



NATALIE A. HUBLEY  
PRESIDENT

## COMMONWEALTH AUTOMOBILE REINSURERS

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### TRANSCRIPT OF GOVERNING COMMITTEE MEETING

A meeting of the Governing Committee was held in the Training Room at 101 Arch Street, 2<sup>nd</sup> Floor Lobby, Boston, on

**TUESDAY, SEPTEMBER 15, 2026, AT 10:30 A.M.**

Committee Members present –

Mr. William Hughes – Chair  
Arbella Insurance Group

|                                    |                                        |
|------------------------------------|----------------------------------------|
| Mr. Kyle Austin                    | Austin Insurance Agency                |
| Mr. Harris Berenson <sup>(1)</sup> | The Hanover Insurance Company          |
| Ms. Pamela Bodenstab-Krynicky      | P L Krynicky Insurance Agency          |
| Mr. Thomas DePaulo                 | Cabot Risk Strategies, LLC             |
| Ms. Jean Houghton                  | Norfolk and Dedham Group               |
| Ms. Nicole Martorana               | Patriot Growth Insurance Services, LLC |
| Mr. Michael McCann <sup>(2)</sup>  | GEICO                                  |
| Ms. Mary McConnell                 | Safety Insurance Company               |
| Mr. John Olivieri, Jr.             | World Insurance Associates, LLC        |
| Ms. Tricia Sabulis                 | A.P. Michaud Insurance Agency, Inc.    |
| Mr. Gavin Traverso                 | MAPFRE U.S.A. Corporation              |
| Ms. Meredith Woodcock              | Liberty Mutual Insurance Companies     |

Substituted for:

<sup>(1)</sup>Mr. Christopher Taylor

<sup>(2)</sup>Mr. Kevin Costigan

Not in Attendance:

N/A

## PROCEEDINGS

*(Meeting began at 10:45 a.m.)*

Mr. Hughes: I'll call the Governing Committee meeting of September 15<sup>th</sup> to order. I want to welcome two new committee members here for their first meeting. Tricia Sabulis from A.P. Michaud Insurance Agency and Gavin Traverso who joins us from MAPFRE, replacing Sarah Clemens. Welcome both of you. Thank you to Sarah for all her work both for CAR in general and for the Governing Committee specifically. She did some great work for us. So, please share that with her. Also, I want to announce we have two individuals substituting today. Mr. Harris Berenson is substituting for Chris Taylor. Thank you, Harris. Michael McCann is substituting for Kevin Costigan. So, welcome.

### 26.01 Transcript of Previous Meeting

Mr. Hughes: The first item is the transcript of the Governing Committee meeting of June 16<sup>th</sup>. It was posted and available for us to all read and review. I'll ask for a motion that the minutes be approved.

Mr. DePaulo: So moved.

Mr. Hughes: Thank you. Second?

Ms. Woodcock: Second.

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

All Committee Members: Aye.

Mr. Hughes: Any opposed? Hearing none, the minutes are approved.

### 26.04 President's Report

Mr. Hughes: For the next item, I'll turn it over to Natalie for the President's Report.

Ms. Hubley: Thank you. I have mostly housekeeping items for you. I want to start with the 2027 Governing Committee meeting schedule. They are all on Tuesdays at 10:30 in this training room. The first meeting will be February 9<sup>th</sup>, then April 13<sup>th</sup>, June 15<sup>th</sup>, September 21<sup>st</sup> and November 16<sup>th</sup>. As mostly everybody knows, the November meeting begins with our Annual Meeting at 10:30 and then the Governing Committee meets after at 11:00. Robin will send Outlook invitations to everybody to get that into your calendars.

Next, I want to let you know that Robin is going to be sending out a request to sit on advisory committees for the 2027 year. She'll send those out in October or maybe later this month. We'll try to gather all the information

and have our list completed around the end of November/early December so we can send that off to the Commissioner for his consultation and finalize the rosters by the end of the year.

Also, every two years, we have a holiday luncheon immediately following our November Governing Committee meeting. This year we will be doing that at Ruth's Chris. That will be November 17<sup>th</sup> of this year. We hope that you all can put that on your calendars and join us.

