



COMMONWEALTH AUTOMOBILE REINSURERS

101 Arch Street, Suite 400 Boston, Massachusetts 02110
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617-338-4000

ADDITIONAL INFORMATION

TO MEMBERS OF THE GOVERNING COMMITTEE

FOR THE MEETING OF:

Tuesday, February 10, 2026, at 10:30 a.m.

GC

26.07 Compliance and Operations Committee

The Records of the Compliance and Operations Committee meeting of January 28, 2026, are attached (Docket #GC26.07, Exhibit #1). The Records of Meeting have been distributed and are on file.

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26.08 Personnel Committee

The Records of the Personnel Committee meeting of February 2, 2026, are attached (Docket #GC26.08, Exhibit #1). The Records of Meeting have been distributed and are on file.

NATALIE HUBLEY
President

Attachments

Boston, Massachusetts
February 4, 2026



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RECORDS OF MEETING

COMPLIANCE AND OPERATIONS COMMITTEE – JANUARY 28, 2026

Members Present

Ms. Erin Cummings – Chair
Mr. Cory Hanson
Ms. Annmarie Hassan
Ms. Nicole Martorana
Ms. Sharon Murphy
Mr. Henry Risman
Mr. Barry Tagen
Ms. Brenda Williams

Norfolk and Dedham Group
The Hanover Insurance Company
Arbella Insurance Group
FBInsure, LLC
Acadia Insurance Company
Risman Insurance Agency, Inc.
Pilgrim Insurance Company
MAPFRE U.S.A. Corporation

Substituted for:

N/A

Not in Attendance:

N/A

25.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Compliance and Operations Committee meeting of September 3, 2025. The Records have been distributed and are on file.

26.04 Informational Items

Ms. Wendy Browne informed the Committee that the proposed changes to the Assigned Risk Company (ARC) Procedures Manual were approved by the Governing Committee in September, allowing CAR staff to make recommendations to the Compliance and Operations Committee earlier in the audit process for companies with high error rates.

Ms. Browne notified the Committee that the proposed changes to the Massachusetts Commercial Statistical Plan pertaining to Garage Classification Codes were approved by CAR's Governing Committee in September and by the Division of Insurance in October.

Ms. Browne informed the Committee that the amendments to Rules 14 & 31 of the CAR Rules of Operations pertaining to ERP and ARP to require that the disclosure of fees must be compliant with all state laws and regulations including 490 CMR 38.00 were deemed approved by the Commissioner of Insurance in October. She advised that notices of the above approvals have been distributed to the industry.

Finally, Ms. Browne informed the Committee that the recommended amendments to the Claims Performance Standards were filed with the Division of Insurance for consideration. A hearing was held on December 2, 2025 and CAR is currently awaiting a decision.

26.05 Compliance Audit Program

Mr. Matthew Hirsh presented Hybrid Audit (HAP) results for Foremost of Grand Rapids, Michigan. The Foremost Hybrid Audit scope included \$776,000 in written premium. Associated loss dollars, including paid losses and allocated loss adjustment expenses, totaled \$2,300,000. Mr. Hirsh indicated that Foremost's Quota Share error rate and Credit Premium difference exceeded what is typically observed in a Hybrid Audit. Both issues were attributed to CAR staff's inability to verify operator licensure, as Foremost did not provide source documentation for operators that were licensed outside the state of Massachusetts. He also noted eight recurring premium-related statistical reporting issues and four recurring claims-related statistical reporting issues not in compliance with the Statistical Plan.

Mr. Hirsh indicated that while Foremost was found compliant with the required CAR Rule 32.C.2. SIU-completed audits of garaging and policy facts, it was not compliant with the overall SIU evaluation. He explained that 14 of the 25 sampled claims were not referred to the SIU for investigation but instead instances that the SIU was asked only to assist the claim adjuster by checking ISO reports, Lexus Nexus reports, Carfax reports, and social media websites. While these may be a component of an SIU investigation, none are the basis for evaluating the quality of the audited company's SIU investigation.

He also explained that Foremost was determined non-compliant with the Claims Performance Standards review within the Coverage Best Practice due to a lack of supporting documentation on policies that licensure could not be validated. Absent this issue, Foremost would be considered in compliance with the Performance Standards.

