



NATALIE A. HUBLEY  
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

101 Arch Street, Suite 400 Boston, Massachusetts 02110

[www.commauto.com](http://www.commauto.com)

617-338-4000

**TRANSCRIPT OF  
GOVERNING COMMITTEE MEETING**

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

**WEDNESDAY, SEPTEMBER 8, 2021, AT 10:30 A.M.**

Committee Members present –

Ms. Elizabeth B. Brodeur – Chair  
Safety Insurance Company

Ms. Pamela L. Bodenstab-Krynicki	P L Krynicki Insurance Agency
Mr. Thomas C. DePaulo	Cabot Risk Strategies, LLC
Ms. Gail Eagan	Arbella Insurance Group
Mr. Thomas A. Harris	Quincy Mutual Group
Mr. Christopher Jarrard	GEICO
Ms. Ida Denard Jones	Denard Insurance Agency, Inc.
Mr. M. John Olivieri, Jr.	J.K. Olivieri Insurance Agency, Inc.
Mr. Daniel P. Olohan	MAPFRE U.S.A. Corporation
Ms. Kellie A. Thibodeau	The Hanover Insurance Company
Ms. Meredith M. Woodcock	Liberty Mutual Insurance Companies

Substituted for:  
N/A

Not in Attendance:  
N/A

**PROCEEDINGS**

*(Meeting began at 10:38 a.m.)*

Ms. Brodeur: I'd like to call to order the meeting of the CAR Governing Committee for September 8, 2021, at 10:30 a.m.

To start off, our well-known and well-loved remote meeting protocols for this online meeting. We had hoped that we'd be able to meet in person this September, but the Delta variant had other plans for us. So, just as a quick reminder, this meeting is being hosted and attended remotely via video conferencing software and, as you just heard, is being recorded. We would ask that non-committee members turn off their video until they are asked to speak, which will help focus the meeting on those committee members who are on video at this point.

If you would like to speak during the course of meeting, if you could please use the hand-raising function. If that doesn't work you can wave your hand, I'm sure Robin will notice before I will, and then we can make sure that you get a chance to speak. Otherwise, if you could mute yourselves during the course of the meeting when you're not speaking to cut down on the background noise. All the votes of this meeting today will be roll-call votes and the results will be read back by CAR staff.

**GC**

**21.01 Transcript of Previous Meeting**

Ms. Brodeur: The first order of business is I'd ask for a motion to approve the transcript of our prior meeting which was our special meeting of the Governing Committee that was held on August 5<sup>th</sup>.

Mr. Olivieri: So moved.

Ms. Brodeur: Do I have a second?

Mr. Jarrard: Second.

Ms. Brodeur: Is there any discussion? Hearing none, Robin, would you be so kind as to call the roll for me?

Ms. Tigges: Certainly. Liz, just for the record, the Conflict of Interest Policy, is that going to be read by you?

Ms. Brodeur: Yes, I was going in the order of the what's on the agenda.

Ms. Tigges: My apologies. Sorry about that.

Ms. Brodeur: That's okay. That'll be my next item, to read that even more well-known exciting document. I'm always wanting you to keep me on the right track.

Ms. Tigges: Pam Krynicki?

Ms. Bodenstab-Krynicki: Aye.

Ms. Tigges: Thom DePaulo?

Mr. DePaulo: Aye.

Ms. Tigges: Gail Eagan?

Ms. Eagan: Aye.

Ms. Tigges: Tom Harris?

Mr. Harris: Aye.

Ms. Tigges: Chris Jarrard?

Mr. Jarrard: Aye.

Ms. Tigges: Ida Denard Jones?

Ms. Denard Jones: Aye.

Ms. Tigges: John Olivieri?

Mr. Olivieri: Aye.

Ms. Tigges: Dan Olohan?

Mr. Olohan: Aye.

Ms. Tigges: Kellie Thibodeau?

Ms. Thibodeau: Aye.

Ms. Tigges: Meredith Woodcock?

Ms. Woodcock: Aye.

Ms. Tigges: The vote is unanimous.

Ms. Brodeur: Thank you, Robin.

GC

21.04 President's Report

Ms. Brodeur:

The next item on our agenda today is the President's Report. Natalie, are you ready to give that to us?

Ms. Hubley:

I am ready. Thank you. First, I do have a couple of housekeeping items for you. I have received a couple of requests over recent months from different Governing Committee members to provide a little bit more information to the committee members relative to those items coming before the Committee that will require action on the part of the Committee. You may have noticed when you read through the materials that were distributed with your Notice and your Additional Information that we are now highlighting in bold in our Records of Meeting any items that will be requiring action on the part of the Governing Committee. So, that's something that you should be seeing going forward. Hopefully we won't miss any.

Secondly, I wanted to let you know of our Governing Committee schedule for the 2022 year, as I know many have planned their calendars this far in advance. The first meeting in 2022 will be Wednesday, February 16<sup>th</sup>, then Wednesday, April 13<sup>th</sup>, Wednesday, June 15<sup>th</sup>, Wednesday, September 21<sup>st</sup>, and Wednesday, November 16<sup>th</sup>. Each of those meetings will begin at 10:30 with the exception of the November meeting which will be preceded at 10:30 by our Annual Meeting and then the Governing Committee meeting will follow at 11:00. Robin will be posting that meeting schedule to CAR's website in the very near future.

