



NATALIE A. HUBLEY  
PRESIDENT

## COMMONWEALTH AUTOMOBILE REINSURERS

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

### NOTICE OF MEETING

#### COMMERCIAL AUTOMOBILE COMMITTEE

A meeting of the Commercial Automobile Committee will be held virtually via Zoom video conferencing software,

**WEDNESDAY, APRIL 28, 2020 AT 10:00 A.M.**

If you plan to attend this meeting and are not a member of this Committee, please RSVP by completing the Visitor Security Form located in the Contact Us/Visitor Information section of CAR's website. CAR will then forward to you, via email, meeting access information. Please do not share access information provided by CAR, but refer others wishing to attend the meeting to CAR's Visitor Security Form.

#### MEMBERS OF THE COMMITTEE

Mr. Thomas DePaulo. – Chair  
Cabot Risk Strategies, LLC.

Ms. Kristina Broskey  
Ms. Annmarie Castonguay  
Ms. Sheila Doherty  
Mr. Brian Hurwitz  
Ms. Mary McConnell  
Ms. Sharon Murphy  
Mr. John Olivieri, Jr.  
Mr. Thomas Skelly, Jr.  
Mr. Barry Tagen  
Mr. Mark Winiker  
Mr. David Zawilinski

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

#### AGENDA

##### CAC

##### 21.01 Records of Previous Meeting

The Records of the Commercial Automobile Committee meeting of March 16, 2021 should be read and approved.

CAC

**21.03 CAR Conflict of Interest Policy**

The Chair will read a statement relative to CAR's Conflict of Interest Policy.

CAC

**19.05 Commercial Residual Market Issues**

Attached is an updated status report of the current commercial issues under consideration by the Committee. (Docket #CAC19.05, Exhibit #16)

CAC

**19.08 Radius of Operations and Rating Territory**

CAR staff will provide a status on its research effort relative to the use of RadiusCheck as a potential tool in validating radius and geographic classification and principal place of business.

CAC

**20.05 Transportation Network Services Coverage (TNC)**

At the last meeting, the Committee continued its discussions relative to several staff recommendations to address eligibility for coverage in the residual market for risks engaged in ride hailing, on-demand delivery of goods, and car sharing services through transportation network companies in a manner consistent with statutory insurance requirements for TNCs.

Draft updates reflecting the current changes to the Commercial Automobile Manual Rules, the Manual of Administrative Procedures, and proposed endorsements forms will be distributed as additional information prior to the meeting.

CAC

**21.04 Impacts to Program Requirements Under a Combined Commercial Servicing Carrier Program**

The combining of the Taxi/Limousine/Car Service Program and the Commercial Servicing Carrier Program requires consistency in the procedures for both programs. Proposed updates to the Manual of Administrative Procedures are attached for the Committee's review and consideration. (Docket #CAC21.04, Exhibit #2)

CAC

**21.05 Annual Evaluation of Market Need for ERP Appointments**

Rule 14 – Exclusive Representative Producer Requirements states that an applicant for an ERP appointment to a Servicing Carrier must meet the conditions for addressing market need as determined by criteria established by CAR's Governing Committee. The approved criteria include a provision that an annual assessment will be made to determine if a market need exists for appointments.

Attached is a copy of the approved criteria and data reports to assist the Committee in evaluating accessibility to the residual market throughout the Commonwealth through producers experienced in servicing all classes of commercial automobile risks. (Docket #CAC21.05, Exhibit #1)

**Other Business**

To transact any other business that may properly come before this Committee.

**Executive Session**

The Commercial Automobile Committee may convene in Executive Session in accordance with the provisions of G.L. c. 30A, § 21.

WENDY BROWNE  
Vice President – Business Operations

Attachments

Boston, Massachusetts  
April 16, 2021

**Commonwealth Automobile Reinsurers  
Commercial Automobile Committee – Market Issues  
Status as of April 16, 2021**

**IN PROCESS**

**I. Issue:** Non-Ownership Liability Coverage

**Category:** Rating Issue

**Priority:** High

**Committee Focus:** Improvement of underwriting results – non-ownership liability classifications

**Committee Action to Date:** The Commercial Automobile Committee was informed that this issue has been identified as an item for the rate study being undertaken by CAR staff and the Joint Actuarial Commercial Lines Committee (JACLC).

**Status:** Proposed rates to address non-owned classes will be filed for Division of Insurance review within the two year filing schedule referenced in the Committee’s white paper.

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**II. Issue:** Vehicle Operations Outside of Massachusetts

**Category:** Rating Issue

**Priority:** High

**Committee Focus:** Discussion has taken place as to whether a risk should be required to have vehicle operations in Massachusetts in order to be eligible for placement in the residual market.

**Committee Action to Date:** The Commercial Automobile Committee was informed that this issue has been identified as an item for the rate study being undertaken by CAR staff and the JACLC.

**Status:** A rating differential for those zone-rated TTTs and Buses garaged outside of the northern New England region is expected to be included in a future filing. Proposed rates to address the non-zone rated TTTs and Buses garaged outside of MA will be included in an upcoming filing as well.

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**III. Issue:** Short Term Rentals

**Category:** Classification and Rating

**Priority:** High

**Committee Focus:** Rental companies that had previously offered physical damage coverage to short term hired automobiles are no longer offering this coverage. Because physical damage-only coverage for Non-Ownership or Hired Automobiles is not currently available in the residual market, risks have found ways to obtain this coverage by entering into long term lease agreements and later amending those leases.

**Committee Action to Date:** The Commercial Automobile Committee has determined that the best approach to resolving this issue is through rating, and has requested that the JACLC and the AIB determine if a cancellation penalty, a minimum premium charge or some other approach should be evaluated and incorporated into the rating process.

**Status:** Under consideration by the AIB

**IV. Issue:** Ride Sharing

**Category:** Classification and Rating

**Priority:** High

**Committee Focus:** The Committee will consider whether coverage associated with various TNC services should be available in the commercial residual market.

**Committee Action to Date:** Ongoing discussions

**Status:** The Committee will continue its discussion at the meeting.

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**V. Issue:** Standards for the Validation of Radius Class and Geographic Classification

**Category:** Classification and Rating

**Priority:** High

**Committee Focus:** Risks such as contractors, farmers, church buses, and van pools have difficulties substantiating records that demonstrate radius and geographic characteristics. The Committee should discuss whether the validation standards outlined in Bulletin 1075 should be limited to TTTs and buses.

**Committee Action to Date:** The Commercial Automobile Committee has voted to recommend to the Governing Committee changes to the validation standards to allow Servicing Carriers discretion in their evaluation of radius and geographic classification for these classes.

**Status:** The Committee's recommendation will be forward to the Governing Committee in mid-April.

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**VI. Issue:** Consistent Use of Appraisals in Determining Physical Damage Coverage

**Category:** Servicing Carrier Consistency in Handling of Risks

**Priority:** High

**Committee Focus:** Determination of whether there is a need for a procedure to determine when an appraisal is required for physical damage coverage

**Committee Action to Date:** Ongoing discussions

**Status:** The Committee will resume its discussion at an upcoming meeting.

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**VII. Issue:** Consistent Application of Pollution Liability Coverage

**Category:** Servicing Carrier Consistency in Handling of Risks

**Priority:** High

**Committee Focus:** Determination of whether there is a need to develop standards for the application of pollution liability coverage.

**Committee Action to Date:** Agreement to add this item to the Market Issues List

**Status:** At a future meeting, the Committee will begin reviewing this item to determine what underwriting standards may be developed.

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**VIII. Issue:** Roll-Over of a Producer's Book and Required Forms

**Category:** Compliance

**Priority:** High

**Committee Focus:** Determination of whether reduced standards for required forms are appropriate during a producer book roll-over.

**Committee Action to Date:** None to date

**Status:** At a future meeting, the Committee will begin reviewing this item to determine what actions, if any, are appropriate for this issue.

