



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 at the Automobile Insurers Bureau Conference Center at 101 Arch Street, 7th Floor, Boston, on

TUESDAY, SEPTEMBER 17, 2024, AT 9:30 A.M.

MEMBERS OF THE COMMITTEE

Mr. John Olivieri, Jr. – Chair
J.K. Olivieri Insurance Agency, Inc

Ms. Pamela Bodensab-Krynicky
Ms. Sarah Clemens
Mr. Kevin Costigan
Mr. Thomas DePaulo
Mr. William Hughes
Ms. Ida Denard Jones
Ms. Nicole Martorana
Ms. Mary McConnell
Mr. Tiago Prado
Mr. Christopher Taylor
Ms. Meredith Woodcock

P.L. Krynicky Insurance Agency, Inc.
MAPFRE U.S.A. Corporation
GEICO
Cabot Risk Strategies, LLC
Arbella Insurance Group
Denard Insurance Agency, Inc.
FBInsure
Safety Insurance Company
BRZ Insurance
The Hanover Insurance Company
Liberty Mutual Group

AGENDA

GC

24.01 Transcripts of Previous Meetings

The Transcripts of the Governing Committee meetings of June 18, 2024 and July 30, 2024 should be read and approved.

GC

24.03 CAR Conflict of Interest Policy

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

GC

24.04 President's Report

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

GC

24.05 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

24.06 Commercial Automobile Committee

The Governing Committee will hear the report of the Commercial Automobile Committee meeting of August 1, 2024.

The Records of the Commercial Automobile Committee meeting of August 1, 2024 are attached (Docket #GC24.06, Exhibit #6).

The Records of the Commercial Automobile Committee meeting of August 1, 2024 have been distributed and are on file.

GC

24.07 Actuarial Committee

The Governing Committee will hear the report of the Actuarial Committee meeting of September 5, 2024.

The Records of the Actuarial Committee meeting of September 5, 2024 will be distributed as additional information prior to the meeting.

GC

24.08 Commercial Program Oversight Committee

The Governing Committee will hear the report of the Commercial Program Oversight Committee meeting of July 31, 2024.

The Records of the Commercial Program Oversight Committee meeting of July 31, 2024 are attached (Docket #GC24.08, Exhibit #4).

The Records of the Commercial Program Oversight Committee meeting of July 31, 2024 have been distributed and are on file.

GC

24.10 Financial Audit Committee

The Governing Committee will hear the report of the Financial Audit Committee meeting of September 10, 2024.

The Records of the Financial Audit Committee meeting of September 10, 2024 will be distributed as additional information prior to the meeting.

GC

24.11 Compliance and Operations Committee

The Governing Committee will hear the report of the Compliance and Operations Committee meeting of September 4, 2024.

The Records of the Compliance and Operations Committee meeting of September 4, 2024 will be distributed as additional information prior to the meeting.

GC

24.12 Loss Reserving Committee

The Governing Committee will hear the report of the Loss Reserving Committee meeting of September 4, 2024.

A Summary of the Loss Reserving Committee meeting of September 4, 2024 will be distributed as additional information prior to the meeting.

GC

24.14 MAIP Steering Committee

The Governing Committee will hear the report of the MAIP Steering Committee meeting of August 14, 2024.

The Records of the MAIP Steering Committee meeting of August 14, 2024 are attached (Docket #GC24.14, Exhibit #3).

The Records of the MAIP Steering Committee meeting of August 14, 2024 have been distributed and are on file.

**GC
24.18 Budget Committee**

The Governing Committee will hear the report of the Budget Committee meeting of September 5, 2024.

The Records of the Budget Committee meeting of September 5, 2024 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 Governing Committee may convene in Executive Session in accordance with the provisions of G.L. c. 30A, § 21.

NATALIE HUBLEY
President

Attachments

Boston, Massachusetts
September 5, 2024



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PRESIDENT

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RECORDS OF MEETING

COMMERCIAL AUTOMOBILE COMMITTEE – AUGUST 1, 2024

Members Present

Mr. Thomas DePaulo – Chair	Cabot Risk Strategies, LLC
Ms. Annmarie Castonguay	The Hanover Insurance Company
Ms. Sheila Doherty	Doherty Insurance Agency, Inc.
Mr. Andrew Lajzer	Safety Insurance Company
Ms. Sharon Murphy	Acadia Insurance Company
Mr. John Olivieri, Jr.	J.K. Olivieri Insurance Agency, Inc.
Mr. Tiago Prado	BRZ Insurance, LLC
Mr. Thomas Skelly, Jr.	Deland, Gibson Insurance Associates, Inc.
Mr. Barry Tagen	Pilgrim Insurance Company
Mr. David Zawilinski	Arbella Insurance Group
Mr. Jesse Zimmerman	MAPFRE U.S.A. Corporation

Not in Attendance:
N/A

24.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Commercial Automobile Committee meeting of May 23, 2024. The Records have been distributed and are on file.

