

Commercial Automobile Insurance Manual

Section II—Common Coverages

20. HOW TO CLASSIFY AUTOMOBILES

- A. If an automobile has more than one use, use the highest rated classification, unless 80% of the use is in a lower rated activity. In that case, use the lower rated classification.
- B. Classify and rate automobiles of the private passenger type according to the Private Passenger Types Section.
- C. Classify and rate automobiles of the truck type that transport property or are used in business according to the Trucks, Tractors and Trailers Section.
- D. Classify and rate buses, taxicabs and other automobiles that are used in the business of transporting people according to the Public Transportation Section.
- E. Classify and rate new and used automobile dealers, according to the Garage Section.
- F. Classify and rate automobiles that do not fit into these categories according to the Special Types and Operations Section.
- G. Upon request, the applicant shall be required to substantiate with permanent records (such as log books, revenue books, etc.) that the vehicle is being used as set forth in the application or renewal questionnaire.

21. RESIDENCE AND LOCATION

The proper rate schedules and rules are those effective in the city or town where the automobile is principally garaged. Motor vehicles used by salesmen or solicitors, or those with similar duties, requiring the operation of the motor vehicle in more than one rating territory in Massachusetts, shall be assigned to the territory determined by the place of principal garaging, or, if there is no specific city or town of principal garaging, then, by the residential address of the operator or, if the residential address of the operator cannot be determined then, by the Massachusetts business address of the operator. No adjustment of the premium shall be made by reason of a change in the place of principal garaging during the policy period unless such change is permanent.

Massachusetts registration is required of non-residents in accordance with reciprocal agreements with the various states as determined by the Registrar of Motor Vehicles.

Any motor vehicle owned by a NON-RESIDENT of Massachusetts for which Massachusetts registration is required, regularly garaged INSIDE the Commonwealth, shall be charged the rate for the territory in which the motor vehicle is principally garaged by such NON-RESIDENT during the period of Massachusetts registration.

22. OUT-OF-STATE GARAGING

Any motor vehicle owned or leased by a Massachusetts headquartered risk and garaged outside of Massachusetts shall be written at liability limits at least equal to the financial responsibility requirements of the state of garaging using the premiums for the highest rated territory as contained in the Rate Section of this Manual for the classification of the vehicle to be rated.

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22. OUT-OF-STATE GARAGING (Continued)

Vehicles rated in accordance with this rule shall be classified and premium town reported in accordance with the applicable classification code and out-of-state town code contained in the Massachusetts Commercial Statistical Plan.

23. DEPOSIT PREMIUM RULE

The Servicing Carrier, its agent or any broker may require deposit premium prior to the issuance of a policy provided the per vehicle deposit does not exceed 30% of the applicable annual premium for the insurance requested. If the applicant has been in default in the payment of any premium during the preceding 12 months the entire policy premium charges are payable in advance.

24. REGISTRY CERTIFICATION

- A. The Servicing Carrier shall certify, on behalf of the insured, the registration form required by the Massachusetts Registry of Motor Vehicles for all Massachusetts vehicles subject to the Massachusetts Motor Vehicle Law.
- B. No form of certificate shall be used other than that which is a part of the application for motor vehicle registration.
- C. The certificate must be executed in the name of the Servicing Carrier and signed by an officer, employee or agent authorized by the Servicing Carrier on an approved form filed with the Commissioner of Insurance.
- D. A policy must be issued simultaneously covering all vehicles for which a registration certification has been executed.

25. COMBINATION OF INTEREST

More than one interest may be named on a policy and rated as a single risk if one interest owns more than 50% of another. All the interests that are combined must be named on the policy.

26. DRIVE OTHER CAR COVERAGE (CODE 90200)

- A. Drive Other Car Coverage is provided for no additional charge in the following cases:
 - 1. An individual named insured who owns a private passenger motor vehicle. Refer to the Individual As Named Insured Rule in this section.
 - 2. An individual named insured written under a Garage Liability Policy.