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**IX. Issue:** Producer Management

**Category:** Residual Market Growth/Compliance

**Priority:** Medium

**Committee Focus:** Consider opportunities to enhance producer oversight programs. Some suggestions emanating from the Annual Report recommendations include:

- Repercussions for agents that do not comply with CAR Rules relative to screening applicants
- Consider additional methods of communications with ERPs
- Consider the challenge of obtaining proper documentation from ERPs

**Committee Action to Date:** The Compliance and Operations Committee has referred the issue of non-compliance repercussions for failure to submit the required forms to the Commercial Auto Committee.

**Status:** At a future meeting, the Committee can begin discussing the various issues associated with producer oversight programs.

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**X. Issue:** Gross Vehicle Weight Automobiles exceeding 10,000 lbs

**Category:** Eligibility

**Priority:** Medium

**Committee Focus:** Automobiles with a gross vehicle weight exceeding 10,000 pounds and lacking an assigned VRG are not eligible for the MAIP, and thus have no home in the residual market. The Committee should discuss if coverage should be afforded in the commercial residual market.

**Committee Action to Date:** None

**Status:** To be determined

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**XI. Issue:** Movement of Buses from Policy to Policy

**Category:** Residual Market Growth – Eligibility for Placement in the MA Com Auto Residual Market

**Priority:** Medium

**Committee Focus:** Determination of whether there is an issue with buses moving from policy to policy to evade Servicing Carrier eligibility determinations.

**Committee Action to Date:** Agreement to add this item to the Market Issues List

**Status:** At a future meeting, the Committee will begin reviewing this item.

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**XII. Issue:** Miscellaneous Risk Classifications

**Category:** Classification and Rating

**Priority:** Medium

**Committee Focus:** Ensuring consistency among Servicing Carriers in the classification of certain risks

**Committee Action to Date:** None

**Status:** At a future meeting, the Committee will discuss whether the language in the rating manual should be clarified to ensure consistency among Servicing Carriers in classification of risks.

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**XIII. Issue:** Cost of Hire Coverage

**Category:** Classification and Rating

**Priority:** Medium

**Committee Focus:** Currently, Truckers Cost of Hire coverage is not mandatory in the residual market. It has been suggested that the risk be required to maintain the owner-operator on the policy for at least 6 months or be required to carry Trucker Cost of Hire coverage. The Committee should discuss if this coverage should be required.

**Committee Action to Date:** None

**Status:** To be determined

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**XIV. Issue:** Garage Keepers Coverage

**Category:** Servicing Carrier Consistency in Handling of Risks

**Priority:** Medium

**Committee Focus:** The Garage Keepers Coverage Form should be reviewed to ensure a consistent application among the Servicing Carriers

**Committee Action to Date:** None

**Status:** To be determined

**XV. Issue:** Cancelled Risks - Premium Avoidance

**Category:** Residual Market Premium Collection

**Priority:** Medium

**Committee Focus:** Premium collection regarding risks that have been cancelled and placed on other policies to avoid owed premium

**Committee Action to Date:** None

**Status:** The Committee should further discuss this issue to determine whether strengthened controls are feasible and beneficial to the residual market.

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**XVI. Issue:** Improvements to the Payment Process

**Category:** Residual Market Premium Collection

**Priority:** Low

**Committee Focus:** Options to improve the payment process to minimize producer violations

**Committee Action to Date:** None

**Status:** The Committee should further discuss this issue to determine whether strengthened controls are feasible and beneficial to the residual market.

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**XVII. Issue:** Coverage Limits

**Category:** Residual Market Loss/Cost Control – Review of Maximum Cedable Limits

**Priority:** Low

**Committee Focus:** Review of the current limits and whether a change is warranted

**Committee Action to Date:** The committees have agreed to table consideration of the cedeable limits until the impact of the reforms implemented over the past two years can be evaluated.

**Status:** Tabled



**COMPLETED****XVIII. Issue: Principal Place of Business – Out of State Risks**

**Category:** Residual Market Growth - Eligibility for Placement in the Massachusetts Commercial Automobile Residual Market

**Priority:** High

**Subcommittee Focus:** Development of Standards for Determining and Substantiating Principal Place of Business

**Subcommittee Action to Date:** The changes to Rule 2 – Definitions, to include the nerve center test, were approved by the Division of Insurance on March 29, 2018. At the May 9, 2018 meeting, the Subcommittee voted to recommend approval of the standards, including the certification form, for use by the Servicing Carriers and Exclusive Representative Producers in determining and substantiating Principal Place of Business. The Commercial Automobile and Governing Committees approved the recommendations of the Subcommittee at the June 2018 meetings. The Certification Form has been placed on file by the Division of Insurance and the Standards were published to the industry in Bulletin No. 1055. Standards, forms and procedures have been implemented and are included in the Manual of Administrative Procedures.

**Status: Complete**

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**XIX. Issue: Non-Fleet Private Passenger Types – Validation of Business Entity and Vehicle Operators**

**Category:** Residual Market Growth – Eligibility for Placement in the Massachusetts Commercial Automobile Residual Market

**Priority:** High

**Subcommittee Focus:** Development of Standards for Determining and Substantiating Eligibility of Risks Relative to Validating the Business Entity and Vehicle Operator Information

**Subcommittee Action to Date:** Standards, including a certification form, an operator exclusion endorsement, and proposed changes to the rating manual were developed and recommended for use by the Servicing Carriers and Exclusive Representative Producers in verifying eligibility for all NF-PPT risks. The Commercial Automobile and Governing Committees approved the recommendations of the Subcommittee at the June 2018 meetings. The Certification Form, Endorsement and Rating Rule change have been placed on file by the Division of Insurance and the Standards were published to the industry in Bulletin No. 1058. Additionally, Chapter V- Premium of the Manual of Administrative Procedures has been updated to include the new certification and endorsement exclusion forms. Standards, forms and procedures have been implemented and are included in the Manual of Administrative Procedures.

**Status: Complete**

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**XX. Issue:** Producer Requirements – ERP Applicant – Previous Massachusetts Commercial Auto Insurance Experience

**Category:** Residual Market Growth – Exclusive Representative Producer Eligibility for Appointment to a Servicing Carrier

**Priority:** High

**Subcommittee Focus:** Enhancement of the prior work experience requirement for an appointment of an applicant to a Commercial Automobile Servicing Carrier

**Subcommittee Action to Date:** A proposed amendment to Rule 14 – Exclusive Representative Producer Requirements increased an applicant's required prior work experience in the Massachusetts commercial automobile insurance market from 6 out of the previous 12 months to 12 out of the previous 24 months. The amendment was approved by the Commercial Auto and Governing Committees at the June 2018 meetings. The proposed change was approved by the Division of Insurance, and published to the industry in Bulletin No. 1057.

**Status:** Complete

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**XXI. Issue:** Covered Automobiles

**Category:** Residual Market Loss/Cost Control

**Priority:** Medium

**Subcommittee Focus:** Consideration as to whether "Any Auto" coverage Symbol 1 should be eliminated requiring any residual market insured vehicle to be specified on the policy for coverage

**Subcommittee Action to Date:** Changes to the Rules of Operations and Commercial Automobile Insurance Manual were approved by the Division of Insurance and published to the industry in Bulletin No. 1056 and 1059, respectively. The corresponding updates to Chapter V – Premium of the Manual of Administrative Procedures was published to the industry via Bulletin No. 1060.

**Status:** Complete

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**XXII. Issue:** Program Oversight - Servicing Carrier Audits

**Category:** Servicing Carrier Performance - Reviews

**Priority:** Medium

**Subcommittee Focus:** Implementation of Servicing Carrier Focus Audits

**Subcommittee Action to Date:** At its March 29, 2018 meeting, the Subcommittee recommended approval of CAR's Focus Audit plan that will gather information to assist in the development of underwriting standards for use by Servicing Carriers to determine eligibility, classification, and rating of commercial residual market risks. This was approved by the Commercial Automobile and Governing Committees at the April 2018 meetings. Individual company reports were provided to each Servicing Carrier in early 2019.

