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TRANSCRIPT OF GOVERNING COMMITTEE MEETING

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

WEDNESDAY, SEPTEMBER 21, 2022, AT 10:30 A.M.

Committee Members present –

Mr. M. John Olivieri, Jr. – Acting Chair
J.K. Olivieri Insurance Agency, Inc.

Ms. Pamela L. Bodenstab-Krynicky	P L Krynicky Insurance Agency
Ms. Sarah Clemens	MAPFRE U.S.A Corporation
Mr. Thomas C. DePaulo	Cabot Risk Strategies, LLC
Ms. Roberta Fitzpatrick ⁽¹⁾	Arbella Insurance Group
Mr. Thomas A. Harris	Quincy Mutual Group
Ms. Ida Denard Jones	Denard Insurance Agency, Inc.
Ms. Mary McConnell ⁽²⁾	Safety Insurance Company
Mr. Christopher Taylor	The Hanover Insurance Company
Ms. Meredith M. Woodcock	Liberty Mutual Insurance Companies

Substituted for:

⁽¹⁾Mr. William S. Hughes

⁽²⁾Ms. Elizabeth B. Brodeur

Not in Attendance:

Mr. Ryan A. Brand, GEICO

PROCEEDINGS

(Meeting began at 10:37 a.m.)

Mr. Olivieri: I'm going to call to order the September 21st Governing Committee meeting. A couple of housekeeping items first. Everyone, please adhere to the remote meeting protocols and procedures. I don't think I need to go through them in detail. Just remember, if you're not speaking, put yourself on mute. Other than Governing Committee members, please turn your video off unless you need to participate in the conversation. I think that basically covers it.

We have two substitutes today. We have Roberta Fitzpatrick substituting for Bill Hughes. We also have Mary McConnell substituting for Liz Brodeur.

GC

22.01 Transcript of Previous Meeting

Mr. Olivieri: The first agenda item is to approve the meeting minutes of the June 15, 2022 meeting. I'll entertain a motion, if anyone would like.

Mr. Harris: Tom Harris, so moved.

Mr. Olivieri: Do we have a second?

Mr. Taylor: Second.

Mr. Olivieri: Tom made the motion. We'll give Chris Taylor the second. We still have to go through the roll call vote as part of the remote meeting procedures. Pam?

Ms. Bodenstab-Krynicky: Aye.

Mr. Olivieri: Ryan?

Ms. Tigges: He's not here, John.

Mr. Olivieri: That's the one who's missing. I should have asked. Sarah?

Ms. Clemens: Abstain since I wasn't present at that meeting. I wasn't on the Committee yet.

Mr. Olivieri: Thom DePaulo?

Mr. DePaulo: Aye.

Mr. Olivieri: Tom Harris?

Mr. Harris: Aye.

Mr. Olivieri: Roberta was not at that meeting, so I will skip her. Ida?

Ms. Denard Jones: Aye.

Mr. Olivieri: Chris?

Mr. Taylor: I should remove my second. I wasn't present at the meeting.

Mr. Olivieri: Okay. Meredith?

Ms. Woodcock: Aye.

Mr. Olivieri: Motion carries unanimously.

GC

22.04 President's Report

Mr. Olivieri: Agenda item number four, the President's Report. Natalie.

Ms. Hubley: Thank you. I do have a number of items to note for you today. The first of which is that Liz Brodeur has accepted a position with Coverys. As such, she will be resigning her seat on CAR's Governing Committee in November. Safety will be petitioning the Commissioner to appoint a representative of Safety to complete Liz's term at that time.

I'd also like to welcome our two new Governing Committee members: Sarah Clemens from MAPFRE and Chris Taylor from The Hanover. Both are not new to CAR advisory committees. They've sat on various committees for quite some time, but we welcome you to the Governing Committee. If there are any issues that you'd like to discuss, feel free to give me a call at any time.

To give a brief status on the remote meetings, as you all know, the Governor has extended the Open Meeting Law provisions allowing us to meet remotely through March 31, 2023. We are currently in the process of looking into our ability to have meetings in a hybrid fashion. Until that date, we've been working with the AIB to test some of their equipment. We had a little bit of difficulty with the audio portion of that. So, at this time, we're not able to do that. But as soon as we are able, we will let you know and test that out.

As you know, CAR's commercial rates were placed on file in July with a November 1 effective date. Staff is working with the Servicing Carriers and the various committees to implement the changes resulting from that filing. We are currently reviewing MAIP indications and expect to have a private passenger filing at the end of this month.

Finally, we've got a number of ongoing activities between now and your November meeting. We'll be preparing our Annual Report for our

Annual Meeting in November. The Personnel Committee will be reviewing the status of the objectives that were established for the organization last year. Staff will continue its review of the commercial policy forms on file for the commercial residual market and working with the committee to schedule an implementation plan for some of the newer forms. We are close to engaging a number of producers to work with the MAIP application and testing of an electronic stamp and hope to get back to the MAIP Steering Committee in the next few months or so on that issue. The review of CAR's financials will be in process as we come up to the November Governing Committee meeting.

