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## RECORDS OF MEETING

### COMMERCIAL AUTOMOBILE RESIDUAL MARKET STANDARDS SUBCOMMITTEE – DECEMBER 11, 2017

#### Members Present

Mr. John Olivieri, Jr. – Chair  
Ms. Mayre Hammond<sup>(1)</sup>  
Mr. Coleman Johnson  
Mr. Richard Jones  
Mr. Brian Lam<sup>(2)</sup>  
Mr. Thomas Skelly, Jr.  
Ms. Wendy Stearns  
Mr. Barry Tagen

J.K. Olivieri Insurance Agency, Inc.  
Arbella Insurance Group  
The Hanover Insurance Company  
Leslie S. Ray Insurance Agency, Inc.  
Safety Insurance Company  
Deland, Gibson Insurance Associates, Inc.  
MAPFRE U.S.A. Corporation  
Pilgrim Insurance Company

Substituted for:

<sup>(1)</sup>Mr. Dennis Morris

<sup>(2)</sup>Ms. Elizabeth Brodeur

Not in Attendance:

N/A

#### 17.04 Commercial Residual Market Standards

The Commercial Automobile Residual Market Standards Subcommittee's charge is to discuss opportunities to improve commercial automobile residual market results by evaluating various topics such as establishing underwriting standards and other Servicing Carrier procedures, enhancing ERP requirements, developing an information sharing forum relative to risk management, and developing an oversight program that may include CAR compliance audits. Mr. John Olivieri indicated that both CAR staff and members of the Subcommittee have identified various scenarios that have occurred in the marketplace. He stated that in order to assure consistent handling of a risk among Servicing Carriers from an underwriting perspective, the Subcommittee should be prepared to identify those areas in the Rules of Operation and other CAR manuals that can be tightened up so as to ensure that Rule language clearly describes Servicing Carrier responsibilities, and to determine how the recommended standards will be enforced.

Mr. John Metcalfe summarized for the Subcommittee specific concerns that have been brought to CAR's attention. He stated that many of these issues have arisen from ambiguities contained in the Rules which have resulted in inconsistent handling of commercial risks among carriers, including differences in the assignment of classification code, premium town and principal place of business. He also identified several other potential issues that the Subcommittee may consider in order to develop underwriting consistency among Servicing Carriers, including how to determine whether a garage risk is a repair or dealer exposure, whether a covered auto designation of Symbol 1 should be applicable to a ceded risk, the

development of eligibility requirements for non-fleet private passenger type risks and assuring consistency in the handling of financial responsibility filings. Mr. Metcalfe indicated that the efforts of the Subcommittee may also include the development of a method of communication among the Servicing Carriers, with support from Rule or manual language, as necessary. Since information sharing among Servicing Carriers may include identification of an entity's history and access to proprietary information, Attorney Benjamin Hincks, CAR counsel, opined that with any sharing of information, privacy and anti-trust concerns will need to be addressed, and although it will be necessary to look more closely at these issues, no red flags appear to exist at this point in time.

Subcommittee members confirmed that the described inconsistencies do exist and noted other issues impacting their own companies, agreeing that a strengthening of both carrier and agency requirements is required in order to assure that business is written and handled in the same manner by all Servicing Carriers and producers. Mr. Barry Tagen identified several Public Auto issues impacting Pilgrim. These include the availability of limits in CAR versus other residual markets, the definition of Eligible Risk and Principal Place of Business, the definition of Radius Class and determination of zone rating relative to buses. Discussion took place relative to how other companies are handling this type of business and Ms. Wendy Stearns indicated that for both buses and trucks, MAPFRE has successfully used the Supreme Court's "nerve center" test in order to validate the principal place of business. This test identifies where the "nerve center" of the operation is – from where the corporate officers direct business and from where the operation's vehicles come and go. Mr. Coleman Johnson further suggested that other third party data solutions such as ISO's Verisk product and IFTA reports could possibly be used to verify garaging and radius of travel for certain types of fleets, with Subcommittee members indicating that their companies have also had success with other vendors. Adding to the Subcommittee's list of issues, Mr. Thomas Skelly expressed his concern relative to inconsistencies in Servicing Carriers composite rating a policy versus rating the policy on an individual vehicle basis. Ms. Stearns also identified additional issues for consideration, including inconsistencies in handling a policy when the business owner is not a listed driver, risks being moved from policy to policy so as to avoid payment of owed premium and a need to develop better procedures to address problematic producers.

For the next meeting, the Subcommittee requested Staff to develop a list of issues to be discussed in order that the Subcommittee may prioritize the list at its next meeting and begin to formulate recommended solutions. The members agreed that the principal place of business issue should be given highest priority. As this issue impacts more than one classification of business and is central in defining risk eligibility, the Subcommittee agreed that by tightening up its definition, other items on the list may become less problematic. Mr. Metcalfe indicated that for the next meeting, staff will provide the Subcommittee with information relative to principal place of business including potential areas for Rule language modifications incorporating the "nerve center" test, use of a supplemental application to collect information relative to principal place of business, information sharing among Servicing Carriers and identification of those Rules that either provide too much discretion or not enough direction for assuring that Servicing Carriers handle risks consistently.

MARIAN ADGATE  
Corporate Documentation Specialist

Boston, Massachusetts  
January 17, 2018

**ATTACHMENT LISTING**

Docket #CRMS17.02, Exhibit #1

Attendance Listing



