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COMMONWEALTH AUTOMOBILE REINSURERS

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TRANSCRIPT OF GOVERNING COMMITTEE MEETING

A meeting of the Governing Committee was held at the Automobile Insurers Bureau Conference Center at 101 Arch Street, 7th Floor, Boston, on

WEDNESDAY, APRIL 12, 2023, AT 10:30 A.M.

Committee Members present –

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

Ms. Pamela Bodenstab-Krynicki	P L Krynicki Insurance Agency
Ms. Sarah Clemens	MAPFRE U.S.A Corporation
Mr. Kevin Costigan	GEICO
Mr. Thomas DePaulo	Cabot Risk Strategies, LLC
Mr. Thomas Harris	Quincy Mutual Group
Mr. William Hughes	Arbella Insurance Group
Ms. Nicole Martorana	FBInsure, LLC
Ms. Mary McConnell	Safety Insurance Company
Mr. Tiago Prado	BRZ Insurance, LLC
Mr. Christopher Taylor	The Hanover Insurance Company

Substituted for:
N/A

Not in Attendance:
Ms. Ida Denard Jones, Denard Insurance Agency, Inc.
Ms. Meredith Woodcock, Liberty Mutual Insurance Companies

PROCEEDINGS

(Meeting began at 10:35 a.m.)

Mr. Olivieri: Good morning. I'd like to call to order the Governing Committee meeting for CAR of April 12th. We have two absentees from the Committee this morning. Ida Jones and Meredith Woodcock are not here. Other than that, we have no substitutions.

GC

23.01 Transcript of Previous Meeting

Mr. Olivieri: The first agenda item is the transcript of the previous meeting's minutes. I will entertain a motion to accept those if anyone is so inclined.

Mr. Harris: So moved.

Ms. Bodenstab-Krynicky: Second.

Mr. Olivieri: We have a first and a second. Any further discussion? All in favor?

All Committee Members: Aye.

Mr. Olivieri: Opposed? Motion carries.

GC

23.04 President's Report

Mr. Olivieri: Next agenda item, President's Report, Natalie.

Ms. Hubley: Thank you. I do have a few housekeeping items for you. I'm sure that you're all aware that the Governor, late in March, signed her supplemental budget which included an extension to the provisions of the Open Meeting Law that allowed CAR to have remote meetings. So, our plan at this time is to continue in-person Governing Committee meetings and to conduct our advisory committee meetings remotely. We have posted that information on our website.

As an FYI, the hearing officer has scheduled a hearing on the CAR Private Passenger and Commercial Claims Performance Standards that you approved two meetings ago, I think. That hearing has been scheduled for Tuesday, May 2nd, at 11 o'clock in the morning. That will be held virtually by TEAMS.

I reported at your last meeting that we have a new entrant to the private passenger market, Everspan, which is a member of the Branch Group. CAR staff is working with the carrier to prepare them to take on Assigned Risk Company responsibilities. They have been working with CAR staff but they're not quite there yet. So, I'm not ready to ask you to take a motion to appoint them as an Assigned Risk Carrier. They are

writing but they're writing very little so that it's not having any quota share impact at this time. We do expect that they'll be prepared for your June meeting.

A bit of a new item for you, Rule 36 of CAR's Rules of Operation deals with the MAIP LAD Agreement provisions, Limited Assignment Distribution Agreements. There is a provision in that Rule that requires that any carrier with more than a 5% market share that wants to enter into a LAD Agreement has to get a waiver from the Commissioner of Insurance. There is one carrier that is approaching that threshold and that is Standard Fire which is part of the Travelers Group. They're not there yet. CAR staff has been in communication with the group letting them know about that responsibility. They believe that they will be approaching the Commissioner to ask for a waiver, but they haven't made that decision yet. We've let them know of their responsibilities and timelines and whatnot and they're working well with staff. We'll keep you up to speed as that progresses.

CAR staff is working on finalizing our commercial rate filing, which we expect to make by the end of this month. We will be requesting a November 1, 2023 effective date.

Just a few coming attractions for your next Governing Committee meeting. The Actuarial Committee has a meeting scheduled for

Ms. Clemens: May 10th.

Ms. Hubley: Early May to begin discussions of quota share credits. The Commercial Auto Committee will be meeting later this month to continue its review of policy forms and to discuss an issue raised by MAIA requesting discussion on peer-to-peer vehicle sharing programs. The Program Oversight Committee will be meeting to talk about the Servicing Carrier Annual Reports among perhaps other items. The Loss Reserving Committee will be doing its review of the March reserves. The Compliance and Operations Committee will be meeting to hear audit reports and address an issue relating to tow documentation required. The MAIP Steering Committee will likely meet to continue discussion of the physical damage maximum limit and the record layout for the FTP feed to carriers and whether we would be adding an email address or any other additional information.

