



NATALIE A. HUBLEY  
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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

## NOTICE OF MEETING

### GOVERNING COMMITTEE

A meeting of the Governing Committee will be held virtually via Zoom video conferencing software, on

**WEDNESDAY, SEPTEMBER 8, 2021, AT 10:30 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

Ms. Elizabeth B. Brodeur – Chair  
Safety Insurance Company

Ms. Pamela L. Bodenstab-Krynicky  
Mr. Thomas C. DePaulo  
Ms. Gail Eagan  
Mr. Thomas A. Harris  
Mr. Christopher Jarrard  
Ms. Ida Denard Jones  
Mr. M. John Olivieri, Jr.  
Mr. Daniel P. Olohan  
Ms. Kellie A. Thibodeau  
Ms. Meredith M. Woodcock

P.L. Krynicky Insurance Agency, Inc.  
Cabot Risk Strategies, LLC  
Arbella Insurance Group  
Quincy Mutual Group  
GEICO  
Denard Insurance Agency, Inc.  
J.K. Olivieri Insurance Agency, Inc.  
MAPFRE U.S.A. Corporation  
The Hanover Insurance Company  
Liberty Mutual Insurance Companies

### AGENDA

**GC**

#### **21.01 Transcript of Previous Meeting**

The Transcript of the Governing Committee meeting of August 5, 2021 should be read and approved.

**GC**

**21.03 CAR Conflict of Interest Policy**

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

**GC**

**21.04 President's Report**

Commonwealth Automobile Reinsurers' President will report on matters affecting CAR.

**GC**

**21.05 Counsel's Report**

Commonwealth Automobile Reinsurers' counsel will report on pending litigation, CAR Rule changes and any other matters relevant to legal issues at CAR.

**GC**

**21.07 Financial Audit Committee**

The Governing Committee will hear the report of the Financial Audit Committee meeting of August 25, 2021.

The Records of the Financial Audit Committee meeting of August 25, 2021 are attached. (Docket #GC21.07, Exhibit #2)

The Records of the Financial Audit Committee meeting of August 25, 2021 have been distributed and are on file.

**GC**

**21.10 Commercial Automobile Committee**

The Governing Committee will hear the reports of the Commercial Automobile Committee meetings of July 20, 2021 and August 31, 2021.

The Records of the Commercial Automobile Committee meeting of July 20, 2021 are attached. (Docket #GC21.10, Exhibit #6)

The Records of the Commercial Automobile Committee meeting of July 20, 2021 have been distributed and are on file.

The Records of the Commercial Automobile Committee meeting of August 31, 2021 will be distributed as additional information prior to the meeting.

**GC**

**21.11 Loss Reserving Committee**

The Governing Committee will hear the report of the Loss Reserving Committee meeting of September 1, 2021.

A Summary of the Loss Reserving Committee meeting of September 1, 2021 will be distributed as additional information prior to the meeting.

**GC**

**21.12 Compliance and Operations Committee**

The Governing Committee will hear the report of the Compliance and Operations Committee meeting of September 1, 2021.

The Records of the Compliance and Operations Committee meeting of September 1, 2021 will be distributed as additional information prior to the meeting.

**GC**

**21.13 Budget Committee**

The Governing Committee will hear the report of the Budget Committee meeting of August 24, 2021.

The Records of the Budget Committee meeting of August 24, 2021 are attached. (Docket #GC21.13, Exhibit #1)

The Records of the Budget Committee meeting of August 24, 2021 have been distributed and are on file.

**GC**

**21.14 Joint Actuarial Commercial Lines Committee**

The Governing Committee will hear the report of the Joint Actuarial Commercial Lines Committee meeting of August 25, 2021.

The Records of the Joint Actuarial Commercial Lines Committee meeting of August 25, 2021 are attached. (Docket #GC21.14, Exhibit #1)

The Records of the Joint Actuarial Commercial Lines Committee meeting of August 25, 2021 have been distributed and are on file.

