



NATALIE A. HUBLEY  
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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## RECORDS OF MEETING

### MAIP STEERING COMMITTEE – JUNE 6, 2019

#### Members Present

Mr. John Kelly – Chair  
Ms. Kerri Boutin<sup>(1)</sup>  
Ms. Elizabeth Brodeur  
Mr. Allen Chaves  
Mr. Joshua Damico  
Ms. Jean Downey  
Mr. Kenneth Olivieri<sup>(2)</sup>  
Mr. Barry Tagen  
Mr. Christopher Taylor  
Ms. Marie-Armel Theodat  
Mr. Mark Winiker

MAPFRE U.S.A. Corporation  
Risman Insurance Agency, Inc.  
Safety Insurance Company  
Arbella Insurance Group  
GEICO  
The Norfolk & Dedham Group  
J.K. Olivieri Insurance Agency, Inc.  
Pilgrim Insurance Company  
The Hanover Insurance Company  
R. Theodat Insurance Agency, Inc.  
A-Affordable Insurance Agency, Inc.

Substituted for:

<sup>(1)</sup> Mr. Henry Risman

<sup>(2)</sup> Mr. John Olivieri, Jr.

Not in Attendance:

N/A

#### 19.01 Records of Meeting

The Committee unanimously voted to approve the Records of the MAIP Steering Committee meeting of April 23, 2019. The Records have been distributed and are on file.

#### 19.04 Updates to the MAIP Rules and Procedures Manual

At the last meeting, CAR staff presented the Committee with updates to Rules 21 through 40 of the Rules of Operation. The Rules had been updated to reflect current practices, eliminate obsolete procedures and date references, and provide a general clean-up of language. The more significant modifications made included the elimination of references to the phase-in of and transition to the MAIP, and all references to Clean-in-Three Risks. In discussion of the proposed updates, Mr. John Kelly expressed concern that current Rule language may not be consistent with Division of Insurance bulletins issued relative to the requirements and procedures for group marketing plans and requested staff to further review that bulletin in conjunction with Rule 26 – Policyholder Rights and Responsibilities as it pertains to insurance obtained through a group marketing plan and eligibility for MAIP coverage.

Ms. Marian Adgate stated that CAR staff reviewed DOI Bulletin 2011-09, Filing Requirements and Procedures for Private Passenger Motor Vehicle Group Marketing Plans Pursuant to M.G.L. c. 175, Section

193R. She noted that this Bulletin replaced Bulletin 2007-13 which was originally published in conjunction with the transition to competitive rating. Each of the Bulletins provided companies with information on the filing requirements and procedures relative to group marketing plans. Ms. Adgate stated that confirmation was received from the DOI that the portion of Rule 26 pertaining to an applicant's eligibility for placement through the MAIP relative to insurance obtained through a group marketing plan applied only during the transition to MAIP. Therefore, language in Rule 26.A.3.b.(1) has been deleted. She also stated that language in Rule 31.A. Eligibility Requirements, has been eliminated as it pertained to the transition period to MAIP. All other modifications to the Rules are as presented to the Committee at its last meeting.

The Committee unanimously voted to approve the proposed amendments to Rules 21 through 40 of CAR's Rules of Operation, and recommend their approval to the Governing Committee.

### **19.05 Updates to Private Passenger Residual Market Rating Manual**

The Committee continued its discussion relative to updates to the Private Passenger Residual Market Rating Manual. At the last meeting, Ms. Browne stated that the Committee had unanimously voted to recommend to the Governing Committee updates to Rule 4 – Standard Procedures to amend the timeframe for an insurer to provide the coverage selections page on a renewal policy to the insured from “not less than thirty days” to “not less than twenty days” prior to policy expiration. Additionally, the Committee had unanimously voted to recommend to the Governing Committee updates to Rule 7 – Policy Period to eliminate reference to the issuance of policies with terms of less than one year such that policies assigned through MAIP would be set at a standard one year term. The Committee also voted to recommend to the Governing Committee that, as the classification assignment requirements for automobiles owned by the clergy are no different than for other operators on the policy, Rule 28 – Assignment of Operators be updated to eliminate the reference to clergy use. Ms. Browne further noted that the Committee agreed that Rule 31 – Transportation of Fellow Employees should be maintained as it specifies the distinction between personal and commercial policies, and currently the Rule is not presenting any issues.

