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PRESIDENT

# COMMONWEALTH AUTOMOBILE REINSURERS

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## TRANSCRIPT OF GOVERNING COMMITTEE MEETING

A meeting of the Governing Committee was held virtually via Zoom video conferencing software, on

**MONDAY, JUNE 14, 2021 AT 10:30 A.M.**

Committee Members present –

Mr. M. John Olivieri, Jr. – Chair  
J.K. Olivieri Insurance Agency, Inc.

Ms. Pamela L. Bodenstab-Krynicky	P L Krynicky Insurance Agency
Mr. Thomas C. DePaulo	Cabot Risk Strategies, LLC
Ms. Gail Eagan	Arbella Insurance Group
Mr. Thomas A. Harris	Quincy Mutual Group
Mr. Robert Jackson <sup>(1)</sup>	GEICO
Ms. Mary McConnell <sup>(2)</sup>	Safety Insurance Company
Mr. Daniel P. Olohan	MAPFRE U.S.A. Corporation
Ms. Kellie A. Thibodeau	The Hanover Insurance Company
Ms. Meredith M. Woodcock	Liberty Mutual Insurance Companies

Substituted for:

<sup>(1)</sup>Mr. Christopher Jarrard

<sup>(2)</sup>Ms. Elizabeth B. Brodeur

Not in Attendance:

Ms. Ida Denard Jones, Denard Insurance Agency, Inc.

**PROCEEDINGS**

*(Meeting began at 10:33 a.m.)*

Mr. Olivieri: The first couple of housekeeping items before I get into the agenda, we do have a couple of substitutions. I will point out – I think it’s obvious at this point that I am chairing the meeting today because Liz had personal issues she needed to tend to. Having said that, Mary McConnell will be sitting in for her, and Robert Jackson will be sitting in for Chris Jarrard. Thank you to both of those individuals.

The other item that I haven’t been great at because I’ve only been chairing subcommittee meetings but, I guess, since it’s a Governing Committee meeting, I will read into the record the meeting protocols as quickly as I can.

This meeting will be hosted and attended remotely via video conferencing software and is being recorded. This is all, obviously, because the Governor’s state of emergency is still in effect as of today, although it’s set to expire tomorrow. We’ll see if any changes – if any changes to come forward, staff at CAR will let all the Governing Committee and subcommittee members know. Non-committee members are asked to turn off their video until they have been called upon to speak. This will help the Chair and committee members and attendees to follow the discussions of the Committee. Throughout the course of the meeting, if you wish to speak, raise your hand by accessing the Participants menu at the bottom of your screen and clicking on the blue hand on the screen for video attendees or hit #9 on your telephone keypad for non-video dial-in attendees. Between myself and Robin, we’ll try to keep track of that. Attendees are requested to mute themselves in order to avoid background noise. The Chair will call on individuals by name who have raised their hand, so please remain silent unless you’ve been called on to speak. When the Chair recognizes you to speak, please unmute yourself, provide your comments, and then re-mute yourself when you’re done speaking. All votes of the Committee will be roll call votes. The results of all votes will be read back on the record by CAR staff.

**GC**  
**21.01 Transcript of Previous Meeting**

Mr. Olivieri: The first agenda item we have is approving the transcript of the prior Governing Committee of April 21<sup>st</sup>. I’ll entertain a motion to do so at this point.

Mr. DePaulo: I make the motion to accept the minutes.

Mr. Olivieri: Thom DePaulo has made the motion. Do we have a second?

Mr. Harris: Tom Harris, second.

Mr. Olivieri: We have a first and second. Do we have any discussion? Seeing no hands go up, I will do a roll call vote at this point. Just yea, nay, yes or no or abstain if, for some reason, you feel you need to. I'm going to go by how we're listed on the agenda which means, Mary, you'll always be first, so yea or nay?

Ms. McConnell: Mary McConnell, yea.

Mr. Olivieri: Pam?

Ms. Bodestab-Krynicky: Yea.

Mr. Olivieri: Thom?

Mr. DePaulo: Yea.

Mr. Olivieri: Gail?

Ms. Eagan: Yea.

Mr. Olivieri: Tom?

Mr. Harris: Yea.

Mr. Olivieri: Robert?

Mr. Jackson: Yea.

Mr. Olivieri: Ida has not check in yet, correct, staff?

Ms. Tigges: That's correct.

Mr. Olivieri: Okay. Dan?

Mr. Olohan: Aye.

Mr. Olivieri: Kellie?

Ms. Thibodeau: Aye.

Mr. Olivieri: Meredith?

Ms. Woodcock: Aye.

Mr. Olivieri: Motion carries unanimously. I know I read this in the protocol, but do we need to read this back, Nat or counsel, or are we good that it's on record? I don't think we need to, right?

Ms. Hubley: Right, the motion carries unanimously.

GC

21.04 President's Report

Mr. Olivieri:

The next agenda item is the President's Report. Natalie, I'll turn it over to you.

