



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, April 9, 2024, at 10:30 a.m.

GC

24.06 Commercial Automobile Committee

The Records of the Commercial Automobile Committee meeting of March 28, 2024 are attached (Docket #GC24.06, Exhibit #4).

The Records of the Commercial Automobile Committee meeting of March 28, 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 March 27, 2024 are attached (Docket #GC24.11, Exhibit #2).

The Records of the Compliance and Operations Committee meeting of March 27, 2024 have been distributed and are on file.

NATALIE HUBLEY
President

Attachments

Boston, Massachusetts
April 3, 2024



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RECORDS OF MEETING

COMMERCIAL AUTOMOBILE COMMITTEE – MARCH 28, 2024

Members Present

| | |
|----------------------------|-------------------------------------------|
| Mr. Thomas DePaulo – Chair | Cabot Risk Strategies, LLC |
| Ms. Annmarie Castonguay | The Hanover Insurance Company |
| Ms. Sheila Doherty | Doherty Insurance Agency, Inc. |
| Ms. Mary McConnell | Safety Insurance Company |
| Ms. Sharon Murphy | Acadia Insurance Company |
| Mr. John Olivieri, Jr. | J.K. Olivieri Insurance Agency, Inc. |
| Mr. Thomas Skelly, Jr. | Deland, Gibson Insurance Associates, Inc. |
| Mr. Barry Tagen | Pilgrim Insurance Company |
| Mr. David Zawilinski | Arbella Insurance Group |
| Mr. Jesse Zimmerman | MAPFRE U.S.A. Corporation |

Substituted for:

N/A

Not in Attendance:

Mr. Tiago Prado, BRZ Insurance, LLC

24.01 Records of Previous Meeting

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

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.

In advance of this meeting, Committee members were provided a proposed industry survey drafted by staff that will inquire about the approach companies take regarding insuring peer-to-peer ride sharing vehicles in the voluntary market. Ms. Wendy Browne presented the survey, briefly detailing its contents and specific inquiries into companies' current engagement with peer-to-peer vehicle sharing. Ms. Browne then opened the topic for discussion and feedback regarding the proposed survey.

Ms. Mary McConnell addressed the format of the survey, suggesting that an excel format would be ideal for viewing company responses to which Ms. Browne replied that staff plans to create a writeable PDF on CAR's website. Companies would then receive a link to access the survey and submit responses.

Ms. Sharon Murphy suggested adding a question regarding whether companies actively exclude peer-to-peer ride sharing vehicles. She opined that the difference between active and passive exclusion of coverage for these vehicles is significant and helpful in further understanding companies' approaches to this coverage. Staff resolved to add this question to the survey before finalizing it for distribution.

In addition to the proposed survey, staff provided the Committee with findings from other states' residual market programs regarding coverage of peer-to-peer ride sharing vehicles. Of the 21 plans reviewed, all specifically exclude vehicle sharing in the private passenger market. On the commercial side, 15 plans exclude the commercial coverage of vehicle sharing via the Leasing and Rental Concern Rule, one plan excludes vehicle sharing in its Private Passenger Type rating, and five plans are silent on the matter.

23.08 Default Radius Standardization

The Committee continued its discussion of the default procedures for determining radius and geographic classification in the absence of credible documentation in Chapter X of CAR's Manual of Administrative Procedures. The current proposal would use the higher of two options discussed by the Committee. For option 1, the intermediate radius class, Ms. Lynne Rosenberg informed the Committee that the proposal includes updating the use of rating territory from territory 10 to the highest rated territory, to be consistent with the intent of the procedure. For option 2, the zone combination radius class, Ms. Rosenberg reviewed a base rate liability comparison to the zone rating combinations for Boston to New York City and Boston to Los Angeles/San Francisco, with the latter suggestion intended to reduce any potential conflicts with claims processing. The Committee agreed that the premium difference of the two zone combinations is minimal, and that the use of Los Angeles/San Francisco would avoid potential claims handling issues.

After discussion, the Committee unanimously voted to recommend the revised options that include the highest rated territory for the intermediate radius class for option 1, and the zone combination of Boston to Los Angeles/San Francisco for option 2, with the final radius and geographic class to be determined by the higher of the two options.

Mr. Barry Tagen suggested a clarification to the introductory paragraph of the procedures to change "principal garaging and principal operation" to "principal garaging and/or principal radius of operation. **The Committee approved this change and unanimously voted to recommend Governing Committee approval of the proposed changes to Chapter X of the Manual of Administrative Procedures as amended** (Docket #CAC23.08, Exhibit #4).

23.09 Consistency in Determining Classification

The Committee continued its discussion of issues impacting the consistency among Servicing Carriers in determining the classification of certain public vehicles.

Ms. Browne noted that staff outlined topics for consideration in addressing certain cases. She indicated that because mixed use scenarios have been identified as challenging in determining a consistent classification, one option the Committee may contemplate is to modify the 80/20 rule and/or introduce a liability rating factor to address instances where the secondary usage represents a widely different exposure.

