



NATALIE A. HUBLEY  
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COMMONWEALTH AUTOMOBILE REINSURERS

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## RECORDS OF MEETING

### COMMERCIAL AUTOMOBILE COMMITTEE – SEPTEMBER 6, 2018

#### Members Present

Mr. Thomas DePaulo – Chair	Cabot Risk Strategies, LLC
Mr. Peter Chung	The Norfolk & Dedham Group
Ms. Sarah Clemens	MAPFRE U.S.A. Corporation
Ms. Sheila Doherty	Doherty Insurance Agency, Inc.
Mr. Brian Lam	Safety Insurance Company
Ms. Mona McCowen <sup>(1)</sup>	Arbella Insurance Group
Mr. John Olivieri, Jr.	J.K. Olivieri Insurance Agency, Inc.
Mr. Thomas Skelly, Jr.	Deland, Gibson Insurance Associates, Inc.
Mr. Barry Tagen	Pilgrim Insurance Company

Substituted for:

<sup>(1)</sup> Ms. Mayre Hammond

Not in Attendance:

Mr. Coleman Johnson

The Hanover Insurance Company

#### 18.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Commercial Automobile Committee meeting of June 12, 2018. The Records have been distributed and are on file.

#### 18.06 Commercial Automobile Residual Market Standards Subcommittee

Mr. John Olivieri reported on the Commercial Automobile Residual Market Standards Subcommittee meetings of July 17, 2018, July 31, 2018 and August 14, 2018. He stated that a list of commercial issues has been developed by staff and is updated prior to each meeting to reflect the current status of the Subcommittee's deliberations. Ms. Wendy Browne briefly highlighted for the Commercial Automobile Committee the status of each item on the list and Mr. Olivieri provided the Committee with additional detail relative to the Subcommittee's deliberations. Mr. Barry Tagen pointed out that the Subcommittee had also agreed that a review of the eligible risk criteria, especially relating to multi-state vehicle risks, be added to the working list of issues. He noted that the Subcommittee also requested staff to provide a summary of the eligibility criteria in other states' plans, in order to evaluate whether CAR's eligibility definition could be amended to require risks to have operations in Massachusetts.

Relative to the development of standards for validating non-fleet private passenger type risks, Mr. Olivieri stated that the Subcommittee agreed to continue its deliberations on foreign licensed driver eligibility to ensure consistency among Servicing Carriers in the handling of these risks. Eligibility criteria from the New Jersey Insurance Plan was reviewed and the Subcommittee discussed CAR's ability to incorporate such criteria into its Rules of Operation. He indicated that the New Jersey Plan was used as a

model as it contains the most comprehensive information relative to foreign license requirements. He noted that the Subcommittee requested CAR counsel to provide comment on potential constraints on CAR's authority to amend the current eligibility definition to address the foreign license issue and will continue its discussion on this topic at its next meeting. Committee members further emphasized that any recommended modifications should also be consistent with established registry and private passenger requirements.

The Subcommittee discussed CAR's certification procedures for a new Exclusive Representative Producer (ERP). Mr. Olivieri stated that modifications have been made to CAR's procedures to enhance the existing process, including the requirement that the signatory of the experience letter must supply additional information to confirm the applicant's experience with commercial risks. Mr. John Metcalfe further noted that the producer application has been modified to obtain additional information relative to the agency's procedures for reviewing residual market applications at each office location including the availability of a licensed producer to oversee all insurance transactions. The Subcommittee also began discussing whether market need criteria should be incorporated into the eligibility requirements for new ERPs and requested staff to provide further profile information relative to both voluntarily and non-voluntarily contracted producers.

The Subcommittee discussed the methodology for determining radius of operation and rating territory for non-zone rated risks, based upon garaging or operation. Mr. Olivieri stated that the Subcommittee agreed that the origin point for determining radius of operation is best represented by principal garaging, rather than where the automobile is registered. Further, the Subcommittee is continuing discussion on the methodology by which rating territory is determined, especially in the instance where the public vehicle travels through several territories on its way to the terminus point. Mr. Barry Tagen elaborated further on this issue and provided the Committee with an example of an inter-city bus scenario to demonstrate his concern. He noted that until CAR's committees determine the most equitable and consistent manner by which rating territory is determined in this scenario, the existing rule which states that Servicing Carriers are to use the highest rated territory through or in which the public automobile operates unless the risk supplies credible documentation that 80% or more of its operation is outside the highest rated territory, must be followed. Due to the significance of this issue, Mr. Tagen further suggested that it be treated as the Subcommittee's top priority. Mr. Olivieri noted that for the next meeting, Subcommittee members agreed to obtain further feedback from their company staffs relative to establishing potential indicators to better identify the exposure of the risk and appropriate measures to ensure consistency among Servicing Carriers in determining rating territory.

At its June meeting, the Governing Committee requested that the Subcommittee re-evaluate cedeable coverage limits available in Massachusetts, especially as relating to the limits available in other states' residual markets. Mr. Olivieri noted that in order to determine whether any adjustment to the MA cedeable limits is required, the Subcommittee conducted a review of ceded premium and loss data by limit, considered the limits offered by other residual market plans and reviewed the history of prior CAR committee discussions relative to this issue. After significant discussion, some members were in favor of reducing the cedeable limits citing concerns that CAR's generous coverage options provide additional incentive for out-of-state risks to seek coverage in Massachusetts and contribute to the growth of the residual market. Other members were opposed, noting that the majority of risks with substantial losses are mandated to carry higher limits due to financial responsibility laws and that the limits in other states are inadequate by today's economic standards. The Subcommittee further expressed concern relative to the market disruption that would potentially result from a reduction in available cedeable limits. He noted that after significant discussion, the Subcommittee agreed to table further review of the cedeable limits issue until the success of the commercial automobile reforms recently adopted and currently under review can be evaluated.

Finally, Mr. Olivieri indicated that in conjunction with the Division of Insurance placing the Principal Place of Business and Non-Fleet Private Passenger Types Certification forms and Operator

Exclusion Form on file, the Subcommittee unanimously approved modifications to Chapter V – Premium of the Manual of Administrative Procedures and is recommending their approval by the Commercial Automobile Committee. On a unanimous vote, the Committee approved a motion to accept the Subcommittee’s recommendation.

MARIAN ADGATE  
Corporate Documentation Specialist

Boston, Massachusetts  
September 11, 2018

**ATTACHMENT LISTING**

Docket #CAC18.02, Exhibit #5

Attendance Listing



