



NATALIE A. HUBLEY
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

101 Arch Street, Suite 400 Boston, Massachusetts 02110
www.commauto.com 617-338-4000

NOTICE OF MEETING

CLAIMS SUBCOMMITTEE

A meeting of the Claims Subcommittee will be held virtually via Zoom video conferencing software on

TUESDAY, JULY 22, 2025, AT 10:00 A.M.

If you plan to attend this meeting and are not a member of this Committee, please RSVP by completing the Visitor Security Form located in the Contact Us/Visitor Information section of CAR's website. CAR will then forward to you, via email, meeting access information. Please do not share access information provided by CAR but refer others wishing to attend the meeting to CAR's Visitor Security Form.

MEMBERS OF THE SUBCOMMITTEE

Mr. David Deluca – Chair
Vermont Mutual Insurance Company

Ms. Ida Denard Jones
Mr. Nathan D. Joyner
Ms. Mikyla Moody
Ms. Heidi Mussler
Mr. Christopher Rushton
Ms. Mary Singas
Mr. Doug Sprou

Denard Insurance Agency, Inc.
Amica Mutual Insurance Company
Arbella Insurance Group
Quincy Mutual Group
Safety Insurance Company
MAPFRE U.S.A. Corporation
Plymouth Rock Assurance Corporation

AGENDA

CLMS

22.01 Records of Previous Meeting

The Records of the Claims Subcommittee meeting of November 30, 2022 should be read and approved.

CLMS

25.03 CAR Conflict of Interest Policy

The Chair will read a statement relative to CAR's Conflict of Interest Policy.

CLMS

25.04 Claims Performance Standards

The Subcommittee will begin its biennial review of the Private Passenger and Commercial Claims Performance Standards pursuant to G.L. c. 175, 113H. The Subcommittee should be prepared to comment on suggested changes to the Standards and recommend additional modifications as necessary. Relevant documents, including the CAR staff draft revisions to the Private Passenger and Commercial Claims Performance Standards, are attached (Docket #CLMS25.04, Exhibit #1).

Other Business

To transact any other business that may properly come before this Subcommittee.

Executive Session

The Claims Subcommittee may convene in Executive Session in accordance with the provisions of G.L. c. 30A, § 21.

PETER BERTONI
Compliance Auditor II

Attachment

Boston, Massachusetts
July 7, 2025

Private Passenger and Commercial Claim Performance Standards – July 22, 2025
Memorandum of Changes

General Modifications

The Performance Standards for The Handling and Payment of Claims (the Standards), including its appendices, are reviewed every two years in accordance with Massachusetts G.L. c. 175 §113H. The ‘redlined’ formatting is used to identify only proposed modifications to the Standards.

Modifications to the Private Passenger Standards:

Standard V: Expenses

- Staff is proposing adding a reference to the Assigned Risk Company Procedures Manual – Chapter XI - Compliance Audit into Standard V: Expenses. The manual was recently updated to strengthen the language pertaining to the required access of source documentation for validation of each loss amount and expense payment transaction.
 - The language referencing validation of paid losses and expenses would be consistent with the Assigned Risk Company Procedures Manual, the Statistical Plan, and the Claims Performance Standards.

Appendix A: CAR Special Investigative Unit Standards

- Staff proposes updating the reference to the private passenger audit frequency in Appendix A of the Performance Standards from once every three years to once every five years.
 - This change previously occurred to address the increase in the number of companies writing private passenger business since the onset of competitive rates and the MAIP, and the increased need to conduct focus audits of companies with statistical reporting issues and quota share audits of new entrants as required in the ARC Procedures Manual.

Appendix K: Compliance Audit Claim Questionnaire:

- Staff suggests including additional SIU-related questions to the Compliance Audit Questionnaire that allows for further information that enhances the description of the SIU included in all audited reports. Appendix K is distributed with the audit notice prior to the to the Hybrid Audit scheduled start date.
 - Staff proposes additional questions to Appendix K pertaining to current SIU requirements for CAR Rule 32.C.2.

