



NATALIE A. HUBLEY  
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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## RECORDS OF MEETING

### COMPLIANCE AND OPERATIONS COMMITTEE – FEBRUARY 1, 2023

#### Members Present

Ms. Erin Cummings– Chair	Norfolk and Dedham Group
Ms. Kara Boehm	Allstate Insurance Company
Ms. Annmarie Hassan	Arbella Insurance Group
Mr. Todd Lehmann <sup>(1)</sup>	Quincy Mutual Group
Ms. Nicole Martorana	FBInsure
Ms. Sharon Murphy	Acadia Insurance Company
Mr. Kenneth Olivieri	J.K. Olivieri Insurance Agency, Inc.
Mr. Henry Risman	Risman Insurance Agency, Inc.
Mr. Barry Tagen	Pilgrim Insurance Company
Mr. Christopher Taylor	The Hanover Insurance Company
Ms. Brenda Williams	MAPFRE U.S.A. Corporation

Substituted for:

<sup>(1)</sup>Mr. Thomas Harris

Not in Attendance:

N/A

#### 22.01 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 September 7, 2022. The Records have been distributed and are on file.

#### 23.04 Informational Items

Ms. Wendy Browne informed the Committee that the Private Passenger and Commercial Statistical Plan changes and proposed updates to Rule 32 – Claims Practices discussed at the September 7, 2022 Compliance and Operations Committee meeting were approved by the Governing Committee at its September 21, 2022 meeting. The changes have also been approved by the Division of Insurance and have been distributed to the industry.

#### 23.05 Compliance Audit Program

Mr. Matthew Hirsh presented Hybrid Audit (HAP) results for Allstate Insurance Company. The Allstate Hybrid Audit scope included \$808,000 in written premium, and associated loss dollars, including

paid losses and allocated loss adjustment expenses, totaled \$2,084,000. Mr. Hirsh noted six recurring statistical premium reporting issues and four recurring statistical claims reporting issues not in compliance with the Statistical Plan. He also referenced that Allstate indicated that four of the ten overall recurring data quality issues are being reviewed to ensure that its data reporting is accurate, but that Allstate also disagreed with five of the issues identified. A call between CAR staff and Allstate will be scheduled to discuss the remaining open items, including the validation of towing expenses which continues to be an open item in the Esurance audit. Mr. Hirsh noted that while Allstate did have several recurring issues identified, overall Quota Share and Ratemaking results did not meet the benchmark to be moved into the yellow light value of the traffic light assessment rating system described in the ARC Procedures Manual. Staff therefore recommended a green light assessment of Allstate's audit results, indicating that no further auditing is required, and that the ARC remain in the five-year Hybrid Audit schedule. On a roll call vote, the Committee voted unanimously, with one recusal, to accept the audit report without further consideration.

Mr. Hirsh also provided an overview of the interim summary focus audit report of Incline Insurance Company, a newly writing company reporting interim summary data for quota share determination. Mr. Hirsh explained that CAR's Actuarial and Statistical Services Department previously recommended the audit to evaluate the accuracy of its interim summary data. Subsequently, Incline was audited using procedures that were consistent to the Hybrid Audit procedures. However, due to the large number of operators in the audit sample that were first licensed outside of the country and had not yet obtained a Massachusetts license, most audited fields were verified using source documentation provided by Incline. As a result, a high number of operators were identified with values as Unable to Verify. Mr. Hirsh also noted the audit results reflected a relatively high overall error rate and that the company will be required to undergo Hybrid Audit procedures within one complete year of statistical reporting.

Ms. Browne then provided a status report of companies that have been identified with ongoing recurring data quality issues, including Berkley Insurance, PURE Insurance, Foremost of Grand Rapids, and Esurance. She stated that a review of Berkley and PURE's current data shows the issues have been resolved, and both companies are now in compliance with CAR standards. Ms. Browne also noted that Foremost of Grand Rapids corrected most of its problems, and penalty assessments have ceased. She stated that CAR will provide an updated report of Foremost's remaining minor issues after the January 2023 submission has been received and evaluated.

Ms. Browne then indicated that a status update on the submission of required corrections for the five companies identified as having merit rating reporting issues during the industry-wide merit rating audits is expected to be available for the Committee's April or June 2023 meeting.

Continuing, Ms. Browne reported that Esurance has had multiple hybrid and focus audits due to several recurring reporting issues identified. She stated that Esurance has made progress correcting most of the problems, but that two issues remain outstanding. Ms. Browne noted concerns with respect to the documentation provided to support reported tow losses. She indicated that staff recently received the company's response letter and is in the process of evaluating the company's comments. Ms. Browne noted that CAR staff will provide additional information at the Committee's next meeting. Ms. Browne further reported that Esurance has made significant progress in correcting the reporting of offset and reenter endorsement records. However, she advised that there continues to be one subset of transactions involving out-of-sequence endorsements that Esurance has not corrected. Due to the complexity of these transactions, Esurance has indicated that it would be extremely costly to update its system to correctly report these records. Esurance has advised that the out-of-sequence transactions represent approximately 20% of the overall volume of their endorsement records. However, Esurance has further advised that it is no longer writing new business in Massachusetts and that Allstate, Esurance's parent company, is anticipating that the book of business will be moved to a different platform in the future.

