



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 ACTUARIAL COMMITTEE

FOR THE MEETING OF:

Wednesday, October 14, 2020 at 2:00 p.m.

AC

20.06 Review of Motorcycle/Miscellaneous Class Codes in Quota Share

Draft amendments to Rule 29 of the Rules of Operation, reflective of the Quota Share adjustment and draft Private Passenger and Commercial Automobile Rate, Rule, and Form filings, defining the classification and use restrictions are attached. The Committee should be prepared to review the draft amendments in order to finalize a recommendation to the Governing Committee. (Docket #AC20.06, Exhibit #3)

To assist the Committee in its review, also attached are the proposed modifications to the Private Passenger and Commercial Statistical Plans to add a new classification code for the separate statistical reporting of Specialty and Classic Autos and Specialty and Classic Motorcycles, as recommended by the Compliance and Operations Committee. (Docket #AC20.06, Exhibit #4)

SHANNON CHIU
Actuarial/Statistical Analyst

Attachments

Boston, Massachusetts
October 8, 2020

October 7, 2020

Manual Updates – Specialty and Classic Cars and Specialty and Classic Motorcycles

Memorandum of Changes

At the Actuarial Committee’s August 5, 2020 meeting, staff advised members that CAR has become aware of antique automobile programs in the voluntary market that include coverage for “classic cars” which are similar to antiques in terms of their usage, but do not meet the statutory age and registration requirements qualifying them for exemption from the residual market.

The Committee agreed, in concept, to include exposures for these vehicles in the Quota Share determination adjusted by a factor of 0.33, reflective of the lower average premium for these vehicles, subject to review of the definition of the new classifications and any proposed amendments to Rule 29 of the Rules of Operation.

Accordingly, the following amendments to Rule 29 of the Rules of Operation and the addition of rules, rates and endorsement forms to the Private Passenger and Commercial Automobile Residual Market Manuals relative to the Specialty and Classic Car and Specialty and Classic Motorcycle classifications, are proposed.

Rules of Operation

Rule 29 – Participation

The Rule has been amended to reflect that in the determination of Quota Share, voluntary exposures for specialty and classic cars and specialty and classic motorcycles will be adjusted by a factor of 0.33.

Private Passenger Automobile Manual

Rule Section

Rule 42 – Specialty and Classic Automobiles and Motorcycles

This Rule has been added to the Manual. Rule 42 provides the definition of the Specialty and Classic Motor Cars and Specialty and Classic Motorcycles classification, identifies the endorsement (MP-0003) that must be issued with the policy and makes reference to the page in the Rate Section of the Manual for determining premium.

Rate Section

The Miscellaneous Motor Vehicles rate page (RS-2) in the Rate Section of the Manual has been updated to provide information for computing liability and physical damage premium for Specialty and Classic Motor Cars and Specialty and Classic Motorcycles, as defined in Rule 42 of the Manual. The rating procedure for this classification has been adopted from the AIB’s rating procedure for antique autos.

Forms and Endorsements

Specialty and Classic Auto Endorsement – MP-0003

The MP-0003 endorsement titled Specialty and Classic Auto must be issued with a MAIP policy providing coverage for a vehicle classified as a Specialty or Classic auto or motorcycle. The endorsement identifies the coverage that is provided for each auto scheduled on the endorsement form, as long as the auto is maintained solely for use in exhibitions, club activities, parades, and other functions of public interest and

is not used primarily to transport passengers or goods over any way. The endorsement further identifies coverage limitations if it is determined that the auto has not been used as required.

Commercial Automobile Manual

Rules Section

Rule 126 – Specialty and Classic Automobiles and Motorcycles

This Rule has been added to the Manual. Rule 126 provides the definition of the Specialty and Classic Automobiles and Specialty and Classic Motorcycles classification, identifies the endorsement (CR 99 03) that must be issued with the policy and makes reference to the page in the Rate Section of the Manual for determining premium.

Rate Section

The Special Types rate page (R-161) in the Rate Section of the Manual has been updated to provide information for computing liability and physical damage premium for Specialty and Classic Automobiles and Specialty and Classic Motorcycles, as defined in Rule 126 of the Manual. The rating procedure for this classification has been adopted from the AIB's rating procedure for antique autos.