Next, I wanted to report to you that John Metcalfe and Tim Galligan and their groups have completed the initial phase of the reassignment process that goes with the new Servicing Carrier appointments beginning 1/1/2022. We have notified companies and agents of the reassignments. We think that we had very good results. We have 76 agencies that will be moving their taxi, limo, and car service business to their current Servicing Carrier for all other business. We have then, in order to balance the books of business among the four Servicing Carriers, reassigned 14 agencies to a new Servicing Carrier. We thought that was a pretty good result to minimize disruption where possible.

Relating to our anticipated private passenger rate filing, CAR staff does expect to receive a draft filing from the AIB in the next week or so in order that we can make a filing pursuant to the Division's filing guidance by the end of September, reviewing data through accident year 2020 and as of March 2021 and addressing any issues relating to anticipated impacts or non-impacts from the COVID experience that we had during 2020. I do believe that the AIB has done a pretty good job in identifying those impacts and addressing how they're considering that in their filing.

Relating to a commercial rate filing, we did get some direction from the Joint Actuarial Commercial Lines Committee late last month relating to how we will address for the zone-rated risk operations garaged outside of

Massachusetts. We expect to get some filing draft indications from the AIB later this month or early next month, in order to make a filing later in the fall.

I have reported over the last couple of meetings relative to the Farmers Insurance Group's acquisition of Metropolitan. We are working with that company. They have been very responsive. There are a number of reporting issues that we wanted to make sure that we address prior to addressing any membership issues relating to that acquisition of Metropolitan. That will ensure that there won't be negative impacts to the remaining members within the quota share as a result of any reporting issues that might be unresolved.

I also have reported to you over recent months about the new entrant to the private passenger marketplace, Incline Insurance. We had anticipated that that company was going to be entering into a LAD Agreement. However, that company has opted instead to handle their assigned risks directly. So, CAR staff is working with that company to ensure that they are prepared to be appointed as an Assigned Risk Carrier. We expect to have that for you at your November meeting. At this time, the company is writing very little business so there are no current impacts to the quota share and other Member Companies.

Finally, you'll hear a number of advisory committee reports so I won't repeat those efforts that have gone on. However, I will let you know that after this meeting, we do have a number of committees that are planning to meet prior to your November meeting. The Personnel Committee will convene in order to begin discussions of the President's and organization's objectives for 2022. The Commercial Program Oversight Committee will convene to begin discussions to provide guidance to Servicing Carriers as to how it will evaluate potential requests for reimbursement for COVID-related uncollected premium. The Commercial Auto Committee is also expected to continue meeting to address the number of issues that it has on its plate. The Compliance and Operations Committee will meet to hear the various audit reports and address the various operational issues. The Loss Reserving Committee will meet to do its quarterly review of the loss reserves and establishing the ultimate deficit for policy year 2021 for the first time at that time.

Absent any questions, that would conclude my report.

Ms. Brodeur: Thank you, Natalie. Does anyone have any questions for Natalie about her report?

Ms. Tigges: I see no hands, Liz.

Ms. Brodeur: Thank you.

**GC**

**21.05 Counsel's Report**

Ms. Brodeur: Seeing none, lets move on to the Counsel's Report. Steve or Ben, do you want to give us that report, please?

Mr. Hincks: Good morning, everyone. There are three items on today's Counsel's Report and none of them is an action item.

First, there is nothing new to report on the long pending Calianos Insurance Agency appeal to the Division of Insurance. The matter has been fully briefed and argued and we await a decision from the hearing officer at the Division.

The second, in relation to the Point Insurance appeals, the Point I appeal, the proceeding through which Point pursued an administrative appeal in Suffolk Superior Court of the Division's ruling in March 2019 upholding a determination by CAR by its Market Review Committee and Governing Committee Review Panel that certain conduct by Arbella was not unfair, unreasonable, or improper, is still pending before the Mass. Appeals Court. The appeal has been fully briefed and the Appeals Court recently scheduled an oral argument before a panel of three appellate justices for October 4<sup>th</sup> during which counsel for Point, the Division, Arbella, and CAR will argue. In regard to the Point II appeal, Point's appeal challenging Arbella's termination of Point is fully briefed and pending before the Division. We currently await a decision from the hearing officer on that matter.

Finally, in regard to the Rule 31 amendment, the Governing Committee's Rule 31 amendment is also still pending at the Division, and we await a decision on that matter as well.

Unless there are any questions, that concludes today's very brief Counsel's Report.

Ms. Brodeur: Thank you, Ben. Does anyone have any questions for CAR counsel?

**GC**

**21.07 Financial Audit Committee**

Ms. Brodeur: Seeing none, I believe the next item on our agenda is the report of the Financial Audit Committee. Mark Alves, are you providing that report?

Mr. Alves: Yes, I am, Liz.

Ms. Brodeur: Thank you, Mark.

Mr. Alves: Good morning. Mark Alves of CAR's compliance audit staff reporting on the records of the August 25<sup>th</sup> Financial Audit Committee meeting. The only item for consideration today is the annual audit of CAR for fiscal year ending 2021.

Mr. Thomas Perruna of AAFPCA presented his recommendation regarding the engagement parameters for the 2021 review and provided a basic timeline for planning, execution, and completion of the engagement.

Mr. John Buckley, also of AAFPCA, then discussed the Agreed Upon Procedures plan. He informed the Committee of new auditing attestation standards that dictate the use of certain language in AUP agreements. He noted that the updates contained in the 2021 procedures does not change the actions performed by the auditor but adjusts specific wording within the AUP to adhere to the new standards.

He further discussed the audit procedures with the Committee, noting that the 2021 procedures will continue to focus primarily on transactions relevant to CAR's administrative expenses and its IT controls.

Also, Mr. Buckley confirmed the 2021 audit fee of \$80,000, which is a 4% increase over 2020.

