



NATALIE A. HUBLEY
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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, NOVEMBER 19, 2024, AT 11:00 A.M.

Committee Members present –

Mr. William Hughes – Chair
Arbella Insurance Group

Ms. Pamela Bodestab-Krynicky	P L Krynicky 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
Ms. Ida Denard Jones	Denard Insurance Agency, Inc.
Ms. Nicole Martorana	FBInsure
Ms. Mary McConnell	Safety Insurance Company
Mr. John Olivieri, Jr.	J.K. Olivieri Insurance Agency, Inc.
Mr. Tiago Prado	BRZ Insurance
Ms. Meredith Woodcock	Liberty Mutual Insurance Companies

Substituted for:
N/A

Not in Attendance:
Mr. Christopher Taylor, The Hanover Insurance Company

PROCEEDINGS

(Meeting began at 11:01 a.m.)

Mr. Hughes: I'll call to order the Governing Committee meeting of November 19th. I just want to recognize that Chris Taylor cannot be with us today. I also want to welcome Matthew Burke representing the Division of Insurance. With that, I will turn it over to Natalie for the President's Report.

Ms. Hubley: Before we do that, we want to approve the transcript of the previous meeting.

24.01 Transcript of Previous Meeting

Mr. Hughes: Oh, I beg your pardon. I will entertain a motion to approve the transcript of our prior meeting.

Ms. Woodcock: So moved.

Ms. Clemens: Second.

Mr. Hughes: All in favor?

All Committee Members: Aye.

Mr. Hughes: Any opposed?

24.04 President's Report

Ms. Hubley: I have a brief report for you today. By way of updates, I will be meeting tomorrow morning with the Chair and the Vice Chair to discuss the request for advisory committee appointments. We hope to have some information forwarded to the Commissioner for his consultation by the end of this month. Hopefully we'll be able to finalize all of those appointments before the end of the year.

A brief update with respect to Amica and its systems conversion and data reporting. Amica expects to report its 2024 data to CAR by the December reporting date. They are meeting with Wendy and her staff monthly to give a status report. Their most recent test submission came in October. There continues to be some issues, but Wendy is working with them. They remain committed to reporting the data by the end of the reporting year.

I don't have any new information for you on the Main Street America withdrawal. We continue to wait to hear about a withdrawal plan.

We do anticipate a MAIP rating filing by the end of this month with a proposed effective date of May 1st of 2025. We will then be looking at commercial rate indications shortly after that filing.

Finally, a new informational item for you. As many of you may be aware, the Division of Insurance had undertaken a limited scope market conduct exam of the private passenger insurance marketplace pursuant to Chapter 175, Section 4. They began that study earlier this year. As part of that study, they have asked CAR for some data, very high-level exposure data for PDL exposures and collision by town. So, it should be a very straightforward data request. We expect an initial submission to the Division this week for policy year 2018 through 2023 data. The remaining data will require some manual effort to load it up so that we can access it. Therefore, we'll begin that effort next week and provide that data as soon as possible.

With that, I can take any questions. If not, that would conclude my report.

Mr. Hughes:

Thank you, Natalie.

24.05 Counsel's Report

Mr. Hughes:

Next up is Counsel's Report.

Mr. Hincks:

Thank you very much. Good morning, everybody. There are four items on today's counsel report, none of which is an action item.

The first item relates to the Calianos Insurance Agency's appeal to the Division. No further update on this matter. It remains fully briefed and argued, and we await a decision from the hearing officer at the Division.

Moving on to the next matter regarding Point Insurance. The Point II appeal – the proceeding in which the Point Insurance Agency is challenging Arbella's termination – remains pending at the Division. Following a hearing last November and some additional briefing that followed, it appears that the hearing officer is now in a position to decide the appeal.

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

Finally, a new matter. As many of you may have heard, late last week, legislative bill H.5100 was approved and enacted by the Massachusetts Senate and placed on Governor Healey's desk for her signature. That legislation contains three amendments to sections of Massachusetts General Laws, Chapter 90, two changes in Section 34A and a third change in Section 34O that raise the compulsory automobile liability limits in Massachusetts auto policies as follows:

First, the legislation raises from \$20,000 per person to \$25,000 per person for bodily injury. Second, the legislation raises from \$40,000 per accident to \$50,000 per accident for bodily injury. Third, in Section 34O, the legislation raises the compulsory limit from \$5,000 per accident to \$30,000 per accident for property damage.