Those are the items before them. If there are no questions, that would conclude my report.

Mr. Olivieri: Questions for Nat? Thank you, Natalie.

GC
23.05 Counsel's Report

Mr. Olivieri: Next up, Counsel's Report.

Mr. Torres: Good morning, everyone. There are five items on today's Counsel's Report

The first one, no change in status on the long pending Calianos Insurance Agency appeal at the Division. It's fully briefed and argued. We await word from the hearing officer.

The next item on the also somewhat long pending Point Insurance matters, two of the three Point matters have been concluded. The one that remains open at this time involving Arbella's termination of Point is open and pending at the Division. The parties have submitted briefs as to what issues remain to be decided in the Point II termination proceeding. We're waiting for the hearing officer at the Division to schedule the next hearing on that.

The third item, the Rule 31 amendment that CAR's Governing Committee also approved and submitted to the Division is pending. We await a ruling and a decision from the Division on that issue as well.

The next item, Nat mentioned in her President's Report the virtual hearing on the proposed changes to the Performance Standards is scheduled for a virtual hearing May 2nd at 11:00 a.m. CAR submitted a bulletin with further information on the hearing on the Performance Standards that you would have received last week.

Fifth and finally, you'll hear a further report coming up in the committee report but on February 21, 2023, the GCRP met to consider an appeal by Safety Insurance of the Program Oversight Committee's denial of Safety's request for reimbursement of extraordinary expenses. The Governing Committee Review Panel considered that request of Safety's appeal and denied it. The Governing Committee Review Panel decision constitutes a determination of the Governing Committee. As Safety has not submitted a further appeal under Rule 20 with the Division within the 30-day time period we expect that this matter should be considered final.

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

Mr. Olivieri: Thank you, Counsel. Any questions?

**GC
23.10 Governing Committee Review Panel**

Mr. Olivieri: Next agenda item, Governing Committee Review Panel, Mr. DePaulo.

Mr. DePaulo: Good morning, everybody. I will be reporting on the Governing Committee Review Panel meeting of February 21st. The Governing Committee Review Panel met to consider the petition of Safety Insurance Company appealing the October 27, 2022 decision of the Commercial Program Oversight Committee which denied the company's request for reimbursement of extraordinary expenses. The company's request for reimbursement of earned but uncollected premium was made as a result of the policy and billing procedures Safety had put in place pursuant to

bulletins from both the Division of Insurance and CAR in 2020. The bulletins requested companies to provide flexibility in the issuance and the administration of insurance in response to the existing COVID health emergency.

The records of the Governing Committee Review Panel meeting have been distributed to the Governing Committee members providing the details relative to the Panel's review.

In summary, Safety Insurance presented its petition indicating that, on March 23rd, the company instituted a moratorium on non-pay cancellations and non-renewals and also instituted a flexible payment option to both its voluntary and ceded policies as a response to the Division of Insurance and CAR bulletins. The policy handling conditions were in place until June 15, 2020 when the moratorium had been lifted. Subsequently and throughout 2020, policy billing handling for insureds experiencing payment issues was considered on a case-by-case basis.

Safety detailed its policy processing and billing experience with the insured including premiums owed, a policy rewrite, change in broker and cancellation notices. Safety indicated that subsequent to their rewriting of the policy on May 20th, they learned that the insured had obtained coverage in the voluntary market and had not satisfied the debt owed to Safety. Safety continued to pursue payment of the owed premium through the insured and their attorneys, but those efforts were unsuccessful, and Safety was ultimately informed that the company had gone out of business in 2021.

The Review Panel opined on the specifics outlined by Safety regarding the policies in question and determined that the unpaid and owed premium issues evolved prior to and apart from any COVID-related accommodations. In addition, a change in producer and the new writing producer's failure to address the unpaid and owed premium prior to binding coverage, coupled with Safety's delayed awareness of the producer's submission, contributed to payment collection problems.

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

Unless anyone has any questions, that would conclude my report.

Mr. Olivieri:

Thank you, Thom. Any questions for Thom?

GC

23.11 Loss Reserving Committee

Mr. Olivieri:

Next agenda item is the Loss Reserving Committee. Mr. Galligan, I believe, is going to report on that.

Mr. Galligan:

Good morning, everybody. I will be reporting on the March 1st meeting of the Loss Reserving Committee. The Executive Summary of that meeting was included in your agenda. The records have been distributed and they are on file.

The Committee first discussed ongoing data reporting and data quality concerns. The Committee regularly reviews large claims over \$1 million. For this current quarter, eight new claims were added to the report including three claims with a \$5 million combined single limit. Two large losses were removed from this report for dropping below that threshold. In total, there are 119 claims with over \$1 million reported during the latest ten policy years with reported incurred losses of \$203 million for these claims. This is an increase of \$13.2 million since the prior quarter.

