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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

THURSDAY, MARCH 5, 2020 AT 1:00 P.M.

MEMBERS OF THE COMMITTEE

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

Ms. Kristina Broskey
Mr. Peter Chung
Ms. Sheila Doherty
Ms. Mary McConnell
Ms. Sharon Pontes
Ms. Stephanie Seibold
Mr. Thomas Skelly, Jr.
Mr. Barry Tagen
Mr. David Zawilinski

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

AGENDA

CAC

20.01 Records of Previous Meeting

The Records of the Commercial Automobile Committee meeting of January 9, 2020 should be read and approved.

CAC

20.03 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 #9)

CAC

19.12 Common Application

CAR will provide a status report on the implementation of the supplemental application recently approved by the Governing Committee. The Committee should be prepared to discuss procedures relative to the use of the supplemental application. Draft updates to the Manual of Administrative Procedures are attached to aid the Committee in this discussion. (Docket #CAC19.12, Exhibit #4)

CAC

19.14 Agent Commissions

The Committee should be prepared to continue its discussion relative to commissions paid on ceded commercial policies. Mr. Nick Fyntrilakis of the Massachusetts Association of Insurance Agents (MAIA) will be present to discuss MAIA's request in more detail.

CAC

20.04 Short Term Lease Coverage

Physical Damage only coverage for Non-Ownership or Hired Automobiles is not currently available in the residual market. Producers have indicated that there is a need for this coverage; however, they have been unable to obtain this coverage in the Excess Market. One Servicing Carrier has observed an increase in short term rental vehicles added to ceded policies, possibly as way to obtain physical damage coverage. As long as the rental agreement indicates a duration of at least 6 months, it is eligible for this coverage; however, unlike traditional long-term leases, there is no penalty for turning in the vehicle early. The Committee should be prepared to begin discussing whether and how these issues should be addressed in the residual market.

CAC

20.05 Transportation Network Services Coverage (TNC)

Transportation Network Services can include ride sharing, ride hailing, on-demand delivery, and any other transportation network services. Except for automobiles classified as taxi, limousine, or car service, this coverage is not available in the residual market. Servicing Carriers have indicated that ceded risks currently classified as non-fleet private passenger type business are also engaging in ride-sharing activities. Furthermore, it has also been determined that non-private passenger vehicles, such as dump trucks, are available for use by other than the name-insured in the on-demand market. The Committee should be prepared to begin discussing how this coverage should be addressed in the residual market.

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

Attachments

Boston, Massachusetts
February 20, 2020

**Commonwealth Automobile Reinsurers
Commercial Automobile Committee – Market Issues
Status as of February 14, 2020**

IN PROCESS

I. Issue: Policy Endorsements

Category: Residual Market Loss/Cost Control

Priority: Medium

Committee Focus: Eligibility of Additional Insureds, Waiver of Subrogation, and Primary and Non-Contributory endorsements on ceded policies

Committee Action to Date: The Commercial Automobile Committee's recommendation to modify Rule 37 of the Commercial Automobile Insurance Manual relative to the use of the Additional Insured Endorsement and the actual endorsement CR 99 0 2 were approved by the Governing Committee at the February 12, 2020 meeting. The Committee agreed that the effective date for the implementation of the endorsement should be 90 days following the date the endorsement is placed on file by the DOI.

Status: Staff is in the process of filing the endorsement and rule change for consideration by the DOI.

II. Issue: Non-Ownership Liability Coverage

Category: Rating Issue

Priority: Medium

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

Committee Action to Date: The Commercial Automobile Committee was informed that this issue has been identified as an item for the rate study being undertaken by CAR staff and the Joint Actuarial Commercial Lines Committee.

Status: Staff will provide the Committee with an updated status report when available.

III. Issue: Vehicle Operations Outside of Massachusetts

Category: Rating Issue

Priority: Medium

Committee Focus: Discussion has taken place as to whether a risk should be required to have vehicle operations in Massachusetts in order to be eligible for placement in the residual market.

Committee Action to Date: The Commercial Automobile Committee was informed that this issue has been identified as an item for the rate study being undertaken by CAR staff and the Joint Actuarial Commercial Lines Committee.

Status: Staff will provide the Committee with an updated status report when available.

IV. Issue: Supplemental/Renewal Application

Category: Risk Evaluation

Priority: Medium

Committee Focus: Determination of whether there is a need for a supplemental and/or renewal application to collect additional information for the evaluation of a risk.

Committee Action to Date: The Governing Committee approved the Commercial Automobile Committee's recommendation to approve the Supplemental Applications at the February 12, 2020 meeting. Updates to the Manual of Administrative Procedures relative to the addition of the supplemental application and the procedures and usage requirements will need to be developed.

Status: The Committee will review draft updates to the Manual of Administrative Procedures at the March 5, 2020 meeting.

V. Issue: Ride Sharing

Category: Classification and Rating

Priority: High

Committee Focus: Evaluation of the impacts of ride sharing on ceded commercial risks

Committee Action to Date: None

Status: The Committee will begin discussing this issue at its March 5, 2020 meeting.

