



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,

**WEDNESDAY, FEBRUARY 17, 2021 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. Thomas DePaulo. – Chair  
Cabot Risk Strategies, LLC.

Ms. Kristina Broskey  
Ms. Annmarie Castonguay  
Ms. Sheila Doherty  
Mr. Brian Hurwitz  
Ms. Mary McConnell  
Ms. Sharon Murphy  
Mr. John Olivieri  
Mr. Thomas Skelly, Jr.  
Mr. Barry Tagen  
Mr. Mark Winiker  
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  
J.K. Olivieri Insurance Agency, Inc.  
Deland, Gibson Insurance Associates, Inc.  
Pilgrim Insurance Company  
A-Affordable Insurance Agency, Inc.  
Arbella Insurance Group

#### AGENDA

##### CAC

##### 20.01 Records of Previous Meeting

The Records of the Commercial Automobile Committee meeting of October 23, 2020 should be read and approved.

CAC

**21.03 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 #14)

CAC

**19.08 Radius of Operations and Rating Territory**

A Servicing Carrier had previously indicated that risks such as contractors, farmers, church buses, and van pools have difficulty substantiating records that demonstrate radius and geographic characteristics. At the last meeting, the Committee agreed that the validation procedures should be amended to exclude these classes from the documentation requirements set forth in Bulletin No. 1075. Additional information will be distributed prior to the meeting.

Additionally, CAR staff will provide a status on its research effort relative to the use of Radiuscheck as a potential tool in validating radius and geographic classification and principal place of business.

CAC

**19.14 Agent Commissions**

At its January 19, 2021 meeting, the Commercial Program Oversight Committee voted to recommend to the Governing Committee the combining of the Taxi/Limousine/Car Service Program and the Commercial Servicing Carrier Program. Accordingly, the Committee should continue its deliberations relative to the agent commissions for the taxi, limousine, and car service classes. To assist the committee in its discussion, a summary exhibit relative to volumes and commission dollars for the taxi, limousine, and car service classes is attached. (Docket #CAC19.14, Exhibit #5)

CAC

**20.05 Transportation Network Services Coverage (TNC)**

At the last meeting, the Committee recommended adoption of several staff recommendations to address eligibility for coverage in the residual market for risks engaged in ride hailing, on-demand delivery of goods, and car sharing services through transportation network companies in a manner consistent with statutory insurance requirements for TNCs. Information relative to potential changes to the Commercial Automobile Manual Rules and the Manual of Administrative Procedures, and the addition of endorsement forms will be distributed as additional information prior to 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

**Attachments**

Boston, Massachusetts  
February 5, 2021

**Commonwealth Automobile Reinsurers  
Commercial Automobile Committee – Market Issues  
Status as of February 1, 2021**

**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.

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**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:** A rating differential for those zone-rated TTTs and Buses garaged outside of the northern New England region has been included in the July 1, 2021 rate filing. It is anticipated that proposed rates to address the non-zone rated TTTs and Buses garaged outside of MA will be included in the next filing.

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**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.

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**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:** The Commercial Automobile Committee has agreed that the validation standards should be amended to address this concern.

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

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**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:** Ongoing discussions

**Status:** The Committee will resume its discussion at the next meeting.

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**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: Roll-Over of a Producer's Book and Required Forms**

**Category:** Compliance

**Priority:** High

**Committee Focus:** Determination of whether reduced standards for required forms are appropriate during a producer book roll-over.

**Committee Action to Date:** None to date

**Status:** At a future meeting, the Committee will begin reviewing this item to determine what actions, if any, are appropriate for this issue.

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**IX. Issue: Producer Management**

**Category:** Residual Market Growth/Compliance

**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 the challenge of obtaining proper documentation from ERPs
- Consider additional methods of communications with ERPs

**Committee Action to Date:** The Compliance and Operations Committee has referred the issue of non-compliance repercussions for failure to submit the required forms to the Commercial Auto Committee. Additionally, at the last Commercial Program Oversight Committee, the Committee discussed the issue of binding authority of an ERP. This issue directly pertains to the handling of applications where forms are required to enable the Servicing Carriers to evaluate eligibility and appropriately classify the business. The Commercial Auto Committee will discuss a consistent handling of commercial automobile residual market applications with regard to the receipt, or lack of receipt, of required forms and documentation.

**Status:** This topic will be added to the Committee's March Agenda in order to appropriately address this issue to coincide with the timing of RFP selection process.

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**X. 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. The Committee should discuss if coverage should be afforded in the commercial residual market.

**Committee Action to Date:** None

**Status:** This issue is under review by staff and will be brought to the Committee at a future meeting.

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**XI. 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.

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**XII. 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.

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**XIII. 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

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**XIV. 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 consistent application among the Servicing Carriers

**Committee Action to Date:** None

**Status:** To be determined

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**XV. 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.

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**XVI. 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.

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**XVII. Issue:** Coverage Limits

**Category:** Residual Market Loss/Cost Control – Review of Maximum Cedeable 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**

**XVIII. 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**

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**XIX. 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**

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**XX. 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

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**XXI. 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

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**XXII. 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

**XXIII. 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

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**XXIV. 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.

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**XXV. 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

**XXVI. 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

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**XXVII. 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

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**XXVIII. 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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**XXIX. 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

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**XXX. 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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**Taxi/Limo/Car Service  
Commission Data Comparison  
Latest 12 Months Written Premium as of November, 2020**

	<u>Written Premium</u>	<u>7/1/2020 CAR Rates</u>		<u>CAC Program Rate</u>		<u>Impact to Prem</u>
		<u>Commission Rate</u>	<u>Commission Dollars</u>	<u>Commission Rate</u>	<u>Commission Dollars</u>	
Taxi	1,912,116	7.18%	137,290	8.34%	159,470	1.2%
Limo	520,637	3.61%	18,795	8.34%	43,421	4.7%
Car Service	<u>2,617,029</u>	2.27%	<u>59,407</u>	8.34%	<u>218,260</u>	<u>6.1%</u>
<i>Subtotal</i>	<i>5,049,782</i>		<i>215,491</i>		<i>421,152</i>	<i>4.1%</i>
TTT	80,867,868	8.34%	6,744,380			
PPT FL	3,841,816	8.34%	320,407			
ZR TTT	21,678,192	8.34%	1,807,961			
ZR Bus	3,044,205	8.34%	253,887			
Other Bus	31,196,388	8.34%	2,601,779			
All Other	<u>30,890,969</u>	8.34%	<u>2,576,307</u>			
<i>Subtotal</i>	<i>171,519,438</i>		<i>14,304,721</i>			
Total All	176,569,220	8.22%	14,520,213	8.34%	14,725,873	0.1%