



NATALIE A. HUBLEY
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

101 Arch Street, Suite 400 Boston, Massachusetts 02110
www.commauto.com 617-338-4000

NOTICE OF MEETING

GOVERNING COMMITTEE

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

WEDNESDAY, FEBRUARY 14, 2018 AT 10:30 A.M.

MEMBERS OF THE COMMITTEE

Mr. James S. Hyatt – Chair
Arbella Insurance Group

| | |
|----------------------------------|--------------------------------------|
| Ms. Pamela L. Bodenstab-Krynicki | P L Krynicki Insurance Agency, Inc. |
| Mr. Thomas C. DePaulo | Cabot Risk Strategies, LLC |
| Mr. Christopher D. Dupill | EM Freedman Insurance Agency, Inc. |
| Mr. Sumner D. Gilman | Economy Insurance Agency, Inc. |
| Ms. Paula W. Gold | Plymouth Rock Assurance Corporation |
| Mr. Thomas A. Harris | Quincy Mutual Group |
| Mr. Christopher Jarrard | GEICO |
| Mr. John V. Kelly | MAPFRE U.S.A. Corporation |
| Mr. M. John Olivieri, Jr. | J.K. Olivieri Insurance Agency, Inc. |
| Ms. Kellie A. Thibodeau | The Hanover Insurance Company |
| Ms. Meredith M. Woodcock | Liberty Mutual Group |

AGENDA

GC

17.01 Transcript of Previous Meeting

The Transcript of the Governing Committee meeting of November 15, 2017 should be read and approved.

GC

18.03 CAR Conflict of Interest Policy

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

GC

18.04 President's Report

Commonwealth Automobile Reinsurers' President will report on matters affecting CAR.

GC

18.05 Counsel's Report

Commonwealth Automobile Reinsurers' outside counsel will report on pending litigation, CAR Rule changes and any other matters relevant to legal issues at CAR.

GC

17.06 Market Review Committee

The Governing Committee will hear the report of the Market Review Committee meeting of November 28, 2017.

The Records of the Market Review Committee are attached. (Docket #GC17.06, Exhibit #4)

The Records of the Market Review Committee meeting of November 28, 2017 have been distributed and are on file.

GC

17.13 Loss Reserving Committee

The Governing Committee will hear the report of the Loss Reserving Committee meeting of December 6, 2017.

A Summary of the Loss Reserving Committee meeting of December 6, 2017 is attached. (Docket #GC17.13, Exhibit #4)

The Records of the Loss Reserving Committee meeting of December 6, 2017 have been distributed and are on file.

GC

18.06 MAIP Steering Committee

The Governing Committee will hear the report of the MAIP Steering Committee meeting of January 11, 2018.

The Records of the MAIP Steering Committee are attached. (Docket #GC18.06, Exhibit #1)

The Records of the MAIP Steering Committee meeting of January 11, 2018 have been distributed and are on file.

GC

18.07 Financial Audit Committee

The Governing Committee will hear the report of the Financial Audit Committee meeting of February 7, 2018.

The Records of the Financial Audit Committee meeting of February 7, 2018 will be distributed as additional information prior to the meeting.

GC

18.08 Personnel Committee

The Governing Committee will hear the report of the Personnel Committee meeting of February 8, 2018.

The Records of the Personnel Committee meeting of February 8, 2018 will be distributed as additional information prior to the meeting.

GC

18.09 Commercial Automobile Committee

The Governing Committee will hear the report of the Commercial Automobile Committee meeting of February 8, 2018.

The Records of the Commercial Automobile Committee meeting of February 8, 2018 will be distributed as additional information prior to the meeting.

