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COMMERCIAL LINES NOTICE NO. 121

Commercial Manual Rule Filing – Covered Automobiles

On July 25, 2018, CAR filed with the Division of Insurance proposed amendments to its Commercial Automobile Insurance Manual Rules to reflect recently approved changes to Rule 6 of CAR's Rules of Operation.

More specifically, coverage will be restricted to only those vehicles that are specifically described on the policy declarations and designated with an ISO Covered Auto Designation Symbol of 7 (specifically described autos), 8 (hired autos) or 9 (non-owned autos). Policies written on the Business Auto Coverage Form with designated ISO symbol codes of 1 (any auto) would no longer be cedeable to CAR. Accordingly, Servicing Carriers will no longer be able to employ composite, gross receipts, or mileage based rating options for ceded policies written on the Business Auto Policy. Rules 3, 55, 75, and 126 as amended are attached.

The filing (SERFF filing CARI-131569903) includes a proposed effective date of September 1, 2018 for use of the form for new and renewal business residual market policies. Note that the filing is under review by the Division of Insurance and has not yet been approved.

Please bring these proposed changes to the attention of all interested parties. Questions should be directed to Shannon Chiu at schiu@commauto.com.

Attachments

TIMOTHY GALLIGAN
Actuarial & Statistical Services Director

RULE 3. POLICIES AND COVERAGES

A. Compulsory Automobile Insurance Law

All automobiles registered in Massachusetts are subject to the Compulsory Automobile Insurance Law except those owned by:

1. the Federal Government or the Commonwealth of Massachusetts or any political subdivision thereof (state, city or town);

2. a person, firm or corporation for the operation of which security is required to be furnished the Department of Public Utilities (DPU);

   a. automobiles owned, leased or rented by a public utility.

   b. buses, excluding school buses under exclusive contract to a city or town.

3. a street railway company under public control.

Risks subject to the compulsory law are required to be insured under the approved coverage form. The appropriate Massachusetts forms must be used with the Business Auto Coverage Form and Massachusetts Mandatory Endorsement MM 99 11 must be issued when insuring risks subject to the Compulsory Automobile Insurance Law. Refer to Chapter ~~III~~ V – Premium of CAR's Manual of Administrative Procedures for a complete listing of cedable policy forms and endorsements.

Coverage for policies written on the Business Auto Coverage Form is restricted to vehicles specifically described on the policy declarations and designated with Covered Auto Designation Symbols 7, 8, or 9 only.

Risks not subject to the compulsory law must be endorsed to afford Personal Injury Protection and Personal Injury Protection Coverage Endorsement MM 99 35 must be issued.

B. Compulsory Coverages

The compulsory coverages that must be afforded to risks subject to the Massachusetts Compulsory Automobile Insurance Law are:

If a higher deductible is desired for either comprehensive or collision, refer to the Long Distance Physical Damage premium development page in the Rate Section.

Apply the physical damage factor for the zone combination from the Zone Rating Table and the primary rating factor determined in accordance with Rule 53.B. – Premium Development – Specified Car Basis – Other than Zone Rated Automobiles to the base premiums obtained from the Long Distance Physical Damage Base Premiums Table to compute the final premium.

Coverage	**Rate Pages to be Used**						
Collision	Long Distance Physical Damage Base Premiums	X	Collision Factor (from Zone Rating Table)	X	Primary Rating Factor* (from Rule 53.B.)	=	Premium
Comprehensive			Comprehensive Factor (from Zone Rating Table)				

* Secondary rating factors do not apply, however, report secondary statistical codes from the Secondary Classification table in the Rate Section.

RULE 55. PREMIUM DEVELOPMENT OPTIONS FOR TRUCKERS

Rate automobiles transporting exclusively for one concern on the same basis as though owned by such concern for both territory and classification.

A. Specified Car Basis

Truckers may be written on a specified car basis with premiums calculated according to Rule 53 – Premium Development – Specified Car Basis – Other than Zone Rated Automobiles or Rule 54 – Premium Development – Zone Rated Automobiles.

In addition to rating on a specified car basis, a trucker may also be rated on the following bases provided it meets the coverage and risk criteria.

