



COMMONWEALTH AUTOMOBILE REINSURERS

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RALPH A. IANNACO  
PRESIDENT

## RECORDS OF MEETING

### COMPLIANCE AUDIT COMMITTEE – SEPTEMBER 1, 2010

#### Members Present

Mr. Andrew J. Carpentier – Chairman	Quincy Mutual Fire Insurance Company
Mr. William J. Begley, Jr.	Safety Insurance Company
Mr. Francis N. Delage	The Hanover Insurance Company
Ms. Tracy M. Hurley	Arbella Insurance Company
Mr. David J. McCormick	McCormick & Sons Insurance Agency, Inc.
Ms. Susan K. Scott*	The Premier Insurance Company of Mass.
Mr. Joseph A. Vargas	Vargas & Vargas Insurance

Substituted for:

Mr. Christopher F. Malone\*

Not in Attendance:

Mr. Robert E. McKenna, The Commerce Insurance Company

#### 10.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Compliance Audit Committee meeting of April 13, 2010. The Records have been distributed and is on file with CAR's Secretary.

#### 10.06 Auditor Contract Review Subcommittee

Mr. Andrew Carpentier reported on the actions of the Auditor Contract Review Subcommittee. This Subcommittee was formed to recommend to the Governing Committee CAR's external auditor for FY 2010. He noted that although the Subcommittee met on May 11, 2010, to review and select an auditing firm from the proposals submitted, further meetings were necessary. Following the development of a quantitative method, the Subcommittee completed an evaluation of the three respondent's proposals. As a result 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 that the Governing Committee approve PwC as CAR's external auditor for FY 2010.

Mr. Carpentier discussed the FY 2010 audit and the consideration of an unqualified opinion, which CAR has received since FY 2005. Mr. Ralph Iannaco provided an overview of the Loss Reserving Committee meeting of June 2010, at which the Committee voted unanimously to recommend a reserve opinion as well as an unqualified financial opinion for FY 2010. In light of the Loss Reserving Committee's recommendation, the Compliance Audit Committee voted unanimously to have the financial

auditors of CAR provide an unqualified financial and reserve opinion for the fiscal year ending September 30, 2010.

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

#### **10.07 Private Passenger Performance Standards**

Staff presented a proposal to replace the current Claims Review process and SIU Review Process contained in Appendix K and L of the Private Passenger Performance Standards. All functions of the Compliance Audit reviews including the Premium and Claims Statistical audits, Claims Performance Standards reviews, and SIU reviews will be combined into one uniform audit process conducted on a triennial schedule using a consistent sample selection.

In order to meet the requirements of G.L. c. 175, § 113H while reducing the costs to the companies and CAR, Voluntary and MAIP claims will be reviewed for compliance with policy provisions and applicable statutes, rules, and regulations for six key Best Practices rather than the detailed standards. Penalties for non-compliance will be eliminated unless directed by the Governing Committee.

Following discussion, the Committee reached consensus and instructed staff to prepare a redraft of Appendix K and L for its next meeting.

#### **10.08 Private Passenger Pool Run-off Function**

The Committee reviewed a report reflecting Ceded and MAIP Private Passenger Indemnity Loss Amounts, Reserves, and Number of Claimants for eight accounting quarters from Q2 2008 through Q1 2010. The outstanding ceded reserves total \$76,522,569 of which \$64,357,969 are in the Bodily Injury line of business.

Staff presented a two-fold proposal for reviewing ceded claims as the pool runs down. Utilizing the current Large Loss review procedures, summaries of selected files would be requested from the Servicing Carriers on an Ad Hoc basis. Additionally a limited sample of ceded bodily injury claims would be reviewed during the triennial Audit Plan. The Committee will review the volume of ceded claims and the review process on an annual basis.

#### **10.09 Cost Containment Seminars**

Staff reported on the 2010 Cost Containment Seminars that were held on June 8 and 9, 2010. Five hundred Claims, SIU, and Management personnel attended from thirty insurance companies, 30% of whom received CE credits from New Hampshire. A Vendor Exhibition area of 31 vendors showcased the latest equipment and technology geared towards the insurance industry.

VALERIE GEDZIUN  
Vice President – Compliance Audit

Boston, Massachusetts  
September 3, 2010

**ATTACHMENT LISTING**

Docket #CAUC10.02, Exhibit #2

Attendance Listing

COMPLIANCE AUDIT COMMITTEE MEETING  
 SIGN-IN SHEET  
 WEDNESDAY, SEPTEMBER 1, 2010

Individual's Name

Company / Agency

PLEASE PRINT

Individual's Name	Company / Agency
Joseph Vargas	Vargas e Vargas
James McCormick	McCormick: S&S
Tracy Hixley	Arbella Ins.
Fran Delage	Harwin Ins.
William Boyd	SAFETY
GERARDY M. JARROVI	N.T.D.
A. Carpenter	DM
Valerie Redz, jr	Staff
Jane Kopu	CAR
Madeline	
MIRAI	CAR
August Franou	Etic Inc Ins. Co
MARIE-ARNELE THEODAT	R. THEODAT INSURANCE AGCY.
Jason Galanos	MUTA / Galanos Ins.
Don Bergamasco	Staff
Christine Pclaw	CAR
MARTIN ORLOWSKI	CAR
Pamela Pallace	CAR
[Signature]	CAR
Peter Bertoni	CAR
Steve Gaudieri	CAR
Natalie Husby	CAR
SUSAN SCOTT	PREMIER