



NATALIE A. HUBLEY  
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

101 Arch Street, Suite 400 Boston, Massachusetts 02110  
www.commauto.com 617-338-4000

**ADDITIONAL INFORMATION**  
**TO MEMBERS OF THE GOVERNING COMMITTEE**

**FOR THE MEETING OF:**

**Wednesday, June 20, 2018 at 10:30 a.m.**

**GC**

**18.09 Commercial Automobile Committee**

The Records of the Commercial Automobile Committee meeting of June 12, 2018 are attached. (Docket #GC18.09, Exhibit #5)

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

**GC**

**18.12 Compliance and Operations Committee**

The Records of the Compliance and Operations Committee meeting of June 6, 2018 are attached. (Docket #GC18.12, Exhibit #2)

The Records of the Compliance and Operations Committee meeting of June 6, 2018 have been distributed and are on file.

**GC**

**18.13 Actuarial Committee**

The Records of the Actuarial Committee meeting of June 13, 2018 are attached. (Docket #GC18.13, Exhibit #1)

The Records of the Actuarial Committee meeting of June 13, 2018 have been distributed and are on file.

NATALIE A. HUBLEY  
President

Attachments

Boston, Massachusetts  
June 15, 2018



NATALIE A. HUBLEY  
PRESIDENT

## COMMONWEALTH AUTOMOBILE REINSURERS

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### RECORDS OF MEETING

#### COMMERCIAL AUTOMOBILE COMMITTEE – JUNE 12, 2018

##### Members Present

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

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 April 2, 2018. The Records have been distributed and are on file.

#### 18.06 Commercial Automobile Residual Market Standards Subcommittee

Mr. Thomas DePaulo informed the Committee that he had received a letter from Ms. Dana Casher, counsel to Point Insurance Agency, Inc. relative to the issues being discussed by the Committee at today's meeting. Ms. Casher presented her concerns to the Committee stating that while the Subcommittee's charge is to establish consistent residual market underwriting procedures among Servicing Carriers, there are two areas in which she believes further development is required in order to achieve the stated goal. She noted that the standards adopted for validating the existence of a business entity leaves it up to a Servicing Carrier to obtain one or more forms of documentation to establish eligibility. However, this may provide room for inconsistency depending on a particular Servicing Carrier's requirements. Ms. Casher opined that without defining the circumstances under which a Servicing Carrier may require more than one form of documentation, consistency among carriers is impacted. Additionally, she indicated that although the ineligible risk database will share information on risks denied coverage in the commercial residual market, the Committee should further define how a Servicing Carrier may use that information, specifically the purpose of the database and those circumstances under which an ineligible risk may or may not be written by another Servicing Carrier.

Mr. John Olivieri, Chair of the Commercial Automobile Residual Market Standards Subcommittee, provided the Committee with a summary of the issues discussed by the Subcommittee and which were recommended to the Commercial Automobile Committee for approval at the Subcommittee's April 25, 2018, May 9, 2018 and May 30, 2018 meetings. He noted that after each Subcommittee meeting, a developed list of prioritized issues impacting the commercial residual market has been updated to reflect the current status of the Subcommittee's deliberations.

The Subcommittee is recommending Commercial Automobile Committee approval in regard to the following issues:

#### Standards for Determining and Substantiating Principal Place of Business

Mr. Olivieri stated that at the Subcommittee's May 9, 2018 meeting, Servicing Carrier and Exclusive Representative Producer standards and a certification form to be used for validating a risk's principal place of business were unanimously approved.

Mr. John Metcalfe presented to the Committee the Subcommittee's recommended documents which define standards requiring the validation of a risk's principal place of business, securing a certification by the risk, and conducting audits pursuant to Rule 10 of CAR's Rules of Operation. Mr. Metcalfe pointed out that the underwriting tools and opportunities noted in the standards serve as evaluation tools to assist Servicing Carriers in ascertaining a risk's eligibility in the commercial residual market and in validating the risk's declared principal place of business. He indicated that the items are not designed to be absolute in terms of risk qualification, but are meant to provide a Servicing Carrier with suggestions for evaluating whether or not a risk is eligible for the commercial market, consistent with principal place of business.

On a unanimous vote, the Committee recommended the Servicing Carrier Standards for Validating the "Nerve Center" Principal Place of Business, the Exclusive Representative Producer Standards for Determining the "Nerve Center" Principal Place of Business and the Principal Place of Business Certification Form to the Governing Committee for approval.

#### Non-Fleet Private Passenger Types

Mr. Olivieri stated that at its May 30, 2018 meeting, the Subcommittee unanimously approved Servicing Carrier and Exclusive Representative Producer standards, a certification form and an operator exclusion endorsement to be used to validate information provided by a risk in order to determine whether a non-fleet private passenger type risk is eligible for placement in the commercial automobile residual market.

Mr. Metcalfe presented to the Committee the Subcommittee's recommended documents and indicated that the standards provide Servicing Carriers with a tool to evaluate whether the risk meets the criteria as a business/commercial entity. He indicated that the Subcommittee agreed that the certification form must be used for all new business applications, but may also be used for renewal business at the discretion of the Servicing Carrier. Mr. Metcalfe further pointed out that that the underwriting tools and opportunities noted in the standards are not designed to be absolute in terms of risk qualification, but are meant to provide a Servicing Carrier with suggestions for evaluating whether or not a risk is eligible for the commercial market as a business entity.

The Committee discussed the underwriting tools and opportunities that Servicing Carriers may take advantage of to validate business entity and agreed that providing Servicing Carriers with defined documentation options removes the subjective nature of the current validation processes among Servicing Carriers. The Committee agreed that in some situations, depending upon the individual characteristics of

the risk being submitted, a Servicing Carrier may need the flexibility to request additional documentation from the risk, however, in most situations only one source of documentation would be required.

On a unanimous vote, the Committee approved the Servicing Carrier and Exclusive Representative Producer Standards for Non-Fleet Private Passenger Type Classifications, the Non-Fleet Private Passenger Type Certification Form, the Operator Exclusion Form and Rule 31 – Operator Exclusion Form of the Commercial Automobile Insurance Manual and recommended their adoption by the Governing Committee.

### Producer Requirements

Mr. Metcalfe noted that the Subcommittee had discussed various suggested enhancements to the existing producer requirements, including those pertaining to work experience, education, production and termination requirements. The Subcommittee agreed that it would be beneficial to enhance producer work experience requirements and is recommending to the Committee that prior to action being taken on the producer's application for a commercial Servicing Carrier appointment, a new producer be required to provide evidence of work experience reflective of a minimum of 12 months (increased from 6 months) with a licensed producer or Member, with the applicant's efforts primarily devoted to commercial insurance in the Massachusetts motor vehicle insurance market. He identified the associated modifications that staff has made to Rule 14 – Exclusive Representative Producer Requirements, further noting that the rule has also been modified to include the requirement that the producer must submit completed certification form(s) as applicable, with the application for insurance.

The Committee discussed the proposed rule amendments and members expressed concerns in several areas including whether the producer should be required to identify experience in specific commercial classifications in order to write that type of business, whether manual updates are needed to describe the validation process, whether the certification process should be more robust for a terminated producer upon reentry into the market, and whether new producers should be required to come before a CAR committee in order to present its case for appointment. On a motion with eight in favor and one opposed, the Committee agreed to approve the proposed modifications to Rule 14 and recommend their adoption by the Governing Committee, with the anticipation that the Subcommittee will continue to work to address the Committee's additional comments.

### Information Sharing

Ms. Wendy Browne stated that at prior meetings, the Subcommittee approved a proposal for the development of an online information sharing system to be used by Servicing Carriers to access information on risks that have been declined, non-renewed or cancelled as a result of being ineligible for coverage in the Massachusetts commercial residual market and the Subcommittee directed staff to move forward on developing the system. She noted that this effort is also designed as a communication and evaluation tool, in conjunction with the Subcommittee's efforts to address consistency among Servicing Carriers, and will be used by Servicing Carriers in the handling of commercial residual market risks. Ms. Natalie Hubley informed the Committee that initially the database will only be made available to Servicing Carriers, however, if appropriate, consideration may be given to allowing additional access to the database for at a later date.

Ms. Marian Adgate noted that staff has incorporated procedures for reporting to the database in Chapter III – Servicing Carrier Requirements of the Manual of Administrative Procedures and she presented the Subcommittee's recommended language to the Committee. The Committee discussed the language presented and it was agreed that the wording relative to the timing for reporting to the database be further amended to indicate that reporting the declination, non-renewal or cancellation to the database must be within two days of the issuance of the notice to the risk.

On a unanimous vote, the Committee approved the proposed modifications to Chapter III, as amended, and recommended their adoption to the Governing Committee.

### Covered Automobiles

Ms. Hubley stated that the Subcommittee is recommending that commercial residual market coverage be restricted to those policies written on a specified car basis only, noting that policies written on the Business Auto Coverage Form with designated ISO symbol codes of 1 (any auto) would no longer be cedeable to CAR. She explained that this recommendation is made not only to eliminate the potential for additional exposure to the residual market but to ensure consistent procedures among Servicing Carriers. She further noted that few policies are written on a composite rating, gross receipts or mileage basis, however, the commercial pool had recently been exposed to a stacking of coverage on a policy written on the Business Auto Coverage Form on a composite rate basis. To document that residual market coverage is limited to only those policies written on the Business Auto Coverage Form and with designated ISO symbol codes of 7 (specifically described autos), 8 (hired autos), and 9 (non-owned autos), the Subcommittee has approved updates to the impacted CAR rules and manuals. Ms. Adgate reviewed with the Committee the Subcommittee's approved modifications to the Rules of Operation, Commercial Automobile Insurance Manual and Manual of Administrative Procedures.

The Committee unanimously approved the proposed modifications to Rule 6 of the Rules of Operation, Rules 3, 55, 75 and 126 of the Commercial Automobile Insurance Manual and Chapter V of the Manual of Administrative Procedures as presented and recommended their adoption by the Governing Committee.

In conclusion, the Committee discussed the timeframes for implementing the Servicing Carrier and producer standards and use of the certification forms. Staff noted that implementation is subject to approval by the Governing Committee and Division of Insurance and although the certification forms and exclusion may not be used until they are formally approved, Servicing Carriers may continue to utilize their own underwriting tools to verify a risk's principal place of business and eligibility in the commercial residual market. The Committee agreed that for consistency among Servicing Carrier and producers, the implementation of certification forms and the operator exclusion endorsement will be 30 days after notification from CAR, via CAR Bulletin, of the Division of Insurance's approval.

MARIAN ADGATE  
Corporate Documentation Specialist

Boston, Massachusetts  
June 15, 2018

### **Servicing Carrier Standards for Validating the “Nerve Center” Principal Place of Business**

**Standards for the validation of Principal Place of Business (“Nerve Center”):** In determining whether a risk is eligible for placement in the commercial automobile residual market, Servicing Carriers and Exclusive Representative Producers are required to validate whether or not the risk’s declared principal place of business meets the “nerve center” test. As such, operations taking place in the corporation’s “nerve center” would include, but not be limited to:

- Computer/monitoring systems that track the location of the vehicles
- Scheduling systems for vehicle operations and corresponding routes
- Systems for responding to vehicles requiring roadside or emergency assistance
- Payroll systems
- Depending upon the business operation, commensurate hours of operation
- Telephone systems to handle customer service, driver assistance, maintenance and repair, vendor and/or employee communications
- Treasury management systems for disbursing and collecting funds
- Administrative activities to support business operations

Note that a mail drop box, a bare office with a computer, or a location where executives only occasionally meet, does not qualify as Principal Place of Business for the purpose of determining eligibility for cession to the MA residual market.