Ms. Hubley:

Thank you. I do have several informational items for you today. The first relates to CAR's plans to conduct advisory committee meetings during the summer. CAR counsel has reviewed the CAR enabling statute, the Massachusetts Open Meeting Law, and the applicable CAR Plan and Rules of Operation in regard to the possibility of continuing to conduct CAR advisory committee meetings remotely via the Zoom video conferencing software. Based on that review, CAR counsel has advised us that, notwithstanding the current transition out of the state of emergency, CAR is not legally prohibited from conducting advisory committee meetings remotely. Accordingly, during this time of transition, and as the Massachusetts legislature considers a number of bills addressing remote participation aspects of the statute, CAR advisory committee meetings will be held remotely via Zoom through at least September 1, 2021. That is, CAR will continue to follow the guidance provided in the Governor's Executive Order issued on March 10, 2020, allowing public access through video conferencing and remote participation by all members. Advisory committee meetings will otherwise be conducted in accordance with all other provisions of the Open Meeting Law and the Attorney General's regulations.

This remote participation will not apply to the CAR Governing Committee. The CAR Governing Committee is required, as of Wednesday, to conduct its meetings in person. So, note that absent any further legislative action, the Special Governing Committee meeting that is scheduled for Thursday, August 5<sup>th</sup> at 10:30 will be held in person at the AIB Conference Center on the 7<sup>th</sup> floor of 101 Arch Street in Boston.

Continuing, CAR staff is expecting a draft of its private passenger rate filing this week. We will be receiving the draft from the AIB, which will review the impact of 2020 data pursuant to the Commissioner's direction and filing guidance number 2021-A, and the AIB's proposed analysis pursuant to that filing guidance.

We will similarly be looking at commercial rate filing indications later this summer/early September in which the AIB will have reviewed 2020 data. We will include, in a filing, any issues relating to zone rate components that were identified in the white paper. We will address additional issues such as non-owned coverage and food delivery services.

With respect to the commission filing, the Governing Committee, as you remember, approved the Commercial Auto Committee's recommendation to change the commission rate for the taxi, limo, and car service classes, directing staff to transition that change in the rates at its discretion. Staff did anticipate making a filing that would be revenue-neutral in order to implement this change effective 1/1/2022 coincident with the Servicing Carrier appointments and the combining of the

Commercial Auto Programs. However, in discussion of this filing with the State Rating Bureau, CAR was advised that no filing was required to implement that change in the commission rate and that when we are ready to make our next rate filing, we will incorporate that change to commissions in that filing, which will probably be made early in the fall. Accordingly, staff will be issuing a Commercial Lines Notice this week to advise that the amended commission rate should be implemented for policies effective 1/1/2022. The amended commission rate will be incorporated into the next taxi, limo, and car service rate filing using data reported through 2020.

As far as the Commercial Servicing Carrier RFP, the process is continuing. There was a mandatory pre-response conference held on May 12<sup>th</sup>, which was attended only by the four current Servicing Carriers. As no other potential bidders attended that conference, we expect proposals from only the four Servicing Carriers. Proposals are due to CAR this coming Wednesday.

The next item relates to the status of the Covid-19-related commercial ceded uncollected premium. CAR Bulletin number 1101 was issued in June of 2020 setting forth guidance to Servicing Carriers with regard to monitoring uncollected earned premium and transitioning through the public health emergency in light of the Division of Insurance Bulletin number 2020-05 in which the Commissioner was requesting flexibility in the administration of insurance.

To date, Servicing Carriers have reported to staff that, as a general rule, the uncollected premium is not material. However, one Servicing Carrier has advised of a potential issue with at least one insured that may require a request for extraordinary expense reimbursement. Pursuant to the Bulletin, which advised that the Commercial Program Oversight Committee will establish criteria to define applicable extraordinary expenses and in order to provide guidance to all Servicing Carriers, we will be convening that Committee later this summer, perhaps in early September, so that the Committee would be prepared to provide guidance to the Servicing Carriers.

I have reported on several occasions that Allstate Insurance Group has recently acquired Integon, and was addressing certain membership issues, that is to be considered to be treated as either a single member or separate members under separate management. The group has opted to be treated as a single member and the quota share was updated and reflected this change on May 27<sup>th</sup>.

We have also reported about Farmers' acquisition of Metropolitan. Staff is in the process of reviewing membership issues relating to ownership and management of members in that group. However, the Farmers Insurance Group, which also includes Foremost, who is an active participant in Massachusetts and reflected in quota share, they do have some reporting issues that if the carrier opted to be treated as a single member would have some quota share impact. Wendy is working with

the company to address those reporting issues before we address the membership issues.

Incline Casualty Company is a new entrant to the private passenger market that has recently has its rates placed on file with the Division of Insurance. Staff is working with the company to address their membership responsibilities. We will provide a status report at your next Governing Committee meeting.

Finally, during the summer, we have a number of upcoming advisory committee meetings that will be active. The Commercial Auto Committee will continue to address its ongoing list of issues, the most substantive of which, right now, is addressing how TNC coverage will be provided in the residual market. The Commercial Program Oversight Committee will be meeting to develop a recommendation regarding the Servicing Carrier appointments. The Compliance and Operations Committee will hear audit reports and will review the status of certain software development efforts. The Budget Committee will be meeting in August to consider CAR staff's proposal relating to fiscal year 2022 Budget and Business Plan. The Financial Audit Committee will also be meeting in August to confirm the scope and price for the independent review of CAR's fiscal year 2021 financials. The Loss Reserving Committee will estimate loss reserves and project ultimate deficit as of the June 2020 quarter.

