



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, 7<sup>th</sup> Floor, Boston, on

**TUESDAY, SEPTEMBER 23, 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. Sarah Clemens	MAPFRE U.S.A. Corporation
Mr. Kevin Costigan	GEICO
Mr. Thomas DePaulo	Cabot Risk Strategies, LLC
Ms. Jean Houghton	Norfolk & Dedham Group
Ms. Lauren Kavanaugh <sup>(1)</sup>	Safety Insurance Company
Ms. Nicole Martorana	FBInsure
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:

<sup>(1)</sup> Ms. Mary McConnell

Not in Attendance:

Ms. Ida Denard Jones, Denard Insurance Agency, Inc.

## PROCEEDINGS

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

Mr. Hughes: Good morning, everybody. I'll call the Governing Committee meeting of September 23<sup>rd</sup> to order. I'll start with an announcement. I think most folks know that Mary Ellen Thompson has retired from the Division of Insurance so Ms. Meg Barao will be replacing Mary Ellen. Welcome to the committee.

Ms. Barao: Thank you for having me.

Mr. Hughes: I have one other announcement. Mary McConnell cannot be here today, so Lauren Kavanaugh is here in her place.

### 25.01 Transcript of Previous Meeting

Mr. Hughes: First of all, we have the posting of the transcript of the previous meeting of June 17<sup>th</sup>. I'll ask for a motion to approve the minutes of the meeting.

Ms. Houghton: So moved.

Mr. Hughes: Can I get a second?

Mr. DePaulo: Second.

Mr. Hughes: Any discussion or questions before we take a vote? All in favor?

All Committee Members: Aye.

Mr. Hughes: Any opposed? Hearing none, the transcript passes and is admitted.

### 25.04 President's Report

Mr. Hughes: With that, I will ask Natalie to share with us her President's Report.

Ms. Hubley: Thank you. You, as a committee, have a lot of advisory committee reports to deal with today, so my comments will be very brief.

I just want you to pencil in or mark your calendars for our 2026 meeting schedule. We'll be meeting on February 10<sup>th</sup>, April 14<sup>th</sup>, June 16<sup>th</sup>, September 15<sup>th</sup>, and November 17<sup>th</sup>. Robin will mark your calendars. She can only do that a year in advance but in the next upcoming days she'll send out an Outlook invite so that you can get that into your calendars.

Also, Robin will be soliciting requests for advisory committee appointments in the next week or so. We'd like to get that roster developed by the end of October if we can so that we can work with the Chair and

the Vice Chair and then get commissioner's consultation in December so that we'll be ready to go in January.

Just to give a note on our commercial rate filing status, that continues to be under review. CAR filed that early in June with a proposed effective date of November 1<sup>st</sup>. We did receive a request for some data early on. We checked in with the Division and they indicated it's under review. We have not yet received a decision. So, at this point, we're anticipating a 1/1 effective date.

Next year, we're going to be having to coordinate some commercial filings as well. We've got some filings relating to the new forms that will go into effect 1/1/27 and then our rate need. We're going to have to keep those separate. So, we'll be coordinating those and working with the Division and the State Rating Bureau to hopefully have those move smoothly.

We are anticipating private passenger rate indications shortly. So, we'll be making a filing later this year.

I've reported on MSA, Main Street America's intention to withdraw. We received a third draft of their withdrawal plan and that's currently under review by the Division of Insurance.

That would conclude my report.

Mr. Hughes:

Thank you, Natalie

## 25.05 Counsel's Report

Mr. Hughes:

Ben, will you be reporting on the Counsel's Report?

Mr. Hincks:

With Mr. Torres' absence, I will be. Thank you, Bill. Good morning, everybody. There's only one item in today's Counsel's Report and it is not an action item. It relates to the Point Insurance matter.

We previously reported that on June 16, 2025, we received the Division's decision and order in the Point II appeal, the proceeding in which the Point Insurance Agency challenged Arbella's termination. The hearing officer affirmed the decisions issued by the Market Review Committee and the Governing Committee Review Panel and denied Point's request to overturn the termination by Arbella. Point's counsel contacted Arbella and CAR soon thereafter and indicated that Point would appeal the decision and order in Mass. Superior Court and would also file a motion to stay the termination. Point, CAR, and Arbella negotiated the terms of a standstill agreement and schedule for the parties to brief and argue Point's request that the termination be stayed during the appeal.