That would conclude my report absent any questions from the Committee.

Mr. Olivieri:

Does anyone have any questions for Nat?

GC

22.05 Counsel's Report

Mr. Olivieri:

Agenda item number five, Counsel's Report. I'm not sure who's going to deliver it. Ben, maybe you?

Mr. Hincks:

I'm working solo today. Thank you, John. Good morning, everyone. There are five items on today's Counsel's Report and no action items.

The first item relates to the Calianos Insurance Agency appeal to the Division of Insurance. This matter has been fully briefed and argued. We await a decision from the hearing officer at the Division.

The second item relates to the Point Insurance matters with two of the three Point Insurance appeals – those are what we've been calling Point I and Point III – having been concluded as previously reported, and the hearing officer at the Division lifting the stay that was in place in the still-active Point II matter, which is the proceeding at the Division in which Point is challenging Arbella's termination. The parties are still awaiting notice from the hearing officer scheduling a hearing to assess what issues were decided in the Point I appeal and what issues remain open in Point II. Point, Arbella, and CAR have submitted briefs to the Division describing the issues that each party argues are now fully resolved, have been resolved in part, or are fully contested.

The third item relates to the Rule 31 amendment. The Governing Committee's Rule 31 amendment is also pending at the Division. We await a decision or ruling on that as well.

The fourth item relates to the Puopolo litigation. Our reports to this Committee from April and June of 2019 refer to a subpoena CAR received in a lawsuit involving certain policyholders who had sued Commerce Insurance, on their own behalf and others similarly situated, in a litigation involving vehicle storage charges. Commerce had obtained summary judgment in its favor on all claims and the

policyholders appealed. Earlier this year, the Appeals Court considered the policyholders' claims, affirmed judgment in favor of Commerce, and held that Commerce had complied with the CAR Performance Standards regarding storage and towing costs through its referral network and early-tow program. As the Supreme Judicial Court denied the policyholders' requests for further appellate review on June 30, 2022, that litigation is now over.

The final matter is regarding recent legislation regarding Governing Committee agency representation. Since the last Governing Committee meeting held in June, the Mass. legislature has enacted legislation that deleted the statutory restriction in CAR's Enabling Act, Chapter 175, Section 113H, Subsection B, that had reserved two of the six Governing Committee seats assigned to insurance agents to "producers who are Assigned Risk Producers who write private passenger automobile insurance exclusively through the Massachusetts Automobile Assigned Risk Plan." Accordingly, there are two open producer seats which no longer are subject to this prior restriction. CAR has yet to hear from the Commissioner in regard to an appointment for either open producer seat.

Unless there are any questions, this concludes today's Counsel's Report.

Mr. Olivieri:

Any questions for Ben? Thanks, Ben.

GC

22.06 Compliance and Operations Committee

Mr. Olivieri:

Item number six, the Compliance and Operations Committee report. I believe, Wendy, you are going to be giving that report, correct?

Ms. Browne:

That is correct. Good morning, everyone. I will be reporting on the actions taken at the Compliance and Operations Committee meeting on September 7th. Note that there are two action items. Please bear with me as my report is a bit lengthy.

The first discussion centered on merit rating reporting and the Focus Audit. The Committee was provided with an overview of the results of the merit rating Focus Audit of private passenger industry data. The objective of this audit was to evaluate the accuracy of the statistically reported merit rating values as compared to the values imputed by the Merit Rating Board in accordance with the Statistical Plan.

Fifty-one companies from 36 different groups were audited with an industry error rate of 8.7 percent. Twenty-nine of the 36 audits had results that were better than the industry average with the remaining seven companies accounting for 74 percent of the errors. Those seven companies represent approximately 2 ½ percent of the industry market share. It was noted that of the seven companies, two exceeded the industry average by a slim margin with the other five companies accounting for the bulk of the error records. Furthermore, three of those five companies have been in contact with CAR staff as having identified

system issues relating to this problem. Some of these companies have previously been identified and notified about this reporting issue because of other data quality programs and therefore have already been issued deadlines to make corrections. For those that have not been notified, CAR staff proposed a correction deadline of the January 2024 submission with a Focus Audit to follow to ensure that the corrective actions have been implemented or the company would become eligible for statistical data quality penalties for late and unacceptable shipments.

The Committee unanimously voted to direct staff to notify the five outlier companies to correct their systems to ensure accurate reporting of merit rating no later than the January 2024 submission in order to avoid the assessment of penalties and for CAR to conduct a Focus Audit on each company using data reported in later submissions.

