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RECORDS OF MEETING

SERVICING CARRIER SERVICE LEVELS SUBCOMMITTEE – JANUARY 23, 2018

Members Present

Mr. John Olivieri, Jr. – Chair
Ms. Elizabeth Brodeur⁽¹⁾
Mr. Peter Chung
Ms. Roberta Fitzpatrick⁽²⁾
Mr. Brian Hayes
Ms. Wendy Stearns
Mr. Barry Tagen

J.K. Olivieri Insurance Agency, Inc.
Safety Insurance Company
The Norfolk & Dedham Group
Arbella Insurance Group
Quincy Mutual Insurance Group
MAPFRE U.S.A. Corporation
Pilgrim Insurance Company

Substituted for:

⁽¹⁾Mr. Brian Lam

⁽²⁾Ms. Mayre Hammond

Not in Attendance:

N/A

17.01 Records of Meeting

The Subcommittee unanimously voted to approve the Records of the Servicing Carrier Service Levels Subcommittee meeting of November 9, 2017. The Records have been distributed and are on file.

17.04 Servicing Carrier Service Levels

At the Subcommittee's meeting of November 9, 2017, Staff was directed to draft procedures for a review process that would address the potential reimbursement of extraordinary expenses incurred through the Commercial Automobile or Taxi/Limo Servicing Carrier Programs and how the requests for reimbursement would be evaluated.

Mr. John Metcalfe referred the Subcommittee to the draft of the procedures which was attached to the Notice of Meeting. He noted that the process includes the appointment of an advisory committee to review requests for reimbursement, and the committee would be responsible for evaluating a Servicing Carrier's request in order to determine whether or not the indicated expenses qualify as extraordinary and whether to recommend reimbursement for the expenses, and in what amount. The procedures identify the form that the Servicing Carrier is required to use to initiate a petition for reimbursement of extraordinary expenses. The proposed procedure also listed other information to be provided in support of a request, including a detailed description of the issue and why the expenses are considered outside the scope of services accepted by the carrier in response to the RFP for commercial or taxi/limo appointment. Additional supporting documentation to be provided would include background information relative to the events leading up to the request, a description of the efforts undertaken by the Servicing Carrier to mitigate residual

market impacts, an accounting of incurred expenses directly related to the issue and a justification for any outside business, legal or other service provider costs incurred. Mr. Metcalfe further noted that any decision by the Governing Committee to approve reimbursement of extraordinary expenses, as recommended by the advisory committee, would be subject to the approval of the Commissioner of Insurance.

Mr. Barry Tagen noted that language currently contained in Rule 11.C. has been in place since CAR's inception and therefore predates the commercial Servicing Carrier programs. Mr. Tagen pointed out that the RFP process includes a thorough discussion and negotiation of the expense allowance provision based on bids submitted by companies competing for these contracts. He therefore questioned whether the Rules should continue to anticipate the potential for such extraordinary expenses incurred by a Servicing Carrier. While the Subcommittee concurred that such circumstances should be rare, the members agreed that an extraordinary event, however remote, could occur and it therefore would be prudent to ensure that the Rules of Operation and the Manual of Administrative Procedures provide guidance in such an event.

Continuing discussion of the drafted procedures, the Subcommittee addressed a Servicing Carrier's responsibility for notifying CAR that it has encountered an extraordinary circumstance for which it anticipates petitioning for expense reimbursement. Members questioned the feasibility of a pre-approval process, citing concerns that the public nature of the appeal process could be a potential hindrance, particularly if the event required an investigation of a sensitive nature. The Subcommittee agreed that the concept of reasonable notification to CAR should be incorporated into the procedure language.

Significant discussion ensued regarding the nature of expenses eligible for reimbursement. The Subcommittee recognized that Rule 11.C. stipulates that such expenses must be "actually incurred". The Subcommittee also noted that some carriers may opt to outsource certain activities, while others may elect to employ staff resources and that the selected approach ought not to entitle one carrier to reimbursement and preclude another. Therefore, the members agreed that certain quantifiable expenses relating to staff resources, such as salary, could be considered for reimbursement, while other less tangible costs that attempt to place value on those resources, are beyond what was intended in the Rule. The Servicing Carrier must also be able to justify, quantify and document the costs submitted and prove that the expenses were directly associated with the issue and it will be the responsibility of the appointed committee to determine whether the expenses were significantly in excess of the costs that were reasonably contemplated in the expense provision of the current Servicing Carrier programs.

The Subcommittee directed Staff to draft proposed CAR Rule and Manual of Administrative Procedures language, reflective of their deliberations, for review and approval at its next meeting.

MARIAN ADGATE
Corporate Documentation Specialist

Boston, Massachusetts
February 5, 2018

ATTACHMENT LISTING

Docket #SCSL18.02, Exhibit #1

Attendance Listing