CAR | **Private Passenger Claims Performance Standards**
Standard V | **Expenses**
Revision Date | **2023.08.29 2025.07.22**
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- A. ARCs must establish a program with guidelines to control claim adjustment expenses.
- B. ARCs must establish guidelines to control legal defense costs:
 - 1. Evaluation, case strategy, and legal action plan shall be documented.
 - 2. Legal bills shall be reviewed for accuracy and reasonableness.
 - 3. ARCs shall have an Alternative Dispute Resolution Program.
- C. ARCs must establish a program to review vendor bills for accuracy, and deduct for unauthorized services.
- D. ARCs must report allocated expenses properly as defined in the Statistical Plan and the Assigned Risk Company Manual of Administrative Procedures Manual Chapter XI, Compliance Audit. Extra contractual expenses and unallocated expenses shall not be reported as allocated expenses. Supporting documentation must be submitted that allows for the validation of each reported paid loss and expense amount transaction.

CAR | **Private Passenger Claims Performance Standards**
Appendix A | **CAR Special Investigative Unit Standards**
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The reduction of insurance fraud, by monitoring and coordinating the investigation of suspicious claims, is an important goal of CAR. It seeks the achievement of three beneficial results:

- Successful resistance to the payment of fraudulent claims
- The establishment of a deterrent to fraud
- The reduction of losses, with the consequent improvement in insurance rates

In order to achieve these results, ARCs must pursue the investigation of fraud by establishing a commitment to support and encourage the activities of its SIU.

A. CAR SIU

The CAR SIU, as part of the Compliance Audit Department exists under the authority of Article III of the Plan of Operation. It is charged with monitoring the efforts of Servicing Carriers to control fraud. In addition, it will assist Members and ARCs on request. CAR will perform an ~~triennial~~ audit of the SIU of each ARC once every five years as part of the HAP audit to evaluate its effectiveness.

Assistance of the CAR SIU is intended to provide expert investigation beyond the capabilities of the average ARC's investigator. The basic investigation of a suspicious claim is the responsibility of the ARC. CAR SIU will also assist with the coordination of an investigation involving several ARCs.

B. CAR Standards for ARC SIU

CAR evaluations of an ARC's SIU will be based on its performance in accordance with the following guidelines:

1. Each Servicing Carrier is required by Article IV of the Plan of Operation to maintain a SIU to investigate suspicious claims for the purpose of eliminating fraud. A SIU shall be staffed by experienced salaried employees who are adequately trained in the recognition and investigation of insurance fraud. A SIU must have at least one full time employee whose responsibility is principally directed towards the recognition and investigation of fraud. The work of a SIU may be supplemented by closely supervised independent adjusters or investigators.
2. Each ARC shall ensure that all motor vehicle insurance claims, where there is a suspicion of fraud, are referred promptly to its SIU.

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3. Each ARC SIU shall maintain SIU Quarterly Activity Logs of claims and underwriting referrals.

The logs shall be uploaded by each ARC to a secure SIU application located on CAR's website in the format prescribed by CAR. The claim and underwriting SIU Quarterly Activity Log templates are available on CAR's website. The log files shall be transmitted at the end of each quarter and no later than the 15th of the following month.

4. Regulation 211 CMR 75.00 establishes the NICB as the central organization engaged in motor vehicle loss prevention as required by G.L.c.175, §113O. It also requires certain actions by insurers with respect to theft claims. An insurer must, among other things:

- Report all thefts to NICB
- Obtain NICB's acknowledgement before paying claims
- Report disposition of salvage
- Investigate and report evidence of fraud
- Defer payment in certain circumstances

5. The NICB has been established as the central organization to whom insurance companies report cases of bodily injury fraud for possible further action with law enforcement agencies and criminal prosecuting authorities.

In all cases where careful further investigation has established the strong possibility of bodily injury fraud, the ARC should forward a complete photocopy of the claim file to NICB for further consideration and action.

If an ARC is not a member of NICB, the ARC may refer such case directly to the appropriate local law enforcement agency for consideration of criminal prosecution.

