**Auto Dealers Coverage Extension Endorsement-76762 (8/14)**

**Rating Narrative**

As part of the 2013 Multistate Automobile changes, ISO designed a new Auto Dealers Coverage form (CA 0025) to replace the Garage Policy. We have redesigned our previously filed and approved Garage Extension Endorsement- 76762 (07/08) to be consistent with the new ISO Auto Dealers Form.(This form was approved in 47 jurisdictions in 2009. It was disapproved in Louisiana over the issue of defense within limits. The revised form does not provide defense within limits. The rules were approved in Louisiana under state filing # 248155 conditional upon approval of the form.)

**Rating Rules**

**Aggregate Limits for E&O Coverage-**The ISO form offers only a single aggregate encompassing and applying to all of the E&O coverages. Our Auto Dealers Extension offers a separate aggregate for each of the four E&O coverages. The separate aggregates duplicate the coverage we provide now under the Garage Extension and have provided since at least 2001. Our rating rules apply a charge of 3% applied to the at limits Errors and Omissions premium developed by the ISO Rating rules. For the separate individual E &O aggregates provided by our new Automobile Dealers Extension, we are proposing a charge of 3% applied against the premium developed for E&O. The separate aggregate for E&O is somewhat analogous to the per location or per project aggregate under a GL policy and since we are now getting a separate full charge for the E&O coverage, the 3% seems reasonable to provide the separate aggregates.

**Increased Limits Factors for E&O Coverage-** ISO indicates refer to company. For this coverage section we have developed ILFs that are equivalent to the ILFs we used with the 2008 edition of the Garage Extension Endorsement. The ISO E&O coverage has a basic limit of $50,000 and we have adjusted the ILFs to reflect this change in the basic limit.

**Fellow Employee Coverage and Defective Products and Work you performed coverage**- These exclusions are deleted as part of the extension coverage under both editions. Previous charge was 1% of the Garage Liability Premium. We are proposing to charge 3% of the Automobile Dealers Liability Coverages for these coverages going forward as we feel the previous charge was inadequate for this coverage.

**Automobile Dealers Legal Defense and Product Related Damages** -This is an optional coverage under the endorsement and is not included in the ISO Auto Dealers Form. We are proposing to charge 2% of the Automobile Dealers Liability Coverage for this coverage. This is the same charge we are using for the current form. We have also left the ILFs and limits offerings the same as under the 2008 form. We feel that this charge is reasonable and adequate based on our experience since 2008.