



NATALIE A. HUBLEY
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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NOTICE OF MEETING

GOVERNING COMMITTEE

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

MONDAY, JUNE 14, 2021 AT 10:30 A.M.

*** Please Note the Change in Meeting Date ***

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

Ms. Elizabeth B. Brodeur – Chair
Safety Insurance Company

Ms. Pamela L. Bodenstab-Krynicki
Mr. Thomas C. DePaulo
Ms. Gail Eagan
Mr. Thomas A. Harris
Mr. Christopher Jarrard
Ms. Ida Denard Jones
Mr. M. John Olivieri, Jr.
Mr. Daniel P. Olohan
Ms. Kellie A. Thibodeau
Ms. Meredith M. Woodcock

P.L. Krynicki Insurance Agency, Inc.
Cabot Risk Strategies, LLC
Arbella Insurance Group
Quincy Mutual Group
GEICO
Denard Insurance Agency, Inc.
J.K. Olivieri Insurance Agency, Inc.
MAPFRE U.S.A. Corporation
The Hanover Insurance Company
Liberty Mutual Insurance Companies

AGENDA

GC

21.01 Transcript of Previous Meeting

The Transcript of the Governing Committee meeting of April 21, 2021 should be read and approved.

GC

21.03 CAR Conflict of Interest Policy

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

GC

21.04 President's Report

Commonwealth Automobile Reinsurers' President will report on matters affecting CAR.

GC

21.05 Counsel's Report

Commonwealth Automobile Reinsurers' counsel will report on pending litigation, CAR Rule changes and any other matters relevant to legal issues at CAR.

GC

21.08 Actuarial Committee

The Governing Committee will hear the report of the Actuarial Committee meeting of May 13, 2021.

The Records of the Actuarial Committee meeting of May 13, 2021 are attached. (Docket #GC21.08, Exhibit #2)

The Records of the Actuarial Committee meeting of May 13, 2021 have been distributed and are on file.

GC

21.10 Commercial Automobile Committee

The Governing Committee will hear the reports of the Commercial Automobile Committee meetings of April 28, 2021 and May 25, 2021.

The Records of the Commercial Automobile Committee meeting of April 28, 2021 are attached. (Docket #GC21.10, Exhibit #4)

The Records of the Commercial Automobile Committee meeting of May 25, 2021 will be distributed as additional information prior to the meeting.

The Records of the Commercial Automobile Committee meeting of April 28, 2021 have been distributed and are on file.

GC

21.11 Loss Reserving Committee

The Governing Committee will hear the report of the Loss Reserving Committee meeting of June 2, 2021.

A Summary of the Loss Reserving Committee meeting of June 2, 2021 will be distributed as additional information prior to the meeting.

GC

21.12 Compliance and Operations Committee

The Governing Committee will hear the report of the Compliance and Operations Committee meeting of June 2, 2021.

The Records of the Compliance and Operations Committee meeting of June 2, 2021 will be distributed as additional information prior to the meeting.

Other Business

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

Executive Session

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

NATALIE A. HUBLEY
President

Attachments

Boston, Massachusetts
June 3, 2021

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Commercial Automobile ~~or Taxi and Limousine~~ Servicing Carrier Appointment.

- 3) A background of events, in chronological order, leading up to the request, including pertinent correspondence and documentation between the company(s), producer(s) and/or any other involved entity.
 - 4) A summary of efforts undertaken by the Servicing Carrier to mitigate the impact to the residual market.
 - 5) A detailed accounting of any incurred expenses directly related to the residual market issue by company employees and/or contracted service providers utilized by the company on a regular or routine basis that are alleged to be extraordinary. Provide detailed explanations as to why these specific efforts/costs are deemed to be necessary, significant and extraordinary.
 - 6) An explanation for the need of any outside business, legal or other service provider contracted to specifically address resolution of the issue(s) along with the anticipated costs and an accounting of any expenses already incurred that are directly related to the issue presented by the Servicing Carrier.
 - 7) Confirmation that the Commissioner of Insurance has been copied on the request.
- b. Advisory Committee Review

The appointed advisory committee will be charged with determining whether or not the Servicing Carrier had diligently used usual and customary procedures for managing residual market business, including effective oversight of agency/company business submissions (underwriting, loss control, etc.) and whether the company diligence was timely in addressing issues that may have otherwise held costs to lower amounts. The petitioning Servicing Carrier must demonstrate that it qualifies for relief and address why the expected and/or incurred extraordinary costs could not have been anticipated in the Servicing Carrier's acceptance of the service terms and the expense allowance provision resulting from Servicing Carrier selection process. The committee's presumption prior to review of the request will be that expense allowance expectations for residual market business were intended to be at a level that would