Also, of interest to the automobile insurance industry, H.5100 includes a provision that establishes an autobody labor rate advisory board to address any issues related to autobody labor rates. That advisory board will consist of 17 members appointed from various sources as set forth in the bill.

That is all of the information we have thus far on bill H.5100 and these new provisions within it relating to automobile insurance. We will continue to monitor of course and will report as developments warrant.

Unless there are any questions, that concludes today's counsel report.

Ms. Clemens: My only question is – my understanding is H.5100 is effective immediately.

Mr. Hincks: That remains to be determined. It has not been signed by the Governor. There isn't any language in it indicating that it is other than effective immediately, but we understand that that can change before the Governor signs it. We'll report further if there's a meeting, but you may hear otherwise. It could be soon.

Ms. Clemens: Okay.

Mr. Hughes: Any other questions?

24.06 Commercial Automobile Committee

Mr. Hughes: Thom, can I turn it over to you?

Mr. DePaulo: Yes. Thank you, Mr. Chairman. I will report on the Commercial Auto Committee meeting of November 1st. I have several agenda items, one of which will be an action item for consideration. I'll try to move through this swiftly.

The first one is the producer checklist for the residual market forms. The committee reviewed an updated version of the proposed New Business Underwriting Checklist developed to assist producers in complying with the requirements for submitting new business risks for cession to the residual market. The checklist had been updated to include the following items: 1) verification of no owed premium within the Registry system, 2) a requirement for producers to obtain copies of loss runs, 3) the usage of the Additional Insured Massachusetts Endorsement Form, if applicable, and 4) to fully spell out acronyms.

Feedback from the committee was that the checklist is very comprehensive and would be a real asset to the agent community. Accordingly, there was

a consensus within the committee to accept the revised checklist and to distribute a Bulletin once the checklist has been added to the CAR website.

The next agenda item is the Proposed Amendment to CAR Rules and Manuals for New Coverage Forms. This is an action item for consideration. As part of our ongoing effort to implement the new policy coverage and endorsement forms, the committee reviewed proposed amendments to Rule 6 – Coverages – of the Rules of Operation. The updates include: 1) a restructuring to address commercial auto risks first in the Manual so that common coverages applicable to all risks could be referenced more easily, 2) retitling of the Garage section to Garage/Auto Dealers, 3) the inclusion of the medical payments limit to indicate the coverage limit varies by vehicle type, 4) the elimination of bullets for Towing and Labor and Substitute Transportation coverages, as the coverages are optional and not available for every vehicle type, 5) a separation of the Taxi Cab coverages for improved readability, 6) the Garage/Auto Dealers section now has two subsections – one for policies effective prior to January 1, 2027, written on the Garage coverage form and one for policies effective January 1, 2027 and subsequent written on the Auto Dealers coverage form.

Additional changes relative to the Auto Dealers section would be coverage descriptions broken out for improved clarity and the renaming of certain sections for consistency, the inclusion of Medical Payments coverage, the removal of a reference to Endorsement CA 25 36, which deals with Pollution because it is optional, Garage Keepers coverage was clarified, and Auto Dealers Collision coverage was added.

The committee voted unanimously to recommend approval of the proposed amendments to the Rules of Operation. The proposed changes were included in the Additional Information packet and can be found under agenda number 24.06, Exhibit #7, pages 5 through 15. Again, this is an action item for consideration.

Mr. Hughes: I'll ask for a motion to approve the proposed amendments to the Rules of Operation, Rule 6, and updates to the new forms.

Ms. McConnell: So moved.

Mr. Hughes: Can I have a second?

Ms. Denard Jones: Second.

Mr. Hughes: Thank you. All in favor?

All Committee Members: Aye.

Mr. Hughes: Any opposed?

Mr. DePaulo: I'll continue. The rest are just some updates. Review of Standards for Validation the "Nerve Center" Principal Place of Business, the committee was asked to review the standards for validating the principal place of

business and discuss whether changes might be needed to account for the rise in remote work. After some discussion, it was the consensus that the standards established back in 2018 are comprehensive and that any issues of uncertainty in a risk's principal place of business should be unique at this point and thus more appropriately evaluated on a case-by-case basis. Accordingly, the committee recommended no changes at this time.

The next item is the Assignment Procedures for Affiliated Producers. The committee was advised that the Commercial Program Oversight Committee had referred this item to the committee to evaluate the feasibility of changes to the assignment procedures for affiliated producers. This issue arose because the current environment of increased agency network participation and mergers and acquisitions has made the goal of minimizing market disruptions during a redistribution increasingly difficult.