If there are no questions, that would conclude my report.

Mr. Olivieri: I don't see any hands, Robin, do you?

Ms. Tigges: No, John, no hands.

Mr. Olivieri: Okay. Thank you, Nat.

**GC**  
**21.05 Counsel's Report**

Mr. Olivieri: The Counsel's Report is the next agenda. I'm not sure if Steve or Ben is taking that but go ahead, fellows.

Mr. Torres: Thank you. Good morning, everyone. There are three items on today's Counsel's Report and no action items.

The first item is there's nothing new to report on the long pending Calianos Insurance Agency appeal that has been fully briefed and argued and is pending a decision from the hearing officer at the Division.

The second item relates to Point Insurance and the two different Point matters. The first one we've referred to as the Point I Appeal in our prior reports. That's the proceeding in which Point had alleged that certain conduct by Arbella was unfair, unreasonable or improper and had been considered by the Market Review Committee then by the Governing

Committee Review Panel then by the Division of Insurance then by Suffolk Superior Court. That matter is still pending before the Massachusetts Appeals Court. It was fully briefed earlier this year and we await either a Notice of Oral Argument or a decision from a panel of the Appeals Court.

The second Point matter is the Point II Appeal. That's Point's appeal challenging Arbella's termination. That, too, has been fully briefed and is pending. We await a decision from the hearing officer at the Division of Insurance.

Finally, the Governing Committee's Rule 31 amendment is also pending at the Division. We await a decision or ruling on that matter as well.

Unless there are any questions, that concludes today's Counsel's Report.

Mr. Olivieri: I do not see any hands. Robin, am I missing anyone?

Ms. Tigges: No, no hands, John.

Mr. Olivieri: Thanks, Steve.

**GC  
21.10 Commercial Automobile Committee**

Mr. Olivieri: I am actually going to take the next agenda item out of order. Thom DePaulo, I'm not sure what your timeframe is like but just in the interest of being on the safe side, I'm going to have Commercial Auto, agenda item 21.10, deliver their report next.

Mr. DePaulo: Thank you, John. I do have a hard stop. I just wanted to make sure I got my report in. I appreciate you taking the agenda item out of order.

Good morning, everybody. I'm going to report on the Commercial Auto Committee meetings of April 28<sup>th</sup> and May 25<sup>th</sup>. There'll be about five different topics I'm going to report on. The summary is going to be organized by topic rather than by meeting. I think it'll be more helpful. I'll have a couple of action items for us today.

The first item is the commercial residual market issues that we've been dealing with. Staff is in the process of updating the Ineligible Risk Database to add two new reason codes that would provide additional timely information to the Servicing Carriers, including a code to indicate that there is uncollected premium and also a code to reflect the failure of a risk to provide the required documentation.

With regard to the Transport Network Services Coverage (TNC), the Committee met to continue its discussion on coverage for TNC activities in the residual market. At our last meeting on May 25<sup>th</sup>, the Committee agreed that there needs to be an avenue for TNC in the residual market. I polled the Committee because I was getting mixed feelings. I wasn't sure

what the general consensus was. The Committee did come to an agreement that TNC does, in fact, belong in the residual market. There was also general agreement that the vehicles used for TNC should be classified as public vehicles and that TNC would be excluded for all other classifications. Additionally, the Committee had previously determined that the vehicle-sharing program should be excluded from the residual market and that any liability coverage provided to a ceded policy is going to be excess over the coverage provided by the TNC when the auto is engaged in those TNC activities.

The Committee had difficulty determining an approach for addressing TNC on policies that contain both public and non-public classified automobiles. Because endorsements generally do not apply to a specific classification but are policy-wide, CAR counsel had expressed some concerns with the concept of a classification specific endorsement. Consequently, the Committee discussed various endorsement options, including the development of a vehicle specific exclusion, a buy-back endorsement, and a disclosure notice. It was determined that staff would continue to research the various alternatives, including a review of approaches currently in use in the voluntary personal lines market. There will be more to come on that at our next meeting.

The next item, which will be an action item, is the impacts to program requirements under a combined Commercial Servicing Carrier Program. The Committee was advised that the Manual of Administrative Procedures (MAP) has been updated to reflect the combining of the Taxi, Limousine and Car Service and Commercial Servicing Carrier Programs into a single program to service all classes of commercial automobile residual market business. The modifications to the MAP include updates relative to procedural aspects of the two programs to ensure that there's consistency among all classifications, as well as many editorial amendments throughout the MAP to eliminate references to separate programs.

More specifically, modifications were made to Chapters I, II, III, VI and IX with more substantial changes to Chapter III, including: 1.) The billing plan requirements of the Commercial Servicing Carrier Program would apply to the combined program, 2.) The taxi application will continue to be used for taxi, limo, and car service business, and 3.) The Request for Proposal requirement to offer loss control services is for all commercial classes and is not specific to just the taxi, limo, and car service risks. The current vehicle inspection requirement for taxi, limo, and car service risks is useful and will continued to be maintained.

On a roll call vote, the Committee unanimously voted to recommend to the Governing Committee today the proposed modifications to the Manual of Administrative Procedures as presented. These pages can be found on the Governing Committee notice under docket #GC21.10, Exhibit #4, Pages 5 through 28, basically the last part of the notice. This is an action item for your consideration.

