



NATALIE A. HUBLEY
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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

**ADDITIONAL INFORMATION
TO MEMBERS OF THE GOVERNING COMMITTEE**

FOR THE MEETING OF:

Wednesday, September 19, 2018 at 10:30 a.m.

GC

18.07 Financial Audit Committee

The Records of the Financial Audit Committee meeting of September 5, 2018 are attached. (Docket #GC18.07, Exhibit #2)

The Records of the Financial Audit Committee meeting of September 5, 2018 have been distributed and are on file.

GC

18.09 Commercial Automobile Committee

The Records of the Commercial Automobile Committee meeting of September 6, 2018 are attached. (Docket #GC18.09, Exhibit #6)

The Records of the Commercial Automobile Committee meeting of September 6, 2018 have been distributed and are on file.

GC

18.12 Compliance and Operations Committee

The Records of the Compliance and Operations Committee meeting of September 5, 2018 are attached. (Docket #GC18.12, Exhibit #3)

The Records of the Compliance and Operations Committee meeting of September 5, 2018 have been distributed and are on file.

GC

18.14 Commercial Program Oversight Committee

The Records of the Commercial Program Oversight Committee meeting of August 7, 2018 are attached. (Docket #GC18.14, Exhibit # 1)

The Records of the Commercial Program Oversight Committee meeting of August 7, 2018 have been distributed and are on file.

GC

18.15 Budget Committee

The Records of the Budget Committee meeting of September 6, 2018 are attached. (Docket #GC18.15, Exhibit # 1)

The Records of the Budget Committee meeting of September 6, 2018 have been distributed and are on file.

NATALIE A. HUBLEY
President

Attachments

Boston, Massachusetts
September 12, 2018



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RECORDS OF MEETING

FINANCIAL AUDIT COMMITTEE – SEPTEMBER 5, 2018

Members Present

Mr. Robert McKenna – Chair	MAPFRE U.S.A. Corporation
Mr. Matthew Anglim	Plymouth Rock Assurance Corporation
Ms. Pamela Bodenstab-Krynicky	P L Krynicky Insurance Agency
Mr. Thomas Harris	Quincy Mutual Group
Mr. Thomas LaFrancois	Arbella Insurance Group
Mr. David McCormick	McCormick & Sons Insurance Agency, Inc

Substituted for:

N/A

Not in Attendance:

Mr. Sean Moone

The Norfolk & Dedham Group

18.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Financial Audit Committee meeting of February 7, 2018. The Records have been distributed and are on file.

18.06 Annual Audit of CAR for Fiscal Year Ending 2018

Mr. Peter Brennan of PricewaterhouseCoopers (PwC) presented his recommendation regarding the engagement parameters for the 2018 review and Agreed Upon Procedures (AUP) plan. He discussed the audit procedures in detail with the Committee, noting the 2018 procedures will continue to focus primarily on IT controls and transactions relevant to CAR's administrative expenses. After discussion pertaining to specific wording in the AUP regarding sample selections, Mr. Brennan informed the Committee that language would be adjusted upon completion. Also, Mr. Brennan confirmed the 2018 audit fee of \$110,100 reflecting a 3% increase over 2017, and provided a basic timeline for the planning, execution and completion of the engagement.

After discussion regarding components of the AUP to be performed in conjunction with the Audit Review, the Committee members voted unanimously to recommend that the Governing Committee approve the engagement parameters as proposed by PwC for the review of CAR's fiscal year 2018 financial statements, including the AUP as presented, recognizing that the procedures are sufficient for their intended purpose, and that access to the AUP report would be limited to CAR, its committees and subcommittees,

its Member Companies and the Division of Insurance. The Committee also recommended that the President be directed to execute the engagement letters on behalf of CAR.

