



COMMONWEALTH AUTOMOBILE REINSURERS

225 Franklin Street Boston, Massachusetts 02110

[www.commauto.com](http://www.commauto.com)

617-338-4000

RALPH A. IANNACO  
PRESIDENT

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## *Questionnaire 2006*

### *Performance Standards for the Handling and Payment Of Claims by Servicing Carriers*

Massachusetts General Laws Chapter 175, Section 113H requires Commonwealth Automobile Reinsurers (CAR) to establish Performance Standards designed to contain costs, ensure prompt customer service and payment of legitimate claims, and resist inflated, fraudulent, and unwarranted claims.

The Performance Standards which C.A.R. has developed require Servicing Carriers to establish various plans and programs. In many instances, this only required formalizing and/or enhancing current practices and procedures. In other instances, detailed plans and programs needed to be developed by the Servicing Carriers to comply with the Standards.

This Questionnaire is used by CAR Claims to provide background information on claims handling programs established by Servicing Carriers prior to the commencement of the annual review. The Questionnaire will be completed bi-annually or whenever significant changes are made to the Performance Standards or CAR rules to warrant additional programs being developed.

The Questionnaire was last updated by Servicing Carriers in 2003. The Questionnaire has been revised in 2006 to incorporate changes in the Performance Standards that were approved by the Commissioner of Insurance on February 16, 2006 and September 12, 2005. The completed Questionnaire should be returned to CAR by March 31, 2006.

Company Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Name & Title: \_\_\_\_\_

Date: \_\_\_\_\_

**I. Auto Physical Damage & Property Damage Liability Claims**

**A. *Auto Body Payments***

**1. Service Times**

- a. What procedures does your company utilize to ensure prompt settlements of warranted physical damage claims?

What internal measurements and controls do you maintain to determine the effectiveness of your procedures?

- b. What procedures has your company established to permit prompt inspection of damage and payment of auto physical damage claims?

What internal measurements and controls do you maintain to determine the effectiveness of your procedures?

**2. Direct Payment Plan**

- a. Do you have a Direct Payment Plan?                      YES                      NO

**3. Parts Cost**

- a. What procedures does your company utilize to obtain discounts and pay less than full retail price for parts?

- b. What procedures does your company utilize to allow for the use of aftermarket, rebuilt, and LKQ parts in lieu of new or cost of repair in accordance with 211 CMR Section 133.04 (1)?

What internal measurements and controls do you maintain to determine the effectiveness of your procedures?

**4. Labor Rates and Times**

- a. What procedures does your company utilize to:
  - a. Seek the most competitive labor rates?
  - b. Resist rate increases and reduce labor rates?
  - c. Verify labor repair and replacement times with industry recognized sources?

What internal measurements and controls do you maintain to determine the effectiveness of your procedures?

What labor rate are you paying on referral shop business?

What labor rate are you paying on non referral shop business?

**5. Total Loss Payments**

- a. What procedures do you use to determine the actual cash value of a vehicle?
- b. How do you determine whether a pre-insurance inspection was completed on a vehicle?

How do you comply with the requirements that pre-insurance inspection reports are reviewed and placed in the claim file on all total losses?

**6. Towing and Storage**

- a. What procedures does your company utilize to:
  - 1. Enforce towing and storage rates and conditions as regulated?
  - 2. Resist and reduce non-regulated charges if they are unreasonable?

What internal measurements and controls do you maintain to determine the effectiveness of your procedures.

**7. Appraisal of Damage and Reinspections**

- a. What guidelines does your company provide to appraisers to ensure quality appraisals, screening for suspicious claims, and compliance with existing regulations?
- b. What continuing education does your company provide to staff appraisers, including training on fraud awareness?
- c. What procedures does your company use to periodically evaluate the quality and accuracy of independent appraisers?

What internal measurements and controls do you maintain to determine the effectiveness of your procedures?

- d. What procedures does your company utilize to ensure that reinspections are completed on 75% of all repaired vehicles with damage over \$4,000 and 25% with damage under \$4,000, whether paid under a Direct Payment Plan or not.

