



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, 7th Floor, Boston, on

TUESDAY, JANUARY 22, 2019 AT 10:30 A.M.

MEMBERS OF THE COMMITTEE

Mr. John Olivieri, Jr – Chair
J.K. Olivieri Insurance Agency, Inc.

Mr. Peter Chung
Ms. Sheila Doherty
Mr. Paul Drennan
Mr. Coleman Johnson
Mr. Brian Lam
Ms. Mona McCowen
Ms. Sharon Pontes
Mr. Thomas Skelly, Jr.
Mr. Barry Tagen

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

AGENDA

CAC

18.01 Records of Previous Meeting

The Records of the Commercial Automobile Committee meeting of November 8, 2018 should be read and approved.

CAC

19.03 CAR Conflict of Interest Policy

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

CAC

18.09 Procedures for the Review of Large Ceded Losses

The Committee should be prepared to continue its discussion relative to staff's proposal for disclosure and notification procedures for large ceded losses. An updated proposal will be distributed as additional information prior to the meeting.

CAC

19.04 Commercial Automobile Residual Market Standards Subcommittee

The Commercial Automobile Residual Market Standards Subcommittee has been disbanded, and as a result, the issues that were being discussed by the Subcommittee will now be considered directly by the Commercial Automobile Committee. Therefore the Records of the Commercial Automobile Residual Market Standards Subcommittee meeting of December 18, 2018 should be read and approved by the Commercial Automobile Committee. (Docket #CAC19.04, Exhibit #1)

CAC

19.05 Commercial Residual Market Issues

An updated status report of the current commercial issues under consideration by the Committee is attached. (Docket #CAC19.05, Exhibit #1)

CAC

19.06 Standards for the Verification of Applicant Drivers' Licenses

Standards for the validation of applicant drivers' licenses have been updated based upon discussion at the Committee's November 8, 2018 meeting. At that meeting, the Committee also considered modifications to the Eligible Risk definition in Rule 2 – Definitions of CAR's Rules of Operation. Further, staff has prepared a modification to Rule 31 – Operator Exclusion Form of the Commercial Automobile Insurance Manual for the Committee's consideration. Members should be prepared to discuss these documents at the meeting. (Docket #CAC19.06, Exhibit #1)

CAC

19.07 Producer Requirements

Based on discussion at prior Commercial Automobile Residual Market Standards Subcommittee meetings, staff prepared a draft of a market need concept for new commercial Exclusive Representative Producer appointments to a Servicing Carrier. This information, as well as proposed modifications to Rule 14 – Exclusive Representative Producer Requirements of CAR's Rules of Operation will be distributed as additional information prior to the meeting.

CAC

19.08 Radius of Operation and Rating Territory

The Committee should be prepared to discuss updated draft amendments to Rule 72 – Public Automobile Classifications and Chapter III – Trucks, Tractors and Trailers of the Commercial Automobile

**Notice of Meeting
Commercial Automobile Committee**

- 3 -

January 22, 2019

Insurance Manual and Servicing Carrier and Exclusive Representative Producer Standards for the Determination of the Radius of Operation and Rating Territory of public automobiles and trucks, tractors and trailers. (Docket #CAC19.08, Exhibit #1)

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.

WENDY BROWNE
Vice President – Business Operations

Boston, Massachusetts
January 11, 2019



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RECORDS OF MEETING

COMMERCIAL AUTOMOBILE RESIDUAL MARKET STANDARDS SUBCOMMITTEE – DECEMBER 18, 2018

Members Present

Mr. John Olivieri, Jr. – Chair
Ms. Elizabeth Brodeur⁽¹⁾
Ms. Sarah Clemens
Ms. Sheila Doherty
Mr. Coleman Johnson
Ms. Mona McCowen⁽²⁾
Mr. Thomas Skelly, Jr.
Mr. Barry Tagen

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

Substituted for:

⁽¹⁾Mr. Brian Lam

⁽²⁾Ms. Mayre Hammond

Not in Attendance:

N/A

18.01 Records of Meeting

The Subcommittee unanimously voted to approve the Records of the Commercial Automobile Residual Market Standards Subcommittee meeting of November 8, 2018. The Records have been distributed and are on file.

18.04 Commercial Residual Market Issues

Ms. Wendy Browne reported that the list of issues impacting the commercial residual market has been updated to reflect the current status of the Subcommittee's deliberations. For today's meeting, she indicated that the Subcommittee will continue to discuss the development of a market need concept for new producer appointments and review modifications to Rules 52 and 72 of the Commercial Automobile Manual. Additionally, the Subcommittee will review a draft of Servicing Carrier and Exclusive Representative Producer standards for determining and validating radius class and geographic classification for trucks, tractors and trailers and public automobiles. She further noted that staff will provide a status report on efforts relative to the requirements for vehicle operations in Massachusetts.

Ms. Browne informed the Subcommittee that the Ineligible Risk Database is actively being utilized by Servicing Carriers to share information on ceded risks that are ineligible for coverage in the Massachusetts commercial residual market. The database has approximately 80 entries thus far, primarily for non-fleet private passenger types, trucks, tractors and trailers and bus classes, and which provide information on ceded risks that have been cancelled, non-renewed or declined for a variety of reasons,

including licensing and principal place of business issues, and inability to verify the existence of a commercial entity.

The Subcommittee discussed the benefits of reporting to the Ineligible Risk Database on a retrospective, in addition to a prospective basis. The Servicing Carriers on the Subcommittee indicated that they were currently only reporting to the database on a prospective basis due to the effort required to obtain prior risk information. After discussion, the Subcommittee agreed that in order to prevent potential disputes that may arise as a result of reporting information from the period when expectations were not yet in place, reporting should be on a prospective basis only, commencing with the date the database was initially approved for implementation.

18.09 Producer Requirements

The Subcommittee continued its discussion relative to the development of a market need concept for the appointment of new commercial residual market Exclusive Representative Producers (ERPs). Ms. Natalie Hubley indicated that the data reports previously provided to the Subcommittee at its October 23, 2018 meeting which profiled the commercial marketplace were updated with current data. Additionally, as requested by the Subcommittee, new data reports that display ceded volume and loss experience by class and rating territory for producers with and without voluntary contracts were attached to the meeting's Additional Information Notice. Also provided for the Subcommittee's information was the previously distributed market need concept outline that had been developed based upon prior Subcommittee discussion. Ms. Hubley stated that the information contained on each of these reports may assist the Subcommittee in the development of objective criteria to determine whether a market need exists for additional producer appointments, specifically for those ERPs that do not have a voluntary commercial automobile contract with a Massachusetts insurer.

After reviewing the provided data reports, the Subcommittee agreed that access to the residual market is readily available, with appropriate expertise to service all classes of risks throughout the Commonwealth. Therefore, at this time there does not appear to be a need for any new ERP appointments for those new ERPs that do not already have a voluntary commercial automobile contract with a Massachusetts insurer. The Subcommittee further agreed to move forward with the market need concept, as proposed, with an annual review of residual market data to determine whether a market need exists for the appointment of applicants without a voluntary Massachusetts commercial automobile contract for the upcoming 12 month period. Absent a determination that gaps in access to the residual market exist which would indicate a market need, the Subcommittee agreed that appointments would be limited to those producers that already have a voluntary commercial automobile contract with a Massachusetts insurer. However, a producer without a voluntary contract would still be able to apply and petition for an appointment before a CAR committee, but must demonstrate in what manner it would otherwise fulfill a market need. The Subcommittee further discussed the scenario involving the purchase of an ERP's book of business by another ERP where the selling ERP's appointment was terminated pursuant to CAR Rules. The Subcommittee agreed that in such a scenario, regardless of whether or not the purchasing ERP has a voluntary contract and does not currently possess a Servicing Carrier appointment, the applicant will be required to appear before a CAR committee to petition for appointment. The Subcommittee suggested that committee reviews be held on a quarterly basis.

Ms. Hubley stated that based on today's discussion, staff will prepare amendments to Rule 14 and the Manual of Administrative Procedures for the Subcommittee's review at its next meeting, in anticipation of a recommendation being made to the Governing Committee at its February 2019 meeting.

18.12 Radius of Operation and Rating Territory

Ms. Hubley stated that at the Subcommittee's last meeting Staff presented draft amendments to Rule 72 of the Commercial Automobile Manual relative to the determination of radius of operation and geographic class. Subsequently, staff has developed corresponding amendments which mirror the same clarifications for determining zone and zone combination to Rule 52 in Section III – Trucks, Tractors and Trailers of the Commercial Automobile Manual. Each of these drafts were attached to the meeting's Additional Information Notice.

Ms. Hubley noted that since the last distribution of the amendments to Rule 72, it has come to Staff's attention that, as the discussion in 2013 relative to the determination of rating territory for non-zone rated risks primarily focused on the operation of the vehicle, the draft of the Rule provided to the Subcommittee did not address how territory is assigned when the majority of the vehicle's operations are outside of Massachusetts. Accordingly, this portion of the Rule will need to be modified to include direction in this regard; specifically that the Servicing Carrier will assigned the highest rated territory in the case where the majority of the vehicle's operations are outside of Massachusetts. Ms. Sarah Clemens pointed out several references to metropolitan zone in both Rules 52 and 72 that should be modified to reflect regional zone. Ms. Clemens also questioned whether it was more proper to rate a vehicle as origin zone 03 – Boston rather than origin zone 49 – other than Boston if the risk is principally garaged outside of Massachusetts, as zone 49 produces a lower rate. Ms. Hubley indicated that staff would take a look at this example and determine which origin zone would be most appropriate.

Ms. Hubley walked the Subcommittee through proposed Servicing Carrier and ERP Standards for determining and validating radius class and geographic class for trucks, tractors and trailers (TTTs) and public automobiles. She stated that the standards are meant to assure consistency among carriers in three key areas; determining and validating principal garaging, determining and validating principal place of operation and determining radius and geographic class in the absence of credible documentation. She pointed out that the Standards define principal garaging as the location at which the automobile is garaged the majority of the time that the automobile is not in regular use. For determining and validating principal garaging and principal operation, the Standards identify those tools that Servicing Carrier and ERPs may take advantage of in evaluating documentation to validate either garaging or operation. Mr. Coleman Johnson noted that there are other documentation options available to validate an automobile's principal geographic area of operation, such as FMCSA's Safety and Fitness Electronic Records (SAFER) and SafeStat systems, and the availability for use of those options should also be noted in the Standards.