**Status:** Complete

**XXIII. Issue:** Information Sharing**Category:** Servicing Carrier Consistency in Handling of Risks**Priority:** Medium**Subcommittee Focus:** Development of a communication mechanism to assist Servicing Carriers in the consistent writing and servicing of residual market commercial automobile business**Subcommittee Action to Date:** The Subcommittee has discussed opportunities to share information that may not be proprietary in nature or in conflict with statute and/or regulation, but that would be beneficial to the administration of the program. Staff proposed developing a web-based online system for this function, which was unanimously accepted by the Subcommittee at its May 9, 2018 meeting.**Status:** Complete**XXIV. Issue:** Producer Requirements – Market Need**Category:** Residual Market Growth – Exclusive Representative Producer Eligibility for Appointment**Priority:** High**Committee Focus:** Determination of commercial automobile residual market access for the consumer with regard to the appointment of Exclusive Representative Producers**Committee Action to Date:** At its February 2019 meeting, the Governing Committee approved changes to the Eligibility Requirements in Rule 14 to require that a new ERP applicant meets the conditions for addressing market need. The proposed changes were approved by the Division of Insurance and distributed to the industry via Bulletin No. 1077.**Status:** Complete; however, the Commercial Automobile Committee will perform an annual review of the criteria in order to determine if a market need exists each year.**XXV. Issue:** Verification of Applicant Driver's Licenses**Category:** Residual Market Growth – Eligibility for Placement in the Massachusetts Commercial Automobile Residual Market**Priority:** High**Committee Focus:** Development of Rule Language and/or Standards for Underwriting and Processing Risks involving Foreign or Out of State Licenses**Committee Action to Date:** The changes to the Eligible Risk definition in Rule 2 – Definitions of CAR's Rules of Operations were deemed approved by the Division of Insurance on July 23, 2019 and Bulletin No. 1083 was published to the industry. On August 7, 2019, the Division of Insurance placed on file the corresponding amendments to Rule 31 of the Commercial Automobile Insurance Manual, including an updated Operator Exclusion Form of the Commercial Automobile Insurance Manual (published to the industry via Commercial Lines Notice 131). Bulletin No 1085 was published to the industry on August 13, 2019 which officially set forth the standards for the verification of applicant drivers' licenses for use by the producers and Servicing Carriers.**Status:** Complete

**XXVI. Issue:** Radius of Operation and Rating Territory**Category:** Classification and Rating**Priority:** High**Committee Focus:** Development of consistent classification and rating standards to be employed by all Servicing Carriers**Committee Action to Date:** At its June 2019 meeting, the Governing Committee approved revised changes to Section III – Trucks, Tractors and Trailers, Rule 72 in Section V – Public Automobile Classifications, and the Zone Rating Tables of the Commercial Automobile Insurance Manual, as well as Standards for Determining and Validating Radius and Geographic Classification. The proposed changes were filed with the Division of Insurance for approval.

Amendments relative to the radius classification and the determination of rating territory for non-zone rated risks were placed on file by the Division of Insurance on March 19, 2019 and published to the industry via Commercial Lines Notice No. 128. Servicing Carriers were notified via Bulletin No. 1085 that the procedures outlined in the standards must be implemented by June 1, 2019. The amendments to clarify the assignment of zone and zone combination for TTTs and buses were placed on file by the Division of Insurance on August 7, 2019 and published to the industry via Commercial Lines Notice No 132. The standards are included in the Manual of Administrative Procedures.

**Status:** Complete**XXVII. Issue:** Procedures for the Review of Large Ceded Losses**Category:** Servicing Carrier Consistency – Loss Reporting**Priority:** Medium**Committee Focus:** Ensure consistency among Servicing Carriers relative to timely notification of large loss occurrences**Committee Action to Date:** The Governing Committee approved the recommendation of the Commercial Auto Committee to implement procedures to address notification and disclosure aspects of the large loss reporting process.**Status:** The Large Loss Summary reports are available on CAR's website and provided to the Loss Reserving Committee every quarter. The website application to allow companies to comply with the pre-reporting notification requirements was implemented in September 2019. Staff will continue its efforts to develop new internal reports to assist in monitoring claim reporting patterns to identify industry trends and Servicing Carrier anomalies and notify the appropriate company or committee.**Status:** Complete

**XXVIII. Issue:** MAP Updates – Inclusion of Standards**Category:** All**Priority:** Medium**Committee Focus:** Review amendments to the Manual of Administrative Procedures as drafted by staff to include language reflective of all the new standards implemented during the past year.**Committee Action to Date:** The Commercial Automobile Committee approved the proposed modifications to the MAP at its prior meeting. These changes were then approved by the Governing Committee at its November 20, 2019 meeting.**Status:** Completed at this time (other issues may generate the need for additional standards)**XXIX. Issue:** Policy Endorsements**Category:** Residual Market Loss/Cost Control**Priority:** Medium**Committee Focus:** Eligibility of Additional Insureds, Waiver of Subrogation, and Primary and Non-Contributory endorsements on ceded policies**Committee Action to Date:** The Commercial Automobile Committee's recommendation to modify Rule 37 of the Commercial Automobile Insurance Manual relative to the use of the Additional Insured Endorsement and the actual endorsement CR 99 0 2 were approved by the Governing Committee at the February 12, 2020 meeting. The Committee agreed that the effective date for the implementation of the endorsement should be 90 days following the date the endorsement is placed on file by the DOI. The Division of Insurance placed the endorsement form on file on March 25, 2020 with a July 1, 2020 effective date**Status:** Complete**XXX. Issue:** Supplemental/Renewal Application**Category:** Risk Evaluation**Priority:** Medium**Committee Focus:** Determination of whether there is a need for a supplemental and/or renewal application to collect additional information for the evaluation of a risk.**Committee Action to Date:** The Governing Committee approved modifications to the Supplemental Applications at its June 17, 2020 meeting, including updates to the Manual of Administrative Procedures. The supplemental application forms must be implemented by Servicing Carriers no later than October 1, 2020.**Status:** Complete

## **Memorandum of Changes**

### **Manual of Administrative Procedures**

#### **Combined Commercial Servicing Carrier Program Updates**

The Manual of Administrative Procedures (MAP) has been updated to reflect the combining of the Taxi, Limousine and Car Service Program (Taxi Program) and the Commercial Servicing Carrier Program into a single program to service all classes of commercial automobile residual market business.

The Commercial Automobile Committee, at its meeting of March 16, 2021, reviewed staff's recommendations relative to several procedural aspects of the two programs. The Committee's consensus on these issues have been incorporated into the MAP chapters noted below. Applicable editorial amendments have also been made to eliminate references to the separate programs.

#### **Chapter I – Overview**

Section A. has been updated to remove references to the separate programs.

#### **Chapter II – Servicing Carrier Appointment**

Section A. has been updated to remove references to the separate programs. Section B.4. which includes provisions for assigning producers to taxi, limousine, and car service Servicing Carriers, has been eliminated.

#### **Chapter III – Servicing Carrier Responsibilities**

- Section B.6. has been updated to remove reference to a taxi Servicing Carrier.
- It was the consensus of the Commercial Automobile Committee that the billing requirements of the Commercial Servicing Carrier Program be implemented for the combined Program. Section B.7.a.2) has been updated accordingly.
- It was the consensus of the Commercial Automobile Committee that the existing taxi application continue to be used for taxi, limousine, and car service business. Section B.7.b.1) therefore continues to include this reference.
- Section B.7.b.4) has been updated to eliminate a Taxi Program reference that pertains to the obsolete Taxi Index.
- Section B.7.c. has been updated to remove a reference to the separate programs.
- The Request for Proposal requires Servicing Carriers to offer loss control services for all commercial classes. Section B.7.e. has been updated to reflect the consensus of the Commercial Automobile Committee that consistent loss control services are to be offered in the combined Program. The Commercial Automobile Committee also agreed that current taxi vehicle inspection requirements that have proven to be valuable for loss control, be maintained. Additionally, a modification has been made to one of the questions in the Taxi, Limousine, and Car Service Application (Exhibit III-B-1) relative to the applicant's safety practices.
- Reference to the separate programs in the Public Automobile Information Addendum of the Supplemental Application (Exhibit III-B-2) has been eliminated.
- Section E., including the title of Exhibit III-E-1 have been updated to remove references to the separate programs.

