CAR
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NATALIE A. HUBLEY
PRESIDENT

TRANSCRIPT OF

GOVERNING COMMITTEE MEETING

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

TUESDAY, SEPTEMBER 17, 2024, AT 9:30 A.M.

Committee Members present –

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

Ms. Pamela Bodenstab-Krynicki	P L Krynicki Insurance Agency
Ms. Sarah Clemens	MAPFRE U.S.A. Corporation
Mr. Kevin Costigan	GEICO
Mr. Thomas DePaulo	Cabot Risk Strategies, LLC
Ms. Jean Houghton	Norfolk and Dedham Group
Mr. William Hughes	Arbella Insurance Group
Ms. Nicole Martorana	FBInsure
Ms. Mary McConnell	Safety Insurance Company
Mr. Tiago Prado	BRZ Insurance
Mr. Christopher Taylor	The Hanover Insurance Company
Ms. Meredith Woodcock	Liberty Mutual Insurance Companies

Substituted for:
N/A

Not in Attendance:
Ms. Ida Denard Jones, Denard Insurance Agency, Inc.

PROCEEDINGS

(Meeting began at 9:32 a.m. Because Chair Olivieri expected to arrive late to the meeting, Vice Chair Hughes began the meeting.)

Mr. Hughes: I'll begin the meeting by saying welcome to our new Governing Committee member, Jean Houghton from Norfolk and Dedham. Welcome to the team, Jean. Also with us today is Matthew substituting for the Division of Insurance.

Mr. Burke: Mary Ellen will be back.

Mr. Hughes: Welcome. Thank you.

24.01 Transcript of Previous Meeting

Mr. Hughes: You've all received copies of the transcripts of the last Governing Committee meetings. I need a motion to approve.

Mr. DePaulo: So moved.

Ms. Clemens: Second.

Mr. Hughes: All in favor?

All Committee Members: Aye.

Mr. Hughes: Any opposed? Thank you.

24.04 President's Report

Mr. Hughes: With that, I will turn it over to Natalie for the President's Report.

Ms. Hubley: Thank you. As usual, I have a number of items to bring to your attention. First, I wanted to talk about next year's Governing Committee meeting schedule. We'll be sticking with the third Tuesday of the month unless that conflicts with school vacation or other holidays. Our first meeting will be in February, February 11th. We'll then meet on April 15th, June 17th, September 16th, and November 18th. So, mark your calendars for 10:30. Those will be in-person meetings. As usual, the November meeting will begin at 10:30 with the Annual Meeting. We'll post that information on our website probably this week.

Next up, we are trying to move the advisory committee appointment process up a little bit to be a little more timely as far as the consultation with the Commissioner of Insurance. We want to ensure that we have the Commissioner sign off before the end of the year so that we can notify committee members. We've been going into the first of the year and sometimes that's caused some problems. So, we did initiate a request to sit on the different advisory committees. Robin has asked for responses by October 18th. We have received a number of those already. She'll start following up with people probably in early October that we haven't heard from. Our intention is to establish those rosters before the end of November and then consult with the Commissioner during December and hopefully have that process completed by the end of the year.

Next, I wanted to let you know this is the year of our semi-annual holiday luncheon. The tradition has been when the Chair turns over, we have a holiday luncheon. We did enjoy one last year because we hadn't met in so long but we're now going to get on to our bi-annual cycle. That will be immediately following the November Governing Committee meeting. We will have that at Boston Chops. Robin will send out a holiday invitation to you soon.

Also, I wanted to note that at your special meeting in July, you approved a lease extension in this building. That has been fully executed. So, that becomes effective September 1st of this year. We're happy to be enjoying the savings that resulted from that renegotiated lease.

I also want to remind you at your last meeting that I noted some reporting issues with Amica Insurance. They had a full systems conversion and have been experiencing difficulties getting data to us for the 2024 year. They weren't sure that they were going to be able to commit to providing that data. During conversations with CAR staff, we made it clear that that really wasn't an acceptable option, and so they are committed to making sure that they get the full year's worth of data to us by the end of the reporting year. To that end, Wendy has been meeting with their staff, and their counsel. They've put a lot of outside resources into this. They have begun to send us some test shipments. Those shipments do have high stat error. They're not quite where they need to be, but we do see that they're making progress. They're committed to providing data to us within the January to February timeframe. So, we're pleased with their commitment at this time.

As probably many of you know, Main Street America has announced its intention to pull out of the private passenger marketplace. We are reaching out to them to see if we can get more information about their plans. We believe that they will be required to file a withdrawal plan with the Division of Insurance. So, we're working on getting together with them so that they understand their obligations.