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A. General

A Servicing Carrier will receive a credit against its premium written for expenses related to policies ceded to Commonwealth Automobile Reinsurers (CAR). ~~Expenses are separately calculated for commercial policies (excluding taxi, limousine and car service business) and taxi, limousine and car service policies.~~ Reimbursement will be provided for premium tax and commission expenses, as well as other expenses, including, but not limited to, unallocated loss adjustment, underwriting/technical services, loss control services and company/general expenses.

Expense allowances are initially calculated on an interim basis as specified in Section B. of this Chapter. On an annual basis, ceding expenses will be trueed-up as specified in Section C. of this Chapter.

As part of the Massachusetts Residual Market Commercial Automobile ~~and Taxi/Limousine~~ Request for Proposal (RFP) processes, companies interested in servicing ceded commercial automobile business ~~(excluding taxi, limousine and car service business) and ceded taxi, limousine and car service business~~ submit a price proposal. The proposal will indicate a price ~~per exposure expense allowance~~ for the initial year of the appointment to reimburse the Servicing Carrier for its unallocated loss adjustment expenses (ULAE), ~~and underwriting/technical services expenses~~ policy processing, loss control services ~~expenses~~ and company/general expenses. The proposal will also include a price for each of the subsequent years in the appointment term.

The final ~~price per exposure~~ expense allowances for the commercial Servicing Carrier(s) selected through the RFP process is approved by CAR's Governing Committee.

For additional information relative to the RFP process and the selection of Servicing Carriers to service the commercial automobile ~~and taxi, limousine and car service~~ residual markets, refer to Chapter I – Overview of this Manual.

B. Calculation of Interim Expense Allowances

Interim expense allowances are provided for both premium tax and commission expenses and for ~~ULAE~~ Unallocated Loss Adjustment Expenses (ULAE), ~~and U~~ nderwriting/Technical Services policy processing, ~~L~~ oss ~~C~~ ontrol S ervices and ~~C~~ ompany/g eneral E xpenses.

Interim expense ratios used to calculate ceding expenses are established annually, ~~separately for commercial business (excluding taxi, limousine and car service business) and taxi, limousine and car service business~~ as follows:

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~~1. Commercial Automobile (Excluding Taxi, Limousine and Car Service)~~

~~a. 1. Premium Tax and Commission~~

~~Servicing Carriers will be reimbursed for premium tax and commission as a percentage of written premium according to the underlying rate components in the latest approved CAR rate filing for the corresponding policy year.~~

~~b. 2. Unallocated Loss Adjustment Expenses (ULAE), Underwriting/Technical Services Policy Processing, Loss Control Services and Company/General Expenses~~

~~Servicing Carriers will be reimbursed for ULAE expenses, underwriting/technical services policy processing expenses, loss control services expenses, and company/general expenses based upon the approved expense per exposure allowance for each policy year of appointment.~~

~~The per exposure allowances will be converted to a percentage of written premium, based upon the estimated average written premium for the policy year, using those class types for which exposures are reported on a car year basis.~~

~~2. Taxi, Limousine and Car Service~~

~~a. Premium Tax and Commission~~

~~Servicing Carriers will be reimbursed for premium tax and commission as a percentage of written premium, according to the underlying rate components in the latest approved CAR rate filing for each class for the corresponding policy year.~~

~~b. Unallocated Loss Adjustment Expenses (ULAE), Underwriting/Technical Services, Loss Control Services and Company/General Expenses~~

~~Servicing Carriers will be reimbursed for ULAE expenses, underwriting/technical services expenses, loss control services expenses, and company/general expenses based on the approved expense per exposure allowance for each policy year of appointment.~~

~~The per exposure allowances will be converted to a percentage of written premium, based upon the estimated average written premium for the policy year.~~

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Servicing Carriers will be advised via bulletin of the established interim expense allowances ~~via a CAR Bulletin~~. Ceding expenses, as initially calculated based on interim expense ratios, will be credited to the Servicing Carrier through CAR's quarterly settlement of balances procedure and are subject to final true-up as described in Section C. of this Chapter.

C. Final Determination of Expenses

A Servicing Carrier's ceding expenses, as initially determined based on interim expense ratios, are subject to final adjustment based upon the agreed upon ~~per exposure~~ expense allowance.

