



NATALIE A. HUBLEY
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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RECORDS OF MEETING

COMMERCIAL AUTOMOBILE COMMITTEE – JANUARY 9, 2020

Members Present

Mr. John Olivieri, Jr. – Chair	J.K. Olivieri Insurance Agency, Inc.
Ms. Kristina Broskey	MAPFRE U.S.A. Corporation
Mr. Peter Chung	The Norfolk & Dedham Group
Ms. Sheila Doherty	Doherty Insurance Agency, Inc.
Ms. Mary McConnell	Safety Insurance Company
Ms. Sharon Pontes	Acadia Insurance Company
Ms. Stephanie Seibold	The Hanover Insurance Company
Mr. Thomas Skelly, Jr.	Deland, Gibson Insurance Associates, Inc.
Mr. Barry Tagen	Pilgrim Insurance Company
Mr. David Zawilinski	Arbella Insurance Group

Substituted for:

N/A

Not in Attendance:

N/A

19.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Commercial Automobile Committee meeting of December 5, 2019. The Records have been distributed and are on file.

19.05 Commercial Residual Market Issues

Ms. Wendy Browne reported that since the last meeting no updates have been made to the list of issues impacting the commercial residual market. In anticipation that the Committee will make progress on the issues on the agenda for today's meeting, she requested members to review other high priority items on the list that were identified through the Servicing Carrier annual report process and determine which of those items should be addressed by the Committee at its next meeting. Accordingly, members recommended adding the ride sharing in the commercial market and short term rental issues to the next meeting agenda. Mr. John Olivieri requested members to provide staff with any available information or thoughts relative to these items in advance of the meeting.

19.09 Review of Additional Insureds

At its last meeting, the Committee discussed the use of an additional insured endorsement in the commercial residual market and considered whether a Notice of Cancellation to additional insureds with contracts requiring notification should be required. Due to the significant cost and time requirements needed to implement the Notice of Cancellation and that the notice is currently not widely available in the voluntary market, members agreed to not move forward with the Notice of Cancellation at this time. However, the Committee did agree to proceed with developing an Additional Insured endorsement that will include language to indicate that a contract is required to exist between a scheduled insured and the risk, and that the contract must be in place prior to the occurrence of a loss in order for coverage to exist.

Ms. Marian Adgate presented endorsement CR 99 02 – Additional Insured – Massachusetts to the Committee. She stated that existing Additional Insured endorsement MM 99 50 was used as a basis for its creation with language added to reflect who is to be considered as an insured in the applicable Coverage Forms and to stipulate the contract requirements in relation to the occurrence of a loss.

Ms. Adgate also presented a modification to Section II – Common Coverages and Rating Procedures of the Commercial Automobile Insurance Manual to the Committee. She noted that Rule 37 – Additional Insured Endorsement – Massachusetts has been added to the manual and provides instruction relative to the use of Additional Insured endorsement CR 99 02.

The Committee unanimously voted to recommend to the Governing Committee approval of endorsement CR 99 02 as presented, with suggested modifications to add language to indicate that the loss must have also occurred before operations performed for the insured are complete and to identify the address of the additional insured on the form. The Committee also agreed that the effective date for implementation of the endorsement should be 90 days following the date the endorsement is placed on file by the Division of Insurance.

Additionally, the Committee unanimously voted to recommend to the Governing Committee approval of Rule 37 as presented, with the suggested modification to add language similar to that which was added to CR 99 02 to indicate that operations must be ongoing in order for coverage to be provided.

19.12 Common Application

At the last meeting, it was noted that Mr. Barry Tagen and Pilgrim staff had volunteered to develop a supplemental application form that could be used to collect information for determining risk eligibility and ownership, as well as other information relative to public transportation and trucking risks. With input provided by the other three Servicing Carriers, Pilgrim developed a draft of the application. The draft was attached to the Additional Information Notice for the Committee's consideration.

Mr. Tagen advised the Committee that although some of the questions overlap with those listed on the ACORD application, each of the questions listed on the supplemental application are pertinent from an eligibility and rating standpoint. Addendum A of the supplemental application would be used to obtain additional general risk information for all commercial risks, Addendum B would be used to collect information for public automobiles, and Addendum C would be used to obtain trucker/motor carrier information. The supplemental application would be required for all new business policies, and depending on the risk's type of operation, the applicable addendum(s) would need to be completed, with the general information in Addendum A required to be provided for all commercial risks.

The Committee agreed that it would be beneficial to develop such a standard supplemental application to be used by each Servicing Carrier. In review of the application form, members recommended

adding a signature/date section to the last page of the application in order for the producer and risk to attest to the information provided and questioned whether CAR could provide electronic signature capability. Staff indicated that CAR is currently working on a project to convert all forms on its website to a writable format, and the supplemental application will also be developed as a writable form. However, electronic signature ability would not be available until sometime in the future. Therefore, when placed in production, the producer will be able to complete the supplemental application form online, print out a paper copy and then obtain the required signatures/date. Staff further indicated that updates to the Manual of Administrative Procedures relative to the addition of the supplemental application and the procedures and requirements for its use would be provided to the Committee for review at a future meeting.

The Committee unanimously voted to recommend to the Governing Committee approval of the supplemental application as presented, with the addition of a signature/date signed section.

19.14 Agent Commissions

At the last meeting, in response to agent association concerns relative to the determination of commission rates, staff provided the Committee with exhibits identifying CAR's commission schedule by rate year and the impact to commission dollars if Massachusetts adopted a commission schedule similar to that used by AIPSO for other states.

For today's meeting, staff developed an exhibit to provide the Committee with a more detailed comparison by class of the CAR and AIPSO commission schedules in order to quantify the impact of a change in methodology on those classes with significant rate need. Ms. Natalie Hubley noted that the most significant area of rate need, as recognized by several CAR committees, is within the zone rated classes. She pointed out that under the current methodology, these classes will realize a significant increase in the commissions per exposure as we approach rate adequacy. She suggested that, regardless of the Committee's recommendation with respect to the Massachusetts Association of Independent Agents (MAIA) request, the Committee may want to consider whether this result is appropriate or whether the commissions should be realigned by class.

Ms. Hubley advised that Mr. Nick Fyntrilakis of MAIA has indicated informally that the agents association is seeking a change to CAR's methodology where commissions are established as a fixed percentage of premium, suggesting that loss costs are a more appropriate measure of the producer resources needed to service residual market risks than the CPI indices used in the current methodology. She reported that Mr. Fyntrilakis will be available at the Committee's next meeting to discuss their request in more detail. Meanwhile, Ms. Hubley advised that staff will continue to pursue additional information relative to average commission dollars by class, where possible.

MARIAN ADGATE
Corporate Documentation Specialist

Boston, Massachusetts
January 24, 2020

ATTACHMENT LISTING

Docket #CAC20.02, Exhibit #1

Attendance Listing

