



NATALIE A. HUBLEY
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

101 Arch Street, Suite 400 Boston, Massachusetts 02110
www.commauto.com 617-338-4000

NOTICE OF MEETING

GOVERNING COMMITTEE

A meeting of the Governing Committee will be held at the Automobile Insurers Bureau Conference Center at 101 Arch Street, 7th Floor, Boston, on

WEDNESDAY, SEPTEMBER 20, 2023, AT 10:30 A.M.

MEMBERS OF THE COMMITTEE

Mr. John Olivieri, Jr. – Chair
J.K. Olivieri Insurance Agency, Inc

Ms. Pamela. Bodenstab-Krynicky
Ms. Sarah Clemens
Mr. Kevin Costigan
Mr. Thomas DePaulo
Mr. Thomas Harris
Mr. William Hughes
Ms. Ida Denard Jones
Ms. Nicole Martorana
Ms. Mary McConnell
Mr. Tiago Prado
Mr. Christopher Taylor
Ms. Meredith Woodcock

P.L. Krynicky Insurance Agency, Inc.
MAPFRE U.S.A. Corporation
GEICO
Cabot Risk Strategies, LLC
Quincy Mutual Group
Arbella Insurance Group
Denard Insurance Agency, Inc.
FBInsure, LLC
Safety Insurance Company
BRZ Insurance, LLC
The Hanover Insurance Company
Liberty Mutual Group

AGENDA

GC

23.01 Transcript of Previous Meeting

The Transcript of the Governing Committee meeting of June 14, 2023 should be read and approved.

GC

23.03 CAR Conflict of Interest Policy

The Chair will read a statement relative to CAR's Conflict of Interest Policy.

GC

23.04 President's Report

Commonwealth Automobile Reinsurers' President will report on matters affecting CAR.

GC

23.05 Counsel's Report

Commonwealth Automobile Reinsurers' counsel will report on pending litigation, CAR Rule changes and any other matters relevant to legal issues at CAR.

GC

23.06 MAIP Steering Committee

The Governing Committee will hear the report of the MAIP Steering Committee meeting of August 29, 2023.

The Records of the MAIP Steering Committee meeting of August 29, 2023 are attached. (Docket #GC23.06, Exhibit #2)

The Records of the MAIP Steering Committee meeting of August 29, 2023 have been distributed and are on file.

GC

23.07 Compliance and Operations Committee

The Governing Committee will hear the report of the Compliance and Operations Committee meeting of September 6, 2023.

The Records of the Compliance and Operations Committee meeting of September 6, 2023 will be distributed as additional information prior to the meeting.

GC

23.08 Financial Audit Committee

The Governing Committee will hear the report of the Financial Audit Committee meeting of August 29, 2023.

The Records of the Financial Audit Committee meeting of August 29, 2023 are attached. (Docket #GC23.08, Exhibit #2).

The Records of the Financial Audit Committee meeting of August 29, 2023 have been distributed and are on file.

GC

23.11 Loss Reserving Committee

The Governing Committee will hear the report of the Loss Reserving Committee meeting of September 6, 2023.

A summary of the Loss Reserving Committee meeting of September 6, 2023 will be distributed as additional information prior to the meeting.

GC

23.12 Commercial Automobile Committee

The Governing Committee will hear the report of the Commercial Automobile Committee meeting of July 18, 2023.

The Records of the Commercial Automobile Committee meeting of July 18, 2023 are attached (Docket #GC23.12, Exhibit #3).

The Records of the Commercial Automobile Committee meeting of July 18, 2023 have been distributed and are on file.

GC

23.13 Commercial Program Oversight Committee

The Governing Committee will hear the report of the Commercial Program Oversight Committee meeting of August 31, 2023.

The Records of the Commercial Program Oversight Committee meeting of August 31, 2023 are attached. (Docket #GC23.13, Exhibit #3).

The Records of the Commercial Program Oversight Committee meeting of August 31, 2023 have been distributed and are on file.

GC

23.14 Actuarial Committee

The Governing Committee will hear the report of the Actuarial Committee meeting of September 5, 2023.

The Records of the Actuarial Committee meeting of September 5, 2023 will be distributed as additional information prior to the meeting.

GC

23.15 Budget Committee

The Governing Committee will hear the report of the Budget Committee meeting of September 7, 2023.

The Records of the Budget Committee meeting of September 7, 2023 will be distributed as additional information prior to the meeting.

Other Business

To transact any other business that may properly come before this Committee.

Executive Session

The Governing Committee may convene in Executive Session in accordance with the provisions of G.L. c. 30A, § 21.