CAC

23.04 Eligibility of Peer-to-Peer Vehicle Sharing Programs

The Committee continued its discussion on peer-to-peer vehicle coverage. The staff brought back information which demonstrated that, while limited, there is access to coverage in the voluntary market. The Chair advised of his intent to keep this item open but to table further discussion while continuing to monitor legislative activity related to the insurance obligations of vehicle sharing programs.

CAC

23.09 Consistency in Determining Classification

The Committee continued its discussion on issues relating to reported inconsistencies among Servicing Carriers in determining the classification of certain public vehicle risks, particularly vehicles owned and operated by daycare centers. The Committee had previously determined that these vehicles should be classified as Bus NOC. Similar transportation for adults was also considered in the discussion with the intent to ensure that there were no conflicts with the Social Service definition and associated rule language.

Mr. Timothy Galligan referred the committee members to the attachments included as additional information in which CAR Staff had drafted alternative language for the Bus NOC class to address the concern raised by Mr. Barry Tagen regarding buses owned by transportation companies that provide services to day care centers. Specifically, Mr. Galligan noted the addition of language to include buses operated for daycare centers that do not meet the definition of the social services class in Rule 72.B.1. Mr. Galligan also noted that Mr. Tagen raised concern with staff's elimination of the reference to shuttle buses from the description on the supplemental application.

Mr. Tagen opened the Committee discussion with a suggestion to add shuttle bus back into the Bus NOC description in the supplemental application and to consider adding this example into the manual rule definition. He cited examples such as those buses that provide transportation to and from train stations and to places of work as well as those that operate on campuses or hospitals as shuttle buses that would qualify for the NOC class but do not fit the current description in the manual rule.

Committee members expressed agreement with Mr. Tagen's point and suggestions were offered to select language that would appropriately and clearly describe the bus NOC classification. The Committee ultimately concurred on the following definition:

"This classification includes buses that do not meet any of the prior definitions including, but not limited to, automobiles such as country club buses, cemetery buses, real estate development buses, courtesy buses, shuttle buses, and buses owned by or operated for day care centers."

After discussion, the Committee voted unanimously to recommend Governing Committee approval of the proposed amendments, replacing the entirety of the Bus NOC classification definition included in the supplemental application and the manual rule with the agreed language (Docket #CAC23.09, Exhibit 11).

Following the approval of these amendments, the Committee moved forward with the second topic regarding the determination of rating territory for non-zone rated vehicles and the definition of the term "operates" in Rule 72.C.2. At the last meeting, the Committee reviewed other state's residual markets to gain insight into how this determination of rating territory is defined, and it was the Committee's consensus to use similar language from the New Jersey state rating manual.

Ms. Katy Proctor presented relevant exhibits with updated language to Rule 72.C.2 to determine the rating territory based on the highest rated territory where the public automobile operates from the pick-up to drop-off of passengers, based upon the language found in New Jersey's state rating manual.

The Committee voted unanimously to recommend Governing Committee approval of the proposed amendments to Rule 72.C.2. in the Rating Manual.

CAC

24.05 2024 Annual Evaluation of Market Need for ERP Appointments

Mr. Richard Dalton noted that Rule 14 – Exclusive Representative Producer Requirements requires that the Committee undertake an annual assessment to determine if a market need exists for ERP appointments for producers without a voluntary contract. He referred to an exhibit attached to the Notice of Meeting intended to assist the Committee in evaluating accessibility to the residual market throughout the Commonwealth.

Mr. Dalton informed the Committee that during the past year, there have been 12 new ERP appointments made to producers with a voluntary contract in place, and one request from a producer without a voluntary contract that was not approved. There are currently two requests pending. The Committee observed that the current data reflects results similar to the prior year. The Committee concluded that there continues to exist ample access to the residual market through qualified producers throughout the Commonwealth with experience servicing complex commercial risks.

Accordingly, the Committee unanimously voted to recommend to the Governing Committee that a market need does not exist for the appointment of new non-voluntary contracted ERPs at this time.

