CAR
COMMONWEALTH AUTOMOBILE REINSURERS
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www.commauto.com 617-338-4000
NATALIE A. HUBLEY
PRESIDENT

RECORDS OF MEETING

COMMERCIAL AUTOMOBILE COMMITTEE – JULY 15, 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

20.01 Records of Previous Meeting

On a roll call vote, the Committee unanimously voted to approve the Records of the Commercial Automobile Committee meeting of May 19, 2020. The Records have been distributed and are on file.

19.05 Commercial Residual Market Issues

Ms. Wendy Browne reported that at today's meeting, the Committee will continue to discuss ride sharing and short term rental issues in the commercial residual market. Additionally, she noted that the non-ownership liability coverage and vehicle operations outside of MA included in the market issues list have been addressed in the white paper being developed by the Joint Actuarial Commercial Lines Committee.

19.14 Agent Commissions

At its last meeting, the Committee continued discussing Massachusetts Association of Independent Agents (MAIA) concerns relative to commissions paid on ceded commercial policies, and agreed that the current process can be improved upon with the development of a simpler, consistent and more market appropriate approach. Members agreed that having differing commission rates among classifications could be problematic from a Servicing Carrier's IT perspective and the consensus of the Committee was to develop some consistency from a commission standpoint going forward. The Committee also agreed that additional time was needed to properly evaluate this issue and requested that the Servicing Carriers on the Committee further consider that question, and be prepared to offer a recommendation at the next meeting.

Ms. Natalie Hubley indicated that following the last meeting, CAR received feedback from three of the four Servicing Carriers relative to this issue and all were in agreement that implementation of a tiered commission schedule would be costly in terms of both dollars and resources required. She noted that the Servicing Carriers do not believe that a tiered schedule is a feasible option. She also stated that if the Committee was in agreement that a consistent commission rate be implemented, members may also want to discuss whether the taxi, limousine and car service classifications should be provided with the same commission rate as the other classes. Several Committee members indicated that as different commission rates are currently programmed for the taxi, limousine and car service business, it would not be problematic for those rates to continue to vary from the other commercial classes.

Ms. Hubley further noted that Servicing Carrier concerns also included whether there should be a separate commission rate for buses. Mr. Barry Tagen stated that as there are approximately 72 different bus classes, developing a different rate for each class would be especially expensive from a programming perspective. Members agreed that even though the commission rate may be higher for that particular class of business, the complexity involved in programming it to provide for a separate rate would not outweigh the additional commission that may be paid on that business.

Noting a current taxi commission rate of 7.69%, a limousine rate of 3.61%, a car service rate of 2.37%, and an all other commercial classes rate of 8.34%, the Committee considered various options, including a consistent 5% rate for the taxi, limousine and car service classes and a flat percentage rate for all other classes, or to simply leave all the current percentages as is. Mr. Nick Fyntrilakis, representing MAIA, stated that the agent's association is advocating for a consistent commission rate to be implemented, which would provide continuity from one year to the next. Keeping the current rates in place would be the simplest approach, and noted that a significant amount of research and due diligence has gone into the development of the recently adopted commission rates, which were previously approved by both the Governing Committee and the Division of Insurance. He further urged the Committee to avoid consideration of a reduction in any of the existing rates, including the taxi rate, stating that he would not advocate for a reduction anywhere in the current taxi rate structure.

On a roll call vote, with eight in favor and one abstention, the Committee approved a recommendation to the Governing Committee that, beginning with CAR's next rate filing, the current commission rate of 8.34% of premium be filed for all classes except for the taxi, limousine and car service classes. Over the upcoming year, it is anticipated that further discussion will take place relative to whether to incorporate taxi, limousine and car service vehicles into the Commercial Automobile Program and a review of the taxi, limousine and car service commission rates would be addressed at that time.

