



NORTH CAROLINA REINSURANCE FACILITY
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March 31, 2003

CIRCULAR LETTER TO ALL MEMBER COMPANIES
VIA E-MAIL

Re: Revisions to the Reinsurance Facility
Commercial Automobile Manual

The Commissioner of Insurance has recently approved revisions to the Reinsurance Facility Commercial Automobile Manual. These changes are designed to track previously approved Insurance Services Office (ISO) changes to voluntary Commercial Automobile insurance. 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 letter is brought to the attention of all interested personnel in your Company.

Very truly yours,

F. Timothy Lucas

Automobile Manager

FTL:dp

Enclosure

RF-03-5

Rule 21. Non-Ownership Liability The North Carolina Reinsurance Facility is revising the approved version of Garage Service Operations Non-Ownership to use private passenger rates from the Reinsurance Facility Manual in lieu of ISO loss cost rating using ISO rates. This change is found in Rule C. 1. a. (2) (c) and Rule C. 1.c. (2).

Rule 55. Automobile Dealers – Eligibility is being revised to include Franchised and Non-Franchised Mobile Home Trailer Dealers and Franchised and Non-Franchised Commercial Trailer Dealer classifications with regard to the removal of Auto Service Operations or Trailer Sales—Eligibility Rules 58, 59 and 60 Commercial Reinsurance Facility Manual. The revised rule includes Limited and Unlimited classification codes as set forth in the ISO Multi-state revisions and will be rated using rates from the Reinsurance Facility manual as follows:

Multiply the rates in the state rate schedules by total number of employees, then multiply the result by .45.

Rule 88. Repossessed Automobiles—Finance Companies and Bank (Class Code 7925) is being revised to remove operations of a finance company that was previously covered under a Garage Service Policy based on payroll. We will continue to cover the auto sales agency as stated in Rule 88 of the Reinsurance Facility manual under a Dealer Garage Policy.

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

RULE 21. NON-OWNERSHIP LIABILITY

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

(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 private passenger type [liability] rates in [Rule 32. in] the [state company] rate [s/ISO loss costs] pages of the North Carolina Reinsurance Facility Manual.

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), 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] rate[s/ISO loss costs] pages 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.

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. (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.

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

Rule 55. AUTOMOBILE DEALERS—ELIGIBILITY

A. This subsection applies to franchised and non-franchised automobile dealers and [other than] trailer dealers. [For trailer dealers, refer to the automobile service operations or trailer sales subsection.]

B. Classifications and Codes—

1. Only one classification and code apply to a risk.

	Limited Customer Coverage	Unlimited Customer Coverage
a. Franchised private passenger auto dealer (with or without any other type of franchise)	7301	7302
b. Franchised truck or truck-tractor dealer (with or without any other type of franchise except private passenger auto franchise)	7311	7312
c. Franchised motorcycle dealer including all two wheeled cycle vehicles (no private passenger or truck franchise)	7321	7322
d. Franchised recreational vehicle dealer (no private passenger, snowmobile or residence type mobile home trailer franchise)	7331	7332
e. Other franchised self-propelled land motor vehicle dealer	7341	7342
f. Non-franchised dealer (any risk described above that is not a franchised dealer)	7351	7352
g. <u>Franchised and non-franchised residence type mobile home trailer dealers.</u>	<u>7344</u>	<u>7345</u>
h. <u>Franchised and non-franchised commercial trailer dealers.</u>	<u>7354</u>	<u>7355</u>
i. Equipment and implement dealer (no other franchise)		Refer to Rules for general liability insurance

Rule 56. AUTOMOBILE DEALERS—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 separately for each location according to the following procedures—

- A. Liability (limited coverage for customers) Coverage.
Multiply the rates on the state rate schedules by the total rating units determined as follows:
 1. Class I—employees including part-time employees. Multiply the number of Class I employees working an average of less than 20 hours a week by .50 before determining the number of rating units.
 - a. Proprietors, partners and officers active in the business; sales persons, general managers, service managers; any employee whose principal duty involves the operation of automobiles or who is furnished a garage automobile. Determine the number of rating units by multiplying the number of these employees by 1.00
 - b. All other employees. Determine the number of rating units by multiplying the number of employees by .40.
 2. Class II—non-employees. Any individual other than a person described in Class I who is regularly furnished with a dealer's automobile. If more than one person has use of the same furnished automobile, count as only one operator in determining rating units. Determine the number of rating units by multiplying the number of these persons by .55.
 3. Franchised and Non-Franchised Trailer Dealers. Multiply the rates in the state rate schedules by total number of employees, then multiply the result by .45.
 4. The minimum premium is the dealer's rate shown on the state rate schedules for the highest rated location multiplied by 2.00.