Potential Private Passenger and Commercial Statistical Plan changes, based on feedback from the June 1st meeting, staff reviewed two proposed modifications to the Private Passenger Statistical Plan and six proposed modifications to the Commercial Statistical Plan. In addition to the pages in the Stat Plans, the Classification Code and Coverage Code Decision Tables were updated as well.

The following Private Passenger Statistical Plan changes were considered: A new classification code, 0461, has been added to properly identify four-wheeled Limited Use Vehicles and instructions relative to two- and three-wheeled Limited Use Vehicles have been added to the Motorcycle page. The updated pages with changes were included in the second Additional Information distribution. New coverage codes have been added to identify towing and labor coverages greater than \$100 per disablement, roadside assistance, and substitute transportation greater than \$100 per day and a \$3,000 maximum. These changes have a 1/1/23 optional and a 1/1/24 mandatory implementation date.

The following Commercial Statistical Plan changes were considered: Instructions were added to indicate that the reporting of premium town for ceded zone-rated risks is required. Original Cost New, which is currently reported only for vehicles with a value of \$90,000 and greater, will become required on all applicable vehicles for all values and symbol and value code will be phased out. A new classification code, 915000, has been added to indicate primary coverage provided by a transportation network services company. Two new classification codes, 667400 and 667600, have been added to indicate non-owned coverages for volunteers not associated with social service risks. Finally, new coverage codes have been added to identify towing and labor coverages greater than \$100 per disablement, roadside assistance, and on-hook coverage. These changes have a 1/1/23 optional and a 1/1/24 mandatory implementation date with the exception of the changes for Original Cost New, Symbol and Value Code which just has a mandatory 1/1/24 implementation date.

The Compliance and Operations Committee voted unanimously to recommend to the Governing Committee that the proposed updates to the Private Passenger and Commercial Statistical Plans reflective of the

Committee's changes to be approved and submitted to the Division of Insurance. Furthermore, as noted previously, two small clarifications to the proposed private passenger pages were distributed and we ask that those changes be approved as well. The commercial pages can be found in the first Additional Information notice, Exhibit #4, pages 11 through 28. The private passenger pages can be found in the second Additional Information notice, Exhibit #5, pages 1 to 6. This is an action item for your consideration.

- Mr. Olivieri: Any questions for Wendy before I entertain a motion to approve, hopefully?
- Ms. Tigges: I see no hands, John.
- Mr. Olivieri: Okay. Would anyone like to make a motion?
- Mr. Harris: Tom Harris, so moved.
- Mr. Olivieri: Do we have a second?
- Ms. Clemens: Sarah Clemens, second.
- Mr. Olivieri: Great. Any further discussion? Let's do the roll call. Pam?
- Ms. Bodenstab-Krynicky: Aye.
- Mr. Olivieri: Sarah?
- Ms. Clemens: Sarah Clemens, aye.
- Mr. Olivieri: Thom DePaulo?
- Mr. DePaulo: Aye.
- Mr. Olivieri: Tom Harris?
- Mr. Harris: Aye.
- Mr. Olivieri: Roberta?
- Ms. Fitzpatrick: Aye.
- Mr. Olivieri: Ida?
- Ms. Denard Jones: Aye.
- Mr. Olivieri: Chris?
- Mr. Taylor: Aye.
- Mr. Olivieri: Meredith?

Ms. Woodcock: Aye.

Mr. Olivieri: Mary?

Ms. McConnell: Aye.

Mr. Olivieri: Motion carries unanimously. Wendy, back to you.

Ms. Browne: I just have one more item. CAR Rules Updates, proposed changes to CAR Rule 32 – Claim Practices were reviewed by the Committee. It was noted that the substantive change was to replace the reference to the Commercial Manual of Administrative Procedures with the Assigned Risk Company Procedures Manual. The remainder of the changes focus on achieving formatting consistency with CAR Rule 10.C. and CAR Rule 32 that pertain to the Special Investigative Unit. The uniformity of formatting is beneficial to consistently identify specific SIU requirements for both private passenger and commercial business.

The Committee unanimously voted to recommend to the Governing Committee adoption of the updates to CAR Rule 32 – Claim Practices of the CAR Rules of Operation. The pages being updated can be found in first Additional Information packet, Exhibit #4, pages 29 to 33. This is an action item for your consideration.

Mr. Olivieri: Any questions for Wendy? I will entertain a motion on CAR Rule 32.

Mr. Harris: So moved.

Mr. Olivieri: Do we have a second?

Mr. Taylor: Second.

Mr. Olivieri: Any further discussion? Roll call vote. Mary?

Ms. McConnell: Aye.

Mr. Olivieri: Pam?

Ms. Bodenstab-Krynicki: Aye.

Mr. Olivieri: Sarah?

Ms. Clemens: Aye.

Mr. Olivieri: Thom DePaulo?

Mr. DePaulo: Aye.

Mr. Olivieri: Tom Harris?

Mr. Harris: Aye.