MARK ALVES
Director – Compliance Audit

Boston, Massachusetts
September 12, 2018



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RECORDS OF MEETING

COMMERCIAL AUTOMOBILE COMMITTEE – SEPTEMBER 6, 2018

Members Present

Mr. Thomas DePaulo – Chair	Cabot Risk Strategies, LLC
Mr. Peter Chung	The Norfolk & Dedham Group
Ms. Sarah Clemens	MAPFRE U.S.A. Corporation
Ms. Sheila Doherty	Doherty Insurance Agency, Inc.
Mr. Brian Lam	Safety Insurance Company
Ms. Mona McCowen ⁽¹⁾	Arbella Insurance Group
Mr. John Olivieri, Jr.	J.K. Olivieri Insurance Agency, Inc.
Mr. Thomas Skelly, Jr.	Deland, Gibson Insurance Associates, Inc.
Mr. Barry Tagen	Pilgrim Insurance Company

Substituted for:

⁽¹⁾ Ms. Mayre Hammond

Not in Attendance:

Mr. Coleman Johnson

The Hanover Insurance Company

18.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Commercial Automobile Committee meeting of June 12, 2018. The Records have been distributed and are on file.

18.06 Commercial Automobile Residual Market Standards Subcommittee

Mr. John Olivieri reported on the Commercial Automobile Residual Market Standards Subcommittee meetings of July 17, 2018, July 31, 2018 and August 14, 2018. He stated that a list of commercial issues has been developed by staff and is updated prior to each meeting to reflect the current status of the Subcommittee's deliberations. Ms. Wendy Browne briefly highlighted for the Commercial Automobile Committee the status of each item on the list and Mr. Olivieri provided the Committee with additional detail relative to the Subcommittee's deliberations. Mr. Barry Tagen pointed out that the Subcommittee had also agreed that a review of the eligible risk criteria, especially relating to multi-state vehicle risks, be added to the working list of issues. He noted that the Subcommittee also requested staff to provide a summary of the eligibility criteria in other states' plans, in order to evaluate whether CAR's eligibility definition could be amended to require risks to have operations in Massachusetts.

Relative to the development of standards for validating non-fleet private passenger type risks, Mr. Olivieri stated that the Subcommittee agreed to continue its deliberations on foreign licensed driver eligibility to ensure consistency among Servicing Carriers in the handling of these risks. Eligibility criteria from the New Jersey Insurance Plan was reviewed and the Subcommittee discussed CAR's ability to incorporate such criteria into its Rules of Operation. He indicated that the New Jersey Plan was used as a

model as it contains the most comprehensive information relative to foreign license requirements. He noted that the Subcommittee requested CAR counsel to provide comment on potential constraints on CAR's authority to amend the current eligibility definition to address the foreign license issue and will continue its discussion on this topic at its next meeting. Committee members further emphasized that any recommended modifications should also be consistent with established registry and private passenger requirements.

The Subcommittee discussed CAR's certification procedures for a new Exclusive Representative Producer (ERP). Mr. Olivieri stated that modifications have been made to CAR's procedures to enhance the existing process, including the requirement that the signatory of the experience letter must supply additional information to confirm the applicant's experience with commercial risks. Mr. John Metcalfe further noted that the producer application has been modified to obtain additional information relative to the agency's procedures for reviewing residual market applications at each office location including the availability of a licensed producer to oversee all insurance transactions. The Subcommittee also began discussing whether market need criteria should be incorporated into the eligibility requirements for new ERPs and requested staff to provide further profile information relative to both voluntarily and non-voluntarily contracted producers.

The Subcommittee discussed the methodology for determining radius of operation and rating territory for non-zone rated risks, based upon garaging or operation. Mr. Olivieri stated that the Subcommittee agreed that the origin point for determining radius of operation is best represented by principal garaging, rather than where the automobile is registered. Further, the Subcommittee is continuing discussion on the methodology by which rating territory is determined, especially in the instance where the public vehicle travels through several territories on its way to the terminus point. Mr. Barry Tagen elaborated further on this issue and provided the Committee with an example of an inter-city bus scenario to demonstrate his concern. He noted that until CAR's committees determine the most equitable and consistent manner by which rating territory is determined in this scenario, the existing rule which states that Servicing Carriers are to use the highest rated territory through or in which the public automobile operates unless the risk supplies credible documentation that 80% or more of its operation is outside the highest rated territory, must be followed. Due to the significance of this issue, Mr. Tagen further suggested that it be treated as the Subcommittee's top priority. Mr. Olivieri noted that for the next meeting, Subcommittee members agreed to obtain further feedback from their company staffs relative to establishing potential indicators to better identify the exposure of the risk and appropriate measures to ensure consistency among Servicing Carriers in determining rating territory.