The Committee, on a roll call vote, voted unanimously to recommend that the Governing Committee approve the engagement parameters as presented by AAFPCA for the review of CAR's fiscal year 2021 financial statements, including the AUP, recognizing that the procedures are sufficient for their intended purposes, and that access to the AUP report would be limited to CAR, its committees and subcommittees, its Member Companies, and the Division of Insurance. The Committee also recommended that the President be directed to execute the engagement letters on behalf of CAR. This is an action item for your consideration today.

Ms. Brodeur: Thank you, Mark. Based on Mark's report, I would entertain a motion to approve the engagement parameters for the review of CAR's fiscal year 2021 financial statements as Mark just described which would include the Agreed Upon Procedures, and also to direct CAR's President to execute the engagement letters on behalf of CAR for that engagement.

Mr. Harris: Tom Harris, so moved.

Mr. Olivieri: Second.

Ms. Brodeur: Thank you. Any discussion? Seeing none, Robin, can you please take the roll?

Ms. Tigges: Absolutely. Pam Krynicki?

Ms. Bodenstab-Krynicki: Aye.

Ms. Tigges: Thom DePaulo?

Mr. DePaulo: Aye.

Ms. Tigges: Gail Eagan?

Ms. Eagan: Aye.

Ms. Tigges: Tom Harris?

Mr. Harris: Aye.

Ms. Tigges: Chris Jarrard?

Mr. Jarrard: Aye.

Ms. Tigges: Ida Denard Jones?

Ms. Denard Jones: Aye.

Ms. Tigges: John Olivieri?

Mr. Olivieri: I'm sorry, did you say my name?

Ms. Tigges: I did.

Mr. Olivieri: Yes, I'm in favor.

Ms. Tigges: Dan Olohan?

Mr. Olohan: Aye.

Ms. Tigges: Kellie Thibodeau?

Ms. Thibodeau: Aye.

Ms. Tigges: Meredith Woodcock?

Ms. Woodcock: Aye.

Ms. Tigges: The vote is unanimous.

Ms. Brodeur: Thank you. Mark, do you have any other items to discuss?

Mr. Alves: No, this concludes my report on the meeting. Thank you.

Ms. Brodeur: Thank you.

**GC  
21.10 Commercial Automobile Committee**

Ms. Brodeur: The next item on our agenda is a report of the Commercial Automobile Committee. Thom DePaulo, I believe you'll be giving that report.

Mr. DePaulo:

Thank you, Liz. Good morning, everybody.

I will be reporting this morning on the two Commercial Auto Committee meetings of July 20<sup>th</sup> and August 31<sup>st</sup>. I thought it was easier to report by topic rather than the actual meeting. Today, I'll have one topic that will be informational and two topics that will require consideration.

The first topic is the Radius of Operation and the Rating Territory. CAR staff had presented to the Commercial Auto Committee a summary of its evaluation and recommendation relative to the use of the RadiusCheck software product. This product was evaluated in order to gauge its potential as a tool to assist Servicing Carriers in identifying rating and classification issues. It was noted that the product appears to work best for validating radius class for local and intermediate vehicles where the garaging town is known.

Currently, the garaging town is not required to be reported for zone-rated risks and the zone combination code also does not identify the zone of principal garaging thus limiting the use of the product for zone-rated risks. However, as CAR finalizes its rating approach to address out-of-state garaging, discussions will also include alternatives to address statistical reporting. Depending upon the outcome of those discussions, there may be an opportunity to reevaluate the potential benefits of using the RadiusCheck software at a later date. Accordingly, the Commercial Auto Committee agreed to postpone further evaluation of this product until other related committee discussions have been conducted.

The next item on my agenda is the Transportation Network Services Coverage. There will be items for consideration on this part of the report.

The Commercial Auto Committee continued its discussion of the coverage for TNC activities in the residual market. At our previous meeting, the Committee had directed CAR staff to continue to research the various alternative approaches including the development of endorsements, particularly for policies that contain both public and non-public automobile classes. The Committee evaluated different options, including a class-specific exclusion endorsement, a vehicle-specific exclusion endorsement, a buy-back endorsement, and other insurance condition endorsement. It was determined that the other insurance condition endorsement would be the best solution based on the ease of implementation, minimal resource requirements, and transparency of the risk. Staff was directed to prepare the rules and forms for the Committee's consideration.

At our August 31<sup>st</sup> meeting, the Committee was presented with a packet of information that contained the following draft endorsement forms and rules, which can be found – I believe it's docket number GC21.10, Exhibit #7, Page 1 through 16 in the materials that were distributed.

The three endorsements are:

CR 99 06 – Public or Livery Passenger Conveyance and On-Demand Delivery Services Exclusion endorsement. This endorsement excludes coverage for autos engaged in TNC and will be attached to all ceded commercial policies except those with the public classified autos.

CR 99 05 – Vehicle Sharing Program Exclusion Endorsement. This endorsement excludes coverage for any auto enrolled or participating in a vehicle-sharing program. This will be attached to all ceded commercial policies.

CR 99 04 – Public or Livery Passenger Conveyance and On-Demand Delivery Services Other Insurance Condition Endorsement. This endorsement stipulates that the ceded coverage is excess over the insurance provided by the TNC when the auto is engaged in TNC or on-demand delivery services. This endorsement will be attached to all ceded policies with public classified autos.

Then there are some Rule changes to clean up language. I'll just run through those quickly.

Rule 20 – How to Classify Automobiles. This has been clarified to indicate that vehicles engaging in TNC activities should be classed and rated in accordance with Section V – Public Transportation.

Rule 43 was amended and is now designated as Vehicle Sharing Program Exclusion Endorsement.