## Chapter VI – Allowances to Servicing Carriers

The Chapter has been updated to remove references to the separate programs. The interim and final ceding expense allowance and true-up procedures in Sections B. and C. have been merged for the combined program.

## Chapter IX – Compliance Audit

Section A.3. has been updated to eliminate reference to the separate programs.

## A. Introduction

The Manual of Administrative Procedures provides Servicing Carriers with information needed to assure the successful operation of the commercial residual market. As authorized by the Commonwealth Automobile Reinsurers' (CAR's) Plan and Rules of Operation, Members are appointed by CAR's Governing Committee to serve as commercial automobile ~~or taxi and limousine~~ Servicing Carriers for a specified term. Appointments are based upon responses to the Request for Proposal (RFP) for the Massachusetts Residual Market Commercial Automobile Program, ~~and the RFP for the Massachusetts Residual Market Taxi and Limousine Program.~~ For further information relative to the appointment of a Member as a Servicing Carrier, refer to Chapter II – Servicing Carrier Appointment of this Manual.

The Manual of Administrative Procedures supplements CAR's Plan and Rules of Operation but does not add any requirements beyond those contained in the Plan and Rules. Although the information contained in the Manual of Administrative Procedures is most pertinent to Servicing Carriers, it may also be used by other Members of CAR to obtain information relative to the reporting and processing of commercial automobile policies which are ceded to CAR.

The Manual of Administrative Procedures provides Servicing Carriers with information needed to perform all required responsibilities relative to policies ceded to the Commonwealth Automobile Reinsurers, including; cession reporting requirements, identification of limits, coverages and endorsements applicable to ceded policies, Servicing Carrier responsibilities relative to the investigation of fraudulent claim activity, CAR's audit procedures for monitoring compliance with statistical reporting requirements for ceded premium and loss data, established claim practices and the Performance Standards, and the policy level edit and error correction procedures for reported ceded data. Additionally, the Manual of Administrative Procedures provides information relative to the reimbursement of ceding expense allowances to Servicing Carriers for the servicing of ceded business and the determination of a Member's share in CAR's administrative expenses and underwriting results.

The Manual of Administrative Procedures identifies established standards and approved forms that must be used by Servicing Carriers and Exclusive Representative Producers for validating an applicant's or risk's eligibility for placement in the commercial residual market. Additionally, the Manual of Administrative Procedures describes the supplemental application that must be used to collect additional information for the evaluation of a commercial risk from an eligibility and rating standpoint.

Specific responsibilities and requirements for appointed Servicing Carriers are contained in Rule 13 – Servicing Carrier Requirements of CAR's Rules



## A. Appointment of Carriers to Service the Residual Market

### 1. General Information

In order to control the size of and to establish equitable access to the residual market for all classes of commercial automobile business, ~~(excluding taxi, limousine and car service business) and taxi, limousine and car service business,~~ Commonwealth Automobile Reinsurers (CAR) employs a specialized programs for handling ceded commercial risks. The Commercial Automobile Program ~~and Taxi and Limousine Program~~ are is designed to enhance the effectiveness of loss control and underwriting practices by consolidating the servicing of the business ~~eligible for each Program~~ to a limited number of Servicing Carriers appointed for a specific term. Every producer is assigned to a single Servicing Carrier. The number of Servicing Carriers and the appointment term are determined by CAR's Governing Committee.

### 2. Eligibility

~~The following classifications are eligible for placement through the Taxi and Limousine Program; taxicab (owner operator, rented or leased taxi, all other), limousine and car service vehicles, as defined in Section V—Public Transportation of the Commercial Automobile Insurance Manual which is available on CAR's website under the Manuals tab.~~

The Commercial Automobile Program applies to all ~~other~~ classes of commercial automobile business. ~~(except that which is written through the Taxi and Limousine Program).~~

### 3. Request for Proposals

To solicit proposals for servicing ceded commercial business, CAR invites prospective participants to respond to the Commercial Servicing Carrier ~~or Taxi and Limousine Program~~ Request for Proposals (RFPs). Solicitation of proposals is made via a CAR Bulletin. At the time proposals are being solicited, the RFPs ~~are~~ is also posted to the home page of CAR's website.

~~Each~~ The RFP provides information necessary to enable the submission of a proposal for consideration as a carrier to service Massachusetts ceded commercial automobile ~~or taxi, limousine and car service~~ business. The RFPs identifiesy the schedule of events, the expectations for ~~each of~~ the Programs, Servicing Carrier performance requirements, requirements for the content of the company's proposal and the term of the appointment.

~~Each~~ The RFP requests proposers to provide information relative to administrative and account management services, underwriting and ~~technical services~~ policy processing, claims management services, management information systems, and loss control services and how each of these would be handled if the company is selected to serve as a Servicing Carrier. The RFPs further requests proposers to identify any additional services that they may offer to control claims and service costs, to specify an implementation plan which will provide a smooth transition and minimal service disruption for both producers and insureds and to identify residual market depopulation strategies which will assist CAR in its efforts to control the size of the commercial residual market.

Finally, ~~each~~ the RFP requests proposers to provide a detailed cost projection and price proposal to service commercial automobile ~~or taxi, limousine and car service~~ business. The selected price, as approved by CAR's Governing Committee, will be uniformly applicable to each company selected to serve as a Servicing Carrier for ~~each of the individual~~ Programs. For additional price information, refer to Chapter VI – Allowances to Servicing Carriers of this Manual.

#### 4. Servicing Carrier Requirements

Specific requirements and responsibilities for those Members appointed to serve as commercial automobile ~~or taxi and limousine~~ Servicing Carriers including those responsibilities relative to Exclusive Representative Producers (ERPs) may be found in Rule 13 – Servicing Carrier Requirements of CAR's Rules of Operation which is available on CAR's website under the Manuals tab, and in Chapter III – Servicing Carrier Responsibilities and Chapter X – Servicing Carrier and Exclusive Representative Producer Standards and Forms of this Manual.

The RFPs for the Commercial Automobile ~~and Taxi and Limousine~~ Programs provides further information and requirements relative the servicing of specific aspects of ~~each of~~ the Programs.

#### 5. Withdrawal/Termination

If an appointed Servicing Carrier withdraws from ~~either the~~ Program or is terminated by CAR or the Division of Insurance, the provisions of Rule 16.A. – Terminations of CAR's Rules of Operation will apply. At least 45 days prior to the policy renewal date the withdrawing Servicing Carrier must notify the insured and the producer of record that coverage will be non-renewed.

