



NATALIE A. HUBLEY
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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RECORDS OF MEETING

COMPLIANCE AND OPERATIONS COMMITTEE – JUNE 4, 2025

Members Present

Ms. Erin Cummings– Chair
Mr. Jordan Giampa ⁽¹⁾
Ms. Annmarie Hassan
Ms. Nicole Martorana
Mr. Henry Risman
Mr. Barry Tagen
Ms. Brenda Williams
Mr. Kenneth Yeh

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

Substituted for:

⁽¹⁾Mr. Cory Hanson

Not in Attendance:

Ms. Sharon Murphy, Acadia Insurance Company

25.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Compliance and Operations Committee meeting of January 22, 2025. The Records have been distributed and are on file.

25.04 Informational Items

Ms. Wendy Browne informed the Committee that the changes to the Massachusetts Private Passenger and Commercial Statistical Plans pertaining to the new compulsory limits presented at the January 22, 2025 Compliance and Operations Committee were approved by CAR's Governing Committee at its April 5, 2025 meeting. Additionally, CAR's rate, rule, and form filings relative to the new compulsory limits, effective July 1, 2025 have been approved by the Division of Insurance and notices have been distributed to the industry.

Ms. Browne then notified the Committee that the exception to the Massachusetts' remote open meeting law has been extended through June of 2027.

Ms. Browne concluded by informing the Committee that the filing relative to the MAIP maximum Physical Damage limit of loss was approved by the Division of Insurance. Ms. Browne also noted that due to changes to the compulsory limits, the implementation of this change was postponed to January 1, 2026.

25.05 Compliance Audit Program

Mr. Matthew Hirsh presented Hybrid Audit (HAP) results for Trumbull Insurance. Citing Pilgrim's business relationship with Trumbull, Mr. Barry Tagen of Pilgrim recused himself from participating in discussion regarding the audit.

The Trumbull Hybrid Audit scope included \$478,000 in written premium, and associated loss dollars, including paid losses and allocated loss adjustment expenses, totaled to \$2,100,000. Mr. Hirsh noted 11 recurring premium-related statistical reporting issues and six recurring claims-related statistical reporting issues not in compliance with the Statistical Plan. He also indicated that Trumbull was compliant with the Claims Performance Standards review.

Mr. Mark Alves explained that Trumbull was determined not in compliance with the SIU requirements. Appendix J of the Division of Insurance-approved Claims Performance Standards requires a minimum of 25 claim and/or underwriting referrals to be included on the SIU Quarterly Activity Logs for use as the audit sample to evaluate the effectiveness of the ARC's fraud screening and the quality of the SIU investigations. CAR's SIU Compliance Auditor determined that 15 of the 25 sampled referrals were not true referrals for investigation but cases in which the SIU only assisted the claim adjuster. No other referrals existed, resulting in an inability to evaluate the effectiveness of Trumbull's fraud control efforts. CAR noted that although the SIU only investigated ten actual referrals, these had acceptable compliance results, suggesting that Trumbull could become compliant with enhanced fraud screening to increase identification of potential claims and/or underwriting referrals for true SIU investigations.

Mr. Hirsh noted that Trumbull addressed each of the recurring data quality issues in its response letter and indicated that systems corrections have already been implemented for several of the issues, with the remaining likely to be corrected by the end of the first quarter of 2025. Trumbull also addressed the SIU findings, stating that they believe that their practices are compliant with CAR standards and that their relatively low policy and claims counts contribute to the low SIU referrals. Trumbull indicated that they are working with their SIU to ensure enough referrals to allow for a valid sample size in future audits.

The Committee voted, with one recusal, to accept the report and directed CAR staff to conduct a focus audit in September of 2026 to evaluate the correction efforts pertaining to the 17 identified issues. Separately, the Committee voted, with one recusal, to direct CAR staff to conduct a focus audit of Trumbull in July of 2026 to retest the effectiveness of Trumbull's SIU in accordance with the procedures detailed in Appendix J of the Standards.

Mr. Hirsh then presented Hybrid Audit (HAP) results for Berkley One. Berkley One has a Limited Assignment Distribution Agreement (LADA) with Pilgrim Insurance that included audit data samples reported by both the company and Pilgrim. Consistent audit procedures were applied to both data samples. Citing Trumbull & Pilgrim's LADA, Mr. Barry Tagen of Pilgrim recused himself from participating in discussion regarding the audit.

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 noted 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 SIU evaluation, including providing CAR with the required CAR Rule 32.C.2. SIU-completed audits of garaging and policy facts.

