



NATALIE A. HUBLEY
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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RECORDS OF MEETING

COMPLIANCE AND OPERATIONS COMMITTEE – SEPTEMBER 3, 2025

Members Present

Ms. Erin Cummings– Chair
Mr. Cory Hanson
Ms. Annmarie Hassan
Ms. Nicole Martorana
Ms. Sharon Murphy
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
Acadia Insurance Company
Risman Insurance Agency, Inc.
Pilgrim Insurance Company
MAPFRE U.S.A. Corporation
Allstate Insurance Company

Substituted for:
N/A

Not in Attendance:
N/A

25.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Compliance and Operations Committee meeting of June 4, 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 Private Passenger Hybrid Audit Plan allowing CAR staff to make expedited recommendations to the Compliance and Operations Committee earlier in the audit process for companies with multiple recurring issues or high error rates were approved by CAR's Governing Committee at its June 17, 2025 meeting.

Ms. Browne notified the Committee that the proposed updates to the Assigned Risk Company (ARC) Procedures Manual regarding changes to MAIP Placement Record reporting procedures to include a new value in the Rating Company Number field were approved by CAR's Governing Committee. A bulletin was distributed to the industry outlining the changes set to take effect on January 1, 2026.

25.05 Compliance Audit Program

Mr. Matthew Hirsh presented focus audit results for Permanent General. He noted that Permanent General has a third-party vendor agreement with Embark General to underwrite, service, and statistically report private passenger automobile insurance in Massachusetts on behalf of Permanent General. Mr. Hirsh reminded the Committee that, upon Permanent General's entry into the market in January 2020, CAR conducted a focus audit to evaluate Embark General's correction of statistical reporting issues identified when they were engaged with a former ARC. He noted that the focus audit found that while some statistical reporting issues had been corrected, a total of six issues either remained or were newly identified.

CAR staff then conducted a full Hybrid Audit of Permanent General in 2022. During that audit, several new statistical reporting issues were identified, leaving a total of 16 issues that were determined as requiring mandatory corrections. The Compliance and Operations Committee then directed CAR staff to conduct a focus audit in 2025 to evaluate the corrections efforts of all 16 issues, and to begin the process to assess penalties if efforts to make corrections had not been made.

Mr. Hirsh explained that to complete this focus audit, CAR staff used targeted samples for each of the 16 issues identified. He noted that of the 16 issues audited, 11 were completely corrected, three saw significant improvement, and two remained uncorrected. Mr. Hirsh explained that due to Embark General's significant progress in correcting the statistical reporting issues, and its indication that the remaining issues have already been corrected or are on track to being corrected, staff recommended that Permanent General be assessed a green light value in accordance with the traffic light assessment rating system outlined in the ARC Procedures Manual, and that Permanent General be returned to the five-year audit schedule without penalty.

The Committee voted unanimously to accept the report and staff's recommended assessment to return Permanent General to the five-year audit schedule.

Mr. Mark Alves then presented focus audit results for AIG, which considered the ARC's compliance with the statutory requirement applicable to the Special Investigative Unit (SIU). Mr. Alves explained that AIG had undergone a Hybrid Audit in 2023 and was found non-compliant with the SIU review, having failed to meet the minimum requirement of 25 referrals to the SIU for inclusion in the audit sample, as outlined in the Performance Standards. At the November 1, 2023 meeting, the Committee accepted the Hybrid Audit results and directed CAR staff to conduct a focus audit to retest the effectiveness of AIG's SIU program.

Mr. Alves noted that an alternate methodology, developed from prior Committee direction to help ARCs achieve compliance with the SIU requirement, was provided to AIG in advance of the focus audit. AIG indicated its intent to use the methodology.

CAR staff audited the documentation pertaining to fraud screening on the sampled loss payments and met with the company to review findings in detail, agreeing with 88% of the sampled paid losses. AIG has also enhanced its SIU program since the prior Hybrid Audit, including hiring a Massachusetts-based investigator.

Mr. Alves stated that while improved activity and results were clearly noted, AIG should continue to expand its SIU program to allow for future testing in accordance with Appendix J of the Performance Standards. The Committee voted, with one recusal, to accept the audit report without further consideration.

Mr. Alves then provided an update on the Towing & Labor focus audits of Hanover and USAA. He noted that both companies have been forthcoming and transparent, but neither have been able to provide CAR with the documentation necessary to validate the reported loss amounts.

Hanover counsel indicated to CAR staff that its towing vendor will not share with Hanover the actual cost of the tow, nor will it provide the documentation for CAR's auditing purposes. Hanover is continuing discussions with its vendor to secure the required documentation.

USAA has provided CAR staff with a pricing document and a roadside assistance contract between its vendor and USAA. However, neither document allows for validation of the loss amount at the level required by the Private Passenger Statistical Plan, the ARC Procedures Manual, or the Performance Standards. USAA has recently indicated to CAR staff that they are working with the vendor to identify other information they may be able to provide to help support their reporting of allocated loss adjustment expenses pertaining to Towing & Labor losses. Accordingly, in both cases, staff indicated that it was not recommending penalties at this time but would rather allow additional time for the companies to continue working with their respective vendors.

Ms. Browne then provided an update pertaining to Berkley's merit rating reporting. After several reviews, Berkley's merit rating data has not improved, and Berkley was instructed to correct its merit rating data by the July 2025 shipment due in September. Berkley indicated to CAR staff that changes pertaining to their merit rating reporting were made beginning with June 2025 data. CAR has reviewed this data and is encouraged by the results but will confirm the final status of Berkley's merit rating reporting with the July 2025 data.

