



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 virtually via Zoom video conferencing software,

FRIDAY, OCTOBER 23, 2020 AT 10:30 A.M.

If you plan to attend this meeting and are not a member of this Committee, please RSVP by completing the Visitor Security Form located in the Contact Us/Visitor Information section of CAR's website. CAR will then forward to you, via email, meeting access information. Please do not share access information provided by CAR, but refer others wishing to attend the meeting to CAR's Visitor Security Form.

MEMBERS OF THE COMMITTEE

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

Ms. Kristina Broskey
Ms. Annmarie Castonguay
Ms. Sheila Doherty
Mr. Brian Hurwitz
Ms. Mary McConnell
Ms. Sharon Murphy
Mr. Thomas Skelly, Jr.
Mr. Barry Tagen
Mr. David Zawilinski

MAPFRE U.S.A. Corporation
The Hanover Insurance Company
Doherty Insurance Agency, Inc.
The Norfolk and Dedham Group
Safety Insurance Company
Acadia 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 August 11, 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 #13)

Additionally, a Servicing Carrier is seeking clarification in the required use of supplemental applications as they pertain to redistributed agency books of businesses.

CAC

19.08 Radius of Operations and Rating Territory

A Servicing Carrier has indicated that risks such as contractors, farmers, church buses, and van pools have difficulties substantiating records that demonstrate radius and geographic characteristics. The Committee should discuss whether the validation standards outlined in Bulletin No. 1075 should be limited to TTTs and buses. Bulletin No. 1075 is attached to assist the Committee in its discussions. (Docket #CAC19.08, Exhibit #4)

Additionally, CAR staff has become aware of a software program, Radiuscheck, that may prove beneficial in assisting Servicing Carriers in validating radius and geographic classification and principal place of business. Staff will provide a general overview of the program in order to generate discussion of potential information sharing opportunities and to determine whether further evaluation of the product is warranted.

CAC

19.14 Agent Commissions

At its October 15 2020 meeting, the Commercial Program Oversight Committee will consider whether the Taxi/Limousine Program and Limited Servicing Carrier Program should remain separate or be combined. The Committee will hear a report on those discussion in order to continue its deliberations relative to agent commissions for the taxi, limousine, and car service classes.

CAC

20.05 Transportation Network Services Coverage (TNC)

Transportation Network Services can include ride-hailing, on-demand delivery, and other transportation network services. The Committee should be prepared to continue its discussion on the mixed use of vehicles particularly as it applies to engagement in TNC operations. Additional information will be distributed under separate cover to assist the Committee in its discussion.

CAC

20.08 Physical Damage Procedures

A recommendation was made in a previous Servicing Carrier Annual Report to consider the development of enhanced guidelines for improving consistency among Servicing Carriers with regards to the use of appraisals in applying stated amount and agreed value coverage. To assist the Committee in its discussion, Rule 42 – Physical Damage Coverage Rating Procedures of Section II – Common Coverages and Rating Procedures of CAR’s Commercial Automobile Insurance Manual is attached. (Docket #CAC20.08, 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

Attachments

Boston, Massachusetts
October 8, 2020

**Commonwealth Automobile Reinsurers
Commercial Automobile Committee – Market Issues
Status as of October 8, 2020**

IN PROCESS

I. Issue: Non-Ownership Liability Coverage

Category: Rating Issue

Priority: High

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 (JACLC).

Status: Proposed rates to address non-owned classes will be filed for Division of Insurance review within the two year filing schedule referenced in the Committee's white paper.

II. Issue: Vehicle Operations Outside of Massachusetts

Category: Rating Issue

Priority: High

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 JACLC.

Status: Proposed rates to address zone rated and non-zone rated TTTs and Buses garaged outside of MA will be filed for Division of Insurance review within the two year filing schedule referenced in the Committee's white paper. A Data Call is currently underway.

III. Issue: Short Term Rentals

Category: Classification and Rating

Priority: High

Committee Focus: Rental companies that had previously offered physical damage coverage to short term hired automobiles are no longer offering this coverage. Because physical damage-only coverage for Non-Ownership or Hired Automobiles is not currently available in the residual market, risks have found ways to obtain this coverage by entering into long term lease agreements and later amending those leases.

Committee Action to Date: The Commercial Automobile Committee has determined that the best approach to resolving this issue is through rating, and has requested that the JACLC and the AIB determine if a cancellation penalty, a minimum premium charge or some other approach should be evaluated and incorporated into the rating process.

Status: Under consideration by the AIB

IV. Issue: Ride Sharing

Category: Classification and Rating

Priority: High

Committee Focus: The Committee will consider whether coverage associated with various TNC services should be available in the commercial residual market.

Committee Action to Date: Ongoing discussions

Status: The Committee will continue its discussion at the meeting.