**Other Business**

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

**Executive Session**

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

NATALIE A. HUBLEY  
President

Attachments

Boston, Massachusetts  
August 26, 2021



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PRESIDENT

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## RECORDS OF MEETING

### FINANCIAL AUDIT COMMITTEE – AUGUST 25, 2021

#### Members Present

Mr. Thomas LaFrancois – Chair	Arbella Insurance Group
Ms. Pamela Bodenstab-Krynicky	P L Krynicky Insurance Agency
Mr. David McCormick	McCormick & Sons Insurance Agency, Inc.
Mr. Sean Moone	Norfolk & Dedham Group
Mr. Joseph Mullen <sup>(1)</sup>	Pilgrim Insurance Company
Mr. Brian White	Safety Insurance Company

Substituted for:

<sup>(1)</sup>Mr. Matthew Anglim, Plymouth Rock Assurance Corporation

Not in Attendance:

Mr. Brian Breedan, MAPFRE U.S.A. Corporation

#### 21.01 Records of Previous Meeting

On a roll call vote, the Committee voted unanimously with one abstention, to approve the Records of the Financial Audit Committee meeting of February 2, 2021. Mr. Joseph Mullen of Pilgrim abstained. The Records have been distributed and are on file.

#### 21.04 Annual Audit of CAR for Fiscal Year Ending 2021

Mr. Thomas Perruna of AAFCPA presented his recommendation regarding the engagement parameters for the 2021 review and provided a basic timeline for the planning, execution, and completion of the engagement. Mr. John Buckley, also of AAFCPA, then discussed the Agreed Upon Procedures (AUP) plan. He informed the Committee of new auditing attestation standards that dictate the use of certain language in AUP engagements. He noted that the updates contained in the 2021 procedures does not change the actions performed by the auditor but adjust specific wording within the AUP to adhere to the new standards. He further discussed the audit procedures with the Committee noting the 2021 procedures will continue to focus primarily on transactions relevant to CAR's administrative expenses and IT controls. Also, Mr. Buckley confirmed the 2021 audit fee of \$80,000 reflecting a 4% increase over 2020.

**After discussion, on a roll call vote, the Committee members voted unanimously to recommend that the Governing Committee approve the engagement parameters as presented by AAFCPA for the review of CAR's fiscal year 2021 financial statements, including the AUP as**

**presented, recognizing that the procedures are sufficient for their intended purpose, and that access to the AUP report would be limited to CAR, its committees and subcommittees, its Member Companies, and the Division of Insurance. The Committee also recommended that the President be directed to execute the engagement letters on behalf of CAR.**

MARK ALVES  
Director – Compliance Audit

Boston, Massachusetts  
August 26, 2021



NATALIE A. HUBLEY  
PRESIDENT

## COMMONWEALTH AUTOMOBILE REINSURERS

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### RECORDS OF MEETING

#### COMMERCIAL AUTOMOBILE COMMITTEE – JULY 20, 2021

##### Members Present

Mr. Thomas DePaulo – Chair	Cabot Risk Strategies, LLC
Ms. Kristina Broskey	MAPFRE U.S.A. Corporation
Ms. Annmarie Castonguay	The Hanover Insurance Company
Ms. Sheila Doherty	Doherty Insurance Agency, Inc.
Mr. Bryan Hurwitz	Norfolk & Dedham Group
Ms. Mary McConnell	Safety Insurance Company
Ms. Sharon Murphy	Acadia Insurance Company
Mr. John Olivieri, Jr.	J.K. Olivieri Insurance Agency, Inc.
Mr. Thomas Skelly, Jr.	Deland, Gibson Insurance Associates, Inc.
Mr. Barry Tagen	Pilgrim Insurance Company
Mr. Mark Winiker	A-Affordable Insurance Agency, Inc.
Mr. David Zawilinski	Arbella Insurance Group

Substituted for:  
N/A

Not in Attendance:  
N/A

#### 21.01 Records of Previous Meeting

On a roll call vote, the Committee unanimously voted to approve the Records of the Commercial Automobile Committee meeting of May 25, 2021. The Records have been distributed and are on file.