Forms and Endorsements

Specialty and Classic Auto Endorsement – CR 99 03

The CR 99 03 endorsement that is titled Specialty and Classic Auto - Massachusetts must be issued with a ceded policy providing coverage for a vehicle classified as a Specialty and Classic auto or motorcycle. The endorsement identifies the coverage that is provided for each auto scheduled on the endorsement form, as long as the auto is maintained solely for use in exhibitions, club activities, parades, and other functions of public interest and is not used primarily to transport passengers or goods over any way. The endorsement further identifies coverage limitations if it is determined that the auto has not been used as required.

CAR | **Rules of Operation**
Rule 29 | **Assignment Process**
Revision Date | **2021.04.01 - DRAFT**
Page | **1 of 7**

A. Assignment of Applications

The MAIP shall randomly assign applications that are eligible for coverage based on each Member's individual Quota Share. A Member's Quota Share shall reflect that Member's proportion of Private Passenger Motor Vehicle MAIP premiums that its respective voluntary private passenger property damage liability direct written exposures bears to the statewide total of voluntary private passenger property damage liability direct written exposures of all companies in the state.

1. For the purpose of such distribution as described above: (1) voluntary private passenger property damage liability direct written exposures; and (2) private passenger MAIP premiums shall be defined as below:
 - a. Voluntary private passenger property damage liability direct written exposures shall be the number of private passenger property damage liability car years written by the company for the most recent 12 months, regardless of the type of Motor Vehicle Insurance policy under which such property damage liability car years are written, excluding private passenger liability car years written through the MAIP.

For policies effective March 31, 2021 and prior, Exposures for motorcycles, snowmobiles, and electric motor vehicles will be adjusted by a factor of 0.33.

For policies effective April 1, 2021 and subsequent, exposures for motorcycles, snowmobiles, and specialty and classic cars and specialty and classic motorcycles will be adjusted by a factor of 0.33.

- b. For the purpose of establishing the Quota Share of a Newly Writing Company that becomes eligible for appointment as an ARC pursuant to Rule 30 before that Member is required to submit detailed statistical data under the provisions of the Massachusetts Private Passenger Automobile Statistical Plan, the Member is required to report interim summary data pursuant to Section B.
 - c. Private Passenger Motor Vehicle MAIP premiums shall be developed from the MAIP rates and rating plan and shall include the total of: 20/40 bodily injury (including guest), \$100,000 property damage liability, and \$8,000 personal injury protection manual premiums excluding subsidies calculated using MAIP cost-

MASSACHUSETTS PRIVATE PASSENGER RESIDUAL MARKET AUTOMOBILE INSURANCE MANUAL

RULE 41. STATED AMOUNT COVERAGE

A motor vehicle may be insured on a stated amount basis when it can be clearly established that its value will produce an inadequate premium charge using normal rating procedures. An appraisal shall be made at the time of application to establish the current market value of the vehicle. The insurer shall verify the accuracy of the appraisal. The stated amount rate is determined as follows. The premium is then calculated in accordance with Rule 11 beginning with step 2.e.

Part 7:

1. Identify the manual rate by class and territory.
2. Using the appraisal, identify the VRG from the VRG Assignment by Price Table in the Rate Section.
3. Identify the model year/VRG relativity from the Rate Section.
4. Identify the Stated Amount Divisor for the applicable VRG using the table in the Rate Section.
5. Determine the rate per \$100 of appraised value as: $[(1) \times (3) \times 100] / (4)$ (rounded to the nearest cents).

Part 9:

Comprehensive

1. Using the appraisal, identify the VRG from the VRG Assignment by Price Table in the Rate Section.
2. Identify the Stated Amount Comprehensive \$500 Deductible Rate per \$100 of appraised value for the applicable territory and VRG from the Rate Section.

Fire

1. Using the appraisal, identify the VRG from the VRG Assignment by Price Table in the Rate Section.
2. Identify the Stated Amount Fire \$500 Deductible Rate per \$100 of appraised value for the applicable VRG from the Rate Section.

Theft

1. Using the appraisal, identify the VRG from the VRG Assignment by Price Table in the Rate Section.
2. Identify the Stated Amount Theft \$500 Deductible Rate per \$100 of appraised value for the applicable territory and VRG from the Rate Section.