The Committee unanimously voted, with one recusal, to accept the report and approved CAR staff's recommendation to conduct a focus audit in April 2027 to evaluate Foremost's correction efforts pertaining to the 14 identified issues, and separately, to conduct a focus audit in February 2027 to retest the effectiveness of Foremost's SIU in accordance with the procedures detailed in Appendix J of the Standards.

Ms. Browne then explained that Foremost, a member of Farmers Insurance Group, experienced data quality issues upon first entering the Massachusetts Private Passenger market. CAR reported these issues to the Compliance and Operations Committee over several meetings, and penalties were assessed to Foremost following the June 1, 2022 meeting. Following Farmers Insurance Group's acquisition of Metropolitan General Insurance Company, CAR advised the Governing Committee that Foremost and Metropolitan would be treated as separate Member Company groups in Quota Share to ensure that Foremost's reporting issues did not negatively affect the assignment process. These groups have remained separate since 2021.

Foremost has since requested consolidation of the groups pursuant to Rule 22, as they share common ownership. Although Foremost's Hybrid Audit report identified several data quality issues, CAR staff has determined that these issues are not severe enough to warrant denial of the request. Ms. Browne noted that accordingly, the two groups will be combined with the December 2025 Quota Share base data update in late February. However, to mitigate any potential negative impact to other Assigned Risk Carriers, Foremost's credit premium will be adjusted to account for the current data quality issues.

Mr. Mark Alves presented focus audit results for Vermont Mutual, which considered the ARC's compliance with the statutory requirement applicable to the Special Investigative Unit (SIU). Mr. Alves explained that Vermont Mutual had undergone a Hybrid Audit in 2023 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. At that time, CAR suggested to Vermont Mutual that while it was clear that an active SIU program existed, it could increase the number of true referrals to the SIU by referring all fire, theft, vandalism, and hit-while-parked claims to the SIU for investigation to rule out potential fraud indicators prior to issuing payments.

In the current focus audit, Vermont Mutual uploaded 14 SIU investigations into CAR's SIU System while documenting an additional 11 hit-and-run claims fully investigated by the SIU and eligible for inclusion in the audit sample. CAR's SIU Auditor evaluated the SIU activity and determined that each investigation included detailed supporting documentation and were handled appropriately by Vermont Mutual's SIU. Vermont Mutual has also partnered with a third-party compliance and investigations vendor with significant SIU experience to invest and enhance its SIU program.

CAR determined that Vermont Mutual was now compliant with the SIU requirements in accordance with Appendix J and recommended Vermont Mutual return to the normal five-year Hybrid Audit schedule. The Committee unanimously voted, with one recusal, to accept the audit report without further consideration.

Mr. Alves then updated the committee on the Towing & Labor focus audits of Hanover and USAA. He explained that CAR staff recently met with Hanover and was informed that Hanover intends to terminate its relationship with its current vendor and has been in communication with two other vendors to potentially provide future Hanover Towing & Labor services. In their discussion with the two potential vendors, Hanover communicated the required need to provide supporting documentation for the validation of the loss amounts independent of unallocated loss adjustment expenses as required by the Statistical Plans. Hanover estimates that a new vendor will likely be in place within the next several months. As Hanover has made credible progress towards resolving the reporting issue, CAR will not recommend assessment of penalties for non-compliance.

Mr. Alves continued by noting that CAR acknowledges that USAA has continued to actively communicate with CAR but is still unable to support that ULAE is not included in the reported Towing & Labor loss amounts. However, after internal discussion, CAR staff concluded that the potential penalty assessment for late and unacceptable shipments would be excessive considering the limited data quality and quota share impact from the small segment of data and specific dollar amounts of unsupported tow-related paid losses. Mr. Alves stated that CAR will draft amendments to the penalty program to introduce a two-tiered approach, including amendments to the ARC Procedures Manual for consideration at the March 25th COPC meeting.

22.09 Merit Rating Reporting

In conjunction with the Foremost of Grand Rapids, Michigan Hybrid Audit report, Mr. Hirsh presented results of the follow-up merit rating audit of 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 one of only two ARCs that remain with inaccurate merit rating data. The last follow-up merit rating audit of Foremost was conducted in 2024 and a 24% error rate was noted, still greatly above the industry average. At the September 2024 COPC meeting, it was decided that

a final follow-up merit rating audit would be conducted and included in the Hybrid Audit results, and that if Foremost still held an above-average error rate, CAR would recommend that penalties be assessed immediately for late and unacceptable shipments as outlined in the Private Passenger Statistical Plan.

