



NATALIE A. HUBLEY  
PRESIDENT

## COMMONWEALTH AUTOMOBILE REINSURERS

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

### ADDITIONAL INFORMATION

#### TO MEMBERS OF THE GOVERNING COMMITTEE

#### FOR THE MEETING OF:

**Tuesday, November 19, 2024, at 11:00 a.m.**

**GC**

#### **24.06 Commercial Automobile Committee**

The Records of the Commercial Automobile Committee meeting of November 1, 2024 are attached (Docket #GC24.06, Exhibit #7).

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

**GC**

#### **24.08 Commercial Program Oversight Committee**

The Records of the Commercial Program Oversight Committee meeting of November 8, 2024 are attached (Docket #GC24.08, Exhibit #5).

The Records of the Commercial Program Oversight Committee meeting of November 8, 2024 have been distributed and are on file.

**GC**

#### **24.11 Compliance and Operations Committee**

The Records of the Compliance and Operations Committee meeting of November 6, 2024 are attached (Docket #GC24.11, Exhibit #4).

The Records of the Compliance and Operations Committee meeting of November 6, 2024 have been distributed and are on file.

**GC**

#### **24.14 MAIP Steering Committee**

The Records of the MAIP Steering Committee meeting of November 5, 2024 are attached (Docket #GC24.14 Exhibit #4).

The Records of the MAIP Steering Committee meeting of November 5, 2024 have been distributed and are on file.

NATALIE HUBLEY  
President

Attachments

Boston, Massachusetts  
November 14, 2024



NATALIE A. HUBLEY  
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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## RECORDS OF MEETING

### COMMERCIAL AUTOMOBILE COMMITTEE – NOVEMBER 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. 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:

Mr. Tiago Prado, BRZ Insurance, LLC

#### 24.01 Records of Previous Meeting

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

#### CAC

#### 24.06 Producer Checklist for Residual Market Forms

The Committee reviewed an updated version of the proposed New Business Underwriting Checklist developed to assist producers in complying with the requirements for submitting new business risks for cession to the residual market. The checklist has been revised to reflect Committee feedback from the prior meeting. Ms. Lynne Rosenburg noted that these revisions included an item to verify there is no owed premium with the Registry of Motor Vehicles, an item for producers to obtain copies of the loss runs, an item to use the Additional Insured Massachusetts Endorsement Form if applicable, and revisions to fully spell out several acronyms originally included in the checklist. Ms. Sheila Doherty indicated that the checklist was very comprehensive and would be an asset to the agent community. Accordingly, there was a consensus within the Committee to accept the revised checklist, and to distribute a Bulletin once the checklist has been added to CAR's website.

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, Ms. Wendy Browne reviewed proposed amendments to Rule 6 – Coverages of the Rules of Operations, as included with the meeting materials provided to the Committee.

Among these proposed changes, Rule 6 was restructured to address commercial auto risks first in the manual so that common coverages applicable to all risks could be referenced more easily, followed by coverage for taxi classifications and the re-titled Garage/Auto Dealers sections. Further amendments in the restructured Rule include:

- An update to the Medical Payment limit under Commercial Motor Vehicle Insurance to indicate that the coverage limit varies depending on the vehicle type.
- Bullets for Towing and Labor and Substitution Transportation coverages have been eliminated as the coverages are optional and not available to all vehicle types.
- Taxi Cab coverages have been separately listed for easier readability.

More substantial changes were made to the Garage and Auto Dealers Policy section of the Rule. Ms. Browne noted that the heading of this section had been updated to add two new subsections: one reflecting coverage for policies effective prior to January 1, 2027 which are applicable to risks written on the garage coverage form, and the other for policies effective 2027 and subsequent which will be written on the Auto Dealers coverage form. Additionally, coverage descriptions were broken down for improved clarity, medical payment coverages were added to the section, and the coverage for “Other Covered Autos” under Garage and Auto Dealers was renamed for consistency with the policy form name. The reference to endorsement CA 25 36 was removed because it is an optional endorsement under the Auto Dealers’ Policy. Under Garage Keepers coverage, the Auto Dealers’ Physical Damage coverage was added in addition to a sentence indicating that Garage Keepers coverage is automatically included under the Auto Dealers form. Finally, the Auto Dealers’ Collision coverage was included for a more consistent and complete listing.

The Committee then voted unanimously to recommend approval of the proposed amendments to the Rules of Operations. Ms. Browne indicated that similar updates to the Manual of Administrative Procedures and possibly the Commercial Automobile Insurance Manual will be presented to the Committee at a future meeting.

CAC

#### **24.08 Review of Standards for Validating the “Nerve Center” Principal Place of Business**

The Commercial Automobile Committee has been asked to review the standards for validating the principal place of business and discuss whether changes are needed to account for the rise in remote work across the industry since the Covid-19 pandemic.

Ms. Rosenberg opened the discussion with a brief overview of the issue, noting that in 2018, the Rule 2 definition of principal place of business was amended to add the nerve center concept. The Committee then adopted standards for validation of a risk’s principal place of business to ensure its eligibility for placement in the residual market set forth in Bulletin 1055 and later incorporated into Chapter X of the Manual of Administrative Procedures. Ms. Rosenberg summarized the standards before turning the discussion over to the Committee.

After some discussion relative to the details of the current standards, Mr. Tom Skelly opined that the standards established in 2018 are comprehensive, and that any issues of uncertainty in a risks' principal place of business should be unique at this point and thus more appropriately evaluated on a case-by-case basis. Mr. David Zawilinski concurred with Mr. Skelly's point, as did other Committee members, thus the Committee agreed to recommend no changes to the existing standards.

## **CAC**

### **24.09 Assignment Procedures for Affiliated Producers**

Ms. Rosenberg advised that the Commercial Program Oversight Committee has discussed alternative producer assignments procedures with the goal of minimizing market disruption during a redistribution of the ceded books of business. She explained that in the current environment of increased agency network participation and merger and acquisition activity, this goal has become increasingly difficult. Accordingly, the issue has been referred to this Committee to evaluate the feasibility of changes to assignment procedures for affiliated producers set forth under Rule 14.A.2.

Ms. Rosenberg explained that pursuant to the Rule, affiliated producers are assigned to a single Servicing Carrier. To assist the Committee in its discussion, she also provided information on the types and volume of the non-affiliated and affiliated agencies and CAR's current reassignment guidelines.

The Committee members recognized that merger and acquisition activity has resulted in large agencies comprised of smaller entities that no longer act independently. For this reason, the Committee initially focused its discussion on agencies participating in network clusters, under which entities referred to as aggregators provide a range of services to its members. Staff explained that under the current Rule, each network cluster is assigned to a single Servicing Carrier to prevent the ability for carrier shopping through broker-like activities. In some but not all instances, the aggregator also has an ERP appointment with the Servicing Carrier. Further, staff explained that because of the size of the network affiliations, these groups are not reassigned during a redistribution due to the disruptive impact of moving large volumes of ceded business.

Committee members noted that the nature of the relationship between the agencies participating in the network and its aggregator varies among networks. Some offer central marketing and processing services that may or may not be optional to its participants. Other network aggregators do not provide this centralized service. In order to evaluate the extent to which the agencies engaged with an aggregator operate independently, CAR must understand the operations of each network that it defines as an affiliated group for assignment purposes. It was suggested that the Committee will then be in a better position to evaluate the feasibility of alternative assignment procedures. For these reasons, staff was directed to further research the operations of the network clusters, including the optional and mandatory services provided by the aggregators and report back at a future meeting.

Ms. Doherty pointed out that the growth in both the merger and acquisition activity as well as the network clusters has created a disadvantage in the redistribution process for the smaller independent agencies. She suggested that the Committee consider the feasibility not only of assigning network participants as independent agencies but also of assignment of larger affiliated groups to multiple Servicing Carriers using geographic or other criteria. She asked that, for future discussion, staff provide additional clarification of the objectives to be accomplished.

CAC

## **24.10 Pollution Coverage**

Ms. Browne advised the Committee that in response to concerns raised over potential inconsistencies in the application of pollution coverage among Servicing Carriers, along with CAR's transition to the new policy coverage forms and endorsements, staff reviewed the current pollution requirements described in the CAR Rules of Operation, Manual Rules and the policy forms and endorsements, and a summary was provided in the additional information.

First, Ms. Browne summarized pollution references included in the policy coverage and endorsement forms, highlighting that the Business Auto Coverage and Auto Dealers Coverage Forms exclude pollution. She noted that the Massachusetts Mandatory Endorsement and Auto Dealers Massachusetts Mandatory Endorsement provide limited coverage to cover pollution by modifying the exclusion to apply only when the statutory limits are exceeded, and that the additional endorsements are available to add back specific pollution coverage.

