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Natalie A. Hubley
President

TRANSCRIPT OF

GOVERNING COMMITTEE MEETING

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

WEDNESDAY, NOVEMBER 15, 2017 AT 11:00 A.M.

Committee Members present –

Mr. James S. Hyatt – Chair
Arbella Insurance Group

Ms. Pamela L. Bodenstab-Krynicki	P.L. Krynicki Insurance Agency, Inc.
Mr. William J. Cahill, Jr.(1)	The Hanover Insurance Company
Mr. Thomas C. DePaulo	Meridian Insurance Agency, 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
Ms. Barbara Law(2)	MAPFRE U.S.A. Corporation
Mr. Kenneth Olivieri(3)	J.K. Olivieri Insurance Agency, Inc.
Ms. Meredith M. Woodcock	Liberty Mutual Group

Substituted for:
(1)Ms. Carroll M. Foley
(2)Mr. John V. Kelly
(3)Mr. M. John Olivieri, Jr.

Not in Attendance:
N/A

PROCEEDINGS

(Meeting began at 11:00 a.m.)

Mr. Hyatt: Good morning. I'd like to call the November 15, 2017 Governing Committee meeting to order. Before we dive in we do have a couple of substitutions today. I'd like to welcome back Bill Cahill, who's subbing for Carroll Foley for Hanover, Barbara Law subbing for John Kelly from MAPFRE, and Ken Olivieri substituting for John Olivieri, an agency representative. Welcome all. Thank you.

GC
17.01 Transcript of Previous Meeting

Mr. Hyatt: I'd like, first of all, the Transcript of the Previous Meeting has been distributed. I would entertain a motion to accept those into the Record.

Mr. Gilman: Move approval.

Mr. Harris: Second.

Mr. Hyatt: Any discussion on that? All those in favor?

All Committee Members: Aye.

Mr. Hyatt: Any opposed? Okay, motion carries.

GC
17.04 President's Report

Mr. Hyatt: The first item up would be the President's Report from Natalie.

Ms. Hubley: I do have a number of items for you today. The first is a request of the Members to submit your request for committee appointments for the advisory committee appointments. We are asking for those requests by December 4th in order that the Chair and the Vice Chair can review those requests later in December and submit that to the Commissioner for his review and approval as expeditiously as possible. We will put a notice on our website also to make it a request of the industry in this regard.

Second for you, I reported at the last meeting that Cincinnati Insurance Company has had its rates placed on file by the Division of Insurance. Cincinnati has worked with CAR staff since that time to comply with the requirements to be appointed as an Assigned Risk Company. We do have indication that they expect to begin writing in November. So, at this time, I would ask for a motion to approve Cincinnati Insurance Company as an Assigned Risk Company for MAIP.

Mr. Gilman: So moved.

Mr. Cahill: Second.

Mr. Hyatt: Any discussion? I'll put it to a vote. All those in favor?

All Committee Members: Aye.

Mr. Hyatt: Any opposed? Okay, the motion carries. Thank you.

Ms. Hubley: Thank you. As I have promised we will provide a status report on CAR's efforts relating to its Disaster Recovery Plan. At your last meeting, I reported that the Committee had approved CAR to move forward with implementation of its plan in that regard. We have signed statements of work with our two consulting partners, one dealing with our mainframe and the other dealing with our LAN environment. Our IT area is now reviewing the different quotations from the three different vendors in each plan in order to select the appropriate vendor to implement our plan. Work will be beginning right after the first of the year.

Next, I want to inform you, as I'm sure that you are all aware that CAR's private passenger and commercial rates have been placed on file. Bulletins have been distributed. All of the rating materials have been provided to carriers. Those are moving forward with an effective date of February 1st. CAR's consulting actuaries are beginning work as we speak to be reviewing the next set of indications.

Finally, I just wanted to report that although you don't have a report from CAR's Commercial Auto Committee, we have begun quite a few efforts to keep moving forward with the directives of the Committee. In that regard, the Chair has established three subcommittees. One has begun its work already to consider the service levels and any extraordinary expenses and guidance as to how to review and recommend on such requests. They began their work in November and will continue to have some meetings in the upcoming months. There is a second subcommittee to deal with assisting CAR staff in developing classification plans commensurate to the risks. We're beginning our work on the private passenger type risk. That meeting will be tomorrow. So they'll be starting their work. A third subcommittee has been established to review residual market standards on both the Servicing Carriers as well as producers and oversight of the program as well as information sharing. That Subcommittee has quite a large agenda and task. They'll be beginning their work on December 11th, their first meeting will be scheduled. That's all I have for you today.

Mr. Hyatt: Any questions for Natalie?

GC
17.05 Counsel's Report

Mr. Hyatt: We'll move on to Counsel's Report to report on pending litigation, CAR Rule changes and other relevant legal matters.

Mr. Torres: Thank you. There are four items on the Counsel Report for this meeting. They're all just a short status on matters that have been the subject of our prior reports.

