



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, February 10, 2021 at 10:30 a.m.

GC

21.06 Commercial Program Oversight Committee

The Records of the Commercial Program Oversight Committee meeting of February 3, 2021 are attached. (Docket #GC21.06, Exhibit #2)

The Records of the Commercial Program Oversight Committee meeting of February 3, 2021 have been distributed and are on file.

GC

21.07 Financial Audit Committee

The Records of the Financial Audit Committee meeting of February 2, 2021 are attached. (Docket #GC21.07, Exhibit #1)

The Records of the Financial Audit Committee meeting of February 2, 2021 have been distributed and are on file.

GC

21.08 Actuarial Committee

The Records of the Actuarial Committee meeting of February 3, 2021 are attached. (Docket #GC21.08, Exhibit #1)

The Records of the Actuarial Committee meeting of February 3, 2021 have been distributed and are on file.

GC

21.09 Personnel Committee

The Records of the Personnel Committee meeting of February 4, 2021 are attached. (Docket #GC21.09, Exhibit #1)

The Records of the Personnel Committee meeting of February 4, 2021 have been distributed and are on file.

NATALIE A. HUBLEY
President

Attachments

Boston, Massachusetts
February 5, 2021



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RECORDS OF MEETING

COMMERCIAL PROGRAM OVERSIGHT COMMITTEE – FEBRUARY 3, 2021

Members Present

Mr. John Olivieri, Jr. – Chair
Mr. Charles Boynton, III
Mr. Brian Hayes
Mr. Bryan Hurwitz
Ms. Sharon Murphy

J.K. Olivieri Insurance Agency Inc.
Boynton Insurance Agency, Inc.
Quincy Mutual Group
The Norfolk & Dedham Group
Acadia Insurance Company

Substituted for:

N/A

Not in Attendance:

N/A

20.01 Records of Previous Meeting

On a roll call vote, the Committee voted to approve the Records of the Commercial Program Oversight Committee meeting of January 19, 2021. The Records have been distributed and are on file.

20.06 Commercial Program Evaluation - 2021 Request for Proposal

The Committee continued its review of the Request for Proposal (RFP) for Servicing Carrier appointments to service the commercial automobile residual market for policies effective January 1, 2022 and subsequent. At its January 19, 2021 meeting, in addition to discussing several wording updates to the RFP document, the Committee unanimously voted to combine the Commercial Automobile and the Taxi/Limousine/Car Service Programs into a single program to service all classes of commercial automobile residual market business. At that meeting, Committee discussion also focused on concerns that were raised relative to the disruptive impact that the redistribution of ceded books of business has on impacted Exclusive Representative Producers (ERPs). At the meeting, Chair John Olivieri noted that as an organization, CAR committed to vetting the redistribution issue and owes it to the industry, and especially the producers, to discuss all options in a timely and expedient manner. He also noted that the review and recommendations should take place prior to the Servicing Carrier selection process for the upcoming term. He suggested that it would be beneficial to form a focused subcommittee to further discuss measures that could be taken to minimize the negative impacts of book of business redistributions and prepare a recommendation for consideration by the full Committee.

Ms. Natalie Hubley indicated that staff had prepared documentation distributed as Additional Information that addresses previous redistributions and offers potential options for proceeding with the committee discussions. She stated that the documentation provides the status of the current book of business distribution among the existing Servicing Carriers, and discussion topics for minimizing the frequency of redistributions. The documentation also provides the Committee with options for assuring that its recommendation is provided to the Governing Committee in a timely manner. The options include, 1) inserting in the RFP a disclosure, as drafted by CAR counsel, to specify that the redistribution issue was currently under committee discussion and it was CAR's right to make changes to the Commercial Servicing Carrier Program during the RFP process with respect to redistribution, or, 2) a six-month extension of the current Servicing Carrier appointment term to allow for ongoing committee discussion. Ms. Hubley also noted that a third option had been discussed by staff and the Chair to modify the planned RFP distribution and Servicing Carrier selection schedule. Mr. Olivieri stated that the third option discussed would require modification of the current RFP schedule but would also assure the timely implementation of new Servicing Carrier appointments.

Ms. Hubley noted that modifying the dates of the current RFP schedule would retain the ability to maintain a January 1, 2022 implementation date. She stated that the modification of dates would move consideration of the Committee's RFP recommendation to the Governing Committee's April meeting instead of its February meeting and therefore the distribution of the RFP for the upcoming Servicing Carrier term would be pushed to the end of April 2021. The evaluation of company proposals, by this Committee, would take place during July 2021 and a special Governing Committee meeting would be needed in early August 2021 to finalize Servicing Carrier selection. Servicing Carriers would be notified of the Governing Committee's decision by the day following the special meeting. The remainder of the current RFP schedule would remain unchanged. Servicing Carriers and impacted ERPs would be notified of any changes in assignments no later than September 1, 2021. Servicing Carriers would have until the end of October to contract with ERPs. Implementation of the new term for Servicing Carrier appointments to service the commercial automobile residual market would begin with policies effective January 1, 2022 and subsequent.

