



NATALIE A. HUBLEY
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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RECORDS OF MEETING

COMPLIANCE AND OPERATIONS COMMITTEE – JANUARY 28, 2026

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

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

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 September 3, 2025. The Records have been distributed and are on file.

26.04 Informational Items

Ms. Wendy Browne informed the Committee that the proposed changes to the Assigned Risk Company (ARC) Procedures Manual were approved by the Governing Committee in September, allowing CAR staff to make recommendations to the Compliance and Operations Committee earlier in the audit process for companies with high error rates.

Ms. Browne notified the Committee that the proposed changes to the Massachusetts Commercial Statistical Plan pertaining to Garage Classification Codes were approved by CAR's Governing Committee in September and by the Division of Insurance in October.

Ms. Browne informed the Committee that the amendments to Rules 14 & 31 of the CAR Rules of Operations pertaining to ERP and ARP to require that the disclosure of fees must be compliant with all state laws and regulations including 490 CMR 38.00 were deemed approved by the Commissioner of Insurance in October. She advised that notices of the above approvals have been distributed to the industry.

Finally, Ms. Browne informed the Committee that the recommended amendments to the Claims Performance Standards were filed with the Division of Insurance for consideration. A hearing was held on December 2, 2025 and CAR is currently awaiting a decision.

26.05 Compliance Audit Program

Mr. Matthew Hirsh presented Hybrid Audit (HAP) results for Foremost of Grand Rapids, Michigan. The Foremost Hybrid Audit scope included \$776,000 in written premium. Associated loss dollars, including paid losses and allocated loss adjustment expenses, totaled \$2,300,000. Mr. Hirsh indicated that Foremost's Quota Share error rate and Credit Premium difference exceeded what is typically observed in a Hybrid Audit. Both issues were attributed to CAR staff's inability to verify operator licensure, as Foremost did not provide source documentation for operators that were licensed outside the state of Massachusetts. He also noted eight recurring premium-related statistical reporting issues and four recurring claims-related statistical reporting issues not in compliance with the Statistical Plan.

Mr. Hirsh indicated that while Foremost was found compliant with the required CAR Rule 32.C.2. SIU-completed audits of garaging and policy facts, it was not compliant with the overall SIU evaluation. He explained that 14 of the 25 sampled claims were not referred to the SIU for investigation but instead instances that the SIU was asked only to assist the claim adjuster by checking ISO reports, Lexus Nexus reports, Carfax reports, and social media websites. While these may be a component of an SIU investigation, none are the basis for evaluating the quality of the audited company's SIU investigation.

He also explained that Foremost was determined non-compliant with the Claims Performance Standards review within the Coverage Best Practice due to a lack of supporting documentation on policies that licensure could not be validated. Absent this issue, Foremost would be considered in compliance with the Performance Standards.

The Committee unanimously voted, with one recusal, to accept the report and approved CAR staff's recommendation to conduct a focus audit in April 2027 to evaluate Foremost's correction efforts pertaining to the 14 identified issues, and separately, to conduct a focus audit in February 2027 to retest the effectiveness of Foremost's SIU in accordance with the procedures detailed in Appendix J of the Standards.

Ms. Browne then explained that Foremost, a member of Farmers Insurance Group, experienced data quality issues upon first entering the Massachusetts Private Passenger market. CAR reported these issues to the Compliance and Operations Committee over several meetings, and penalties were assessed to Foremost following the June 1, 2022 meeting. Following Farmers Insurance Group's acquisition of Metropolitan General Insurance Company, CAR advised the Governing Committee that Foremost and Metropolitan would be treated as separate Member Company groups in Quota Share to ensure that Foremost's reporting issues did not negatively affect the assignment process. These groups have remained separate since 2021.

Foremost has since requested consolidation of the groups pursuant to Rule 22, as they share common ownership. Although Foremost's Hybrid Audit report identified several data quality issues, CAR staff has determined that these issues are not severe enough to warrant denial of the request. Ms. Browne noted that accordingly, the two groups will be combined with the December 2025 Quota Share base data update in late February. However, to mitigate any potential negative impact to other Assigned Risk Carriers, Foremost's credit premium will be adjusted to account for the current data quality issues.

Mr. Mark Alves presented focus audit results for Vermont Mutual, which considered the ARC's compliance with the statutory requirement applicable to the Special Investigative Unit (SIU). Mr. Alves explained that Vermont Mutual 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 that time, CAR suggested to Vermont Mutual that while it was clear that an active SIU program existed, it could increase the number of true referrals to the SIU by referring all fire, theft, vandalism, and hit-while-parked claims to the SIU for investigation to rule out potential fraud indicators prior to issuing payments.

In the current focus audit, Vermont Mutual uploaded 14 SIU investigations into CAR's SIU System while documenting an additional 11 hit-and-run claims fully investigated by the SIU and eligible for inclusion in the audit sample. CAR's SIU Auditor evaluated the SIU activity and determined that each investigation included detailed supporting documentation and were handled appropriately by Vermont Mutual's SIU. Vermont Mutual has also partnered with a third-party compliance and investigations vendor with significant SIU experience to invest and enhance its SIU program.