CAC

24.06 Producer Checklist for Residual Market Forms

Ms. Lynne Rosenberg advised the Committee that a Servicing Carrier suggested to CAR that it may be beneficial to the residual market if producers had access to a list of required forms when writing a new business policy. She noted that staff contacted the four Servicing Carriers to gather information on what documentation they currently require on new business submissions. Accordingly, staff developed an underwriting checklist to assist producers in submitting a complete packet of information about new business risks written in the residual market. Ms. Rosenberg emphasized that the underwriting checklist would not be a requirement but rather a guide for producers to use and would be made available on CAR's website if the Committee agreed it would be beneficial.

The Committee agreed that a checklist would be helpful, especially for new producers. Discussion then focused on more specific items on the list for consideration; verification that the applicant has not been cancelled for non-payment in preceding 24 months or in default of payment of premium in preceding 12 months. Some members suggested that the item is redundant and should be removed stating that the new business application has similar language, and the applicant certifies that they have not been cancelled when signing the application. Other members stated that this language is also in Rule 14 – ERP Requirements of the Rules of Operations and already required. Members considered that verification through the Registry of Motor Vehicles would be best practice. Ms. Browne proposed amending the language to indicate that no owed premium was verified through the Registry of Motor Vehicles. The members agreed with the revision in concept. It was also suggested that loss runs are added to the checklist along with some revisions to further clarify some of the current items listed.

After discussion, the Committee resolved to have staff revise the underwriting checklist for consideration at the next meeting.

TIMOTHY GALLIGAN
Actuarial and Statistical Services Director

Boston, Massachusetts
September 4, 2024

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- (1) is hired on a prearranged hourly basis for weddings, funerals, religious ceremonies or other non-business social functions,
 - (2) is hired on an exclusive, dedicated basis for the duration of the event, not for drop-off and pick-up,
 - (3) is operated by the named insured, an employee, or an independent contractor of the named insured, in attendance as a chauffeur at the beginning and ending of the function.
- c. *Car Service* – an unmarked for hire automobile with a seating capacity of eight or less which
- (1) is hired on a prearranged basis,
 - (2) does not pick up hail fares on the street,
 - (3) does not contain a rate meter, and does not charge for services based upon miles traveled if the trip is less than 25 miles,
 - (4) operates on a scheduled business day, and is returned to the automobile's base of operation for a continuous period of at least four hours in each 24-hour period,
 - (5) is operated by the named insured, an employee, or an independent contractor of the named insured, in attendance as a chauffeur,
 - (6) operates from a base with two-way communication,
 - (7) primary payment method is by billing or credit card,
 - (8) may be under contract with a regional transit authority where transportation services are paid for by the individual requesting the services. For services contracted and paid for by a social service agency, classify the automobile in accordance with Section B.1.f.(7) of this Rule.
 - (9) may be under contract with a transportation network or delivery network services company.
- d. *School Bus* – an automobile that carries students or other persons to and from school, or in any school activity including games,

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outings and similar school trips. There are two types of school buses for rating purposes:

1. School buses owned by political subdivisions or school districts.
2. All others including independent contractors, private schools and church owned buses.

The collision premium on a policy written on an annual term may be prorated to reflect the actual school term. However, credit shall not be given for Saturdays, Sundays or holidays or for any other periods of lay-up during the school term.

- e. *Church Bus* – an automobile used by a church to transport persons to or from services and other church related activities. This classification does not apply to public automobiles used primarily for daily school activities.
- f. Other Buses
 - (1) *Inter-City Bus* – an automobile that picks up and transports passengers on a published schedule of stops between stations located in two or more towns or cities.
 - (2) *Urban Bus* – an automobile that picks up, transports and discharges passengers at frequent local stops along a prescribed route. This classification applies only to automobiles 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.
 - (3) *Airport Bus or Airport Limousine* – an automobile for hire that transports passengers between airports and other passenger stations, or motels. Automobiles used to transport passengers from their home or place of employment to or from an airport should be classified according to Sections B.1.a.– c. of this Rule, as appropriate.
 - (4) *Charter Bus* – an automobile chartered for special trips, touring, picnics, outings, games, and similar uses.
 - (5) *Sightseeing Bus* – an automobile accepting individual passengers for a fare for sightseeing or guided tours, making

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occasional stops at certain points of interest and returning the passengers to the point of origin.

(6) *Transportation of Athletes and Entertainers* – an automobile owned by a group, firm or organization that transports its own professional athletes, musicians, or other entertainers.

(a) If it is used to transport other professional athletes or entertainers, rate as a Charter Bus.

(b) An automobile owned by a group, firm or organization to transport its own non-professional athletes, musicians or entertainers, rate as Bus Not Otherwise Classified.

(7) *Social Service Agency Automobile* – 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.

