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ADDITIONAL INFORMATION

**TO MEMBERS OF THE COMMERCIAL AUTOMOBILE RESIDUAL MARKET
STANDARDS SUBCOMMITTEE**

FOR THE MEETING OF:

Wednesday, April 25, 2018 at 10:30 a.m.

CRMS

18.06 Standards for Validating the Principal Place of Business

Updated standards to be used by Servicing Carriers and Exclusive Representative Producers for validating Principal Place of Business, including a draft of the certification form that must be signed by all new business applicants, are attached for the Subcommittee's consideration. (Docket #CRMS18.06, Exhibit #2)

CRMS

18.08 Standards for Validating Non-Fleet Private Passenger Type Risks

Documentation regarding proposed standards to be used by Servicing Carriers and Exclusive Representative Producers in validating Non-Fleet Private Passenger Type Risks is attached for the Subcommittee's consideration. (Docket #CRMS18.08, Exhibit #1)

CRMS

18.10 Information Sharing

To assist the Subcommittee in its discussions relative to opportunities for the sharing of information, staff has outlined the general components for a new online system. (Docket #CRMS18.10, Exhibit #1)

WENDY BROWNE
Vice President – Business Operations

Attachments

Boston, Massachusetts
April 20, 2018

Servicing Carrier Standards for Validating the “Nerve Center” Principal Place of Business

Standards for the validation of Principal Place of Business (“Nerve Center”): In determining whether a risk is eligible for placement in the commercial automobile residual market, Servicing Carriers and Exclusive Representative Producers are required to validate whether or not the risk’s declared principal place of business meets the “nerve center” test. As such, operations taking place in the corporation’s “nerve center” would include, but not be limited to:

- Computer/monitoring systems that track the location of the vehicles
- Scheduling systems for vehicle operations and corresponding routes
- Systems for responding to vehicles requiring roadside or emergency assistance
- Payroll systems
- Depending upon the business operation, commensurate hours of operation
- Telephone systems to handle customer service, driver assistance, maintenance and repair, vendor and/or employee communications
- Treasury management systems for disbursing and collecting funds
- Administrative activities to support business operations

Note that a mail drop box, a bare office with a computer, or a location where executives only occasionally meet, does not qualify as Principal Place of Business for the purpose of determining eligibility for cession to the MA residual market.

Servicing Carriers should require and receive from the writing Exclusive Representative Producer, a certification attesting to the information submitted on the application for insurance pursuant to the insured’s principal place of business. The certification must be signed and dated by the insured and writing producer.

Underwriting Tools and Opportunities: Servicing Carriers should take advantage of the following options in determining risk eligibility relative to the principal place of business and “nerve center”:

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

The Servicing Carrier may also request the risk and/or Exclusive Representative Producer to provide additional information as noted, but not limited to the Exclusive Representative Producer Standards for Determining the “Nerve Center” Principal Place of Business. An SIU investigation may also be requested. As part of the underwriting process and/or SIU investigation, the risk’s principal/owner will be required to corroborate information collected by the writing Exclusive Representative Producer.

Pursuant to Rule 10 – Claims of CAR’s Rules of Operation, Servicing Carriers are required to conduct audits on representative samples of policies to verify garaging and policy facts. However, market conditions may warrant increased awareness and focus on specific classifications of business due to suspected fraud, increased loss experience, or other negative impacts on the commercial automobile residual market during the Servicing Carrier contract period. If such occasions occur, the specific classifications will be identified, through CAR’s committee process, for mandatory Servicing Carrier SIU investigations involving the principal place of business. **At its March 29, 2018 meeting the Commercial Automobile Market Standards Subcommittee directed that Servicing Carriers be notified of an expectation to enhance their focus on validating principal place of business and radius of operation for intermediate and long distance TTT and bus classifications.**

Exclusive Representative Producer Standards for Determining the “Nerve Center” Principal Place of Business

Standards for the validation of Principal Place of Business (“Nerve Center”): In determining whether a risk is eligible for placement in the commercial automobile residual market, Exclusive Representative Producers and Servicing Carriers are required to validate whether or not the risk’s declared principal place of business meets the “nerve center” test. As such, operations taking place in the corporation’s “nerve center” would include, but not be limited to:

