



NATALIE A. HUBLEY  
PRESIDENT

# COMMONWEALTH AUTOMOBILE REINSURERS

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## NOTICE OF MEETING

### COMMERCIAL AUTOMOBILE COMMITTEE

A meeting of the Commercial Automobile Committee will be held at the Automobile Insurers Bureau Conference Center at 101 Arch Street, 7<sup>th</sup> Floor, Boston, on

**WEDNESDAY, AUGUST 9, 2017 at 1:00 P.M.**

### MEMBERS OF THE COMMITTEE

Mr. Thomas DePaulo – Chair  
Meridian Insurance Agency, LLC

Ms. Elizabeth Brodeur  
Ms. Sheila Doherty  
Mr. Michael Faron  
Mr. Coleman Johnson  
Mr. Richard Jones  
Mr. Dennis Morris  
Mr. John Olivieri, Jr.  
Mr. Thomas Skelly, Jr.  
Ms. Wendy Stearns  
Mr. Barry Tagen

Safety Insurance Company  
Doherty Insurance Agency, Inc.  
The Norfolk & Dedham Group  
The Hanover Insurance Company  
Leslie S. Ray Insurance Agency, Inc.  
Arbella Insurance Group  
J.K. Olivieri Insurance Agency, Inc.  
Deland, Gibson Insurance Associates, Inc.  
MAPFRE U.S.A. Corporation  
Pilgrim Insurance Company

### AGENDA

#### CAC

##### **17.01 Records of Previous Meeting**

The Records of the Commercial Automobile Committee meeting of May 10, 2017 should be read and approved.

#### CAC

##### **17.03 CAR Conflict of Interest Policy**

The Chair will read a statement relative to CAR's Conflict of Interest Policy.

**CAC**

**17.07 Non-Fleet Private Passenger Type Rating**

The Chair of the Ad Hoc Non-Fleet Private Passenger Types Subcommittee will report on the meetings of June 20, 2017 and July 25, 2017. The Subcommittee met to address the growth in volume of ceded non-fleet private passenger type business and its impact on the commercial deficit in recent years. The Subcommittee's deliberations included consideration of alternative residual market placement options, amendments to the eligibility definition for private passenger versus commercial coverage, and development of a classification plan based on driving history for commercial private passenger type risks. The Subcommittee's recommendations for the Committee's consideration will be distributed as additional information prior to the meeting.

**CAC**

**17.09 Review of Coverage Limits**

Several Commercial Automobile Committee members have suggested that a significant contributing factor to the growing size of the deficit is the availability of coverage limits in the Massachusetts commercial residual market that are substantively higher than those typically afforded in the residual markets of other states. Accordingly, the Subcommittee directed staff to prepare reports to enable the Committee to consider whether a recommendation to modify cedable limits is appropriate.

With the implementation of the Commercial Limited Servicing Carrier program in 2005, a reduction of the cedable limits to \$500,000/\$500,000 Bodily Injury, \$250,000 Property Damage, and a Combined Single Limit of \$500,000 was approved for policies effective January 1, 2008 and later. The amendment was later rescinded among concerns expressed by the producer community with respect to the availability in the voluntary and excess markets of additional coverage required for umbrella policies. To assist the Committee in its discussion of this issue, reports that identify the volume of business by limit, with associated reported premium and loss data will be distributed as additional information prior to the meeting.

**CAC**

**17.05 Information Sharing**

The Commercial Automobile Committee has discussed that the availability of a common source of information would be a useful tool available to Servicing Carriers to enable effective management, among other things, of risks that typically change carriers and/or producers, often in order to avoid certain underwriting restrictions and premium increases. Suggestions of useful information offered by the Subcommittee include listings of non-Massachusetts licensed drivers, confirmed fraudulent activity, fraud-fighting tools, and agency profiles. The Committee should be prepared to continue discussion of those items that would be recommended for inclusion and to develop an action plan with respect to the development and implementation of an information sharing tool.

**CAC**

**17.10 Servicing Carrier Procedures/Audits**

The Subcommittee has recommended that CAR develop procedures where possible to ensure consistency among Servicing Carriers in the management of residual market risks, including but not limited to non-fleet private passenger types, multi-state operations, and social service bus risks. It has

also been suggested that the Committee review current and past CAR auditing procedures in order to consider whether enhanced audits are appropriate to assist the Committee in evaluating Servicing Carrier performance. The Committee should be prepared to develop an action plan with respect to the identification of appropriate procedures and implementation of enhanced audit reviews.

**CAC**

**17.11 Exclusive Representative Producer Requirements**

The Subcommittee has recommended that CAR review the Exclusive Representative Producer Requirements outlined in Rule 14 – Exclusive Representative Producer Requirements of CAR’s Rules of Operations to consider whether amendments should be made, including but not limited to restrictions or additional requirements for an employee purchase of an agency for which CAR or the Division of Insurance has taken action, prohibitions from establishing business entities and obtaining tax IDs, modification of production thresholds and other eligibility requirements. The Committee should be prepared to discuss the Subcommittee recommendation and develop an action plan for future efforts.

**CAC**

**17.12 Underwriting Documentation Standards**

The Subcommittee has recommended that CAR consider whether specific documentation can be identified and incorporated into CAR’s manuals and/or procedures to confirm a risk’s eligibility for coverage under a commercial automobile policy and to support risk classification. Potential items include preparing residency standards for non-Massachusetts licensed drivers, confirming business operations, principal place of business, and social service activities. Further, the Subcommittee recommended that the CAR manuals should identify that the burden of proof be placed on the risk to confirm its business conduct and support risk classification. The Committee should be prepared to discuss the Subcommittee recommendation and develop an action plan for future efforts.

**Other Business**

To transact any other business that may properly come before this Committee.

**Executive Session**

The Commercial Automobile Committee may convene in Executive Session in accordance with the provisions of G.L. c. 30A, § 21.

JOHN METCALFE  
Director – Residual Market Services

Boston, Massachusetts  
July 28, 2017