**Servicing Carriers should require and receive a signed Principal Place of Business Certification Form attesting to the information submitted on the application on all risks for insurance pursuant to the insured’s principal place of business. The certification must be signed and dated by the insured and writing producer.**

**Underwriting Tools and Opportunities:** Servicing Carriers should take advantage of, but not limited to, the following options in determining risk eligibility relative to the principal place of business and “nerve center”:

1) Proof of Principal Place of Business

- a) Use of the Secretary of Commonwealth’s Corporations Division website to determine:
  - o If the risk and/or the risk’s Federal Employer Identification Number (FEIN) is registered with the Corporations Division
  - o Date of Origination
  - o The identity of the risk’s officers, directors, partners and/or managers
  - o The location of the risk’s principal office in Massachusetts
  - o The state in which the risk was organized
  - o Who signed the organizational documents for the risk
- b) Use of an Internet search engine to determine if the risk has a website for Massachusetts and/or other state operations and to verify office location(s) or if there is information relative to any of the corporate officers
- c) Use of the RMV systems to determine if the risk’s officers, directors, partners and/or managers have a Massachusetts address/operator’s license and to determine if the risk previously was insured with a Massachusetts carrier
- d) Review of loss runs, if available, to determine if the risk’s operations are in Massachusetts
- e) Review of FMCSA filings, if applicable, to verify address on the risk’s new business application

The Servicing Carrier may also request the risk and/or Exclusive Representative Producer to provide additional information as noted, but not limited to the Exclusive Representative Producer Standards for Determining the “Nerve Center” Principal Place of Business. An SIU investigation may also be requested. As part of the underwriting process and/or SIU investigation, the risk’s principal/owner will be required to corroborate information collected by the writing Exclusive Representative Producer.

Pursuant to Rule 10 – Claims of CAR’s Rules of Operation, Servicing Carriers are required to conduct audits on representative samples of policies to verify garaging and policy facts. However, market conditions may warrant increased awareness and focus on specific classifications of business due to suspected fraud, increased loss experience, or other negative impacts on the commercial automobile residual market during the Servicing Carrier contract period. If such occasions occur, the specific classifications will be identified, through CAR’s committee process, for mandatory Servicing Carrier SIU investigations involving the principal place of business. **At its March 29, 2018 meeting the Commercial Automobile Market Standards Subcommittee directed that Servicing Carriers be notified of an expectation to enhance their focus on validating principal place of business for intermediate and long distance TTT and bus classifications.**

**Exclusive Representative Producer Standards for Determining the “Nerve Center” Principal Place of Business**

**Standards for the validation of Principal Place of Business (“Nerve Center”):** In determining whether a risk is eligible for placement in the commercial automobile residual market, Exclusive Representative Producers and Servicing Carriers are required to validate whether or not the risk’s declared principal place of business meets the “nerve center” test. As such, operations taking place in the corporation’s “nerve center” would include, but not be limited to:

- Computer/monitoring systems that track the location of the vehicles
- Scheduling systems for vehicle operations and corresponding routes
- Systems for responding to vehicles requiring roadside or emergency assistance
- Payroll systems
- Depending upon the business operation, commensurate hours of operation
- Telephone systems to handle customer service, driver assistance, maintenance and repair, vendor and/or employee communications
- Treasury management systems for disbursing and collecting funds
- Administrative activities to support business operations

Note that a mail drop box, a bare office with a computer, or a location where executives only occasionally meet, does not qualify as Principal Place of Business for the purpose of determining eligibility for cession to the MA residual market.

**\*\*\* Exclusive Representative Producers must provide a signed Principal Place of Business Certification Form on all risks to their Servicing Carrier attesting to the information submitted on the application for insurance pursuant to the insured’s principal place of business. The certification form must be signed and dated by the insured and the writing producer to confirm that the risk meets the definition of Principal Place of Business as specified in CAR Rule 2.**

**Risk Evaluation Tools and Opportunities:** Exclusive Representative Producers should ascertain the following in determining risk eligibility relative to the principal place of business and “nerve center” prior to submitting a risk to their Servicing Carrier for placement in the commercial auto residual market:

- 1) Proof of Principal Place of Business
  - a) Whether the company is headquartered in Massachusetts and meets the definition of Principal Place of Business as specified in Rule 2 – Definitions of CAR’s Rules of Operation
  - b) Whether company reports, documentation and financial records originate in the Massachusetts office
  - c) How long has the company been at the Massachusetts location
  - d) Whether the company has officers, directors, partners and/or managers residing in other states, and, if so, where
  - e) Whether business/corporate decisions and orders solely emanate from the Massachusetts principal place of business of the company, and if not, describe the corporate communications
  - f) Whether the principal owner, officers, directors, partners and/or managers all reside in Massachusetts and if not, describe residency of each.
  - g) The number of employees working out of the Massachusetts principal place of business. In Massachusetts? Out of state?
  - h) Identify the registration of all vehicles. Registered in Massachusetts? Other states?
  - i) Operators/Drivers for the company licensed/hired in Massachusetts
  - j) How often the principal/owner of the company is in the company’s Massachusetts headquarter office
  - k) Whether the payroll for the company is handled through the Massachusetts principal place of business location
  - l) Hours of the Massachusetts principal place of business location of the company
- 2) The ERP/risk will be required to provide, at the Servicing Carrier’s request, information included but not limited to the following:
  - a) Pictures of the MA location and garaging locations if different from MA mailing address
  - b) Name and location of shop providing repair and maintenance on the vehicles
  - c) Percentage of revenue derived from MA operations versus other states
  - d) Tax returns
  - e) A copy of the risk’s lease and/or other documents pursuant to the establishment of an operational office location in Massachusetts (utility bills, bank statements, tax documents, payroll records, workers comp. policy, etc.)
  - f) A list of any other address locations from which the business operates and what type of activities occur at those locations

**\*\*\*TO BE CERTIFIED BY ALL APPLICANTS PRIOR TO PLACEMENT IN THE COMMERCIAL  
AUTOMOBILE INSURANCE RESIDUAL MARKET (CAR)\*\*\***

**PRINCIPAL PLACE OF BUSINESS**

By submitting this application, I represent that the applicant's principal place of business is located in Massachusetts. Principal Place of Business, as it applies to the definition of an Eligible Risk, is defined as the chief or usual place of business. It is the corporation's nerve center, its center of direction, control, and coordination, the place where the principal officers generally transact business and the place to which reports are made and from which orders emanate. It is the place where the majority of executive and administrative functions are performed\*. I understand that I am required to cooperate with and notify the insuring carrier of any change to information presented in the application, including information pertinent to the identified principal place of business, during the policy period. **I also understand that, if found responsible for fraud or material misrepresentation in the application or any extension or renewal of the policy, the insurance company can cancel or rescind all or part of the insurance and/or deny coverage of a claim pursuant to the provisions of the policy and applicable law.** By signing below, I hereby certify that all information provided herein and all other information submitted with the company's application is true and accurate.

Name of Business: \_\_\_\_\_

Address of Principal Place of Business: \_\_\_\_\_

Printed Name of Applicant's Authorized Representative: \_\_\_\_\_

Signature of Applicant's Authorized Representative: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

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Witness to the Signator and Signing above:

Signature of Producer: \_\_\_\_\_

Printed Name of Producer: \_\_\_\_\_

Agency Name: \_\_\_\_\_

Date: \_\_\_\_\_

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***MA Fraud Warning: "Any person who knowingly and with the intent to defraud any insurance company or another person files an application for insurance or statement of claim containing any material false information, or conceals for the purpose of misleading information concerning any fact material thereto, may be committing a fraudulent insurance act, which may be a crime and may subject the person to criminal and civil penalties."***

---Documentation to be submitted to the insuring Servicing Carrier, copy to be retained by Producer---

\* Commonwealth Automobile Reinsurers Rules of Operation, Chapter 2 - Definitions



### **Servicing Carrier Standards for Non-Fleet Private Passenger Type Classifications**

**Standards for the Review of Non Fleet Private Passenger Type Commercial Automobile Risks:** In determining whether a non-fleet private passenger type risk is eligible for placement in the commercial automobile residual market, Servicing Carriers are required to validate the information provided by the risk and writing producer. If the application asserts/suggests a business entity/operation the Servicing Carrier must validate that a commercial automobile business entity/operation exists. Risks not meeting the defined eligibility criteria will not be placed in the commercial auto residual market.

**Servicing Carriers will require and receive a signed Non-Fleet Private Passenger Type Certification Form attesting to the information submitted on the application for insurance pursuant to the insured's business entity. The certification must be signed and dated by the insured and writing producer. The certification form may be used for renewal business at the discretion of the Servicing Carrier.**

**Underwriting Tools and Opportunities:** Servicing Carriers should take advantage of, but not limited to, the following options in determining risk eligibility relative to determining the business entity:

1. Proof of Business Entity:
  - a. Use the Secretary of Commonwealth's Corporations Division website to determine:
    - If the risk and/or the risk's Federal Employer Identification Number (FEIN) is registered with the Corporations Division
    - Date of Origination, Current Status
    - The identity of the risk's officers, directors, partners and/or managers – ownership and address information
    - Who signed the organizational documents for the risk
  - b. Use an Internet search engine to determine if the risk has a website for its stated business entity/operation.
  - c. Use an Internet mapping site to assess business address, public and street presence.
  - d. Use the RMV systems to verify whether the risk's officers, directors, partners and/or managers have a Massachusetts address/operator's license and to determine if the risk previously was insured with a Massachusetts carrier. Verify that the vehicle registration(s) is in the name of the business entity/operation. Confirm all operator information listed on the application and certification document.
  - e. Assess whether there was prior insurance coverage provided for the business entity/operation and the history of that coverage (i.e. cancellation/non-renewal reason, etc.)
  - f. Obtain one or more of the following:
    - 1) Contract for services with a customer relative to the listed business entity/operation
    - 2) Tax filing information for the business (Schedule C if filing an individual return)
    - 3) Workers Compensation Insurance Policy
    - 4) General Liability Insurance Policy
    - 5) If prior insurance coverage, copy of declarations page
    - 6) Copies of leases and utility bills
  - g. Request SIU investigation when necessary to determine if risk is a business entity

Pursuant to Rule 10 – Claims of CAR's Rules of Operation, Servicing Carriers are required to conduct audits on representative samples of policies to verify garaging and policy facts. However, market conditions may warrant increased awareness and focus on specific classifications of business due to suspected fraud, increased loss experience, or other negative impacts on the commercial automobile residual market during the Servicing Carrier contract period. If such occasions occur, the specific classifications will be identified, through CAR's committee process, for mandatory Servicing Carrier SIU investigations involving the eligibility of the business entity/operation.

### **Exclusive Representative Producer Standards for Non-Fleet Private Passenger Type Classifications**

**Standards for the Review of Non Fleet Private Passenger Type Commercial Automobile Risks:** In determining whether a non-fleet private passenger type risk is eligible for placement in the commercial automobile residual market, Servicing Carriers are required to validate the information provided by the risk and writing producer. If the application asserts/suggests a business entity/operation the Servicing Carrier must validate that a commercial automobile business entity/operation exists. Risks not meeting the defined eligibility criteria will not be placed in the commercial auto residual market.