Next, Ms. Browne reviewed pollution references included in the three CAR manuals. She recommended that reference to endorsement CA 25 36 be removed from Rule 6 – Coverages of the Rules of Operation, as it provides optional coverage, and the Massachusetts Mandatory Endorsements provide the statutorily required minimum pollution coverage. Ms. Browne reviewed draft amendments to Rule 46 – Pollution Liability in the Commercial Auto Insurance Manual highlighting the modifications in Part D - Class of Pollutants as well as including appropriate FMCSA references. She requested that committee members with knowledge of pollution coverage requirements review the draft changes and provide feedback at the next meeting. Lastly, Ms. Browne recommended changes to Chapter V - Premium in the Manual of Administrative Procedures to note that Servicing Carriers are required to comply with all FMSCA filing requirements. She advised that the draft amendment will be finalized at a future meeting based on Committee feedback.

Ms. Browne gave an overview of the pollution statistical codes in the commercial statistical plan and a review of the reported statistical data. She noted significant differences in the volumes of exposures and premium dollars among the Servicing Carriers. The data reported with statistical code values indicating Hazardous and Extra Hazardous classes of pollutants are defined by the FMCSA and those exposure and premium differences could be attributed to the differences in the distribution of specific risks. However, the property (non-hazardous) class also showed differences in exposures and premiums among the Servicing Carriers that could also be due to differences in how pollution coverage requirements are determined by each Servicing Carrier. Ms. Browne recommended that staff survey each Servicing Carrier to solicit information on procedures or policies used to determine when pollution coverage is applied for non-hazardous property. Based on the survey results the Committee can then evaluate whether inconsistencies exist among the Servicing Carriers and if standards should be developed.

After brief discussion, the Committee was in favor of CAR's recommendation to survey the Servicing Carriers. Ms. Browne informed the Committee that company responses would not be made public, but staff will summarize the information in a way to identify the underwriting approaches.

TIMOTHY GALLIGAN  
Actuarial and Statistical Services Director

Boston, Massachusetts  
November 14, 2024

## **CAR Rules of Operations**

### **Rule 6 - Coverages**

#### **Memorandum of Changes**

The following amendments are proposed to Rule 6 – Coverages to reflect the transition to more current policy coverage and endorsement forms. In addition, Rule 6 has been restructured to ensure consistency across CAR manuals and to better organize and describe the coverages and corresponding limits:

- The Rule has been restructured to prioritize common coverages first, followed by the exceptions. Accordingly, coverage for Commercial Motor Vehicle Insurance appears first, followed by Taxicab Coverage and Garage/Auto Dealers Insurance Coverage.
- Commercial Motor Vehicle Insurance Coverage
  - The limit for Medical Payments coverage has been updated from \$25,000 each person to indicate that the limit varies by vehicle type.
  - Towing and Labor coverage has been eliminated from the list of coverages as it is an optional coverage and is not available to all vehicle types.
  - Substitute Transportation has been eliminated from the list of coverages as it is an optional coverage and is not available to all vehicle types.
- Taxicab Coverage
  - The coverages are identified separately for improved clarity.
- Garage/Auto Dealers Insurance Coverage
  - The heading has been updated to reflect that there are now two sections within this coverage to reflect that one of two different policy coverage forms will be applicable dependent upon the policy effective date.
  - Policies effective prior to January 1, 2027 are written on the Garage Coverage Form.
    - There are no other changes to this section.
  - Policies effective January 1, 2027 and subsequent are written on the Auto Dealers Coverage Form.
    - The coverages are identified separately for improved clarity.
    - Medical Payments coverage has been added to this section.
    - “Coverage for Other Than Covered Auto Exposure” in the Garage Coverage Form has been replaced by “General Liability Coverages for Bodily Injury and Property Damage” in the Auto Dealers Coverage Form.
    - The reference to Endorsement CA 25 36 (which is the Pollution Exclusion with a Building Heating, Cooling and Dehumidifying Equipment and Hostile Fire Exception) has been eliminated as it is an optional coverage, and the Massachusetts Mandatory Endorsements provide the statutory required minimum pollution coverage.

- Garagekeepers Coverage has been updated to indicate that it is included in Auto Dealers Physical Damage Coverage (rather than by endorsement). However, an additional sentence has been added to indicate that Garagekeepers Coverage may be provided to certain risks written on a Business Auto Coverage Form through endorsement.
- Dealers Collision Coverage has been included in this section.



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**A. Commercial Motor Vehicle Insurance Coverage:**

Policies of an Eligible Risk as defined in Rule 2 and written by a Servicing Carrier shall, upon request, provide coverage for commercial classifications as defined in CAR's Commercial Automobile Insurance Manual as follows, except as otherwise specified in Sections B, C, and D of this Rule.

**1. Liability**

Coverage for policies written on the Business Auto Coverage Form is restricted to only those vehicles specifically described in the policy declarations, or as otherwise allowed in Section A.1.h.

- a. Bodily Injury Liability: Total policy limits of \$1,000,000 each person, \$1,000,000 each accident;
- b. Personal Injury Protection: \$8,000 per person, per accident;
- c. Property Damage Liability: Total policy limits of \$500,000 each accident;
- d. Medical Payments: varies by vehicle type;
- e. Uninsured Motorists: \$500,000 each person, \$500,000 each accident for bodily injury;
- f. Underinsured Motorists: \$500,000 each person, \$500,000 each accident for bodily injury;
- g. Combined Single Limits for Bodily Injury and Property Damage Liability: \$1,000,000 each accident;
- h. Non-Ownership and Hired Car, liability coverage only may be written by a Servicing Carrier either as a separate policy or in conjunction with a statutory Massachusetts Motor Vehicle Insurance Policy.
- i. Coverages requested by the applicant which are required by any state or federal regulation or financial responsibility law as specified in the definition of Eligible Risk contained in Rule 2.

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2. Physical Damage

Physical damage coverage may only be written for an Eligible Risk in conjunction with liability coverage for the same vehicle.

a. Physical Damage Insurance shall mean: 1) collision coverage or limited collision coverage, 2) fire, theft and combined additional coverage, or 3) comprehensive coverage, as defined in the Massachusetts Motor Vehicle Insurance policy. The Servicing Carrier may refuse to issue collision, fire, theft or comprehensive coverage under the following circumstances:

(1) Comprehensive, fire and theft or collision coverage on a vehicle customarily driven by or owned by an individual convicted within the most recent five-year period of any category of vehicular homicide, auto insurance related fraud or motor vehicle theft;

(2) Comprehensive, fire and theft or collision coverage on a vehicle customarily driven by or owned by an individual who has, within the most recent five-year period, made an intentional and material misrepresentation in making a claim under such coverages;

(3) Collision coverage on a vehicle customarily driven by or owned by an individual who has been involved in four or more accidents in which such person has been deemed to be at fault in excess of 50% within the three years immediately preceding the effective date of the policy;

(4) Comprehensive or fire and theft coverage on a vehicle customarily driven by or owned by an individual who has had two or more total theft or fire claims within the three years immediately preceding the effective date of the policy;

(5) Comprehensive, fire and theft or collision coverage on a vehicle customarily driven by or owned by an individual convicted one time within the most recent three-year period of any category of driving while under the influence of alcohol or drugs;

(6) Comprehensive, fire and theft or collision coverage on any motor vehicle for which a salvage title has been issued by the

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Registrar of Motor Vehicles unless a new certificate of title has been issued pursuant to G.L. c. 90D, § 20D;

(7) Comprehensive, fire and theft or collision coverage on a high-theft vehicle which does not have at least a minimum anti-theft or auto recovery device as prescribed by the Commissioner of Insurance. The Commissioner may designate as a high-theft vehicle any vehicle, classified according to make, model and year of manufacturer, which has both above-average incidence of theft and above-average original sales price, and may prescribe appropriate anti-theft or auto recovery devices for such vehicles;

b. A Servicing Carrier may waive the deductible amount applicable to a payment under comprehensive coverage for glass damage and be reimbursed when the insured has elected to repair rather than replace damaged glass when permitted by law and where satisfactory proof of the repair has been presented to the Servicing Carrier;

c. Physical Damage coverage for damage to trailers under a trailer interchange contract may be written by a Servicing Carrier only when written in conjunction with motor vehicle liability coverage.

d. Physical Damage coverage on repossessed motor vehicles shall not be written by a Servicing Carrier.

The term "accident" as used in this Rule shall mean "occurrence" when the coverage is written on such basis.