What internal measurements and controls do you maintain to determine the effectiveness of your procedures?

- 8. Do you have a procedure to report any repair shop that is in violation of any section of Chapter 100A to the Division of Standards, Office of Consumer Affairs and Business Regulations?    YES                      NO
- 9. What procedures has your company established to comply with the claim requirements of the mandatory preinspection program, Regulation 211 CMR 94.00?

What internal measurements and controls do you maintain to determine the effectiveness of your procedures?

***B. Normal Claims Handling***

- 1. **Initial Screening of Reports of Accidents & Losses**  
Briefly describe your procedures for the initial screening of accidents and losses to identify warning signs requiring special investigation and the assignment of these losses to a person with sufficient experience and training.

What internal measurements and controls do you maintain to determine the effectiveness of your procedures?

**2. Initial Investigation**

- a. What procedures does your company utilize for the review of policy information to resolve coverage issues including garaging and operators, and to notify Underwriting where appropriate?
- b. What are your procedures to insure timely contact with involved parties to establish loss facts where no injuries are reported?
- c. What is your company's documented policy for establishing initial reserves on physical damage claims?

What internal measurements and controls do you maintain to determine the effectiveness of your procedures?

**4. Prompt Evaluation & Settlement**

Describe your Litigation Management Program on physical damage claims designed to bring cases to the earliest conclusion at a reasonable value.

**6. Recovery**

Describe your company's procedures to recognize and pursue Subrogation.

What internal measurements and controls do you maintain to determine the effectiveness of your procedures?

**C. Fraud Handling**

1. Briefly describe the operation of your Special Investigative Unit. Include staff level and number, types of cases handled, screening process, and procedures for referrals to the SIU.

What internal measurements and controls do you maintain to determine the effectiveness of your handling of suspicious physical damage claims?

What consideration is given to referring suspicious claims to the IFB and/or appropriate law enforcement agency for prosecution?

**D. Glass**

1. What procedures does your company utilize to insure prompt repair or replacement of damaged or broken glass at a fair and competitive cost, including inspection of damage to determine whether it is suitable for repair, in accordance with 211 CMR Section 133.04 (3)?

2. What procedures does your company utilize to address fraudulent glass claims including inspection or reinspection of a representative sampling of all glass losses?
3. What percentage of glass claims are repaired?

What internal measurements and controls do you maintain to determine the effectiveness of your glass program?

### ***E. Fraud Training***

1. What on-going training does your company provide for claim handlers on fraud awareness and the identification of suspicious claims?
2. What on-going training does your company provide for special investigators in the investigation and handling of suspected fraudulent claims?
3. What training does your company provide on claim reporting and fraud recognition to Producers and their Customer Service Representatives?

## **II. Bodily Injury & Uninsured/Underinsured Motorist**

### ***A. Normal Claims Handling***

#### **1. Initial Screening of Reports of Accidents & Losses**

Briefly describe your procedures for the initial screening of accidents and losses to identify warning signs requiring special investigation and the assignment of these losses to a person with sufficient experience and training.

What internal measurements and controls do you maintain to determine the effectiveness of your procedures?

#### **2. Initial Investigation**

- a. What procedures does your company utilize for the review of policy information to resolve coverage issues including garaging and operators, and to notify Underwriting where appropriate?

- b. What are your procedures for sending Reservations of Rights letters and Excess of Loss letters when and where appropriate?
- c. What is your company's documented policy for establishing initial reserves on bodily injury claims? What is your policy for changing reserves to insure they are timely and reasonable?

What internal measurements and controls do you maintain to determine compliance with your documented reserve policy?

### **3. Contacts**

What are your procedures for timely contact with the injured parties or their legal representatives and uninjured insureds and operators on BI/UM claims?

### **4. Loss Management**

What procedures has your company established to determine whether the disability claimed, medical treatment, and medical expenses are reasonable, necessary, and related to the auto accident?

### **5. Follow Up & Continuing Investigation**

What diary systems do you employ for bodily injury claims?

How do you determine that authority levels are followed?

### **6. Settlement Negotiations or Denial?**

What procedure does your company use to evaluate bodily injury and UM claims? Do you use any third party evaluation tool?