- B. Liability—Unlimited Coverage for Customers—
1. Liability coverage may be extended to provide unlimited customer coverage.
 2. Multiply the total premium developed for the limited Liability by 1.05.
- C. Automobiles furnished for regular use to other than Class I or Class II operators, for example welcome wagons, or automobiles furnished to driver training programs. Compute the premiums for all coverages for each owned automobile as follows:
1. Private passenger automobiles (Class Code 7877). Charge private passenger type premiums.
 2. Trucks, tractors, and trailers (Class Code 7878). Charge the premiums developed by the applicable trucks, tractors, or trailers classification.
- D. Pick Up or Delivery of Automobiles (Class Code 7070)—
1. If the exposure for non-franchised dealer includes the pick up or delivery of automobiles beyond a 50 mile radius of the limits of the city or town where operations are conducted, rate each driver per trip for such pick up or delivery operations as follows:

Per Driver Trip Rates		
	Bodily Injury	Property Damage
Mileage	\$25/50	\$15
51-200 miles	\$3	\$1
Over 200 miles	5	2

2. The minimum premium is the private passenger types premium for the rating territory where the dealer is located.
- E. Medical Payments—
1. Proprietors and executive officers. When automobile dealers are insured for liability but not automobile medical payments, the following provisions apply:
 - a. A proprietor or executive officer may be afforded medical payments provided that person is included in the total number of rating units that determines the liability premium. Multiply the private passenger type medical payments premium by 2.00 for each person. Use the rating territory where the dealer is located.

- b. Medical payments may also be afforded to the spouse of a proprietor or executive officer or relatives of either if residents of the same household. Charge the private passenger type medical payments premium for each person. Use the rating territory where the dealer is located.
2. Individual proprietors. Provide drive other car medical payments insurance at no additional charge if the dealer has automobile medical payments.
3. Automobile exposure, garage operations or combined garage operations and automobile exposure.
- a. Multiply the \$25,000/50,000 bodily injury liability premium by the factors from the applicable table.

(1) Medical payments with unlimited liability coverage:

Medical Payments Limit Per Person			
\$500	\$750	\$1000	\$2000
Limit Codes			
(1)	(2)	(3)	(4)
Automobile Medical Payments Only			
.100	.106	.115	.135
Garage Operations Medical Payments Only			
.024	.027	.029	.031
Combined Garage Operations and Automobile Medical Payments			
.124	.133	.144	.166

(2) Medical payments with limited liability Coverage:

Medical Payments Limit Per Person			
\$500	\$750	\$1000	\$2000
Limit Codes			
(1)	(2)	(3)	(4)
Automobile Medical Payments Only			
.104	.111	.122	.142
Garage Operations Medical Payments Only			
.027	.029	.031	.033
Combined Garage Operations and Automobile Medical Payments			
.131	.139	.153	.175

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

$$\begin{array}{r} \text{Medical payments} \\ \text{percentage for} \\ \$25,000/50,000 \text{ limit} \end{array} \div \begin{array}{r} \text{Applicable} \\ \text{Factor for} \\ \text{Increased limit} \end{array}$$

- F. Uninsured Motorists Insurance. Refer to Rule 26 in the Common Coverages Section of this Manual.

Rule 57. AUTOMOBILE DEALERS—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 Coded 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:

A Garage Policy may be endorsed to exclude bodily injury or property damage arising out of any discharge of pollutants with the exception of bodily injury or property damage arising out of the ownership, maintenance or use of covered autos and certain off-premises discharges.

When Endorsement CA 25 13 is attached, document company files showing that the Endorsement is needed for the particular risk. Give the insured written notice of coverage change at least 15 days prior to the effective date of the renewal, with a copy to the agent. Do not attach the Endorsement midterm.

Material in [brackets] is deleted.

Rule 88. REPOSSESSED AUTOMOBILES—
FINANCE COMPANIES AND BANKS
(Class Code 7925)

- A. This Rule does not apply to automobiles owned or operated by finance companies and banks for use in the business of the insured or for pleasure purposes. Such automobiles shall be insured in the regular manner.
- B. If a finance company is owned and operated by an automobile sales agency, [the operations of the finance company may be insured under a garage payroll policy. The entire payroll of the finance company must be included in the payroll upon which the garage premium is based.] refer to Garage Section.
- C. In all other cases, automobile finance companies and banks may be insured for the repossession recovery and use in connection with resale of financed automobiles. The premium for this coverage shall be determined as follows:
 - 1. The rate per car repossessed shall be the rate shown on the rate schedules for private passenger types for the territory in which the principal office of the risk is located, divided by 200.
 - 2. The advance premium shall be determined by applying the rate per car repossessed to the estimated number of cars repossessed annually.
 - 3. The earned premium shall be determined at the rates in force at the inception of the policy on the basis of the total number of cars repossessed during the policy period.
 - 4. The minimum premium shall be 25% of the rates shown on the rates schedules for private passenger types for the territory in which the principal office of the risk is located. For banks, if the same company insures all owned automobiles, all repossessed automobiles, hired automobiles and the employers non-ownership liability of such risks, a minimum premium of \$14 bodily injury, \$25,000/50,000 limits, and \$6 property damage, \$15,000 limit, applies on a combined basis for the repossessed automobiles, hired automobiles and employers non-ownership liability exposures.