

A. Measurements

1. The key claim requirements of G.L.c.175, §113H that will be measured by the Compliance Audit Plan are:
 - That claims handling is consistent for voluntary and residual market claims.
 - That each ARC maintains a SIU which provides effective fraud control procedures.

Voluntary and residual market claims will be reviewed for compliance with policy provisions and applicable statutes, rules and regulations for the following Best Practices:

- Coverage
- Investigation
- Special Investigation
- Medical Management
- Litigation Management
- Evaluation and Settlement

The benchmark for compliance with these Best Practices is 93% in accordance with the NAIC error tolerance of 7% for standards involving claim resolution. The aggregate score for these Best Practices will be calculated. If the score is less than 93% the ARC will be required to address the reasons in its response and submit a remedial action plan.

Chi square testing will be conducted on each Best Practice Voluntary and MAIP score to determine if any statistical difference in handling exists. If the difference is statistically significant, the ARC will be required to address the reasons in its response and submit a remedial action plan when requested.

2. SIU referrals sampled for audit will be reviewed for compliance with policy provisions and applicable statutes, rules and regulations for the following Best Practices:
 - Quality of Investigation
 - Timeliness of Investigation
 - Resolution
 - Statutory Requirements
 - Accurate Savings

The benchmark for compliance with these Best Practices is 80%. The aggregate score for these Best Practices will be calculated. If the score

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is less than 80% the ARC will be required to address the reasons in its response and submit a remedial action plan.

B. Non-Compliance Penalties

1. In the case of non-compliance pertaining to the Claims Performance Standards, the ARC will be required to submit a remedial action plan to CAR. The Governing Committee will determine if further action including penalties is warranted based on the recommendation of the Compliance and Operations Committee.
2. In the case of non-compliance pertaining to the SIU evaluation, the ARC will be subject to the type of penalty using the following Schedule of Penalties.

Schedule of Penalties			
Penalty by Consecutive Audit Occurrence			
HAP	Focus 1	Focus 2	Focus 3
Warning	\$6,000	\$30,000	Governing Committee