**Exclusive Representative Producers (ERPs) will be responsible for:**

- 1. Obtaining a completed and signed Non-Fleet Private Passenger Type (NF-PPT) Certification Form for each NF-PPT risk submitted to their Servicing Carrier for placement in the commercial auto residual market.**
- 2. Listing all permissive operators of the vehicle(s) on the application for insurance and note any operator listed on the application with a valid license from a country or territory approved by the Massachusetts RMV, on the Non Fleet Private Passenger Certification Form.**
- 3. Obtaining a completed Driver Exclusion Form if the owner(s) does not have a valid driver's license and is/are not listed on the application as an operator(s).**
- 4. Reiterating to the insured that the Certification Form requires the insured's cooperation in notifying the insuring carrier of any change to information presented in the application, including information pertinent to the ownership and permissive operators of the vehicle(s), during the policy period.**

The ERP will also be responsible for assisting in the verification and confirmation of information regarding the risk's eligibility for commercial automobile residual market coverage including, but not limited to:

1. Proof of Business Entity:
  - a. Corporate Documentation - Use of the Secretary of Commonwealth's Corporations Division website to obtain:
    - Validation of the risk and/or the risk's Federal Employer Identification Number (FEIN) being registered with the Corporations Division and includes, the Date of Origination, Current Status, the identity of the risk's officers, directors, partners and/or managers – ownership and address information and who signed the organizational documents for the risk
  - b. Use of an Internet search engine may be used to reflect that the risk has a website for its stated business entity/operation.
  - c. Vehicle usage: Use the RMV systems to determine if the registration of the vehicle(s) is consistent with the name of the business entity/operation.
  - d. Operators of the Vehicle(s): List all operators and associated license information. If the owner is not listed as an operator, please explain. Note: a Drivers Exclusion Form will be required to be signed by the owner(s), if not listed.
  - e. Provide prior insurance coverage for the business entity/operation and the history of that coverage (i.e. cancellation/non-renewal reason, etc.)
2. The ERP/risk will be required to provide *at least one*, or at the request of the Servicing Carrier, more of the following documentation with the application:
  - a. Contract for services with a customer relative to the listed business entity/operation
  - b. Tax filing information for the business (Schedule C if filing an individual return)
  - c. Workers Compensation Insurance Policy
  - d. General Liability Insurance Policy
  - e. If prior insurance coverage, copy of declarations page
  - f. Copies of leases and utility bills

**NON FLEET PRIVATE PASSENGER TYPE (NF-PPT) CERTIFICATION FORM**

**\*\*\*TO BE CERTIFIED BY ALL NF-PPT APPLICANTS PRIOR TO PLACEMENT IN THE  
COMMERCIAL AUTOMOBILE INSURANCE RESIDUAL MARKET (CAR)\*\*\***

**NAME OF BUSINESS:** \_\_\_\_\_

**DESCRIPTION OF BUSINESS:** \_\_\_\_\_

Submit a copy of ***at least one*** or, at the request of the Servicing Carrier, more of the following documentation with the application:

1. Contract for services with a customer relative to the listed business entity/operation
2. Tax filing information for the business (Schedule C if filing an individual return)
3. Workers Compensation Insurance Policy
4. General Liability Insurance Policy
5. If prior insurance coverage, copy of declarations page
6. Copies of leases and utility bills

If documents are not available, please explain: \_\_\_\_\_

**VEHICLE USAGE:**

How are vehicles used in your business? \_\_\_\_\_

**VEHICLE OPERATORS:**

Number of employees: Full Time: \_\_\_\_\_ Part Time: \_\_\_\_\_

**ALL EMPLOYEES, FAMILY MEMBERS AND ANY OTHERS WHO HAVE PERMISSION TO DRIVE ONE OR MORE OF THE VEHICLES MUST BE LISTED ON, OR INCLUDED WITH THE APPLICATION FOR INSURANCE (A LICENSE NUMBER, STATE OR COUNTRY OF ISSUANCE MUST BE INCLUDED FOR EACH).**

**FOR ANY OPERATOR LISTED ON THE APPLICATION WITH A VALID LICENSE FROM A COUNTRY OR TERRITORY APPROVED BY THE MASSACHUSETTS RMV, THE FOLLOWING MUST ALSO BE COMPLETED:**

1.) OPERATOR NAME: \_\_\_\_\_

LICENSE # \_\_\_\_\_ STATE/COUNTRY: \_\_\_\_\_

DATE OF ARRIVAL IN THE U.S. \_\_\_\_\_

2.) OPERATOR NAME: \_\_\_\_\_

LICENSE # \_\_\_\_\_ STATE/COUNTRY: \_\_\_\_\_

DATE OF ARRIVAL IN THE U.S. \_\_\_\_\_

For additional operators that meet this criteria, attach information listing the above information

**NON FLEET PRIVATE PASSENGER TYPE (NF-PPT) CERTIFICATION FORM**

**OWNER(S) NOT LISTED AS AN OPERATOR(S) OR NOT LICENSED**

If the owner(s) of the business does not have a valid driver's license and is/are not listed on the application as an operator(s), a Driver Exclusion Form must be signed and submitted with the application. In addition, the/those owner(s) will sign the following:

I have voluntarily chosen not to list myself as a driver on the application. I understand and agree that if an unlisted owner is involved in a claim, there may be no coverage under my policy because of the Material Misrepresentation provision of the policy. Owner(s) Signature(s): \_\_\_\_\_

**SIGNED CERTIFICATION OF BUSINESS ENTITY AND VEHICLE USAGE:**

The application I submitted herewith represents that my vehicles are used to further my business objectives. I understand and agree that the Company is entitled to examine books and records as they relate to the premium for this policy at any time during the policy period. This may include verification of actual business use of the vehicles. I certify that I have listed on the application all my employees, family members and others who have permission to drive one or more of the vehicles listed in my application. I understand that I am required to cooperate with and notify the insuring carrier of any change to information presented in the application, including information pertinent to the ownership and permissive operators of the vehicle(s), during the policy period. ***I understand that, if found responsible for fraud or material misrepresentation in the application or any extension or renewal of the policy, the insurance company can cancel or rescind all or part of the insurance and/or deny coverage of a claim pursuant to the provisions of the policy and applicable law.*** By signing below, I hereby certify that all information provided herein and all other information submitted with the company's application is true and accurate.

Signature of Owner/Applicant's Authorized Representative: \_\_\_\_\_

Printed Name of Owner/Applicant's Authorized Representative: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

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Witness to the Signator and Signing above:

Signature of Producer: \_\_\_\_\_

Printed Name of Producer: \_\_\_\_\_

Agency Name: \_\_\_\_\_

Date: \_\_\_\_\_

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***MA Fraud Warning: "Any person who knowingly and with the intent to defraud any insurance company or another person files an application for insurance or statement of claim containing any material false information, or conceals for the purpose of misleading information concerning any fact material thereto, may be committing a fraudulent insurance act, which may be a crime and may subject the person to criminal and civil penalties."***

---Documentation to be submitted to the insuring Servicing Carrier, copy to be retained by Producer---

## MASSACHUSETTS ENDORSEMENT – CR XX XX XX XX

### Operator Exclusion Form

It is agreed by the insurance company, the policyholder and the person named below (the Excluded Operator), that the Excluded Operator will not operate the vehicle(s) described below, or any replacement thereof, under any circumstances whatsoever.

Named Insured: \_\_\_\_\_

Excluded Operator: \_\_\_\_\_

Vehicles (Complete Section A **OR** Section B):

A. \_\_\_\_\_ (Check if applicable) Any and All Vehicles Listed or Covered on the policy during the policy term

**OR**

B. Specific Vehicle(s)

Vehicle Description: \_\_\_\_\_

Vehicle Description: \_\_\_\_\_

Vehicle Description: \_\_\_\_\_

Vehicle Description: \_\_\_\_\_

The policyholder and Excluded Operator understand and agree that the insurance company will not pay under the optional insurance parts of the policy for any injury or damage arising out of the operation or use of the vehicle(s) described above, by the Excluded Operator.

The policyholder and Excluded Operator understand and agree that this Operator Exclusion Form will continue in full force and effect in any subsequent renewal or replacement of the policy until the policyholder and the insurance company withdraw this form in writing.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Policyholder/Authorized Representative Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Excluded Operator's Signature

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- B. For zone rated risks, refer to Zone Rating Tables.
- C. For garage risks, refer to Rule 89 – Medical Payments Insurance in Section VI – Garage Dealers of this Manual.

No charge shall be made for service or utility trailers.

**RULE 31. OPERATOR EXCLUSION FORM RESERVED FOR FUTURE USE**

The Servicing Carrier will attach the Operator Exclusion Form, CR XX XX XX XX, to the policy in regard to any owner of the business who is not listed as an operator on the application and does not have a valid license, or in other circumstances as requested by the insured. A separate endorsement should be completed for each excluded operator.

**RULE 32. PARTNERSHIP AS THE NAMED INSURED – NON-OWNERSHIP LIABILITY (CLASS CODE 70000)**

- A. When Non-Ownership Liability is afforded, the Business Auto Coverage Form provides coverage to a partnership for the use of automobiles owned by individual partners which are used in the business of the partnership.
- B. Multiply the private passenger type rates by .10 for each active or inactive partner for the territory in which the partnership is located. Apply this rating base regardless of the type of automobile being used.

**RULE 33. RENTAL REIMBURSEMENT (COVERAGE CODE 083)**

- A. Do not write Rental Reimbursement Coverage for less than 30 days or for a limit of less than \$15 per vehicle per day.
- B. Refer to the Rate Section for premium development.

**RULE 34. INDIVIDUAL AS THE NAMED INSURED**

Endorse a Business Auto Coverage Form covering an individually owned private passenger automobile with the appropriate individual named insured endorsement.

- A. Drive Other Car Coverage is provided at no additional charge if the policy covers:
  - 1. A private passenger automobile not used for public transportation or rented to others without a driver.

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be fully serviced through the purchaser until the policy expiration date of each risk, as noted on the declaration page of each policy in force as of these respective dates. "Servicing" shall include, but not be limited to, changing existing vehicles, adding additional insureds, adding named operators onto the existing policy, endorsing coverage limits, providing all notices required by law, processing claims and collecting premium. All other obligations of both Servicing Carrier and producer as set forth pursuant to the Plan and Rules of Operation shall remain in force during the term of this agreement.

4. Eligibility Requirements

Prior to any action being taken on an application for an ERP appointment, the producer must satisfy the following requirements:

- a. Complete a course of study, approved by the Commissioner of Insurance, which concentrates on the commercial Massachusetts Motor Vehicle Insurance system;
- b. Attain a passing grade on a written examination based on material covered in the approved course;
- c. Within the preceding ~~12~~ 24 month period, work for a minimum of ~~6~~ 12 months with a producer licensed by the Division of Insurance, or with a Member, during which time the applicant's efforts were primarily devoted to commercial automobile insurance in the Massachusetts Motor Vehicle Insurance market; and
- d. Has an existing commercial relationship with a Member other than a Servicing Carrier or can provide letter(s) of intent from insureds identifying commercial policies expected to be written as of the first year of appointment that would satisfy the production criteria pursuant to Section C.1. Continued eligibility is dependent upon compliance pursuant to the provisions of Section C.1.

Having satisfied the preceding criteria the applicant must conclusively show that such applicant:

- (1) is applying in good faith;

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**B. Ongoing Exclusive Representative Producer Requirements**

1. It will be the ongoing responsibility of an ERP to fulfill the following requirements and maintain eligibility pursuant to Section A.4.
  - a. Maintain a valid producer's license as issued by the Division of Insurance.
  - b. Collect, process and remit premium due a Servicing Carrier in accordance with the provisions of the Rules of Operation.
  - c. Refrain from engaging in fraudulent activity in connection with the business of Motor Vehicle Insurance.
  - d. Submit for all applicants a new business application for insurance with appropriate certification form(s), completed in ~~its~~ their entirety, and a signed premium finance application/agreement, if applicable within two business days;
  - e. Provide a reasonable and good faith effort to verify the information provided by the applicant, including rating and licensing data;
  - f. Report all coverage bound and all registrations certified to the Servicing Carrier within two business days after binding coverage or certifying a registration;
  - g. Verify that the applicant has not been in default in the payment of any Motor Vehicle Insurance premiums in the past 24 months;
  - h. Comply with written procedures supplied by the Servicing Carrier for processing claims, remitting premiums and requesting coverage;
  - i. Forward to the insured within 30 days of receipt from the Servicing Carrier, all policies and endorsements if not mailed directly by the Servicing Carrier to the policyholder;
  - j. Forward all premium payments to a Servicing Carrier within two business days of receipt. However, a Servicing Carrier shall extend the payment period for an additional seven days upon sufficient notice that all or part of a premium is being financed by a licensed premium finance company where the premium finance company has given its written assurance to pay the full premium financed



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**A. Servicing Carrier Responsibilities**

In order to successfully fulfill its residual market obligations, a Servicing Carrier is responsible for meeting the requirements of CAR's Rules of Operation, specifically performing the duties identified in Rule 13 – Servicing Carrier Requirements including those relative to rates and policy issuance, data reporting, Exclusive Representative Producers (ERPs), compliance with established claims performance standards and sharing in CAR's administrative expenses and underwriting results. Additional Servicing Carrier responsibilities are described in Sections B. of this Chapter. Section C. provides requirements relative to the termination of an ERP contract including the process for reviewing such termination and associated appeal procedures. Section D. of this Chapter provides information relative to the premium and expense reimbursement procedure a Servicing Carrier must follow when an ERP default occurs.