At its June meeting, the Governing Committee requested that the Subcommittee re-evaluate cedeable coverage limits available in Massachusetts, especially as relating to the limits available in other states' residual markets. Mr. Olivieri noted that in order to determine whether any adjustment to the MA cedeable limits is required, the Subcommittee conducted a review of ceded premium and loss data by limit, considered the limits offered by other residual market plans and reviewed the history of prior CAR committee discussions relative to this issue. After significant discussion, some members were in favor of reducing the cedeable limits citing concerns that CAR's generous coverage options provide additional incentive for out-of-state risks to seek coverage in Massachusetts and contribute to the growth of the residual market. Other members were opposed, noting that the majority of risks with substantial losses are mandated to carry higher limits due to financial responsibility laws and that the limits in other states are inadequate by today's economic standards. The Subcommittee further expressed concern relative to the market disruption that would potentially result from a reduction in available cedeable limits. He noted that after significant discussion, the Subcommittee agreed to table further review of the cedeable limits issue until the success of the commercial automobile reforms recently adopted and currently under review can be evaluated.

Finally, Mr. Olivieri indicated that in conjunction with the Division of Insurance placing the Principal Place of Business and Non-Fleet Private Passenger Types Certification forms and Operator

Exclusion Form on file, the Subcommittee unanimously approved modifications to Chapter V – Premium of the Manual of Administrative Procedures and is recommending their approval by the Commercial Automobile Committee. On a unanimous vote, the Committee approved a motion to accept the Subcommittee's recommendation.

MARIAN ADGATE
Corporate Documentation Specialist

Boston, Massachusetts
September 11, 2018

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Non-cedeable coverages may also include but are not limited to the following:

Physical Damage only policies

Physical Damage on Repossessed Automobiles

Physical Damage on Non-Ownership or Hired Automobiles policy

7. Massachusetts Commercial Automobile Policy Forms, ~~and~~ Endorsements and Certifications

In addition to the cedeable coverage and limits outlined in Sections A.4., A.5., and A.6. of this Chapter, the following policy forms, endorsements and certifications are also cedeable for a commercial policy:

a. Massachusetts Garage Insurance Policy

(1) Policy Forms

Form Title	Form Number
Garage Declarations – Massachusetts	MM 00 94 10 06
Massachusetts Garage Insurance Policy	MM 00 95 10 11

(2) Garage Endorsements

Endorsement Title	Endorsement Number
Additional Insured – Municipalities	MM 25 98 09 98
Automobile Dealers – “Drive-Away” Collision or Limited Collision	CA 25 02 12 93
False Pretense Coverage	CA 25 03 03 06
Franchise Products Endorsement	MM 25 97 09 98
Garage Coverage Form – Other Than Covered Autos Exposure – Total Pollution Exclusion With a Building Heating Equipment Exception and a Hostile Fire Exception	CA 25 36 03 06
Garage Locations and Operations Medical Payments Coverage	CA 25 05 03 06
Locations and Operations Not Covered	CA 25 07 12 93
Named Driver Collision Coverage	CA 25 11 12 93
Pollution Liability – Broadened Coverage For Covered Autos	MM 25 96 10 06

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b. Massachusetts Commercial Automobile Insurance Policy

(1) Policy Forms

Form Title	Form Number
Business Auto Coverage Form	CA 00 01 03 06
Business Auto Declarations	CA DS 03 03 06
Common Policy Conditions	IL 00 17 11 98
Declarations – Massachusetts Business Auto Coverage Form	MM 00 97 10 06
Nuclear Energy Liability Exclusion Endorsement	IL 00 21 04 98
Truckers Coverage Form	CA 00 12 03 06
Truckers Declarations	CA DS 14 03 06
Truckers Declarations – Massachusetts	MM 00 96 10 06

