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COMMONWEALTH AUTOMOBILE REINSURERS

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April 11, 2024

BULLETIN NO. 1163

PROPOSED CHANGES TO THE RULES OF OPERATION

At its meeting of April 9, 2024, the Governing Committee voted to amend the following Rule of Operation by deleting and adding the language as indicated on the attached copy. A copy of the filing letter, which includes an explanation of the proposed amendments, is attached for your information. The impacted Rule is listed below.

Rule 27 – Coverages

This Bulletin is furnished to every Member Company, each association of insurance producers, and the Public Protection Division of the Office of the Attorney General as required by Article X of the Plan of Operation. Any Member Company, association of insurance producers, or the Attorney General may request a public hearing within five days of receipt of the bulletin and filing letter, as provided by Article X of the Plan of Operation.

A proposed Rule shall become effective upon the written approval of the Commissioner or upon the expiration of 30 days after filing, provided that no public hearing has been requested on the Rule and the Commissioner has not previously disapproved the Rule.

ROBIN TIGGES
Executive Administrative Specialist

Attachment



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April 10, 2024

Honorable Gary D. Anderson
Commissioner of Insurance
Massachusetts Division of Insurance
1000 Washington Street, Suite 810
Boston, MA 02118

Proposed Changes to the Rules of Operation

Dear Commissioner Anderson:

In accordance with the provisions of Article X of the Plan of Operation, I hereby file, at the direction of the Governing Committee, proposed amendments to Rule 27 – Coverages of the MAIP Rules of Operation. A copy of the proposed amendments is attached hereto, and is furnished to every Member Company, the two associations of insurance producers, and the Public Protection Division of the Office of the Attorney General, as required by Article X. Changes are shown by deleting and adding language as reflected on the attached copy. The remainder of the Rule is unchanged.

Explanation:

The Rule is amended to introduce a maximum physical damage limit of loss of \$175,000 per vehicle for policies effective January 1, 2025 and later.

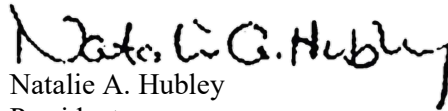
Policy year 2023 data indicates 133 vehicles valued at \$165,000 or greater assigned through the MAIP as reflected in the table below.

<u>Cost New</u>	<u>Assigned Vehicles</u>
\$165,000 - \$175,000	4
\$175,000 - \$200,000	30
\$200,000 - \$250,000	53
\$250,000 - \$300,000	13
\$350,000 - \$400,000	21
\$400,000 - \$450,000	6
\$450,000 - \$500,000	1
\$500,000 and greater	5

Since 2019, only 6 physical damage claims have been reported to exceed \$100,000, with an average loss of approximately \$150,000. The Committee reasons, however, that while the claims volume has been relatively low, the exposure to catastrophic loss is not distributed equitably among member companies. Further, the Committee notes that other states' residual markets limit physical damage losses and many exclude physical damage coverage altogether.

The Governing Committee respectfully requests approval of the proposed amendments. Upon approval, CAR intends to make a rate/rule/form filing through SERFF to introduce an endorsement form and applicable manual amendments to implement the change. The proposed endorsement form is attached hereto for your reference.

Respectfully,

A handwritten signature in black ink that reads "Natalie A. Hubley". The signature is written in a cursive, slightly slanted style.

Natalie A. Hubley
President

Attachments

cc: Mary Ellen Thompson – Counsel to the Commissioner
Massachusetts Urban Agents Association, Inc.
Massachusetts Association of Insurance Agents
Public Protection Division – Office of the Attorney General

An Eligible Risk, as defined in Rule 22 – Definitions, may choose to purchase up to the following limits for Private Passenger Motor Vehicle Insurance and, upon request, the Assigned Risk Company (ARC) shall provide such coverage. For liability coverages, An ARC is not required to provide coverage for any higher limits unless the ARC agrees to do so at the request of an Eligible Risk.