After reviewing information relative to the types and volumes of affiliated and non-affiliated agencies, the committee initially focused its discussions on agencies participating in network clusters, under which entities referred to as aggregators provide a range of services to its members. Currently, each network cluster is assigned to a single Servicing Carrier to prevent the ability for carrier shopping through broker-like activities. It was noted that because of the size of network affiliations, these groups are typically not reassigned during a redistribution due to the disruptive impact of moving such large volumes of ceded business. There was considerable discussion relative to differences in how aggregators function and what services may be provided, and thus staff was directed to further research the operations of network cluster and report back its findings at a future meeting. Additionally, it was suggested that the committee consider the feasibility not only of assigning network participants as independent agencies but also of assigning the larger affiliated groups to multiple Servicing Carriers. So, we will continue that discussion at our next meeting once we get a report back from staff.

The last item is Pollution Coverage. In response to concerns raised over potential inconsistencies in the application of pollution coverage among Servicing Carriers, along with CAR's transition to the new policy coverage forms and endorsements, staff reviewed the current pollution requirements described in the various manuals and provided a summary to the committee. Staff also reviewed the pollution references in three CAR manuals and noted the following: 1) as discussed in a prior agenda topic, the reference to CA 25 36 was removed from Rule 6 – Coverages, as it is an optional coverage, and the Mass Mandatory Endorsement provides the statutorily required minimum pollution coverage, 2) draft amendments to Rule 46 – Pollution Liability of the Commercial Auto Insurance Manual were proposed for better clarity and more current FMCSA (Federal Motor Carrier Safety Administration) references. Committee members with pollution knowledge were requested to review the draft changes and provide feedback, and 3) Chapter 5 – Premium of the Manual of Administrative Procedures will be updated to indicate that Servicing Carriers are required to comply with all FMCSA filing requirements. This change will be finalized at a later meeting.

Finally, the committee was provided with a summary of statistical reporting for pollution-related coverages, which indicated that there are significant differences in the volumes of exposure and premium dollars among the Servicing Carriers. This could be attributed to differences in the distribution of specific risks, but it could also be attributed to the differences in how the Servicing Carriers determine pollution coverage. Accordingly, the committee agreed with staff's recommendation to survey the Servicing Carriers to solicit information on procedures or policies used to determine when pollution coverage is applied. We will continue that conversation at our next meeting.

That, Mr. Chairman, would conclude my report.

Mr. Hughes: Thank you, Thom. Any comments or questions?

24.08 Commercial Program Oversight Committee

Mr. Hughes: I will turn it over to John Olivieri for the Commercial Program Oversight Committee report.

Mr. Olivieri: Thank you, Bill. We met on November 8th. Our one agenda item was to review the proposals received to be appointed as the commercial Servicing Carriers for the Commercial Servicing Carrier Program. We received proposals from Arbella, Commerce, Pilgrim and Safety, those four carriers. The committee discussed and felt all were qualified to continue to serve as Servicing Carriers.

The bulk of our meeting focused on reimbursement of expenses. There were two. One had to do with the forms update, which was a single amount that the carriers would be reimbursed. The other had to do with the compensation for ongoing services.

After a lengthy discussion in regard to the amount of reimbursement for the forms upgrade for the carriers, there was a pretty big difference between lowest and highest. The Committee settled on \$475,000, which was voted on unanimously to recommend to the Governing Committee. Just to read it for clarity into the record, "The Committee then discussed the compensation for ongoing servicing of the residual market business again noting the wide range of proposer quotes. The Committee observed that the compensation agreement for the current appointment term includes a 2% annual increase which projected to policy year 2027 would be 14.35% of written premium. The Committee also recognized that anticipated rate changes throughout the term will likely continue to result in increased compensation. Accordingly, after considerable discussion, the Committee unanimously voted to offer each carrier 14.8% of written premium as compensation for the ongoing servicing of residual market business for the 5-year appointment term beginning January 1, 2027."

So, in summary, we settled on \$475,000 reimbursement for forms upgrade and 14.8% without any incremental increases over the course of the five-

year appointment period. We put that out to the carriers and, correct me if I'm wrong, but all four carriers have agreed to the terms of the \$475,000 and the 14.8%. So, having said that, this is an action item that the Governing Committee does need to vote on. So, the motion would be to approve the recommended appointment of the four Servicing Carriers, one-time compensation for forms upgrade at \$475,000 payment prior to 1/1/27 with specific timing to be determined, and 14.8% plus premium, tax, and commission of written premium expense allowance for servicing residual market business through the five-year appointment term.

