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ADDITIONAL INFORMATION

TO MEMBERS OF THE COMMERCIAL AUTOMOBILE COMMITTEE

FOR THE MEETING OF:

Thursday, March 28, 2024, at 10:00 a.m.

CAC

23.09 Consistency in Determining Classification

The Committee will continue its discussion on issues related to inconsistencies in determining classification for certain public auto risks. To assist the Committee, staff has prepared a list of topics for consideration. (Docket #CAC23.09, Exhibit #1)

WENDY BROWNE
Vice President – Business Operations

Attachment

Boston, Massachusetts
March 26, 2024

Commercial Automobile Committee
March 28, 2024
Consistency in Determining Classification

At a previous meeting, the Committee began discussing the challenges in determining classification of certain public vehicle risks. Common issues noted as contributing to differences in underwriters' judgement included mixed use scenarios and a lack of available documentation at the time of policy inception. To enhance consistency in the classification of public classes, Staff suggests some topics for Committee consideration to address those challenges.

Mixed Use Scenarios:

Rule 72 – Public Automobile Classifications, of the CAR Commercial Automobile Insurance Manual directs that “if an automobile has more than one use, use the highest rated classification unless 80% or more of the use is in a single, lower rated activity. In that case, use the lower rated classification.”

- Committee members have noted concerns with mixed use scenarios with significant differences in exposure, such as vehicles classed as school bus with part-time charter bus use.
 - The Committee may consider whether a modification of the 80/20 rule is recommended (e.g. 90/10).
 - The Committee may consider the feasibility of introducing a liability rating factor for mixed use scenarios in situations where the 80/20 rule applies.

Insufficient Documentation:

Producers have noted inconsistencies in assigning classification when documentation is unavailable at the time of policy inception. In particular, committee members cite examples of risks seeking school bus contracts.

- To address any circumstance where documentation may be insufficient to support determination of classification, the Committee may consider adoption of a standard default class.

Note that standards for determining radius and geographic class described in Chapter X of the Manual of Administrative Procedures direct that “if the risk has been in operation for more than one year and provides credible documentation to validate a different radius class and/or geographic classification during the policy term, apply the rating change prospectively from the date the documentation is provided.” Further, “if the risk has been in operation for less than one year and provides credible documentation to validate a different radius class and/or geographic classification at least 90 days prior to policy expiration, apply the rating change as of the effective date of the policy. However, if the documentation is provided within 90 days of the policy's expiration date, the rating change would be applied as of the effective date of the renewal policy.”

- The Committee may consider a similar approach to address issues of insufficient documentation in determining use class.

Other Underwriting Questions:

The Committee may discuss additional questions raised to staff to consider whether clarification of the manual rules may enhance consistency in determination of classification and other rating factors.

- Vehicles Owned by Day Care Centers

Questions have been raised regarding how to classify vehicles owned by day care centers. Based on committee direction, staff will draft appropriate clarification to the manual rules.

- Rating Territory

Rule 72.C.2 directs that for non-zone rated vehicles “the rating territory shall be determined by the highest rated territory through which or in which the public automobile operates.” Staff has been asked to clarify that “operates” refers not only to when the public vehicle is transporting clients.