Ms. Browne stated that although there was significant discussion at its last meeting relative to the operator exception for active military service in Rule 28, the Committee did not come to a conclusion on this topic and requested staff to further research the impact that the elimination of the exception would have on the assignment process. She noted that staff's research did not identify any impacts to the assignment process and that no unique processing exists when an operator in active military service is listed on a policy, as the majority of companies exclude these operators from the policy. Elimination of this exclusion from Rule 28 would not change the process, just provide a clarification. One member questioned whether the elimination of this language impacts the scenario where the deployed operator is the only insured on the policy. Ms. Browne noted that in order for a policy to be eligible for placement through the MAIP, there must be a listed operator on the policy. Additionally, a physical damage only policy is not eligible for the MAIP.

The Committee unanimously voted that the Private Passenger Residual Market Rating Rules be updated as approved by the Committee and recommended the proposed modifications to the Governing Committee. The Committee also agreed that the Rule amendments should be incorporated in the next private passenger rate and manual filing.

### **19.08 MAIP Policy Application System**

At the last meeting, Ms. Browne informed the Committee that the Registry has implemented the Operator phase of its new ATLAS system. The Committee agreed with CAR's proposal to update the MAIP Policy Application System to access Registry data in order to improve the accuracy of operator

information in the MAIP Policy Application System. Upon input of operator(s) license number and state information into the MAIP Policy Application System, the application will access Registry operator data, and operator information and experience will be pre-filled. The Committee requested staff to review each field of the MAIP Policy Application data fields that could be pre-filled through access of the Registry of Motor Vehicle files and determine whether it would be acceptable for the producer filing the application to manually update the data, if necessary.

Accordingly, Ms. Browne presented the Committee with staff's recommendation. The Committee agreed that the insured's address and date first licensed may be updated by the producer, with the system automatically writing a comment into the Remarks field of the MAIP Policy Application. However, the Committee agreed that the insured's date of birth and merit rating may not be updated as these fields are critical for rating purposes. The driver training and owed premium fields may also not be updated. In each of these cases, the producer should use the Remarks field to indicate that a change in information is requested. Finally, the Committee expressed concern with staff's initial recommendation relative to insured's first and last name and agreed that producers should not have the ability to update this field as potential UMS reporting issues may arise. The producer should use the Remarks field to indicate any requested change. Ms. Browne also noted that added to the policy application system will be an indicator to identify if the pre-fill was unsuccessful; alerting the assigned company to the fact that the producer had manually entered the operator data.

The Committee unanimously voted to accept staff's recommendations, with the suggested modification to the first and last name field, and present its recommendations to the Governing Committee.

#### **19.09 Electronic Transmission of Payments**

At the last meeting, the Committee noted that implementing a requirement that allows for the electronic transfer and receipt of payments from agent offices may serve to address compliance concerns raised relative to agency MAIP Rule violations. Producer violation information previously provided by staff indicated that a high percentage of violations are attributed to the failure to remit payments on a timely basis. The Committee considered whether moving to an electronic payment method may serve to improve the process so as to create efficiencies in the marketplace.

Mr. Kelly distributed a document summarizing the producer payment issue. Committee discussion ensued with members noting that some of the producers with a small volume in the MAIP may be reluctant to develop such a payment method. Therefore, it was suggested that it may be important to assure that any new requirements to be implemented are phased-in over a period of time, potentially starting out as an optional program that may serve to assure agents of its ease of business use.

To the assist the Committee in its continued discussion of this issue, the Committee requested staff to provide additional analysis of the producer violation data and determine whether the late remittance of premium is a market wide problem or is an issue for just a few producers. If possible, more detail relative to the type of payment issues occurring should also be provided. This data will further assist the Committee in developing ideas to improve the process as well as reduce the number of violations.

