



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 COMMERCIAL AUTOMOBILE COMMITTEE

FOR THE MEETING OF:

Friday, December 8, 2023, at 10:00 a.m.

CAC

23.06 Implementation of Commercial Policy Coverage and Endorsement Forms

Staff is in the process of drafting amendments to the Auto Dealers section of the Commercial Automobile Insurance Manual and has identified a point of clarification regarding “who is an insured” with respect to covered auto liability coverage for customers. That is, the Massachusetts Garage Insurance Policy defaults to limited customer coverage for garage operations-covered auto liability coverages (Section IV.A.3.a.2.(d)) and the Garage Declarations – Massachusetts form allows the risk to opt for full customer coverage. However, while the Auto Dealers Coverage Form contains the same language providing limited customer coverage, the Auto Dealers Massachusetts Mandatory Endorsement deletes the language relating to limited customer coverage thereby providing full customer coverage. Thus, the limited customer coverage option is no longer enabled under the MA Auto Dealers program.

While staff and the AIB are evaluating this issue, staff is requesting that the committee members offer comment at the meeting. A review of the ceded data indicates that only one Servicing Carrier is writing limited customer coverage, and it accounts for less than 10% of the ceded auto dealer risk exposures and premium. Rules 86 and 87 of the rating manual are included for the Committee’s reference (Docket #CAC23.06, Exhibit #3).

WENDY BROWNE
Vice President – Business Operations

Attachment

Boston, Massachusetts
December 6, 2023

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I. RISKS SUBJECT TO THE MASSACHUSETTS COMPULSORY LAW

RULE 86. ELIGIBILITY

A. This subsection applies to any form of business engaged in one or more of the operations classified in Section B. of this Rule to which a dealer plate has been issued by the Registrar of Motor Vehicles.

These classifications shall be written on the Massachusetts Garage Insurance Policy. Use Policy Form MM 00 95.

B. Classification and Codes

Only one classification and code applies to a risk for both liability and physical damage coverages.

Classification Description		Code	
		Limited	Unlimited
a.	Franchised private passenger automobile dealer (with or without any other type of franchise)	73010	73020
b.	Franchised truck or truck-tractor dealer (with or without any other type of franchise except private passenger automobile franchise)	73110	73120
c.	Franchised motorcycle dealer including all two wheeled cycle vehicles (no private passenger automobile or truck franchise)	73210	73220
d.	Franchised residence type mobile home trailer dealers	78200	78210
e.	Franchised commercial trailer dealers	78300	78310
f.	Franchised recreational vehicle dealer (no private passenger, snowmobile or residence type mobile home trailer franchise)	73310	73320
g.	Other franchised self-propelled land motor vehicle dealer, including motor homes and campers	73410	73420
h.	Non-franchised dealer (any risk described above that is not a franchised dealer)	73510	73520

RULE 87. LIABILITY COVERAGE

A. Limited Liability Coverage for Customers

1. This coverage is available for franchised dealers and non-franchised dealers.

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2. Except for the Massachusetts compulsory coverages, Limited Liability Coverage is afforded to customers only if there is no other automobile liability insurance or if the limit of other insurance is lower than any financial responsibility requirement.
3. Limited Liability Coverage does not affect the coverage afforded the named insured, employees, directors, or partners.

B. Unlimited Liability Coverage for Customers

1. This coverage affords full liability coverage to customers.
2. The rates shown on the Garages Liability Rates pages in the Rate Section are for Unlimited Liability Coverage.

RULE 88. PREMIUM DEVELOPMENT

Liability, Personal Injury Protection, Uninsured Motorists, Underinsured Motorists

Determine the rating territory from the Territory Schedule in the Rate Section based on the street address for each location.

Compute the advance premium at inception and the earned premium as developed by audit, if subject to audit, according to the following procedures:

A. Covered Automobile Coverage (Unlimited Liability Coverage for Customers)

1. Apply the rate per plate shown in the Rate Section for each dealer registration plate issued to the named insured by the Registrar of Motor Vehicles. An automobile that is specifically registered by the named insured must be rated on a specified car basis according to its actual exposure.

Refer to the Dealers Physical Damage Rates pages in the Rate Section for premium determination of garage trailer plates (Class Code 07090).

If the named insured has more than one place of business, the rate for each plate shall be the rate for the location in connection with which each plate is used. If a plate is used in connection with more than one location, the rate for the highest rated location shall apply.