The first one is the Calianos Agency appeal. That's something that has been fully briefed and argued and presented to the Division. We're awaiting a ruling on the Calianos appeal from the presiding hearing officer.

The second item is the Point Insurance appeal to the Division. Point Insurance and Arbella had a matter that was the subject of a Market Review Committee and then a Governing Committee Review Panel decision that was appealed by Point Insurance. It has also been fully briefed and argued and is pending at the Division. We await a decision from the hearing officer presiding over that appeal as well. Also, with respect to these same parties, Point and Arbella, Point submitted a Request for Review to CAR of its termination by Arbella. The Market Review Committee is scheduled to consider that matter on November 28th.

Item number three, the Rule 31 amendment is also pending at the Division and we await a decision or ruling on that item as well.

Fourth and finally, Patriot Insurance. Patriot was an agency that was terminated by Safety. Both the Market Review Committee and then later the Governing Committee Review Panel considered Patriot's Request for Review and Relief. After hearing from both parties, both the MRC and GCRP voted unanimously to uphold the termination and deny the agency's Request for Relief. Patriot did not appeal those decisions or its termination to the Division. So unless there are any questions, that concludes Counsel's Report.

Mr. Hyatt: Any questions for Counsel this morning? Okay, thank you.

GC
17.11 Compliance and Operations Committee

Mr. Hyatt: Next, we're going to move on to Compliance and Operations Committee. Wendy Browne will report on the meeting of October 26th.

Ms. Browne: Good morning. The Committee reviewed the Hybrid Audit results for Essurance Insurance Company. Essurance began writing in Massachusetts in 2013. This is the first Hybrid Audit for this company. It was noted that multiple reporting and data quality issues were identified, resulting in a high error rate for both quota share and ratemaking analyses. Additionally, it was determined that two different systematic rating issues have resulted in incorrect premium charges to policyholders and that some claims handling issues were not in accordance with the Performance Standards. The Essurance response letter indicated that the data issues have either been corrected or are in the process of being corrected. However, based upon the number and breadth of the findings in the audit report, CAR staff recommended that a follow-up focus audit be performed. The Committee unanimously accepted the report as written and directed CAR staff to conduct a Focus Audit in the first quarter of 2019. This will be based on policies effective in late 2018 in order to give Essurance ample time to make all the necessary corrections.

The Committee then discussed the results of the focus audit for Bankers Standard, which has been previously agreed upon after the Committee reviewed the results of the 2016 Hybrid Audit. The Focus Audit concentrated on quota share and rate-making data elements as well as adherence to certain SIU requirements. While the overall results demonstrated improvements in statistical reporting, certain errors remained, including incorrect offset records. Furthermore, while Bankers had developed a plan to become compliant with the statutory requirements relative to SIU activities, it had not yet implemented that plan. Accordingly, CAR staff recommended that a second Focus Audit be conducted in 2018 to target these two issues and if uncorrected, then Bankers would become eligible for data quality penalties. The Committee unanimous accepted this report as written and directed CAR staff to conduct that second Focus Audit in 2018.

Moving on, the Committee unanimously voted to recommend to the Governing Committee adoption of proposed changes to the Private Passenger and Commercial Statistical Plans that incorporate new codes to improve the reporting of Continuous Coverage and Low Frequency Discounts, eliminate an obsolete classification code for PPTs and clarify the language for Garagekeepers coverage code descriptions. The proposed pages were included in the Additional Information package that was distributed previously. Unless you have any questions, this is an action item for your attention.

Mr. Hyatt: We'll pause there. I would entertain a motion to adopt the proposed changes to the Private Passenger and Commercial Statistical Plans and to submit to the Commission of Insurance for approval.

Mr. Gilman: Move adoption, Mr. Chairman.

Mr. Harris: Second.

Mr. Hyatt: It's been seconded. Any discussion? All those in favor?

All Committee Members: Aye.

Mr. Hyatt: Any opposed? Okay, the motion carries. Please continue.

Ms. Browne: Finally, the Committee unanimously voted to recommend to the Governing Committee a final close-out of policy effective year 2006 for financial purposes as of the third quarter 2017 and for reporting purposes as of the January 2018 submission. Companies may still request reimbursement on any older ceded claims via a bulk adjustment. Again, this is an action item for your attention.

Mr. Hyatt: Thank you, Wendy. I would entered a motion to approve the final close-out of policy year effective 2006 for cash sharing and statistical reporting.

Mr. Gilman: Move adoption.

Mr. Harris: Second.

Mr. Hyatt: We have a second. Any discussion? All those in favor?

All Committee Members: Aye.

Mr. Hyatt: Any opposed? Okay, motion carries.

Ms. Browne: That concludes my report.

Mr. Hyatt: Thank you very much Wendy.

GC
17.14 Actuarial Committee

Mr. Hyatt: Now we'll move on to the Actuarial Committee. Lynellen Ramirez will report on the meeting of October 11, 2017.

