



COMMONWEALTH AUTOMOBILE REINSURERS

225 Franklin Street Boston, Massachusetts 02110

www.commauto.com

617-338-4000

RALPH A. IANNACO
PRESIDENT

TRANSCRIPT OF SPECIAL MEETING

GOVERNING COMMITTEE

A meeting of the Governing Committee was held at the offices of Commonwealth Automobile Reinsurers, 225 Franklin Street, Boston, Massachusetts, on

TUESDAY, JANUARY 19, 2010 AT 1:00 P.M.

Committee Members present –

Mr. William F. Hofmann, III – Chairman
Provider Insurance Group, Inc.

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| Mr. William J. Cahill, Jr. | The Hanover Insurance Company |
| Mr. Andrew J. Carpentier | Quincy Mutual Fire Insurance Company |
| Ms. Karen A. Cora | Deland Gibson Insurance Associates, Inc. |
| Mr. Robert J. Cordner | OneBeacon Insurance |
| Ms. Paula W. Gold | Plymouth Rock Assurance Corporation |
| Mr. Richard P. Jones | Leslie S. Ray Insurance Agency, Inc. |
| Mr. Raymond A. Lukas | Chase, Clarke, Stewart & Fontana |
| Mr. James M. MacPhee | Liberty Mutual Group |
| Mr. Robert P. Suglia | Amica Mutual Insurance Company |
| Mr. Joseph A. Vargas | Vargas & Vargas Insurance |

Substituted for:
Mr. John P. Friedman USAA Property & Casualty Insurance

Not in Attendance:
N/A

PROCEEDINGS

(Meeting began at 1:04 p.m.)

Mr. Iannaco: Is the tape on?

Ms. Tobin: Yes.

Mr. Iannaco: Okay.

Mr. Hofmann: Okay. Good afternoon, everybody. We'll call the meeting to order. We have one substitute today. Bob Cordner is substituting for John Friedman. Bob, welcome.

Mr. Cordner: Thank you, Mr. Chairman.

Mr. Hofmann: Thank you.

GC

09.01 Transcript of Previous Meeting

Mr. Hofmann: The first order of business is the Transcript of the Previous Meeting.

Mr. Cahill: Move adoption and approval.

Mr. Hofmann: Is there a second?

Mr. Carpentier: Second.

Mr. Hofmann: Is there any question? If not, all in favor please say aye.

All Committee Members: Aye.

Mr. Hofmann: Any opposed say nay.

GC

10.03 President's Report

Mr. Hofmann: Okay, President's Report. Mr. Iannaco?

Mr. Iannaco: Yes. Good afternoon members of the committee. I'll speak about the purpose of the Special Governing Committee meeting in a moment, but I did want to update the committee on some events that have occurred a few weeks ago, and that is that our outside counsel's firm, Morrison Mahoney, Dan Judson, who has been the point person for Morrison Mahoney has advised me that he has left the firm. He notified me several weeks ago, and he left the firm as of last week. And, as a result of his call to me, I met with him and Rachel Davison, who is here, who you all know, and Lee MacPhee, who you all know. We met the following week, and we

discussed the transition plan. And, we talked about all the pending issues that we all have been working on. We've developed a strategy to go forward. As you know, Rachel and Lee have both been working with Dan and me on the all the issues as we go forward and they are all up to speed on everything that is before us. And, I asked them to come in today a bit early, because we're meeting later on to talk about another issue. But, they did come in today in the event that the committee has any questions. I can tell you that when we had the process four years ago when we had the Contract Review Committee meet and interviewed various respondents to our outside counsel, we chose Morrison Mahoney and Dan as their point person and Lee MacPhee as their senior partner.

Since then, two years ago, the Governing Committee voted to extend the engagement letter. This is a two-year engagement we do every other year. And, two years ago in June, we voted to extend the engagement until June of 2010, this coming June. So, with that, they are on board, up to speed on all issues, and are prepared to continue, depending on what this committee wants to do going forward. As I said, I asked them to come in today, and I think that given with the fact that Dan has in fact left the law firm, the committee should decide whether they want me to begin the process to develop an RFP to interview any potential law firms that may be interested in representing CAR in the manner that the outside counsel does not and has always done.