#### 19.05 Commercial Residual Market Issues

Ms. Wendy Browne reported on the commercial issues under consideration by the Committee, highlighting updates since the Committee's last meeting. She informed the Committee that alternative rating methods for the Non-Ownership liability coverage, and zone rated vehicles operating outside of Massachusetts will be discussed at the Joint Actuarial Commercial Lines Committee (JALCL) in the late summer in anticipation of a filing this fall.

Next, Ms. Browne noted that the Committee will continue the discussion on ride sharing at this meeting, addressing coverage associated with various TNC services in the commercial residual market.

Finally, Ms. Browne informed the Committee that for automobiles with gross vehicle weight (GVW) exceeding 10,000 Pounds, staff is in the process of reviewing the POLK files to identify specific

vehicles not assigned a VRG in order to determine whether an opportunity exists to address residual market eligibility and placement.

### **19.08 Radius of Operation and Rating Territory**

Mr. Timothy Galligan presented a summary of staff's evaluation and recommendation related to the use of the RadiusCheck software product. The RadiusCheck software was reviewed to evaluate its potential as a tool to assist Servicing Carriers in identifying rating and classification issues. He indicated that the product appears to work best for validating radius class for local and intermediate vehicles where garaging town is known, either through use of premium town or zip code reporting.

For zone-rated vehicles, garaging town is not required to be statistically reported. Further, the zone combination code does not identify specifically the zone of principal garaging, making the anticipated boundaries of travel uncertain. Mr. Galligan informed the Committee that as CAR finalizes its rating approach to address out of state garaging, discussion will also include alternatives to address statistical reporting. Depending upon the results of those committee discussions, there may be an opportunity to reevaluate the potential benefits of using the RadiusCheck software at a later date.

Ms. Wendy Browne added that, if the product proves useful at that time, it may also have potential to assist Servicing Carriers in their evaluation of garaging location, which may correlate to principal place of business. Ms. Browne also noted that although the volume of zone rated risks has decreased in recent years, there are significant volumes in the local and intermediate classifications. Further evaluation of the quality of the statistical data would be needed to determine whether a rating problem exists that would warrant the cost of the software product.

The Committee agreed to postpone further evaluation of this product until other CAR Committees consider and implement related statistical plan changes to better identify garaging town for all vehicle types.

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

Ms. Wendy Browne reviewed the TNC overview document, highlighting alternative approaches to address TNC coverage in the commercial residual market. Ms. Browne first reviewed the summary of the types of TNC services, including on-demand ride-hailing, on-demand delivery of goods, and car sharing.

Ms. Browne noted a new section of the document, highlighting the discussed and agreed upon points to date. The Committee has agreed that there needs to be an avenue for TNC Coverage in the residual market and has opined that the coverage should be limited to public vehicle classifications. The Committee agreed that TNC coverage in the residual market should be considered excess over that afforded by the TNC, and that car sharing activity should be excluded in all cases.

Ms. Browne highlighted the different alternative approaches for policies with both public and non-public classes, including the benefits and drawbacks of each approach. These approaches included a class-specific exclusion endorsement, a vehicle-specific exclusion endorsement, a buy-back endorsement, and other insurance condition endorsement.

The class-specific exclusion endorsement would require the Servicing Carrier to attach an endorsement to policies with both public and private passenger type vehicles that indicates that private passenger type vehicles are excluded from engaging in TNC activities. Counsel had expressed concern with a class-specific endorsement as classification is not defined in the policy language, and to date staff has not identified a form adopted in the voluntary market that accomplishes the objective.



The vehicle-specific exclusion endorsement would require the Servicing Carrier to identify all vehicles on the policy that are not classed as public. The Servicing Carrier would also attach the CR 99 04 Other Insurance Condition form indicating that TNC coverage that is afforded is excess over that afforded by the TNC. The Committee agreed that this approach is difficult to administer and cost-prohibitive. Further, Servicing Carriers have expressed concern that the intended use of the vehicle is not always known at policy inception, and that use may change during the policy term.