After discussion, Servicing Carriers advised that the mixed use scenario is not a significant concern. The committee members therefore favored addressing the lack of documentation.

To that end, Ms. Browne noted that committee members have cited inconsistencies in classifying school bus risks when contracts are not yet available at policy inception. Ms. Browne recommended developing a standard to address the lack of documentation with a standard default classification procedure, consistent with that used in the determination of radius class. Mr. Tagen suggested using the bus NOC classification if there is no documentation and reclassifying the exposure under certain circumstances when documentation is later available. After a brief discussion, the Committee agreed and directed the staff to draft the procedures for the Committee to review at its next meeting.

Ms. Browne presented other underwriting questions that staff have received recently, including the classification for vehicles owned by the day care centers and the rating territory for non-zone rated vehicles. Mr. Tagen commented that day care centers are not the same as schools or social service agencies. Therefore, he recommended classifying those as bus NOC. After discussion, staff resolved to clarify the definition of bus NOC in the rating manual rules.

The Committee continued the discussion with rating territory for non-zone rated vehicles. CAR staff had been asked if the definition of “operating” applies only when the vehicle is actually transporting clients to define the highest rated territory. Ms. Beth Poplawski pointed out the difficulty of verifying whether the vehicle operates with passengers or not at certain points as well as the points being driven through. Companies often used the start and end points to define the highest rated territory instead of using the highest rated territory “through which or in which” the vehicle operates. Mr. John Olivieri suggested that a guideline is needed, for example, to define the highest rated territory using a straight line from the start to end points. After discussions, the Committee directed staff to research other states’ residual market manuals to identify options for continued Committee discussion.

24.04 On Hook Towing Coverage

The Committee discussed adopting the on-hook coverage endorsement CA 04 52 11 20 sooner than the originally proposed 1/1/2027 effective date for the new policy coverage forms. Ms. Katy Proctor informed the Committee that since the coverage is an endorsement to the Business Auto Policy, it could be adopted sooner. Members were in favor of a more timely adoption of the endorsement to provide clarity of coverage for claims handling. However, the members expressed concern with certain risks seeking this coverage to which it may not apply and suggested clear specifications when drafting rules addressing eligibility for the on-hook towing coverage. Ms. Browne noted that staff will further review the endorsement language and its draft rule to consider additional clarification for discussion by the Committee at its next meeting.

TIMOTHY GALLIGAN
Actuarial and Statistical Services Director

Boston, Massachusetts
April 3, 2024

March 28, 2024

Manual of Administrative Procedures Update

Memorandum of Change

Modifications to the following chapter of the Manual of Administrative Procedures are proposed:

Chapter X - Servicing Carrier and Exclusive Representative Producer Standards and Forms

Updates have been made to section C.3. for determining radius and geographic class in the absence of credible, verifiable documentation. Specifically, in instances where the applicant is unable to provide credible, permanent records to validate an automobile's principal garaging and/or principal radius of operation, the Servicing Carrier will perform two separate calculations and select the classification with the highest resulting premium.

CAR | **Manual of Administrative Procedures**
Chapter X | **Servicing Carrier and Exclusive Representative**
Revision Date | **2021.12.03**
Page | **16 of 20**

In instances where an applicant is unable to provide credible permanent records to validate an automobile's principal garaging and/or principal radius of operation, the Servicing Carrier will determine the radius and geographic class that generates the higher resulting premium of the two options below as follows:

| <u>Default Option 1</u> | |
|-------------------------|-----------------------------------------------------------|
| Radius Class | Intermediate Radius |
| <u>Zone Combination</u> | N/A |
| Rating Territory | Assign <u>Rating Territory 10 highest rated territory</u> |

| <u>Option 2</u> | |
|-------------------------|------------------------------------|
| <u>Radius Class</u> | <u>Intermediate Radius</u> |
| <u>Zone Combination</u> | <u>Boston to Los Angeles (218)</u> |

However, if the risk has been in operation for more than one year and provides credible documentation to validate a different radius class and/or geographic classification during the policy term, apply the rating change prospectively from the date the documentation is provided.

If the risk has been in operation for less than one year and provides credible documentation to validate a different radius class and/or geographic classification at least 90 days prior to policy expiration, apply the rating change as of the effective date of the policy. However, if the documentation is provided within 90 days of the policy's expiration date, the rating change would be applied as of the effective date of the renewal policy.



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RECORDS OF MEETING

COMPLIANCE AND OPERATIONS COMMITTEE – MARCH 27, 2024

Members Present

| | |
|--------------------------|-------------------------------|
| Ms. Erin Cummings– Chair | Norfolk and Dedham Group |
| Ms. Kara Boehm | 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. Henry Risman | Risman Insurance Agency, Inc. |
| Mr. Barry Tagen | Pilgrim Insurance Company |
| Mr. Christopher Taylor | The Hanover Insurance Company |
| Ms. Brenda Williams | MAPFRE U.S.A. Corporation |

Substituted for:
N/A

Not in Attendance:
N/A

24.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Compliance and Operations Committee meeting of January 31, 2024. 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 February 13th, 2024 Governing Committee meeting pertaining to the Compliance and Operations Committee.

