. The outcome was limited to either note staff agreement that sufficient documentation existed to support the eligibility decision and/or that another recommendation/comment was given. The simplified outcomes were intended to provide the company with reasonable conclusions based on the provided documentation. Upon receipt of the report, the Servicing Carrier could comment on each outcome or provide further clarification. Staff then either modified the outcome based on the comments or included the comments in the report to document the company's perspective. However, all outcomes included in the final reports were determined by staff. Mr. Alves also commented that staff does not opine as to whether the risk was eligible for the commercial residual market, but identifies any inconsistencies or gaps in the documentation provided by the company. In those instances that staff determined that an inconsistency or gap existed, the outcomes included a recommendation or comment pertaining to the issue.

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 consisted of 15 policies. Mr. Robert Littlewood of Arbella recused himself from participating in the consideration of the Arbella report. All 15 audited policies had an outcome that staff agreed that sufficient documentation existed to support the eligibility decision. Two of the 15 policies also included an additional recommendation. For one policy, the reported Zone Combination did not agree to the supporting documents. For the second policy, Zone Combination did not correspond to the supporting documents. Both recommendations for additional review were suggested for completion upon renewal and did not impact eligibility considerations. On a roll call vote, the Committee voted unanimously, with two recusals, to accept the audit report without further consideration.

The MAPFRE U.S.A. Corporation sample consisted of 15 policies. Ms. Melissa Harmon of MAPFRE recused herself from participating in the consideration of the MAPFRE report. Twelve of 15 audited policies had an outcome that staff agreed that sufficient documentation existed to support the eligibility decision. Five of the 15 policies also included an additional recommendation. For two policies, documentation to support the principal garaging in accordance with Bulletin 1075 was not provided. Staff recommended that because principal garaging could potentially impact eligibility, additional underwriting supports were needed. MAPFRE's response in support of its eligibility decision was added to the report to document the company's perspective for the Committee. The third recommendation was that additional underwriting was needed to determine if the risk met the PPoB and Nerve Center Test residual market eligibility requirements. MAPFRE agreed that additional research was necessary, and the current underwriter would further review the policy. Of the two policies that the staff outcome agreed that sufficient documentation existed to support the eligibility decision, the first recommendation was that MAPFRE document that the underwriter reviewed the Ineligible Risk Data base prior to policy issuance in accordance with Bulletin 1066. The second recommendation was that the Servicing Carrier obtain a PPoB Certification Form upon renewal in accordance with Bulletin 1065. Neither recommendation impacted eligibility considerations. On a roll call vote, the Committee voted unanimously, with two recusals, to accept the audit report without further consideration.

The Pilgrim Insurance sample consisted of 15 policies. All 15 audited policies had an outcome that staff agreed that sufficient documentation existed to support the eligibility decision. One of the 15 policies also included an additional staff recommendation that the Servicing Carrier obtain a PPoB Certification Form upon renewal in accordance with Bulletin 1065. On a roll call vote, the Committee voted unanimously, with one recusal, to accept the audit report without further consideration.

The Safety Insurance sample consisted of 15 policies. All 15 audited policies had an outcome that staff agreed that sufficient documentation existed to support the eligibility decision. Four of the 15 policies also included an additional staff recommendation that the Servicing Carrier obtain a PPoB Certification Form upon renewal in accordance with Bulletin 1065. On a roll call vote, the Committee voted unanimously, with one recusal, 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 noted that CAR is finalizing components of the High Loss Report, which highlights policies in which the Paid Loss Dollars and/or the Current Quarter Outstanding Loss Dollars exceed \$1 million, as well as policies in which Paid Liability Loss Dollars exceed the policy limits reported. All other reports related to the CAR Accounting System have been completed.

Ms. Rosenberg also indicated that all Reinsurance Audit Reports are complete and are being user-tested. All CAR Accounting System and Reinsurance Audit Reports are expected to be available to the Servicing Carriers by the end of the summer, and updates to the Manual of Administrative Procedures should be available for review at the next Committee meeting.

21.07 Updated to the Manual of Administrative Procedures

Ms. Marian Adgate presented the Committee with modifications to Chapter VII – Participation of the Manual of Administrative Procedures. Ms. Adgate noted that obsolete language in the Chapter has been updated to assure consistency with National Association of Insurance Commissioners (NAIC) terminology

and with the terminology that is currently used in the Massachusetts Private Passenger and Commercial Statistical Plans.