On July 11<sup>th</sup>, Point filed its appeal of the Division's decision and order in Suffolk Superior Court. Point also filed a motion to stay the termination during the pendency of its appeal. CAR and Arbella both formally opposed the motion to stay. That motion is fully briefed and was

scheduled to be heard on September 10<sup>th</sup> but the day before the hearing the clerk advised that the judge assigned to hear the argument had recused himself due to his prior work with Arbella. The parties have since provided their availability for dates in early October and await word from the Superior Court as to when the argument on Point's motion will be heard.

If there are any questions, please let me know. If there are not, this will conclude today's Counsel's Report.

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

## **25.06 Compliance and Operations Committee**

Mr. Hughes: Wendy Browne will be reporting on the Compliance and Operations Committee meeting of 9/3.

Ms. Browne: Yes. Good morning. That was a lengthy meeting, and I have four action items for your consideration.

The first topic that the committee discussed was the Compliance Audit Program. The committee was provided with the results of the focus audit for Permanent General, which has a vendor agreement with Embark General to underwrite, service, and statistically report private passenger auto insurance on behalf of The General. The committee was informed that a focus audit was conducted in late 2020 and six issues were identified for correction. Then a full hybrid audit was conducted in 2022, and several new statistical reporting issues were identified resulting in 16 issues that were determined as requiring mandatory corrections. Staff was then directed to conduct a focus audit in 2025 to evaluate the status of those 16 issues and begin the process of assessing penalties if efforts to make corrections had not been made. That is the focus audit that was recently conducted and we're reporting on.

Of those 16 issues audited, staff reported that 11 were completely corrected, significant progress was made on three, and two remained uncorrected. Due to Embark's significant progress and its indication that the outstanding issues had either already been rectified or were on track for resolution, staff recommended that Permanent General be assessed a green light value and that the company be returned to a five-year audit schedule without penalty. The committee voted unanimously to accept the report and to return Permanent General to the five-year audit schedule.

The committee was next presented with the focus audit results for AIG, which considered the ARC's compliance with the statutory requirements related to SIU. The committee was informed that AIG had undergone a full hybrid audit in 2023 and was found non-compliant with the SIU review, having failed to meet the minimum requirement of 25 referrals. The focus audit was conducted to retest the effectiveness of AIG's SIU program.

AIG had previously indicated its intent to use the alternative methodology which assists ARCs with smaller books of business achieve compliance with the SIU requirements. AIG was found to have 88% compliance rate with the sampled paid losses, and it had also enhanced its SIU program. While the company was found to be compliant, it was also notified that it should continue to enhance its SIU program in order to be fully compliant with the Performance Standards. Accordingly, the committee voted, with one recusal, to accept the audit report without further consideration.

Finally, the committee was provided with a status update on the towing and labor focus audits of Hanover and USAA. It was noted that both companies have been transparent and forthcoming with their respective issues, but neither has yet to be able to provide CAR with the necessary documentation to validate the reported loss amounts. Because both companies are continuing to work with their respective vendors to find a solution, staff is not recommending penalties at this time to give them more time to figure out something. So, we'll be reporting on that topic later on as the two companies hopefully make some progress.

Proposal for Changes to the Hybrid Audit Program, proposed updates to the ARC Procedures Manual to address changes to the Hybrid Audit Program were reviewed by the committee. The proposed amendments include a change to allow recommendations to be forwarded to the committee earlier in the audit process for those companies with high error rates. Additionally, the determination of the average error rate used to determine the traffic light assessment would be based on only those companies that are assessed a green light value.

The committee voted unanimously to recommend to the Governing Committee approval of the proposed amendments to Chapter XI – Compliance Audit of the Assigned Risk Company Procedures Manual. The updates to manual can be found in your agenda under docket #GC25.06, Exhibit #3, pages 5 to 8 and this is an action item for your consideration.

- Mr. Hughes: I'll ask for a motion to approve the proposed amendments to Chapter XI – Compliance Audit of the Assigned Risk Company Procedures Manual codifying approved changes to the Hybrid Audit Program. Can I get a motion?
- Ms. Houghton: So moved.
- Mr. Hughes: Thank you. Second?
- Mr. DePaulo: Second.
- Mr. Hughes: Thank you. Any discussion or questions before we vote? I will take a vote. All in favor?
- All Committee Members: Aye.
- Mr. Hughes: Any opposed? Hearing none, it passed.