Mr. Olivieri:

Do we have anyone willing to make a motion on this item?



Mr. Harris: Tom Harris, so moved.

Mr. Olivieri: Thanks, Tom. Tom made a motion. Do we have a second?

Ms. Thibodeau: Kellie Thibodeau, second.

Mr. Olivieri: Thank you, Kellie. We have a first and a second. Do we have any further discussion? I don't see any hands going up. I didn't miss anyone, right, Robin?

Ms. Tigges: No, you did not, John.

Mr. Olivieri: Okay, roll call vote, yea or nay. Mary?

Ms. McConnell: Yea.

Mr. Olivieri: Pam?

Ms. Bodenstab-Krynicky: Yea.

Mr. Olivieri: Thom?

Mr. DePaulo: Aye.

Mr. Olivieri: Gail?

Ms. Eagan: Aye.

Mr. Olivieri: Tom Harris?

Mr. Harris: Aye.

Mr. Olivieri: Robert?

Mr. Jackson: Yea.

Mr. Olivieri: Dan?

Mr. Olohan: Aye.

Mr. Olivieri: Kellie?

Ms. Thibodeau: Aye.

Mr. Olivieri: Meredith?

Ms. Woodcock: Aye.

Mr. Olivieri: Motion passes unanimously. Thank you very much, everyone. Thom, I believe you still have more, correct?

Mr. DePaulo: I do. The next topic is the annual evaluation of market need for ERP appointments. This will be an action item as well.

In accordance with Rule 14 – Exclusive Representative Producer Requirements, an applicant for an ERP appointment to a Servicing Carrier must meet the conditions for addressing market need as determined by criteria established by CAR’s Governing Committee. The approved criteria include a provision that an annual assessment be made to determine if a market need exists for appointments. The Committee observed that the current data reflects results similar to that of the prior year and concluded that there exists ample access to the residual market through qualified producers throughout the Commonwealth of Massachusetts with experience servicing complex commercial risks.

On a roll call vote, the Committee unanimously voted to recommend to the Governing Committee that a market need does not exist for the appointment of new non-voluntary contracted ERPs at this time. This is an action item for your consideration.

Mr. Olivieri: I would entertain a motion, if anyone is willing, to Thom’s action item in regard to no ERP appointments at this juncture.

Ms. Woodcock: Meredith Woodcock, so moved.

Mr. Olivieri: Meredith has made the motion. Do we have a second?

Ms. Thibodeau: Kellie Thibodeau, second.

Mr. Olivieri: Kellie made the second. Any comments?

Mr. Harris: Just a question. I’m not opposed to this at all, but are there any statistics in here? I don’t think I’ve seen them in the materials to support what you’ve said that no need is required.

Ms. Hubley: The data was actually provided with the Notice of Meeting for the Commercial Auto Committee.

Mr. Harris: Thank you. I’m good.

Mr. Olivieri: Any additional comments or questions?

Ms. Tigges: I see no hands, John.

Mr. Olivieri: Roll call vote, yea or nay. Mary?

Ms. McConnell: Yea.

Mr. Olivieri: Pam?

Ms. Bodenstab-Krynicky: Aye.

Mr. Olivieri: Thom?

Mr. DePaulo: Aye.

Mr. Olivieri: Gail?

Ms. Eagan: Aye.

Mr. Olivieri: Tom Harris?

Mr. Harris: Aye.

Mr. Olivieri: Robert?

Mr. Jackson: Aye.

Mr. Olivieri: Dan?

Mr. Olohan: Aye.

Mr. Olivieri: Kellie?

Ms. Thibodeau: Aye.

Mr. Olivieri: Meredith?

Ms. Woodcock: Aye.

Mr. Olivieri: Motion carries unanimously. Thom, you have some other stuff.

Mr. DePaulo: Just one last reporting item. It's physical damage procedures. The Committee has been asked to consider the development of enhanced guidelines for improving consistency among Servicing Carriers with regards to the use of appraisals in applying stated amount and agreed value options for pricing physical damage coverage.

Each of the four Servicing Services Carriers indicated that for stated amount coverage, an appraisal is not required nor is it requested. The Servicing Carriers also noted that very few policies are written on an agreed amount basis and in those instances an appraisal is consistently obtained from the insured, reviewed internally, and, if needed, the company has its independent appraiser conduct a further evaluation. The Committee agreed that although the use of different vendors may result in some variation in determining agreed value, the Servicing Carriers are consistently requiring appraisals. In light of the limited use of the agreed value option, the Committee determined that no enhanced procedures are needed at this time.

If there are no questions for me, Mr. Chairman, that concludes my report.

Mr. Olivieri: Thank you very much, Thom.

GC

21.08 Actuarial Committee

Mr. Olivieri: The next agenda item, Actuarial Committee, we'll go back to where we should be. I think, Tim, you're giving that report, correct?

Mr. Galligan: Correct. Good morning, everybody, Tim Galligan, CAR staff. I will be reporting on the Actuarial Committee meeting held on May 13<sup>th</sup>. The records from this meeting were distributed and included with the agenda for this meeting. That was Docket #21.08, Exhibit #2.

At the meeting, the Committee unanimously voted to approve the February 3, 2021 records of that meeting. Those records have been distributed and are on file.