Finally, Ms. Hubley noted that the Standards provide instruction on how to determine radius and geographic class when the risk is unable or fails to provide credible documentation to validate its garaging and/or operations. When the applicant is unable to provide credible records to validate principal garaging, radius class will default to intermediate radius. For assigning rating territory, an applicant whose business entity has been in existence for less than a year and may not yet have supporting documentation available to it, would be treated differently than an entity that has been in business for many years. The proposed Standards suggest that a long term applicant would be assigned to a territory 10 and if the applicant can provide credible documentation to the Servicing Carrier to validate a different radius or geographic classification, the carrier will rerate the policy on a prospective basis. A new applicant would be assigned a territory 17 and if the applicant provides credible documentation to validate a different radius or geographic classification, the carrier will rerate the policy back to the effective date of the policy. The Subcommittee expressed concern that assigning a territory 17 to a new risk provides little incentive for the risk to follow up with documentation when it actually belongs in a higher rated territory. The Subcommittee suggested that both long term and new risks be assigned a territory 10 and must provide the Servicing Carrier with credible documentation if any change is needed.

For the next meeting, Ms. Hubley indicated that staff would update the Rules for out-of-state operations and rating territory and modify the Standards as discussed by the Subcommittee.

18.14 Requirements for Vehicle Operations in Massachusetts

Ms. Browne informed the Subcommittee that the Compliance and Operation Committee had approved the addition of an indicator to the Commercial Statistical Plan to collect information on vehicle operations in Massachusetts and recommended its approval to the Governing Committee. Amidst concern that carriers may not be able to accurately collect that information, thus impacting the validity of the data collected, the Governing Committee did not approve the recommended modification. Ms. Browne indicated that it would be appropriate to wait for the outcome of the Subcommittee's discussion on radius of operation and rating territory, as the same validation methods to be used for determining those items would also be applicable for validating vehicle operations, potentially satisfying the Governing Committee's concerns. At that point, the Compliance and Operations Committee could determine whether a statistical plan modification would be resubmitted to the Governing Committee.

Other Business

Mr. John Olivieri informed the Subcommittee that in order to streamline 2019 efforts relative to improving the commercial residual market, the Commercial Automobile Residual Market Standards Subcommittee will be dissolved and the issues currently being discussed by the Subcommittee will be heard directly by the Commercial Automobile Committee.

MARIAN ADGATE
Corporate Documentation Specialist

Boston, Massachusetts
January 9, 2019

**Commonwealth Automobile Reinsurers
Commercial Automobile Committee – Market Issues
Status as of January 11, 2019**

IN PROCESS

I. Issue: Non-Fleet Private Passenger Types – Driver Licensing Requirements

Category: Residual Market Growth – Eligibility for Placement in the Massachusetts Commercial Automobile Residual Market

Priority: High

Committee Focus: Development of Rule Language and/or Standards for Underwriting and Processing Risks involving Foreign or Out of State Licenses

Committee Action to Date: At its November meeting, the Committee reviewed the proposal from the Commercial Automobile Residual Market Standards (CRMS) Subcommittee which included updated language for the eligibility definition in Rule 2 and proposed Standards for the verification of applicant driver's licenses. After a robust discussion, the Committee directed staff to present an updated proposal at the next meeting for the Committee's consideration.

STATUS: The Commercial Auto Committee will review the updated draft language and will continue its discussions at the meeting.

II. Issue: Producer Requirements – Market Need

Category: Residual Market Growth – Exclusive Representative Producer Eligibility for Appointment to a Servicing Carrier

Priority: High

Committee Focus: Determination of commercial automobile residual market access for the consumer with regard to the appointment of ongoing Exclusive Representative Producers

Committee Action to Date: The CRMS Subcommittee has discussed a market need concept in regards to the need for new commercial automobile Exclusive Representative Producer (ERP) appointments. It was the consensus of the Subcommittee that the residual market appears to be currently adequately accessible and consequently, future applicants with voluntary commercial auto contracts would be eligible for appointment, but all other applicants would need to address a market need in order to be eligible for an appointment. Staff was directed to prepare a proposal and updated rule language for consideration at the next meeting.

STATUS: The Committee will review the proposal and draft rule language at the meeting.

III. Issue: Radius of Operation and Rating Territory

Category: Classification and Rating

Priority: High

Committee Focus: Development of consistent classification and rating standards to be employed by all Servicing Carriers

Committee Action to Date: At its December meeting, the CRMS Subcommittee requested that staff update Rules 52 and 72 of CAR's Commercial Automobile Manual as well as the Standards for determining and validating radius class and geographic classification of TTTs and Public Automobiles to reflect the discussions relative to default procedures and out-of-state operations.

STATUS: The Committee will continue its discussion relative to proposed modifications for determining the Radius of Operation and the Rating Territory at its meeting.

IV. Issue: Vehicle Operations in Massachusetts Requirement

Category: Residual Market Eligibility

Priority: Medium

Committee Focus: Determination whether or not a risk must be required to have a vehicle operation presence in Massachusetts to be eligible for placement in the residual market.

Committee Action to Date: Information regarding other state's handling of multi-state risks was distributed to the Subcommittee at its September 2018 meeting.

Status: The Compliance and Operations Committee approved Staff's recommendation to add a new data element to the Commercial Statistical Plan to collect information relative to the percentage of operations in MA. However, the Governing Committee deferred action until accurate data collection standards are developed. As the documentation standards for determining and validating the radius of operation should also address the vehicle's operations in MA, this item is deferred until those discussions are complete.

FUTURE ITEMS

V. Issue: Additional Insured

Category: Residual Market Loss/Cost Control

Priority: Medium

Committee Focus: Eligibility of Additional Insureds on ceded policies

Committee Action to Date: None

Status: As part of its review during the Focus Audit, Staff observed a number of policies with Additional Insureds listed. In many instances, additional insureds, such as lienholders or lease companies were added to a ceded policy and supported with the appropriate documentation. However, several less customary entities were included on ceded policies, including casinos, out-of-state school districts and out-of-state metropolitan transit commissions. Because of the potential exposure to the pool, the Committee should be prepared to review and discuss the appropriateness of certain additional insureds.

VI. Issue: Non-Ownership Liability Coverage

Category: Residual Market Growth - Loss Experience

Priority: Medium

Committee Focus: Improvement of underwriting results – non-ownership liability classifications

Committee Action to Date: None

Status: Staff has observed consistently high loss ratios for the non-ownership liability classifications. The Committee will be asked to review rule amendments and/or procedures to improve the residual market results for these risks at a future meeting.

VII. Issue: Miscellaneous Risk Classifications

Category: Classification and Rating

Priority: Medium

Committee Focus: Ensuring consistency among Servicing Carriers in the classification of certain risks

Committee Action to Date: None

Status: At a future meeting, the Committee will discuss whether the language in the rating manual should be clarified to ensure consistency among Servicing Carriers in classification of risks. Examples raised to date include:

- Buses – Social Service vs. School vs. NOC
- Garage – Dealer Risk with some Repair vs. Repair Risk with some Dealer
- Others as may be determined (Multi use vehicles, etc.)

VIII. Issue: Cancelled Risks - Premium Avoidance

Category: Residual Market Premium Collection

Priority: Medium

Committee Focus: Premium collection regarding risks that have been cancelled being placed on other policies to avoid owed premium.

Committee Action to Date: None

Status: The Committee should further discuss this issue to determine whether strengthened controls are feasible and beneficial to the residual market.

IX. Issue: Supplemental (or Renewal?) Application

Category: Risk Evaluation

Priority: Low

Committee Focus: Determination whether there is a need for a supplemental and/or renewal application after the various issues have been discussed and concluded

Committee Action to Date: None

Status: The CRMS Subcommittee has discussed the possibility of developing a supplemental application that will incorporate the different certifications, as well as address the need for any other necessary information not presently captured in the policy application.

X. Issue: Coverage Limits

Category: Residual Market Loss/Cost Control – Review of Maximum Cedable Limits

Priority: Low

Committee Focus: Review of the current limits and whether a change is warranted

Committee Action to Date: At its June 2018 meeting, the Governing Committee requested that the Subcommittee revisit the issues related to the cedable limits available in Massachusetts, whether they present an incentive to seek coverage in the Massachusetts residual market and/or whether a change in the limits are warranted. The CRMS Subcommittee subsequently agreed to table consideration of the cedable limits until the impact of the reforms recently adopted and currently under consideration can be evaluated.

STATUS: Tabled

COMPLETED

XI. Issue: Principal Place of Business – Out of State Risks

Category: Residual Market Growth - Eligibility for Placement in the Massachusetts Commercial Automobile Residual Market

Priority: High

Subcommittee Focus: Development of Standards for Determining and Substantiating Principal Place of Business

Subcommittee Action to Date: The changes to Rule 2 – Definitions, to include the nerve center test, were approved by the Division of Insurance on March 29, 2018. At the May 9, 2018 meeting, the Subcommittee voted to recommend approval of the standards, including the certification form, for use by the Servicing Carriers and Exclusive Representative Producers in determining and substantiating Principal Place of Business. The Commercial Automobile and Governing Committees approved the recommendations of the Subcommittee at the June 2018 meetings. The Certification Form has been placed on file by the Division of Insurance and the Standards were published to the industry in Bulletin No. 1055. Standards, forms and procedures have been implemented.

Status: **Complete**

XII. Issue: Non-Fleet Private Passenger Types – Validation of Business Entity and Vehicle Operators

Category: Residual Market Growth – Eligibility for Placement in the Massachusetts Commercial Automobile Residual Market

Priority: High

Subcommittee Focus: Development of Standards for Determining and Substantiating Eligibility of Risks Relative to Validating the Business Entity and Vehicle Operator Information

Subcommittee Action to Date: Standards, including a certification form, an operator exclusion endorsement, and proposed changes to the rating manual were developed and recommended for use by the Servicing Carriers and Exclusive Representative Producers in verifying eligibility for all NF-PPT risks. The Commercial Automobile and Governing Committees approved the recommendations of the Subcommittee at the June 2018 meetings. The Certification Form, Endorsement and Rating Rule change have been placed on file by the Division of Insurance and the Standards were published to the industry in Bulletin No. 1058. Additionally, Chapter V- Premium of the Manual of Administrative Procedures has been updated to include the new certification and endorsement exclusion forms. Standards, forms and procedures have been implemented.