**B. Additional Servicing Carrier Responsibilities**

1. Review of Agency Groups and Affiliations

On an annual basis, a Servicing Carrier must provide CAR with information relative to each ERP's affiliation status for commercial Motor Vehicle Insurance. Any contractual relationship or membership in a producer cluster or network that the ERP may have or whether the ERP has a direct or indirect material and continuing proprietary or management interest in another agency or brokerage firm having an ERP appointment to another Servicing Carrier must be identified. Additionally, any new agency affiliations or changes in affiliated agency relationships must be identified. CAR will also perform a review of producer group websites in an attempt to confirm group memberships. Refer to Rule 13.B.5. of CAR's Rules of Operation for additional information.

This information will assist CAR in its evaluation and assessment of the need to redistribute commercial ceded written premium among Servicing Carriers. For additional information relative to redistribution, refer to Chapter II.B. – Servicing Carrier Appointment of this Manual.

2. Commission Payment Requirements

A Servicing Carrier must pay commission to an ERP on ceded commercial business as specified in Rule 18 – Commissions of CAR's Rules of Operation.

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3. Reporting Requirements for an Ineligible Risk

A Servicing Carrier that declines, non-renews or cancels a risk it determines to be ineligible for coverage in the commercial residual market must report such action, and the reason(s) therefore, to CAR's Ineligible Risk Database within two business days of the issuance of the notice to the risk. Data elements to be reported include Business Name, Owner License Number, Federal Employer Identification Number (FEIN), USDOT Number, Policy Identification Number, Class Type, as well as other data elements that identify the risk and are beneficial to the administration of the Commercial Servicing Carrier Program. CAR will maintain the database for access by Servicing Carriers to enable more efficient underwriting. However, a Servicing Carrier is required to perform its own investigation to independently determine eligibility of a risk.

Note that if the declination, non-renewal or cancellation is rescinded, the Servicing Carrier must update the Ineligible Risk Database to notify CAR of the reinstatement.

43. Additional Commercial Automobile and Taxi and Limousine Program Requirements

In addition to complying with the provisions of CAR's Rules of Operation, a Servicing Carrier is responsible for adhering to the following requirements:

- a. Administrative and Account Management Services
  - 1) A management level account executive with knowledge of the Program must be assigned and will be will be responsible for assuring the requirements of the Program, responding to CAR inquiries and meeting with CAR staff and committee representatives.
  - 2) Each Servicing Carrier must provide a direct bill program. Servicing Carriers must cooperate with their assigned producers to assure that policyholders are made aware of their option to utilize an installment plan.
    - a) For commercial automobile business, the Servicing Carrier must use an installment payment plan that has been filed with and approved by the Division of Insurance. The plan must include the application of an installment finance charge plan based on an annual percentage rate and no more than a 30% first or deposit payment on or before the policy effective date. The plan must also include that no less than seven monthly payments thereafter must be offered to the insured that chooses to pay in installments.

**Commercial Automobile Residual Market Standards Subcommittee  
CRMS18.11 – Covered Autos**

**Memorandum of Changes – May 30, 2018**

**Description:**

Residual market coverage for policies written on the Business Auto Coverage Form will be restricted to only those vehicles that are specifically described on the policy declarations and designated with an ISO Covered Auto Designation Symbol of 7 (specifically described autos), 8 (hired autos) or 9 (non-owned autos). Liability coverage on Non-Ownership and Hired Automobiles may be written on a stand-alone policy or in conjunction with a statutory MA Motor Vehicle Insurance Policy.

Policies written on the Business Auto Coverage Form that are rated on a gross receipts, mileage or composite rated basis are not cedeable to CAR.

**Impacted Rules and Manuals:**

Rules of Operation

Rule 6 – Coverages

Section C.1. is updated to reflect that policies written on the Business Auto Coverage Form is restricted to only those vehicles specifically described on the policy declarations or as otherwise allowed for hired and non-owned vehicles.

Commercial Automobile Insurance Manual

Section I – General Rules

Rule 3 – Policies and Coverages

Section A. is updated to reflect and designated with Covered Auto Designation Symbols 7, 8 and 9.

Section III – Trucks, Tractors and Trailers

Rule 55 – Premium Development Options for Truckers

Section C. is eliminated as a trucking risk written on a gross receipts rating basis is not cedeable to CAR

Section V – Public Transportation

Rule 75 – Gross Receipts or Mileage Basis

Entire Rule is eliminated as a public transportation risk written on a gross receipts or mileage basis is not cedeable to CAR.

Section VII – Special Types and Operations

Rule 126 – Composite Rating

Entire Rule is eliminated as policies rated on a composite rating basis are not cedeable to CAR.

Manual of Administrative Procedures

Chapter V – Premium

Section A.5.d. is updated to reflect the coverage restriction for policies written on the Business Auto Coverage Form to vehicles specifically described in the policy declarations. Section A.5.e. is updated to eliminate policies rated on gross receipts, mileage and composite rated basis as acceptable miscellaneous coverage. Sections A.6. and A.7. are updated as necessary to clarify existing language.

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Policies of an Eligible Risk as defined in Rule 2 and written by a Servicing Carrier shall, upon request, provide coverage for commercial classifications as defined in CAR's Commercial Automobile Insurance Manual as follows:

**A. Garage Insurance Coverage**

1. Garage coverage may be written by Servicing Carriers with Bodily Injury Liability and Uninsured and Underinsured Motorists limits not to exceed \$1,000,000 per person, \$1,000,000 per accident. Property Damage Liability limits may not exceed \$500,000 for any one accident;
2. Coverage for Other Than Covered Auto Exposure, provided that this coverage is eligible for cession only when written in conjunction with statutory coverages. Endorsement CA 25 36 must be attached to the policy;
3. Automobile Dealers Physical Damage Supplement as defined in the Garage Liability Policy up to a limit not to exceed \$1,000,000 per named location;
4. Garagekeepers' Legal Liability coverage as defined within the endorsement on a legal liability or direct primary basis up to a limit not to exceed \$1,000,000; and
5. Drive-Away-Collision coverage as defined within the endorsement to the Garage Liability Policy.

**B. Taxicab Coverage**

Taxicab coverage may be written by Servicing Carriers with Bodily Injury Liability and Uninsured and Underinsured Motorists limits not to exceed \$250,000 per person, \$500,000 per accident. Property Damage Liability limits may not exceed \$50,000 for any one accident. Medical Payments limits may not exceed \$5,000 for any one accident.

**C. All Other Commercial Motor Vehicle Insurance Coverage**

1. Liability

Coverage for policies written on the Business Auto Coverage Form is restricted to only those vehicles specifically described in the policy declarations, or as otherwise allowed in Section C.1.h.

- a. Bodily Injury Liability: Total policy limits of \$1,000,000 each person, \$1,000,000 each accident;
- b. Personal Injury Protection: \$8,000 per person, per accident;
- c. Property Damage Liability: Total policy limits of \$500,000 each accident;
- d. Medical Payments: \$25,000 each person;
- e. Uninsured Motorists: \$500,000 each person, \$500,000 each accident for bodily injury;
- f. Underinsured Motorists: \$500,000 each person, \$500,000 each accident for bodily injury;
- g. Combined Single Limit for Bodily Injury and Property Damage Liability: \$1,000,000 each accident;
- h. Non-Ownership and Hired Car, liability coverage only, may be written by a Servicing Carrier either as a separate policy or in conjunction with a statutory Massachusetts Motor Vehicle Insurance Policy.
- i. Coverages requested by the applicant which are required by any state or federal regulation or financial responsibility law as specified in the definition of Eligible Risk contained in Rule 2.

2. Physical Damage

Physical damage coverage may only be written for an Eligible Risk in conjunction with liability coverage for the same vehicle.

- a. Physical Damage Insurance shall mean: 1) collision coverage or limited collision coverage, 2) fire, theft and combined additional

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coverage, or 3) comprehensive coverage, as defined in the Massachusetts Motor Vehicle Insurance policy. The Servicing Carrier may refuse to issue collision, fire, theft or comprehensive coverage under the following circumstances:

- (1) Comprehensive, fire and theft or collision coverage on a vehicle customarily driven by or owned by an individual convicted within the most recent five-year period of any category of vehicular homicide, auto insurance related fraud or motor vehicle theft;
- (2) Comprehensive, fire and theft or collision coverage on a vehicle customarily driven by or owned by an individual who has, within the most recent five-year period, made an intentional and material misrepresentation in making a claim under such coverages;
- (3) Collision coverage on a vehicle customarily driven by or owned by an individual who has been involved in four or more accidents in which such person has been deemed to be at fault in excess of 50% within the three years immediately preceding the effective date of the policy;
- (4) Comprehensive or fire and theft coverage on a vehicle customarily driven by or owned by an individual who has had two or more total theft or fire claims within the three years immediately preceding the effective date of the policy;
- (5) Comprehensive, fire and theft or collision coverage on a vehicle customarily driven, or owned by an individual convicted one time within the most recent three-year period of any category of driving while under the influence of alcohol or drugs;
- (6) Comprehensive, fire and theft or collision coverage on any motor vehicle for which a salvage title has been issued by the Registrar of Motor Vehicles unless a new certificate of title has been issued pursuant to G.L. c. 90D, § 20D;
- (7) Comprehensive, fire and theft or collision coverage on a high-theft vehicle which does not have at least a minimum anti-theft or auto recovery device as prescribed by the Commissioner of Insurance. The Commissioner may designate as a high-theft

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vehicle any vehicle, classified according to make, model and year of manufacturer, which has both above-average incidence of theft and above-average original sales price, and may prescribe appropriate anti-theft or auto recovery devices for such vehicles;

- b. A Servicing Carrier may waive the deductible amount applicable to a payment under comprehensive coverage for glass damage and be reimbursed when the insured has elected to repair rather than replace damaged glass when permitted by law and where satisfactory proof of the repair has been presented to the Servicing Carrier;
- c. Towing and Labor: \$100.00 per disablement;
- d. Substitute Transportation: \$100.00 per day, 30-day maximum.
- e. Physical Damage coverage for damage to trailers under a trailer interchange contract may be written by a Servicing Carrier only when written in conjunction with motor vehicle liability coverage.
- f. Physical Damage coverage on repossessed motor vehicles shall not be written by a Servicing Carrier.

The term "accident" as used in this Rule shall mean "occurrence" when the coverage is written on such basis.



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**RULE 3. POLICIES AND COVERAGES**

A. Compulsory Automobile Insurance Law

All automobiles registered in Massachusetts are subject to the Compulsory Automobile Insurance Law except those owned by:

1. the Federal Government or the Commonwealth of Massachusetts or any political subdivision thereof (state, city or town);
2. a person, firm or corporation for the operation of which security is required to be furnished the Department of Public Utilities (DPU);
  - a. automobiles owned, leased or rented by a public utility.
  - b. buses, excluding school buses under exclusive contract to a city or town.
3. a street railway company under public control.

Risks subject to the compulsory law are required to be insured under the approved coverage form. The appropriate Massachusetts forms must be used with the Business Auto Coverage Form and Massachusetts Mandatory Endorsement MM 99 11 must be issued when insuring risks subject to the Compulsory Automobile Insurance Law. Refer to Chapter III\_V – Premium of CAR’s Manual of Administrative Procedures for a complete listing of cedable policy forms and endorsements.

Coverage for policies written on the Business Auto Coverage Form is restricted to vehicles specifically described and designated with Covered Auto Designation Symbols 7, 8, or 9 only.

