CAR

COMMONWEALTH AUTOMOBILE REINSURERS

101 Arch Street, Suite 400 Boston, Massachusetts 02110

www.commauto.com 617-338-4000

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, SEPTEMBER 19, 2018 AT 10:30 A.M.

Committee Members present –

Mr. James S. Hyatt – Chair
Arbella Insurance Group

Ms. Pamela L. Bodenstab-Krynicki	P L Krynicki Insurance Agency, Inc.
Ms. Elizabeth B. Brodeur	Safety Insurance Company
Mr. Thomas C. DePaulo	Cabot Risk Strategies, LLC
Mr. Christopher D. Dupill	EM Freedman Insurance Agency, Inc.
Mr. Thomas A. Harris	Quincy Mutual Group
Mr. John V. Kelly	MAPFRE U.S.A. Corporation
Mr. M. John Olivieri, Jr.	J.K. Olivieri Insurance Agency, Inc.
Mr. Barry Tagen(1)	Pilgrim Insurance Company
Ms. Kellie A. Thibodeau	The Hanover Insurance Company
Ms. Meredith M. Woodcock	Liberty Mutual Group

Substituted for:
(1)Ms. Paula W. Gold — Plymouth Rock Assurance Corporation

Not in Attendance:
N/A

PROCEEDINGS

(Meeting began at 10:30 a.m.)

Mr. Hyatt: Good morning everybody. Welcome to the September 19, 2018 Governing Committee meeting. We have a couple of substitutions today. We have Barry Tagen here for Paula Gold. Tom McCall will be representing the Division of Insurance. Also, just quickly, on the people front, just a couple of notes here. We have some membership changes. Outgoing members, Sumner Gilman, after 35 years, has taken a step back from the Governing Committee. We will thank him properly at a luncheon later this fall. Chris Jarrard is also stepping back from his position here on the Governing Committee. We'd like to welcome Elizabeth Brodeur to the Committee, from Safety Insurance. Our re-appointed members are John Olivieri and Tom Harris.

GC
18.01 Transcript of Previous Meeting

Mr. Hyatt: First agenda item is the transcript from the previous meeting. That has been distributed. I would entertain a motion to accept that.

Mr. Harris: So moved.

Mr. Hyatt: Do we have a second?

Mr. Olivieri: Second.

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

All Committee Members: Aye.

Mr. Hyatt: Any opposed? Motion carries.

GC
18.04 President's Report

Mr. Hyatt: I'll turn it over to Natalie for the President's Report.

Ms. Hubley: I will begin with a couple of housekeeping items. We have set a schedule for next year's Governing Committee meetings. Those are February 13th, April 17th, June 19th, September 18th and November 20th. All of those meetings will begin at 10:30 with the exception of the November meeting. The Annual Meeting will begin at 10:30 and the Governing Committee meeting will begin immediately following at 11:00.

We do have one new entrant to the private passenger marketplace. The Midvale Indemnity Company has had their rates placed on file effective November 13th of this year. CAR staff is in the process of working with that carrier to comply with the requirements of becoming an Assigned Risk Carrier. We expect, at your next meeting, that we'll be asking for a motion to appoint them as an ARC.

A number of items that this Committee adopted and recommended for approval by the Commissioner have been acted upon. I think most are probably aware the Principal Place of Business Certification Form was placed on file and is being required of all risks effective September 1st. The Private Passenger Type Non-Fleet Risk Certification Form and the Operator Exclusion Endorsement was placed on file and will also be required to be used effective September 1st.

Amendments to Rule 6 to require specified car coverage only were deemed approved on July 24th and the Manual rules were placed on file on July 26th. Rule 14 – Producer Requirements and Certification Forms were also deemed approved on July 24th. Additional discussions are continuing regarding market need relating to producer requirements.

Finally, the Committee approved the formation of the Ineligible Risk Database and CAR staff does anticipate implementing that process in October.

Then, I would move into my report on the status of the commercial residual market and ongoing efforts and improving results in that regard. You will hear a report of the Loss Reserving Committee from Tim Galligan today. All Committee members are likely aware that with the results reported this quarter, there was a substantial increase to the deficit projections for the most recent three years, as well as some of the prior years. There are a number of issues going on there, a number of issues that the Loss Reserving Committee is looking at. One, obviously, very large issue has to do with the large losses that are incurred relating to several bus policies. There are other issues though that also impact that. The Committee is trying to understand how the development of those large losses might affect indications where we haven't had such significant activity in previous years. They're also looking at some adjusted reserves by all carriers that showed up in the numbers for older year this quarter. So, CAR staff is working with the Chairman to find out what kind of data we can provide the Committee so that they have all the information they need and any analyses they might need in order to do the best they can to ensure that their projections aren't as volatile as maybe we've seen in the recent past.

I would note to the Committee that I have had a number of Member Companies call, ask questions about these deficit projections. I've also had some Governing Committee members ask questions about some of those large losses and CAR's process for reviewing those large losses and their impact on the deficit. I have had questions about two large losses in particular and consideration of whether those are properly ceded to CAR. With that comment, I'm going to leave that for CAR Counsel to include in their report and wouldn't expect to discuss that much further from my report.

In addition, the Commercial Market Standards Subcommittee is continuing their efforts. They're scheduled to meet later this month. They will continue to look at such issues as the radius of operation, the producer requirements and you'll hear a report from the Commercial Auto Committee with respect to what they're working on.

Finally, we do have a rate filing that was made on August 2nd. We did propose a 9.6 percent rate increase, a number of varying impacts to different classifications. That is under review. We have had a number of questions from the Division of Insurance that we responded to last week. We hope that there will be some action taken on that in the upcoming weeks. Absent any questions, that would conclude my report.

Mr. Hyatt: Any questions for Natalie? Thank you.

GC
18.05 Counsel's Report

Mr. Hyatt: I'll turn it over to Counsel for the Counsel's Report.

Mr. Torres: Thank you. There are four items on today's Counsel Report, three of which have been the subject of prior reports. So we'll provide you a status on those.

First, the Calianos Insurance Agency appeal to the Division of Insurance, that's an item that's been fully briefed and argued and is pending at the Division and awaiting a decision from the hearing officer.

The second item is the Point Insurance appeals to the Division. Point Insurance and the matter with Arbella has been the subject of prior reports. The first Point appeal, Point appealed to the Division certain decisions issued by CAR, by the Market Review Committee and the Governing Committee Review Panel. That appeal had been raised by Point at the Division. It's been fully briefed and argued and is awaiting a decision from the hearing officer as to Point's appeal of Arbella's market conduct. We recently received a notice from the hearing officer within the last week that indicated we would get a decision on that matter, which we refer to as the Point I appeal, before the end of the month. So, presumably, by the next Governing Committee, we'll have an update on the Point I appeal or a decision.

