



NATALIE A. HUBLEY
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RECORDS OF MEETING

COMMERCIAL AUTOMOBILE RESIDUAL MARKET STANDARDS SUBCOMMITTEE – MAY 9, 2018

Members Present

Mr. John Olivieri, Jr. – Chair
Ms. Sarah Clemens
Mr. Coleman Johnson
Mr. Brian Lam
Mr. Thomas Skelly, Jr.
Mr. Barry Tagen

J.K. Olivieri Insurance Agency, Inc.
MAPFRE U.S.A. Corporation
The Hanover Insurance Company
Safety Insurance Company
Deland, Gibson Insurance Associates, Inc.
Pilgrim Insurance Company

Substituted for:
N/A

Not in Attendance:
Ms. Sheila Doherty
Ms. Mayre Hammond

Doherty Insurance Agency, Inc.
Arbella Insurance Group

18.01 Records of Meeting

The Subcommittee unanimously voted to approve the Records of the Commercial Automobile Residual Market Standards Subcommittee meeting of April 25, 2018. The Records have been distributed and are on file.

18.04 Commercial Residual Market Issues

Ms. Wendy Browne reported that the list of issues impacting the commercial residual market has been updated to reflect the current status of the Subcommittee's deliberations. She stated that at today's meeting, the Subcommittee should review the updated standards and certification form to be used by Servicing Carriers and Exclusive Representative Producers for validating a risk's principal place of business. Additionally, the Subcommittee should review the updated standards, certification and operator exclusion forms to be used by Servicing Carriers and Exclusive Representative Producers for validating a non-fleet private passenger type risk's eligibility in the commercial residual market. The Subcommittee will also begin to consider amendments to Rule 14 – Exclusive Representative Producer Requirements, review the updated information sharing proposal that describes the development of a web application for the sharing of information among Servicing Carriers in order to improve consistency and results in the Commercial Servicing Carrier Programs, and begin to discuss whether to limit coverage in the residual market to policies written on a specified car basis. Finally, she noted that the list of issues has been updated to include an item for review of non-ownership liability classifications with the goal of improving the residual market results for those risks.

18.06 Standards for Validating the Principal Place of Business

Mr. John Metcalfe stated that in accordance with discussion at the Subcommittee's April 25, 2018 meeting, staff has updated the standards and certification form to be used for validating a risk's principal place of business to include minor language and formatting modifications. The Subcommittee discussed the modifications made and suggested several additional minor clarifications. Mr. Metcalfe noted that staff will update the standards document and certification form as discussed by the Subcommittee, and will assure that both the principal place of business and non-fleet private passenger type risk documents are updated consistently with similar formatting and language enhancements, as appropriate. He further noted that the producer requirement to obtain signed certifications will be documented in Rule 14 – Exclusive Representative Producer Requirements.

Mr. Steven Torres, counsel for CAR, responded to a prior query from the Subcommittee relative to whether the certification form could be used on renewal policies in addition to new business commercial residual market risks. He noted that per Rule 4 – Standard Procedures of the Commercial Automobile Insurance Manual, a Servicing Carrier may elect to include a renewal application or questionnaire with the renewal policy and he therefore opined that in accordance with this Rule, it would be acceptable for the certification form to be used in the processing of renewal business.

On a unanimous vote, the Subcommittee recommended that the Commercial Automobile Committee adopt and forward to the Governing Committee the Servicing Carrier and Exclusive Representative Producer Standards for determining and validating principal place of business and the Principal Place of Business certification form, with the additional modifications as discussed by the Subcommittee.

18.08 Standards for Validating Non-Fleet Private Passenger Type Risks

Mr. Metcalfe stated that in accordance with the Subcommittee's discussions at its April 25, 2018 meeting, staff has updated the standards, certification form and operator exclusion form to be used to validate information provided by a risk in order to determine whether a non-fleet private passenger type risk is eligible for placement in the commercial automobile residual market. He indicated that the updates made include minor language and formatting modifications and specifically address Subcommittee concerns relative to the eligibility of operators with foreign licenses and the identification of all individuals permitted to operate the vehicles, including the scenario where the owner(s) of the business is not listed on the application.

