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RECORDS OF MEETING

COMMERCIAL AUTOMOBILE RESIDUAL MARKET STANDARDS SUBCOMMITTEE – APRIL 25, 2018

Members Present

Mr. John Olivieri, Jr. – Chair
Ms. Sarah Clemens
Ms. Sheila Doherty
Ms. Mayre Hammond
Mr. Coleman Johnson
Mr. Brian Lam
Mr. Thomas Skelly, Jr.
Mr. Barry Tagen

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

Substituted for:

N/A

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 March 29, 2018. The Records have been distributed and are on file.

18.04 Commercial Residual Market Issues

Ms. Wendy Browne reported that the list of issues impacting the commercial residual market has been updated to reflect the current status of the Subcommittee's deliberations. She stated that at today's meeting, the Subcommittee should continue its discussions relative to the development of standards to be used by Servicing Carriers and Exclusive Representative Producers for validating a risk's principal place of business, including the addition of a certification requirement. Additionally, she noted that the Subcommittee should begin to discuss Servicing Carrier and Exclusive Representative Producers standards for validating a non-fleet private passenger type risk's eligibility in the commercial residual market, including the addition of a certification document and an operator exclusion requirement. The Subcommittee will also begin to consider amendments to Rule 14 – Exclusive Representative Producer Requirements, and discuss the development of a web application for the sharing of information among Servicing Carriers in order to improve consistency and results in the Commercial Servicing Carrier Programs.

18.06 Standards for Validating the Principal Place of Business

Mr. John Metcalfe stated that as directed by the Subcommittee at its March 29, 2018 meeting, staff has updated the standards to include a requirement that the producer must provide its Servicing Carrier with a signed certification form to be used as a tool for validating the risk's principal place of business. Following significant discussion relative to the contents and use of the form, the Subcommittee recommended minor modifications/additions to both the form and the standards and directed staff to amend the documents accordingly. Additionally, the Subcommittee confirmed that the certification form must be used for all new business commercial residual market risks, but also questioned whether it could also be used on renewal policies and directed staff to research whether, from a legal perspective, the form may also be used in the processing of renewal business. The Subcommittee noted that the producer requirement to obtain signed certifications should be documented in Rule 14 – Exclusive Representative Producer Requirements. Ms. Natalie Hubley further noted that prior to its use, the approved certification form will be placed on file at the Division of Insurance.

Commenting on the requirement to provide Servicing Carriers with additional documentation upon request, the producer members of the Subcommittee questioned whether they could be assured that any supporting documentation requested be consistent among each of the Servicing Carriers. The company members on the Subcommittee indicated that the additional documentation would not automatically be required and the producer or the risk would only need to provide additional documentation if the Servicing Carrier's underwriting process detected a potential red flag after submission of the risk's application and signed certification form.

18.08 Standards for Validating Non-Fleet Private Passenger Type Risks

Mr. Metcalfe stated that Servicing Carrier and Exclusive Representative Producer procedures have been developed 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. He noted that the procedures include receipt of a signed certification form, similar to that required for validating principal place of business. Mr. Metcalfe further indicated that staff will update the form in a similar manner to reflect the Subcommittee comments relative to the principal place of business certification form. He provided the Subcommittee with an overview of the non-fleet private passenger type certification form, noting that the form will collect information on operators and a description of the business in order for the Servicing Carrier to verify the business use of the vehicles. Additionally, a signed operator exclusion form will be required if the owner of the business does not have a valid license and is not listed as a driver on the policy or any other policy.

After considerable discussion, the Subcommittee recommended minor modifications/additions to the certification form, including the addition of language to assure that all individuals permitted to operate the vehicles are listed on the application and that any operator with a foreign license is further detailed relative to their time in the United States. Additionally, at the request of Ms. Dana Casher, counsel for Point Insurance Agency, Inc., the Subcommittee discussed the eligibility of a listed operator with foreign licensed with Mr. John Olivieri noting that an operator residing in Massachusetts may legally drive with an approved foreign license for up to 12 months, but then must obtain a Massachusetts license. He suggested that the collection of information relative to when a Massachusetts residency was established be added to both the standards and the certification form.

The Subcommittee further recommended that staff add general disclosure language to the form to specify that the Servicing Carrier must be notified upon change in ownership or permissive operators, and that the driver exclusion form be modified to include an option for a driver, upon request, to be excluded

from all vehicles listed on the policy during the policy period or just specific autos. The Subcommittee noted that the producer requirement to obtain signed certifications should be documented in Rule 14 – Exclusive Representative Producer Requirements. Ms. Hubley noted that it would be necessary for the Operator Exclusion Form and a manual rule change to be filed with the Division of Insurance.

18.09 Producer Requirements

Mr. Metcalfe noted that in order to determine whether amendments to the producer requirements are warranted, he requested that the Subcommittee review the provisions of Rule 14 – Exclusive Representative Producer Requirements and forward him recommendations relative to suggested improvements to existing producer requirements prior to the next meeting. He indicated that new requirements will be added to the Rules of Operation and/or CAR's procedures manuals.

18.10 Information Sharing

Ms. Browne informed the Subcommittee that in order to assure improved efficiency in Servicing Carrier underwriting efforts, CAR is proposing the development of a new secure online system within which Servicing Carriers may 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. Based upon prior Subcommittee discussions, Ms. Browne reviewed a list of data elements to be included in the database. She noted that upon issuance of a declination, non-renewal or cancellation, a Servicing Carrier will be required to report a record to a searchable database via the web application and notification of activity will be provided to Servicing Carriers on a daily basis. The Subcommittee recommended additional data elements to be added to the database and agreed that staff should continue its development of the system.

MARIAN ADGATE
Corporate Documentation Specialist

Boston, Massachusetts
May 3, 2018

ATTACHMENT LISTING

Docket #CRMS18.02, Exhibit #4

Attendance Listing

