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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, on

TUESDAY, MARCH 16, 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, Jr.
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

21.01 Records of Previous Meeting

The Records of the Commercial Automobile Committee meeting of February 17, 2021 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 #15)

CAC

19.08 Radius of Operations and Rating Territory

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 the last meeting, the Committee continued its discussions relative to agent commissions for the taxi, limousine, and car service classes. Further analysis to assist the Committee in developing a single commission rate for the taxi, limousine, and car service classes combined will be distributed as additional information prior to the meeting.

CAC

20.05 Transportation Network Services Coverage (TNC)

At the last meeting, the Committee continued its discussions relative to 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. Proposed updates to the Commercial Automobile Manual Rules and endorsement forms will be distributed as additional information prior to the meeting.

CAC

21.04 Impacts to Program Requirements under a Combined Commercial Servicing Carrier Program

The combining of the Taxi/Limousine/Car Service Program and the Commercial Servicing Carrier Program will require consistency in the procedures for both programs. For the Committee's review and consideration, an outline that identifies the unique requirements that currently exist between the two programs 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

Attachment

Boston, Massachusetts
March 5, 2021

**Commonwealth Automobile Reinsurers
Commercial Automobile Committee – Market Issues
Status as of March 5, 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.

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.

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 CAR evaluate whether a cancellation penalty, a minimum premium charge or some other approach may be 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: The Commercial Automobile Committee has voted to recommend to the Governing Committee changes to the validation standards to allow Servicing Carriers discretion in their evaluation of radius and geographic classification for these classes.

Status: The Committee's recommendation will be forward to the Governing Committee in April.

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 an upcoming meeting.

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.

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

Status: At a future meeting, the Committee can begin discussing the various issues associated with producer oversight programs.

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, 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

XI. Issue: Movement of Buses from Policy to Policy

Category: Residual Market Growth – Eligibility for Placement in the MA Com Auto 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.

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.

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

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 a consistent application among the Servicing Carriers

Committee Action to Date: None

Status: To be determined

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.

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.

XVII. 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

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

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

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

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

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

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.

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

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

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)

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

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
