



NATALIE A. HUBLEY
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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www.commauto.com 617-338-4000

RECORDS OF MEETING

COMPLIANCE AND OPERATIONS COMMITTEE – MARCH 27, 2024

Members Present

| | |
|--------------------------|-------------------------------|
| Ms. Erin Cummings– Chair | Norfolk and Dedham Group |
| Ms. Kara Boehm | Allstate Insurance Company |
| Mr. Thomas Harris | Quincy Mutual Group |
| Ms. Annmarie Hassan | Arbella Insurance Group |
| Ms. Nicole Martorana | FBInsure, LLC |
| Ms. Sharon Murphy | Acadia Insurance Company |
| Mr. Henry Risman | Risman Insurance Agency, Inc. |
| Mr. Barry Tagen | Pilgrim Insurance Company |
| Mr. Christopher Taylor | The Hanover Insurance Company |
| Ms. Brenda Williams | MAPFRE U.S.A. Corporation |

Substituted for:
N/A

Not in Attendance:
N/A

24.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Compliance and Operations Committee meeting of January 31, 2024. The Records have been distributed and are on file.

24.04 Informational Items

Ms. Wendy Browne notified the Committee that there were no action items at the February 13th, 2024 Governing Committee meeting pertaining to the Compliance and Operations Committee.

Ms. Browne also noted that Electric Insurance filed a plan to withdraw from the Massachusetts private passenger automobile insurance market which was approved by the Division of Insurance, and a bulletin to that effect was posted to CAR's website in February. Additionally, Ms. Browne stated that updates to the MAIP rates were placed on file with an effective date of May 1, 2024. CAR's commercial residual market rate filing, however, is still under review.

24.05 Compliance Audit Program

Mr. Matthew Hirsh presented Hybrid Audit (HAP) results for Vermont Mutual. He noted that Vermont Mutual has a Limited Assignment Distribution Agreement (LADA) with Pilgrim Insurance and thus the audit sample included data reported by both Vermont Mutual and Pilgrim. Mr. Barry Tagen of Pilgrim recused himself from participating in discussion regarding the audit results.

For sampled Pilgrim policies, the audit scope included \$240,000 in written premium. Associated loss dollars, including paid losses and allocated loss adjustment expenses, totaled \$679,000. Mr. Hirsh advised that there were no recurring statistical reporting issues identified in the MAIP sample, and that Pilgrim was compliant with the Lane-Bolling statute, with the Claims Performance Standards review, and with the Special Investigation Unit (SIU) evaluation, including the required CAR Rule 32.C.2. SIU-completed audits of garaging and policy facts.

For sampled Vermont Mutual policies, the audit scope included \$540,000 in written premium. Associated loss dollars, including paid losses and allocated loss adjustment expenses, totaled \$1,520,000. Mr. Hirsh noted three recurring statistical reporting premium-related issues and three recurring statistical claims-related issues not in compliance with the Statistical Plan. He also indicated that Vermont Mutual was compliant with the Claims Performance Standards review and with the required CAR Rule 32.C.2. SIU-completed audits of garaging and policy facts. However, Vermont Mutual was determined not in compliance with the SIU evaluation.

Mr. Mark Alves explained that when CAR staff began the process of testing Vermont Mutual's SIU, two gaps in the sampled data were identified. First, all policies included in the underwriting audit samples (CAR Rule 32.C.2.) were incorrectly uploaded as underwriting referrals. Additionally, fifteen of the sampled claim referrals were not actual SIU referrals but requests by the adjustor for the investigator to complete license plate or social media checks to assist in claims investigations. While both are legitimate components of an investigation, neither can be considered as valid SIU referrals used to evaluate the effectiveness of the ARC's fraud screening or the quality of SIU investigations. CAR staff determined that Vermont Mutual did not have the minimum required 25 claims or underwriting referrals to the SIU for the sampled period. Because of the lack of referrals to the SIU for investigation and consistent with a prior committee decision that a minimum of 25 referrals is necessary to audit, CAR determined Vermont Mutual as not compliant with the SIU requirement measured in the Hybrid Audit.

