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**Performance Standards for the Payment and Handling of  
Private Passenger Motor Vehicle Insurance Claims  
Docket No. C2011-01**

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**Decision**

Commonwealth Automobile Reinsurers (“CAR”), established pursuant to G.L. c. 175, §113H to administer the residual market for motor vehicle insurance, is required by statute to prepare performance standards for the handling and payment of motor vehicle insurance claims. It then submits those standards to the Commissioner of Insurance (“Commissioner”) who, after a public hearing, may approve or modify them. On November 3, 2010 the CAR Governing Committee approved proposed changes to the Performance Standards for the Payment and Handling of Private Passenger Motor Vehicle Insurance Claims, last approved by the Commissioner on November 13, 2009. On February 11, 2011 the Commissioner issued a notice scheduling a hearing on March 8, 2011 to afford interested persons an opportunity to provide oral and written comments regarding the proposed standards. CAR, in response to the hearing notice, notified the Commissioner that Valerie Gedziun, its vice-president for compliance audit, would offer testimony in favor of the proposed standards at the hearing. No other person submitted a notice of intent to make a statement at the hearing. At the hearing, Ms. Gedziun submitted a statement supplementing the information that CAR previously provided on the reasons for revising the standards. Peter Abdelmaseh, executive director of the Alliance of Automotive Service Providers of Massachusetts, spoke on behalf of that organization.

The record shows that CAR’s proposed changes to the private passenger motor vehicle claims handling performance standards were made in response to the full implementation of the Massachusetts Automobile Insurance Plan (“MAIP”) and CAR’s

adoption of a new Hybrid Audit Plan (“HAP”). Under HAP, claims review will focus on adherence to statutory requirements, particularly on verifying that companies consistently handle claims made under policies assigned through the MAIP and those made under voluntary policies, and that their Special Investigations Units provide effective fraud control. The revised standards retain the factors which are directly pertinent to claims handling that the Commissioner approved in 2009 but eliminate any that are no longer within the audit scope. The benchmark for compliance with best practices relating to claim resolution remains at 93 percent. The section in the current performance standards prescribing penalties for non-compliance has been substantially revised because those penalties were developed for use in a pooled residual market and are not applicable to the MAIP. If an audit indicates that an insurer has failed to meet its statutory obligations with respect to claims handling, and has not developed a satisfactory remedial action plan, the Governing Committee retains the authority to determine whether penalties are warranted. HAPs will be conducted on a three-year cycle, using consistent sample selections, and reports will be given concurrently to the insurer and the Commissioner.

At the close of the hearing CAR was requested to revise the proposed standards and to resubmit them to the Commissioner within 30 days. Because the revisions required Governing Committee approval, that date was later enlarged to April 22, 2011. On April 21, the CAR Governing Committee approved modifications to the proposed performance standards made in response to questions and comments made at the March 8 Hearing and transmitted them to the Commissioner.

CAR’s Performance Standards for the Payment and Handling of Private Passenger Motor Vehicle Insurance Claims, as submitted to the Commissioner on April 21, 2011, are hereby approved.

Date: May 13, 2011

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Jean F. Farrington  
Presiding Officer

Affirmed:

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Joseph G. Murphy  
Commissioner of Insurance