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RECORDS OF MEETING

**COMMERCIAL AUTOMOBILE RESIDUAL MARKET STANDARDS
SUBCOMMITTEE – OCTOBER 23, 2018**

Members Present

Mr. John Olivieri, Jr. – Chair	J.K. Olivieri Insurance Agency, Inc.
Ms. Sheila Doherty	Doherty Insurance Agency, Inc.
Mr. Coleman Johnson	The Hanover Insurance Company
Mr. John Kelly ⁽¹⁾	MAPFRE U.S.A. Corporation
Mr. Brian Lam	Safety Insurance Company
Ms. Mona McCowen ⁽²⁾	Arbella Insurance Group
Mr. Thomas Skelly, Jr.	Deland, Gibson Insurance Associates, Inc.
Mr. Barry Tagen	Pilgrim Insurance Company

Substituted for:

⁽¹⁾Ms. Sarah Clemens

⁽²⁾Ms. Mayre Hammond

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 September 27, 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 and has been reorganized to group together those issues that are currently in process, those that have been completed and those that will be addressed at a future date. For today’s meeting, she indicated that the Subcommittee should continue to discuss operator licensing and residual market eligibility requirements for risks with foreign or out-of-state licenses, the development of a market need concept for new producer appointments, and modifications to the Commercial Automobile Manual and Servicing Carrier standards development with respect to the determination of radius of operation and rating territory.

Ms. Browne noted that staff recently presented Servicing Carrier focus audit findings to the Compliance and Operations Committee. The intent of the focus audits was to identify Servicing Carrier policies and procedures for validating eligibility, classification and rating of commercial residual market risks in order to support the development of standard underwriting procedures for use in a long term compliance audit program. She noted that a similar presentation will be made to the Commercial Oversight

Committee at its November 8, 2018 meeting and that the Subcommittee should anticipate that the results of the audit will lead to recommendations for developing standards and implementing enhanced audit procedures. Finally, Ms. Browne reported that staff has published a CAR Bulletin to reflect the Subcommittee's consensus that the Principal Place of Business Certification Form be required upon renewal for multi-state bus and trucking risks for the upcoming 12 month renewal cycle.

Mr. Steven Torres, CAR Counsel, indicated that at the last meeting, Counsel was requested to further research the exchange of information among Servicing Carriers relative to information reported to the Ineligible Risk Database. He had previously advised the Subcommittee that there appeared to be no statutory or regulatory provision that would impede the sharing of information. He noted that further research similarly indicated that consistent with his prior assertion, there is no federal statute, state or local provision that would prohibit the exchange of information among Servicing Carriers relative to that which has been posted to the database. Mr. Torres noted that a specific provision in CAR's enabling statute exists that creates a "safe harbor" for the exchange of information among Servicing Carriers specific to the investigation of losses, and which would expressly allow for the exchange of SIU information for addressing fraud. He opined that likewise, the exchange of underwriting or eligibility information, would also be acceptable and consistent with CAR's enabling statute and established regulations. Ms. Browne indicated that CAR will continue to explore potential alternatives for Servicing Carriers to share information which may include the submission of a form, the upload of data to the Ineligible Risk Database or entries to the notes section of the database.

18.08 Standards for Validating Non-Fleet Private Passenger Type Risks

Mr. Benjamin Hincks, CAR Counsel, referenced materials provided to the Subcommittee in the Additional Information Notice, and noted that modifications have been drafted to the Eligible Risk definition in Rule 2 – Definitions and Servicing Carrier and Exclusive Representative Producer standards for verifying applicant drivers' licenses have been developed for the Subcommittee's review. The modifications made are intended to address Servicing Carrier consistency in handling risks with non-Massachusetts drivers' licenses and to confirm the eligibility for the Massachusetts commercial residual market of a driver with a non-resident or foreign driver's license that usually drives the vehicle. He noted that the drafted standards have been broadly written in order to apply to non-fleet private passenger type risks as well as all other commercial classifications and have been written to conform to the United Nations 1949 Convention on Road Traffic and all Massachusetts and Registry of Motor Vehicle requirements.

Mr. Hincks stated that the Subcommittee had previously requested CAR counsel to comment on any potential constraints on CAR's authority to amend the current eligibility definition to address foreign licensing requirements in order to assure a consistent process among Servicing Carriers. He noted that in order to fully maintain consistency with RMV requirements, there are several aspects of the Registry system that require further investigation; specifically the underlying legal authority for the one year limitation for foreign license conversion and the recent statutory amendment for which the RMV has issued new guidance relative to documentation requirements for foreign licensed drivers. An ongoing dialog is continuing with the Registry and Mr. Hincks noted that he will report his findings to the Subcommittee at the next meeting.

Commenting on the drafted documents, producers on the Subcommittee indicated that the term "regular use" is a commonly used term at the agency level, as it is easier to define and document and it was therefore the Subcommittee's consensus that the word "usually" in the drafted Rule and standards language be replaced with the word "regularly". The Subcommittee also suggested other minor clarifications to the standards language, including a clarification of the standards to identify that documentation that provides proof of arrival date in the United States is required to be provided with the application for validating eligibility. Staff agreed to make the suggested updates and provide an updated document to the Subcommittee at its next meeting.