Staff researched the buy-back endorsement approach and noted that such rating approaches typically involve circumstances where the coverage is expressly excluded in the policy language. Staff also noted the objective that coverage in the residual market be excess further complicates the feasibility of this approach. Finally, the approach also involves a vehicle-specific endorsement which presents the same concerns noted above.

The other insurance condition endorsement approach is viewed as the least cumbersome to implement. While this approach exposes the residual market to unintended coverage, the exposure is minimized due to the excess nature and due to the minimal volume of mixed-classed policies in the residual market. Additionally, this option is transparent and least confusing for the risk. In light of the concerns regarding the alternative approaches, Staff recommended the Committee adopt the other insurance condition endorsement approach.

The Committee discussed the various endorsement approaches, and unanimously voted to accept CAR staff's recommendation for use of the "Other Insurance Condition Endorsement" approach for policies with both public and non-public classifications. Staff was directed to prepare rules and forms for Committee consideration at its next meeting.

Considerable discussion ensued on whether a separate disclosure notice should be developed to advise insureds of the obligation to notify the insurer of changes in vehicle usage during the policy period. Members agreed that a separate disclosure notice was not warranted, but requested that modifications be made to the supplemental applications to include both TNC questions and disclosure language.

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

Ms. Browne reviewed modifications to sections of the Manual of Administrative Procedures (MAP) to consolidate language relative to coverages applicable by vehicle type. In Chapter III - Servicing Carrier Responsibilities, updates are recommended to the Coverage Selection Page of the Taxi, Limousine, and Car Service Application to better clarify optional coverages that are only applicable to limousine and car service vehicles. In Chapter V - Premium, the Limits and Coverage section has been reorganized to better clarify the coverages that are applicable to taxicabs versus the coverages that are applicable to all other commercial classes.

**After a brief discussion, on a roll call vote, the Committee unanimously voted to recommend to the Governing Committee adoption of the MAP changes.**

SHANNON CHIU  
Actuarial and Statistical Analyst

Boston, Massachusetts  
August 4, 2021

**CAR** | **Manual of Administrative Procedures**  
**Chapter III** | **Servicing Carrier Responsibilities**  
**Revision Date** 2021.06.14  
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**EXHIBIT III-B-1**  
 (continued)

COVERAGE SELECTION

Coverage Type	Limit of Liability	Vehicle No.
A Compulsory		
A-1 Bodily Injury	\$20,000 each person \$40,000 each accident	_____
A-2 Personal Injury Protection	\$8,000 each person	_____
-----		
B Bodily Injury Other than Statutory	\$ _____ each person	
Minimum Limit \$20,000/\$40,000	\$ _____ each accident	_____
-----		
C Property Damage Liability		
Mandatory \$5,000	\$ _____ each accident	_____
-----		
D Medical Payments Optional		
Maximum \$5,000	\$ _____ each person	_____
-----		
E Comprehensive	ACV less \$ _____ deductible Glass Deductible \$100 Deductible Yes _____	_____
-----		
<del>F Loss of Use - Rental Reimbursement</del>	<del>Maximum \$30 per day \$ _____ per day</del>	<del>_____</del>
-----		
G Fire	ACV less \$ _____ deductible Glass Deductible \$100 Deductible Yes _____	_____
-----		
H Fire & Theft	ACV less \$ _____ deductible Glass Deductible \$100 Deductible Yes _____	_____
-----		
I Fire, Theft & CAC	ACV less \$ _____ deductible Glass Deductible \$100 Deductible Yes _____	_____
-----		
L Collision		
Waiver of Deductible Yes _____ No _____	\$ _____ deductible	_____
-----		
M Limited Collision		
Waiver of Deductible <del>Yes</del> Yes _____ No _____	\$ _____ deductible	_____
Full Coverage <del>(\$0 ded)</del> Yes _____ No _____		
-----		
U1 Uninsured Motorist Coverage	\$ _____ each person	
Mandatory \$20,000/\$40,000	\$ _____ each accident	_____
-----		
U2 Underinsured Motorist Coverage	\$ _____ each person	
	\$ _____ each accident	_____