**B. Taxicab Coverage**

Taxicab coverage may be written by Servicing Carriers with the same coverages and limits described in Section A, except as follows:

1. Liability

a. Bodily Injury Liability: Not to exceed \$250,000 each person, \$500,000 each accident;

b. Property Damage Liability: Not to exceed \$50,000 for any one accident;

c. Medical Payments: Not to exceed \$5,000 for any one accident

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d. Uninsured Motorists: Not to exceed \$250,000 each person, \$500,000 each accident for bodily injury;

e. Underinsured Motorists: Not to exceed \$250,000 each person, \$500,000 each accident for bodily injury;

### **C. Garage/Auto Dealers Insurance Coverage**

Garage/Auto Dealer coverage may be written by Servicing Carriers with the same coverages and limits described in Section A, except as follows:

For Policies Effective prior to January 1, 2027

1. Garage coverage may be written by Servicing Carriers with Bodily Injury Liability and Uninsured and Underinsured Motorists limits not to exceed \$1,000,000 per person, \$1,000,000 per accident. Property Damage Liability limits may not exceed \$500,000 for any one accident;

2. Coverage for Other Than Covered Auto Exposure, provided that this coverage is eligible for cession only when written in conjunction with statutory coverages. Endorsement CA 25 36 must be attached to the policy;

3. Automobile Dealers Physical Damage Supplement as defined in the Garage Liability Policy up to a limit not to exceed \$1,000,000 per named location;

4. Garagekeepers' Legal Liability coverage as defined within the endorsement on a legal liability or direct primary basis up to a limit not to exceed \$1,000,000; and

5. Drive-Away-Collision coverage as defined within the endorsement to the Garage Liability Policy.

### **D. Auto Dealers Insurance Coverage**

For Policies Effective January 1, 2027 and Subsequent

1. Liability Coverage for Covered Autos may be written by Servicing Carriers with:

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- a. Bodily Injury Liability limits not to exceed \$1,000,000 per accident
  - b. Property Damage limits may not exceed \$500,000 for any one accident.
  - c. Medical Payments: Not to exceed \$5,000 for any one accident
  - d. Uninsured Motorist limits not to exceed \$1,000,000 per accident
  - e. Underinsured Motorists limits not to exceed \$1,000,000 per accident.
2. General Liability Coverages for Bodily Injury and Property Damage Liability is available when written in conjunction with Liability Limits for Covered Autos.
  3. Physical Damage Coverage up to a limit not to exceed \$1,000,000 per named location.
    - a. Garagekeepers Coverage is included in Auto Dealers Physical Damage Coverage. Garagekeepers Coverage may be provided to certain risks written on a Business Auto Coverage form through endorsement.
    - b. Dealers Collision Coverage may be provided as defined within the endorsement
    - c. Dealers Drive-Away Collision Coverage may be provided as defined within the endorsement

~~Policies of an Eligible Risk as defined in Rule 2 and written by a Servicing Carrier shall, upon request, provide coverage for commercial classifications as defined in CAR's Commercial Automobile Insurance Manual as follows:~~

~~**A. Garage Insurance Coverage**~~

- ~~1. Garage coverage may be written by Servicing Carriers with Bodily Injury Liability and Uninsured and Underinsured Motorists limits not to~~

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~~exceed \$1,000,000 per person, \$1,000,000 per accident. Property Damage Liability limits may not exceed \$500,000 for any one accident;~~

- ~~2. Coverage for Other Than Covered Auto Exposure, provided that this coverage is eligible for cession only when written in conjunction with statutory coverages. Endorsement CA 25 36 must be attached to the policy;~~
- ~~3. Automobile Dealers Physical Damage Supplement as defined in the Garage Liability Policy up to a limit not to exceed \$1,000,000 per named location;~~
- ~~4. Garagekeepers' Legal Liability coverage as defined within the endorsement on a legal liability or direct primary basis up to a limit not to exceed \$1,000,000; and~~
- ~~5. Drive-Away Collision coverage as defined within the endorsement to the Garage Liability Policy.~~

**B. Taxicab Coverage**

~~Taxicab coverage may be written by Servicing Carriers with Bodily Injury Liability and Uninsured and Underinsured Motorists limits not to exceed \$250,000 per person, \$500,000 per accident. Property Damage Liability limits may not exceed \$50,000 for any one accident. Medical Payments limits may not exceed \$5,000 for any one accident.~~

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**C. All Other Commercial Motor Vehicle Insurance Coverage**

**1. Liability**

~~Coverage for policies written on the Business Auto Coverage Form is restricted to only those vehicles specifically described in the policy declarations, or as otherwise allowed in Section C.1.h.~~

~~a. Bodily Injury Liability: Total policy limits of \$1,000,000 each person, \$1,000,000 each accident;~~

~~b. Personal Injury Protection: \$8,000 per person, per accident;~~

~~c. Property Damage Liability: Total policy limits of \$500,000 each accident;~~

~~d. Medical Payments: \$25,000 each person;~~

~~e. Uninsured Motorists: \$500,000 each person, \$500,000 each accident for bodily injury;~~

~~f. Underinsured Motorists: \$500,000 each person, \$500,000 each accident for bodily injury;~~

~~g. Combined Single Limit for Bodily Injury and Property Damage Liability: \$1,000,000 each accident;~~

~~h. Non-Ownership and Hired Car, liability coverage only, may be written by a Servicing Carrier either as a separate policy or in conjunction with a statutory Massachusetts Motor Vehicle Insurance Policy.~~

~~i. Coverages requested by the applicant which are required by any state or federal regulation or financial responsibility law as specified in the definition of Eligible Risk contained in Rule 2.~~

**2. Physical Damage**

~~Physical damage coverage may only be written for an Eligible Risk in conjunction with liability coverage for the same vehicle.~~

~~a. Physical Damage Insurance shall mean: 1) collision coverage or limited collision coverage, 2) fire, theft and combined additional~~

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~~coverage, or 3) comprehensive coverage, as defined in the Massachusetts Motor Vehicle Insurance policy. The Servicing Carrier may refuse to issue collision, fire, theft or comprehensive coverage under the following circumstances:~~

- ~~(1) Comprehensive, fire and theft or collision coverage on a vehicle customarily driven by or owned by an individual convicted within the most recent five year period of any category of vehicular homicide, auto insurance related fraud or motor vehicle theft;~~
- ~~(2) Comprehensive, fire and theft or collision coverage on a vehicle customarily driven by or owned by an individual who has, within the most recent five year period, made an intentional and material misrepresentation in making a claim under such coverages;~~
- ~~(3) Collision coverage on a vehicle customarily driven by or owned by an individual who has been involved in four or more accidents in which such person has been deemed to be at fault in excess of 50% within the three years immediately preceding the effective date of the policy;~~
- ~~(4) Comprehensive or fire and theft coverage on a vehicle customarily driven by or owned by an individual who has had two or more total theft or fire claims within the three years immediately preceding the effective date of the policy;~~
- ~~(5) Comprehensive, fire and theft or collision coverage on a vehicle customarily driven, or owned by an individual convicted one time within the most recent three year period of any category of driving while under the influence of alcohol or drugs;~~
- ~~(6) Comprehensive, fire and theft or collision coverage on any motor vehicle for which a salvage title has been issued by the Registrar of Motor Vehicles unless a new certificate of title has been issued pursuant to G.L. c. 90D, § 20D;~~
- ~~(7) Comprehensive, fire and theft or collision coverage on a high-theft vehicle which does not have at least a minimum anti-theft or auto recovery device as prescribed by the Commissioner of Insurance. The Commissioner may designate as a high theft vehicle any vehicle, classified according to make, model and~~



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~~year of manufacturer, which has both above average incidence of theft and above average original sales price, and may prescribe appropriate anti-theft or auto recovery devices for such vehicles;~~

~~b. A Servicing Carrier may waive the deductible amount applicable to a payment under comprehensive coverage for glass damage and be reimbursed when the insured has elected to repair rather than replace damaged glass when permitted by law and where satisfactory proof of the repair has been presented to the Servicing Carrier;~~

~~c. Towing and Labor: \$100.00 per disablement;~~

~~d. Substitute Transportation: \$100.00 per day, 30 day maximum.~~

~~e. Physical Damage coverage for damage to trailers under a trailer interchange contract may be written by a Servicing Carrier only when written in conjunction with motor vehicle liability coverage.~~

~~f. Physical Damage coverage on repossessed motor vehicles shall not be written by a Servicing Carrier.~~

~~The term "accident" as used in this Rule shall mean "occurrence" when the coverage is written on such basis.~~



NATALIE A. HUBLEY  
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

101 Arch Street, Suite 400 Boston, Massachusetts 02110

www.commauto.com

617-338-4000

## RECORDS OF MEETING

### COMMERCIAL PROGRAM OVERSIGHT COMMITTEE – NOVEMBER 8, 2024

#### Members Present

Mr. John Olivieri, Jr. – Chair  
Mr. Brian Hayes  
Ms. Nicole Martorana  
Ms. Sharon Murphy  
Mr. Henry Risman  
Ms. Meredith Woodcock

J.K. Olivieri Insurance Agency, Inc.  
Quincy Mutual Group  
FBInsure  
Acadia Insurance Company  
Risman Insurance Agency, Inc.  
Liberty Mutual Insurance Companies

Substituted for:  
N/A

Not in Attendance:  
N/A

#### 24.01 Records of Previous Meeting

The Committee unanimously voted to approve the records of the Commercial Program Oversight Committee meeting of July 31, 2024. The records have been distributed and are on file.