Ms. Browne also noted that Electric Insurance filed a plan to withdraw from the Massachusetts private passenger automobile insurance market which was approved by the Division of Insurance, and a bulletin to that effect was posted to CAR's website in February. Additionally, Ms. Browne stated that updates to the MAIP rates were placed on file with an effective date of May 1, 2024. CAR's commercial residual market rate filing, however, is still under review.

24.05 Compliance Audit Program

Mr. Matthew Hirsh presented Hybrid Audit (HAP) results for Vermont Mutual. He noted that Vermont Mutual has a Limited Assignment Distribution Agreement (LADA) with Pilgrim Insurance and thus the audit sample included data reported by both Vermont Mutual and Pilgrim. Mr. Barry Tagen of Pilgrim recused himself from participating in discussion regarding the audit results.

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 advised 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 Special Investigation Unit (SIU) evaluation, including the required CAR Rule 32.C.2. SIU-completed audits of garaging and policy facts.

For sampled Vermont Mutual policies, the audit scope included \$540,000 in written premium. Associated loss dollars, including paid losses and allocated loss adjustment expenses, totaled \$1,520,000. Mr. Hirsh noted three recurring statistical reporting premium-related issues and three recurring statistical claims-related issues not in compliance with the Statistical Plan. He also indicated that Vermont Mutual 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, Vermont Mutual was determined not in compliance with the SIU evaluation.

Mr. Mark Alves explained that when CAR staff began the process of testing Vermont Mutual's SIU, two gaps in the sampled data were identified. First, all policies included in the underwriting audit samples (CAR Rule 32.C.2.) were incorrectly uploaded as underwriting referrals. Additionally, fifteen of the sampled claim referrals were not actual SIU referrals but requests by the adjustor for the investigator to complete license plate or social media checks to assist in claims investigations. While both are legitimate components of an investigation, neither can be considered as valid SIU referrals used to evaluate the effectiveness of the ARC's fraud screening or the quality of SIU investigations. CAR staff determined that Vermont Mutual did not have the minimum required 25 claims or underwriting referrals to the SIU for the sampled period. Because of the lack of referrals to the SIU for investigation and consistent with a prior committee decision that a minimum of 25 referrals is necessary to audit, CAR determined Vermont Mutual as not compliant with the SIU requirement measured in the Hybrid Audit.

The Committee voted unanimously, with one recusal, to accept the report and directed staff to conduct a focus audit of Vermont Mutual in 2025 to retest the effectiveness of Vermont Mutual's SIU in accordance with the procedures detailed in Appendix J of the Standards.

Mr. Hirsh then presented Focus Audit results for Farm Family. Mr. Barry Tagen of Pilgrim recused himself from participating in discussion regarding the audit results. Mr. Hirsh explained that Farm Family underwent a Hybrid Audit in 2020 and results were presented at the April 2021 Compliance and Operations Committee meeting, where it was noted that thirteen recurring data quality issues were identified. The Committee directed CAR staff to conduct a focus audit in 2022 testing seven of those issues whose corrections were deemed as a priority.

CAR conducted the follow-up focus audit in 2022 and results were presented at the June 2023 Compliance and Operations Committee meeting. There, it was noted that three of the seven prioritized issues from the Hybrid Audit had been corrected, with four remaining uncorrected. Additionally, six newly identified issues were noted, three of which were deemed as requiring mandatory corrections. The Committee directed CAR staff to begin assessing penalties to Farm Family for future monthly statistical submissions considered as late and unacceptable if the four remaining recurring issues identified in the HAP audit as requiring corrections remained uncorrected. The Committee also directed CAR staff to

conduct another focus audit in 2024 to evaluate the accuracy of the three newly identified issues requiring mandatory correction.

Mr. Hirsh noted that, after performing the additional review, CAR staff has determined that all recurring issues which required mandatory corrections have been successfully addressed. The Committee unanimously voted, with one recusal, to accept the report and return Farm Family back to the normal audit schedule without assessing penalties for late and unacceptable shipments.

Mr. Alves then provided an update on the system development efforts related to CAR's Commercial Audit System. He explained that the system was originally scheduled to be completed in late 2023 with auditing set to begin in early 2024. Due to newly emerging priorities impacting the timeline, CAR experienced some development delays. The expectation now is that the system will be completed in May of 2024 with user testing to follow, and the initial Servicing Carrier commercial audit is expected to begin in June.

24.07 SIU Reporting

The Committee reviewed the SIU compliance reports provided annually to the Division of Insurance. Mr. Alves noted that a third report was developed to address companies expected to use the alternative methodology to achieve compliance with the SIU requirements.

The Committee unanimously accepted the reports and directed staff to distribute the reports to the Division of Insurance.

MATTHEW HIRSH
Compliance Audit Supervisor

Boston, Massachusetts
April 1, 2024