



NATALIE A. HUBLEY  
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COMMONWEALTH AUTOMOBILE REINSURERS

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## RECORDS OF MEETING

### GOVERNING COMMITTEE REVIEW PANEL – FEBRUARY 21, 2023

#### Members Present

Mr. Thomas DePaulo – Chair

Mr. Thomas Harris

Ms. Meredith Woodcock

Cabot Risk Strategies, LLC

Quincy Mutual Group

Liberty Mutual Insurance Companies

Substituted for:

N/A

Not in Attendance:

N/A

#### 19.01 Records of Previous Meeting

On a roll call vote, the Committee unanimously voted to approve the Records of the Governing Committee Review Panel meeting of February 13, 2019 which was postponed to March 28, 2019. The Records have been distributed and are on file.

#### 23.04 Request for Reimbursement of Extraordinary Expenses – Safety Insurance Company

The Governing Committee Review Panel met to consider the petition of Safety Insurance Company appealing the October 27, 2022 decision of the Commercial Program Oversight Committee which denied the company's Request for Reimbursement of Extraordinary Expenses.

Staff provided the Panel with background regarding the basis for Safety's petition. The company's appeal was made pursuant to policy and billing procedures Safety put in place as a result of bulletins from the Division of Insurance and CAR in early 2020. Those bulletins requested the industry to provide flexibility in the issuance and administration of insurance in response to the COVID Health Emergency.

CAR committees met on several occasions to develop guidance for Servicing Carriers relative to the identification of "at risk" policy premiums and handling accommodations as they pertained to the DOI's directive on the health crisis versus normal operations and expenses. The guidance included that any reimbursement evaluations would need to consider the level of detail to which a requesting carrier could identify its COVID-related earned but uncollected premium versus earned and uncollected premium that might otherwise be incurred in the course of normal business operations. Pursuant to that guidance, Servicing Carriers were made aware that they would be responsible for presenting any request for reimbursement of expenses for evaluation by a committee. They were also informed that CAR Rule 11. C

and the Manual of Administrative Procedures is the mechanism and avenue through which a Request for Reimbursement of Extraordinary Expenses must be petitioned.

Safety Insurance subsequently submitted a Request for Reimbursement of Extraordinary Expenses in early 2022 that was deliberated on by the Commercial Program Oversight Committee. The Committee ultimately concluded that Safety's description of activity with respect to the insured's 2020 policy did not indicate accommodations relating to the public health crisis and unanimously voted to deny Safety's petition for reimbursement.

Ms. Mary McConnell from Safety Insurance presented the company's petition indicating that subsequent to DOI and CAR Bulletins regarding the COVID Health Crisis, Safety instituted a moratorium on non-pay cancellations and renewals as well as a flexible payment option to both their voluntary and ceded policies effective March 23, 2020. These policy handling conditions were in place until June 15, 2020 when their moratorium was lifted. Subsequently throughout 2020, policy billing handling for insureds experiencing payment issues was considered on a case-by-case basis.

Ms. McConnell indicated that Safety's unpaid owed premium for 2020 accounted for 2.189% of their direct ceded premium and far exceeded their experience for the prior four years, which accounted for an average of only 0.535%. She stated that one insured, in particular, accounted for almost half of the 2020 owed premium. The owed premium associated with that particular insured was the subject of Safety's reimbursement request.

Safety detailed their policy processing and billing experience with the insured including premiums owed, a policy rewrite, change in broker and cancellation notices. Safety indicated that subsequent to their rewriting of the policy in May 2020, they learned that the insured had obtained coverage in the voluntary market but had not satisfied the debt owed Safety.

The Panel discussed the insured's policies and timeline as presented by Safety, noting that payment issues with the insured began prior to the Covid health crisis. The Panel noted that Safety had issued a notice of cancellation for non-payment of premiums in February 2020. Subsequently, Safety reinstated the policy following a partial premium payment and the establishment of accommodations for full repayment by the insured of the remaining owed premium. Safety billed the insured in March and April, but the insured failed to remit any subsequent payments and a cancellation notice that would have been issued effective April 29, 2020 was suspended by Safety due to their established moratorium.

Subsequently, Safety received a new business application for the same insured from another producer effective May 27, 2020. The application was submitted without a down payment or collection of any of the owed premiums for the prior policy. Safety indicated that, due to a processing issue, they were not initially aware of coverage bound and subsequently issued the policy to accommodate a partial payment with an expectation for receipt of the remaining unpaid balance. Safety's billing of the insured was unsuccessful in collecting owed premium and a cancellation was issued to be effective September 9, 2020.

Safety subsequently was notified that the insured had obtained voluntary coverage through another company effective August 3, 2020 for which the writing producer nor company cooperated in the process of collecting of any of the owed and unpaid premiums to Safety.

Ms. McConnell indicated that they continued to pursue payment of the owed premium through the insured and their attorneys, but those efforts were unsuccessful. She indicated that Safety was informed that the company had gone out of business in early 2021.

The Panel opined on the specifics outlined by Safety and the risk/policies in question and determined that the unpaid and owed premium issues evolved prior to and apart from any Covid-related

accommodations. In addition, a change in producer and the new writing producer's failure to address the unpaid and owed premiums prior to binding coverage, coupled with Safety's delayed awareness of the producer's submission, contributed to payment collection problems.

The Panel determined that, while Safety's expense was significant and possibly extraordinary, it was not related to the COVID health crisis, but rather was initiated prior to COVID and made worse by producer error. The Panel unanimously voted to deny their request for reimbursement.

JOHN METCALFE  
Director – Residual Market Services

Boston, Massachusetts  
March 17, 2023

**ATTACHMENT LISTING**

Docket #GCRP23.02, Exhibit #1

Attendance Listing

**GOVERNING COMMITTEE REVIEW PANEL MEETING  
MEETING ATTENDEES  
FEBRUARY 21, 2023**

Individual's Name

Company / Agency

PLEASE PRINT

Thomas DePaulo	Cabot Risk Strategies, LLC
Thomas Harris	Quincy Mutual Group
Meredith Woodcock	Liberty Mutual Insurance Companies
Mary McConnell	Safety Insurance Company
Benjamin Hincks	TSH & D – CAR Counsel
Steven Torres	TSH & D – CAR Counsel
Mary Ellen Thompson	Division of Insurance
Barry Tagen	Pilgrim Insurance Company
Austin Tocci	Pilgrim Insurance Company
Mark Alves	CAR Staff
Wendy Browne	CAR Staff
Shannon Chiu	CAR Staff
Timothy Costain	CAR Staff
Richard Dalton	CAR Staff
Adrienne Donovan	CAR Staff
Steve Gautieri	CAR Staff
Natalie Hubley	CAR Staff
Cheryl Kopas	CAR Staff
John Metcalfe	CAR Staff
Lynne Rosenberg	CAR Staff
Robin Tigges	CAR Staff