Additional details relating to data quality discussion and all these large loss reports are included in the Executive Summary and the records of the meeting.

Next, the Committee set commercial loss reserves and ultimate deficits using data statistically reported through December 2022.

The Committee estimated a policy year 2020 surplus of \$27.9 million. This carries an ultimate loss ratio of 62.3%. This is a \$66,000 decrease from the prior quarter.

The Committee estimated a policy year 2021 surplus of \$24.9 million with an ultimate loss ratio of 66.6%. That represents a \$200,000 decrease from the prior quarter.

For 2022, the Committee estimated a surplus of \$6.6 million with an ultimate loss ratio of 72.8%. This results in a \$913,000 decrease from the prior quarter's projection.

For all years combined, total reserves – that's outstanding plus IBNR – total approximately \$263.2 million. This is up from the prior quarter that was at \$261.2 million.

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 June 7th making projections using data reported through March 2023.

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

Mr. Olivieri:

Does anyone have any questions for Tim? Thanks, Tim.

GC

23.12 Commercial Automobile Committee

Mr. Olivieri: Back to Mr. DePaulo. Next agenda item, Commercial Automobile Committee.

Mr. DePaulo: Thank you, Mr. Chairman. I apologize for the lengthy report. I will be reporting on the Commercial Auto Committee of March 15th that was continued to March 29th. There will be one action item in my report today.

The first item is the AIB Commercial Automobile Insurance Manual and Endorsement Changes. This is just an update for you folks.

The Committee continued its discussion relative to the upgrade of forms on file for the Massachusetts commercial auto residual market. Staff presented a comparison of the Business Auto Policy currently on file to the latest version as well as the comparison of the Trucker's Coverage Form, which will be withdrawn, to the Business Auto Policy, together with the Motor Carrier Endorsement. In general, there are minimal impacts to upgrading to the most recent versions and the same coverage is provided. Staff identified those changes that may require training, manual rule and rate review, and possible statistical changes.

The Committee reviewed a schedule of policy forms and endorsements indicating updates needed to be implemented with the latest policy forms as well as any additional endorsements that were previously recommended by the Committee. While some initial feedback was provided, staff noted that the schedule of endorsements is a work in progress and anticipates additional updates to the list as the policy form reviews will continue.

The Committee next considered the benefits and drawbacks of a single-phase implementation plan to adopt the new policy forms and endorsements versus a two-phase implementation involving the adoption of the newer version of the Business Auto Policy and the Motor Carrier Endorsement, followed by a subsequent adoption of the Auto Dealers Policy. Given the extensive scope of the upgrade, as demonstrated by staff's analysis to date, and the schedule for required form changes, the four Servicing Carriers strongly favored the one-phase implementation plan as the more cost-efficient approach with regard to the system updates and related training. Producers also favored the single-phase implementation noting the inherent exposure of maintaining separate versions of certain endorsements. Members noted that when deciding on an implementation date, sufficient lead time to budget, plan, and implement system and resource changes, including training, needs to be considered.

Further discussion ensued with the Servicing Carriers expressing concern that the workload and costs associated with upgrading the forms were not contemplated in the most recent RFP, and suggested postponing implementation of the new forms until the next appointment cycle.

Some members expressed concern with delaying implementation to 2027 or later and suggested exploring options for additional consideration of implementation costs in the current term to allow for the adoption of the forms on a more timely basis.

Staff will review the Rules of Operation and the Manual of Administrative Procedures and consult with CAR counsel to outline alternatives for consideration at our next meeting.

So that is the update on the AIB Commercial Automobile Insurance Manual and endorsement changes.

The next item is the Taxi/Limo/Car Service Underwriting Inspection Form. A modified version of the draft Underwriting Inspection Form reflecting revisions suggested at the prior meeting was presented to the Committee. It was noted that CAR plans to have the interactive form available on its website for use by the companies. The Committee voted unanimously to approve the proposed inspection form.

The Committee then reviewed the draft updates to Chapter III – Servicing Carrier Responsibilities of the Manual of Administrative Procedures reflecting the required use of the new inspection form and other available source documentation in conjunction with the new business application to determine territory and rating classification.

On a roll call vote, the Committee voted unanimously to recommend to the Governing Committee adoption of the updates to Chapter III – Servicing Carrier Responsibilities of the Manual of Administrative Procedures. The proposed changes can be found on Pages 8 and 9 of the Additional Information that was sent out. This will be an action item for your consideration.

Mr. Olivieri: Thank you, Thom. We have an action item. Do we have anyone willing to make a motion?

Ms. Clemens: I'll make a motion to adopt the updates to the Servicing Carrier Responsibilities of the Manual of Administrative Procedures.

