COMMONWEALTH AUTOMOBILE REINSURERS
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NATALIE A. HUBLEY
PRESIDENT

RECORDS OF MEETING

COMPLIANCE AND OPERATIONS COMMITTEE – SEPTEMBER 2, 2026

Members Present

Ms. Erin Cummings– Chair	Norfolk and Dedham Group
Mr. Cory Hanson	The Hanover Insurance Company
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

Substituted for:
N/A

Not in Attendance:
Ms. Brenda Williams, MAPFRE U.S.A. Corporation

26.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Compliance and Operations Committee meeting of June 3, 2026. The Records have been distributed and are on file.

26.04 Informational Items

Ms. Wendy Browne provided the Committee with a status update regarding towing and labor loss reporting and advised that CAR began assessing penalties to USAA for the second quarter, as recommended by the Committee at the June 3, 2026 meeting. USAA responded that it continues to work toward a solution to the identified issue.

26.05 Compliance Audit Program

Mr. Matthew Hirsh presented Hybrid Audit (HAP) results for The Cincinnati Insurance Company (Cincinnati). Cincinnati 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 Cincinnati & 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 Cincinnati policies, the audit scope included $855,000 in written premium. Associated loss dollars, including paid losses and allocated loss adjustment expenses, totaled $1,349,000. Mr. Hirsh explained that Cincinnati's Quota Shara and Ratemaking error rates were slightly higher than the industry averages and noted six recurring statistical reporting premium-related issues and five recurring statistical claims-related issues not in compliance with the Statistical Plan. He also indicated that Cincinnati 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, Cincinnati was determined not in compliance with the SIU evaluation.

Mr. Hirsh noted that Cincinnati did not meet the minimum sample of 25 referrals to the SIU for investigation as required by Appendix J: CAR SIU File Review Process of the Claims Performance Standard, and as such, CAR staff was unable to evaluate the effectiveness of Cincinnati's fraud control efforts.

Mr. Hirsh explained that, while the number of recurring issues and the slightly higher-then-average error rates identified would normally result in a future focus audit to evaluate correction efforts, and non-compliance with the statutory requirement pertaining to the SIU program would require an additional focus audit to evaluate the effectiveness of Cincinnati's SIU program, Cincinnati indicated that it is currently in the process of rewriting its Massachusetts reporting mechanism and that the update should help resolve most of the issues identified. The rewrite is anticipated to be completed by year-end. Therefore, CAR recommended that the Committee accept the results with the understanding that Cincinnati will undergo a Hybrid Audit, which will include evaluating the SIU program, as a priority after one full year of statistical data has been reported to CAR under the new reporting system.

The Committee voted unanimously, with one recusal, to accept the audit report with no further auditing and assessed a green light value in accordance with the traffic light assessment rating system, with the understanding that Cincinnati will undergo a Hybrid Audit as a priority after one full year of statistical data has been reported to CAR under the new reporting system.

Mr. Mark Alves presented focus audit results for Main Street America, which considered the ARC's compliance with the statutory requirement applicable to the Special Investigative Unit (SIU). Mr. Alves explained that Main Street America had undergone a Hybrid Audit in 2024 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.

In the current focus audit, CAR noted significant improvements to the quality of the SIU data uploaded by Main Street America, which now included actual referrals to the SIU that demonstrated the complexity of the investigation and allowed CAR staff to examine the effectiveness of the ARC's fraud screening and quality of SIU investigations.

CAR determined that Main Street America is now compliant with the SIU requirements in accordance with Appendix J and recommended Main Street America return to the normal five-year Hybrid

Audit schedule. In response to a question, it was noted that, while Main Street America has indicated its intent to withdraw from the private passenger automobile insurance market, other companies within the American Family Group will remain active and thus it was appropriate to ensure compliance with the SIU requirements as all companies within the American Family Group rely upon one common SIU team.

The Committee voted unanimously to accept the audit report without further consideration.