Mr. Olivieri: Roberta?

Ms. Fitzpatrick: Aye.

Mr. Olivieri: Ida?

Ms. Denard Jones: Aye.

Mr. Olivieri: Chris?

Mr. Taylor: Aye.

Mr. Olivieri: Meredith?

Ms. Woodcock: Aye.

Mr. Olivieri: Motion carries unanimously.

Ms. Browne: That would conclude my report. Thank you very much.

Mr. Olivieri: Thank you.

GC

22.07 Commercial Automobile Committee

Mr. Olivieri: Commercial Automobile Committee, Thom is going to be reporting on the last couple of meetings they've had.

Mr. DePaulo: Thank you, John. Good morning, everyone. I'll be reporting on the meetings of August 4th and September 15th. There are three items I'll be reporting on, and one is an action item.

The first item is the AIB Commercial Automobile Insurance Manual and Endorsement Changes. At a prior meeting, the Commercial Auto Committee reviewed a number of ISO commercial endorsements that were placed on file by the AIB and concluded that seven of those forms warranted further consideration for the Mass. commercial residual market. However, the Committee acknowledged that the more recent endorsement forms are not written to conform with the older policy forms on file for CAR. Therefore, the Committee agreed that a thorough review of the policy forms was necessary before moving forward. Staff developed a chronology of previous considerations and adoptions of policy forms to assist the Committee with their analysis.

Typically, CAR creates its forms when changes and/or endorsements are considered beneficial to the commercial residual market. Previously, the Committee has not recommended migration from the Truckers to the Motor Carrier policy form nor the Garage to the Auto Dealers form because it had concluded that the forms are not substantially different from the ones being used in the residual market. However, as CAR's role in developing policy forms should be limited to only addressing

unique circumstances of the residual market and the lack of conformity with the older policy forms, the Committee determined that it is the appropriate time to consider the transition to the new ISO forms.

Accordingly, the Committee considered three different alternatives. The first being to adopt the newer ISO coverage forms as filed by AIB, which would include a.) Upgrading the Business Auto policy to the newer version, b.) Replacing the Truckers policy with the Motor Carrier policy, and c.) Replacing the Garage policy with the Auto Dealers policy. The second consideration was to adopt the method employed in other states' residual markets, which would include a.) Withdrawing the Truckers policy, and instead use the Business Auto policy for trucking risks, b.) Upgrading the Business Auto policy to the newer version, and c.) Subsequently replacing the Garage policy with the Auto Dealers policy. The last option to consider was to make no changes at all.

The Committee noted that option 1 would be prohibitive at this time due to the extensive resources required and the associated implementation costs. Furthermore, making no changes would become more problematic over time as it would become increasingly difficult to react to changes in the market. Option 2 has a number of benefits including consistency with other states' residual markets, consistency with the voluntary market, and is more efficient and cost-effective to implement while allowing enhancements afforded through the newer policy forms and related endorsements.

Staff requested direction from the Committee as to which approach to pursue in order to further evaluate implementation needs such as impacts to underwriting and claims processes, specifications for form replacement and associated endorsements, manual rule amendments addressing the newer forms, and identification of rating impacts. Accordingly, the Committee unanimously voted to adopt option 2 and directed staff to prepare the analysis needed to enable further discussion of an implementation schedule. There'll be more to follow on that after our next meeting.

The second item to discuss is the 2022 Annual Evaluation of Market Need for ERP Appointments and this will be an action item.

In accordance with Rule 14 – Exclusive Representative Producer Requirements, an applicant for an ERP appointment to a Servicing Carrier must meet the conditions for addressing market need as determined by criteria established by CAR's Governing Committee. The approved criteria include a provision that an annual assessment be made to determine if a market need exists for appointment. The Committee observed that the current data reflects results similar to that of the prior year and concluded that there exists ample access to the residual market through qualified producer throughout the Commonwealth with experience servicing complex commercial risks.

Accordingly, on a roll call vote, the Committee unanimously voted to recommend to the Governing Committee that a market need does not

exist for the appointment of a new non-voluntary contracted ERPs at this time.

Again, this is an action item for your consideration.

Mr. Olivieri: Thanks, Thom. Any questions on Thom's report, at this point? We do have an action item in regard to the second item Thom brought up about needing non-voluntary contracted ERPs which the Committee unanimously voted, in Thom's report, that we do not. That is an action item for the Governing Committee. I would entertain a motion.

Ms. Clemens: I make a motion, Sarah Clemens.

Mr. Olivieri: Do we have a second?

Mr. Harris: Second.

Mr. Olivieri: Any further discussion? Roll call vote. Mary?

Ms. McConnell: Aye.

Mr. Olivieri: Pam?

Ms. Bodenstab-Krynicky: Aye.

Mr. Olivieri: Sarah?

Ms. Clemens: Aye.

Mr. Olivieri: Thom DePaulo?