Finally, I wanted to provide a report relating to MAIP rating. This has been an issue that's been very important to committee members. As you know, CAR committees have been monitoring the growth in the MAIP assignments for over a year now. You'll hear two advisory committee reports today on this topic. The committees have recognized that some of that growth reflects a correction of extraordinary circumstances relating to the Covid pandemic. But all members do emphasize the importance of keeping pace with the rate need created by the dramatic growth in loss costs due to inflation and the increasing cost to repair.

To that end, shortly after the Acting Commissioner assumed his role, I did reach out to schedule a meeting to discuss residual market issues, in particular the growth in the MAIP assignment volume and the impact of the MAIP rate on the current market conditions. The Acting Commissioner was very responsive, and a meeting was scheduled shortly thereafter.

Wendy and I met with the Acting Commissioner and his leadership team at the SRB. We discussed data that reflects the increased volume of assignments and reports that show the growth in the volume of assignments rated with the MAIP rates. We noted the recent rate change effective May 1 and that we had followed that filing quickly with a proposal to adopt the new increased limits factors effective November 1. We also discussed a strategy to make semi-annual filings by MAIP to keep pace with the rating changes in the voluntary market and to ensure that the MAIP rates are not competitive with the voluntary market.

There was then a follow-up meeting scheduled with SRB staff and CAR staff. Wendy and her team met with that group. The SRB shared CAR committees' point of view that the conditions in the marketplace are stabilizing and that the voluntary and residual market rates are improving. The SRB, however, did not support the semi-annual filing strategy for MAIP. With that being said, staff is now in the process of reviewing rate indications for a filing next month with a proposed effective date of May 1, 2025. This will be a 12-month filing. That is not to say that we won't review the rate need semi-annually. We will certainly do that and if circumstances warrant, we will continue discussions with the Division and adjust our strategy accordingly.

We will also continue to review other rating issues to improve rate adequacy across classes and territories such as a realignment of territory configurations which have remained constant since MAIP's inception. This is a strategy that's been discussed with the Actuarial Committee. The members there agree that that would be an improvement, but it would be appropriate to address that when the residual market rate need stabilizes.

This is where we're at. That would conclude my report. I'd be happy to take any questions from the committee members.

Mr. Hughes: Thanks, Natalie

24.05 Counsel's Report

Mr. Hughes: Next up is Counsel's Report.

Mr. Torres: Yes, I'll deliver the report this morning. Good morning, everyone. There are four items on today's Counsel Report, including one action item. The first three are just quick statuses.

We have no update on the long pending Calianos Insurance Agency appeal to the Division. It remains fully briefed and argued. We await a decision from the hearing officer at the Division at this time.

The second item involving Point Insurance, the Point II Appeal as we refer to it, that's the proceeding in which the Point Insurance Agency is challenging Arbella's termination and that remains pending at the Division. Following a hearing that we had last November and some additional briefing that followed, it appears that the hearing officer is now in the position to decide that appeal. We await a determination from the Division on that matter as well.

The third item, the Rule 31 amendment, the Governing Committee's Rule 31 amendment is also pending at the Division. We await a decision or a ruling on that issue as well.

The fourth and final item, which is the action item in our counsel report, relates to the Limited Assignment Distribution Agreement between Pilgrim Insurance Company and Amica Mutual Insurance Company.

We have reviewed the LAD Agreement between Pilgrim and Amica and find that the terms are consistent with the CAR Rules, including in particular Rule 36. Moreover, the terms of the agreement are similar to and consistent with the terms of other LAD Agreements that have been previously approved by the Governing Committee. Therefore, we see no issue from a legal perspective to prevent approval of this agreement. We also note that CAR staff has reviewed and confirmed that there is not an issue from a premium volume perspective to prevent the adoption of this agreement. This is an action item that the Governing Committee may consider if so inclined. Unless there are any questions, that concludes counsel's report.

Mr. Hughes: Before we take a motion, any questions on the one action item we have to vote on? Can I get a motion to approve the LAD Agreement between Pilgrim and Amica effective January 3, 2025?

Ms. Woodcock: So moved.

Mr. Hughes: Thank you. Can I get a second?

Mr. DePaulo: Second.

Mr. Hughes: All in favor?

All Committee Members: Aye.

Mr. Hughes: Any opposed? Thank you.

24.06 Commercial Automobile Committee

Mr. Hughes: Thom, I'll turn it over to you for the Commercial Automobile Committee.

Mr. DePaulo: Good morning, everybody. I'll be reporting on the Commercial Auto Committee meeting of August 1st. I have four agenda items I'll go through, and I'll have several points for consideration.

The first is Eligibility of Peer-to-Peer Vehicle Sharing Program. The committee continued its discussion relative to the peer-to-peer vehicle sharing coverage. While limited, there is access to coverage in the voluntary market. Accordingly, while this item will remain open, further discussion will be tabled, and staff will continue to monitor legislative activity related to insurance obligations of vehicle sharing programs. So, we will continue to report on that if there are any developments.

