



NATALIE A. HUBLEY
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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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, FEBRUARY 11, 2025, AT 10:30 A.M.

Committee Members present –

Mr. William Hughes – Chair
Arbella Insurance Group

Ms. Pamela Bodenstab-Krynicky	P L Krynicky Insurance Agency
Ms. Erin Cummings ⁽¹⁾	Norfolk and Dedham Group
Mr. Thomas DePaulo	Cabot Risk Strategies, LLC
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
Mr. Christopher Taylor	The Hanover Insurance Company
Ms. Meredith Woodcock	Liberty Mutual Insurance Companies

Substituted for:

⁽¹⁾Ms. Jean Houghton

Not in Attendance:

Ms. Sarah Clemens, MAPFRE U.S.A. Corporation

Mr. Kevin Costigan, GEICO

PROCEEDINGS

(Meeting began at 10:30 a.m.)

Mr. Hughes: I'll call to order the Governing Committee meeting of February 11th.

24.01 Transcript of Previous Meeting

Mr. Hughes: First up, I will need a motion and a second for the approval of the minutes of our meeting of November 19th.

Mr. Olivieri: So moved.

Ms. Woodcock: Second.

Mr. Hughes: Thank you. Are there any questions, comments or concerns about the minutes before we vote? Hearing none, all in favor?

All Committee Members: Aye.

Mr. Hughes: Opposed? Hearing none, the minutes will pass.

25.04 President's Report

Mr. Hughes: I will turn it over to Natalie who will share with us the President's Report.

Ms. Hubley: Thank you. My report today is going to be heavily weighted on rate filing activities, which is what CAR staff has spent much of their time over the last couple of months dealing with the compulsory limits change.

To start, I want to report on the status of the Open Meeting Law provisions. As you know, the provisions allowing for remote participation are scheduled to expire on March 31st. We have every indication that they will be continued, but at this time that has not yet happened. So, we are going to keep moving forward with the expectation that we will be able to continue our advisory committees in a remote fashion. At this time, prior to your April Governing Committee meeting, we only have one advisory committee meeting scheduled for April. That's on April 2nd, a meeting of the Compliance and Operations Committee. We have every expectation either way that that meeting will be conducted remotely because of our notice requirements. We'll let you know as soon as we hear anything on that topic.

I will turn now to our MAIP rate filings. We actually have three concurrent activities going on. CAR filed an amendment to the MAIP rates on December 9th with a proposed effective date of May 1, 2025. Because that filing coincided very closely with the passing of the legislation to increase the mandatory limits, CAR staff has worked with

the SRB to coordinate this filing with its compulsory filing in much the same fashion that they dealt with the AIB's advisory filing. So, what that means is our open filing today that's currently under review with a proposed effective date of May 1st, we have included in that filing the ILFs needed to comply with the new compulsory limits and the mandatory offer. Because the MAIP rates will continue to use base rates at the 20/40/5K limits, we have incorporated the necessary rating instructions to address calculations for new compulsory limits and increased limits for policies effective July 1 and later. These instructions are very similar to the AIB's instructions but differ slightly just because CAR's Manual takes a slightly different approach in calculating that Coverage B. But they're very straightforward.

An additional note, this filing includes 2023 losses reported through March '24. That's the most recent statistical data that we have available to us for our filing purposes. To that end, as is CAR's normal process, we did originally exclude the Amica data because their data was incomplete as they hadn't yet reported any 2024 data to CAR. During the review, the SRB did ask us to go back and amend our filing to include the Amica data that we had through December 2023. That was no small effort, and we just amended that filing last week to include that data. So, that's currently under review. We have been working very closely with the SRB. We do anticipate a timely review and action on that filing so that we can set the stage for our next steps relating to the mandatory limits. So, we're hoping to hear on that one prior to March 1st. We'll see.

That leaves us preparing for what I call our compliance filing to address the remaining issues related to the required limits. The DOI issued a filing guidance, 2025-A, late in January. We are currently working to amend our rating rules to reflect the new required limits. We will also continue to include those special instructions for rating the new compulsory limits and the increased limits because we will be continuing to reflect our base rates at the 20/40/5K limit.

We will be adopting the AIB forms that were placed on file late last week. That includes the Massachusetts Mandatory Endorsement, the Coverage Selections Page, the Application and a Notice to Policyholders. As directed by the filing guidance, we will be making that filing prior to March 1, in order to ensure that these changes will be placed on file by May 1st to allow companies to prepare for the 7/1 effective date.

