



NATALIE A. HUBLEY
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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

ADDITIONAL INFORMATION

TO MEMBERS OF THE GOVERNING COMMITTEE

FOR THE MEETING OF:

Tuesday, February 13, 2024, at 10:30 a.m.

GC

24.06 Commercial Automobile Committee

The Records of the Commercial Automobile Committee meeting of February 1, 2024 are attached. (Docket #GC24.06, Exhibit #3)

The Records of the Commercial Automobile Committee meeting of February 1, 2024 have been distributed and are on file.

GC

24.11 Compliance and Operations Committee

The Records of the Compliance and Operations Committee meeting of January 31, 2024 are attached. (Docket #GC24.11, Exhibit #1)

The Records of the Compliance and Operations Committee meeting of January 31, 2024 have been distributed and are on file.

NATALIE HUBLEY
President

Attachments

Boston, Massachusetts
February 6, 2024

CAR | **Commercial Automobile Insurance Manual**
Section VII | **Special Types and Operations**
Effective Date | **2023.12.01-2027.01.01**
Page | **12 of 14**

- d. Vehicles maintained primarily to provide mobility to permanently mounted:
 - (1) Power cranes, shovels, loaders, diggers or drills; or
 - (2) Road construction or resurfacing equipment such as graders, scrapers or rollers;
- e. Vehicles not described in Section A.2. of this Rule that are not self-propelled and are maintained primarily to provide mobility to permanently attached equipment of the following types:
 - (1) Air compressors, pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting and well servicing equipment; or
 - (2) Cherry pickers and similar devices used to raise or lower workers;
- f. Vehicles not described in Sections A.1. or A.2. of this Rule, maintained primarily for purposes other than the transportation of persons or cargo.
- g. For vehicles described in paragraphs 2a. through 2f. and the following paragraph B., that are not subject to a compulsory or financial responsibility law or other motor vehicle insurance law, Mobile Equipment Endorsement MM 20 11 may be used.
- h. For equipment incapable of moving under its own power (class code 79390) medical payments, uninsured motorists, and underinsured motorists, coverage does not apply.

B. Farm Equipment (Class Code 79070)

Eligibility

This rule applies to farm tractors, harvesting combines, power driven lawn mowers and other self-propelled farm equipment used for farming purposes.

Liability insurance for self-propelled farm equipment includes coverage for trailers, semitrailers, farm wagons and other farm implements while attached to the equipment. Coverage shall not extend to the operations of farm machinery or to a home, office, store of passenger trailer.

CAR | **Commercial Automobile Insurance Manual**
Section VII | **Special Types and Operations**
Effective Date | **2023.12.01-2027.01.01**
Page | **13 of 14**

When physical damage coverage is provided for Farm Equipment, also attach Farm Tractors and Farm Tractors Equipment Endorsement CA 2008.



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RECORDS OF MEETING

COMPLIANCE AND OPERATIONS COMMITTEE – JANUARY 31, 2024

Members Present

Ms. Erin Cummings– Chair	Norfolk and Dedham Group
Ms. Kerri Boutin ⁽¹⁾	Risman Insurance Agency, Inc.
Ms. Sarah Cast ⁽²⁾	Allstate Insurance Company
Mr. Thomas Harris	Quincy Mutual Group
Ms. Annmarie Hassan	Arbella Insurance Group
Ms. Nicole Martorana	FBInsure, LLC
Ms. Sharon Murphy	Acadia Insurance Company
Mr. Christopher Taylor	The Hanover Insurance Company
Ms. Brenda Williams	MAPFRE U.S.A. Corporation

Substituted for:

⁽¹⁾ Mr. Henry Risman

⁽²⁾ Ms. Kara Boehm

Not in Attendance:

Mr. Barry Tagen, Pilgrim Insurance Company

23.01 Records of Previous Meeting

On a roll call vote, the Committee unanimously voted to approve the Records of the Compliance and Operations Committee meeting of November 1, 2023. The Records have been distributed and are on file.

24.04 Informational Items

Ms. Wendy Browne notified the Committee that there were no action items at the November 14th, 2023 Governing Committee meeting pertaining to the Compliance and Operations Committee.

24.05 Compliance Audit Program

Mr. Matthew Hirsh presented Hybrid Audit (HAP) results for USAA. He stated that USAA has a Limited Assignment Distribution Agreement (LADA) with Pilgrim Insurance and thus the audit sample included data reported by both USAA and Pilgrim.

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 USAA policies, the audit scope included \$602,000 in written premium. Associated loss dollars, including paid losses and allocated loss adjustment expenses, totaled \$725,000. Mr. Hirsh noted six recurring statistical reporting premium-related issues and six recurring statistical claims-related issues not in compliance with the Statistical Plan. He also indicated that USAA was compliant 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.

Mr. Hirsh noted that while USAA did have several recurring issues identified, including unverifiable Towing & Labor losses due to the insufficient level of documentation provided, overall quota share and ratemaking results did not meet the benchmark to be moved into the yellow light value of the traffic light assessment rating system described in the ARC Procedures Manual. Staff therefore recommended a green light assessment of USAA's audit results, indicating that no further auditing is required, and that the ARC remain in the five-year Hybrid Audit schedule. Mr. Hirsh advised that staff would reevaluate the validity of USAA's Towing & Labor documentation by reviewing a minor sample of towing losses in February of 2025. On a roll call vote, the Committee voted unanimously to accept the audit report with no further auditing and directed staff to retest USAA's unverifiable Towing & Labor losses in February of 2025 to determine if the level of documentation is sufficient.

Mr. Mark Alves presented focus audit results of Electric Insurance that considered the ARC's compliance to the statutory requirement applicable to the Special Investigative Unit (SIU). He noted that this was the third audit of Electric in the current cycle, and Electric was determined not in compliance in both previous audits. Prior to the start, Electric confirmed that it retained its contract with Allied Universal Solutions (AUS) as a third-party compliance and investigations vendor to maintain all the reporting and investigatory responsibilities on behalf of Electric. Both AUS and Electric confirmed that no referrals to the SIU for investigation occurred within the audit period and that Electric intended to achieve compliance using the alternative methodology. This methodology was developed from committee direction to provide another path toward compliance for those ARCs experiencing difficulty reaching the required minimum of 25 referrals.

CAR sampled 25 fraud indicator closed paid loss reviews completed by AUS as required by the methodology. The comprehensiveness of the completed reviews was the focus of the CAR audit. CAR noted that the loss payment reviews demonstrated appropriate detail and commented on claim supporting documentation from a special investigation perspective. CAR staff initially disagreed with the AUS analysis on six of the 25 reviewed claims, pointing out residency or garaging issues as possible fraud indicators that were not sufficiently detailed in the original documentation. However, three were subsequently changed to compliant because AUS was able to support that each policyholder was a longtime Electric customer living in other neighboring states that either moved to Massachusetts or purchased a second home in Massachusetts in 2022. Electric's final compliance rate of 88% exceeded the 80% benchmark noted in the

Measurements and Penalties section of the Performance Standards. Staff recommended a green light assessment of Electric's focus audit results, indicating that no further auditing is required, and that the ARC return to the five-year Hybrid Audit schedule. On a roll call vote, the Committee voted unanimously to accept the audit report without further consideration.

MATTHEW HIRSH
Compliance Audit Supervisor

Boston, Massachusetts
February 2, 2024