STATUS: **Complete**

XIII. Issue: Producer Requirements – ERP Applicant – Previous Massachusetts Commercial Auto Insurance Experience

Category: Residual Market Growth – Exclusive Representative Producer Eligibility for Appointment to a Servicing Carrier

Priority: High

Subcommittee Focus: Enhancement of the prior work experience requirement for an appointment of an applicant to a Commercial Automobile Servicing Carrier

Subcommittee Action to Date: A proposed amendment to Rule 14 – Exclusive Representative Producer Requirements increased an applicant’s required prior work experience in the Massachusetts commercial automobile insurance market from 6 out of the previous 12 months to 12 out of the previous 24 months. The amendment was approved by the Commercial Auto and Governing Committees at the June 2018 meetings. The proposed change was approved by the Division of Insurance, and published to the industry in Bulletin No. 1057

STATUS: Complete

XIV. Issue: Covered Automobiles

Category: Residual Market Loss/Cost Control

Priority: Medium

Subcommittee Focus: Consideration as to whether “Any Auto” coverage Symbol 1 should be eliminated requiring any residual market insured vehicle to be specified on the policy for coverage.

Subcommittee Action to Date: At the May 2018 meetings, the Subcommittee approved a proposal to limit ceded risks to policies written on a specified car basis only, including modifications to the Rules of Operations, the Commercial Automobile Insurance Manual and the Manual of Administrative Procedures. The Commercial Automobile and Governing Committees accepted the recommendations at the June 2018 meetings. The proposed changes to the Rules of Operation were intended to avoid the stacking of coverage and excess exposure to the residual market. The changes were approved by the Division of Insurance and published to the industry in Bulletin No. 1056. Proposed changes to the Commercial Automobile Insurance Manual were filed and approval by the Division, and then published to the industry in Bulletin No. 1059. The corresponding updates to Chapter V – Premium of the Manual of Administrative Procedures was published to the industry via Bulletin No. 1060.

STATUS: Complete

XV. Issue: Program Oversight - Servicing Carrier Audits

Category: Servicing Carrier Performance - Reviews

Priority: Medium

Subcommittee Focus: Implementation of Servicing Carrier Focus Audits

Subcommittee Action to Date: At its March 29, 2018 meeting, the Subcommittee recommended approval of CAR’s Focus Audit plan that will gather information to assist in the development of underwriting standards for use by Servicing Carriers to determine eligibility, classification, and rating of commercial residual market risks. This was approved by the Commercial Automobile and Governing Committees at the April 2018 meetings.

STATUS: Complete

XVI. Issue: Information Sharing

Category: Servicing Carrier Consistency in Handling of Risks

Priority: Medium

Subcommittee Focus: Development of a communication mechanism to assist Servicing Carriers in the consistent writing and servicing of residual market commercial automobile business

Subcommittee Action to Date: The Subcommittee has discussed opportunities to share information that may not be proprietary in nature or in conflict with statute and/or regulation, but that would be beneficial to the administration of the program. Staff proposed developing a web-based online system for this function, which was unanimously accepted by the Subcommittee at its May 9, 2018 meeting.

STATUS: Complete

**Servicing Carrier and Exclusive Representative Producer
Standards for Verification of Applicant Drivers' Licenses**

Standards for the Verification of Applicant Drivers' Licenses: In determining whether an applicant is eligible for placement in the commercial automobile residual market, Servicing Carriers and Exclusive Representative Producers are required for all new ~~and renewal~~ business to verify that the applicant establishes that any person who regularly drives the motor vehicle(s) holds a valid operator's license.

Foreign Licensed Drivers: Foreign drivers may be eligible for placement for one year in the commercial automobile residual market with a valid foreign driver's license and, if their foreign driver's license is not in English, either a valid International Driving Permit or a completed Registry of Motor Vehicles Translation into English of a Foreign Driver License form before obtaining a Massachusetts driver's license. The year begins on the driver's most recent date of arrival in the United States. Note: An International Driver's License is not considered a valid driver's license and will not be accepted as a valid form of license.

Domestic Licensed Drivers: Any person who holds a valid operator's license from a state other than Massachusetts, must obtain a Massachusetts license in accordance with the standards of the Massachusetts Registry of Motor Vehicles. This requirement does not apply to anyone who regularly drives a motor vehicle owned by a named insured if the applicant can establish that said person is employed by a named insured whose Principal Place of Business is located in Massachusetts but resides in another state which has issued him or her a valid license.

Required Documentation: Servicing Carriers will require on the application the license number and state of any licensed member of the named insured's household and/or any other licensed individuals who regularly drive the insured vehicle(s) who hold a valid domestic license. In addition, Servicing Carriers shall require the following documentation with the application for any licensed member of the named insured's household and/or any other licensed individuals who regularly drives the insured vehicle(s), who lack a valid domestic license:

1. A copy of a valid foreign driver's license,
2. If that foreign driver's license is not in English, either a corresponding International Driving Permit or a completed Registry of Motor Vehicles Translation into English of a Foreign Driver License form, and
3. A copy of one of the following documents:
 - A valid passport from the country of origin
 - A valid alien registration receipt card (green card)
 - A valid employment authorization card issued by the United States Department of Homeland Security
 - Valid proof of nonimmigrant classification provided by the United States Department of Homeland Security

Documentation providing proof of the arrival date in the United States is required to validate eligibility for new and renewal business (i.e. passport entry date, dated airline ticket, etc.).

An application submitted without the above information and documents shall be considered incomplete and will result in cancellation or nonrenewal based on the procedures set forth in Rule 4 – Standard Procedures of CAR's Commercial Automobile Insurance Manual. The cancellation/nonrenewal notice must contain the following statement: "If the insured furnishes the necessary item(s) prior to the effective date of the cancellation, the cancellation shall be rescinded."

Exclusion of Listed Operators Not Holding a Valid License: Pursuant to Rule 31 – Operator Exclusion Form of CAR's Commercial Automobile Insurance Manual, Servicing Carriers will attach the Operator Exclusion Form, CR 99 01 08 18, to the policy for each operator listed on the application who does not hold a valid license.

Servicing Carrier/Exclusive Representative Producer Validation Tools:

For renewal business, the Servicing Carrier will rely on the information provided on the insured's new business application unless the insured or the Exclusive Representative Producer provides documentation updating the licensing or most recent date of arrival in the United States for operators with foreign licenses.

Servicing Carriers and Exclusive Representative Producers will utilize the appropriate resources (i.e. Massachusetts Registry of Motor Vehicles system, Non-Massachusetts driver's license reporting systems, etc.) to verify information regarding registration and/or insured/driver information to ascertain a presence in Massachusetts as it may pertain to the operation of a motor vehicle with a foreign or out of state license.

Servicing Carriers should utilize the CAR Ineligible Risk Database for review of previous actions taken pursuant to insured and/or operator driver's licensing cancellation and/or non-renewal actions by other Servicing Carriers

Definition of Terms: For purposes of this standard, the following definitions shall apply:

"Foreign driver's license" is a valid driver's license obtained in a foreign country. A valid foreign driver's license may be used for up to one year after entry to the United States if the country of issuance is a party to either the 1949 Convention on Road Traffic (T.I.A.S. No. 2487) or the 1943 Convention on the Regulation of Inter-American Automotive Traffic (T.I.A.S. No. 1567). Validity of a foreign driver's license is to be determined according to Appendix A of the Massachusetts Driver's Manual published by the Registry of Motor Vehicles.

"Domestic driver's license" is a driver's license issued by any state of the United States, the District of Columbia, Puerto Rico, the United States Virgin Islands, Guam, American Samoa, the Commonwealth of the Mariana Islands or any other territory or possession of the United States.

"Foreign driver" is an individual who holds a foreign driver's license but does not hold a valid domestic driver's license.

"International Driving Permit" is a document to be used in conjunction with a valid foreign driver's license obtained in the driver's home country, as authorized by the 1949 Convention on Road Traffic or the 1943 Convention on the Regulation of Inter-American Automotive Traffic. It is a translation of the foreign driver's license into various languages, including English.

"International Driver's License" is an unofficial document purporting to be a valid driver's license. It is usually sold on the internet or through storefronts with claims that it: 1) authorizes consumers to drive legally in the United states, even if they don't have state-issued licenses or if their state-issued licenses have been suspended or revoked; 2) can be used to avoid points or fines affecting state-issued driver's licenses; and 3) can be used as a photo identification in the United States.

Pursuant to Rule 10 – Claims of CAR's Rules of Operation, Servicing Carriers are required to conduct audits on representative samples of policies to verify garaging and policy facts. However, market conditions may warrant increased awareness and focus on specific classifications of business due to suspected fraud, increased loss experience, or other negative impacts on the commercial automobile residual market during the Servicing Carrier contract period.

Underwriting review of renewal business with respect to verification of applicant drivers' licenses will generally be performed at the discretion of the Servicing Carrier. However, due to current residual market conditions, Servicing Carriers are notified of an expectation to verify applicant drivers' licenses for 100% of renewal business involving automobiles classified as non-fleet private passenger type during the first year of adoption of these Standards.

CAR | **Rules of Operation**
Rule 2 | **Definitions**
Revision Date | **2018.03.29**
Page | **1 of 3**

When used in Rules 1 through 20, the following terms shall have the stated meanings:

CAR means Commonwealth Automobile Reinsurers.

COMMERCIAL MOTOR VEHICLE means any insurable motor vehicle not included in the definition of Private Passenger Motor Vehicle contained in Rule 22.

COMMISSIONER means the Commissioner of Insurance of Massachusetts.

ELIGIBLE RISK means any Person who qualifies for a Motor Vehicle Insurance policy pursuant to G.L. c. 175, § 113H and which has its Principal Place of Business within the Commonwealth of Massachusetts and which is required by a financial responsibility law as enacted by the legislature of any state or of the United States or by any valid regulation of the Interstate Commerce Commission, United States Department of Transportation, or the Massachusetts Department of Public Utilities to maintain Motor Vehicle Insurance with respect to vehicles owned or leased by it, and registered within or outside of the Commonwealth of Massachusetts provided that the applicant establishes that any person who regularly drives the motor vehicle(s) holds a valid operator's license. Ordinances or Bylaws, as enacted by any political subdivision of any state, shall not for the purposes of determining eligibility be considered as financial responsibility laws.

Pursuant to G.L. c. 175, § 113U, a Person seeking to insure Antique Vehicles does not qualify as an Eligible Risk.

EXCLUSIVE REPRESENTATIVE PRODUCER (ERP) means a Person licensed as a property and casualty insurance producer pursuant to G.L. c. 175, § 162H through § 162X inclusive, who (a) has a place of business (i) in Massachusetts or (ii) in any state contiguous to Massachusetts, and (b) has been appointed by the Governing Committee or its designee to a Servicing Carrier to immediately certify commercial Motor Vehicle Insurance policies.