NATALIE HUBLEY
President

Attachments

Boston, Massachusetts
September 6, 2023



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RECORDS OF MEETING

MAIP STEERING COMMITTEE – AUGUST 29, 2023

Members Present

Mr. Barry Tagen – Chair	Pilgrim Insurance Company
Mr. Allen Chaves	Arbella Insurance Group
Ms. Sarah Clemens	MAPFRE U.S.A. Corporation
Ms. Ida Denard Jones	Denard Insurance Agency, Inc.
Mr. Shaun Farley	Vermont Mutual Insurance Group
Ms. Jean Houghton	Norfolk & Dedham Group
Mr. Robert Jackson	GEICO
Ms. Nicole Martorana	FBInsure, LLC
Ms. Mary McConnell	Safety Insurance Company
Mr. Henry Risman	Risman Insurance Agency, Inc.
Mr. Christopher Taylor	The Hanover Insurance Company
Mr. Mark Winiker	A-Affordable Insurance Agency, Inc.

Substituted for:

N/A

Not in Attendance:

Ms. Sheila Doherty, Doherty Insurance Agency, Inc.

MSC

23.01 Records of Previous Meeting

On a roll call vote, the Committee unanimously voted to approve the Records of the MAIP Steering Committee meeting of January 25, 2023. The Records have been distributed and are on file.

MSC

22.08 MAIP Physical Damage Maximum Loss Payable

Mr. Timothy Galligan provided an overview of the exhibits attached to the Notice of Meeting which were prepared by staff as a result of the Committee's recommendation at its last meeting to establish a maximum physical damage limit of liability of \$175,000. The attachments include draft amendments to Rule 27 of the CAR Rules of Operation, Rules 3 and 22 of the Massachusetts Private Passenger Residual Market Automobile Insurance Manual, Endorsement MP-0006, and an amendment to the VRG rating Rule 22 in the Rate section.

Mr. Galligan explained that, after the meeting agenda was distributed, CAR received feedback on the proposed changes and identified additional considerations that require further discussion by the Committee. These items were included in the Additional Information distributed prior to the meeting.

Mr. Galligan advised that Rule 27 – Coverages of the Rule of Operations allows for the Assigned Risk Carrier’s discretion to provide higher limits than those required by the Rule. The amendment to Rule 27, as drafted, would also enable carrier discretion to provide physical damage coverage above the proposed \$175,000 limit. Staff requested further clarification of the Committee’s intent. After discussion, the Committee members agreed that, to ensure consistency among all carriers, the proposed physical damage limit should not allow for the carriers’ discretion to afford higher limits.

Mr. Galligan then explained that Endorsement MP-0006 attached to the Notice was placed on file by the AIB for use in conjunction with risks not subject to compulsory law. The form, therefore, contains unrelated references and requires that a carrier input the limits of liability. Mr. Galligan advised that, because of these issues, staff will continue to research the availability of another form for CAR’s use or whether, as a last resort, CAR will need to develop its own form.

Because the Committee is recommending a \$175,000 limit without discretion for additional coverage, Mr. Galligan noted that it has been recommended that this value be hard coded on the endorsement form. He requested input as to whether the endorsement should be attached to all assigned risk policies or only to those policies that have a vehicle value greater than \$175,000. After discussion, the Committee members agreed that the recommended endorsement form should be hard coded with the specified limit and that it should be attached to all assigned risk policies. Further, it was noted that, because the endorsement is to be attached to every policy, the endorsement should clearly explain that the covered loss will be the lesser of the vehicle value or the maximum limit.

Continuing, Mr. Galligan noted two additional provisions included in the General Provisions and Exclusions section of the Massachusetts Automobile Insurance Policy that will require further review as the endorsement form is finalized. Specifically, consideration will be given to whether clarification is needed to ensure that the obligation to a secured lender does not exceed the limit of liability and to ensure appropriate notification to the secured lender. In addition, consideration will also be given to consider whether clarification is needed to address sales tax within the context of limit of liability.

Finally, Mr. Galligan requested that the Committee discuss its recommended effective date for the proposed filing, noting that, typically, CAR ensures a 90 day lead time from the date the rules and forms are placed on file. Committee members indicated that, in light of the 45 day renewal requirement, 90 days would not be sufficient lead time to implement a form change of this nature. The committee members agreed to further consider appropriate lead time at its next meeting.