After discussing the options presented and recognizing the potential issues that the current Servicing Carriers may have with both the disclosure and term extension options, the Committee agreed that modifying the implementation schedule was the least impactful option for Servicing Carriers and the best option to address the matter prior to the selection process. Accordingly, the Committee unanimously voted to approve the implementation of the modified RFP schedule as presented.

Mr. Olivieri advised that the membership of the subcommittee to discuss the redistribution issue has been finalized and notification of the scheduled meeting date will occur within the next day or so. He noted that it is anticipated that the subcommittee will meet on an expedited basis, with its recommendation provided to the Committee for consideration and a final RFP recommendation presented to the Governing Committee at its April 2021 meeting.

MARIAN ADGATE
Corporate Documentation Specialist

Boston, Massachusetts
February 5, 2021



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RECORDS OF MEETING

FINANCIAL AUDIT COMMITTEE – FEBRUARY 2, 2021

Members Present

Mr. Thomas LaFrancois – Chair	Arbella Insurance Group
Mr. Matthew Anglim	Plymouth Rock Companies
Ms. Pamela Bodenstab-Krynicky	P L Krynicky Insurance Agency
Mr. Brian Breeden	MAPFRE U.S.A. Corporation
Mr. David McCormick	McCormick & Sons Insurance Agency, Inc.
Mr. Sean Moone	Norfolk & Dedham Group
Mr. Brian White	Safety Insurance Company

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 Financial Audit Committee meeting of August 26, 2020. The Records have been distributed and are on file.

20.05 Annual Audit of CAR for Fiscal Year Ending September 30, 2020

Mr. John Buckley, representing Alexander, Aronson, Finning & Co. (AAF CPA), provided a detailed overview that highlighted the difference in scope of a traditional audit in accordance with generally accepted auditing standards and those procedures conducted by AAF CPA to perform CAR's engagement. Mr. Buckley advised that, based on the agreed upon procedures performed in accordance with standards established by the American Institute of Certified Public Accountants, and its review of CAR's financial statements, AAF CPA will issue a clean, unqualified review report as of and for the year ended September 30, 2020. Mr. Thomas Perruna, representing AAF CPA, discussed the procedures performed, and stated that no exceptions or adjustments were noted.

Mr. Buckley then discussed the rise in cyber security concerns that many companies must consider in protecting their systems and data. He noted that the IT procedures performed were limited to user controls and user access and not an in-depth IT evaluation. He indicated that the Committee could consider a separate cyber security risk assessment or add additional procedures specific to IT security in the future, if warranted. The Committee took the note under advisement. In closing, Mr. Buckley commented that

the review of the procedures prior to the engagement was helpful and that AAFCPA would work with management to recommend further enhancements for the 2021 engagement proposal.

After a brief discussion, the Committee unanimously voted to recommend Governing Committee approval of CAR's financial statements for the fiscal year ending September 30, 2020.

MARK ALVES
Director – Compliance Audit

Boston, Massachusetts
February 4, 2021



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RECORDS OF MEETING

ACTUARIAL COMMITTEE – FEBRUARY 3, 2021

Members Present

Ms. Lynellen Ramirez – Chair	Arbella Insurance Group
Ms. Kara Boehm ⁽¹⁾	Allstate Insurance Group
Ms. Sarah Clemens	MAPFRE U.S.A. Corporation
Mr. Christopher Dupill	EM Freedman Insurance Agency, Inc.
Mr. Glenn Hiltbold	The Safety Group
Mr. Todd Lehmann	Quincy Mutual Group
Ms. Kim Miller	The Hanover Insurance Company
Mr. Mark Winiker	A-Affordable Insurance Agency, Inc.
Ms. Meredith Woodcock	Liberty Mutual Insurance Companies
Mr. Joshua Wykle	Vermont Mutual Insurance Group
Mr. Hao Zhang	Plymouth Rock Companies

Substituted for:

⁽¹⁾Ms. Sarah Cast

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 Actuarial Committee meeting of October 14, 2020. The Records have been distributed and are on file.