On a roll call vote, the Committee voted unanimously to recommend to the Governing Committee the updates to Chapter VII – Participation of the Manual of Administrative Procedures.

21.08 Impacts to Reporting requirements Under a Combined Commercial Servicing Carrier Program

Ms. Wendy Browne provided the Committee with an overview of modifications to the Manual of Administrative Procedures resulting from the combining of the Commercial Servicing Carrier Program and the Taxi, Limousine, and Car Service Program. She noted that the Committee agreed in concept with the changes at its April 7, 2021 meeting.

Ms. Browne first presented updates to Chapter IV – Cession Rules and Procedures of the Manual of Administrative Procedures pertaining to Automatic Cession Backdating. Language was added to distinguish reporting requirements for policies effective prior to January 1, 2022 and policies effective January 1, 2022 and subsequent, where automatic backdating of commercial cessions will only occur if the Exclusive Representative Producer (ERP) has been designated for the option.

Additional modifications to Chapter IV – Cession Rules and Procedures of the Manual of Administrative Procedures address Risk Indicators. A qualifier was added to distinguish reporting requirements for policies effective prior to January 1, 2022, which utilizes two separate indicator codes to identify taxi, limousine, or car service policies and other commercial policies. All policies effective January 1, 2022 and subsequent, will be identified as commercial policies. Therefore, the fatal edit for Risk Indicator was updated to reflect the change in values based on the effective year and a conversion routine was added for 2022 and subsequent effective years.

Finally, Ms. Browne presented updates to Chapter V – Premium of the Manual of Administrative Procedures pertaining to Cession/No Premium Write-Off, which was modified to indicate that write-off amounts for policies effective prior to January 1, 2022 will be calculated separately for taxi, limousine, and car service policies and for all other commercial business policies. For policies effective January 1, 2022 and subsequent, one write-off amount for all policies will be calculated for each policy effective year. She noted that the dates were updated in the examples to reflect more current effective years.

On a roll call vote, the Committee voted unanimously to recommend to the Governing Committee approval of the updates to Chapter IV – Cession Rules and Procedures and Chapter V – Premium of the Manual of Administrative Procedures.

21.09 Special Investigative Unit System Development

The recently approved changes to the Performance Standards now require that Member Companies report underwriting Special Investigative Unit (SIU) referrals to CAR on a quarterly basis. Mr. Alves provided an overview of planned modifications to the SIU System. He noted that the reporting obligation was added to address the SIU requirements described in CAR Rules 10 and 32 to investigate suspicious circumstances surrounding underwriting, rating, and premium issues.

CAR's programming objective is to develop system that is consistent to the claim SIU referral process already in existence. A CSV formatted template will be used by Member Companies to report the underwriting referral activity. The process will require the company to populate the template with a

Company Number, Policy Number and Policy Effective Year that matches to statistically reported premium records. If the underwriting referral record does not match to a statistically reported record, the underwriting referral record is rejected. The template will also include pre-set validated formats for other fields such as Line of Business, Referral Reason and Investigation Outcome. The underwriting referral template and an updated Help Manual will be available on CAR's website for industry use by June 15, 2021. Also, CAR will publish a Bulletin to announce the implementation of the system updates to the industry. The SIU System will be able to include underwriting SIU referrals that were successfully uploaded into the SIU audit samples by October 15, 2021.

MATTHEW HIRSH
Compliance Audit Supervisor

Boston, Massachusetts
June 4, 2021

ATTACHMENT LISTING

Docket #COPC21.02, Exhibit #2

Attendance Listing

**COMPLIANCE AND OPERATIONS COMMITTEE MEETING
 MEETING ATTENDEES
 JUNE 2, 2021**

Individual's Name

Company / Agency

PLEASE PRINT

Jerry Sleeper	Safety Insurance Company
Kara Boehm	Allstate Insurance Company
Erin Cummings	The Norfolk & Dedham Group
Melissa Harmon	MAPRFE U.S.A. Corporation
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
Marian Adgate	CAR Staff
Mark Alves	CAR Staff
Wendy Browne	CAR Staff
Peter Bertoni	CAR Staff
Shannon Chiu	CAR Staff
Timothy Galligan	CAR Staff
Matt Hirsh	CAR Staff
Daniel Mason	CAR Staff
Lynne Rosenberg	CAR Staff
Alison Ruggiero	CAR Staff
Robin Tigges	CAR Staff
Mary Ellen Thompson	DOI
Edith Wendell	AIB