Finally, we did make a commercial residual market filing last Friday with a proposed effective of March 1, 2027. Tim and his group are working on a Commercial Lines Notice to let Servicing Carriers know what's in that filing so that we can prepare for that.

That will conclude my report if anybody has any questions.

Mr. Hughes:

Thank you, Natalie.

## 26.05 Counsel's Report

Mr. Hughes:

Next up, Steve, you'll provide our Counsel's Report.

Mr. Torres:

Yes, thank you, Mr. Chairman. Good morning. There are two items on today's counsel report and no action items.

The first item we've previously reported on, the long-pending termination proceeding involving the Point Insurance Agency which we refer to as the Point II appeal. That's the proceeding in which the Point Insurance Agency challenged Arbella's termination after the hearing officer at the Division of Insurance 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 appealed that decision to Suffolk Superior Court. Point's appeal of that termination has been briefed and is awaiting a new date for oral argument. The appeal had been scheduled to be heard this past February but was canceled when we had the big snowstorm that hit the day before. It has not yet been rescheduled despite multiple requests by the parties. It was rescheduled for this September, but it was scheduled before a judge who had previously recused himself because of his prior representation of Arbella. At this point, counsel for Point, Arbella, the AG's Office and CAR filed a joint motion to have the matter transferred to a different session and requested that the pending appeal be heard as soon as the court can hear us.

The second item is the request for review and appeal by the A One Insurance Agency. On June 1, 2026, the A One Insurance Agency submitted to CAR a Request for Review and Relief pursuant to Rule 20 of the CAR Rules of Operation. In that instance, the agency was seeking review of the termination of its ERP appointment by the Commerce Insurance Company. A One's Request for Review was heard and considered by the Market Review Committee at an in-person meeting on July 16, 2026. You'll receive a report today from the Market Review

Committee. So, in short, the Market Review Committee upheld the termination and found that Commerce had established that certain conduct by A One had violated specific CAR Rules of Operation and that the violations provided a valid basis for termination. A One has appealed the Market Review Committee's decision and filed a Request for Review before the Governing Committee Review Panel. That Request for Review by the GCRP is now scheduled for next Friday, September 25<sup>th</sup>.

Unless there are any questions, that concludes Counsel's Report.

Mr. Hughes: Thank you, Steve.

#### **26.06 Financial Audit Committee**

Mr. Hughes: Katy Proctor will now be providing an update on the Financial Audit Committee meeting of September 8<sup>th</sup>.

Ms. Proctor: Good morning, everyone. The Financial Audit Committee met on September 8<sup>th</sup> to go over the annual audit of CAR for fiscal year ending September 30, 2026. Mr. Bezhan of AAFCPA presented his recommendation regarding the engagement parameters for the 2026 review and provided a timeline for planning, execution and completion of the engagement. Mr. Perruna of AAFCPA then discussed the Agreed Upon Procedures plan noting there was no change from the prior year and that the 2026 procedures would continue to focus primarily on transactions relevant to CAR's administrative expenses. He also confirmed the 2026 audit fee of \$97,450 as agreed upon at a prior meeting.

After discussion, the committee members voted unanimously with one member abstained due to technical issues to recommend that the Governing Committee approve the engagement parameters as presented by AAFCPA for the review of CAR's fiscal year 2026 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. This is an action item for your consideration.

Mr. Hughes: Thanks, Katy. I'll ask for a motion to approve the recommended engagement scope and agreed-upon price quotation.

Ms. McConnell: So moved.

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

Ms. Woodcock: Second.

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

All Committee Members: Aye.

Mr. Hughes: Any opposed? Hearing none, the motion is approved. Thanks, Katy.

Ms. Proctor: Thank you.

## 26.07 Compliance and Operations Committee

Mr. Hughes: Next, Wendy Browne will be providing an update on the Compliance and Operations Committee meeting of September 2<sup>nd</sup>.

Ms. Browne: Good morning. I am reporting on that meeting, and I have one action item for your consideration.

