



NATALIE A. HUBLEY
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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NOTICE OF MEETING

COMPLIANCE AND OPERATIONS COMMITTEE

A meeting of the Compliance and Operations Committee will be held virtually via Zoom video conferencing software on

WEDNESDAY, SEPTEMBER 3, 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 COMMITTEE

Ms. Erin Cummings– Chair
Norfolk and Dedham Group

Mr. Cory Hansen
Ms. Annmarie Hassan
Ms. Nicole Martorana
Ms. Sharon Murphy
Mr. Henry Risman
Mr. Barry Tagen
Ms. Brenda Williams
Mr. Kenneth Yeh

The Hanover Insurance Group
Arbella Insurance Group
FBInsure, LLC
Acadia Insurance Company
Risman Insurance Agency, Inc.
Pilgrim Insurance Company
MAPFRE U.S.A. Corporation
Allstate Insurance Group

AGENDA

COPC

25.01 Records of Previous Meeting

The Records of the Compliance and Operations Committee meeting of June 4, 2025 should be read and approved.

COPC

25.03 CAR Conflict of Interest Policy

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

COPC

25.04 Informational Items

The Chair will report on any Governing Committee actions that impact the Compliance and Operations Committee.

COPC

25.05 Compliance Audit Program

Staff will present a status report regarding ongoing audits conducted in accordance with the Compliance Audit Program, as well as an update on company reporting problems being monitored due to issues identified through CAR's data quality program.

COPC

25.06 Operational Reports

The 1st Quarter 2025 Operational Reports were posted to CAR's website in July 2025. Questions or comments regarding these reports will be discussed at the meeting.

COPC

25.09 Proposal for Changes to the Hybrid Audit Program

At its last meeting, the COPC approved, in concept, staff's proposed changes to the Private Passenger Hybrid Audit Plan to allow CAR staff to make recommendations to the COPC after 100 policies with associated claims of the 400 total policies sampled have been fully audited and quality assurance tested for those companies with high error rates. Draft amendments to the ARC Procedures Manual codifying the changes to the Hybrid Audit Plan are attached for the Committee's consideration (Docket #COPC25.09, Exhibit #2).

COPC

25.10 Claims Subcommittee

The Compliance and Operations Committee will hear the report of the Claims Subcommittee meeting of July 22, 2025. The Records of the Claims Subcommittee meeting of July 22, 2025 are attached (Docket #COPC25.10, Exhibit #1).

COPC

25.11 Proposed Updates to the Commercial Statistical Plan - Garage Classification Codes

Staff will present proposed modifications to the Commercial Statistical Plan related to the transition from the MA Garage policy to Auto Dealers policy (Docket #COPC25.11, Exhibit #1).

COPC

25.12 Amendments to Rules 14 and 31 – ERP and ARP Requirements – Service Fees

The Office of the Attorney General has issued regulations concerning unfair or deceptive fees in the purchase, lease, or rental of products by Massachusetts consumers. The regulation takes effect on September 2, 2025. The Committee should be prepared to discuss proposed updates to Rules 14 and 31 which emphasize the producer's responsibility to be compliant in the disclosure of fees. The proposed language will be distributed as additional information prior to the meeting.

Other Business

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

Executive Session

The Compliance and Operations Committee may convene in Executive Session in accordance with the provisions of G.L. c. 30A, § 21.

MATTHEW HIRSH
Compliance Audit Supervisor

Attachments

Boston, Massachusetts
August 20, 2025

**Assigned Risk Company Procedures Manual Updates
Chapter XI – Compliance Audit**

Memorandum of Changes – September 3, 2025

Modifications

The following modifications to the Assigned Risk Company Procedures Manual are proposed to codify changes to the Private Passenger Hybrid Audit Plan approved in concept at the Committee's June 4, 2025 meeting.

Chapter XI – Compliance Audit

Sections C.6 Hybrid Audit Plan Report and C.8. Traffic Light Assessment Rating System have been updated to incorporate updated procedures for companies with high error rates identified early in the audit process.

- CAR staff may provide recommendations to the Compliance and Operations Committee sooner in the audit process for companies with high error rates.
- The Average Error Rate used to benchmark audit results will now include only companies that have been assessed a green-light value to ensure the Average Error Rate includes only companies reporting in accordance with the Statistical Plan.

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ARC's are also required to maintain SIU Quarterly Activity Logs of claims and underwriting cases referred to the ARC's SIU department for investigation. The ARC shall upload all the referral activity into CAR's SIU System on a quarterly basis.

For additional information, refer to Appendix A – SIU Standards and Appendix J – CAR SIU File Review Process – MAIP Policies of the Private Passenger Performance Standards which are available on CAR's website under the Manuals tab.

5. Audit Conclusion Procedures

At various intervals during the Hybrid Audit Plan process, CAR provides the Member or ARC with a Status Report that details the audit exceptions identified. Once the audit is complete, the audited company and CAR will review the issues identified and when possible, reach agreement on the results. The Status Report is modified as needed, based upon additional source documentation provided and communication between the company and CAR. All unresolved issues will be clearly identified. Every error identified will be included in the company's final Status Report.

6. Hybrid Audit Plan Report

A report detailing Hybrid Audit Plan findings will be provided to the audited Member or ARC. Note that an abbreviated report will be issued when staff has determined that an expedited red-light assessment is appropriate as outlined in section 8 – Traffic Light Assessment Rating System. Remedial action required will be identified. CAR will provide the audited company with a period of time to review the report and to provide a response letter. In order to improve future reporting or claim handling practices, the response letter must outline the company's prospective plan of action to correct any identified irregularities. In addition, the response letter should address recurring errors resulting from a corporate decision not in agreement with the Massachusetts Private Passenger Automobile Statistical Plan, or the company filed voluntary rates, rules, and discounts.

The Compliance and Operations Committee will review and consider the results of the Hybrid Audit Plan report including any applicable remedial action required by CAR and the response provided by the audited company. The Committee will determine

whether to accept the audit findings, direct CAR to develop a Corrective Action Plan for the audited company (refer to Section C. 7. of this Chapter), or recommend potential punitive considerations to the Governing Committee.

The Hybrid Audit Plan report, including the company response letter, will be provided to the Division of Insurance

7. Corrective Action Plan

If recommended by the Compliance and Operations Committee, CAR will develop and conduct further focus audits of a company specific to the areas of concern identified in the Hybrid Audit Plan report. Results of the focus audits will be provided to the Compliance and Operations Committee.

8. Traffic Light Assessment Rating System

Audit results will be considered using a tiered approach:

A green-light evaluation is assigned if no significant quota share or ratemaking data issues are identified, and the ARC is compliant with all measured statutory requirements and CAR Rules. No further auditing is required, and the ARC remains in the five-year Hybrid Audit schedule.

A yellow-light evaluation may be assigned if quota share and/or ratemaking results are 2% greater than the current industry average error rate, and/or any statutory requirement or CAR Rule measured during the audit is determined as noncompliant. Further focus auditing within 12 to 18 months of the Hybrid Audit completion may be recommended to the Compliance and Operations Committee. Potential future penalties would also be included in the recommendation.

A red-light evaluation is assigned if continued noncompliance with the Statistical Plan and/or statutory requirements exists after the follow-up focus audit. The ARC is then subject to future monthly accounting statistical data penalties in accordance with the Private Passenger Statistical Plan (VII: 7) until a monthly submission with accurate data is reported. Also, the ARC is moved to three-year Hybrid Audit schedule.

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An expedited red-light evaluation may be recommended to the Compliance and Operations Committee for ARCs with high error rates after 100 policies with claims have been fully audited and quality assurance tested. In these instances, auditing will cease and an abbreviated report will be issued for the committee's consideration. All other audits continue to 100% completion.

To ensure the average error rate used for comparison purposes is based on audit results of companies that report in accordance with the Statistical Plan, only the results of ARCs assessed a green-light value since 2021 are included in the average error rate calculation.

9. Interim Summary Audits

Newly Writing Companies reporting interim summary data pursuant to Rule 29 of CAR's Rules of Operation to determine Quota Share will be audited upon receipt of sufficient exposures for sampling.

10. Focus Audits and Data Quality Reviews

Operational or statistical focus audits data quality reviews specifically target Member or ARC data quality issues that have an impact on rate making or Quota Share. The audits and reviews may apply to both voluntary and MAIP business and focus on identified areas of concern which have a bearing on credits, penalties, determination of Quota Share or any other issue relating to such business.

CAR may design and implement focus audits or data quality reviews in accordance with a Division of Insurance or CAR Committee directive, or as determined necessary by CAR.