Other Business

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

Executive Session

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

NATALIE A. HUBLEY
President

Attachments

Boston, Massachusetts
January 31, 2018



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PRESIDENT

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101 Arch Street, Suite 400 Boston, Massachusetts 02110

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RECORDS OF MEETING

MARKET REVIEW COMMITTEE – NOVEMBER 28, 2017

Members Present

| | |
|-----------------------------------|---|
| Mr. Charles Boynton, III – Chair | Boynton Insurance Agency |
| Ms. Elizabeth Brodeur | Safety Insurance Company |
| Mr. Andrew Drayer | MAPFRE U.S.A. Corporation |
| Mr. Sumner Gilman | Economy Insurance Agency, Inc. |
| Mr. Andrew Greene ⁽¹⁾ | Quincy Mutual Group |
| Mr. Richard Jones | Leslie S. Ray Insurance Agency, Inc. |
| Mr. David McCormick | McCormick and Sons Insurance Agency, Inc. |
| Ms. Marie-Armel Theodat | All Towns Insurance Agency, Inc. |
| Mr. Kenneth Willis ⁽²⁾ | Plymouth Rock Assurance Corporation |

Substituted for:

⁽¹⁾Mr. Harold Gerbis

⁽²⁾Ms. Paula Gold

Not in Attendance:

Mr. James Hyatt

Arbella Insurance Group

17.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Market Review Committee meeting of September 12, 2017. The Records have been distributed and are on file.

17.06 Point Insurance Agency, Inc./Arbella Protection Insurance Company

Point Insurance Agency is requesting relief of the termination of the agency's commercial automobile Exclusive Representative Producer appointment by the Arbella Protection Insurance Company for violations of CAR Rule 14.B.1.c., e., k., l., and n., and of the agency's Limited Servicing Carrier Agreement with Arbella. At the Committee's meeting of September 12, 2017, and again prior to the meeting originally scheduled for October 19, 2017, Point's requests to continue the proceedings were granted in order to allow the agency's newly appointed counsel time to prepare its case.

Prior to presenting the agency's case, Attorney Neil Faigel, outside counsel representing the Point Insurance Agency, put several objections on the Record. He indicated his objection to Arbella's memorandum, dated September 5, 2017, in support of the company's termination of the Point agency as it was not submitted at the same time as the termination letter dated June 29, 2017. He further objected that the supplemental information provided by Arbella for the meeting was not filed in a timely manner so Point did not have sufficient opportunity to review and investigate the new information contained in the

submission. Finally, he objected that Arbella's request for the reimbursement for extraordinary expenses incurred in the investigation of alleged agency fraud, which has already been heard by a CAR committee, creates a significant bias for the Market Review Committee.

Attorney Frances Robinson, representing Arbella, responded to Mr. Faigel's objections. She noted that CAR Rules do not require that all supporting information to be considered relative to a termination be provided at the same time as the Notice of Termination and that the supplemental information had been submitted on a timely basis pursuant to CAR Rules and at the same time as Point's supplemental submission. Further, she noted that Arbella's request for reimbursement is a separate consideration and should not be discussed by this Committee.

Ms. Robinson stated that the company's investigation into Point's activity revealed various types of improper behavior; commercial policies were being written for individuals that did not have a business but for whom corporations had been created, individuals with Massachusetts' licenses that do not typically drive the corporation's vehicles were being added as operators on a policy when the insured does not have a Massachusetts license, individuals wishing to cancel their commercial policy were denied so by the agency and finally, to avoid detection as a false business, the agency had directed its insureds to purchase a general liability or workers compensation policy in order to further the fraudulent representation as legitimate businesses. Mr. Ed Spellman, SIU Investigator for Arbella and Mr. Frank Hart, a private investigator for Arbella then provided the Committee with details relative to investigations into specific policies.

Attorney Dana Casher, Point's corporate counsel, directed the Committee to the documentation distributed with the Additional Information notice, specifically a chart that alleged details relative to the current status of 5,626 commercial in-force policies written by Arbella that Point took over from the Rapo and Jepsen agency. She contended that approximately 87% of the policies contained in this book of business are still in existence today, with 26% of the policies having been renewed or rewritten by Arbella and 61% cancelled by Arbella but written with other carriers and/or producers. She further suggested that if the Committee agrees that Arbella, Safety and Commerce have not committed or perpetuated fraud in writing these policies then the Committee must also conclude that Point has not committed fraud.