(2) Special Types Endorsements

Endorsement Title	Endorsement Number
Additional Insured – Lessor of Leased Equipment	CA 20 47 07 97
Additional Insured – Owner of Leased Vehicle	MM 20 25 09 98
Driving Schools	CA 20 06 12 93
Emergency Vehicles – Volunteer Firefighters and Workers Injuries Excluded	CA 20 30 12 93
Farm Tractors and Farm Tractors Equipment	CA 20 08 12 93
Guest Occupants Exclusion	MM 20 06 09 98
Leasing or Rental Concerns – Contingent Coverage	CA 20 09 07 97
Leasing or Rental Concerns – Conversion, Embezzlement, or Secretion Coverage	CA 20 10 12 93
Leasing or Rental Concerns – Exclusion of Certain Leased Autos	CA 20 11 03 06
Leasing or Rental Concerns – Rent-it-There/Leave-it-Here Autos	CA 20 12 10 01
Leasing or Rental Concerns – Schedule of Limits for Owned Autos	CA 20 13 10 01
Leasing or Rental Concerns – Second Level Coverage	CA 20 14 07 97
Lessor – Additional Insured and Loss Payee - Massachusetts	MM 20 26 10 06
Mobile Equipment	MM 20 11 10 06
Mobile Home Contents Not Covered	CA 20 17 12 93
Physical Damage Coverage – Autos Held for Sale by Non-Dealers	MM 20 27 10 06

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(2) Special Types Endorsements (continued)

Endorsement Title	Endorsement Number
Professional Services Not Covered	CA 20 18 12 93
Registration Plates Not Issued for a Specific Auto	MM 20 10 01 04
Sound Receiving Equipment Coverage – Fire, Police and Emergency Vehicles	CA 20 02 12 93

(3) Truck, Tractor, Trailer Endorsements

Endorsement Title	Endorsement Number
Commercial Automobiles Equipped with Amusement Devices	MM 23 03 09 98
Coverage for Injury to Leased Workers	CA 23 25 07 97
Explosives	MM 23 04 09 98
Multi-Purpose Equipment	CA 23 03 12 93
Rolling Stores	CA 23 04 10 01
Trailer Interchange – Fire and Fire and Theft Coverage	CA 23 13 12 93
Truckers Endorsement	CA 23 20 03 06
Truckers – Excess Coverage for the Named Insured and Named Lessors for Leased Autos	CA 23 08 12 93
Truckers – Insurance for Non-Trucking Use	MM 23 07 09 98
Truckers – Uniform Intermodal Interchange Endorsement (Form UIIE-1)	CA 23 17 03 06
Truckers – Named Lessee as Insured	CA 23 12 12 93
Wrong Delivery of Liquid Products	CA 23 05 12 93

(4) Public Transportation Endorsements

Endorsement Title	Endorsement Number
Public Transportation Autos	CA 24 02 12 93

(5) Common Coverages Endorsements

Endorsement Title	Endorsement Number
Additional Insured	MM 99 50 09 98
Agreed Value Insurance	MM 99 66 09 98
Auto Medical Payments Coverage	MM 99 13 10 06

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(5) Common Coverages Endorsements (continued)

Endorsement Title	Endorsement Number
Audio, Visual and Data Electronic Equipment Coverage	CA 99 60 03 06
Covered Auto Designation Symbol	CA 99 54 07 97
Drive Other Car Coverage – Broadened Coverage for Named Individuals	MM 99 22 09 98
Employees as Insureds	CA 99 33 02 99
Employee as Lessor	CA 99 47 07 97
Fire, Fire and Theft, Fire, Theft and Windstorm and Limited Specified Causes of Loss Coverages	MM 99 47 09 98
Garagekeepers Coverage	CA 99 37 03 06
Garagekeepers Coverage – Customers’ Sound Receiving Equipment	CA 99 59 03 06
Glass Breakage – \$100 Deductible	MM 99 51 09 98
Hired Autos Specified as Covered Autos You Own	CA 99 16 12 93
Individual Named Insured	CA 99 17 10 01
Liability Insurance – Deductible	MM 99 19 09 98
Limited Collision Coverage	MM 99 16 09 98
Loss of Use / Rental Reimbursement Coverage	MM 99 39 09 98
Loss Payable Clause – Audio, Visual and Data Electronic Equipment	CA 99 61 12 93
Massachusetts Changes	MM 99 67 09 98
Massachusetts Mandatory Endorsement	MM 99 11 10 11
<u>Operator Exclusion</u>	<u>CR 99 01 08 18</u>
Personal Injury Protection Coverage	MM 99 35 09 98
Pollution Liability – Broadened Coverage for Covered Autos	MM 99 55 10 06
Premium Adjustment and Coverage Endorsement - Massachusetts	MM 99 68 09 98
Rate Modification	MM 99 23 09 98
Restriction of PIP for Employers Subject to the Massachusetts Workers’ Compensation Act	MM 99 20 09 98
Social Service Agencies – Volunteers as Insureds	CA 99 34 12 93
Split Liability Limits - Massachusetts	MM 99 18 09 98
Stated Amount Insurance - Massachusetts	MM 99 56 09 02
Underinsured Motorists Coverage - Massachusetts	MM 99 54 09 98
Uninsured Motorists Coverage - Massachusetts	MM 99 28 09 98
Waiver of Deductible	MM 99 17 09 98