B. Cost of Hire Basis (Class Code 66130, Minimum Premium Class Code 66190)

A trucking risk may be written on the cost of hire basis to cover its liability because of a contract involving the hire of trucks, tractors and trailers. Coverage written on a cost of hire basis is subject to audit.

1. Determine the total cost of hiring the automobiles. If automobiles are hired without operators, include the wages of the operators of such automobiles subject to an average weekly maximum of $100 per operator.

2. Determine the average specified car rate by:

   (1) Computing the premium for all automobiles, including trailers or semitrailers owned and leased by the insured that are used in trucking operations according to Rule 53 – Premium Development – Specified Car Basis – Other than Zone Rated Automobiles or Rule 54 – Premium Development – Zone Rated Automobiles.

   (2) Dividing this by the number of trucks and truck-tractors owned and leased by the insured.

3. The cost of hire rate is determined by multiplying the average specified car rate by .0033.

4. Compute the advance premium by multiplying each $100 of the total amount estimated for the cost of hire during the policy period by the cost of hire rate.

5. Compute the earned premium at the rates in force at the inception of the policy, in the same manner as the advance premium.

6. If the Servicing Carrier which insures the owned automobiles of the risk also insures the hired automobiles of the risk, the minimum premium shall be $17 for $20,000 per person, $40,000 per accident bodily injury and $4 for $5,000 property damage. Otherwise the minimum premium shall be the average applicable specified car rate.

~~C. Gross Receipts Basis~~

~~A trucking risk may be written on a gross receipts rating basis at the option of the Servicing Carrier. Coverage written on a gross receipts rating basis is subject to audit.~~

~~The policy must cover the insured for all the owned and non-owned trucks, tractors and trailers used in the insured's trucking operations. The policy may also cover either private passenger automobiles or employers non-ownership liability or both.~~

~~For gross receipts rating the following procedures apply:~~

~~1. Eligibility~~

~~Local truckers may be written on the gross receipts rating basis if:~~

~~a. the risk has been in business for at least 15 months immediately preceding the effective date of the policy, and~~

~~b. the risk is comprised of 10 or more trucks, tractors or trailers used for local trucking.~~

~~Intermediate or long distance truckers or combined local, intermediate and long distance truckers may be written on the gross receipts rating basis if:~~

~~a. the risk has been in business for at least 15 months immediately preceding the effective date of the policy, and~~

~~b. the risk is comprised of five or more trucks or tractors used for intermediate or long distance trucking or 10 or more trucks, tractors or trailers.~~

~~c. A risk which principally operates trip-leased equipment must be submitted to the Servicing Carrier for determination of eligibility for gross receipts rating.~~

~~d. A risk which otherwise qualifies but which has been in business less than 15 months may be submitted to the Servicing Carrier to determine its eligibility for gross receipts rating.~~

~~2. Gross Receipts Definition~~

~~Gross receipts means the total amount earned by the insured for shipping or transporting property. The following definition applies whether the shipment originates with the insured or some other carrier. Gross receipts includes:~~

~~a. the total amount received from the rental of equipment, with or without drivers, to any person or organization not engaged in the business of transporting property for hire by automobile, and~~

~~b. 15% of the total amount received from the rental of equipment, with or without drivers, to any person or organization engaged in the business of transporting property for hire by automobile.~~

~~Gross receipts do not include:~~

~~a. Amounts paid to air, sea or land carriers operating under their own permits.~~

~~b. Taxes collected as a separate item and paid directly to the government.~~

~~c. C.O.D. collections for cost of merchandise including collection fees.~~

~~d. Warehouse storage charges.~~

~~e. Advertising revenue.~~

~~3. Estimated Annual Premium Development~~

~~The use of this rating procedure should result in the development of a premium charge which does not deviate from a specified car premium determination.~~

~~a. The principal garaging location of the risk shall be the headquarters address given to the Interstate Commerce Commission or any state administrative authority as the principal business address of the risk. This location shall be used in all specified car premium calculations that govern the rating of all operations regardless of location.~~

~~b. Develop an estimated annual premium by averaging the specified car premium for the equipment owned and term-leased 12 months prior to the effective date of the policy and the corresponding premium 3 months prior to the effective date of the policy. Include the total premium for private passenger automobiles or employers non-ownership liability coverage, or both, if the policy provides such coverage.~~