Mr. Faigel proceeded to speak to specific policies, including several previously discussed by Mr. Spellman and Mr. Hart. He opined that as the Committee deliberates on this matter, it should disregard past behavior of the Rapo and Jepsen agency, and make a distinction between that agency and the Point agency. He referred to the many scenarios where the incorporation of the insured's business had been made well before Point took over the Rapo and Jepsen book of business and noted that in many of the cases, these businesses had general liability policies or workers' comp policies issued to them, further indicating the existence of a corporate entity.

Ms. Robinson responded to Mr. Faigel's comments by opining that it was irrelevant that Point was not involved in creating the corporations since Point's employees, including the agency's owner, had formerly been employed by Rapo and Jepsen and it was now Point's obligation to more closely review the policies in order to clean up the book of business. She asserted that although Rapo and Jepsen may have initiated the fraud, Point had perpetuated it. Answering questions from the Committee, Ms. Casher indicated that Rapo and Jepsen's contract was terminated by Arbella in the summer of 2016 and that Point's current owner, Mr. Bruno Rozambarque, had been previously employed by Rapo and Jepsen for five years.

The Committee proceeded to vote on each of the Rule sections cited in Arbella's termination letter and in unanimous motions agreed that 1) Arbella has established clear evidence that the Point Insurance Agency failed to comply with the following requirements of CAR Rule 14.B.1., and 2) that each violation provides a valid basis for termination of the agency's appointment, as follows:

- Refrain from engaging in fraudulent activity in connection with the business of Motor Vehicle Insurance in violation of Rule 14.B.1.c.
- Provide a reasonable and good faith effort to verify the information provided by the applicant, including rating and licensing data in violation of Rule 14.B.1.e.
- Notify the Servicing Carrier of any suspected fraud in violation of Rule 14.B.1.k.
- Cooperate with the Servicing Carrier during all investigation in violation of Rule 14.B.1.l.

On the basis of the above, the Committee unanimously voted to uphold Arbella's termination of the Point Insurance Agency. Mr. John Metcalfe advised the agency that it has 30 days to petition CAR for a subsequent review of the Committee's decision by the Governing Committee pursuant to Rule 20 – Review and Appeal and during that time, the termination is stayed until the appeal process is completed.

MARIAN ADGATE
Corporate Documentation Specialist

Boston, Massachusetts
January 11, 2018



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NATALIE A. HUBLEY
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SUMMARY OF MEETING

LOSS RESERVING COMMITTEE – DECEMBER 6, 2017

| | |
|-----------------------------------|-------------------------------|
| Ms. Lynellen Ramirez – Chair | Arbella Insurance Group |
| Mr. Jonathan Blake ⁽¹⁾ | The Hanover Insurance Company |
| Mr. Warren Ehrlich | MAPFRE U.S.A. Corporation |
| Ms. Melissa Vaughn ⁽²⁾ | Safety Insurance Company |

Substituted for:

⁽¹⁾ Ms. Alyssa Potter
⁽²⁾ Mr. Glenn Hiltbold

Not in Attendance:
N/A

17.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Loss Reserving Committee meeting of September 6, 2017. The Records have been distributed and are on file.

17.06 Policy Year Deficit and Loss Ratio Report

The Committee set loss and loss adjustment expense reserves, using data through September 30, 2017. The Committee estimated a policy year 2017 commercial deficit of \$27.7 million with a loss ratio of 90.2 percent, and a policy year 2016 commercial deficit of \$35.1 million with a loss ratio of 95.2 percent. Ultimate loss ratio and deficit projections for policy years 2017 and prior are detailed in the attached exhibits.