This classification includes, for example, automobiles used to transport

(a) senior citizens or other clients to meal centers, medical facilities, social functions, shopping centers,

(b) handicapped persons to work or rehabilitative programs,

(c) children to day care center, Head Start programs; and

(d) Boy Scout or Girl Scout groups planned activities.

The following automobiles are eligible for this classification:

(a) Automobiles owned, or leased for one year or more, by the social service agency.

(b) Automobiles donated to the social service agency, without a driver.

(c) Automobiles hired under contract by the social service agency.

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There are two types of Social Services Bus for rating purposes:

(a) Employee-Operated Automobiles

Automobiles operated by employees of the social service agency. If a social service automobile is also operated by volunteer drivers or other non-agency employees, do not classify the automobile as Employee-Operated unless 80% of the use is by agency employees.

(b) All Other

Automobiles which do not meet the employee-operated automobile classification requirements.

Excess Liability Coverage may be provided to cover automobiles not owned or licensed by the agency while being used in its social service transportation activities. This coverage may be extended to cover the agency's liability only or the liability of both the agency and, on a blanket basis, the individual liability of agency employees or volunteer donors or owners of the automobiles. For automobiles hired, loaned, leased or furnished refer to Rule 28 – Hired Automobiles of Section II – Common Coverages and Rating Procedures of this Manual. For all other non-owned automobiles, refer to Rule 27 – Non-Ownership Liability of Section II – Common Coverages and Rating Procedures of this Manual.

(8) *Bus Not Otherwise Classified* – this classification includes buses that do not meet any of the prior definitions including, but ~~is~~ not limited to, automobiles such as country club buses, cemetery buses, real estate development buses, ~~and~~ courtesy buses, shuttle buses, and buses owned by or operated for day care centers run by hotels.

- g. *Van Pools* – an automobile of the station wagon, van, truck or bus type used to provide prearranged commuter transportation for employees to and from work and is not otherwise used to transport passengers for a charge.

(1) Employer Furnished Transportation

CAR | **Manual of Administrative Procedures**
Chapter III | **Servicing Carrier Responsibilities**
Revision Date | **2023.04.Draft 2024.08.01**
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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		An automobile chartered for special trips, touring, picnics, outings, games and similar uses.	%	
Bus	Not Otherwise Classified	This classification includes buses that do not meet any of the other definitions including, s, but is not limited to, automobiles such as country club buses, cemetery buses, real estate development buses, shuttle buses, courtesy buses, shuttle buses, and buses owned by or operated for day care centers. run by hotels, and buses that operate city to city or point to point and is not to a transportation facility on a regular scheduled basis.	%	
Inter-City Bus		An automobile that picks up and transports passengers on a published schedule of stops between stations located in two or more towns or cities.	%	
School Bus		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.	%	
Sightseeing Bus		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.	%	
Airport Bus or Limousine (Shuttle)		An automobile for hire that transports passengers between airports and other passenger stations, or motels.	%	
Urban Bus (Transit)		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.	%	
Social Service Agency Automobile		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.	%	
Church Bus		An automobile used by a church to transport persons to or from services and other church related activities.	%	
Transportation of Athletes & Entertainers		An automobile owned by a group, firm or organization that transports its own professional athletes, musicians or other entertainers.	%	
Van Pools		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.	%	

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2. Non-Zone Rated Automobiles – Determination of Rating Territory

For automobiles classified under this rule that are not subject to zone rating, the rating territory shall be determined by the highest rated territory in which the automobile operates from the pick-up to drop off of passengers, through which or in which the public automobile operates. The highest rated territory is the territory with the highest manual premiums for compulsory and optional bodily injury liability at \$20,000 per person, \$40,000 per accident and \$5,000 property damage as shown on the Public Automobiles Liability rate pages in the Rate Section. A rating territory other than the highest rated territory may apply if the risk supplies credible documentation that 80% or more of the public automobile's operation is outside the highest rated territory. In that case, assign the territory of the automobile's highest percentage of operation. If the automobile's highest percentage of operation is outside of Massachusetts, assign the highest rated Massachusetts territory, regardless of the automobile's Massachusetts operations.

Refer to the Territory Schedule in the Rate Section.

D. Secondary Classifications

A secondary classification is assigned to automobiles with a primary classification of Other Buses and described in Section B.1.f. of this Rule that do not qualify for zone rating, and to automobiles with a primary classification of School Bus as described in Section B.1.d. or Church Bus as described in Section B.1.e. of this Rule. The secondary classification is based on the seating capacity of the automobile.