1. Bodily Injury Liability: Total policy limits of \$250,000 each person, \$500,000 each accident;
2. Personal Injury Protection: \$8,000 per person, per accident;
3. Property Damage Liability: Total policy limits of \$250,000 each accident;
4. Medical Payments: \$25,000 each person;
5. Uninsured Motorists: \$250,000 each person, \$500,000 each accident for bodily injury;
6. Underinsured Motorists: \$250,000 each person, \$500,000 each accident for bodily injury;
7. Physical Damage Insurance, which shall mean: (a) collision coverage or limited collision coverage, (b) fire and theft coverage, or (c) comprehensive coverage, as those coverages are defined in the Private Passenger Motor Vehicle Insurance policy approved for the MAIP.

For policies effective January 1, 2025 and later, physical damage coverage is subject to a maximum limit of loss of \$175,000 per vehicle.

ARCs must charge the extra risk rate or, in the alternative, refuse to issue collision, fire, theft or comprehensive coverage under any of the following circumstances:

- a. Comprehensive, fire and theft or collision coverage on a vehicle customarily operated by or owned by persons convicted within the most recent five-year period of any category of vehicular homicide, Motor Vehicle Insurance related fraud or motor vehicle theft;
- b. Comprehensive, fire and theft or collision coverage on a vehicle customarily driven by or owned by persons who have, within the

most recent five-year period, made an intentional and material misrepresentation in making claim under such coverages;

- c. Collision coverage on a motor vehicle customarily driven by or owned by persons who have been involved in four or more accidents in which such person has been deemed to be at fault in excess of 50% within the three years immediately preceding the effective date of the policy;
 - d. Comprehensive, fire and theft coverage on a motor vehicle customarily driven by or owned by persons who have had two or more total theft or fire claims within the three years immediately preceding the effective date of the policy;
 - e. Comprehensive, fire and theft or collision coverage on a motor vehicle customarily driven, or owned by persons convicted one time within the most recent three year period of any category of driving while under the influence of alcohol or drugs;
 - f. Comprehensive, fire and theft or collision coverage on any motor vehicle for which a salvage title has been issued by the Registrar of Motor Vehicles unless a new certificate of title has been issued pursuant to G.L. c. 90D § 20D; or
 - g. Comprehensive, fire and theft or collision coverage on a high-theft motor vehicle that does not have at least a minimum anti-theft or auto recovery device as prescribed by the Commissioner. The Commissioner may designate as a high-theft vehicle any motor vehicle, classified according to make, model and year of manufacturer, which has both above average incidence of theft and above-average original sales price.
8. An ARC may waive any deductible amount applicable to a payment under comprehensive coverage for glass damage and be reimbursed, when the policyholder has elected to repair rather than replace damaged glass as permitted by law and where satisfactory proof of the repair has been presented to the company.
 9. Towing and Labor: \$100.00 per disablement; and
 10. Substitute Transportation: \$100.00 per day, 30-day maximum.

**MASSACHUSETTS ENDORSEMENT – MP-0004
COVERAGE FOR DAMAGE TO YOUR AUTO
(\$175,000 MAXIMUM LIMIT OF LOSS)**

This endorsement includes changes that affect your auto insurance. Please read this endorsement carefully to see how it affects your policy.

Part 7 Collision

Part 8 Limited Collision

Part 9 Comprehensive

Coverage provided under Collision, Limited Collision, and Comprehensive, is changed by the following:

The most we will pay will be the lesser of:

- the actual cash value of the stolen or damaged auto at the time of the loss,
- the cost to repair the auto or any of its parts, or
- \$175,000

In all cases we will subtract the deductible amount shown on the Coverage Selections Page.

General Provisions and Exclusions:

12. Sales Tax

The sales tax provision is changed by adding the following:

Any payment for applicable sales tax will be subject to the \$175,000 maximum limit of loss and subject to your deductible.

13. Secured Lenders

Replace the first paragraph with the following paragraph:

When your Coverage Selections Page shows that a lender has a secured interest in **your auto**, we will make payments under Collision, Limited Collision and Comprehensive (Parts 7,8, and 9) according to the legal interests of each party, subject to the \$175,000 maximum limit of loss.