The next agenda item, which there will be two motions under this section, is Consistency in Determining Classification. The committee continued its discussions on issues relating to reported inconsistencies among Servicing Carriers in determining classification. At our last meeting, the Committee had discussions modifying the Bus NOC definition to include vehicles owned and operated by daycare centers but deferred making a decision to ensure that there were no conflicts with the Social Service Bus definition. In considering various options for updating the definition, it was also suggested that shuttle buses could be included in the Bus NOC definition as those that provide transportation to and from train stations and places of work or operate on campuses or hospitals that do not meet any of the other bus definitions. The committee ultimately concurred on the following definition of the Bus NOC classification:

This classification includes buses that do not meet any of the prior definitions including, but not limited to, automobiles such as country club buses, cemetery buses, real estate development buses, courtesy buses, shuttle buses, and buses owned by or operated for daycare centers.

The committee voted unanimously to recommend to the Governing Committee approval of the proposed amendment, replacing the entirety of the Bus NOC classification definition included in Section V – Public Transportation of the Commercial Automobile Insurance Manual and the supplemental application found in Chapter III – Servicing Carrer Responsibilities of the Manual of Administrative Procedures. This is an action item for your consideration. The proposed changes can be found in the Commercial Auto Committee records that were distributed. So, do I have a motion to accept the updated definition of the Bus NOC classification?

Ms. Clemens: So moved.

Mr. Taylor: Second.

Mr. Hughes: All in favor?

All Committee Members: Aye.

Mr. Hughes: Any opposed?

Mr. DePaulo: Thank you. Continuing on in this section, the committee also continued its discussion relative to the term "operates" in Rule 72.C.2. that uses the highest rated territory of operation through which or in which the public automobile operates to determine the rating territory. At the last meeting, the committee had agreed to adopt similar language to New Jersey in which operations are defined as operating from when passengers are picked up and dropped off. The committee was presented with updated language that instructs that the determination of rating territory is based on the highest rated territory in which the public automobile operates from the pick-up to drop-off of passengers.

The committee voted unanimously to recommend to the Governing Committee approval of the proposed amendment to Rule 72.C.2. in Section V- Public Transportation of the Commercial Automobile Insurance Manual. This also is an action item for your consideration today. The proposed changes can be found in the Commercial Auto Committee records that were distributed.

Mr. Hughes: Any questions? Can I get a motion?

Ms. Woodcock: So moved.

Mr. Taylor: Second.

Mr. Hughes: All in favor?

All Committee Members: Aye.

Mr. Hughes: Any opposed?

Mr. DePaulo: Thank you. The next section, which will be the last item that will need a motion, is the 2024 Annual Evaluation of Market Need for ERP Assignments. Rule 14 – Exclusive Representative Producer Requirements requires that the committee undertake an annual assessment to determine if a market need exists for ERP appointments for producers without a voluntary contract. After reviewing a number of data reports and receiving an update on the status of ERP appointments made to producers with and without voluntary contracts, the committee observed that the current data reflects results similar to the prior year and concluded that ample access to the residual market through qualified producers continues to exist throughout the Commonwealth.

Therefore, 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. This an action item for your consideration.

Mr. Hughes: If no questions, can we get a motion?

Ms. McConnell: So moved.

Mr. Costigan: Second.

Mr. Hughes: Thank you. All in favor?

All Committee Members: Aye.

Mr. Hughes: Any opposed?

Mr. DePaulo: Just quickly, the last item is an update, Producer Checklist for Residual Market Forms. The committee was advised that a Servicing Carrier had suggested to CAR that it might be beneficial to the residual market if producers had access to a list of required forms when writing a new business policy. After contacting the four Servicing Carriers to gather information, staff developed an initial underwriting checklist to assist producers in submitting a complete packet of information about a residual market new business risk. The committee agreed that a checklist would be helpful, especially for new producers. Discussion then focused on more specific items for consideration, with the committee requesting staff to revise the underwriting checklist for consideration at the next meeting. We will continue to report on that. That concludes my report.

Mr. Hughes: Thank you, Thom.

24.07 Actuarial Committee

Mr. Hughes: Next up is the Actuarial Committee. Sarah.

Ms. Clemens: I have agenda updates as well as two action items for consideration for the Governing Committee today.

The update is from the September 5th committee meeting of the Actuarial Committee. This was a follow-up from a meeting on May 28th. At the May 28th meeting, it was decided to hold off on the final recommendation for the credits as of April 1, 2025 as the market was quite volatile in terms of the general environment as well as the MAIP rate filing which was effective May 1, 2024. The committee discussed the materials provided by CAR staff which included both the exposures, the recommended credits using the prior formulas, as well as the retention.

The committee discussed that the stabilization of the residual market is likely a result of the general market conditions and less a result of any change in credits given that there was none. One call-out from various committee members was that we still should have an obligation as a committee to look at the cells that may need to be increased or decreased. There was discussion that prevailed about the prior iterations of trying to do so which most recently was filed with the Division of Insurance April 1, 2019.