CAR | **Commercial Automobile Insurance Manual**
Section II | **Common Coverages and Rating Procedures**
Effective Date | **2018.09.01**
Page | **5 of 14**

- B. For zone rated risks, refer to Zone Rating Tables.
- C. For garage risks, refer to Rule 89 – Medical Payments Insurance in Section VI – Garage Dealers of this Manual.

No charge shall be made for service or utility trailers.

RULE 31. OPERATOR EXCLUSION FORM

The Servicing Carrier will attach the Operator Exclusion Form, CR 99 01 08 18, to the policy in regard to any owner of the business who is not listed as an operator on the application and does not have a valid license, any listed operator who does not have a valid license, or in other circumstances as requested by the insured. A separate endorsement should be completed for each excluded operator.

RULE 32. PARTNERSHIP AS THE NAMED INSURED – NON-OWNERSHIP LIABILITY (CLASS CODE 70000)

- A. When Non-Ownership Liability is afforded, the Business Auto Coverage Form provides coverage to a partnership for the use of automobiles owned by individual partners which are used in the business of the partnership.
- B. Multiply the private passenger type rates by .10 for each active or inactive partner for the territory in which the partnership is located. Apply this rating base regardless of the type of automobile being used.

RULE 33. RENTAL REIMBURSEMENT (COVERAGE CODE 083)

- A. Do not write Rental Reimbursement Coverage for less than 30 days or for a limit of less than \$15 per vehicle per day.
- B. Refer to the Rate Section for premium development.

RULE 34. INDIVIDUAL AS THE NAMED INSURED

Endorse a Business Auto Coverage Form covering an individually owned private passenger automobile with the appropriate individual named insured endorsement.

- A. Drive Other Car Coverage is provided at no additional charge if the policy covers:
 - 1. A private passenger automobile not used for public transportation or rented to others without a driver.

CAR | **Commercial Automobile Insurance Manual**
Section III | **Trucks, Tractors and Trailers**
Effective Date | **2018.09.01**
Page | **1 of 18**

RULE 51. ELIGIBILITY

- A. This section applies to all trucks, including pick-up, panel and van types, truck-tractors, trailers and semitrailers except for the following:
1. Automobiles used for public transportation. Refer to Section V – Public Transportation of this Manual.
 2. Automobiles leased or rented to others by leasing or rental concerns. Refer to Rule 120 – Leasing or Rental Concerns in Section VII – Special Types and Operations of this Manual.
 3. Individually owned pick-ups, panel trucks or vans that are owned or leased under a contract for at least twelve months and that have a gross vehicle weight of 10,000 pounds or less and not used for the delivery or transportation of goods or materials unless such use is incidental to the insured's business of installing, maintaining or repairing furnishings or equipment.
 4. Self-propelled automobiles with the following types of permanently attached equipment. Refer to Rule 125 – Special or Mobile Equipment in Section VII – Special Types and Operations of this Manual.
 - a. Equipment designed primarily for:
 - (1) Snow removal;
 - (2) Road maintenance, but not construction or road resurfacing;
 - (3) Street cleaning;
 - b. Cherry pickers and similar devices mounted on an automobile or truck chassis and used to raise or lower workers;
 - c. Air compressors, pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting and well servicing equipment.
- B. Unique rating procedures apply to trucking risks. A trucker is defined as a person, firm or corporation in the business of exclusively or occasionally transporting goods, material or commodities for another, including automobiles used in moving operations. A risk qualifies for the truckers classifications even if it calls itself or advertises as a contractor, building contractor, building material dealer, sand and gravel

CAR | **Commercial Automobile Insurance Manual**
Section III | **Trucks, Tractors and Trailers**
Effective Date | **2018.09.01**
Page | **2 of 18**

hauler, or some other similar name. Refer to Rule 55 – Premium Development Options for Truckers for premium determination.

RULE 52. TRUCKS, TRACTORS AND TRAILERS CLASSIFICATIONS

The following classification procedures apply for the purpose of determining premiums.

A. Fleet and Non-Fleet Classifications

1. Fleet Classification

Any risk that has five or more self-propelled automobiles of any type that are under one ownership. For the purpose of assigning this classification, do not include:

- a. automobiles owned by allied or subsidiary interests unless the insured holds a majority financial interest.
- b. mobile equipment insured on a General Liability Policy.
- c. trailers, but apply the fleet classification to the trailers if the risk otherwise is classified as a fleet.

2. Non-Fleet Classification

Automobiles for risks that do not qualify for a fleet classification.

Do not change the fleet or non-fleet classification because of mid-term changes in the number of owned automobiles except at the request of the insured. The policy must be cancelled in accordance with Rule 9 – Cancellation in Section I – General Rules of this Manual and rewritten as of the effective date of the cancellation.

B. Primary Classifications

The primary classification criteria are the automobile's size, business use and travel radius. These criteria are reflected in the Trucks, Tractors and Trailers Primary Classifications Rating Factors and Statistical Codes tables in the Rate Section.

1. Size Class - Automobiles

An automobile's size class is determined based on the vehicle's gross vehicle weight (GVW) or gross combination weight (GCW).

CAR | **Commercial Automobile Insurance Manual**
Section III | **Trucks, Tractors and Trailers**
Effective Date | **2018.09.01**
Page | **3 of 18**

GVW is the maximum loaded weight for which a single automobile is designed, as specified by the manufacturer.

GCW is the maximum loaded weight for a combination truck-tractor and semitrailer or trailer for which the truck-tractor is designed, as specified by the manufacturer.

a. Light Trucks –

- (1) trucks that have a gross vehicle weight (GVW) of 10,000 pounds or less, or
- (2) buses that have a seating capacity of 1-8 that is determined in accordance with Rule 72.D. – Public Automobile Classifications in Section V – Public Transportation of this Manual

b. Medium Trucks –

- (1) trucks that have a gross vehicle weight (GVW) of 10,001-20,000 pounds, or
- (2) crawler-type trucks, or
- (3) buses that have a seating capacity of 9-20 that is determined in accordance with Rule 72.D. – Public Automobile Classifications in Section V – Public Transportation of this Manual.

c. Heavy Trucks –

- (1) trucks that have a gross vehicle weight (GVW) of 20,001-45,000 pounds, or
- (2) buses that have a seating capacity of 21-60 that is determined in accordance with Rule 72.D. – Public Automobile Classifications in Section V – Public Transportation of this Manual.

d. Extra-Heavy Trucks –

- (1) trucks that have a gross vehicle weight (GVW) over 45,000 pounds, or

CAR | **Commercial Automobile Insurance Manual**
Section III | **Trucks, Tractors and Trailers**
Effective Date | **2018.09.01**
Page | **4 of 18**

(2) buses that have a seating capacity of 61 or more that is determined in accordance with Rule 72.D. – Public Automobile Classifications in Section V – Public Transportation of this Manual, that do not otherwise qualify as a public vehicle.

e. Truck-Tractors – a truck-tractor is a motorized automobile with or without body for carrying commodities or materials, equipped with fifth wheel coupling device for semitrailers.

(1) Heavy Truck-Tractors – truck-tractors that have a gross combination weight (GCW) of 45,000 pounds or less.

(2) Extra-Heavy Truck-Tractors – truck-tractors that have a gross combination weight (GCW) over 45,000 pounds.

2. Size Class – Trailers

a. Semitrailers – a semitrailer is a trailer equipped with fifth wheel coupling device for use with a truck-tractor, with load capacity over 2,000 pounds. This includes bogies used to convert containers into semitrailers.

b. Trailers – any trailer with load capacity over 2,000 pounds, other than a semitrailer.

c. Service or Utility Trailer – any trailer or semitrailer with load capacity of 2,000 pounds or less.

3. Business Use Class

If a truck, tractor or trailer has more than one use, use the classification with the highest use factor for BI and PD from the Primary Classifications Rating Factors and Statistical Codes table in the Rate Section unless 80% or more of the use is in a single lower rated activity. In that case, use the lower rated classification.

a. Service Use – automobiles used for transporting the insured's personnel, tools, equipment and incidental supplies to or from a job location. This classification is confined to automobiles principally parked at job locations for the majority of the working day or used to transport supervisory personnel between job locations.

CAR | **Commercial Automobile Insurance Manual**
Section III | **Trucks, Tractors and Trailers**
Effective Date | **2018.09.01**
Page | **5 of 18**

- b. Retail Use – automobiles used to pick up property from, or deliver property to individual households.
- c. Commercial Use – automobiles used for transporting property other than those automobiles defined as service or retail.

4. Radius Class

Determine radius on a straight line from the street address of the automobile's principal garaging. For vehicles that are not eligible for zone rating as described in Section D. of this Rule, classify the risk using the longest radius class unless 80% or more of the automobile's operation is in a single shorter radius class.

- a. Local – up to 50 miles – the automobile is not operated beyond a radius of 50 miles from the street address where such automobile is principally garaged.
- b. Intermediate – 51 to 200 miles – the automobile is operated beyond a radius of 50 miles but not beyond a radius of 200 miles from the street address where such automobile is principally garaged.
- c. Long distance – over 200 miles – the automobile is operated beyond a 200 mile radius from the street address where such automobile is principally garaged.

C. Secondary Classification

Secondary classifications apply to the following special industry classes, but do not affect the premiums for zone rated policies or premiums for light trucks and trailers used with light trucks. Where more than one secondary rating factor applies, classify the risk automobile using the secondary classification with the largest secondary adjustment unless 80% or more of the use is in a single secondary classification with a lower secondary adjustment. In that case, classify the risk automobile using the secondary classification associated with the smaller adjustment.

There are ten general categories for secondary classifications:

- 1. Manufacturers – Automobiles used to transport raw materials and finished or unfinished goods manufactured, processed or constructed by the insured, except food manufacturers.

CAR | **Commercial Automobile Insurance Manual**
Section III | **Trucks, Tractors and Trailers**
Effective Date | **2018.09.01**
Page | **6 of 18**

2. Truckers – Automobiles used to haul or transport goods, materials, or commodities for another, other than automobiles used in moving operations.
3. Food Delivery – Automobiles used by food manufacturers to transport raw and finished products or used in wholesale distribution of food.
4. Specialized Delivery – Automobiles used in deliveries subject to time and similar constraints.
5. Waste Disposal – Automobiles transporting salvage and waste material for disposal or resale.
6. Farmers – Automobiles owned by a farmer, used in connection with the operation of his own farm occasionally used to haul commodities for other farmers.
7. Dump and Transit Mix Trucks and Trailers
8. Contractors (Other than Dump Trucks)
9. Logging and Lumbering
10. Petroleum Business – Automobiles used to transport petroleum and petroleum products such as gasoline and fuel oil.

