



NATALIE A. HUBLEY  
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## RECORDS OF MEETING

### COMMERCIAL AUTOMOBILE RESIDUAL MARKET STANDARDS SUBCOMMITTEE – FEBRUARY 6, 2018

#### Members Present

Mr. John Olivieri, Jr. – Chair	J.K. Olivieri Insurance Agency, Inc.
Ms. Sarah Clemens	MAPRE U.S.A. Corporation.
Ms. Sheila Doherty	Doherty Insurance Agency, Inc.
Ms. Mayre Hammond	Arbella Insurance Group
Mr. Brian Lam	Safety Insurance Company
Mr. Thomas Skelly, Jr.	Deland, Gibson Insurance Associates, Inc.
Mr. Barry Tagen	Pilgrim Insurance Company
Mr. Sean Thompson <sup>(1)</sup>	The Hanover Insurance Company

Substituted for:  
Mr. Coleman Johnson<sup>(1)</sup>

Not in Attendance:  
N/A

#### 18.01 Records of Meeting

The Subcommittee unanimously voted to approve the Records of the Commercial Automobile residual market Standards Subcommittee meeting of January 23, 2018. The Records have been distributed and are on file.

#### 18.04 Commercial Residual Market Issues

At its meeting of January 23, 2018, the Subcommittee began addressing its compiled list of issues impacting the commercial residual market including: standards for determining or substantiating principal place of business, radius of operation for truck and bus classifications and rating territory for non-zone rated public classes. Ms. Wendy Browne noted that the working document had been updated to reflect the status of the Subcommittee's deliberations.

Ms. Browne noted that modifications made to the definition of Principal Place of Business in Rule 2 – Definitions as suggested by CAR Counsel and approved by the Subcommittee have been incorporated into the draft Rule and distributed with the Notice of Meeting. The Subcommittee agreed that the Rule would be presented to the Commercial Automobile Committee and recommended for adoption in order to incorporate the so-called nerve center test, which refers to the corporation's center of direction, control, and coordination, in the determination of the principal place of business.

Additionally, Ms. Browne advised that Servicing Carriers were requested to provide CAR with examples of documentation they have considered acceptable to validate a risk's principal place of business. Staff will summarize the information received for presentation to the Subcommittee in order to draft additional guidance to Servicing Carriers and producers.

Ms. Browne further stated that Staff is currently in the process of researching the definitions of radius of operation and rating territory in the residual market plans of other states. Additionally, Servicing Carriers were requested to provide Staff with examples of acceptable documentation to validate radius of operation and to describe the procedures they use to determine rating territory, including the application of the 80/20 rule. Mr. Timothy Galligan discussed the status of Staff's research to date and indicated that Staff will provide the Subcommittee with a summary of findings once the review is completed.

The Subcommittee then began discussion of alternatives to enhance consistency among Servicing Carriers in confirming eligibility of risks classified as non-fleet private passenger types. Members suggested better defining risks eligible for coverage in the private passenger market under the business use classification versus those eligible for coverage in the commercial market. Discussion also focused on possible methods used to substantiate the commercial entity such as the use of the vehicle, business cards, website, and General Liability and workers compensation policies. The Subcommittee directed staff to solicit further input from the Servicing Carriers in order to compile a list for consideration and enable the Subcommittee to develop standards for which all carriers would require when underwriting this business. The Subcommittee also questioned whether it was feasible to enable the exclusion of operators on a ceded policy, and directed Staff to research the issue.

The Subcommittee briefly discussed whether limitations on covered autos should be incorporated into the Manual for risks written on the business auto policy. Staff advised that its research has identified scenarios where duplicate coverage for certain claims was provided due to policies written as symbol 1. The Subcommittee agreed to continue discussion of this issue once Staff collects additional information.

#### **18.05 Review of CAR Rules and Manuals**

Ms. Browne stated that Staff has reviewed the Commercial Automobile Manual and has identified those Rules where discretion is afforded to Servicing Carriers in underwriting residual market risks. The Subcommittee was requested to discuss the identified Rules and determine whether this language should be strengthened or clarified in order to encourage consistency among Servicing Carriers.

Rule 4 – Standard Procedures provides Servicing Carriers with discretion with respect to renewal applications and questionnaires. The Subcommittee agreed that the implementation of a standard form could be costly to implement and agreed that it may be more cost-effective to identify elements that should be included in each Servicing Carrier's form, and reconsider whether additional direction should be specified with respect to frequency of use.

Relative to Rule 25 – Combination of Interest, Staff advised that it is not aware of any issues of concern regarding the application of this Rule, but requested that the Subcommittee comment on whether standard procedures would benefit the residual market. The Subcommittee discussed the rating impacts of this Rule in classification of fleet or non-fleet risks, and noted that validation of percent of ownership presents the area of concern. The Subcommittee suggested some language could be incorporated to note that the combination of interest would be applied on request of the insured providing acceptable documentation.

Relative to Rule 55 – Premium Development Options for Truckers, Rule 75 – Gross Receipts or Mileage Basis and Rule 126 – Composite Rating, the Subcommittee agreed that as there is very little residual market business written on these bases, no change is required to these Rules.

MARIAN ADGATE  
Corporate Documentation Specialist

Boston, Massachusetts  
February 7, 2018

**ATTACHMENT LISTING**

Docket #CRMS18.02, Exhibit #2

Attendance Listing

COMMERCIAL AUTOMOBILE RESIDUAL MARKET  
STANDARDS SUBCOMMITTEE MEETING  
SIGN-IN SHEET  
TUESDAY, FEBRUARY 6, 2018

Individual's Name

Company / Agency

PLEASE PRINT

Individual's Name	Company / Agency
<i>Brian Tasson</i>	<i>Pilgrim</i>
<i>Sean Thompson</i>	<i>Hanover</i>
<i>Sarah Clemens</i>	<i>MAPFRE</i>
<i>Sheila M Edrutz</i>	<i>Edrutz Ins. Agency Inc</i>
<i>Brian Law</i>	<i>Safety</i>
<i>Sharon K. Kelly</i>	<i>Deland, Gibson,</i>
<i>MAYRE HAMMOND</i>	<i>Arkella</i>
<i>Benjamin Hincks</i>	<i>Tarres, Scanman, Hincks + Day - CAR</i>
<i>Steve Tarres</i>	<i>" "</i>
<i>Natalie Hubley</i>	<i>CAR</i>
<i>M John Olivieri</i>	<i>Agent</i>
<i>Wendy Browne</i>	<i>CAR</i>
<i>Timothy Gulligan</i>	<i>CAR Staff</i>
<i>Marion Adgate</i>	<i>Staff</i>

CAR  
(conseq)

