



NATALIE A. HUBLEY
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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

RECORDS OF MEETING

COMMERCIAL AUTOMOBILE RESIDUAL MARKET STANDARDS
SUBCOMMITTEE – JANUARY 23, 2018

Members Present

Mr. John Olivieri, Jr. – Chair
Mr. William Cahill⁽¹⁾
Ms. Sarah Clemens
Ms. Mayre Hammond
Mr. Michael Hussey⁽²⁾
Mr. Barry Tagen

J.K. Olivieri Insurance Agency, Inc.
The Hanover Insurance Company
MAPRE U.S.A. Corporation.
Arbella Insurance Group
Safety Insurance Company
Pilgrim Insurance Company

Substituted for:
Mr. Coleman Johnson⁽¹⁾
Mr. Brian Lam⁽²⁾

Not in Attendance:
Ms. Sheila Doherty
Mr. Thomas Skelly, Jr.

Doherty Insurance Agency, Inc.
Deland, Gibson Insurance Associates, Inc.

17.01 Records of Meeting

The Subcommittee unanimously voted to approve the Records of the Commercial Automobile residual market Standards Subcommittee meeting of December 11, 2017. The Records have been distributed and are on file.

18.04 Commercial Residual Market Issues

CAR Staff referenced the exhibit attached to the Additional Information Notice summarizing the commercial residual market issues previously identified by the Subcommittee as needing further deliberation, including: standards for determining or substantiating principal place of business, radius of operation for truck and bus classifications, rating territory for non-zone rated public classes, non-fleet private passenger types, covered automobiles, miscellaneous risk classification, policy placement of cancelled risks, producer requirements, information sharing and program oversight and auditing. The Subcommittee was requested to confirm priorities for the items on the list and formulate recommendations relative to the issues, as appropriate. At the meeting, several items were presented to and discussed by the Subcommittee.

Ms. Wendy Browne discussed the development of standards to assist Servicing Carriers in determining or substantiating a risk’s principal place of business, noting the importance of this issue in confirming a risk’s eligibility for placement in the Massachusetts commercial residual market. At the meeting of December 11, 2017, Subcommittee members noted that their efforts in using the U.S. Supreme Court’s “nerve center” test have been effective in confirming eligibility for both multi-state trucking and

bus operations. Accordingly, Staff was requested to incorporate references to the “nerve center” test in the definition of Principal Place of Business as contained in Rule 2 – Definitions of the Rules of Operation. The Subcommittee recognized that principal place of business is key to determining eligibility in the residual market in Massachusetts as well as other states. However, the Subcommittee agreed that a slight modification to the Rule 2 definition would appropriately shift focus to the place where business operations are controlled, rather than simply a location where executives occasionally meet. Accordingly, the Subcommittee unanimously voted to recommend the proposed amendments to Rule 2, with minor modifications suggested by Counsel. Ms. Browne noted that upon approval of the Rule modifications by the Division of Insurance, CAR will issue an industry Bulletin that will provide additional guidance to Servicing Carriers and producers relative to the use of the “nerve center” test to validate principal place of business. To assist Staff in preparing the Bulletin, the Servicing Carriers agreed to provide Staff with examples of documentation accepted by their companies to validate a risk’s principal place of business.

The Subcommittee then discussed the determination of radius of operation for truck and bus classifications. Mr. Timothy Galligan noted that Rules 52 and 72 of CAR’s Commercial Automobile Manual require that the radius of operation for trucks is determined using principal garaging, and for buses using the motor vehicle’s registration, and questioned whether the Rules should be more consistent. The Subcommittee clarified the rating impacts to the physical damage coverages of the different radius classes, regardless of the use of garaging or registration. In addition, the Subcommittee observed that Servicing Carrier procedures vary with respect to the application of the 80/20 rule used to determine rating territory for intermediate radius classes traveling inside and outside of Massachusetts. After discussion, the Subcommittee directed Staff to continue research relative to the use of garaging versus registration, and requested that Servicing Carriers provide Staff with their procedures used to determine rating territory, including the application of the 80/20 rule, and examples of documentation accepted to validate radius of operation. The Subcommittee agreed that enhanced standardization is needed and should be prioritized to ensure consistency among Servicing Carriers in the application of the 80/20 rule and supporting documentation. Additionally, the Subcommittee agreed to table discussion of further modifications to the Manual Rules until Staff has completed its research of other plans and its detailed analysis of zone rates.

18.05 Review of CAR Rules and Manuals

Discussion of this agenda item was postponed to the next meeting.

MARIAN ADGATE
Corporate Documentation Specialist

Boston, Massachusetts
February 1, 2018

ATTACHMENT LISTING

Docket #CRMS18.02, Exhibit #1

Attendance Listing