Refer to the Secondary Classification table in the Rate Section to determine rating factors and statistical codes.

D. Geographic Classification

~~A risk~~ An automobile is subject to zone rating if the automobile is regularly operated beyond a 200 mile radius from the street address of principal garaging. ~~Place of principal garaging is described in Rule 21—Residence and Location of Section II—Common Coverages of this Manual.~~ Any risk that does not satisfy the conditions for zone rating, including all risks comprised of light trucks and trailers used with light trucks, are not subject to zone rating.

1. Non-Zone Rated Automobiles – Determination of Rating Territory

For risks that are not subject to zone rating, rating territory is determined based upon the street address of principal garaging. ~~is~~

CAR | **Commercial Automobile Insurance Manual**
Section III | **Trucks, Tractors and Trailers**
Effective Date | **2018.09.01**
Page | **7 of 18**

~~determined~~ in accordance with Rule 21 – Residence and Location of Section II – Common Coverages of this Manual.

2. Zone Rated Automobiles – Determination of Zone Combination and Zone Combination Code

a. Zone Combination

~~The zone combination is developed from the origin zone and the terminus zone. For risks that are subject to zone rating, determine the zone or zone combination and code for each automobile as follows:~~

~~a. When an automobile is principally garaged in a regional zone and operates from terminals in that zone and in one or more metropolitan zones, the zone combination is the regional zone and the metropolitan zone farthest away.~~

~~b. In all other situations, the zone combination is the zone of principal garaging and the zone of the terminal (included in the automobile's operation) farthest from that point.~~

1) Use the Long Distance Zone Definitions in the Rate Section to identify the appropriate regional zone to be used to determine the origin and terminus zones.

2) Determine the Origin Zone

The origin zone is determined by the automobile's principal garaging location. If the automobile is principally garaged in the Boston regional zone (03), the origin zone is 03 (Boston). In all other situations, the origin zone is 49.

3) Determine the Terminus Zone

The terminus zone is determined by the regional zone of the terminal included in the automobile's operations that is farthest from the automobile's principal garaging.

~~e.~~ A terminal is any point at which an automobile regularly loads or unloads. It is not limited to a terminal facility which the insured owns and operates.

CAR | **Commercial Automobile Insurance Manual**
Section III | **Trucks, Tractors and Trailers**
Effective Date | **2018.09.01**
Page | **8 of 18**

b. Zone Combination Code

Use the Zone Rating Table in the Rate Section to identify the applicable zone combination code that will be used for statistical reporting purposes.

Refer to the following examples for determining zone combination and zone combination code:

Examples:

- a. The automobile is principally garaged in Worcester, Massachusetts- (~~regional~~ origin zone 49 – other than Boston) and its operations include terminals in Utica, New York (regional zone 48) and Hartford, Connecticut (~~metropolitan~~ regional zone 12). The proper zone combination is 49 and 12 (the terminus zone farthest from garaging) and the zone combination code to be used for statistical reporting is 912.
- b. The automobile is principally garaged in Springfield, Massachusetts- (~~regional~~ origin zone 49 – other than Boston) and its operations include a terminal in Bangor, Maine (regional zone 49). The proper zone combination is 49 and 49 (the terminus zone farthest from garaging) and the zone combination code to be used for statistical reporting is 949.
- c. The automobile is principally garaged in Boston, Massachusetts- (~~metropolitan~~ origin zone 03 – Boston) and ~~has terminals~~ operates in New York City (~~metropolitan~~ regional zone 26) and Utica, New York (regional zone 48). The proper zone combination is 03 and 48 (the terminus zone farthest from garaging) and the zone combination code to be used for statistical reporting is 248.
- d. The automobile is principally garaged in New York City (origin zone 49 – other than Boston) and operates in Atlanta, Georgia (regional zone 01) and in Tallahassee, Florida (regional zone 47). The proper zone combination is 49 and 47 (the terminus zone farthest from garaging) and the zone combination code to be used for statistical reporting is 947).

~~Refer to the Long Distance Zone Definitions and the Zone Rating Tables in the Rate Section.~~

CAR | **Commercial Automobile Insurance Manual**
Section III | **Trucks, Tractors and Trailers**
Effective Date | **2018.09.01**
Page | **9 of 18**

E. Special Provisions for Certain Risks

1. Truckers. If the business of the insured involves transporting materials or commodities for another, Rule 55 – Premium Development Options for Truckers also applies.
2. Transporters of Liquid Products. A policy that covers an automobile used for the bulk transportation of liquid products must exclude accidents resulting from the erroneous delivery of one liquid product for another, or the delivery of any liquid product into the wrong receptacle if the accident occurs after the operations have been completed. Use Wrong Delivery of Liquid Products Endorsement CA 23 05.
3. Amusement Devices. A policy written to cover a commercial automobile, trailer or semitrailer on which an amusement device has been mounted does not provide coverage for the operation of the amusement device. Refer to the General Liability Manual for operations coverage. Use Commercial Automobiles Equipped with Amusement Devices Endorsement MM 23 03.
4. Transporters of Explosives. A policy that covers an automobile used for transporting explosives must exclude coverage for the explosion hazard. Use Explosives Endorsement MM 23 04.
5. Rolling Stores. A policy that covers automobiles including canteens, display rooms and automobiles used for selling products must exclude product liability. Use Rolling Stores Endorsement CA 23 04.
6. Trailers or Semitrailers Used As Showrooms (Class Code 04520)
 - a. To provide liability coverage for trailers or semitrailers used as showrooms or salesrooms, multiply the trailer or semitrailer rating factor by 2.00. The minimum premium per trailer or semitrailer is \$30 for \$20,000 per person, \$40,000 per accident bodily injury and \$5 for \$5,000 property damage. The policy must exclude product liability.
 - b. For medical payments coverage, multiply the private passenger type Medical Payments premium for the territory in which the risk is located by 3.00.
 - c. Use Rolling Stores Endorsement CA 23 04.

CAR | **Commercial Automobile Insurance Manual**
Section III | **Trucks, Tractors and Trailers**
Effective Date | **2018.09.01**
Page | **10 of 18**

7. Trucks, Trailers and Semitrailers Used in Dumping Operations
 - a. Rate automobiles used in dumping operations including ready-mix and mix-in transit cement trucks at the Vehicles Used in Dumping Operations Collision rates from the Trucks, Tractors and Trailers physical damage rate pages in the Rate Section.
 - b. Use those rates regardless of the secondary classification used. The Dump and Transit Mix Trucks and Trailers rating classification applies to hopper-type transporters of dry commodities, which unload through the bottom by gravity and is only used when no other secondary classification applies.
8. Operations coverage may not be afforded under the auto policy for special or mobile equipment. Refer to Rule 125 – Special or Mobile Equipment in Section VII – Special Types and Operations of this Manual.

RULE 53. PREMIUM DEVELOPMENT – SPECIFIED CAR BASIS – OTHER THAN ZONE RATED AUTOMOBILES

- A. Determine the rating territory code from the Territory Schedule in the Rate Section in accordance with the provisions of Rule 52.D.1. – Trucks, Tractors and Trailers Classifications.
- B. Determine the Combined Rating Factor

Determine the classification code and the combined rating factor as follows:

1. Determine whether the risk is classified as fleet or non-fleet according to Rule 52 – Trucks, Tractors and Trailers Classifications.
2. Determine the primary rating factor from the applicable Trucks, Tractors and Trailers Primary Classifications Rating Factors and Statistical Codes table in the Rate Section based on size class, business use class and radius class in accordance with Rule 52 – Trucks, Tractors and Trailers Classifications.
3. Determine the secondary rating factor from the Secondary Classification Table in the Rate Section based on the special industry classification.
4. Determine the combined rating factor by adding the secondary rating factor to the primary rating factor.

CAR | **Commercial Automobile Insurance Manual**
Section III | **Trucks, Tractors and Trailers**
Effective Date | **2018.09.01**
Page | **11 of 18**

C. Premium Computation

1. Liability and Personal Injury Coverages

Use the fleet or non-fleet designation and size class as determined according to Rule 52 – Trucks, Tractors and Trailers Classifications and the applicable rating territory to determine the rate for the applicable coverage level from the Trucks, Tractors and Trailers liability rate pages in the Rate Section. Multiply these rates by the combined rating factor determined in accordance with Section B. of this Rule to compute the final premium.

<u>Coverage</u>	<u>Rate Pages to Be Used</u>				
Compulsory BI (A-1)	Trucks, Tractors and Trailers Liability	X	Combined Rating Factor (from Rule 53.B.)	=	Premium
PIP (A-2)					
Property Damage (PDL)					
Optional BI (B)					
Medical Payments					
Uninsured Motorist (U-1)		N/A			
Underinsured Motorist (U-2)					

2. Physical Damage Coverages

The premiums for physical damage coverage reflected in the Rate Section are on an actual cash value basis. For coverage on a stated amount or agreed value basis, refer to Rule 42.D. and E. – Physical Damage Coverage Rating Procedures in Section II – Common Coverages and Rating Procedures of this Manual.

Determine the fleet or non-fleet designation according to Rule 52.A. – Trucks, Tractors and Trailers Classifications, the original cost new and age of the automobile to be insured according to Rule 42.C. – Physical Damage Rating Procedures in Section II – Common Coverages and Rating Procedures of this Manual and the applicable rating territory as determined according to Rule 21 – Residence and Location in Section II – Common Coverages and Rating Procedures of this Manual.

For collision coverage, use the fleet or non-fleet designation, original cost new, age and rating territory to determine the rate for collision coverage from the Trucks, Tractors and Trailers physical damage rate pages in the Rate Section. The rates for collision coverage are based upon whether the automobile is a truck, truck-tractor or ~~vehiele~~ automobile used in dumping operations. Use the

CAR | **Commercial Automobile Insurance Manual**
Section III | **Trucks, Tractors and Trailers**
Effective Date | **2018.09.01**
Page | **12 of 18**

truck rates for trailers or semitrailers unless the automobile is used in dumping operations.

For comprehensive coverage, use the fleet or non-fleet designation, original cost new, age and rating territory to determine the \$300 or \$500 deductible rate for other than collision coverage from the Trucks, Tractors and Trailers physical damage rate pages in the Rate Section.

If a higher other than collision deductible is desired, determine the \$500 deductible rate from the Trucks, Tractors and Trailers rate pages and charge the indicated percentage for the deductible desired.