Endorsement MPY-0027-S titled Stated Amount Coverage must be issued with the policy.

RULE 42. RESERVED FOR FUTURE USE SPECIALTY AND CLASSIC MOTOR CARS AND MOTORCYCLES

This Rule applies to any car or motorcycle that is twenty-five years old or less and is maintained solely for use in exhibitions, club activities, parades and other functions of public interest and is not used primarily for the transportation of passengers or goods over any way.

The merit rating plan does not apply to vehicles described in this Rule.

Endorsement MP-0003 titled Specialty and Classic Auto must be issued with the policy.

Refer to the Miscellaneous Motor Vehicles page in the Rate Section for premium determination.

RULE 43. LOW SPEED VEHICLES

The term "low speed vehicle" shall include any 4-wheel motor vehicle that has a seventeen digit Vehicle Identification Number (VIN), has been issued a Certificate of Origin, has a gross vehicle weight rating (GVWR) of less than 3000 pounds, and has a top speed greater than 20 mph but not greater than 25 mph. The motor vehicle must be National Highway Traffic Safety Administration (NHTSA) certified as a "Low Speed Vehicle" demonstrated by the Certificate of Origin listing the body style as "LSV" or "Low Speed Vehicle" or by the Manufacturer's Certification Label posted on the vehicle containing the VIN and indicating the Type of Vehicle as "LSV" or "Low Speed Vehicle."

Rates for low speed vehicles are based on the class 10 rate times a factor. Refer to the Miscellaneous Motor Vehicles section for rating methods and factors. Refer to Rule 22 to determine the vehicle rating group. Annual mileage, multi-car, continuous coverage, low frequency, and class 15 discounts apply.

The merit rating status shall be determined as follows:

MASSACHUSETTS PRIVATE PASSENGER RESIDUAL MARKET AUTOMOBILE INSURANCE MANUAL

Miscellaneous Motor Vehicles

	LIABILITY	PHYSICAL DAMAGE
Trailers (Rule 34)	No Charge	Parts 7, 8 and 9 50% Latest Model Year shown in Rate Pages, Territory 1, Class 10 VRG based on Base List Price
Motor Homes (Rule 39)	Manual Rates	Parts 7 and 8 – 50% Part 9 – Manual Rate
Low Speed Vehicles (Rule 43)	Parts 1,4, and 5: 50% of Class 10 Parts 2,3,6, and 12: 100% of Class 10 Annual mileage, multi-car, continuous coverage, low frequency, class 15 discounts apply (Rule 19)	Parts 7 and 8: 75% of Class 10 Part 9: 50% of Class 10 Annual mileage, multi-car, class 15 discounts apply (Rule 19) VRG based on Base List Price (Rule 22)
<u>Specialty and Classic Motor Cars (Rule 42)</u>	<u>Parts 1,2,4, and 5:</u> <u>25% of Class 10</u> <u>Parts 3,6, and 12:</u> <u>Manual Rates</u>	<u>Parts 7,8 and 9:</u> <u>50% Latest Model Year shown in Rate Pages,</u> <u>Territory 1, Class 10</u> <u>Base List Price for assigning VRG based on Appraised Value</u>
<u>Specialty and Classic Motorcycles (Rule 42)</u>	<u>Parts 1,2,4, and 5:</u> <u>25% of Class 10 Motorcycle Rates</u> <u>Parts 3,6, and 12:</u> <u>Manual Motorcycle Rates</u>	<u>Parts 7,8 and 9:</u> <u>50% of Territory 1 Motorcycle Rate</u>

MASSACHUSETTS ENDORSEMENT – MP-0003

Specialty and Classic Auto

The coverages and limits as indicated on the Coverage Selections Page are provided to the auto(s) shown below only if each auto is maintained solely for use in exhibitions, club activities, parades, and other functions of public interest and is not used primarily to transport passengers or goods over any way.

If Collision (Part 7), Limited Collision (Part 8), or Comprehensive (Part 9) coverage applies to the auto(s) shown below, the most we will pay for each loss of, or damage to, the auto is the lesser of the Actual Cash Value of the auto at the time of the loss or damage, or the coverage Limits purchased for that auto, as indicated on the Coverage Selections Page and as shown below. However, in all cases, we will subtract the Deductible Amount shown below.