At this time, the committee continued to recommend keeping the credits flat but committed to looking at the cell distribution of credits in 2025.

The first action item for consideration is that the committee is recommending keeping the keep-out credit factors flat for policies effective April 1, 2025 and subsequent. Any discussions surrounding this item?

Mr. Hughes: If not, can we get a motion?

Ms. Woodcock: So moved

Mr. Taylor: Second.

Mr. Hughes: Thank you. All in favor?

All Committee Members: Aye.

Mr. Hughes: Any opposed?

Ms. Clemens: The committee continued to discuss the take-out credits, which are for those policies that are removed from MAIP. CAR staff gave a description of this process for knowledge for the committee.

After discussion, the committee recommended no change to the current take-out credit provisions for policies effective April 1, 2025. That is an action item for the committee's consideration.

Mr. Hughes: Any discussion or questions? Can I get a motion, please?

Ms. McConnell: So moved.

Ms. Woodcock: Second.

Mr. Hughes: All in favor?

All Committee Members: Aye.

Mr. Hughes: Any opposed?

Ms. Clemens: Thank you.

Mr. Hughes: Thanks, Sarah.

24.10 Financial Audit Committee

Mr. Hughes: We're waiting on John, so should we go to the Financial Audit Committee next? Wendy.

Ms. Browne: Good morning. The Financial Audit Committee met on September 10th to discuss the annual audit of CAR's fiscal year ending September 30, 2024. AAFCPA presented recommendations regarding the engagement parameters for the 2024 review and provided a basic timeline for the planning, execution, and completion of the engagement. The Agreed Upon Procedures were also discussed. AAFCPA reiterated that those procedures would continue to focus primarily on transactions relevant to CAR's administrative expenses. Lastly, it was confirmed that the 2024 audit fees of $90,000, representing a 4% increase over 2023, would be set. The Chairman informed the committee that the fiscal year 2024 engagement is the last year of the current contract. So, the committee was informed that they should be prepared to discuss either performing an RFP for a new five-year contract or offering AAFCPA an extension. In light of the second option, AAFCPA is requested to provide a five-year extension proposal for the committee to consider at its next meeting.

The committee had some discussion, and the members voted unanimously to recommend to the Governing Committee approval of the engagement parameters as presented by AAFCPA for the review of CAR's fiscal year 2024 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. That is an action item for your consideration.

Mr. Hughes: Any discussion or questions for Wendy? Can we get a motion to approve?

Ms. Bodenstab-Krynicki: So moved.

Ms. Clemens: Second

Mr. Hughes: All in favor?

All Committee Members: Aye.

Mr. Hughes: Any opposed?

24.11 Compliance and Operations Committee

Ms. Browne: Next, I'm going to be reporting on the Compliance and Operations Committee actions. That report, as you probably anticipate, will be a little bit longer than the one I just gave you.

The Compliance and Operations Committee met on September 4th. There is one action item for your consideration but there are a number of topics.

Under the Compliance Audit Program, the committee was provided with the results of the Permanent General Hybrid Audit. A bit of background information for you, Permanent General has a third-party vendor agreement with Embark General to underwrite, service, and statistically report auto insurance in Massachusetts on behalf of The General. This agreement was previously held between Embark and Occidental and when Occidental withdrew from Massachusetts the agreement was maintained with Permanent General along with the transfer of the book. Accordingly, Permanent General was advised of the reporting issues that had previously been identified in the Occidental Hybrid Audit and notified of CAR's expectation that these issues would be corrected.

A Focus Audit was performed in 2020, where it was determined that six of the ten reporting issues were corrected, four were not, and two new ones were identified. The committee directed staff to perform a Hybrid Audit of those five items that were deemed a priority, and if they were not corrected, the company would become eligible for penalties

Accordingly, I'm now reporting on the results of that Hybrid Audit that we recently performed. The five items from the prior audit were found to still be in error. Furthermore, five additional premium errors and six reporting claims errors were newly identified. Embark, on behalf of The General, indicated in its response letter that all of the recurring reporting issues have either already been corrected or will be corrected in the near future. An estimated timeline with targeted correction dates was provided by Embark. The committee unanimously voted to accept the audit report and directed staff to begin the process of assessing penalties for the five items that were identified in the 2020 Focus Audit. Separately, the committee unanimously voted to direct staff to conduct a Focus Audit in mid-2025 to evaluate the correction items pertaining to the 11 newly identified issues. It should be noted that if Embarak's efforts to correct all the identified items are successful within the necessary timeframes, they could avoid all penalties. So, there is a window right now for them to continue working on this effort.

The committee was notified that CAR staff had begun testing the new Commercial Audit System in June and that the programs have been moved into production in early September. Pilgrim Insurance Company will be the first Servicing Carrier to undergo audit procedures using the new system.

