**COMMERCIAL LINES MANUAL – COMMERCIAL AUTOMOBILE**

**RATING RULES**

**MASSACHUSETTS**

#### SECTION I - GENERAL RULES

###### ELIGIBILITY

Eligible insureds under this Rating Plan include:

* 1. Government Entity.

A government entity is a state, county, city, town, borough, public school district, special purpose district, or a political subdivision of any of the foregoing, in the United States or the District of Columbia.

* 1. Non Profit Entity (IRS exempt from federal taxes).

A non-profit entity is any entity qualifying for tax exempt status under IRS Publication 557. Government Entities are not considered Non Profit entities for the purpose of this plan.

* 1. For Profit Entity.

Any entity that does not qualify as a Government Entity or a Non Profit Entity is considered a For Profit Entity for the purposes of this Plan. For Profit Entities under this Plan include: Schools, Water Companies, Sewer Companies, Emergency Service Providers and other types of private providers of governmental services.

###### PUBLIC ENTITY PROGRAM DEVIATION

###### Apply a factor of .50 to the auto liability base rates set forth in the AIB Commercial Automobile Rate Section, 2014.

**REFERAL TO COMPANY**

Use of “Refer to Company” rates for Risks:

The development of “Refer to Company” rate requires sound underwriting judgment based upon an analysis of the following:

ALL OPERATIONS AND EXPOSURES PRESENTED BY AN INDIVIDUAL RISK AS COMPARED TO THE OPERATIONS AND EXPOSURES PRESENTED BY A TYPICAL RISK OF A GIVEN CLASSIFICATION. For example, a municipality which operates a law enforcement department which services its own legal jurisdiction along with that of two neighboring small communities presents a much larger exposure than that of a similar municipality which provides these services only for the population within its own legal jurisdiction.

SIZE AND EXTENT OF A RISK'S EXPOSURES. A public entity/private entity may vary greatly in the size and extent of its operations. In addition to the land and buildings that it owns, a public entity may be responsible for streets, bridges, water treatment, sewer treatment, electric utility, recreation facilities, convention centers, mutual aid agreements, etc. A typical public entity may have some or all of these exposures. Similar size and type public entities/private entities may have a very different profile as to extent of exposures. The type and size of the exposures and operations, insured's management policies and procedures, and background and experience in managing the risks, exposures and operations must be analyzed on an individual basis to determine rate adequacy.

PIH-Public Entity CA-MA-RU Page 1 of 4 (3-17)

Once the underwriter has evaluated the operations and exposures within the classification, this will enable the development of a corresponding rate that is not inadequate, excessive or unfairly discriminatory. Rates may be modified to reflect a greater or lesser exposure to loss based on:

* + 1. Management of the risk.
    2. Unusual or unique operations or characteristics of the risk.
    3. Training and safety programs utilized by the insured.
    4. Experience and expertise of the insured.
    5. Previous loss history of the insured.

Any rate that a company uses for “Refer to Company” rated classifications or coverages, other than filed “Refer to Company” rates, are considered to be "pure" unfiled rates.

In the above referenced situations, promulgated rates must be kept in the underwriting file and documented accordingly. All documentation must be kept on file for a minimum of five years and made available to the State Insurance Department upon request.

**Uninsured and Underinsured Motorists Rates**

Coverage will be offered at full liability limits.

|  |  |  |  |
| --- | --- | --- | --- |
|  | U-1 |  | U-2 |
| Limit | Uninsured |  | Underinsured |
| 50 | 15.00 |  | 15.00 |
| 75 | 18.75 |  | 18.75 |
| 100 | 20.25 |  | 20.25 |
| 250 | 27.25 |  | 27.25 |
| 500 | 30.75 |  | 30.75 |
| 1000 | 35.00 |  | 35.00 |

#### RISK QUALITY FACTOR PRICING

INSTRUCTIONS FOR PLACEMENT OF ACCOUNTS

The following table contains underwriting criteria to assist in selecting the appropriate pricing tier for each account. Every policy must be evaluated for each characteristic\*. Determine eligibility and factors as follows:

|  |  |  |
| --- | --- | --- |
| **Tier** | **Factor** | **Criteria** |
| Preferred | .75 | At least three of the characteristics are rated Preferred, with none below Standard. |
| Standard | 1.0 | At least three of the characteristics are rated Standard. |
| Substandard | 1.25 | Two or more characteristics are rated Substandard. |

Risk Quality Criteria

Specific criteria for selecting the appropriate risk quality factor are contained in our “Eligibility Requirements for Risk Quality Factor Pricing” (attached). Risk quality can be measured by identifying hazards and their matching controls.

1. High quality insureds:
   1. Have eliminated hazards, or
   2. Have established controls to reduce frequency or severity of losses associated with hazards.