With respect to these same parties, Point appealed its termination by Arbella. That termination was upheld by the Market Review Committee and the Governing Committee Review Panel. That appeal, which we refer to as the Point II appeal, is pending before the Division of Insurance at this time. Point had requested a stay of its termination while the appeal was pending which the Division hearing officer granted. Point also requested that the Point II appeal be stayed until there was a decision issued on the Point I appeal. Both CAR and Arbella opposed that request. That matter is before the hearing officer as well. That request for a stay is pending and awaiting a decision from the hearing officer. So that's the Point II appeal.

By letter dated September 11th, last week, Point's counsel submitted an additional request for review seeking a review of certain practices and proposing specific revisions to both Rule 4 and Rule 31 of CAR's commercial auto insurance Manual. We're currently considering that request along with CAR staff and are in the process of addressing this latest request by Point.

The third item is the Governing Committee's Rule 31 amendment. It's also pending at the Division and we still are awaiting a decision or a ruling on that requested amendment.

The last item on the Counsel Report has specific aspects of the cedeability of certain large bus losses referenced in the President's Report may result in litigation. We, as Counsel, recommend that the Committee consider those issues raised in the President's Report in Executive Session after the Committee has had the opportunity to consider the other business that's before it. So, we'd ask that – that would stay the Counsel's Report until the end and then come back to those items for consideration of an Executive Session. With that, that concludes our report.

Mr. Hyatt: Thank you. Any questions for Counsel? Yes, John?

Mr. Kelly: Just for clarification, obviously these are going to be reported at the Loss Reserving Committee. We're going to be talking about the results, large losses. What you just referenced was specific to that policy, so we can speak in general to the results and activities that we may want to talk about regarding large losses in open committee?

Mr. Torres: Yes.

Mr. Kelly: Thank you.

Mr. Hyatt: Any other questions for Counsel?

GC
18.07 Financial Audit Committee

Mr. Hyatt: Seeing none, I will move on to the Financial Audit Committee. Tom Harris will report on the meeting of September 5th of this year.

Mr. Harris: Thank you. Mark has agreed to hop in if he feels I've missed something. The Committee met with PricewaterhouseCoopers on September 5th. The audit partner at PwC is Peter Brennan. The manager is Glen Staples. This is very similar to past years. The only change will be one additional disclosure associated with their audit requirements. But everything else

I'm about to say will be consistent with prior years. This is not an audit. There are two pieces to it: A review of the financial statements that PwC will do and then Agreed Upon Procedures. The Agreed Upon Procedures are intended to give CAR members comfort in the integrity of the CAR processes and procedures. They include such things as reviewing cash, account payable, accounts receivable, equipment and depreciation and accruals for loss reserves, unearned premium, but also post-retirement benefits and other expenses. The cost proposal is plus-3 percent, which brings the cost to $100,000. It is the Committee's recommendation that the Governing Committee approve. Anything you want to add, Mark?

Mr. Hyatt: I would accept a motion.

Mr. Kelly: So moved.

Mr. Olivieri: Second.

Mr. Hyatt: Any discussion? Seeing none, I'd call a vote. All those in favor?

All Committee Members: Aye.

Mr. Hyatt: Any opposed? The motions carries. Thank you, Tom. Anything else? That's it.

GC
18.09 Commercial Automobile Committee

Mr. Hyatt: Next, we'll move on to the Commercial Auto Committee. Thom DePaulo will report on the meeting of September 6th of this year.

Mr. DePaulo: Thank you, Jim. My report, again, will be on the Commercial Auto Committee meeting of September 6th. At that meeting, the Records of the Commercial Auto Committee meeting of June 12th were approved and have been placed on file. I'll primarily be reporting on the ongoing discussion and efforts of the Commercial Auto Residual Market Standards Subcommittee.

The Commercial Auto Committee was apprised of the status of the Commercial Auto Residual Market Standards Subcommittee's ongoing efforts to address various issues and opportunities to ensure that there is consistent handling of residual market business and to improve financial results. Some of the ongoing efforts are that there is a list of topics for consideration and review that they are continuing to speak of. We were also advised that the Subcommittee agreed to continue to review the eligible risk criteria, particularly as it related to the multi-state risks. The Subcommittee has requested that CAR staff provide a summary of the eligibility criteria of other states' plans in order to evaluate whether CAR's definition could be amended to require risks to have operations in Massachusetts.

The Commercial Auto Committee also was advised of the ongoing discussion relating to the standards for validating PPT Non-Fleet risks, particularly with foreign licensed driver eligibility. Some of the discussion around there, the Subcommittee reviewed the New Jersey Plan and discussed CAR's ability to incorporate such criteria into its own Rules of Operation. The Subcommittee also requested that counsel provide comment on potential constraints on CAR's authority to amend the currently eligibility definition and will continue its discussion at its next meeting recognizing that any recommendation must be consistent with the established Registry and private passenger requirements.

The Subcommittee also continued to discuss CAR's certification procedures for new ERP appointments. 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 that the applicant's experience with the commercial risks. Further, 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 those operations and transactions. The Subcommittee also began discussion of whether market needs criteria should be incorporated into the eligibility requirement for new appointments and requested staff to provide further profile information relative to both voluntarily and non-voluntarily contracted producers.

The Subcommittee further discussed the methodology for determining radius of operation and rating territory for non-zoned rated public vehicle risks. The Subcommittee did agree that the origin point for determining radius is best represented by principal garaging, rather than by the registration. The Subcommittee is continuing discussion on the method by which rating territory is determined, especially in the instances where a vehicle is traveling through several territories on its way to its terminus point. The Subcommittee recognized the need to develop a fair and consistent manner in which rating territory should be determined in these scenarios as the current Manual requires that the highest rated territory through which the vehicle operates must be used, and that alternative direction is unclear right now in the existing Rules. Due to the significance of the issue, the Subcommittee recognized that it should be given the highest priority and members agreed to obtain further feedback from their companies' staff relative to establishing potential indicators to better identify the exposure of the risk and appropriate measures to ensure consistency among carriers in determining rating territory.

The Subcommittee also re-evaluated the cedeable coverage limits available in Massachusetts in its commercial residual market. The Subcommittee conducted a review of ceded premium and loss data by limit, considered the limits offered in other states' residual market plans, and reviewed the history of prior CAR committee discussions relative to this issue. Members that were in favor of reducing the cedeable limits cited concerns that CAR's generous coverage options provide an additional incentive for out-of-state risks to come into the Massachusetts residual market. Members that opposed reducing the limits noted that the majority of risks with substantial losses are mandated to carry higher limits due to their financial responsibility laws and opined that the limits in other states are inadequate by today's economic standards. Some Subcommittee members expressed concern that a reduction in the cedeable limits could create significant market disruption. Finally, the Subcommittee agreed to table further review until the success of the reforms recently adopted and currently under review can be evaluated.