#### 24.05 2027 Commercial Program Request for Proposal

Mr. Richard Dalton advised that each committee member is in receipt of the proposals submitted by Arbella Protection Insurance Company, The Commerce Insurance Company, Pilgrim Insurance Company and Safety Insurance Company for appointment as a commercial Servicing Carrier for the upcoming term commencing on January 1, 2027. He noted that committee members have had an opportunity to review the proposals prior to the meeting. In addition, staff provided each committee member a tabular summary of the proposals and price quotations included in each submission. Mr. Dalton pointed out that the summary highlights the proposers' responses to questions asked relative to issues observed during the current appointment term. Further, he noted that each proposer offered additional comment highlighting financial strengths, experience with the Massachusetts residual markets and success in addressing issues that emerged during the current term and that proposers also noted their continued interest in developing and implementing additional solutions to further improve the commercial residual market results during the upcoming term.

Ms. Natalie Hubley discussed procedural issues, noting that the Committee will finalize its decision regarding the recommended number of Servicing Carriers, the Committee will select a single dollar amount as compensation for the forms update, and the Committee will select a single percent of written premium

as compensation for the on-going servicing of residual market business during the appointment term. She explained that selected forms update allowance and servicing expense allowance will be paid to each carrier accepting the Committee's offer. Finally, Ms. Hubley advised that each proposer will then be required to respond to CAR by the close of business on Tuesday, November 12, 2024 to either accept the Committee's offer or to withdraw its proposal.

After discussion, the Committee members noted the demonstrated performance of each of the proposers through years of participation in the program and noted the potential disruptive impact of producer reassignments. Accordingly, the Committee confirmed its preference for four Servicing Carriers and voted unanimously to recommend appointment of Arbella, Pilgrim, MAPFRE, and Safety as Servicing Carriers for the five-year appointment term beginning with policies effective January 1, 2027.

Committee members then discussed the proposers' bid quotations for the forms upgrade. Ms. Meredith Woodcock noted the wide variance among the bids and requested additional information relating to the MAPFRE quote. Mr. Jesse Zimmerman advised that MAPFRE, having had no intention to update the forms, will now be required to implement the newer forms for its voluntary business causing MAPFRE to incur substantial costs it would not otherwise have incurred. He further explained that the update to the voluntary forms would require additional changes above those needed for the residual market due to form references specific to MAPFRE's voluntary business. Although Mr. Zimmerman indicated that he was not able to isolate expenses associated only to residual market business at the meeting, he indicated that those expenses would exceed each of the other proposers' quotes. The other proposers indicated that their respective bids were based on expenses associated only with residual market business.

Because committee members opined that it was not appropriate for the residual market to reimburse costs associated with voluntary business, the Committee considered the price quotations of the remaining proposers, ranging from \$397,000 to \$742,000. Ms. Meredith Woodcock suggested that reasonable compensation would range from \$450,000 to \$500,000. The Committee also discussed the schedule in which carriers would be compensated. Ms. Hubley noted that each proposer requested slightly different compensation schedules but all requested compensation prior to the start of the appointment term. She indicated that staff would consider alternatives and present its recommendation to the committee early next year. After considerable discussion, the Committee unanimously voted to offer each carrier \$475,000 as compensation for the forms update project with the payment to be made prior to January 1, 2027 and a specific schedule to be determined.

The Committee then discussed the compensation for ongoing servicing of the residual market business again noting the wide range of proposer quotes. The Committee observed that the compensation agreement for the current appointment term includes a 2% annual increase which projected to policy year 2027 would be 14.35% of written premium. The Committee also recognized that anticipated rate changes throughout the term will likely continue to result in increased compensation. Accordingly, after considerable discussion, the Committee unanimously voted to offer each carrier 14.8% of written premium as compensation for the ongoing servicing of residual market business for the 5-year appointment term beginning January 1, 2027.

RICHARD DALTON  
Residual Market Liaison

Boston, Massachusetts  
November 14, 2024



NATALIE A. HUBLEY  
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

101 Arch Street, Suite 400 Boston, Massachusetts 02110

www.commauto.com

617-338-4000

## RECORDS OF MEETING

### COMPLIANCE AND OPERATIONS COMMITTEE – NOVEMBER 6, 2024

#### Members Present

Ms. Erin Cummings– Chair  
Mr. Thomas Bird <sup>(1)</sup>  
Ms. Jean Emmons <sup>(2)</sup>  
Ms. Annmarie Hassan  
Ms. Nicole Martorana  
Mr. Henry Risman  
Mr. Barry Tagen  
Mr. Christopher Taylor  
Ms. Brenda Williams

Norfolk and Dedham Group  
Acadia Insurance Company  
Allstate Insurance Company  
Arbella Insurance Group  
FBInsure  
Risman Insurance Agency, Inc.  
Pilgrim Insurance Company  
The Hanover Insurance Company  
MAPFRE U.S.A. Corporation

#### Substituted for:

<sup>(1)</sup> Ms. Sharon Murphy

<sup>(2)</sup> Mr. Kenneth Yeh

#### Not in Attendance:

Mr. Thomas Harris, Quincy Mutual Group

#### 24.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Compliance and Operations Committee meeting of September 4, 2024. The Records have been distributed and are on file.

#### 24.04 Informational Items

Ms. Wendy Browne informed the members that the proposed updates to Chapter X – Quota Share and Credit Programs of the Assigned Risk Company (ARC) Procedures Manual pertaining to the sale and transfer of excess credits were approved by the Governing Committee at its September 17, 2024 meeting. Those changes have been incorporated into the ARC Procedures Manual that is available on CAR's website and a bulletin was distributed in late September to notify the industry of the changes.

Ms. Browne also noted that the process for advisory committee appointments for 2025 is ongoing. CAR anticipates having the committee appointments finalized by the end of the year in advance of the 2025 committee meetings. Ms. Browne also indicated that CAR's lease has been extended and CAR will remain at 101 Arch St., Suite 400 for several years.

Ms. Browne then notified the Committee that CAR is continuing to work with Amica on its efforts to report statistical data. This has been an ongoing issue for the company throughout 2024, and CAR expects that Amica will submit complete 2024 data by the end of the year.

#### **24.05 Compliance Audit Program**

Mr. Matthew Hirsh presented Hybrid Audit (HAP) results for Quincy Mutual. The Quincy Mutual Hybrid Audit scope included \$752,000 in written premium, and associated loss dollars, including paid losses and allocated loss adjustment expenses, totaled to \$1,841,000. Mr. Hirsh noted two recurring statistical premium reporting issues and one recurring statistical claims reporting issue not in compliance with the Statistical Plan. He also indicated that Quincy Mutual was compliant with the Claims Performance Standards review, with the SIU evaluation, and with the required CAR Rule 32.C.2. SIU-completed audits of garaging and policy facts. Mr. Hirsh noted that overall quota share and ratemaking results were exceptional and recommended a green light assessment of Quincy Mutual's audit results, indicating that no further auditing is required, and that the ARC remain in the five-year Hybrid Audit schedule.

The Committee voted unanimously to accept the audit report with no further auditing and assessed a green light value in accordance with the traffic light assessment rating system.

#### **24.09 Commercial Statistical Plan Changes**

At the September 4, 2024 Compliance and Operations Committee meeting, Ms. Browne noted that a Bulletin had recently informed the industry that the Division of Insurance had placed on file the Commercial Automobile Insurance Manual Rule, Policy Form, and Endorsement Form changes for use with ceded policies effective January 1, 2027. With the approval of these newer coverage and endorsement forms, staff identified updates to commercial statistical reporting to maintain consistency with the new forms. The Committee voted unanimously to accept the proposed outline of changes and directed staff to draft updates to the Commercial Statistical Plan for the Committee's consideration.

Ms. Browne reviewed the resulting proposed changes to the Commercial Statistical Plan. She noted that the most significant change applied to Non-owned Automobiles, resulting in several new class codes to further define each risk. Ms. Browne explained that these proposed changes would be mandatory for January 1, 2027, with an optional implementation date of January 1, 2026 for companies planning to use these breakdowns in their voluntary market.

Additionally, Ms. Browne identified several Miscellaneous OTC Coverage Codes that have been updated. Sound Receiving and Transmitting Equipment coverage has been updated to Audio, Visual, or Data Electronic Equipment to better describe the coverage, and On Hook Coverage, Towing and Labor Cost – Greater Than \$100 per disablement, and Roadside Assistance Coverage that were previously only applicable to Voluntary business have been updated to indicate that they are now applicable to both Voluntary and Ceded business.