The same documentation and system access requirements as described in Section C.2. of this Chapter apply.

D. Audits of Assigned Risk Producers

To ensure the integrity of the residual market mechanism and reported statistical data, additional audits or data quality summary reviews of ARPs will be conducted as determined necessary by CAR or as directed by the Division of Insurance or CAR committee.



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RECORDS OF MEETING

CLAIMS SUBCOMMITTEE – JULY 22, 2025

Members Present

Mr. David DeLuca – Chair
Ms. Ida Denard Jones
Mr. Nathan Joyner
Ms. Mikyla Moody
Ms. Heidi Mussler
Mr. Christopher Rushton
Ms. Mary Singas

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

Substituted for:
N/A

Not in Attendance:
Mr. Doug Sprou, Plymouth Rock Assurance Corporation

22.01 Records of Previous Meeting

The Subcommittee voted unanimously to approve the Records of the Claims Subcommittee meeting of November 30, 2022. The Records have been distributed and are on file.

25.03 Claims Performance Standards

The Claims Subcommittee met to assist the Compliance and Operations Committee with its biennial review of proposed modifications to the Private Passenger and Commercial Claims Performance Standards (the Standards) as required by G.L.c.175, §113H. Specifically, the Subcommittee reviews modifications to the Standards as proposed by Subcommittee members or CAR staff and provides a recommendation to the Compliance and Operations Committee. Mr. Mark Alves provided a brief explanation of the required steps necessary to bring the proposed changes to the Division of Insurance for consideration.

Mr. Peter Bertoni of CAR staff provided an overview of modifications to the Standards. He explained that staff proposed five changes in total to either the Private Passenger or the Commercial Standards. However, two of the suggested changes include consistent language to both Standards.

The first suggested change was found in Standard V: Expenses in both the Private Passenger and Commercial Standards. CAR proposed this change to further document recent modifications to Chapter XI of the Assigned Risk Company Procedures Manual and Chapter IX of the Manual of Administrative Procedures. Both manuals were recently updated to strengthen the language pertaining to the required

access of source documentation for validation of each loss amount and expense payment. This was specifically added to support the level of documentation already required in the Statistical Plan to enable CAR auditors to validate expenses and payments transactionally, while requiring the audited company to provide access to supporting documentation that allows CAR to validate that paid losses do not include Unallocated Loss Adjustment Expenses (ULAE) as required by the Statistical Plan.

The second change was found in Appendix K - Compliance Audit Claim Questionnaire and also applied to both Standards. The audited company is required to provide responses to the questions found in Appendix K prior to beginning an audit. CAR proposed two additional questions specific to the Special Investigation Unit and CAR Rule 32.C.2. (Private Passenger) and CAR Rule 10.C.2.(Commercial).

The final change is applicable to only the Private Passenger Standards found in Appendix A: CAR Special Investigative Unit Standards. CAR proposed changing “triennial” to “conducted once every 5 years”. This change was recommended because the Private Passenger audit cycle was previously changed from once every three years to once every five years and documented in CAR manuals.

The Subcommittee voted unanimously to recommend to the Compliance and Operations Committee approval of the amendments to the Private Passenger and Commercial Standards as proposed by CAR staff.

MARK ALVES
Director - Compliance Audit

Boston, Massachusetts
August 4, 2025

CAR DOCKET #COPC25.10
EXHIBIT #1
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Private Passenger and Commercial Claim Performance Standards – September 3, 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.

	<div>CAR Standard V Revision Date Page</div> <div>Private Passenger Claims Performance Standards Expenses 2023.08.292025.09.03 1 of 1</div>
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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 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.

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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

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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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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.](#)

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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 – September 3, 2025
Memorandum of Changes

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.

	<div>CAR Standard V Revision Date Page</div> <div>Commercial Claims Performance Standards Expenses 2023.08.292025.09.03 1 of 1</div>
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- A. SCs must establish a program with guidelines to control claim adjustment expenses.
- B. SCs 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. SCs shall have an Alternative Dispute Resolution Program.
- C. SCs must establish a program to review vendor bills for accuracy, and deduct for unauthorized services.
- D. SCs must report allocated expenses properly as defined in the Statistical Plan and the Manual of Administrative Procedures, Chapter IX, 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.