Finally, as you know, we also have an open filing relating to the MAIP physical damage limit of loss of the \$175,000 maximum physical damage loss. We have been notified by the Division that they are ready to place those rules and forms on file. However, we do have a number of overlapping issues relating to these new compulsory limits – the Coverage Sections Page, the Application, and the Notice to Policyholders. Because of those overlapping implementation issues, we are going to refer this topic to the MAIP Steering Committee. They're meeting on March 18th. We would like them to discuss those issues and recommend an effective date for the implementation of the maximum physical damage limit of loss.

That's quite a lot of information on the private passenger side. I'll pause there to see if anybody has any questions in that regard before I move on to commercial. Hearing none, I'll move on and let you know what we're doing with the commercial filings.

Again, we are working now on a compliance filing to be made by March 1st that will involve rates, rules and forms. We will be adopting – similar to the private passenger side – the needed increased limits factors for the compulsory limits and the mandatory offer. We will also be including rating instructions to address the calculations for the compulsory limits and the increased limits. Similar to the private passenger, our base rates will continue to be reflected on the 20/40/5K limits. We will include rule amendments to reference the new compulsory limits. We will adopt many of the AIB forms that they've filed. That filing is still pending but we expect a timely review and placing their amended forms on file. However, because CAR's forms, as you know, are older versions and we're not planning to upgrade to all the current versions of the forms until 2027, there are a number of endorsement forms that are no longer supported under the AIB's forms. So, we're going to need to file those individually. They're all very similar to the AIB forms, but we're just updating the references to the forms that are on file for CAR. The AIB has worked well with us in this regard by providing us with some templates. Wendy and her group are updating the forms. We should be ready to file that well before the filing requirement date.

Staff is also in the process of reviewing indications for our current rate need. That filing will follow the compulsory filing with an expected effective date of September or October. We're working with the AIB to address such issues as large losses, potentially experience rating plan and non-owned coverage. So, we'll be making that filing later this spring, I think.

That completes my report on the commercial filing. If there are no questions, I'll move on to some company issues that I've reported on at prior meetings just to give you some updated status.

As you know, we've been working with Amica to test their system's conversion. They've remained committed to reporting data to CAR this year close to the required reporting deadline for the December shipment, which is this month. Wendy and her team have been working very closely with Amica to test their reporting. They've successfully reported, I think, about a half a dozen premium submissions. They continue to work on some loss reporting issues. We do expect that they'll complete their premium reporting by the due date of the 18th and that we'll receive their losses likely by the end of March, but certainly before we have to close out the year for reporting. So, that's moving along well. We expect everything to be reported.

Finally, I've reported previously about the Main Street America withdrawal from the Massachusetts private passenger auto marketplace. This withdrawal actually includes the Farm Family Group. MSA is part

of the American Family Group. The American Family strategy on the personal lines side in Massachusetts is a bit more complicated than just the withdrawal of Main Street America.

American Family completed the sale of The General to Sentry early in 2025. This data will be moved in the quota share model later this month. So, that's moving forward. Main Street America has announced its intent to transfer its book of business to Safeco. They report to CAR staff that they're now beginning the process of addressing the methods and procedures required to affect that book transfer. After several emails and phone calls between Wendy and the American Family representatives, the company is now in contact with the Division of Insurance with a meeting scheduled later this week. So, the Division will now be able to guide them through the process to address required withdrawal plans and other regulatory issues.

That will complete my report on Main Street America until I find that there's something additional to report. That would conclude my report to the committee at this time.

Mr. Hughes:

Thank you, Natalie.

25.05 Counsel's Report

Mr. Hughes:

I'll ask Steve to share the Counsel's Report.

Mr. Torres:

Thank you. Good morning, everyone. There are four items on our counsel report today and no action items.

The first is the long-pending Calianos Insurance Agency appeal to the Division. That matter remains fully briefed and argued and awaits a decision from the Division of Insurance.

The second item, the Point II Appeal, is a proceeding in which Point Insurance Agency is challenging Arbella's termination. That remains pending at the Division. We were last before the Division in November of 2023 for additional briefing. That is now fully briefed and argued and awaits a decision from the Division.

The next item is the Rule 31 amendment. That's also pending at the Division. That's the Governing Committee's Rule 31 amendment. We await a ruling from the Division of Insurance on that as well.

Fourth and finally, at the last meeting, you heard about the legislative changes on the increased limits that were in process at the time. Since that last meeting and our last report, the Governor's suggested revisions have been adopted and enacted by the House and Senate. So, that legislation has been fully enacted and those mandatory increased limits as you heard in the President's Report are set to take effect on all policies that issue or renew on or after July 1, 2025.

Unless there are any questions, that completes our counsel report today.

Mr. Hughes: Are there any questions? Thanks, Steve.