**The Committee unanimously voted to recommend to the Governing Committee that the proposed updates to the Commercial Statistical Plan be approved and submitted to the Division of Insurance for consideration.**

#### **24.10 MAIP Placement Record Reporting**

Ms. Browne provided an update on the status of proposed changes to the reporting of the Rating Company Number as detailed in Chapter IX – MAIP Placement Record Reporting Requirements of the ARC Procedures Manual. She noted that, at the prior meeting, the Committee discussed the possibility of changing the company rate information collected on the MAIP placement record to obtain improved data consistency when a company adopts a voluntary rate that is equal to the MAIP rate. The Committee then requested that CAR contact the Division of Insurance to obtain more information. Ms. Browne informed the Committee that CAR has initiated discussions with the Division of Insurance, however, no decision has been made. Ms. Browne anticipates providing more detailed information at the January meeting.

#### **24.11 Updates to the Manual of Administrative Procedures to Reflect Commercial Audit Changes**

Mr. Mark Alves presented proposed changes to the Manual of Administrative Procedures for the Committee's review. The updated language reflects modified commercial auditing procedures previously approved by the Governing Committee that are now active in the new commercial audit application in use by Compliance Audit staff. Other suggested changes focused on improving the consistency of language in the Manual of Administrative Procedures with the ARC Procedures Manual.

**The Committee unanimously voted to recommend to the Governing Committee approval of the proposed amendments to Chapter IX - Compliance Audit of the Manual of Administrative Procedures.**

MATTHEW HIRSH  
Compliance Audit Supervisor

Boston, Massachusetts  
November 14, 2024

## Proposed Modifications to the Commercial Statistical Plan

<b>Proposed Effective Date</b>	<b>Description</b>	<b>Pages Impacted</b>	<b>Records Impacted</b>
January 1, 2025	In order to match the language used in the policy forms, the definition to Coverage Code 087 has been updated to: Audio, Visual, or Data Electronic Equipment (excluding Police Vehicles, Fire Vehicles, and Garagekeepers).	VI:50	Physical Damage Premium and Loss Records
January 1, 2027 (Optional January 1, 2026)	As a result of the recently approved commercial filing relative to the updated manual rule, policy form, and endorsement form changes for use with ceded policies effective 1-1-2027, additional classification codes are added to reflect changes to Rule 27 – Non Ownership Liability. The changes include different risk designations including auto service, partnership/LLC, and all other. The new classification codes will enable the introduction of rating differentials based on loss experience.	VI:24-25	All
January 1, 2027	With the recently approved filing, additional coverage is available in the residual market for towing and labor, substitute transportation, and on-hook coverage that was previously available for voluntary business only.	VI:50	Physical Damage Premium and Loss Records

# Massachusetts Commercial Automobile Statistical Plan Part VI - Coding Section

## CLASSIFICATION CODE

### NON-OWNED AUTOMOBILES

Description <u>(For Policy Effective Years 2026 and prior)</u>	Code	
	Liability	Physical Damage
<b>Non-Ownership Liability</b> (Exposure Basis: Employee Months)		
Risks with 0 – 25 Employees	660100	--
Risks with 26 – 100 Employees	660200	--
Risks with 101 – 500 Employees	660300	--
Risks with 501 – 1,000 Employees	660400	--
Risks with over 1,000 Employees	660500	--
Individual Liability of Employees (including Social Service Agency Risks)	667100	--
<b>Non-Ownership Liability</b> (Exposure Basis: Volunteer Months)		
Volunteers (Social Service Agency Risks Only)	667000	--
Individual Liability of Volunteers (Social Service Agency Risks Only)	667200	--
Volunteers (Other Than Social Service Agency Risks) (Voluntary Business Only)	667400	
Individual Liability of Volunteers (Other Than Social Service Agency Risks) (Voluntary Business Only)	667600	
<b>Hired Automobiles</b> (Exposure Basis: Cost of Hire)		
Private Passenger and Commercial Vehicles (excluding Truckers)	661100	661100
Truckers	661300	661300
Truckers – Without Hold Harmless Agreements (Voluntary Business Only)	662600	662600
Truckers – With Hold Harmless Agreements (Voluntary Business Only)	662800	662800
Public Transportation Automobiles	500000	500000
On a Minimum or an “If Any” Premium Basis	661900	--
<b>Other Non-Owned Automobiles</b>		
Drive Other Car Coverage	902000	902000
Partnership as the Named Insured – Non-Ownership Liability	700000	--
All Other	700000	700000



# Massachusetts Commercial Automobile Statistical Plan Part VI - Coding Section

## CLASSIFICATION CODE

### NON-OWNED AUTOMOBILES (continued)

<u>Description (For Policy Effective Years 2027 and Subsequent)</u>	<u>Code</u>	
	<u>Liability</u>	<u>Physical Damage</u>
<b><u>Non-Ownership Liability</u></b> (Exposure Basis: <u>Employee Months</u> )		
<b><u>All Other</u></b>		
<u>Risks with 0 – 25 Employees</u>	<u>660100</u>	<u>--</u>
<u>Risks with 26 – 100 Employees</u>	<u>660200</u>	<u>--</u>
<u>Risks with 101 – 500 Employees</u>	<u>660300</u>	<u>--</u>
<u>Risks with 501 – 1,000 Employees</u>	<u>660400</u>	<u>--</u>
<u>Risks with over 1,000 Employees</u>	<u>660500</u>	<u>--</u>
<u>Individual Liability of Employees</u>	<u>667100</u>	<u>--</u>
<b><u>Auto-Service</u></b>		
<u>Risks with 0 – 25 Employees</u>	<u>663100</u>	<u>--</u>
<u>Risks with 26 – 100 Employees</u>	<u>663200</u>	<u>--</u>
<u>Risks with 101 – 500 Employees</u>	<u>663300</u>	<u>--</u>
<u>Risks with 501 – 1,000 Employees</u>	<u>663400</u>	<u>--</u>
<u>Risks with over 1,000 Employees</u>	<u>663500</u>	<u>--</u>
<u>Individual Liability of Employees</u>	<u>667300</u>	<u>--</u>
<b><u>Partnership/LLC</u></b>		
<u>Risks with 0 – 25 Employees</u>	<u>664100</u>	<u>--</u>
<u>Risks with 26 – 100 Employees</u>	<u>664200</u>	<u>--</u>
<u>Risks with 101 – 500 Employees</u>	<u>664300</u>	<u>--</u>
<u>Risks with 501 – 1,000 Employees</u>	<u>664400</u>	<u>--</u>
<u>Risks with over 1,000 Employees</u>	<u>664500</u>	<u>--</u>
<u>Individual Liability of Employees</u>	<u>667500</u>	<u>--</u>

# Massachusetts Commercial Automobile Statistical Plan Part VI - Coding Section

## CLASSIFICATION CODE

### NON-OWNED AUTOMOBILES (continued)

<u>Description (For Policy Effective Years 2027 and Subsequent)</u>	<u>Code</u>	
	<u>Liability</u>	<u>Physical Damage</u>
<b><u>Non-Ownership Liability</u></b> (Exposure Basis: Volunteer Months)		
<b><u>All Other</u></b>		
<u>Volunteers</u>	667400	
<u>Individual Liability of Volunteers</u>	667600	
<b><u>Auto-Service</u></b>		
<u>Volunteers</u>	667700	
<u>Individual Liability of Volunteers</u>	667900	
<b><u>Partnership/LLC</u></b>		
<u>Volunteers</u>	667800	
<u>Individual Liability of Volunteers</u>	668000	
<b><u>Non-Ownership Liability</u></b> (Exposure Basis: Partnership/LLC Months)		
<b><u>Auto-Service</u></b>		
<u>Active or Inactive Partners or LLC Members</u>	663600	
<b><u>Partnership/LLC</u></b>		
<u>Active or Inactive Partners or LLC Members</u>	664600	
<b><u>Hired Automobiles</u></b> (Exposure Basis: Cost of Hire)		
Private Passenger and Commercial Vehicles (excluding Truckers)	661100	661100
Truckers	661300	661300
Truckers – Without Hold Harmless Agreements (Voluntary Business Only)	662600	662600
Truckers – With Hold Harmless Agreements (Voluntary Business Only)	662800	662800
Public Transportation Automobiles	500000	500000
On a Minimum or an “If Any” Premium Basis	661900	--
<b><u>Other Non-Owned Automobiles</u></b>		
Drive Other Car Coverage	902000	902000
Partnership as the Named Insured – Non-Ownership Liability	700000	--
All Other	700000	700000