As far as audits, I have one more item, Merit Rating Reporting. The results of the follow-up private passenger merit rating focus audits were provided to the committee. During the industry merit rating audit, there were five Assigned Risk Carriers that were found to have excessive error rates exceeding the industry average of 8.7% and those were the subject of follow-up audits in 2023. One ARC had successfully updated its system and was compliant, however, the other four ARCs still had above-average error rates.

Accordingly, a second Focus Audit was conducted earlier this year. Results from that second audit demonstrated that two ARCs' error rates had decreased to below the industry average and were now considered compliant. However, the remaining two companies still had excessive error rates. As both of these ARCs are currently undergoing a Hybrid Audit in 2024 or will undergo an audit in 2025, a final merit rating review component will be conducted along with the Hybrid Audit. If either company has an error rate still in excess of the industry average, CAR will be recommending that penalties be assessed immediately. Those are all informational items.

Next, the committee was presented with proposed changes to Chapter X – Quota Share and Credit Programs of the Assigned Risk Company Procedures Manual that relates to the sale and transfer of excess credits. It was explained that the proposed changes relate to guidelines that are currently used internally and that CAR is recommending an update to the Assigned Risk Company Procedures Manual to codify those procedures and ensure that consistent information for companies initiating credit sale and transfer requests is available.

The committee was informed that many of the proposed changes are related to CAR's restriction of credit transfer when the selling company reports interim summary data or is known to have data reporting issues that impact key quota share data elements. Interim summary data is not eligible for many of CAR's data quality programs and that's the reason those companies are restricted. Furthermore, because it's important to maintain the integrity of the quota share process by promptly addressing data quality issues, there's oversight of member companies that might have reporting problems.

The committee agreed with staff's proposed changes, however, recommended replacing the word "restricted" with "prohibited" in the section of the approval process that details the criteria for approval. The committee then voted unanimously to recommend to the Governing Committee adoption of the amendments in Chapter X as modified. This is an action item for your consideration. The updated pages were contained in the Additional Information packet under Compliance and Operations, Exhibit #3, Pages 5 through 20. Does anybody have any questions about those updates?

Mr. Hughes: Can we get a motion?

Mr. Taylor: So moved.

Mr. Prado: Second.

Mr. Hughes: All in favor?

All Committee Members: Aye.

Mr. Hughes: Any opposed? Thank you.

Ms. Browne: Thank you. Moving on, the committee next discussed commercial statistical plan changes. The committee was advised that a Bulletin had recently been distributed informing the industry that the Division of Insurance had placed on file the Commercial Automobile Insurance

Manual Rule, Policy Form, and Endorsement Form changes for use with ceded policies effective January 1, 2027. With the approval of these newer coverage and endorsement forms, staff had identified updates to commercial statistical reporting to maintain consistency with the new forms. These changes include: 1) an updated definition of Physical Damage Coverage code 087 to be consistent with the language in the policy forms, 2) Additional Physical Damage codes for certain Towing and Labor and Substitute Transportation amounts, as well as On-Hook Coverage will now be applicable in the residual market. Prior to this, they were only applicable in the voluntary market, and 3) New Classifications will be needed to identify different types of risks for Non-Ownership Liability Coverage. This is the most substantive change as it will require new designations and new codes in company systems.

The committee voted unanimously to accept the proposed outline and directed staff to draft updates to the Commercial Statistical Plan for consideration at a future meeting. Once we have those stat plan changes then we will ask for action of the Governing Committee at that time.

Finally, the committee discussed some potential changes to the MAIP Placement Record reporting. Beginning in 2008 and 2009, the Division of Insurance had directed CAR to collect data on the rate selected, either voluntary or MAIP, for business assigned through the MAIP. This was accomplished by adding the Rating Company Number field to the MAIP Placement Record. CAR produces a report for the Division to use in monitoring trends in the residual market based on this information.

Staff has identified inconsistencies with the reporting of the Rating Company Number when a company's voluntary rate equals the MAIP rate. So, CAR had proposed the addition of a new value to identify this scenario. There was considerable discussion about the optimal way to address this situation so staff indicated it would contact the Division for some feedback and then report back to the committee at a future meeting that information for future discussions. That would conclude my report unless anyone has any questions.

Mr. Hughes: Thank you so much, Wendy.

Mr. Olivieri: Back to me?

Mr. Hughes: Back to you.

Mr. Olivieri: I'd like to say this was by design to give Bill a little preview of what he's in for after our next meeting but my apologies for being late. Thank you, Bill.

24.12 Loss Reserving Committee

Mr. Olivieri: So, I believe we're on Loss Reserving, correct?

Mr. Hughes: Correct.

Mr. Olivieri: Tim.

