



NATALIE A. HUBLEY  
PRESIDENT

## COMMONWEALTH AUTOMOBILE REINSURERS

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### NOTICE OF MEETING

#### COMPLIANCE AND OPERATIONS COMMITTEE

A meeting of the Compliance and Operations Committee will be held virtually via Zoom video conferencing software, on

**WEDNESDAY, SEPTEMBER 7, 2022, AT 10:00 A.M.**

If you plan to attend this meeting and are not a member of this Committee, please RSVP by completing the Visitor Security Form located in the Contact Us/Visitor Information section of CAR's website. CAR will then forward to you, via email, meeting access information. Please do not share access information provided by CAR but refer others wishing to attend the meeting to CAR's Visitor Security Form.

#### MEMBERS OF THE COMMITTEE

Mr. Jerry Sleeper – Chair  
Safety Insurance Company

Ms. Kara Boehm  
Ms. Erin Cummings  
Mr. Thomas Harris  
Ms. Annmarie Hassan  
Ms. Sharon Murphy  
Mr. Kenneth Olivieri  
Mr. Henry Risman  
Mr. Barry Tagen  
Mr. Christopher Taylor  
Ms. Brenda Williams

Allstate Insurance Group  
Norfolk and Dedham Group  
Quincy Mutual Group  
Arbella Insurance Group  
Acadia Insurance Company  
J.K. Olivieri Insurance Agency, Inc.  
Risman Insurance Agency, Inc.  
Pilgrim Insurance Company  
The Hanover Insurance Company  
MAPFRE U.S.A. Corporation

#### AGENDA

##### COPC

##### 22.01 Records of Previous Meeting

The Records of the Compliance and Operations Committee meeting of June 1, 2022 should be read and approved.

**COPC**

**22.03 CAR Conflict of Interest Policy**

The Chair will read a statement relative to CAR's Conflict of Interest Policy.

**COPC**

**22.04 Informational Items**

The Chair will report on any Governing Committee actions that impact the Compliance and Operations Committee.

**COPC**

**22.05 Compliance Audit Program**

Staff will present a status report of current ongoing audits being conducted in accordance with the Compliance Audit Program.

**COPC**

**22.06 Operational Reports**

The 1<sup>st</sup> Quarter 2022 Operational Reports were posted to CAR's website in June 2022. Questions or comments relative to these reports will be discussed at the meeting.

**COPC**

**22.09 Merit Rating Reporting**

Staff will present results of the industry audit of merit rating values.

**COPC**

**22.11 Potential Private Passenger and Commercial Statistical Plan Changes**

Staff will present several proposed modifications to the Private Passenger and Commercial Statistical Plans for discussion. Private passenger updates include additional codes for roadside assistance, towing and labor limits, substitute transportation and limited use vehicles. Commercial updates include additional codes for roadside assistance, towing and labor limits, and non-owned coverage for volunteers. Additionally, updates to the reporting requirements for original cost new and premium town for ceded zone rated risks should be considered. The proposed amendments to the Statistical Plans will be distributed as additional information.

**COPC**

**22.13 CAR Rule Updates**

Proposed amendments to CAR Rule 32 – Claim Practices to correct an inaccurate reference to CAR procedures manuals will be presented to the Committee. (Docket #COPC22.13, Exhibit #1)

**Other Business**

To transact any other business that may properly come before this Committee.

**Executive Session**

The Compliance and Operations Committee may convene in Executive Session in accordance with the provisions of G.L. c. 30A, § 21.

MATTHEW HIRSH  
Compliance Audit Supervisor

Attachment

Boston, Massachusetts  
August 24, 2022

**Rules of Operation Updates**  
**Rule 32 – Claim Practices**

**Memorandum of Changes – September 7, 2022**

**Modifications**

The following modifications to the Rules of Operation are proposed:

**Rule 32 – Claim Practices**

Section C. is amended to replace the reference to the Manual of Administrative Procedures with the Assigned Risk Company (ARC) Procedures Manual. Additional editorial changes ensure consistent formatting with the private passenger Rules.

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The Governing Committee shall establish and monitor procedures for the review of claim practices of ARCs to insure compliance with the “Performance Standards for the Handling and Payment of Claims”. National Association of Insurance Commissioners guidelines are incorporated where applicable into the Performance Standards. The MAIP will conduct periodic audits of ARC claims including policies in the MAIP and voluntarily written as specified in G.L. c.175, §113H.

