



NORTH CAROLINA REINSURANCE FACILITY
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January 13, 2003

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Removal of Eligibility of Auto Service
Classifications from the Garage Policy Program

The Commissioner of Insurance has recently approved revisions to the Reinsurance Facility Commercial Automobile Manual Rules which are designed to track previously approved Insurance Services Office changes to voluntary commercial automobile insurance. These changes remove from eligibility the automobile "service" classifications from the garage policy program. In addition, there are several editorial revisions to miscellaneous manual rules. Enclosed is an explanatory memorandum explaining the changes.

These changes become effective in accordance with the following Rule of Application:

These changes become effective with respect to policies written on or after April 1, 2003.

Please see to it that this circular letter is brought to the attention of all interested personnel in your company.

Very truly yours,

F. Timothy Lucas

Automobile Manager

FTL:dp

Enclosures

RF-03-1

REMOVAL OF ELIGIBILITY OF AUTO SERVICE CLASSIFICATIONS FROM GARAGE PROGRAM

Under the ISO Garage Program, risks are classified into broad categories of either "dealers" or "service operations". Dealers consist of franchised and non-franchised operations which sell various motor vehicle types. "Service operations" include: Repair shops, service stations, storage garages and public parking places, franchised and non-franchised trailer dealers, tow truck operators.

ISO reviewed the need for streamlining the garage program. In consultation with companies, ISO noted that "service operations" present predominately premises/operations exposures. It was further noted that ISO's Commercial General Liability Program (CGL) can and does accommodate full coverage for all of the "service operations" classes.

Accordingly, ISO has removed the eligibility of auto service operations from the commercial auto garage program. Nevertheless, the business auto coverage form will continue to be available to cover owned autos of these auto service classes. The transfer of garage "service operations" to the CGL Program will result in more uniformity and consistency in covering such risks which contain predominately premises/operations exposure.

In order to remove auto service operations from the Reinsurance Facility Commercial Auto Manual, we are removing the following rules:

Rule 58 – Auto Service Operations or Trailer Sales – Eligibility.

Rule 59 – Auto Service Operations or Trailer Sales Premium Development.

Rule 60 – Automobile Service Operations or Trailer Sales – Additional Provisions

We are removing a small reference to auto service classifications in Rule 1 - How to Classify Automobiles.

In addition, the non-ownership liability coverage currently available under Rule 21. Non-Ownership Liability is applicable to "other than garage risks" only. This rule currently provides coverage for those employees who operate their autos in the insured's business (coverage is provided on an excess basis). This filing amends this rule to provide non-ownership liability coverage for auto service operations. As amended, non-ownership liability coverage for auto service operations under Rule 21 will apply to those employees who operate their vehicles in the insured's business (on an excess basis) and also those employees who operate customers' vehicles while in the insured's business' care (on a primary basis). Coverage for these two risks will be provided for a single premium.

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NORTH CAROLINA REINSURANCE FACILITY
COMMERCIAL AUTOMOBILE MANUAL

GARAGES

~~B. Automobile Service Operations or Trailer Sales~~

58. ~~AUTOMOBILE SERVICE OPERATIONS OR TRAILER SALES—ELIGIBILITY~~

~~A. This subsection applies to repair shops, service stations, storage garages, public parking places and franchised and non-franchised trailer dealers.~~

~~B. Automobiles which these risks own or hire may be covered on a garage policy but must be rated according to their appropriate classifications in this division. Rate automobiles rented to customers according to the Leasing or Rental Concerns Rule.~~

~~C. Rate registration plates not assigned to a specific automobile according to the Registration Plates Not Issued to a Specific Automobile Rule.~~

~~D. Classifications and Codes—Only one classification and code apply to a risk:~~

~~1. Repair shops—Risks primarily engaged in the repair of automobiles, including body, fender, radiator, ignition service and paint shops. 7808~~