Mr. Galligan: Good morning, everybody. I will be reporting on the September 4th Loss Reserving Committee meeting. That was done using data reported to CAR through the June accounting month. The Summary of the meeting was attached to the Additional Information and the records of that meeting have been distributed. They also can be found on CAR's website.

The committee began by reviewing the quarter's data quality and large loss reports. This quarter, there was no missing data. There were ten new large losses reported greater than the $1 million threshold for this report. Eight of those carried a $1 million combined single limit and two claims had the $5 million CSL. Also, two claims fell below the threshold and came off the report. So, in total, there are 134 claims for the latest ten policy years that met the requirement of being over $1 million. These having current incurred losses of approximately $231.3 million and that represents an increase of $13.2 million since the prior quarter. This is primarily attributed to the new large losses that have come in. These reports are included in your Summary on pages 6 to 10.

There were 22 new claims reported using the Large Loss Notification Form during the current quarter. Three of these carry a $5 million CSL and 19 carry a $1 million CSL. The complete details of these claims are included in your Summary on pages 11 and 12.

The committee also considered two adjustments in the reserves. The first was an accident year 2019 bodily injury claim that was settled $1.5 million lower than reported. There were also two accident year 2017 policies that had BI reserves incorrectly reported in excess of their policy limit that totaled approximately $1.7 million. Those adjustments were considered by the Loss Reserving Committee in their data while they were making their selections.

Next, the committee set commercial loss reserves and ultimate deficits using this data reported through June 2024. The committee estimated a policy year 2021 surplus of $24.6 million with an ultimate loss ratio of 66.7%. This represents a $546,000 improvement from the prior quarter.

The committee estimated a policy year 2022 deficit of $23.4 million with an ultimate loss ratio of 88.9%. That's a $384,000 improvement from the prior quarter.

For 2023, the committee estimated a deficit of $7.5 million with an ultimate loss ratio of 79.7%. This estimate results in a $1.5 million deterioration from the prior quarter.

Additionally, the overall 2024 policy year loss ratio was set at 81.1%. Also, notable deficit changes for other years did occur in policy years 2016 and 2018. 2016 improved $1.7 million due to the correction of the two incorrectly reported losses in excess of the policy limit. The 2018 deficit deteriorated $2.4 million and that was primarily attributed to the large loss development.

The ten active policy years carried an outstanding IBNR reserve total of approximately $302 million which is an increase of around $11 million from the prior quarter. The overall held ultimate losses for the latest ten years total approximately $1.31 billion versus $1.26 billion from the prior quarter. This is an increase of around $45.6 million that is primarily attributed to the latest two policy years that are still early on in their development.

Ultimate loss ratios and deficit projections for all of these policy years are attached in your Summary on pages 13 to 16.

Finally, the next Loss Reserving Committee meeting is scheduled for December 4th. This will be a review of the data that is statistically reported to CAR through September 2024 and is also the first time we'll look at the 2024 deficit.

That concludes my report. I'd be happy to answer any questions.

Mr. Olivieri: Any questions for Tim? Seeing no indications of any, thank you very much,

24.14 MAIP Steering Committee

Mr. Olivieri: Next up, MAIP Steering. Barry.

Mr. Tagen: Good morning, Mr. Chairman, members of the committee. I'll be reporting on the discussions that took place at the August 14, 2024 MAIP Steering Committee meeting. Note that there will be one action item for your consideration.

The committee first continued discussions regarding the MAIP Physical Damage Maximum Loss Payable. The committee was apprised of the status of the current legal review by the Division of Insurance relative to the rate/rule/form filing establishing a maximum physical damage payable loss limit. The Division of Insurance has questioned if the filing is consistent with the language of CAR's enabling statute Massachusetts General Law, Chapter 175, Section 113H and the requirements that the assigned risk plan shall provide for the availability of collision or comprehensive coverage, as both are defined in other statutory provisions of Sections 113H and 90. The question posed relates to whether it is permissible in Massachusetts to set a physical damage limit at some value other than the actual cash value of the vehicle minus the applicable deductible. CAR staff and Counsel have reviewed the statutory language, legislative history, and other instances where physical damage limits are set at a value other than actual cash value and have provided this information to the Division of Insurance, including the conclusion that the $175,000 maximum loss payable is permissible under the law. The Division has taken this under advisement.

The next agenda item was Rule 30 – Assigned Risk Company Procedures. At the prior meeting, the committee had approved amended language to Rule 30 that reduced the number of days from 90 to 60 for an Assigned Risk Company to notify the producer of its intent to make a voluntary offer to a MAIP insured, and to allow for electronic notification. Upon further review, the amended language was found to be in conflict with language later in that Rule that allows the producer 45 days to obtain replacement coverage in the market before notification is sent to the policyholder. The committee was advised that to ensure consistency with the original proposal, the proposed revised Rule language reflects a 15-day advance notice period for the producer to obtain replacement coverage.