Ms. Ramirez: Good morning. The Actuarial Committee met three times prior to bringing a motion to the Governing Committee. I would like to briefly back up and take you through those meetings so you have an understanding of how we arrived at the recommendation that you'll be asked to consider today.

The Committee first met in June. At that meeting, the Committee reviewed and discussed at length the DOI decision from the 2016 credit offer. Also discussed were the role of credits and other factors specific to the competitive marketplace that impact the size of that residual market. Although some members voiced skepticism that the DOI would not accept any changes to the credit system, ultimately the Committee felt it had an obligation to study the indicated need for credits. Some Committee Members also expressed concerns that when credits are frozen, though you are not removing credits from those so-called DOI territories, you're also not adding credits to class/territory combinations in which indications suggest a credit should be added. Because credits have been frozen for two years, there are Class 10 DOI territories with MAIP rates as low as 2 percent that have maintained credits and as an example Class 18/Territory 20 with a MAIP rate of 6.9 percent does not have credit. This is because two years ago, before credits were frozen, the MAIP rate in that class/territory was only 2.8 percent. At the end of this meeting the Committee agreed to narrow their focus down to three approaches: the first, keeping the credits the same as the prior two years, the second, in additional to class/territory, adding a merit rating component and trying to focus more credit towards higher risk drivers, and lastly, adding a relativity of the current residual market rate to the initial rate and using that to redefine credit eligibility groupings.

Basically, this means adjusting the rule given to us by the DOI where the MAIP rate originally had to be 5 percent or more to receive a credit be adjusted downward relative to the overall size of the MAIP now. This is referred to as the Indexed Market Share Group Range Method or, for short, the Indexed Method.

The Committee met again in September. Much of the same discussion took place as did at the June meeting. At the conclusion of the meeting the Committee agreed to continue to focus on three approaches: again, keeping the credits the same as the prior two years, the Safety proposal for including Merit Rating in the credit calculation – this methodology was presented by Safety during the meeting. It was agreed that CAR staff should update the exhibits, review the calculations and present the results to the Committee as the next meeting – then, lastly, what I referred to earlier as the Indexed Method.

The Committee met for the final time in October and all three approaches were discussed at length. The first approach, to maintain the current credits thereby freezing them for another year was ultimately dismissed for the following reasons: there’s a methodology put in place by the DOI that indicates credits should be lowered significantly. The consensus of the Committee is that there are too many credits in the current system. It was noted that too many credits has enabled easy access for companies to purchase credits which allows for avoidance of sharing the assigned risk process. In addition, several members noted that the current matrix of credit factors enables some carriers to satisfy their residual market quota with lower loss ratio exposures leaving the true residual market burden distributed among just over half of the participating companies. Since 2013, the cumulative changes and the approved credit proposals is a decrease of both MAIP exposures and MAIP premium of 5.6 and 8.3 percent respectively. Though there has been movement in individual cells both up and down, the overall MAIP rate has decreased almost 50 percent from 2.6 percent at the end of 2012 to 1.4 percent at August of 2017. There is a notion that when credits are removed from the system more exposure will be placed in the MAIP. This statistic indicates otherwise and that this is not necessarily the case. Lastly, cells in which credits are indicated to up and in some cases with significantly higher MAIP rates are not getting credits and cells that do not need credits or warrant credits continue to receive these credits.

The next approach discussed was the Safety proposal, which included merit rating. Some members liked the idea of adding merit rating to the credit matrix, but agreed the methodology needed more work. Some members opined that the complex methodology might be rejected by the DOI. Some members voiced concern that the statute refers only to class/territory with regards to disproportionately represented and introducing merit rating elements was not warranted. This methodology was also dismissed. The methodology that is ultimately being proposed is the Indexed Market Share Group Range Methodology or the Indexed Method. This exhibit was attached to the Additional Information distribution on November 8th, Governing Committee, 17.14, Exhibit 3, Pages 16 to 29, and Rule 29 updates on Pages 30 through 33. Consistent with past years, staff has updated the model to reflect data statistically reported through August of 2017. This proposal does result in an estimated 18.2 percent decrease in credit-eligible exposures and a 13.8 percent decrease in available credit premium. This proposal is being put forth for the following reasons: the starting point for this methodology is the current rule that was put in place by the DOI. The threshold for the MAIP rate getting a credit or not is changed from the existing rule, in which the starting point of a MAIP rate was 5 percent, to either 2.6 or 2.7 percent. Thirty-three cells in the new matrix are indicated to increase credits. Twenty-one of those 33 cells are indicated to get credit where none exist today.

The overall proposal is for a reduction in credits, but the driving factor in that decrease is Class 10, which is experienced operators, in four territories. Those four territories aren't territories that have been called out by the DOI in the past, but the MAIP rate in those cells ranges between 2 and 2.6 percent and those cells do not warrant a credit. The consensus was that those class/territory combinations in which credits will be reduced will not be adversely impacted by the removal of MAIP credits. The industry has a healthy, competitive environment and MAIP credits are not needed in those territory/class combinations to maintain those current MAIP rates. Members also opined that the low MAIP rates in some class/territories are not driven by credits but rather by the competition among companies. The industry is writing those risks voluntarily today and it was the consensus that those risks will continue to be written voluntarily in the future. Furthermore, members opined that the market is well represented by voluntary producers in those territories of concern such that a decrease in available credits in those areas will not impact consumers' access to insurance.