V. Issue: Standards for the Validation of Radius Class and Geographic Classification

Category: Classification and Rating

Priority: High

Committee Focus: Risks such as contractors, farmers, church buses, and van pools have difficulties substantiating records that demonstrate radius and geographic characteristics. The Committee should discuss whether the validation standards outlined in Bulletin 1075 should be limited to TTTs and buses.

Committee Action to Date: None

Status: The Committee will begin discussing this issue at the meeting.

VI. 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: The Committee will begin discussing this issue at the meeting to determine if additional procedures may be developed.

VII. 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.

VIII. 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.

IX. Issue: Producer Management

Category: Residual Market Growth

Priority: Medium

Committee Focus: Consider opportunities to enhance producer oversight programs. Some suggestions emanating from the Annual Report recommendations include:

- Repercussions for agents that do not comply with CAR Rules relative to screening applicants
- Consider additional methods of communications with ERPs
- Consider the challenge of obtaining proper documentation from ERPs

Committee Action to Date: None

Status: At a future meeting, the Committee can begin discussing the suggestions from the annual reports. Additionally, staff will provide information about monitoring programs that will assist in identifying trends in producers' books of business.

X. 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.

XI. Issue: Cost of Hire Coverage

Category: Classification and Rating

Priority: Medium

Committee Focus: Currently, Truckers Cost of Hire coverage is not mandatory in the residual market. It has been suggested that the risk be required to maintain the owner-operator on the policy for at least 6 months or be required to carry Trucker Cost of Hire coverage. The Committee should discuss if this coverage should be required.

Committee Action to Date: None

Status: To be determined

XII. Issue: Garage Keepers Coverage

Category: Servicing Carrier Consistency in Handling of Risks

Priority: Medium

Committee Focus: The Garage Keepers Coverage Form should be reviewed to ensure a consistent application among the Servicing Carriers

Committee Action to Date: None

Status: To be determined

XIII. Issue: Gross Vehicle Weight Automobiles exceeding 10,000 lbs

Category: Eligibility

Priority: Medium

Committee Focus: Automobiles with a gross vehicle weight exceeding 10,000 pounds and lacking an assigned VRG are not eligible for the MAIP, and thus have no home in the residual market. The Committee should discuss if coverage should be afforded in the commercial residual market.

Committee Action to Date: None

Status: To be determined

XIV. 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.

XV. 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.

XVI. 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

XVII. 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

XVIII. 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

XIX. 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

XX. 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

XXI. 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

XXII. 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

XXIII. 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.

XXIV. 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

XXV. 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

XXVI. 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

XXVII. 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)

XXVIII. 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. The Division of Insurance placed the endorsement form on file on March 25, 2020 with a July 1, 2020 effective date

Status: Complete

XXIX. 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 modifications to the Supplemental Applications at its June 17, 2020 meeting, including updates to the Manual of Administrative Procedures. The supplemental application forms must be implemented by Servicing Carriers no later than October 1, 2020.

Status: Complete



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March 25, 2019

BULLETIN NO. 1075

**Radius Class and Geographic Classification of
Trucks, Tractors and Trailers and Public Automobile Standards**

At its February 13, 2019 meeting, the Governing Committee unanimously voted to approve standards for validating the Radius Class and Geographic Classifications of Trucks, Tractors and Trailers and Public Automobiles of a commercial automobile residual market risk. The attached standards apply to all commercial automobile Servicing Carriers and Exclusive Representative Producers and require the validation of the classifications and conducting audits pursuant to Rule 10 – Claims of CAR’s Rules of Operation. The standards identify items that are intended to be used as underwriting opportunities and to serve as evaluation tools to assist Servicing Carriers in ascertaining the appropriate classification and rating of risks in the commercial residual market.

The effective date for implementation of the standards by Servicing Carriers is June 1, 2019.

JOHN METCALFE
Director – Residual Market Services

Attachment

**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. 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. Servicing Carriers and ERPs may use, but are not limited to, the tools listed below to verify principal garaging. In the event that inconsistencies are identified during the course of the underwriting and/or SIU review, 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. However, if the documentation is provided within 90 days of the policy's expiration date, the rating change would be applied as of the effective date of the renewal 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.

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SINGLE LIMIT DISCOUNT TABLE

Single Limit	Discount Factor
\$ 45,000 - \$49,000	.896
\$ 50,000 - \$99,000	.900
\$100,000 or over	.910

3. Apply the discount factor to the total bodily injury or property damage premium whichever is lower, and add the discounted premium to the higher premium.
4. All premium adjustments made during a policy period because of additions and deletions of exposure shall be calculated by applying the discount to the bodily injury or property damage rate, whichever was lower at inception of policy.