To compute the final physical damage premium, multiply the collision and comprehensive rates by the combined rating factor determined in accordance with Section B. of this Rule. If collision – waiver of deductible coverage exists, add the premium associated with the applicable deductible level to the final collision premium.

<u>Coverage</u>	<u>Rate Pages to be Used</u>					
Collision	Trucks Tractors and Trailers Physical Damage	X	N/A	X	Combined Rating Factor (from Rule 53.B.)	= Premium
Collision – Waiver of Deductible					N/A	
Comprehensive					Percentage for >\$500 Deductible Option (from Physical Damage Rate Pages)	

The premium for limited collision coverage is determined by multiplying the percentage displayed on the Trucks, Tractors and Trailers physical damage rate pages by the final collision premium. Rating procedures for additional limited collision coverage options are also indicated on the Trucks, Tractors and Trailers physical damage rate pages in the Rate Section.

CAR | **Commercial Automobile Insurance Manual**
Section III | **Trucks, Tractors and Trailers**
Effective Date | **2018.09.01**
Page | **13 of 18**

RULE 54. PREMIUM DEVELOPMENT – ZONE RATED AUTOMOBILES

A. Determine the classification code and the primary rating factor in accordance with Rule 53.B. – Premium Development – Specified Car Basis – Other than Zone Rated Automobiles.

B. Premium Computation

1. Liability, Personal Injury and Property Damage Coverages

Use the zone or zone combination as determined according to Rule 52.D.2. – Trucks, Tractors and Trailers Classifications to determine the Bodily Injury (\$20,000 per person, \$40,000 per accident) and \$5,000 Property Damage liability premium from the Zone Rating Table in the Rate Section. Apply the indicated factors to the premium obtained from the Zone Rating Table to compute the final premium.

Coverage	Rate Pages to be Used						
Compulsory BI	\$20,000/\$40,000 Bodily Injury (from the Zone Rating Table)		0.86		Primary Rating Factor** (from Rule 53.B.)	=	Premium
PIP	\$20,000/\$40,000 Bodily Injury (from the Zone Rating Table)		0.04				
Property Damage	\$5,000 Property Damage (from the Zone Rating Table)	X	N/A	X			
Optional BI*	\$20,000/\$40,000 Bodily Injury (from the Zone Rating Table)		0.10				
Medical Payments	Trucks, Tractors and Trailers Liability		N/A		N/A		
Uninsured Motorist							
Underinsured Motorist							

*Refer to Rule 40 – Increased Liability Limits in Section II – Common Coverages and Rating Procedures for determining increased limits.

**Secondary rating factors do not apply, however, report secondary statistical codes from the Secondary Classification table in the Rate Section.

2. Physical Damage Coverages

The premiums for physical damage coverage reflected in the Rate Section are on an actual cash value basis. For coverage on a stated amount or agreed value basis, refer to Rule 42.D. and E. – Physical Damage Coverage Rating Procedures in Section II – Common Coverages and Rating Procedures of this Manual.

CAR | **Commercial Automobile Insurance Manual**
Section III | **Trucks, Tractors and Trailers**
Effective Date | **2018.09.01**
Page | **14 of 18**

Determine the original cost new and age of the automobile to be insured according to Rule 42.C. – Physical Damage Coverage Rating Procedures in Section II – Common Coverages and Rating Procedures of this Manual.

For collision coverage, use the original cost new and age to determine the base premium from the Long Distance Physical Damage Base Premiums Table in the Rate Section. The base premium for collision coverage is determined according to whether the automobile is a truck, trailer or semitrailer or a truck-tractor or automobile used in dumping operations. Use the truck base premiums for trailers or semitrailers unless the automobile is used in dumping operations.

For comprehensive coverage, use the original cost new and age to determine the \$300 or \$500 base premium from the Long Distance Physical Damage Base Premiums Table in the Rate Section.

If a higher deductible is desired for either comprehensive or collision, refer to the Long Distance Physical Damage premium development page in the Rate Section.

Apply the physical damage factor for the zone combination from the Zone Rating Table and the primary rating factor determined in accordance with Rule 53.B. – Premium Development – Specified Car Basis – Other than Zone Rated Automobiles to the base premiums obtained from the Long Distance Physical Damage Base Premiums Table to compute the final premium.

<u>Coverage</u>	<u>Rate Pages to be Used</u>					
Collision	Long Distance Physical Damage Base Premiums	X	Collision Factor (from Zone Rating Table)	X	Primary Rating Factor* (from Rule 53.B.)	= Premium
Comprehensive			Comprehensive Factor (from Zone Rating Table)			

* Secondary rating factors do not apply, however, report secondary statistical codes from the Secondary Classification table in the Rate Section.

RULE 55. PREMIUM DEVELOPMENT OPTIONS FOR TRUCKERS

Rate automobiles transporting exclusively for one concern on the same basis as though owned by such concern for both territory and classification.

CAR | **Commercial Automobile Insurance Manual**
Section III | **Trucks, Tractors and Trailers**
Effective Date | **2018.09.01**
Page | **15 of 18**

A. Specified Car Basis

Truckers may be written on a specified car basis with premiums calculated according to Rule 53 – Premium Development – Specified Car Basis – Other than Zone Rated Automobiles or Rule 54 – Premium Development – Zone Rated Automobiles.

In addition to rating on a specified car basis, a trucker may also be rated on the following bases provided it meets the coverage and risk criteria.

B. Cost of Hire Basis (Class Code 66130, Minimum Premium Class Code 66190)

A trucking risk may be written on the cost of hire basis to cover its liability because of a contract involving the hire of trucks, tractors and trailers. Coverage written on a cost of hire basis is subject to audit.

1. Determine the total cost of hiring the automobiles. If automobiles are hired without operators, include the wages of the operators of such automobiles subject to an average weekly maximum of \$100 per operator.
2. Determine the average specified car rate by:
 - (1) Computing the premium for all automobiles, including trailers or semitrailers owned and leased by the insured that are used in trucking operations according to Rule 53 – Premium Development – Specified Car Basis – Other than Zone Rated Automobiles or Rule 54 – Premium Development – Zone Rated Automobiles.
 - (2) Dividing this by the number of trucks and truck-tractors owned and leased by the insured.
3. The cost of hire rate is determined by multiplying the average specified car rate by .0033.
4. Compute the advance premium by multiplying each \$100 of the total amount estimated for the cost of hire during the policy period by the cost of hire rate.
5. Compute the earned premium at the rates in force at the inception of the policy, in the same manner as the advance premium.

CAR | **Commercial Automobile Insurance Manual**
Section III | **Trucks, Tractors and Trailers**
Effective Date | **2018.09.01**
Page | **16 of 18**

6. If the Servicing Carrier which insures the owned automobiles of the risk also insures the hired automobiles of the risk, the minimum premium shall be \$17 for \$20,000 per person, \$40,000 per accident bodily injury and \$4 for \$5,000 property damage. Otherwise the minimum premium shall be the average applicable specified car rate.

C. Bobtail Operations (Class Code 74890)

Liability and no-fault coverages may be limited to non-trucking use when the automobiles are not rented, nor used for business purposes to carry property or to haul someone else's trailers.

1. Liability, Personal Injury and Property Damage Coverages

Use the size class determined according to Rule 52.B.2. – Trucks, Tractors and Trailers Classifications and the applicable rating territory to determine the non-fleet rate for the desired coverage level from the Trucks, Tractors and Trailers liability rate pages in the Rate Section. Multiply these rates by the indicated factor to compute the final premium.

Coverage	Rate Pages to be Used		Factor		
Compulsory BI (A-1)	Trucks, Tractors and Trailers Liability	X	1.00	=	Premium
PIP(A-2)					
Property Damage (PDL)					
Optional BI (B)					
Medical Payments					
Uninsured Motorist (U-1)			N/A		
Underinsured Motorist (U-2)					

2. Physical Damage Coverages

Compute the premiums for these coverages in accordance with Rule 52 – Trucks, Tractors and Trailers Classifications, Rule 53 – Premium Development – Specified Car Basis – Other than Zone Rated Automobiles, and Rule 54 – Premium Development – Zone Rated Automobiles, as appropriate.

D. Trailer Interchange Agreement (Class Code 99320)

Coverage may be provided for the insured's legal liability for physical damage to trailers not owned by him but in his possession under a trailer interchange agreement.

CAR | **Commercial Automobile Insurance Manual**
Section III | **Trucks, Tractors and Trailers**
Effective Date | **2018.09.01**
Page | **17 of 18**

1. Premium Determination

- a. If there is an even interchange of non-owned trailers and owned trailers with insurance ceasing when the owned trailers are in the possession of others, there is no additional premium charge as the company's total liability remains constant.
- b. If the insurance on owned trailers remains in force when in the possession of others, the premiums for coverage for non-owned trailers are determined as follows and subject to a \$25.00 minimum premium charge:
 - (1) Determine the trailer's radius class while in the possession of the insured according to Rule 52 – Trucks, Tractors and Trailers Classifications.
 - (2) Use the radius class to determine the daily per trailer base rate for the selected limit of liability coverage from the Trailer Interchange Agreement Rates Table in the Rate Section.
 - (3) For liability limits over \$20,000, multiply the additional charge displayed on the Trailer Interchange Agreement Rates Table by the number of each \$1,000 or fraction of \$1,000 of coverage over \$20,000. Add this amount to the rate for the \$20,000 limit of liability shown in the table.
 - (4) Multiply the daily per trailer rates by the physical damage factors determined from the Zone Rating Tables as follows:
 - (a) Local and intermediate radius – use the Zone Rating Table for where the risk is domiciled and the zone combination for that zone. For example, the factors for a risk domiciled in Boston are those shown in the Boston box on the Zone 03 (Boston) Combination Zone Rating Table.
 - (b) Long Distance – determine the factors according to Rule 54 – Premium Development – Zone Rated Automobiles.
 - (5) Multiply this amount by the number of days for which insurance is provided.
 - (6) The following is an example of the premium calculation for an intermediate radius risk domiciled in Boston insuring 10

CAR | **Commercial Automobile Insurance Manual**
Section III | **Trucks, Tractors and Trailers**
Effective Date | **2018.09.01**
Page | **18 of 18**

trailers for \$500 deductible Comprehensive Coverage, \$12,000 limit of liability, for 20 days.