Refer to policies for appropriate coverages.

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26. DRIVE OTHER CAR COVERAGE (CODE 90200) (Continued)

- B. In all other cases, refer to the Rate Section.
- C. In all cases, Drive Other Car Coverage includes coverage for the spouse for no additional charge.

27. NON-OWNERSHIP LIABILITY

- A. Coverage for non-ownership liability for garage risks and auto service operations is included in the basic premium charges. The following rules apply to other than these risks.
- B. If more than 50% of the insured's employees regularly operate their automobiles in the insured's business, refer to Servicing Carrier for rating. Otherwise, refer to the Rate Section.
- C. To extend Non-Ownership Liability Coverage to cover the individual liability of employees while using their automobiles in the employer's business, refer to the Rate Section.
- D. Social Service Agency Risks
To extend Non-Ownership Coverage to cover the individual liability of agency employees or to extend coverage to cover the blanket individual liability of volunteers who use their own automobiles in the agency's social service programs, refer to the Rate Section.
- E. Unless there is a substantial change in exposure during the policy period, the advance premium is the earned premium.

28. HIRED AUTOMOBILES

- A. For automobiles hired, loaned, leased or furnished:
 - 1. If the insured is providing the primary insurance covering the auto and the term of the lease is:
 - a. 6 months or more -
 - (1) Rate as though owned by the insured; and
 - (2) if the policy is extended to cover the owner of the auto as an additional insured, multiply the otherwise applicable Bodily Injury Liability and Property Damage Liability rates by 1.04. Use the appropriate endorsement for including the owner or lessor as an additional insured.
 - 2. If the owner of the auto is providing the primary insurance, refer to the Rate Section.

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28. HIRED AUTOMOBILES (Continued)

- B. Cost of Hire Basis - Liability Coverages (Class Code 66110, Minimum Premium Class Code 66190)
 - 1. For truckers, refer to the Truckers Rule.
 - 2. For public transportation automobiles, (other than social service agencies), moving van associations and freight forwarding operations, the cost of hire rate is determined by applying a factor of .0033 to the specified car rate for the applicable automobile, determined in accordance with the appropriate manual rule.

29. LIABILITY COVERAGES

All autos subject to the Massachusetts Compulsory Law must be insured for:

- A. Compulsory Bodily Injury Liability
 - 1. The limit is \$20/40,000.
 - 2. Higher limits and broadened coverage are available under Optional Bodily Injury Liability.
- B. Property Damage Liability
The mandatory limit is \$5,000. Higher limits are available.

30. MEDICAL PAYMENTS

- A. The premiums for trucks, tractors, trailers, public automobiles and private passenger types are on the rate pages.
- B. For zone rated risks, refer to Zone Rating Tables.
- C. For all other classes, refer to the section rules.

31. NO-FAULT COVERAGES—PERSONAL INJURY PROTECTION

All autos subject to the Massachusetts Compulsory Law must be insured for Personal Injury Protection. The limit is \$8,000 per person.

A policy which insures autos registered in the state of Massachusetts not subject to the compulsory law must be endorsed to afford Personal Injury Protection.

32. PARTNERSHIP AS THE NAMED INSURED—NON-OWNERSHIP LIABILITY (CLASS CODE 70000)

- A. If the approved Business Auto Policy is used to insure a partnership, the policy must be endorsed to exclude coverage for an individual partner's liability. Coverage may be provided to a partnership for the use of an automobile a partner owns and which is used in the business of the partnership.

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32. PARTNERSHIP AS THE NAMED INSURED—NON-OWNERSHIP LIABILITY (CLASS CODE 70000) (Cont.)

- B. When Non-Ownership Liability is afforded, the Business Auto Coverage Form provides coverage to a partnership for the use of automobiles owned by individual partners which are used in the business of the partnership.
- C. Multiply the private passenger type rates by .10 for each active or inactive partner for the territory in which the partnership is located. Apply this rating base regardless of the type of automobile being used.