After discussion, Ms. Browne indicated that staff would work with CAR Counsel to review and update the proposed language in Rule 27 of the Rules of Operations and Rule 3 of the rating manual to ensure that language is appropriate and meets the Committee’s intent. Certain Committee members commented that notification to the risk was critical, especially in light of the fact that the agent does not typically interact with the risk during the renewal process. Accordingly, the Committee directed CAR Staff to draft a policyholder notice to accompany the endorsement and modify the MAIP policy application to advise the agent of the maximum limit of liability when the application is completed online.

ADRIANNE DONOVAN
Residual Market Services Liaison

Boston, Massachusetts
September 6, 2023



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RECORDS OF MEETING

FINANCIAL AUDIT COMMITTEE – AUGUST 29, 2023

Members Present

Mr. Thomas LaFrancois – Chair	Arbella Insurance Group
Ms. Pamela Bodenstab-Krynicky	P L Krynicky Insurance Agency
Mr. Brian Breedan	MAPFRE U.S.A. Corporation
Mr. Christopher Burke	Safety Insurance Company
Mr. Sean Moone	Norfolk & Dedham Group
Mr. Joseph Mullen ⁽¹⁾	Plymouth Rock Assurance Corporation
Mr. Henry Risman	Risman Insurance Agency, Inc.

Substituted for:

⁽¹⁾Mr. Matthew Anglim

Not in Attendance:

N/A

23.01 Records of Previous Meeting

On a roll call vote, the Committee voted unanimously to approve the Records of the Financial Audit Committee meeting of February 7, 2023. The Records have been distributed and are on file.

23.04 Annual Audit of CAR for Fiscal Year Ending September 30, 2023

Mr. John Buckley of AAFCPA presented his recommendation regarding the engagement parameters for the 2023 review and provided a basic timeline for the planning, execution, and completion of the engagement. He then discussed the Agreed Upon Procedures (AUP) plan. He informed the Committee of auditing attestation standards that dictate the use of certain language in AUP engagements. Mr. Buckley then noted that the updates contained in the 2023 procedures do not change the actions performed by the auditor but adjust specific wording within the AUP to adhere to the standards. Mr. Buckley informed the Committee that CAR will adopt the IFRS 16 lease accounting standard with the FY2023 Financial Statements. He also reiterated that the 2023 procedures would continue to focus primarily on transactions relevant to CAR's administrative expenses. Lastly, Mr. Buckley confirmed the 2023 audit fee of \$86,500 reflecting a 4% increase over 2022.

After discussion, on a roll call vote, the Committee members voted unanimously to recommend that the Governing Committee approve the engagement parameters as presented by AAFCPA for the review of CAR's fiscal year 2023 financial statements, including the AUP as presented, recognizing that the procedures are sufficient for their intended purpose, and that access

to the AUP report would be limited to CAR, its committees and subcommittees, its Member Companies, and the Division of Insurance. The Committee also recommended that the President be directed to execute the engagement letters on behalf of CAR.

WENDY BROWNE
Vice President of Business Operations

Boston, Massachusetts
September 1, 2023



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RECORDS OF MEETING

COMMERCIAL AUTOMOBILE COMMITTEE – JULY 18, 2023

Members Present

Mr. Thomas DePaulo – Chair	Cabot Risk Strategies, LLC
Ms. Kristina Broskey	MAPFRE U.S.A. Corporation
Ms. Annmarie Castonguay	The Hanover Insurance Company
Mr. Andrew Denton ⁽¹⁾	Deland, Gibson Insurance Associates, Inc.
Ms. Mary McConnell	Safety Insurance Company
Ms. Sharon Murphy	Acadia Insurance Company
Mr. John Olivieri, Jr.	J.K. Olivieri Insurance Agency, Inc.
Mr. Tiago Prado	BRZ Insurance, LLC.
Mr. Barry Tagen	Pilgrim Insurance Company
Mr. Jeanne Weathers ⁽²⁾	Arbella Insurance Group
Mr. Mark Winiker	A-Affordable Insurance Agency, Inc.

Substituted for:

⁽¹⁾Mr. Thomas Skelly, Jr.

⁽²⁾Mr. David Zawilinski

Not in Attendance:

N/A

23.01 Records of Previous Meeting

On a roll call vote, the Committee unanimously voted to approve the Records of the Commercial Automobile Committee meeting of April 26, 2023. The Records have been distributed and are on file.

22.05 AIB Commercial Automobile Insurance Manual and Endorsement Changes

Ms. Natalie Hubley informed the Committee that staff has completed its review and comparison of the current forms in use for the residual market to the most recent Commercial coverage forms on file. A complete packet of the comparison review was attached to the agenda, which incorporates comments from the Committee, staff, and counsel. Ms. Hubley also informed the Committee that staff had modified the schedule of forms and endorsements that will require adoption of updated versions to accompany the new coverage forms.