The next agenda item was the quota share credits for policies effective April 1, 2022 and later, the annual credit review that the Committee does. The Committee discussed this credit offer in a very similar conversation to prior years noting that the stable size of the residual market, which currently represents less than 1% of the total market. The members felt and noted that the Division of Insurance has cautioned CAR not to consider changes to credit eligibility absent a compelling reversal in the size of the residual market. After minimal discussion, the Committee agreed that a change to credit factors is not warranted at this time. If we went forward with this, this would be the seventh year in a row that we've kept the credits going all the way back to the 2015 level.

The Committee did have a discussion about next year's review. They requested that additional data analysis be performed to identify trends and characteristics that may be overly represented in the residual market, and part of that conversation specifically mentioned merit rating value.

After some additional discussion, the Committee unanimously voted to recommend to the Governing Committee no change to the current credit factors for policies effective April 1, 2022 and subsequent. This recommendation is an action item for you to consider.

Mr. Olivieri: Do we have a motion?

Ms. Woodcock: Meredith Woodcock, so moved.

Mr. Olivieri: Do we have a second?

Mr. DePaulo: I'll second the motion, John.

Mr. Olivieri: Meredith made the motion, Thom seconded it. Any further discussion?

Mr. Harris: Yes. Tom Harris, I'm going to be voting against this. I'm not going to make a big issue about that. To me, I think that the Actuarial Committee and Governing Committee should do our jobs. If we believe that 1% or less market share in the residual market is small enough, we should continue reducing credits. Credits do, therefore, mean a subsidy for

some drivers and a charge for other drivers that I don't believe, at that level, is warranted. The Division, for their own reasons, may reject that in the future, but I believe that we should do our jobs. If we believe that's an adequate and appropriate amount, then we should recommend a reduction of those credits in the future. Again, I don't want to make a big issue of it. I have a strong suspicion where this vote is going to go, but I want to have said that.

Mr. Olivieri: Thanks, Tom. Any other comments, questions? I will take the roll call vote. Mary?

Ms. McConnell: Yea.

Mr. Olivieri: Pam?

Ms. Bodenstab-Krynicky: Aye.

Mr. Olivieri: Thom?

Mr. DePaulo: Aye.

Mr. Olivieri: Gail?

Ms. Eagan: Aye.

Mr. Olivieri: Tom Harris, although I know the way you're going to vote?

Mr. Harris: Nay.

Mr. Olivieri: Robert?

Mr. Jackson: Yea.

Mr. Olivieri: Dan?

Mr. Olohan: Aye.

Mr. Olivieri: Kellie?

Ms. Thibodeau: Aye.

Mr. Olivieri: Meredith?

Ms. Woodcock: Aye.

Mr. Olivieri: Motion carries with one against. Do we need to read that back where it wasn't unanimous, counsel?

Mr. Torres: No, I don't believe so. You already stated it for the record.

Mr. Olivieri: Okay, very good. Tim, anything else?

Mr. Galligan:

Yes. There was a second agenda item, agenda item 21.05, which dealt with the impact to participation ratios from Covid-19 related refunds and premium credits.

The Committee discussed the results of a data call that CAR had sent out that collected summary statistics for premium refunds and credits related to the Covid-19 public health crisis. Committee input was required on whether CAR should calculate our policy year 2020 administrative expense ratios, net or gross of these refunds and credit premiums. Most of the refunds were booked financially as premiums, although a small number of companies had booked these items as expenses. Just for basic consideration, when we calculate the ratios net of premium credits, those carriers offering refunds greater than the average would see a decrease in their participation ratios. Companies that offered refunds lower or no refunds would see an increase in their ratios.

The Committee discussed private passenger first. Results of the survey were briefly given. I'll just note a couple of things. Thirty-one out of the 32 active groups offered refunds with an overall industry average of approximately 4.4%. The impact to the ratios when we modeled it, it went from -4.7% to +4.4%.

In discussion, the Committee felt that the premium credits reflected a temporary one-time adjustment to premium coming from the Covid-19 health crisis and that reducing premium for these refunds would not appropriately reflect a carrier's market share which is used for that participation. Most members therefore agreed that the administrative expense ratios should be determined gross of the premium credits by adding back the refund into the annual statement premium that is used. Additionally, this approach also meant that no adjustment would be necessary for those companies that booked the refunds as expenses or dividends in their Annual Statement.

Following a brief discussion, the Committee voted with 9 members in favor, and one opposed, to recommend that the administrative expense allocation be performed gross of premium credits, expenses or refunds given during 2020. Handling this separately for private passenger and commercial, this is an action item for your consideration.

Mr. Olivieri:

Thanks, Tim. Do we have a motion?

Ms. Woodcock:

Meredith Woodcock, so moved.

Mr. Olivieri:

Do we have a second?

Ms. Thibodeau:

Kellie Thibodeau, I'll second it.

Mr. Olivieri:

Meredith made the motion, Kellie seconded. Do we have any further discussion?

Ms. Tigges:

I see no hands, John.

Mr. Olivieri: Roll call vote. Mary?

Ms. McConnell: Yea.

Mr. Olivieri: Pam?

Ms. Bodenstab-Krynicky: Aye.

Mr. Olivieri: Thom?

Mr. DePaulo: Aye.

Mr. Olivieri: Gail?