Lastly, the formula is self-correcting and will be reviewed again next year. If changes to cells in which credits were increased or decreased have movement in the MAIP rate up or down appropriate action would be taken in future years. So a motion for Governing Committee approval was made. After additional discussion, the Committee voted with six members in favor and three opposed – let me just stop there for a moment. CAR staff asked me to point out that the Records reflect a vote of 9 to 3. That was a typo. There was only ten members present and as the Chair I did not vote. So the vote was 6 to 3, six in favor, three opposed, to recommend to the Governing Committee the Indexed Market Share Group Range Proposal for policies effective April 1, 2018 and subsequent and the amended Rule 29 language is proposed to you today as an action item for your consideration.

Mr. Hyatt: Thank you, Lynellen. I do want to pause there and just thank the Actuarial Committee because there was multiple meetings, multiple hours in the meetings. It was a lot of work to go through this and consider the history, consider where we've been, where we are, and I see a lot of math. I appreciate all of that time and effort put in by the Actuarial Committee. I'm sure there's going to be some discussion on this. But maybe just, procedurally, if anyone would like to make a motion about this so we can get that on the table and then begin discussions.

Mr. Gilman: For the reasons that you just outlined I will make that motion, Mr. Chairman.

Mr. Harris: Second.

Mr. Hyatt: Okay. Open up the floor to discussion. Paula?

Ms. Gold: This is an issue that we're been dealing with now for several years. The question of how you deal with credits, how you measure disproportionality in a small MAIP. As we know, there's a statute that obligates CAR to set credits on a yearly basis and that the size of the credits shall be such to enhance the prospect that no classification or territory is disproportionately represented in the Plan. The meaning and impact of disproportionality, under the statute, has been addressed by the Division of Insurance on at least three occasions: Commissioner Murphy's decisions from December 18, 2009 and December 19, 2011, as well as Commissioner Judson's decision from May, 2016. In each case, rejecting CAR's annual credit proposal for failing to enhance the prospects that no territory is disproportionately represented in the Plan. The fact that the residual market is relatively small does not make a difference in terms of what the statute requires. The Attorney General's Office has provided guidance on the meaning of the statute where the MAIP is small. In a letter to the Governing Committee dated November 13, 2015, which the Attorney General later sent to the Commissioner as part of the Commissioner's hearing, the Attorney General's Office stated, "The fact that the residual market share has decreased over time does not obviate the need and statutory responsibility to develop a system that has a reasonable chance of eliminating territorial overrepresentation in the residual market."

What the Actuarial Committee is actually proposing that CAR establish as a 2018 credit offer is exactly what Commissioners Murphy and Judson rejected three times before. It would increase already existing disproportionate representation in the residual market. As was mentioned, this proposal would have an overall 17.6-plus reduction in credit-eligible exposures and would adversely affect territories previously identified by Commissioners Murphy and Judson as needing protection. This proposal would reduce credits in the disproportionately represented territories of Lynn, Lowell, Holyoke and Springfield, and fail to increase credits in territories such as Roxbury and Dorchester where increases are needed. As the Attorney General's Office has noted, these are low-income territories with large minority populations generally paying significantly higher premiums than the statewide average for less coverage.

At the heart of it is how you measure disproportionality. When you look today at a Class 10, SDIP 99 driver in Roxbury, Territory 22, is 8.6 times as likely to be written in the MAIP as the average Class 10, SDIP 99 driver in Massachusetts. The Actuarial Committee's proposal does nothing to correct that imbalance. In Holyoke, Springfield and Lynn, Territories 40, 42 and 43, Class 10, SDIP 99 drivers are between 2.1 times and 2.7 times as likely to be in the MAIP as similar drivers elsewhere. Yet the Actuarial Committee's proposal would take away most of the credits currently offered in these territories, thereby increasing the existing disproportionate representation.

The proposal before us provides credits to those class/territory combinations where a driver is 1.95 or more times as likely to be in the MAIP as average irrespective of SDIP level. We know that there was a consideration of using SDIP level, however, it was directed at not the best risks in the MAIP. The approach of the past may have worked well with a large MAIP, I mean the formula. So, the reason it keeps coming up with what seems to be inconsistent with the statue, that is that there is disproportionality but the credits are being reduced is determining how do you measure disproportionality. So when the best drivers find that the chance of being written in the MAIP are between 2.1 and 8.6 times as likely in some territories as average, I think we then fail to meet our statutory obligation.

