

COMMONWEALTH AUTOMOBILE REINSURERS

MASSACHUSETTS

COMMERCIAL

AUTOMOBILE INSURANCE MANUAL

Effective April 1, 2013

**Printed and Distributed by
Commonwealth Automobile Reinsurers
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Commercial Automobile Insurance Manual

Section I—General Rules

1. APPLICATION OF THIS MANUAL

- A. This Manual is applicable to those commercial classes of risk which are ceded to the Commonwealth Automobile Reinsurers.
- B. This Manual is divided into separate sections for:
 - I General Rules
 - II Common Coverages and Rating Procedures
 - III Trucks, Tractors and Trailers
 - IV Private Passenger Types
 - V Public Transportation
 - VI Garages, Dealers
 - VII Special Types and Operations
- C. For rates, refer to the Rate Section.
- D. Most statistical codes are on the rate pages or in the specific rules. For statistical codes not shown, refer to the Commercial Statistical Plan.
- E. When a risk is required by law to have or is eligible for a coverage that is not available in the territory of principal garaging, use the registration address to determine the territory for that coverage.

2. EFFECTIVE DATE RULE

The date shown on the bottom of the page is a printing date and is not necessarily the effective date. The effective date will be announced on the Manual Revision Notice accompanying new or revised pages.

3. POLICIES AND COVERAGES

All vehicles 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. vehicles 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.

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3. POLICIES AND COVERAGES (Continued)

Risks subject to the compulsory law may be insured under the Massachusetts Motor Vehicle Policy or the approved Business Auto Policy. The appropriate Massachusetts forms must be used with the Business Auto Policy.

Risks not subject to the compulsory law must be insured under the approved Business Auto Policy. The policy must be endorsed to afford Personal Injury Protection.

Compulsory Coverages

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

Compulsory Bodily Injury Liability at limits of \$20/40,000.

Personal Injury Protection at \$8,000 each person.

Property Damage Liability at \$5,000 basic limits. Higher limits are available at the option of the insurer.

Protection Against Uninsured Motorists at basic limits of \$20/40,000.

Mandatory Offer

Massachusetts law requires that the Servicing Carrier providing compulsory coverages offer additional coverages consisting of:

Optional Bodily Injury at limits up to \$250,000/500,000. Higher limits are available at the option of the insurer.

Protection Against Uninsured Motorists at limits up to \$250,000/500,000. Higher limits are available at the option of the insurer, but may not exceed the Optional Bodily Injury limits of the policy.

Protection Against Underinsured Motorists at limits up to \$250,000/500,000. Higher limits are available at the option of the insurer, but may not exceed the Optional Bodily Injury limits of the policy.

Medical Payments up to \$5,000. Higher limits are available at the option of the insurer.

Increased Property Damage Liability up to a limit of \$50,000. Higher limits are available at the option of the insurer.

- ◆ Specified Perils or Comprehensive Coverage
- ◆ Collision or Limited Collision Coverages
- ◆ Waiver of Deductible
- ◆ Loss of Use - Rental Reimbursement

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4. STANDARD PROCEDURES

A. Renewals

1. The company may elect to include a renewal application with the renewal policy.
2. The application may be accompanied by a letter indicating that coverage will be continued or renewed only upon receipt of the completed form and payment of premium based on the latest classification information.
3. The letter may indicate that failure to furnish the necessary items may result in cancellation of the policy.
4. The specific reason for cancellation under this rule shall be:
 - a. Failure to furnish renewal rating statement as requested by company; or
 - b. Non-payment of renewal premium.

The cancellation notice must also contain the following statement:

"If the insured furnishes the necessary item(s) prior to the effective date of the cancellation, the cancellation shall be rescinded."

B. Transfer of Insurer

1. The agent of record must provide the Servicing Carrier with information required by the Registry of Motor Vehicles for each vehicle insured.

In addition to reporting the necessary information to the Servicing Carrier, the agent shall prepare an RMV-3 form, accompanied by the appropriate fee, for processing by the Registry of Motor Vehicles, if an insured requests a corrected registration certificate.
2. At the same time this transfer information is released to the new carrier, the agent of record must immediately issue to the former agent of record, if known, or if not known to the former carrier, a Notice of Transfer of Insurance Carrier, Bureau Form 2A.

The notice must be signed by the agent of record and certified by affixing the company stamp of the new carrier.

The Automobile Insurers Bureau of Massachusetts will maintain a list of all companies writing motor vehicle liability insurance which shall include the name of the person or unit designated by the company to receive the Notice of Transfer of Insurer and complete company address.

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4. STANDARD PROCEDURES (Continued)

3. Upon receipt of the Notice of Transfer of Insurer, coverage shall be discontinued as of the date shown on the form. No notice of cancellation is required.

