

CAR Commercial Rate – Effective December 1, 2023
Implementation Procedures and Summary of Changes

Below is a description of procedures used to develop rates effective December 1, 2023 including a summary of the changes implemented this year. **No changes were made since the original filing, except for the effective date.**

1. Commission Schedule

For all classes, commissions will be 8.34 % of premiums written.

2. Company Ceding Expenses

For all classes, company ceding expenses will be 13.48% of premiums written.

3. CAR Commercial Automobile Insurance Manual – Manual Rules

Section II – Common Coverages and Rating Procedures

Rule 41: Single limit sample calculation is updated to reflect proposed rates and ILFs.

Section III – Trucks, Tractors and Trailers

Rule 52 Section E (Special Provisions for Certain Risks) has been updated to clarify coverage for physical damage rates for Trailers or Semitrailers Used as Showrooms (Class Code 04520).

Rule 54 The premium development calculation for zone-rated automobiles has been modified for physical damage to reflect the rate structure that will now publish base rates by zone, and apply the Original Cost New (OCN)/Age Group relativities, and deductible relativities for the non-zone-rated TTTs to those base rates. The prior rate structure for the zone-rated physical damage coverages used zone rate factors applied to base rates published by Age, OCN, and deductible.

Coverage clarifications were added for collision waiver of deductible procedures, as well as a reference for limited collision coverage.

Rule 55 Section C (Bobtail Operations - Class Code 74890) has been updated to clarify coverage for Zone-Rated Bobtails.

Section D (Trailer Interchange Agreement - Class Code 99320) has been updated to clarify the premium determination for coverage afforded with a trailer interchange agreement.

Section IV- Private Passenger Types

Rule 61 The eligibility definition of the vehicle type has been expanded to include SUV.

Section V - Public Autos

Rule 74 The premium development calculation has been updated for the physical damage coverage to reflect the rate structure that will now publish base rates by zone, and apply the Original Cost New (OCN)/Age Group relativities, and deductible relativities for the non-zone rated TTTs to those base rates. The prior rate structure for the zone-rated physical damage coverages used zone rate factors applied to base rates published by Age, OCN, and deductible.

Section VII - Special Types and Operations

Rule 125 For equipment incapable of moving under its own power (class code 79390), a clarification was added to indicate that medical payments, uninsured motorists, and underinsured motorists coverage does not apply.

4. CAR Commercial Automobile Policy Forms and Endorsements

No Policy Form or Endorsement changes are included with this filing.

5. Experience Rating Plan

The CAR Experience Rating Plan has been updated to reflect factors and components resulting from the proposed rate changes. The Experience Rating Plan will be posted to CAR's website upon approval. Policies eligible for experience rating issued prior to distribution of the Experience Rating Plan should include endorsement MM 99 23 – Rate Modification.

Specific changes to the experience rating plan include the following:

Liability

- a. Updates to Premium De-Trend Factors
- b. Loss Development Factors for immature years have been updated.
- c. Updates to Table C – Credibility, Adjusted Expected Loss Ratio, and Maximum Single Loss
- d. Examples have been updated.

Physical Damage

The experience rating for physical damage coverages has been eliminated with this filing.

6. Rate Implementation

a. Territory Schedule

The territory definitions to be used for policies effective with this filing are unchanged. Territory relativities have been updated.

b. Increased Limit Factors (ILF)

ILF's for the non-zone rated Bodily Injury (A-1 and B), Property Damage Liability, U-1 (Uninsured), and U-2 (Underinsured) have been updated.

Refer to Schedule 107 for complete tables of increased limit factors.

c. Deductible Relativities

Physical Damage Deductible Rate Relativities were updated.

Refer to Schedule 107 for Deductible Relativities.

d. Age-Symbol Relativities

Age-Symbol Relativities have been updated.

Refer to Schedule 107 for complete tables of Age-Symbol Relativities.

7. Zone Rates

This filing updates base rates and primary rating factors and aligns physical damage zone base rates with those of the AIB and ISO rate relativity structure. The filing proposes to adopt the latest available ISO regional zone relativities and the current AIB metropolitan rating factor.

a. Base Rates

CAR's liability and physical damage base rate tables are updated. The proposed physical damage rate structure displays base rates by zone (pages R-58 and R-59), and applies the Original Cost New (OCN)/Age Group relativities, and deductible relativities for the non-zone rated TTTs to those base rates. The prior rate structure for the zone-rated physical damage coverages used zone rate factors applied to base rates published by Age, OCN, and deductible. Manual Rules 54 and 74 have been updated to include this change in the determination of premium. The attached Exhibit A highlights the current and proposed rating procedures using an example for a zone-rated truck.

b. State Rating Factor

CAR maintains a 20% rating differential for vehicles garaged outside of MA, NH, VT, and ME.

c. Zone Rated Primary Rating Factors

The primary rating factors for zone rated buses for the following fleet and non-fleet classes have been updated:

<u>Classification</u>	<u>Code</u>	<u>Current Rating Factor</u>	<u>Filed Rating Factor</u>
Inter-City	5309/5379	1.58	1.85
Charter	5409/5479	1.58	1.85
Sightseeing	5509/5579	1.48	1.65

d. Increased Limit Factors

Separate BI ILF tables for the zone-rated classifications in this filing remain unchanged.

e. Trailer Interchange Agreement Physical Damage Premium Calculation

The zone rating factors used to calculate the physical damage premiums for coverage afforded with a trailer interchange agreement now have their own rate page (R-62).