VI. Issue: Short Term Rentals

Category: Classification and Rating

Priority: High

Committee Focus: Physical Damage only coverage for Non-Ownership or Hired Automobiles is not currently available in the residual market. Producers have indicated that there is a need for this coverage, but have been unable to obtain the coverage in the excess markets. A Servicing Carrier has indicated that an increase short term rentals being added to ceded policies may be a result from this issue. The Committee should determine if there is a need to address this issue in the residual market.

Committee Action to Date: None

Status: The Committee will begin discussing this issue at the March 5, 2020 meeting.

VII. Issue: Consistent Use of Appraisals in Determining Physical Damage Coverage

Category: Servicing Carrier Consistency in Handling of Risks

Priority: High

Committee Focus: Determination of whether there is a need for a procedure to determine when an appraisal is required for physical damage coverage

Committee Action to Date: Agreement to add this item to the Market Issues List

Status: At a future meeting, the Committee will begin reviewing this item to determine what procedures may be developed.

VIII. Issue: Consistent Application of Pollution Liability Coverage

Category: Servicing Carrier Consistency in Handling of Risks

Priority: High

Committee Focus: Determination of whether there is a need to develop standards for the application of pollution liability coverage.

Committee Action to Date: Agreement to add this item to the Market Issues List

Status: At a future meeting, the Committee will begin reviewing this item to determine what underwriting standards may be developed.

IX. Issue: Movement of Buses from Policy to Policy

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

Priority: Medium

Committee Focus: Determination of whether there is an issue with buses moving from policy to policy to evade Servicing Carrier eligibility determinations

Committee Action to Date: Agreement to add this item to the Market Issues List

Status: At a future meeting, the Committee will begin reviewing this item to determine if additional standards or clarifications are warranted.

X. Issue: Producer Management

Category: Residual Market Growth

Priority: Medium

Committee Focus: Consider opportunities to enhance 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 producers' books of business.

XI. 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.

XII. Issue: Cancelled Risks - Premium Avoidance

Category: Residual Market Premium Collection

Priority: Medium

Committee Focus: Premium collection regarding risks that have been cancelled and 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.

XIII. Issue: Improvements to the Payment Process

Category: Residual Market Premium Collection

Priority: Low

Committee Focus: Options to improve the payment process to minimize producer violations

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.

XIV. 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: The committees have agreed to table consideration of the cedeable limits until the impact of the reforms implemented over the past two years can be evaluated.

Status: Tabled

COMPLETED

XV. 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 and are included in the Manual of Administrative Procedures.

Status: Complete

XVI. 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 and are included in the Manual of Administrative Procedures.

Status: Complete

XVII. 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

XVIII. 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

XIX. 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. Individual company reports were provided to each Servicing Carrier in early 2019.

Status: Complete

XX. 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

XXI. Issue: Producer Requirements – Market Need

Category: Residual Market Growth – Exclusive Representative Producer Eligibility for Appointment

Priority: High

Committee Focus: Determination of commercial automobile residual market access for the consumer with regard to the appointment of 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 were approved by the Division of Insurance and distributed to the industry via Bulletin No. 1077.

Status: Complete; however, the Commercial Automobile Committee will perform an annual review of the criteria in order to determine if a market need exists each year.

XXII. Issue: Verification of Applicant Driver's Licenses

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: The changes to the Eligible Risk definition in Rule 2 – Definitions of CAR's Rules of Operations were deemed approved by the Division of Insurance on July 23, 2019 and Bulletin No. 1083 was published to the industry. On August 7, 2019, the Division of Insurance placed on file the corresponding amendments to Rule 31 of the Commercial Automobile Insurance Manual, including an updated Operator Exclusion Form of the Commercial Automobile Insurance Manual (published to the industry via Commercial Lines Notice 131). Bulletin No 1085 was published to the industry on August 13, 2019 which officially set forth the standards for the verification of applicant drivers' licenses for use by the producers and Servicing Carriers.

Status: Complete

XXIII. 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 June 2019 meeting, the Governing Committee approved revised changes to Section III – Trucks, Tractors and Trailers, Rule 72 in Section V – 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 were filed with the Division of Insurance for approval.

Amendments relative to the radius classification and the determination of rating territory for non-zone rated risks were placed on file by the Division of Insurance on March 19, 2019 and published to the industry via Commercial Lines Notice No. 128. Servicing Carriers were notified via Bulletin No. 1085 that the procedures outlined in the standards must be implemented by June 1, 2019. The amendments to clarify the assignment of zone and zone combination for TTTs and buses were placed on file by the Division of Insurance on August 7, 2019 and published to the industry via Commercial Lines Notice No 132. The standards are included in the Manual of Administrative Procedures.

Status: Complete

XXIV. 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 notification of large loss occurrences

Committee Action to Date: The Governing Committee approved the recommendation of the Commercial Auto Committee to implement procedures to address notification and disclosure aspects of the large loss reporting process.

Status: The Large Loss Summary reports are available on CAR's website and provided to the Loss Reserving Committee every quarter. The website application to allow companies to comply with the pre-reporting notification requirements was implemented in September 2019. Staff will continue its efforts to develop new internal reports to assist in monitoring claim reporting patterns to identify industry trends and Servicing Carrier anomalies and notify the appropriate company or committee.