Ms. Browne: Excellent. Under the Claims Subcommittee topic, the committee was provided with an overview of the subcommittee meeting in which proposed amendments to the Private Passenger and Commercial Claims Performance Standards were considered. The amendments consisted of enhanced language to both sets of standards to indicate that source documentation is required to allow for the validation of loss amounts and expense payments to differentiate between Allocated and Unallocated Loss Adjustment Expenses as well as the addition of two questions to the Compliance Audit Claims Questionnaire relative to SIU. The final change adjusts the frequency of the private passenger SIU audits from triennially to once every five years.

The committee voted unanimously to recommend Governing Committee approval of the amendments to the Private Passenger and Commercial Performance Standards as presented and to direct that they be forwarded to the Commissioner of Insurance. The proposed amendments can be found in your agenda under docket #GC25.06, Exhibit #3, page 9 to 29 and again this is an action item for your consideration.

Mr. Hughes: Thank you, Wendy. I'll ask for a motion to approve the proposed amendments to the Private Passenger and Commercial Claims Performance Standards.

Ms. Clemens: Motion.

Mr. Hughes: Thank you.

Ms. Woodcock: Second.

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

All Committee Members: Aye.

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

Ms. Browne: Excellent. Next, the committee considered proposed updates to the Commercial Statistical Plan dealing with garage classification codes.

An overview of the proposed changes to the Commercial Statistical Plan was provided to the committee. These changes will be effective with the adoption of the Auto Dealers coverage form beginning with January 1, 2027 effective date policies.

Class code 075000 – repair shops, service stations and storage garages has been removed from the garage page as well as obsolete notes as these risks are now written on the Business Auto Policy. The class codes for limited customer coverage, valid for voluntary business only, have been removed from the Auto Dealers page to the Special Types page to be consistent with the codes for unlimited customer coverage that also applies to repair shops, service stations and storage garages. The definition of All Other Risks Not Subject to Compulsory Law has been updated to be consistent with

the description in the Commercial Rating Manual due to a lack of understanding of these risks which has resulted in improper reporting of this classification. The committee was informed that if the changes are approved, more specific instructions, including some examples, would be provided in an Accounting and Statistical Notice to assist companies in reporting correct classification codes.

Accordingly, the committee voted unanimously to recommend to the Governing Committee that the proposed updates to the Commercial Statistical Plan be approved effective January 1, 2027. This is an action item for your consideration, and the proposed amendments can be found in your agenda under docket #GC25.06, Exhibit #3, pages 30 to 33.

Mr. Hughes: Thank you, Wendy. I'll entertain a motion to approve the proposed amendments to the Commercial Statistical Plan effective January 1, 2027.

Mr. DePaulo: So moved.

Mr. Hughes: Thank you.

Ms. Clemens: Second.

Mr. Hughes: Thank you. Any discussion or questions prior to our vote? All in favor?

All Committee Members: Aye.

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

Ms. Browne: Excellent. The final topic was amendments to Rules 14 and 31 which are the ERP and ARP requirements for service fees.

In response to the changes implemented by the Attorney General's Office in regulation 940 CMR 38.00, the committee considered proposed amendments to Rules 14 and 31 to indicate that the disclosure of any fee is to be compliant with all state laws and regulations. In an effort to ensure awareness, CAR and the AIB have distributed bulletins announcing the new regulation to various facets of the industry. It was noted that staff would continue to review other manuals to determine if additional updates are necessary to address company requirements.

Accordingly, the committee voted unanimously to recommend to the Governing Committee approval of the proposed changes to Rule 14 and 31 of the CAR Rules of Operation. This is an action item for your consideration, and the proposed amended pages can be found under docket #GC25.06, Exhibit #3, pages 34 to 37.

Mr. Hughes: I'll entertain a motion to approve the proposed changes to Rules 14 and 31 of the CAR Rules of Operations to ensure compliance with the Attorney General's regulation.

Ms. Woodcock: So moved.

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

Mr. DePaulo: Second.

Mr. Hughes: Any discussion or questions prior to our vote? All in favor?

All Committee Members: Aye.

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

Ms. Browne: Excellent, thank you. That would conclude that report.

