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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, MARCH 5, 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

19.01 Records of Previous Meeting

The Records of the Commercial Automobile Committee meeting of January 22, 2019 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

19.05 Commercial Residual Market Issues

Attached is an updated status report of the current commercial issues under consideration by the Committee. (Docket #CAC19.05, Exhibit #2)

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

19.09 Review of Additional Insureds

As part of its review of the Servicing Carrier Focus Audits, staff observed a number of policies with additional insureds listed. The Committee should be prepared to review and discuss the requirements of additional insureds on ceded policies. Additional information will be distributed prior to the meeting.

CAC

19.10 Non-Ownership Liability Coverages

Loss results for non-ownership liability classifications have reflected consistently high loss ratios. Staff will provide a status report of CAR's efforts to address this issue at the meeting.

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

Attachment

Boston, Massachusetts
February 20, 2019

**Commonwealth Automobile Reinsurers
Commercial Automobile Committee – Market Issues
Status as of February 20, 2019**

IN PROCESS

I. Issue: Procedures for the Review of Large Ceded Losses

Category: Servicing Carrier Consistency – Loss Reporting

Priority: Medium

Committee Focus: Ensure consistency among Servicing Carriers relative to timely and accurate reporting of notification of large loss occurrences

Committee Action to Date: The Commercial Automobile Committee began discussing this issue at its November 8, 2018 meeting.

Status: The Committee should be prepared to discuss staff's updated proposal for procedures and reports.

II. 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 whether limitations on additional insureds should be incorporated.

III. 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. Staff will provide the Committee with information at the meeting.

IV. Issue: Vehicle Operations in Massachusetts Requirement

Category: Residual Market Eligibility

Priority: Low

Committee Focus: Determination of 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. The manual rule changes and documentation standards for determining and validating the radius of operation have recently been approved by CAR committees and will be reviewed by the DOI once filed.

FUTURE ITEMS

V. Issue: Producer Management

Category: Residual Market Growth

Priority: Medium

Committee Focus: Assist staff in enhancing producer oversight programs

Committee Action to Date: None

Status: At a future meeting, staff will provide information about monitoring programs that will assist in identifying trends in producer's books of business.

VI. 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.)
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VII. 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.

VIII. Issue: Supplemental (or Renewal?) Application

Category: Risk Evaluation

Priority: Low

Committee Focus: Determination of 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.

IX. 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

X. 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

XI. 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

XII. 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

XIII. 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: Changes to the Rules of Operations and Commercial Automobile Insurance Manual were approved by the Division of Insurance and published to the industry in Bulletin No. 1056 and 1059, respectively. The corresponding updates to Chapter V – Premium of the Manual of Administrative Procedures was published to the industry via Bulletin No. 1060.

STATUS: Complete

XIV. 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

XV. 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

XVI. 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 February 2019 meeting, the Governing Committee approved changes to the Eligible Risk definition in Rule 2 – Definitions of CAR’s Rules of Operations, Rule 31 – Operator Exclusion Form of the Commercial Automobile Insurance Manual and Standards for Verification of Applicant’s Licensing. The proposed changes to the Rules of Operation and Commercial Automobile Insurance Manual will be forwarded to the Division of Insurance for approval.

STATUS: Pending DOI Review

XVII. 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: At its February 2019 meeting, the Governing Committee approved changes to the Eligibility Requirements in Rule 14 to require that a new ERP applicant meets the conditions for addressing market need. The proposed changes to the Rules of Operation will be forwarded to the Division of Insurance for approval.

STATUS: Pending DOI Review

XVIII. 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 February 2019 meeting, the Governing Committee approved changes to Section III – Trucks, Tractors and Trailers, Rule 72 – Public Automobile Classifications, and the Zone Rating Tables of the Commercial Automobile Insurance Manual, as well as Standards for Determining and Validating Radius and Geographic Classification. The proposed changes will be forwarded to the Division of Insurance for approval.

STATUS: Pending DOI Review