Rule 44 is now designated as Public or Livery Passenger Conveyance and On-Demand Delivery Services Exclusion Endorsement.

Rule 71 – Eligibility, has been clarified to include vehicles engaging in TNC.

Rule 72 – Public Automobile Classifications, has been clarified to include that the insured may be under contract with a TNC.

Rule 75 is now designated as Public or Livery Passenger Conveyance and On-Demand Delivery Services – Other Insurance Condition endorsement.

The Committee suggested a few changes that were incorporated into the packet and was also attached to the Additional Information. The Committee unanimously voted to recommend to the Governing Committee the approval of these endorsement forms and rule modifications to the Commercial Automobile Manual. This is an action item for your consideration.

Ms. Brodeur:

Thank you, Thom, for that very helpful description. May I have a motion to approve the endorsement forms that Thom described and the corresponding Manual rule changes? Those endorsements and the

proposed Manual rule changes are in the materials that were circulated prior to this meeting to address coverage for risks engaged in TNC activities.

Mr. Olivieri: So moved.

Ms. Thibodeau: I'll second.

Ms. Brodeur: Thank you. Is there any discussion? Seeing none, Robin, can you please call the roll?

Ms. Tigges: Sure. Pam Krynicki?

Ms. Bodenstab-Krynicki: Aye.

Ms. Tigges: Thom DePaulo?

Mr. DePaulo: Aye.

Ms. Tigges: Gail Eagan?

Ms. Eagan: Aye.

Ms. Tigges: Tom Harris?

Ms. Harris: Aye.

Ms. Tigges: Chris Jarrard?

Mr. Jarrard: Aye.

Ms. Tigges: Ida Denard Jones?

Ms. Denard Jones: Aye.

Ms. Tigges: John Olivieri?

Mr. Olivieri: Aye.

Ms. Tigges: Dan Olohan?

Mr. Olohan: Aye.

Ms. Tigges: Kellie Thibodeau?

Ms. Thibodeau: Aye.

Ms. Tigges: Meredith Woodcock?

Ms. Woodcock: Aye.

Ms. Tigges: The vote is unanimous.

Ms. Brodeur: Thank you. Thom, back to you.

Mr. DePaulo: Thank you, Liz. Lastly, the Committee will continue its work with regard to the TNC at our next meeting. The Committee had previously determined that it would be beneficial to add a TNC question to the application, as well as language for disclosure requirements. We will be working on that for our next scheduled meeting.

My next and last agenda item is the Impacts to Program Requirements Under a Combined Commercial Servicing Carrier Program. The Committee reviewed modification to two chapters of the Manual of Administrative Procedures to consolidate language relative to the coverage applicable by vehicle type. In Chapter II – Servicing Carrier Responsibilities, updates to the Coverage Selection Page of the Taxi, Limousine, and Car Service Application were incorporated to better clarify optional coverages that are only applicable to limousine or car service risks. Chapter V – Premium, the Limits and Coverage section has been reorganized to better clarify that the coverages that are applicable to taxi cabs versus the coverages that are applicable to all other commercial classes.

The Committee unanimously voted to recommend to the Governing Committee today to adopt the MAP changes, which can be found attached to the agenda as GC21.10, Exhibit #6, Pages 4 through 7. This is an action item for your consideration.

Ms. Brodeur: May I ask you a quick question? On the updates to that first chapter, is it Chapter II and Chapter III? I think you said Chapter II, but something else I'm looking at refers to Chapter III.

Mr. DePaulo: I believe you're right.

Ms. Hubley: That is correct.

Mr. DePaulo: Chapter III, correct. I'm sorry.

Ms. Brodeur: That's okay. I wanted to make sure I was stating the right motion. Thank you for that. May I then have a motion to approve updates to Chapters III and V of the CAR Manual of Administrative Procedures to clarify coverage available in the residual market as Thom described?

Mr. Olivieri: So moved.

Mr. Jarrard: Second.

Ms. Brodeur: Any discussion? Seeing none, Robin, would you mind calling the roll?

Ms. Tigges: Absolutely. Pam Krynicki?

Ms. Bodenstab-Krynicki: Aye.

Ms. Tigges: Thom DePaulo?

Mr. DePaulo: Aye.

Ms. Tigges: Gail Eagan?

Ms. Eagan: Aye.

Ms. Tigges: Tom Harris?

Mr. Harris: Aye.

Ms. Tigges: Chris Jarrard?

Mr. Jarrard: Aye.

Ms. Tigges: Ida Denard Jones?

Ms. Denard Jones: Aye.

Ms. Tigges: John Olivieri?

Mr. Olivieri: Aye.

Ms. Tigges: Dan Olohan?

Mr. Olohan: Aye.

Ms. Tigges: Kellie Thibodeau?

Ms. Thibodeau: Aye.

Ms. Tigges: Meredith Woodcock?

Ms. Woodcock: Aye.

Ms. Tigges: The vote is unanimous.

Ms. Brodeur: Thank you. Thom, do you have any other items to discuss related to the Commercial Auto Committee?

Mr. DePaulo: No, that concludes my report.

Ms. Brodeur: Thank you very much, Thom.

**GC  
21.11 Loss Reserving Committee**

Ms. Brodeur: The next item on our agenda is the report of the Loss Reserving Committee. I believe that Tim Galligan will be giving that report.

Mr. Galligan:

Thank you, Liz. Good morning, everyone. I'll be reporting on the September 1<sup>st</sup> Loss Reserving Committee meeting. The Executive Summary of this meeting was included in the Additional Information packet. It is Docket #GC21.11, Exhibit #3. The records of this meeting have been distributed and are on file.

The first item for the Committee, they discussed the ongoing data reporting and data quality concerns. During this quarter, there was one data adjustment for \$3 million related to missing 2021 premium from one Servicing Carrier. An estimate was obtained from the company and was included in the Loss Reserving exhibits.

For large claims over \$1.0 million, there were five new claims that were added to this report, and that included one charter bus claim that was reserved at \$3.1 million. This claim we had actually known about from the prior quarter as it had been reported to us on CAR's Large Loss Notification Form. On this report, two claims were removed for dropping below the \$1.0 million threshold. So, in total, there are 100 claims over a \$1 million that are reported during the latest 10 years. Detailed information about these large loss claims is included in Pages 5 through 9 of the Additional Information.

The Committee was also informed that during the current quarter, five new claims were reported using that Large Loss Notification Form. Those were for policy years 2019-2021. That report is attached to the Additional Information on Page 10.

Next, the Committee set commercial loss reserves and ultimate deficits using data through June 2021. For the policy year results, the Committee estimated a policy year 2018 deficit of \$33.6 million, and that had a loss ratio of 93.7%. This resulted in a \$2.0 million improvement from the prior quarter's deficit of \$35.5 million.

Policy year 2019 resulted in a surplus of \$3.7 million with a loss ratio of 76.3%, also an improvement of \$761,000 from the prior quarter's surplus of \$3.0 million.

Policy year 2020 resulted in a surplus of \$29.4 million with a loss ratio of 61.7%. That was actually an \$824,000 deterioration from the prior quarter's surplus of \$30.2 million.

Included in your Additional Information are more detailed results for ultimate losses, open claims, and remaining reserves for both policy year and accident year.

I'd just like to point out that there was some good discussion at the Committee about some of these accident years. Accident years 2018 and 2019 – and this is on an accident year basis – they are seeing improvement with these years and are approaching it in a somewhat conservative way in that they're tempering the results towards where they think they are going. One of the reasons why they're doing that is

because some of the companies have begun to experience later than normal development for AOBI deeper in the tail.

Accident year 2020, they actually raised the loss ratio just a couple of points. The Committee members noted an uptick in settlement activity. One example that they offered was that the courts have been closed and now they're starting to see a little more activity, so they wanted to recognize that in the uptick of the loss ratio.

Accident year 2021, the Committee noted that there are more cars on the road now and they're beginning to see a higher frequency rate. They definitely wanted to set a loss ratio that was higher than accident year 2020 in making that selection.

As Nat mentioned, the next Loss Reserving Committee meeting will be in December and that will be using data reported through September. That will be the first time where we set an ultimate deficit for policy year 2021.

That concludes my report. I'd be happy to take any questions.

Ms. Brodeur: Thank you, Tim. Does anyone have any questions for Tim about his report? Okay. I'm sorry, Robin, did I miss a hand?

Ms. Tigges: I don't see any hands, Liz.

Ms. Brodeur: Okay. Thank you. Then, Tim, unless you have any other items, we will move on.

Mr. Galligan: No, that's it.

Ms. Brodeur: Thank you.

## GC

### 21.12 Compliance and Operations Committee

Ms. Brodeur: The next item on our agenda is the report of the Compliance and Operations Committee. I believe that Wendy Browne will be giving that report.

Ms. Browne: Yes, that's correct. Good morning. I will be reporting on the actions taken at the Compliance and Operations Committee meeting on September 1<sup>st</sup>.

First, the Committee was provided with the results of the following two audits:

A Hybrid Audit of Safety Insurance Company. The Committee was informed that while several 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 unanimously voted to accept the audit report without further consideration.

Next was a runoff Focus Audit of Charter Oak/Travelers Claims Performance Standards. Travelers was a Servicing Carrier from 2006 to 2016. The audit tested adherence to the Standards on commercial residual market claims that remained open as of the March 2021 quarter. All sampled claims and reserves were evaluated for compliances with the six Best Practices. The results had an aggregate compliance rate of 95.5% and Travelers was also compliant with the 80% benchmark in accordance with the Standards. It was noted that the reserves had decreased almost \$30 million since the last Focus Audit in September 2018. On a roll call vote, the Committee unanimously voted to accept the audit report without further consideration.

Moving on to the CAR Accounting System Rewrite. Attached to the Additional Information notice was a large segment of MAP updates that are related to the CAR Accounting System Rewrite. This has been something that CAR staff has been working on for the past year or so and this is the final culmination. The MAP reflects of all the system updates that were made.

In Chapter IV, which is the Cession Rules and Procedures, the exhibits have all been updated to reflect the removal of the Cession System out of the Accounting System as it now has its own designated link. Additionally, minor grammatical corrections were made throughout the Chapter.

Chapter V – Premium, references to the Telecommunications System, mainframe reports and functions have been eliminated and replaced with all the new online screens. Additionally, obsolete language has been eliminated.

Chapter VIII, which is the Data Reporting, Accounting Edit and Corrections Procedures, is the bulk of the substantive changes. References to the Telecommunications System, mainframe reports and functions have all been eliminated and replaced with the new online screens. References to Critical and Non-Critical Edits have been eliminated and refined as Accounting Edits as a result of the elimination of Error Codes 3, 5, and 8 through 11. A new report relative to High-Loss Dollars has been added to the system. Language relative to making grid corrections within the application has been removed to reflect that these types of corrections are no longer allowed. Finally, obsolete language has been eliminated.

Are there any questions about all of those changes? Nothing so far?

Ms. Tigges:

I don't see any hands, Wendy.

