



# COMMONWEALTH AUTOMOBILE REINSURERS

225 Franklin Street Boston, Massachusetts 02110

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RALPH A. IANNACO  
PRESIDENT

## RECORDS OF MEETING

### AUDITOR CONTRACT REVIEW SUBCOMMITTEE

**AUGUST 25, CONTINUED TO SEPTEMBER 1, 2010**

#### Members Present

Mr. Andrew J. Carpentier – Chairman	Quincy Mutual Fire Insurance Company
Ms. Inna Chernyakova*	The Premier Insurance Company of Mass.
Ms. Karen A. Cora	Deland Gibson Insurance Associates
Mr. Gerard T. McDermott	The Norfolk & Dedham Group
Mr. John Meciak**	The Commerce Insurance Company

#### Substituted for:

Mr. Christopher F. Malone\*  
Mr. Robert E. McKenna\*\* (September 1, 2010 meeting)

#### Not in Attendance:

Mr. Robert E. McKenna, (August 25, 2010 meeting)

#### **10.01 Records of Previous Meeting**

The Subcommittee unanimously voted to approve the Records of the Auditor Contract Review Subcommittee meeting of May 11, 2010. The Records have been distributed and are on file with CAR's Secretary.

#### **10.04 Review of CAR's External Auditor RFP**

The Subcommittee reconvened to produce a quantitative methodology for the selection of CAR's external auditor. Staff developed an evaluation form that reflected the needs identified in the RFP proposal and distributed it to the Subcommittee prior to the meeting.

Mr. Gerald McDermott questioned why the original recommendation from May 11 2010 meeting was not acted on by the Governing Committee. Mr. Andrew Carpentier explained that at the June 23, 2010 Governing Committee meeting, as Chairman of the Subcommittee he expressed his concern that the selection of CAR's external auditor should be consistent with other similar RFP processes currently underway and include a comprehensive evaluation form to support the recommendation for external auditor.

The Subcommittee reviewed the evaluation form presented by Ms. Natalie Hubley and suggested changes. Specifically, the Subcommittee directed that the evaluation of proposers' industry knowledge in

all three categories include a component relating to the proposers' plans to leverage staff resources. In addition, the Subcommittee modified some of the weights assigned to the evaluation items. After discussion, the Subcommittee voted unanimously to adopt the evaluation methodology as amended.

At the September 1, 2010 meeting, Mr. Andrew Carpentier outlined the process that would be followed in developing a recommendation for Governing Committee consideration. Ms. Hubley reviewed with the Subcommittee the revised evaluation form and discussed the criteria for rating each firm. The Subcommittee unanimously voted to review each firm's resulting score as the collective total based on average of the individual member's scores. That is, the individual scores completed by the Subcommittee be entered into the evaluation form and tallied by staff. The results would be provided to the Subcommittee.

Ernst and Young did not attend the meeting, however indicated through CAR staff its continued interest to have its proposal considered as presented at the May 11, 2010 meeting.

KPMG presented its qualifications and reviewed its proposed audit methodology per the request of Chairman Carpentier. Ms. Mary Crealease, Audit Partner for KPMG emphasized the firm's extensive industry knowledge and industry relationships.

PwC presented a supplement to its previous proposal that included a fee reduction of \$21,000. Ms. Tara Aliotta, Lead Engagement Partner, stressed the importance of the historical working relationship between CAR and PwC as its external auditor.

Following the proposers' additional presentations and interviews, the members of the Subcommittee independently evaluated each firm. Following the presentation of the final scores of 4.327 for PwC, 4.311 for KPMG, and 3.552 for Ernst & Young, the Subcommittee voted unanimously to recommend to the Governing Committee approval of PwC as CAR's external auditor for FY 2010.

**This is an action item for the Governing Committee.**

MARK ALVES  
Director – Compliance Audit

Attachment

Boston, Massachusetts  
September 3, 2010

**ATTACHMENT LISTING**

Docket #ACRS10.02, Exhibits #2 and #3	Attendance Listing
Docket#ACRS10.04, Exhibit #2	Proposal Evaluations



**AUDITOR CONTRACT REVIEW SUB COMMITTEE MEETING  
 SIGN-IN SHEET  
 WEDNESDAY, SEPTEMBER 1, 2010**

Individual's Name

Company / Agency

PLEASE PRINT

Andrew Caperton	Quincy Mutual
John Wecisk	Commerce Insurance
Jason Cox	Deland, Gibson, Inc
Inna Chermakova	Premier Insurance
Wendy Hubby	CAR
Jane Kopac	CAR
Mark Allen	CAR
Mark Allen	PWC
TARA ANOTTA	PWC
ALAN HRAOS	PWC
Peter Brenna	PWC
Steve GAVIERI	STAFF
Don Bergamasco	STAFF
<del>_____</del>	<del>STAFF</del>
Michael Crompton	KPMG
Samella Wallace	CAR
Valerio Bellini	CAR
Mary Creales	KPMG LLP
Scott Weinstein	KPMG LLP
Tom Cyr	KPMG LLP
MARTIN ORLOWSKI	CAR
GERARD MCDONNELL	NAD
PAI	CAR