18.09 Producer Requirements

The Subcommittee continued its discussion relative to the development of a market need concept for the appointment of new commercial residual market Exclusive Representative Producers (ERPs). Mr. John Metcalfe referenced the data reports attached to the meeting's Additional Information Notice that provided a profile of the commercial marketplace. He stated that the information contained on these reports may assist the Subcommittee in the development of objective criteria to determine whether a market need exists for additional producer appointments, specifically for those ERPs that do not have a voluntary contract with a Servicing Carrier.

The Subcommittee agreed that prior to developing a market need concept for appointing new ERPs it may be beneficial to initially determine what is driving the size of the commercial market. Members agreed that more information is needed in this regard to determine whether the market size has resulted from the actions of specific producers or is otherwise market related. Staff was requested to prepare additional exhibits displaying ceded loss ratios by class and territory, for producers with and without residual market access. Subcommittee members were also requested to provide any further data requests to staff.

18.12 Radius of Operation and Rating Territory

Ms. Natalie Hubley stated that staff has prepared draft modifications to Rule 72 – Public Automobile Classifications and the Zone Rating Tables of the Commercial Automobile Insurance Manual. Further, she stated that in order to better define Servicing Carrier and Exclusive Representative Producer requirements for determining the geographic classification of public automobiles and trucks, tractors and trailers, staff has also prepared a draft outline of standards that identify components to be used in the determination and procedures for evaluating those components.

Ms. Hubley walked the Subcommittee through the suggested modifications to Rule 72. She noted that as previously discussed by the Subcommittee, radius class will be determined based upon principal garaging. Although the current procedure for determining geographic classification for zone rated risks is consistent with language contained in the AIPSO plan, some elements of the AIPSO plan are not common to Massachusetts therefore causing some confusion in practice. In addition, through the focus audits, it was noted that the four Servicing Carriers are using various methods in order to establish geographic classification, with each sometimes using garaging and sometimes using operations. To eliminate confusion, staff has recrafted the Rule to define zone combination using new origin zone and terminus zone terminology. The origin zone is defined using the automobile's principal garaging, with valid codes of 03 (Boston) and 49 (other than Boston) and the terminus zone is determined by the regional zone of the terminal included in the automobile's operations that is farthest from the automobile's principal garaging. For statistical reporting purposes, a zone combination code is obtained from the Zone Rating Table in the Rate Section of the Commercial Manual.

Ms. Hubley further noted that the procedures for determining rating territory for non-zone rated risks has been updated based upon Subcommittee consensus from prior meetings. To add direction on assigning rating territory, the Rule language indicates that the highest rated territory through which or in which the public automobile operates will be assigned, except if the risk supplies credible documentation that 80% or more of the automobile's operation is outside the highest rated territory. In that case, the territory of the automobile's highest percentage of operation would be assigned. Lastly, she noted that the Zone Rating Tables have been updated to identify origin zones 03 and 49, consistent with Rule 72 updates.

Ms. Hubley referenced the draft outline of standards for determining geographic classification. She noted that the standards will need to identify and define the key components of the process, such as principal garaging, principal operation and territory, and will also include the tools to be used to validate those components. Finally, Ms. Hubley noted that Rule 52 which describes the process for determining geographic classification for Trucks, Tractors and Trailers will also need to be included in the developed standards.

18.14 Requirements for Vehicle Operations in Massachusetts

Ms. Hubley stated that at the last meeting, staff agreed to continue its research on alternatives for addressing risks whose operations are outside of Massachusetts. She noted that discussion has since taken place at the staff level relative to a method for gathering statistical information that could be used to file an appropriate rate for risks with operations outside of Massachusetts. Accordingly, suggested modifications to the Commercial Statistical Plan to capture this information will be presented to the Compliance and Operations Committee at its next meeting.

MARIAN ADGATE
Corporate Documentation Specialist

Boston, Massachusetts
November 7, 2018

ATTACHMENT LISTING

Docket #CRMS18.02, Exhibit #11

Attendance Listing

COMMERCIAL AUTOMOBILE RESIDUAL MARKET
 STANDARDS SUBCOMMITTEE MEETING
 SIGN-IN SHEET
 TUESDAY, OCTOBER 23, 2018

Individual's Name

Company / Agency

PLEASE PRINT

BARRY TAYLOR	Pilsdon
Coleman Johnson	Hanover
John Kelly	MARFRE
Sheela M Dehury	Dehury Ins. Agency Inc
Mona McCowen	Arbella
Tom Skelly	Deland Gibson Ins
Brian Lam	Safety
Bar Hucks	TSH&D, CAR Counsel
Steve Torres	"
Nannie Hubley	CAR
W. Olivia	agent
JOHN METCALFE	CAR
Wendy Browne	CAR
Marian Adgate	CAR