6. The Motor Vehicle Fraud Profile described in Section D. identifies circumstances in which a motor vehicle theft or fire claim should be considered suspicious. Such claims warrant careful investigation into the possibility of fraud.

7. Both law and equity dictate that a prompt and thorough investigation precede any decision with respect to payment or denial of a claim. The provisions of G.L. c.93A and c.176D must be borne in mind at all times. Penalties incurred by members for violations of these laws are subject to reimbursement by CAR and may not be reported as loss or allocated expense.

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8. The quality of investigation performed by a SIU is an important criterion of its effectiveness. It will be given careful consideration by CAR during an audit. It is not possible to outline every avenue of the investigation of a suspicious claim; it is limited only by the experience and imagination of the investigator. There are, however, certain elements which are common to the investigation of suspicious fire or theft claims that should be covered in every such case referred to a SIU, or the file should reflect the reasons why it was not. Refer to Sections C. and D. for these guidelines.

C. CAR Standards for Investigation of Collision and Comprehensive Losses

1. Interviews of Owner, Custodian, Companions, Witnesses, etc.

A recorded statement should be obtained from the owner of the motor vehicle, exploring in depth and in detail the areas described below. Statements of others with knowledge of some or all of the circumstances are also important.

- The individual interviewed
- Name, address, date of birth, occupation, employer
- The motor vehicle

Year, make, model, VIN; when purchased, from whom, amount paid, motor vehicle traded in, amount allowed; if used, condition, odometer reading, improvements by insured; amount borrowed, from whom, term of loan; where kept when not in use, who uses the motor vehicle, purpose; service, inspection, repair; problems.

2. Insurance

How long insured by this company; if short time, former carrier; any other insurance; recent changes of coverage; history of claims.

3. The Loss

Date, time, and place; description of event; when and how the motor vehicle got to that location; purpose of its presence there; identity of witnesses; was car locked; who had keys; activities between leaving motor vehicle and discovery of loss; time, place, and method of report to police; identity of those responsible.

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4. Police

The owner or custodian of a motor vehicle which is stolen or substantially damaged must report in writing to the police. An insurer may not pay a theft claim until it has confirmed the existence of such a report. Its file should contain a copy of the report or an explanation of its absence. Police reports of the recovery of a motor vehicle and any investigation should be obtained. Interviews of police officers are useful in selected cases. The possibility of investigation by other governmental agencies should be considered if the claim appears to be part of an organized pattern of activity.

5. Claim History

A record of the policyholder's prior losses should be obtained. The record is not necessarily evidence of impropriety. However, an extensive record warrants a study of the claim files to identify patterns of activity or other information of interest. This is a fruitful source of leads.

6. Insurance File

A study of the underwriting file should be undertaken. A recent application and/or changes of motor vehicle or coverage may suggest premeditation.

7. Mortgagee

Inquire via telephone about the timeliness of installment payments and the amount of the loan outstanding. A history of late payments and/or a delinquency of several months suggest financial difficulty which might motivate one to destroy his/her motor vehicle.

8. Ownership and Value

Copies of the Bill of Sale, the Application for Title and/or Registration, and the Title should be obtained. These establish ownership, identify the prior owner, and establish the value at the time of purchase. Inconsistencies of purchase price suggest dishonesty. Seek verification by the seller of the price and condition at the time of sale. Be alert to prior use as a public or private livery motor vehicle.

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9. Betterment

It is often claimed that the value of a motor vehicle has been enhanced by the addition of special equipment or by cosmetic improvements. Receipts for such things should be requested, and if received, verified.

10. Service and Repair

The interview with the policyholder and the examination of the motor vehicle should cover the service and repair history of the motor vehicle. The inspection sticker and stickers recording oil changes and lubrication will provide leads, as may the contents of the glove compartment. Investigate recent service and repair activity to identify problems which might provide a motive for destroying the motor vehicle.

11. The Motor Vehicle Examination

A careful, thorough, and early examination of the motor vehicle when it is available is important.