**CAR** | **Manual of Administrative Procedures**  
**Chapter III** | **Servicing Carrier Responsibilities**  
**Revision Date** 2021.06.14  
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**EXHIBIT III-B-1**  
(continued)

**Optional Coverages Applicable to Limousine and Car Service Risks Only:**

Coverage Type	Limit of Liability	Vehicle No.
<u>N. Loss of Use – Rental Reimbursement</u>		
Maximum \$30 per day	\$ _____	per day _____
-----		
<u>P. Hired Auto – Liability Only</u>		
Cost of Hire	\$ _____	
<u>Q. Non-Owned</u>		
Number of Employees	\$ _____	
<u>R. Drive Other Car Coverage</u>	\$ _____	

REMARKS:

The Fair Credit Reporting Act

In connection with your application for insurance and as part of our normal underwriting procedure, an investigative consumer report may be obtained, including, if applicable, information as to character, general reputation, personal characteristics and mode of living. This information is obtained through personal interviews with your friends, neighbors and business associates. Upon written request, received within a reasonable timeframe, additional detailed information concerning the nature and scope of this investigation will be provided.

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**CAR** | **Manual of Administrative Procedures**  
**Chapter V** | **Premium**  
**Revision Date** | **2021.06.14**  
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Physical Damage Coverages

Collision – \$300 Deductible  
Limited Collision  
Fire, Theft and Combined Additional Coverage – \$300 Deductible  
Automobile Dealer's Physical Damage Supplement –  
\$1,000,000 per named location  
Garagekeepers' Legal Liability – \$1,000,000  
Direct Primary Garagekeepers' Liability – \$1,000,000  
Drive-Away-Collision

b. Taxicabs

Liability Coverages

Bodily Injury – \$250,000/\$500,000  
Medical Payments – \$5,000  
Uninsured Motorist Coverage – \$250,000/\$500,000  
Underinsured Motorist Coverage – \$250,000/\$500,000  
Property Damage – \$50,000

Physical Damage Coverages

Collision – \$500 Deductible  
Limited Collision  
Comprehensive – \$500 Deductible  
Fire and Theft – \$500 Deductible

~~e. Limousines and Car Service~~

~~Liability Coverages~~

~~Bodily Injury – \$1,000,000/\$1,000,000  
Medical Payments – \$5,000  
Uninsured Motorist Coverage – \$500,000/\$500,000  
Underinsured Motorist Coverage – \$500,000/\$500,000  
Property Damage – \$500,000  
Combined Single Limit – \$1,000,000~~

~~Physical Damage Coverages~~

~~Collision – \$300 Deductible  
Limited Collision  
Comprehensive – \$300 Deductible  
Fire and Theft – \$300 Deductible~~

**CAR** | **Manual of Administrative Procedures**  
**Chapter V** | **Premium**  
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cd. All Other Commercial Classes (Including Private Passenger Types)

Liability Coverages

Coverage for policies written on the Business Auto Coverage Form is restricted to only those vehicles specifically described on the policy declarations.

Bodily Injury – \$1,000,000/\$1,000,000

Medical Payments – \$5,000 (for Buses, Limousines, and Car Service risks),  
\$10,000 (for Trucks, Tractors and Trailers and Van Pools) and \$25,000  
(for Private Passenger Types)

Uninsured Motorist Coverage – \$500,000/\$500,000

Underinsured Motorist Coverage – \$500,000/\$500,000

Property Damage – \$500,000

Combined Single Limit – \$1,000,000

Drive Other Car

Non-Ownership Liability and Hired Automobiles, liability coverages only, either as a separate policy or in conjunction with a Massachusetts motor vehicle insurance policy.