Final expenses are determined as follows:

~~1. Commercial Automobile (Excluding Taxi, Limousine and Car Service)~~

~~a. 1. Premium Tax and Commission Expenses~~

Servicing Carriers will be reimbursed for premium tax and commissions according to the approved CAR commercial rate filing for the corresponding policy year. For policy years where a CAR rate filing is not filed and/or approved, the premium tax and commission allowance will remain unchanged from the prior year.

~~b. 2. Unallocated Loss Adjustment Expenses, Underwriting/Technical Services/Policy Processing Expenses, Loss Control Services Expenses and Company/General Expenses~~

At the close of each calendar year, the final expense allowances will be trueed up based on the approved expense ~~per exposure~~ allowance ~~and multiplied by~~ the actual ceded ~~property damage liability exposures~~ statistically reported data for the corresponding policy years.

~~For those class types for which exposure is not measured on a car year basis, the expense allowance is based on the expense percentage of written premium for the industry for those class types for which exposures are reported on a car year basis.~~

~~2. Taxi, Limousine and Car Service~~

~~a. Premium Tax and Commission Expenses~~

~~Servicing Carriers will be reimbursed for premium tax and commissions according to the approved CAR commercial rate filing for the corresponding policy year. For policy years where a CAR rate filing is~~

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~~not filed and/or approved, the premium tax and commission allowance will remain unchanged from the prior year.~~

~~b. Unallocated Loss Adjustment Expenses, Underwriting/Technical Services Expenses, Loss Control Services Expenses and Company/General Expenses.~~

~~For taxi, limousine and car service business, expense allowances will be trueed up based on the approved expense per exposure allowance multiplied by the actual ceded property damage liability exposures statistically reported for the corresponding policy year as of 18 and 30 months.~~

~~The initial true up of expenses, using data reported through 18 months of the corresponding policy year, will occur in the subsequent September quarterly settlement of balances. Expenses will continue to be credited on an interim basis, as a percentage of written premium, based upon data that is statistically reported to CAR in the September and the following December, March and June quarters.~~

~~The final true up of expenses, using data reported through 30 months of the corresponding policy year, will occur in the subsequent September quarter, as part of the quarterly settlement of balances procedure. At this point, additional reimbursement for ULAE, company and general expenses will no longer be provided.~~

Interim ceding expenses previously provided to the Servicing Carrier are compared with final expense allowances calculated for each Servicing Carrier. Any necessary ceding expense adjustment will be processed as an adjustment to the Servicing Carrier's Settlement of Balances and Member Participation Reports.

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A. Member Company, Servicing Carrier and Exclusive Representative Producer Responsibilities

1. Each Member, Servicing Carrier and Exclusive Representative Producer (ERP) must ensure that its own internal control and review procedures are sufficient to detect irregularities in the handling of Massachusetts commercial business. These procedures shall include, but are not limited to, the following:
 - a. Ensuring that all cessions, premiums, and claims are accurately and promptly reported to the Commonwealth Automobile Reinsurers (CAR);
 - b. Ensuring that all reports, including those requested by special call, are completed accurately and promptly;
 - c. Ensuring that all policies retained as voluntary or ceded to CAR are rated accurately, consistent with reported statistical coding, and that voluntary or ceded claims are properly reported to CAR;
 - d. Ensuring full compliance with CAR's Plan and Rules of Operation.

Any irregularities identified must be immediately corrected.

2. Each Member, Servicing Carrier and ERP is subject to audit by CAR. For additional information relative to the audits performed in accordance with CAR's Compliance Audit Program, refer to Sections C. and D. of this Chapter.
3. All motor vehicle insurance policies are subject to review and audit in a manner and time approved by the Governing Committee. Statistical data subject to audit will include but shall not be limited to commercial business retained as voluntary and commercial business ceded to CAR through the Commercial Servicing Carrier ~~and Taxi/Limousine~~ Program, including premium and claim statistical data. Servicing Carriers are required to maintain records for all ceded policies for at least three calendar years following the last calendar year in which activity has occurred.
4. In accordance with Rule 9 – Audit Review of CAR's Rules of Operation, each Member or Servicing Carrier authorizes CAR to audit any portion of its commercial motor vehicle insurance business that has a bearing on participation in CAR's underwriting results, expenses, penalties, payment of claims or any other matter attributable to such Member or Servicing Carrier.