Mr. Hughes: John, I'm going to be recusing myself on this motion as we are one of the carriers. I am going to turn the gavel over to you for this motion.

Mr. Olivieri: So, I need someone to first make the motion if anyone is so inclined.

Ms. Woodcock: So moved.

Mr. Olivieri: Meredith made the motion. Do we have a second?

Ms. Houghton: Second.

Mr. Olivieri: Do we have any further discussion or any other recusals?

Ms. McConnell: I recuse.

Ms. Clemens: I recuse.

Mr. Olivieri: We have three recusals from three of the carriers who are obviously looking to be appointed as Servicing Carriers. Do you have any other clarification questions or any other comments? All in favor?

Most Committee Members: Aye.

Mr. Olivieri: Opposed? Motion carries unanimously. I'm going to turn it back over to you.

24.09 Personnel Committee

Mr. Hughes: And I'm going to turn it back over to you for the Personnel Committee report.

Mr. Olivieri: This is a very, very brief report. What we started doing – or let me, for the record, state when we met. We did meet on October 22nd. We started doing this a number of years ago in preparation. Traditionally, the Personnel Committee meets after the first of the year to approve salary increases and things of that nature. What we've started doing is having the President, in this case, Natalie, go through objectives, goals and whatnot so the Personnel Committee has a better understanding of where we are now versus where we are when it comes time to do that performance review. Natalie presented those to us. Committee members, if they had any questions, which I will have to say there were very few

because Natalie did such a great job and didn't miss a beat in her explanation. There were no action items for the committee meeting. We will meet again after the first of the year.

Mr. Hughes: Any questions or comments? Thank you, John.

24.11 Compliance and Operations Committee

Mr. Hughes: Wendy, I will turn it over to you for the Compliance and Operations Committee report.

Ms. Browne: Good morning and thank you. I will be reporting on the items discussed at the Compliance and Operations Committee on November 6th and I have two action items for your consideration.

Under the Audit Program, the committee was provided with the results of the Quincy Mutual Hybrid Audit. The audit scope included approximately \$750,000 in written premium and about \$1.8 million in associated loss dollars. There were two recurring statistical premium reporting issues and one recurring statistical loss reporting issue, none of which was considered excessive. Quincy Mutual was compliant with the Claims Performance Standards, the SIU evaluation, and the required SIU audits of garaging and policy facts. In fact, it was noted that the overall quota share and ratemaking results were exceptional, and thus a green light assessment was recommended by staff indicating that no further auditing is required until the next five-year cycle comes around. The committee voted unanimously to accept the audit report.

Moving on, the committee reviewed the proposed updates to the Commercial Statistical Plan, which are needed to maintain consistency with the new coverage and endorsement forms that will be implemented in January 2027. Those updates include:

- New Classifications to further define the 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. This change will be optional for voluntary business effective January 1, 2026 and mandatory for all policies, ceded and voluntary, effective January 1, 2027.
- There were updates to several miscellaneous OTC Physical Damage Coverage codes to indicate that certain Towing and Labor and Substitute Transportation coverage amounts as well as On-Hook Coverage will now be applicable in the residual market. Since these codes are already applicable in the voluntary market, the change will be effective 1/1/2027 for ceded business.
- Finally, the definition of Sound Receiving and Transmitting Equipment coverage has been updated to Audit, Visual, and Data Electronic Equipment to better describe the coverage. Since this

is just a name change, that proposed effective date is January 2025.

The committee voted unanimously to recommend approval to the Governing Committee of the proposed changes to the Commercial Statistical Plan. This is an action item, and the proposed updates can be found in the Additional Information packet, Docket #24.11, Exhibit #4, pages 4 through 8. I can answer any questions if anybody has any on those pages.

Mr. Hughes: Can I have a motion to approve the proposed updates to the Commercial Statistical Plan and to submit them to the Division of Insurance for consideration?

Mr. DePaulo: So moved.

Mr. Prado: Second.

Mr. Hughes: Any questions or further discussion from the committee? Hearing none, all in favor?

All Committee Members: Aye.

Mr. Hughes: Any opposed? Motion carries.

Ms. Browne: Great. The next topic was MAIP Placement Record Reporting. The committee was provided with an update on the status of the proposed changes to the reporting of the Rating Company Number field, which is collected on the MAIP Placement Record. It was noted that CAR has initiated discussions with the Division of Insurance to solicit some input, however, no decision has been made at this time. Thus, it's anticipated that more detailed information will be available at the next meeting where we'll continue this discussion.