Risks not subject to the compulsory law must be endorsed to afford Personal Injury Protection and Personal Injury Protection Coverage Endorsement MM 99 35 must be issued.

B. Compulsory Coverages

The compulsory coverages that must be afforded to risks subject to the Massachusetts Compulsory Automobile Insurance Law are:

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If a higher deductible is desired for either comprehensive or collision, refer to the Long Distance Physical Damage premium development page in the Rate Section.

Apply the physical damage factor for the zone combination from the Zone Rating Table and the primary rating factor determined in accordance with Rule 53.B. – Premium Development – Specified Car Basis – Other than Zone Rated Automobiles to the base premiums obtained from the Long Distance Physical Damage Base Premiums Table to compute the final premium.

<u>Coverage</u>	<u>Rate Pages to be Used</u>					
Collision	Long Distance Physical Damage Base Premiums	X	Collision Factor (from Zone Rating Table)	X	Primary Rating Factor* (from Rule 53.B.)	= Premium
Comprehensive			Comprehensive Factor (from Zone Rating Table)			

\* Secondary rating factors do not apply, however, report secondary statistical codes from the Secondary Classification table in the Rate Section.

**RULE 55. PREMIUM DEVELOPMENT OPTIONS FOR TRUCKERS**

Rate automobiles transporting exclusively for one concern on the same basis as though owned by such concern for both territory and classification.

**A. Specified Car Basis**

Truckers may be written on a specified car basis with premiums calculated according to Rule 53 – Premium Development – Specified Car Basis – Other than Zone Rated Automobiles or Rule 54 – Premium Development – Zone Rated Automobiles.

In addition to rating on a specified car basis, a trucker may also be rated on the following bases provided it meets the coverage and risk criteria.

**B. Cost of Hire Basis (Class Code 66130, Minimum Premium Class Code 66190)**

A trucking risk may be written on the cost of hire basis to cover its liability because of a contract involving the hire of trucks, tractors and trailers. Coverage written on a cost of hire basis is subject to audit.

1. Determine the total cost of hiring the automobiles. If automobiles are hired without operators, include the wages of the operators of such automobiles subject to an average weekly maximum of \$100 per operator.

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2. Determine the average specified car rate by:
  - (1) Computing the premium for all automobiles, including trailers or semitrailers owned and leased by the insured that are used in trucking operations according to Rule 53 – Premium Development – Specified Car Basis – Other than Zone Rated Automobiles or Rule 54 – Premium Development – Zone Rated Automobiles.
  - (2) Dividing this by the number of trucks and truck-tractors owned and leased by the insured.
3. The cost of hire rate is determined by multiplying the average specified car rate by .0033.
4. Compute the advance premium by multiplying each \$100 of the total amount estimated for the cost of hire during the policy period by the cost of hire rate.
5. Compute the earned premium at the rates in force at the inception of the policy, in the same manner as the advance premium.
6. If the Servicing Carrier which insures the owned automobiles of the risk also insures the hired automobiles of the risk, the minimum premium shall be \$17 for \$20,000 per person, \$40,000 per accident bodily injury and \$4 for \$5,000 property damage. Otherwise the minimum premium shall be the average applicable specified car rate.

~~C. Gross Receipts Basis~~

~~A trucking risk may be written on a gross receipts rating basis at the option of the Servicing Carrier. Coverage written on a gross receipts rating basis is subject to audit.~~

~~The policy must cover the insured for all the owned and non-owned trucks, tractors and trailers used in the insured's trucking operations. The policy may also cover either private passenger automobiles or employers non-ownership liability or both.~~

~~For gross receipts rating the following procedures apply:~~

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~~1. Eligibility~~

~~Local truckers may be written on the gross receipts rating basis if:~~

- ~~a. the risk has been in business for at least 15 months immediately preceding the effective date of the policy, and~~
- ~~b. the risk is comprised of 10 or more trucks, tractors or trailers used for local trucking.~~

~~Intermediate or long distance truckers or combined local, intermediate and long distance truckers may be written on the gross receipts rating basis if:~~

- ~~a. the risk has been in business for at least 15 months immediately preceding the effective date of the policy, and~~
- ~~b. the risk is comprised of five or more trucks or tractors used for intermediate or long distance trucking or 10 or more trucks, tractors or trailers.~~
- ~~c. A risk which principally operates trip leased equipment must be submitted to the Servicing Carrier for determination of eligibility for gross receipts rating.~~
- ~~d. A risk which otherwise qualifies but which has been in business less than 15 months may be submitted to the Servicing Carrier to determine its eligibility for gross receipts rating.~~

~~2. Gross Receipts Definition~~

~~Gross receipts means the total amount earned by the insured for shipping or transporting property. The following definition applies whether the shipment originates with the insured or some other carrier. Gross receipts includes:~~

- ~~a. the total amount received from the rental of equipment, with or without drivers, to any person or organization not engaged in the business of transporting property for hire by automobile, and~~
- ~~b. 15% of the total amount received from the rental of equipment, with or without drivers, to any person or organization engaged in the business of transporting property for hire by automobile.~~

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~~Gross receipts do not include:~~

- ~~a. Amounts paid to air, sea or land carriers operating under their own permits.~~
- ~~b. Taxes collected as a separate item and paid directly to the government.~~
- ~~c. C.O.D. collections for cost of merchandise including collection fees.~~
- ~~d. Warehouse storage charges.~~
- ~~e. Advertising revenue.~~

~~3. Estimated Annual Premium Development~~

~~The use of this rating procedure should result in the development of a premium charge which does not deviate from a specified car premium determination.~~

- ~~a. The principal garaging location of the risk shall be the headquarters address given to the Interstate Commerce Commission or any state administrative authority as the principal business address of the risk. This location shall be used in all specified car premium calculations that govern the rating of all operations regardless of location.~~
- ~~b. Develop an estimated annual premium by averaging the specified car premium for the equipment owned and term-leased 12 months prior to the effective date of the policy and the corresponding premium 3 months prior to the effective date of the policy. Include the total premium for private passenger automobiles or employers non-ownership liability coverage, or both, if the policy provides such coverage.~~
- ~~c. Compute a gross receipts percentage by dividing the estimated premium by the gross receipts developed during the 12 month period ending 3 months prior to the effective date of the policy.~~
- ~~d. Convert the gross receipts percentage into a rate per \$100 of gross receipts.~~
- ~~e. The estimated annual premium (advance premium) is equal to the rate per \$100 of gross receipts multiplied by the estimated~~

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~~total gross receipts for the prospective policy period for all revenue producing automobiles including those trip leased.~~

~~f. Compute the premium for the trucks, tractors and trailers that are rented to any person or organization engaged in the business of transporting property for hire under long term contracts at .15 of the rates that otherwise apply during the period of rental provided the automobiles are identified and so designated.~~

~~4. Final Earned Premium Computation~~

~~Compute the final earned premium by multiplying the rate per \$100 of gross receipts by the audited total gross receipts, whether or not collected, developed during the policy period.~~

~~5. Minimum Premium Computation~~

~~The minimum premium is .20 of the estimated annual premium, but not less than the average specified car premium multiplied by 3. Express the minimum premium in the policy as a fixed dollar amount. The annual minimum premium is not subject to adjustment upon expiration of the policy.~~

~~6. Medical Payments Premium~~

~~If the policy provides \$5,000 Medical Payments, compute the premium by multiplying premiums shown on the Trucks, Tractors and Trailers liability rate pages in the Rate Section for compulsory (A-1) and optional BI (B) at limits of \$20,000 per person, \$40,000 per accident bodily injury or the minimum premium by .085.~~

DC. Bobtail Operations (Class Code 74890)

Liability and no-fault coverages may be limited to non-trucking use when the automobiles are not rented, nor used for business purposes to carry property or to haul someone else's trailers.

1. Liability, Personal Injury and Property Damage Coverages

Use the size class determined according to Rule 52 – Trucks, Tractors and Trailers Classifications and the applicable rating territory to determine the non-fleet rate for the desired coverage level from the Trucks, Tractors and Trailers liability rate pages in the Rate Section. Multiply these rates by the indicated factor to compute the final premium.

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For comprehensive coverage, use the original cost new and age to determine the \$300 or \$500 base premium from the Long Distance Physical Damage table in the Rate Section.

If a higher deductible is desired for either comprehensive or collision, refer to the Long Distance Physical Damage premium development page in the Rate Section.

Apply the physical damage factor for the zone combination from the Zone Rating Table and the primary rating factor determined in accordance with Section A. of this Rule to the base premiums obtained from the Long Distance Physical Damage Base Premiums Table to compute the final premium.

<u>Coverage</u>	<u>Rate Pages to be Used</u>					
Collision	Long Distance Physical Damage Base Premiums	X	Collision Factor (from Zone Rating Table)	X	Primary Rating Factor* (from Rule 72.B.)	= Premium
Comprehensive			Comprehensive Factor (from Zone Rating Table)			

\*Secondary rating factors do not apply, however, report secondary statistical codes from the Secondary Classification Codes and Rating Factors table in the Rate Section.

**RULE 75. ~~GROSS RECEIPTS OR MILEAGE BASIS RESERVED FOR FUTURE USE~~**

~~A public transportation risk may be written on a gross receipts basis at the option of the Servicing Carrier. The use of these rating procedures should result in a premium charge which does not deviate from a specified car premium determination. Coverage written on a gross receipts or mileage basis is subject to audit.~~

~~The policy must cover the insured for all the owned and non-owned public automobiles, private passenger automobiles, and trucks, tractors or trailers used in the insured's public transportation operations. The policy must also cover the insured's employers non-ownership liability. The following procedures apply:~~

~~A. Eligibility~~

~~1. The following public automobile classifications are not eligible for rating on a gross receipts or mileage basis:~~

~~a. School buses owned by political subdivisions or school districts. (refer to Rule 72.B.1.d.(1))~~

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~~b. Van pools. (refer to Rule 72.B.1.g.)~~

~~c. Transportation of employees — other than van pools. (refer to Rule 72.B.1.h.)~~

~~d. Bus not otherwise classified. (refer to Rule 72.B.1.f.(8))~~

~~2. Other public automobiles may be written on the gross receipts or mileage basis if:~~

~~a. the risk has been in business for at least 15 months immediately preceding the effective date of the policy; and~~

~~b. the risk is comprised of 3 or more public automobiles.~~

~~3. A risk which otherwise qualifies but which has been in business less than 15 months may be submitted to the company to determine its eligibility.~~

~~B. Definitions~~

~~1. Gross receipts means the total amount earned by the insured for transporting passengers, mail and merchandise.~~

~~2. Gross receipts do not include:~~

~~a. Amounts paid to air, sea or land carriers operating under their own permits.~~

~~b. Taxes collected as a separate item and paid directly to the government.~~

~~c. C.O.D. collections for cost of mail or merchandise including collection fees.~~

~~d. Advertising revenue.~~

~~3. Mileage means the total live and dead mileage of all revenue producing automobiles during the policy period.~~

~~C. Rate and Premium Development~~

~~1. The principal garaging location of the risk shall be the headquarters address given to the Interstate Commerce Commission or any state~~



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~~administrative authority as the principal business address of the risk. This location shall govern the rating of all operations associated with the risk.~~

~~2. Develop an estimated premium by averaging the specified car premium for the automobiles owned and term leased which are used in the insured's public transportation operations 12 months prior to the effective date of the policy and the corresponding premium 3 months prior to the effective date of the policy. Include the total premium for Employers Non-Ownership Liability Coverage.~~

~~3. Compute a gross receipts percentage by dividing the estimated premium by the gross receipts or mileage developed during the 12 months period ending 3 months prior to the effective date of the policy.~~

~~4. Convert the gross receipts percentage into a rate per \$100 of gross receipts or per mile of operation.~~

~~5. Compute the estimated annual premium (advance premium) by multiplying the rate per \$100 of gross receipt or per mile of operation by the estimated total gross receipts or mileage for the prospective policy period for all revenue producing automobiles including those term leased.~~

~~6. Compute the final earned premium by multiplying the rate per \$100 of gross receipt or per mileage of operation by the audited total gross receipts, whether or not collected or the audited total mileage live and dead developed during the policy period.~~

~~D. Minimum Premium Development~~

~~—The minimum premium is .20 of the estimated annual premium, but not less than the average specified car premium multiplied by 3. Express the minimum premium in the policy as a fixed dollar amount. The annual minimum premium is not subject to adjustment upon the expiration of the policy.~~

~~E. Medical Payments Premium~~

~~If the policy provides \$5,000 medical payments, compute the premium by multiplying the premiums shown on the rate pages for compulsory and optional bodily injury limits of \$20,000 per person, \$40,000 per accident by .085.~~

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- d. Vehicles maintained primarily to provide mobility to permanently mounted:
  - (1) Power cranes, shovels, loaders, diggers or drills; or
  - (2) Road construction or resurfacing equipment such as graders, scrapers or rollers;
- e. Vehicles not described in Section A.2. of this Rule that are not self-propelled and are maintained primarily to provide mobility to permanently attached equipment of the following types:
  - (1) Air compressors, pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting and well servicing equipment; or
  - (2) Cherry pickers and similar devices used to raise or lower workers;
- f. Vehicles not described in Sections A.1. or A.2. of this Rule, maintained primarily for purposes other than the transportation of persons or cargo.