~~4. Additional Provisions for Producer Assignment to a Taxi and Limousine Servicing Carrier~~

~~If a single Servicing Carrier is appointed to serve as the only taxi and limousine Servicing Carrier, each licensed producer that wrote taxi, limousine or car service business in the prior policy year will be assigned to this Servicing Carrier, for the purpose of providing motor vehicle insurance for taxi, limousine and car service risks.~~

~~If two Servicing Carriers (neither of which is a current taxi or limousine Servicing Carrier) are appointed to serve as taxi and limousine Servicing Carriers, each licensed producer that wrote taxi, limousine or car service business in the prior policy year will be assigned to a Servicing Carrier for the purpose of providing motor vehicle insurance for taxi, limousine and car service risks. The producer assignment will be made as far as practicable (based upon the total taxi, limousine and car service exposures contained in the Taxi and Limousine Program) so that each Servicing Carrier has a similar book of business.~~

~~If a Servicing Carrier (not currently serving as a taxi or limousine Servicing Carrier) is appointed as a replacement for a Servicing Carrier whose term has expired, each licensed producer that was previously assigned to the exiting Servicing Carrier will be reassigned to the newly appointed Servicing Carrier. CAR will review each Servicing Carrier's book of business and, as far as practicable, perform the necessary actions to assure that each Servicing Carrier has a similar book of business.~~

~~A licensed producer not currently writing taxi, limousine or car service business may apply for appointment to a taxi and limousine Servicing Carrier. An appointment will be made provided that the producer has an existing Servicing Carrier appointment with CAR and the status of any existing commercial appointment shall inure to the taxi and limousine appointment.~~

~~A Servicing Carrier, at its option, may terminate a producer's appointment if the producer failed to produce any taxi, limousine or car service business within the prior 12 month period, with the producer's appointment expiring 12 months from the date of notice unless taxi, limousine or car service business is placed with its taxi and limousine Servicing Carrier prior to the producer's termination date.~~

~~Producers whose taxi or limousine appointment is terminated as a result of non production will be eligible for reappointment to a taxi and limousine Servicing Carrier if they provide either a letter of intent from an insured to place taxi, limousine or car service business through the agency or it has been two years from the effective date of terminating their appointment to a taxi and limousine Servicing Carrier from lack of production.~~

the application to certify to the accuracy of the information provided on the application. The producer, as a witness to the signing, must also provide a signature and date on the application. The signed and dated supplemental application, including any required addenda, must then be submitted to the Servicing Carrier.

Note that at the discretion of the Servicing Carrier, a supplemental application may also be requested for renewal business.

The supplemental application is located on the Reports page of CAR's website under the Commercial Only Forms, Manuals link. Refer to Exhibit III-B-2.

#### 5. Reporting Requirements for an Ineligible Risk

A Servicing Carrier that declines, non-renews or cancels a risk it determines to be ineligible for coverage in the commercial residual market must report such action, and the reason(s) therefore, to CAR's Ineligible Risk Database within two business days of the issuance of the notice to the risk. Data elements to be reported include Business Name, Owner License Number, Federal Employer Identification Number (FEIN), USDOT Number, Policy Identification Number, Class Type, as well as other data elements that identify the risk and are beneficial to the administration of the Commercial Servicing Carrier Program. CAR will maintain the database for access by Servicing Carriers to enable more efficient underwriting. However, a Servicing Carrier is required to perform its own investigation to independently determine eligibility of a risk.

Note that if the declination, non-renewal or cancellation is rescinded, the Servicing Carrier must update the Ineligible Risk Database to notify CAR of the reinstatement.

The Ineligible Risk Database application is available on the Reports page of CAR's website, under the Servicing Carrier Profile link. A Help manual that provides detailed information relative to CAR's Ineligible Risk Database is also available.

#### 6. Large Loss Notification Procedures

To provide companies with timely and enhanced information relative to large commercial residual market losses, a Servicing Carrier is required to notify CAR of the occurrence of a large loss.

Servicing Carriers must notify CAR within ten business days of the carrier becoming aware of an accident involving a commercial ceded insured that may potentially result in a large loss liability for the commercial residual market. These accidents include those with serious injuries (including, but

not limited to, spinal injury, traumatic brain injury and amputation) and fatalities, and are not based upon a specific dollar amount threshold. Notification should be provided using the Large Loss Notification Form which is available on the Reports section of CAR's website, under the Servicing Carrier Profile link. A Help manual that provides detailed information relative to the Large Loss Notification Form and reporting application is also available. Only users associated with a commercial ~~or taxi~~ Servicing Carrier will be granted access to the Large Loss Notification Form and a valid user ID and password is required for access.

Additionally, to ensure that CAR's committees are advised of the circumstances surrounding large losses that may impact commercial deficit loss projections and that may potentially have an impact on a company's financial reporting requirements, several Large Loss Reports will be provided to CAR's Loss Reserving Committee on a quarterly basis. The reports provide historical large loss information by policy year for policies exceeding \$1 million in total losses including ALAE expenses. These reports will also be available to commercial companies on the Reports page of CAR's website, under the Deficit and Large Loss link. All users with a valid user ID and password are able to access the Large Loss Reports.

7. Additional Commercial Automobile ~~and Taxi and Limousine~~ Program and Performance Requirements

In addition to complying with the provisions of CAR's Rules of Operation, a Servicing Carrier is responsible for adhering to the following requirements:

a. Administrative and Account Management Services

- 1) A management level account executive with knowledge of the Program must be assigned and will be responsible for assuring the requirements of the Program, responding to CAR inquiries and meeting with CAR staff and committee representatives.
- 2) Each Servicing Carrier must provide a direct bill program. Servicing Carriers must cooperate with their assigned producers to assure that policyholders are made aware of their option to utilize an installment plan.

~~For commercial automobile business,~~

†The Servicing Carrier must use an installment payment plan that has been filed with and approved by the Division of Insurance. The plan must include the application of an installment finance charge plan based on an annual percentage rate and no more than a 30% first or deposit payment on or before the policy effective date. The plan must

also include that no less than seven monthly payments thereafter must be offered to the insured that chooses to pay in installments.

~~b) For taxi, limousine and car service business, the Servicing Carrier will utilize an installment payment plan that includes a 30% first or deposit payment on or before the policy effective date. Eight subsequent equal installment payments must be offered to the insured. Premium subject to direct billing will be charged a 12% finance charge and premium financed policies will not be eligible for the direct billing payment option. Finance company checks must be made payable to the Servicing Carrier.~~

b. Underwriting and ~~Technical Services~~ Policy Processing

- 1) A specific taxi, limousine and car service new business and renewal application must be used. Refer to Exhibit III-B-1. The application requires information that is necessary for the proper classification and rating of the policy. A copy of the Hackney License or other municipal document authorizing the operation of a taxi, or license or other municipal document authorizing the operation of a limousine or car service vehicle must be included with the application. For Boston taxis or any other jurisdiction that utilizes a medallion system, the application must include the taxi medallion number.
- 2) For renewal business, the producer will be required to submit a completed renewal application to the Servicing Carrier within 45 days prior to the policy effective date.
- 3) Within 30 days of the receipt of the application, the Servicing Carrier must mail the policy to the insured. If notified of a dispute relative to the premium charged, reply within 15 days of receiving the notification.
- 4) Assure that all data necessary to properly classify, rate and experience rate ceded policies is reported to CAR in compliance with the Commercial Automobile Statistical Plan and according to approved rules, rates and rating plans as contained in CAR's Commercial Automobile Insurance Manual. ~~Further, to effectively administer the Taxi and Limousine Program, additional data relative to ownership, vehicle, claim, operator and other general information may be required.~~
- 5) Secure and verify each risk's loss history in order to properly experience rate the risk and distribute the rating calculation and loss information to each eligible policyholder and producer.

6) In order to prevent premium leakage, perform a pre-audit on risks written on a gross receipts, gross mileage or composite rated basis and on any trucking risk with a cost of hire exposure and five or more power units or the equivalent of exposures if hired by the risk. The audits must be completed within 120 days of the policy effective date. Additional or return premium must be computed in accordance with the results of the audit and with appropriate notification given to the producer and the insured.

c. Claims Management Services

1) For risks insured through the Commercial Automobile ~~and Taxi and Limousine~~ Programs, Servicing Carriers must establish claims management procedures in compliance with the provisions of CAR's Rules of Operation and this Manual.

2) A Servicing Carrier's Massachusetts claims unit must manage all claims occurring out-of-state.

d. Management Information Systems Services

1) Servicing Carriers must provide all data required by CAR's Rules of Operations and this Manual.