- Computer/monitoring systems that track the location of the vehicles
- Scheduling systems for vehicle operations and corresponding routes
- Systems for responding to vehicles requiring roadside or emergency assistance
- Payroll systems
- Depending upon the business operation, commensurate hours of operation
- Telephone systems to handle customer service, driver assistance, maintenance and repair, vendor and/or employee communications
- Treasury management systems for disbursing and collecting funds
- Administrative activities to support business operations

Note that a mail drop box, a bare office with a computer, or a location where executives only occasionally meet, does not qualify as Principal Place of Business for the purpose of determining eligibility for cession to the MA residual market.

***** Exclusive Representative Producers must provide a signed certified statement to their Servicing Carrier attesting to the information submitted on the application for insurance pursuant to the insured’s principal place of business. The certification must be signed and dated by the insured and the writing producer to confirm that the risk meets the definition of Principal Place of Business as specified in CAR Rule 2.**

Risk Evaluation Tools and Opportunities: Exclusive Representative Producers should ascertain the following in determining risk eligibility relative to the principal place of business and “nerve center” prior to submitting a risk to their Servicing Carrier for placement in the commercial auto residual market:

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

At the Servicing Carrier’s request, the ERP/risk will be required to provide:

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

*****TO BE CERTIFIED BY ALL APPLICANTS PRIOR TO PLACEMENT IN THE COMMERCIAL
AUTOMOBILE INSURANCE RESIDUAL MARKET (CAR)*****

PRINCIPAL PLACE OF BUSINESS

My application represents that my principal place of business is located in Massachusetts. Principal Place of Business, as it applies to the definition of an Eligible Risk, is defined as the chief or usual place of business. It is the corporation's nerve center, its center of direction, control, and coordination, the place where the principal officers generally transact business and the place to which reports are made and from which orders emanate. It is the place where the majority of executive and administrative functions are performed*. I understand that, if found responsible for fraud or material misrepresentation in the application or any extension or renewal of the policy, the insurance company can cancel all or part of the insurance and/or deny coverage of a claim pursuant to the provisions of the policy.

Signature of Applicant: _____

Printed Name of Applicant: _____

Date: _____

Signature of Producer: _____

Printed Name of Producer and Agency Name: _____

Date: _____

MA Fraud Warning: "Any person who knowingly and with the intent to defraud any insurance company or another person files an application for insurance or statement of claim containing any material false information, or conceals for the purpose of misleading information concerning any fact material thereto, may be committing a fraudulent insurance act, which may be a crime and may subject the person to criminal and civil penalties."

* Commonwealth Automobile Reinsurers Rules of Operation, Chapter 2 - Definitions

Servicing Carrier Standards for Non-Fleet Private Passenger Type Classifications

Standards for the Review of Non Fleet Private Passenger Type Commercial Automobile Risks: In determining whether a non-fleet private passenger type risk is eligible for placement in the commercial automobile residual market, Servicing Carriers are required to validate the information provided by the risk and writing producer. If the application asserts/suggests a business entity/operation the Servicing Carrier must validate that a commercial automobile business entity/operation exists. As such, Servicing Carriers should obtain a signed copy of a completed Non-Fleet Private Passenger Type Certification Form from the insured/Exclusive Representative Producer and take advantage of the following options in determining the validity of a risk's business entity and/or operations;