33. RENTAL REIMBURSEMENT (COVERAGE CODE 083)

- A. Do not write Rental Reimbursement Coverage for less than thirty days or for a limit of less than \$15 per vehicle per day.
- B. Refer to the Rate Section for premium development.

34. INDIVIDUAL AS THE NAMED INSURED

Endorse a Business Auto Policy covering an individually owned private passenger automobile with the appropriate individual named insured endorsement.

- A. Drive Other Car Coverage is provided at no additional charge if the policy covers:
 - 1. A private passenger automobile not used for public transportation or rented to others without a driver.
 - 2. A pick-up, panel truck or van that is not customarily used in the business of the insured other than for farming or ranching.
- B. Drive Other Car Coverage is provided at no additional charge if the policy covers an automobile dealer garage risk.

35. UNINSURED MOTORIST INSURANCE

All autos subject to the Massachusetts Compulsory Law must be insured for protection against uninsured motorists.

Basic limits are \$20,000 per person and \$40,000 per accident. Increased limits are available. This coverage is excess over Personal Injury Protection benefits. The coverage limits may not exceed the Bodily Injury Liability limits of the policy.

The premium shall not be subject to modification under the provisions of any rating plan or subject to the rating procedures of any other manual rule.

No charge shall be made for service or utility trailers.

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36. UNDERINSURED MOTORIST INSURANCE

Basic limits are \$20,000 per person and \$40,000 per accident. Increased limits are available. The coverage limits may not exceed the Bodily Injury Liability limits of the policy.

The premium shall not be subject to modification under the provisions of any rating plan or subject to the rating procedures of any other manual rule.

No charge shall be made for service or utility trailers.

37. DEDUCTIBLE INSURANCE—PROPERTY DAMAGE LIABILITY

If the Property Damage Liability is written on a deductible basis, the deductible applies to owned and non-owned coverages. The deductible amount applies to the loss portion of the claim and not to the expenses incurred by the company.

The appropriate endorsement must be issued with the policy.

For premium computation, refer to the Rate Section.

38. FINANCIAL RESPONSIBILITY LAWS—CERTIFICATION

A. If the named insured or any person covered by the policy is required to certify that the policy complies with a financial responsibility law, make a surcharge for each filing required.

B. Surcharge Determination

1. To compute the additional premium, determine the premiums to be surcharged for Bodily Injury Liability, Property Damage Liability and any No-Fault Coverage as follows:
 - a. Garage Risks—multiply the premiums for private passenger types by 2.00 for the highest rated territory in which the named insured does business.
 - b. All Others—determine the premium for the highest rated automobile owned by the insured.
2. Multiply these premiums by the following surcharge factors and add this amount to the policy premium.
 - a. .50 for the first three years following a conviction for driving while intoxicated, hit and run, or homicide for assault with an automobile.
 - b. .25 for the first three years following a conviction for speeding or reckless driving that causes injury to a person or damage to property.
 - c. .05 for after the third year following a conviction described above.
 - d. .05 for any other reason.

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39. EMPLOYERS SUBJECT TO MASSACHUSETTS WORKER’S COMPENSATION ACT

A motor vehicle owned by an employer subject to the Massachusetts Worker’s Compensation Law not used at any time to transport persons other than employees of the named insured shall be eligible for a 25% reduction in the Personal Injury Protection premium otherwise applicable. The policy covering a vehicle to which this reduction applies must be accompanied by the endorsement titled Restriction of Personal Injury Protection for Employers Subject to the Massachusetts Worker’s Compensation Act.