Ms. Hubley highlighted the changes in the forms and endorsements summary document since the prior meeting noting the following:

- A newer version of the Motor Carrier Endorsement will be available prior to the implementation of these changes. The schedule will be updated when placed on file with the DOI.
- The Massachusetts Mandatory Endorsements are currently under review by the AIB and will be adopted for the residual market when placed on file with the DOI.
- The Unmanned Aircraft Exclusion for General Liability Coverages Endorsement (CA 27 06) will be updated prior to implementation of these changes. The schedule will be updated when the newer version is placed on file.
- The Unmanned Aircraft Exclusion for General Liability Coverages Endorsement for Personal and Advertising Injury (CA 27 07), previously recommended by the Committee, is no longer needed as these coverages will be excluded with the more recent version of CA 25 54.
- AIB will be filing amendments to the Massachusetts Premium Adjustment and Coverage Endorsement, and the Massachusetts Rate Modification Endorsement to add a reference to the Auto Dealers Form.

Ms. Hubley informed the Committee that if other form changes become available prior to implementation of the new coverage forms, the schedule of forms and endorsements will be updated in accordance with any Committee recommendations and distributed to the Servicing Carriers and producers.

Ms. Hubley emphasized that Staff's analyses are intended to assist Servicing Carriers in identifying the scope of system changes and areas where claims and underwriting training may be needed. She advised that the documents are not intended to serve as an exclusive source of information for both Servicing Carriers and producers. Ms. Hubley advised those using these analyses to refer to relevant Insurance Service Office (ISO) circulars and Automobile Insurers Bureau (AIB) Notices as primary source references.

At the last meeting, Ms. Hubley informed the Committee that the Commercial Program Oversight Committee would meet to discuss the Servicing Carriers concerns with the substantial lead time and costs required to implement the form changes. After considerable discussion, the Oversight Committee recommended that implementation of the new commercial coverage forms coincide with the next Servicing Carrier appointment term beginning January 1, 2027. Ms. Hubley informed the Committee that, at its next meeting, the Oversight Committee will review a schedule that initiates the RFP in June 2024 to allow sufficient time for the appointed Servicing Carriers to plan, budget, make system changes, and train staff.

After a brief discussion, the Commercial Automobile Committee unanimously voted to conceptually approve the forms update project with implementation to coincide with the next Servicing Carrier appointment term. Ms. Hubley then advised the Committee that staff will move forward with the next phase of the implementation, which includes drafting related rate and manual rule amendments that will target the February 2024 Governing Committee for approval. Staff will also consult with the State Rating Bureau (SRB) to discuss the proposed implementation schedule and coordinate filings accordingly. Upon approval, staff will draft corresponding updates to the CAR's Rules of Operation and Manual of Administrative Procedures to address minor changes in coverage availability.

23.04 Eligibility of Peer-to-Peer Vehicle Sharing Programs

The Committee continued discussion regarding the eligibility for cession of risks engaged in peer-to-peer vehicle sharing programs. Ms. Wendy Browne summarized issues raised by the Committee at its previous meeting including the nature and classification of the risk, the contractual arrangements between parties, and filed legislation. At the time, the Committee recognized that these complex issues make this exposure difficult to define.

Ms. Browne reported on additional research by staff that highlights the growing number of platforms facilitating vehicle sharing of a wide array of vehicle types including, but not limited to, personal autos, box trucks, pick-up trucks, moving vans, tractor-trailers, and RVs. She pointed out that some vehicles available for sharing are owned by companies engaged in their own commercial operations while others are privately owned. Staff's research has shown that most platforms provide master insurance policies; some are automatically incorporated into the sharing agreements and others are optional. CAR staff noted its concern about the additional complexity when vehicles are shared for multiple purposes, including mixed-use programs and varying exposure layers when vehicles are used for both business and pleasure. Ms. Browne noted that given the unknown nature of the exposure, the ongoing discussions by the legislature, the availability of coverage through the platforms and emerging voluntary markets, as well as the potential impacts to the size of the residual market, the Committee should consider monitoring how this issue develops over time.

Given Ms. Browne's research with respect to the availability of coverage through the vehicle sharing platforms, questions were raised as to the original request for review. It was suggested that there may be a lack of coverage when the vehicle is awaiting a client on the platform. Mr. Tiago Prado commented that, because the MA auto policy will not cover vehicle sharing, those engaged in that activity may have their policies cancelled for misrepresentation. Staff was directed to inquire with the MAIA to better understand the concerns about potential gaps in coverage.