Ms. Browne advised that staff is requesting direction from the Committee with respect to the assessment of future penalties. Ms. Browne indicated that CAR estimates by the close of 2022, Esurance will have been assessed approximately \$100,000 in penalties due to non-compliance issues and penalties would continue to accrue until corrections are made.

Ms. Kara Boehm, referencing the relationship between Allstate and Esurance, recused herself from participating in the discussion regarding the Esurance audit.

Mr. Barry Tagen observed that the Esurance book is small and is already decreasing, and thus the impact of the incorrect data reporting would be minimal. Furthermore, he indicated that he is sympathetic towards costly system changes and noted that Esurance had corrected many of its issues. Accordingly, considering their stated intention to move the book of business, he felt that it would be appropriate to offer some relief to the company. However, he suggested a condition that Esurance provide a date for moving the book of business to ensure that this error condition would not persist indefinitely.

Mr. Christopher Taylor agreed, but noted concern if the company did not meet its stated target date.

Ms. Mona Medina of Esurance provided additional information regarding the movement of the Esurance book of business. She stated that the effort to move Esurance's book of business is a country-wide project and the scope, including the timeline, is still undetermined. Ms. Medina added that once the effort is complete, Esurance does not plan to re-enter the market.

After additional discussion, the Committee voted unanimously, with one recusal, to stay the penalty assessments as of the close of the 2022 accounting year based on the representations made by the company with respect to its plans to transition the book of business, and on condition that Esurance provide a date for the transition plan to move its book of business to the new platform by June 2023. Furthermore, Esurance's failure to provide that plan or complete the transition within the time frames outlined would result in Committee review and the potential reinstatement of the stayed penalties.

### **23.07 Claims Subcommittee**

Mr. David Deluca, the Chair of the Claims Subcommittee, provided an overview of the November 30, 2022 meeting. He stated that the Subcommittee met to complete the biennial review of the Private Passenger and Commercial Claims Performance Standards (the Standards) as required by G.L.c.175, §113H. He summarized each proposal and explained the intent of each recommended change. Several modifications were necessary to update the standard or appendix to reflect the current language of the underlying source document or reference. Another standard was updated to strengthen the reference to the Division of Insurance Bulletin 2017-06 defining the requirement that insurers coordinate PIP and Med Pay claims with health plans. Mr. Deluca noted the continued efforts to improve the quality and standardization of industry SIU data. Pertaining to those efforts, the Subcommittee agreed with staff's proposal requiring the industry to use a standardized template to report CAR Rule 10.C.2. and/or 32.C.2. SIU completed audits of garaging and policy facts to CAR. The remaining modifications adjusted language for consistency with references in other Standards, CAR Rules, or procedure manuals.

**On a roll call vote, the Committee voted unanimously to accept the amendments to the Private Passenger and Commercial Performance Standards as presented and recommended that the Standards be adopted by the Governing Committee and forwarded to the Commissioner of Insurance for approval.**

MATTHEW HIRSH  
Compliance Audit Supervisor

Boston, Massachusetts  
February 9, 2023

**ATTACHMENT LISTING**

Docket #COPC23.02, Exhibit #1

Attendance Listing

**COMPLIANCE AND OPERATIONS COMMITTEE MEETING  
 MEETING ATTENDEES  
 FEBRUARY 1, 2023**

Individual's Name

Company / Agency

PLEASE PRINT

Kara Boehm	Allstate Insurance Group
Erin Cummings	Norfolk and Dedham Group
Todd Lehmann	Quincy Mutual Group
Annmarie Hassan	Arbella Insurance Group
Nicole Martorana	FBInsure, LLC.
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
David DeLuca	Vermont Mutual Insurance Company
Hannah Walker	Farmers Insurance Company
Daniel Clough	Arbella Insurance Group
Mona Modina	Allstate Insurance Group
Tiago Prado	BRZ Insurance LLC.
Benjamin Hincks	TSH & D – CAR Counsel
Steven Torres	TSH & D – CAR Counsel
Mary Ellen Thompson	Division of Insurance
Mark Alves	CAR Staff
Wendy Browne	CAR Staff
Peter Bertoni	CAR Staff
Shannon Chiu	CAR Staff
Timothy Galligan	CAR Staff
Steven Gautieri	CAR Staff
Matthew Hirsh	CAR Staff

**COMPLIANCE AND OPERATIONS COMMITTEE MEETING  
MEETING ATTENDEES  
FEBRUARY 1, 2023**

Individual's Name

Company / Agency

PLEASE PRINT

Natalie Hubley	CAR Staff
Tiffany Manning	CAR Staff
Virginia Plasse	CAR Staff
Katy Proctor	CAR Staff
James Robery	CAR Staff
Lynne Rosenburg	CAR Staff
Alison Ruggiero	CAR Staff
Robin Tigges	CAR Staff