



NATALIE A. HUBLEY  
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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## RECORDS OF MEETING

### COMMERCIAL AUTOMOBILE COMMITTEE – NOVEMBER 8, 2018

#### Members Present

Mr. Thomas DePaulo – Chair	Cabot Risk Strategies, LLC
Ms. Elizabeth Brodeur <sup>(1)</sup>	Safety Insurance Company
Mr. Peter Chung	The Norfolk & Dedham Group
Ms. Sarah Clemens	MAPFRE U.S.A. Corporation
Ms. Sheila Doherty	Doherty Insurance Agency, Inc.
Mr. Coleman Johnson	The Hanover Insurance Company
Ms. Mona McCowen <sup>(2)</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> Mr. Brian Lam

<sup>(2)</sup> Ms. Mayre Hammond

Not in Attendance:

N/A

#### 18.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Commercial Automobile Committee meeting of September 6, 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 September 27, 2018, October 23, 2018 and November 8, 2018. He stated that the Subcommittee is continuing discussion on the development of a market need concept for new commercial residual market Exclusive Representative Producer appointments and the development of standards for determining geographic classification, including the definition of key components of the process, such as principal garaging, principal operation and territory and the tools to be used to validate those components. In addition, the Subcommittee continues discussion regarding operations in Massachusetts.

At its meeting of November 8, 2018, the Subcommittee reviewed proposed updates to the Eligible Risk definition in Rule 2 – Definitions of CAR's Rules of Operation and Servicing Carrier and Exclusive

Representative Producer Standards for the Verification of Applicant Drivers' Licenses. Mr. Olivieri noted that the procedures are intended to assure Servicing Carrier consistency in handling risks with non-Massachusetts drivers' licenses and to confirm the eligibility for the Massachusetts commercial residual market of a driver with a non-resident or foreign driver's license that regularly drives the vehicle. The Subcommittee had requested CAR counsel to research potential constraints on CAR's authority to amend the current eligibility definition to address the foreign license issue and the underlying legal authority for the one year limitation for foreign license conversion. Mr. Benjamin Hincks informed the Subcommittee that although there does not appear to be a clear statutory or regulatory source relied upon by the Registry, it is possible that the legal basis is the United Nations 1949 Convention on Road Traffic. Nevertheless, Mr. Hincks advised that counsel has thoroughly researched the issue and has consulted with Registry officials and has concluded that the proposed amendments comply with Registry standards and policies in place for decades.

Mr. Olivieri advised that the Subcommittee discussed issues including the proposed amendments' consistency with CAR's enabling statute and the extent to which the amendments should be codified in CAR Rules or procedure manuals. One Subcommittee member also questioned whether the amendments would impact CAR's uninsured rates. After discussion, the Subcommittee voted with 4 in favor and 3 opposed to recommend adoption of the proposed amendments to the Rule 2 definition of Eligible Risk and the proposed standards for implementation.

Commercial Automobile Committee Chair Thomas DePaulo requested that those Subcommittee members opposed to the recommendation discuss their concerns. Ms. Sarah Clemens advised that MAPFRE could support the recommendation with some modifications. Specifically, she suggested that the Committee consider the use of the Operator Exclusion Endorsement in instances where a listed operator does not hold a valid license, rather than rejecting the risk as ineligible. In addition, she noted her concern that a significant effort will be required on the part of the Servicing Carriers to address renewal business, and suggested that the Committee further consider the development of schedule on which renewal business should be reviewed. Mr. Peter Chung, noting that renewal business comprises 80-90% of the residual market, agreed that it will be important for renewal business to be addressed by the Committee. Ms. Elizabeth Brodeur advised that she recommended more robust discussion of the public policy issues that could result as a consequence of such a restriction.

After discussion, the Committee members agreed that the modifications proposed by Ms. Clemens should be included in the standards and directed staff to present an updated draft at its next meeting. The members agreed to continue discussion at that time.

## **CAC**

### **18.09 Procedures for the Review of Large Ceded Losses**

Mr. Timothy Galligan advised that the Governing Committee has expressed concern with the growing commercial deficit and the impact of large losses on the volatility of Loss Reserving Committee deficit projections. He noted that discussion focused on issues of timely reporting of reserves, effective distribution of information, and potential review of underwriting and claims handling under certain circumstances. To address these concerns, staff has drafted procedures for consideration.

Mr. Galligan noted that, to address concerns relating timely notification, staff is suggesting a pre-reporting notification requirement for Servicing Carriers to promptly notify CAR of an accident involving a commercial ceded insured regardless of consideration of liability or coverage. To identify potentially large losses, Servicing Carriers will use a web-based application to advise CAR of an accident involving multiple injured parties or serious injuries such as spinal injury, traumatic brain injury, amputation or fatality. To ensure that the Loss Reserving Committee is fully advised of the circumstances of all incidents

of which the staff is aware, Mr. Galligan described enhanced reports that will be provided to the Loss Reserving Committee quarterly. Finally, to ensure that Member Companies and Governing Committee members are fully advised of large losses having a potentially significant impact on deficit projections, Mr. Galligan reviewed exhibits that would be posted to CAR's website and available to those users with approved security access.

Committee discussion focused on whether the procedures as drafted completely address the concerns raised at the September 2018 Governing Committee meeting. Some members questioned whether the procedures should include a more formal evaluation of Servicing Carrier underwriting and claims handling for large losses exceeding a certain threshold. After discussion, the Committee agreed to continue discussion of the agenda item at its next meeting.

MARIAN ADGATE  
Corporate Documentation Specialist

Boston, Massachusetts  
November 12, 2018

**ATTACHMENT LISTING**

Docket #CAC18.02, Exhibit #6

Attendance Listing