~~c. Compute a gross receipts percentage by dividing the estimated premium by the gross receipts developed during the 12 month period ending 3 months prior to the effective date of the policy.~~

~~d. Convert the gross receipts percentage into a rate per $100 of gross receipts.~~

~~e. The estimated annual premium (advance premium) is equal to the rate per $100 of gross receipts multiplied by the estimated~~

~~total gross receipts for the prospective policy period for all revenue producing automobiles including those trip-leased.~~

~~f. Compute the premium for the trucks, tractors and trailers that are rented to any person or organization engaged in the business of transporting property for hire under long term contracts at .15 of the rates that otherwise apply during the period of rental provided the automobiles are identified and so designated.~~

~~4. Final Earned Premium Computation~~

~~Compute the final earned premium by multiplying the rate per $100 of gross receipts by the audited total gross receipts, whether or not collected, developed during the policy period.~~

~~5. Minimum Premium Computation~~

~~The minimum premium is .20 of the estimated annual premium, but not less than the average specified car premium multiplied by 3. Express the minimum premium in the policy as a fixed dollar amount. The annual minimum premium is not subject to adjustment upon expiration of the policy.~~

~~6. Medical Payments Premium~~

~~If the policy provides $5,000 Medical Payments, compute the premium by multiplying premiums shown on the Trucks, Tractors and Trailers liability rate pages in the Rate Section for compulsory (A-1) and optional BI (B) at limits of $20,000 per person, $40,000 per accident bodily injury or the minimum premium by .085.~~

~~D~~C. Bobtail Operations (Class Code 74890)

Liability and no-fault coverages may be limited to non-trucking use when the automobiles are not rented, nor used for business purposes to carry property or to haul someone else's trailers.

1. Liability, Personal Injury and Property Damage Coverages

   Use the size class determined according to Rule 52 – Trucks, Tractors and Trailers Classifications and the applicable rating territory to determine the non-fleet rate for the desired coverage level from the Trucks, Tractors and Trailers liability rate pages in the Rate Section. Multiply these rates by the indicated factor to compute the final premium.

Coverage	Rate Pages to be Used		Factor		
Compulsory BI (A-1)	Trucks, Tractors and Trailers Liability	X	1.00	=	Premium
PIP(A-2)					
Property Damage (PDL)					
Optional BI (B)					
Medical Payments			N/A		
Uninsured Motorist (U-1)					
Underinsured Motorist (U-2)					

2. Physical Damage Coverages

   Compute the premiums for these coverages in accordance with Rule 52 – Trucks, Tractors and Trailers Classifications, Rule 53 – Premium Development – Specified Car Basis – Other than Zone Rated Automobiles, and Rule 54 – Premium Development – Zone Rated Automobiles, as appropriate.

~~E~~D. Trailer Interchange Agreement (Class Code 99320)

Coverage may be provided for the insured's legal liability for physical damage to trailers not owned by him but in his possession under a trailer interchange agreement.

1. Premium Determination

   a. If there is an even interchange of non-owned trailers and owned trailers with insurance ceasing when the owned trailers are in the possession of others, there is no additional premium charge as the company's total liability remains constant.

   b. If the insurance on owned trailers remains in force when in the possession of others, the premiums for coverage for non-owned trailers are determined as follows and subject to a $25.00 minimum premium charge:

      (1) Determine the trailer's radius class while in the possession of the insured according to Rule 52 – Trucks, Tractors and Trailers Classifications.

      (2) Use the radius class to determine the daily per trailer base rate for the selected limit of liability coverage from the Trailer Interchange Agreement Rates Table in the Rate Section.

(3) For liability limits over $20,000, multiply the additional charge displayed on the Trailer Interchange Agreement Rates Table by the number of each $1,000 or fraction of $1,000 of coverage over $20,000. Add this amount to the rate for the $20,000 limit of liability shown in the table.

(4) Multiply the daily per trailer rates by the physical damage factors determined from the Zone Rating Tables as follows:

(a) Local and intermediate radius – use the Zone Rating Table for where the risk is domiciled and the zone combination for that zone. For example, the factors for a risk domiciled in Boston are those shown in the Boston box on the Zone 03 (Boston) Combination Zone Rating Table.