24.12 Loss Reserving Committee

Mr. Hughes: Wendy, you'll be sharing with us the Loss Reserving Committee report.

Ms. Browne: Good morning. I will be reporting on the December 4th Loss Reserving Committee meeting.

The Summary of the meeting was attached to your agenda, and I will be highlighting some of the major points from that report.

The committee reviewed the current quarter's data quality and large loss reports and noted the following:

There was one claim in excess of the policy limits by approximately \$575,000. The carrier advised staff that the excess losses were reported in error and would be corrected in the next quarter.

There were 13 new large losses reported with more than \$1.0 million. One of those claims is a \$5.0 million combined single limit policy. This accident relates to a policy year 2023 for a commercial bus with an out-of-state claim with estimated losses of approximately \$3.0 million. One previous claim with \$1.0 million dropped off the report.

There is an \$8.9 million claim that included a large PIP loss that was reported closed, with approximately \$1.3 million lower than the anticipated. Therefore, that information was incorporated into the reports.

To date, there are a total of 145 large claims over \$1.0 million reported over the last ten policy years with approximately \$240 million in total reported incurred losses. This is an increase of approximately \$9.1 million, attributed to \$15.0 million from new losses which are also offset by some overall downward development.

The large loss reports were all included in the packet if anybody wants more detail.

The committee was also informed that during the current quarter, 24 new claims were reported with the Large Loss Notification Form. Five claims have been reported with \$5.0 million combined single limits, 17 with \$1.0 million combined single limits, and two that are less than \$1.0 million. The claims right now are lower than those total limits on the policy but there's no statistical data reported at this time. So, we're working off of estimations until we get more data.

Next, the committee set commercial loss reserves and ultimate deficits using data reported through the September 2024 submissions.

The committee estimated a policy year 2022 deficit of \$24.5 million with an ultimate loss ratio of 89.5% which is a \$1.1 million deterioration from the prior quarter.

The committee estimated a policy year 2023 deficit of \$7.7 million with an ultimate loss ratio of 79.8%. This is a much smaller deterioration of just \$.2 million.

For 2024, which is the first estimate, the deficit is estimated to be \$13.5 million with an ultimate loss ratio of 81.3%.

The ultimate loss ratio and deficit projections for all policy years were attached in the packet.

I'd be happy to take any questions if anybody has any. That would conclude the Loss Reserving report.

Mr. Hughes:

Thank you, Wendy.

25.06 Compliance and Operations Committee

Mr. Hughes:

Wendy, you're going to share with us also the Compliance and Operations Committee report?

Ms. Browne:

Yes, I have a few reports to give you this morning.

The Compliance and Operations Committee met on January 22nd. There is one action item for your consideration.

The committee was provided with the results of the Main Street America Hybrid Audit. The audit scope included approximately \$550,000 in written premium and about \$1.3 million in associated losses. There were five recurring statistical premium reporting issues and five recurring statistical loss reporting issues, none of which was considered excessive. MSA was found to be compliant with the Claims Performance Standards and the required SIU audits of garaging and policy facts. However, MSA was determined to not be in compliance with the SIU component because the company did not meet the minimum standard of 25 claims or underwriting referrals to the SIU for investigation.

Typically, CAR staff would recommend a future focus audit of MSA's SIU, however, as you know, MSA has announced its intention to withdraw from the Massachusetts private passenger auto insurance market. While an exit date has yet to be finalized, staff determined that it would not recommend a focus audit if the book transfer is completed within a year. Otherwise, if the book transfer is not finalized then staff will recommend a focus audit of MSA's SIU in 2026. Accordingly, CAR staff recommended a green light assessment of MSA's audit results excluding the SIU evaluation. The committee voted unanimously to accept that audit report with no further auditing and assess that green light value.

Next, the committee discussed the new compulsory limits for policies effective July 1, 2025 and later.

The committee reviewed proposed updates to the Private Passenger and Commercial Statistical Plans for policies effective July 1, 2025 and subsequent which included new and updated statistical codes for liability limits. These updates are the result of legislative changes increasing the minimum limits of mandatory coverage on policies issued or renewed after June 30th. In addition to the new codes to correspond to the new limits, the footnotes have been revised and updated to include, you know, dates on older limits that will no longer be applicable going forward, just to clarify that.

The committee voted unanimously to recommend to the Governing Committee approval of the proposed changes to the Private Passenger and Commercial Statistical Plans to include new and updated statistical coding for the mandatory minimum limits of liability. This is an action item for your consideration. The proposed updates can be found in the agenda under the records of the Compliance and Operations Committee, Exhibit #1, pages 4 through 11.