(a) Daily per trailer base rate – \$ 0.051

(b) Rating factor for Comprehensive from Zone Rating Table, as determined in Section E.1.b.(4) of this Rule – 1.60

(c) Rate per day – ($\$ 0.051 \times 1.60$) = \$ 0.082

(d) Total premium – ($\$ 0.082 \times 10 \text{ trailers} \times 20 \text{ days}$) = \$16.40

- c. If the insured leases from others more trailers than leased to others with the insurance on the owned trailers ceasing when in the possession of others, the premiums are calculated on the difference between the number of non-owned and owned trailers.

RULES 56-60 RESERVED FOR FUTURE USE.

CAR | **Commercial Automobile Insurance Manual**
Section V | **Public Transportation**
Effective Date | **2018.09.01**
Page | **1 of 16**

RULE 71. ELIGIBILITY

This section applies to automobiles registered or used for the transportation of members of the public.

RULE 72. PUBLIC AUTOMOBILE CLASSIFICATIONS

If an automobile has more than one use, use the highest rated classification unless 80% or more of the use is in a single lower rated activity. In that case, use the lower rated classification.

Classify public automobiles as follows:

A. Fleet and Non-Fleet Classifications

1. Fleet Classification

Any risk that has five or more self-propelled automobiles of any type that are under one ownership. For the purpose of assigning this classification, do not include:

- 1) automobiles owned by allied or subsidiary interests unless the insured holds a majority financial interest
- b. mobile equipment insured on a General Liability Policy
- c. trailers

2. Non-Fleet Classification

Automobiles for risks that do not qualify for a fleet classification.

Do not change the fleet or non-fleet classification because of mid-term changes in the number of owned automobiles except at the request of the insured. The policy must be cancelled in accordance with Rule 9 – Cancellation in Section I – General Rules of this Manual and rewritten as of the effective date of the cancellation.

B. Primary Classifications

The primary classification codes assigned to public vehicles are determined based upon the automobile's use and radius class with the exception of van pools which use seating capacity in determining classification. Refer to the Public Transportation Classification Codes and Primary Rating Factors table in the Rate Section.

CAR Section V Effective Date Page	Commercial Automobile Insurance Manual Public Transportation 2018.09.01 2 of 16
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1. Use Class

- a. *Taxicab or Similar Passenger Carrying Service* – a metered or unmetered automobile with a seating capacity of eight or less that is operated for hire by or on behalf of the named insured or by an employee, but does not pick up, transport, or discharge passengers along a route.

(1) Owner-Operator

This classification shall apply to individual owners of single taxicabs operated by the individual owner or spouse. It shall also apply to individuals owning under a corporate name a single taxicab operated by such individual or spouse.

(2) Rented or Leased Taxi

A taxi which is not operated by the named insured or an employee of the named insured in attendance as a chauffeur, and is rented or leased to others on a long term or short term agreement, or on a time, commission, profit-sharing, or other independent contractor basis.

If such automobile is operated part of the time by the named insured or an employee of the named insured, and is rented or leased to others part of the time as stated above, it shall be classified as a Rented or Leased Taxi.

For the purpose of this classification, an employee is defined as one who is deemed to be such within the purview of the Massachusetts Worker's Compensation Law, or any other federal, state or municipal law which defines an employer-employee relationship and is applicable to the person operating the automobile.

(3) All Other

This classification shall apply in all other cases where Sections B.1.a.(1) or (2) of this Rule do not apply.

- b. *Limousine* – an unmarked luxury sedan with a seating capacity of eight or less that is operated for hire which

CAR Section V Effective Date Page	Commercial Automobile Insurance Manual Public Transportation 2018.09.01 3 of 16
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- (1) is hired on a prearranged hourly basis for weddings, funerals, religious ceremonies or other non-business social functions;
 - (2) is hired on an exclusive, dedicated basis for the duration of the event, not for drop-off and pick-up;
 - (3) is operated by the named insured, an employee, or an independent contractor of the named insured, in attendance as a chauffeur at the beginning and ending of the function.
- c. *Car Service* – an unmarked for hire automobile with a seating capacity of eight or less which
- (1) is hired on a prearranged basis;
 - (2) does not pick up hail fares on the street;
 - (3) does not contain a rate meter, and does not charge for services based upon miles traveled if the trip is less than 25 miles;
 - (4) operates on a scheduled business day, and is returned to the automobile's base of operation for a continuous period of at least four hours in each 24 hour period;
 - (5) is operated by the named insured, an employee, or an independent contractor of the named insured, in attendance as a chauffeur;
 - (6) operates from a base with two-way communication;
 - (7) primary payment method is by billing or credit card;
 - (8) may be under contract with a regional transit authority where transportation services are paid for by the individual requesting the services. For services contracted and paid for by a social service agency, classify the automobile in accordance with Section B.1.f.(7) of this Rule.
- d. *School Bus* – an automobile that carries students or other persons to and from school, or in any school activity including games, outings and similar school trips. There are two types of school buses for rating purposes:

CAR | **Commercial Automobile Insurance Manual**
Section V | **Public Transportation**
Effective Date | **2018.09.01**
Page | **4 of 16**

1. School buses owned by political subdivisions or school districts.
2. All others including independent contractors, private schools and church owned buses.

The collision premium on a policy written on an annual term may be prorated to reflect the actual school term. However, credit shall not be given for Saturdays, Sundays or holidays or for any other periods of lay-up during the school term.

- e. *Church Bus* – an automobile used by a church to transport persons to or from services and other church related activities. This classification does not apply to public automobiles used primarily for daily school activities.
- f. Other Buses
 - (1) *Inter-City Bus* – an automobile that picks up and transports passengers on a published schedule of stops between stations located in two or more towns or cities.
 - (2) *Urban Bus* – an automobile that picks up, transports and discharges passengers at frequent local stops along a prescribed route. This classification applies only to automobiles operated principally within the limits of a city or town, and communities contiguous to such city or town, and includes scheduled express service between points on that route.
 - (3) *Airport Bus or Airport Limousine* – an automobile for hire that transports passengers between airports and other passenger stations, or motels. Automobiles used to transport passengers from their home or place of employment to or from an airport should be classified according to Sections B.1.a.– c. of this Rule, as appropriate.
 - (4) *Charter Bus* – an automobile chartered for special trips, touring, picnics, outings, games and similar uses.
 - (5) *Sightseeing Bus* – an automobile accepting individual passengers for a fare for sightseeing or guided tours, making occasional stops at certain points of interest and returning the passengers to the point of origin.

CAR | **Commercial Automobile Insurance Manual**
Section V | **Public Transportation**
Effective Date | **2018.09.01**
Page | **5 of 16**

(6) *Transportation of Athletes and Entertainers* – an automobile owned by a group, firm or organization that transports its own professional athletes, musicians or other entertainers.

(a) If it is used to transport other professional athletes or entertainers, rate as a Charter Bus.

(b) An automobile owned by a group, firm or organization to transport its own non-professional athletes, musicians or entertainers, rate as Bus Not Otherwise Classified.

(7) *Social Service Agency Automobile* – an automobile used by a government entity, civic, charitable or social service organization to provide transportation to clients incidental to the social services sponsored by the organization, including special trips and outings.

This classification includes, for example, automobiles used to transport

(a) senior citizens or other clients to meal centers, medical facilities, social functions, shopping centers;

(b) handicapped persons to work or rehabilitative programs;

(c) children to day care center, Head Start programs; and

(d) Boy Scout or Girl Scout groups planned activities.

The following automobiles are eligible for this classification:

(a) Automobiles owned, or leased for one year or more, by the social service agency.

(b) Automobiles donated to the social service agency, without a driver.

(c) Automobiles hired under contract by the social service agency.

CAR | **Commercial Automobile Insurance Manual**
Section V | **Public Transportation**
Effective Date | **2018.09.01**
Page | **6 of 16**

There are two types of Social Services Bus for rating purposes:

(a) Employee-Operated Automobiles

Automobiles operated by employees of the social service agency. If a social service automobile is also operated by volunteer drivers or other non-agency employees, do not classify the ~~risk~~ automobile as Employee-Operated unless 80% of the use is by agency employees.

(b) All Other

Automobiles which do not meet the employee-operated automobile classification requirements.

Excess Liability Coverage may be provided to cover automobiles not owned or licensed by the agency while being used in its social service transportation activities. This coverage may be extended to cover the agency's liability only or the liability of both the agency and, on a blanket basis, the individual liability of agency employees or volunteer donors or owners of the automobiles. For automobiles hired, loaned, leased or furnished refer to Rule 28 – Hired Automobiles of Section II – Common Coverages and Rating Procedures of this Manual. For all other non-owned automobiles, refer to Rule 27 – Non-Ownership Liability of Section II – Common Coverages and Rating Procedures of this Manual.

- (8) *Bus Not Otherwise Classified* – this classification includes, but is not limited to automobiles such as country club buses, cemetery buses, real estate development buses, and courtesy buses run by hotels.
- g. *Van Pools* – an automobile of the station wagon, van, truck or bus type used to provide prearranged commuter transportation for employees to and from work and is not otherwise used to transport passengers for a charge.

CAR | **Commercial Automobile Insurance Manual**
Section V | **Public Transportation**
Effective Date | **2018.09.01**
Page | **7 of 16**

(1) Employer Furnished Transportation

Transportation is held out by the employer as an inducement to employment, a condition of employment or is incidental to employment.

(a) Employer Owned Automobiles

Automobiles owned, or leased for one year or more by an employer and used to provide transportation only for employees of the employer.

(b) Employee Owned Automobiles

Automobiles owned, or leased for one year or more by an individual employee and used to provide transportation only for fellow employees.

(2) All Other

Automobiles which do not meet the employer owned automobile classification requirements.

h. *Transportation of Employees – Other Than Van Pools* – automobiles of any type used to transport employees other than as defined in Section B.1.g. of this Rule.

(1) Automobiles that are owned or leased for one year or more by an employer and used to transport only his own employees. The classification code applicable to these vehicles is 5851.

(a) automobiles that can be classified as private passenger types in accordance with the eligibility requirements described in Rule 61 – Eligibility of Section IV – Private Passenger Types of this Manual shall be rated in accordance with the provisions of Rule 63 – Premium Development of Section IV – Private Passenger Types of this Manual.

(b) all other automobiles that cannot be classified as private passenger types in accordance with the eligibility requirements described in Rule 61 – Eligibility of Section IV – Private Passenger Types of this Manual shall be rated as van pools.

CAR | **Commercial Automobile Insurance Manual**
Section V | **Public Transportation**
Effective Date | **2018.09.01**
Page | **8 of 16**

- (2) Automobiles that are owned or leased for one year or more by a person or organization who is in the business of transporting employees of one or more employers shall be classified and rated in accordance with Rule 72 – Public Automobile Classifications and Rule 73 – Premium Development – Other than Zone Rated Automobiles for automobiles described as a Bus Not Otherwise Classified in Section B.1.f.(8) of this Rule.