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(6) Certifications

<u>Form Title</u>	<u>Form Number</u>
<u>Non-Fleet Private Passenger Type</u>	<u>CR 00 02 08 18</u>
<u>Principal Place of Business</u>	<u>CR 00 01 08 18</u>

B. Premium Reporting

1. General

Servicing Carriers shall statistically report premium on ceded policies in accordance with the reporting instructions contained in the Massachusetts Commercial Automobile Statistical Plan which is available on CAR's website under the Manuals tab.

2. Reporting Policies with Non-Cedeable Limits or Coverages

For policies written with limits or coverages which exceed the cedeable limits or coverages identified in Section A. of this Chapter, a separate premium record must be reported to identify the portion of the premium applicable to the excess limits or coverage. This record must be reported with classification code 800000 (Non-Cedeable Limits) and a voluntary CAR Identification code. Refer to the Decision Table of the Massachusetts Commercial Automobile Statistical Plan for additional coding requirements for this classification code. The portion of the premium applicable to the cedeable limits or coverage must be reported on another record with a ceded CAR Identification Code in accordance with the statistical reporting requirements specified in the Massachusetts Commercial Automobile Statistical Plan. The Plan is available on CAR's website under the Manuals tab.

3. Monitoring the Reporting of Premium

Each policy with an active in-force cession is edited to ensure that positive policy premium has been reported. The Cession/No Premium Warning and Penalty Listings identify those policies for which either no premium exists or negative premium has been reported. The Cession/No Premium penalty program and write-off procedure assure that premium for ceded policies is reported to CAR in a timely manner. For additional information, refer to Section C of this Chapter and CAR's Policy Edit Package which is available on CAR's website under the Manuals tab.

4. Mid-Term Cession of a Policy to CAR

A policy originally written as voluntary by a Servicing Carrier may be ceded to CAR subsequent to the policy effective date. The Servicing Carrier's responsi-



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RECORDS OF MEETING

COMPLIANCE AND OPERATIONS COMMITTEE – SEPTEMBER 5, 2018

Members Present

Mr. Jerry Sleeper – Chair
Ms. Erin Cummings
Mr. Bruce Dodge
Mr. Robert Littlewood
Mr. James Moran⁽¹⁾
Mr. Kenneth Olivieri
Mr. Barry Tagen
Mr. Sean Thompson⁽²⁾

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

Substituted for:

⁽¹⁾ Mr. Thomas Harris

⁽²⁾ Mr. Christopher Taylor

Not in Attendance:

N/A

18.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Compliance and Operations Committee meeting of June 6, 2018. The Records have been distributed and are on file.

18.04 Informational Items

Ms. Wendy Browne informed the Committee that the proposed updates to Chapter VIII of the Manual of Administrative Procedures revising language to include reporting requirements for losses that exceed the cedable limits were approved by the Governing Committee on June 20, 2018.

18.05 Compliance Audit Program

Mr. Alves provided an overview of the Progressive Insurance focus audit results. The Committee had previously recommended the focus audit as a result of Hybrid Audit findings discussed at the February 8, 2017 meeting. At that time, Progressive had poor data quality results pertaining to quota share, ratemaking and multiple findings not compliant with the Private Passenger Statistical Plan. The current focus audit tested these same issues and a list of seven prioritized recurring and specific data quality issues not in compliance with the Statistical Plan. The audit included a reduced sample of policies and claims for general quota share and ratemaking testing as well as two of the prioritized data quality issues.