Mr. Hirsh then explained that upon completion of the merit rating audit, Foremost held a 58% error rate. At the conclusion of the merit rating audit, Foremost indicated to CAR staff that they were in agreement with the 2025 findings and that changes to programming logic would be implemented in January 2026.

The Committee voted, with one recusal, to accept the audit report and directed CAR staff to begin the process to assess penalties to Foremost for late and unacceptable shipments with the March 2026 submission as outlined in the Private Passenger Statistical Plan until a monthly submission with accurate merit rating data is submitted. If Foremost is able to correct its merit rating reporting by the March 2026 submission, then no penalties will be assessed.

26.07 Amendments to Rule 13 and 30 – Servicing Carrier and Assigned Risk Company Requirements – Service Fees

Ms. Browne presented proposed amendments to Rule 13 and Rule 30 of the CAR Rules of Operation that are consistent with the amendments to Rules 14 and 31 producer requirements to be compliant with 940 CMR 38.00. She explained that language has been added to both Rule 13 and Rule 30 stating that the disclosure of any fee is to be compliant with all state laws and regulations. She also informed the Committee that the MAIP Steering and Commercial Automobile Committees will be discussing, at their upcoming meetings, other actions taken to ensure compliance with the negative option features disclosure requirement.

The Committee voted unanimously to recommend Governing Committee approval of the proposed changes to Rules 13 and 30 of the CAR Rules of Operation.

MATTHEW HIRSH
Compliance Audit Supervisor

Boston, Massachusetts
February 3, 2026

CAR	Rules of Operation
Rule 13	Servicing Carrier Requirements
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- e. Maintain a Special Investigative Unit to investigate suspicious or questionable Motor Vehicle Insurance claims for the purpose of eliminating fraud, and to assist in the verification of garaging and policy facts on a representative sample of policies.
- f. Report all required information to CAR in an accurate and timely manner.
- g. Adopt and maintain a plan approved by the Commissioner providing for direct payment by the insurer to the insured under collision, limited collision, comprehensive, and fire and theft coverages.

B. Servicing Carrier Responsibilities

- 1. A Servicing Carrier that has contracted with a third party for performing any of its Servicing Carrier responsibilities guarantees the third party's performance.
- 2. A Servicing Carrier must provide quality service to CAR policyholders by maintaining the standards established as a condition of appointment under Section A.3.
- 3. A Servicing Carrier shall provide the same level of service to ceded policies as it provides to policies issued voluntarily.
- 4. Policies and other forms mailed to policyholders shall be those specifically referenced in CAR's Manual of Administrative Procedures.
- 5. General Duties

A Servicing Carrier shall perform the following general duties:

- a. Provide a contract signed by an authorized company representative with terms consistent with the Rules of Operation to a qualified newly appointed or reappointed ERP within 15 business days of the Servicing Carrier's receipt of the appointment by CAR. If the Servicing Carrier determines that the appointed or reappointed ERP is not duly qualified, the Servicing Carrier will notify CAR within two business days of that determination.

CAR | **Rules of Operation**
Rule 13 | **Servicing Carrier Requirements**
Revision Date | **2020.07.20Draft 2026.01.28**
Page | **Page 3 of 7**

- b. Verify that information contained in the application for insurance is accurate as to classification, garaging, discounts, credits, vehicle use, vehicle description and experience for those risks eligible to be experience rated.
- c. Assure that a policy has been issued for each Registration and Title Application (RTA) and that the policy effective date and the certification date are the same.
- d. Adopt procedures designed to assure that all assigned ERPs comply with all provisions of the contract between the Servicing Carrier and the producer.
- e. Implement procedures to assure collection of premiums billed.
- f. Comply with the terms and conditions of premium finance notes and/or agreements submitted to the Servicing Carrier, on behalf of applicants for insurance, by the producer or by a premium finance company licensed under the laws of the Commonwealth of Massachusetts.
- g. Ensure that the disclosure of any fee is compliant with all state laws and regulations, including 940 CMR 38.00.
- gh. Maintain effective communication with ERPs by scheduling meetings when necessary and conducting educational or training sessions as may be necessary to assure that ERPs provide quality service to the motoring public.
- hi. Verify, prior to contracting and on an ongoing basis, producer eligibility for appointment to a Servicing Carrier as required by G.L. c. 175, §113H.
- ij. Provide ERPs with all information and procedures required for them to effectively service policies ceded to CAR.
- jk. Comply with all of the provisions of the Plan and Rules of Operation and the Manual of Administrative Procedures.
- kl. Maintain records of infractions of the Rules of Operation by ERPs and report such infractions as appropriate.