- a. Start with the plate bearing the VIN. Look for evidence of tampering, either of the plate itself or of the rivets that hold it in place. Record the complete number by placing a paper over it and rubbing it with a pencil. Report whether the number is consistent with the type and model of the motor vehicle and consistent with the policy.
- b. Obtain abundant clear photographs of the engine, passenger, and trunk compartments and all areas of the exterior, including wheels and tires. The engine, the ignition lock, and the registration plate particularly are important. Don't mark the face of a photograph; it may destroy its value as evidence.
- c. Determine the odometer reading. Report whether it is consistent with the age and condition of the motor vehicle and with the mileage reported by the owner.
- d. Examine the ignition lock. Report whether there is evidence of damage and whether it contained a key.
- e. Report whether the glove or trunk compartments contain the usual articles. Take possession of bills related to service, repair, or improvements. A thief has no interest in the usual contents; their absence may suggest removal by the owner in anticipation of a loss.

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- f. Examine the inspection sticker. Report when and where it was inspected, whether it is current, or whether there is a rejection sticker.
- g. Examine the registration plate. Report the date of expiration.
- h. Record date on service or oil change stickers.
- i. Try to distinguish old damage from new. The presence or absence of dirt and/or rust should be considered. Report evidence of recent changes of wheels or tires.
- j. Consider or give consideration to wear and tear, mechanical and electrical failures, and missing parts and equipment.
- k. Determine the level and condition of crankcase and transmission oil, brake fluid, and radiator coolant.
- l. In selected cases, a professional analysis of the ignition, the engine, or the transmission may be warranted.

D. Motor Vehicle Fraud Profile

The following items should serve as indicators in determining whether an investigation, beyond normal claim handling, is justified in the processing of all motor vehicle claims. None of these indicators is necessarily incriminating. Perfectly appropriate claims can often bear these characteristics. These items are present only to provoke further thought on the part of the adjusters when one or more of the indicia are present. A common sense approach to potential fraud investigation is recommended; therefore, any factor that suggests that a fraudulent claim is being made is worth discussing with SIU.

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Collision & Comprehensive Fraud Indicators

Motor Vehicle

- Late model motor vehicle with unusually high mileage
- Completely burned
- High value extras on inexpensive motor vehicle
- Allegedly numerous repairs prior to theft
- Extensive collision damage, especially if no collision coverage
- Inspection sticker expired, altered, or otherwise defective
- Ignition or steering lock intact
- Excessive mileage on leased motor vehicles
- Previous total loss
- Missing parts surgically removed
- Registered other than in the state of residence
- Grey market foreign car or American diesel
- NICB difficulty in matching the VIN to the motor vehicle
- Purchase price exceptionally low

Loss

- Loss near inception of policy
- Fire late at night in remote area
- Loss prior to titling and registration
- Loss reported unusually late
- Loss near date of cancellation

Insured

- Occupation does not justify expensive motor vehicle
- Insured avoids use of mail
- Loan payments late
- Insured is suspiciously knowledgeable of insurance terminology and the claim process
- Insured exceptionally anxious to settle
- Insured uses a PO Box, hotel, or motel as his/her address
- Insured in obvious financial difficulty
- Insured is unemployed and without visible means of support
- Insured or friend locates the stolen motor vehicle
- No report to police
- Bad loss record
- Insured is evasive as to identity of prior owner of motor vehicle
- Insured wants to retain total loss
- Insured recently purchased stated value policy
- Insured has no phone and cannot be contacted at work

Coverage

- Coverage increased just prior to loss

Purchase

- Title is a duplicate or none available

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- No lienholder on new model, or lienholder is an individual rather than lending institution
- Previous owner cannot be located

Bodily Injury, Including No-Fault

The Accident

- No witness
- Police report fails to verify accident, or presence of claimants fails to verify any injury on the part of any claimant
- Other motor vehicle in accident denies involvement
- Too many claimants for described accident
- Any allegation of intentional involvement
- Description of accident does not support injuries claimed
- Claimant or insured is difficult to find; claims to be self-employed or employed by another family member
- Injuries appear to be excessive in light of details of the accident or appear unrelated to the accident