Under the Compliance Audit Program, the committee was provided with the results of the Hybrid Audit of the Cincinnati Insurance Company. Because Cincinnati has a LADA agreement with Pilgrim Insurance Company, the audit included samples from both companies. The scope of the Pilgrim portion included approximately \$250,000 in written premium and approximately \$680,000 in paid losses and allocated loss adjustment expenses. It was noted that there were no recurring statistical reporting issues in the MAIP sample and that Pilgrim was compliant with the Lane Bolling statute, the Claims Performance Standards and the SIU requirements.

The scope of the Cincinnati sample included approximately \$850,000 in written premium and approximately \$1.25 million in paid losses and expenses. Cincinnati's quota share and ratemaking error rates were slightly higher than the industry average and six premium and five loss recurring statistical reporting issues were identified. While Cincinnati was found to be compliant with the Claims Performance Standards and SIU audits, it was not compliant with the SIU evaluation because of insufficient referrals. Normally, these findings would result in a recommendation to perform a future focus audit. However, Cincinnati has indicated that it is currently rewriting its Massachusetts reporting systems and that the update to its systems should address most of the reporting problems. Accordingly, CAR recommended to the Compliance and Operations Committee that they consider accepting the report with the understanding that Cincinnati would undergo a complete Hybrid Audit, including the SIU portion, after a full year of statistical data had been reported under the new system. The committee voted unanimously, with one recusal, to accept the audit report with no further auditing with the understanding that the company would undergo the Hybrid Audit.

The committee was next presented with the results of the focus audit of Main Street American which considered the ARC's compliance with the SIU requirements. Staff reported significant improvements in the quality of the SIU data uploaded by MSA such that staff was now able to determine that MSA's fraud screening and SIU investigations were efficient and compliant. Accordingly, staff recommended that Main Street America return to the normal five-year Hybrid Audit schedule. The

committee voted unanimously to accept the audit report without any further consideration.

The committee was provided with the results of the follow-up merit rating audit of Foremost Insurance Company of Grand Rapids, which is the last remaining non-compliant company, out of five, from the industry-wide merit rating audit that was performed in 2022. In 2025, the previous merit rating focus audit demonstrated that Foremost, with a 58% error rate, was still well above the industry average of 8.7%. Due to consistently poor merit rating data results over the course of four audits, the committee had directed CAR to begin assessing penalties if Foremost did not correct its data in 2026.

The committee was informed that upon completion of the current merit rating audit, Foremost held an 8% error rate. Accordingly, the committee unanimously voted to accept the audit report and to stay any potential penalties but directed staff to continue to monitor the accuracy of Foremost's merit rating data by conducting a focus audit of its merit rating data in 2027 that would be concurrent with the scheduled focus audit that would be concentrating on the 14 statistical reporting issues identified in its prior Hybrid Audit. So, that's everything on the audits.

We do have some proposed amendments to CAR manuals dealing with SIU reporting. The committee reviewed proposed amendments to the Assigned Risk Company Procedures Manual and the Manual of Administrative Procedures related to SIU reporting. The proposed changes are intended to address a recurring issue in which data uploaded by ARCs and Servicing Carriers as completed SIU investigations, often include activity that does not rise to the level or complexity requiring an SIU investigator and that activity is completed by a claims adjustor rather than an SIU investigator. Because these activities do not qualify as an SIU referral, ARCs may then have issues meeting the minimum 25 referral requirement. Accordingly, the proposed amendments provide further clarifications regarding the SIU data that is actually eligible for use in evaluating the effectiveness of a company's fraud screening and quality of its SIU investigations. So, the committee agreed with the purpose of the amendments and voted unanimously to recommend Governing Committee approval of the proposed changes to Chapter XI – Compliance Audit of the Assigned Risk Company Procedures Manual and Chapter IX – Compliance Audit of the Manual of Administrative Procedures. This is an action item for your consideration. The proposed changes can be found in the first Addition Information notice under docket number GC26.07, Exhibit #4, Pages 5 through 9.

Mr. Hughes:

Thank you, Wendy. I'll entertain a motion to approve the proposed amendments to Chapter XI – Compliance Audit of the Assigned Risk Company Procedures Manual and Chapter IX – Compliance Audit of the Manual of Administrative Procedures pertaining to SIU reporting requirements.