Apply the following criteria to determine the seating capacity of the automobile:

1. Use the seating capacity specified by the manufacturer of the automobile unless a public authority rules otherwise.
2. Do not include the driver's seat when determining seating capacity.



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RECORDS OF MEETING

COMMERCIAL PROGRAM OVERSIGHT COMMITTEE – JULY 31, 2024

Members Present

Mr. John Olivieri, Jr. – Chair	J.K. Olivieri Insurance Agency, Inc.
Mr. Brian Hayes	Quincy Mutual Group
Ms. Nicole Martorana	FBInsure
Ms. Sharon Murphy	Acadia Insurance Company
Mr. Henry Risman	Risman Insurance Agency, Inc.

Substituted for:

N/A

Not in Attendance:

Ms. Meredith Woodcock, Liberty Mutual Insurance Companies

24.01 Records of Previous Meeting

The Committee unanimously voted to approve the records of the Commercial Program Oversight Committee meeting of May 29, 2024. The records have been distributed and are on file.

24.04 Redistribution of Residual Market Books of Business

At its last meeting, staff had recommended that the Committee consider a redistribution of the Servicing Carrier ceded books of business for policies effective January 1, 2025 to address merger and acquisition activity since the inception of this appointment term and to rebalance the books of business due to one Servicing Carrier falling below the 3% threshold. Ms. Wendy Browne outlined three exhibits which showed the distribution of business as of March 2024, the distribution of business after aligning agencies due to mergers and acquisitions, and the distribution of business after aligning the books. Ms. Browne advised that staff identified 13 agencies to be moved in order to re-balance the book of business. She referred to an additional exhibit that showed each agency's premium volume, policy count, and exposure totals while also indicating whether the agency had an existing voluntary contract with the newly assigned Servicing Carrier. Ms. Browne then reviewed the transitional procedures used in the past, noting that for non-fleet business, the policy's declarations page may be submitted in lieu of the new business application and deposit premium is waived if the declarations page is submitted at least 60 days prior to the policy effective date. She explained that for fleet business, the normal company application submission procedures should be followed. Finally, Ms. Browne advised that approximately 55 fleet policies would be reassigned.

Considerable discussion ensued relative to the transition procedures for reassigned fleet policies. Producer members expressed concern with the disruptive impact to these risks and questioned whether the January effective date allows enough time to collect detailed documentation and reevaluate the risk, including experience rating. Some suggested considering allowing declarations pages for risks that had submitted a new application in the past year or accepting the declarations page initially with complete underwriting to follow later in the policy period or upon renewal. Servicing Carriers noted that the declarations pages for fleet risks do not provide complete information in to properly rate these policies. The Committee recognized the importance of re-evaluating these complex risks and pointed out that the small volume of affected policies will be spread over the twelve-month cycle but also noted that the redistribution includes reassignments due to merger and acquisition activity. The Committee ultimately noted the time limitations for processing the fleet risks early in the renewal cycle and agreed to implement the rebalancing effective March 1, 2025.

The Committee voted unanimously to recommend authorizing the redistribution of the books of business effective March 1, 2025 to the Governing Committee.

The Committee then continued discussion relative to whether alternative producer assignment procedures and expense allocation methods may present opportunities to mitigate the disruptive impacts of a realignment of the ceded books of business. At its last meeting, the Committee requested additional information highlighting the advantages and disadvantages of the alternative methodologies.

Ms. Natalie Hubley reviewed an outline of alternatives to consider with respect to the assignment of affiliated agencies and agencies participating in network clusters. Specifically, she described scenarios to maintain current procedures, enable networks to be assigned as independent agencies, and assign networks and affiliations to multiple Servicing Carriers. She advised that the latter options will require additional committee work to review and define the specifications, and amend the Rules of Operation. She also noted that those options would present oversight challenges with respect to brokering of business. Committee members further discussed the nature of the business relationship of agencies participating in network clusters. The Committee expressed interest in the ability to be flexible in addressing networks and clusters but noted the lack of understanding of the shared services such as policy processing, staffing, and servicing risks. After discussion, the Committee favored no change to the assignment procedures at this time but agreed to refer the issue to the Commercial Automobile Committee for further evaluation.

The Committee then discussed the alternative expense allowance allocation methods intended to enhance equity among Servicing Carriers from a revenue perspective and potentially minimize the need to realign the ceded books of business. Ms. Hubley reviewed the exhibits provided to assist the Committee in its evaluation of the different approaches. She noted that the Servicing Carriers have expressed the need to confirm the recommended approach when responding to the RFP. She therefore noted that the proposers would be advised of the Committee's determination at the pre-response conference scheduled for August 15, 2024.