The following summary displays the results from December 6, 2017 meeting:

Total AO

| <u>CAL/AY</u> | Loss & Allocated Loss Adjustment Expense (000) | | | | | Number of Open Claims |
|---------------|---|----------------|-------------------------|---------------|----------------------|------------------------------|
| | Earned Premium(000) | Paid | Case Outstanding | IBNR | Held Ultimate | |
| 2008 | 139,719 | 90,012 | 572 | (1) | 90,583 | 4 |
| 2009 | 111,743 | 75,163 | 203 | - | 75,366 | 3 |
| 2010 | 95,938 | 73,805 | 35 | 2 | 73,842 | 2 |
| 2011 | 88,176 | 72,775 | 1,474 | 13 | 74,262 | 14 |
| 2012 | 91,576 | 63,307 | 3,515 | (109) | 66,713 | 24 |
| 2013 | 102,216 | 69,222 | 12,295 | 601 | 82,118 | 102 |
| 2014 | 117,843 | 80,765 | 18,455 | 1,395 | 100,615 | 244 |
| 2015 | 140,077 | 87,594 | 20,738 | 5,555 | 113,887 | 660 |
| 2016 | 160,297 | 83,581 | 49,176 | 14,921 | 147,678 | 1,726 |
| 2017 | 130,556 | 44,557 | 39,146 | 36,241 | 119,944 | 4,553 |
| Total | 1,178,141 | 740,781 | 145,609 | 58,618 | 945,008 | 7,332 |

Total PP

| <u>CAL/AY</u> | <u>Earned Premium(000)</u> | <u>Loss & Allocated Loss Adjustment Expense (000)</u> | | | | <u>Held Ultimate</u> | <u>Number of Open Claims</u> |
|---------------|--------------------------------|---|--------------------|----------------------|----------------|--------------------------|--------------------------------------|
| | | <u>Paid</u> | <u>Outstanding</u> | <u>Case IBNR</u> | | | |
| 2008 | 212,132 | 206,548 | 69 | (33) | 206,584 | 7 | |
| 2009 | 82,820 | 81,507 | 33 | (20) | 81,520 | 9 | |
| 2010 | 2,871 | 2,792 | - | - | 2,792 | - | |
| Total | 297,823 | 290,847 | 102 | (53) | 290,896 | 16 | |

SHANNON CHIU
 Actuarial/Statistical Analyst

Boston, Massachusetts
 January 31, 2018

COMMERCIAL ULTIMATE POLICY YEAR DEFICIT PROJECTIONS
 BASED ON DATA REPORTED THROUGH QUARTER ENDING SEPTEMBER 2017
 (000's OMITTED)

SUMMARY EXHIBIT

| | Policy Year 2015 | | Policy Year 2016 | | Policy Year 2017 | |
|--------------------------|------------------|--------|------------------|--------|------------------|--------|
| | Dollars | % Prem | Dollars | % Prem | Dollars | % Prem |
| Premium | 151,500 | 100.0% | 169,400 | 100.0% | 180,900 | 100.0% |
| Losses Incurred and ALAE | 126,352 | 83.4% | 161,269 | 95.2% | 163,172 | 90.2% |
| Underwriting Expenses | 38,784 | 25.6% | 43,197 | 25.5% | 45,406 | 25.1% |
| Underwriting Result | (13,636) | -9.0% | (35,066) | -20.7% | (27,678) | -15.3% |

COMPARISON OF ULTIMATE POLICY YEAR DEFICIT PROJECTIONS
PRIOR AND CURRENT QUARTER ESTIMATES

Policy Year 2017

| | Prior Qtr Estimate | | Current Qtr Estimate | | Variance | |
|--------------------------|--------------------|--------|----------------------|--------|----------|---------|
| | Dollars | % Prem | Dollars | % Prem | Dollars | Percent |
| Premium | | | 180,900 | 100.0% | 180,900 | |
| Losses Incurred and ALAE | | | 163,172 | 90.2% | 163,172 | |
| Underwriting Expenses | | | 45,406 | 25.1% | 45,406 | |
| Underwriting Result | | | (27,678) | -15.3% | (27,678) | |