Additionally, five separate samples were developed to target the remaining issues. In general, the data quality has improved since the previous Hybrid Audit report as the overall results were better. Additionally, four of the seven recurring data quality issues identified in the 2016 Hybrid Audit have been corrected. However, measured findings in both quota share and ratemaking remain below industry audited averages.

Staff recommended a second focus audit be conducted in October 2019 that tests quota share and ratemaking data quality and verifies corrections to the remaining three prioritized issues noted. If uncorrected, Progressive's future monthly accounting statistical data would be considered to be Late and Unacceptable Shipments until a monthly submission with accurate data is reported in accordance with the Statistical Plan. After discussion, the Committee unanimously accepted the audit report and recommendation directing staff to conduct a second focus audit of Progressive in accordance with Section C.7. of Chapter XI – Compliance Audit of the ARC Procedures Manual.

Mr. Alves also updated the Committee regarding the ongoing Progressive issue pertaining to the incorrect assignment of operator experience in the classification of motorcycles. Progressive was originally reporting the majority of the motorcycle operators as experienced. After a system change in 2016, Progressive began reporting data more consistent with industry data. However, that change resulted in a shift to an over-reporting of inexperienced motorcycle operators by 2017. Progressive communicated to staff that it had implemented a new process to obtain motorcycle operator data in February 2018. Staff is scheduled to conduct a separate focus audit of this issue using data for policies effective March through August 2018 to ensure that Progressive has finally corrected the reporting problem. He noted that statistically reported data from March through May 2018 does indicate that the ratios for Progressive's motorcycle data are now trending closer to industry data.

18.08 Special Investigations Unit System Development

Mr. Peter Bertoni updated the Committee that the first phase of the new Special Investigations Unit (SIU) System has been moved into production. The SIU Quarterly Activity Logs can now be uploaded into the application using the steps outlined in the help manual. Prior to moving into production, CAR's Data Operations informed all security administrators that the SIU application was to be moved to the active website in preparation for system access requests. All SIU contacts were concurrently notified that the system was now available and that it would require each user to have secure access in order to upload the activity log. Bulletin No. 1061 detailing the updated reporting requirements for the SIU Quarterly Activity Logs was distributed to the industry on August 2, 2018.

Mr. Bertoni also detailed Compliance Audit efforts to ensure that all companies were aware of the changes to the process and provided analysis to aid in the transition in advance of the first required upload for quarter ending September 30, 2018. Staff prepared an analysis for every Assigned Risk Company and Servicing Carrier that compared prior log data to reported statistical data to identify any mismatch issues. The primary SIU contact for every company was then contacted in July to provide both this analysis and the help manual. The quarter ending September 2018 SIU Quarterly Activity Logs are required to be uploaded by the industry into the new system no later than October 15, 2018.

18.10 Claims Performance Standards

Mr. Bertoni provided an overview of the July 25, 2018 Claims Subcommittee meeting that considered the recommendation of the use of medical fee databases and a specific reference to FAIR Health. As noted at the meeting, both of these considerations were previously deliberated by CAR committees in the Standards review process that concluded in 2016.

For the current review, the Subcommittee agreed that these recommendations would still be useful because medical fee databases are used by some companies as a tool in the determination of 'usual and customary charges' in efforts to avoid overbilling by medical providers. Overbilling consequently results in the premature exhaustion of PIP benefits to policyholders. However, medical providers challenge these cost containment efforts by filing lawsuits that have been costly to the insurance industry. The Subcommittee thought that a specific reference allowing for the use of medical fee databases in the Standards may strengthen their defense. The Subcommittee determined that in order to reintroduce a similar recommendation to one that was previously rejected by the Division, a historical record researching and documenting deliberations was necessary to provide answers to questions posed by the Hearing Officer in 2016.