40. INCREASED LIABILITY LIMITS

- A. The premiums on the rate pages are for basic limits of \$20/40 Bodily Injury and \$5,000 Property Damage.
- B. Most limits are displayed on the rate pages. For limits not shown refer to the Increased Limits Tables. Bodily Injury increased limits are developed as follows:

1. **MASSACHUSETTS AUTOMOBILE POLICY**

$$\text{Coverage B} = (A1 + B (\$20/40)) \times \text{Increased Limits Factor} - A1$$

Example:

Limit to be determined \$25/50 - PPT-Fleet , Terr. 1

Assume:

- Coverage A-1 = \$275
- Coverage B (\$20/40) = \$97
- Increased Limits Factor (\$25/50) = 1.11

$$\text{Coverage B } (\$25/50) = ((\$275 + \$97) \times 1.11) - \$275 = \$138$$

2. **BUSINESS AUTO and TRUCKERS POLICIES (Subject to the Compulsory Law)**

Optional		Compulsory		Basic Optional		Increased		Compulsory
Bodily Injury	=	Bodily Injury	+	Bodily Injury	x	Limits	-	Bodily Injury
Premium		Premium		Premium		Factor		Premium

41. COMBINED SINGLE LIMIT LIABILITY COVERAGE

Automobile Liability Insurance Other Than Statutory

- A. Coverage may be written on the basis of a single limit of liability per accident or per occurrence for automobile Bodily Injury Liability and Property Damage Liability combined.
- B. The factor for a single limit per accident or per occurrence shall be calculated as follows:
 - 1. Using normal rating procedures, determine the Bodily Injury and Property Damage rate, at separate limits per person, per accident or per occurrence for bodily injury and per accident or per occurrence for property damage equal to the desired single limit.

41. COMBINED SINGLE LIMIT LIABILITY COVERAGE (Continued)

- 2. Determine the discount from the "Single Limit Discount Table"

Commonwealth Automobile Reinsurers

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SINGLE LIMIT DISCOUNT TABLE	
Single Limit*	Discount
\$ 40,000	10.4%
\$ 50,000	10%
\$ 100,000 or over	9%

**Discounts for limits not shown shall be determined by straight line interpolation rounded to one decimal place.*

3. Apply the discount to the (total limits) B.I. or P.D. premium whichever is lower, and subtract the product from the total limits policy premium.
4. All premium adjustments made during a policy period because of additions and deletions of exposure shall be calculated by applying the discount to the Bodily Injury or Property Damage rate, whichever was lower at inception of policy.

EXAMPLE

SINGLE LIMIT \$100,000					
Coverage	Basic Limits Premium	Factors for Separate Limits	Total Limits Premium for Separate Limits	Application of Discount	Single Limit Premium
B.I.	\$ 372	1.69	\$ 354		\$ 354
P.D.	165	1.160	191	x .91	<u>174</u>
					\$ 528

*PPT-Fleet - Cov. A-1, \$275 and Cov. B Basic, \$97 = \$372
Terr. 1 Cov. PDL Basic, \$165*

42. PHYSICAL DAMAGE COVERAGE RATING PROCEDURES

Physical damage coverages are on an actual cash value, stated amount or agreed value basis.

- A. Massachusetts law sets a standard \$500 deductible which may be reduced to a minimum of \$300, subject to underwriting requirements established by the Servicing Carrier, as permitted by law.
 1. The cost to reduce the deductible from \$500 is subject to primary and secondary rating factors. If a rate is a percentage or factor of another rate, the same percentage or factor shall apply to the cost to reduce the deductible.