The Committee voted unanimously, with one recusal, to accept the report and directed staff to conduct a focus audit of Vermont Mutual in 2025 to retest the effectiveness of Vermont Mutual's SIU in accordance with the procedures detailed in Appendix J of the Standards.

Mr. Hirsh then presented Focus Audit results for Farm Family. Mr. Barry Tagen of Pilgrim recused himself from participating in discussion regarding the audit results. Mr. Hirsh explained that Farm Family underwent a Hybrid Audit in 2020 and results were presented at the April 2021 Compliance and Operations Committee meeting, where it was noted that thirteen recurring data quality issues were identified. The Committee directed CAR staff to conduct a focus audit in 2022 testing seven of those issues whose corrections were deemed as a priority.

CAR conducted the follow-up focus audit in 2022 and results were presented at the June 2023 Compliance and Operations Committee meeting. There, it was noted that three of the seven prioritized issues from the Hybrid Audit had been corrected, with four remaining uncorrected. Additionally, six newly identified issues were noted, three of which were deemed as requiring mandatory corrections. The Committee directed CAR staff to begin assessing penalties to Farm Family for future monthly statistical submissions considered as late and unacceptable if the four remaining recurring issues identified in the HAP audit as requiring corrections remained uncorrected. The Committee also directed CAR staff to

conduct another focus audit in 2024 to evaluate the accuracy of the three newly identified issues requiring mandatory correction.

Mr. Hirsh noted that, after performing the additional review, CAR staff has determined that all recurring issues which required mandatory corrections have been successfully addressed. The Committee unanimously voted, with one recusal, to accept the report and return Farm Family back to the normal audit schedule without assessing penalties for late and unacceptable shipments.

Mr. Alves then provided an update on the system development efforts related to CAR's Commercial Audit System. He explained that the system was originally scheduled to be completed in late 2023 with auditing set to begin in early 2024. Due to newly emerging priorities impacting the timeline, CAR experienced some development delays. The expectation now is that the system will be completed in May of 2024 with user testing to follow, and the initial Servicing Carrier commercial audit is expected to begin in June.

24.07 SIU Reporting

The Committee reviewed the SIU compliance reports provided annually to the Division of Insurance. Mr. Alves noted that a third report was developed to address companies expected to use the alternative methodology to achieve compliance with the SIU requirements.

The Committee unanimously accepted the reports and directed staff to distribute the reports to the Division of Insurance.

MATTHEW HIRSH
Compliance Audit Supervisor

Boston, Massachusetts
April 1, 2024

ATTACHMENT LISTING

Docket #COPC24.02, Exhibit #2

Attendance Listing

**COMPLIANCE AND OPERATIONS COMMITTEE MEETING
MEETING ATTENDEES
MARCH 27, 2024**

Individual's Name

Company / Agency

PLEASE PRINT

| | |
|--------------------|-------------------------------|
| Kara Boehm | Allstate Insurance Group |
| Erin Cummings | Norfolk and Dedham Group |
| Thomas Harris | Quincy Mutual Group |
| Annmarie Hassan | Arbella Insurance Group |
| Nicole Martorana | FBInsure, LLC |
| Sharon Murphy | Arcadia Insurance Company |
| Henry Risman | Risman Insurance Agency, Inc. |
| Barry Tagen | Pilgrim Insurance |
| Christopher Taylor | The Hanover Insurance Company |
| Brenda Williams | MAPFRE U. S. A. Corporation |
| Carol Willis-Webb | Safety Insurance Company |
| Steven Torres | TSH & D – CAR Counsel |
| Mark Alves | CAR Staff |
| Wendy Browne | CAR Staff |
| Peter Bertoni | CAR Staff |
| Shannon Chiu | CAR Staff |
| Timothy Galligan | CAR Staff |
| Matthew Hirsh | CAR Staff |
| Tiffany Manning | CAR Staff |
| Virginia Plasse | CAR Staff |
| Katy Proctor | CAR Staff |
| James Robery | CAR Staff |
| Lynne Rosenberg | CAR Staff |
| Alison Ruggiero | CAR Staff |
| Robin Tigges | CAR Staff |