Mr. Hughes: I'll ask for a motion to approve the proposed amendments to the Private Passenger and Commercial Statistical Plans to include the new and updated statistical coding for mandatory minimum limits of liability.

Mr. Olivieri: So moved.

Ms. Woodcock: Second.

Mr. Hughes: Thank you. Any comments, questions or concerns before we vote? All in favor?

All Committee Members: Aye.

Mr. Hughes: Any opposed? Hearing none, the motion passed.

Ms. Browne: I have one more item. This deals with 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 collected on the MAIP Placement Record. Pursuant to the committee's direction, staff did have communication with the Division of Insurance in which the Division indicated that proposed changes to add a new value to the Rating Company Number field was reasonable. Accordingly, based on the feedback from the committee and the Division, CAR confirmed its recommendation to add a third value that indicates if a MAIP policy was written at a voluntary rate that is also equal to the MAIP rate. Staff did recommend delaying the proposed implementation date to January 1, 2026 due to the July 1st required processing changes necessitated by the change to the minimum compulsory limits. The committee unanimously voted to approve those changes to the MAIP Placement record reporting and

directed staff to draft applicable amendments to the ARC Procedures Manual which will be presented to them at their next meeting and then those changes will be forwarded to you at your next meeting.

Unless anyone has any questions, that would conclude my report.

Mr. Hughes: Thank you, Wendy. Any questions?

25.07 Personnel Committee

Mr. Hughes: Next up is the report of the Personnel Committee.

The Personnel Committee met on January 28th. There will be five action items for Governing Committee consideration.

First is the annual merit and discretionary allowance. Mr. Steve Gautieri reviewed the annual merit adjustment survey with the committee. It was based on peer organizations. We received management's review of the 2025 merit. We spent some time talking about the strategic decisions that CAR has made which have kept salary increases over the ten years at a very good level. I will go through each item and then we'll take a vote. Natalie shared with us the accomplishments of her staff and team over 2024 and recommended a discretionary allowance which is a one-time payment. It does not go into an individual's salary. It has been received very well by staff. It's been a great motivator for performance. It's usually targeted towards the lower and mid-tiers of CAR staff salaries.

The Personnel Committee voted unanimously to recommend to the Governing Committee the merit and discretionary allowance. With that, I'll ask for a motion to approve.

Mr. Olivieri: I'll make a motion to approve the annual staff merit adjustment and additional discretionary allowance.

Mr. Hughes: Thank you, John. Could I get a second?

Ms. Woodcock: Second.

Mr. Hughes: Thanks, Meredith. Before we take a vote, are there any comments, questions or concerns about either the merit or the discretionary? Hearing none, I'll ask for a vote. All in favor?

All Committee Members: Aye.

Mr. Hughes: Any opposed? Motion passes.

Next up, we had a review by Mr. Gautieri of the annual range movement of the salaries. Similarly, he presented us with a salary range survey based on peer organizations and the salary range increases they made for 2025. Based on a review of the survey and our past practices, a unanimous vote was held by the Personnel Committee to recommend to the Governing

Committee we adopt these changes for 2025. That is our second action item. I'll ask for a motion to approve.

Mr. Olivieri: Motion to approve the recommended salary range movement presented.

Mr. Hughes: Thank you, John.

Mr. Prado: Second.

Mr. Hughes: Thank you, Tiago. Before I take a vote, are there any questions, comments or concerns? Hearing none, I ask for a vote. All in favor?

All Committee Members: Aye.

Mr. Hughes: Any opposed?

Our third item, Ms. Hubley provided us with job assessments of both Ms. Wendy Browne, Vice President of Business Operations, and Mr. Peter McCabe, Vice President of Technical Operations. She indicated that both individuals have performed beyond expectations in 2024 and she detailed their numerous accomplishments for the year. Ms. Hubley proposed salary increases for both Ms. Browne and Mr. McCabe, which you have in front of you.

I will ask first for a motion to approve the salary recommendation for Ms. Wendy Browne, Vice President of Business Operations.

Mr. Olivieri: Motion to approve the salary recommendation for Wendy Browne, Vice President of Business Operations.

Mr. Hughes: Thank you, John. Could I have a second?

Mr. Taylor: Second.

Mr. Hughes: Thanks, Chris. Any questions, comments or concerns? Hearing none, I'll ask for a vote. All in favor?

All Committee Members: Aye.

Mr. Hughes: Any opposed? Hearing none, motion passes.

Next up, similarly, I'll need a motion to approve the salary recommendation for Mr. Peter McCabe, Vice President of Technical Operations.

Mr. Olivieri: So moved.

Mr. Hughes: Thank you.