Ms. Browne:

Great. On a roll call vote, the Committee unanimously voted to recommend to the Governing Committee adoption of the updates to Chapters IV, V and VIII. This is an action item for your consideration.

Ms. Brodeur: Thank you, Wendy. I would now entertain a motion to approve the updates to Chapters IV, V and VIII of the Manual of Administrative Procedures to reflect the rewrite of the CAR Accounting System as Wendy has just described.

Mr. Harris: Tom Harris, so moved.

Ms. Brodeur: Do I have a second?

Mr. DePaulo: Second.

Ms. Brodeur: Thank you. Any discussion? Seeing none, Robin, can you please call the roll?

Ms. Tigges: Absolutely. Pam Krynicki?

Ms. Bodenstab-Krynicki: Aye.

Ms. Tigges: Thom DePaulo?

Mr. DePaulo: Aye.

Ms. Tigges: Gail Eagan?

Ms. Eagan: Aye.

Ms. Tigges: Tom Harris?

Mr. Harris: Aye.

Ms. Tigges: Chris Jarrard?

Mr. Jarrard: Aye.

Ms. Tigges: Ida Denard Jones?

Ms. Denard Jones: Aye.

Ms. Tigges: John Olivieri?

Mr. Olivieri: Aye.

Ms. Tigges: Dan Olohan?

Mr. Olohan: Aye.

Ms. Tigges: Kellie Thibodeau?

Ms. Thibodeau: Aye.

Ms. Tigges: Meredith Woodcock?

Ms. Woodcock: Aye.

Ms. Tigges: The vote is unanimous.

Ms. Browne: I just have two status reports to provide. The first deals with ceded commercial reporting issues. The Committee was informed that several ceded commercial statistical reporting issues were discussed at the Joint Actuarial Commercial Lines Committee meeting, including the potential collection of premium and zip code data to identify out-of-state garaged vehicles that could be eligible for an out-of-state rating differential, the increase in delivery services and impact to non-owned coverages, and the ISO Classification Plan. Additionally, it is anticipated that the Commercial Auto Committee will be considering whether any changes in the AIB's recent advisory filing may be appropriate for the residual market which could also result in new class and/or coverage codes. The Committee was informed that it's CAR's intention to bring a complete package of all of the issues and potential changes to the Committee at an appropriate time for its review and consideration. That was more of a heads-up.

Finally, the impact of Registry system changes, you may recall that in November 2018, the industry experienced a number of reporting issues relative to the Registry's new system, including those related to out-of-state operators. Because out-of-state operator information was not being passed to CAR, there was an increase in the Rule 29 Credit errors, more specifically to the Error Code 1 – No Match. At the time, the Committee agreed with CAR's recommendation to not process adjustments to the quota share or credit premium for records identified with Error Code 1 due to CAR's inability to identify just the errors that were associated with out-of-state operators. Staff was recently advised by the Registry that the data feed to CAR was corrected in the second phase of the Atlas conversion. Accordingly, the special adjustment for Error Code 1 is no longer needed and that beginning with the September 2021 cycle, all credit premium adjustments indicated by the edit will be included in the quota share determination.

That would conclude my report unless anyone has any questions.

Ms. Brodeur: Thank you, Wendy. Does anyone have any questions for Wendy?

**GC**  
**21.13 Budget Committee**

Ms. Brodeur: Seeing none, lets move on to a report of the Budget Committee meeting from this August. I believe, John Olivieri, you are giving that report.

Mr. Olivieri: Thank you, Madam Chair, I will be. Where our minutes from the meeting on August 24<sup>th</sup> are not that long, I will just read those into the record then there are a couple of action items that we'll need to vote on.

Again, our committee met on August 24<sup>th</sup> to discuss the Budget and Business Plan for 2022. Ms. Hubley described to the Committee that with this year's deliberations, CAR intends to coordinate the Budget Committee's recommendation relative to the business plan with that of the Personnel Committee's recommendation relative to the CAR President's performance objectives. To that end, she advised that staff will ask the Committee to comment on the organization's objectives and affirm that they address the Committee's priorities. Ms. Hubley then reviewed CAR's proposed Fiscal Year 2022 Business Plan including a detailed description of the FY22 objectives. The FY22 objectives focus on continued commercial residual market improvement initiatives, enhancements to the private passenger residual market, and efficient delivery of services.

Mr. Steven Gautieri then advised that CAR Management is requesting a FY22 budget allocation of \$9,553,000, which represents a decrease of 0.1% or \$4,900 under this year's current budget. Further, he noted that staff expects to close FY21 \$127,300 under budget and that the proposal recommends the surplus be allocated to fund CAR pension expenses, consistent with our strategy which CAR has been doing since 2013.

Mr. Gautieri then presented a detailed review of the proposed FY22 budget, providing explanations and rationale of variances between FY21 and FY22. Discussions followed relating to employee costs and CAR's rent expenses, with Committee members noting the opportunity for potential lease negotiations as CAR approaches the second half of its lease term and vacancies increase within the city. Committee members also considered staff's recommended allocation of the FY21 surplus to fund pension expenses. Mr. Gautieri further explained that CAR's approach to pre-paid pension funding, which ensures level-budget funding at least through FY24, maximizes assets to improve funded status, and minimizes guaranty fund insurance assessments.

At that point, the Committee took two separate votes, one to approve the FY22 Business Plan and one to approve the FY22 budget, which also allocates the prior year surplus funds as proposed. Both of those votes were unanimous. They are action items that we would hope the Governing Committee would also move forward with as well. That is my report.