	<div>CAR</div> <div>Appendix K</div> <div>Revision Date</div> <div>Page</div>	<div>Commercial Claims Performance Standards</div> <div>Compliance Audit Claim Questionnaire</div> <div>2023.08.292025.09.03</div> <div>1 of 5</div>
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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 SCs establish plans and programs to meet these objectives. Often this only requires that the SC formalize or enhance its current practices and procedures. In other instances, SCs 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 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.

CAR | **Commercial Claims Performance Standards**
Appendix K | **Compliance Audit Claim Questionnaire**
Revision Date **~~2023.08.29~~2025.09.03**
Page **2 of 5**

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 | **Commercial Claims Performance Standards**
Appendix K | **Compliance Audit Claim Questionnaire**
Revision Date **~~2023.08.29~~2025.09.03**
Page **3 of 5**

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?

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[Click here to enter text.](#)

CAR | **Commercial Claims Performance Standards**
Appendix K | **Compliance Audit Claim Questionnaire**
Revision Date **2023.08.29****2025.09.03**
Page **4 of 5**

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.](#)

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CAR	Commercial Claims Performance Standards
Appendix K	Compliance Audit Claim Questionnaire
Revision Date	2023.08.29 2025.09.03
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If so, these could be referenced in the overall description of the SIU that is detailed in each audit report.

Proposed Modifications to the Commercial Statistical Plan

Proposed Effective Date	Description	Pages Impacted	Records Impacted
January 1, 2027	With the implementation of the Auto Dealers Coverage form in the residual market as of January 1, 2027, the need for the Massachusetts Garage Insurance Policy form becomes obsolete as voluntary carriers also use Auto Dealers Coverage form. Accordingly, multiple references to the Garage Policy form have been eliminated, one older classification code has been eliminated, and classification codes for Limited Customer Coverage for Repair Shops, Service Stations, and Storage Garages/Public Parking Spaces have been added to the Special Types section with a note that they apply to voluntary policies only. Lastly, wording has been updated for consistency.	VI:19, 21, 22	All Premium and Loss Records

Massachusetts Commercial Automobile Statistical Plan Part VI - Coding Section

CLASSIFICATION CODE

★ SPECIAL TYPES (Continued)

- ~~As of January 1, 2004, changes in the Garage Policy resulted in the Garage Policy Forms being available for Dealer Operations only. Since a company may elect not to adopt the modified Garage Policy, Repair Shops, Service Stations and Storage Garages and Public Parking Places classification codes are now listed in both the Garage and Special Types Classification Code tables, with the same classification codes. Note that if a company has elected not to adopt the modified Garage Policy, the Repair Shops, Service Stations and Storage Garages and Public Parking Places will continue to be written on a Garage Policy. If the modifications have been adopted, these classes should be classified as Special Types and written on the Business Auto Coverage Form.~~
- ~~Those companies that have elected to adopt the revised Garage Policy writing program may report their statistical data using the revised reporting requirements on an optional basis for policies effective January 1, 2004 – June 30, 2004 and on a mandatory basis for policies effective July 1, 2004 and subsequent.~~
- Limited Customer Coverage codes are valid for voluntary policies only.

Description	Liability and Physical Damage		
	Limited Customer Coverage	Unlimited Customer Coverage	Liability Exposure Basis
Repair Shops – Risks primarily engaged in the repair of automobiles, including body, fender, radiator, ignition service and paint shops	<u>780800</u>	780900	plate
Service Stations – Risks primarily engaged in the servicing of automobiles (including car washes) and the sale and installation of automobile accessories excluding major engine or body repair work	<u>781000</u>	781100	plate
Storage Garages and Public Parking Places – Risks primarily engaged in the storing or parking of automobiles	<u>781200</u>	781300	Plate