Mr. DePaulo:

So moved.

Mr. Hughes: Thanks, Thom. Can I get a second?

Ms. Houghton: Second.

Mr. Hughes: Thank you. Are there any questions or comments before we vote? All in favor?

All Committee Members: Aye.

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

Ms. Browne: That concluded my report.

Mr. Hughes: Thank you, Wendy

**26.09 Actuarial Committee**

Mr. Hughes: Next up, Meredith will report on the meeting of September 1<sup>st</sup> of the Actuarial Committee.

Ms. Woodcock: Thank you. I'm reporting on the Actuarial Committee meetings held on June 10<sup>th</sup> and September 1<sup>st</sup>, respectively. The topic of both meetings was quota share credits for policies effective on or after April 1, 2027. At the end of this discussion, I will have one action item for your consideration.

As I reported at our last Governing Committee meeting, the Actuarial Committee recommended adoption of the Plymouth Rock model at its June 10<sup>th</sup> meeting. The model recalibrates the measure of disproportionate representation by lowering the 5% residual market share threshold required to trigger a credit. Under this new trigger, the model allows all credit factor increases and decreases with the exception of the 11 DOI territories which are limited to no lower than a 1.0 factor.

At the September 1<sup>st</sup> meeting, CAR staff reviewed the final results of the model using the latest data and presented draft amendments to Rule 29 reflecting the revised methodology and the resulting credit factors. Revisions of Rule 29 appear on Pages 3 through 8 of the records of the Actuarial Committee meeting that were attached to the Additional Information Notice.

Following a brief discussion, the committee voted unanimously to recommend that the Governing Committee approve the Rule 29 amendments as drafted. The Actuarial Committee also voted unanimously to recommend no changes to Take-Out Credits which provide a factor of 1.0 for the first year that a policy is taken out or written voluntarily. The updates to Rule 29 are an action item for your consideration.

Mr. Hughes: Thanks, Meredith. So, I'll entertain a motion to approve the proposed amendments to Rule 29.

Mr. DePaulo: So, moved.

Mr. Hughes: Thank you, Thom. Second?

Ms. Houghton: Second.

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

All Committee Members: Aye.

Mr. Hughes: Any opposed? Hearing none, the motion is approved. Thank you, Meredith.

## **26.12 Commercial Automobile Committee**

Mr. Hughes: Next up, Thom will present the Commercial Auto Committee meeting of August 27<sup>th</sup>.

Mr. DePaulo: Thank you, Mr. Chairman. Good morning, everyone. I will be reporting on the Commercial Auto Committee meeting of August 27<sup>th</sup>. I will have two action items for your consideration today.

The first agenda item is the Primary and Noncontributory Endorsement and Waiver of Subrogation Endorsement conversation that we've had over several meetings. At the August 27<sup>th</sup> meeting, the committee continued its discussion from the prior meetings relative to the implementation of the primary and noncontributory endorsement and waiver of subrogation endorsement in the commercial residual market. It was noted that the committee had recommended adoption of CA 04 44 – Waiver of Subrogation as that endorsement includes a schedule of individuals or organizations for whom the endorsement would apply due to contractual requirements. The sample CR 99 12 – Primary and Noncontributory – Other Insurance Condition is a CAR-specific endorsement that will also require a schedule of organizations with contractual requirements necessitating the endorsement, but it has additional language that integrates it with other insurance conditions pertaining to TNC (Transportation Network Company) activities. Finally, the committee reviewed the proposed language to add Rule 47 to the Commercial Automobile Insurance Manual that provides instructions for use of these endorsements.

After some discussion, the committee unanimously voted to recommend to the Governing Committee adoption of the proposed primary and noncontributory endorsement and the waiver of subrogation endorsement forms as well as approval of the proposed amendments to Rule 47 in the Commercial Automobile Insurance Manual. The proposed endorsements and amendments to the manual can be found in your agenda under Docket #GC26.12, Exhibit #4, Pages 4 through 6. This is an action item for your consideration today.