EXAMPLE

SINGLE LIMIT \$500,000

Coverage	Basic Limits Premium	Factors for *\$500,000/\$500,000 B.I. \$500,000 P.D.	Total Limits Premium for Separate Limits	Application of Discount	Single Limit Premium
B.I.	\$ 929	3.20	\$ 2,973		\$ 2,973
P.D.	980	1.583	1,551	x .91	<u>1,411</u>
					\$ 4,384

Cov. A-1, § 813 and Cov. B Basic, § 116 = \$ 929
PDL Basic, § 980

*Refer to the Increased Limit Factors Tables contained in the Rate Section for the appropriate factors by automobile type.

RULE 42. PHYSICAL DAMAGE COVERAGE RATING PROCEDURES

Physical damage coverages are on an actual cash value, stated amount or agreed value basis.

- A. Massachusetts law sets a standard \$500 deductible which may be reduced to a minimum of \$300, subject to underwriting requirements established by the Servicing Carrier, as permitted by law.

The cost to reduce the deductible from \$500 is subject to primary and secondary rating factors. If a rate is a percentage or factor of another

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rate, the same percentage or factor shall apply to the cost to reduce the deductible.

- B. Waiver of Deductible is available at the option of the insured.

Unless otherwise specified, the charge for Waiver of Deductible is not subject to primary or secondary rating factors, percentages or factors.

- C. Actual Cash Value Premiums.

Most automobiles rated in this Manual are insured on an actual cash value basis.

1. Actual cash value premiums are based on original cost new and age group of the automobile.

2. Original Cost New

a. Original cost new is the retail cost the original purchaser paid for the automobile and its equipment. This includes the value of any trade-in automobile and any federal, state and local sales taxes or any other taxes charged in place of sales taxes.

b. If the original cost new is not known, multiply the original cost new of the chassis by 1.33.

3. Age Group

- a. Age Group

and Code

All automobiles of the:

- | | |
|---|------------------------------|
| 1 | current model year |
| 2 | first preceding model year |
| 3 | second preceding model year |
| 4 | third preceding model year |
| 5 | fourth preceding model year |
| 6 | fifth preceding model year |
| 7 | sixth preceding model year |
| 8 | seventh preceding model year |
| 9 | All other automobiles. |

b. The current model year changes October 1, regardless of the actual date the models are introduced.

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- c. For rebuilt or structurally altered automobiles, the age of the chassis determines the age of the automobile.

D. Stated Amount Rating Procedures

1. The following procedures are applicable for developing stated amount rates for all physical damage coverages:
 - a. Determine the actual cash value premium for age group 1 for the automobile, original cost new and deductible in the appropriate territory.
 - b. Divide the actual cash value premium by the stated amount divisor and round the determined figure to the nearest cent.

STATED AMOUNT DIVISORS

Original Cost New	Divisor
\$ 0 - 4,500	22.5
4,501 - 6,000	52.5
6,001 - 8,000	70.0
8,001 - 10,000	90.0
10,001 - 15,000	125.0
15,001 - 20,000	175.0
20,001 - 25,000	225.0
25,001 - 40,000	325.0
40,001 - 65,000	525.0
65,001 - 90,000	775.0
90,001 - and over	1080.0

2. Determination of Premium

- a. Trucks, Tractors and Trailers

Determine the value of the automobile and divide by \$100. Apply the stated amount rate to this value to determine the base premium. The base premium must be modified by the appropriate primary rating factor and, when applicable, by the secondary rating factor.

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b. Van Pools

Determine the value of the automobile and divide by \$100. Apply the stated amount rate to this value to determine the base premium. This base premium must be modified by the applicable van pool rating factor.

c. Private Passenger Types

Determine the value of the automobile and divide by \$100. Apply the stated amount rate to this value to determine the stated amount premium.

E. Agreed Value Basis

Physical Damage Coverages may be written on an agreed value basis which provides that in determining the actual cash value of an automobile to be insured, no deduction shall be made to reduce the value of the automobile to less than the agreed value in the event of a loss. Agreed value means the value of the automobile as determined by agreement between the insurer and the policyholder. As a condition to this coverage, the insurer shall be permitted to inspect the automobile at the time of application. The following procedures apply when rating this coverage:

1. An appraisal is to be made to establish the current market value of the automobile. The cost of said appraisal shall be borne by the policyholder.
2. Multiply the stated amount premium obtained by a factor of 110%.

RULE 43. RESERVED FOR FUTURE USE

RULE 44. RESERVED FOR FUTURE USE

RULE 45. AUDIO, VISUAL AND DATA ELECTRONIC EQUIPMENT

- A. This rule does not apply to equipment permanently installed in the opening of the dash or console of the automobile normally used by the manufacturer for the installation of a radio.