



COMMONWEALTH AUTOMOBILE REINSURERS

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RALPH A. IANNACO
PRESIDENT

RECORDS OF MEETING

OPERATIONS COMMITTEE – JANUARY 20, 2010

Members Present

Mr. Edward N. Patrick, Jr. – Chairman	Safety Insurance Company
Mr. Joseph F. Cofield	Metropolitan P & C Insurance Company
Mr. Bruce A. Cregger	Encompass Insurance
Mr. Hall C. Crowder	The Hanover Insurance Company
Ms. Erin M. Cummings	The Norfolk & Dedham Group
Mr. Thomas A. Harris	Quincy Mutual Fire Insurance Company
Mr. William F. Hofmann, III	Provider Insurance Group, Inc.
Ms. Donna Jarominski*	The Commerce Insurance Company
Ms. Eileen Kelly	Plymouth Rock Assurance Corporation
Mr. Robert P. Littlewood	Arbella Mutual Insurance Company
Mr. Douglas R. Long**	Liberty Mutual Group
Mr. Christopher A. Matherly	The Premier Insurance Company of Mass.

Substituted for:

Mr. John V. Kelly*
Mr. Paolo V. Abelli**

Not in Attendance:

N/A

09.01 Records of Previous Meeting

The Records of the Operations Committee meeting of October 21, 2009 were unanimously approved. The Records have been distributed and placed on file with CAR's Secretary.

10.03 Informational Items

Mr. Patrick reported that the Division of Insurance approved the proposed changes to the Statistical Plans for the increased penalty amounts, but did not approve the new component for interim summary reporting. Ms. Hubley reported that due to the introduction of an alpha-numeric discount code, certain records were excluded from the ceded true-up calculation in previous quarters. These records will be included in the calculation beginning with 4th quarter 2009, which will have an impact of approximately \$750,000.

09.08 Inquiry Data Utilized by the Rule 29 Credit Edit System

At the October meeting, staff presented three options for the verification of youthful classification codes for those companies which obtain their merit rating information from a source other than the Merit Rating Board (MRB). After some discussion, the Committee directed staff to determine the cost of the first two options for discussion at the next meeting. Ms. Wendy Browne informed the Committee, that based on a random sample audit of about 500 records each month, the Audit Compliance Department estimated that the cost of the first option (utilizing an audit program to verify youthful classification codes on a monthly basis) would cost approximately \$2,500/month. Accordingly, the cost estimate for accounting year 2010(the first year) would be \$20,000 (1 company for 8 months) and the cost for the following year would be \$95,000 (4 companies for 8 to 12 months, depending upon each company's reporting start date). Continuing, Ms. Browne indicated that the cost to develop, test and implement a new input process that would eventually feed into the existing Rule 29 edit system would be a one time cost of approximately \$14,000. The Committee unanimously approved a recommendation to the Governing Committee to direct staff to develop the new input process for the verification of youthful classification codes for those companies not utilizing the MRB for merit rating status.

10.05 Statistical Reporting Issues

Ms. Pamela Wallace informed the Committee that staff is proposing the addition of two new fields, Continuous Coverage and Low Frequency Discount, to the Private Passenger Liability and No-Fault premium and loss record layouts. These fields will be used to indicate if the discount has been applied to the rated driver. She noted that since the distribution of the agenda, staff has modified the original language to maintain consistency with other discount field wording as well as to eliminate references to the discount applying to MAIP assigned policies issued using MAIP rates. Staff is proposing an optional implementation date of April 1, 2010 and mandatory implementation date of January 1, 2011. The Committee unanimously approved a recommendation to adopt the proposed changes to the Private Passenger Statistical Plan to the Governing Committee.

Continuing, Ms. Wallace reported that staff is continuing to evaluate reporting issues related to 2011 symbols. She noted that Rule 22 of CAR's Private Passenger Automobile Insurance Manual indicates that if the same model exists in the prior year, then that symbol should be used to calculate the MAIP rates and statistical reporting and if it does not, then the symbol that corresponds to the cost new of the vehicle should be used. Furthermore, Ms. Wallace reported that staff has made the decision to not adopt ISO's symboling methodology for model years 2011 and subsequent vehicles, and is waiting on information from the AIB relative to its development of Massachusetts specific symbols before making a final decision. In response to a question, Ms. Wallace indicated that the substantial cost associated with ISO's symbols was a major factor in the decision.

