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DIVISION OF INSURANCE

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BULLETIN 2009-06

To: Property and Casualty Insurers Offering Commercial Motor Vehicle Liability Policies in Massachusetts

From: Nonnie S. Burnes, Commissioner of Insurance

Date: April 7, 2009

Re: Deductibles Within Commercial Motor Vehicle Liability Policies

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This Bulletin informs property and casualty insurers writing commercial motor vehicle liability policies in Massachusetts about the Division of Insurance's ("Division") policy regarding deductibles in commercial motor vehicle liability policy form and rate filings. A number of insurers have requested latitude to offer higher deductibles to commercial motor vehicle liability policyholders in the Commonwealth than are provided to private passenger motor vehicle liability policyholders.

M.G.L. c. 90, §§ 34A and 34O and M.G.L. c. 175, § 113L provide for certain compulsory coverage amounts for all motor vehicle liability policies or bonds.[1] These mandatory coverage amounts are intended to ensure that all motor vehicle operators, including commercial operators, are able to satisfy minimum financial liability requirements.

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[1] Motor vehicle owners are required to have compulsory coverage under either a motor vehicle liability policy or bond for the following:

- bodily injury coverage of at least $20,000 for injury to or death of any one person, and of at least $40,000 for injury to or death of more than one person (M.G.L. c. 90, § 34A);
- personal injury protection of up to $8,000 to pay for medical and/or funeral expenses and income replacement coverage (M.G.L. c. 90, § 34A);
- property damage liability coverage of at least $5,000 (M.G.L. c. 90, § 34O); and
- uninsured motorist coverage of at least $20,000 for injury to or death of any one person, and of at least $40,000 for injury to or death of more than one person (M.G.L. c. 175, § 113L).

M.G.L. c.175, § 113O and M.G.L. c. 90, §§ 34M and 34O provide deductibles for comprehensive coverage, personal injury protection coverage and collision coverage for motor vehicle liability policies, including commercial policies, in varying amounts.[2] Because the Division recognizes that certain commercial insureds may have other financial resources that could be used to pay higher deductibles in the event of a covered claim, insurers may offer higher deductibles than provided for under these statutes, if such deductibles are based on actuarially supported data that is filed with the Division. Such filings also must demonstrate that the insurer will pay third party claimants in the first instance, including any applicable deductible and, thereafter, will seek recovery of the deductible amount from the commercial motor vehicle liability policyholder, pursuant to the terms of that deductible.

If you have any questions regarding this Bulletin, please contact Kevin P. Beagan, Director of the State Rating Bureau at (617) 521-7323.

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[2] Under M.G.L. c. 175, § 113O, insurers are required to offer deductibles of $300 and $500 for the comprehensive coverage and $100 for the glass coverage portion of the comprehensive coverage. Under M.G.L. c. 90, § 34M, insurers are required to offer deductibles of $100, $250, $500, $1,000, $2,000, $4,000 and $8,000 on the personal injury protection coverage. Under M.G.L. c. 90, § 34O, insurers are required to offer deductibles of $300, $500 and $1,000 for the collision coverage.