If it is determined that the auto is not maintained solely for use in exhibitions, club activities, parades and other functions of public interest, or is used primarily to transport passengers or goods over any way, the most we will pay for any injury or damage arising out of the operation or use of the auto are the compulsory limits and coverages that we are required to sell, and we will not pay under any of the optional insurance parts of the policy for any injury or damage arising out of the operation or use of the auto.

Schedule

<u>Description and VIN of Auto</u>	<u>Limit</u>	<u>Deductible Amount</u>
_____	\$ _____	\$ _____

_____	\$ _____	\$ _____

_____	\$ _____	\$ _____

_____	\$ _____	\$ _____

CAR | **Commercial Automobile Insurance Manual**
Section VII | **Special Types and Operations**
Effective Date | **2021.04.01 - DRAFT**
Page | **1 of 12**

RULE 110. ELIGIBILITY

This section applies to all automobiles that are not classified or defined in other sections.

RULE 111. PREMIUM DEVELOPMENT

A. Unless specifically described in the Rule, rating procedures for automobiles defined in Rules 112 through ~~125~~ 126 are found on the Special Types Rating Procedures pages in the Rate Section.

1. Base rates for truck, tractor, and trailer type automobiles are found on the Trucks, Tractors and Trailers rate pages in the Rate Section based on the size of the automobile as defined in Rule 52.B.1. and Rule 52.B.2. – Trucks, Tractors and Trailers Classifications in Section III – Trucks, Tractors and Trailers of this Manual. Primary and secondary rating factors as defined in Rule 52.B.3. and Rule 52.B.4. and Rule 52 C. – Trucks, Tractors and Trailers Classifications in Section III – Trucks, Tractors and Trailers of this Manual do not apply.

2. Base rates for private passenger type automobiles are found on the Private Passenger Types rate pages in the Rate Section.

B. Determine if the risk is fleet or non-fleet as defined in Rule 52.A. – Trucks, Tractors and Trailers Classifications in Section III – Trucks, Tractors and Trailers of this Manual or Rule 62.A. – Private Passenger Types Classifications in Section IV – Private Passenger Types of this Manual.

C. Determine the rating territory from the Territory Schedule in the Rate Section based on the street address of principal garaging. Place of principal garaging is described in Rule 21 – Residence and Location of Section II – Common Coverages of this Manual.

D. Liability, No-Fault and Physical Damage

Specific rating instructions are provided in the Rate Section for each classification.

E. Medical Payments, Uninsured and Underinsured Motorists Insurance

Refer to specific rules in the Rate Section. If no procedures are shown, determine premiums as follows:

CAR | **Commercial Automobile Insurance Manual**
Section VII | **Special Types and Operations**
Effective Date | **2021.04.01 - DRAFT**
Page | **12 of 12**

RULE 126. ~~RESERVED FOR FUTURE USE~~ **SPECIALTY AND CLASSIC
AUTOMOBILES AND MOTORCYCLES (Class Code 963000)**

A. This rule applies to cars or motorcycles that are twenty-five years old or less and are maintained solely for use in exhibitions, club activities, parades and other functions of public interest and are not used primarily for the transportation of passengers or goods over any way.

B. Specialty and Classic Auto Endorsement CR 99 03 must be issued with the policy.

C. Refer to the Special Types Rating Procedures in the Rate Section for premium determination.

Commonwealth Automobile Reinsurers

Commercial Automobile Insurance Manual

(RULE 126) SPECIALTY AND CLASSIC AUTOMOBILES AND MOTORCYCLES

Premium Computation

1. Liability

Multiply the Private Passenger Type Fleet or Non-Fleet rates by .25 regardless of the type of automobile.

2. Physical Damage

a. Determine the Private Passenger Type original cost new price bracket into which the appraised value of the automobile falls regardless of the type of auto.

b. Other than Collision Coverage

(1) Insure on stated amount basis only. Refer to Rule 42 to determine the stated amount rate. Use Territory 1 rates for all specialty and classic autos.

(2) Multiply the Private Passenger Type Fleet or Non-Fleet stated amount rate determined above by .75 regardless of the type of vehicle.

(3) Multiply the stated amount rate by the \$100 of value to be insured.

c. Collision, Limited Collision and Waiver of Deductible. Multiply the Private Passenger Type Fleet or Non-Fleet rate for the original cost new price bracket, age group 1, territory 1, by .75 regardless of the type of vehicle.