**25.08 Financial Audit Committee**

Mr. Hughes: Next up, Wendy will also present the Financial Audit Committee report for the meeting of September 9<sup>th</sup>.

Ms. Browne: Yes. The meeting of September 9<sup>th</sup>, the topic was the Annual Audit of CAR for Fiscal Year Ending September 30, 2025.

The meeting began with the introduction of the new partner Enis Bezhani of AAFCPA. Mr. Bezhani presented his recommendation regarding the engagement parameters for the 2025 review and provided a basic timeline for the planning, execution, and completion of the engagement. He then discussed the Agreed Upon Procedures plan. He also reiterated that the 2025 procedures would continue to focus primarily on transactions relevant to CAR's administrative expenses. It was confirmed the 2025 audit fee for \$93,500 was agreed upon at a prior meeting.

After discussion, the committee members voted unanimously to recommend that the Governing Committee approve the engagement parameters as presented by AAFCPA for the review of CAR's fiscal year 2025 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: I'll entertain a motion to approve the engagement parameters for the review of CAR's fiscal year 2025 financial statements including the Agreed Upon Procedures as presented.

Mr. Costigan: So moved.

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

Ms. Houghton: Second.

Mr. Hughes: Thank you. Any discussion or questions prior to our vote? All in favor?

All Committee Members: Aye.

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

Ms. Browne: Excellent. Thank you.

## 25.09 Loss Reserving Committee

Mr. Hughes: Next up will be Tim Galligan who will report on the September 3<sup>rd</sup> Loss Reserving Committee.

Mr. Galligan: Thank you. Good morning, everybody. I will be reporting on the September 3<sup>rd</sup> Loss Reserving Committee. The summary of that meeting was included in your agenda, and the records are available on CAR's website as they were distributed yesterday.

First, the committee discussed data quality issues that include data adjustments, policies in excess of their limits, and large loss data. For the large losses, there were six new accidents with losses greater than \$1.0 million. All six carried a \$1.0 million combined single limit coverage. In total, for all years, there are 141 large claims with current losses of approximately \$232.9 million. That represents a \$4.3 million increase over the prior quarter which was primarily due to those six new large losses.

Also, each quarter, we incorporate relevant accident loss estimates reported to us from the Large Loss Notification Form. In this quarter, there were 12 new claims reported using this application.

Next, the committee set commercial loss reserves and ultimate deficits using data statistically reported through June 2025 and I will review the latest three years.

The committee estimated a policy year 2022 deficit of \$17.4 million, representing a \$3.2 million improvement from the prior quarter.

The policy year 2023 deficit of \$3.1 million represents a \$1.7 million improvement from the prior quarter.

The policy year 2024 deficit estimate of \$11.8 million results in a \$1.9 million improvement from the prior quarter.

Also of note, the policy year 2020 estimated surplus of \$34.3 million resulted in a \$1.6 million improvement from the prior quarter.

Deficit improvements were seen in policy years 2019 to 2024 this quarter. These are due primarily to favorable development. Additionally, the IBNR distribution to policy year has been tempered over time toward the indications by using a conservative reserving approach, in part, because large losses were contributing to variable results from quarter to quarter.

In recent quarters, the committee has moved more towards these indicated policy year loss ratios resulting in this overall improvement for many of those years.

Finally, the next meeting is scheduled for December 3<sup>rd</sup> at 11:00 a.m. to make projections using data reported through September 2025. This will be the first projection of the policy year 2025 ultimate deficit results.

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

Mr. Hughes: Thank you, Tim.

#### **25.10 Commercial Program Oversight Committee**

Mr. Hughes: Next up, John Olivieri will report on the Commercial Program Oversight Committee meeting of July 16<sup>th</sup>

Mr. Olivieri: Thank you, Bill. We met on July 16<sup>th</sup>. The minutes have been distributed and posted.

There were two agenda items. First, the 2024 Servicing Carrier Annual Report. Rich Dalton presented the Servicing Carrier Annual Reports and a summary of the Servicing Carrier responses that were also distributed to the committee members.

Natalie noted that because the Servicing Carriers identified several new topics and provided a number of suggestions for improvements in their Annual Reports, it was CAR's suggestion that staff review the list of recommendations to determine which committee would be best suited to address each topic as well as which items may require additional research by staff. There were no additional questions from the committee members. The consensus was to have staff move forward with Natalie's approach.

