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NOTICE OF MEETING

SERVICING CARRIER SERVICE LEVELS SUBCOMMITTEE

A meeting of the Servicing Carrier Service Levels Subcommittee will be held at the Automobile Insurers Bureau Conference Center at 101 Arch Street, 7th Floor, Boston, on

TUESDAY, JANUARY 23, 2018 AT 10:30 A.M.

MEMBERS OF THE SUBCOMMITTEE

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

Mr. Peter Chung
Ms. Mayre Hammond
Mr. Brian Hayes
Mr. Brian Lam
Ms. Wendy Stearns
Mr. Barry Tagen

The Norfolk & Dedham Group
Arbella Insurance Group
Quincy Mutual Insurance Group
Safety Insurance Company
MAPFRE U.S.A. Corporation
Pilgrim Insurance Company

AGENDA

SCSL

17.03 CAR Conflict of Interest Policy

The Chair will read a statement relative to CAR's Conflict of Interest Policy.

SCSL

17.01 Records of Previous Meeting

The Records of the Servicing Carrier Service Levels Subcommittee meeting of November 9, 2017 should be read and approved.

SCSL

17.04 Servicing Carrier Service Levels

The Subcommittee's charge is to define overall expectations of CAR and the industry regarding commercial Servicing Carrier service levels as contemplated in the RFP process (or otherwise). The Subcommittee should discuss service levels that may go above and beyond expectations contemplated for the selected commercial Servicing Carriers and assess potential actions and processes that may address levels that are deemed extraordinary, including, but not limited to the reimbursement of expenses. The Subcommittee's findings and recommendations will be reported to CAR's Commercial Automobile Committee for action.

At its November 9, 2017 meeting, the Subcommittee directed staff to draft procedures for a review process for purposes of addressing the potential reimbursements of extraordinary expenses involved in the Commercial Automobile Servicing Carrier Program. The Subcommittee agreed that the procedures to be developed should require a description of the extraordinary nature of the request, should include an audit component to verify expenses incurred, and should require early notification to allow a committee to validate the extraordinary circumstances and provide CAR support where possible. In addition, the procedures should include notification to the Division of Insurance. Finally, the Subcommittee noted that although any Subcommittee recommendation will impact Servicing Carriers, all companies will share in the costs. Therefore, the Subcommittee cautioned that any process adopted must not provide a disincentive for Servicing Carriers to act in the best interest of the residual market while continuing to control expenses.

Attached is a procedural draft for a Request for Reimbursement of Extraordinary Expenses involving the Commercial Automobile Servicing Carrier Program for the Subcommittee's review. (Docket #SCSL17.04, Exhibit #1)

Other Business

To transact any other business that may properly come before this Subcommittee.

Executive Session

The Subcommittee may convene in Executive Session in accordance with the provisions of G.L. c. 30A, § 21.

JOHN METCALFE
Director – Residual Market Services

Attachment

Boston, Massachusetts
January 11, 2018

Request for Reimbursement of Extraordinary Expenses

Commercial Auto Servicing Carrier Program

Draft

- I. Process**
- II. Reimbursement Considerations**
- III. Procedures**
 - A. Notification**
 - B. Committee Review**
 - C. CAR Review and Audit of an Approved Recommendation**
 - D. Governing Committee and Commissioner of Insurance Approval**
- IV. Request for Reimbursement of Extraordinary Expenses Form**

I. Process

The Governing Committee Chair will establish a standing committee to review requests for reimbursement of Extraordinary Expenses pursuant to Rule 11.C. from a CAR Commercial Automobile Servicing Carrier. (Membership - # of committee members and their affiliations – TBD). The committee will be charged with evaluation of the request to determine whether the matter qualifies as “extraordinary” resulting in expense significantly in excess of the normal additional expense expected to be incurred by the Servicing Carrier. The committee will determine whether or not to recommend reimbursement in whole or in part for the extraordinary expense, and if so, in what amount. The committee’s recommendation will be presented to CAR’s Governing Committee for its consideration. Reimbursement of extraordinary expenses will be reviewed on an individual basis.

II. Reimbursement Considerations

The committee will consider a request for reimbursement of extraordinary expenses where a formal request has been completed and contains the following information:

- a) A summary of the request (Request for Reimbursement of Extraordinary Expenses Form)
- b) A detailed description of the issue(s) directly responsible for the request and why the petitioner deems its efforts as being extraordinary, i.e. why the effort/expense is considered to be outside of the scope of services anticipated within the carrier’s proposal submitted in response to CAR’s RFP for Commercial Servicing Carrier Appointment.
- c) A background of events, in chronological order, leading up to the request, including pertinent correspondence and documentation between the company(ies), producer(s) and/or any other involved entity.
- d) A detailed accounting of any hard costs expected to be incurred by company employees and/or contracted other entities utilized by the company on a regular or routine basis that