2) Servicing Carriers must produce any ad hoc reports as may be requested by CAR.

e. Loss Control Services

A Servicing Carrier is expected to provide safety engineering or loss control services ~~as follows:~~

~~1) For Commercial Automobile Servicing Carriers~~

~~Services must be~~ consistent with best practices and as directed by CAR's Governing Committee. Minimum parameters for the establishment of loss control programs to be made available to qualifying policyholders are as follows:

a) Program features must include vehicle inspection, driver and equipment evaluation, a review of accident and loss experience, a safety newsletter or other informational mailings.

Additionally, for taxi, limousine and car service risks, the Servicing Carrier must also provide information regarding the performance of a mandatory underwriting inspection on all new business taxi policies

and on their renewal, except that vehicles classified as non-owner operator in the Boston territory are not subject to this requirement. Vehicles classified as limousine or car service are subject to a mandatory inspection at the time a new business policy is written and as necessary thereafter to determine accurate classification and garaging. This type of inspection will assure proper territory and rating classification of each vehicle.

- b) Upon request, any risk regardless of size will be provided written material concerning loss control. Any risk with five or more power units or the equivalent of such exposure, if hired by the risk, that develops an experience rating debit will be offered a loss control survey.
- c) The results of the loss control survey will include a corrective action plan, safety management feature and, if applicable to the risk, a hazardous material plan.

~~2) For Taxi Servicing Carriers~~

~~For taxi, limousine and car service risks, a Servicing Carrier must:~~

- ~~a) Offer toll free phone and fax number to claimants and taxi drivers to encourage the timely reporting of accidents. Establish a toll-free phone number for producers to contact the Servicing Carrier.~~
- ~~b) Provide self-addressed claim forms to all taxicabs.~~
- ~~c) Develop a residual market safety program to be made available to any policyholder that requests information on programs designed to reduce claim frequency. The program must consist of the following:
  - ~~i. Driver Education: Information regarding safe driving techniques, defensive driving skills, emergency driving skills, inclement weather driving, proper discharge of passengers, and benefits of seat belt usage.~~
  - ~~ii. Development of Hiring Guidelines: Instruction on driver selection, performing background and reference checks on potential drivers.~~
  - ~~iii. Loss Reporting Instructions: Instruction regarding the timeframes within and procedures by which a claim should be reported, instruction on completion of the claims form,~~~~



~~procedures for reporting a bodily injury versus a physical damage claim and coordinating efforts with authorities.~~

- ~~iv. Inspection of Vehicles: Information regarding the performance of a mandatory underwriting inspection on all new business taxicab policies and on their renewal, except that vehicles classified as non-owner operator in the Boston territory are not subject to this requirement. Vehicles classified as limousine or car service are subject to a mandatory inspection at the time a new business policy is written and as necessary thereafter to determine accurate classification and garaging. This type of inspection will assure proper territory and rating classification of each vehicle. Information regarding vehicle pre-inspection, including vehicle safety checks and preventative maintenance will also be included in this program.~~
  
- ~~v. Education on Benefits of Loss Control: Information regarding the benefits to taxi owners regarding potential future rate reduction due to improved loss experience, upon compliance with the taxi loss control and vehicle safety programs.~~
  
- ~~vi. Audit of Ownership Changes: Information regarding the mandatory inspection of each new owner's facilities and verification of management control and ownership.~~

**EXHIBIT III-B-1**

TAXI, LIMOUSINE AND CAR SERVICE APPLICATION

Date Completed: \_\_\_\_\_ Policy Effective Date: \_\_\_\_\_

PRODUCER INFORMATION:

Producer Name: \_\_\_\_\_  
 -  
 Street: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP: \_\_\_\_\_  
 Producer Code: \_\_\_\_\_ Telephone No: \_\_\_\_\_

APPLICANT INFORMATION

Named Insured: \_\_\_\_\_  
 Street: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP: \_\_\_\_\_  
 Business Telephone No. \_\_\_\_\_  
 Tax ID No: \_\_\_\_\_ Social Security No: \_\_\_\_\_  
 Headquarters (if other than above)  
 Street: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

OWNERSHIP AND CONTROL OF ORGANIZATION

Named Insured is a; Corporation: \_\_\_\_\_ Partnership: \_\_\_\_\_ Sole Proprietor: \_\_\_\_\_ Other: \_\_\_\_\_  
 State where incorporated: \_\_\_\_\_ Date of Incorporation \_\_\_\_\_ Date Operations Commenced: \_\_\_\_\_

Management, Ownership and Control (list names of Principals and anyone else with 10% or more ownership interest)

	Name	Date in Position	Percent Ownership
President:	_____	_____	_____
Vice President	_____	_____	_____
Secretary	_____	_____	_____
Gen'l.Mgr.	_____	_____	_____
Treasurer	_____	_____	_____
Others	_____	_____	_____
	_____	_____	_____
	_____	_____	_____

Affiliated Companies (list all affiliated companies or companies under the same ownership. If more than 5, use Remarks section)

Name	Address
_____	_____
_____	_____
_____	_____

PAYMENT PLAN

Total Estimated Annual Premium \$ \_\_\_\_\_ Deposit Premium \$ \_\_\_\_\_  
 Full Annual Premium Enclosed Yes \_\_\_\_\_ Installment Option Yes \_\_\_\_\_  
 Premium Is Financed? Yes \_\_\_\_\_  
 Name and Address of Finance Company \_\_\_\_\_

**EXHIBIT III-B-1**  
(continued)

**OPERATOR INFORMATION**

Is vehicle: Owner-Operated? \_\_\_\_\_ Driven by Employee? \_\_\_\_\_ Driven by Independent Contractor? \_\_\_\_\_ Leased? \_\_\_\_\_  
If leased describe conditions of lease: Daily \_\_\_\_\_ Monthly \_\_\_\_\_ Other \_\_\_\_\_ If other, describe the arrangement \_\_\_\_\_

List all Operators:

Name	Date of Birth	License and State	Hackney License No.
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

**ACCIDENT INFORMATION**

Has applicant or any operator been involved in any motor vehicle accidents in the past 36 months?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes complete the following (if necessary use a separate sheet):

Name of Operator	Accident Date	Place of Accident
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Amount of Loss (Include paid and outstanding amounts)

BI Amount	PD Amount	Physical Damage Amount
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

**CONVICTION INFORMATION**

Has the applicant or any operator had their driver's license or Hackney license suspended or revoked during the preceding 36 months?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes complete the following:

Name	Date	Reason
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Has the applicant or any operator been convicted, paid a fine, or forfeited bail for any moving violation (other than suspension or revocation),

or been assigned to an alcohol education program in the past 36 months?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes complete the following:

Name	Date	Reason
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

**PRIOR INSURANCE INFORMATION**

Has the applicant failed to pay any automobile insurance premium due or contracted during the preceding 12 months?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes complete the following and provide explanation in the Remarks Section on page 6:

Insurance Company \_\_\_\_\_ Amount due or in dispute \_\_\_\_\_

Has any automobile policy or coverage been declined, cancelled or non-renewed during the past three years?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, explain reason:

**EXHIBIT III-B-1**  
(continued)

**PRIOR CARRIER INFORMATION**

List the prior automobile insurance carriers for this company and any affiliated companies for past five years and attach loss statements from the carrier. Use a separate sheet if necessary.

Company Name	Policy Number	Policy Period
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

**GENERAL INFORMATION**

Explain all 'Yes' responses in the Remarks Section on page 6.