(b) Long Distance – determine the factors according to Rule 54 – Premium Development – Zone Rated Automobiles.

(5) Multiply this amount by the number of days for which insurance is provided.

(6) The following is an example of the premium calculation for an intermediate radius risk domiciled in Boston insuring 10 trailers for $500 deductible Comprehensive Coverage, $12,000 limit of liability, for 20 days.

(a) Daily per trailer base rate – $ 0.051

(b) Rating factor for Comprehensive from Zone Rating Table, as determined in Section E.1.b.(4) of this Rule – 1.60

(c) Rate per day – ($ 0.051 x 1.60) = $ 0.082

(d) Total premium – ($ 0.082 x 10 trailers x 20 days) = $16.40

c. If the insured leases from others more trailers than leased to others with the insurance on the owned trailers ceasing when in the possession of others, the premiums are calculated on the difference between the number of non-owned and owned trailers.

RULES 56-60 RESERVED FOR FUTURE USE.

For comprehensive coverage, use the original cost new and age to determine the $300 or $500 base premium from the Long Distance Physical Damage table in the Rate Section.

If a higher deductible is desired for either comprehensive or collision, refer to the Long Distance Physical Damage premium development page in the Rate Section.

Apply the physical damage factor for the zone combination from the Zone Rating Table and the primary rating factor determined in accordance with Section A. of this Rule to the base premiums obtained from the Long Distance Physical Damage Base Premiums Table to compute the final premium.

Coverage	**Rate Pages to be Used**						
Collision	Long Distance Physical Damage Base Premiums	X	Collision Factor (from Zone Rating Table)	X	Primary Rating Factor* (from Rule 72.B.)	=	Premium
Comprehensive			Comprehensive Factor (from Zone Rating Table)				

*Secondary rating factors do not apply, however, report secondary statistical codes from the Secondary Classification Codes and Rating Factors table in the Rate Section.

RULE 75. ~~GROSS RECEIPTS OR MILEAGE BASIS~~ RESERVED FOR FUTURE USE

~~A public transportation risk may be written on a gross receipts basis at the option of the Servicing Carrier. The use of these rating procedures should result in a premium charge which does not deviate from a specified car premium determination. Coverage written on a gross receipts or mileage basis is subject to audit.~~

~~The policy must cover the insured for all the owned and non-owned public automobiles, private passenger automobiles, and trucks, tractors or trailers used in the insured's public transportation operations. The policy must also cover the insured's employers non-ownership liability. The following procedures apply:~~

~~A. Eligibility~~

~~1. The following public automobile classifications are not eligible for rating on a gross receipts or mileage basis:~~

~~a. School buses owned by political subdivisions or school districts. (refer to Rule 72.B.1.d.(1))~~

~~b. Van pools. (refer to Rule 72.B.1.g.)~~

~~c. Transportation of employees – other than van pools. (refer to Rule 72.B.1.h.)~~

~~d. Bus not otherwise classified. (refer to Rule 72.B.1.f.(8))~~

~~2. Other public automobiles may be written on the gross receipts or mileage basis if:~~

~~a. the risk has been in business for at least 15 months immediately preceding the effective date of the policy; and~~

~~b. the risk is comprised of 3 or more public automobiles.~~

~~3. A risk which otherwise qualifies but which has been in business less than 15 months may be submitted to the company to determine its eligibility.~~

~~B. Definitions~~

~~1. Gross receipts means the total amount earned by the insured for transporting passengers, mail and merchandise.~~

~~2. Gross receipts do not include:~~

~~a. Amounts paid to air, sea or land carriers operating under their own permits.~~

~~b. Taxes collected as a separate item and paid directly to the government.~~

~~c. C.O.D. collections for cost of mail or merchandise including collection fees.~~

~~d. Advertising revenue.~~

~~3. Mileage means the total live and dead mileage of all revenue producing automobiles during the policy period.~~

~~C. Rate and Premium Development~~

~~1. The principal garaging location of the risk shall be the headquarters address given to the Interstate Commerce Commission or any state~~

~~administrative authority as the principal business address of the risk. This location shall govern the rating of all operations associated with the risk.~~

2. ~~Develop an estimated premium by averaging the specified car premium for the automobiles owned and term-leased which are used in the insured's public transportation operations 12 months prior to the effective date of the policy and the corresponding premium 3 months prior to the effective date of the policy. Include the total premium for Employers Non-Ownership Liability Coverage.~~

3. ~~Compute a gross receipts percentage by dividing the estimated premium by the gross receipts or mileage developed during the 12 months period ending 3 months prior to the effective date of the policy.~~

4. ~~Convert the gross receipts percentage into a rate per $100 of gross receipts or per mile of operation.~~

5. ~~Compute the estimated annual premium (advance premium) by multiplying the rate per $100 of gross receipt or per mile of operation by the estimated total gross receipts or mileage for the prospective policy period for all revenue producing automobiles including those term-leased.~~

6. ~~Compute the final earned premium by multiplying the rate per $100 of gross receipt or per mileage of operation by the audited total gross receipts, whether or not collected or the audited total mileage live and dead developed during the policy period.~~

D. ~~Minimum Premium Development~~

~~The minimum premium is .20 of the estimated annual premium, but not less than the average specified car premium multiplied by 3. Express the minimum premium in the policy as a fixed dollar amount. The annual minimum premium is not subject to adjustment upon the expiration of the policy.~~

E. ~~Medical Payments Premium~~

~~If the policy provides $5,000 medical payments, compute the premium by multiplying the premiums shown on the rate pages for compulsory and optional bodily injury limits of $20,000 per person, $40,000 per accident by .085.~~

d. Vehicles maintained primarily to provide mobility to permanently mounted:

(1) Power cranes, shovels, loaders, diggers or drills; or

(2) Road construction or resurfacing equipment such as graders, scrapers or rollers;

e. Vehicles not described in Section A.2. of this Rule that are not self-propelled and are maintained primarily to provide mobility to permanently attached equipment of the following types:

(1) Air compressors, pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting and well servicing equipment; or

(2) Cherry pickers and similar devices used to raise or lower workers;

f. Vehicles not described in Sections A.1. or A.2. of this Rule, maintained primarily for purposes other than the transportation of persons or cargo.

B. Farm Equipment (Class Code 79070)

Eligibility

This rule applies to farm tractors, harvesting combines, power driven lawn mowers and other self-propelled farm equipment used for farming purposes.

Liability insurance for self-propelled farm equipment includes coverage for trailers, semitrailers, farm wagons and other farm implements while attached to the equipment. Coverage shall not extend to the operations of farm machinery or to a home, office, store of passenger trailer.

RULE 126. ~~COMPOSITE RATING~~ RESERVED FOR FUTURE USE

~~Composite rating is a procedure which may be used at the option of the Servicing Carrier to determine all or some of the coverage premiums for a policy. Policies that are priced using composite rating may be ceded to CAR only if they meet the eligibility criteria described below.~~

~~The use of this rating procedure should result in the development of an estimated annual premium charge which does not deviate from a specified car premium determination.~~

~~A. Liability~~

~~1. Eligibility Requirements for Composite Rating~~

~~a. The exposures to be rated on a composite basis must produce a premium of at least $25,000 at minimum limits for the exposure defined in Section A.2.a. of this Rule. Minimum limits is defined as the sum of coverages A-1 and B at $20,000 per person, $40,000 per accident Bodily Injury and $5,000 Property Damage.~~

~~However, if a risk does not satisfy this eligibility requirement, it may still be composite rated if a minimum premium of $25,000 applies to the coverages that are rated on a composite basis.~~

~~b. The liability coverage that is composite rated in an automobile policy can be ceded to CAR only if it covers the owned, non-owned, or hired automobiles of the insured.~~

~~2. Computation of Composite Rate~~

~~The composite rate shall be developed as follows:~~

~~a. An initial survey of the risk's exposures to be composite rated will be made, and a final audit performed to determine the actual exposures of the risk as of the policy expiration date.~~

~~b. Determine the exposures on a regular underwriting basis that will be rated on a composite basis, for a period of 12 consecutive months beginning not earlier than 24 months nor later than 12 months prior to the date on which the composite rate is to be effective. If these exposures cannot be determined accurately for any portion of the insurance to be rated, they shall be estimated from the use of such credible information as is available.~~

~~This exposure may be adjusted to recognize known changes in the risk's basic operations, other than exposure changes resulting from variations in price or wage levels.~~

~~c. For the exposures referred to in Section A.2.b. of this Rule, determine the classification and rating territory from the appropriate Section of this Manual and calculate the applicable manual rates and minimum premiums at minimum limits ($20,000 per person, $40,000 per accident bodily injury and $5,000 property damage) and the experience rating modification developed under CAR's Experience Rating Plan in effect as of the date on which the composite rate is to be effective.~~

~~d. Compute the composite rate as follows:~~

~~(1) Calculate the increased limits premium for the exposures in Section A.2.b. subject to any applicable minimum premiums, multiplied by any applicable experience rating modifications indicated in Section A.2.c. of this Rule.~~

~~If more than one Increased Limits Table applies to the liability exposures in Section A.2.b. of this Rule, the premiums shall be subtotaled according to each underlying Increased Limits Table. Refer to Section A.3. of this Rule.~~

~~(2) Divide the total of the premiums determined in Section A.2.d.(1) by the total exposure in A.2.b. of this Rule. The result is the composite rate for the risk.~~

~~3. Increased Limits~~

~~Where limits of liability in excess of the minimum limits reflected in the rate computation are to be afforded, the company shall apply the appropriate increased limits table factor to the minimum limits composite rate (or rates) for liability insurance developed under Section A.2.d. of this Rule.~~

~~B. Physical Damage~~

~~1. Eligibility Requirements for Composite Rating~~

~~a. The composite rate must apply to a minimum of 50 automobiles (including trailers and semitrailers) which are under one ownership, or the total exposures to be rated on a composite rate basis must produce at least $10,000 in annual manual physical damage premiums.~~

~~b. The physical damage coverage that is composite rated in an automobile policy can be ceded to CAR only if it covers the owned automobiles of the insured.~~

~~2. Computation of Composite Rate~~

~~Each initial or revised composite rate shall be developed as follows:~~

~~(a) Determine the exposures on the regular underwriting basis for the coverages to be insured on a composite rate basis, for a period of 12 consecutive months beginning not earlier than 24 months nor later than 12 months prior to the date on which the composite rate is to be effective. If these exposures cannot be determined accurately for any portion of the insurance to be rated, they shall be estimated from the use of such credible information as is available.~~

~~(b) For the exposures referred to in Section B.2.(a) of this Rule, determine the classification, rating territory, original cost new and the age of the automobile from the appropriate Sections of the Manual and calculate the applicable manual rates, minimum premiums and the experience rating modification developed under CAR's Experience Rating Plan in effect as of the date on which the composite rate is to be effective.~~

~~(c) Compute the composite rate as follows:~~

~~Divide the total of the premiums obtained in Section B.2.(b) by the exposure in B.2.(a) of this Rule. The result is the composite rate for the risk.~~

~~C. Additional Provisions~~

~~1. Experience Rating~~

~~The prescribed procedures of applicable experience rating plans shall apply to risks rated in accordance with this rule.~~

~~2. Revisions of Composite Rates~~

~~The composite rates shall be revised annually to reflect any revisions of manual rates or rating modification. Such re-ratings shall be based on the data contained in the latest available survey.~~

~~A complete re-survey of exposures and revision of the composite rates is required annually or at any time at the request of the carrier or the insured, to reflect the effect of significant exposure changes.~~

3. ~~New Coverage During A Policy Year~~

~~A composite rate may be adjusted to include coverage added after the effective date of the policy. Such adjustments may be made at the time of the addition or at the next rating anniversary date. If such composite rate adjustment is not made at the time of the addition, the regular manual rating procedures and applicable experience modification shall apply to such additional coverage during the period between the inception of additional coverage and the date of the adjustment of the composite rate to include such exposures.~~

4. ~~Administration of Plan~~

~~The determination of composite rates shall be administered in the same way that the Experience Rating Plan is administered.~~

5. ~~Earned Premium Determination~~

~~Upon policy expiration, the earned premium of a composite rated risk shall be determined by multiplying the audited exposure by the composite rate, subject to any applicable premium discounts.~~