**B. Farm Equipment (Class Code 79070)**

**Eligibility**

This rule applies to farm tractors, harvesting combines, power driven lawn mowers and other self-propelled farm equipment used for farming purposes.

Liability insurance for self-propelled farm equipment includes coverage for trailers, semitrailers, farm wagons and other farm implements while attached to the equipment. Coverage shall not extend to the operations of farm machinery or to a home, office, store of passenger trailer.

**RULE 126. ~~COMPOSITE RATING RESERVED FOR FUTURE USE~~**

~~Composite rating is a procedure which may be used at the option of the Servicing Carrier to determine all or some of the coverage premiums for a policy. Policies that are priced using composite rating may be ceded to CAR only if they meet the eligibility criteria described below.~~

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~~The use of this rating procedure should result in the development of an estimated annual premium charge which does not deviate from a specified car premium determination.~~

~~A. Liability~~

~~1. Eligibility Requirements for Composite Rating~~

~~a. The exposures to be rated on a composite basis must produce a premium of at least \$25,000 at minimum limits for the exposure defined in Section A.2.a. of this Rule. Minimum limits is defined as the sum of coverages A-1 and B at \$20,000 per person, \$40,000 per accident Bodily Injury and \$5,000 Property Damage.~~

~~However, if a risk does not satisfy this eligibility requirement, it may still be composite rated if a minimum premium of \$25,000 applies to the coverages that are rated on a composite basis.~~

~~b. The liability coverage that is composite rated in an automobile policy can be ceded to CAR only if it covers the owned, non-owned, or hired automobiles of the insured.~~

~~2. Computation of Composite Rate~~

~~The composite rate shall be developed as follows:~~

~~a. An initial survey of the risk's exposures to be composite rated will be made, and a final audit performed to determine the actual exposures of the risk as of the policy expiration date.~~

~~b. Determine the exposures on a regular underwriting basis that will be rated on a composite basis, for a period of 12 consecutive months beginning not earlier than 24 months nor later than 12 months prior to the date on which the composite rate is to be effective. If these exposures cannot be determined accurately for any portion of the insurance to be rated, they shall be estimated from the use of such credible information as is available.~~

~~This exposure may be adjusted to recognize known changes in the risk's basic operations, other than exposure changes resulting from variations in price or wage levels.~~

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~~e. For the exposures referred to in Section A.2.b. of this Rule, determine the classification and rating territory from the appropriate Section of this Manual and calculate the applicable manual rates and minimum premiums at minimum limits (\$20,000 per person, \$40,000 per accident bodily injury and \$5,000 property damage) and the experience rating modification developed under CAR's Experience Rating Plan in effect as of the date on which the composite rate is to be effective.~~

~~d. Compute the composite rate as follows:~~

~~(1) Calculate the increased limits premium for the exposures in Section A.2.b. subject to any applicable minimum premiums, multiplied by any applicable experience rating modifications indicated in Section A.2.c. of this Rule.~~

~~If more than one Increased Limits Table applies to the liability exposures in Section A.2.b. of this Rule, the premiums shall be subtotaled according to each underlying Increased Limits Table. Refer to Section A.3. of this Rule.~~

~~(2) Divide the total of the premiums determined in Section A.2.d.(1) by the total exposure in A.2.b. of this Rule. The result is the composite rate for the risk.~~

~~3. Increased Limits~~

~~Where limits of liability in excess of the minimum limits reflected in the rate computation are to be afforded, the company shall apply the appropriate increased limits table factor to the minimum limits composite rate (or rates) for liability insurance developed under Section A.2.d. of this Rule.~~

~~B. Physical Damage~~

~~1. Eligibility Requirements for Composite Rating~~

~~a. The composite rate must apply to a minimum of 50 automobiles (including trailers and semitrailers) which are under one ownership, or the total exposures to be rated on a composite rate basis must produce at least \$10,000 in annual manual physical damage premiums.~~

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~~b. The physical damage coverage that is composite rated in an automobile policy can be ceded to CAR only if it covers the owned automobiles of the insured.~~

~~2. Computation of Composite Rate~~

~~Each initial or revised composite rate shall be developed as follows:~~

~~(a) Determine the exposures on the regular underwriting basis for the coverages to be insured on a composite rate basis, for a period of 12 consecutive months beginning not earlier than 24 months nor later than 12 months prior to the date on which the composite rate is to be effective. If these exposures cannot be determined accurately for any portion of the insurance to be rated, they shall be estimated from the use of such credible information as is available.~~

~~(b) For the exposures referred to in Section B.2.(a) of this Rule, determine the classification, rating territory, original cost new and the age of the automobile from the appropriate Sections of the Manual and calculate the applicable manual rates, minimum premiums and the experience rating modification developed under CAR's Experience Rating Plan in effect as of the date on which the composite rate is to be effective.~~

~~(c) Compute the composite rate as follows:~~

~~Divide the total of the premiums obtained in Section B.2.(b) by the exposure in B.2.(a) of this Rule. The result is the composite rate for the risk.~~

~~C. Additional Provisions~~

~~1. Experience Rating~~

~~The prescribed procedures of applicable experience rating plans shall apply to risks rated in accordance with this rule.~~

~~2. Revisions of Composite Rates~~

~~The composite rates shall be revised annually to reflect any revisions of manual rates or rating modification. Such re-ratings shall be based on the data contained in the latest available survey.~~

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~~A complete re-survey of exposures and revision of the composite rates is required annually or at any time at the request of the carrier or the insured, to reflect the effect of significant exposure changes.~~

~~3. New Coverage During A Policy Year~~

~~A composite rate may be adjusted to include coverage added after the effective date of the policy. Such adjustments may be made at the time of the addition or at the next rating anniversary date. If such composite rate adjustment is not made at the time of the addition, the regular manual rating procedures and applicable experience modification shall apply to such additional coverage during the period between the inception of additional coverage and the date of the adjustment of the composite rate to include such exposures.~~

~~4. Administration of Plan~~

~~The determination of composite rates shall be administered in the same way that the Experience Rating Plan is administered.~~

~~5. Earned Premium Determination~~

~~Upon policy expiration, the earned premium of a composite rated risk shall be determined by multiplying the audited exposure by the composite rate, subject to any applicable premium discounts.~~

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**A. Rating a Ceded Policy**

1. General

A Servicing Carrier shall rate all policies ceded to Commonwealth Automobile Reinsurers (CAR) in accordance with the Commercial Automobile Insurance Manual which is available on CAR's website under the Manuals tab.

A Servicing Carrier shall charge the policyholder a premium for the policy based on the coverage and limits provided at the rates filed by or on behalf of CAR and approved by the Commissioner of Insurance. Refer to the Rate Section of the Commercial Automobile Insurance Manual.

2. Experience Rating

A Servicing Carrier must adjust the premium for each ceded risk that is eligible for experience rating, in accordance with the requirements set forth in the Massachusetts Commercial Automobile Experience Rating Plan. The Massachusetts Commercial Automobile Experience Rating Plan Manual is available on CAR's website under the Manuals tab.

For additional information relative to experience rating reporting requirements, available informational reports and applicable non-compliance penalties, refer to Section D. of this Chapter.

3. Verification of Proper Rating

a. Commercial Rate Edit

CAR edits ceded commercial premium data for the latest two policy effective years to assure that it has been rated properly. The Commercial Rate Edit is run on a weekly basis after ceded commercial premium data is loaded to CAR's Accounting System. CAR's weekly processing schedule is available on CAR's website under the Schedules tab.

Using the statistically reported rating components, the rate edit system calculates the expected premium. The calculated premium is compared to the premium reported on the statistical record and any discrepancies are identified. Records with more than a 10% discrepancy are considered to be in error and are required to be corrected. Note that it is possible that the error may be attributed to incorrectly reported statistical information rather than a calculation discrepancy. Corrections may only be made by submitting offset and re-enter adjustment records in a subsequent monthly accounting/statistical submission. For additional information relative to offset and re-enter procedures, refer to the Massachusetts Commercial Automobile Statistical Plan and CAR's Policy Edit package which are available on CAR's website under the Manuals tab.

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Servicing Carriers are responsible for assuring that the cumulative percentage of rate errors for each line of business and policy effective year remains below an established rate edit tolerance level, with an established minimum volume of records in error. Once the company exceeds the tolerance and minimum volume levels, the company is provided with six monthly accounting/statistical shipments to reduce its cumulative error percentage to below the established tolerance level. Specific details relative to the established tolerance level is available in Section A. of Part VII – Statistical Data Quality Program of the Massachusetts Commercial Automobile Statistical Plan.

A Servicing Carrier that does not reduce its rate edit error percentage to below the established tolerance level by the six month deadline will be assessed a penalty. For each subsequent month that the Servicing Carrier's rate edit error percentage remains over the tolerance level, an additional penalty will be assessed. Specific details relative to the established penalty amounts and assessment procedures is available in Section B. of Part VII – Statistical Data Quality Program of the Massachusetts Commercial Automobile Statistical Plan.

Additional information relative to available rate edit error and penalty reports is available on CAR's website under the Reports tab.

b. Ceded Commercial Audit

On a biennial basis, CAR performs premium audits for a sample of a Servicing Carrier's ceded commercial policies. For the policies audited, the Servicing Carrier is required to provide CAR with supporting information needed to rate the policy. CAR will rate the policy using the applicable commercial rates and Experience Rating Plan, to verify that the premium statistically reported by the Servicing Carrier has been properly rated. All premium discrepancies identified must be corrected by submitting offset/re-enter adjustment records in a subsequent monthly accounting/statistical shipment within two accounting months from the distribution date of the final audit report.

For additional information relative to CAR's commercial audit, refer to Chapter IX – Compliance Audit of this Manual. For additional information relative to the submission of offset/re-enter records, refer to CAR's Policy Edit Package and the Massachusetts Commercial Automobile Statistical Plan which are available on CAR's website under the Manuals tab.