23.05 2023 Annual Evaluation of Market Need for ERP Appointments

Mr. Richard Dalton stated that in accordance with Rule 14 – Exclusive Representative Producer Requirements, an applicant for an ERP appointment to a Servicing Carrier must meet the conditions for addressing market need as determined by criteria established by CAR's Governing Committee. The approved criteria include a provision that an annual assessment be made to determine if a market need exists for appointments. He noted that attached to the Notice of Meeting was the approved criteria and data reports to assist the Committee in evaluating accessibility to the residual market throughout the Commonwealth through producers experienced in servicing all classes of commercial automobile risks. He indicated that the Committee should focus on determining whether a market need exists for the appointment of an ERP without a voluntary commercial automobile contract and developing a recommendation for the annual determination of market need for the Governing Committee's consideration.

Mr. Dalton informed the Committee that during the past year, there have been 7 new ERP appointments made to producers with a voluntary contract in place, and 6 requests from producers without voluntary contracts that were not approved. There are currently 4 requests pending. The Committee observed that the current data reflects results similar to the prior year. The Committee concluded that there continues to exist ample access to the residual market through qualified producers throughout the Commonwealth with experience servicing complex commercial risks.

Accordingly, on a roll call vote, the Committee unanimously voted to recommend to the Governing Committee that a market need does not exist for the appointment of new non-voluntary contracted ERPs at this time.

TIMOTHY GALLIGAN
Director of Actuarial and Statistical Services

Boston, Massachusetts
August 17, 2023



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RECORDS OF MEETING

COMMERCIAL PROGRAM OVERSIGHT COMMITTEE – AUGUST 31, 2023

Members Present

Mr. John Olivieri, Jr – Chair
Mr. Brian Hayes
Ms. Sharon Murphy
Mr. Henry Risman
Ms. Meredith Woodcock

J.K. Olivieri Insurance Agency, Inc.
Quincy Mutual Group
Acadia Insurance Company
Risman Insurance Agency, Inc.
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 Commercial Program Oversight Committee meeting of May 25, 2023. The Records have been distributed and are on file.

23.04 2022 Servicing Carrier Annual Report Review

Mr. Richard Dalton noted that the 2022 Servicing Carrier Annual Reports, a summary of the Servicing Carrier's responses, and a series of data reports profiling the commercial residual market were distributed to the Committee with the Notice of Meeting. He explained that the Servicing Carrier Annual Reports are a means for Servicing Carriers to report to CAR their efforts in managing the commercial residual market and to provide comments and recommendations regarding trends and patterns within that market. To assist the Committee in its review and discussion of the Annual Reports, the Servicing Carriers' recommendations were reviewed by CAR staff, summarized, and aligned under five different categories: items committees are currently discussing; potential new items for the Commercial Automobile Committee issues list; items that require research by staff prior to referral to a committee; items that CAR will work with the Servicing Carrier directly; and items to be referred to staff and the AIB for consideration in a future rate filing.

The Committee indicated that the summary prepared by CAR staff was helpful in its review and agreed with the approach proposed by staff in the summarization of the Servicing Carriers' recommendations and had no additional comments or recommendations.

23.05 Commercial Forms Implementation

Ms. Wendy Browne summarized the Committee's prior discussion regarding the implementation schedule relating to the commercial forms upgrade in conjunction with the next scheduled Commercial Program Servicing Carrier Appointment Request for Proposal. The Committee had evaluated and recommended a timeline with an effective date of January 1, 2027 to coincide with the next Servicing Carrier appointment term, amended to allow carriers sufficient time to implement the necessary procedural and system changes.

Subsequent to that discussion, staff modified the schedule to provide carriers additional time for early processing of renewal policies occurring with January, 2027 renewals. The proposed schedule was forwarded to the four Servicing Carriers. All four carriers confirmed that the new schedule provides ample time for processing early renewals and agreed with the updated timeframe.

Ms. Browne noted an additional modification to include an entry for Statistical Plan changes. The review of the policy forms revealed that updates would be necessary. She advised that, unless the Committee had any additional concerns, staff would use this schedule to coordinate all the activities associated with implementing the new policy forms and selecting the SCs for the January 1, 2027 appointment term.

The Committee agreed with the adjusted schedule as proposed by staff.

RICHARD DALTON
Residual Market Liaison

Boston, Massachusetts
September 5, 2023