MARIAN ADGATE  
Corporate Documentation Specialist

Boston, Massachusetts  
June 12, 2019

**ATTACHMENT LISTING**

Docket #MSC19.02, Exhibit #2

Attendance Listing

Docket #MSC19.09, Exhibit #1

MAPFRE Exhibit – ARP Payment Options

MAIP STEERING COMMITTEE MEETING  
 SIGN-IN SHEET  
 THURSDAY, JUNE 6, 2019

Individual's Name

Company / Agency

PLEASE PRINT

Individual's Name	Company / Agency
MARIE-ARNELE THEODAT	R. THEODAT INS. AGY.
Elizabeth Brodeur	Safety Insurance
KERRI ROUTIN	Pisman Insurance
Chris Taylor	HANOVER
Allen Chaves	Arbella
MARK WINIKER	A-Affordable
Joshua Damico	GEICO
Jean Downey	N/A
Kenneth Olivieri	J.K. Olivieri Insurance
Barry TAzou	Pilot
Natalie Huber	CAR
Benjamin Hincks	CAR Counsel TSH&D
Wendy Browne	CAR
John Kelly	MAFFICE
JOHN METCALFE	CAR
Marian Adgate	CAR





## ARP Payment Options

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June 5, 2019

## Violation Type Distribution by Year

Year	% to Yr. 1		% to Yr. 2		% to Yr. 3		% to Yr. 4		% to Yr. 5		% to Yr. 6		% to Yr. 7		% to Yr. 8		% to Yr. 9		% to Yr. 10		% to Yr. 11		Yr. Total
	Total		Total		Total		Total		Total		Total		Total		Total		Total		Total		Total		
2010	63	15%	80	20%	14	3%	4	1%	14	3%	35	9%	4	1%	21	5%	43	11%	101	25%	29	7%	408
2011	133	11%	47	4%	14	1%	12	1%	9	1%	23	2%	10	1%	18	1%	728	59%	164	13%	66	5%	1224
2012	86	13%	71	11%	4	1%	1	0%	6	1%	27	4%	13	2%	9	1%	303	47%	101	16%	17	3%	638
2013	313	49%	90	14%	3	0%	2	0%	4	1%	34	5%	4	1%	14	2%	117	18%	48	7%	15	2%	644
2014	206	35%	127	22%	1	0%	4	1%	1	0%	17	3%	0	0%	10	2%	141	24%	64	11%	10	2%	581
2015	39	8%	66	13%	6	1%	27	5%	11	2%	30	6%	4	1%	10	2%	185	37%	108	22%	9	2%	495
2016	192	20%	352	36%	3	0%	14	1%	10	1%	18	2%	5	1%	6	1%	317	32%	43	4%	22	2%	982
2017	160	15%	226	21%	6	1%	11	1%	60	6%	17	2%	8	1%	8	1%	334	31%	161	15%	74	7%	1065
2018	59	8%	201	28%	8	1%	8	1%	11	2%	16	2%	5	1%	8	1%	158	22%	243	33%	12	2%	729
Total	1251	18%	1260	19%	59	1%	83	1%	126	2%	217	3%	53	1%	104	2%	2326	34%	1033	15%	254	4%	6766