22.09 Merit Rating Reporting

Mr. Hirsh presented results of the follow-up merit rating audit of Foremost Insurance Company Grand Rapids, Michigan (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 the only remaining ARC with continued merit rating reporting issues. The last follow-up merit rating audit of Foremost was conducted in 2025 and a 58% error rate was noted, still significantly above the industry average. Due to the consistent poor merit rating data noted over the course of four audits, at the January 28, 2026 meeting, the Committee directed CAR staff to begin the process to assess penalties to Foremost for late and unacceptable shipments as outlined in the Private Passenger Statistical Plan, beginning with the March 2026 submission until a monthly submission with accurate merit rating data was received. If Foremost was able to correct its merit rating reporting by the March 2026 submission, then penalties would not be assessed.

Mr. Hirsh explained that upon completion of the current merit rating audit, Foremost held an 8% error rate, now under the 8.7% industry average.

The Committee voted unanimously to accept the audit report and directed CAR staff to stay any potential penalties to Foremost but directed CAR staff to continue to monitor Foremost's merit rating data by conducting a future focus audit of its merit rating data, scheduled to take place in April 2027, concurrent with the focus audit on the 14 recurring statistical reporting issues identified in Foremost's previously completed Hybrid Audit.

26.11 Proposed Amendments to CAR Manuals – SIU Reporting

The Committee reviewed proposed modifications to the Assigned Risk Company Procedures Manual and the Manual of Administrative Procedures related to SIU reporting. Mr. Peter Bertoni explained that the proposed changes address a recurring issue in which data uploaded by ARCs into CAR's SIU System as completed SIU investigations often include activity that does not rise to the level or complexity requiring an SIU investigation and is often completed by a claims adjuster rather than an SIU investigator.

Mr. Bertoni noted that, in several past Hybrid Audits, ARCs have been found not compliant with SIU requirements when reported SIU activity did not constitute an actual investigation. Examples include license plate and social media checks which should not be included in audit samples used to evaluate the effectiveness of a company's fraud screening and the quality of its SIU investigations. The proposed amendments to the Assigned Risk Company Procedures Manual and the Manual of Administrative

Procedures provide further clarification regarding the SIU data eligible for use in evaluating the effectiveness of a company's fraud screening and the quality of its SIU investigations.

The Committee voted unanimously to recommend Governing Committee approval of the proposed changes to Chapter XI – Compliance Audit of the Assigned Risk Company Procedures Manual and Chapter IX – Compliance Audit of the Manual of Administrative Procedures pertaining to SIU reporting requirements.

MATTHEW HIRSH
Compliance Audit Supervisor

Boston, Massachusetts
September 8, 2026

ATTACHMENT LISTING

Docket #COPC26.02, Exhibit #4	Attendance Listing

COMPLIANCE AND OPERATIONS COMMITTEE MEETING
MEETING ATTENDEES
SEPTEMBER 2, 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	Patriot Growth Insurance Services LLC
Sharon Murphy	Acadia Insurance Company
Henry Risman	Risman Insurance Agency, Inc.
Barry Tagen	Pilgrim Insurance Company
Michael Brady	Pilgrim Insurance Company
Benjamin Hincks	TSH & D – CAR Counsel
Steven Torres	TSH & D – CAR Counsel
Margaret Barao	Division of Insurance
Alexander Chodor	Arbella Insurance Group
Linda Zarella	Arbella Insurance Group
Monique Miller	AIB
Mark Alves	CAR Staff
Wendy Browne	CAR Staff
Peter Bertoni	CAR Staff
Shannon Chiu	CAR Staff
Audrey DeSousa	CAR Staff
Timothy Galligan	CAR Staff
Steven Gautieri	CAR Staff
Mariah Harris	CAR Staff
Richard Heath	CAR Staff
Matthew Hirsh	CAR Staff
Tiffany Manning	CAR Staff

COMPLIANCE AND OPERATIONS COMMITTEE MEETING
MEETING ATTENDEES
SEPTEMBER 2, 2026

Individual's Name	Company / Agency
PLEASE PRINT	
Virginia Plasse	CAR Staff
Katy Proctor	CAR Staff
Lynne Rosenburg	CAR Staff
Evan Ross	CAR Staff
Robin Tigges	CAR Staff
Jacob Vieira	CAR Staff