Ms. Brodeur: Thank you, John. To take these two items in succession, first I would ask for a motion to approve CAR's Fiscal Year 2022 Business Plan, including the organization's objectives that are described in that Plan. I believe that was circulated in your materials.

Mr. Harris: Tom Harris, so moved.

Mr. Jarrard: Second.

Ms. Brodeur: Thank you. Any discussion on that motion? Seeing none, Robin, can you call the roll, please?

Ms. Tigges: Absolutely. Pam Krynicky?

Ms. Bodenstab-Krynicky: Aye.

Ms. Tigges: Thom DePaulo?

Mr. DePaulo: Aye.

Ms. Tigges: Gail Eagan?

Ms. Eagan: Aye.

Ms. Tigges: Tom Harris?

Mr. Harris: Aye.

Ms. Tigges: Chris Jarrard?

Mr. Jarrard: Aye.

Ms. Tigges: Ida Denard Jones?

Ms. Denard Jones: Aye.

Ms. Tigges: John Olivieri?

Mr. Olivieri: Aye.

Ms. Tigges: Dan Olohan?

Mr. Olohan: Aye.

Ms. Tigges: Kellie Thibodeau?

Ms. Thibodeau: Aye.

Ms. Tigges: Meredith Woodcock?

Ms. Woodcock: Aye.

Ms. Tigges: The vote is unanimous.

Ms. Brodeur: Thank you, Robin. Moving on, I'd also entertain a motion to approve CAR's Fiscal Year 2022 Administrative Expense Budget and allocate the prior surplus funds from the prior fiscal year as proposed which, as John discussed, would be put towards funding CAR's pension expenses.

Mr. Harris: So moved.

Ms. Thibodeau: Second.

Ms. Brodeur: Thank you. Any discussion on that motion? Seeing none, Robin, once again, can you call the roll, please?

Ms. Tigges: Absolutely. Pam Krynicki?

Ms. Bodenstab-Krynicki: Aye.

Ms. Tigges: Thom DePaulo?

Mr. DePaulo: Aye.

Ms. Tigges: Gail Eagan?

Ms. Eagan: Aye.

Ms. Tigges: Tom Harris?

Mr. Harris: Aye.

Ms. Tigges: Chris Jarrard?

Mr. Jarrard: Aye.

Ms. Tigges: Ida Denard Jones?

Ms. Denard Jones: Aye.

Ms. Tigges: John Olivieri?

Mr. Olivieri: Aye.

Ms. Tigges: Dan Olohan?

Mr. Olohan: Aye.

Ms. Tigges: Kellie Thibodeau?

Ms. Thibodeau: Aye.

Ms. Tigges: Meredith Woodcock?

Ms. Woodcock: Aye.

Ms. Tigges: The vote is unanimous.

Ms. Brodeur: Thank you, Robin. John, do you have any additional items?

Mr. Olivieri: That is my report.

Ms. Brodeur: Thank you very much.

GC

**21.14 Joint Actuarial Commercial Lines Committee**

Ms. Brodeur: The last item on our agenda – last but not least – is the report of the Joint Actuarial Commercial Lines Committee. Glenn Hiltpold, I believe you're going to be giving that report.

Mr. Hiltpold: Yes, thank you, Liz. Can everybody hear me?

Ms. Tigges: Yes.

Mr. Hiltpold: Thank you. There are no action items for the Committee, but I just wanted to read the records from our August 25<sup>th</sup> meeting.

At the August 25<sup>th</sup> meeting, Ms. Wendy Browne advised that in its most recent filing, CAR had proposed to address rating for zone-rated vehicles garaged out of state via a redefinition of the current zone-rating tables. As the filing was subsequently withdrawn to allow for a review of 2020 data pursuant to the DOI's filing guidance, staff is asking that the Committee consider alternative approaches to address the out-of-state rating differential and provide direction to staff as it prepares a rate filing for later on this year.

Ms. Browne described the benefits and drawbacks of the approach taken in the most recent filing. She noted that the filing option initially required no rating system changes. However, additional base rate tables would be needed if CAR were to introduce rating differentials for additional states or state groupings. Further, she explained that this approach would result in inconsistencies among data reported for voluntary and residual market business.

Ms. Browne then described an alternative approach that would involve the addition of a separate rating factor with values varying depending upon principal garaging location. She explained that, while this approach would require rating system changes upon implementation, it offers more flexibility to introduce additional out-of-state differentials as needed. In addition, a modification to statistical reporting to collect garaging location for zone-rated vehicles in the premium town and zip code fields would enable more accurate identification of comparable voluntary and residual market data.

The Servicing Carriers advised that the latter approach to adding a rating factor with multiple values requires significantly less resources than the former approach of adding rating tables. Further, the Committee noted the benefits of enhanced statistical data. After discussion, the members agreed to direct CAR to pursue the separate rating factor approach in its upcoming filing.

Mr. Timothy Galligan then advised that staff is currently evaluating the nature of the non-ownership liability coverage in preparation for a future filing and is asking that the Committee comment on an expanded class plan and the practical administration of the non-ownership coverage. He

explained that due to the growth in the delivery services industry, AIPSO, in its recent report to CAR, recommended introducing separate non-ownership liability rates for delivery services and all other non-owned coverage. Further, due to the high volume of coverage purchased on a stand-alone basis, staff is also recommending rates for stand-alone policies and separate rates for coverage extended on an existing policy. Mr. Galligan referred to the table of recommended classifications provided with the Additional Information to illustrate the recommended approach.