Injuries and Damages

- Treatment appears excessive for the type of injury, indicative of build-up to exceed tort threshold
- Injuries are limited to soft tissue, and recovery appears to be unusually prolonged
- Index history shows a history of claims
- The attorney and physician involved have appeared on a number of questionable cases
- Medical bills received are reproductions of originals or bear evidence of alterations
- Wage loss not verified or wage verification form not signed, bears questionable signature or is suspicious

The Motor Vehicle

- No verification that described motor vehicle involved
- Damage seems too minor for injuries alleged
- Extent and location of damage do not match allegations

CAR | **Private Passenger Claims Performance Standards**
Appendix K | **Compliance Audit Claim Questionnaire**
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Pursuant to G.L. c.175, §113H, CAR is required to establish Performance Standards designed to contain costs, ensure prompt customer service and the payment of legitimate claims, and resist inflated, fraudulent, and unwarranted claims. These Performance Standards require that all ARCs establish plans and programs to meet these objectives. Often this only requires that the ARC formalize or enhance its current practices and procedures. In other instances, ARCs may need to develop new practices and procedures to become compliant with these Performance Standards.

This Compliance Audit Claim Questionnaire included below is distributed to every ARC prior to the Hybrid Audit scheduled start date. The purpose of the questionnaire is to gather information from the ARC relative to plans and programs it maintains. The ARC is required to provide detailed responses to the questions included in the questionnaire, and return by the date established by CAR staff. The Claim Questionnaire shall be signed by an ARC staff member with appropriate authority to provide this information to CAR on behalf of the ARC.

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Appendix K | **Compliance Audit Claim Questionnaire**
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**Commonwealth Automobile Reinsurers
Compliance Audit Claim Questionnaire
Claims Performance Standards**

Certification of Authority

Printed Name:	
Title:	
Company Name:	
Signature:	

1. Does the company offer a Direct Payment Plan for physical damage and property damage losses as referenced in Performance Standard I. A. 2. a.?

[Click here to enter text.](#)

2. How does the company determine actual cash value for total loss payments? Is there an evaluation process in place to determine that the actual cash value is comparable to other vehicles?

[Click here to enter text.](#)

3. What procedures are used during the initial screening of a loss to identify warning signs requiring special investigation? What specific information is sought during the screening process? Do these procedures and the information sought vary depending on the type and level of coverage? Are these procedures and resulting information considered in the assignment of the claim to staff with sufficient experience and training?

[Click here to enter text.](#)

4. What method is used to ensure that the losses processed and paid are consistent with the associated policy, including listed operators, coverage, and garaging information provided? What procedures are used to resolve coverage issues? What triggers notification to underwriting? For commercial losses, how is the Principal Place of Business verified?

[Click here to enter text.](#)

CAR | **Private Passenger Claims Performance Standards**
Appendix K | **Compliance Audit Claim Questionnaire**
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5. What methods are used to establish initial reserves and what procedure is used to update reserves throughout the duration of the claim? Are different methods used for losses involving injuries?

[Click here to enter text.](#)

6. What components comprise the SIU, including staffing? How many and what types of cases are handled? Describe the SIU screening and referral procedures. What type of fraud awareness training is provided to the claim staff and SIU on a yearly basis?

[Click here to enter text.](#)

7. What is the percentage of glass claims repaired to total paid glass claims as referenced in Performance Standard I. D. 1.?

[Click here to enter text.](#)

8. What diary systems are used for bodily injury claims as referenced in Performance Standard II A. 5. d.?

[Click here to enter text.](#)

9. How are payment authority levels established for the handling of bodily injury claims? Does this process change when policy limits will be exhausted?

[Click here to enter text.](#)

10. What procedure does the company use to evaluate BI and UM claims? Is a third party evaluation tool used in this process?

[Click here to enter text.](#)

11. Describe the company's litigation management program used to bring cases to conclusion during a reasonable time frame and at a reasonable cost on all types of losses?

[Click here to enter text.](#)

12. What process is used to refer suspicious BI claims for SIU? Does this process occur at the screening process or initial investigation level?

[Click here to enter text.](#)

13. How are SIU claims resolved and settled? What is the screening and referral process for losses that require special investigation?