Mr. MacPhee represented to me at the last meeting that they certainly would be willing to stay on for an indefinite period of time until—if a committee is formed, a final decision is made, and whether or not it would be to retain or change outside counsel. They'd be happy to work with us. So, I think at this point, and again, I said both Lee and Rachel are here. If the committee would like to have me draft and go forward with an RFP to set up a subcommittee, we certainly would put that forward. If the committee would like to just consider retaining the firm as they are in June for another two years, then we could certainly do that. So, it's sort of an up and down. But, Lee actually thought it would be good idea for us to put that all on the table today. And, they're here, again as I said, to answer any questions, if anyone has any questions.

Mr. Hofmann: What's the committee's pleasure? The folks are here from Morrison Mahoney if you have any questions of them. But I think the issue for the Governing Committee as Buddy has outlined is, do we want to go through the RFP process, and if so, Buddy will draw up the RFP, we'll appoint a committee, or do we wish to appoint Morrison Mahoney for another two-year period? Karen?

Ms. Cora: How long has it been since we've done an RFP?

Mr. Iannaco: As I said, it was four years ago.

Ms. Cora: Four years ago.

Mr. Hofmann: Four years ago that we did that. And, that was after having a counsel for 20 plus years.

Mr. Carpentier: Bill could I?

Mr. Hofmann: Go ahead.

Mr. Carpentier: I was going to make a motion to put this item on the agenda for discussion. If we have to take action, then I think it's more than just the President's Report. So, that's my motion.

Mr. Hofmann: I'm sorry, would you...

Mr. Carpentier: The motion is to place the issue of CAR's outside counsel on the agenda for discussion.

Mr. Hofmann: Okay, do we need a waiver to do that?

Mr. Iannaco: Well, I think you would, yes.

Mr. Hofmann: Okay. Alright, so in order to discuss the item I think that, which Andy wants to make the motion of, we need to have a waiver to waiver—waive the notification to put this item on the agenda. So, is there a motion to...

Mr. Carpentier: So moved.

Mr. Hofmann: move. Thank you. Is there a second?

Mr. Cahill: Second.

Mr. Hofmann: Any discussion on the item to place the agenda item on the agenda for today. If not, all in favor say aye.

All Committee Members: Aye.

Mr. Hofmann: Any opposed say nay. Okay. So, now we can discuss the item of RFP Morrison Mahoney's...

Mr. Cahill: So, I...

Mr. Hofmann: Bill, do you have anything you want to say? Go ahead.

Mr. Cahill: What I was going to say is that I, with Rachel and Lee, I think have answered questions that I've asked or have been very responsive, and Rachel particularly in working with Dan, and then since Dan's left, has been very helpful. But, what I was going to offer is that I do think it's a good opportunity for us and a sort of healthy exercise for us to go through at this point, which is approximately, you know, it's a four-year timeframe, and perhaps might have been one of the situations that we were thinking of back, at least in my mind, as I think back on it, we hadn't done much of anything in re-examining for a long, long period of time who we had as retained counsel for CAR. And, that was part of a major motivation to sort of look at it four years ago. And, then I think as we went through the process, at least in my mind, I think I recall at the time thinking that it was a good exercise to go through periodically. And, so

with Dan's departure, even though I think we are more than ablely, counsel has been provided by members of the firm, I think it's a good opportunity for us to go through this exercise again, and would encourage the Governing Committee to think about doing that. Not as a reflection in any way, as I said, on the capabilities of the firm, but more of a good exercise for us proceed with. And, it's almost like if you do it this way, you can sort of set it up for every two to four years, you sort of get into that routine, so.

Mr. Suglia: Yeah, I would tend to agree with Bill's comments. I think every two years is probably an awfully short time...

Ms. Cora: Yeah, I agree.

Mr. Suglia: to go through an RFP process. And, I was thinking more in terms of five-years. But, we are coming up at the end of a second two-year contract, and it seems like it probably would be a good time to go through that process.

Mr. Hofmann: Well, I totally concur with that, because I was the one that started the process four years ago to look at the 20-odd year relationship we had. And, I totally agree that I think it's a worth while process for the CAR Governing Committee to go through. And, again, there's absolutely no reflection on the current counsel. And, I think they fully understand that. But, I would certainly concur that probably have Buddy and the staff put together an RFP to go out and re-examine the issue and come back with whatever recommendation the committee comes back to to the Governing Committee. So, I would certainly totally concur with that. Bob?

Mr. Suglia: Yes.

Mr. Hofmann: Do you want to say something first?