20.06 Review of Motorcycle/Miscellaneous Class Codes in Quota Share

At the Committee's October 14, 2020 meeting, the Committee unanimously voted to recommend to the Governing Committee approval of changes to Rule 29 of the Rules of Operations and the addition of rules, rates and endorsement forms to the Private Passenger and Commercial Automobile Residual Market Manuals. Rule 29 was amended to reflect that in the determination of Quota Share, voluntary exposures for specialty and classic cars and specialty and classic motorcycles with policy effective dates of April 1, 2021 and subsequent will be adjusted by a factor of 0.33.

Ms. Marian Adgate explained that the approved Rule 29 language, using an April 1, 2021 policy effective date will result in policies with effective dates prior to April 2021 being included in Quota Share at a full factor of 1.00 and only those policies with effective dates of April 2021 and subsequent will be calculated at the reduced 0.33 factor. She advised that implementing the change as of the April 1, 2021 calendar date will result in such exposures being included in the Quota Share determination with the 0.33

factor for the full rolling-twelve months underlying the April 1, 2021 model, regardless of policy effective date. Should the Committee agree that this was the intention, Ms. Adgate presented draft amendments to Rule 29 to appropriately implement this change.

The Committee discussed the Rule and agreed that the intent was to implement the 0.33 factor for all specialty and classic car and specialty and classic motorcycle exposures included in the April 1, 2021 Quota Share determination, regardless of policy effective date.

The Committee unanimously approved the recommended Rule 29 language changes to implement the 0.33 factor for the specialty and classic cars and specialty and classic motorcycles as intended.

TIMOTHY GALLIGAN
Actuarial/Statistical Services Director

Boston, Massachusetts
February 4, 2021

CAR | **Rules of Operation**
Rule 29 | **Assignment Process**
Revision Date | **2021.01.06**
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A. Assignment of Applications

The MAIP shall randomly assign applications that are eligible for coverage based on each Member's individual Quota Share. A Member's Quota Share shall reflect that Member's proportion of Private Passenger Motor Vehicle MAIP premiums that its respective voluntary private passenger property damage liability direct written exposures bears to the statewide total of voluntary private passenger property damage liability direct written exposures of all companies in the state.

1. For the purpose of such distribution as described above: 1) voluntary private passenger property damage liability direct written exposures; and (2) private passenger MAIP premiums shall be defined as below:
 - a. Voluntary private passenger property damage liability direct written exposures shall be the number of private passenger property damage liability car years written by the company for the most recent 12 months, regardless of the type of Motor Vehicle Insurance policy under which such property damage liability car years are written, excluding private passenger liability car years written through the MAIP.

For policies effective March 31, 2021 and prior, exposures for motorcycles, snowmobiles, and electric motor vehicles will be adjusted by a factor of 0.33.

For policies effective April 1, 2021 and subsequent, exposures for motorcycles, ~~and snowmobiles, and specialty and classic cars and specialty and classic motorcycles~~ will be adjusted by a factor of 0.33.

As of calendar date April 1, 2021, exposures for specialty and classic cars and specialty and classic motorcycles will be adjusted by a factor of 0.33.

- b. For the purpose of establishing the Quota Share of a Newly Writing Company that becomes eligible for appointment as an ARC pursuant to Rule 30 before that Member is required to submit detailed statistical data under the provisions of the Massachusetts Private Passenger Automobile Statistical Plan, the Member is required to report interim summary data pursuant to Section B.



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RECORDS OF MEETING

PERSONNEL COMMITTEE – FEBRUARY 4, 2021

Members Present

Ms. Elizabeth Brodeur – Chair	Safety Insurance Company
Mr. Thomas DePaulo	Cabot Risk Strategies, LLC
Ms. Gail Eagan	Arbella Insurance Group
Mr. John Kelly	MAPFRE U.S.A. Corporation
Mr. John Olivieri, Jr.	J.K. Olivieri Insurance Agency, Inc.
Ms. Kellie Thibodeau	The Hanover Insurance Company

Substituted for:

N/A

Not in Attendance:

N/A

20.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Personnel Committee meeting of February 4, 2020. The Records have been distributed and are on file.

21.04 2021 Annual Merit Increase

Mr. Timothy Costain reviewed an annual merit increase survey of member companies and industry-funded peer organizations. He pointed out that, in response to committee directives, CAR historically has tied merit increases to the peer organizations and used the member company results for marketplace perspective and context. Mr. Costain indicated that updated survey results of those industry funded organizations do not differ significantly from previous years.

Ms. Natalie Hubley provided a review of the performance of CAR staff during 2020, highlighting the company's transition to working from home and the seamless continuation of business activity under unique and difficult circumstances. She said that the staff's initiative and commitment resulted in exemplary performance throughout the company in spite of the forced experiment imposed by the pandemic.

