



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, JUNE 3, 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 March 25, 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.

Staff will also provide an update on the Towing & Labor loss reporting issue previously identified in audits for two ARCs for which penalty assessments are being considered (Docket #COPC26.05, Exhibit #1). The Committee should be prepared to discuss the proposed penalty recommendations at the meeting, including consideration of Hanover's request to stay any proposed penalties (Docket #COPC26.05, Exhibit #2).

**COPC**

**26.06 Operational Reports**

The 4<sup>th</sup> Quarter 2025 Operational Reports were posted to CAR's website in April 2026. Questions or comments regarding these reports will be discussed at the meeting.

**COPC**

**26.10 SIU Reporting**

Staff will present the annual report of industry results for the 2025 Special Investigative Unit (SIU) review of adherence with requirements detailed in CAR Rules 10.C and 32.C.

**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  
May 19, 2026

Compliance and Operations Committee  
June 3, 2026

Overview of Audits of Towing and Labor Loss Amounts

While conducting Hybrid Audits (HAP), CAR identified several companies not reporting towing and loss payment records in accordance with the applicable manuals detailing reporting requirements. Hanover's HAP report was distributed in 2023, and USAA's in 2024. Both reports concluded that the Towing & Labor payments reported by the companies could not be verified due to the insufficient supporting documentation.

CAR staff determined that both companies had an agreement with a third-party vendor for handling of Towing & Labor losses, and both reported to CAR a recurring and consistent contracted amount paid to the third-party vendor for each Towing & Labor loss. However, the source documentation provided did not substantiate the reported amounts or allow CAR to determine if Unallocated Loss Adjustment Expenses (ULAE) were incorrectly included in the reported payments.

The underlying issue remains that the Private Passenger Statistical Plan, ARC Procedures Manual, and the Claims Performance Standards prohibit the reporting of ULAE to CAR. As the designated Statistical Agent, CAR is responsible for verifying compliance with the Statistical Plan. To date, neither company has been able to demonstrate that the reported loss amounts exclude ULAE.

Since distribution of the HAP reports, CAR has provided the Committee with updates at several meetings regarding the results of focus audits on the ARCs' Towing & Labor loss payments, as well as ongoing discussions with each ARC concerning Towing & Labor loss reporting. The outcome remains unchanged for both companies. Although the concerns are similar, the circumstances differ between the two companies.

Hanover has indicated its intention to transition to a towing vendor that would provide the level of documentation required by CAR. While discussions with two potential vendors have occurred, no agreement has yet been finalized.

USAA has remained communicative and cooperative throughout ongoing discussions with CAR staff. However, USAA has not made progress towards validating that the reported loss amounts exclude ULAE.

CAR recently proposed a second-tier penalty to address non-compliance conditions with less significant impacts that has since been approved by the Compliance and Operations and Governing Committees. CAR has notified both companies that it will recommend to the Compliance and Operations Committee at the June meeting to begin assessing the lower-tiered penalty of \$1,000/month to both companies beginning with the May 2026 statistical submission, if they are unable to provide the acceptable documentation.

As noted in the agenda, there is a request from Hanover relative to CAR's recommendation for the Committee's consideration.

May 11, 2026

Commonwealth Automobile Reinsurers  
Attn: Compliance and Operations Committee  
101 Arch Street, Suite 400  
Boston, MA 02110

Dear Members of the Committee:

The Hanover Insurance Company (“The Hanover”) appreciates the opportunity to appear before the Committee and to present this matter for consideration.

As the Committee may be aware, The Hanover has been actively and diligently working to address a finding from the CAR hybrid audit that concluded in August 2023. The finding relates to The Hanover’s inability to access and/or provide the underlying cost details associated with each Roadside Claim performed by a vendor.

Despite numerous discussions through various personnel, The Hanover’s current vendor has taken the position, for which it will not deviate, that it will not provide this information, citing concerns that disclosure would reveal their proprietary fee structures and profit margins.

Over the past two and one-half years, The Hanover has undertaken extensive efforts to explore all reasonable options available to an organization of our size, including multiple attempts to work collaboratively with the current vendor to address their concerns as well as CAR’s requests for the information (of which The Hanover does not possess). These efforts require consideration of the impact on technology, business operations, and service to our customers. The Hanover has been informed that CAR intends to recommend the imposition of penalties at this time.

While The Hanover acknowledges and appreciates CAR’s patience to date, and during numerous discussions with CAR personnel we have been transparent in our attempts to obtain and provide the information from the vendor to CAR, we are at a point at which proposals and recommendations will be presented to business leadership regarding potential alternatives to the current vendor in order to both service our customers, as well as to provide the requested information to CAR via alternative means including a potential new vendor.

Accordingly, The Hanover respectfully requests a six-month stay of any proposed penalties to allow additional time for these internal efforts to continue and for compliance to be achieved.

Sincerely,

Harris Berenson, Vice President and Counsel  
Meghan Nye, Director Compliance  
The Hanover Insurance Group