The Subcommittee discussed the modifications made and suggested further clarification be added to the certification form relative to the owner(s) not listed and the procedures to assure that the Servicing Carrier and ERP standards relative to documentation requirements are consistent. Additionally, staff and counsel agreed to review RMV requirements in order to document and determine eligibility of those operators with foreign licenses.

Mr. Metcalfe indicated that staff will provide updated documents to the Subcommittee at its next meeting. He further noted that the producer requirement to obtain signed certifications will be documented in Rule 14 – Exclusive Representative Producer Requirements. Staff will also draft a rule in the Commercial Automobile Insurance Manual with information relative to the operator exclusion form and use of the endorsement so that the Subcommittee will have a complete package to act on at its next meeting.

18.09 Producer Requirements

Mr. Metcalfe noted that the Subcommittee was requested to review the provisions of Rule 14 – Exclusive Representative Producer Requirements and forward his recommendations relative to suggested enhancements to the existing producer requirements. The Subcommittee discussed the feedback received and agreed that of the suggestions presented, the producer eligibility requirements contained in Rule 14 should be updated to reflect that a new producer must provide evidence of work experience reflective of a minimum of 12 months with a licensed producer or Member, with the applicant’s efforts primarily devoted to the commercial insurance market, prior to action being taken on the producer’s application for a commercial appointment. Members felt that suggested recommendations to enhance existing producer education, production and termination period requirements were not needed. Mr. Metcalfe indicated that staff will modify Rule 14 to reflect the Subcommittee’s recommendation and will present the updated language to the Subcommittee at its next meeting.

18.10 Information Sharing

Ms. Browne presented the Subcommittee with an updated proposal for developing a new online information sharing system for Servicing Carriers to access information on risks that have been declined, non-renewed or cancelled as a result of being ineligible for coverage in the Massachusetts commercial residual market. She noted that the proposal has been updated based upon Subcommittee discussions at its last meeting. Servicing Carriers would be required to enter a record into the database within 2 business days of the declination, non-renewal or cancellation and CAR will provide carriers with a daily notification summarizing any activity that has occurred. Reinstatement information, if applicable, will be required to be identified and drop down boxes will provide information on class type and the reason for ineligibility.

On a unanimous vote, the Subcommittee recommended to the Commercial Automobile Committee that staff move forward on the development of the information sharing system.

18.11 Covered Automobiles

Ms. Browne stated that CAR is proposing to limit coverage in the residual market to policies written on a specified car basis and at the next meeting, staff will draft proposed modifications to CAR’s rules and manuals for the Subcommittee’s review.

MARIAN ADGATE
Corporate Documentation Specialist

Boston, Massachusetts
May 15, 2018

ATTACHMENT LISTING

Docket #CRMS18.02, Exhibit #5

Attendance Listing

Docket #CRMS18.09, Exhibit #1

Suggested Amendments to ERP Requirements

Commercial Auto Market Standards Subcommittee
Exclusive Representative Producer Requirements
Committee Member Suggested Amendments

In review of CAR Rule 14, Rules of Operation Exclusive Representative Producer Requirements, we feel that, at a minimum, the following items should be considered:

1. In Section A4 (a) and (b) – Propose to provide more robust/specific education requirements rather than “A course of study approved by the Commissioner of Insurance, which concentrates on the commercial Massachusetts Motor Vehicle Insurance System”. Reviewing the DOI website, there is not specific courses noted in the educational requirements (<https://www.mass.gov/files/documents/2017/10/20/211cmr50.pdf>)
2. In Section A4(c) –Propose to increase the required minimum period of work to be 1 year. The current language notes “Within the preceding 12 month period, work for a minimum of 6 months...” Also specify that the work should be devoted to Commercial Insurance. The current language notes, “the applicant’s efforts were primarily devote to the Massachusetts Motor Vehicle Insurance market”.
3. In Section C1 – Propose to increase the minimum requirements to \$100,000 at end of 12 Months, \$250,000 at end of 24 months, and \$500,000 at end of 36 months.
4. In various Sections through Rule 14, the termination period referenced is 24 months. Propose to increase this to a minimum of 60 months.