For sampled Berkley policies, the audit scope included \$841,000 in written premium. Associated loss dollars, including paid losses and allocated loss adjustment expenses, totaled \$547,000. Mr. Hirsh noted

eight recurring premium-related statistical reporting issues and five recurring claims-related statistical reporting issues not in compliance with the Statistical Plan. He also stated that in its response letter, Berkley addressed each of the 13 statistical reporting issues and outlined systems corrections for each. Berkley was also compliant with the Claims Performance Standards review.

Mr. Alves explained that Berkley was determined to be compliant with the SIU requirements through use of the alternative methodology. The methodology used for the audit was previously developed by CAR staff in response to committee directives to communicate with companies with low referral counts and to encourage special investigations opportunities that demonstrate effort towards compliance with the statute. The methodology detailed in the report includes measurable criteria, and CAR staff audits to the specifics. Berkley correctly completed the requirements of the methodology and was determined in compliance with the SIU requirements. Mr. Alves noted that CAR considers use of the alternative methodology as a temporary but useful transition towards developing an SIU program that actively controls fraud and eventually conforms with the procedural audit requirements outlined in Appendix J of the Claims Performance Standards.

The Committee voted, with one recusal, to accept the report and directed CAR staff to conduct a focus audit in December 2026 to evaluate the correction efforts pertaining to the 13 identified issues.

Mr. Hirsh then provided an update on the Towing & Labor focus audits of Allstate, Hanover, and USAA. He explained that each audit resulted from findings in each company's Hybrid Audit conducted in 2022 and 2023. In those audits, CAR staff found that each company has an agreement with a third-party vendor for handling of Towing & Labor losses, and each company reported to CAR a recurring and consistent contracted amount that they pay to the third-party vendor for each Towing & Labor loss. However, the source documentation provided did not substantiate the amount reported and did not allow CAR to confirm if Unallocated Loss Adjustment Expenses were incorrectly included in the payments. The COPC directed CAR staff to conduct focus audits to see first if the company's documentation was updated to allow CAR to verify that the reported amount did not include Unallocated Expenses, and second, that the loss amount reported to CAR was correct.

Mr. Hirsh explained that after review, Allstate's documentation pertaining to Towing & Labor loss amounts has been updated to allow CAR to verify that Unallocated Loss Adjustment Expenses are not included in their Towing & Labor loss payments, and that Allstate is reporting this correct loss amount to CAR.

Mr. Hirsh noted that Hanover has also updated its documentation to an acceptable format that allows CAR to verify that Unallocated Loss Adjustment Expenses are not included in their Towing & Labor loss payments. However, Hanover still reports to CAR a contracted value with their vendor instead of the loss amount indicated on the newly updated documentation. Mr. Hirsh stated that CAR staff will continue to monitor Hanover's Towing & Labor loss reporting and will provide an update at a future meeting.

Mr. Hirsh also explained that CAR staff is still working with USAA to understand the contract USAA has with its vendor, and no determinations have been made regarding their documentation and the reported loss amounts on Towing & Labor losses. He also stated that CAR will provide more information pertaining to USAA's Towing & Labor loss reporting at a future meeting.

22.09 Merit Rating Reporting

In conjunction with Berkley's Hybrid Audit report, Mr. Hirsh presented results of the follow-up merit rating audit of Berkley. Mr. Hirsh explained that in 2022, CAR began industry-wide audits of statistically reported merit rating values to verify if each Assigned Risk Company (ARC) was correctly

imputing merit rating values from the Massachusetts RMV, or if instead, companies were reporting in accordance with their own merit rating plans or applying accident forgiveness endorsements prior to reporting the merit rating values. At that point, results showed five ARCs with error rates that exceeded the industry average of 8.7%, and the Committee directed CAR staff to conduct follow-up audits retesting the merit rating data for each of those five companies until they corrected their data.

Mr. Hirsh noted that at this point, Berkley is one of only two ARCs that remain with inaccurate merit rating data. The last follow-up merit rating audit of Berkley was conducted in 2024 and a 16% error rate was noted, still greatly above the industry average. At the September 2024 COPC meeting, it was decided that a final follow-up merit rating audit would be conducted and included in the results of the Hybrid Audit, and that if Berkley still held an error rate above the 8.7% threshold, CAR would recommend that penalties be assessed immediately for late and unacceptable shipments as outlined in the Private Passenger Statistical Plan.

Mr. Hirsh then explained that upon completion of the audit, Berkley held a 21.3% merit rating error rate. At the conclusion of the merit rating audit, CAR and Berkley staff met to discuss audit results. In that discussion, it was identified that Berkeley was not reporting At-Fault accidents of their insured operators to the Merit Rating Bureau (MRB) as is required, and that Berkley calculates an internal merit rating value that is used in rating its policies. Berkley also noted that they often classified fault of accidents differently than the MRB, and this internally calculated value was reported to CAR rather than the value from the RMV. It was noted that Berkley is in the process of updating its systems to address both of these issues.

