



MAURA T. HEALEY
GOVERNOR

KIMBERLEY DRISCOLL
LIEUTENANT GOVERNOR

COMMONWEALTH OF MASSACHUSETTS
Office of Consumer Affairs and Business Regulation
DIVISION OF INSURANCE

One Federal Street, Suite 700 • Boston, MA 02110
(617) 521-7794 • (877) 563-4467 • www.mass.gov/doi

ERIC PALEY
SECRETARY

LAYLA R. D'EMILIA
UNDERSECRETARY

MICHAEL T. CALJOUW
COMMISSIONER

**Proposed Amendments to Performance Standards for the Handling
and Payment of Private Passenger Motor Vehicle Insurance Claims
by Assigned Risk Companies and to Performance Standards for the Handling
and Payment of Commercial Motor Vehicle Insurance Claims by Servicing Carriers**

Docket No. C2025-01

Decision and Order

I. Introduction

Commonwealth Automobile Reinsurers (“CAR”), established pursuant to Massachusetts General Laws c. 175, §113H to administer the residual market for motor vehicle insurance, is required under that statute to create written performance standards for the handling and payment of motor vehicle insurance claims. After approval by its Governing Committee, CAR submits those standards, or amendments to them, to the Commissioner of Insurance (“Commissioner”) who, after a public hearing at which interested persons have an opportunity to provide oral and written comments on the amendments, may approve or modify them. On October 6, 2025, CAR submitted for the Commissioner’s approval proposed amendments to the performance standards for private passenger motor vehicle insurance claims and to the standards for commercial motor vehicle insurance claims that the Governing Committee had approved on September 23, 2025.

On November 6, 2025, the Commissioner issued a notice scheduling a virtual hearing on the proposed amendments for December 2, 2025. The notice advised interested persons of the procedures for viewing the text of the proposed amendments to the standards and for commenting on them by providing oral or written statements at or after the December 2 hearing. It also provided instructions on advance registration procedures for participating in or listening to the hearing and for submitting written comment.

The hearing was held using TEAMS, a digital meeting program. The standards, redlined to identify the proposed changes, and a summary of the proposed amendments were entered into the record.

Benjamin Hincks, Esq. represented CAR at the hearing. Mark Alves, CAR's Director of Compliance Audit, spoke on CAR's behalf, addressing the scope of the proposed amendments and the discussions at CAR that resulted in those amendments. No other person made a statement at the hearing, and no written commentary was submitted.

Mr. Alves reviewed CAR's process for the biennial review of the Private Passenger and Commercial Performance Standards for the Handling and Payment of Claims by Assigned Risk Companies and Serving Carriers. The CAR Claims subcommittee meets to address issues related to claims, including the Standards, and presents recommendations on those matters to the Compliance and Operations committee. On July 22, 2025 the Claims subcommittee met to consider changes to the Standards that had been recommended by CAR staff. After review those proposed changes were sent to the Compliance and Operations Committee which unanimously approved them on September 3, 2025. The CAR Governing Committee then approved the proposed changes on September 23 and forwarded them to the Commissioner.

Mr. Alves next addressed the proposed amendments to Standard V: Expenses that appear in both the Private Passenger and Commercial Rules. That standard requires that Assigned Risk Companies ("ARCs") and Servicing Carriers ("SCs") have programs to control, review and evaluate the reasonability and accuracy of claims adjustment expenses while deducting for any unauthorized expenses. Standard V states that allocated expenses shall be reported properly, as defined in the Statistical Plans and CAR Procedures Manuals, and emphasizes that unallocated expenses shall not be reported as allocated.

The Assigned Risk Company Procedures Manual, Chapter XI – Compliance Audit, and the Manual of Administrative Procedures, Chapter IX – Compliance Audit, were recently updated to add provisions requiring access to source documentation. These additions were made to address the growing number of instances in which companies had not submitted sufficient documentation to verify that the reported loss amounts did not include unallocated expenses. The proposed amendments to the Standards provide consistent language in the Statistical Plans, the Procedures Manuals and the Standards addressing acceptable supporting documentation.

Mr. Alves then described proposed amendments to Appendix K, a Compliance Audit Claim Questionnaire, that is attached to both the Private Passenger and Commercial Standards. CAR distributes the questionnaire to every company it audits before the audit start date. Its purpose is to gather detailed responses from the ARC or Servicing Carrier about its claim and Special Investigation Unit (“SIU”) programs. The company must certify its final answers to the questionnaire and return it to CAR which then incorporates it into the description of the company’s claims and SIU activities in the final audit report. These proposed amendments first address compliance with CAR Rule 32.C. 2, applicable to private passenger business and CAR Rule 10.C.2, applicable to commercial business and the completion of audits to confirm garaging and policy facts. The second question asks the company to provide examples of its SIUs participation in any special coordinated projects.