8. Schedule 107 and Rates

a. Trucks, Tractors, and Trailers

Schedule 107-1 contains the information necessary for the calculation of rates for vehicles classified as truck, tractor, or trailer. The methodology for the calculation of these rates is unchanged. The following should be noted:

- Non-zone-rated Collision premiums for truck-tractors and vehicles used in dumping operations are developed by applying a factor of 1.25 times the corresponding truck collision premium. Zone Rated vehicles used in dumping operations are developed by applying a factor of 1.50 times the corresponding truck collision premium.
- Fire, theft, and CAC premiums for the \$500 deductible level are developed by applying a factor of 0.64 times the corresponding \$500 deductible comprehensive premium.
- Calculation of the \$300 deductible fire, theft, and CAC premium follows the same procedure, including a minimum \$4 buyback charge.
- Use TTT medical payments rates for zone rated classifications.
- Physical damage rates for zone rated, trailer interchange, and long-distance classes have been updated.

b. Private Passenger Types

Schedule 107-2 contains information necessary for the calculation of rates for vehicles classified as private passenger fleet, and those miscellaneous vehicle classifications with base rates derived from the private passenger non-fleet type. Private passenger non-fleet vehicles (classification code 739100) will continue to be rated using the Servicing Carrier's voluntary filed rate. The methodology for the calculation of these rates for both liability and physical damage remains unchanged.

c. Public Vehicle Types

• Taxi

Schedule 107-3 contains the information necessary for the calculation of taxi liability rates. The methodology for the calculation of these rates remains unchanged. For collision and limited collision rates, charge 5 times the private passenger type collision or limited collision rate. For comprehensive rates, charge 6 times the private passenger type rate.

- Limousine
Schedule 107-4 contains the information necessary for the calculation of the limousine liability rates. The methodology for the calculation of these rates remains unchanged. The physical damage rates are developed by applying a factor of 1.5 times the private passenger type rate.
- Car Service
Schedule 107-5 contains the information necessary for the calculation of the car service liability rates. The methodology for the calculation of these rates remains unchanged. The physical damage rates are developed by applying a factor of 1.5 times the private passenger type rate.
- Public Buses
Schedule 107-6 contains the information necessary for the calculation of the public bus liability rates. The methodology for the calculation of these rates remains unchanged. The physical damage rates are developed by applying a factor of 1.25 times the TTT rate.
- Van Pools
Schedule 107-7 contains the information necessary for the calculation of the van pool rates. The methodology for the calculation of these rates remains unchanged.

d. Garages

Schedule 107-8 contains the information necessary for the calculation for garage risks on a per plate basis. The methodology for the calculation of these rates remains unchanged. Garagekeepers premium and dealers physical damage premium are developed by applying a factor of 1.12 to the rates effective November 1, 2022. For garage operations other than covered autos, the calculation of premium on a combined single limit, aggregate basis for compulsory garage risks, and for those garage risks for which a dealer or repair plate has not been issued, will be contained in the Rate Section of the Commercial Automobile Manual.

e. Special Types

The factors and rating procedures for special types remain unchanged. Special Types premium are developed by applying a factor of 1.036 to the rates effective November 1, 2022.

f. Motorcycles

The motorcycle rates have been updated, including the base rates, increased limit factors, the deductibles, substitute transportation, and towing and labor.

Also, the number of groupings to determine age rate factors based on model year have been increased from 8 to 12.

Zone Rated Physical Damage Rating Procedures Example

The following is an example of the physical damage premium calculation for a Zone Rated truck principally garaged in New York City (metropolitan zone 26 – New York City) and operates in Boston, Massachusetts (metropolitan zone 03 – Boston), Original Cost New (OCN) of \$200,000, 2015 model year, insuring \$500 deductible Collision coverage:

Using current rates and rating structure (11/1/2022):

1. Determined the base premium from Long Distance Physical Damage Base Premiums table in Zone Rating Tables section: \$670. (OCN over 90,000, Age Group 8, \$500 Deductible Collision)
2. Determine Combined Rating Factor: $1.2 * 1.0 = 1.2$ (State Rating Factor = 1.2 and primary rating factor = 1.0)
3. Physical damage factor from for the zone combination from the applicable Zone Rating Table: 4.19 (Zone combination of 203)
4. Final Premium = $\$670 \times 4.19 \times 1.2 = \$3,369$

Using proposed rates and rating structure (12/1/2023):

1. Determined the \$500 Deductible Collision Premium from applicable Zone Rating Table: \$662.
2. Determine Combined Rating Factor: $1.2 * 1.0 = 1.2$ (State Rating Factor = 1.2 and primary rating factor = 1.0)
3. Determine Original Cost New (OCN)/Age Group Relativity: $2.732 + (\$200,000 - \$90,000) / 1000 \times 0.025 = 5.482$
4. Determine Deductible Relativity: 1.00 (\$500 Deductible)
5. Final Premium = $\$662 \times 5.482 \times 1.0 \times 1.2 = \$4,355$