Policy Year 2016

| | Prior Qtr Estimate | | Current Qtr Estimate | | Variance | |
|--------------------------|--------------------|--------|----------------------|--------|----------|---------|
| | Dollars | % Prem | Dollars | % Prem | Dollars | Percent |
| Premium | 169,500 | 100.0% | 169,400 | 100.0% | (100) | -0.1% |
| Losses Incurred and ALAE | 159,330 | 94.0% | 161,269 | 95.2% | 1,939 | 1.2% |
| Underwriting Expenses | 43,266 | 25.5% | 43,197 | 25.5% | (69) | -0.2% |
| Underwriting Result | (33,096) | -19.5% | (35,066) | -20.7% | (1,970) | 6.0% |

Policy Year 2015

| | Prior Qtr Estimate | | Current Qtr Estimate | | Variance | |
|--------------------------|--------------------|--------|----------------------|--------|----------|---------|
| | Dollars | % Prem | Dollars | % Prem | Dollars | Percent |
| Premium | 151,500 | 100.0% | 151,500 | 100.0% | 0 | 0.0% |
| Losses Incurred and ALAE | 126,200 | 83.3% | 126,352 | 83.4% | 152 | 0.1% |
| Underwriting Expenses | 38,784 | 25.6% | 38,784 | 25.6% | 0 | 0.0% |
| Underwriting Result | (13,484) | -8.9% | (13,636) | -9.0% | (152) | 1.1% |



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RECORDS OF MEETING

MAIP STEERING COMMITTEE – JANUARY 11, 2018

Members Present

| | |
|----------------------------------|--------------------------------------|
| Mr. John Kelly – Chair | MAPFRE U.S.A. Corporation |
| Ms. Elizabeth Brodeur | Safety Insurance Company |
| Mr. Allen Chaves | Arbella Insurance Group |
| Mr. David Dafgek | The Hanover Insurance Company |
| Ms. Jean Downey | The Norfolk & Dedham Group |
| Mr. Sumner Gilman | Economy Insurance Agency, Inc. |
| Mr. Christopher Jarrard | GEICO |
| Mr. Quentin Miles ⁽¹⁾ | Empire Insurance Agency LLC |
| Mr. John Olivieri, Jr. | J.K. Olivieri Insurance Agency, Inc. |
| Mr. Henry Risman | Risman Insurance Agency, Inc. |
| Mr. Barry Tagen | Pilgrim Insurance Company |
| Mr. Mark Winiker | A-Affordable Insurance Agency, Inc. |

Substituted for:

⁽¹⁾Ms. Marie-Armel Theodat

All Towns Insurance Agency, Inc.

Not in Attendance:

N/A

15.01 Records of Meeting

The Committee unanimously voted to approve the Records of the MAIP Steering Committee meeting of February 18, 2015. The Records have been distributed and are on file.

18.04 MAIP Automobile Policy Forms and Endorsements

Ms. Wendy Browne advised the Committee that the Automobile Insurers Bureau's updated private passenger policy, forms and endorsements have recently been placed on file by the Division of Insurance. These included the Massachusetts Automobile Insurance Policy, the Notice to Policyholders, the Massachusetts Mandatory Endorsement, the Operator Exclusion Form, and the Statutory Notice of Cancellation.

The Committee noted the importance of maintaining consistency among forms used in the voluntary and residual markets and agreed that the indicated policy, forms and endorsements should be

adopted for use in the private passenger residual market. Additionally, factoring in the lead time needed by companies to implement the forms, as well as the time required by the Division of Insurance to review and place the forms on file, the Committee unanimously voted to recommend adoption of the policy, forms and endorsements, and that they be filed for approval by the Commissioner of Insurance for new and renewal business effective July 1, 2018. Additionally, the Committee agreed that if approval by the Commissioner of Insurance is delayed, the effective date should be modified accordingly.

18.05 MAIP Policy Application System

Ms. Browne informed the Committee that the Registry of Motor Vehicles is in the process of updating its current ALARS operating system with a more efficient system. CAR is investigating whether the MAIP Policy Application can be enhanced to link to and utilize driver and license information from the Registry's new ATLAS system. She noted that if CAR elects to pursue this option, the results of CAR's review will be provided to the appropriate CAR committee.

MARIAN ADGATE
Corporate Documentation Specialist

Boston, Massachusetts
January 18, 2018