The Committee noted Servicing Carriers' comments that percent-of-premium correlates best to actual expenses incurred. The members, therefore, did not support a change to the current expense allocation methodology. Instead, the Committee discussed the Statement of Intent adopted for the current appointment term. Some members suggested increasing the 3% premium threshold to evaluate Servicing Carrier requests for redistribution citing the growing potential for large agencies to be involved in merger and acquisition activity. But Servicing Carriers noted the material impact to revenue resulting from a 3% variance in the ceded book distribution. It was suggested that expressing the Committee's priority to limit redistributions to the start of a new appointment term and one additional mid-term redistribution would be an appropriate compromise to balance the need for equity among Servicing Carriers and the need to

minimize market disruption. After discussion, the committee members agreed and directed staff to modify the Statement of Intent accordingly. The Committee recognized, however, that the modified Statement of Intent demonstrates the Committee's commitment to minimize market disruption but does not preclude a Servicing Carrier from requesting a second mid-term redistribution if significant market conditions warrant.

RICHARD DALTON
Residual Market Liaison

Boston, Massachusetts
August 22, 2024

Commercial Program Oversight Committee
Recommendation to Governing Committee
Minimize Impacts of Ceded Book of Business Redistributions

Statement of Intent – Updated July 31, 2024

The Commercial Program Oversight Committee recognizes the disruptive impact to producers and insureds when the need for equity among Servicing Carriers results in a need to redistribute the ceded books of business. To maintain reasonable equity and with the objective to minimize the disruptive impacts of a redistribution, the Committee recommends that the Governing Committee adopt a Statement of Intent that addresses and prioritizes the following considerations.

- Minimize redistributions to the extent possible.
- Notwithstanding the provisions of Rule 13.C.2, limit redistributions to the start of a new appointment term and one additional mid-term redistribution.
- Maintain the safe harbor provision enabling a Servicing Carrier to demonstrate undue burden associated with continued or renewed inequity.
- Employ a threshold approach to consider redistribution based on the financial impact to a Servicing Carrier.
- Address producer concerns with reassignment.
Staff to advise the Commercial Program Oversight Committee subsequent to a redistribution of concerns expressed by reassigned agencies with specific issues that may be addressed or referred for Committee consideration.

The Commercial Program Oversight Committee recommends a process to evaluate Servicing Carrier requests for redistribution:

1. Servicing Carrier redistribution requests
 - a. +/-3% of premium threshold has been exceeded
 - b. Demonstrate hardship resulting from inequity
 - c. Demonstrate positive performance warranting rebalancing
2. Committee evaluation of request
 - a. Cause of imbalance
 - b. Scope of required redistribution



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RECORDS OF MEETING

MAIP STEERING COMMITTEE – AUGUST 14, 2024

Members Present

Mr. Barry Tagen – Chair
Mr. William Cahill ⁽¹⁾
Ms. Jennifer Castoldi ⁽²⁾
Mr. Matthew Cote
Ms. Sheila Doherty
Mr. Cory Hanson
Ms. Jean Houghton
Mr. Robert Jackson
Ms. Mary McConnell
Mr. Henry Risman
Mr. Mark Winiker

Pilgrim Insurance Company
Vermont Mutual Insurance Group
MAPFRE U.S.A. Corporation
Arbella Insurance Group
Doherty Insurance Agency, Inc.
The Hanover Insurance Company
Norfolk & Dedham Group
GEICO
Safety Insurance Company
Risman Insurance Agency, Inc.
A-Affordable Insurance Agency, Inc.

Substituted for:

⁽¹⁾Mr. Shaun Farley

⁽²⁾Mr. Gavin Traverso

Not in Attendance:

Ms. Ida Denard Jones, Denard Insurance Agency, Inc.

MSC

24.01 Records of Previous Meeting

The Committee unanimously voted to approve the records of the MAIP Steering Committee meeting of May 30, 2024. The records have been distributed and are on file.

MSC

22.08 MAIP Physical Damage Maximum Loss Payable

Attorney Benjamin Hincks, CAR Counsel, advised the Committee regarding the status of the legal review by the Division of Insurance of CAR's rate/rule/form filing establishing a maximum physical damage payable loss limit. He stated that the Division of Insurance questioned if the filing was consistent with the language of CAR's enabling statute MA G.L.c.175, §113H and the requirement that the assigned risk plan shall provide for the availability of collision or comprehensive coverage as both are defined in other statutory provisions of G.L.c.175, §113H and §90. The question posed relates to whether it is permissible in Massachusetts to set a physical damage limit at some value other than the actual cash value of the vehicle minus the applicable deductible. CAR Staff and Counsel have reviewed the statutory

language, the legislative history, and evaluated other instances in the marketplace where physical damage limits are set at a value other than the actual cash value. Counsel has communicated this review to the Division of Insurance and CAR's conclusion that the \$175,000 maximum loss payable is permissible under Massachusetts law and the Division of Insurance has taken this response under advisement.