**A. Claim practices of each ARC shall comply with the requirements of G.L. c. 175, § 113H. ARCs shall, in accordance with the Performance Standards and the MAIP’s Rules:**

1. Comply with the standards for prompt investigation of claims. Upon receipt of a new claim, investigate policy information for garaging, listed operator, prior accidents, or any other issues. Information developed may be used to affirm or deny claim payments. Discrepancies shall be communicated to the Underwriting Department and the premium recalculated and billed if appropriate and in accordance with Division of Insurance requirements;
2. Affirm or deny coverage of claims within a reasonable period of time;
3. Effectuate prompt, fair and equitable settlements of claims in which liability is reasonably clear;
4. Maintain claim reserving procedures for all applicable claims;
5. Conduct internal claim quality audit of a reasonably representative number of claim files on MAIP business, commensurate with their procedures for audit of claims on voluntary business, in order to verify compliance with the Performance Standards. With sufficient frequency to reflect reasonable continuity of their quality controls, ARCs shall prepare internal reports summarizing the efforts and conclusions of their claim department quality audit. Reports shall consolidate comments relative to both the MAIP and voluntary claim adjustment. Report format shall be at the discretion of each ARC, or as may be requested from time to time on an individual basis by the Governing Committee, or the Committee’s designee;
6. Establish complaint handling procedures, and maintain complete records of all complaints received on claims related to both the MAIP and voluntary business. ARCs shall maintain records reflecting the number of complaints received annually. For purposes of this Rule, the

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term "complaint" shall mean any written communication initiated by the complainant primarily expressing a grievance;

ARCs shall also maintain and forward to the MAIP, records on all written complaints filed on all producers;

7. Acknowledge and act promptly upon communications regarding claims;
8. Promptly provide a reasonable explanation for denial of a claim or for the offer of a compromise settlement;
9. Resolve inter-company subrogation disputes involving Physical Damage and Personal Injury Protection claims through arbitration;
10. Have direct telephone reporting available for first and third party claims;
11. Provide producers with a list of approved inspection services for conducting pre-inspections. Appraisers shall report when the damage is inconsistent with the description of the loss; and
12. ARCs shall offer training on claim reporting and fraud recognition to producers and their customer service representatives. Such training shall be completed for current producer and customer services representatives within six (6) months of approval of this Rule and for new producers and customer services representatives within six (6) months of licensing or employment.

**B. In the handling of MAIP claims, ARCs shall not:**

1. Misrepresent pertinent facts or policy provisions relating to the coverage at issue;
2. Refuse to pay claims without having conducted a reasonable investigation based upon all available information; and
3. Fail to promptly settle claims, where liability is reasonably clear, under one portion of the policy coverage in order to influence settlements under other portions of the policy coverage.

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**C. Special Investigative Unit**

Every ARC shall maintain a Special Investigative Unit (SIU) to investigate suspicious claims for the express purpose of eliminating fraud and shall specifically report to the MAIP evidence of fraud pertaining to theft or misappropriation of a private passenger motor vehicle on policies issued through the MAIP as provided in the Manual of Administrative Procedures Assigned Risk Company Procedures Manual. Special investigative units SIUs so established shall be organized and operated to investigate claims on any policies that are issued through MAIP and on policies issued on a voluntary basis by ARCs.

The SIU shall:

1. ~~The special investigative unit shall~~ Investigate suspicious circumstances surrounding underwriting, rating, and premium issues. A claim shall not be investigated by such a unit solely on the basis that such claim arises from a policy issued through the MAIP; and
2. ~~The special investigative unit also shall~~ Conduct an audit on a representative sample of policies to verify garaging and policy facts.

**D. Compliance with Performance Standards**

An error tolerance of ten percent (10%) for procedures and seven percent (7%) for claim resolution will be used to measure compliance with the Performance Standards. Failure to meet the standards or other requirements described in this Rule may result in penalties as directed by the Performance Standards or as may be otherwise imposed by the Governing Committee.

**E. Dishonesty**

Loss or expense resulting from the dishonesty of those employed to handle claims shall be the sole responsibility of the ARC.

**F. Claim Contingency Procedures**

1. Terminations

An ARC whose appointment is terminated as provided in Rule 38 shall,

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subject to the provisions of Rule 32, service to a conclusion all claims against all policies issued by it in its capacity as an ARC and in effect prior to the date of termination. “Service to a conclusion” shall mean until the claim is properly closed, or until an agreed date.

2. Other Terminations

Upon notice from the Governing Committee of the non-voluntary termination of a company’s appointment as an ARC, the MAIP shall examine a representative sample of open claim files to determine the amount of work completed, to estimate the future cost of servicing the claims to a conclusion, and to verify compliance with Rule 32. Findings from that examination shall be reviewed with the Compliance and Operations Committee, which shall present to the Governing Committee for its consideration the recommendations of the Compliance and Operations Committee for the further servicing of said ARC claims.