



NATALIE A. HUBLEY  
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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## RECORDS OF MEETING

### COMPLIANCE AND OPERATIONS COMMITTEE – SEPTEMBER 1, 2021

#### Members Present

Mr. Jerry Sleeper – Chair  
Ms. Kara Boehm  
Ms. Erin Cummings  
Mr. Thomas Harris  
Mr. Robert Littlewood  
Ms. Sharon Murphy  
Mr. Kenneth Olivieri  
Mr. Henry Risman  
Mr. Barry Tagen  
Mr. Christopher Taylor  
Ms. Brenda Williams

Safety Insurance Company  
Allstate Insurance Company  
Norfolk & 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

Substituted for:

N/A

Not in Attendance:

N/A

#### 21.01 Records of Previous Meeting

On a roll call vote, the Committee unanimously voted to approve the Records of the Compliance and Operations Committee meeting of June 2, 2021. The Records have been distributed and are on file.

#### 21.04 Informational Items

Ms. Wendy Browne informed the members that the Manual of Administrative Procedures changes to Chapter VII – Participation that updated obsolete language, and changes to Chapter IV – Cession Rules and Procedures, and Chapter V – Premium, that pertained to the combining of the Commercial Servicing Carrier Program and the Taxi, Limousine, and Car Service Program, were approved by the Governing Committee at its June 14, 2021 meeting.

Ms. Browne also noted that a Special Governing Committee meeting convened on August 5, 2021 to address a recommendation from the Commercial Program Oversight Committee (CPOC) to approve the appointment of Servicing Carriers for the term beginning on January 1, 2022. She stated that the Governing Committee unanimously voted to approve the CPOC recommendation and reappointed the four existing Servicing Carriers for the upcoming term.

## **21.05 Compliance Audit Program**

Mr. Matthew Hirsh presented Hybrid Audit (HAP) results for Safety Insurance Company. For sampled policies, the audit scope included \$766,000 in written premium. Associated loss dollars, including paid losses and allocated loss adjustment expenses, totaled \$1.3 million. Mr. Hirsh noted that while several statistical reporting issues were not in compliance with the Statistical Plan, Safety's overall results were considered consistent with, or better than, industry audited averages. On a roll call vote, the Committee voted unanimously to accept the audit report without further consideration.

Mr. Mark Alves then presented an overview of the Charter Oak (Travelers) Claims Performance Standards (the Standards) Run-off focus audit. Travelers was a Servicing Carrier between January 2006 and December 2016. The audit tested adherence to the Standards on commercial residual market claims that remain open as of March 2021. The total population of policies with payments and/or claim reserves totaled 45 policies with 80 unique claim numbers. CAR sampled 25 policies or 56% of the total population. All sampled claims and reserves were evaluated for compliance with six Best Practices. The results had an aggregate compliance rate of 95.5%. Travelers was compliant with the required 80% benchmark in accordance with the Measurements & Penalties section of the Standards. Lastly, Mr. Alves noted that the reported reserves decreased almost \$30 million since the September 2018 accounting shipment. On a roll call vote, the Committee voted unanimously to accept the audit report without further consideration.

## **21.07 Updates to the Manual of Administrative Procedures**

Ms. Lynne Rosenberg indicated that, in CAR's efforts to convert the CAR Accounting and Correction System from a mainframe system to an application on CAR's website, several adjustments to the Manual of Administrative Procedures were required. As such, Ms. Rosenberg began with presenting the Committee with modifications to Chapter IV – Cession Rules and Procedures of the Manual of Administrative Procedures. Ms. Rosenberg noted that as part of the conversion, the cession application was moved out of the CAR Accounting application and designated its own link on the Reports landing page. Accordingly, most of the changes in the chapter involve new screenshots to reflect the new website screens and navigation. There were also several minor grammatical corrections made throughout the chapter.

Ms. Rosenberg then presented the Committee with modifications to Chapter V – Premium of the Manual of Administrative Procedures. Ms. Rosenberg stated that references to using CAR's Telecommunications System to view and correct errors, including many references to specific mainframe reports and functions have been eliminated, and that new online screens have been identified and obsolete language has been eliminated from the chapter.

Ms. Rosenberg lastly presented the Committee with modifications to Chapter VIII – Data Reporting, Accounting Edit, and Correction Procedures of the Manual of Administrative Procedures. Ms. Rosenberg noted that references to using CAR's Telecommunications System to view and correct errors, including many references to specific mainframe reports and functions have also been eliminated from this chapter. Also, references to critical and non-critical edits have been eliminated and redefined as accounting edits as a result of the elimination of error codes 3, 5, and 8 through 11. New online screens have been identified and a new report relative to policies with high loss dollars has been added, and obsolete language has been eliminated from the chapter. Lastly, Ms. Rosenberg indicated that language, relative to making grid corrections within the online accounting application, have also been eliminated as these types of corrections are no longer allowed.

