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PRESIDENT

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RECORDS OF MEETING

GOVERNING COMMITTEE REVIEW PANEL – APRIL 30, 2024

Members Present

Mr. Thomas DePaulo – Chair
Mr. Christopher Taylor
Ms. Meredith Woodcock

Cabot Risk Strategies, LLC
The Hanover Insurance Company
Liberty Mutual Insurance Companies

Substituted for:
N/A

Not in Attendance:
N/A

23.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Governing Committee Review Panel meeting of February 21, 2023. The Records have been distributed and are on file.

24.04 Calianos Insurance Agency/Norfolk and Dedham Mutual Fire Insurance Company

Mr. Jason Calianos of the Calianos Insurance Agency appealed the decision of the Market Review Committee denying its request for relief from the actions of the Norfolk and Dedham Mutual Fire Insurance Company (the Company) demanding payment in full of the remaining policy premium balance upon issuance of a third cancellation notice. Mr. Calianos contends that the practice violates CAR Rule 28.C.2 of CAR's Rules of Operation.

In addressing the Committee, Mr. Calianos highlighted his contention that the Company violates CAR Rule 28.C.2. and that the practice is unfair, unreasonable, and improper. Mr. Calianos further argued that the added language to the cancellation notice indicating the intended termination of the payment plan violates 211 CMR 97.04. He referenced both 211 CMR 97.04 and MGL c.175, sec. 113A in supporting his view that a cancellation should not take effect if the policyholder pays the owed premium and fees on or before the cancellation date. Continuing, he stated that once the past due premium is paid, the payment plan should be reinstated with the remaining balance split equally over the remainder of the payment plan.

Referencing the transcript of the Market Review Committee meeting, Mr. Calianos stated the main issue discussed at the meeting was whether the payment plan established by Rule 28 must remain in effect after the issuance of cancellation notices and that the Committee found that Rule is silent on this issue. Mr. Calianos contended that Rule 28.C.2. is not silent in its intent for the company to establish and follow a payment plan through the life of the policy. He argued that by explicitly requiring a 25% down payment,

the Rule ensures that the company is always in an equity position and that the Rule does not limit the number of times the late payment fee can be assessed. He referenced the April 23, 2024 letter from the Office of the Attorney General to the Governing Committee Review Panel, in which Mr. Kaplan suggests that an interpretation that Rule 28 allows that a consumer be de-enrolled in the payment plan as a result of a late payment would mean that any late payment would result in de-enrollment.

Mr. Sean Moone representing Norfolk and Dedham stated that the Company has reviewed the letters sent from the Office of the Attorney General, one addressed to Jason Calianos and one addressed to the Governing Committee Review Panel. He explained that the Attorney General has been in contact with the Company inquiring about its practices and other general questions but, at no point, has the Attorney General sent or directed correspondence to the Company instructing it to cease this practice. He noted that while the Company respects the view of the Office of the Attorney General, the Company does not agree with the interpretation of MA General Law or the regulation.

Mr. Moone explained the Company's billing system and noted that this practice has been in place for a minimum of 30 years. The reason the 10-payment plan was put in place is to allow for the collection of the complete premium prior to renewal processing. He noted that the Company has not found its filing documentation for the long-standing variable language, but he advised that the Company has not changed its variable language on the cancellation notice in that time. He added that 211 CMR 97.04 mandates only minimum language for the cancellation notice as provided by Massachusetts General Law, but it does not restrict a company from adding variable language. Mr. Moone explained that the Company's billing practice ensures payment in full prior to the 90-day renewal process as intended by the 10-payment plan and ensures the Company's ability to appropriately underwrite the policy in that timeframe.

Mr. Moone asserted that the policyholder had violated the billing plan by failing to adhere to the payment schedule. Lastly, he concluded that this policy remains active and in force with Norfolk and Dedham and he asserted that the Calianos Agency has not been aggrieved by this action and that commissions are still being paid to the agency.

Mr. Thomas DePaulo opened the Committee's discussion by acknowledging the letters issued from the Attorney General's office and noted that, while the Committee will consider those letters and the arguments they assert, he reiterated that the Attorney General is not an authority that would be called upon to consider or decide this dispute. While both parties referenced Massachusetts General Law and CMR 211 in their arguments, which the Committee may consider in its discussion, the issue before the Committee is to determine whether or not there has been a violation of CAR Rule 28.C.2 and to determine whether or not the practice complained of by the Calianos Insurance Agency is unreasonable, unfair, or improper.

Discussion ensued in which the Committee requested clarification of the Company's billing systems. Mr. Moone explained that, with a cancellation notice, the Company bills for only the past due premium. Once the payment is received and the reinstatement notice is issued, the company bills for the next installment payment. He noted that the delay associated with three cancellation notices restricts the Company's ability to perform the renewal underwriting within the timeframes mandated by statute. Further, he explained that multiple late payments early in the policy period results in the Company billing two payment cycles behind with similar timing issues as if the late payments occur later in the policy period. Mr. Moone reiterated that the Company practice is in place for both voluntary and assigned policies. He noted that exceptions are sometimes granted upon request if there is a compelling reason, regardless of whether the policy is written voluntarily or assigned.

The Committee noted that both CAR Rule 28.C.2 and CMR 211 both fall silent on details concerning cancellations. Committee members questioned whether this is a widespread practice among companies. Ms. Browne advised that, absent confirmation of company practices, the Market Review Committee has asked that the issue be referred to the MAIP Steering Committee for review and potential

clarification of the Rule. Mr. Paul Wasgatt of Safeside Insurance Agency noted his agency's experience regarding complaints filed against companies he alleged violated the installment plan Rule and that in those instances he stated the complaints were resolved favorable with the company taking action to alter their prior practice.

Ms. Woodcock noted that the Rule requires a 25% downpayment and 9 equal installments, and that she favored a strict interpretation of the Rule. Mr. Taylor agreed and voiced concerns about the potential for similar practices to become more widespread and disruptive. After discussion, the Committee voted with two in favor and none opposed that the Calianos Agency has established that by requiring that its policyholders issue payment in full of the remaining policy premium balance upon issuance of a third cancellation notice, Norfolk and Dedham violates Rule 28.C. 2 of CAR's Rules of Operation.

The Committee then voted with two in favor and none opposed that the Calianos Agency has not established that the Norfolk & Dedham's practice of requiring that its policyholders issue payment in full of the remaining policy premium balance upon issuance of a third cancellation notice is unfair, unreasonable, or improper.

Ms. Lynne Rosenburg then advised that the decision of the Governing Committee Review Panel carries the weight of the full Governing Committee and may be appealed to the Division of Insurance pursuant to Rule 40 – Review and Appeal of CAR's Rules of Operation within 30 days of being officially notified of the Panel's decision.

LYNNE ROSENBURG
Director of Operations and Residual Market Services

Boston, Massachusetts
June 3, 2024

ATTACHMENT LISTING

Docket #GCRP24.02, Exhibit #1

Attendance Listing