The last note that I'm going to raise here – it's a housekeeping action item. The Commercial Auto Committee does have one action item for the Governing Committee today. The Commercial Auto Committee unanimously voted to recommend amendments to Chapter V of CAR's Manual of Administrative Procedures to update the list of forms on file with the Division of Insurance to include the recently adopted forms for Principal Place of Business, Non-Fleet Private Passenger Type Certification, and Operator Exclusion Forms. With that, I move to approve the recommended modifications of Chapter V of the Manual of Administrative Procedures.

Mr. Hyatt: We have a motion. Any seconds?

Mr. Olivieri: Second.

Mr. Hyatt: Any discussion for Thom? Seeing none, I'll call a vote. All those in favor?

All Committee Members: Aye.

Mr. Hyatt: Any opposed? Motion carries. Thank you, Thom.

Mr. Kelly: Mr. Chairman, could I ask a question?

Mr. Hyatt: Sure.

Mr. Kelly: A couple of things. Obviously, a lot of good work here, Thom, that the Committee is looking at. The one on the cedeable coverage limits, we had discussion here that started that conversation, I think, when the Chairman talked about the focus of the Commercial Auto. Initially, I think that was one of the things that was raised. In my memory, in my notes, the discussion I thought more at the Governing Committee was about, well, in Massachusetts the commercial residual market is the largest in the country by far. I think it still is. The analysis was going to first identify why that's happening. We seemed to focus on limits here, the research. Clearly, risks that need certain filings need those higher limits. I don't think I saw that we really answered the question as to why our residual market is so much larger than other states. Did the Committee look at that? Did they look at coverages that we offer versus coverages offered in other residual markets to try to identify why that's occurring?

Mr. DePaulo: They actually did. I know one exercise that was looked at was, was the higher limit offering the attraction, one of the main attractions to bring business into the state. I believe, by looking at those reports, they recognized that – looking at the loss activity – it was not necessarily to those higher limits. It does look like it's the main attraction, but it was recognized that that was not the indication, that those limits weren't bringing in the extra business to the state.

Mr. Kelly: So what is driving the – if it's not the high limits – if I understood you – then what is driving – our residual market is so much bigger than the other states?

Mr. DePaulo: I don't know if they've concluded what's exactly driving us to be the highest state, but what they've knocked out is that our limits aren't – the limits that we offer – John, you can chime in – the limits aren't the driving force of bringing the business to the residual market.

Mr. Olivieri: I don't know if we approached it, really, to say what is driving the market share that we have, to the degree that it is. It was more – it was my understanding the charge was are our benefits too rich. The Committee discussed it and the recommendation was that they weren't. I'm not going to say we did a full analysis of what's driving it. I'm guessing it's probably rate but, again, we can't do anything about that. I guess we could go back and revisit it to get a definitive answer if that's what the Governing Committee's wishes are. I don't want to go so far as to say we really thought we were charged with finding out what is driving it. It was more the questions of why are we still offering certain limits or certain coverages that maybe aren't being offered in other residual markets.

Mr. Kelly: I would suggest that we at least try to look at it from that perspective as to why it is so large. Is it certain coverages? It is certain classes that we're offering coverage for that really, in other states the voluntary markets provide those coverages? I thought that was kind of the intent of the original inquiry was really why are we so much different than the rest of the country out there in the size of the residual market.

Mr. Hyatt: One thing I guess I would add to that discussion, since I think I was part of the genesis of that discussion at a prior meeting, is I agree with the findings of the Subcommittee that the availability of the limits that are offered in Massachusetts may not be the sole driver. I feel that it is part of or one of the drivers to it. I would urge that Committee – I know they've said that they're tabling it for now and want to come back to it, that that's a discussion that needs to continue. I think there's – frequently, in some of the subcommittees that we have at CAR, when change is difficult, disruption is real, so there may be a measured approach that might be out there that could be implemented over time that would potentially bring the limits – as an example, the limits available in Massachusetts similar to what other residual markets have in their country. So, I think it's still a topic worth talking about.

Mr. Kelly: Just one more comment. On the issue of the rating of the public vehicles, the buses, I was on a committee many years ago that was involved with coming up with that procedure. There was a long discussion and evaluation over how we got to that point. It had a lot to do with fraud and trying to validate rating criteria for that classification. So, I'm hoping your Committee is leveraging that work that was done in the past to understand how we got to where we are today before we start to try to change anything that's out there.

Mr. DePaulo: Point taken. We'll bring that back to the Committee. I know there was a review of prior discussions on other points before they kind of dived into it. They wanted to see how or why or what the genesis was. We'll take that into consideration as well.

Mr. Hyatt: Good points. Any other comments or questions? Seeing none, we'll move on to Loss Reserving Committee.

GC
18.10 Loss Reserving Committee

Mr. Hyatt: Tim Galligan will report on the meeting of September 5th of this year.

Mr. Galligan: Good morning members of the Committee. Tim Galligan, CAR staff, reporting on the September 5th Loss Reserving Committee meeting.

A summary of the meeting was distributed as Additional Information, Docket #GC18.10, Exhibit #3. That is a four-page exhibit. First, the Committee approved the Records from the June 4th meeting, which are on file with CAR's secretary.

Next, the Committee established reserves using data reported through June 2018. The commercial pool results showed deterioration for policy years 2015 to 2017. For policy year 2015, the deficit was estimated at \$25.4 million with a loss ratio of 91.1 percent, representing an increase of \$7.5 million since the prior quarter. This increase was primarily due to three claims with reserves increasing approximately \$6.2 million during the current quarter. One of those claims was a policy that involved a newly reported bus accident that came in at the 5 million CSL policy limit.

For policy year 2016, the estimated deficit of \$47.0 million includes a loss ratio of 102.3 percent. This is a \$4.2 million increase from the prior quarter. This increase is partially related to significant increases in reserves to six claims that total approximately \$3 million.

The Committee estimated a policy year 2017 commercial deficit of \$39.9 million with a loss ratio of 96.8 percent, representing an increase of \$5.3 million from the prior quarter. This increase is partially related to significant increases in reserves for four policies totaling \$2 million.

For 2016 and 2017, the Committee had additional discussion about the AOBI pool in particular given the continued deterioration that they have seen over the past several quarters. They ultimately agreed to raise the ultimate loss selections for these two years as they were on the lower end of the loss reserving methodologies. They have a number of methodologies that they look at each quarter. The individual Committee members also do their own independent analysis. But as far as the recommendations that came into that meeting for AOBI, they were on the lower end of those projections. Given what the Committee has been seeing over the past few quarters where the number is creeping up, they decided to take steps to use a different methodology that put the final selection for this quarter pretty much in the mid-point of the original recommendation and the highest projection of all the methodologies that the Committee looks at.