CR 99 03 04 21

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

SPECIALTY AND CLASSIC AUTO - MASSACHUSETTS

This endorsement modifies insurance provided under the following:

**BUSINESS AUTO COVERAGE FORM
MOTOR CARRIER COVERAGE FORM**

With respect to coverage provided by this endorsement, the provisions of the Coverage Form apply unless modified by the endorsement. The coverages and limits as indicated on the policy's Coverage Selections Page are provided to the auto(s) shown below only if each auto is maintained solely for use in exhibitions, club activities, parades, and other functions of public interest and is not used primarily to transport passengers or goods over any way.

If Collision, Limited Collision, or Comprehensive coverage applies to the auto(s) shown below, the most we will pay for each loss of, or damage to, the auto is the lesser of the Actual Cash Value of the auto at the time of the loss or damage, or the coverage Limits purchased for that auto, as indicated on the Coverage Selections Page and as shown below. However, in all cases we will subtract the Deductible Amount shown below.

If it is determined that the auto is not maintained solely for use in exhibitions, club activities, parades and other functions of public interest, or is used primarily to transport passengers or goods over any way, the most we will pay for any injury or damage arising out of the operation or use of the auto are the compulsory coverages that must be afforded to risks subject to the Massachusetts Compulsory Automobile Insurance Law, and we 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 auto.

Schedule

<u>Description and VIN of Auto</u>	<u>Limit</u>	<u>Deductible Amount</u>
_____	\$ _____	\$ _____

_____	\$ _____	\$ _____

_____	\$ _____	\$ _____

_____	\$ _____	\$ _____

**Massachusetts Commercial Automobile
 Statistical Plan
 Part VI - Coding Section**

**CLASSIFICATION CODE
 SPECIAL TYPES**

Description	Definition	Code	
		Liability	Physical Damage
Ambulance Services	Emergency	791300	791300
	Non-Emergency	791400	791400
Antique Motor Vehicles	Including Motorcycles	962000	962000
<u>Specialty and Classic Motor Vehicles</u>	<u>Qualifies as an Antique Motor Car, except for the age and registration requirements for such motor vehicles. Includes motorcycles meeting such qualifications.</u>	<u>963000</u>	<u>963000</u>
Auto Body Manufacturers and Installers		792400	792400
Bobtail Operations		748900	--
Business Interruption		--	798700
Driver Training Programs	Educational Institutions	792600	792600
	Commercial Driving Schools	792700	792700
Farmers Special Plates		795300	795300
Fire Departments	Private Passenger Types	790800	790800
	All Other Types	790900	790900
Funeral Directors	Limousines	791500	791500
	Hearses and Flower Cars	792200	792200
Golfmobiles		946000	946000
Law Enforcement Agencies	Private Passenger Types	791100	791100
	Motorcycles	794200	794200
	All Other Types	791200	791200
Long Term Leasing or Rental Concerns	Contingent Coverage	721900	721900
Short Term Leasing or Rental Concerns	Trucks	721100	721100
	Tractors	721200	721200
	Trailers, Semitrailers and Trailers Used with Private Passenger Autos	721300	721300
	Private Passenger Autos	721400	721400
	Motor Homes	721500	721500
	Miscellaneous Types	721600	721600
Mobile Homes	Trailers Equipped as Living Quarters	796300	796300
	Pick-ups Used Solely to Transport Camper Bodies	796200	796200
	Motor Homes not more than 22 feet in length	796000	796000
	Motor Homes more than 22 feet in length	796100	796100
Special or Mobile Equipment			
Vehicles Subject to the Compulsory Law	Capable of moving on own power	793400	793400
	Not capable of moving on own power	793900	793900
Vehicles Not Subject to the Compulsory Law	Municipally owned or DPU	796500	796500
All Other Mobile Equipment		790600	790600
Farm Equipment		790700	790700
Repossessed Automobiles		792500	792500
Snowmobiles		796400	796400
Owner-Contractor		070700	--
Transporters		070600	--
Trailers and Semitrailers	Used as Showrooms or Salesrooms	045200	045200
Trailer Plate – Boat Dealers		045600	--
All Other Types not described above		704000	704000