20.04 Short Term Lease Coverage

Ms. Hubley summarized this issue for the Committee, noting that CAR rules do not afford physical damage coverage for those vehicles insured under a short term lease agreement. Historically, the risk would purchase physical damage coverage for the vehicle from the rental company leasing the vehicle to the risk. However, since many rental companies are now no longer offering physical damage coverage for vehicles leased on a short term basis, risks are finding ways to circumvent the rule and obtain physical damage coverage by having the rental company write a long term rental agreement. The vehicle is then listed on the policy in order to obtain physical damage coverage and when the vehicle is no longer needed, the lease agreement is terminated.

She noted that previous Committee discussion focused on whether physical damage coverage on short term leased vehicles should be available in the residual market and, if so, a method for appropriately pricing this coverage would require further exploration. She suggested that, in order to provide staff with direction on how to proceed on this issue, the Committee should continue its discussion relative to the handling of these exposures. Accordingly, the Committee should further evaluate whether physical damage coverage should be allowed for short term leased vehicles, requiring enhancements to CAR rules and the development of an appropriate rate. Or, if the Committee agrees to recommend no change to the current rules, CAR will consider whether the introduction of a lease cancellation fee or a minimum premium would be appropriate.

After some discussion, the consensus of the Committee was that since this coverage is not offered in the voluntary market or in other residual markets, the current rules appear to be appropriate. However, since risks have clearly discovered a way to circumvent the system, it may be beneficial to look at the issue from a rating perspective and consider development of a minimum premium or short term rate provision for this coverage, and requested CAR to continue to work with the Joint Actuarial Commercial Lines Committee to address this issue.

20.05 Transportation Network Services Coverage (TNC)

Ms. Hubley provided the Committee with an update relative to this issue, and referenced the overview document previously prepared by staff that provided information relative to the types of TNC services offered and identified associated residual market considerations. She noted that in order to fully understand the extent that non-fleet private passenger type vehicles are being used in these activities, staff requested feedback from each of the Servicing Carriers and the agent's association. It was the consensus of the Committee that TNC activity had become pervasive in the market. Additionally, in order to assure that members are clear on the differing coverage considerations within the various phases of the TNC operations, and specifically with respect to ride-hailing services, and in order to provide the Committee with as much information as possible to determine what coverages are appropriate for the residual market, staff has reached out to counsel for further interpretation of coverage availability through the TNC provider. Discussion relative to this issue will continue at a future meeting.

MARIAN ADGATE
Corporate Documentation Specialist

Boston, Massachusetts
August 7, 2020

ATTACHMENT LISTING

Docket #CAC20.02, Exhibit #4	Attendance Listing

COMMERCIAL AUTOMOBILE COMMITTEE MEETING
MEETING ATTENDEES
JULY 15, 2020

Individual's Name	Company / Agency
PLEASE PRINT	
M. John Olivieri, Jr.	J.K. Olivieri Insurance Agency, Inc.
Kristina Broskey	MAPFRE U.S.A. Corporation
Peter Chung	The Norfolk & Dedham Group
Sheila Doherty	Doherty Insurance Agency, Inc.
Mary McConnell	Safety Insurance Company
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Stephanie Siebold	The Hanover Insurance Company
Thomas Skelly, Jr.	Deland, Gibson Insurance Associates, Inc.
Barry Tagen	Pilgrim Insurance Company
David Zawilinski	Arbella Insurance Group
Ben Hincks	TSH & D – CAR Counsel
Steve Torres	TSH & D – CAR Counsel
Natalie Hubley	CAR Staff
Wendy Browne	CAR Staff
John Metcalfe	CAR Staff
Marian Adgate	CAR Staff

COMMERCIAL AUTOMOBILE COMMITTEE MEETING
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Individual's Name	Company / Agency
PLEASE PRINT	
Pete Barton	Safety Insurance Company
Kathy Cormier	MAIA
Nick Fyntrilakis	MAIA
Bryan Hurwitz	The Norfolk & Dedham Group
William Scully	AIB
Mary Ellen Thompson	Division of Insurance
Shannon Chiu	CAR Staff
Tim Costain	CAR Staff
Tim Galligan	CAR Staff
Daniel Mason	CAR Staff
Peter McCabe	CAR Staff
Katy Proctor	CAR Staff
Robin Tigges	CAR Staff