Mr. DePaulo: Aye

Mr. Olivieri: Tom Harris?

Mr. Harris: Aye.

Mr. Olivieri: Roberta?

Ms. Fitzpatrick: Aye.

Mr. Olivieri: Ida?

Ms. Denard Jones: Aye.

Mr. Olivieri: Chris?

Mr. Taylor: Aye.

Mr. Olivieri: Meredith?

Ms. Woodcock: Aye.

Mr. Olivieri: Motion carries unanimously. Anything else on your report, Thom?

Mr. DePaulo: Thank you, John. I have one more item. The last discussion was a taxi/limo/car service underwriting inspection form.

Over the course of the two meetings, the Committee provided feedback to staff as it develops an inspection form for taxi, limousine, and car service residual market risks now that the previous vendor is no longer providing this service to the industry. The Committee's suggestions included adding certain risk information, the elimination of any redundant questions, adding check boxes to facilitate the ease of the form's completion, as well as adding information related to the risk's failure to comply with the inspection requirement. It is anticipated that a final draft of the inspection form will be presented at the next meeting, incorporating the changes into the Manual of Administrative Producers. So, there will be more to follow.

That would conclude my report.

Ms. Clemens: Thom?

Mr. Olivieri: Go ahead, Sarah.

Ms. Clemens: Thom, just a quick question about whether or not there's been any discussion about new business versus renewal inspections as well. I know there's a little bit different process for taxi/limo than the other classes. I'm just curious if that's going to be a discussion item at the meeting.

Mr. DePaulo: We can bring that up at the meeting, yes.

Ms. Clemens: That would be helpful, thank you.

Mr. Olivieri: Any other follow-up questions for Thom? Thanks, Thom.

GC

22.08 Financial Audit Committee

Mr. Olivieri: The next agenda, number eight, Financial Audit Committee. Tom, are you going to be presenting that?

Mr. LaFrancois: Good morning, everybody. I'm Tom LaFrancois. I'm Chair of the Financial Audit Committee. I'm here to report on the results of the September 13th meeting of the Financial Audit Committee. There is an action item for you to consider today related to the planned work of CAR's external auditor. CAR's external auditor is AAFCPA. John Buckley is the partner on that engagement. He has been since we started the relationship back in 2019.

CAR pays for two services from AAFCPA. One is a review of CAR's financial statements. The other is a set of Agreed Upon Procedures that they perform at CAR's request. Just a word on the review of the financial statements. We always talk about this at our committee meetings, and I will bring it up here. A review is different than an audit. A review consists of analytical procedures of financials, discussions with management. It's not a full audit which would require more substantive testing to be performed and also an actual opinion being rendered on the adequacy of the financial statements. So, it's a different product that you're purchasing. The second item, the Agreed Upon Procedures, the reason for these is to bridge the gap between the review of the financials and the full audit of the financials. Additional testing is performed at the request of CAR by AAFCPA. They report to us on those results later in the year. Those are the two items that we discuss primarily at the meeting.

Mr. Buckley from AAFCPA presented his recommendation regarding the engagement parameters for both the financial statement review and the Agreed Upon Procedures and provided a basic timeline for the planning, execution, and completion of the engagement. He discussed the Agreed Upon Procedures plan and noted some minor adjustments that were made to the Agreed Upon Procedures to maintain consistency with accounting standards and also improve clarity. He noted that those adjustments do not change the work performed by the auditor. Lastly, Mr. Buckley confirmed the 2022 audit fee of \$83,100 reflecting a 4 percent increase over 2021.

On a roll call vote, the Financial Audit Committee unanimously voted to recommend Governing Committee approval of the engagement parameters as presented by AAFCPA for the review of CAR's fiscal year 2022 financial statements, including the Agreed Upon Procedures as presented, recognizing that the procedures are sufficient for their intended purpose and that access to the Agreed Upon Procedures 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.

That's the action item that I have for the Committee today.

Mr. Olivieri:

Thanks, Tom. Any questions for Tom?

Mr. Harris:

Tom, you may have said this and I didn't hear it, are there any substantive changes in the Agreed Upon Procedures?

Mr. LaFrancois:

Nothing substantive, Tom, just some minor wording adjustments.

Mr. Harris:

Thank you.

Mr. Olivieri:

We have an action item. Do we have a motion?

Mr. Harris:

So moved.

Mr. Olivieri: Do we have a second?

Ms. Woodcock: Second.

Mr. Olivieri: Any further discussion? Roll call vote. Mary?

Ms. McConnell: Aye.

Mr. Olivieri: Pam?

Ms. Bodenstab-Krynicki: Aye.

Mr. Olivieri: Sarah?

Ms. Clemens: Aye.

Mr. Olivieri: Thom DePaulo?

Mr. DePaulo: Aye.

Mr. Olivieri: Tom Harris?

Mr. Harris: Aye.