[Click here to enter text.](#)

14. What methods are used to determine whether medical treatment and expenses are reasonable, necessary and related to the automobile accident? Does the company maintain staff with medical training as consultants to assist or contribute to claim handling, evaluation of reasonable and necessary treatment, causality, etc? If yes, describe this process.

[Click here to enter text.](#)

15. What role does an Independent Medical Examination, Medical Audit or Medical Bill Reviews have in the medical management process? After any of these are concluded, what process is in place to determine if payments should then be issued?

[Click here to enter text.](#)

16. What controls ensure that residual market claims are processed with the same degree of diligence as voluntary claims?

[Click here to enter text.](#)

17. How are legal defense costs including legal bills controlled? What type of Alternative Dispute Resolution program is in place?

[Click here to enter text.](#)

18. How does the company ensure that allocated expenses are properly reported and unallocated expenses are not reported as defined in the Statistical Plan?

[Click here to enter text.](#)

19. CAR Rule 32.C.2 requires that the SIU conduct audits of garaging and policy facts and provide examples of completed audit reports to CAR. Please provide a description of how this requirement is fulfilled annually by the SIU including the involvement of the Underwriting Department.

20. Is the SIU currently or previously involved in any special coordinated projects? Examples include agency audits, clinic inspections, hit while parked programs, etc. If so, these could be referenced in the overall description of the SIU that is detailed in each audit report.

Commercial Claim Performance Standards – July 22, 2025
Memorandum of Changes

General Modifications

The Performance Standards for The Handling and Payment of Claims (the Standards), including its appendices, are reviewed every two years in accordance with Massachusetts G.L. c. 175 §113H. The ‘redlined’ formatting is used to identify only proposed modifications to the Standards.

Modifications to the Commercial Standards:

Standard V: Expenses

- Staff is proposing adding a reference to the Manual of Administrative Procedures – Chapter IX - Compliance Audit into Standard V: Expenses. The manual was recently updated to strengthen the language pertaining to the required access of source documentation for validation of each loss amount and expense payment transaction.
 - The language referencing validation of paid losses and expenses would be consistent with the Manual of Administrative Procedures, the Statistical Plan, and the Claims Performance Standards.

Appendix K: Compliance Audit Claim Questionnaire:

- Staff suggests including additional SIU-related questions to the Compliance Audit Questionnaire that allows for further information that enhances the description of the SIU included in all audited reports. Appendix K is distributed with the audit notice prior to the to the Hybrid Audit scheduled start date.
 - Staff proposes additional questions to Appendix K pertaining to current SIU requirements for CAR Rule 10.C.2.

CAR | **Commercial Claims Performance Standards**
Standard V | **Expenses**
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- A. SCs must establish a program with guidelines to control claim adjustment expenses.
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This Compliance Audit Claim Questionnaire included below is distributed to every SC prior to the Commercial Audit scheduled start date. The purpose of the questionnaire is to gather information from the SC relative to plans and programs it maintains. The SC is required to provide detailed responses to the questions included in the questionnaire, and return by the date established by CAR staff. The Claim Questionnaire shall be signed by a SC staff member with appropriate authority to provide this information to CAR on behalf of the SC.

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[Click here to enter text.](#)

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[Click here to enter text.](#)

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[Click here to enter text.](#)

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CAR | **Commercial Claims Performance Standards**
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[Click here to enter text.](#)

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[Click here to enter text.](#)

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[Click here to enter text.](#)

18. How does the company ensure that allocated expenses are properly reported and unallocated expenses are not reported as defined in the Statistical Plan?

[Click here to enter text.](#)

19. CAR Rule 10.C.2. requires that the SIU conduct audits of garaging and policy facts and provide examples of completed audit reports to CAR. Please provide a description of how this requirement is fulfilled annually by the SIU including the involvement of the Underwriting Department.

20. Is the SIU currently or previously involved in any special coordinated projects? Examples include agency audits, clinic inspections, hit while parked programs, etc.

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If so, these could be referenced in the overall description of the SIU that is detailed in each audit report.