~~—Incidental self-service operations are included.~~

~~2. Service stations—Risks primarily engaged in the servicing of automobiles (including car washes) and the sale of and installation of automobile accessories excluding major engine or body repair work. 7810~~

59. ~~AUTOMOBILE SERVICE OPERATIONS OR TRAILER~~

~~—Incidental self-service operations are included.~~

~~—Major engine repair work means the replacement of moving parts within the block, transmission or differential.~~

~~—Major body repair work means the replacement of body panels, doors or hoods.~~

~~3. Storage garages and public parking places—Risks primarily engaged in storing or parking automobiles. 7812~~

~~4. Franchised and non-franchised residence type mobile home trailer dealers. 7820~~

~~5. Franchised and non-franchised commercial trailer dealers. 7830~~

~~6. Tow truck operators—Risks exclusively engaged in operating tow trucks and not subject to any other classification in this Rule. 7815~~

~~SALES—PREMIUM—DEVELOPMENT~~

~~For each location determine the rating territory from territory definitions based on street address.~~

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

~~A. Liability—~~

- ~~—1. Multiply the rates per \$100 of payroll shown on the state rate schedules by the estimated annual payroll.~~
- ~~—2. The payroll for each employee must be the actual salary subject to an average maximum of \$100 per week. All active proprietors or officers must be included at a fixed amount of \$100 per week. Do not include inactive proprietors or officers.~~
- ~~—3. The minimum premium for each location is the service rate on the state rate schedules multiplied by 100.~~

~~B. Medical Payments—Automobile exposure, garage operations or combined garage operations and automobile exposure:~~

- ~~—1. Multiply the \$25,000/50,000 bodily injury liability premium by the following factors:~~

- ~~—2. When the bodily injury liability limits are other than \$25,000/50,000, compute the medical payments factor as follows:~~

$$\begin{array}{r} \text{Medical pay=} \\ \text{ments} \\ \text{percentage for} \\ \text{\$25,000/50,00} \\ \text{0 limit} \end{array} \div \begin{array}{l} \text{Applicable} \\ \text{factor for} \\ \text{increased} \\ \text{limit} \end{array}$$

Medical Payments Limit Per Person			
\$500	\$750	\$1,000	\$2,000
Limit Codes			
(1)	(2)	(3)	(4)
Automobile Medical Payments Only			
.100	.106	.115	.135
Garage Operations Medical Payments Only			

Material in [brackets] is deleted; material underlined is new.

RULE 21. NON-OWNERSHIP LIABILITY

[A. This Rule does not apply to garage risks.]

A. Garage Risks

Coverage for non-ownership liability for garage dealer risks is included in the basic garage charges. The following rating methodology applies to other than garage dealer risks.

B. Eligibility

If more than 50% of the insured's employees regularly operate their automobiles in the insured's business, refer to company for rating. Otherwise, rate in accordance with this Rule.

C. Premium Development

1. Application

For all risks other than social service agency risks as defined in the Public Transportation Section:

a. Apply one of the following procedures, as appropriate.

(1). All Risks Other Than Garage Service Operations

Determine the total number of employees of the insured at all locations and select the advance premium from the following table:

Class Code	Total Number of Employees	Bodily Injury And Property Damage	
		25/50 B.I.	\$15,000 P.D.
6601	0-25	\$7	\$8
6602	26-100	17	22
6603	101-500	55	71
6604	501-1,000	104	135
6605	Over 1,000	159	209

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NORTH CAROLINA REINSURANCE FACILITY COMMERCIAL AUTOMOBILE MANUAL

GENERAL RULES

The phrase "Refer to Company" wherever it appears in the Manual means that risks shall be referred by the company to the Reinsurance Facility for rating.