Underwriting Tools and Opportunities: Determining Business Entity

- 1) Use the Secretary of Commonwealth's Corporations Division website to determine:
 - o If the risk and/or the risk's Federal Employer Identification Number (FEIN) is registered with the Corporations Division
 - o Date of Origination, Current Status
 - o The identity of the risk's officers, directors, partners and/or managers – ownership and address information
 - o Who signed the organizational documents for the risk
- 2) Use an Internet search engine to determine if the risk has a website for its stated business entity/operation.
- 3) Use an Internet mapping site to assess business address, public and street presence.
- 4) Use the RMV systems to verify whether the risk's officers, directors, partners and/or managers have a Massachusetts address/operator's license and to determine if the risk previously was insured with a Massachusetts carrier. Verify that the vehicle registration(s) is in the name of the business entity/operation.
- 5) Assess whether there was prior insurance coverage provided for the business entity/operation and the history of that coverage (i.e. cancellation/non-renewal reason, etc.)
- 6) Obtain one or more of the following:
 - a. Tax filing information for the business (Schedule C if filing an individual return)
 - b. Workers Compensation Insurance Policy
 - c. General Liability Insurance Policy
 - d. If prior insurance coverage, copy of declarations page
 - e. Copies of leases and utility bills
- 7) Request SIU investigation when necessary to determine if risk is a business entity

Pursuant to Rule 10 – Claims of CAR's Rules of Operation, Servicing Carriers are required to conduct audits on representative samples of policies to verify garaging and policy facts. However, market conditions may warrant increased awareness and focus on specific classifications of business due to suspected fraud, increased loss experience, or other negative impacts on the commercial automobile residual market during the Servicing Carrier contract period. If such occasions occur, the specific classifications will be identified, through CAR's committee process, for mandatory Servicing Carrier SIU investigations involving the principal place of business.

Exclusive Representative Producer Standards for Non-Fleet Private Passenger Type Classifications

Exclusive Representative Producers (ERPs) will be responsible for obtaining a completed and signed Non-Fleet Private Passenger Type (NF-PPT) Certification Form for each NF-PPT risk submitted to their Servicing Carrier for placement in the commercial auto residual market. In addition, the ERP will be responsible for assisting in the verification and confirmation of information regarding the risk's eligibility for commercial automobile residual market coverage including:

- 1) Proof of Business Entity/Operation:
 - a. Corporate Documentation - Use of the Secretary of Commonwealth's Corporations Division website to obtain:
 - o Validation of the risk and/or the risk's Federal Employer Identification Number (FEIN) being registered with the Corporations Division and includes, the Date of Origination, Current Status, the identity of the risk's officers, directors, partners and/or managers – ownership and address information and who signed the organizational documents for the risk
 - b. Use of an Internet search engine may be used to reflect that the risk has a website for its stated business entity/operation.
 - c. Vehicle usage: Use the RMV systems to determine if the registration of the vehicle(s) is consistent with the name of the business entity/operation.
 - d. Operators of the Vehicle(s): List all operators and associated license information. If the owner is not listed as an operator, please explain. Note: a Drivers Exclusion Form will be required to be signed by the owner(s), if not listed.
 - e. Provide prior insurance coverage for the business entity/operation and the history of that coverage (i.e. cancellation/non-renewal reason, etc.)
- 2) Obtain one or more of the following:
 - a. Tax filing information for the business (Schedule C if filing an individual return)
 - b. Workers Compensation Insurance Policy
 - c. General Liability Insurance Policy
 - d. If prior insurance coverage, copy of declarations page
 - e. Copies of leases and utility bills

NON FLEET PRIVATE PASSENGER TYPE (NF-PPT) CERTIFICATION FORM

*****TO BE CERTIFIED BY ALL NF-PPT APPLICANTS PRIOR TO PLACEMENT IN THE
COMMERCIAL AUTOMOBILE INSURANCE RESIDUAL MARKET (CAR)*****

NAME OF BUSINESS: _____

DESCRIPTION OF BUSINESS: _____

Submit a copy of one or more of the following with the application:

1. Tax filing information for the business (Schedule C if filing an individual return)
2. Workers Compensation Insurance Policy
3. General Liability Insurance Policy
4. If prior insurance coverage, copy of declarations page
5. Copies of leases and utility bills

If documents are not available, please explain: _____

VEHICLE USAGE:

How are vehicles used in your business? _____

VEHICLE OPERATORS:

Number of employees: Full Time: _____ Part Time: _____

LIST ALL EMPLOYEES AND FAMILY MEMBERS WHO HAVE PERMISSION TO DRIVE ONE OR MORE OF THE VEHICLES (LICENSE NUMBER MUST BE INCLUDED FOR EACH):

NAME: _____ LICENSE #/STATE: _____

NAME: _____ LICENSE #/STATE: _____

NAME: _____ LICENSE #/STATE: _____

NAME: _____ LICENSE #/STATE: _____

For additional Operators, attach information listing name and license information.