- With the exception of Loss Payee are any vehicles not owned solely by the applicant? Yes \_\_\_\_\_ No \_\_\_\_\_
- Are there any vehicle owned but not scheduled on this application? Yes \_\_\_\_\_ No \_\_\_\_\_
- Does the applicant obtain MVR verifications for listed operators? Yes \_\_\_\_\_ No \_\_\_\_\_
- Does the applicant have a specific driver recruiting method? Yes \_\_\_\_\_ No \_\_\_\_\_
- Is the applicant subject to the Workers Compensation Act? Yes \_\_\_\_\_ No \_\_\_\_\_
- (Include the Company and Policy Number in the Remarks Section on page 6)
- Does the applicant adhere to ~~the specific~~ any commercial automobile safety practices? Yes \_\_\_\_\_ No \_\_\_\_\_
- ~~Program designed for taxi/limo risks? (If so, provide specific details in the Remarks Section on page 6)~~
- Is the applicant object to the Bus Regulatory Act? Yes \_\_\_\_\_ No \_\_\_\_\_
- Is an ICC or any other financial responsibility filing required? Yes \_\_\_\_\_ No \_\_\_\_\_
- (List all such requirements in the Remarks Section on page 6)

**BUSINESS FUNCTIONS**

Indicate the percentage of use for each of the following functions which are applicable to the applicant:

- \_\_\_\_\_ % Street cruising
- \_\_\_\_\_ % Owns and operates radio dispatch service
- \_\_\_\_\_ % Works out of non-owned dispatch service
- \_\_\_\_\_ % Phone calls for general transport
- \_\_\_\_\_ % Regular stand (Train, Bus Station etc.)
- \_\_\_\_\_ % Contract service  
(Provide specific details in Remarks Section)
- \_\_\_\_\_ % Transportation to/from Airport(s)  
(Provide locations in Remarks Section on page 6)
- \_\_\_\_\_ % Prearranged special events such as Weddings, Proms, etc.

**Customers**

Indicate percentage of customers which are:

- \_\_\_\_\_ % General Public
- \_\_\_\_\_ % Specialized (Elderly, Children, Special Needs, Package Delivery, etc.)  
(Provide Specific details in the Remarks Section on page 6)

**EXHIBIT III-B-2**

**Supplemental Application**  
**Public Automobile Information Addendum**

Applicant Name: \_\_\_\_\_  
Agent Name: \_\_\_\_\_

1. Please describe your transportation operation: \_\_\_\_\_  
\_\_\_\_\_

2. For each of the following categories, indicate the percentage of usage and the number of units used for each class:

Vehicle Category	Usage Description	Percentage of Use	Number of Units
Charter Bus	<i>An automobile chartered for special trips, touring, picnics, outings, games and similar uses.</i>	%	
Bus Not Otherwise Classified	<i>This classification includes, but is not limited to automobiles such as shuttle buses, courtesy buses run by hotels, and buses that operate city to city or point to point and is not to a transportation facility, on a regularly scheduled basis.</i>	%	
Inter-City Bus	<i>An automobile that picks up and transports passengers on a published schedule of stops between stations located in two or more towns or cities.</i>	%	
School Bus	<i>An automobile that carries students or other persons to and from school, or in any school activity including games, outings and similar school trips. This includes vehicles owned by or contracted with a school or school district.</i>	%	
Sightseeing Bus	<i>An automobile accepting individual passengers for a fare for sightseeing or guided tours, making occasional stops at certain points of interest and returning the passengers to the point of origin.</i>	%	
Airport Bus or Limousine (Shuttle)	<i>An automobile for hire that transports passengers between airports and other passenger stations, or motels.</i>	%	
Urban Bus (Transit)	<i>An automobile that picks up, transports and discharges passengers at frequent local stops along a prescribed route and operated principally within the limits of a city or town, and communities contiguous to such city or town, and includes scheduled express service between points on that route.</i>	%	
Social Service Agency Automobile	<i>An automobile used by a government entity, civic, charitable or social service organization to provide transportation to clients incidental to the social services sponsored by the organization, including special trips and outings.</i>	%	
Church Bus	<i>An automobile used by a church to transport persons to or from services and other church related activities.</i>	%	
Transportation of Athletes & Entertainers	<i>An automobile owned by a group, firm or organization that transports its own professional athletes, musicians or other entertainers.</i>	%	
Van Pools	<i>An automobile used to provide prearranged commuter transportation for employees to and from work and is not otherwise used to transport passengers for a charge.</i>	%	

**Note: Vehicles being used as Taxi Cabs, Car Service, Ride Share or Limousines with a seating capacity of 8 or less must be written in CAR's Taxi/Limo Program.**

**E. Request for Reimbursement of Extraordinary Expenses from ~~the Commercial Automobile or Taxi and Limousine~~ Servicing Carrier Programs**

A Servicing Carrier may be reimbursed in whole or in part for a specific, necessary and extraordinary expense incurred in performing its obligations as a Servicing Carrier. The Servicing Carrier must petition CAR for such relief and the expense must be actually incurred before reimbursement. Such expense must be explained by the Servicing Carrier in such detail as is requested and establish that the expense is necessary and significantly in excess of the normal additional expense that could reasonably have been contemplated by the Servicing Carrier in acceptance of the terms of CAR's request for proposal for the current service period.

1. Reimbursement Considerations

An advisory committee will be appointed to review a Servicing Carrier's petition for reimbursement and will make a recommendation to CAR's Governing Committee as to whether or not the Servicing Carrier qualifies for the reimbursement it requested or some portion thereof. Reimbursement of an extraordinary expense will be reviewed on an individual case basis.

2. Procedures

a. Request for Reimbursement

A Servicing Carrier must provide CAR with timely and reasonable notification that it is seeking reimbursement of extraordinary expenses involved in a matter it deems to be significantly in excess of costs that could reasonably have been contemplated in the expense allowance provision for the current Servicing Carrier program.

The Servicing Carrier must complete a Request for Reimbursement of Extraordinary Expenses form (Exhibit III-E-1) with a copy sent to the Commissioner of Insurance. The following additional information must also be provided:

- 1) A summary of the request.
- 2) A detailed description of the issue(s) directly responsible for the request and why the petitioner deems its efforts as being necessary and extraordinary, i.e. why the effort/expense is considered to be outside of the scope of services accepted by the carrier in response to CAR's Request for Proposal for

Commercial Automobile ~~or Taxi and Limousine~~ Servicing Carrier Appointment.

- 3) A background of events, in chronological order, leading up to the request, including pertinent correspondence and documentation between the company(s), producer(s) and/or any other involved entity.
  - 4) A summary of efforts undertaken by the Servicing Carrier to mitigate the impact to the residual market.
  - 5) A detailed accounting of any incurred expenses directly related to the residual market issue by company employees and/or contracted service providers utilized by the company on a regular or routine basis that are alleged to be extraordinary. Provide detailed explanations as to why these specific efforts/costs are deemed to be necessary, significant and extraordinary.
  - 6) An explanation for the need of any outside business, legal or other service provider contracted to specifically address resolution of the issue(s) along with the anticipated costs and an accounting of any expenses already incurred that are directly related to the issue presented by the Servicing Carrier.
  - 7) Confirmation that the Commissioner of Insurance has been copied on the request.
- b. Advisory Committee Review

The appointed advisory committee will be charged with determining whether or not the Servicing Carrier had diligently used usual and customary procedures for managing residual market business, including effective oversight of agency/company business submissions (underwriting, loss control, etc.) and whether the company diligence was timely in addressing issues that may have otherwise held costs to lower amounts. The petitioning Servicing Carrier must demonstrate that it qualifies for relief and address why the expected and/or incurred extraordinary costs could not have been anticipated in the Servicing Carrier's acceptance of the service terms and the expense allowance provision resulting from Servicing Carrier selection process. The committee's presumption prior to review of the request will be that expense allowance expectations for residual market business were intended to be at a level that would





## A. General

A Servicing Carrier will receive a credit against its premium written for expenses related to policies ceded to Commonwealth Automobile Reinsurers (CAR). ~~Expenses are separately calculated for commercial policies (excluding taxi, limousine and car service business) and taxi, limousine and car service policies.~~ Reimbursement will be provided for premium tax and commission expenses, as well as other expenses, including, but not limited to, unallocated loss adjustment, underwriting/technical services, loss control services and company/general expenses.

Expense allowances are initially calculated on an interim basis as specified in Section B. of this Chapter. On an annual basis, ceding expenses will be trueed-up as specified in Section C. of this Chapter.

