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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, MARCH 25, 2026, 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 Hanson
Ms. Annmarie Hassan
Ms. Nicole Martorana
Ms. Sharon Murphy
Mr. Henry Risman
Mr. Barry Tagen
Ms. Brenda Williams

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

AGENDA

COPC

26.01 Records of Previous Meeting

The Records of the Compliance and Operations Committee meeting of January 28, 2026 should be read and approved.

COPC

26.03 CAR Conflict of Interest Policy

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

COPC

26.04 Informational Items

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

COPC

26.05 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

26.06 Operational Reports

The 3rd Quarter 2025 Operational Reports were posted to CAR's website in January 2026. Questions or comments regarding these reports will be discussed at the meeting.

COPC

26.08 HAP Traffic Light Assessment Rating – Tiered Penalty Assessments

At the previous meeting, the Committee approved in concept staff's recommendation to introduce to the Hybrid Audit penalty plan a two-tiered approach to address non-compliance reporting issues with less significant impacts and directed staff to draft applicable manual amendments. Accordingly, the proposed changes focus on the impact of non-compliance to quota share and rate making data quality as the determining factor in assessing penalties. Specifically, staff is recommending the introduction of a flat \$1,000 penalty per submission for non-compliant conditions having limited impact to quota share and rate making data quality. The Committee should be prepared to discuss the proposed amendments at the meeting (Docket #COPC26.08, Exhibit #1).

COPC

26.09 Proposed Revisions to the Commercial Statistical Plan – On-Hook Coverage Codes

Staff will present proposed modifications to the Commercial Statistical Plan related to Physical Damage On-Hook coverage limits. The proposed amendments 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

Attachment

Boston, Massachusetts
March 13, 2026

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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. Depending upon the extent of potential impact of non-compliant conditions, penalties will be assessed as follows:

If the non-compliance involves data elements that impact quota share or rate making data quality, then ~~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 a three-year Hybrid Audit schedule. Key data elements include, but are not limited

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to, classification, territory/premium town, merit rating, exposure, premium/loss amounts, limit/coverage codes, and discounts.

If the non-compliance is limited to data elements with limited impact to quota share or rate making data quality, the ARC is subject to a \$1,000 penalty for each monthly submission that remains uncorrected until a submission with accurate data is reported. Note that only one penalty will be assessed for all companies within a group provided that the noncompliance is consistent within the group.

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.