

August 27, 2008

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Commercial Auto Manual
Rule Revision

The Commissioner of Insurance has recently approved a revision to Rule 46 – Premium Determination – Other Than Zone Rated Automobiles in the Reinsurance Facility Commercial Automobile Manual.

This revision is designed to rate each vehicle based on the territory where the auto is operated the greatest percentage of the time. The current rule provides for charging all of the vehicles on the policy based on the highest rated territory where any one of the insured vehicles operates.

This revision becomes effective in accordance with the following Rule of Application:

This revision becomes effective with all new and renewal policies written on or after January 1, 2009.

Please see to it that this change is brought to the attention of all interested personal in your company.

Very truly yours,

F. Timothy Lucas

Automobile Manager

FTL:dms

Attachment

RF-08-9

NORTH CAROLINA REINSURANCE FACILITY
COMMERCIAL AUTOMOBILE MANUAL

PUBLIC TRANSPORTATION

Rule 45. ELIGIBILITY

This Section applies to automobiles registered or used for the transportation of members of the public.

46. PREMIUM DEVELOPMENT—OTHER THAN ZONE RATED AUTOMOBILES

A. This Rule applies to:

1. All taxis, limousines, school, church and urban buses and van pools.
2. All other public automobiles which regularly operate within a 200 mile radius from the street address of principal garaging. For those automobiles regularly operated beyond a 200 mile radius, refer to the Premium Development—Zone Rated Automobiles Rule.

B. Determine the Classification Rating Factor and Class Code as follows:

1. Determine whether the risk is classified as fleet or non-fleet according to the Public Automobile Classifications Rule.
2. Determine the primary rating factor from the Public Automobile Classifications Rule based on use class and radius class. For van pools, the rating factor is based on seating capacity.
3. Determine the secondary rating factor, if any, from the Public Automobile Classifications Rule based on the seating capacity.
4. Determine the combined rating factor by adding the secondary rating factor to, or subtracting it from, the primary rating factor.

C. Premium Computation

1. Determine the rating territory for each public automobile from the territory definitions based on the ~~highest rated~~ territory where the public automobile is operated the greatest percentage of the time.
2. Liability and Medical Payments Coverages—
 - a. Determine the fleet or non-fleet base premiums on the state rate schedules.
 - b. Multiply the base premium by the combined rating factor.
3. Uninsured and Underinsured Motorists Coverage—
 - a. Primary and secondary rating factors do not apply.
 - b. Refer to Rule 26 in the Common Coverages Section of this Manual.
4. Special Provisions—
 - a. If a truck, tractor, or trailer is rated as public automobile, determine the seating capacity from the size class as follows:

Size Class	Seating Capacity
Light	1-8
Medium	9-20
Heavy	21-60
Extra-heavy	over 60

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- b. If a bus is rated at truck, tractor, or trailer rates, determine the size class from the seating capacity:

Seating Capacity	Size Class
1-8	Light
9-20	Medium
21-60	Heavy
over 60	Extra-heavy

- c. For a unit that combines a motorized automobile with one or more trailers or semitrailers, refer to company to determine the liability premium.

Rule 47. PUBLIC AUTOMOBILE CLASSIFICATIONS

Classify public automobiles as follows:

- 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. Fleet—Non-Fleet Classification—
1. Classify as fleet the automobiles of any risk that has five or more self-propelled automobiles of any type that are under one ownership. Do not include automobiles owned by allied or subsidiary interests unless the insured holds a majority financial interest.
 2. Do not include mobile equipment insured on a general liability policy in determining if the risk is a fleet.
 3. Do not include trailers in determining if the risk is a fleet, but apply the fleet classification to the trailers if the risk otherwise is classified as a fleet.
 4. Classify the automobiles of any other risk as non-fleet.
 5. Do not change the fleet or non-fleet classification because of mid-term changes in the number of owned automobiles except at the request of the insured. The policy must be cancelled and rewritten in accordance with the Cancellation Rule.
- C. Seating Capacity—
1. Use the seating capacity specified by the manufacturer of the automobile unless a public authority rules otherwise.
 2. Do not include the driver's seat when determining seating capacity.
- D. Primary Classifications—
1. Radius Class—determine radius on a straight line from the street address of principal garaging.
 - a. Local—up to 50 miles—The automobile is not regularly operated beyond a radius of 50 miles from the street address where such automobile is principally garaged.
 - b. Intermediate—51 to 200 miles—The automobile is operated beyond a radius of 50 miles but not regularly beyond a radius of 200 miles from the street address where such automobile is principally garaged.