EXCEPTION—Except for B-1 on the previous page, section B of this rule is not applicable to those specific instances when an agent transfers a block of business from one carrier to another. In such situations the agent should refer to the former carrier for specific procedures. A Notice of Transfer of Insurer is not required.

C. Cancellation (Other Than Transfer of Insurer)

1. Notice of cancellation must be given in a timely manner as required by Massachusetts law on a form approved by the Commissioner and shall include the specific reason(s) for cancellation.
2. Immediately upon the intended effective date of the cancellation, notice must be sent to the Registry of Motor Vehicles on a standard form prescribed by the Registrar with a copy of the Registry notice sent to the insured with a return envelope addressed to the Registry.
3. In the event that a policy has been terminated by -
 - a. sale or transfer of the motor vehicle, or
 - b. surrender of the registration plates by the owner of the motor vehicle to the Registrya plate return receipt from the Registry of Motor Vehicles must be furnished to the Servicing Carrier.
4. If a policy has been cancelled by a Servicing Carrier, and such policy is later reinstated by the Board of Appeal or by the Superior Court or Municipal Court of the City of Boston, the premium charge for the unexpired term of the policy shall be calculated pro rata on the premium applicable to the policy when originally issued.
5. If a Servicing Carrier determines, at any time during the policy term, that a ceded policy is to be retained on a voluntary basis, such policy is to be cancelled pro rata and rewritten as a voluntary policy using the Servicing Carrier's voluntary filed rate.
6. No policy in effect prior to a rate level revision shall be endorsed or cancelled and rewritten to take advantage of such a revision, or to avoid the application of such a revision.
7. Refer to Rule 9.

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5. POLICY TERM

The Servicing Carrier must issue to an insured an annual motor vehicle policy providing compulsory coverages, or at the option of the insured a policy containing any expiration date as the insured may elect. The Servicing Carrier may offer such policies for a period of more than one year but not more than two years or may issue an extension of any existing policy.

6. ROUNDING RULE

- A. Round rates, factors and multipliers after the final calculation to three decimal places. Five-tenths or more of a mill shall be considered one mill; e.g., .1245 = .125.
- B. Round the premium for each peril, coverage and exposure for which a separate premium is calculated, to the nearest whole dollar. Round a premium involving \$.50 or over to the next higher whole dollar; e.g., \$100.50 = \$101.00 but \$100.49 = \$100.00.

Note: Charge a premium of at least \$1 for each instance where a separate premium is calculated.

7. PREMIUM COMPUTATION

- A. One year policies. Compute the premium at the rates in effect at policy inception.
- B. Policies issued for more than one year. Compute the premium at the rates in effect on each anniversary date of the policy's inception for each annual period.
- C. Irregular term policies
 - 1. Less than one year—multiply the pro rata factor by the annual premium.
 - 2. More than one year—charge the full annual premium in effect at inception plus the pro rata portion for the policy period in excess of the annual period.
- D. Extensions. Charge the pro rata of the annual premium in effect at the time of the extension.

8. PREMIUM CHANGES

- A. Pro rate all changes requiring adjustment of the policy premium.
- B. In computing additional premium, charge the amount applicable on the effective date of the change.
- C. Compute return premium at the rates used to calculate the policy premium.

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8. PREMIUM CHANGES (Continued)

- D. Waive additional or return premium of \$5.00 or less. Grant any return premium due if requested by the insured. This waiver applies to any cash exchange due on an endorsement effective date.

9. CANCELLATION

- A. All cancelled policies or other evidence of cancellation shall be sent to the Servicing Carrier.
- B. The return premium shall be computed pro rata and rounded to the next higher whole dollar if:
 - 1. The policy is cancelled at the request of the company.
 - 2. The policy is cancelled, at the request of the insured, within thirty days of its effective date or within thirty days of the insured's receipt of the policy, whichever is later.
 - 3. The insured automobile is stolen or is a constructive total loss, and the insured requests cancellation within 30 days following the date the automobile is stolen or becomes a constructive total loss.
- C. The return premium shall be computed on a pro rata basis if at any time during the policy term the insured requests such cancellation in order to obtain coverage in the voluntary market.
- D. The return premium shall be computed on a short rate basis if, at the request of the insured, the policy is cancelled thirty-one or more days after its effective date or thirty-one or more days after receipt of the policy, whichever is later and the provisions of B and C are not applicable.
- E. Refer to rate pages for appropriate Pro Rata and Short Rate Tables.

10. FACTORS OR MULTIPLIERS

Whenever applicable, factors or multipliers are to be applied consecutively and not added together except where rules in this Manual specifically call for factors to be added to or subtracted from other factors.

11. REFERRAL TO SERVICING CARRIERS

Refer to the Servicing Carrier's Commercial Automobile Manual for rating or classifying any risk or exposure for which there is no manual rate or applicable classification contained in this Manual.

RULES 12 THROUGH 19 RESERVED FOR FUTURE USE.