Ms. Lynne Rosenberg reviewed with the Committee procedural questions received by CAR in anticipation of systems changes necessary to implement the maximum loss payable. She noted one question for Committee discussion involved whether endorsement MP-0004 should be attached to all policies including those that do not have physical damage coverage. Citing the need for consistent procedures, the Committee agreed that the endorsement should be attached to all policies. Ms. Natalie Hubley explained that when the endorsement form was initially drafted, the scenario where physical damage coverage was not selected on a policy was not addressed. Ms. Hubley recommended that language be added to the endorsement form that refers to the physical damage coverage as reflected on the Coverage Selections Page to ensure that the endorsement does not conflict with the policy language. The Committee agreed and Ms. Hubley advised that the filing will be amended accordingly.

MSC

24.04 Rule 30 – Assigned Risk Company Requirements

At the previous meeting, the Committee approved amended language to Rule 30 – Assigned Risk Company Requirements of the Rules of Operation Section C.1.c. reducing the number of days from 90 to 60 that an ARC must notify the producer of record of its intent to make a voluntary offer to a MAIP insured.

Ms. Rosenberg informed the Committee that, upon further review of the Rule, the amended language conflicts with language later in the Rule that allows the producer 45 days to obtain replacement coverage in the voluntary market before notification is sent to the policyholder. Accordingly, Ms. Rosenberg advised that to ensure consistency with the original proposal, the proposed revised Rule language attached to the Notice of Meeting reflects a 15-day advance notice period for the producer to obtain replacement coverage.

The Committee considered the amended Rule language noting no objection to the reduced 15-day advance notice period.

The Committee unanimously voted to recommend to the Governing Committee approval of the proposed amendments to Rule – 30 Assigned Risk Company Requirements.

MSC

24.05 Residual Market Private Passenger Volume

Ms. Wendy Browne reviewed the exhibits attached to the agenda regarding assignment and exposure volumes, residual market share, and retention rate statistics. She noted that the most current data continues to show a slight decrease in the volume of MAIP assignments. She further noted that the overall increase in assignment data for most agencies was consistent with the increases at the industry level. Accordingly, she advised that CAR Staff had contacted a sample of producers with significantly increased assignment activity to solicit feedback on the factors driving the increase. Based on the producer feedback, Ms. Browne cited restricted underwriting guidelines, an increase in number of walk-ins, company volume limitations on new business, and the increased number of new operators due to the Family Work and Mobility Act as the main contributing factors.

Ms. Browne advised that, due to the elimination of the producer code from the statistical reporting, data is unavailable to evaluate the changes at the producer level in the context of total market volumes. She indicated that the Committee could consider alternatives to collect additional information if it determined the need exists for further evaluation.

The Committee considered the exhibits presented and observed that the market has stabilized somewhat, and the improvement is expected to continue. Committee members noted the residual market rate change in May, the upcoming change to the increase limit factors in November, and carriers beginning to write more voluntary business and predicted that these factors will continue to provide benefits in stabilizing the market. The Committee members agreed that no further action is required at this time.

MSC

24.06 Rule 28 – Application Process – Installment Plan

Ms. Rosenberg informed the Committee that an appeal was made by a producer involving a practice of an Assigned Risk Company (ARC) demanding payment in full of the remaining policy premium balance upon issuance of a third cancellation notice. She noted both the Market Review Committee, and the Governing Committee Review Panel agreed some uncertainty exists under the current Rule and applicable regulations with respect to the remedies available to ARCs when installment payments are late. Ms. Rosenberg explained that the Market Review Committee requested the matter be directed to the MAIP Steering Committee for discussion and possible clarification of Rule 28.C.2. of CAR's Rules of Operation - Premium Deposit and Payment Options - Installment Plan to ensure consistent procedures for all ARCs.

Ms. Sheila Doherty further explained that the Market Review Committee concluded, while the demand for full payment is not unfair, unreasonable, or improper, Rule 28 does not clearly indicate whether the practice is allowed, nor under what circumstances. Accordingly, she suggested that the MAIP Steering Committee consider clarifying the Rule to allow the practice or alternatively recommend amendments to better define remedies available to ARCs. Ms. Mary McConnell pointed out Rule 28.C.2. as written places the onus on the insured to pay over nine equal monthly installments, rather than defining how the ARC will calculate the monthly installments. Further, she pointed out that equal payments are impossible in scenarios such as non-payment, late payment, or endorsement activity. Ms. McConnell suggested that the Rule be amended to address these issues.