The current methodology, therefore, needs to be more targeted to avoid unfair impacts on good drivers in these territories. I mean, one can understand if one has a bad driving record they end up in the MAIP. But if you have a good driving record and you end up in the MAIP that doesn't seem to be the place you should be. By applying the disproportionality standard to SDIP group in addition to class and territory, the prevalence in the MAIP of risks in each territory can be compared to similar risks of the same class and SDIP group. Fine tuning the methodology in this matter will go a long way towards meeting our obligation to enhance the prospect that no classification or territory is disproportionately represented in the MAIP.

So I intend to vote against the Actuarial Committee's recommendation. I hope that others will join me and vote against it. If the recommendation is rejected then I propose we send the matter back to the Actuarial Committee and instruct them to establish a credit offer using the 1.95 threshold that was used in the current proposal and that MAIP representation be measured for each class/territory/SDIP band combination and compared to the overall statewide MAIP usage for the same class/SDIP band in question. That would give us an actual look at what is happening in terms of disproportionality as it relates to the better drivers. I know that SDIP was looked at as part of the calculation, but I think it was looked at in terms of the MAIP being made up mostly of bad drivers and we'd have to direct the credits there. No, we have to direct the credits to the good drivers. This will help to do that. We will not then have a situation where though we're required to deal with disproportionality, the formula basically isn't targeted enough as it currently exists for a small MAIP. Thank you.

Mr. Hyatt: Thank you, Paula. I'd invite any other comments or questions from the Committee. Meredith?

Ms. Woodcock: I also will be voting against the proposal that's on the table as I did at the Actuarial Committee. I believe that an 18 percent reduction in MAIP credit-eligible exposures is too disruptive to the marketplace. I think that the current credit mechanism, coupled with a healthy competitive marketplace, has done a good job at reducing the overall size of the market. I just can't see a compelling reason to change what I believe has been working pretty well. I also believe – I can't speak for all the carriers, obviously – but I believe that the value of these credits is contemplated in company business models when making the decision to write a piece of business voluntarily and to keep that piece of business at renewal. If there's a credit associated with it a company might be more likely to keep it at renewal when they might otherwise non-renew the business. Reducing credits by this magnitude is just not something that I can vote for.

Mr. Hyatt: Thank you. Yes, Tom?

Mr. Harris: I find these arguments compelling. I find the argument of a self-correcting process more compelling. I like the indexing concept that Lynellen has outlined.

Mr. Hyatt: Okay. Thank you, Tom. Yes, Sumner?

Mr. Gilman: I have a concern and it is based on the fact that if you reduce credits, I'm concerned that carriers will not have the enthusiasm to write business in credit-eligible territories. That would negatively impact me, personally, as an agent in Springfield. So, therefore, I also will vote against the recommendation of the Actuarial Committee.

Mr. Hyatt: Thank you.

Mr. Jarrard: I'd just say that there's a lot of work that's been done on this and I think it's terrific. However, I would vote against it as well. The benefits, in my mind, are outweighed by the uncertainty of the impact to the public. It appears that while the current process may not be perfect it is working. Those are my comments.

Mr. Hyatt: Thank you. We're going around the table. We might as well get everybody in. Bill?

Mr. Cahill: I'm sort of coming back to this. I've voted in favor of making modifications to the credit offer over the course of time, but in this instance I'm going to be a no vote as well. While I'm opposed to this particular proposal, though. I appreciate all the effort that's been put into this. I think I'm coming at this from the standpoint that, having voted in favor of it at other times, the reality and the practical guidance I think that we've received over the course of time is that there really hasn't been much of a change in the size of the residual market, the private passenger residual market. Even in the last guidance from December, there's reference to the fact that there was only a very slight increase from 1.3 to 1.4 since the time of May 31st decision. I think the best information we have now is we're still just – it's rounded to 1.4. There's really not much of a change here. I'm of the mind that the market is so small, at this point, which is a very – obviously, it was a goal early on in all of this that absent, as the guidance indicates, absent a compelling reversal in the size of the residual market I don't think we really need to move in the direction of a change at this point.

To Paula's idea of actually sending this back to the Actuarial Committee for further deliberation, I don't really think that that's necessary either because I do note also in the guidance from May 31st of 2016 that disproportionate does not mean the ratio of participation should be identical in all territories. There's a lot of different factors. I just don't think we need to sort of belabor it at this point. It can be reviewed on an annual basis. But I think the biggest item would be to look and see, has the overall pool changed in any significant way. So I'll be a no vote.

Mr. Hyatt: Thank you, Bill. Anyone else? Barbara?

Ms. Law: MAPFRE is going to support the credit proposal. I don't think it's a secret that the company feels like there are too many credits in the system, that there are carriers that don't get any assignments at all. It seems like the Actuarial Committee was very considered in its recommendation and the rationales put forward. I think it suggests that the approach is, you know, narrowly tailored to get at the business that perhaps should not be in the MAIP. The fact that it can be reconsidered pretty quickly is, I think, a reason to support it.