For policy year 2018, the Committee discussed a significant claim that came in relating to a bus accident occurring in Canada that was newly reported as the $5 million policy limit. The Committee had additional discussion revolving on the PIP coverage, the potential for growth on this policy that related to Canadian law that allows for up to $1 million per passenger. The 2018 policy year deficit will be projected for the first time at the next Committee meeting. To date, all known large losses have been reported to CAR and included in the Loss Reserving data.

Just a few words about the initial process that we do. I think I've mentioned this at past meetings here, we do review large losses each quarter as part of our data quality review for the Committee. We do look at reserves greater than $300,000 and paid losses greater than $100,000 that come in during the current quarter. We're looking for these large swings. We pick the ones that are generally the largest. We send them over to our Compliance and Audit Department who contacts the company. They get a detailed description of the accident. They review it for initial validity and confirm that everything looks okay as far as allowing us to use it in the loss reserving data. We supply that list to the Committee members for their review. They can also ask questions about it. They can also request their own inquiries of whatever large losses they see on the reports that we give them. So, we do have a discussion about these in our data quality section at the meeting. That's kind of the current process that we're going through.

As far as the large losses coming into the loss reserving data and the reserves in general, when they come into the loss reserving data, there's formulaic projections methods that can vary depending on when these large losses come in, whether they come in earlier in the term or later in the term because there are loss projection factors that could make a projection somewhat higher or not as high or sometimes it goes in the other direction. So, it depends on when they're reported. We've talked about, for the past two quarters that we're currently working on, an alternate loss development data triangle that will remove these large losses from the data, MAIP loss projections, and then add these large losses back in to the data and use that as a reasonability check against what the Committee is doing. It's just an alternate way to look at it.

There are some other issues, I guess, worthy of noting. We have the current four Servicing Carriers and the fifth Servicing Carrier that's still reporting losses. There's variation on how they report their reserves. We are also kind of undertaking a study, internally, to see what those variations are. Some companies can start reserves off at a lower level and build them up. Some companies can come up on a higher level and bring them down. It's kind of a mix that gets into the loss development data that ultimately has variation in the way we make these projections. We have also been seeing later reporting of large losses by the Servicing Carriers, be it a large outstanding loss or sometimes it's a large paid loss that's greater than the reserve that they had in the current quarter. We're seeing more and more of that. Those two items would have a direct impact on the ultimate loss and eventually the deficit. Also, in general, as everybody knows, we've seen an increase in the number of large losses particularly in '15 and '16. I guess that's just a few notes that I wanted to go over. That would conclude my report. I'd be happy to take any questions.

Mr. Hyatt: Thank you, Tim. Any questions for Tim? John?

Mr. Kelly: I have some questions and comments. First of all, I think we, as a Governing Committee, need to really focus on this issue. It's a very significant issue as Natalie indicated. This impacts our voluntary companies' results. The inquiries coming in as to why these results are going up are real issues that we need to address. From Tim's report I think I counted up on the write-up 13 large claims totaling over $11 million in this quarter. That's a significant impact. If you remember, of the last three meetings and the last three reports of Tim we had very similar reports. I added it up. It's somewhere around $35 million of increases over the last three quarters in the ultimate projections. We're seeing very dramatic results here in the commercial pool. At least from the write-up here it seems the large losses are the main cause of this issue. So, I think we need to do more, to be transparent to the membership that's paying these bills about these large losses. CAR staff represented some activities. I think those are good. I'm not sure who should be overseeing that. Should that be the Loss Reserving Committee? Should it be one of the other committees that we establish? I think most companies would comment that they – we do anyway. We have procedures we follow when we have a large loss. Those procedures involve doing research to understand the underwriting of that loss and the claims processing of that loss to make sure everything was appropriate. I think that CAR should follow those same procedures. It sounded like they do a little of that, but I don't think they go far enough in this process. We should have a report for any one of these 13 claims that we talked about to provide not only a summary of what happened but a history of who wrote the policy, what were the coverages, was everything appropriate, was there claims activity on the policies. That report should come to the Governing Committee I think because it has such a significant impact to the results. We should know about that and then we should make sure that the membership knows about those issues since it's impacting their financials so significantly.

Mr. Chairman, I think there's a lot to be done here. I'm just not sure how you would like to go about this. Is it something you think the Loss Reserving Committee should handle? We'd be happy to work on any of the committees to share our audits that we go through for large losses. I'm glad the Loss Reserving Committee is looking at new procedures for reserving. Obviously, if you have a $35 million increase in reserves over the last three quarters, there's something that we should do there to make sure we're doing everything possible to not have that happen on a going-forward basis. I think this is a significant issue. We should really focus on this issue to make sure that we're doing everything possible to understand what's going on in the residual market and communicating that to our membership. Hopefully, this Committee activity is taking steps to solve these problems.

Mr. Hyatt: Thank you, John. We have had some preliminary discussions with staff about this because I think the carriers around the table share your pain. The money is real that is being put back to all the companies in Massachusetts for this. It's a difficult situation. The second thing I would say is that unfortunately you're right. We have had more of this than in the history of CAR. I think that the procedures around the communication of this is kind of a work in progress. It's something that I know Natalie and staff has begun to look at. So, I think that's fair. I think one of the things we need to think about is certainly the transparency at the Governing Committee level for the background underwriting and cedeability of these claims is appropriate. I think one of the things we need to think about is does that need to be done at the Reserving Committee that then gets reported out in the minutes then at least we have that transparency or it could be reported out directly here. I'm kind of leaning a little bit that way, but I'm open to suggestions. Certainly, staff would like to hear suggestions that people may have about how they'd like to see that communicated.

The last thing I would say and it may be more of a question for Tim. You mentioned that – I understand that each carrier has different reserving philosophies and you've got to understand that when you're setting your projections. But you also did say that – or I think you kind of hinted that the timeliness of reporting varies by company also. Is this just general difference in how they communicate or do you feel that there are carriers that are not timely outside of the expectation that we'd have of when reserves should be reported?

Mr. Galligan: It's occurring enough that it warranted our attention. We're starting to turn our focus to ask why is this happening. I guess our next step would be contacting the Servicing Carriers themselves and having a dialogue as to what's going on, on an individual and case-by-case basis. We do get descriptive write-ups of each individual claim. Let's say we have a 2011 paid loss come in over $1 million where there was no reserve up through now and they have a write-up with like a jury trial that went the wrong way or something like that, so it's a question of should they have been putting up a reserve. We're just kind of getting into that look right now because we've seen an increase in activity.