# Massachusetts Commercial Automobile Statistical Plan Part VI - Coding Section

## OTHER THAN COLLISION COVERAGE CODE (Continued)

### MISCELLANEOUS COVERAGES

Description	Code
Trailer Interchange Legal Liability (Class Code 993200)	050
Single Interest – Fire and Theft (Class Code 998000)	051
Single Interest – Conversion, Embezzlement or Secretion (Class Code 998000)	052
Dealers Wholesale Floor Plan (Class Code 998000)	054
Composite Rated Risks (Class Code 999000)	059
Towing and Labor Cost – \$100 per disablement • No other Comprehensive coverage afforded	080
Towing and Labor Cost – \$25 per disablement • No other Comprehensive coverage afforded	081
Towing and Labor Cost – \$50 per disablement • No other Comprehensive coverage afforded	082
Rental Reimbursement	083
Automobile Dealers False Pretense Coverage	084
<del>Sound Receiving and Transmitting Equipment</del> Audio, Visual, or Data Electronic Equipment (excluding Police vehicles, Fire vehicles, and Garagekeepers)	087
★ On Hook Coverage ( <del>Voluntary Business Only</del> )	088
Retrospective Rating Plan D premium adjustment only (Report Retrospective Rating Plan D premium, other than adjustments, with applicable class and coverage)	089
All Other Coverages – excluding Collision	089
★ Towing and Labor Cost – Greater Than \$100 per disablement • Must be reported as a separate record from underlying OTC coverage • Optional for policies effective 1/1/2023 – 12/31/2023. Mandatory for policies effective 1/1/2024 and subsequent ( <del>Voluntary Business Only</del> )	180
★ Roadside Assistance Coverage • Optional for policies effective 1/1/2023 – 12/31/2023. Mandatory for policies effective 1/1/2024 and subsequent ( <del>Voluntary Business Only</del> )	181

**Manual of Administrative Procedures Updates  
Chapter IX – Compliance Audit**

**Memorandum of Changes – November 6, 2024**

**Modifications**

The following modifications to the Manual of Administrative Procedures are proposed:

**Chapter IX – Compliance Audit**

Sections A. has been updated for consistency with prior editorial changes to the Assigned Risk Company Procedures Manual.

Section C – Audits of Member Companies and Servicing Carriers has been updated to reflect changes to the approved Commercial Audit Program and the subsequent development of the new Commercial Audit System.

- 4.(a) Premium and Claim Statistical Audit explanations have been combined into the same grouping with consistent audit requirements applicable to both.
  - Confidence level and standard error rate of updated sampling process is detailed.
- 4.(b-d) Commercial Underwriting, Claims Performance Standards, and the Special Investigative Unit audit components are applicable to both voluntary only Member companies and Servicing Carriers.
- 4.(e-f) Duplicate Ceded Payments and the newly documented Enhanced Procedures audit components are applicable only to Servicing Carriers.

Section C.6 Commercial Audit Report has also been updated for consistency with prior changes to the Assigned Risk Company Procedures Manual.

Section C.8 Traffic Light Assessment Rating System has been added to describe the methodology used to evaluate the results of the commercial audit. This is consistent with the language in the Assigned Risk Company Procedures Manual.

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

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

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

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**B. Commonwealth Automobile Reinsurers' Procedures**

1. Internal Procedures

CAR shall maintain records of all identified errors or violations of CAR's Plan or Rules of Operation. Any significant errors or violations will be reported to CAR's Compliance and Operations Committee.

2. Audits of the Commonwealth Automobile Reinsurers

a. Internal Audits

Internal quality control reviews may be conducted by CAR's Compliance Audit Department. These audits may include reviews of operational, financial, and information technology transactions, procedures and controls. CAR's Compliance Audit Department may also oversee or assist external auditors or consultants retained by CAR for CAR-specific projects.

b. Independent Audits

An independent audit of CAR will be conducted annually by a public accounting firm recommended by CAR's Financial Audit Committee and approved by CAR's Governing Committee. At the conclusion of the audit, an audit report and certified financial statements will be presented to the Financial Audit Committee. Upon request, copies of the financial statements will be made available.

**C. Audits of Member Companies and Servicing Carriers**

To fulfill its industry responsibilities as the Residual Market Administrator and Statistical Agent for motor vehicle insurance in the Commonwealth of Massachusetts, CAR conducts audits of reported statistical data as prescribed by the Compliance Audit Program approved by CAR's Governing Committee. The Commercial Audit is CAR's primary scheduled examination of commercial data.

Audited Members and Servicing Carriers that write or service commercial automobile insurance policies in Massachusetts and report statistical data to CAR, must make available to CAR all documentation needed to verify the accuracy of reported data.

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1. Commercial Audit

The Commercial Audit reviews and tests the accuracy of reported premium and loss data and evaluates the audited company's compliance with statutory requirements and CAR's Rules of Operation. Premium and claim data is selected by policy year, accounting year, and classification code using a policy-level and claim-level sampling process. This data includes both voluntary and ceded records for premium and loss transactions. ~~Refer to Section C.4. of this Chapter for specific details relative to the Commercial Audit components performed.~~

In accordance with the Compliance Audit Program, the Commercial Audit of all Servicing Carriers must be completed once every two years and must sample both voluntary and ceded premium and loss records.

The Commercial Audit of a Member company's voluntary premium and loss records may be completed once every two years. A Member company's audit selection criteria shall be determined by CAR staff, include market share and/or and may include known data quality issues, or upon request by the Division of Insurance or a CAR committee.

Prior to the start of a Commercial Audit, the Member or Servicing Carrier to be audited must complete a Compliance Audit Claim Questionnaire that provides background information on its claims handling programs. Submission of the Compliance Audit Claim Questionnaire will certify that the company's claims handling practices comply at a minimum with the approved Commercial Claims Performance Standards. For additional information relative to the Compliance Audit Claim Questionnaire, refer to Appendix K – Compliance Audit Claim Questionnaire of the Commercial Claims Performance Standards which is available on CAR's website under the Manuals tab.

Refer to Section C.4. of this Chapter for specific details relative to the Commercial Audit components performed.

2. Documentation and System Access Requirements

Upon request, a company must make documentation and system access available to CAR. Documentation may include original documents, copies of scanned documents, or other reasonable facsimiles as required for audit completion. System access provides direct access to company computer systems on a read-only basis, to view information necessary to complete the audit. CAR will respect the level of supervision, confidentiality, and security that each Member or Servicing Carrier is willing to provide relative to the access of company documents and its computer systems.

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Documentation and system access requirements for the Commercial Audit shall include but are not limited to the following:

- a) Access to the premium underwriting system which shows all necessary information involved in declarations and endorsements for premium determination, including coverages, limits, deductibles, classification and territory, etc.

However, if the company only provides or allows CAR partial or no system access, the following documentation should be substituted:

- (1) Access to an imaging system which shows all declarations and endorsements.
- (2) Hardcopies of declarations and endorsements.
- (3) A print-out of data stored in a computer, provided it includes all information found on the declaration page.
- (4) Primary commercial underwriting documentation, including new business applications, renewals, anti-theft documentation, pre-insurance inspection forms, cancellation forms, underwriter's notes, business type, size, weight and radius of operation for Truck, Tractor and Trailers, Private Passenger Types and Public Autos information, documentation relative to the number of and types of plates for Garage policies, and Hired Autos and Special Types information. Documentation also includes supporting experience rating calculations for ceded policies and all other rating modification calculations for voluntary policies.

This documentation may be provided through access to an imaging system or as an original hardcopy or a photocopy of the original document.

- (5) Printouts from the Registry of Motor Vehicles or access to the Registry of Motor Vehicles.
- b) Documentation and system access necessary to perform the claim statistical, Claims Performance Standards and SIU evaluation portions of the Commercial Audit, includes but is not limited to the following:
    - (1) Access to all source documentation within the claim system including check and payee information.
    - (2) Access to the claim file details including police reports, ACORD forms, appraisals and adjuster's running notes.



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- (3) Access to all source documentation related to legal, medical and all other expense details including explanation of expenses and costs.
  - (4) Salvage/subrogation recovery records.
  - (5) Access to all total loss source documentation including salvage facility invoices, actual cash value figures, and title of vehicle.
- c) The audited Member or Servicing Carrier<sup>2</sup> is required to supply its voluntary rates on file with the Division of Insurance within the accounting dates of the audit scope, including all applicable rules and discounts. If necessary, the Member or Servicing Carrier shall timely populate a data request developed by CAR that identifies each of the rating attributes noted in the applicable rate filings. Rate reperformance is then completed using the rating attributes as provided by the audited company as of the new business or renewal.
3. System Access Compliance Audit Fees

a) System Access Fee

If the Member or Servicing Carrier determines that system access will not be made available to CAR, a fee will be assessed in consideration of the additional time and resources to be incurred by CAR in obtaining the documentation necessary to conduct the audit. The level of the fee is commensurate with the level of system access provided or allowed by the company.

Partial system access is defined as the company granting access to only the premium or claim, or any adjunct systems used to access source documents. The fee assessed will be \$12,000.