Such insureds should pay less than insureds that are not high quality insureds because of such criteria.

PIH-Public Entity CA-MA-RU Page 2 of 4 (3-17)

1. Financially strong insureds exhibit the ability to:
   1. Hire and retain quality employees;
   2. Physically maintain buildings, equipment and vehicles owned or used by the business in a safe and acceptable manner; and
   3. Operate the business in a safe manner by instituting safety procedures and programs.

Such insured should qualify for a lower premium than insureds that are not able to exhibit any of the characteristics listed above.

1. Insureds with quality management:
   1. Are experienced in their type of business;
   2. Exhibit a willingness and ability to recognize loss exposures; or
   3. Maintain loss prevention practices.

Such insureds should qualify for a lower price than insureds that have inexperienced management or management that cannot afford to invest in loss prevention practices and thus are expected to have more frequent or severe losses.

Risk quality factors will reflect the relative experience or inexperience and the financial strength or weakness of the insured.

ELIGIBILITY REQUIREMENTS FOR RISK QUALITY FACTOR PRICING

The following table contains underwriting criteria for Commercial Automobile coverage. These criteria are provided to assist in selecting the appropriate risk quality factor for each account. Every policy must be evaluated for each characteristic\*. Determine eligibility as follows:

*Superior: At least three of the characteristics are rated Superior with no criteria below Standard.*

*Standard: At least three of the characteristics are rated Standard.*

*Substandard: Two or more characteristics are rated Substandard.*

|  |  |  |  |
| --- | --- | --- | --- |
| **Characteristic** | **SUPERIOR** | **STANDARD** | **SUBSTANDARD** |
| Public Communications | Exhibits a culture that reflects a strong commitment to open access to public documents, meetings and hearings. Public documents including budget information and meeting minutes are published on the entity’s website or available by other means upon request. | Exhibits a culture that reflects an average commitment to open access to public documents, meetings and hearings. Public Documents including budget information and meeting minutes are available upon request but entity does not publish on a website. | Exhibits a culture that reflects a less than average commitment to open access to public documents, meetings and hearings. Public Documents including budget information and meeting minutes are available upon request for a fee but entity does not publish on a website. |

PIH-Public Entity CA-MA-RU Page 3 of 4 (3-17)

|  |  |  |  |
| --- | --- | --- | --- |
| Financial Strength | Dun & Bradstreet credit appraisal (where applicable and available) equals 1 or 2 (high or good) and the company’s financial composite is above industry average; or  Review by company financial staff   1. Determines a profitable, stable financial position with increasing revenues or 2. Assigns this rating | Dun & Bradstreet credit appraisal (where applicable and available) equals 3 or above and the company’s financial composite is equal to or above industry average; or  Review by company financial staff   1. Determines a profitable, stable financial position or 2. Assigns this rating | Dun & Bradstreet credit appraisal (where applicable and available) equals 1, 2, 3 or 4 or the company’s financial composite is below industry average; or  Review by company financial staff   1. Determines an unprofitable or unstable or 2. Assigns this rating |
| Hazards and Controls | Based on classification review in AM Best’s Underwriting Guide and/or FC&S (National Underwriter Company) Bulletins, insureds whose actual operations are much less hazardous or significantly better controlled than the average insured contemplated by the class. | Based on classification review in AM Best’s Underwriting Guide and/or FC&S (National Underwriter Company) Bulletins, insureds whose actual operations reflect the average insured contemplated by the class with respect to hazards or controls. | Based on classification review in AM Best’s Underwriting Guide and/or FC&S (National Underwriter Company) Bulletins, insureds whose actual operations are more hazardous or less controlled than the average insured contemplated by the class. |
| Risk Transfer | Insured obtains favorable contractual arrangements where possible with its subcontractors, suppliers, lessees or lessors.  Obtains Certificates of Insurance that evidence our insured as an Additional Insured are obtained with such parties. | Insured obtains Certificates of Insurance.  May or may not have an established policy for risk transfer arrangements. | Insured has no established policy with respect to obtaining Certificates of Insurance or entering into favorable risk transfer arrangements where possible with its subcontractors, suppliers, lessees or lessors. |

\*If information for a specific characteristic is not available at the time of underwriting evaluation, the characteristic may be omitted. Accounts should be re-evaluated at each renewal. Renewal underwriting decisions may consider new information that has become available, which may result in movement of an account to a different pricing tier.

Exceptions to this eligibility should be rare. For an exception to be made there must be a compelling reason supporting the unsuitability of the indicated pricing tier. For example, you may have factual information suggesting that account characteristics or operations will be materially different in the near future than they have been in the past. (i.e. acquiring a new entity or selling a portion of an existing operating, moving to a new location, buying new equipment, hiring a new safety director, etc.)

PIH-Public Entity MA-MA-RU Page 4 of 4 (3-17)