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4. Required Limits and Coverages for Ceded Risks

G.L. c. 175, § 113H requires that a Servicing Carrier must make at least the following coverages and limits of liability available to commercial risks ceded to CAR:

a. Liability Coverages

Bodily Injury – \$250,000/\$500,000  
Medical Payments – \$5,000  
Uninsured Motorist Coverage – \$250,000/\$500,000  
Underinsured Motorist Coverage – \$250,000/\$500,000  
Property Damage – \$50,000  
Personal Injury Protection – \$8,000 per person, per accident

b. Physical Damage Coverages

Collision – \$500 Deductible  
Limited Collision – \$500 Deductible  
Comprehensive – \$500 Deductible  
Fire and Theft – \$500 Deductible  
Comprehensive or Fire and Theft – \$100 Glass Deductible

5. Additional Limits and Coverages

In addition to the cedeable coverages and limits required by G.L. c. 175, § 113H, Rule 6 – Coverages of CAR’s Rules of Operation also requires a Servicing Carrier, upon request of the insured, to write increased limits and provide miscellaneous coverages for policies of an Eligible Risk as defined in Rule 2 – Definitions of CAR’s Rules of Operation and issued for classifications as defined in the Commercial Automobile Insurance Manual as follows:

a. Garages

Liability Coverages

Bodily Injury – \$1,000,000/\$1,000,000  
Medical Payments – \$5,000  
Uninsured Motorist Coverage – \$500,000/\$500,000  
Underinsured Motorist Coverage – \$500,000/\$500,000  
Property Damage – \$500,000  
Combined Single Limit – \$1,000,000

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Physical Damage Coverages

Collision – \$300 Deductible  
Limited Collision  
Fire, Theft and Combined Additional Coverage – \$300 Deductible  
Automobile Dealer's Physical Damage Supplement –  
\$1,000,000 per named location  
Garagekeepers' Legal Liability – \$1,000,000  
Direct Primary Garagekeepers' Liability – \$1,000,000  
Drive-Away-Collision

b. Taxicabs

Liability Coverages

Bodily Injury – \$250,000/\$500,000  
Medical Payments – \$5,000  
Uninsured Motorist Coverage – \$250,000/\$500,000  
Underinsured Motorist Coverage – \$250,000/\$500,000  
Property Damage – \$50,000

Physical Damage Coverages

Collision – \$500 Deductible  
Limited Collision  
Comprehensive – \$500 Deductible  
Fire and Theft – \$500 Deductible

c. Limousines and Car Service

Liability Coverages

Bodily Injury – \$1,000,000/\$1,000,000  
Medical Payments – \$5,000  
Uninsured Motorist Coverage – \$500,000/\$500,000  
Underinsured Motorist Coverage – \$500,000/\$500,000  
Property Damage – \$500,000  
Combined Single Limit – \$1,000,000

Physical Damage Coverages

Collision – \$300 Deductible  
Limited Collision  
Comprehensive – \$300 Deductible  
Fire and Theft – \$300 Deductible

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d. All Other Commercial Classes (Including Private Passenger Types)

Liability Coverages

Coverage for policies written on the Business Auto Coverage Form is restricted to only those vehicles specifically described on the policy declarations.

Bodily Injury – \$1,000,000/\$1,000,000  
Medical Payments – \$5,000 (for Buses), \$10,000 (for Trucks, Tractors and Trailers and Van Pools) and \$25,000 (for Private Passenger Types)  
Uninsured Motorist Coverage – \$500,000/\$500,000  
Underinsured Motorist Coverage – \$500,000/\$500,000  
Property Damage – \$500,000  
Combined Single Limit – \$1,000,000

Physical Damage Coverages

Collision – \$300 Deductible  
Limited Collision  
Comprehensive – \$300 Deductible  
Fire, Theft and Combined Additional Coverage – \$300 Deductible  
Towing and Labor – \$100 per Disablement (Private Passenger Types Only)  
Rental Reimbursement

e. Miscellaneous Coverages and Limits

~~Policies Rated on a Gross Receipts or Composite Rate Basis~~

Non-Ownership Liability and Hired Automobiles, liability coverage only, either as a separate policy or in conjunction with a statutory Massachusetts Motor Vehicle Insurance policy

Physical Damage coverage for damage to trailers under a trailer interchange contract but only when written in conjunction with motor vehicle liability coverage

Stated Amount or Agreed Value Physical Damage coverages

All coverages and limits required by any financial responsibility law or State or Federal regulation as specified in the definition of Eligible Risk which is contained in Rule 2 – Definitions of CAR's Rules of Operation.

6. Non-Cedeable Limits and Coverages

For policies written with limits or coverages which exceed the cedeable limits or coverages specified in Rule 6 – Coverages of CAR's Rules of Operation or

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~~Sections A.4. and A.5. of this Chapter, prohibits Servicing Carriers from ceding certain limits and coverages. Refer to Rule 6 for a description of the non-cedeable limits and coverages. Refer to the reporting instructions specified in Section B.2. of this Chapter. for instructions on reporting non-cedeable coverages to CAR.~~

Non-cedeable coverages may also include but are not limited to the following:

Physical Damage only policies

Physical Damage on Repossessed Automobiles

Physical Damage on Non-Ownership or Hired Automobiles policy

~~Coverages and liability limits in excess of those stated in Sections A.4. and A.5. of this Chapter~~

7. Massachusetts Commercial Automobile Policy Forms and Endorsements

In addition to the cedeable coverage and limits outlined in Sections A.4., A.5., and A.6., A.7. and A.8. of this Chapter, the following endorsements are also cedeable for a commercial policy:

a. Massachusetts ~~Simplified~~ Garage Insurance Policy ~~Program~~

(1) Policy Forms

Form Title	Form Number
Garage Declarations – Massachusetts	MM 00 94 10 06
Massachusetts Garage Insurance Policy	MM 00 95 10 11

(2) Garage Endorsements

Endorsement Title	Endorsement Number
Additional Insured – Municipalities	MM 25 98 09 98
Automobile Dealers – “Drive-Away” Collision or Limited Collision	CA 25 02 12 93
False Pretense Coverage	CA 25 03 03 06
Franchise Products Endorsement	MM 25 97 09 98
Garage Coverage Form – Other Than Covered Autos Exposure – Total Pollution Exclusion With a Building Heating Equipment Exception and a Hostile Fire Exception	CA 25 36 03 06
Garage Locations and Operations Medical Payments Coverage	CA 25 05 03 06
Locations and Operations Not Covered	CA 25 07 12 93
Named Driver Collision Coverage	CA 25 11 12 93
Pollution Liability – Broadened Coverage For Covered Autos	MM 25 96 10 06

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b. Massachusetts ~~Simplified~~ Commercial Automobile Insurance Policy Program

(1) Policy Forms

Form Title	Form Number
Business Auto Coverage Form	CA 00 01 03 06
Business Auto Declarations	CA DS 03 03 06
Common Policy Conditions	IL 00 17 11 98
Declarations – Massachusetts Business Auto Coverage Form	MM 00 97 10 06
Nuclear Energy Liability Exclusion Endorsement	IL 00 21 04 98
Truckers Coverage Form	CA 00 12 03 06
Truckers Declarations	CA DS 14 03 06
Truckers Declarations – Massachusetts	MM 00 96 10 06

(2) Special Types Endorsements

Endorsement Title	Endorsement Number
Additional Insured – Lessor of Leased Equipment	CA 20 47 07 97
Additional Insured – Owner of Leased Vehicle	MM 20 25 09 98
Driving Schools	CA 20 06 12 93
Emergency Vehicles – Volunteer Firefighters and Workers Injuries Excluded	CA 20 30 12 93
Farm Tractors and Farm Tractors Equipment	CA 20 08 12 93
Guest Occupants Exclusion	MM 20 06 09 98
Leasing or Rental Concerns – Contingent Coverage	CA 20 09 07 97
Leasing or Rental Concerns – Conversion, Embezzlement, or Secretion Coverage	CA 20 10 12 93
Leasing or Rental Concerns – Exclusion of Certain Leased Autos	CA 20 11 03 06
Leasing or Rental Concerns – Rent-it-There/Leave-it-Here Autos	CA 20 12 10 01
Leasing or Rental Concerns – Schedule of Limits for Owned Autos	CA 20 13 10 01
Leasing or Rental Concerns – Second Level Coverage	CA 20 14 07 97
Lessor – Additional Insured and Loss Payee - Massachusetts	MM 20 26 10 06
Mobile Equipment	MM 20 11 10 06
Mobile Home Contents Not Covered	CA 20 17 12 93
Physical Damage Coverage – Autos Held for Sale by Non-Dealers	MM 20 27 10 06

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(2) Special Types Endorsements (continued)

Endorsement Title	Endorsement Number
Professional Services Not Covered	CA 20 18 12 93
Registration Plates Not Issued for a Specific Auto	MM 20 10 01 04
Sound Receiving Equipment Coverage – Fire, Police and Emergency Vehicles	CA 20 02 12 93

(3) Truck, Tractor, Trailer Endorsements

Endorsement Title	Endorsement Number
Commercial Automobiles Equipped with Amusement Devices	MM 23 03 09 98
Coverage for Injury to Leased Workers	CA 23 25 07 97
Explosives	MM 23 04 09 98
Multi-Purpose Equipment	CA 23 03 12 93
Rolling Stores	CA 23 04 10 01
Trailer Interchange – Fire and Fire and Theft Coverage	CA 23 13 12 93
Truckers Endorsement	CA 23 20 03 06
Truckers – Excess Coverage for the Named Insured and Named Lessors for Leased Autos	CA 23 08 12 93
Truckers – Insurance for Non-Trucking Use	MM 23 07 09 98
Truckers – Uniform Intermodal Interchange Endorsement (Form UIIE-1)	CA 23 17 03 06
Truckers – Named Lessee as Insured	CA 23 12 12 93
Wrong Delivery of Liquid Products	CA 23 05 12 93

(4) Public Transportation

Endorsement Title	Endorsement Number
Public Transportation Autos	CA 24 02 12 93

(5) Common Coverages

Endorsement Title	Endorsement Number
Additional Insured	MM 99 50 09 98
Agreed Value Insurance	MM 99 66 09 98
Auto Medical Payments Coverage	MM 99 13 10 06

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(5) Common Coverages (continued)

<b>Endorsement Title</b>	<b>Endorsement Number</b>
Audio, Visual and Data Electronic Equipment Coverage	CA 99 60 03 06
Covered Auto Designation Symbol	CA 99 54 07 97
Drive Other Car Coverage – Broadened Coverage for Named Individuals	MM 99 22 09 98
Employees as Insureds	CA 99 33 02 99
Employee as Lessor	CA 99 47 07 97
Fire, Fire and Theft, Fire, Theft and Windstorm and Limited Specified Causes of Loss Coverages	MM 99 47 09 98
Garagekeepers Coverage	CA 99 37 03 06
Garagekeepers Coverage – Customers’ Sound Receiving Equipment	CA 99 59 03 06
Glass Breakage – \$100 Deductible	MM 99 51 09 98
Hired Autos Specified as Covered Autos You Own	CA 99 16 12 93
Individual Named Insured	CA 99 17 10 01
Liability Insurance – Deductible	MM 99 19 09 98
Limited Collision Coverage	MM 99 16 09 98
Loss of Use / Rental Reimbursement Coverage	MM 99 39 09 98
Loss Payable Clause – Audio, Visual and Data Electronic Equipment	CA 99 61 12 93
Massachusetts Changes	MM 99 67 09 98
Massachusetts Mandatory Endorsement	MM 99 11 10 11
Personal Injury Protection Coverage	MM 99 35 09 98
Pollution Liability – Broadened Coverage for Covered Autos	MM 99 55 10 06
Premium Adjustment and Coverage Endorsement - Massachusetts	MM 99 68 09 98
Rate Modification	MM 99 23 09 98
Restriction of PIP for Employers Subject to the Massachusetts Workers’ Compensation Act	MM 99 20 09 98
Social Service Agencies – Volunteers as Insureds	CA 99 34 12 93
Split Liability Limits - Massachusetts	MM 99 18 09 98
Stated Amount Insurance - Massachusetts	MM 99 56 09 02
Underinsured Motorists Coverage - Massachusetts	MM 99 54 09 98
Uninsured Motorists Coverage - Massachusetts	MM 99 28 09 98
Waiver of Deductible	MM 99 17 09 98

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**B. Premium Reporting**

1. General

Servicing Carriers shall statistically report premium on ceded policies in accordance with the reporting instructions contained in the Massachusetts Commercial Automobile Statistical Plan which is available on CAR's website under the Manuals tab.