Physical Damage Coverages

Collision – \$300 Deductible

Limited Collision

Comprehensive – \$300 Deductible

Fire, Theft and Combined Additional Coverage – \$300 Deductible

Towing and Labor – \$100 per Disablement (Private Passenger Types Only)

Rental Reimbursement

de. Miscellaneous Coverages and Limits

~~Non-Ownership Liability and Hired Automobiles, liability coverage only, either as a separate policy or in conjunction with a statutory Massachusetts Motor Vehicle Insurance policy~~

Physical Damage coverage for damage to trailers under a trailer interchange contract but only when written in conjunction with motor vehicle liability coverage

Stated Amount or Agreed Value Physical Damage coverages

All coverages and limits required by any financial responsibility law or State or Federal regulation as specified in the definition of Eligible Risk which is contained in Rule 2 – Definitions of CAR's Rules of Operation.



NATALIE A. HUBLEY  
PRESIDENT

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### RECORDS OF MEETING

#### BUDGET COMMITTEE – AUGUST 24, 2021

##### Members Present

Mr. John Olivieri – Chair  
Ms. Elizabeth Brodeur  
Mr. Thomas DePaulo  
Ms. Gail Eagan  
Mr. Christopher Jarrard

J.K. Olivieri Insurance Agency, Inc.  
Safety Insurance Company  
Cabot Risk Strategies, LLC  
Arbella Insurance Group  
GEICO

Substituted for:  
N/A

Not in Attendance:  
Mr. Daniel Olohan, MAPFRE U.S.A. Corporation

#### 20.01 Records of Previous Meeting

On a roll call vote, the Committee unanimously voted to approve the Records of the Budget Committee meeting of September 3, 2020, with Mr. Christopher Jarrard abstaining. The Records have been distributed and are on file.

#### 21.04 Fiscal Year 2022 Budget and Business Plan

Ms. Natalie Hubley described to the Committee that with this year's deliberations, CAR intends to coordinate the Budget Committee's recommendation relative to the business plan with that of the Personnel Committee's recommendation relative to the CAR President's performance objectives. To that end, she advised that staff will ask that the Committee comment on the organization's objectives and affirm that they address the Committee's priorities. Ms. Hubley then reviewed CAR's proposed Fiscal Year 2022 Business Plan including a detailed description of the FY22 objectives. The FY22 objectives focus on continued commercial residual market improvement initiatives, enhancements to the private passenger residual market, and efficient delivery of services.

Mr. Steven Gautieri advised that CAR Management is requesting a FY22 budget allocation of \$9,553,000, which represents a decrease of 0.1%, or \$4,900, under FY21. Further he noted that staff expects to close FY21 \$127,300 under budget and that the proposal recommends the surplus be allocated to fund CAR pension expenses, consistent with the strategy adopted in 2013.

Mr. Gautieri presented a detailed review of the proposed FY22 budget, providing explanations and rationale of variances between FY21 and FY22. Discussions followed relating to employee costs and CAR's rent expenses, with Committee members noting the opportunity for potential lease negotiations as CAR approaches the second half of its lease term and vacancies increase in the city. Committee members also considered staff's recommended allocation of the FY21 surplus to fund pension expenses. Mr. Gautieri further explained CAR's approach to pre-paid pension funding, which ensures level-budget funding at least through FY24, maximizes assets to improve funded status, and minimizes guaranty fund insurance assessments.

**After discussion, on a roll call vote, the Committee unanimously voted to recommend to the Governing Committee approval of the proposed FY22 business plan, including the objectives described therein.**

**Also, on a separate roll call vote, the Committee unanimously voted to recommend to the Governing Committee adoption of the proposed FY22 administrative expense budget, and to allocate prior year surplus funds as proposed.**

STEVEN GAUTIERI  
Controller

Boston, Massachusetts  
August 26, 2021



NATALIE A. HUBLEY  
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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

## RECORDS OF MEETING

### JOINT ACTUARIAL COMMERCIAL LINES COMMITTEE – AUGUST 25, 2021

#### Members Present

Mr. Glenn Hiltbold – Chair	Safety Insurance Company
Mr. Winfred Botchway <sup>(1)</sup>	Arbella Insurance Group
Ms. Sarah Clemens	MAPFRE U.S.A. Corporation
Mr. James French	Quincy Mutual Group
Mr. Levi Kamenetsky	The Hanover Insurance Company
Mr. Thomas Skelly, Jr.	Deland, Gibson Insurance Associates, Inc.
Mr. Barry Tagen	Pilgrim Insurance Company

Substituted for:

<sup>(1)</sup>Mr. Hugh Thai

Not in Attendance:

Ms. Sheila Doherty, Doherty Insurance Agency, Inc.