Mr. Iannaco: I do. Maybe I should also add that when I did in fact meet with Lee last—two weeks ago, I did tell Lee that I was in fact going to recommend that we do an RFP along the same lines that Bill just spoke to. And, I also thought that I would make the same recommendation to the Audit Committee Chair where and when we create these contract review committees, we look at both our audit firm and the outside legal firm.

Mr. Hofmann: Yeah.

Mr. Iannaco: And, Andy actually has a meeting with the Audit Committee, that I was just discussing with him, coming up in a few weeks, and was going to suggest, depending on what we do today, that we also take the same action—at least the same thought process at the Audit Committee to keep that cycle on the same year as a factor. So, I mean, I did mention that to Lee. He thought it was also a good idea, and also, again, I just want to get on the table, that he did indicate that knowing that this process may take longer than completing by the June date that we have on the books; they would certainly stay on until we finished that process.

Mr. Hofmann: Bob?

Mr. Cordner: Yes, Mr. Chairman. I was just going to agree with the comments around the table. It's a good idea to explore our options. It's, you know, a good time frame probably to do that. So, I would agree.

Mr. Hofmann: Okay, if that's the general consensus, would someone like to make a motion that would—seems to be the general consensus here?

Mr. Carpentier: I would make a motion that CAR staff develop RFPs for the retained counsel. We can cover the other at some other time.

Mr. Cahill: Second.

Mr. Hofmann: Yeah. Any discussion on the item? I think it's important to note that the counsel has fully agreed to stay on that if we don't—that the letter goes through June, that if for whatever reason we have not come to a decision by June, that the counsel is more than willing to stay on until such time as a decision is made. So, okay, we have a motion on the floor: it's been seconded. There is no discussion. All in favor please say aye.

All Committee Members: Aye.

Mr. Hofmann: All opposed say nay. Okay. It's unanimously carried. Thank you.

Mr. Iannaco: Mr. Chairman, if I may then? We will sit down and sketch out a time-frame. And, I think at the February meeting I can present that to the Governing Committee.

Mr. Hofmann: Okay.

Mr. Iannaco: And, at that point in time you may want to then consider the appointment of a Contract Review Subcommittee.

Mr. Hofmann: Okay.

Mr. Iannaco: And, we'll also know what the Audit Committee will decide to do. So by...

Mr. Hofmann: We'll decide by then, yeah. Because you're meeting on the 10th, is that right?

Mr. Carpentier: That's right.

Mr. Iannaco: So, we'll try to bring it all to the—we will bring it to the Governing Committee.

Mr. Hofmann: Governing Committee on February. Okay.

Mr. Iannaco: Okay.

Mr. Hofmann: At that point, I'll be glad to appoint the respective committees.

Mr. Iannaco:

That's the first piece. The second piece—the purpose of the Special Meeting that we have this morning—this afternoon rather. I received a letter which was forwarded to you on December 18th of 2009 from Commissioner Murphy regarding the Division's action regarding proposed amendments to Rules 28 and 29 of our Plan. The Commissioner in his letter to us indicated that—we have submitted three Rules actually, three Rule amendments. The first was an amendment to Rule 28.C.1., which is the Premium Deposit Rule. The second amendment was the Credit Offering, which was an amendment to Rule 29.E. And, the third proposal was the Household Procedure Rule, which was Rule 29.F.2. And, those were the three real—rules that we submitted to the Division. The Division approved the amendments to the Household Procedure Rule, which is Rule 29.F.2., but returned the two Rules, one on the Credit Offering and one of the Premium Deposit Rule instructing CAR to review recommendations that the Division made and to report back to the Division with changes pursuant to their letter within 30 days.

As a result of this letter, we asked—I talked to the Chairman of both the Actuarial Committee and the MAIP Committee to set up some timely meetings, which we did. We scheduled the meeting of the Actuarial Committee, and we will have a report that will be submitted by Nat Hubley on behalf of the Actuarial Committee regarding the new Credit Offer. Where the Credit Offer does in fact affect Quota Share, this required a Rule 24 Notice, 20 days prior to the meeting of the Governing Committee. So, on December 22nd of 2009 I did send out in accordance to Rules 24.H. a notice identifying that we would be voting on a recommendation by the Actuarial Committee, which could in fact impact Quota Share. So, we are covered under our 20-day notice requirement. And, Nat will be reporting on that Rule.