Note: If the owner of the business is not listed as a driver, a Driver Exclusion Form must be signed and submitted with the application. In addition, the owner will initial the following:

I have voluntarily chosen not to list myself as a driver on the application. I understand and agree that if an unlisted owner is involved in a claim, there may be no coverage under my policy because of the Material Misrepresentation provision of the policy. Owner Initials: _____

NON FLEET PRIVATE PASSENGER TYPE (NF-PPT) CERTIFICATION FORM

SIGNED CERTIFICATION OF BUSINESS ENTITY AND VEHICLE USAGE:

My application represents that my vehicles are used to further my business objectives. I understand and agree that the Company is entitled to examine books and records as they relate to the premium for this policy at any time during the policy period. This may include verification of actual business use of the vehicles.

I certify that I have listed on the application all my employees and family members who have permission to drive one or more of the vehicles listed in my application.

I understand that, if found responsible for fraud or material misrepresentation in the application or any extension or renewal of the policy, the insurance company can cancel all or part of the insurance and/or deny coverage of a claim pursuant to the provisions of the policy.

Signature of Applicant/Owner: _____

Printed Name of Applicant/Owner: _____

Date: _____

Signature of Producer: _____

Printed Name of Producer and Agency Name: _____

Date: _____

MA Fraud Warning: "Any person who knowingly and with the intent to defraud any insurance company or another person files an application for insurance or statement of claim containing any material false information, or conceals for the purpose of misleading information concerning any fact material thereto, may be committing a fraudulent insurance act, which may be a crime and may subject the person to criminal and civil penalties."

MASSACHUSETTS ENDORSEMENT - M-0106-S

Operator Exclusion Form

It is agreed by the insurance company, the policyholder, and the person named below (the Excluded Operator) that the Excluded Operator will not operate the vehicle(s) described below, or any replacement thereof, under any circumstances whatsoever.

Excluded
Operator _____

Vehicle
Description _____

Vehicle
Description _____

The policyholder and the Excluded Operator understand and agree that the insurance company will not pay under the optional insurance parts of the policy for any injury or damage arising out of the operation or use of the described vehicle(s) by the Excluded Operator.

The policyholder and Excluded Operator understand and agree that this Operator Exclusion Form will continue in full and effect in any subsequent renewal or replacement of the policy until the policyholder and the insurance company withdraw this form in writing.

Date

Policyholder's Signature

Date

Excluded Operator's Signature

(Ed. 02-17)

MEMORANDUM

To: Members of the Commercial Automobile Residual Market Standards Subcommittee
From: Wendy Browne
Date: April 20, 2018
Re: CRMS18.10 – Information Sharing

Background:

The Subcommittee has recognized that sharing certain information (not to include proprietary or any other information that may be in conflict with statutes or regulations) among the Servicing Carriers may be beneficial in identifying residual market issues, trends and opportunities resulting in improved consistencies and positive results for the program. One area that has been noted in prior discussions involves the sharing of information relative to risks that have been declined, non-renewed, or cancelled as a result of being ineligible for coverage in the Massachusetts commercial residual market. To assist in the dissemination of this information among the Servicing Carriers, staff is proposing the development of an online system, as outlined below:

Proposal:

A secure web application will be developed that will collect information on ceded risks that have been declined or cancelled due to eligibility reasons. The following data elements would be collected:

- Business Name **
- Business Address
- Owner License Number **
- Federal Employer Identification Number (FEIN) **
- US DOT Number (required for interstate buses, interstate TTTs, and intrastate TTTs hauling hazardous materials) **
- Company Code Number
- Policy Number
- Effective Date
- Cancellation Date
- Class Type (as selected from drop down list)
- Reason for Cancellation/Declination (as selected from drop down list)
- Notes (free form text box)

** indicates fields that will be available for search capabilities

Companies would be expected to enter a record into the database within 30 days of the cancellation/declination. CAR will develop an automated notification summarizing the activity during the past week.