10.06 Elimination of Tape Cartridge

Ms. Wendy Browne informed the Committee that as part of CAR's ongoing effort to reduce costs, staff has identified the elimination of tape cartridges for statistical reporting as an item that could assist in achieving this goal. Currently, there are over 50 groups using FTP as the media for reporting as compared to 19 groups that use tape. The elimination of the tape option could decrease costs through reduced mailings and hardware maintenance. In response to a question, Ms. Browne indicated that there are some significant market share companies that are still utilizing tape. After some discussion about ensuring that companies and staff have adequate time to make the transition from tape to FTP, the Committee unanimously voted to recommend to the Governing Committee that tape cartridge be eliminated as a reporting option after the June 2011 monthly accounting shipment.

Other Business

The Committee re-opened its discussions about the new discount introduced in CAR's 2010 Private Passenger Automobile Insurance Manual, effective April 1, 2010. Ms. Eileen Kelly inquired if staff would consider adding some type of discount questions to the MAIP Policy Application to assist the carriers. Ms. Wallace noted staff had not considered this, as the directive from the Division of Insurance indicates that the responsibility relies with the carrier to determine eligibility. Furthermore, since the system is not going to utilize this information in calculating the down payment, adding questions about eligibility would most likely cause some confusion to ARPs and consumers. It was the consensus of the Committee that it would be helpful to know if the policyholder believed that he/she were eligible so that the carrier would then know that additional action is necessary to process the application. Ms. Wallace responded that she would contact the Division of Insurance to discuss these issues and would advise the Committee on the results of the discussion. Ms. Wallace then informed the Committee that companies are to notify CAR 20 days prior to implementation if they are electing to use the "short form" for the Low Frequency discount as CAR is required to provide this notification to the ARP at the time of assignment. Staff will be developing a form for the ARCs to notify CAR of their selection.

WENDY BROWNE
Sr. Director - Operations Services

Boston, Massachusetts
February 11, 2010

ATTACHMENT LISTING

Docket OP10.02, Exhibit #1

Attendance Listing

Docket OP10.05, Exhibit #2

Stat Plan Changes

Proposed Modifications to the Private Passenger Statistical Plan

Proposed Effective Date	Description	Pages Impacted	Records Impacted
<p style="text-align: center;">January 1, 2011</p> <p style="text-align: center;">(Optional for policies effective April 1, 2010 - December 31, 2010)</p>	<p>The Private Passenger Statistical Plan has been updated to include the Continuous Coverage and Low Frequency Discounts.</p> <p>The proposed implementation date is January 1, 2011. Companies may optionally report these discounts for policies effective April 1, 2010 through December 31, 2010.</p>	<p>IV: 4, 10 V: 4, 10 VI: 23, 24 VIII: 1-5 A:2</p>	<p style="text-align: center;">Liability and No-Fault</p>

★ CONTINUOUS COVERAGE DISCOUNT CODE

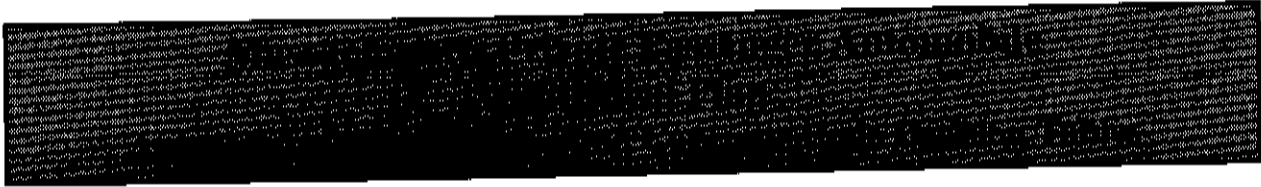
- This discount applies to Bodily Injury, PIP (No-Fault) and Property Damage coverages only.
- If the Continuous Coverage Discount does not apply, report zero or space.

Description	Code
Discount Applies	1

★ **LOW FREQUENCY DISCOUNT CODE**

- This discount applies to Bodily Injury, PIP (No-Fault) and Property Damage coverages only.
- If the Low Frequency Discount does not apply, report zero or space.

