

Pursuant to G.L. c.175, §113H, CAR is required to establish Performance Standards designed to contain costs, ensure prompt customer service and the payment of legitimate claims, and resist inflated, fraudulent, and unwarranted claims. These Performance Standards require that all SCs establish plans and programs to meet these objectives. Often this only requires that the SC formalize or enhance its current practices and procedures. In other instances, SCs may need to develop new practices and procedures to become compliant with these Performance Standards.

This Compliance Audit Claim Questionnaire included below is distributed to every SC prior to the Commercial Audit scheduled start date. The purpose of the questionnaire is to gather information from the SC relative to plans and programs it maintains. The SC is required to provide detailed responses to the questions included in the questionnaire, and return by the date established by CAR staff. The Claim Questionnaire shall be signed by a SC staff member with appropriate authority to provide this information to CAR on behalf of the SC.

**Commonwealth Automobile Reinsurers
Compliance Audit Claim Questionnaire
Claims Performance Standards**

Certification of Authority

| | |
|----------------------|--|
| Printed Name: | |
| Title: | |
| Company Name: | |
| Signature: | |

1. Does the company offer a Direct Payment Plan for physical damage and property damage losses as referenced in Performance Standard I. A. 2. a.?

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2. How does the company determine actual cash value for total loss payments? Is there an evaluation process in place to determine that the actual cash value is comparable to other vehicles?

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3. What procedures are used during the initial screening of a loss to identify warning signs requiring special investigation? What specific information is sought during the screening process? Do these procedures and the information sought vary depending on the type and level of coverage? Are these procedures and resulting information considered in the assignment of the claim to staff with sufficient experience and training?

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4. What method is used to ensure that the losses processed and paid are consistent with the associated policy, including listed operators, coverage, and garaging information provided? What procedures are used to resolve coverage issues? What triggers notification to underwriting? For Commercial losses, how is the Principal Place of Business verified?

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5. What methods are used to establish initial reserves and what procedure is used to update reserves throughout the duration of the claim? Are different methods used for losses involving injuries?

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6. What components comprise the SIU, including staffing? How many and what types of cases are handled? Describe the SIU screening and referral procedures. What type of fraud awareness training is provided to the claim staff and SIU on a yearly basis?

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7. What is the percentage of glass claims repaired to total paid glass claims as referenced in Performance Standard I. D. 1.?

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8. What diary systems are used for bodily injury claims as referenced in Performance Standard II A. 5. d.?

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9. How are payment authority levels established for the handling of bodily injury claims? Does this process change when policy limits will be exhausted?

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10. What procedure does the company use to evaluate BI and UM claims? Is a third party evaluation tool used in this process?

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11. Describe the company's litigation management program used to bring cases to conclusion during a reasonable time frame and at a reasonable cost on all types of losses?

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12. What process is used to refer suspicious BI claims for SIU? Does this process occur at the screening process or initial investigation level?

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13. How are SIU claims resolved and settled? What is the screening and referral process for losses that require special investigation?

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14. What methods are used to determine whether medical treatment and expenses are reasonable, necessary and related to the automobile accident? Does the company maintain staff with medical training as consultants to assist or contribute to claim handling, evaluation of reasonable and necessary treatment, causality, etc? If yes, describe this process.

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15. What role does an Independent Medical Examination, Medical Audit or Medical Bill Reviews have in the medical management process? After any of these are concluded, what process is in place to determine if payments should then be issued?

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16. What controls ensure that residual market claims are processed with the same degree of diligence as voluntary claims?

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17. How are legal defense costs including legal bills controlled? What type of Alternative Dispute Resolution program is in place?

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18. How does the company ensure that allocated expenses are properly reported and unallocated expenses are not reported as defined in the Statistical Plan?

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