Mr. Alves then provided information on a proposed amendment to Appendix A to the Private Passenger Performance Standards that changes the audit frequency of SIUs that review an insurer’s private passenger automobile insurance business from once every three years to once every five years. The amendment makes the audit schedule consistent with the Hybrid Audit schedule that the Governing Committee approved on February 16, 2022. Because the SIU audit and the Hybrid Audit are performed concurrently, the audit schedules should coincide.

II. Discussion

Amendments to Private Passenger and Commercial Vehicle Claims Standards

In summary, the proposed 2025 amendments to the Performance Standards for Private Passenger and Commercial Vehicle claims address improvements to data reporting, to motor vehicle insurers SIUs information gathering practices and the frequency of CAR audits of their SIUs.

Standard V: Expenses, a rule requiring Assigned Risk Companies (“ARCs”) and Servicing Carriers (“SCs”) to have programs to control, review and evaluate the reasonability and accuracy of claims adjustment expenses and to deduct any unauthorized expenses, appears in both the Private Passenger and Commercial Rules. It states that allocated expenses shall be reported properly, as defined in the Statistical Plans and CAR Procedures Manuals, and emphasizes that unallocated expenses shall not be reported as allocated. CAR’s Assigned Risk Company Procedures Manual was recently updated to strengthen language pertaining to the required access to source documentation for validation of each loss amount and expense payment

transaction. The proposed amendment adds that language to Standard V-Expenses and ensures that references to the process for validating paid losses and expenses in the Assigned Risk Company Procedures Manual, the Statistical Plan, and the Claims Performance Standards will be consistent.

Attached to both the PPA and Commercial Insurance Standards is Appendix K, a Compliance Audit Questionnaire that CAR distributes with the notice sent to its member companies before the start of a Hybrid audit. The proposed amendments to Appendix K will allow CAR to collect more precise information on insurer compliance with the requirements of CAR Rule 32.C.2 and CAR Rule 10.C.2, and to obtain information to enhance the SIU descriptions included in audit reports. The first request will provide CAR with more specific information clarifying how the insurer's SIU audits the company's garaging and policy facts and submits reports of that activity to CAR. It requires a more extensive description of the process and incorporates involvement with the company's underwriting department. CAR's second request asks whether the SIU is currently or has previously been involved in any special coordinated projects such as agency audits, clinic inspections, or projects to examine a particular type of claim. If it does, the information could be added to the detailed overall description of the SIU that is part of each audit report.

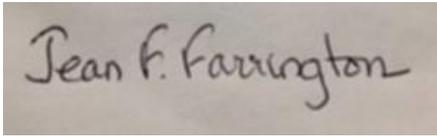
Amendment to Private Passenger Vehicle Claims Standards

Appendix A to these standards addresses the CAR SIU's schedule for monitoring the efforts of Servicing Carriers to control fraud. CAR now audits carrier SIUs triennially, a schedule it adopted in 2008, when the Division initiated competitive rating for private passenger motor vehicle insurance rates and instituted a new system for insuring the residual market, the Massachusetts Automobile Insurance Plan (the "MAIP"). The restructured market imposed new reporting requirements needed to implement the application of the new system. At the same time, the number of companies writing private passenger motor vehicle insurance expanded greatly. In order to identify and resolve these issues more promptly, CAR changed the audit frequency for each carrier's SIU to a three year period. At this time the private passenger motor vehicle market has stabilized and no longer supports the initial rationale for the shorter audit period. In these circumstances, CAR found it reasonable to change the frequency to once every five years. The purpose of the audit, to evaluate the effectiveness of the carrier's SIU is unchanged, and it will continue to be conducted as part of the scheduled Hybrid audit.

III. Conclusion

Based on our review of CAR’s proposed amendments and the statements at the hearing, we hereby approve the Performance Standards for the Handling and Payment of Private Passenger Motor Vehicle Insurance Claims by Assigned Risk Companies and for the Handling and Payment of Commercial Claims by Servicing Carriers that were approved by the CAR Governing Committee on September 23, 2025.

February 12, 2026



Jean F. Farrington
Presiding Officer



Matthew A. Taylor
Presiding Officer

Affirmed: February 12, 2026



Michael T. Caljouw
Commissioner of Insurance