**On a roll call vote, the Committee voted unanimously to recommend to the Governing Committee adoption of the updates to Chapter IV – Cession Rules and Procedures, Chapter V – Premium, and Chapter VIII – Data Reporting, Accounting Edit, and Correction Procedures of the Manual of Administrative Procedures.**

## **20.12 Ceded Commercial Reporting Issues**

Ms. Wendy Browne informed the Committee that several ceded commercial statistical reporting issues were discussed at the August 25, 2021 Joint Actuarial Commercial Lines Committee meeting that will be brought to a future Compliance and Operations Committee meeting for discussion.

The first issue Ms. Browne presented relates to the implementation of an out of state rating differential for zone-rated risks that are garaged out-of-state. After discussion, the Joint Actuarial Commercial Lines Committee indicated its preference to include an out of state rating factor in its filing. Ms. Browne noted that, for CAR to identify vehicles rated with this factor, CAR will need to collect premium town and zip codes on ceded zone-rated vehicles, which may require changes to the Commercial Statistical Plan.

The second issue discussed by the Joint Actuarial Commercial Lines Committee pertained to non-owned coverages. Historically, premium for non-owned coverages has not been significant due to its incidental usage; however, the increase in delivery services has an impact to the residual market. As such, the Joint Actuarial Commercial Lines Committee discussed the issue and directed staff to research the issues raised for further discussion at a future meeting.

The next item discussed by the Joint Actuarial Commercial Lines Committee was regarding changes to the ISO Classification Plan implemented in 2019. Ms. Browne indicated that there are many components to the classification plan changes, some of which may have benefits to the residual market, such as expanded use of the Original Cost New field. However, the adoption of certain components may necessitate changes in reporting requirements. Citing priorities, the Joint Actuarial Commercial Lines Committee indicated their preference to table discussion on these issues at this time.

Lastly, Ms. Browne noted that the Automobile Insurers Bureau of Massachusetts (AIB) recently made an advisory filing which included changes to its Commercial Automobile Manual. The changes will be reviewed by the Commercial Auto Committee at its next meeting to evaluate whether any are appropriate for the residual market, which could potentially require new classification and/or coverages codes applicable to both voluntary and ceded business.

## **18.14 Impact of Registry System Changes**

Ms. Browne provided an update to the Committee regarding an issue that resulted from the March 2018 migration of the Massachusetts Registry of Motor Vehicle (RMV) ALARS system to the new ATLAS system. She noted that the Committee was notified in November 2018 that companies were experiencing a variety of reporting issues related to the Registry's new system, including those related to out-of-state operators. During the initial stages of the new Registry system, out-of-state operator information was not being passed to CAR, which resulted in company reported records being erroneously flagged by CAR's Rule 29 Credit Edit with an Error Code 1 – No Match. At the time, the Committee agreed with staff's recommendation to not process adjustments to quota share credit premium identified by the edit for records flagged with Error Code 1, due to CAR's inability to identify the errors that were related to out-of-state operators.

Staff was recently advised by the Registry that the data feed to CAR was corrected during the second phase of the ATLAS system conversion. Accordingly, the special adjustment for Error Code 1 records is no longer needed. Therefore Ms. Browne advised that, beginning with the September 2021 cycle, the credit premium adjustments indicated by the Rule 29 Credit Edit resulting from records that are flagged with an Error Code 1 will be included in the quota share determination.

MATTHEW HIRSH  
Compliance Audit Supervisor

Boston, Massachusetts  
September 3, 2021

**ATTACHMENT LISTING**

Docket #COPC21.02, Exhibit #3

Attendance Listing

**COMPLIANCE AND OPERATIONS COMMITTEE MEETING  
MEETING ATTENDEES  
SEPTEMBER 1, 2021**

Individual's Name

Company / Agency

PLEASE PRINT

Jerry Sleeper	Safety Insurance Company
Kara Boehm	Allstate Insurance Group
Erin Cummings	Norfolk and Dedham Group
Thomas Harris	Quincy Mutual Group
Robert Littlewood	Arbella Insurance Group
Sharon Murphy	Acadia Insurance Company
Kenneth Olivieri	J.K. Olivieri Insurance Agency, Inc.
Henry Risman	Risman Insurance Agency, Inc.
Barry Tagen	Pilgrim Insurance Company
Christopher Taylor	The Hanover Insurance Company
Brenda Williams	MAPFRE U. S. A. Corporation
Lisa Hamn	GEICO
Mark Alves	CAR Staff
Wendy Browne	CAR Staff
Shannon Chiu	CAR Staff
Timothy Galligan	CAR Staff
Matthew Hirsh	CAR Staff
Tiffany Manning	CAR Staff
Daniel Mason	CAR Staff
Katy Proctor	CAR Staff
James Robery	CAR Staff
Lynne Rosenberg	CAR Staff
Allison Ruggiero	CAR Staff
Robin Tigges	CAR Staff