- are alleged to be extraordinary. Please provide detailed explanations as to why these efforts/costs are deemed to be significant and extraordinary.
- e) An explanation for the need of any outside business or legal entity contracted to specifically address resolution of the issue(s) and anticipated costs. Prior to contracting these services the Servicing Carrier must complete the Request for Reimbursement of Extraordinary Expenses Form and obtain approval from CAR for an amount “not to exceed”.
 - f) Providing notice to the Commissioner of Insurance

III. Procedures

A. Notification

A Servicing Carrier will notify CAR in writing, of its potential to incur extraordinary expenses for which it would intend to seek reimbursement as soon as a situation arises where such reimbursement may be contemplated (note: prior to engaging any outside legal expense associated with the situation in which a pursuit of reimbursement may be anticipated, prior approval from CAR is required). The petitioning Servicing Carrier will submit its request by completing a Request for Reimbursement of Extraordinary Expenses Form with a copy being sent to the Commissioner of Insurance.

B. Committee Review

The committee will be charged with determining whether, (prior to the expense) the company had diligently used usual and customary procedures for managing residual market business, including effective oversight of agency/company business submissions (underwriting, loss control, etc.) and whether the company diligence was timely in addressing issues that may have otherwise held costs to lower amounts. The petitioning Servicing Carrier must demonstrate that the anticipated and/or incurred (extraordinary) costs were not reflected in its RFP bid proposal and why. The committee’s assumption prior to review of the request will be that expense allowance expectations for residual market business were intended to be at a level that would anticipate and require a higher level of management versus voluntary business.

The reviewing committee will require any level of detail it may deem necessary to confirm the anticipated extraordinary expense. The Servicing Carrier bears the burden of providing proper documentation justification for a requested expense amount. The committee may recommend an “expense not to exceed” in order that the company may move forward in its efforts to act in the best interest of the residual market and the motoring public

C. CAR Review of an Approved Expense Reimbursement

Prior to any recommendation being made to the Governing Committee, CAR staff will confirm that all expenses subject to a reimbursement approval have been appropriately presented to CAR. Reimbursable expenses must be “hard” costs and quantifiable.

D. Governing Committee and Commissioner of Insurance Approval

The Governing Committee will consider whether to authorize reimbursement of all or any part of the amount requested. Any decision, by CAR's Governing Committee to approve reimbursement of extraordinary expenses will be subject to the review and approval of the Commissioner of Insurance.

E. Reimbursement by CAR

CAR staff will review final expense documentation to confirm compliance with approved reimbursement amounts. CAR staff will report to the Governing Committee as approved reimbursement payment are processed through bulk adjustments in the Settlement of Balances.

IV. Request for Reimbursement of Extraordinary Expenses Form

Refer to Form draft.

<p>2</p>	<p>Detail the reasons the expense amount(s) being requested are to be deemed extraordinary:</p>	<p>Provide specific detail for each reason for the requested reimbursement amounts cited above, including references to CAR Rules, the Commercial Auto RFP under which the company currently agreed to provide service, or the established practices of CAR or its Members. Include historical reference, where appropriate. Identify reason and/or need to secure outside resources to mitigate expenses involved in the matter. Attach supporting documentation.</p>
	<p>3</p>	<p>Actions(s) Taken to Date to Address the Matter:</p>

Scheduling of Review	
<p>Upon receipt of a completed Request for Reimbursement of Extraordinary Expenses Form, a hearing date will be established as coordinated by CAR with the petitioning party and the designated committee chair. After a date has been confirmed, CAR will issue a written Notice of Meeting to all affected parties and in compliance with the Open Meeting Law.</p>	
Submission of Written Information	
<p>Any parties wishing to present written materials to be considered by the designated committee must submit them to CAR's Docket Clerk no later than 12:00 p.m., 5 business days prior to the scheduled meeting date. Timely submitted materials will be docketed by CAR and distributed to the committee as soon as practicable. Written materials submitted to CAR after 12:00 p.m. on the 5th business day prior to the scheduled meeting date will not be entered on the docket, but the submitting party may petition the committee directly for consideration of such materials. The committee has the discretion to determine whether such materials will be considered in its deliberations. In addition, parties who petition the committee for the submission of materials are expected to be prepared to provide a minimum of 25 copies at the meeting. Parties should provide copies of ALL written materials that they wish considered in the matter to the opposing party in concert with their submission(s) to CAR and/or the committee.</p>	

**PLEASE NOTE: THIS FORM MUST BE COMPLETED AND RETURNED TO CAR
WITH A COPY BEING PROVIDED TO THE COMMISSIONER OF INSURANCE
 PRIOR TO THE INITIATION OF A REVIEW OF A REQUEST FOR REIMBURSEMENT**

FOR COMPLETION BY CAR OFFICE – DO NOT WRITE BELOW	
4	Assigned Docket Number:
5	Related Docket Number(s):
6	Assigned Review Forum: CAR COMMITTEE: _____ Scheduled Review Date: _____
7	Disposition: