



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 AUTOMOBILE RESIDUAL MARKET STANDARDS SUBCOMMITTEE – JULY 31, 2018

Members Present

Ms. Sarah Clemens – Acting Chair	MAPFRE U.S.A. Corporation
Mr. Harris Berenson ⁽¹⁾	The Hanover Insurance Company
Ms. Sheila Doherty	Doherty Insurance Agency, Inc.
Ms. Mayre Hammond	Arbella Insurance Group
Mr. Brian Lam	Safety Insurance Company
Mr. Thomas Skelly, Jr.	Deland, Gibson Insurance Associates, Inc.
Mr. Barry Tagen	Pilgrim Insurance Company

Substituted for:

⁽¹⁾Mr. Coleman Johnson

Not in Attendance:

Mr. John Olivieri, Jr.

J.K. Olivieri Insurance Agency, Inc.

18.01 Records of Meeting

The Subcommittee unanimously voted to approve the Records of the Commercial Automobile Residual Market Standards Subcommittee meeting of July 17, 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 reported that after the list had been provided to the Subcommittee, the Non-Fleet Private Passenger Type Certification Form, Operator Exclusion Form and update to Rule 31 of the Commercial Automobile Manual were placed on file by the Division of Insurance. Additionally, modifications to Rules 6 and 14 of CAR's Rules of Operation pertaining to covered autos and producer requirements were deemed approved by the Division of Insurance and associated Commercial Automobile Manual updates were placed on file by the Division of Insurance.

For today's meeting, Ms. Browne indicated that the Subcommittee should continue to discuss potential modifications to the Commercial Automobile Manual with respect to the determination of radius of operation and rating territory. Additionally, the Subcommittee should consider further enhancements to the existing producer requirements and continue its review of cedeable coverage limits available in Massachusetts.

The Subcommittee questioned staff regarding a Servicing Carrier's option if the producer failed to obtain the required certification forms. Staff indicated that CAR Rules have been amended to obligate a producer to provide the forms in conjunction with the application process. Failure to provide the forms would subject the producer to potential action against his commercial auto residual market appointment by the assigned Servicing Carrier. After discussion, it was the consensus of the Subcommittee that to provide producers with adequate time to incorporate the certification requirements into their agency procedures, the mandatory use of the certification forms as of September 1, 2018. Mr. John Metcalfe stated that CAR will send an email to all producers with information relative to the usage of the certification forms.

18.08 Standards for Validating Non-Fleet Private Passenger Type Risks

The Subcommittee discussed a letter received from Ms. Dana Casher, representing Point Insurance Agency, Inc. In her letter, Ms. Casher requested that the Subcommittee further discuss several issues relative to the Non-Fleet Private Passenger Type Risks Standards. Specific issues addressed in her letter included the number of indicia needed to write or renew a commercial policy and under what circumstances further documentation is necessary; the impact of including a customer on the Ineligible Risk Database; and Servicing Carrier requirements relative to drivers with foreign licenses.

The Subcommittee noted that Ms. Casher's first two issues had been discussed at great length at prior meetings and members had agreed that further Rule or procedural modifications were not necessary. CAR counsel and Ms. Natalie Hubley advised that neither the documentary examples nor the Ineligible Risk Database, in and of themselves, are determining factors in a risk's eligibility. Rather, these are tools that may be employed by Servicing Carriers in their evaluation process. Each Servicing Carrier is obligated to perform its own evaluation of every risk presented for placement in the residual market and must follow up with SIU resources to investigate circumstances it deems questionable after considering the available tools.

With respect to foreign licenses, Mr. Metcalfe noted that information collected on the certification form relative to when an operator arrived in the United States is intended to improve a carrier's ability to confirm eligibility. However, the Subcommittee agreed that there may be a need to further clarify the eligibility of foreign licensed drivers and suggested that for the next meeting staff provide additional information relative to how this issue may be addressed.

18.09 Producer Requirements

At its last meeting, the Subcommittee expressed concerns that the process for validating a producer's work experience may not be sufficiently robust, and that the level of review and supervision provided at each agency office location by a licensed producer may be inadequate. Mr. John Metcalfe stated that to address these concerns, staff is proposing updates to both the producer application form and CAR's procedures for review and validation of an applicant's prior work experience to further assure that a producer is qualified to write business in the commercial market. Specifically, he stated that the signatory of the provided experience letter will be requested to supply additional information and/or confirmation, via phone call, to assist staff in the verification of an applicant's experience in this regard, including years and level of experience working at an agency/company and with commercial risks. CAR's application processing procedures will be amended to obtain this information. Additionally, Mr. Metcalfe noted that the application for appointment/certification will be updated to obtain additional information relative to the agency's procedures for review of residual market applications for insurance at each office location, including the availability of a licensed producer to oversee all insurance transactions. The Subcommittee recommended an additional minor modification to application, and agreed that the application, as revised, sufficiently addressed their concerns.

The Subcommittee discussed potential enhancements to the termination language contained in Rule 14 relative to those circumstances when a former employee from a terminated agency establishes a new agency and submits a subsequent application for appointment. The Subcommittee discussed whether a market need requirement, similar to that previously in place prior to MAIP, should be incorporated into the eligibility criteria for a new Exclusive Representative Producer and requested that staff provide for the next meeting more information on the prior requirements as well as available demographic data relative to current agency locations.

18.12 Radius of Operation and Rating Territory

Ms. Marian Adgate identified modifications made to the radius of operation and rating territory sections of Rule 72 based upon the Subcommittee's discussions at the last meeting. She noted that the Subcommittee had agreed that principal garaging better represents the origin point in determining radius of operation and therefore the updates made to the rule identified that the address of principal garaging (rather than the auto's registration) is used as the starting point for determining radius of operation. She also stated that modifications were made to several areas of the zone rating definition that had been incorrectly written in the previous version of Rule 72. Finally, relative to the determination of rating territory for non-zone rated risks, Ms. Adgate noted that updates have been made to clarify that the rating territory assigned will be the highest rated territory through or in which the automobile operates unless the risk is able to demonstrate that 80% or more of the automobile's operation is in a single lower rated territory.

Mr. Barry Tagen then discussed his submission which proposes that the Subcommittee consider varying methods to determine rating territory by garaging or operation based upon vehicle use classification. The Subcommittee members indicated that they wanted to further review Pilgrim's suggestions with their company staff and agreed to continue discussing this topic and the proposed modifications to Rule 72 at the next meeting.

As a next step, the Subcommittee agreed that a discussion relative to the development of standards for validating and determining radius class should take place at a future meeting.

18.13 Review of Coverage Limits

Ms. Wendy Browne noted that at the last meeting the Subcommittee requested staff to prepare information identifying the cedeable limits offered by other states' residual markets, specifically whether the plans provide for coverage to satisfy financial responsibility laws or if risks are required to seek additional coverage through surplus lines markets. She indicated that the information prepared for the Subcommittee's review identifies the minimum and optional limit requirements in other states' residual market plans and demonstrates that all the other plans have limits to accommodate financial responsibility laws.

The Subcommittee questioned why Massachusetts has a maximum cedeable liability limit of \$1 million versus a \$500,000 limit in the other states' residual market plans and after some discussion requested that staff prepare a summary of prior committee discussion that had taken place relative to this issue.

MARIAN ADGATE
Corporate Documentation Specialist

Boston, Massachusetts
August 13, 2018

ATTACHMENT LISTING

Docket #CRMS18.02, Exhibit #8

Attendance Listing