Committee members then expressed a preference to simplify the rating approach and questioned the need for separate rates for delivery services and all other non-owned coverage. Servicing Carrier advised that the vast majority of coverage being afforded in the residual market is for delivery services. Other members questioned whether rating by the number of vehicles used for delivery would be a better approach than the number of employees. In addition, committee members suggested that staff evaluate the impact of non-owned coverage afforded in conjunction with hired autos. The Committee directed staff to research the issues raised for further discussion at a future meeting.

I'll take a pause here before I read about the next issue. Any questions?

The next topic that was discussed at the August 25<sup>th</sup> meeting was consideration of the ISO Optional Class Plan. Ms. Browne described modifications to the ISO class plan implemented in 2019. She noted the application of primary and secondary rating factors by coverage, the introduction of multiple fleet and age levels, the expanded use of original cost new, and the introduction of additional use classes as adopted by the North American Industry Classification System. She further noted that the private passenger type classes will also capture driving experience and principal/occasional status. Ms. Browne advised that the Committee is requested to comment on whether the revised plan, or certain components within the plan, would benefit the residual market from a rating perspective.

The Committee noted the advantages of the more granular class system but expressed concern with the significant and costly systems changes that would be needed to implement the new class structure. The Committee agreed that in light of other rating priorities such as those discussed earlier, and the lack of data indicating a rating concern, it would table further discussion on these issues as this time.

That ends my report to the Committee. It was just an update. There are no action items at this time.

Ms. Brodeur:

Thank you, Glenn. Does anyone have any questions for Glenn? My apologies. I think I was not muted and my phone rang. That was me. My apologies for that.

We are to the very last item on our agenda, which is Other Business. Does anyone have any other business that they'd like to bring before the

Governing Committee today? I don't see any hands. In light of that, I think I would entertain a motion to adjourn.

Mr. Jarrard: So moved.

Mr. Harris: Second.

Ms. Brodeur: Thank you. Any discussion on that motion? Seeing none, Robin, one more time.

Ms. Tigges: Pam Krynicki?

Ms. Bodenstab-Krynicki: Aye.

Ms. Tigges: Thom DePaulo?

Mr. DePaulo: Aye.

Ms. Tigges: Gail Eagan?

Ms. Eagan: Aye.

Ms. Tigges: Tom Harris?

Mr. Harris: Aye.

Ms. Tigges: Chris Jarrard?

Mr. Jarrard: Aye.

Ms. Tigges: Ida Denard Jones?

Ms. Denard Jones: Aye.

Ms. Tigges: John Olivieri?

Mr. Olivieri: Aye.

Ms. Tigges: Dan Olohan?

Mr. Olohan: Aye.

Ms. Tigges: Kellie Thibodeau?

Ms. Thibodeau: Aye.

Ms. Tigges: Meredith Woodcock?

Ms. Woodcock: Aye.

Ms. Tigges: The vote is unanimous.

Ms. Brodeur: Thanks everyone. Thank you for your time today. Have a good rest of the week.

*(Meeting ended at 11:32 a.m.)*

NATALIE A. HUBLEY  
President

Note: This Transcript has not been approved. It will be considered for approval at the next meeting of the Governing Committee.

Attachment

Boston, Massachusetts  
September 22, 2021

The above proceedings have been transcribed in accordance with CAR's guidelines for producing quality transcripts, which provide for the elimination of insignificant material that does not alter the substance of the Committee's discussions, such as sidebar comments, the use of verbal fillers (i.e., uhm's and ah's), and commentary (i.e., "laughter" and "coughing").

**ATTACHMENT LISTING**

Docket #GC21.02, Exhibit #5

Attendance Listing

**GOVERNING COMMITTEE MEETING  
MEETING ATTENDEES  
SEPTEMBER 8, 2021**

Individual's Name

Company / Agency

PLEASE PRINT

Elizabeth Brodeur	Safety Insurance Company
Pamela Bodenstab-Krynicky	P.L. Krynicky Insurance Agency, Inc.
Thomas DePaulo	Cabot Risk Strategies, LLC
Gail Eagan	Arbella Insurance Group
Thomas Harris	Quincy Mutual Group
Christopher Jarrard	GEICO
Ida Denard Jones	Denard Insurance Agency, Inc.
M. John Olivieri, Jr.	J.K. Olivieri Insurance Agency, Inc.
Daniel Olohan	MAPFRE U.S.A. Corporation
Kellie Thibodeau	The Hanover Insurance Company
Meredith Woodcock	Liberty Mutual Insurance Companies
Roberta Fitzpatrick	Arbella Insurance Group
Mary Ellen Thompson	Division of Insurance
Kathy Cormier	MAIA
Nicholas Fyntrilakis	MAIA
Jean Downey	Norfolk & Dedham Group
Barry Tagen	Pilgrim Insurance Company
Glenn Hiltbold	Safety Insurance Company
Mary McConnell	Safety Insurance Company
Benjamin Hincks	TSH & D – CAR Counsel
Steven Torres	TSH & D – CAR Counsel
Mark Alves	CAR Staff
Wendy Browne	CAR Staff
Timothy Costain	CAR Staff
Richard Dalton	CAR Staff
Timothy Galligan	CAR Staff

**GOVERNING COMMITTEE MEETING  
MEETING ATTENDEES  
SEPTEMBER 8, 2021**

Individual's Name

Company / Agency

PLEASE PRINT

Steven Gautieri	CAR Staff
Natalie Hubley	CAR Staff
Cheryl Kopas	CAR Staff
Daniel Mason	CAR Staff
Peter McCabe	CAR Staff
John Metcalfe	CAR Staff
Regina Nagle	CAR Staff
James Robery	CAR Staff
Lynne Rosenberg	CAR Staff
Robin Tigges	CAR Staff