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ADDITIONAL INFORMATION

TO MEMBERS OF THE MAIP STEERING COMMITTEE

FOR THE MEETING OF:

Tuesday, August 29, 2023, at 1:30 p.m.

MSC

22.08 MAIP Physical Damage Maximum Loss Payable

Since the distribution of the agenda, staff has received feedback and identified additional considerations relative to the proposed approach to implement the physical damage limit of liability. Staff is requesting that the Committee further discuss the following issues:

- Rule 27 Coverages of the CAR Rules of Operation:
The current Rule provides that “an ARC is not required to provide coverage for any higher limits unless the ARC agrees to do so at the request of the Eligible Risk”. In practice, this discretion applies to liability coverages. As drafted, the proposed amendment to Rule 27 implementing the physical damage limit will also enable carrier discretion to provide higher limits. The Committee should discuss its intent in this regard.
- MP-0006 (Ed. 09-22) – Coverage for Damage to Your Auto – Maximum Limit of Liability:
 - The recommended endorsement form requires that the carrier fill in the physical damage limit of liability and draft amendments to Rule 3 of the Rating Manual indicate that the endorsement is attached if applicable. This approach was recommended in light of the discretion afforded in the Rules of Operation. The Committee should discuss whether the limit of liability should be hard coded in the endorsement form and whether it should be attached to all residual market policies.
 - AIB adopted the recommended endorsement form for use in conjunction with the MA Personal Auto Policy for risks not subject to the compulsory law. As such, certain references do not correspond directly to the MA Automobile Insurance Policy on file for use with MAIP policies. Accordingly, staff will continue to research other endorsement form options or recommend drafting a unique form if another alternative is not available. Staff will also further review the MA Automobile Insurance Policy to consider, with the assistance of Counsel, whether clarification of certain coverage limitations may be needed in a proposed endorsement form, including but not limited to:

- Secured Lenders: Consider whether clarification is needed to ensure that the obligation to the secured lender does not exceed the limit of liability. Also consider whether notification to the secured lender of the limit of liability is appropriate.
- Sales Tax: Consider whether clarification is needed to address sales tax in the context of the limit of liability.
- Effective Date:
Traditionally, CAR has proposed an effective date 90 days subsequent to the proposed rates, rules, and forms being placed on file by the Division of Insurance. The Committee should discuss its intent with respect to the proposed effective date.

TIMOTHY GALLIGAN
Actuarial and Statistical Services Director

Boston, Massachusetts
August 25, 2023