Status: Complete

XXV. Issue: MAP Updates – Inclusion of Standards

Category: All

Priority: Medium

Committee Focus: Review amendments to the Manual of Administrative Procedures as drafted by staff to include language reflective of all the new standards implemented during the past year.

Committee Action to Date: The Commercial Automobile Committee approved the proposed modifications to the MAP at its prior meeting. These changes were then approved by the Governing Committee at its November 20, 2019 meeting.

Status: Completed at this time (other issues may generate the need for additional standards)

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EXHIBIT III-B-2
(continued)

Supplemental Application
Public Automobile Information Addendum

Applicant Name: _____
Agent Name: _____

Based on your answers(s) on the prior chart, please answer the questions below that apply:

3. Are filings required of any government or public agency (i.e. DOT or DPU)? Y N

If yes, please provide a list of agency names, your ID number (i.e. MC or DOT) & required liability limit:

4. What is the principal place of garaging of your vehicles when not on the road? *Note that this address may be outside of Massachusetts:*

5. If different from the principal place of garaging, list the address from where your trips emanate?

6. Do you travel outside of the United States? Y N If Yes, to where? _____

7. Charter/Tour Operation - List your six most frequent destinations (City/Town & State):

1 _____ 2 _____ 3 _____

4 _____ 5 _____ 6 _____

8. Inter-City Operation or Line Run - List the starting and ending location for your three most frequent runs (City/Town & State):

Start _____ End _____

Start _____ End _____

Start _____ End _____

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Supplemental Application
Public Automobile Information Addendum

Applicant Name: _____

Agent Name: _____

9. Social Service Auto*: List the 6 locations (City/Town & State) that you travel to or through most frequently**:

1 _____ 2 _____ 3 _____

4 _____ 5 _____ 6 _____

10. Sightseeing & Urban bus: List the 6 locations (City/Town & State) that you travel to or through most frequently**:

1 _____ 2 _____ 3 _____

4 _____ 5 _____ 6 _____

11. Airport Bus/Shuttle & School Bus: Provide contracts with the Transportation Hub(s), Hotel(s) or School District(s) for which you are providing transportation services. Please list them below:

**Note that independent contractors must provide a current executed contract with a social service agency (i.e. MART, GATRA, etc.). Failure to do so may result in a premium increase or cancellation of the insurance policy.*

***Note that the past 3 months of trips logs supporting this information must be provided. Failure to do so may result in a premium increase.*

I hereby declare that I have read all of the statements contained in this application and they are complete and true as of this date.

Date: _____ Signature of Applicant: _____

The information contained in this application is as told to me by the applicant and is true and complete to the best of my knowledge.

Date: _____ Signature of Producer: _____

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EXHIBIT III-B-2

Supplemental Application
Trucker/Motor Carrier Information Addendum

Applicant Name: _____

Agent Name: _____

1. Are filings required of any government or public agency (i.e. DOT or DPU)? Y N
If yes, please provide a list of agency names, your ID number (i.e. MC or DOT) & required liability limit:

2. Are any vehicles owned, operated or leased that are not included on this application? Y N
If yes, please provide details: _____

3. What is the principal place of garaging of your vehicle(s) when not on the road? *Note that this address may be outside of Massachusetts:*

4. If different from the principal place of garaging, list the address from where your trips emanate?

5. Do you travel outside of the United States? If so, where? _____

6. Terminus Points - List your six most frequent destinations (City & State) and provide the last 4 quarters of IFTA reports to support:

1 _____ 2 _____ 3 _____

4 _____ 5 _____ 6 _____

7. Are all Owner/Operators who haul under your MC Authority scheduled on this policy? Y N

If no, please provide details:

8. Do you have a signed trailer interchange agreement? Y N (If yes, please provide a copy)

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Supplemental Application
Trucker/Motor Carrier Information Addendum

Applicant Name: _____

Agent Name: _____

9. Do you hire, rent or borrow any units from others? Y N

If yes, will they be scheduled on this policy? Y N

If no, please explain: _____

10. What is the average term of the lease you generally enter into? _____

11. Please indicate by checking the box your understanding that any lease or rental agreement for less than six months is covered only if Hired Automobile Coverage is purchased and if so, extends to liability coverage only? I understand

12. Do you carry Hired Physical Damage Coverage? Y N

If yes, provide your policy number & insurance carrier: _____

13. Please document the most common commodities that you haul:

Commodity	% of Loads	Cargo Owner(s)

14. Is hazardous material or hazardous waste hauled? Y N

If yes, please provide a description: _____

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EXHIBIT III-B-2
(continued)

Supplemental Application
Trucker/Motor Carrier Information Addendum

Applicant Name: _____

Agent Name: _____

I hereby declare that I have read all of the statements contained in this application and they are complete and true as of this date.

Date: _____ Signature of Applicant: _____

The information contained in this application is as told to me by the applicant and is true and complete to the best of my knowledge.

Date: _____ Signature of Producer: _____