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NOTICE OF MEETING

COMMERCIAL AUTOMOBILE COMMITTEE

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

FRIDAY, NOVEMBER 1, 2024, 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

Mr. Thomas DePaulo – Chair
Cabot Risk Strategies, LLC

Ms. Annmarie Castonguay
Ms. Sheila Doherty
Mr. Andrew Lajzer
Ms. Sharon Murphy
Mr. John Olivieri, Jr.
Mr. Tiago Prado
Mr. Thomas Skelly, Jr.
Mr. Barry Tagen
Mr. David Zawilinski
Mr. Jesse Zimmerman

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

AGENDA

CAC

24.01 Records of Previous Meeting

The Records of the Commercial Automobile Committee meeting of August 1, 2024 should be read and approved.

CAC

24.03 CAR Conflict of Interest Policy

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

CAC

24.06 Producer Checklist for Residual Market Forms

The New Business Underwriting Checklist, developed to assist producers in complying with the requirements for submitting new business risks for cession to the residual market, has been revised based upon the Committee's feedback from the prior meeting. The Committee should review and discuss the revised checklist. (Docket #CAC24.06, Exhibit #2)

CAC

24.07 Proposed Amendments to CAR Rules and Manuals for New Coverage Forms

As part of its ongoing effort to implement the new policy coverage and endorsement forms, staff will be proposing amendments to the Rules of Operations and the Manual of Administrative Procedures for consideration by the Committee. The proposed updates will be distributed as additional information.

CAC

24.08 Review of Standards for Validating the "Nerve Center" Principal Place of Business

A Servicing Carrier suggested that a discussion by the Commercial Automobile Committee relative to validating a risk's principal place of business would be beneficial due to the increase in the remote work environment since the COVID 19 pandemic. Accordingly, the Committee should discuss the Standards for Validating the "Nerve Center" Principal Place of Business set forth in the Chapter X of the Manual of Administrative Procedures to begin discussion of recent challenges in determining residual market eligibility and potential improvements to the standards to address the current environment. To initiate Committee discussion, Staff will provide an overview of the current standards. (Docket #CAC24.08, Exhibit #1)

CAC

24.09 Assignment Procedures for Affiliated Producers

Rule 14 – Exclusive Representative Producer Requirements of CAR's Rules of Operation sets forth requirements for the appointment of eligible licensed producers to Servicing Carriers. Rule 14.A.2.a. addresses Affiliated Producers and directs that if a producer is found to have "a contractual relationship or membership in a so-called producer cluster or network, or a direct or indirect material and continuing proprietary or management interest in another agency or brokerage firm which also has an ERP appointment to a Servicing Carrier, the producer is presumed to be an affiliate of the other agency or brokerage firm." Further, the Rule directs that "ERPs identified as having an affiliated relationship will be appointed to the same Servicing Carrier as all members of the affiliated group."

At its recent meetings, the Commercial Program Oversight Committee has discussed the current market environment of increasing agency network participation and merger and acquisition activity and the resulting limitations on the ability to minimize market disruption during redistribution of residual market books of business performed to maintain equity among Servicing Carriers. The Committee considered options to reduce the frequency of ceded book redistributions such as alternative expense allowance procedures. The Committee also discussed whether producer assignment procedures for affiliated agencies

could be modified to minimize disruption in the event of redistributions. For example, the Committee considered multiple Servicing Carrier appointments for larger affiliations and treatment of agencies participating in network clusters as independent agencies for assignment purposes.

After considerable discussion, the Committee expressed interest in the ability to be flexible in addressing network clusters but noted the lack of understanding of the shared services such as policy processing, staffing, and servicing risks. Ultimately the Committee recommended no change to the assignment procedures at this time but referred the issues to the Commercial Automobile Committee for further evaluation.

To initiate Committee discussion, Staff will provide a summary as additional information of its research relating to various types of agency affiliations and networks.

CAC

24.10 Pollution Coverage

In response to concerns raised over a potential inconstancy in the application of pollution coverage, staff has reviewed the current pollution requirements described in the CAR Rules of Operation, Manual Rules, and the policy forms and endorsements. Staff also reviewed the ceded data to identify where inconsistencies may exist and recommends minor Rule changes to include more current references consistent with the updated policy forms and endorsements. A summary of staff's review and recommendations will be distributed as additional information prior to the meeting.

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.

TIMOTHY GALLIGAN
Actuarial Statistical Services Director

Attachments

Boston, Massachusetts
October 22, 2024

Commercial Automobile Committee – November 1, 2024
New Business Underwriting Checklist

In an effort to ensure that all Exclusive Representative Producers consistently include required documentation when submitting new business and to ensure consistent procedures Servicing Carriers, one Servicing Carrier suggested creating an Underwriting Checklist to be provided to all agencies. The list below includes the points discussed at the last committee meeting.