Mr. Hughes: Thanks, Thom. I'll ask for a motion to approve the adoption of the proposed primary and noncontributory and waiver of subrogation

endorsements and the corresponding edition of Rule 47 to the Commercial Automobile Insurance Manual.

Ms. Woodcock: So moved.

Mr. Hughes: Thank you.

Mr. Austin: Second.

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

All Committee Members: Aye,

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

Mr. DePaulo: Great. Thank you, Mr. Chairman. Just to note, since the motion has passed, these changes that we just agreed on will be included in CAR's planned 3/1/27 commercial rate filing.

The next agenda item is the 2026 Annual Evaluation of Market Need for ERP Appointments. Rule 14 – Exclusive Representative Producer Requirements stipulates that an application for an ERP appointment must meet the conditions for addressing market need as determined by criteria established by CAR's Governing Committee. The approved criteria includes a provision that an annual assessment be made to determine that a market need exists for appointments. The committee was informed that during the past year, 13 new ERP appointments were made to producers with voluntary contracts and one request from a producer without a voluntary contract was not allowed. The Committee observed that the current year's data is similar to prior years and concluded that there continues to exist ample access to the residual market through qualified producers throughout the Commonwealth. 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 ask for a motion to approve the Commercial Automobile Committee's finding that a market need does not exist for the appointment of new non-voluntary contracted ERPs.

Ms. McConnell: So moved.

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

Ms. Woodcock: Second.

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

All Committee Members: Aye.

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

Mr. DePaulo:

Just one last item. It's just an update for the committee. The agenda item is the Consistency in Tow Truck Classification. This is an ongoing conversation for the Commercial Automobile Committee. Due to recent questions pertaining to potential differences among the Servicing Carriers in determining classification and corresponding premium for tow trucks, staff had requested the Servicing Carriers to provide relevant information on the classification and rating procedures for this class. It was observed from the Servicing Carriers responses that the application of the secondary classification code seemed to be the cause of any inconsistencies. Based upon the committee's ensuing discussion, staff will draft language to clarify the classification procedures for the committee's consideration at our next meeting. That concludes my report.

Mr. Hughes:

Thanks, Thom.

### **26.13 Loss Reserving Committee**

Mr. Hughes:

Next on our agenda, Tim Galligan will report on the Loss Reserving Committee meeting of September 2<sup>nd</sup>.

Mr. Galligan:

Good morning. I'll be reporting on that meeting. A summary of the meeting was attached to your Additional Information notice, and the records have been distributed and are available on CAR's website.

First, the committee discussed data quality issues that included data adjustments, policies in excess of their limits, and large loss data. For the large loss data, there were 14 new claims during the current quarter with losses greater than \$1.0 million and also six that had dropped off after going below that threshold. In total, for all years, there are 154 claims with losses greater than \$1.0 million and current total incurred losses of approximately \$240 million. This represents a \$15 million increase over the prior quarter and that was due primarily to the addition of these new claims. There were also 24 new claims reported using the Large Loss Notification Form application.

Next, the committee reviewed the distribution of the accident year IBNR to policy year to set the final ultimate policy year loss ratios. The details of these results are included in the executive summary are on Pages 14 to 16.

The final loss ratios have been incorporated into the policy year ultimate deficits as of the June 2026 valuation period. I would like to highlight the three most recent policy years.

For policy year 2023, the committee estimated a surplus of \$10.2 million. That represents a \$4.6 million improvement from the prior quarter reflecting continued favorable development driven by the bodily injury coverage and also includes reductions in three large loss claims that resulted in a decrease of approximately \$1.9 million in reported losses.

The policy year 2024 deficit of \$12.5 million results in a \$2.7 million increase to the prior quarter's deficit. 2024 did incorporate five new large loss claims reported during the current quarter contributing to the increase in that deficit.

The committee estimated a policy year 2025 deficit of approximately \$103,000. That is a \$1.3 million improvement of the prior quarter's deficit of \$1.4 million.

The deficit details for all policy years are included in the executive summary.