Mr. Olivieri: Ida?

Ms. Denard Jones: Aye.

Mr. Olivieri: Roberta?

Ms. Fitzpatrick: Aye.

Mr. Olivieri: Chris Taylor?

Mr. Taylor: Aye.

Mr. Olivieri: Meredith?

Ms. Woodcock: Aye.

Mr. Olivieri: Motion carries unanimously. Anything else out of Financial Audit, Tom?

Mr. LaFrancois: Nothing else. That completed my report.

**GC
22.10 Loss Reserving Committee**

Mr. Olivieri: Next agenda item, Loss Reserving Committee. Tim Galligan.

Mr. Galligan:

Thank you, John. Good morning, everybody. I'm reporting on the September 7th Loss Reserving Committee meeting. The Executive Summary of the meeting was included in the agenda. This is item GC22.10, Exhibit #3. The records of the meeting have been distributed and are on file.

As the Committee does each quarter, they first discussed the ongoing data reporting and data quality concerns. This quarter included approximately \$1.6 million in missing ceded losses that the Committee did take into consideration when they were making their selection of ultimate loss reserves. For large claim reports – and the large claims are those over \$1 million – eight new claims were added to the report, including two claims that have a \$5 million Combined Single Limit (CSL), both with current incurred losses of approximately \$1.1 million. The remaining claims carry a \$1 million CSL. Also, one large loss was removed from the report for dropping below the \$1 million threshold. In total there are 109 claims over \$1 million reported during the latest ten policy years. The current reported incurred loss total for these claims is approximately \$186 million. That's an increase of \$4.7 million from the prior quarter, the bulk of which relates to these new claims that came on to the report. Additional details relating to the data quality discussion and these large loss reports are included in your Executive Summary and also included in the records of the meeting.

Next, the Committee set the commercial loss reserves and ultimate deficits using data reported through June of 2022. The Committee estimated a policy year 2019 surplus of \$7 million with an ultimate loss ratio of 74.6 percent. This is a \$2.4 million deterioration from the prior quarter. This was due in part to later development in reserves for three specific claims. For 2020, a surplus of \$26.8 million with an ultimate loss ratio of 63.0 percent as of the current quarter. This is a \$900,000 improvement from the prior quarter. For 2021, a surplus of \$23.9 million with an ultimate loss ratio of 66.5 percent was estimated. This results in a \$3.5 million improvement of the prior quarter's projected surplus of \$20.4 million.

The Committee noted that the most recent policy years continue to present a challenge. They highlighted the resulting impacts of the pandemic, the stay-at-home order, new traffic patterns that are still unfolding, as well as sharply increasing loss costs. These factors are causing a need to refine the initial ultimate estimates and put on the record that each quarter they meet to analyze the individual years and will continue to make necessary adjustments as more information becomes available to them.

Ultimate loss ratio and deficit projections for all policy years are attached to your Executive Summary.

Finally, the next meeting of the Loss Reserving Committee is scheduled for December for projections using data through September 2022. This will include the initial ultimate deficit projection for policy year 2022.

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

Mr. Olivieri: Any questions for Tim? I do not believe there are any action items.

Ms. Tigges: No hands, John.

Mr. Olivieri: Thank you, Tim.

**GC
22.14 MAIP Steering Committee**

Mr. Olivieri: Next agenda item, MAIP Steering Committee. Wendy, you're up again.

Ms. Browne: I am. Good morning, again. I will be reporting on the actions that took place at the June 28th MAIP Steering Committee meeting. There are two action items.

Under the Electronic MAIP Stamp topic, the Committee was informed on staff's efforts to develop an electronic MAIP stamp for use on registration and insurance certifications for MAIP policies. In conjunction with the RMV's development of an electronic registration form, CAR has received approval from the RMV for a MAIP electronic stamp design and is currently evaluating implementation options for its use.

Under Updates to the Assigned Risk Producer Procedures Manual, there are updates related to foreign driver's license and RMV pre-fill. The Committee reviewed two proposed changes to the Assigned Risk Producer Manual involving language referencing foreign drivers' licenses, as well as updates to the MAIP Policy Application for driver and vehicle pre-fill. The RMV has amended language in its driver's manual eliminating a reference to the timeframe for which drivers with valid foreign licenses were required to obtain a Mass. driver's license. The change in language has already been addressed and approved for the commercial side of the residual market. Thus, the proposed changes to Chapter III – Eligibility Requirements would address the same scenario for the private passenger residual market. The proposed changes to Chapter IV – Application and Policy Assignment Process provide information on how the enhanced driver and vehicle RMV pre-fill populates the MAIP Policy Application.

In response to questions whether the amended language accounts for recent legislation relative to undocumented foreign licensed drivers obtaining a Mass. driver's license, the Committee was advised that the proposed changes to Chapter III were independent of recent legislative activity, but that Counsel will continue to monitor and evaluate these activities to determine if further revisions might be warranted.