The other item that we discussed had to do with the quarterly reports for ceded business which we do on a quarterly basis, obviously. Tim Galligan presented those reports. No action was needed or taken on those.

That concludes my report for our committee.

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

#### **25.11 MAIP Steering Committee**

Mr. Hughes: Next up, Barry Tagen will report on the MAIP Steering Committee meeting of July 30<sup>th</sup>.

Mr. Tagen: Good morning, Mr. Chairman, members of the committee. I will be reporting on the discussions that took place at the July 30, 2025 MAIP Steering Committee meeting. The records have been distributed and are

on file. There are two agenda items and there will be two action items today for your consideration.

The first agenda item is the MAIP Physical Damage Maximum Loss Payable. The committee reviewed proposed amendments to the Assigned Risk Producer Procedures Manual to address the implementation of the \$175,000 maximum physical damage limit of loss that is effective January 1, 2026. Chapter II was updated to indicate that the producer is responsible for informing the risk of the maximum limit of loss and a sample insurance binder was added as an exhibit. References to the maximum limit of loss were also added to Chapters III and IV.

The committee voted unanimously to recommend to the Governing Committee approval of the proposed amendments to the Assigned Risk Producer Procedures Manual which can be found in the agenda under docket #GC25.11, Exhibit #2, pages 3 through 23. This is an action item for your consideration.

Mr. Hughes: Thank you, Barry. I'll entertain a motion to approve the proposed amendments to the Assigned Risk Producer Procedures Manual addressing producer responsibilities relating to the maximum physical damage loss payable.

Mr. DePaulo: So moved.

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

Mr. Taylor: Second.

Mr. Hughes: Thank you. Any discussion or questions prior to our vote? All in favor?

All Committee Members: Aye.

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

Mr. Tagen: The second agenda item was Limited Assignment Distribution Agreement Procedures. The committee review proposed amendments to Chapter IV – Limited Assignment Distribution Procedures in the Assigned Risk Company Procedures Manual to clarify terminology, including introducing and defining the term LADA Provider, and eliminate unnecessary language. Amendments also better define or describe a number of items including the application process and requirements to become a LADA provider, CAR's review process for LADA contracts, and the requirements of the market share waiver request letter. In addition, a new section was added to describe procedures and timeframes associated with CAR's annual LADA review.

The committee voted unanimously to recommend to the Governing Committee approval of the proposed amendments to Chapter IV of the Assigned Risk Company Procedures Manual. The proposed changes can be found in your agenda under docket #GC25.11, Exhibit #2, pages 24 through 32. This is also an action item for your consideration.

Mr. Hughes: I'll entertain a motion to approve the proposed amendments to the Assigned Risk Company Procedures Manual addressing LADA review procedures.

Ms. Woodcock: So moved.

Mr. Hughes: Thank you.

Ms. Clemens: Second.

Mr. Hughes: Thank you. Any discussion or questions prior to our vote? All in favor?

All Committee Members: Aye.

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

Mr. Tagen: That would conclude my report.

Mr. Hughes: Thanks, Barry.

## **25.12 Commercial Automobile Committee**

Mr. Hughes: Next on our agenda, Thom DePaulo will report on the meetings of July 18<sup>th</sup> and August 27<sup>th</sup> of the Commercial Automobile Committee.

Mr. DePaulo: Thank you, Mr. Chairman. Good morning, committee members. I have seven agenda items – we had a busy two months of meetings – and five action items. I'll try to give you the abridged version of all the work that we've done.

The first agenda item is the Proposed Amendments to CAR Rules and Manual for New Coverage Forms. In anticipation of the CAR filing effective January 1, 2027, seven additional endorsement updates were necessary due to the changes in the compulsory limits including the two Massachusetts Mandatory Endorsements, the Auto Dealers Declarations, and four Massachusetts specific endorsements. The committee also reviewed other endorsements recently placed on file and determined that five exclusionary endorsements were also appropriate for the residual market, including those exclusions related to communicable disease, silica or silica related dust, and perfluoroalkyl and perfluoroalkyl substances otherwise known as PFS.

The committee voted unanimously to recommend to the Governing Committee adoption of the seven updated endorsements for the change to the compulsory limits and the five additional exclusionary endorsement for policies effective January 1, 2027. This is an action item for your consideration.