Massachusetts Commercial Automobile Statistical Plan Part VI - Coding Section

CLASSIFICATION CODE

GARAGES AUTO DEALERS

RISKS SUBJECT TO THE MASSACHUSETTS COMPULSORY LAW

- ★ ~~Garages, Garage Dealers, Service Stations, Repair Shops and Parking Facilities~~
- ★ ~~As of January 1, 2004, changes in the Garage Policy resulted in the Garage Policy Forms being available for Dealer Operations only. Since a company may elect not to adopt the modified Garage Policy, Repair Shops, Service Stations and Storage Garages and Public Parking Places classification codes are now listed in both the Garage and Special Types Classification Code tables, with the same classification codes. Note that if a company has elected not to adopt the modified Garage Policy, the Repair Shops, Service Stations and Storage Garages and Public Parking Places will continue to be written on a Garage Policy. If the modifications have been adopted, these classes should be classified as Special Types and written on the Business Auto Coverage Form.~~
- ★ ~~Those companies that have elected to adopt the revised Garage Policy writing program may report their statistical data using the revised reporting requirements on an optional basis for policies effective January 1, 2004 – June 30, 2004 and on a mandatory basis for policies effective July 1, 2004 and subsequent.~~
- ★ ~~Note that CAR has adopted the revised Garage Policy as of July 1, 2004. Therefore, as of this date, the Repair Shops, Service Stations and Storage Garages and Public Parking Places classifications listed on a Limited Customer Coverage Basis (780800, 781000 and 781200) will no longer be available for ceded policies.~~

Description	Liability and Physical Damage		
	Limited Customer Coverage	Unlimited Customer Coverage	Liability Exposure Basis
Franchised Private Passenger Automobile Dealer (with or without any other type of franchise)	730100	730200	plate
Franchised Truck or Truck-Tractor Dealer (with or without any other type of franchise except private passenger automobile franchise)	731100	731200	plate
Franchised Motorcycle Dealer including all two-wheeled cycle vehicles (no private passenger or truck franchise)	732100	732200	plate
Franchised Recreational Vehicle Dealer (no private passenger, snowmobile or residence types mobile home)	733100	733200	plate
Franchised Residence Type Mobile Home Trailer Dealer	782000	782100	plate
Franchised Commercial Trailer Dealer	783000	783100	plate
Other Franchised Self-Propelled Land Motor Vehicle Dealer (including motor homes and campers)	734100	734200	plate
Non-Franchised Dealer (any of the risks described above that are not franchised dealers)	735100	735200	plate
Equipment and Implement Dealer (no other franchise)	736100	736200	plate
Repair Shops — Risks primarily engaged in the repair of automobiles, including body, fender, radiator, ignition service and paint shops	780800	780900	plate
Service Stations — Risks primarily engaged in the servicing of automobiles (including car washes) and the sale and installation of automobile accessories excluding major engine or body repair work	781000	781100	plate
Storage Garages and Public Parking Places — Risks primarily engaged in the storing or parking of automobiles	781200	781300	plate
Trailer Plate – Garages (Liability only)	070800	070900	plate
Premises Coverage – Clerical (Liability only)	070400	070400	payroll
Premises Coverage – All Other (Liability Only)	070500	070500	payroll
Other Than Covered Auto (Liability Only) Applicable to those Policies Written on the Simplified Garage Policy	070500	070500	payroll

Massachusetts Commercial Automobile Statistical Plan Part VI - Coding Section

CLASSIFICATION CODE

GARAGES

RISKS NOT SUBJECT TO THE MASSACHUSETTS COMPULSORY LAW

- ~~Garages, Garage Dealers, Service Stations, Repair Shops and Parking Facilities~~
- ★ ● ~~The following classifications are only applicable if a company has not adopted the revised Garage Policy writing program which became available January 1, 2004 and subsequent. Under this program, Repair Shops, Service Stations, Storage Garages and Public Parking Places do not qualify for the Garage Policy Form and the classification codes listed below are no longer classified as Garage classifications.~~
- ★ ● ~~Note that CAR has adopted the revised Garage Policy as of July 1, 2004. Therefore, as of this date, the classifications listed below will no longer be available for ceded policies.~~

Description	Code	
	Liability	Physical Damage
Repair Shops, Storage Garages, Service Stations and Public Parking Places	075000	075000
All Other Risks Not Subject to the Massachusetts Compulsory Law <ul style="list-style-type: none"> ● As written in accordance with the garage section of the Massachusetts Commercial Automobile Insurance Manual ● All automobiles registered in Massachusetts are subject to the Compulsory Automobile Insurance Law except those owned by: <ol style="list-style-type: none"> <u>1. the Federal Government or the Commonwealth of Massachusetts or any political subdivision thereof (state, city or town);</u> <u>2. a person, firm or corporation for the operation of which security is required to be furnished the Department of Public Utilities (DPU);</u> <ol style="list-style-type: none"> <u>a. automobiles owned, leased or rented by a public utility.</u> <u>b. buses, excluding school buses under exclusive contract to a city or town.</u> <u>3. a street railway company under public control.</u> 	707000	707000