As part of the Massachusetts Residual Market Commercial Automobile ~~and Taxi/Limousine~~ Request for Proposal (RFP) processes, companies interested in servicing ceded commercial automobile business ~~(excluding taxi, limousine and car service business) and ceded taxi, limousine and car service business~~ submit a price proposal. The proposal will indicate a price ~~per exposure expense allowance~~ for the initial year of the appointment to reimburse the Servicing Carrier for its unallocated loss adjustment expenses (ULAE), ~~and underwriting/technical services expenses~~ policy processing, loss control services ~~expenses~~ and company/general expenses. The proposal will also include a price for each of the subsequent years in the appointment term.

The final ~~price per exposure~~ expense allowances for the commercial Servicing Carrier(s) selected through the RFP process is approved by CAR's Governing Committee.

For additional information relative to the RFP process and the selection of Servicing Carriers to service the commercial automobile ~~and taxi, limousine and car service~~ residual markets, refer to Chapter I – Overview of this Manual.

## B. Calculation of Interim Expense Allowances

Interim expense allowances are provided for both premium tax and commission expenses and for ~~ULAE~~ Unallocated Loss Adjustment Expenses (ULAE), ~~and U~~ nderwriting/Technical Services policy processing, ~~L~~ oss ~~C~~ ontrol S ervices and ~~C~~ ompany/g eneral E xpenses.

Interim expense ratios used to calculate ceding expenses are established annually, ~~separately for commercial business (excluding taxi, limousine and car service business) and taxi, limousine and car service business~~ as follows:

~~1. Commercial Automobile (Excluding Taxi, Limousine and Car Service)~~

~~a. 1. Premium Tax and Commission~~

~~Servicing Carriers will be reimbursed for premium tax and commission as a percentage of written premium according to the underlying rate components in the latest approved CAR rate filing for the corresponding policy year.~~

~~b. 2. Unallocated Loss Adjustment Expenses (ULAE), Underwriting/Technical Services Policy Processing, Loss Control Services and Company/General Expenses~~

~~Servicing Carriers will be reimbursed for ULAE expenses, underwriting/technical services policy processing expenses, loss control services expenses, and company/general expenses based upon the approved expense per exposure allowance for each policy year of appointment.~~

~~The per exposure allowances will be converted to a percentage of written premium, based upon the estimated average written premium for the policy year, using those class types for which exposures are reported on a car year basis.~~

~~2. Taxi, Limousine and Car Service~~

~~a. Premium Tax and Commission~~

~~Servicing Carriers will be reimbursed for premium tax and commission as a percentage of written premium, according to the underlying rate components in the latest approved CAR rate filing for each class for the corresponding policy year.~~

~~b. Unallocated Loss Adjustment Expenses (ULAE), Underwriting/Technical Services, Loss Control Services and Company/General Expenses~~

~~Servicing Carriers will be reimbursed for ULAE expenses, underwriting/technical services expenses, loss control services expenses, and company/general expenses based on the approved expense per exposure allowance for each policy year of appointment.~~

~~The per exposure allowances will be converted to a percentage of written premium, based upon the estimated average written premium for the policy year.~~

Servicing Carriers will be advised via bulletin of the established interim expense allowances ~~via a CAR Bulletin~~. Ceding expenses, as initially calculated based on interim expense ratios, will be credited to the Servicing Carrier through CAR's quarterly settlement of balances procedure and are subject to final true-up as described in Section C. of this Chapter.

### C. Final Determination of Expenses

A Servicing Carrier's ceding expenses, as initially determined based on interim expense ratios, are subject to final adjustment based upon the agreed upon ~~per exposure~~ expense allowance.

Final expenses are determined as follows:

#### ~~1. Commercial Automobile (Excluding Taxi, Limousine and Car Service)~~

##### ~~a. 1. Premium Tax and Commission Expenses~~

Servicing Carriers will be reimbursed for premium tax and commissions according to the approved CAR commercial rate filing for the corresponding policy year. For policy years where a CAR rate filing is not filed and/or approved, the premium tax and commission allowance will remain unchanged from the prior year.

##### ~~b. 2. Unallocated Loss Adjustment Expenses, Underwriting/Technical Services/Policy Processing Expenses, Loss Control Services Expenses and Company/General Expenses~~

At the close of each calendar year, the final expense allowances will be trueed up based on the approved expense ~~per exposure~~ allowance ~~and multiplied by~~ the actual ceded ~~property damage liability exposures~~ statistically reported data for the corresponding policy years.

~~For those class types for which exposure is not measured on a car year basis, the expense allowance is based on the expense percentage of written premium for the industry for those class types for which exposures are reported on a car year basis.~~

##### ~~2. Taxi, Limousine and Car Service~~

##### ~~a. Premium Tax and Commission Expenses~~

~~Servicing Carriers will be reimbursed for premium tax and commissions according to the approved CAR commercial rate filing for the corresponding policy year. For policy years where a CAR rate filing is~~

~~not filed and/or approved, the premium tax and commission allowance will remain unchanged from the prior year.~~

~~b. Unallocated Loss Adjustment Expenses, Underwriting/Technical Services Expenses, Loss Control Services Expenses and Company/General Expenses.~~

~~For taxi, limousine and car service business, expense allowances will be trueed up based on the approved expense per exposure allowance multiplied by the actual ceded property damage liability exposures statistically reported for the corresponding policy year as of 18 and 30 months.~~

~~The initial true up of expenses, using data reported through 18 months of the corresponding policy year, will occur in the subsequent September quarterly settlement of balances. Expenses will continue to be credited on an interim basis, as a percentage of written premium, based upon data that is statistically reported to CAR in the September and the following December, March and June quarters.~~

~~The final true up of expenses, using data reported through 30 months of the corresponding policy year, will occur in the subsequent September quarter, as part of the quarterly settlement of balances procedure. At this point, additional reimbursement for ULAE, company and general expenses will no longer be provided.~~

Interim ceding expenses previously provided to the Servicing Carrier are compared with final expense allowances calculated for each Servicing Carrier. Any necessary ceding expense adjustment will be processed as an adjustment to the Servicing Carrier's Settlement of Balances and Member Participation Reports.

**A. Member Company, Servicing Carrier and Exclusive Representative Producer Responsibilities**

1. Each Member, Servicing Carrier and Exclusive Representative Producer (ERP) must ensure that its own internal control and review procedures are sufficient to detect irregularities in the handling of Massachusetts commercial business. These procedures shall include, but are not limited to, the following:
  - a. Ensuring that all cessions, premiums, and claims are accurately and promptly reported to the Commonwealth Automobile Reinsurers (CAR);
  - b. Ensuring that all reports, including those requested by special call, are completed accurately and promptly;
  - c. Ensuring that all policies retained as voluntary or ceded to CAR are rated accurately, consistent with reported statistical coding, and that voluntary or ceded claims are properly reported to CAR;
  - d. Ensuring full compliance with CAR's Plan and Rules of Operation.

Any irregularities identified must be immediately corrected.

2. Each Member, Servicing Carrier and ERP is subject to audit by CAR. For additional information relative to the audits performed in accordance with CAR's Compliance Audit Program, refer to Sections C. and D. of this Chapter.
3. All motor vehicle insurance policies are subject to review and audit in a manner and time approved by the Governing Committee. Statistical data subject to audit will include but shall not be limited to commercial business retained as voluntary and commercial business ceded to CAR through the Commercial Servicing Carrier ~~and Taxi/Limousine~~ Program, including premium and claim statistical data. Servicing Carriers are required to maintain records for all ceded policies for at least three calendar years following the last calendar year in which activity has occurred.
4. In accordance with Rule 9 – Audit Review of CAR's Rules of Operation, each Member or Servicing Carrier authorizes CAR to audit any portion of its commercial motor vehicle insurance business that has a bearing on participation in CAR's underwriting results, expenses, penalties, payment of claims or any other matter attributable to such Member or Servicing Carrier.