Mr. Hughes: Thank you, Thom. I'll entertain a motion to approve the adoption of the seven updated endorsements to the change to compulsory limits and the

five exclusionary endorsements for policies effective January 1, 2027 and later.

Ms. Woodcock: So moved.

Mr. Hughes: Thank you. Second?

Ms. Houghton: Second.

Mr. Hughes: Thank you. Any discussion or questions?

Ms. Clemens: Do the minutes say three exclusionary endorsements?

Ms. Browne: I can clarify that. There were two meetings. Three were approved at one meeting and two were approved at the subsequent meeting. So, it's combined.

Ms. Clemens: Okay. So, we're doing all five. I got you.

Mr. Hughes: Any other questions. All in favor?

All Committee Members: Aye.

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

Mr. DePaulo: The second part of this agenda item, in order to ensure consistency within CAR manuals, the committee also considered updates to Chapter V – Premium of the Manual of Administrative Procedures. The updates consisted of formatting changes to improve the readability, terminology updates and a reorganization of the coverages to maintain consistency with Rule 6. Additionally, the table of policy forms and endorsements has been eliminated and is now included in the Commercial Auto Insurance Manual.

The committee voted unanimously to recommend to the Governing Committee approval of the proposed changes to Chapter V – Premium of the Manual of Administrative Procedures. The updated pages can be found in your agenda under docket #GC25.12, Exhibit #2, pages 6 through 16. This is an action item for your consideration.

Mr. Hughes: Thank you, Thom. I'll entertain a motion to approve the proposed changes to Chapter V – Premium of the Manual of Administrative Procedures amending coverage references to ensure consistency with CAR's Rules of Operation.

Ms. Woodcock: So moved.

Mr. Hughes: Thank you.

Ms. Clemens: Second.

Mr. Hughes: Thank you. Any discussion or questions prior to our vote? All in favor?

All Committee Members: Aye.

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

Mr. DePaulo: The next agenda item is just an update for you, Assignment Procedures for Affiliated Producers. The committee was provided with a status report on CAR's research efforts to better understand the operations of agency networks as well as to solicit the Servicing Carriers perspective on various options that are being discussed. The committee was then informed that because this is such an important and challenging topic, an Ad Hoc Committee has been established to focus on this issue and discuss alternatives and potential solutions, and you'll hear that report of the committee later this morning.

The next agenda item is Pollution Coverage and there will be two action items. At the last meeting, the committee had reached a consensus that if the MCS-90 is required on a policy then the corresponding pollution coverage should be required and thus requested staff to draft amendments to reflect this requirement. Accordingly, the committee reviewed the proposed updates to Rule 46 – Pollution Liability of the Commercial Automobile Insurance Manual that included the requirement for higher limits of coverage if the MCS-90 endorsement is required for the policy. Additional changes to the language and classes of pollutants to better follow the language used by the FMCSA were also incorporated into the proposed changes.

Accordingly, the committee voted unanimously to recommend to the Governing Committee approval of the proposed amendments to Rule 46 – Pollution Coverage, to be effective upon approval of the Division of Insurance. The updated pages can be found in your agenda under docket #GC25.12, Exhibit #2, pages 17 through 20. This is an action item for your consideration.

Mr. Hughes: Thank you, Thom. I'll entertain a motion to approve the proposed amendments to Rule 46 of the Commercial Automobile Insurance Manual addressing pollution coverage requirements.

Ms. Woodcock: So moved.

Ms. Clemens: Second.

Mr. Hughes: Thanks. Any discussion or questions? All in favor?

All Committee Members: Aye.

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

Mr. DePaulo: The second part of this agenda item, the committee next considered a change to Chapter III – Servicing Carrier Responsibilities of the Manual of Administrative Procedures to add a requirement to maintain access with

the FMCSA in order to ensure the required filings on behalf of their ceded risks.

After some discussion, the committee voted unanimously to recommend to the Governing Committee approval of the proposed changes to Chapter III – Servicing Carrier Responsibilities of the Manual of Administrative Procedures to require that Servicing Carriers maintain their access to the FMCSA. The updates pages can be found in your agenda under docket #GC25.12, Exhibit #2, pages 21 and 22. This is an action item for your consideration.

Mr. Hughes: I'll entertain a motion to approve the amendments to Chapter III of the Manual of Administrative Procedures requiring Servicing Carrier to maintain access to the FMCSA.

Ms. Woodcock: So moved.

Mr. Hughes: Thank you.