As to the MAIP Rule, we met with the MAIP Steering Committee last week. We submitted a revised Rule 28.C.1. relative to the down payment premium, which the Chairman of the MAIP Steering Committee will be reporting on. And, we sent out the results of his meeting, the MAIP Steering Committee's meeting, including a draft Rule proposal late Thursday night. On a side bar I do want to mention that we also received a letter from the Division of Insurance Thursday late in the day regarding an amendment proposal that the Division wanted us to talk about, Rule 21. So, we will go into that under a separate discussion, Mr. Chairman. And, then we can discuss what the committee's pleasure would be. So, the purpose again of this special meeting today—I thank you all for coming in—is to view the two Rule proposals, as I just outlined and then to make a decision to approve and send along to the Division, which we plan on doing before the close of business today to comply with the Division's request. So, that is my report, Mr. Chairman. And, that is where we stand at the moment.

Mr. Hofmann:

Okay. Let's talk about the Rule 21 changes under the MAIP.

Mr. Iannaco:

Well, that would be a separate...

Mr. Hofmann:

A separate issue? But, let's hold off...

- Mr. Iannaco: Yeah, let's hold that...
- Mr. Hofmann: until we talk to the MAIP...
- Mr. Iannaco: Yeah, let's hold that off.
- Mr. Hofmann: Thank you.
- Mr. Iannaco: I would recommend that you—we talk about the report from the Actuarial Committee first.
- Mr. Hofmann: Right. That's right.

10.05

GC Actuarial Committee

- Mr. Iannaco: As I've said, we already notified pursuant to 24.H. and then I think Nat can take the committee through it. Everybody should have in front of them a Record of the Meeting and also a draft Rule proposal.
- Mr. Hofmann: Nat, thank you.
- Ms. Hubley: Good afternoon. The Actuarial Committee met on January 7th. At that time they did unanimously vote to approve the Records of the November 3rd meeting and those records have been distributed and are file with CAR's Secretary.

For the main agenda item for which the committee met, in light of the Commissioner's letter and the directives relating to the Rule 29 Credit Offer, the committee first reviewed updated information relating to the Credit Offer and the potential credits available under its original proposal reflecting the updated rates that are approved for policies effective April 1, 2010 and later. The committee then reviewed two scenarios that were prepared by CAR staff that meet the Acting Commissioner's directive to insure that available credit premium, one, is not reduced by 5% overall, two, is increased in the noted territories by at least 25% in total, and three, is not reduced in any of the noted territories by more than 15%, and finally, four, is not reduced in noted classes by more than 20% in total. The two scenarios used procedures that we adopted by the committee for its prior selections, with one using a single credit factor for all class/territory cells within specified residual market share ranges, and the other separately assigning credit factors to the inexperienced principle operators as addressed by the Commissioner.

After some discussion, most committee members favored the separate class factor assignment method, as it most closely met the defined objectives. Although one member opined that the lower credit factors for the inexperienced operator classes appeared contrary to the Commissioner's concerns relative to those classes, other members pointed out that despite the lower credit factors, the credit premium is higher in those cells resulting—the average premium is higher in those cells

resulting in still higher available credit premium for those classes. Accordingly, the committee voted with eight members in favor and one opposed to recommend adoption of alternative two, using separate credit factor assignments for the inexperienced principle operator classes. This resulted in an overall reduction in available credit premium of approximately 4.6% with the noted territories increasing 29% and the noted classes decreasing 20%.

The committee then reviewed proposed amendments to Rule 29 reflecting it's recommendation, or reflecting the vote that it had just taken, and it unanimously voted to recommend the adoption of the drafted Rule language. That Rule language was attached to the agenda for this meeting. Rule 29 on Page 5 of 12 is simply updated to reflect that the credit offer in the Rule reflects credits offered for policies through March 31, 2011. And, then on Page 9 of 12, you will see the Table of Credit Factors that is reflected with the Actuarial Committee's recommendation. And, this would be an action item for your consideration.

Mr. Cahill: Mr. Chairman, I'd move adoption and approval of the recommendations of the Actuarial Committee to modify Rule 29.E.

Mr. Hofmann: Is there a second?

Mr. MacPhee: Second.

Mr. Hofmann: Is there any discussion or questions on the issue? Okay, if not, all in favor please say aye.

All Committee Members: Aye.

Mr. Hofmann: All opposed say nay. Motion's unanimously carried. Nat, thank you.