Mr. Hyatt: I would also just make a couple of quick comments. I guess the only observation I would have is that this has come before the Governing Committee for a number of years. Each time, there's been a recommendation or a recognition by the Actuarial Committee that there's too many credits in the system. Also, that the Actuarial Committee has spent a lot of time talking about this is a self-correcting formula and over time, as the MAIP has shrunk, that it needs to correct itself. Each time the Governing Committee has voted it down for lots of reasons in the past and we'll see where it goes this year. But I would just ask us to also think about that, that we're, yet again, at that point where I think we all agree there's too many credits in the system and there are territories that aren't being properly addressed today as I think Ms. Ramirez pointed out in her remarks. I just wanted to put that out there. Are there any other comments? So I think I need to clarify the motion that was made. I appreciate Sumner's work, but I think that the motion that I would entertain would be to accept the recommendations of the Actuarial Committee to make a credit offer to the Commissioner of Insurance for 2018.

Ms. Law: So moved.

Mr. Hyatt: Can I have a second or do I have a second?

Mr. Gilman: Second.

Mr. Hyatt: Okay. If there's no further discussion I'd like to put that to a vote. All those in favor? Two in favor. All those opposed? It looks like eight. The motion does not carry.

Before we proceed, procedurally, I believe that we need to notify the Commissioner of this vote so I would entertain a motion to direct CAR staff to inform the Commissioner that a review was done and is not recommending a change to the credit offer for 2018.

Mr. Gilman: So moved.

Mr. Cahill: Second.

Mr. Hyatt: Any discussion on that?

Mr. Harris: Yes. I don't know whether we want to do it now or later but I'd like to come back to Paula's proposal of sending something back to the Committee as well. Do you want to do that now?

Mr. Hyatt: Well, a motion hasn't been made on that. There's been some discussion about that.

Mr. Harris: Correct.

Mr. Hyatt: You'd like to make any comments, Tom?

Mr. Harris: My comment is that what we do now should not preclude future discussion on the topic of whether we're going to send something back to the Committee.

Mr. Hyatt: Paula?

Ms. Gold: Procedurally, we could have a motion on that now because we've rejected this, correct?

Mr. Hyatt: The Governing Committee is free to make motions, yes.

Ms. Gold: I was thinking if there was any interest in this. I would make a motion – because we have an obligation to deal with credits and because it would make sense to tweak the existing formula – I would make a motion that we send the matter back to the Actuarial Committee with a short timeframe and specifically ask them, as I indicated before, to establish a credit offer using the 1.95 threshold that was used in the current proposal, and that MAIP representation be measured for each class/territory/SDIP band combination and compared to the overall statewide MAIP usage for the same class/SDIP band in question so that we move this along.

Mr. Hincks: I want – as Counsel, I want to jump in. We have a pending motion right now that I believe has been seconded for CAR staff to inform the Commissioner that there will be no change to the credit system recommended at this time. That was seconded. There's been a discussion which I take, Ms. Gold, is your recommendation would be that that motion be rejected at this time so that there can be further deliberation by the Actuarial Committee.

Ms. Gold: That's correct.

Mr. Hincks: But there's not a second motion pending right now. I think we've got to take that first motion, it's been seconded, have whatever discussion, and then put that to the Governing Committee for a vote whether CAR staff is directed at this point in time to inform that Commissioner that there will be no change in the credit system.

Ms. Gold: So we would vote on that and if they're not directed to do that then the motion as to what should happen would come.

Mr. Hincks: Can be raised, yes.

Mr. Hyatt: Ben, is it that we can amend the motion, we can withdraw the motion that's on the table, or we could vote on it?

Mr. Hincks: The motion can be withdrawn. I think it really should be voted on if it's not withdrawn by the person who made the motion. Then if it's rejected you can start over. If it's approved that's the direction that we go and we take it from there.

Mr. Hyatt: Bill?

Mr. Cahill: I was just going to offer an observation. The purpose of sending – I think having the first motion be acted upon and potentially sending a message to the Division with regard to the credit offer brings some certainty to the market with regard to what the credit offer is going to be. I ask this out loud. Is there an opportunity to accomplish, Paula, what you're looking to do within a timeframe, realistically, that would allow for us to then come back, vote on it?

Ms. Gold: Yes, I think there is. I think there is because the instructions would be specific. So it's basically taking the data that's updated, that's there. I'm not an actuary but my understanding is this would not be complex because you will have narrowed how you measure disproportionality. You will measure disproportionality by using the class/territory and the SDIP band. You will find when you do that that the territories that have been particularly concentrated on, there are good drivers, more good drivers than in other territories in the MAIP. So, in terms of how the process works, there are not four alternatives. It's not being sent back to figure out a methodology. It will be sent back with specific instructions, the idea being that you could set the credits because there's not a lot that will be open for discussion.

Mr. Hyatt: Go ahead, Bill?

Mr. Cahill: Just as further thought, similarly, though, you could offer that direction back to the Actuarial Committee for purposes of next year's analysis that would take place. In the interest of time, I do sort of wonder everyone's scheduling having to come back and try to deal with that. Sending some direction back so that the Actuarial Committee has the insight from the Governing Committee having voted down this proposal that came forward so that they would have some perspective on what they might focus on the next time that could be helpful. It might give them more time to deliberate.

Ms. Gold: I think that's correct. I think that if the credits are left at the level they're at and there are specific instructions so we don't keep coming back here every year, have another hearing before the Commissioner, have the Commissioner…

Mr. Cahill: You want to be efficient.

Ms. Gold: There are some people who just don't like the idea of credits. The answer is if a company wants credits they can get them. That's what the statute does. It says go write in those areas. Competition alone is not doing it. Competition alone will not do it when you have the SDIP levels that are currently in the MAIP from the territories that have been particularly looked at. Personally, I – whatever the procedural way of getting there is – I have no objection to leaving the credits the way they are now with an understanding, a specific instruction, to how they will be calculated next year so that we don't keep coming back and, you know, then you have to have another hearing before the Commissioner. It would save everybody a lot of time if people really realized that this statute is not going away unless somebody repeals it.

Mr. Hyatt: Okay. Thank you, Paula. I think I agree with Bill that just practically having the Actuarial Committee go back and reconsider yet again, I just don't think that there'll be enough time to actually do this in a reasonable amount of time with enough lead time for the carriers to actually act upon it. Lynellen, yes?

Ms. Ramirez: I'd like to just add that though the Actuarial Committee is more than happy to reconvene and reconsider a credit offer, the option and the methodology Paula that you put forth on the table, something very similar was brought to the Committee. I did not discuss it in my report because I did not discuss every detail of those meetings. We discussed two options on SDIP. One was the Safety method that I mentioned. The other one was brought forward by Plymouth Rock. We've already discussed that and the results of that were overwhelmingly dismissed by the Committee. The results were such that the Committee didn't feel like we should move forward with it. The other piece that is difficult when you bring SDIP into the mix is policies are placed in the MAIP not individual exposures. So you could have a policy with two high-risk drivers and a low-risk driver but the policy is placed in the MAIP. So it becomes difficult. Again, we're more than happy to, but that particular methodology was – or something very similar was already discussed.

Mr. Hyatt: Thank you. So we do have a motion still on the table to notify the Commissioner of Insurance and it has been seconded. I think we should bring that to a vote. If there is no further discussion…

Ms. Gold: The motion is that we're going to notify the Insurance Commissioner that what?

Mr. Hyatt: That there will be no change to the credits. It was voted down and there'll be no change to the credit offer.

Ms. Gold: Then if there was a willingness of the Committee to take up guidance for next year so we're not back here again, that comes up after this?

Mr. Hyatt: I'm not sure we need a motion for that, right, to really just direct the Actuarial Committee to study that for next year?

Mr. Hincks: I think that's right. I think that's up to the discretion of the Committee. There's a record that's been made of the concerns.

Ms. Gold: I'm interesting in seeing – and I don't know if any other would share this – whether the direction to study is not as clear as I would like it to be because, as was mentioned, the notion of SDIP and using it in a way that I have suggested was looked at by the Committee and they rejected it. So I don't think that gets us further. I think that there has to be a recognition or should be a recognition at this time that there needs to be an adjustment to the methodology and that is SDIP. It's looking at directing it at the better drivers who are in the MAIP. As to more than one driver on a policy, we've been looking for data. We don't think it's going to make a big difference, but certainly that data should be considered in terms of using this methodology.

Mr. Hyatt: Again, I feel we need to get this vote taken care of. I'm a little hesitant to have the Governing Committee be to so prescriptive to the Actuarial Committee on what specifically it wants the outcome to be. But let's put that to the side. If there's no further discussion on the motion that's on the table, we'll put it to a vote. All those in favor?

Most Committee Members: Aye.

Mr. Hyatt: Any opposed? One opposed. Motion carries. Thank you. If there are any further issues – again, with regards to recommending anything to the Actuarial Committee and being prescriptive from the Governing Committee level, I am less than comfortable with. I would agree with Counsel that the opinions around the table have been shared and are now a matter of Record. Also, I think, again, that the Actuarial Committee did look at the Plymouth Rock proposal at length and in depth.

Ms. Gold: They didn't have the data that was mentioned as being problematic possibly.

Mr. Hyatt: I'm not sure about that. Tom?

Mr. Harris: To clarify my view, it was not to support Paula's exact proposal but to support the concept of helping the Actuarial Committee with guidance that may ultimately be approved by the Governing Committee. I agree with you, your conclusion that this is not the appropriate time but over the course of the coming year I think that it would be helpful for the Actuarial Committee to get some back and forth with the Governing Committee so that we don't end up – I really respect the work that you and your Committee did, Lynellen. I find it disheartening that all that work seems to have gone to naught. I think that there should be a process by which we can improve that.

Mr. Hyatt: I would think there are two ways we could go about this. We can either make a motion about what we would like the Actuarial Committee to do or the Actuarial Committee could invite written comment from interested parties to it.

Mr. Harris: I would vote for B.