The committee unanimously voted to recommend to the Governing Committee approval of the proposed amendments to Rule 30 – Assigned Risk Company Requirements. The proposed changes can be found at GC24.14, Exhibit #3, page 6 of 6, of the Notice of Meeting packet. This is an action item for your consideration.

Mr. Oliveri: Do we have anyone interested in making a motion?

Ms. Clemens: So moved.

Mr. Olivieri: Do we have a second?

Mr. Taylor: Second.

Mr. Olivieri: Any further discussion? All in favor?

All Committee Members: Aye.

Mr. Olivieri: Any opposed? Motion carries unanimously.

Mr. Tagen: Next up was the Residual Market Private Passenger Volume. At the last meeting, the committee requested agency assignment data for consideration as it continued its discussion on residual market private passenger volumes. It was noted that the most current data continues to show a slight decrease in the volume of MAIP assignments and that assignment data for most agencies is consistent with increases at the industry level. Accordingly, CAR staff contacted a sample of producers with significantly increased volumes to solicit feedback on factors driving the increase. Restricted underwriting guidelines, increases in the number of walk-ins, company volume limitations on new business and the increased number of new operators due to the Family Work and Mobility Act were cited as the main contributing reasons.

Committee members noted that the residual market rate change effective in May, the upcoming change to the increase limit factors effective in November, and carriers beginning to write more voluntary business were factors that would continue to provide benefits in stabilizing the market. Accordingly, the committee agreed that no further action is required at this time.

The last agenda item we discussed was Rule 28 – Application Process – Installment Plan. As background information, the committee was informed that an appeal was made by a producer involving an Assigned Risk Company that had demanded payment in full of the remaining premium balance upon issuance of a third cancellation notice. Both the Market Review Committee and Governing Committee Review Panel had agreed that some uncertainty existed under the current Rule and application regulations with respect to the remedies available to Assigned Risk Companies when installment plan payments are late. The MAIP Steering Committee had been asked to review the current language to determine if possible clarification of the Rule would ensure consistent procedures for all.

While the Market Review Committee had determined that the demand for payment is not unfair, unreasonable or improper, Rule 28 does not clearly indicate whether the practice in question is allowed nor under what circumstances. It was noted that the current language places the onus on the insured to pay over nine equal monthly installments, rather than defining how to calculate the monthly installments. Furthermore, equal installments may not be feasible in scenarios such as non-payment, late payment or endorsement activity.

After considerable discussion, the committee agreed than an amendment to the Rule is necessary to define how Assigned Risk Companies will modify the monthly payment schedule if nine equal installments become impossible and voted unanimously to direct staff to draft amendments to Rule 28.C. pursuant to the committee discussion. Additionally, staff is directed to review Rule 28.C. in its entirety to address issues such as cancellation notices as warranted.

That would conclude my report. I would be happy to take any questions.

Mr. Olivieri: Any questions for Barry? Thank you.

24.18 Budget Committee

Mr. Olivieri: Next agenda item, Budget Committee. Mr. Hughes.

Mr. Hughes: Thank you. On September 5th, the Budget Committee met where we reviewed the fiscal year 2025 business plan and the budget. Natalie reviewed the highlights of the proposal for the fiscal year 2025 business plan with the organizational objectives. Consistent with the past, the objectives are targeted towards enhancements in support of the private passenger residual market, continuing the momentum to improve commercial results, and improving efficiency in the delivery of services to CAR's various business partners.

Following the Business Plan, Steve Gautieri advised that CAR management is requesting a fiscal year 2025 budget allocation of $9,924,000. This amount represents a decrease of 1.4% from the fiscal year 2024 plan, roughly $140,000 less. They will also finish the 2024 Plan $32,600 under budget, which they will take that money and allocate to the CAR pension expenses, which they've been doing since 2013.

Mr. Gautieri also presented a detailed review of the 2025 budget with explanations on all the items noting that we are coming in under based on a very favorable lease that was signed in September.

Those are the highlights if there are any questions on the budget.

Mr. Oliveri: Any questions? I would entertain a motion to approve the FY25 budget as proposed and voted on by the Budget Committee.

Mr. DePaulo: So moved.

Mr. Olivieri: Who wants to second?

Ms. Woodcock: I'll second.

Mr. Olivieri: Any further discussion? All in favor?

All Committee Members: Aye.

Mr. Olivieri: Opposed? Motion carries.

24.08 Commercial Program Oversight Committee

Mr. Olivieri: There's one agenda item left and that would be me because I missed it. The Commercial Program Oversight Committee met on July 31st. We had two agenda items that we were discussing. One was the redistribution of the residual market book business. The committee considered a redistribution of the Servicing Carrier ceded books of business for policies effective January 1, 2025 to address the merger and acquisition activity that has happened over the past few years. Ms. Browne outlined three exhibits which showed the redistribution of business as of March 2024. She also reviewed the transitional procedures with the committee that would occur for any business that does get redistributed. The reason we're addressing this at this point is to try to get that all aligned prior to the next RFP going into effect.