CAR	Rules of Operation
Rule 13	Servicing Carrier Requirements
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- | **1m.** Provide ERPs with necessary information from the policy declaration page, in a usable format and medium, to support the servicing of their insureds.
- | **1m.** Provide producers with a list of approved inspection services for conducting pre-inspections.
- | **1n.** Provide ERPs with premium, production, and experience data on their business, at least quarterly.
- | **1o.** On an annual basis, provide CAR with information relative to each ERP's affiliation status for commercial Motor Vehicle Insurance. Identify any contractual relationship or membership in a producer cluster or network that the ERP may have or whether the ERP has a direct or indirect material and continuing proprietary or management interest in another agency or brokerage firm having an ERP appointment to another Servicing Carrier. Include any new agency affiliations or changes in affiliated agency relationships.
- | **1p.** Offer training on claim reporting and fraud recognition to producers and their customer service representatives.
- | **1q.** On an annual basis, evaluate an ERP's book of business to assure that minimum commercial Motor Vehicle Insurance written premium volume requirements are met pursuant to the provisions of Rule 14.C.1. Provide a copy of the evaluation to the ERP and to CAR within 15 days of the evaluation date.
- | **1s.** Terminate an ERP's contract to bind coverage in accordance with Section B.6.

6. Termination of ERP Contracts

- a. A Servicing Carrier may terminate an ERP's contract and authority to bind coverage upon failure of the ERP to meet the eligibility requirements and/or definition of ERP as provided by the Rules of Operation or upon failure of the ERP to fulfill any of the requirements of Rule 14.B.1.
 - (1) A Servicing Carrier shall have cause to immediately terminate an ERP's contract and the authority to bind coverage pursuant to the provisions of Rule 14.B.2.a.

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any factual errors; and 2) obtain the insured's consent before issuing a notice of adjustment to the down payment and/or total premium. If the inquiry is made directly to the applicant, the producer of record shall be furnished a copy.

If the resolution of an apparent inconsistency results in a change to information used to calculate premium, the ARC shall charge an appropriate premium based upon the additional or corrected information, and adjust the applicant's next bill accordingly. If, however, the applicant is unwilling to consent to the modification, and the ARC has independent evidence that the applicant had the actual intent to deceive or the material misrepresentation increases the ARC's risk of loss, the ARC may cancel the policy as provided by Massachusetts law.

4. No companies within an insurer group under the same management or ownership or both may provide a different level of service through a company within the group that is not an ARC than is provided to policyholders insured by a company with the group that is an ARC.
5. General Duties

ARCs shall perform the following general duties.

- a. Confirm operator driving licenses and records in order to administer the MAIP merit rating plan and its own merit rating plan accurately;
- b. Verify eligibility criteria;
- c. Verify that information contained in the application for insurance and any supplemental information is accurate as to classification, garaging, discounts, credits, vehicle use, vehicle description, and, to the extent verifiable, other rating factors;
- d. Assure that a policy has been issued for each Registration and Title Application (RTA) and that the policy effective date and the certification date are the same;
- e. Implement procedures to assure collection of premiums billed;
- f. Comply with the terms and conditions of premium finance notes and/or agreements submitted to the ARC on behalf of applicants for

CAR	Rules of Operation
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insurance, by the producer or by a premium finance company licensed under the laws of the Commonwealth of Massachusetts;

f.g. Ensure that the disclosure of any fee is compliant with all state laws and regulations, including 940 CMR 38.00;

g.h. Ensure that there is communication among the ARC's Underwriting, Claims, and SIU Departments and that any discrepancies in information are shared promptly among the departments and documented;

h.i. Maintain and forward to the MAIP a copy of all written complaints filed with the ARC regarding the service provided by the ARC or any ARP; and

i.j. Monitoring of Assigned Risk Producers

ARCs will be responsible for notifying the MAIP of ARP infractions that may result in the revocation of the ARP's MAIP certification as follows:

- (1) Failure to maintain a valid producer's license as issued by the Division of Insurance;
- (2) Willful misappropriation of premium due an ARC in accordance with the provisions of the MAIP Rules of Operation;
- (3) The entry of a finding, by a court of competent jurisdiction that the producer has engaged in fraudulent activity in connection with the business of motor vehicle insurance;
- (4) Failure to forward premium payments to an ARC within two business days in accordance with the MAIP Rules of Operation;
- (5) Failure to notify the ARC of any suspected fraud in the application for insurance or in the underwriting or rating process or in the payment of premium obligations or surrounding a loss;
- (6) Failure to assist the ARC during any audit or investigation;



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RECORDS OF MEETING

PERSONNEL COMMITTEE – FEBRUARY 2, 2026

Members Present

Mr. William Hughes. – Chair
Ms. Sarah Clemens
Ms. Nicole Martorana
Mr. John Olivieri, Jr
Ms. Meredith Woodcock

Arbella Insurance Group
MAPFRE U.S.A. Corporation
FBInsure, LLC
World Insurance Associates, LLC
Liberty Mutual Insurance Companies.

Substituted for:
N/A

Not in Attendance:
Mr. Thomas DePaulo, Cabot Risk Strategies, LLC
Mr. Christopher Taylor, The Hanover Insurance Company

25.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Personnel Committee meeting of October 29, 2025. The Records have been distributed and are on file.

26.04 2026 Annual Merit Adjustment

Mr. Steven Gautieri reviewed an annual merit adjustment survey of industry-funded peer organizations to which CAR ties its recommendation, noting CAR's proposed increase is in-line with those companies for 2026.

Mr. Gautieri then presented a proposal for the President's discretionary allowance to award individuals whose performance deserves meaningful additional compensation. He noted the practice has been highly successful over the past six years in motivating middle and lower-level staff who are now more directly involved in committee activity, problem solving and the implementation of impactful solutions throughout the company. He noted that the discretionary compensation is awarded as one-time payments and does not increase base salaries.

After discussion, the Committee unanimously voted to recommend to the Governing Committee approval of the proposed merit adjustment for calendar year 2026 and the additional discretionary allowance.

26.05 2026 Annual Range Movement

Mr. Gautieri provided a review of salary range survey information reflecting industry-funded peer organizations planned salary range increases for 2026. Based on the survey information and in keeping with past practice, a salary range increase percentage was proposed to align CAR with those organizations for 2026.

Following brief consideration, the Committee unanimously voted to recommend to the Governing Committee a salary range adjustment percentage as recommended for calendar year 2026.

26.06 Officer Salary Recommendations

Ms. Hubley provided a 2025 job performance assessment of Ms. Wendy Browne, Vice President of Business Operations. Ms. Browne's 2025 performance included a highly visible presence in both the Private Passenger and Commercial residual markets through but not limited to the three approved rate filings and committee activity.

Ms. Hubley proposed a salary increase for Ms. Browne consistent with the merit increase percentage approved for CAR staff for 2026.

The Committee unanimously voted to recommend to the Governing Committee a 2026 salary adjustment for Wendy Browne, Vice President of Business Operations, as proposed by Ms. Hubley.

Ms. Hubley also provided a review of the 2025 job performance of Mr. Samuel DiBattista, Vice President of Technical Operations. Ms. Hubley noted that although Mr. DiBattista has only been in the VP position since October 2025, he has been a prominent leader in the IT department and took over responsibilities in July 2025 when CAR's former Vice President of Technical Operations retired.

Ms. Hubley proposed a salary increase for Mr. DiBattista consistent with the merit increase percentage approved for CAR staff for 2026.

After a brief discussion, the Committee also unanimously voted to recommend to the Governing Committee a 2026 salary adjustment for Samuel DiBattista, Vice President of Technical Operations, as proposed by Ms. Hubley.

26.07 President's Salary Recommendation

The Committee provided an assessment of CAR president, Natalie Hubley's 2025 job performance, including comments from members of the committee. In recognition of Ms. Hubley's leadership and continued success as president, the Committee reached a consensus on an appropriate merit adjustment percentage.

Following discussion, the Committee unanimously voted to recommend to the Governing Committee a 2026 merit adjustment for Ms. Hubley.

KATY PROCTOR
Financial Services Specialist

Boston, Massachusetts
February 3, 2026