Ms. Eagan: Aye.

Mr. Olivieri: Tom Harris?

Mr. Harris: Aye.

Mr. Olivieri: Robert?

Mr. Jackson: Aye.

Mr. Olivieri: Dan?

Mr. Olohan: Aye.

Mr. Olivieri: Kellie?

Ms. Thibodeau: Aye.

Mr. Olivieri: Meredith?

Ms. Woodcock: Aye.

Mr. Olivieri: Motion passes unanimously. I believe that is the end of your report, Tim?

Mr. Galligan: No, we're going to move on to the commercial portion of that discussion.

Mr. Olivieri: My apologies, go ahead.

Mr. Galligan: For commercial, 16 out of the 82 commercial companies, on a group basis, offered a refund. They had an average refund of around 2.9%. The impact on the ratios range from +0.6% to -11.4%. Some of that higher negative number was reflective of some companies' smaller market shares.

The Committee did discuss if they wanted to handle commercial similarly to private passenger. But as discussion went on, they

recognized that commercial carriers had a wide range of tools available to them to address this Covid-19 relief, and they noted such tools as changes in limits, vehicles and credit modifications, that for us to identify and quantify these adjustments, it wouldn't be possible to do that in a lot of the situations. Therefore, to handle the companies on an equitable basis, the Committee recommended that the commercial ratios be calculated net of the premium credits while also adjusting premium for Covid-19 refunds that were reflected as expenses, just to continue the theme of equitability for everyone.

The Committee unanimously voted to recommend to the Governing Committee that these adjustments be handled on a net basis. That would be an action item for your consideration.

Mr. Olivieri: Thanks, Tim. Does anyone care to make a motion?

Ms. Woodcock: Meredith Woodcock, so moved.

Mr. Olivieri: Second, anyone?

Mr. DePaulo: John, I'll second.

Mr. Olivieri: Meredith made the motion, Thom seconded. Any further discussion?

Ms. Tigges: I see no hands, John.

Mr. Olivieri: Roll call vote. Mary?

Ms. McConnell: Yea.

Mr. Olivieri: Pam?

Ms. Bodensstab-Krynicky: Aye.

Mr. Olivieri: Thom?

Mr. DePaulo: Aye.

Mr. Olivieri: Gail?

Ms. Eagan: Aye.

Mr. Olivieri: Tom Harris?

Mr. Harris: Aye.

Mr. Olivieri: Robert?

Mr. Jackson: Aye.

Mr. Olivieri: Dan?



Mr. Olohan: Aye.

Mr. Olivieri: Kellie?

Ms. Thibodeau: Aye.

Mr. Olivieri: Meredith?

Ms. Woodcock: Aye.

Mr. Olivieri: Motion carries unanimously. Thank you. How about now, Tim?

Mr. Galligan: We are done with that meeting, but I might be up next.

Mr. Olivieri: I believe you are.

**GC**

**21.11 Loss Reserving Committee**

Mr. Olivieri: So, we are going to move from the Actuarial report over to the Loss Reserving report, which is the next agenda item, which, to your point, Tim gets to report again.

Mr. Galligan: I will be reporting on the June 2<sup>nd</sup> Loss Reserving Committee meeting. The Summary of this meeting was included in the Additional Information packet. It's Docket #GC21.11, Exhibit #2. The records of the meeting have been distributed and are on file.

First, the Committee discussed ongoing data reporting and data quality concerns. During the current quarter, there were no new large claims over \$1 million added to the report. That's something that we've been tracking for quite some time now. On the existing report, there were two claims that had their reserves changed such that they dropped below \$1 million and were removed from the report. For the latest ten policy years, there are currently 97 claims that are over the \$1 million mark. Detailed information about these claims is included in the Additional Information, Pages 5 through 9.

The Committee also reviewed 6 new claims reported using the large loss notification form. One of these claims in particular was statistically unreported and was initially estimated at \$3 million combined single limit coverage for an accident/policy year 2017 claim. That was discussed and ultimately included in the exhibits by the Committee.

The Committee set commercial loss reserves and ultimate deficits using data through March 2021. They estimated a policy year 2018 deficit of \$35.5 million with a loss ratio of 94.7%. That was an \$800,000 improvement from the prior quarter's deficit of \$36.3 million. Policy year 2019 resulted in a surplus of \$3 million with a loss ratio of 76.7%. That represented a \$2.9 million improvement from the prior quarter. For policy year 2020, there was a surplus of \$30.2 million with a loss ratio of

61.1%, a \$100,000 deterioration from the prior quarter's surplus of \$30.3 million.

For your information, the ultimate loss ratio and deficit projections for all policy years are attached to the Summary. More detailed results for the ultimate losses, open claims, and remaining reserves for both policy year and accident year are also included in the Summary.

I think Nat mentioned, the next meeting of the Committee will be in September and that's using data through June 2021. That concludes my report, if there aren't any questions.

Mr. Olivieri: Any questions for Tim?

Ms. Tigges: I see none, John.

Mr. Olivieri: Okay. Thanks, Tim.

## **GC**

### **21.12 Compliance and Operations Committee**

Mr. Olivieri: The next agenda item is the Compliance and Operations Committee report which, I believe, Wendy will be giving.