Accordingly, the Committee then unanimously voted to recommend to the Governing Committee approval of the proposed updates to the Assigned Risk Producer Procedures Manual which can be found in your

agenda, Exhibit #1, pages 4 to 12. This is the first action item for your consideration.

Mr. Olivieri: Do we have a motion for that item?

Ms. Clemens: I'll make a motion.

Mr. Olivieri: Do we have a second?

Ms. Woodcock: Second.

Mr. Olivieri: Any further discussion? Roll call vote. Mary?

Ms. McConnell: Aye.

Mr. Olivieri: Pam?

Ms. Bodenstab-Krynicky: Aye.

Mr. Olivieri: Sarah?

Ms. Clemens: Aye.

Mr. Olivieri: Thom DePaulo:

Mr. DePaulo: Aye

Mr. Olivieri: Tom Harris?

Mr. Harris: Aye.

Mr. Olivieri: Roberta?

Ms. Fitzpatrick: Aye.

Mr. Olivieri: Ida?

Ms. Denard Jones: Aye.

Mr. Olivieri: Chris?

Mr. Taylor: Aye.

Mr. Olivieri: Meredith?

Ms. Woodcock: Aye.

Mr. Olivieri: Motion carries. Back to you, Wendy.

Ms. Browne: Moving on to discussions related to the Private Passenger Definition. The Committee next considered proposed updates to the Private Passenger Definition in Rule 27 of the Private Passenger Residual

Market Automobile Insurance Manual. By definition, certain vehicles were being excluded from being eligible for placement in either the commercial or private passenger residual markets. Now that the RMV has updated its private passenger plate definition to include vehicles with a gross vehicle weight of 16,000 pounds, the proposed definition change in Rule 27 would ensure consistencies with the RMV definition. Furthermore, it was noted that the AIB is expanding the assignment of VRGs to include vehicles with a gross vehicle weight up to 16,000 pounds thus ensuring that all vehicles will be eligible for either the private passenger or commercial residual market.

The Committee discussed the language specific to “used solely for personal use” as concerns were expressed that the use restriction is inconsistent with the business use classification. Staff and counsel were requested to further review the recommendations specific to usage language and report back at the next meeting. So that item will continue.

Limited Use Vehicles, the Committee reviewed amendments to Rule 43 and Rule 44 of the Private Passenger Residual Market Automobile Insurance Manual to include references to Limited Use Vehicles. These vehicles are eligible for registration and operation on Mass. public roads and as such are eligible for placement in the MAIP. The proposed updates clarify that four-wheeled limited use vehicles are to be handled similar to low-speed vehicles and two-and-three-wheeled use vehicles are to be added to the existing motorcycle rule. Language to address operator experience was included as well.

The Committee unanimously voted to recommend approval of the proposed amendments to Rule 43 and Rule 44 of the Private Passenger Residual Market Automobile Insurance Manual to the Governing Committee. The proposed changes can be found in your agenda, Exhibit #1, pages 9 to 12. This is the second action item for your consideration.

Mr. Olivieri: Do we have a motion for the second action item?

Ms. Woodcock: So moved.

Mr. Harris: So moved.

Mr. Olivieri: Meredith, we'll give you the motion and Tom, the second. Any further discussion? Roll call vote. Mary?

Ms. McConnell: Aye.

Mr. Olivieri: Pam?

Ms. Bodenstab-Krynicky: Aye.

Mr. Olivieri: Sarah?

Ms. Clemens: Aye.

Mr. Olivieri: Thom DePaulo?

Mr. DePaulo: Aye.

Mr. Olivieri: Tom Harris?

Mr. Harris: Aye.

Mr. Olivieri: Roberta?

Ms. Fitzpatrick: Aye.

Mr. Olivieri: Ida?

Ms. Denard Jones: Aye.

Mr. Olivieri: Chris?

Mr. Taylor: Aye.

Mr. Olivieri: Meredith?

Ms. Woodcock: Aye.

Mr. Olivieri: I'm assuming that concludes your report.

Ms. Browne: I have one quick update.

Mr. Olivieri: Okay, go.

Ms. Browne: MAIP Physical Damage Maximum Loss Payable, based on correspondence from an Assigned Risk Carrier relative to the MAIP assignment of high-valued vehicles. The Committee discussed the potential appropriateness of physical damage coverage limits noting that some residual markets have adopted the limits. Considerations include statutory obligations, adequate pricing, and the volume of such vehicles. The Committee agreed to have CAR staff and counsel evaluate these issues further and continue the discussion at the next meeting. That would conclude my report.

Mr. Olivieri: Thank you very much.

**GC
22.15 Budget Committee**

Mr. Olivieri: Next agenda item, Budget Committee, which I will be giving a report on.