Description	Code
Discount Applies	1



CLASSIFICATION CODE DECISION TABLE

Classification Code	Rating Class	Anti-Theft Device Discount	Coverage Code (Phys. Dam.)	Continuous Cov. Discount	Discount Code	Annual Mileage Code	Exposure	Extra-Risk Rating Codes	High-Theft Vehicle Code	Limits Codes (Liability)	Low Frequency Discount	Model Year Century Code	Model Year Code	OEM Coverage Code	Partial/Total Loss Indicator	Passive Restraint Device	Territory Code	Symbol Code	Type of Risk Code	Value Code	Vehicle Identification	ZIP Code	Producer Code	Subline	
###1##	10	O	Y	Y	Y	O	Y	Y	Y	Y	Y	Y	Y	O	O	O	Y	Y	Y	N	Y	Y	O	O	
###2##	16	O	Y	Y	Y	O	Y	Y	Y	Y	Y	Y	Y	O	O	O	Y	Y	Y	N	Y	Y	O	O	
###3##	17	O	Y	Y	Y	O	Y	Y	Y	Y	Y	Y	Y	O	O	O	Y	Y	Y	N	Y	Y	O	O	
###4##	18	O	Y	Y	Y	O	Y	Y	Y	Y	Y	Y	Y	O	O	O	Y	Y	Y	N	Y	Y	O	O	
###5##	30	O	Y	Y	Y	O	Y	Y	Y	Y	Y	Y	Y	O	O	O	Y	Y	Y	N	Y	Y	O	O	
###6##	20	O	Y	Y	Y	O	Y	Y	Y	Y	Y	Y	Y	O	O	O	Y	Y	Y	N	Y	Y	O	O	
###7##	21	O	Y	Y	Y	O	Y	Y	Y	Y	Y	Y	Y	O	O	O	Y	Y	Y	N	Y	Y	O	O	
###8##	25	O	Y	Y	Y	O	Y	Y	Y	Y	Y	Y	Y	O	O	O	Y	Y	Y	N	Y	Y	O	O	
###9##	26	O	Y	Y	Y	O	Y	Y	Y	Y	Y	Y	Y	O	O	O	Y	Y	Y	N	Y	Y	O	O	
0400##		N	Y	N	N	N	Y	Y	Y	Y	N	N	N	O	O	N	Y	N	Y	N	Y	Y	O	O	
0408##, 0409##																									
041###																									
0420## - 0426##																									
0427## - 0429##																									
043###, 0508##		O	Y	N	Y	N	Y	Y	Y	Y	N	Y	Y	N	O	N	Y	N	Y	Y	Y	Y	O	O	
0509##, 051###																									
052###, 0530##																									
0531##, 0608##																									
0609##, 061###																									
062###, 063###																									
042600		N	Y	N	N	N	Y	Y	Y	Y	N	N	N	N	N	N	Y	N	Y	N	N	Y	O	O	
0453##		N	Y	N	N	N	Y	Y	Y	N	N	N	N	N	N	N	Y	N	Y	N	Y	Y	O	O	
0455##		N	Y	N	N	N	Y	Y	Y	N	N	N	N	N	O	N	Y	Y	Y	N	Y	Y	O	O	
0459##		N	Y	N	N	N	Y	Y	Y	N	N	N	N	N	N	N	Y	N	Y	N	Y	Y	O	O	
048300		N	Y	N	N	N	Y	Y	Y	N	N	N	N	N	O	N	Y	N	Y	N	Y	Y	O	O	
049500		N	Y	N	N	N	Y	Y	Y	N	N	N	N	N	N	N	Y	N	Y	N	N	Y	O	O	
0539##		O	Y	N	N	N	Y	Y	Y	Y	N	Y	Y	O	O	O	Y	Y	Y	N	Y	Y	O	O	
190000		N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	O	O	
700000		N	Y	N	N	N	N	N	N	Y	N	N	N	N	N	N	N	N	N	Y	N	N	N	O	O
800000		N	Y	N	N	N	N	N	N	Y	N	N	N	N	N	N	N	N	N	Y	N	N	N	O	O
902000		N	Y	N	N	N	N	N	N	Y	N	N	N	N	N	N	N	N	N	Y	N	N	N	O	O
998000		N	Y	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	Y	N	N	N	O	O

