



NATALIE A. HUBLEY
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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RECORDS OF MEETING

PERSONNEL COMMITTEE – FEBRUARY 4, 2020

Members Present

Mr. Thomas DePaulo – Chair	Cabot Risk Strategies, LLC
Ms. Pamela Bodenstab-Krynicki	PL Krynicki Insurance Agency
Ms. Elizabeth Brodeur	Safety Insurance Company
Ms. Gail Eagan	Arbella Insurance Group
Mr. John Kelly	MAPFRE U.S.A. Corporation

Substituted for:
N/A

Not in Attendance:	
Ms. Paula Gold	Plymouth Rock Assurance Corporation

19.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Personnel Committee meeting of September 18, 2019. The Records have been distributed and are on file.

19.06 Retirement Savings Plan

The Committee continued its consideration of a staff proposal to amend CAR's retirement savings plan for employees hired after June 1, 2010. The Committee had previously requested additional information on what peer organizations are currently offering and what a formal survey conducted for CAR in 2010 reflecting member company plans had revealed.

Ms. Natalie Hubley provided information the Committee requested and offered a detailed explanation of proposed amendments to CAR's 401k plan and the potential financial impacts based on anticipated plan participation by newer employees who have no defined benefit. She indicated that the proposal has three primary objectives. First is to provide a competitive benefit package to fortify recruitment efforts and fuel greater employee retention levels within the context of succession planning in anticipation of extensive turnover during the next decade. Second is to promote employee financial wellness by encouraging increased employee participation in retirement savings. Third is to realize long term overall organizational expense reductions as CAR transitions staffing during the next decade. She said that even if the proposed plan changes result in increased employer matching obligations, CAR would realize significant overall savings due to anticipated retirements of long term higher compensated employees and lower salary levels of replacement employees with no defined benefit. Ms. Hubley reviewed a 2010 survey of member company retirement savings plans conducted by an outside firm and noted that when compared to plan offerings today, no change has occurred insofar as CAR remains below the average of what is offered in terms of combined 401k and profit sharing. She further explained that

the proposed plan changes encourage greater employee participation than plan offerings of both member companies and industry funded organizations.

The Committee questioned how many current employees would be eligible to take advantage of the amended plan and if approved, when CAR would implement the plan changes. Following discussion, the Committee reached consensus that the goals of the proposal are reasonable and the anticipated costs as explained by Ms. Hubley are not excessive.

The Committee unanimously voted to recommend to the Governing Committee approval of the plan amendments as proposed.

20.04 2020 Annual Merit Increase

Mr. Timothy Costain reviewed an annual merit increase survey of member companies and industry-funded peer organizations. He noted that salary increase indications from participating member companies and peer organizations are consistent with 2019 merit increase percentages.

The Committee discussed the survey results and the relationship between merit increase percentages and the lower rate of salary range growth and how CAR addresses the outpacing of salary levels to their associated ranges. The Committee was advised that CAR's merit increase formula is structured to retard the ascension rate of salary levels as they progress further into their respective ranges, thereby diminishing the likelihood that a salary level would hit its range ceiling.

Ms. Hubley explained that she was proposing a 2020 merit increase taking into consideration the dedication and hard work of CAR staff throughout 2019 to develop solutions focused on reducing the commercial residual market deficit. She added that her proposed increase tracks to industry funded peer organizations as historically targeted per committee direction. She requested a total merit increase percentage, a portion of which will be allocated as discretionary funds to recognize employees whose job performance in 2019 is deserving of additional compensation.

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

20.05 2020 Annual Range Movement

Mr. Costain reviewed salary range survey information compiled by CAR among member companies and industry-funded peer organizations. He identified average 2020 salary range increases among participating member companies for reference and peer organizations for more targeted alignment. Based on the survey information, a recommendation was made for a salary range increase for 2020.

Following discussion, the Committee unanimously voted to recommend to the Governing Committee a salary range increase percentage as recommended for calendar year 2020.

20.06 Officer Salary Recommendations

Ms. Hubley provided a review of the 2019 job performance of Ms. Wendy Browne, Vice President of Business Operations. Ms. Browne's 2019 performance included numerous aspects of staff's efforts to address the commercial residual market deficit, including managing a large staff and directing efforts with

several advisory committees to develop and implement changes to eligibility criteria, an eligible risk database, a large loss pre-notice process and a new Servicing Carrier audit process to standardize procedures. Ms. Hubley noted that in spite of all of the focus on finding solutions to the commercial market deficit growth, day to day business operations continued to function smoothly under Ms. Browne's direction.

Ms. Hubley proposed a salary increase for Ms. Browne consistent with the overall merit increase percentage approved for staff for 2020.

Ms. Hubley provided a review of the 2019 performance of Mr. Peter McCabe, Vice President of Technical Operations. She informed the Committee that Mr. McCabe oversees CAR's entire technical operations work behind the scenes which keeps CAR mainframe and server based systems operating efficiently and effectively. He oversaw the conversion of numerous mainframe applications to web based programs to provide a better member company user experience and more effective cost management in the future. He completed a comprehensive study of CAR's system architecture for strategic planning purposes and directed the replacement of CAR's mainframe hardware.

Ms. Hubley proposed a salary increase for Mr. McCabe consistent with the overall merit percentage approved for staff for 2020.

The Committee unanimously voted to recommend to the Governing Committee a 2020 salary increase for Wendy Browne, Vice President of Business Operations, as proposed by Ms. Hubley.

The Committee unanimously voted to recommend to the Governing Committee a 2020 salary increase for Peter McCabe, Vice President of Technical Operations, as proposed by Ms. Hubley.

20.07 President's Salary Recommendation

Chair Thomas DePaulo offered his thoughts on CAR President, Natalie Hubley's performance through his interaction with her as Governing Committee Chair. He noted that she is dedicated and hardworking, sharply focused on meeting her performance objectives and deeply committed to CAR's staff. Mr. DePaulo added that bottom line results from much of her work during the past year will take time to materialize, but her efforts have CAR effectively addressing the challenges it faces. Comments from committee members focused on Ms. Hubley's transparency and willingness to build strong working relationships with committee members and industry representatives to meet those challenges and move CAR forward. It was also noted that assessment of a President's job performance should remain focused on the overall performance of the company as well as personal interactions and observations. The Committee briefly discussed the level of Ms. Hubley's salary with several members questioning whether she is being adequately compensated as CAR President, given that she has held the position for five years and is performing at a high level. The Committee agreed to further investigate the matter.

The Committee's comments were universally supportive of the Ms. Hubley's performance in 2019 and there was consensus on a recommended merit increase to reflect that support.

Following discussion, the Committee unanimously voted to recommend to the Governing Committee a salary increase for Ms. Hubley as proposed.

TIMOTHY COSTAIN
Chief of Staff

Boston, Massachusetts
February 7, 2020

ATTACHMENT LISTING

Docket #PC20.02, Exhibit #1

Attendance Listing