**Commonwealth Automobile Reinsurers - Auditor Contract Review Subcommittee  
Proposal Evaluation**

<b>Evaluation Items</b>		<b>Overall Evaluation</b>		
		<b>Ernst &amp; Young</b>	<b>KPMG</b>	<b>PwC</b>
<b>60%</b>	<b>Financial Audit</b>			
<b>50%</b>	<b>Industry Knowledge</b>			
	<b>40%</b> PP/Commercial Residual Market Experience	3.4	4.4	4.6
	<b>30%</b> CAR Servicing Carrier Relationships	3.0	4.0	5.0
	<b>30%</b> Qualifications of Team Members	3.4	4.2	5.0
	<b>Subtotal Industry Knowledge</b>	<u>3.280</u>	<u>4.220</u>	<u>4.840</u>
<b>35%</b>	<b>Audit Approach</b>			
	<b>16.7%</b> Risk Assessment/Control Evaluation	4.0	4.8	4.6
	<b>16.7%</b> Qualified/Unqualified Audit Scope	3.8	4.8	4.8
	<b>16.7%</b> Productivity Tools/Metrics	3.8	4.4	4.4
	<b>16.7%</b> CAR Servicing Carrier Data Review	3.8	4.6	4.8
	<b>16.6%</b> Presentation of Management Comments	3.8	4.6	4.4
	<b>16.6%</b> Integration of CAR Staff Resources	3.4	4.2	5.0
	<b>Subtotal Audit Approach</b>	<u>3.767</u>	<u>4.567</u>	<u>4.667</u>
<b>15%</b>	<b>Additional Services</b>			
	<b>75%</b> Consulting Services	4.0	4.2	4.2
	<b>25%</b> Industry Publications/Communications	3.6	4.4	4.0
	<b>Subtotal Additional Services</b>	<u>3.900</u>	<u>4.250</u>	<u>4.150</u>
	<b>Subtotal Financial Audit</b>	<u>3.543</u>	<u>4.346</u>	<u>4.676</u>
<b>15%</b>	<b>Actuarial Opinion/Reserve Certification</b>			
<b>60%</b>	<b>Industry Knowledge</b>			
	<b>40%</b> PP/Commercial Residual Market Experience	3.6	4.4	4.8
	<b>30%</b> CAR Servicing Carrier Relationships	3.2	3.8	5.0
	<b>30%</b> Qualifications of Team Members	3.8	4.4	4.8
	<b>Subtotal Industry Knowledge</b>	<u>3.540</u>	<u>4.220</u>	<u>4.860</u>
<b>40%</b>	<b>Actuarial Engagement</b>			
	<b>40%</b> Engagement Approach	3.4	4.4	4.4
	<b>30%</b> Committee Meeting Attendance	3.2	4.2	4.6
	<b>30%</b> Integration of CAR Staff Resources	3.2	4.2	4.6
	<b>Subtotal Actuarial Engagement</b>	<u>3.280</u>	<u>4.280</u>	<u>4.520</u>
	<b>Subtotal Actuarial Opinion/Reserve Certification</b>	<u>3.436</u>	<u>4.244</u>	<u>4.724</u>
<b>5%</b>	<b>Tax Preparation</b>			
<b>50%</b>	<b>Industry Knowledge</b>			
	<b>100%</b> Qualifications of Team Members	3.8	4.4	4.6
	<b>Subtotal Industry Knowledge</b>	<u>3.800</u>	<u>4.400</u>	<u>4.600</u>
<b>50%</b>	<b>Tax Engagement</b>			
	<b>20%</b> Partnership Returns	3.6	4.2	4.4
	<b>20%</b> Consulting Services	3.6	4.4	4.6
	<b>20%</b> Management Communications	3.6	4.2	4.4
	<b>20%</b> Productivity Tools			
	<b>20%</b> Integration of CAR Staff Resources	3.6	4.2	4.6
	<b>Subtotal Tax Engagement</b>	<u>2.880</u>	<u>3.400</u>	<u>3.600</u>
	<b>Subtotal Tax Preparation</b>	<u>3.340</u>	<u>3.900</u>	<u>4.100</u>
<b>20%</b>	<b>Proposed Fees</b>			
	<b>80%</b> Engagement Year Proposal	3.8	4.4	3
	<b>20%</b> Three Year Projection	3.4	4.2	3.2
	<b>Subtotal Proposed Fees</b>	<u>3.720</u>	<u>4.360</u>	<u>3.040</u>
	<b>Grand Total Proposal Evaluation</b>	<u>3.552</u>	<u>4.311</u>	<u>4.327</u>