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42. PHYSICAL DAMAGE COVERAGE RATING PROCEDURES (Continued)

- B. Waiver of Deductible is available at the option of the insured.
 - 1. Unless otherwise specified, the charge for Waiver of Deductible is not subject to primary or secondary rating factors, percentages or factors.
- C. Actual Cash Value Premiums. Most automobiles rated in this Manual are insured on an actual cash value basis.
 - 1. Actual cash value premiums are based on original cost new and age group of the vehicle.
 - 2. Original Cost New
 - a. Original cost new is the retail cost, the original purchaser paid for the automobile and its equipment. This includes the value of any trade-in automobile and any federal, state and local sales taxes or any other taxes charged in place of sales taxes.
 - b. If the original cost new is not known, multiply the original cost new of the chassis by 1.33.
 - 3. Age Group
 - a. Age Group and Code All automobiles of the:
 - 1 current model year
 - 2 first preceding model year
 - 3 second preceding model year
 - 4 third preceding model year
 - 5 fourth preceding model year
 - 6 fifth preceding model year
 - 7 sixth preceding model year
 - 8 seventh preceding model year
 - 9 All other automobiles.
 - b. The current model year changes October 1, regardless of the actual date the models are introduced.
 - c. For rebuilt or structurally altered automobiles, the age of the chassis determines the age of the automobile.
- D. Stated Amount Rating Procedures
 - 1. The following procedures are applicable for developing stated amount rates for all physical damage coverages:
 - a. Determine the actual cash value premium for age group 1 for the vehicle original cost new and deductible in the appropriate territory.

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42. PHYSICAL DAMAGE COVERAGE RATING PROCEDURES (Continued)

- b. Divide the actual cash value premium by the stated amount divisor and round the determined figure to the nearest cent.

Stated Amount Divisors	
Original Cost New	Divisor
\$ 0 - 4,500	22.5
4,501 - 6,000	52.5
6,001 - 8,000	70.0
8,001 - 10,000	90.0
10,001 - 15,000	125.0
15,001 - 20,000	175.0
20,001 - 25,000	225.0
25,001 - 40,000	325.0
40,001 - 65,000	525.0
65,001 - 90,000	775.0
90,001 and over	1080.0

2. Determination of Premium

- a. Trucks, Tractors and Trailers

Apply the stated amount rate to each \$100 of liability to determine the base premium. This base premium must be modified by the appropriate primary rating factor and, when applicable, by the secondary rating factor.

- b. Van Pools

Apply the stated amount rate to each \$100 of liability to determine the base premium. This base premium must be modified by the applicable van pool rating factor.

- c. Private Passenger Types

Apply the stated amount rate to each \$100 of liability to determine the stated amount premium.

E. Agreed Value Basis

All physical damage coverages may be written on an "agreed value" basis which provides that in determining the actual cash value of a motor vehicle to be insured, no deduction shall be made to reduce the value of the vehicle to less than agreed value in the event of a loss. "Agreed value" means the value of the vehicle as

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42. PHYSICAL DAMAGE COVERAGE RATING PROCEDURES (Continued)

determined by agreement between the insurer and the policyholder. As a condition to this coverage, the insurer shall be permitted to inspect the vehicle at the time of application. The following procedures apply when rating this coverage:

1. An appraisal is to be made to establish the current market value of the vehicle involved. The cost of said appraisal shall be borne by the policyholder.
2. Multiply the stated amount premium obtained by a factor of 110%.

43. ANTI-THEFT DEVICE—VEHICLE RECOVERY SYSTEM

Refer to Anti-Theft Device Standards and Discounts Section of the Private Passenger Automobile Manual.

44. PASSIVE RESTRAINT DISCOUNT

Private passenger type vehicles and commercial vehicles registered with the Registry of Motor Vehicles and which have a gross vehicle weight of 8,000 pounds or under are eligible for a 25% discount applied to Personal Injury Protection, Medical Payments, Uninsured Motorists and Underinsured Motorists Coverages if the vehicle has an occupant safety feature approved by the Commissioner of Insurance.