GC

10.06 MAIP Steering Committee

Mr. Hofmann: Okay, MAIP Steering Committee?

Mr. Cahill: Yes. Mr. Chairman...

Mr. Hofmann: Mr. Cahill?

Mr. Cahill: and members of the committee. I'm going to direct your attention to the summary of the meeting of January 14th and specifically we'll pass by the Records of the previous meeting in the President's Report and move directly to Item 10.03, which—with regard to Rule 28.C. Premium Deposit and Payment Options. The committee reviewed modifications to Rule 28.C. Premium Deposit and Payment Options, drafted by staff in response to suggestions provided in correspondence received from Acting Commissioner Murphy in remanding Rule 28 to CAR for further deliberation. As drafted, the modifications provide that a 25% down payment based upon MAIP rates is required on new business unless there

has been a cancellation for non-payment during the preceding 24 months that resulted in the cancellation of the policy in which case a down payment of 80% is required. Language has been added to provide specific requirements to address any additional or return premium of adjustment to the deposit premium. For renewal policies, a 20% down payment is required. An ARC may require more than a 20% deposit if the policyholder has had a policy cancelled for non-payment during the preceding 24 months.

Mr. John Kelly of Commerce recommended that section C.1.a. be clarified to specify that 80%, that the 80% deposit requirement for new business is based upon MAIP premium, suggested that an option be added to allow a down payment of 100% of the ARC's voluntary premium if known, and that any additional deposit premium be billed at the same time as the issuance of the coverage selection page. Members of the committee as well as producer members of the audience voiced support for these suggestions particularly as allowing or a down payment that reflects the rates that will be used to issue the policy. The committee voted unanimously to recommend adoption of the attached modifications to Rule 28 of CAR's Rules of Operation, which include the suggestions made by Mr. Kelly. And, Mr. Chairman, I make a motion to approve and adopt those changes to this committee.

Mr. Hofmann: Okay.

Ms. Cora: Second.

Mr. Hofmann: It's been seconded. Okay, is there any question on what we're doing here? Okay. Everybody in favor please say aye.

All Committee Members: Aye.

Mr. Hofmann: All opposed say nay. Motion is unanimously carried.

Mr. Cahill: Mr. Chairman, I might just take a moment here. These are not action items, but they're items that were brought up at the MAIP meeting for the benefit of those that might not have been attendance. They're things that people should just be very much aware of as continuing issues for former ERPs. The committee discussed Acting Commissioner Murphy's correspondence dated November 13, 2009 requesting a review and analysis of matters raised by former ERPs at a meeting held at the Division of Insurance on October 29, 2009.

The first concern—that certain companies are not notifying the producer of changes to their customers' policies in paper format. Mr. Sumner Gilman advised that there is disparity among carriers in providing the producer notification of the issuance of coverage selection pages, policy changes and cancellation notices. He advised that there are two carriers that do not provide any notification at all. It was the consensus of the committee that failure to provide notification to the producers is a violation of the Assigned Risk Carrier Performance Standards and that should be addressed through the use of the ARC Compliance Procedures

found on CAR's website enabling staff to address specific complaints and maintain a record of ARC non-compliance.

The second—a request that the MAIP Policy Application document that the premium assumes the vehicle is equipped with passive restraints in order for the producer to confirm with the customer that this safety feature is considered in the calculation of a MAIP premium. Staff advised that the MAIP Policy Application has been modified to include a statement in the remarks section of the coverage summary and new business application that states that the base premium calculation includes a reduction for passive restraint or airbag device.

Third, a request that companies be required to use electronic fund transfers, EFTs, in connection with MAIP policies if requested by the customer. As chair, I stated that EFT availability for MAIP business had been discussed in great detail at a number of our MAIP meetings. However, in response to the request from the Division of Insurance, it requested of members of the committee to consider alternatives to EFT for discussion at the committee's next meeting.

And then under Other Business, Mr. Sumner Gilman requested that the committee begin to discuss issues relating to the expiration of Clean-in-Three provisions as of policies effective April 1, 2011, and suggested that the elimination of these provisions be postponed until 2014. I did indicate to Mr. Gilman that we certainly would take up his request to discuss this topic at our next meeting. And, so we will add this particular item to the agenda. And, I just wanted to notice that that would be on there.

Mr. Hofmann: You haven't set a date for the next meeting?

Mr. Cahill: We have not, but we would—it would be certainly prior to the February Governing Committee meeting. So, we hope to have that posted soon. And, that would conclude the report.

Mr. Hofmann: Thank you. Any questions of Mr. Cahill?

GC
10.07 Rule 21.C. Transition Procedures

Mr. Hofmann: At this point, Buddy, I'd like to go back to Rule 21.

Mr. Iannaco: Okay. We sent out a—as well as Additional Information for the report of the MAIP Steering Committee, we sent out another document that is a Supplemental Agenda Item, which is Agenda 10.07. And to have a discussion and any action on that, we would also have to have a motion to waive the five-day notice to place this on as an agenda item.

Mr. Carpentier: I move that we waive the notice requirement.

Mr. Cahill: Second.

Mr. Hofmann: Any discussion on the motion to waive the requirement? If not, all in favor please say aye.

All Committee Members: Aye.

Mr. Hofmann: Any opposed say nay. Motion's unanimously carried.

Mr. Iannaco: Okay, the—as I indicated we—I received an email with an attachment of this letter last Thursday late morning regarding Commissioner Murphy's suggestion that CAR consider amendments to Rule 21.C., and you have that letter before you. He also asked that we consider changing the methodology for calculating down payment. And, this is all dealing with the special transition Rules that we put in place for those ERPs that have not obtained a voluntary contract. So we—you have the letter before you. What we did was to draft a Rule proposal that we feel complies with the Commissioner's request, which we also included with this letter. And, my suggestion, Mr. Chairman, is that the committee can, obviously has looked at the letter from Commissioner Murphy. They can look and discuss the draft Rule proposal if they see fit. Or as the Commissioner indicated, if it chooses not to amend it, they don't have to include this Rule proposal with those that have just been recently approved. So, we could certainly try to act on it today, if the committee cares to. If they—if this committee feels they want to refer it back to the MAIP Steering Committee, then that would be obviously the appropriate step we would take. And, we would include that as an agenda item for the next MAIP Steering Committee. As to what the Rule—the draft Rule proposals, there were actually three issues that we have in the Rule if you wanted to get into it, or you could wait to see. It's basically it's changing the methodology.

Mr. Hofmann: I'd like to suggest you go through it, because I think the Rule changes basically are pretty straight forward and not very complicated here. So, and I've chatted just briefly with the Chairman of the MAIP Committee and his comment is let's see what the Governing Committee has to say. If it needs to be looked at, we'll refer it to the MAIP Steering Committee, but if it's pretty simplified here, as I seem to think it is, then we may want to make a decision on the Governing Committee. So, why don't you go through it if you would.

Mr. Iannaco: Well, the Rule we put before you, again, to try to coincide with the request of the Division makes reference in the attached Rule proposal to—if you go to Page 2 of 4 of Rule 21, the first change would be the elimination of the effective date of March 31, 2010 as to when the transition period expires. This means that the transition process remains in effect with no sunset period of time at this point. The second issue where we made an amendment to is on Page 3—b. and you could see that it's—the applicant's producer of record is a former exclusive representative producer that does not have a voluntary contract as of April 1, 2010. That was the second change we made to Rule. And then lastly, it's how we calculate the down payment. As you know we modified the down payment again for this transition to be 20% of the MAIP premium. The Commissioner has recommended that the down

payment be 20% of 80% of the MAIP premium, thus 16% of the MAIP premium would be the down payment. Those are the—oh, yeah, you're right, excuse me. Thank you. Yes, and we also—forgive me. On the top of Page 3 of 4, also where the Commissioner talked about new business, we inserted the word, or as new business. Again, the transition was only talking about renewal business, as you may recall. And, we needed a copy of the renewal notice, but now they're talking about new business as well. So, we included that terminology in a., the applicant's prior policy was non-renewed or is new business. Those are the changes that we were asked to make in the Commissioner's letter, and that pretty much covers it. And, the real change would have to be by CAR and changing our front-end application system to identify the proper discount that's required.