Finally, the last topic was Updates to the Manual of Administrative Procedures for Commercial Audit Changes. Staff presented proposed changes to Chapter IX of the Manual of Administrative Procedures for the committee's consideration. The updated language reflects modified commercial auditing procedures, which had previously been approved by the Governing Committee on the private passenger side that are now applicable for the commercial audit process. Additionally, there were other housekeeping changes to improve either language updates or consistency between the MAP and the ARC Procedures Manual.

The committee unanimously voted to recommend to the Governing Committee approval of the proposed amendments to Chapter IX – Compliance Audit of the Manual of Administrative Procedures. This is also an action item for your consideration. The proposed pages can be found in your Additional Information packet, Docket #24.11, Exhibit #4, pages 9 through 20. There were a number of changes. Again, I can answer any questions if anyone has any.

Mr. Hughes: Hearing none, I'll ask for a motion to adopt the changes to Chapter IX – Compliance Audit of the Manual of Administrative Procedures.

Ms. Houghton: So moved.

Mr. Hughes: Do I have a second?

Ms. Clemens: Second.

Mr. Hughes: Thank you. Any discussion among the committee members? Hearing none, all in favor?

All Committee Members: Aye

Mr. Hughes: Any opposed?

Ms. Browne: Thank you. That would conclude my report.

Mr. Hughes: Thanks, Wendy.

24.14 MAIP Steering Committee

Mr. Hughes: Next, I'll ask Barry to update us on the MAIP Steering Committee meeting.

Mr. Tagen: Thank you. Good morning, Mr. Chairman, members of the committee. I will be reporting on the discussions that took place at the November 5, 2024 MAIP Steering Committee meeting. There will be one action item for your consideration.

The first agenda item was Rule 28 – Application Process – Installment Plan. The committee was asked to consider proposed draft amendments to Rule 28.C. – Premium Deposit and Payment Options that were added to help define how monthly installment billing is calculated when nine equal installments become impossible due to subsequent policy activity. Suggestions included:

- Changing the term “activity” to “policy changes which impact the policy’s premium” to distinguish endorsement activity from late or partial payment activity
- Including additional language to address scenarios where there is a late producer submission or late company processing of endorsement activity that results in a change to the premium installments
- Changing the reference of “reinstating the policy” to “rescinding the cancellation” notice
- Ensuring that the proposed updates do not create any conflicts with cancellations as the Notice of Cancellation is specific relative to the premium owed and due dates

- Ensuring that proposed updates are applicable to all Assigned Risk Companies, as they may have different procedures
- Avoiding challenging and costly system updates that could arise from a potential change

It was the consensus of the committee for CAR staff to incorporate the comments and suggestions into another draft for review at our next meeting.

The second agenda item, Private Passenger Insurance Manual – Rule 55 Pre-Insurance Inspection Program, the committee reviewed proposed changes to Rule 55 relative to the change in eligibility of vehicles weighing up to 16,000 pounds (from the previous 10,000 pounds) and the addition of qualifications to the inspection criteria that correspond to the language in 211 CMR 94.00.

The committee unanimously voted to recommend to the Governing Committee approval of these amendments, which can be found on the last page of the Additional Information packet, agenda item #GC24.14, Exhibit #4, page 3 of 3. This is an action item for your consideration.

Mr. Hughes: Any questions or comments before I ask for a motion? Okay. Can I ask for a motion to approve the proposed amendments to Rule 55 – Pre-Insurance Inspection Program?

Ms. McConnell: So moved.

Mr. Hughes: Thank you.

Mr. DePaulo: Second.

Mr. Hughes: Thank you. Any discussion among the committee members? Hearing none, I'll ask for a vote. All in favor?

All Committee Members: Aye.

Mr. Hughes: Any opposed? Motion carries?

Mr. Tagen: That would conclude my report.

Mr. Hughes: Thank you, Barry.

Other Business

Mr. Hughes: Is there any other business to be brought forward?

I will ask for a motion to adjourn.

Mr. Olivieri: So moved.

Mr. Hughes: Do I have a second?

Ms. Woodcock: Second.

Mr. Hughes: All in favor?

All Committee Members: Aye.

Mr. Hughes: Opposed? We will adjourn.

(Meeting ended at 11:31 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
December 4, 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 #6

Attendance Listing

Company / Agency

PLEASE PRINT

CAR

Breezy

CAR

CAP

CAR

Prince Lohel

caf

Pilgerku

CAK

CFR