#### 20.01 Records of Previous Meeting

On a roll call vote, the Committee unanimously voted to approve the Records of the Joint Actuarial Commercial Lines Committee meeting of November 12, 2020. The Records have been distributed and are on file.

#### 21.04 CAR Commercial Rate Need Review

Ms. Wendy Browne advised that in its most recent filing, CAR had proposed to address rating for zone-rated vehicles garaged out-of-state via a redefinition of the current zone-rating tables. As the filing was subsequently withdrawn to allow for a review of 2020 data pursuant to the Division of Insurance filing guidance, staff is asking that the Committee consider alternative approaches to address the out-of-state rating differential and provide direction to staff as it prepares a rate filing for later this year.

Ms. Browne described the benefits and drawbacks of the approach taken in the most recent filing. She noted that the filing option initially required no rating system changes. However, additional base rate tables would be needed if CAR were to introduce rating differentials for additional states or state groupings. Further, she explained that this approach would result in inconsistencies among data reported for voluntary and residual market business.



Ms. Browne then described an alternative approach that would involve the addition of a separate rating factor with values varying depending upon principal garaging location. She explained that, while this approach would require rating system changes upon implementation, it offers more flexibility to introduce additional out-of-state differentials as needed. In addition, a modification to statistical reporting to collect garaging location for zone-rated vehicles in the premium town and zip code fields would enable accurate identification of comparable voluntary and residual market data.

The Servicing Carriers advised that the latter approach to add a rating factor with multiple values requires significantly less resources than the former approach to add rating tables. Further, the Committee noted the benefits of enhanced statistical data. After discussion, the members agreed to direct CAR to pursue the separate rating factor approach in its upcoming filing.

Mr. Timothy Galligan then advised that staff is currently evaluating the nature of the non-ownership liability coverage in preparation for a future filing, and is asking that the Committee comment on an expanded class plan and the practical administration of the non-ownership coverage. He explained that due to the growth in the delivery services industry, AIPSO in its recent report to CAR, recommended introducing separate non-ownership liability rates for delivery services and all other non-owned coverage. Further, due to the high volume of coverage purchased on a stand-alone basis, staff is also recommending rates for stand-alone policies and separate rates for coverage extended on an existing policy. Mr. Galligan referred to the table of recommended classifications provided with the Additional Information to illustrate the recommended approach.

Committee members expressed a preference to simplify the rating approach and questioned the need for separate rates for delivery services and all other non-owned coverage. Servicing Carriers advised that the vast majority of coverage being afforded in the residual market is for delivery services. Other members questioned whether rating by the number of vehicles used for delivery would be a better approach than by number of employees. In addition, committee members suggested that staff evaluate the impact of non-owned coverage afforded in conjunction with hired autos. The Committee directed staff to research the issues raised for further discussion at a future meeting.

#### **21.05 Consideration of ISO Optional Class Plan**

Ms. Browne described modifications to the ISO classification plan implemented in 2019. She noted the application of primary and secondary rating factors by coverage, the introduction of multiple fleet and age levels, the expanded use of original cost new, and the introduction of additional use classes as adopted by the North American Industry Classification System. She further noted that the private passenger type classes will also capture driving experience and principal/occasional status. Ms. Browne advised that the Committee is requested to comment on whether the revised plan, or certain components within the plan, would benefit the residual market from a rating perspective.

The Committee noted the advantages of the more granular classification system but expressed concern with the significant and costly systems changes that would be needed to implement the new class structure. The Committee agreed that in light of other rating priorities such as those discussed earlier, and the lack of data indicating a rating concern, it would table further discussion on these issues at this time.

KATY PROCTOR  
Actuarial/Statistical Analyst

Boston, Massachusetts  
August 26, 2021