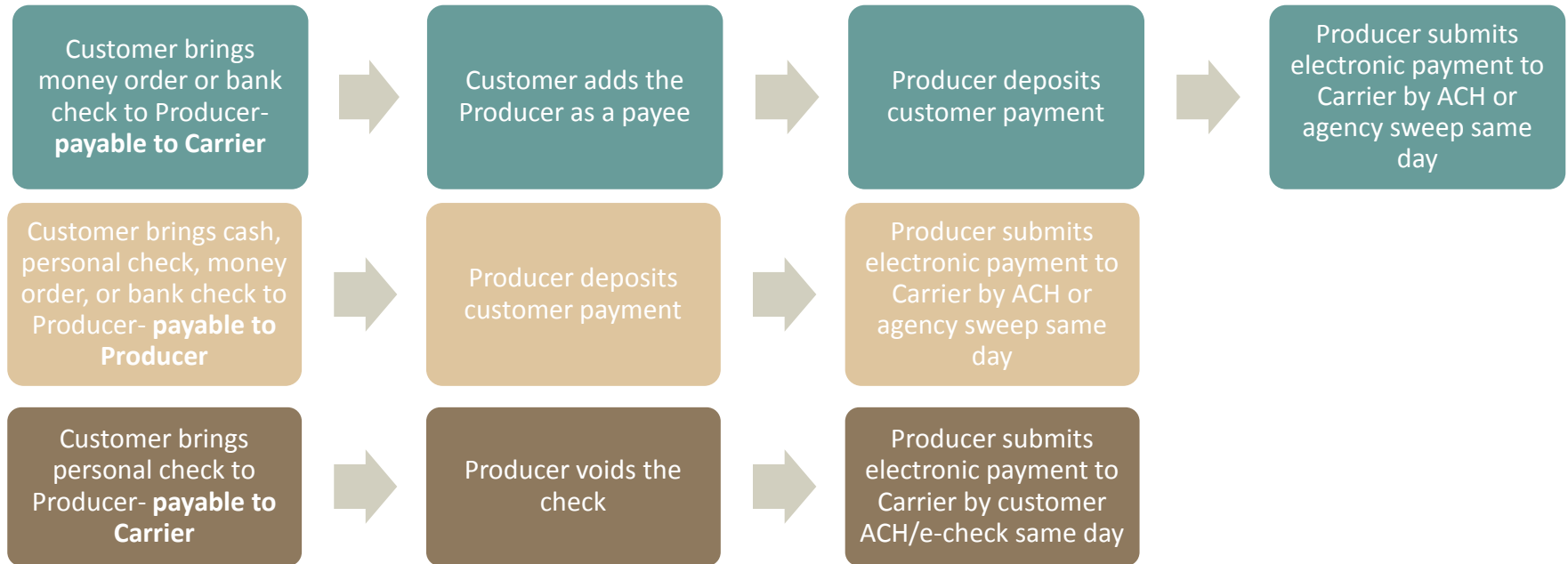
## Violation

## Type Description

- 1 Application and/or required down payment submitted more than two business days from date of assignment.
- 2 Insufficient down payment submitted as specified in CAR Rule 28.
- 3 Applicant not eligible for coverage.
- 4 Information on the application for insurance coverage misrepresented.
- 5 Application missing documentation as required by CAR Rule 31 (including lack of insured or producer signature(s), Supplemental Application, if required).
- 6 Failed to verify that the applicant, at the time of application, owes any auto premium that was due in the preceding 12 months, and failed to collect said premium.
- 7 Principal operator does not hold a valid license or insufficient license information (i.e. no translation for foreign license, copy of license not forwarded, etc.)
- 8 Failed to report all coverages bound and all registrations/titles certified to the ARC within two business days after binding coverage or certifying a registration.
- 9 Failed to remit payment on a timely basis and/or check or money order not made directly payable to the Assigned Risk Company.
- 10 Failed to return uncontested unearned commission (please attach copies of all demand correspondence sent to the ARP.)



## Proposed Future State



## Changes

1. Money order and bank check payments made payable to the Carrier will have the Producer added as a payee, deposited, and funds will be sent to Carrier via ACH or agency sweep instead of mailing the payment
2. Allow only electronic payment methods from Producers for installment payments. Producers will void personal checks made out to Carriers and submit the payment via electronic check/ACH to Carrier instead of mailing the payment

## Benefits

1. Eliminates need for manual intervention
2. Maintains equity position
3. Removes complications surrounding lost/uncashed money orders and checks

## Considerations

- Down payment

Does special consideration need to be given to down payments, particularly in the case of paper applications? CAR rules dictate that:  
*“The deposit shall be in the form of a personal check, certified check, bank check, money order, premium finance company check or ARP’s check made payable to the ARC.”*

- Financed Policies

Policies written as financed are payed in full by the finance company, typically by paper check. This process will likely need to remain in place

<b>CAR</b>	<b>Rules of Operation</b>
<b>Rule 28</b>	<b>Application Process</b>
<b>Revision Date</b>	<b>2015.03.31</b>
<b>Page</b>	<b>1 of 4</b>

C.1 The deposit shall be in the form of a personal check, certified check, bank check, money order, premium finance company check or ARP's check made payable to the ARC.

<b>CAR</b>	<b>Rules of Operation</b>
<b>Rule 28</b>	<b>Application Process</b>
<b>Revision Date</b>	<b>2015.03.31</b>
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C.5 Acceptance of payment by the ARP shall be viewed as a payment to the ARC.

<b>CAR</b>	<b>Rules of Operation</b>
<b>Rule 31</b>	<b>Assigned Risk Producer Requirements</b>
<b>Revision Date</b>	<b>2014.10.17</b>
<b>Page</b>	<b>4 of 8</b>

B.7 The ARP must forward premium payments to an ARC within two business days of receipt. However, an ARC shall extend the payment period for an additional seven days upon sufficient notice that all or part of a premium is being financed...