Mr. Taylor: Second.

Mr. Hughes: Thank you. Any discussion or questions? All in favor?

All Committee Members: Aye.

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

Mr. DePaulo: The next agenda item is the 2025 Annual Evaluation of Market Need for ERP Appointments. This will be an action item.

In accordance with Rule 14 – Exclusive Representative Producer Requirements, an applicant for ERP appointment must meet the conditions for addressing market need as determined by established criteria. This criteria includes a provision that an annual assessment be made to determine if a market need exists for appointments. After reviewing the current data, which is similar to the prior year, the committee concluded that ample access to the residual market continues to exist through current qualified producers.

Accordingly, 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 is an action item for your consideration.

Mr. Hughes: I'll entertain a motion to approve the Commercial Automobile Committee's finding that a market need does not exist for the new ERP appointments to producers without a voluntary contract.

Ms. Clemens: So moved.

Mr. Hughes: Thank you, Sarah.

Ms. Woodcock: Second.

Mr. Hughes: Thank you, Meredith. Any discussion or questions? We'll take a vote. All in favor?

All Committee Members: Aye.

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

Mr. DePaulo: The next three agenda items are just updates for you.

The next one is Adoption of Non-Fleet PPT Certification for Other Classes. The committee began discussing the possibility and appropriateness of expanding the use of the certification form to other classifications. It was noted that the non-fleet PPT certification was originally intended to assist the Servicing Carriers in confirming that a viable commercial entity exists, to verify validly licensed operations and to specifically exclude the name insured if not listed as an operator. After a robust discussion with varying points of view, the committee agreed that additional review of the form would be prudent, and the discussion will continue at our next meeting.

The next agenda item was Prioritization of Objectives. In the upcoming year, the committee determined that it will focus its efforts on a review of On-Hook Coverage rating procedures, a review of the instructions when using Auto Dealers Locations and Operations Not Coverage endorsement, classification consistency, and potential enhancements to the Taxi/Limousine/Car Service Underwriting Inspection Form. So more will come in future meetings.

The last agenda item was the Policy Issuance Transition Procedures – Agency Reassignments. The committee discussed some questions raised by Servicing Carriers and producers regarding the policy issuance transition procedures when implementing the realignment of commercial ceded books of business. It was noted that concerns had been expressed relative to the federal filing requirements as well as requests for some additional policy data during the transition from one carrier to another.

After discussion, the committee agreed to gather additional information relating to potential coverage gaps and data needs for further consideration of transition procedures prior to the next redistribution. More to come on that.

That would conclude my report.

Mr. Hughes: Thank you very much, Thom.

### **25.13 Actuarial Committee**

Mr. Hughes: Next on our agenda, Ms. Meredith Woodcock will report on the Actuarial Committee meetings of August 21<sup>st</sup> and September 16<sup>th</sup>.

Ms. Woodcock:

Thanks, Bill.

The primary objective of the prior two meetings was to deliberate quota share credits for policies effective on or after 4/1/2026. At the end of my report, I will have one action item for your consideration.

The committee observed that credit factors have been in place since 2015 noting numerous Division of Insurance decisions that absent a compelling reversal in the size of the MAIP, changes to credit are not warranted. Second, the committee members noted that special attention should be given to the 11 DOI territories so as not to significantly disrupt their current credit eligibility. And third, there was a lot of discussion about clearly defining disproportionate representation in the MAIP while moving towards a credit methodology that addresses the statute and balances responsiveness to credit indications with stability in the residual market mechanism.

To that end, the committee reviewed three credit proposals intended to address these three considerations.

Nuances of the three models discussed included capping credit factor decreases, freezing credit factors for the 11 DOI territories, and lowering the residual market share credit trigger from 5% today to something lower that more accurately responds to disproportionate representation in the MAIP.

The committee, overall, was very encouraged by the thoughtful discussion and expressed interest in continued deliberations with additional iterations evaluated. Committee members also recognized that improvement in voluntary market profitability as well as residual market rates could have an impact on quota share results. As such, many suggested delaying a recommended change to quota share credits in order to observe how class and territory cells may be impacted. After discussion, the committee resolved to meet early next year to consider alternative models to meet the express objectives of the committee.

After discussion, the committee voted with eight members in favor and two opposed to recommend no change to quota share credits effective on or after 4/1/2026. This extends to both keep-out credits and take-out credits and is an action item for your consideration.