Staff was directed to gather questions from the Subcommittee regarding the use of medical fee databases in the determination of 'usual and customary' charges with the intent of developing an industry survey. The questions should also consider the history of legal challenges resulting from the use of these databases in cost containment efforts and avoidance of overbilling by medical providers. Mr. Bertoni informed the Committee that the survey was distributed on Tuesday, September 4, 2018 to claims professionals from each Assigned Risk Company, all four Servicing Carriers, and several commercial companies that write only voluntary business in Massachusetts. The completed surveys are due at CAR by Monday, September 24, 2018.

Regarding the inclusion and specific reference to FAIR Health, the Subcommittee noted that FAIR Health was a uniquely qualified not-for-profit company that was considered an independent and transparent nationwide database that was used for similar purposes in other states. Mr. Bertoni informed the Committee that CAR has subsequently contacted FAIR Health regarding the possibility of attending the next Claims Subcommittee meeting so that representatives could describe its product and comment on its experiences in litigation proceedings. The next meeting is planned for October to review survey responses and further consider the suggested language changes to the Standards.

18.12 Distributional Analysis Rewrite

Ms. Lynne Rosenberg presented a proposal to the Committee for a Statistical Data Quality Penalty Program pertaining to the recently redesigned Distributional Analysis program. Currently, the premium Distributional Analysis has completed 4 cycles while claims has completed two cycles. The system has identified numerous data quality issues. Company compliance to the requirement to review reports and provide explanations for any over tolerance conditions has been mostly acceptable. However, a grouping of approximately 45 companies have either not responded to any over tolerance condition, or acknowledged reporting errors without making system adjustments. Additionally, some companies have responded with a standardized answer of 'the data is correct as reported'. Ms. Rosenberg stated that as the reports have been in production for more than two years, the industry should have a higher rate of compliance. To incent this, staff recommends the implementation of a penalty program.

Ms. Rosenberg outlined a proposed two-part penalty plan that commences with a \$150 penalty to any company that does not provide a response to at least 75% of the cited over tolerance conditions. This is determined at the company level, by premium or loss transactions, and by the due date. If the company hasn't responded within 60 days, an additional \$150 penalty would be assessed. Since the reports are produced every six months, the maximum penalty assessed for each run of the Distributional Analysis would be \$300. If a reporting issue has been identified, the company will be allocated one year to correct the issue. If the issue remains unresolved after that year, the company is then assessed a \$3,000 penalty per accounting shipment/calendar month until the issue is corrected.

After discussion, the Committee unanimously voted to recommend to the Governing Committee approval of the proposed Statistical Data Quality Penalty Program as presented.

18.13 Final Close-Out of Policy Effective Year 2007

Ms. Browne informed the Committee that the volume of open claims reported in the June 2018 ceded outstanding loss shipments for policy effective year 2007 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 year 2007 for financial purposes as of the 3rd Quarter 2018 and for reporting purposes as of the January 2019 submission. Ms. Browne noted that companies may still request reimbursement of ceded older claims through manual bulk adjustments.

MATTHEW HIRSH
Compliance Auditor & Specialist

Boston, Massachusetts
September 12, 2018



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RECORDS OF MEETING

COMMERCIAL PROGRAM OVERSIGHT COMMITTEE – AUGUST 7, 2018

Members Present

Mr. William Cahill, Jr. – Chair	The Hanover Insurance Company
Mr. Charles Boynton, III	Boynton Insurance Agency, Inc.
Mr. Peter Chung	The Norfolk & Dedham Group
Mr. Thomas Harris	Quincy Mutual Group
Mr. John Olivieri, Jr.	J.K. Olivieri Insurance Agency, Inc.

Substituted for:
N/A

Not in Attendance:
N/A

18.04 Commercial Program Oversight

Ms. Natalie Hubley stated that the Commercial Program Oversight Committee will be responsible for the direction of the Commercial Servicing Carrier Programs. The Committee will recommend program requirements to be included in the request for proposals, serve as the selection committee for Servicing Carrier appointments, review Servicing Carrier annual reports and audit results, review requests for extraordinary expenses and will be responsible for any other program oversight issues that may arise.