Finally, the next meeting is scheduled for December 2<sup>nd</sup> to make projections using data reported through September 2026. This will include the first projection of the policy year 2026 ultimate deficit. The loss ratio for policy year 2026 at the June '26 valuation was 76.3 and that is about a point higher than the 2025 total loss ratio of 756. That concludes my report and I'd be happy to take any questions.

Mr. Hughes: Any questions for Tim? Thank you, Tim.

#### **26.14 Commercial Program Oversight Committee**

Mr. Hughes: Next up on our agenda is the Commercial Program Oversight Committee. John will report.

Mr. Olivieri: Reported by the late guy.

Mr. Hughes: You made it in time.

Mr. Olivieri: I made it in time. That was my goal. I'm reporting on August 24<sup>th</sup> meeting of the Commercial Program Oversight Committee. We do not have any action items. We had two agenda items. The first one was the 2025 Servicing Carrier Annual Report Review.

Mr. Dalton presented the 2025 Servicing Carrier Annual Reports, and a summary of the Servicing Carrier's responses were distributed to the committee with the meeting notice. In addition, CAR staff provided a list of topics raised by the Servicing Carrier in their responses, organized them into four categories, and provided recommendations for each. These recommendations included referring certain items to the Commercial Automobile Committee for potential addition to the committee's list of issues to consider, identifying items that staff will review with the AIB, and outlining longer-term portal enhancements for the committee's consideration. The committee agreed with the approach proposed by staff in the summarization of the Servicing Carriers' recommendations and had no additional comments or recommendations.

The other item we discussed was Distribution of Ceded Books of Business. Ms. Browne reviewed the distribution of the commercial ceded books of business among the four Servicing Carriers in accordance with the

schedule published in CAR's Request for Proposal for the five-year appointment term beginning with policies effective January 1<sup>st</sup>. She noted that this schedule achieves the goals of minimizing market disruption for the January 1, 2027 appointment term.

Ms. Browne then reviewed the transition procedures which blend previously approved procedures and incorporate Servicing Carrier comments provided in their Annual Reports. Committee discussion then ensued. The Chair suggested that carrier-to-carrier communication of information would be beneficial in terms of documentation requirements, reducing the need for producers to re-submit applications and supporting documentation, and would promote consistency throughout the reassignment process. Accordingly, staff will contact the Servicing Carriers to solicit feedback relative to the documentation requirements and will compile that information for review by the committee at its next meeting. That concludes my report.

Mr. Hughes:

Any questions? Thank you, John.

## 26.15 Market Review Committee

Mr. Hughes:

Next up, Lynne Rosenberg will report on the July 16<sup>th</sup> meeting of the Market Review Committee.

Ms. Rosenberg:

Good morning. I'll be reporting on the actions taken by the Market Review Committee at its July 16, 2026 meeting which Steve mentioned earlier in the Counsel's Report.

The A One Insurance Agency requested a review of the committee seeking relief from the termination of its Exclusive Representative Producer appointment by the Commerce Insurance Company for violation of CAR Rule 14.B.1., sections b., d., g., j., m., p., q., and x.

These sections require the producer to:

Collect, process and remit premium due a Servicing Carrier in accordance with the provisions of the Rule of Operation,

Submit for all applications a new business application for insurance with appropriate certification forms, completed in their entirety, and a signed premium finance application and agreement, if applicable, within two business days,

Verify that the applicant has not been in default in the payment of any Motor Vehicle Insurance premiums within the 24 months,

Forward all premium payments to a Servicing Carrier within two business days of receipt. However, a Servicing Carrier shall extend the payment period for an additional seven days upon sufficient notice that all or part of a premium is being financed by a licensed premium finance company

where the premium finance company has given its written assurance to pay the full premium financed directly to the Servicing Carrier;

Properly order endorsements;

Conduct all monetary transactions with the insured and the Servicing Carrier as required by the Rules of Operation and the ERP contract,

Notify the premium finance company and the insured that premium checks for all financed accounts are to be made payable to the Servicing Carrier, and,

Comply with all conditions set forth in the contract between the ERP and the Servicing Carrier.