1. HOW TO CLASSIFY AUTOMOBILES
 - A. If an automobile has more than one use, use the highest rated classification, unless 80% of the use is in a lower rated activity. In that case, use the lower rated classification.
 - B. Classify and rate automobiles of the private passenger type according to the Private Passenger Type Section
 - C. Classify and rate automobiles of the truck type that transport property or are used in business according to the Truck, Tractors and Trailers Section.
 - D. Classify and rate buses, taxicabs and other automobiles that are used in the business of transporting people according to the Public Transportation Section.
 - E. Classify and rate new and used automobile dealers, ~~service stations, repair shops and parking facilities~~ according to the Garage Section.
 - F. Classify and rate automobiles that do not fit into these categories according to the Special Types and Operations Section..

We use the format of striking through for deleted material.

NORTH CAROLINA REINSURANCE FACILITY
COMMERCIAL AUTOMOBILE MANUAL

GARAGES

~~60. AUTOMOBILE SERVICE OPERATIONS OR TRAILER SALES—ADDITIONAL PROVISIONS~~

~~A. \$100 deductible for completed operations. To eliminate the \$100 deductible that applies to property damage to automobiles arising out of work completed by the named insured, charge an additional .10 of the property damage liability premium. The minimum premium is \$20. (Class Code 7072).~~

~~B. Broad Form Products (Class Code 7070):~~

~~—The exclusion relating to property damage to the named insured's products may be eliminated subject to a \$250 deductible per occurrence. Multiply the property damage liability premium by .10.~~

~~C. Pollution Exclusion—Garages:~~

~~—Refer to paragraph C, Rule 57.~~

~~Rules 61-70. RESERVED FOR FUTURE USE~~

- b. Charge an additional premium determined as follows:

Determine the total number of volunteers at all locations who regularly use their own automobiles to transport social service clients in connection with the agency's programs and multiply this number by \$1.50 bodily injury, \$25,000/50,000 limits, and \$.74 property damage, \$15,000 limit per volunteer. The minimum premium shall be \$10 bodily injury, \$25,000/50,000 limits, and \$6 property damage, \$15,000 limit.

- c. To extend non-ownership coverage to cover the individual liability of agency employees, charge an additional premium determined in accordance with paragraph 1.b. [above.] (Class Code 6671). Use Employees As Insured's Endorsement CA 99 33.
- d. To extend coverage to cover the blanket individual liability of volunteers who use their own automobiles in the agency's social service programs, charge an additional premium of \$.35 bodily injury, \$25,000/50,000 limits, and \$.19 property damage, \$15,000 limit, per volunteer donor subject to a minimum premium of \$5 per policy (Class Code 6672). Use Social Service Agencies - Volunteers As Insured's Endorsement CA 99 34.

3. Unless there is substantial change in exposures during the policy period, the advance premium is the earned premium.

(2.) Garage Service Operations (Class Code 6680)

Coverage is provided solely for the operation of non-owned autos by auto repair shops, service stations, storage garages and public parking places, or tow truck operators. Refer to the General Liability or Market Segments Divisions for all other garage operations liability coverage.

(a) Determine the total number of employees whose principal duty involves the operation of autos.

(b) Multiply this amount by .35 .

(c) Multiply the result by the liability rate in Rule 32. in the state company rates/ISO loss costs.

b. To extend non-ownership liability coverage to cover the individual liability of employees (including employees of garage service operations) while using their automobiles and other covered non-owned autos in the employer's business, compute the additional premium by multiplying the premium determined in accordance with preceding Paragraph 1.a (1) or 1.a.(2), [above] by .25 [.] (Class Code 6671). Use Employees As Insureds Endorsement CA 99 33 .

c. For partnership as the named insured:

(1) When non-ownership liability coverage is afforded, the coverage form provides coverage to a partnership for the use of autos owned by individual partners which are used in the business of the partnership.

(2) Multiply the private passenger type rates in the state company rates/ISO loss costs by .10 for each active or inactive partner for the territory in which the partnership is located. Apply this rating base regardless of the type of autos being used (Class Code 7000).

2. Social service agency risks—

a. Determine the advance premium based on the number of employees in accordance with paragraph 1.a(1) above.