Ms. Browne: That's correct. Good morning. I'll be reporting on the actions taken at the Compliance and Operations Committee meeting on June 2<sup>nd</sup>.

The first topic was the Compliance Audit Program. The Committee was provided with an overview of the recent audits of the Commercial Servicing Carrier Program, which is the third set of enhanced procedural audits that consider residual market eligibility, this time relating to trucks, tractors, and trailer risks. The samples consisted of 15 new and renewal policies. The Servicing Carriers were required to provide an electronic or hard copy file of all documentation relevant to the determination of eligibility. Audit procedures were developed using the documentation requirements noted in Bulletins number 1055, 1065, 1066, and 1075.

Draft reports were provided to each Servicing Carrier with an outcome that was limited to either staff agreement in that sufficient documentation existed to support the eligibility determination, or another recommendation or comment was provided. Upon receipt of the report, the Servicing Carrier could comment on the outcomes and provide further clarification and then staff either modified the outcome or included the additional comments in the reports. In those instances where staff determined that an inconsistency or a gap existed, the outcomes included a recommendation or a comment specific to the issue.

A summary of the individual company results is as follows:

Arbella Insurance Company: 15 of the 15 audited policies had an outcome that staff was in agreement that sufficient documentation existed to support the eligibility decision. Two of the 15 policies did include additional recommendations, but these issues did not impact eligibility considerations. The Committee voted unanimously, with two recusals, to accept the audit report without further consideration.

MAPFRE: 12 of the 15 audited policies had outcomes that staff was in agreement that sufficient documentation existed to support the eligibility decision. Five of those 15 policies included additional recommendations, including recommendations to obtain supporting documentation, additional underwriting reviews, and to better document the use of the ineligible risk database. The Committee voted unanimously, with two recusals, to accept the audit report without further consideration.

Pilgrim: All 15 audited policies had an outcome that staff was in agreement that sufficient documentation existed to support the eligibility decision. One policy had an additional recommendation to obtain the Principal Place of Business Certification at the next renewal. The Committee voted unanimously, with one recusal, to accept the audit report without further consideration.

Finally, Safety: All 15 policies had an outcome that staff was in agreement that sufficient documentation existed to support the eligibility decision. Four of the 15 policies had recommendations to obtain the Principal Place of Business Certification at the next renewal. The Committee voted unanimously, with one recusal, to accept the audit report without further consideration.

Before I move on, I'll just ask if anybody has any questions on the audit? Okay, great.

Next is the CAR Accounting System Rewrite. The Committee was informed that CAR staff is continuing to progress on the second phase of the rewrite of the system. The project team is currently finalizing the components of the high-loss reports, which will highlight policies with claims exceeding \$1 million, as well as policies in which the loss amounts exceed the policy limits. The coding of the Reinsurance Audit Reports have been completed and are now in user testing. CAR staff expects that all the CAR accounting and reinsurance audit reports will be available to industry by the end of the summer. Additionally, staff expects to present updates to the Manual of Administrative Procedures to the Committee at its next meeting.

Moving on, updates to the Manual of Administrative Procedures, the Committee reviewed proposed modifications to Chapter VII – Participation, in which obsolete language referencing the Annual Statement has been updated to ensure consistency with the NAIC terminology, as well as the Massachusetts Private Passenger and Commercial Statistical Plans. The Committee unanimously voted to recommend to the Governing Committee approval of the updates to

Chapter VII – Participation, of the Manual of Administrative Procedures. These updates can be found in the Additional Information notice, Docket #GC21.12, Exhibit #10, Pages 6 to 10, which is about halfway through that packet. That is an action item for your consideration.

Mr. Harris: It's my view that we can do one vote for all updates to the Manual of Administrative Procedures.

Ms. Browne: That's fine. Would you like me to move on? Alright. Next, there was a large number of changes to the Manual of Administrative Procedures dealing with the impacts from the reporting requirements under a combined Commercial Servicing Carrier Program. The Committee reviewed proposed modifications to Chapter IV – Cession Rules and Procedures, and Chapter V – Premium, of the Manual of Administrative Procedures related to reporting issues resulting from the combining of the Commercial Servicing Carrier and Taxi/Limo/Car Service Programs.

The modifications included: The 100% cede option has been updated to indicate that the automatic backdate of cessions for taxi, limo, and car service policies is provided for policies prior to January 1, 2022. Beginning with policies effective January 1, 2022 and subsequent, the automatic backdating of cessions is for all commercial new business policies as long as the Servicing Carrier has elected to cede 100% of the ERP's new business policies.

The Risk Indicator Values have been updated to indicate that Values 1 and 2 are valid for policies effective December 31, 2021 and prior, and Risk Indicator Value 2 is valid for policies effective January 1, 2022 and subsequent. The associated fatal edit has been updated similarly except that Value 1 will be converted to Value 2 if the policy effective date is January 1, 2022 and subsequent.

The Cession/No Premium Write-Off procedure has been updated to indicate that beginning with policies effective January 1, 2022 and subsequent, only one Cession/No Premium Write-Off and that will be calculated.

Finally, the dates and all of the examples have been updated to reflect more current years.

The Committee unanimously voted to recommend to the Governing Committee approval of the updates to Chapters IV and V of the MAP. These updates can be found in the Additional Information notice, Docket #GC21.12, Exhibit #2, Pages 11 to 21. This is an action item for your consideration.