### **7. Cases in Suit**

- a. Briefly describe your Litigation Management Program designed to bring cases to the earliest conclusion at a reasonable value
- b. Describe your Alternative Dispute Resolution program.
- c. What procedures have you established to review legal bills for accuracy and reasonableness?

What internal measurements and controls do you maintain to determine the effectiveness of your programs?

### **8. ICPIP**

What procedures has your company established to insure compliance with MGL Chapter 175, Section 24D, the Insurance Claim Payment Intercept Program.

What internal measurements and controls do you maintain to insure that prior to making payment equal to or in excess of \$500 to a third party the requirements of the ICPIP are met?

## **9. Recovery**

Describe your company's procedures to determine the extent of liability on each party in the accident and to recognize and pursue Subrogation.

What internal measurements and controls do you maintain to determine the effectiveness of your procedures?

### ***B. Fraud Handling***

#### **1. Screening Process for Suspected Fraudulent Claims**

Briefly describe your process for referring suspicious bodily injury claims for special investigation.

#### **2. Special Investigation**

What procedures has your company established to deal with claims involving exaggerated damages or injuries including a strategy for concluding those cases at a reasonable amount?

Describe your procedures for reporting claims receiving special handling and savings to the Detail Claims Database (DCD).

#### **3. Evaluation and Settlement**

Describe your procedure for resolving cases that have been referred for special investigation.

## **III. No Fault Personal Injury Protection Benefits Handling**

### ***A. Screening Reports and Initial Investigation***

1. Briefly describe your procedures for the initial screening of accidents and losses to identify warning signs requiring special investigation and the assignment of these losses to a person with sufficient experience and training.

2. What procedures does your company utilize to confirm that coverage is appropriate including verifying private health insurance and ruling out exclusions for alcohol use, permissive use, and eligibility for workers' compensation?

What internal measurements and controls do you maintain to determine the effectiveness of your procedures?

**B. Contacts**

1. What are your procedures to insure that contact with injured parties and the uninjured insured and/or operator for the purposes of investigation and verification are timely?
2. What are your procedures for mailing the necessary forms within the required time frame?

**C. Medical Management**

1. What procedures has your company established to determine whether medical treatment and expenses are reasonable, necessary, and related to the auto accident?
2. What procedures has your company established for consideration of Independent Medical Exams, Medical Bill Reviews including but not limited to a determination of usual and customary charges, use of Preferred Provider Organizations, Managed Care Programs, and/or Expert Medical Systems?

What internal measurements and controls do you maintain to determine the effectiveness of your procedures?

**D. Fraud Handling**

1. Screening Process for suspected Fraudulent Claims  
Briefly describe your process for referring suspicious PIP claims for special investigation.
2. What consideration is given to referring suspicious claims to the IFB and/or the appropriate law enforcement agency for prosecution?

**E. Subrogation**

1. Describe your company's procedures to recognize and pursue Subrogation?
2. What is your procedure for notifying the tort carrier when the tort threshold is exceeded?

**F. Claim Payment**

1. Describe your Litigation Management Program on PIP claims designed to bring cases to the earliest conclusion at a reasonable value.
2. What procedures have you established to monitor legal bills for accuracy and reasonableness?

3. Evaluation and Settlement

Describe your procedure for resolving cases that have been referred for special investigation.

**IV. Voluntary/Ceded Claim Handling Differential**

How do you insure that ceded claims are processed with the same degree of diligence as are voluntary claims?

**V. Expenses**

A. What procedures has your company established to control claim adjustment expenses?

B. What procedures has your company established for controlling legal defense costs, including reviewing legal bills for accuracy and reasonableness and utilizing alternative dispute resolution programs?

What internal measurements and controls do you maintain to determine the effectiveness of your programs?

C. What procedures has your company established to review vendors' bills for accuracy and deduct unauthorized services?

What internal measurements and controls do you maintain to determine the effectiveness of your programs?

D. What procedures has your company established to insure that allocated expenses are reported properly as defined in the statistical plan and that extra-contractual and unallocated expenses are not reported as allocated?