Mr. Hyatt: I know Natalie wants to say something. The one thing I would say is I think staff should be very clear with the carriers about what your expectation is about the timeliness with which things gets reported. I think we all need to be living to a standard and CAR can't do its job if it isn't getting information in a timely fashion.

Ms. Hubley: The timing is tricky because the Loss Reserving Committee meets so close to when the data is reported. I know that they're going to be looking a lot at the reserving patterns and how different carriers may reserve differently and how reserving patterns may be impacting the large losses that we haven't seen in the past. A lot of what I'm hearing about the comments about some of these large losses, what is striking me is a lot of what I'm hearing is very consistent with what is outlined in the Claims Performance Standards. We might also want to take a look at this and refer some of these larger losses to that Claims Committee and have them take a look at how they're handled with respect to the Performance Standards, are they consistent and whatnot. I think we need to take a lot of this under advisement and maybe talk about a process and bring some of that back.

Mr. Hyatt: One other comment is CAR, specifically on their commercial auto side, and I know on the claims side, is embarking on a more rigorous audit process. I think this needs to also be a part of that if we feel that, from a timeliness perspective, that things are not being handled as would benefit CAR and all the member companies. I think that needs to be a topic. John?

Mr. Kelly: I would suggest we might go in a different direction on this issue. I think that we should develop standards, clear standards as to reporting requirements. The one write-up in the non-reporting of a claim that happened in 2015 policy year, it might have been a '16 accident year, that hadn't been reported until 2018 is a real issue. That's not a philosophy issue. That's a problem. I think that we should have clear standards for the Servicing Carriers. We would live with that. I'm sure the other ones would also. We should make sure that the carriers are adhering to those standards out there. It's not as much as asking them what's going on, what's their standards, but we should have very clear standards out there as to what should be done. If it's not in our claims standards we should really try to address that quickly and establish that.

I also would worry that this is going to happen again next quarter. This has happened three quarters in a row. So, I'm worried that we're here in a quarter's time and we're going to hear about another $10 million. I think we need to look at the large losses that we have very closely today on the books, understand what's going on there. Are they all buses that are traveling to Canada? What is the issue and try to get ahead of it. It may mean that we need to go out and re-underwrite all of our buses. But we need to dig in and understand this issue so that this stops. This is very significant and we need to get on that quickly.

Mr. Hyatt: Barry?

Mr. Tagen: Just to sort of piggyback on John, I think we've got to take a step back. I believe that CAR's data does show that the increase in deficit is the $5 million losses or a large chunk of that anyway. We know that when we took over a book of business starting in 2017 and we had been a Servicing Carrier before, we were sort of taken aback by the number of bus risks here. We actually went back six months in and looked at where were those bus risks a couple of years prior. They weren't in Massachusetts. They were in other states. So the influx – and I don't have the volume from year to year to year, industry-wide, but how many of those zone-rated buses, you know, what volume of those, whether it's premium or policy count or vehicle count or whatever, how that has grown because they're taking advantage of the rates here and the rating methodology, potentially. That's my take, that that's driving a big chunk of that deficit. Obviously, a $5 million loss on a – from a $30 million to a $35 is an enormous percentage. That's what we're seeing. We've seen, looking at our original book and then the book we took over and then again looking at the history of where those risks were written and when they came up to Massachusetts, it's just a tidal wave of these bus risks from Pennsylvania and New York. Again, you have 60 people on a bus that gets into an accident, $5 million goes real quick.

Mr. Hyatt: Thank you, Barry. Any other comments around the table? It's good stuff. I know Natalie is taking furious notes up here as is Thom about some of the takeaways. I think it's a fair point to look at the claims standards and the expectations. I think they're pretty good now. I think we've got to look at them and decide whether they need to be tighter and better. Then certainly that becomes part of – the firmer and clearer they are the easier it is to hold the carriers accountable to those standards in an audit process.

Mr. Kelly: I'm sorry, Mr. Chairman, just one more question. The claim that wasn't reported, the $5 million claim, did we ask the question why it wasn't reported, on the 2015 policy year?

Ms. Hubley: Wendy would, I think, be best to answer that.

Mr. Hyatt: Wendy, can you comment, please?

Ms. Browne: It's our understanding that the Servicing Carrier was uncertain as to the outcome and held off reporting it until there was more certainty that they were going to have to be involved in the claim payments. This is just my opinion only, I think there might have also been possibly some systems constraints that may have played into some of the delay as well.

Mr. Kelly: I understand if that's the comment back to CAR. That's fine. I don't think that's an appropriate response at all from a financial perspective of a carrier. If there's exposure out there, the reserve should have been established originally. I think we need to understand that. If there are more of those out there we need to understand that issue.

Ms. Fitzpatrick: Mr. Chairman, can I make a comment?

Mr. Hyatt: Yes.

Ms. Fitzpatrick: I know you're going into Executive Session on some of these issues. So, I just wanted to first raise a question that the difference between reporting of a large loss versus the setting of a reserve – and that's something we can talk about down the road because that's unclear to me. I know that we're saying that large losses are all included but I don't know if that's separate from reserves. Then, separately, I do have additional information on the reporting of that loss because Arbella was on the risk as was the fifth Servicing Carrier. So, I'm happy to provide background in writing or in a separate session. It's a lengthy discussion. There was a lot of back and forth. There were a lot of moving parts.

Mr. Hyatt: Again, to summarize, I think what we're hearing from the Committee is that there's been an awful lot of large loss activity. I think the Committee needs feedback at future meetings about some of these claims that are out there, what transpired, et cetera. That's only one of the Commercial Auto Committee reports. Anything else for Tim? Thank you, Tim.

GC
18.12 Compliance and Operations Committee

Mr. Hyatt: I'll turn it over now to the Compliance and Operations Committee and Wendy Browne will report on the meeting of September 5th of this year.

Ms. Browne: Good morning. My report is mostly just some activities that are going on with the Compliance and Operations Committee and there will be one action item for your consideration.

The Committee reviewed the results of the Progressive Insurance focus audit. This focus audit retested the data quality of quota share and ratemaking data along with seven specific statistical reporting issues from a prior audit. In general, Progressive's data reporting did improve, including the resolution of four of the seven issues. However, in addition to the three remaining issues, quota share and ratemaking results continued to remain below industry averages. Thus, it was recommended that a second focus audit be conducted in October of 2019 to retest the remaining issues noted in the report. The Compliance and Operations Committee unanimously voted to accept the audit report and directed staff to conduct that second focus audit. Staff also noted that it is continuing to monitor Progressive's motorcycle reporting and will be conducting a separate focus audit for policies effective March through August 2018 to ensure that Progressive has finally corrected this data issue.

The Committee was informed that the new Special Investigations Unit System, known as SIU, has been moved into production in early August, such that the SIU Quarterly Activity Logs can now be uploaded through

CAR's website. Staff will continue to provide assistance to aid companies in transitioning to the new system.

The Committee was provided an overview of the discussion at the Claims Subcommittee regarding the biennial review of the Performance Standards. The Subcommittee is considering the possible recommendation to include the use of medical fee databases and a specific reference to FAIR Health. Both measures were previously deliberated by CAR committees in 2016. At that time, the recommended language approved by the Governing Committee did not include a reference to FAIR Health and the Division ultimately eliminated the language pertaining to medical fee databases before approving the standards.

The Subcommittee is currently still considering these recommendations to be useful because medical fee databases are an effective tool used by some companies to consider "usual and customary charges" to avoid overbilling by medical providers, which can consequently result in the premature exhaustion of PIP benefits to policyholders. Additionally, specific reference permitting the use of these databases may strengthen the industry's defense in litigation by medical providers that challenge these cost containment efforts. Accordingly, in order to reintroduce a similar recommendation to the one that was previously rejected by the Division of Insurance, a historical record researching and documenting the deliberations is necessary to provide answers to the questions posed by the hearing officer in 2016. Therefore, staff has been directed to gather information and develop a survey regarding the use of medical fee databases in the determination of "usual and customary charges." That survey has been distributed and results are due back at CAR on September 24th. Additionally, CAR has contacted FAIR Health regarding the possibility of attending a subcommittee meeting to provide additional information. We will have more detailed information on this topic as the committees continue to meet and we'll report back on that.

Staff next presented a proposal to the Committee to implement a Statistical Data Quality Penalty Program for the Distributional Analysis System. The Premium Reports have been in production for four cycles and the Loss Reports for two cycles. While the system has identified numerous data quality and reporting issues, some companies have consistently failed to respond to over-tolerance conditions or have acknowledged reporting errors without making any system adjustments to correct those issues. To incent better compliance and improve reporting, a two-part penalty program has been suggested. If a company fails to provide a response for at least 75 percent of its out-of-balance conditions, then a \$150 penalty will be assessed with a second \$150 penalty to follow. This program runs on a 6-month cycle so this would perpetuate. If a reporting problem is identified, the company will be allocated one year to correct that problem or a \$3,000 per accounting shipment/calendar month penalty will be assessed until the issue is resolved. The more significant penalties are associated with identified reporting problems to encourage correction efforts. The Committee unanimously voted to recommend approval of the proposed penalty program. Proposed updates to the Stat Plan will be provided for review and approval at an upcoming meeting and that would then be presented to the Governing Committee at its next meeting.

Finally, because the volume of open ceded claims is low enough, the Committee unanimously voted to recommend to the Governing Committee a final close-out of policy effective year 2007 for financial purposes as of third quarter 2018 and for reporting purposes as of the January 2019 submission. This is an action item for your consideration.

Mr. Hyatt: Thank you, Wendy. I'd entertain a motion to accept that recommendation.

Mr. Harris: So moved.

Mr. Hyatt: Second?

Mr. Kelly: Second.

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

All Committee Members: Aye.

Mr. Hyatt: Any opposed? That motion carries.

Ms. Browne: Unless there are any other questions that concludes my report.

Mr. Kelly: I did have a question. The company audit, it seems like we've been hearing about that for a while. I think the reporting problem was identified in 2017?

Ms. Browne: You're talking about Progressive?

Mr. Kelly: Yes.

Ms. Browne: You've been hearing about Progressive for a number of meetings. They were assessed significant penalties due to their motorcycle problem, which we anticipate is finally corrected. The newest round of audits are based on the 2016…

Mr. Alves: 2016 Hybrid Audit.

Ms. Browne: Hybrid Audit. From that report we did a focus audit. They corrected some of the issues but not all of them. So, the second focus audit is intended to identify that they've corrected everything. If they fail to correct anything with that second audit then we will commence assessing penalties at that point.

Mr. Kelly: It just seems to me it's been going on for a while. I don't know why it's so hard to fix these problems on their part. I would be supportive of being more aggressive.

Ms. Browne: They are different issues this time than the motorcycle problem. So, they still need to be given adequate time to correct those problems.

Mr. Kelly: It didn't come up in 2016?

Ms. Browne: Right. They were identified in the 2016 audit.

Mr. Alves: There's an audit process that takes place based on an audit cycle. They were up for exam in 2016 as part of the standard Hybrid Audit process. They went through that. Issues were identified in rate making and quota share as well as other statistical reporting problems that were not consistent with the Stat Plan. From there, that reports gets to the Compliance and Operations Committee in accordance with our procedures manual. That included a recommendation for the focus audit that Wendy is discussing now. That audit provided some time to improve their data within the identified problems. The report was provided with some improvement, measurable improvement within the quota share and rate making and the seven specific issues that were prioritized and identified in that focus audit report recommendation. Three of them remain. So, there is continued improvement that is noticeable and quantitative.

Mr. Kelly: I just hear when we talk about rate making, those impact things. So they should be – I mean, everyone else does that appropriately. I don't know why they can't. We shouldn't take the stance of just allowing this to go on for a long period of time. So, I'll pay attention next time, again. But, hopefully, like our Loss Reserving Committee, we're not going to have bad news again next quarter from them trying to fix their problem. I would encourage CAR staff to take a strong position especially on data that impacts the industry and the companies out there.

Mr. Hyatt: Any other questions or comments for Wendy? Thank you, Wendy.

GC
18.13 Actuarial Committee

Mr. Hyatt: We'll move on. Tim Galligan is going to report on the meeting of September 11, 2018 of the Actuarial Committee.

Mr. Galligan: Good morning. The Actuarial Committee met to continue discussions relative to the April 1, 2019 Quota Share Credit Offer. At this meeting, they were focusing on alternative approaches to allow for gradual changes to credits to minimize market impact while allowing a transition towards the indicated credit need. That includes adding credits if they were indicated to be added. Just a reminder that the credit factors themselves have been frozen since the 4/1/15 credit offer.

To begin the meeting, staff reviewed exhibits to facilitate discussion, including the current Rule 29 methodology and the indexed range proposal that was recommended and didn't make it through this Committee last year. Additionally, Allstate submitted a proposal that is based on the existing credit formula in Rule 29, however, altered to transition to a period of four or five years those credit factors indicated to be eliminated. The five-year model resulted in a .3 percent increase to credit eligible exposures and a 15.3 percent decrease to potential credit premium for the first year of that five-year period.