Mr. Paul Drennan represented Commerce at the meeting and stated that on May 12, 2026, Commerce issued a termination letter to the A One Insurance Agency identifying the areas of the agency's alleged non-compliance and inconsistencies with CAR Rules. He noted that many of the issues had been occurring for a number of years and had escalated over time, warranting further oversight. To that end, the company tracked violations over the last two years for consideration by company management. This added scrutiny of the agency led to Commerce issuing a warning letter on October 7, 2025 notifying the agency of the alleged violations that led to the termination of the agency by Commerce.

Mr. Drennan then addressed the information contained in Commerce's termination letter and the additional information provided as well as identifying the alleged Rule 14 violations by the agency. The committee questioned Mr. Drennan regarding the agency's performance after the warning letter. He noted that all the violations cited in the termination letter occurred after that warning letter. He explained, however, that because he only recently assumed leadership responsibility for the CAR program, he was not in a position to comment at the meeting as to whether or not the agency's performance had improved or whether or not the company had requested copies of premium finance agreements before reaching out to the finance company directly. Mr. Drennan further noted that he was not aware of Commerce's underwriting team receiving communication from the agency addressing the issues contained in the letter and he indicated that any policies that had been canceled for non-payment due to the actions of the agency would have been reinstated upon receipt of the premium.

Mr. Matthew Corcoran, a broker at A One Insurance Agency, spoke on behalf of the agency. He stated that the agency operates within a challenging niche of the insurance marketplace by securing coverage primarily for trucking risks and he described how that business segment within the agency has experienced rapid growth. He commented on how certain issues associated with company procedures, such as changes to the determination of policy effective date and nonacceptance of credit card payments, have contributed to the issues at the agency. He further explained how, in general, a customer's delay in completing a DocuSign

request can impact the ability to return documents in a timely manner. Mr. Corcoran noted that trucking risks generate many questions during the underwriting process and the agency recognizes that there have been issues in this area. He explained that the agency instituted corrective measures to address communication between the agency and the company during the underwriting process. Additionally, the agency acknowledged that issues with premium financed policies had occurred in the past. To address these issues and concerns, the agency has been instituting corrective measures to address the timing issues raised by the company. He also explained that many of the premium financing problems arose due to complications with the down payment checks having been returned for insufficient funds, thus impacting the agency's ability to remit 100% of the policy premium as required by the company. To fix this issue, Mr. Corcoran stated that the agency no longer accepts check payments. He noted that the agency has already implemented some changes, and they intend to continue improving operations.

In response to questions for the committee members regarding financed policies, Mr. Enrique Arce, principal of A One Insurance Agency, indicated that the agency does not accept ACH payments as the agency is responsible for the funds if the payment does not clear the bank. The agency utilizes a third-party vendor which holds the down payments for three days until the funds clear. In response to a question as to why the funds from finance companies were not remitted to the Servicing Carrier upon request, Mr. Arce indicated that the agency was under the impression that 100% of the premium was required by the Servicing Carrier on financed policies and the agency had to wait for the down payment from the risk to clear. Mr. Arce was then asked if the agency had spoken to Commerce regarding these issues and he indicated that it had not. However, Mr. Arce informed the committee that he has met with the finance company to develop a plan to improve the timeliness of payments. Furthermore, he indicated that he has replaced some employees and has put new procedures into place that will improve the process.

Significant committee discussion followed the presentations during which the members questioned why the agency did not have premium finance companies remit payments directly to Commerce, and whether the agency had attempted to meet with the company to discuss and propose remedial actions. Mr. Arce responded that he did not recall contacting the company in that regard, but that he had requested that one premium finance company pay the company directly though they had not yet fixed the problem.

The committee then considered the sections of Rule 14 that formed the basis of Commerce's termination notice and voted on each separately. With regard to Rule 14.B.1., sections b., d., g., j. and q., the committee determined that the company had established that A One had violated the cited section of the Rule and that the violation of each individually was a valid basis for termination. With regard to Rule 14.B.1., sections m., p., and x., the committee determined that the company had not established that A One had violated the cited section of the Rule.