Mr. Harris: I would like to move acceptance of all Manual of Administrative Procedures as proposed by the Compliance and Operations Committee.

Mr. Olivieri: We have a motion made by Mr. Harris. Do we have a second?

Ms. Thibodeau: Second.

Mr. Olivieri: Kellie seconded. Any further discussion? I don't see any hands. Robin, am I good?

Ms. Tigges: You're good, John.

Mr. Olivieri: Okay. Roll call vote. Mary?

Ms. McConnell: Yea.

Mr. Olivieri: Pam?

Ms. Bodensstab-Krynicky: Aye.

Mr. Olivieri: Thom?

Mr. DePaulo: Aye.

Mr. Olivieri: Gail?

Ms. Eagan: Aye.

Mr. Olivieri: Tom Harris?

Mr. Harris: Aye.

Mr. Olivieri: Robert?

Mr. Jackson: Yea.

Mr. Olivieri: Dan?

Mr. Olohan: Aye.

Mr. Olivieri: Kellie?

Ms. Thibodeau: Aye.

Mr. Olivieri: Meredith?

Ms. Woodcock: Aye.

Mr. Olivieri: Motion passes unanimously. Thank you.

Ms. Browne: I have one more item, the Special Investigative Unit System Development. The recently approved changes to the Performance Standards now require that Member Companies report underwriting SIU referrals to CAR on a quarterly basis. The Committee was presented with an overview of the plan modifications to the SIU System. A template will be used by Member Companies to report the underwriting referrals similar to the one used for claims referrals. The new template and updated Help Manual are expected to be available on CAR's website

for industry use this week. The SIU System will be able to include underwriting SIU referrals successfully uploaded into the SIU audit samples by mid-October. Any questions? That would conclude my report.

- Mr. Olivieri: Thank you, Wendy. Do we have any other business to come before the Governing Committee today? I will accept a motion to adjourn reminding everyone that we do have a special meeting coming up in August. Staff will keep us posted on remote versus in-person. Any motions to adjourn?
- Ms. Thibodeau: Kellie Thibodeau, I'm happy to move that we adjourn.
- Mr. Olivieri: Do we have a second?
- Ms. Woodcock: I'll second it.
- Mr. Olivieri: The ladies first and seconded. We have a roll call vote. Mary?
- Ms. McConnell: Yea.
- Mr. Olivieri: Pam?
- Ms. Bodenstab-Krynicky: Aye.
- Mr. Olivieri: Thom?
- Mr. DePaulo: Aye.
- Mr. Olivieri: Gail?
- Ms. Eagan: Aye.
- Mr. Olivieri: Tom Harris?
- Mr. Harris: Aye.
- Mr. Olivieri: Robert?
- Mr. Jackson: Aye.
- Mr. Olivieri: Dan?
- Mr. Olohan: Aye.
- Mr. Olivieri: Kellie?
- Ms. Thibodeau: Aye.
- Mr. Olivieri: Meredith?
- Ms. Woodcock: Aye.

Mr. Olivieri: Before I announce that it passes unanimously, I will have to say that the one benefit of meeting in-person is not having to do these roll call votes. Motion carries unanimously. Thank you, everyone. Have a great day.

*(Meeting ended at 11:26 a.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  
June 29, 2021

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 #GC21.02, Exhibit #3

Attendance Listing



**GOVERNING COMMITTEE MEETING  
 MEETING ATTENDEES  
 JUNE 14, 2021**

Individual's Name

Company / Agency

PLEASE PRINT

M. John Olivieri, Jr.	J.K. Olivieri Insurance Agency, Inc.
Pamela Bodenstab-Krynicky	P L Krynicky Insurance Agency
Thomas DePaulo	Cabot Risk Strategies, LLC
Gail Eagan	Arbella Insurance Group
Thomas Harris	Quincy Mutual Group
Robert Jackson	GEICO
Mary McConnell	Safety Insurance Company
Daniel Olohan	MAPFRE U.S.A. Corporation
Kellie Thibodeau	The Hanover Insurance Company
Meredith Woodcock	Liberty Mutual Insurance Companies
Roberta Fitzpatrick	Arbella Insurance Group
Mary Ellen Thompson	Division of Insurance
Nicholas Fyntrilakis	MAIA
Sean Moone	Norfolk & Dedham Group
Barry Tagen	Pilgrim Insurance Company
Kenneth Willis	Plymouth Rock Assurance Corporation
Benjamin Hincks	TSH & D – CAR Counsel
Steven Torres	TSH & D – CAR Counsel
Marian Adgate	CAR Staff
Mark Alves	CAR Staff
Wendy Browne	CAR Staff
Shannon Chiu	CAR Staff
Timothy Costain	CAR Staff
Richard Dalton	CAR Staff
Timothy Galligan	CAR Staff

**GOVERNING COMMITTEE MEETING  
MEETING ATTENDEES  
JUNE 14, 2021**

Individual's Name

Company / Agency

PLEASE PRINT

Steven Gautieri	CAR Staff
Natalie Hubley	CAR Staff
Peter McCabe	CAR Staff
John Metcalfe	CAR Staff
Regina Nagle	CAR Staff
James Robery	CAR Staff
Lynne Rosenberg	CAR Staff
Robin Tigges	CAR Staff