The Budget Committee met on September 8th and was presented with the administrative expense budget proposed by staff along with the business plan. Staff did report that FY22 comes in below budget. Correct me if I'm wrong, but I think the increase from '22 to '23 is 2.3 percent. After

hearing the presentations from CAR staff, the Budget Committee voted unanimously in support of both the FY23 business plan and the administrative expense budget. That is an action item that they recommend approval to the Governing Committee. Any questions? All the information was provided to the Governing Committee members prior to this meeting. If not, I'll entertain a motion to approve the FY23 proposed business plan and budget.

Mr. Harris: So moved.

Ms. Clemens: I make the motion.

Mr. Olivieri: Tom Harris, you get the motion. Sarah, you get the second. Roll call. I lost my cheat sheet but let's see how I do without it. Mary?

Ms. McConnell: Aye.

Mr. Olivieri: Meredith?

Ms. Woodcock: Aye.

Mr. Olivieri: Tom Harris?

Mr. Harris: Aye.

Mr. Olivieri: Thom DePaulo?

Mr. DePaulo: Aye.

Mr. Olivieri: Ida?

Ms. Denard Jones: Aye.

Mr. Olivieri: Chris?

Mr. Taylor: Aye.

Mr. Olivieri: Pam?

Ms. Bodenstab-Krynicky: Aye.

Mr. Olivieri: Roberta?

Ms. Fitzpatrick: Aye.

Mr. Olivieri: Sarah?

Ms. Clemens: Aye.

Mr. Olivieri: Did I miss anybody, Robin?

Ms. Tigges: No, I think you got them all, John.

Mr. Olivieri: Excellent. Motion carries unanimously.

Other Business

Mr. Olivieri: Do we have any other business to come before the Committee today? No? Then we don't have any reason to go into Executive Session. Unless I'm missing something else on our agenda, I'll entertain a motion to adjourn.

Mr. Harris: So moved.

Mr. Olivieri: Do I have a second?

Mr. Taylor: Second.

Mr. Olivieri: Any discussion? I'm going to do roll call one last time. Mary?

Ms. McConnell: Aye.

Mr. Olivieri: Meredith?

Ms. Woodcock: Aye

Mr. Olivieri: Tom Harris?

Mr. Harris: Aye.

Mr. Olivieri: Ida?

Ms. Denard Jones: Aye.

Mr. Olivieri: Chris?

Mr. Taylor: Aye.

Mr. Olivieri: Thom DePaulo?

Mr. DePaulo: Aye.

Mr. Olivieri: Pam?

Ms. Bodenstab-Krynicky: Aye.

Mr. Olivieri: Roberta?

Ms. Fitzpatrick: Aye.

Mr. Olivieri: Sarah?

Ms. Clemens: Aye.

Mr. Olivieri: Motion carries unanimously. Thank you everyone. We will see you at our November meeting. Have a great day.

(Meeting ended at 11:23 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
October 5, 2022

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 #GC22.02, Exhibit #4

Attendance Listing

**GOVERNING COMMITTEE MEETING
 MEETING ATTENDEES
 SEPTEMBER 21, 2022**

Individual's Name

Company / Agency

PLEASE PRINT

Pamela Bodenstab-Krynicky	P.L. Krynicky Insurance Agency, Inc.
Thomas DePaulo	Cabot Risk Strategies, LLC
Thomas Harris	Quincy Mutual Group
Ida Denard Jones	Denard Insurance Agency, Inc.
M. John Olivieri, Jr.	J.K. Olivieri Insurance Agency, Inc.
Sarah Clemens	MAPFRE U.S.A. Corporation
Christopher Taylor	The Hanover Insurance Company
Meredith Woodcock	Liberty Mutual Insurance Companies
Mary Ellen Thompson	Division of Insurance
Roberta Fitzpatrick	Arbella Insurance Group
Thomas La Francois	Arbella Insurance Group
Linda Zarella	Arbella Insurance Group
Kathy Cormier	MAIA
Mary McConnell	Safety Insurance Company
Barry Tagen	Pilgrim Insurance Company
Kenneth Willis	Plymouth Rock Assurance Corporation
Benjamin Hincks	TSH & D – CAR Counsel
Mark Alves	CAR Staff
Wendy Browne	CAR Staff
Timothy Costain	CAR Staff
Shannon Chiu	CAR Staff
Richard Dalton	CAR Staff
Timothy Galligan	CAR Staff
Steven Gautieri	CAR Staff

**GOVERNING COMMITTEE MEETING
MEETING ATTENDEES
SEPTEMBER 21, 2022**

Individual's Name

Company / Agency

PLEASE PRINT

Natalie Hubley	CAR Staff
Cheryl Kopas	CAR Staff
Peter McCabe	CAR Staff
John Metcalfe	CAR Staff
Regina Nagle	CAR Staff
Lynne Rosenburg	CAR Staff
Robin Tigges	CAR Staff