

RULE 1. APPLICATION OF THIS MANUAL

A. Contents

This Manual contains the rules, rates and rating procedures applicable to those commercial classes of risk which are ceded to the Commonwealth Automobile Reinsurers (CAR).

B. Sections

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 Auto Dealers
- VII Special Types and Operations

C. Rates

For rates, refer to the Rate Section.

D. Statistical Codes

Most statistical codes are on the rate pages or in the specific rules. Refer to the Massachusetts Commercial Automobile Statistical Plan for statistical codes not shown.

RULE 2. EFFECTIVE DATE RULE

The date shown at the top of the page is the effective date for the application of rules contained in this Manual. Revisions or additions to Manual Rules will be announced via a Commercial Lines Notice that will specify the effective date of the change.

RULE 3. POLICIES AND COVERAGES

A. Compulsory Automobile Insurance Law

All automobiles 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. automobiles 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.

B. Commercial Automobile Residual Market Insurance Program

The following policy coverage and endorsement forms have been approved by the Division of Insurance and are on file for use in the Massachusetts commercial residual market. Servicing Carriers should reference Appendix A-1 for the correct version of each form. Risks subject to the compulsory law are required to be insured under the approved coverage form.

Business Auto Coverage

Business Auto Coverage Form	CA 00 01
Massachusetts Business Auto Declarations	MM 00 97
Common Policy Conditions	IL 00 17
Nuclear Energy Liability Exclusion	IL 00 21
Exclusion of Terrorism Above Min Limits	CA 23 86

Truckers/Motor Carrier Coverage

Business Auto Coverage Form	CA 00 01
Massachusetts Business Auto Declarations	MM 00 97
Common Policy Conditions	IL 00 17
Nuclear Energy Liability Exclusion	IL 00 21
Exclusion of Terrorism Above Min Limits	CA 23 86
Motor Carrier Endorsement	CA 23 30

Auto Dealers Coverage

Auto Dealers Coverage Form	CA 00 25
Auto Dealers Declarations - MA	MM 25 02
Common Policy Conditions	IL 00 17
Nuclear Energy Liability Exclusion	IL 00 21
Exclusion of Terrorism Above Min Limits	CA 23 86

The following endorsements must be issued when insuring risks subject to the Compulsory Automobile Insurance Law:

Massachusetts Mandatory Endorsement	MM 99 11
or	
Auto Dealers MA Mandatory Endorsement	MM 25 01

When insuring risks not subject to the Compulsory Automobile Insurance Law, the following endorsements must be issued:

Personal Injury Protection Coverage – MA	MM 99 35
Massachusetts Changes Endorsement	MM 99 67
Business Auto Declarations	CA DS 03

Coverage for policies written on the Business Auto Coverage Form is restricted to vehicles specifically described on the policy declarations and designated with Covered Auto Designation Symbols 7, 8, or 9 only.

C. 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 \$20,000 per person, \$40,000 per accident.

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

Property Damage Liability at \$5,000 basic limits. Increased limits are available.

Protection Against Uninsured Motorists at basic limits of \$20,000 per person, \$40,000 per accident. Increased limits are available.

D. Mandatory Offer

Rule 6 – Coverages of CAR’s Rules of Operation requires that the Servicing Carrier providing compulsory coverages offer additional coverages consisting of:

Taxicab Risks

Optional Bodily Injury limits not to exceed \$250,000 per person, \$500,000 per accident.

Protection Against Uninsured Motorists Limits not to exceed \$250,000 per person, \$500,000 per accident.

Protection Against Underinsured Motorists Limits not to exceed \$250,00 per person, \$500,000 per accident.

Medical Payments Limits may not exceed \$5,000 for any one accident.

Property Damage Liability may not exceed \$50,000 for any one accident.

All Other Commercial Risks

Optional Bodily Injury at limits up to \$1,000,000 per person, \$1,000,000 per accident.

Protection Against Uninsured Motorists at limits up to \$500,000 per person, \$500,000 per accident and may not exceed the Optional Bodily Injury limits of the policy.

Protection Against Underinsured Motorists at limits up to \$500,000 each person, \$500,000 each accident and may not exceed the Optional Bodily Injury limits of the policy.

Medical Payments at a \$5,000 limit. Refer to the Rate Section for other available limits.

Increased Property Damage Liability up to a limit of \$500,000.

A Combined Single Limit for Bodily Injury and Property Damage Liability up to a limit of \$1,000,000 per accident.

Coverages requested by the applicant which are required by any financial responsibility law or State or Federal regulation as specified in the definition of Eligible Risk which is contained in Rule 2 – Definitions of CAR’s Rules of Operation. Any associated forms or endorsements as required by law or regulation must be attached to the policy.

Specified Causes of Loss or Comprehensive Coverages

Collision and Limited Collision Coverages

Waiver of Deductible

Loss of Use - Rental Reimbursement

Servicing Carriers may refuse physical damage coverages under certain circumstances. Refer to Rule 6 – Coverages of CAR’s Rules of Operation.

RULE 4. STANDARD PROCEDURES

A. Renewals

1. The Servicing Carrier may elect to include a renewal application or questionnaire with the renewal policy.
2. The application or questionnaire 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 application or questionnaire, or

- b. Failure to demonstrate risk eligibility for placement in residual market, or
- c. 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 producer of record must provide the Servicing Carrier with information required by the Registry of Motor Vehicles for each automobile insured.

In addition to reporting the necessary information to the Servicing Carrier, the producer shall prepare a Registration and Title Application (RTA), 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 the transfer information is released to the new carrier, the producer of record must immediately issue a Notice of Transfer of Insurer to the former producer of record, if known, or if not known to the former carrier.

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

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.

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, notification must be sent to the Registry of Motor Vehicles in a format as prescribed by the Registrar.
3. In the event that a policy has been terminated by –
 - a. sale or transfer of the automobile, or
 - b. surrender of the registration plates by the owner of the automobile to the Registry,a 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 Appeals 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 – Cancellation.

RULE 5. POLICY TERM

The Servicing Carrier must issue to an insured an annual automobile policy providing compulsory coverages, or at the option of the insured, a short-term policy containing an expiration date as elected by the insured.

RULE 6. ROUNDING RULE

A. Rates, Factors, Multipliers

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. Premium

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.

C. Minimum Premium

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

RULE 7. PREMIUM COMPUTATION

For an annual policy, compute the premium at the rates in effect at policy inception.

If the premium is calculated using rates that are in effect when the policy is prepared and that differs from the rates that will apply at policy inception, the premium should be recalculated as of the effective date. Use Premium Adjustment and Coverage Endorsement – Massachusetts MM 99 68.

For policies written with terms less than one year, pro rate the annual premium using rates in effect at policy inception. Refer to the Rate Section for pro rata and short rate tables.

RULE 8. PREMIUM CHANGES

A. Premium Determination

Pro rate all changes requiring adjustment of the policy premium at the rate used to calculate the policy premium at inception.

B. Waiver of Premium

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.

RULE 9. CANCELLATION

Evidence supporting the request for cancellation shall be sent to the Servicing Carrier.

A. Pro Rata Cancellation

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 30 days of its effective date or within 30 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.
4. 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.

B. Short Rate Cancellation

The return premium shall be computed on a short rate basis if, at the request of the insured, the policy is cancelled 31 or more days after its effective date or 31 or more days after receipt of the policy, whichever is later and the provisions of Section A.4. of this Rule are not applicable.

C. Pro Rata and Short Rate Tables

Refer to the Rate Section for appropriate pro rata and short rate tables.

RULE 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.

RULES 11 THROUGH 19 RESERVED FOR FUTURE USE.