The Committee voted, with one recusal, to accept the audit report and directed CAR staff to begin the process to assess penalties to Berkley for late and unacceptable shipments as outlined in the Private Passenger Statistical Plan until a monthly submission with accurate merit rating data is submitted.

25.08 SIU Reporting

The Committee reviewed the SIU compliance reports provided annually to the Division of Insurance. Mr. Alves noted that CAR uses automation to validate that the reported SIU data matches statistical data in order to generate SIU referral counts by company. However, a more thorough company SIU compliance with SIU statutory requirements and CAR Rules is evaluated at the time of the Hybrid Audit.

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

25.09 Proposal for Changes to the Hybrid Audit Program

Mr. Alves provided an overview of proposed changes to the Hybrid Audit Program (HAP) that includes all private passenger Compliance Audit responsibilities. He noted that the increase in the number of newly writing companies and frequent changes to company affiliations have increased the number of required audits. Additionally, audit results of newly writing companies have often identified multiple recurring statistical reporting errors early in the audit process, extending the time needed to complete and distribute the audit report consistently and accurately. CAR's proposal identifies an opportunity to adjust the audit plan to improve the timeliness and efficiency of the audits.

Mr. Alves explained that CAR staff requests the ability to make recommendations to the COPC on a more timely basis for those companies with high error rates after fully auditing and quality-assurance testing 100 policies with associated claims out of the 400 total policies sampled. Further, the proposal

describes corresponding changes to the determination of average error rate, the benchmark on which the traffic light assessment is measured. CAR suggests that identifying poor data quality early in the process allows for reducing the length of time needed to complete an audit, while ensuring continued corrective actions by the audited company without reducing the quality and consistency of the audit or the overall audit program.

The Committee voted unanimously to recommend approval by the Governing Committee of changes to the Private Passenger Hybrid Audit Plan to be implemented immediately and to direct staff to draft the applicable amendments to the Manual of Administrative Procedures.

24.10 MAIP Placement Record Reporting

Ms. Browne presented proposed updates to the ARC Procedures Manual that reflect the changes that the Committee has discussed in recent meetings regarding MAIP Placement Record reporting requirements. Ms. Browne stated that a new value of 002 has been added to the reporting requirements and correction procedures for Rating Company Number field as documented in the Assigned Risk Company Procedures Manual. This value represents a scenario in which the voluntary rate that is used to rate a policy is equal to the MAIP rate.

The Committee voted unanimously to recommend to the Governing Committee approval of the proposed changes to the ARC Procedures Manual to include a new value to the Rating Company Number.

MATTHEW HIRSH
Compliance Audit Supervisor

Boston, Massachusetts
June 11, 2025

ATTACHMENT LISTING

Docket #COPC25.02, Exhibit #2

Attendance Listing

**COMPLIANCE AND OPERATIONS COMMITTEE MEETING
MEETING ATTENDEES
JUNE 4, 2025**

Individual's Name

Company / Agency

PLEASE PRINT

Erin Cummings	Norfolk and Dedham Group
Jordan Giampa	The Hanover Insurance Group
Annmarie Hassan	Arbella Insurance Group
Nicole Martorana	FBInsure, LLC
Henry Risman	Risman Insurance Agency, Inc.
Barry Tagen	Pilgrim Insurance Company
Brenda Williams	MAPFRE U. S. A. Corporation
Kenneth Yeh	Allstate Insurance Group
Benjamin Hincks	TSH & D – CAR Counsel
Steven Torres	TSH & D – CAR Counsel
Monique Miller	AIB
Carol Hope	MAPFRE U. S. A. Corporation
Amanda Bernard	MAPFRE U. S. A. Corporation
Michael Brady	Pilgrim Insurance Company
Linda Zarella	Arbella Insurance Group
Mark Alves	CAR Staff
Wendy Browne	CAR Staff
Peter Bertoni	CAR Staff
Shannon Chiu	CAR Staff
Timothy Galligan	CAR Staff
Steven Gautieri	CAR Staff
Matthew Hirsh	CAR Staff
Katy Proctor	CAR Staff
Virginia Plasse	CAR Staff
Lynne Rosenburg	CAR Staff

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Individual's Name

Company / Agency

PLEASE PRINT

James Robery	CAR Staff
Evan Ross	CAR Staff
Allison Ruggiero	CAR Staff
Robin Tigges	CAR Staff