Mr. Hyatt: I would encourage that. I think that allows people then to share – if you feel that you'd like to share in more depth specifically what you are looking for from the Actuarial Committee, I feel like that's probably the best way to go. I see nodding heads around the table. I think we will move on. Where are we? I believe that is the…

Ms. Ramirez: I have one more item.

Mr. Hyatt: That's right. Thank you. I forgot. Sorry about that, Ms. Ramirez.

Ms. Ramirez: We're moving on to Clean-In-Three. As you know, the Committee has considered annually the current exclusion of Clean-In-Three risks from the Quota Share voluntary market share. Last year, the Governing Committee extended that Clean-in-Three non-renewal provision for one more year and had CAR staff assist the remaining eligible former ERPs in seeking voluntary appointments. These remaining producers were asked to provide a business plan to assist insurance companies to better evaluate them for a potential voluntary contract relationship. Less than half returned the business plan. The business plans were distributed to Member Companies and the result of this exercise was one of the 11 producers were offered a voluntary contract. The remaining 10 former ERP agencies writing a combined total of 403 Clean-In-Three exposures have been unable to obtain a voluntary offer. The Committee agreed that the effort has reduced the pool of Clean-In-Three business to a point where an extension is no longer warranted. The Committee unanimously voted to recommend that the April 1, 2018 sunset provision be ratified in accordance with the requirements of Rule 21.D.6.

Separately, the Committee also considered the addition of language that would provide assistance to the remaining former ERPs in transitioning their Clean-In-Three business to the MAIP should that be required including rule provisions that set forth notification requirements to the producer and provide for the modification of down payment and pre-inspection requirements in the event the producer is unable to place the risk in the voluntary market. The Committee unanimously voted to recommend adoption of this as well. These recommendations include the appropriate changes to CAR Rule 21.D. included with the Additional Information packet as Docket Number 17.04, Exhibit #3, Page 34 and 35. This is an action item for your consideration.

Mr. Gilman: Move adoption of the recommendation, Mr. Chairman.

Mr. Hyatt: Do we have a second?

Mr. Cahill: Second.

Mr. Hyatt: Any discussion around this? I'll put it to a vote. All in favor?

All Committee Members: Aye.

Mr. Hyatt: Any opposed? Motion carries. Thank you, Ms. Ramirez. Any other business to bring before the Governing Committee? The last think I would say is I hope everyone has a wonderful Thanksgiving, has enough to eat. With that, I would entertain a motion to adjourn.

Mr. Gilman: So moved.

Mr. Harris: Second.

Mr. Hyatt: All those in favor?

All Committee Members: Aye.

Mr. Hyatt: Any opposed? Thank you.

(Meeting ended at 11:50 p.m.)

NATALIE HUBLEY
President

Note: This Transcript has not been approved. It will be considered for approval at the next meeting of the Governing Committee.

Boston, Massachusetts
November 29, 2017

The above proceedings have been transcribed in accordance with CAR's guidelines for producing quality transcripts, which provide for the elimination of insignificant material that does not alter the substance of the Committee's discussions, such as sidebar comments, the use of verbal fillers (i.e., uhm's and ah's), and commentary (i.e., "laughter" and "coughing").

ATTACHMENT LISTING

Docket #GC17.02, Exhibit #5	Attendance Listing

GOVERNING COMMITTEE MEETING
SIGN-IN SHEET
WEDNESDAY, NOVEMBER 15, 2017

PLEASE PRINT

Individual's Name	Company / Agency
Mary Ellen Thompson	DOI
[illegible]	Plymouth Rock
Sumner D. Gilman	Economy I. A.
Kenneth Olivieri	J. K. Olivieri Ins
Bill Cahill	Hanover Ins
Chris Jarrard	GEICO
Chris Dupill	EM Freedman INS.
Barbara Law	MHPFRS
PAM BODENSTAB-KRYNICKI	P. L. KRYNICKI INS.
Meredith Woodcock	Liberty Mutual
Tom Harris	Quincy Mutual
Ben Hricks	Torres, Scamma, Hricks + Day
Steve Torres	"
Natalie Hubley	CAR
Jim Hyatt	Arbella
Thom DelPaulo	Meridian Ins

GOVERNING COMMITTEE MEETING
SIGN-IN SHEET
WEDNESDAY, NOVEMBER 15, 2017

Individual's Name	Company / Agency
Brian Lam	Safety
Ken Willis	Plymouth Rock
Geoff Arnold	"
Elizabeth Lewis	"
Peter Chung	Norfolk & Dedham
Leandro Rodrigues	Point
[illegible]	CAR
JOHN METCALFE	CAR
B. Feinberg	AGO
Robin Tiggs	CAR
PETER McCABE	CAR
MARK ALVES	CAR
Richard Dunn	CAR
Marian Adgate	CAR
Wendy Browne	CAR
Tim Galligan	CAR
Lynellen Ramirez	Arbella
ROBERTA Fitzpatrick	Arbella

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