The committee, after much discussion, most of it circled around the date to do that redistribution, a lot of it, the general informational purposes had to do with we wanted to stay away from the end of the year to make sure that agents, carriers, and most importantly the insureds had enough time to make sure the transition – although it's always a little bumpy – make it as smooth as we can.

The committee voted unanimously to recommend authorizing the redistribution of the books of business effective March 1, 2025. That is an action item. I'd entertain a motion if anyone is so inclined.

Mr. DePaulo: So moved.

Mr. Olivieri: Do we have a second?

Ms. Clemens: Second.

Mr. Olivieri: Does anyone have any questions or concerns or comments? All in favor?

All Committee Members: Aye.

Mr. Olivieri: Opposed? Motion carries unanimously.

The second item we talked about was the alternative producer assignment procedures and expense allocation methods that we had been talking about at prior meetings as well. At the end of the day, the committee decided not to make any changes in regard to that. The driver here is trying to minimize the disruption of doing reassignments. What the committee did ultimately decide to do was shore up our Statement of Intent, which, for those of you that are unaware of it, is included in the minutes. It's basically a guide to the Servicing Carriers that if you're going to ask for a redistribution, we try to stay away from it. So, what we want to do is unless it's something very extreme, we want to limit it to no more than one in any contract period. There's obviously a redistribution at the beginning of the contract period and the contract is for five years so we – it doesn't supersede – and I want to make a point of this because this question has come up. It doesn't supersede the Rule. That Statement of Intent doesn't prohibit someone from asking. But it kind of puts it out there, listen, if you're going to come and ask after one has already been done, it's got to be a pretty significant issue as to why, so no one is surprised if you're only over by a tenth of a point that you're probably going to be told, no, we're not going to redistribute.

Any questions on that? I will also point out that the pre-conference meeting happened on August 15th. Natalie has just told me that we have received four submissions from the same four Servicing Carriers. So, we're moving forward in that process. Any questions? That takes care of that agenda item.

Other Business

Mr. Olivieri: I believe that brings us to Other Business. Do we have any other business to come before the committee today? We have no reason to go into Executive Session, correct? I'll entertain a motion to adjourn.

Ms. McConnell: So moved.

Mr. Olivieri: Second?

Mr. Taylor: Second.

Mr. Olivieri: All in favor?

All Committee Members: Aye.

Mr. Olivieri: Opposed? Motion carries unanimously. Thank you.

(*Meeting ended at 10:24 a.m.)*

NATALIE HUBLEY
President

Note: This Transcript has not been approved. It will be considered for approval at the next meeting of the Governing Committee.

Attachment

Boston, Massachusetts
September 30, 2024

The above proceedings have been transcribed in accordance with CAR's guidelines for producing quality transcripts, which provide for the elimination of insignificant material that does not alter the substance of the Committee's discussions, such as sidebar comments, the use of verbal fillers (i.e., uhm's and ah's), and commentary (i.e., "laughter" and "coughing").

ATTACHMENT LISTING

Docket #GC24.02, Exhibit #5	Attendance Listing

GOVERNING COMMITTEE MEETING
SIGN-IN SHEET
SEPTEMBER 17, 2024

PLEASE PRINT

Individual's Name	Company / Agency
MATTHEW BURKE	DIVISION OF INSURANCE
Thom DePaulo	CABOT Risk Strategies
Mary McConnell	Safety Insurance
Nicole Martorana	FBinsure
Kevin Costigan	GEICO
Jean Houghton	NxD
TIAGO PRADO	BRZ INSURANCE
CHRIS TAYLOR	HANOVER
Meredith Woodcock	Liberty Mutual
PAM BODENSTAB-KRYNICKI	KRYNICKI INS.
Sarah Clemens	MAPFRE
Benjamin Hincks	CAR Counsel
Steve Torres	" "
Natalie Huber	CAR
William Hughes	Arbella
M. John Olivieri	agent
Regina Nagle	CAR

GOVERNING COMMITTEE MEETING
SIGN-IN SHEET
SEPTEMBER 17, 2024

Individual's Name	Company / Agency
PLEASE PRINT	
Robin Tigges	CAR
IGOR DE SOUZA	BRZ INSURANCE
Steve Gautieri	CAR
Mark Alves	CAR
Matt Hirsh	CAR
Wendy Browne	CAR
Lynne Rosenburg	CAR
Barry Tagen	Pilgrim
Ken Willis	Plymouth Rock
PETER McCABE	CAR
Sam DiBattista	CAR
Katy Proctor	CAR
Sydney Gilison	Prince Lobel
Andrew Anderton	Prince Lobel
Tim Kelly	CAR