Mr. Hughes:

Thanks, Meredith. I'll entertain a motion to approve the Actuarial Committee's recommendation to make no changes to credits.

Mr. Taylor:

So moved.

Mr. Prado:

Second.

Mr. Hughes:

Thank you. Any discussion or questions? I'll ask for a vote. All in favor?

All Committee Members:

Aye.

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

Ms. Woodcock: That concludes my report.

Mr. Hughes: Thanks, Meredith.

#### **25.14 Ad Hoc Producer Reassignment Committee**

Mr. Hughes: Next up, John Olivieri will report on the Ad Hoc Producer Reassignment Committee meeting of August 20<sup>th</sup>.

Mr. Olivieri: Thanks, Bill. The committee met, as Bill just said, on August 20<sup>th</sup>. The minutes have been distributed and are posted.

Our only agenda item was that we discussed the procedures to mitigate the disruptive impacts of ERP assignments. This was our first meeting. This Ad Hoc Committee's charge is to proactively look into developing an alternative solution to redistribute the books of business to mitigate the disruptions and the impacts it has on ERPs.

It was more of a spitball session, so to speak. It took us a little while to get going but we had a very good in-depth conversation. There were three suggestions that were initially brought up at this meeting.

One had to do with adjusting the tolerance for the variance from 3% to 5% recognizing that it could decrease the frequency of redistributions but that it would also have a significant impact on company revenue. The committee then contemplated whether an alternative expense allowance using a fixed percentage would be a solution as this would encourage Servicing Carriers to depopulate the residual market. The third one we talked about was what we referred to as a hybrid expense allowance which is a concept CAR had brought before us in the past. The committee thought that this was the best jumping off point. So, what we did was we directed CAR staff to prepare some models and bring back additional information at our next meeting so we could continue the discussion and see if that is a viable option for us.

There were no other items discussed at this meeting, no action items. If anyone has any questions, I'd be more than happy to entertain them.

Mr. Hughes: Thank you, John.

#### **25.15 Budget Committee**

Mr. Hughes: You will continue on our agenda to report on the Budget Committee meeting of August 25<sup>th</sup>.

Mr. Olivieri: Thank you, Bill. This is going to be a relatively short – as opposed to my other reports an even shorter one. You can thank Natalie and Steve for

that because I can't remember the last time we ever had a Budget Committee meeting – which was held on the August 25<sup>th</sup> and again the meeting minutes have been distributed and posted – when we didn't have any follow-up questions. Nat presented the Business Plan. Steve presented the FY26 Budget. They did such a good job that other than me thanking them and everyone agreeing, the committee had no follow-up questions. The presentation rolled along smoothly.

At that point, the committee voted unanimously to recommend to the Governing Committee approval of both the FY26 Administrative Expense Budget and Business Plan as proposed, which would be an action item.

Mr. Hughes: Thank you, John. I'll entertain a motion to approve the Fiscal Year 2026 Administrative Expense Budget and Business Plan as proposed.

Ms. Clemens: So moved.

Mr. Hughes: Thank you, Sarah.

Mr. Taylor: Second.

Mr. Hughes: Thank you. Any questions or discussion prior to our vote? All in favor?

All Committee Members: Aye.

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

Mr. Olivieri: That concludes my report.

### **Other Business**

Mr. Hughes: Is there any other business to come before this committee? Hearing none, I'll entertain a motion to adjourn the meeting.

Ms. Clemens: So moved.

Mr. Hughes: Can I get a second?

Mr. Prado: Second.

Mr. Hughes: Any discussion or questions? All in favor?

All Committee Members: Aye.

Mr. Hughes: Any opposed? Hearing none, I adjourn the meeting of September 23<sup>rd</sup>.

*(Meeting ended at 11:14 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  
October 6, 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 #4

Attendance Listing



**GOVERNING COMMITTEE MEETING  
SIGN-IN SHEET  
SEPTEMBER 23, 2025**

Individual's Name

Company / Agency

**PLEASE PRINT**

Robin Tigges

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(Samuel D. Batista)

CAR

Wendy Brown

CAR

Lynne Roserby

CAR

Barry Jagan

P. Işınlar

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CAR

Richard Keatts

CAR

Shannon (Lip)

CAR

Tim Gully

Cap

Estaban Gauthier

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