45. SOUND RECEIVING AND TRANSMITTING EQUIPMENT

- A. This rule does not apply to equipment permanently installed in the opening of the dash or console of the auto normally used by the manufacturer for the installation of a radio.
- B. Use the appropriate endorsement to remove without charge the exclusion relating to sound receiving equipment when the policy insures:
 1. police department autos,
 2. fire department autos,
 3. emergency autos owned by local, state or federal governments or by volunteer fire departments, rescue squads or ambulance corps operations.
- C. In all other cases, coverage for loss of or damage to any device or instrument designed as a citizen's band radio, scanner, two-way mobile radio or telephone - including its accessories, equipment and antenna - is available if the equipment is permanently installed in the owned auto.
- D. The charge for sound receiving and transmitted equipment is \$7.00 per \$100 of valuation.

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46. POLLUTION LIABILITY

A. Coverage for bodily injury or property damage arising out of the discharge of pollutants that are being transported or towed by, loaded onto or unloaded from or, with the exception of certain fuels, stored, disposed of, treated or processed in or upon a covered auto is excluded under the Simplified Automobile Program's Business Auto, Truckers and Garage Policies. Massachusetts Mandatory Endorsement MM 99 11 07 94 modifies this exclusion by applying the exclusion to damages payable for bodily injury or property damage that exceed limits of \$35,000/\$80,000 for Bodily Injury and \$5,000 for Property Damage.

B. Pollution Liability—Broadened Coverage for Covered Autos

Business Auto, Truckers and Garage policies shall be endorsed at the option of the insured to delete that part of the pollution exclusion relating to the discharge of pollutants which are being transported or towed by, handled for movement into, onto, or from, the covered auto, or otherwise in the course of transit by or on behalf of the insured. This extension of coverage does not apply to liability assumed under any contract or agreement. Attach endorsement CA 99 55 07 94 for Business Auto and Truckers policies, and MM 25 96 02 96 for Garage policies.

C. Classes of Pollutants

Pollutants that are contained in any property that is being transported or towed by, or handled for movement into, onto, or from, covered autos are classed as follows:

1. Property (Non-Hazardous)
2. Hazardous substances as defined in 49 CFR 171.8 transported in cargo tanks, portable tanks, or hopper-type vehicles with capacities in excess of 3,500 water gallons; or in bulk Class A or B explosives, poison gas (Poison A), liquefied compressed gas or compressed gas; or highway route controlled radioactive materials as defined in 49 CFR 173.455.
3. Oil listed in 49 CFR 172.101; hazardous waste, hazardous materials and hazardous substances defined in 49 CFR 171.8 and listed in 49 CFR 172.101, but not mentioned in 2. above or 4. below.
4. Any quantity of Class A or B explosives; any quantity of poison gas (Poison A); or highway route controlled quantity radioactive materials as defined in 49 CFR 173.455.

D. Premium Development

1. Business Auto or Truckers Policies

(a) Owned Autos

- (1) Charge an additional 4% of the otherwise applicable Bodily Injury and Property Damage premium for each covered auto transporting any substance described in C.1.

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Section II—Common Coverages

46. POLLUTION LIABILITY (Continued)

- (2) Charge an additional 9% of the otherwise applicable Bodily Injury and Property Damage premium for each covered auto transporting any substance described in C.3.
- (3) Charge an additional 24% of the otherwise applicable Bodily Injury and Property Damage premium for each covered auto transporting any substance described in C.2 or C.4.
- (4) Where more than one class of pollutants is transported by a covered auto, apply the charge which develops the highest premium.

(b) Hired Autos

Charge an additional percentage of the otherwise applicable Bodily Injury and Property Damage premium for Hired Auto Coverage. Such percentage is the highest one determined in accordance with (a) above for any covered auto. Where hired autos will transport more than one class of pollutants, apply the charge which develops the highest premium.

2. Garage Policies

(a) Dealers

Charge an additional 4% of the otherwise applicable Bodily Injury and Property Damage premium.

(b) Non-Dealers

- (1) For owned autos, charge an additional premium determined in accordance in 1.(a) above.
- (2) For other than owned autos, charge an additional 4% of the otherwise applicable Bodily Injury and Property Damage premium.

RULES 47-50 RESERVED FOR FUTURE USE.