Mr. Olivieri: Do we have a second?

Mr. Harris: Second.

Mr. Olivieri: Any further discussion?

Ms. Clemens: I just have a quick question on this. The inspection form and the new business application, are there any requirements on renewal, you know, in terms to use the form or is this just a new business inspection and a new business?

Ms. Browne: It's limited to taxi, limo, car service new business and there's a small piece, I think, on the taxi side...

- Mr. Olivieri: Wendy, do me a favor, could you – just so it gets picked up by the...
- Ms. Browne: Usually that's not a problem. The requirement is for new business for taxi, limo, car service risks and there's a small subset of taxis that you're supposed to also use it for at renewal. That's been in the MAP so that's not a change. The only thing is to make this a consistent form for everyone to use. As was said, it will be interactive so it can be filled out online. How you want to use it and save it and store it is your call after that.
- Ms. Clemens: Okay. I was aware of that little piece. It just wanted to see if it was going to be consistent. Thank you.
- Ms. Browne: Anybody else?
- Mr. Olivieri: Thank you. Any further discussion? All in favor?
- All Committee Members: Aye.
- Mr. Olivieri: Opposed? Motion carries unanimously. That concludes your report, or no?
- Mr. DePaulo: No, one last piece. Under Other Business, after a unanimous vote to allow discussion on a new item, the Committee was informed that Nick Fyntrilakis from MAIA has received numerous concerns from its members relative to the inability to secure coverage for clients that are utilizing peer-to-peer vehicle sharing programs. Currently, CAR has a commercial automobile exclusion which prohibits vehicle sharing. Consequently, the Committee was asked to consider alternatives where coverage might be afforded for this type of risk.
- The Committee agreed to add this topic to the agenda at a future meeting. A discussion will be held at our next meeting.
- That concludes my report.
- Mr. Olivieri: Any additional questions for Thom? Thank you very much.

GC

23.13 Commercial Program Oversight Committee

- Mr. Olivieri: Next agenda item is a report from the Commercial Program Oversight Committee which I will be delivering, a little briefer than Commercial Auto.
- We met on March 21st. CAR provided an overview of the proposed 2022 Servicing Carrier Annual Report template. The Committee listened to the presentation. It was so well presented by staff, there were literally no questions. The Committee voted unanimously to approve the proposed template and directed staff to proceed with distribution to the Servicing Carriers in accordance with the time schedule that we have on record.

That's the report. Any questions?

Ms. Clemens: Do you have the due date on that?

Mr. Olivieri: Nat, do we have the due date?

Ms. Hubley: I know that we just sent the templates out today. Do you know the due date?

Ms. Browne: I think the due date is the end of the month or maybe mid-May so that we've got a few weeks to compile all of the information and send it to the Committee.

Mr. Olivieri: So sometime in mid-May. Any additional questions?

Other Business

Mr. Olivieri: We finished our regular business. Is there any Other Business to come before the Governing Committee today?

Executive Session

Mr. Olivieri: We have no reason to go into Executive Session.

At this point, I will entertain a motion to adjourn.

Mr. Harris: So moved.

Mr. Olivieri: Do we have a second?

Ms. Clemens: Second.

Mr. Olivieri: Any discussion? All in favor?

All Committee Members: Aye.

Mr. Olivieri: Opposed? Motion carries unanimously. Thank you very much. Have a wonderful rest of the day.

(Meeting ended at 10:59 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
April 26, 2023

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 #GC23.02, Exhibit #2

Attendance Listing

**GOVERNING COMMITTEE MEETING
 SIGN-IN SHEET
 APRIL 12, 2023**

Individual's Name	Company / Agency
<i>Adam DePaolo</i>	CABOT Risk Strategies
Mary McConnell	Safety Insurance
Nicole Martorana	Insurance
Kevin Costigan	GEICO
Tiago Prado	BRZ Insurance
EIRTS TAYLOR	HANOVER
PAM BODENSTAB-KRYNICKI	P.L. KRYNICKI ENS. AGCY.
Sarah Clemens	NAPPIRE
Steve Tomes	TSH&D
Ben Hincles	TSH&D
Natalie Hubley	CAR
John Diiveli	agent
William HUGHES	ARBECCA
Regina Nagle	CAR
Tom Brown	Quincy Mutual

**GOVERNING COMMITTEE MEETING
 SIGN-IN SHEET
 APRIL 12, 2023**

Individual's Name

Company / Agency

PLEASE PRINT

Tina Costain	CAR
Robin Tiggles	CAR
Kathy Cormier	MAEA
- Tim Calligon	CAR
Mark L. Alves	CAR
Wendy Browne	CAR
Lynne Rosenberg	CAR
BERRY TABOW	Pilgrim
Austin Ducci	"
SHANNON CHIU	CAR