At the meeting, the Committee discussed its responsibilities relative to oversight of the commercial programs and the importance of addressing the underwriting challenges currently encountered by Servicing Carriers. Ms. Hubley stated that each Servicing Carrier is required to provide CAR with an annual report which identifies the company's efforts to depopulate the residual market. In its annual report, the Servicing Carrier provides input relative to the performance requirements of the Commercial Servicing Carrier Programs and the Servicing Carrier requirements in CAR's Rules, including both the company's successes and challenges in addressing current commercial market concerns over the previous year. She noted that the Committee should discuss and develop an approach for reviewing these reports going forward.

Committee members noted that based upon their review of the information provided by Servicing Carriers in their 2017 annual reports, depopulation by each company was addressed in a variety of ways. As such, the Committee agreed that it may be beneficial to initially start with a broad review of a few selected topics, in order to identify best practices relating to functions such as underwriting renewal business, agency management, and interdisciplinary communications that could be then developed into standard Servicing Carrier efforts and procedures. Ms. Hubley stated that at the request of the Governing Committee, CAR is also in the process of performing focus audits of all Servicing Carriers, sampling policies in an effort to validate the eligibility, classification and rating of risks placed in the commercial residual market. Audit findings may be used to identify additional areas where consistency between Servicing Carriers could be enhanced. The results of the focus audits will be available in early October and

may be used in conjunction with the Servicing Carrier annual reports in order for the Committee to develop its observations or recommendations to the Governing Committee. Any recommendations that require modification to CAR's rules, manuals, or request for proposal requirements will then be referred to the appropriate Subcommittee for further development.

The Committee noted that each Servicing Carrier used a unique approach to address the guidelines for the annual reports, and suggested that it may be helpful in evaluating the information if a more standardized approach were required next year. For the next meeting, staff was requested to provide summary information to assist the Committee in its review of potential improvements to be incorporated in next year's annual reports. In addition, the Committee will look to further define the scope of its oversight of the programs, including referral of program implementation specifics to the Commercial Automobile Residual Market Standards Subcommittee, where appropriate.

MARIAN ADGATE
Corporate Documentation Specialist

Boston, Massachusetts
September 12, 2018



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RECORDS OF MEETING

BUDGET COMMITTEE – SEPTEMBER 6, 2018

Members Present

Mr. James Hyatt – Chair
Mr. Thomas DePaulo
Ms. Paula Gold
Mr. John Kelly
Mr. John Olivieri, Jr.

Arbella Insurance Group
Cabot Risk Strategies, LLC
Plymouth Rock Assurance Corporation
MAPFRE U.S.A. Corporation
J.K. Olivieri Insurance Agency, Inc.

Substituted for:
N/A

Not in Attendance:
N/A

17.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Budget Committee meeting of September 14, 2017. The Records have been distributed and are on file.

18.04 Fiscal Year 2019 Budget and Business Plan

President Natalie Hubley presented the Fiscal Year 2019 (FY19) Budget and Business Plan, noting management's proposal for a net operating budget of \$9,435,100. The proposed budget reflects an increase of \$240,000 over the FY18 approved budget, due to employee related costs. The salary account increase is due to the impact of the FY18 merit increase for an additional quarter during FY19, as well as a budgeted merit increase effective January 1, 2019. In addition, the proposed budget fills an authorization left unfunded in FY18 to staff the Compliance Audit Department with strengthened commercial underwriting expertise. The Committee discussed the position to be filled and concluded that additional funding is required to adequately fill the position sooner than initially planned. The Committee also confirmed the pension funding strategy in place, and recommended adjustments to the proposed merit and savings plan increases pending Personnel Committee discussions in February.

The Committee discussed an allocation of \$50,000 in service contracts account to fund a second actuarial engagement to review the methodologies underlying its commercial rate filings. Following discussion the Committee agreed to retain the budget funding, but to revisit the issue for further consideration by the Governing Committee of potential CAR advisory committee involvement.

Following discussion, the Committee unanimously voted to recommend to the Governing Committee approval of an FY19 administrative expense budget amended pursuant to the Budget Committee discussion.

After final review of the impact to the salary and related accounts of the amendments approved by the Budget Committee to the proposed staffing, annual merit adjustment, and employee savings plan proposals, staff calculates a final budget allocation of \$9,457,100, representing a \$262,000, or 2.8%, increase over the fiscal year 2018 budget.

REGINA NAGLE
Administrative Services Assistant

Boston, Massachusetts
September 11, 2018