- Mr. Hofmann: And, that's not a difficult thing to do?
- Mr. Iannaco: That's not discount, excuse me, down payment.
- Mr. Hofmann: Down payment, yeah.
- Mr. Iannaco: Well, we've had some preliminary discussions. I think we can get it done by the time the Rule's approved.
- Mr. Cahill: So, Buddy, on that point, so do you think CAR would actually be providing the amount?
- Mr. Iannaco: Yes, like we do now.
- Mr. Hofmann: They do now.
- Mr. Iannaco: Yeah, we just have to set up.
- Mr. Cahill: You're just changing the amount.
- Mr. Iannaco: Yeah.
- Mr. Hofmann: Like we did change...
- Mr. Cahill: It would be a percentage. Got it.
- Mr. Iannaco: Yes.
- Mr. Hofmann: Yeah.
- Mr. Cahill: Okay.
- Mr. Iannaco: That's really the big change.
- Mr. Hofmann: Yeah.
- Mr. MacPhee: Could I ask a question?

- Mr. Hofmann: Yeah, go ahead, Jim. Go ahead, that's why we're here to discuss this.
- Mr. MacPhee: So, the—it used to be a business that was being non-renewed?
- Mr. Iannaco: Yes.
- Mr. MacPhee: And, I know one of the exceptions was that you didn't need to get a pre-inspection. If now we're expanded this to new business, would we want folks to have the exemption from the pre-inspection? Or, am I not reading this right? Or, is it not a concern? You know what I mean. It seems like if you meet these things, then you, from a lower down payment, you don't have to do a pre-inspection—some other things.
- Mr. Hofmann: Is that correct?
- Mr. Iannaco: Pam, why don't you...
- Mr. Hofmann: Pam, do you...
- Ms. Wallace: Yeah, I mean lacking any specificity in the Division's letter, we left those remaining requirements as they now stand. So, you are correct in stating that the pre-inspection requirement would be waived from new business as well.
- Mr. Hofmann: Bob?
- Mr. Cordner: Mr. Chairman, I think there's—these are some pretty significant changes in the process that are being proposed here. Jim had a good question. There's a lot of questions I have. These are Rules that were put together by the MAIP Steering Committee with a lot of discussion and debate, good discussion and good debate. I really would recommend that this be put before that committee for consideration. I wouldn't want to try and decide on that today.
- Mr. Hofmann: Okay. No problem. I just thought we'd want to get them out on the table so at least the Governing Committee—okay, with given that, then I think the appropriate thing to do is to refer this to the MAIP Steering Committee, which you can hold that day.
- Mr. Cahill: Right, we'll take it up.
- Mr. Hofmann: Bill, if you would...
- Mr. Cahill: On a—I'm very willing to do that and take it up at our February MAIP meeting, which it appears like it will be February at this stage...
- Mr. Iannaco: Sure, yeah.
- Mr. Cahill: by the time we get it posted. One question, though, picking up on Jim's question, which might make sense, Pam or Buddy, to try to get some clarification from the Division in advance of our discussion is, on this particular point, is it—were they really driving at us for new business to

an insurance agency doing things like waiving the pre-inspection, or is that term used more because it was to be viewed as new business to the company as opposed to new business to the agency? Because, to Jim's point, I think we were very focused on trying to work with agencies on existing accounts that were in the agency's office, and that's why you've referenced the non-renewal notice. But, new business perhaps to the agency would be a different situation and would not merit the waiver of the pre-inspection requirement. If we could try to get that clarified, it would probably be helpful to the discussions at the MAIP meeting. Thank you.

Mr. Hofmann: Andy?

Mr. Carpentier: I would also ask the committee to look at the impact to the provisions on—under D., which are the Constraints on Placement Through the MAIP During the Transition Period, if in effect we have extended the end of the transition period. What does that then do to this? If above, we've eliminated March 31, 2011, then do we need to eliminate it here, and what does that do to the continued handling of Clean-in-Three Risk?

Mr. Hofmann: I think the appropriate thing to do is to let the MAIP Steering Committee Chairman...

Mr. Carpentier: Yes.

Mr. Hofmann: look through these items.

Mr. Iannaco: I also believe that at the last MAIP Steering Committee they began a discussion of Clean-in-Three business anyway, and we were going to begin to talk about that.

Mr. Cahill: Well, there was a request that we have a discussion...

Mr. Iannaco: Yeah.

Mr. Cahill: about possibly extending it.

Mr. Iannaco: Right.

Mr. Cahill: But, right, there wasn't really any substantive discussion.

Mr. Iannaco: And, we roll it all out.

Mr. Cahill: Right, yeah. But, we were planning to do that.

Mr. MacPhee: Just one, I agree. So, is the April 1st—having April 1st in here, the committee might look at, you know, one of these agents subsequently got a voluntary contract, does this take into account...

Mr. Cahill: Yeah.