No system access is defined as the company not granting any direct access to the premium, claim, or any adjunct systems used to access source documents. The fee assessed will be \$24,000.

b) Late Access Fees

CAR will provide a minimum of 30 days between the Notice of Audit and the planned audit start date. If system access is not established timely, thus delaying the audit, a fee will be assessed in consideration of the additional time needed to complete testing. Delayed or late system access is defined as access that is not fully established and functioning as of the scheduled start date included in the Notice of Audit. The fee assessed will be \$1,000 per week.

c) Late Rate Data Fees

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If completion of the data request is necessary to rate the voluntary policies, CAR will provide a minimum of 30 days between the date of distribution of the data request to the Member or Servicing Carrier and the due date for receipt of the populated data request. If the data request is not returned by the due date thus delaying the ability to rate the sampled policies, a fee of \$1,000 per week will be assessed in consideration of the additional time needed to complete testing.

Assessed fees will be processed as bulk adjustments to a Member's or Servicing Carrier's Settlement of Balances and Member Participation Reports in the quarter subsequent to audit completion. Refer to Chapter VIII – Participation of this Manual for further information.

4. Components of the Commercial Audit

The Commercial Audit consists of six separate components:

(a) Premium and Claim Statistical Audit

A sample of commercial voluntary and ceded premium and claim data is selected from CAR's statistical files. The sample is verified at a 90% confidence level with a standard error rate of +/- 5% and consists of ~~15270 individual unique premium statistical records~~ policy numbers reported to CAR by the audited company- and does not limit the number of selected policies with at least one claim. Depending on the reported classifications, A structured cross section of business vehicle classifications is sampled, including Trucks, Tractors, and Trailers, Private Passenger Types, Public Autos and Special Types. In addition, a cross section of classifications for Garages, non-Hired Auto, Hired Auto, and Drive Other Car coverage policies ~~is~~ may be sampled.

The Premium and Claim Statistical Audit is designed to test the accuracy of statistical reporting by the audited company, in accordance with the Massachusetts Commercial Automobile Statistical Plan, and the consistency of the reported statistical data with the audited company's source documents. For each of the business vehicles or other classification types found on a selected policy, the reported statistical data, broken down by garaging territory, radius of operation, size, weight, type, dollar value, age, number of plates, exposure bases and CAR ID is compared to related information found on the source documentation. Examples of audited documents are new business applications, renewals, endorsements, underwriting notes (including experience rating calculation notes and all other rating modification calculation notes) and RMV data. All reported statistical premium and loss fields are audited. The Massachusetts Commercial Automobile Statistical Plan is available on CAR's website under the Manuals tab.

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~~(b) Claim Statistical Audit~~

~~A sample of commercial voluntary and ceded claim data is selected from CAR's statistical files. The sample consists of 150 individual loss statistical records reported to CAR by the audited company. A structured cross section of paid loss records is sampled by coverage and loss type, yielding a representative sample of business vehicle classifications similar to those classifications reported and sampled for the Premium Statistical Audit.~~

~~The Claim Statistical Audit is designed to test the accuracy of statistical reporting by the audited company, in accordance with the Massachusetts Commercial Automobile Statistical Plan and the consistency of the reported statistical data with the audited company's source documents. All reported statistical loss fields are audited.~~

~~(e)~~ **Commercial Underwriting Audit**

~~For this audit component, 30 policies are selected from the Premium Statistical Audit sample. Using the same audit sample, Tthe Commercial Underwriting Audit tests Member and Servicing Carrier's compliance with the rules, rates and rating procedures detailed in the Massachusetts Commercial Automobile Insurance Manual. The Commercial Underwriting Audit also tests Member or Servicing Carrier compliance with the statistical reporting requirements specified in the Massachusetts Commercial Automobile Statistical Plan, which is available on CAR's website under the Manuals tab.~~

Using the audited company's source documentation and premium underwriting reporting system, CAR calculates the appropriate policy premium. All reported premium dollar amounts are audited and all ceded policies in error require mandatory correction.

~~(d)~~ **Commercial Claims Performance Standards**

G.L. c. 175, § 113H requires CAR to develop performance standards for the handling and payment of claims. As required by Rule 10 – Claim Practices of CAR's Rules of Operation, CAR conducts periodic audits of voluntary and ceded claims to evaluate a Member or Servicing Carrier's claim handling effectiveness, measure compliance with the Claims Performance Standards and identify potential differences in the claims handling of policies insured voluntarily and those ceded to CAR.

For additional details relative to the scope of the Commercial Claims Performance Standards compliance audit, including sample selection criteria and CAR audit procedures, refer to Appendix I – CAR Compliance

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Audit Claim Review Process of the Commercial Claims Performance Standards which is available on CAR's website under the Manuals tab.

**(ed)** Special Investigative Unit (SIU) Evaluation

In accordance with G.L. c. 175, § 113H, every Member or Servicing Carrier is required to maintain a SIU to investigate suspicious claims on both voluntary and ceded policies. CAR, under the authority of Article III –Special Investigative Unit of CAR's Plan of Operation, monitors a Servicing Carrier's fraud control efforts and adherence to the established SIU Claims Performance Standards and provides assistance to Members and Servicing Carriers upon request. The SIU standards include requirements that encourage each Servicing Carrier to strongly support the activities of its own SIU department so as to resist the payment of fraudulent claims, establish fraud deterrents and reduce losses.

CAR's SIU evaluation provides measured audit results of suspected fraudulent claims, as outlined in G.L. c. 175, § 113H and identifies differences in claim handling of voluntary policies and those ceded to CAR.

For additional information relative to SIU standards, refer to Appendix A – CAR Special Investigative Standards of the Commercial Claims Performance Standards which is available on CAR's website under the Manuals tab.

For additional information relative to the scope of the SIU evaluation, sample selection criteria and CAR audit procedures, refer to Appendix J – CAR SIU File Review Process of the Commercial Claims Performance Standards which is available on CAR's website under the Manuals tab.

**(fe)** Duplicate Ceded Payment Identification (Servicing Carriers only)

CAR identifies potential ceded duplicate payments and produces listings, grouped as follows:

- Allocated Expenses
- Indemnity Subrogation Analysis
- Payments for PIP
- Payments Other Than PIP
- Negative Claim Balances

CAR uses payment history information and claim file documentation to research each payment identified on the listings. CAR will determine whether each ceded payment was incorrectly reported to CAR and whether any of the loss amounts are duplicate payments, are a duplicate reporting

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or have been statistically reported incorrectly. The Servicing Carrier is required to offset all incorrect~~ly~~ paid losses.

(f) Enhanced Procedures (Servicing Carriers only)

A minimum of ten policies are selected for Enhanced Procedures to evaluate the Servicing Carrier's determination of commercial residual market eligibility. Audit procedures include documenting and cataloguing the supports used by the Servicing Carrier in its eligibility determination. Audit considerations include but not limited to:

- Documentation pertaining to Principal Place of Business and the nerve center of the risk, Non-Fleet Private Passenger Type vehicles, use of the Massachusetts Registry, the use of exclusion forms, and the required use of the Ineligible Risk Database.

The Commercial Audit Enhanced Procedures is dynamic allowing for consideration of any known company specific issues as well as any future developments that may require audit consideration.

5. Audit Conclusion Procedures

At various intervals during the Commercial Audit process, CAR provides the Member or Servicing Carrier with a Status Report that details the audit exceptions identified. Once the audit is complete, the audited company and CAR will review the issues identified and when possible, reach agreement on the results. The Status Report is modified as needed, based upon additional source documentation provided and communication between the company and CAR. All unresolved issues will be clearly identified. Every error identified will be included in the company's final Status Report.

6. Commercial Audit Report

~~A The Commercial Audit~~ report detailing the Commercial Audit findings will be provided to the audited Member or Servicing Carrier. the audit findings for each of the six audit components. The following reports will be distributed to each Member or Servicing Carrier, as applicable:

- ~~(1) Commercial Statistical Premium Report and Underwriting Results~~
- ~~(2) Commercial Statistical Claim Report and Reinsurance Audit Results~~
- ~~(3) Commercial Claims Performance Standards Report and SIU Evaluation~~

Remedial action required will be identified. CAR will provide the audited company with a period of time to review the report and provide a response letter. In order to improve future reporting or claim handling practices, the response letter must outline the company's prospective plan of action to

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correct any identified irregularities. In addition, the response letter should address recurring errors resulting from a corporate decision not in agreement with the Massachusetts Commercial Automobile Statistical Plan, or the company filed voluntary rates, rules, and discounts.

The Compliance and Operations Committee will review and consider the results of ~~each the~~ Commercial Audit report, including any applicable remedial action required by CAR and the response provided by the audited company. The Committee will determine whether to accept the audit findings, direct CAR to develop a Corrective Action Plan for the audited company (refer to Section C.7. of this Chapter) or recommend potential punitive considerations to the Governing Committee.

The Commercial Audit reports, including the company response letter, will be provided to the Division of Insurance.

7. Corrective Action Plan

If recommended by the Compliance and Operations Committee, CAR will develop and conduct further focus audits of a company specific to the areas of concern identified in the Commercial Audit Report. Results of the additional audits will be provided to the Compliance and Operations Committee.

