

COMMONWEALTH OF MASSACHUSETTS
Office of Consumer Affairs and Business Regulation
DIVISION OF INSURANCE

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LINDA RUTHARDT
COMMISSIONER OF INSURANCE

Bulletin No. 00-15 Revised

To: All Private Passenger Automobile Insurers

From: Linda Ruthardt, Commissioner of Insurance

A handwritten signature in cursive script, appearing to read "Linda Ruthardt".

Re: Optional Endorsement – Original Equipment Manufacturer (OEM) Crash Parts

Date: December 8, 2000

Effective January 1, 2001 all insurers licensed to sell private passenger automobile insurance shall have the option of selling an optional endorsement that provides for the use of new parts manufactured by or under licensure of the original equipment manufacturer when replacing crash parts under Coverages 7, 8, and/or 9 of the Massachusetts Personal Automobile Insurance Policy, when such new parts are not otherwise required.

Definitions:

Crash Part---A motor vehicle part of sheet metal or plastic that constitutes the visible exterior of the vehicle, including inner and outer panels. It does not include glass or a mechanical part.

Original Equipment Manufacturer Parts---New parts that are manufactured by or under licensure of the original equipment manufacturer.

Eligible Autos---Those private passenger vehicles that are defined in rule 27 of the Massachusetts Private Passenger Auto Manual which are insured for collision, limited collision comprehensive coverage and which are up to 10 model years old. For purposes of this endorsement July 1 should be considered the date at which model years age. (For example a model year 2001 vehicle will be new on July 1, 2000. It will be one model year old on July 1, 2001, two model years old on July 1, 2002, etc. It will be 10 model years old on July 1, 2010.)

Rates: The actual rates to be charged for this endorsement shall be calculated according to the rates for the particular coverage and the formula approved by the Division of Insurance in the decision issued on September 29, 2000. Rates are expected to be calculated concurrently with the manual rate for 2001 private passenger auto insurance.

Property Damage Liability Subrogation Recoveries:

If a claim is paid under collision, limited collision or comprehensive coverage and the cost of such claim can be subrogated, the claim shall be paid in conformance with the optional endorsement if it was purchased for the particular vehicle.

Statistical Reporting: Insurers selling the endorsement shall be required to report data on the endorsement according to the Commissioners statistical plan for Private Passenger Auto Insurance.

Marketing Information:

The optional endorsement shall not be sold for vehicles for which no aftermarket crash parts are available, nor for any vehicle for which new OEM crash parts are not available.

Companies offering to sell the endorsement are to do so in conformity with the offering of underlying collision/comprehensive coverage. Illegal discrimination in making the optional endorsement available will result in appropriate enforcement action. (Be consistent in how it is offered, if you decide to offer it.)

Companies should assure that applicants are made aware that claims under collision and comprehensive coverages including this endorsement are subject to the Safe Driver Insurance Program. Because the use of new OEM parts might raise the total amount paid by an insurer on a claim, consumers should be invited to consider increasing their deductibles since the \$500 and \$2000 claims payment amounts that define "minor" and "major" claims are not changing for 2001. In addition, consumers should be reminded that if they have leases that require the use of new OEM crash parts for repairs in order to avoid breaches of contract and/or penalties at lease end, that does not mean they must insure the risk, but may decide to pay any difference "out of pocket".

Questions about this bulletin should be directed to Victor Fanikos at (617) 521-7314.