Additionally, previously Berkley was not reporting incident data to the Merit Rating Board. Berkley indicated to CAR staff that they have begun testing an update to report incident data. CAR will await an official update that Berkley has met compliance and has started submitting production data related to incidents.

25.09 Proposal for Changes to the Hybrid Audit Program

Mr. Alves presented proposed changes to the ARC Procedures Manual for the Committee's review. The updated language reflects modified private passenger auditing procedures approved by the Governing Committee that allow CAR to make recommendations to the COPC earlier in the audit process for those companies with high error rates. Additionally, 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.

The Committee voted unanimously to recommend to the Governing Committee approval of the proposed amendments to Chapter XI - Compliance Audit of the Assigned Risk Procedures Manual.

25.10 Claims Subcommittee

Mr. Peter Bertoni provided an overview of the July 22, 2025 meeting. He stated that the Subcommittee met to complete the biennial review of the Private Passenger and Commercial Claims Performance Standards (the Standards) as required by G.L.c.175, §113H. Mr. Bertoni summarized each of the three proposed amendments and explained the intent of the recommended changes. He noted that two modifications were consistent and applicable to both Private Passenger and Commercial Performance Standards, while the third applied only to the Private Passenger Standards.

The first suggested change was recommended by CAR staff to enhance existing language that indicates that access to source documentation is required at a level that allows for the validation of each loss amount and expense payment to specifically differentiate between Allocated and Unallocated Loss

Adjustment Expenses. The second suggested change includes two additional questions applicable to both standards proposed for inclusion to Appendix K – Compliance Audit Claim Questionnaire regarding the Special Investigative Unit. The final proposed change adjusts the frequency of private passenger SIU audits from triennially to once every five years.

The Committee voted unanimously to recommend Governing Committee approval of the amendments to the Private Passenger and Commercial Performance Standards as presented and to direct that they be forwarded to the Commissioner of Insurance for consideration.

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

Ms. Browne reviewed proposed changes to the Commercial Automobile Statistical Plan for policies effective January 1, 2027 to include the removal of obsolete garage classification codes in conjunction with the adoption of the Auto Dealers Coverage form. Ms. Browne explained liability and physical damage coverage for risks written on a limited customer coverage basis is valid for voluntary business only and class codes with this coverage were removed from the auto dealers page and added to the special types page. Ms. Browne stated an industry survey found class code 075000 no longer relevant due to all member companies writing these risks on a business auto policy. Accordingly, garage classification code 075000 – repair shops, storage garages, service stations and public parking places has been removed from the garages not subject to the Massachusetts Compulsory Law page as well as the notes with obsolete language. In addition, Ms. Browne noted language from the Commercial Rating Manual was added to the description of class code 707000 – all other risks not subject to Massachusetts compulsory law due to the industry survey which found multiple member companies improperly reporting this code. Ms. Browne stated if the proposed changes are approved, an accounting and statistical notice will be issued with reporting instructions.

The Committee voted unanimously to recommend to the Governing Committee that the proposed updates to the Commercial Statistical Plan be approved, effective January 1, 2027, and submitted to the Division of Insurance for consideration.

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

Ms. Browne presented proposed amendments to Rule 14 and Rule 31 of the CAR Rules of Operation for the committee's review. Ms. Browne notified the committee of changes made by the Massachusetts Attorney General's Office to regulation 940 CMR 38.00 effective September 2, 2025. She explained that language has been added to both Rule 14 and Rule 31 stating that the disclosure of any fee is to be compliant with all state laws and regulations. Additionally, Ms. Browne noted CAR Bulletin 1197 and an AIB bulletin have been issued regarding this regulation change. Ms. Browne stated CAR will also review the Manual of Administrative Procedures, Assigned Risk Company Manual, and CAR Rules of Operation to determine if additional updates are necessary to address company requirements.

The Committee voted unanimously to recommend Governing Committee approval of the proposed changes to Rules 14 and 31 of the CAR Rules of Operation.

MATTHEW HIRSH
Compliance Audit Supervisor

Boston, Massachusetts
September 10, 2025

ATTACHMENT LISTING

Docket #COPC25.02, Exhibit #3

Attendance Listing

**COMPLIANCE AND OPERATIONS COMMITTEE MEETING
MEETING ATTENDEES
SEPTEMBER 3, 2025**

Individual's Name

Company / Agency

PLEASE PRINT

Erin Cummings	Norfolk and Dedham Group
Cory Hanson	The Hanover Insurance Group
Annmarie Hassan	Arbella Insurance Group
Nicole Martorana	FBInsure, LLC
Sharon Murphy	Acadia Insurance Company
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
Margaret Barao	Division of Insurance
Carol Hope	MAPFRE U. S. A. Corporation
Joseph Carter	Berkley One Insurance Company
Elaine Reyes	Berkley One Insurance Company
Gregory Gerland	U.S.A.A.
Michael Brady	Pilgrim Insurance Company
Mark Alves	CAR Staff
Wendy Browne	CAR Staff
Peter Bertoni	CAR Staff
Shannon Chiu	CAR Staff
Steven Gautieri	CAR Staff
Matthew Hirsh	CAR Staff
Tiffany Manning	CAR Staff
Katy Proctor	CAR Staff

**COMPLIANCE AND OPERATIONS COMMITTEE MEETING
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Individual's Name

Company / Agency

PLEASE PRINT

Virginia Plasse	CAR Staff
Evan Ross	CAR Staff
Robin Tigges	CAR Staff