Since the committee determined that Commerce had established a number of violations and that each of those violations constituted a valid basis for termination, the termination was upheld. Accordingly, the committee then considered whether the operational procedures implemented by Commerce in accordance with the notice of termination were appropriate and should remain in place until such time as the agency's appellate rights under Rule 20 have been exhausted. In a vote with six in favor, none opposed and one recusal, the committee agreed that the operational procedures implemented by Commerce pursuant to the notice of termination should remain in place.

As Steve mentioned in his report, the agent has further appealed this and the Governing Committee Review Panel will hear this appeal next Friday, September 25<sup>th</sup>.

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

Mr. Hughes: Any questions for Lynne?

Ms. Rosenberg: Thank you.

Mr. Hughes: Thank you, Lynne.

## **26.16 Budget Committee**

Mr. Hughes: Next up, John will comment on the Budget Committee meeting of September 10<sup>th</sup>.

Mr. Olivieri: Thanks, Bill. This is a short report because everything is in order. September 10<sup>th</sup> we met. Natalie reviewed highlights of CAR's proposed fiscal year 2027 business plan which describes the organization's operational objectives.

Steve Gautieri advised that CAR management is requesting a budget allocation of \$10,285,500, which represents a 3.6% or \$361,500 increase over FY26. He noted that staff expects to close FY26 \$79,000 under budget and the proposal recommends the surplus be allocated to fund CAR pension expenses, consistent with the strategy adopted back in 2013.

After a very brief discussion, the committee voted unanimously to recommend to the Governing Committee approval of the FY27 administrative expense budget and business plan. That is an action item.

Mr. Hughes: I'll ask for a motion to approve the fiscal year 2027 administrative expense budget and business plan as proposed.

Ms. Woodcock: So moved.

Mr. DePaulo: Second.

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

All Committee Members: Aye.

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

Mr. Olivieri: That concludes my report.

Mr. Hughes: Thank you, John.

**Other Business**

Mr. Hughes: Is there any other business to come before this committee today?

Mr. Berenson: Mr. Chairman, I had a question. I know we're past the agenda item. It's on the actuarial report. My understanding is that the MAIP continues to shrink so I'm curious as to this rule that's going to make a change in formula, so with the MAIP changing, shrinking, can I get some explanation as to why the formula is proper at this point, from the committee's standpoint?

Ms. Woodcock: We've been reviewing credit factors every year. This is the first time we're making a recommended change. With the MAIP shrinking, most at the table agreed that, with a shrinking MAIP, the disproportionate representation changes. So, that's what this recommendation does. It changes the trigger. It lowers it from 5% trigger, partly, to 4.2% going forward effective 4/1/2027. So, it kind of reallocates what is disproportionate representation in a shrinking MAIP.

Mr. Berenson: Was there any discussion on a wait-and-see approach to see if that...

Ms. Woodcock: The final vote was unanimous. The initial vote, there were some that – first of all, we did wait and see. We waited several meetings to see what was happening with the size of the MAIP. Some thought maybe we should review with the Division of Insurance to make sure they have an appetite for changing it. But, in the end, we voted in favor of moving forward and then the final vote was unanimous once all the updated data that flowed to the quota share report came through.

Mr. Berenson: Thank you.

Ms. Woodcock: Did that answer your question?

Mr. Berenson: It did. Thank you. Sorry, Mr. Chairman.

**Executive Session**

Mr. Hughes: Is there any need to go into executive session today? Hearing none, I'll ask for a motion to adjourn.

Ms. McConnell: So moved.

Mr. Hughes: Thank you.

Ms. Woodcock: Second.

Mr. Hughes: Thank you. Any other questions or comments before we vote? Hearing none, all in favor?

All Committee Members: Aye.

Mr. Hughes: Any opposed? Hearing none, the meeting is adjourned. Thank you, everybody.

*(Meeting ended at 11:27 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 19, 2026

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 #GC26.02, Exhibit #4

Attendance Listing

Company / Agency

**PLEASE PRINT**

[illegible]

Company / Agency

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CAR

Katy Proctor

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Mark C.

CAR

Wendy R.

CAR

Lynne Rosenberg

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Tim Galligan

CAR

STEVEN GAUTIER

CAR

Matthew Hinch

CAR

BARRY TAGHER

P/ksdm

Sam DiBattista

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