Ms. McConnell: Second.

Mr. Hughes: Thank you. Any questions, comments or concerns before we take a vote?
All in favor?

All Committee Members: Aye.

Mr. Hughes: Any opposed? Hearing none, motion passes.

The last action item is a recommendation of the President's salary. The committee provided an assessment of CAR President Natalie Hubley's 2024 job performance with a lot of positive individual comments from the committee. In recognition of Ms. Hubley's leadership and continued success as President of CAR, the Personnel Committee unanimously voted a merit increase for Ms. Hubley which I will need a motion.

Mr. Olivieri: I will make a motion to approve the recommendation for President Natalie Hubley's salary.

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

Mr. Prado: Second.

Mr. Hughes: Any questions, comments or concerns before we vote? Hearing none, I'll ask for a vote. All in favor?

All Committee Members: Aye.

Mr. Hughes: Any opposed? Hearing none, motion passes.

25.08 Financial Audit Committee

Mr. Hughes: Our final committee report will be by Wendy Browne for the Financial Audit Committee.

Ms. Browne: This is the report of the Financial Audit Committee that met on January 29th. There is one action item for your consideration.

The first item was the annual audit of CAR for fiscal year ending September 30, 2024. Mr. Thomas Perruna, representing AAFPCA, discussed the procedures performed and stated that there were no exceptions found in any of those procedures performed. Mr. John Buckley then discussed the review of CAR's financial statements indicating that no differences were noted and that no adjustments were needed. The committee was advised that based on the agreed upon procedures performed in accordance with standards established by the American Institute of Certified Public Accountants and its review of CAR's financial statements, that AAFPCA will issue a clean, unqualified review report as of, and for the year ending, September 30, 2024. After a brief discussion, the committee voted unanimously to recommend to the Governing Committee approval of CAR's financial statements for fiscal year ending September 30th. That is an action item for your consideration.

Mr. Hughes: I'll ask for a motion to approve CAR's financial statements for fiscal year ending September 30, 2024.

Mr. DePaulo: So moved.

Mr. Prado: Second.

Mr. Hughes: Thank you. Any questions, comments or concerns? Hearing none, all in favor?

All Committee Members: Aye,

Mr. Hughes: Any opposed? Hearing none, the motion passes.

Ms. Browne: The next topic was the independent auditor contract review. AAFCPA presented a proposal to continue as CAR's external auditor for fiscal year 2025 to 2027. Information on historical expenses for team members and hours billed in prior years was provided to the committee. Additionally, it was explained that the increase in fees is a result of the impact of Covid and fewer accountants entering the field, making it more expensive to maintain staffing. The committee discussed possible options for reducing fees as well as the potential rotation of AAFCPA staff to provide a fresh look. The committee also discussed the appropriateness of conducting an RFP for external auditor services. It was noted that AAFCPA has developed an understanding of CAR's operation during its engagement, and this would be the first extension. Conversely, in light of rising costs, the committee noted that conducting an RFP would be fiscally responsible. After further discussion, the committee voted with five in favor and one opposed to recommend to the Governing Committee that CAR conduct an RFP for external auditor services.

However, subsequent to the committee meeting, CAR staff received additional communication from AAFCPA offering a reduction to the original proposal. The Financial Audit Committee Chair is requesting that the Governing Committee defer action on its recommendation to allow the committee to reconvene to consider the revised AAFCPA proposal.

Unless anyone has any questions, that would conclude the report of the Financial Audit Committee.

Mr. Prado: I have a question. What is the incremental delta that they're asking on this?

Ms. Browne: The proposed increase in fees has different percentage increases depending upon the year.

Mr. DePaulo: Wendy, when does the contract run out?

Ms. Browne: This was the last audit under the current contract. Unless the committee has any issues, it would be the intention of the Financial Audit Committee to meet again, discuss the revised proposal, and come back to you with

another recommendation or maybe the same recommendation at the next meeting.

Mr. Hughes: Thanks, Wendy.

Other Business

Mr. Hughes: Is there any other business to come before the Governing Committee? Hearing none, is there any need to meet in executive session? Hearing none, I'll ask for a motion to adjourn.

Mr. Olivieri: Motion to adjourn.

Mr. Hughes: Can I get a second?

Mr. Prado: Second.

Mr. Hughes: Thank you. All in favor?

All Committee Members: Aye.

Mr. Hughes: Any opposed? Meeting is adjourned.

(Meeting ended at 11:04 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
February 25, 2025

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 #GC25.02, Exhibit #1

Attendance Listing

Company / Agency

PLEASE PRINT

[illegible]

FEBRUARY 11, 2025

PLEASE PRINT

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