2. Radius Class

Determine radius on a straight line from the street address of the automobile's principal garaging. ~~motor vehicle registration. For leased automobiles, use the street address of the lessee's business to determine radius.~~

- a. Local – up to 50 miles – the automobile is not operated beyond a radius of 50 miles from the street address where such automobile is principally garaged. ~~registered.~~
- b. Intermediate – 51-200 miles – the automobile is operated beyond a radius of 50 miles but not beyond a radius of 200 miles from the street address where such automobile is principally garaged. ~~registered.~~
- c. Long distance – over 200 miles – the automobile is operated beyond a 200 mile radius from the street address where such automobile is principally garaged. ~~registered. Apply zone rates for all autos other than taxis, limousines, school, church and urban buses and van pools.~~

C. Geographic Classification

Risks Automobiles with a primary classification of Other Buses described in Section B.1.f.(1), or Sections B.1.f.(3) – (8) of this Rule are subject to zone rating if the automobile is regularly operated beyond a 200 mile radius from the street address of principal garaging. ~~where place of principal garaging is defined in this Rule.~~

CAR | **Commercial Automobile Insurance Manual**
Section V | **Public Transportation**
Effective Date 2018.09.01
Page 9 of 16

1. Zone Rated Automobiles – Determining Zone or of Zone Combination and Zone Combination Code for Zone Rated Risks

a. Zone Combination

The zone combination is developed from the origin zone and the terminus zone. Determine the zone or zone combination and code for each automobile as follows:

1) a-Use the Long Distance Zone Definitions in the Rate Section to identify determine the appropriate regional zone combination to be used to determine the origin and terminus zones, as described in Sections C.1.b. and C.1.e. of this Rule.

2) Determine the Origin Zone

The origin zone is determined by the automobile's principal garaging location. If the automobile is principally garaged in the Boston regional zone (03), the origin zone is 03 (Boston). In all other situations, the origin zone is 49.

3) Determine the Terminus Zone

The terminus zone is determined by the regional zone of the terminal included in the automobile's operations that is farthest from the automobile's principal garaging. A terminal is any point at which an automobile loads or unloads. It is not limited to a terminal facility which the insured owns and operates.

b. When an automobile is principally garaged in a regional zone and operates in that zone and in one or more metropolitan zones, the zone combination is the regional zone and the metropolitan zone farthest away.

c. In all other situations, the zone combination is the zone of the automobile's registration and the zone included in the automobile's operations farthest from that point.

b. Zone Combination Code

a. Use the Zone Rating Table in the Rate Section to identify the applicable zone combination code that will be used for statistical reporting purposes.

CAR | **Commercial Automobile Insurance Manual**
Section V | **Public Transportation**
Effective Date | **2018.09.01**
Page | **10 of 16**

Refer to the following examples for determining zone combination and zone combination code:

Examples:

- a. The automobile is registered principally garaged in Worcester, Massachusetts (regional origin zone 49 – other than Boston) and operates in Utica, New York (regional zone 48) and Hartford, Connecticut (metropolitan regional zone 12). The proper zone combination is 49 and 12 (the terminus zone farthest from garaging) and the zone combination code to be used for statistical reporting is 912.
- b. The automobile is registered principally garaged in Springfield, Massachusetts (regional origin zone 49 – other than Boston) and operates in Bangor, Maine (regional zone 49). The proper zone combination is 49 and 49 (the terminus zone farthest from garaging) and the zone combination code to be used for statistical reporting is 949.
- c. The automobile is registered principally garaged in Boston, Massachusetts (metropolitan origin zone 03 – Boston) and operates in New York City (metropolitan regional zone 26) and Utica, New York (regional zone 48). The proper zone combination is 03 and 48 (the terminus zone farthest from garaging) and the zone combination code to be used for statistical reporting is 248.
- d. The automobile is principally garaged in New York City (origin zone 49 – other than Boston) and operates in Atlanta, Georgia (regional zone 01) and in Tallahassee, Florida (regional zone 47). The proper zone combination is 49 and 47 (the terminus zone farthest from garaging) and the zone combination code to be used for statistical reporting is 947.

Refer to the Long Distance Zone Definitions and the Zone Rating Tables in the Rate Section:

2. Non-Zone Rated Automobiles – Determination of Rating Territory Principal Place of Garaging for Non-Zone Rated Risks

For risks that are not subject to zone rating, the rating territory shall be determined by the highest rated territory through which or in which the public automobile operates. The highest rated territory is the territory with the highest manual premiums for

CAR | **Commercial Automobile Insurance Manual**
Section V | **Public Transportation**
Effective Date | **2018.09.01**
Page | **11 of 16**

compulsory and optional bodily injury liability at \$20,000 per person, \$40,000 per accident and \$5,000 property damage as shown on the Public Automobiles Liability rate pages in the Rate Section. A rating territory other than the highest rated territory may apply if the risk supplies credible documentation that 80% or more of a the public automobile's operation is outside the highest rated territory. In that case, assign the territory of the automobile's highest percentage of operation. If the automobile's highest percentage of operation is outside of Massachusetts, assign the highest rated Massachusetts territory, regardless of the automobile's Massachusetts operations.

Refer to the Territory Schedule in the Rate Section.

D. Secondary Classifications

A secondary classification is assigned to risks automobiles with a primary classification of Other Buses and described in Section B.1.f. of this Rule that do not qualify for zone rating, and to risks automobiles with a primary classification of School Bus as described in Section B.1.d. or Church Bus as described in Section B.1.e. of this Rule. The secondary classification is based on the seating capacity of the automobile.

Apply the following criteria to determine the seating capacity of the automobile:

1. Use the seating capacity specified by the manufacturer of the automobile unless a public authority rules otherwise.
2. Do not include the driver's seat when determining seating capacity.
3. If a truck, tractor or trailer is classified as a public automobile, determine the seating capacity from the size class as follows:

<u>Size Class</u>	<u>Seating Capacity</u>
Light	1 to 8
Medium	9 to 20
Heavy	21 to 60
Extra-Heavy	Over 60

Servicing Carrier and Exclusive Representative Producer Standards for Determining and Validating Radius Class and Geographic Classification of Trucks, Tractors and Trailers and Public Automobiles

To properly classify trucks, tractors and trailers and public automobiles, CAR’s Commercial Automobile Manual directs that principal garaging and principal operation are factors used to determine radius class and geographic class as identified below.

	<u>Principal Garaging</u>	<u>Principal Operation</u>
Radius Class	TTTs and Publics	TTTs and Publics
Zone Combination	Zone Rated TTTs and Publics	Zone Rated TTTs and Publics
Rating Territory	Non-Zone Rated TTTs	Non-Zone Rated Publics

Pursuant to Rule 20 of CAR’s Commercial Automobile Manual, upon request of the Servicing Carrier, the applicant shall be required to substantiate with permanent records that the automobile is being used as set forth in the application or renewal questionnaire. ~~Accordingly,~~ Servicing Carriers and Exclusive Representative Producers will validate an automobile’s principal place of garaging and principal geographic area of operation to determine radius and geographic classification as described below.

Standards for the determining and validating principal garaging: Principal garaging is the location at which the automobile is garaged the majority of the time that the automobile is not in regular use. The ~~following~~ tools listed below may be used to verify principal garaging. In the event that inconsistencies are identified during the course of the underwriting and/or SIU review, ~~then~~ the applicant must provide credible documentation, such as lease agreements or property owner certification, to validate garaging as represented on the application.

- Google Maps
- Registry of Motor Vehicles
- Secretary of the Commonwealth Corporations Division web site
- The risk’s web site
- Federal Motor Carrier Services Administration web site

Standards for the determining and validating principal operation: To properly classify TTTs and public automobiles, Servicing Carriers and ERPs shall take advantage of, but not be limited to, the following options to validate an automobile’s principal geographic area of operation:

- Form IFTA-101 – IFTA Quarterly Fuel Use Tax Schedule
- Individual Vehicle Mileage Reports
- Trip Logs
- Central Analysis Bureau (CAB) reports
- Safety and Fitness Electronic Records (SAFER)
- SafeStat Systems
- Executed service provider contracts

Based on the documentation indicating automobile operations furnished by the applicant, rating territory for local and intermediate public classes will be determined using the rating territories defined in CAR’s Commercial Automobile Manual with common rate relativities. In particular, the Boston territory is defined by the combined territories 1-10, which are combined for rating purposes, while identified in the manual individually for statistical purposes.

Standards for determining radius and geographic class in the absence of credible verifiable documentation: The Servicing Carrier may also request the risk and/or ERP to provide additional information to validate garaging and/or operations. An SIU investigation may also be requested. As part of the underwriting process and/or SIU investigation, the risk's principal/owner will be required to corroborate information collected by the writing ERP. In instances where an applicant is unable to provide credible permanent records to validate an automobile's principal garaging, the Servicing Carrier will determine radius and geographic class as follows:

Radius class: Default to intermediate radius

Zone combination: Not applicable

Rating territory: Assign rating territory 10

- If the risk has been in operation for more than one year and provides credible documentation to validate a different radius class and/or geographic classification during the policy term, apply the rating change prospectively from the date the documentation is provided.
- If the risk has been in operation for less than one year and provides credible documentation to validate a different radius class and/or geographic classification at least 90 days prior to policy expiration, apply the rating change as of the effective date of the policy.
- ~~• For an applicant whose business entity has been in operation for at least one year, assign rating territory 10.
If the applicant provides credible documentation to validate a different radius and/or geographic classification during the policy term, the Servicing Carrier will apply the rating change prospectively from the date the documentation is provided.~~
- ~~• For an applicant whose business entity has been in operation for less than one year, assign rating territory 17.
If the applicant provides credible documentation to validate a different radius class and/or geographic classification at least 90 days prior to policy expiration, the Servicing Carrier will apply the rating change as of the effective date of the policy.~~

Pursuant to Rule 10 – Claims of CAR's Rules of Operation, Servicing Carriers are required to conduct audits on representative samples of policies to verify garaging and policy facts. However, market conditions may warrant increased awareness and focus on specific classifications of business due to suspected fraud, increased loss experience, or other negative impacts on the commercial automobile residual market during the Servicing Carrier contract period. If such occasions occur, the specific classifications will be identified, through CAR's committee process, for mandatory Servicing Carrier SIU investigations involving principal garaging and operations.