8. Traffic Light Assessment Rating System

Audit results will be considered using a tiered approach:

A green light evaluation is assigned if no significant data issues are identified, and the Member or Servicing Carrier is compliant with all measured statutory requirements and CAR Rules. No further auditing is required, and the Member or Servicing Carrier remains in the audit schedule as previously defined.

A yellow light evaluation may be assigned if recurring statistical reporting and/or rating issues are identified, or any statutory requirement or CAR Rule measured during the audit is determined as noncompliant. Further focus auditing within 12 to 18 months of the Commercial Audit completion may be recommended to the Compliance and Operations Committee. Potential future penalties would also be included in the recommendation.

A red-light evaluation is assigned if continued noncompliance with the Statistical Plan and/or statutory requirements exists after the follow-up focus audit. The Member or Servicing Carrier is then subject to future monthly accounting statistical data penalties in accordance with the Commercial Statistical Plan (VII: 7) until a monthly submission with accurate data is reported.

~~8.9.~~ Focus Audits and Data Quality Reviews

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Operational or statistical focus audits and data quality reviews specifically target Member or Servicing Carrier data quality issues that have an impact on ratemaking or equitability within the ceded commercial pool. The audits and reviews may apply to both voluntary and ceded business and focus on identified areas of concern which have a bearing on participation in CAR's underwriting results, expenses, penalties, payment of claims or any other matter attributable to such Member or Servicing Carrier.

CAR may design and implement focus audits or data quality reviews in accordance with a Division of Insurance or CAR Committee directive, or as determined necessary by CAR.

The same documentation and system access requirements as described in Section C.2. of this Chapter apply.

**D. Audits of Exclusive Representative Producers**

To ensure the integrity of the residual market mechanism and reported statistical data, additional audits or data quality summary reviews of ERPs will be conducted as determined necessary by CAR or as directed by the Division of Insurance or CAR committee.

The same documentation and system access requirements as described in Section C.2. of this Chapter apply.



NATALIE A. HUBLEY  
PRESIDENT

## COMMONWEALTH AUTOMOBILE REINSURERS

101 Arch Street, Suite 400 Boston, Massachusetts 02110

www.commauto.com

617-338-4000

### RECORDS OF MEETING

#### MAIP STEERING COMMITTEE – NOVEMBER 5, 2024

##### Members Present

Mr. Barry Tagen – Chair	Pilgrim Insurance Company
Mr. Matthew Cote	Arbella Insurance Group
Ms. Sheila Doherty	Doherty Insurance Agency, Inc.
Mr. Shaun Farley	Vermont Mutual Insurance Group
Mr. Jordan Giampa <sup>(1)</sup>	The Hanover Insurance Company
Ms. Jean Houghton	Norfolk & Dedham Group
Mr. Robert Jackson	GEICO
Ms. Mary McConnell	Safety Insurance Company
Mr. Henry Risman	Risman Insurance Agency, Inc.
Mr. Mark Winiker	A-Affordable Insurance
Ms. Qianyi Zhao <sup>(2)</sup>	MAPFRE U.S.A. Corporation

##### Substituted for:

<sup>(1)</sup> Mr. Cory Hanson

<sup>(2)</sup> Mr. Gavin Traverso

##### Not in Attendance:

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

#### 24.01 Records of Previous Meeting

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

#### 24.06 Rule 28 – Application Process – Installment Plan

Ms. Lynne Rosenberg reviewed the draft amendments to Rule 28.C – Premium Deposit and Payment Options whereby language has been added to define how monthly installment payments are calculated in the event that nine equal payments become impossible due to subsequent policy activity such as non-payment, late payment, or endorsement activity.

She informed the Committee that, since the distribution of the agenda, Staff received suggestions regarding the proposed language from an Assigned Risk Carrier (ARC). Citing those suggestions in the first amended paragraph that stated if there is “activity” during the policy term that no longer allows for nine equal monthly installments, the assigned risk carrier suggested replacing the word “activity” with “if



there is a policy change which impacts the policy's premium." The carrier opined that this revised language better distinguishes the separate treatment of endorsement activity versus late or partial payments. The carrier also commented that this language effectively addresses endorsement activity that would result in either an increase or a decrease in the policy premium to modify the monthly installment payments. However, it was noted that this proposed change is not complete as it does not address scenarios such as late producer notification or late company processing of endorsement activity that results in a change to the premium payments.

Ms. Rosenberg continued and noted in the second amended paragraph of Rule 28.C. the ARC suggested replacing the reference to "reinstating the policy" to "rescinding the cancellation" notice. Ms. Rosenberg noted that the Committee should discuss the procedure described in this instance as it is not used by all ARCs. Mr. Barry Tagen commented that the draft language is not applicable in all circumstances, indicating that it could result in an ARC issuing a cancellation notice that includes owed premium for future payments. He suggested that ending the sentence with "rescinding the cancellation notice" would eliminate reference to a specific scenario and therefore avoid the need for challenging and costly system updates. Ms. Jean Houghton further commented that the Notice of Cancellation is very specific in regard to the premium owed and the due date of the cancellation. Committee members also noted that payment activity is sometimes impacted by late billing for the first installment or by late remittance of the downpayment.

It was the consensus of the Committee for staff to incorporate the comments and suggestions into another draft amendment for the Committee discussion at the next meeting.

#### **24.07 Private Passenger Insurance Manual – Rule 55 Pre-Insurance Inspection Program**

Ms. Wendy Browne reviewed the recommended amendments to the Private Passenger Insurance Manual – Rule 55 Pre-Insurance Inspection Program relative to the change in the eligibility of vehicles weighing up to 16,000 pounds and to the addition of qualifications to the inspection criteria that corresponds to the language in 211 CMR 94.00.

**The Committee unanimously voted to recommend to the Governing Committee approval of the proposed amendments to Rule - 55 Pre-Insurance Inspection Program.**

ADRIANNE DONOVAN  
Residual Market Services Liaison

Boston, Massachusetts  
November 14, 2024

MASSACHUSETTS PRIVATE PASSENGER RESIDUAL MARKET AUTOMOBILE INSURANCE MANUAL

**SECTION V - SUPPLEMENTAL INFORMATION**

**RULE 54. RESERVED FOR FUTURE USE**

**RULE 55. PRE-INSURANCE INSPECTION PROGRAM**

General Laws Chapter 175, section 113S, and the implementing regulations, 211 CMR 94.00, require the pre-insurance inspection of private passenger motor vehicles. The following is a summary of the requirements of the regulation.

**Eligibility**

Unless specifically exempted or waived, all private passenger motor vehicles and pick-ups or vans having a gross vehicle weight up to 16,000 pounds are required to be inspected by an insurer prior to the issuance of physical damage coverages by the insurer. An insurer's decision to waive or not to waive an inspection pursuant to 211 CMR 94.00, shall not be based on the age, race, sex, ~~or~~ marital status, creed, national origin, religion, occupation, income, education, credit information, or homeownership of the applicant or the customary operators of the vehicle, the principal place of garaging, or the fact that the policy has been assigned to the insurer through the Massachusetts Automobile Insurance Plan.

**Exemptions to Inspection Requirement**

An inspection shall not be required if:

1. The motor vehicle is a new, unused motor vehicle from a franchised automobile dealership where the insurer is provided with either: a copy of the bill of sale which contains a full description of the motor vehicle, including all options and accessories; or a copy of the Registration and Title Application (RTA) provided by the Registry of Motor Vehicles, which establishes the transfer of ownership from the dealer to the customer and a copy of the window sticker or the dealer invoice showing the itemized options and equipment in addition to the total retail price of the vehicle.
2. The inspection is waived by the insurer.
3. Any private passenger motor vehicle not owned by the applicant, which is used by the applicant, with the permission of the owner, is a temporary substitute due to breakdown, repair, servicing, loss or destruction of the applicant's own motor vehicle.
4. The motor vehicle is leased less than six months, provided the insurer receives the lease or rental agreement containing a description of the leased motor vehicle, including its condition.
5. The inspection would cause a serious hardship to the insurer or the applicant.
6. The insurer has no inspection facility or authorized representative either in the city or town in which the motor vehicle is principally garaged or within five miles of said city or town.

An insurer may require an inspection of a motor vehicle otherwise exempt pursuant to 211 CMR 94.05(1) provided that the decision to inspect such motor vehicle is ~~reasonable and supported by objective facts based on underwriting criteria uniformly applied, and such decision is reasonable and supported by objective facts.~~ The decision to require such inspection shall not be based on the age, race, sex, marital status, creed, national origin, religion, occupation, income, education, credit information or homeownership of the applicant or the customary operators of the motor vehicle, the principal place where the motor vehicle is garaged, or the fact that the policy has been issued through the Massachusetts Automobile Insurance Plan.

An insurer shall maintain a written record of its reasons for requiring an inspection in situations that are otherwise exempt in the applicant's policy record.

**Waiver of Inspection**

An inspection may be waived if:

1. The motor vehicle is ten or more years older than the current calendar year.