Additionally, Plymouth Rock submitted a proposal that included relative ranges and also incorporated fractional credit factor movements for increases and decreases and also added a lower starting threshold for the credits. For the first year of Plymouth Rock's proposal this results in a roughly 73 percent increase to credit eligible exposures, and an 8.7 increase to potential credit premium for the first year.

Regarding the Allstate proposal, some members expressed concerned that the 5 percent threshold for obtaining a credit, which is the threshold that is in the current Rule 29 formula, the group ranges start at 5 percent to get a credit at 1 and if it's below that they wouldn't get a credit. Some members felt that this threshold may be too restrictive given the current overall residual market size of approximately 1.3 percent. Others noted concern that credits would still be eliminated albeit over a five-year time period. Generally, these members favored a freeze to the credit factors or expressed some interest in the indexed range proposal. Members favoring the Allstate proposal suggested that the multi-year gradual transition in cells indicated to eliminate credit eligibility would satisfy those that feel there are too many credits in the system while allowing for the opportunity to test the assumptions that the residual market size will not grow materially given the viable competitive market that exists today. Though there would be a reduction to credit factors and therefore MAIP credit premium, there is no immediate elimination of MAIP credit eligible exposures. The DOI territories of concern that this Committee has heard talked about in the past would still receive significant credits.

It's notable that there was conversation involving the indexed approach. That was discussed by a few of the members showing interest in that. But there was some apprehension that it would not likely be supported by this Committee given that it had come up here last year and it did not make it through for a variety of concerns that were raised.

Moving on, some felt that the Allstate model would not restore credits fast enough if the residual market size increased in a cell that was scheduled for elimination. To address this concern, the Committee discussed quarterly monitoring of the results to enable the Committee to take appropriate action in the event of any residual market share swings.

After additional discussion, the Committee approved a recommendation for the Allstate proposal using the five-year transition to eliminate a credit that is formulaically indicated to go to zero with a quarterly review of results to be performed by the Actuarial Committee. The Committee agreed to meet again on November 1, 2018 to review and approve related rule language with that proposal and to update the proposal with data through August 2018, which is something that we've done with past credit proposals. The final proposal, including Rule amendments, will be presented to the Governing Committee in November. Any questions on the first part of my report?

Moving on, there was an agenda item regarding the potential impact of Registry system changes on quota share credits. The Committee was given a status on data quality issues related to the migration to the ATLAS system by the RMV, which occurred in late-March 2018. Since the last update, the RMV had solicited feedback from insurance companies and implemented changes to its systems. The companies have also been updating their systems to correspond with the Registry changes. CAR has been reviewing the correction efforts on a company-by-company basis as these companies have been impacted in different ways depending on their usage of Registry data. Many companies have resolved their issues and CAR expects better data to be reported in the July 2018 accounting shipment, which includes correction activity going back to the beginning of this problem. CAR will continue to review the data and move away from something that we've been doing since March, which was a universal Rule 29 credit edit adjustment. For the companies that have resolved their problems, we're going to go back to allowing them have the Rule 29 credit edit that comes through during the normal process. For those companies that we know are still in the process of fixing their issues along with the Registry we would probably continue to make those adjustments until their correction plans are finalized. Finally, staff will continue to monitor this corrective action and report on the status at the next Actuarial Committee meeting in November.

Mr. Hyatt: Thank you, Tim. Any questions for Tim? Seeing none, thank you, Tim. We'll move on.

Mr. Jarrard: Excuse me. Mr. Chairman, may I comment?

Mr. Hyatt: Chris, go ahead.

Mr. Jarrard: Good morning and thank you. I wanted to talk a little bit about the first item that Tim discussed. I read the minutes.

At the Actuarial Committee meeting dated June 13, 2018, the Committee questioned whether a change to credit factors would be approved by the Division of Insurance, the DOI. The Actuarial Committee discussed prior year decisions issued on this topic and noted that the DOI cautioned CAR not to consider changes to credit eligibility absent a compelling reversal in the size of the residual market. The AIP market continues to decline in size and now represents about 1.3 percent of the auto market. We all know the purpose of credits is to reduce the size of the AIP. Given that we are not seeing a compelling change in the size of the market and it is shrinking, albeit slowly, what is the specific problem that the Committee is trying to solve? Is the focus on reducing the size of the AIP or it is on reducing the amount of credits? I understand that there are some credits that are looking to be added and some that are being looked at to be removed. The current structure is working well to depopulate the AIP and obviously that's a good thing. The Actuarial Committee pursued the questions that they were charged with by the

Governing Committee. Clearly, there was a tremendous amount of ideas, creativity and data developed to generate several options for the Board to consider. I know that's not being discussed today but at the November meeting. There is narrative and data regarding the credit volume but I do not recall seeing the impact on the consumer as a whole. There is substantial volume of information about the credits changing, but is that the right focus for the Governing Committee. Instead, should the focus be on the size of the AIP and how to further reduce it? Is there data that will demonstrate the long-term impact of these credit changes if enacted? What will these changes take the market size to in 5 and 10 years? The agenda for the September meeting outlined several approaches that if implemented could cause unforeseen outcomes.

So, I have questions that I would recommend that the Board know the answers to or ask the Actuarial Committee to provide before moving forward. Those are what are the pros and cons to the Massachusetts consumer as a whole if any of these changes are enacted? What could go wrong? Second, should the Actuarial Committee demonstrate what the 1, 5 and 10-year view on this change would impact? So, how would that impact the consumer? As I mentioned, the market size of the AIP continues to decline. What will the AIP policy count be in 2024 to 2029 based on these changes versus if nothing changed? Finally, what is the impact to the carriers that write business in Massachusetts? While not a voting member of the Committee, I remain concerned that we do not know the downstream impact of the potential changes to credits. It is also not clear to me how the consumer benefits from this. Do we run the risk of negatively impacting the size of the AIP? In general, the goal of depopulating the AIP is progressing.

Having served on the Committee, I am confident that you will handle this appropriately. I know that there are a lot of other things that you're working on. I think there's a lot work that's being done to help fight what's going on on the commercial side. I know we just heard about the large losses. But this one, I'm not seeing the changes – I'm not saying that it's a big problem today compared to some of the other things that we're working on. I would say that the focus – my recommendation would be the focus should be on the reducing the size of the AIP rather than the credit size.

Mr. Hyatt: Thank you, Chris. Any other comments?

GC
18.14 Commercial Program Oversight Committee

Mr. Hyatt: Seeing none, we'll move on and ask John Metcalfe to report on the August 7, 2018 meeting of the Commercial Program Oversight Committee.