Based on the survey information and the strong performance of CAR staff, as noted, Ms. Hubley proposed a merit increase for 2021, a portion of which will be used by the President for discretionary allocations in recognition of employees whose 2020 job performance is deserving of additional compensation.

Following discussion, the Committee unanimously voted to recommend to the Governing Committee adoption of a merit increase as proposed by Ms. Hubley, with a portion of the total increase percentage to be distributed by the President to deserving employees on a discretionary basis.

21.05 2021 Annual Range Movement

Mr. Costain reviewed salary range survey information compiled by CAR among member companies and industry-funded peer organizations. He identified planned 2021 salary range increases among participating member companies for reference, noting differences in the approach several companies adopt for salary range movement. He added that there is less consistency of range movement among insurers in the survey when compared to the industry funded peer organizations. Based on the survey information and in keeping with past practice, CAR continues to focus on alignment with peer organizations. He made a recommendation for a salary range increase for 2021.

Following discussion, the Committee unanimously voted to recommend to the Governing Committee a salary range increase percentage as recommended for calendar year 2021.

21.06 Officer Salary Recommendations

Ms. Hubley provided a 2020 job performance assessment of Ms. Wendy Browne, Vice President of Business Operations. Ms. Browne's 2020 performance included a highly visible presence in CAR's continuing efforts to address the commercial residual market deficit. She noted that Ms. Browne has continued to expand her knowledge with respect to residual market management and ratemaking issues. Her performance in 2020 was reflective of that significant growth, while overseeing a staff of varying disciplines to successfully confront the challenges of day-to-day business operations.

The Committee unanimously voted to recommend to the Governing Committee a 2021 salary increase for Wendy Browne, Vice President of Business Operations, as proposed by Ms. Hubley.

Ms. Hubley also provided a review of the 2020 performance of Mr. Peter McCabe, Vice President of Technical Operations. Mr. McCabe possesses a wealth of experience that served him well under difficult circumstances in 2020. He headed CAR's efforts to implement disaster recovery and business continuity plans, working tirelessly with staff, companies, and producers to maintain and improve system access and usability. Mr. McCabe also oversaw CAR's software development activities to introduce numerous enhancements that better serve the industry, while keeping his staff motivated and committed to perform at a high level.

The Committee unanimously voted to recommend to the Governing Committee a 2021 salary increase for Peter McCabe, Vice President of Technical Operations, as proposed by Ms. Hubley.

21.07 President's Salary Recommendation

Committee Chair Elizabeth Brodeur provided her thoughts regarding the 2020 job performance of CAR President, Natalie Hubley. She indicated that Ms. Hubley excelled during a difficult year in the face of unprecedented and challenging circumstances. Ms. Hubley was a steadying influence while overseeing CAR's operations and remote committee activity. She collaborated well with industry participants and articulated expectations clearly and concisely. Ms. Brodeur added that Ms. Hubley led CAR's effort in the preparation of a white paper to help address rate adequacy issues with problematic classes. She indicated that Ms. Hubley is thoughtful and supportive of CAR's staff.

Committee members offered similar thoughts while recognizing that CAR's President is forward looking, but also responsive to challenges arising out of committee or regulatory related activity. There

was consensus that in her sixth year as CAR President, Ms. Hubley's leadership qualities have grown, she is more comfortable engaging parties to solve problems and has successfully balanced competing industry interests in the process.

The Committee discussed the level of Ms. Hubley's salary in light of her length of time as President, her high level of competency and strong job performance. There was consensus that some amount of upward salary adjustment for Ms. Hubley is appropriate within reason. The Committee discussed several approaches and recognized that, given the uniqueness of CAR, direct salary comparisons with the leaders of other organizations are difficult.

The Committee agreed that a merit increase reflective of Ms. Hubley's strong 2020 job performance and a salary adjustment for 2021 are appropriate at this time.

Following discussion, the Committee unanimously voted to recommend to the Governing Committee a merit increase and a salary adjustment for Ms. Hubley in 2021 as proposed.

During the discussion regarding Ms. Hubley's salary level, the Committee recognized the need for established and agreed upon business objectives for CAR's President. While objectives have been established for the President annually, the Committee agreed that input from all Governing Committee members to identify CAR specific business goals could be utilized to establish presidential performance objectives. The Committee agreed to seek input from Governing Committee members, then reconvene to prepare and propose performance objectives to the Governing Committee at its April 21, 2021 meeting.

TIMOTHY COSTAIN
Chief of Staff

Boston, Massachusetts
February 5, 2021