Considerable discussion ensued during which Mr. Jason Calianos, of the Calianos Insurance Agency, disputed the need for any clarification of the Rule and opined that the Rule language is clear as written. Ultimately, the Committee members agreed that amendment of the Rule is necessary to clearly define how ARCs will modify monthly payments if nine equal installments become impossible. Accordingly, the Committee voted unanimously to direct Staff to draft amendments to Rule 28.C. pursuant to the Committee discussion. Further, Staff is directed to review Rule 28.C. in its entirety when drafting applicable amendments to address issues such as cancellation notices as warranted.

ADRIANNE DONOVAN
Residual Market Services Liaison

Boston, Massachusetts
September 4, 2024

August 1, 2024

CAR Rules of Operation

Memorandum of Changes

The following amendments are proposed to Rule 30 – Assigned Risk Company Requirements to allow for a more efficient notification of a voluntary offer to a MAIP risk:

Rule 30 – Assigned Risk Company Requirements

Language has been updated to reflect that:

- The producer be notified no less than 60 days prior to the policy expiration date
- The addition of electronic notification as an option for communication to both the producer and the policyholder
- The producer has a 15-day advance notice period to obtain replacement coverage prior to policyholder notification.

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- (7) Failure to report all coverages bound within two business days of the effective date of coverage;
- (8) Failure to comply with reasonable procedures as required by the MAIP for processing claims, remitting premiums and requesting coverages;
- (9) Failure to adhere to a directive issued by the Commissioner relative to the charging of service fees;
- (10) Failure to provide a reasonable and good faith effort to verify the information provided by the applicant, including rating and licensing data;
- (11) Failure to comply with applicable agency requirements and procedures, as prescribed in the MAIP Rules of Operation; and
- (12) Failure to comply with all of the provisions of the Rules of Operation and Assigned Risk Producer Procedures Manual and the Assigned Risk Company Procedures Manual.

6. Reporting Requirements

On a monthly basis, ARCs must report all premiums written, and any other information that may be required by the Plan, Rules or Assigned Risk Company Procedures Manual.

7. Continuation of Eligibility as an ARC

An ARC must maintain a viable book of voluntarily written private passenger motor vehicle insurance policies. The Commissioner may terminate any ARC if disruptive reductions in voluntarily issued motor vehicle policies are found to be in violation of this Section.

C. Procedures for Voluntary Writing of Risks from the MAIP

1. Voluntary Writing by an ARC of its Own Policyholder Insured through the MAIP.

a. Eligibility

A risk is eligible if it is currently insured through the MAIP.

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b. Offer to Write

The kinds and amounts of coverage to be offered for such voluntary risks shall not be less than those afforded by the policy being replaced unless the insured refuses such kinds and amounts of coverage.

c. Notification to the Producer of Record

The producer of record must be ~~notified mailed notification~~ of such offer ~~no less than sixty ninety~~ days prior to policy expiration, which shall contain the premium quotation to be offered. The policyholder shall be ~~notified of mailed~~ the offer for voluntary coverage forty-five days prior to policy expiration with copy to the producer of record. Notification may be by mail or electronic means.

Following such offer to write, the ARC shall have no further obligations to the policyholder or to the producer of record if the policyholder obtains replacement insurance from another Member.

If such replacement coverage is obtained by the producer of record within the ~~fifteen forty-five~~ day advance notice period, the producer of record shall notify the assigned ARC and it shall not make an offer to the policyholder.

d. ARC Obligations to the Producer of Record

A duly licensed insurance producer, certified to place business through the MAIP, shall own and have an exclusive right, as the insured's producer of record, to use certain insurance information of the insured embodying the records of the insurance agency which shall include but not be limited to, the name of the insured, the policy inception date, the amount of insurance coverage, the policy number and the terms of insurance. An ARC may choose to offer voluntary coverage to a policyholder it has insured through the MAIP. Once the ARC mails the offer to write voluntary coverage and the policyholder accepts the offer, the policyholder's producer of record shall continue to represent the policyholder who has been written or renewed in the voluntary market and to service the policy unless: 1) the producer is decertified or suspended by the MAIP or the Commissioner of Insurance pursuant to Rule 31.B.; 2) the insured chooses to terminate such producer as its