Mr. Metcalfe: Good morning. The Committee held its initial meeting on August 7th. The Commercial Program Oversight Committee is charged with the oversight and direction of the Commercial Servicing Carrier Programs and will be responsible for recommending program requirements to be included in the request for proposals, serving as the selection committee for Servicing Carrier appointments, reviewing Servicing Carrier annual reports and audit results, reviewing 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 and importance of addressing the underwriting challenges currently encountered by Servicing Carriers. 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 comments on its performance over the past year pursuant to the requirements of the RFP and CAR Rules, including both the company's successes and challenges in addressing current market concerns.

The Committee discussed an approach for reviewing these reports going forward and noted that based on a review of the information provided by the Servicing Carriers in their 2017 Annual Reports, depopulation by each company was address in a variety of ways. The Committee agreed that it may be beneficial to initially start with a broad review of selected topics in order to identify best practices relating to functions such as underwriting renewal business, agency management and interdisciplinary communications that could then be developed into standard Servicing Carrier efforts and procedures. It was noted that at the request of the Governing Committee, CAR is in the process of performing focus audits on all Servicing Carriers, sampling policies in an effort to validate eligibility, classification and rating of risks placed in the commercial market. Audit findings may be used to identify additional areas where consistency between Servicing Carriers would 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. The Committee will look to further define the scope of its oversight of the programs at its next meeting which is planned for late October. Finally, the Records of the August 7th meeting are on file. That concludes my report. Do you have any questions?

Mr. Hyatt: Any questions for John? Seeing none, we will move on.

GC
18.15 Budget Committee

Mr. Hyatt: The next item is the Budget Committee. I will report on the actions of the Budget Committee from the September 6, 2018 meeting.

At that meeting, President Natalie Hubley presented the Fiscal Year 2019 Budget and Business Plan, noting management's proposal for a next operating budget of a little over $9.4 million. The proposed budget reflects an increase of about $240,000 over the Fiscal Year 2018 approved budget due to some employee related costs. The salary account increase is due to the impact of the Fiscal Year '18 merit increase for an additional quarter during 2019, as well as a budgeted merit increase effective January 1, 2019. In addition, the proposed budget fills an authorization left unfunded in Fiscal Year '18 to staff the Compliance and Audit Department with strengthened commercial underwriting expertise, which was a recommendation from the Governing Committee earlier. The Committee discussed the position to be filled and concluded that additional funding is required to adequately fill the position sooner rather than later. 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 this coming February.

The Committee discussed an allocation of $50,000 in service contract accounts to fund a second actuarial engagement to review the methodology underlying its commercial rate filings. Following the discussion of the Committee, 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 the discussion, the Committee unanimously voted to recommend to the Governing Committee approval of a Fiscal Year '19 administrative expense budget amendment pursuant to the Budget Committee decision.

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

That is an action item for us to accept that budget.

Mr. Olivieri: So moved.

Mr. Harris: Second.

Mr. Hyatt: Is there any discussion on that? All those in favor?

All Committee Members: Aye.

Mr. Hyatt: Any opposed. Good. The motion carries.

Earlier this morning, we had heard that it might make sense for us to move into Executive Session. In order to go into Executive Session we need to go to a roll call vote.

Mr. Torres: We would need a roll call vote. Under CAR Rules we would need two-thirds of the body to vote in favor of an Executive Session. I think the process would be the members of the Committee would just state your

	name and indicate on the Record whether or not you're voting in favor or not of proceeding into Executive Session.
Mr. Hyatt:	Do we need a motion or do we just proceed with a vote?
Mr. Torres:	I think a motion would be appropriate.
Mr. Hyatt:	I'd entertain a motion to move to executive committee.
Mr. Harris:	So moved.
Mr. Olivieri:	Second.
Mr. Hyatt:	Any discussion? How would you like to proceed with the roll call vote?
Mr. Hincks:	Start with Tom.
Mr. Harris:	Tom Harris, I approve.
Ms. Woodcock:	Meredith Woodcock, I approve.
Ms. Bodenstab-Krynicki:	Pamela Bodenstab-Krynicki, I approve.
Mr. Kelly:	John Kelly, I approve.
Mr. Dupill:	Chris Dupill, I approve.
Ms. Brodeur:	Liz Brodeur, I approve.
Ms. Thibodeau:	Kellie Thibodeau, I approve.
Mr. Olivieri:	John Olivieri, I approve.
Mr. Tagen:	Barry Tagen, I approve.
Mr. DePaulo:	Thom DePaulo, I approve.
Mr. Hyatt:	Jim Hyatt, I approve. At this point I would excuse non-Governing Committee members and ask any applicable CAR staff to stay in the room. We'll take a five-minute break while the room is cleared.

(Following the roll call vote, the Governing Committee convened in Executive Session)

(Immediately following Executive Session, the Governing Committee reconvened in Open Session)

Mr. Hyatt:	We're back in Open Session. At this point, I would entertain a motion to adjourn.
Mr. Olivieri:	So moved.
Mr. Harris:	Second.

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

All Committee Members: Aye.

Mr. Hyatt: Any opposed? Thank you very much.

(Meeting ended at 12:50 p.m.)

NATALIE A. HUBLEY
President

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

Attachment

Boston, Massachusetts
October 3, 2018

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 #GC18.02, Exhibit #4	Attendance Listing

GOVERNING COMMITTEE MEETING
SIGN-IN SHEET
WEDNESDAY, SEPTEMBER 19, 2018

Individual's Name	Company / Agency
PLEASE PRINT	
Tom McCall	DOI
Barry Tagen	Pilgrim
M. John Olivieri	agent
Kellie Thibodeau	Hanover
Elizabeth B. Brodeur	Safety
Christopher Dupuis	EM Freedman Ins
John Kelly	MAPFRE
PAM BODENSTAB-KRYNICKI	KRYNICKI INS
Meredith Woodcock	Liberty Mutual
Tom Harris	Quincy Mutual
Ben Hincks	TSHED - CAR Counsel
Steve Torres	" "
Natalie Hubley	CAR
Jim Hyatt	Arbella
Thom DePaula	CABOT RISK
Regina Nagle	CAR

GOVERNING COMMITTEE MEETING
SIGN-IN SHEET
WEDNESDAY, SEPTEMBER 19, 2018

Individual's Name **PLEASE PRINT**	Company / Agency
Brian Law	Safety
Pete Barton	Safety
Paul Coleman	Safety
Geoffrey Arnold	Plymouth Rock
Peter Chung	N+D
Robert Fitzpatrick	Arbella
Steve Gautieri	CAR
Michael Dalton	CAR
JOHN METCALFE	CAR
Josh Domica	Geico
Chris Jarrard	GEICO
Tim Costain	CAR
Marian Adcate	CAR
Leandro Rodrigues	Point
Robin Tigges	CAR
PETER MCCABE	CAR
Shannon Chiu	CAR
Tim Galligan	CAR
Mark Alves	CAR
Wendy Browne	CAR
Jason Caliano	MAIA