AGENT CHECKLIST

- ☐ Completed and signed new business application
- ☐ Supplemental Application (General Risk Information)
- ☐ Public Automobile Addendum (if applicable)
- ☐ Taxi, Limousine, Car Service Application and Underwriting Inspection Form (if applicable)
- ☐ Trucker/Motor Carrier Addendum (if applicable)
- ☐ Principal Place of Business
- ☐ Non-Fleet Private Passenger Type Certification Form (if applicable)
- ☐ Additional Insured – Massachusetts Endorsement Form (if applicable)
- ☐ Operator Exclusion Form (if applicable)
- ☐ Collected required deposit premium
- ☐ Stamped Registration Title Application (RTA) (if applicable)
- ☐ Parking Lease or Permit Agreements
- ☐ Property Lease Agreement (if applicable)
- ☐ Completed Finance Agreement
- ☐ Driver/Employee Listing including translated copies of foreign driver's licenses
- ☐ Contracts that support vehicle classification
- ☐ Copies of trip logs for prior three months (if applicable)
- ☐ International Fuel Tax Agreements (IFTA) for prior year (if applicable)
- ☐ Proof of residence such as, lease agreement, utility bill, Commonwealth of MA database printout, tax filing information
- ☐ Completed Prior Policy Information section of the new business application at time of submission for experience rating purposes.
- ☐ Verification there is no owed premium with the Registry of Motor Vehicles
- ☐ Copies of loss runs

Commercial Automobile Committee – November 1, 2024
Principal Place of Business – “Nerve Center” Standards

As outlined in Chapter X – Servicing Carrier and Exclusive Representative Producers Standards and Forms and Bulletin 1055 – Principal Place of Business Standards and Certification Form, standards are in place to validate a risk’s principal place of business of business to ensure its eligibility for placement in the residual market.

These standards include the submission of a signed and dated Principal Place of Business Certification Form and the validation by producers that operations taking place in the corporation’s “nerve center” include a number of items such as, computer/monitoring systems, scheduling systems, payroll systems, treasury management systems, telephone systems, and administrative activities to support the business operations. Also note that a mail drop box, a bare office with a computer, or a location where executives only occasionally meet, does not qualify as Principal Place of Business for the purpose of determining eligibility for cession to the MA residual market.

The underwriting tools that Servicing Carriers are advised to take advantage of in determining a risk’s eligibility relative to the principal place of business and “nerve center” are outlined below.

- Use of the Secretary of Commonwealth’s Corporations Division website to determine:
 - o If the risk and/or the risk’s Federal Employer Identification Number (FEIN) is registered with the Corporations Division
 - o Date of Origination
 - o The identity of the risk’s officers, directors, partners and/or managers
 - o The location of the risk’s principal office in Massachusetts
 - o The state in which the risk was organized
 - o Who signed the organizational documents for the risk
- Use of an Internet search engine to determine if the risk has a website for Massachusetts and/or other state operations and to verify office location(s) or if there is information relative to any of the corporate officers
- Use of the RMV systems to determine if the risk’s officers, directors, partners and/or managers have a Massachusetts address/operator’s license and to determine if the risk previously was insured with a Massachusetts carrier
- Review of loss runs, if available, to determine if the risk’s operations are in Massachusetts
- Review of FMCSA filings, if applicable, to verify address on the risk’s new business application

The risk evaluation tools that Exclusive Representatives Producers are advised to use in determining a risk’s eligibility relative to the principal place of business and “nerve center” are outlined below.

- Whether the company is headquartered in Massachusetts and meets the definition of Principal Place of Business as specified in Rule 2 – Definitions of CAR’s Rules of Operation
- Whether company reports, documentation and financial records originate in the Massachusetts office
- How long has the company been at the Massachusetts location
- Whether the company has officers, directors, partners and/or managers residing in other states, and, if so, where.
- Whether business/corporate decisions and orders solely emanate from the Massachusetts principal place of business of the company, and if not, describe the corporate communications
- Whether the principal owner, officers, directors, partners and/or managers all reside in Massachusetts and if not, describe residency of each.
- The number of employees working out of the Massachusetts principal place of business. In Massachusetts? Out of state?
- Identify the registration of all vehicles. Registered in Massachusetts? Other states?
- Operators/Drivers for the company licensed/hired in Massachusetts

- How often the principal/owner of the company is in the company's Massachusetts headquarter office
- Whether the payroll for the company is handled through the Massachusetts principal place of business location
- Hours of the Massachusetts principal place of business location of the company

Also, the ERP/risk will be required to provide, at the Servicing Carrier's request, information included but not limited to the following:

- Pictures of the MA location and garaging locations if different from MA mailing address
- Name and location of shop providing repair and maintenance on the vehicles
- Percentage of revenue derived from MA operations versus other states
- Tax returns
- A copy of the risk's lease and/or other documents pursuant to the establishment of an operational office location in Massachusetts (utility bills, bank statements, tax documents, payroll records, workers comp. policy, etc.)
- A list of any other address locations from which the business operates and what type of activities occur at those location

A search of the Federal Motor Carrier Safety Administration website shows its definition of a principal place of business and what address types are considered invalid or not acceptable:

What is a principal place of business (PPOB)? The entity's physical address or PPOB is the designated central location where the company is engaged in business operations. Normally, this is where officials routinely report to work, and where safety records and/or business records are regularly maintained. The entity must make safety records available for inspection at this location within 48 hours upon FMCSA's request.

Which principal place of business (PPOB) address types are considered invalid or not acceptable? You cannot designate as your PPOB any location where your entity is not actively engaged in business operations. FMCSA will not accept a P.O. Box, a private mailbox, post office box centers that hold mail or packages for pickup, or other location with no legal or functional relationship to the applicant's business including process agents.