2. Reporting Policies with Non-Cedeable Limits or Coverages

For policies written with limits or coverages which exceed the cedeable limits or coverages identified in Section A. of this Chapter, a separate premium record must be reported to identify the portion of the premium applicable to the excess limits or coverage. This record must be reported with classification code 800000 (Non-Cedeable Limits) and a voluntary CAR Identification code. Refer to the Decision Table of the Massachusetts Commercial Automobile Statistical Plan for additional coding requirements for this classification code. The portion of the premium applicable to the cedeable limits or coverage must be reported on another record with a ceded CAR Identification Code in accordance with the statistical reporting requirements specified in the Massachusetts Commercial Automobile Statistical Plan. The Plan is available on CAR's website under the Manuals tab.

3. Monitoring the Reporting of Premium

Each policy with an active in-force session is edited to ensure that positive policy premium has been reported. The Cession/No Premium Warning and Penalty Listings identify those policies for which either no premium exists or negative premium has been reported. The Cession/No Premium penalty program and write-off procedure assure that premium for ceded policies is reported to CAR in a timely manner. For additional information, refer to Section C of this Chapter and CAR's Policy Edit Package which is available on CAR's website under the Manuals tab.

4. Mid-Term Cession of a Policy to CAR

A policy originally written as voluntary by a Servicing Carrier may be ceded to CAR subsequent to the policy effective date. The Servicing Carrier's responsibility for loss coverage will be relinquished as of the cession receipt date. However, the premium for the entire policy term is due CAR.

5. Mid-Term Removal of a Policy from CAR

After ceding a policy to CAR, a Servicing Carrier may decide to retain the policy as voluntary business. The policy may be removed from CAR mid-term by canceling the ceded policy via Transaction Code 13 (Cancellation of Policy





NATALIE A. HUBLEY  
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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## RECORDS OF MEETING

### COMPLIANCE AND OPERATIONS COMMITTEE – JUNE 6, 2018

#### Members Present

Mr. Jerry Sleeper – Chair	Safety Insurance Company
Ms. Erin Cummings	The Norfolk & Dedham Group
Ms. Melissa Harmon <sup>(1)</sup>	MAPFRE U.S.A. Corporation
Mr. Thomas Harris	Quincy Mutual Group
Mr. Robert Littlewood	Arbella Insurance Company
Mr. Kenneth Olivieri	J.K. Olivieri Insurance Agency, Inc.
Mr. Barry Tagen	Pilgrim Insurance Company
Mr. Christopher Taylor	The Hanover Insurance Company

Substituted for:

<sup>(1)</sup>Mr. Bruce Dodge

Not in Attendance:

Ms. Kathleen Devericks, Bender Hatch Insurance Agency, Inc.

#### 18.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Compliance and Operations Committee meeting of March 28, 2018. The Records have been distributed and are on file.

#### 18.04 Informational Items

Ms. Wendy Browne informed the Committee that the proposed Private Passenger Statistical Plan changes regarding the elimination of CAR Identification Code 1 for policies effective April 1, 2018 and the proposed Commercial Statistical Plan changes regarding the clarification of wording in the Rating Identification Code table were approved by the Division of Insurance on May 21, 2018. She noted that the approved modifications were announced to the industry in Accounting and Statistical Notice No. 618.

#### 18.05 Compliance Audit Program

Mr. Mark Alves presented Hybrid Audit results for Harleysville-Worcester. Harleysville-Worcester has a Limited Assignment Distribution Agreement with Pilgrim Insurance and consequently, the audit sample included data reported by both Harleysville-Worcester and Pilgrim. Consistent audit procedures were applied to both data samples. Mr. Barry Tagen of Pilgrim recused himself from participating in this agenda item. For sampled policies, the audit scope included \$627,000 in written

premium. Associated loss dollars, including paid losses and allocated loss adjustment expenses, totaled \$430,000. The Committee unanimously accepted the audit report without further consideration.

### **18.09 Updates to the Manual of Administrative Procedures**

In early 2016, CAR initiated a project to rewrite the Manual of Administrative Procedures (MAP) to pertain exclusively to commercial business. At several meetings during the calendar year, commencing with the February 10, 2016 meeting, CAR presented the Committee with revised chapters of the MAP, updated to reflect current practices and eliminate references to private passenger business and obsolete language.

Ms. Marian Adgate presented the Committee with a further modification to Chapter VIII of the MAP to include reporting requirements for losses that exceed cedable limits or coverages. Additionally, the Chapter has been retitled as Chapter VIII – Data Reporting, Accounting Edit and Correction Procedures.

The Committee unanimously voted to recommend to the Governing Committee the updates to Chapter VIII – Data Reporting, Accounting Edit and Correction Procedures of the Manual of Administrative Procedures.

### **18.10 Claims Subcommittee**

The Claims Subcommittee met on May 22, 2018 to commence its biennial review of the Private Passenger and Commercial Claims Performance Standards. Mr. Alves informed the Committee that the Subcommittee had conceptually approved the staff recommended changes to the Standards prior to a discussion revisiting the use of medical fee databases as a medical management tool in the adjusting of PIP claims. The 2016 proposed changes provided to the Division of Insurance included a reference to the use of ‘medical fee databases’ that was ultimately removed by the Commissioner in the final Order issued May 31, 2016. The Subcommittee determined that a subsequent meeting was necessary to consider the inclusion of medical fee databases into the recommended revisions of the 2018 Claims Performance Standards.

### **18.11 Cession System Conversion**

Ms. Lynne Rosenberg presented a status report on the system development efforts related to the conversion of the mainframe Cession Correction System to an online application available through CAR’s website. Ms. Rosenberg indicated that companies will have the ability to add, delete, or edit records within the Cession Correction System directly through the web-based application. Ms. Rosenberg also noted that the changes will result in future updates to the Manual of Administrative Procedures. The online web application is expected to be implemented in early 2019.

MATTHEW HIRSH  
Compliance Auditor & Specialist

Boston, Massachusetts  
June 15, 2018

**CAR** | **Manual of Administrative Procedures**  
**Chapter VIII** | **Data Reporting, Accounting Edit and Correction Procedures**  
**Revision Date** | **DRAFT - 2018.06.06**  
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**A. Verification of Reported Data**

Commonwealth Automobile Reinsurers (CAR) edits a Servicing Carrier's ceded data on a policy level basis to verify that the Servicing Carrier has accurately reported all cession, cession correction, premium, paid loss and outstanding loss data and that proper relationships exist between the cession, premium, and loss records reported for each ceded policy.

However, a Servicing Carrier is ultimately responsible for assuring the accuracy of its own data and CAR expects that prior to reporting data submissions to CAR, the Servicing Carrier will perform edits within its own systems to assure the validity and completeness of its reported data submissions.

1. Cession Edits

Cession and cession correction records are edited for fatal and non-fatal errors as described in Sections E., F. and G. of Chapter IV – Cession Rules and Procedures of this Manual.

2. Statistical Edits and Data Reporting Requirements

Premium, paid loss and outstanding loss submissions are edited for statistical errors and other data reporting requirements. For further information, refer to the Massachusetts Commercial Automobile Statistical Plan and CAR's Statistical Edit Package, which are both available on CAR's website under the Manuals tab.

3. Reporting Losses Which Exceed Cedeable Limits or Coverages

For a loss that exceeds the cedeable limits or coverages identified in Chapter V – Premium of this Manual, two separate statistical loss records must be reported. The portion of the loss within the cedeable limits or coverages must be reported on one record with a ceded CAR Identification Code, and in accordance with the statistical reporting requirements specified in the Commercial Statistical Plan. The portion of the loss amount in excess of the limit or coverage must be reported on another record using classification code 800000 (Non-Cedeable Limits) and a voluntary CAR Identification Code. Refer to the Decision Table of the Massachusetts Commercial Automobile Statistical Plan for additional coding requirements for this classification code. The Plan is available on CAR's website under the Manuals tab.

Note that if a Servicing Carrier does not conform to this reporting requirement and reports losses exceeding the cedeable limits or coverages, the Servicing Carrier will be required to offset the losses and reenter the records as specified.



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PRESIDENT

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### RECORDS OF MEETING

#### ACTUARIAL COMMITTEE – JUNE 13, 2018

##### Members Present

Ms. Lynellen Ramirez – Chair	Arbella Insurance Group
Mr. Geoffrey Arnold	Plymouth Rock Assurance Corporation
Ms. Sarah Clemens	MAPFRE U.S.A. Corporation
Mr. Hall Crowder	Allstate Insurance Company
Mr. Christopher Dupill	EM Freedman Insurance Agency, Inc.
Mr. Glenn Hiltbold	Safety Insurance Company
Mr. Greg Karabinos	The Norfolk & Dedham Group
Mr. Todd Lehmann	Quincy Mutual Group
Mr. Jared Stuckey <sup>(1)</sup>	Liberty Mutual Group
Mr. Christopher Taylor <sup>(2)</sup>	The Hanover Insurance Company

Substituted for:

<sup>(1)</sup>Ms. Meredith Woodcock

<sup>(2)</sup>Mr. Adam Kreuser

Not in Attendance:

N/A

#### 17.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Actuarial Committee meeting of October 11, 2017. The Records have been distributed and are on file.

#### 18.04 Quota Share Credits for Policies Effective April 1, 2019 and Later

The Actuarial Committee began discussions relative to the April 1, 2019 Quota Share credit offer. Staff reviewed exhibits to facilitate discussion, including a historical residual market share exhibit, a take-out credit exhibit, and an informational exhibit on the estimated impact of changes to rate levels on the available quota share credit premium.

Recognizing that there has been little change in the size of the residual market, and noting the continued depopulation of several class/territory cells that have been more significantly represented in the MAIP, the Committee questioned whether a change to credit factors would be approved by the Division of Insurance (DOI). The Committee discussed prior year Decisions issued on this topic and noted that the

DOI cautioned CAR not to consider changes to credit eligibility absent a compelling reversal in the size of the residual market.

However, several members continued to voice concerns with the substantial volume of available credit premium and that freezing credit factors, while preventing the elimination of credits in certain urban areas of concern, prohibits increases and decreases to credit factors in other areas that appear to be warranted. These members believe that allowing for the increases and decreases would not result in market disruption. One member pointed out that prior Committee discussions have consistently noted the self-correcting nature of the model defined in Rule 29, and suggested that adoption of a multi-year gradual transition in cells indicated to eliminate credit eligibility would comply with the DOI directive while allowing to test the assumptions noted by Committee members favoring a change.

After discussion, the Committee agreed to study alternative approaches to allow for gradual changes to credit factors to minimize market impact while allowing a transition toward indicated credit need. The Committee directed staff to prepare several alternative models for consideration at its next meeting.

Additionally, the Committee agreed to recommend no change to take-out credits.

## AC

### **18.05 Potential Impact of Registry System Changes on Quota Share Credits**

Ms. Wendy Browne provided the Committee with the status of data quality issues related to the recent migration to the ATLAS system by the Registry of Motor Vehicles (RMV), which occurred in late March, 2018. As part of the new ATLAS system, the RMV has initially eliminated Inquiry functionality for out-of-state operators, resulting in increased error rates in the Rule 29 Credit Edit verification. It was noted that staff believes that this problem will worsen as more data is impacted. The RMV has proposed changes to its systems and is currently soliciting feedback from insurance companies. Accordingly, to negate the impact of this issue, Ms. Browne noted that data used for the March, 2018 Rule 29 Credit Edit results that ran at the end of May was not used in the recent base data update. Instead, the February, 2018 error rates were held constant for all companies and applied to credit premium through March.

After some discussion, the Committee agreed with staff's approach, and unanimously voted to direct staff to continue to hold the error rates at the February, 2018 result until a resolution is determined.

Staff will continue to evaluate the impacts of Registry system issues on company reported data, specific to MAIP Premium, Credit Premium, and the Rule 29 Credit Edit. Furthermore, staff will continue to work with the RMV and monitor any corrective action and report on the status of its review at the next meeting.

TIMOTHY GALLIGAN  
Actuarial/Statistical Services Director

Boston, Massachusetts  
June 15, 2018