CAR determined that Vermont Mutual was now compliant with the SIU requirements in accordance with Appendix J and recommended Vermont Mutual return to the normal five-year Hybrid Audit schedule. The Committee unanimously voted, with one recusal, to accept the audit report without further consideration.

Mr. Alves then updated the committee on the Towing & Labor focus audits of Hanover and USAA. He explained that CAR staff recently met with Hanover and was informed that Hanover intends to terminate its relationship with its current vendor and has been in communication with two other vendors to potentially provide future Hanover Towing & Labor services. In their discussion with the two potential vendors, Hanover communicated the required need to provide supporting documentation for the validation of the loss amounts independent of unallocated loss adjustment expenses as required by the Statistical Plans. Hanover estimates that a new vendor will likely be in place within the next several months. As Hanover has made credible progress towards resolving the reporting issue, CAR will not recommend assessment of penalties for non-compliance.

Mr. Alves continued by noting that CAR acknowledges that USAA has continued to actively communicate with CAR but is still unable to support that ULAE is not included in the reported Towing & Labor loss amounts. However, after internal discussion, CAR staff concluded that the potential penalty assessment for late and unacceptable shipments would be excessive considering the limited data quality and quota share impact from the small segment of data and specific dollar amounts of unsupported tow-related paid losses. Mr. Alves stated that CAR will draft amendments to the penalty program to introduce a two-tiered approach, including amendments to the ARC Procedures Manual for consideration at the March 25th COPC meeting.

22.09 Merit Rating Reporting

In conjunction with the Foremost of Grand Rapids, Michigan Hybrid Audit report, Mr. Hirsh presented results of the follow-up merit rating audit of Foremost. Mr. Hirsh explained that in 2022, CAR began industry-wide audits of statistically reported merit rating values to evaluate whether 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. 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 reporting.

Mr. Hirsh noted that Foremost is one of only two ARCs that remain with inaccurate merit rating data. The last follow-up merit rating audit of Foremost was conducted in 2024 and a 24% 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 Hybrid Audit results, and that if Foremost still held an above-average error rate, 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 merit rating audit, Foremost held a 58% error rate. At the conclusion of the merit rating audit, Foremost indicated to CAR staff that they were in agreement with the 2025 findings and that changes to programming logic would be implemented in January 2026.

The Committee voted, with one recusal, to accept the audit report and directed CAR staff to begin the process to assess penalties to Foremost for late and unacceptable shipments with the March 2026 submission as outlined in the Private Passenger Statistical Plan until a monthly submission with accurate merit rating data is submitted. If Foremost is able to correct its merit rating reporting by the March 2026 submission, then no penalties will be assessed.

26.07 Amendments to Rule 13 and 30 – Servicing Carrier and Assigned Risk Company Requirements – Service Fees

Ms. Browne presented proposed amendments to Rule 13 and Rule 30 of the CAR Rules of Operation that are consistent with the amendments to Rules 14 and 31 producer requirements to be compliant with 940 CMR 38.00. She explained that language has been added to both Rule 13 and Rule 30 stating that the disclosure of any fee is to be compliant with all state laws and regulations. She also informed the Committee that the MAIP Steering and Commercial Automobile Committees will be discussing, at their upcoming meetings, other actions taken to ensure compliance with the negative option features disclosure requirement.

The Committee voted unanimously to recommend Governing Committee approval of the proposed changes to Rules 13 and 30 of the CAR Rules of Operation.

MATTHEW HIRSH
Compliance Audit Supervisor

Boston, Massachusetts
February 3, 2026

ATTACHMENT LISTING

Docket #COPC26.02, Exhibit #1

Attendance Listing

**COMPLIANCE AND OPERATIONS COMMITTEE MEETING
MEETING ATTENDEES
JANUARY 28, 2026**

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
Benjamin Hincks	TSH & D – CAR Counsel
Margaret Barao	Division of Insurance
Monique Miller	AIB
Linda Zarella	Arbella Insurance Group
Mark Alves	CAR Staff
Wendy Browne	CAR Staff
Peter Bertoni	CAR Staff
Shannon Chiu	CAR Staff
Audrey DeSousa	CAR Staff
Steven Gautieri	CAR Staff
Matthew Hirsh	CAR Staff
Natalie Hubley	CAR Staff
Tiffany Manning	CAR Staff
Virginia Plasse	CAR Staff
Katy Proctor	CAR Staff
James Robery	CAR Staff
Lynne Rosenburg	CAR Staff

**COMPLIANCE AND OPERATIONS COMMITTEE MEETING
MEETING ATTENDEES
JANUARY 28, 2026**

Individual's Name

Company / Agency

PLEASE PRINT

Evan Ross

CAR Staff

Robin Tigges

CAR Staff