Mr. MacPhee: they still on that date did not have a voluntary contract?

Mr. Cahill: Right. Okay.

Mr. Hofmann: Interesting questions, Bill.

Mr. Cahill: We'll definitely take it up.

Mr. Iannaco: Oh, that's good.

Mr. Hofmann: Okay, no, that's good, that's good.

Mr. Iannaco: That makes it easier for us.

Mr. Hofmann: That makes it—that's okay. Any other questions or comments that the Governing Committee would like to have the MAIP Steering Committee look at when they're looking at this whole issue of the changes here with Rule 21? If not, we'll refer to the MAIP Steering Committee, and you'll try and get back to us by the February Governing Committee?

Mr. Cahill: I absolutely will.

Mr. Hofmann: Okay. We'll get back to the Governing Committee and get an answer back. Will that get us into that time?

Mr. Iannaco: And, that's good, because right now what we'll do is based on the decision that we made on approving the other two Rules, the MAIP Steering Committee and the Actuarial Committee, we will timely file the Rule proposal with the Division today. We will have a Bulletin issued today, and everybody will know where we stand. We'll also reschedule the—Bill and I will pick a date for the next MAIP Steering Committee. We'll send out an agenda and probably even work a little bit more on this draft language...

Mr. Cahill: Yeah, that's good.

Mr. Iannaco: to see if we can update it a little bit.

Mr. Cahill: Yeah, that would be great.

Mr. Iannaco: We'll get these thoughts and then any questions that anybody has, so we can have a better sense of where we're going and see what we can get back from the Division on your questions.

Mr. Cahill: Great.

Mr. Hofmann: And, I understand that they're looking for an answer back within 30 days, so we're okay with it.

Mr. Iannaco: We'll all set in this. Right. And, we'll have this probably...

Mr. Hofmann: Okay. Alright.

Mr. Iannaco: So, I think that actually wraps everything up with the committee as far as everything we have for today.

Mr. Hofmann: Okay. Is there any item of New Business to come before the Governing Committee? I have just one comment to make, is that the Personnel Committee—just to remind everybody, is meeting today at 2:30. The Personnel Subcommittee meeting has been postponed to a date down the road, because we have not received all of the information that we have requested from the carriers relative to the Human Resources departments and what their benefits are, etc. And, I'm fervently hopeful that you carriers who have not yet submitted this information, that you would please do so as quickly as possible, because this is really holding up the whole process of reviewing the benefits here at CAR and what you companies are actually doing. So, this is sort of a lash with a wet noodle if you will, please, from you carriers that, you know, you're the ones that wanted this information and wanted us to look at the issue, which I think is appropriate, but we can't do it if we don't have the surveys from you folks. So, anyway, end of that discussion. Any other New Business that anybody would like to bring up? If not, we certainly would entertain a motion to adjourn.

Mr. Carpentier: So moved.

Mr. MacPhee: Second.

Mr. Hofmann: I would ask the personnel people to please remain, because we...

Mr. Iannaco: We can't begin until 2:30.

Mr. Hofmann: We can't begin until 2:30. So, make your phone calls or whatever. Motion to adjourn is accepted. Thank you.

(Meeting ended at 1:41 p.m.)

RALPH A. IANNACO
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
February 16, 2010

INITIAL TRANSCRIPTION WITH REVIEW AND INDEXING BY KIM TOBIN, COMMONWEALTH AUTOMOBILE REINSURERS.

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").

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ATTACHMENT LISTING

Docket #GC10.02, Exhibit #1

Attendance Listing

**SPECIAL MEETING OF THE GOVERNING COMMITTEE
 SIGN-IN SHEET
 JANUARY 19, 2010**

| Individual's Name | Company / Agency |
|--------------------|-------------------------------|
| May Ellen Thompson | DOT |
| Edwin Cora | Deland, Tibson Ins Associates |
| Jayley Reed | Plymouth Rock |
| Joseph Vargas | Vargas & Vargas |
| Bob Cordeiro | Orbescom |
| Cruz Lopez | Chase Clarke Stewart |
| Robert Sughii | Amica Mutual |
| Nick Touss | Aeon |
| Jim MacPhee | Liberty Mutual |
| Arthur Caylakian | Quincy Mutual |
| RAI | CAR |
| Wm. J. Hill | PROVIDENT INS GRP |
| William Cahill | HANOVER |
| Kim Tobin | CAR |
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