



October 3, 2005

REVISIONS TO COMMERCIAL AUTO PROGRAM

BACKGROUND

MSO[®], Inc. recently filed revisions to the Commercial Liability program. One of the changes is a revision to the definition of “mobile equipment” in the Incidental Mobile Equipment coverage section. Under the commercial liability program, mobile equipment that is subject to compulsory or financial responsibility laws or other motor vehicle insurance laws are now considered “autos” and should be covered under an auto policy. However, the operation of devices permanently attached to such vehicles is still covered under the commercial liability policy.

In order to close any potential gaps in coverage, we have revised Commercial Auto policy (MCA 010) and introduced a new endorsement MCA 322 • Mobile Equipment Coverage. The revisions in MCA 010 are compatible with the recent changes to the MSO General Liability policies. Endorsement MCA 322 is a schedule for mobile equipment. We have also filed a rule and rating factor for MCA 322.

Endorsement MCA 205 • Diminished Value Exclusion is being withdrawn as this exclusion is now part of the policy MCA 010.

PROGRAM REVISIONS

The revision highlights include the following:

COMMERCIAL AUTO FORM - MCA 010

Part I • Covered Auto Descriptions

Hired Autos Only - Employees is now a defined term in the Glossary section and has been italicized throughout the form. Included reference to limited liability company.

Part II A • Main Liability Coverages

Who Is An Insured - Members of limited liability companies have been added to those persons that are not defined as insureds when using an auto owned by them or members of their households.

Part II B • Supplemental Coverages

Defense Coverage - Increased the lost earnings and expenses from \$100 to \$250 per day.

**PROGRAM
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Part II C • Liability Not Insured

Operations of Equipment Exclusion - New exclusion to exclude the operation of mobile equipment that is now considered an auto because it is subject to compulsory or financial responsibility law or other motor vehicle insurance law. This exposure is covered under the Commercial Liability policy.

Part II D • Special Liability Conditions

Duties of Insured - Included the insurer's right to require an examination under oath, signed and sworn statements and the right to video tape any examination. Consistent with other MSO policies.

Part III C • Exclusions / Limitations

Wear, Tear And Other Specified Causes Of Loss Exclusions - Added "freezing, fungi, mold, spores, mildew, bacterium, or other natural growth." Consistent with other MSO policies.

Diminished Value Exclusion - Added a new exclusion for diminution in value to covered autos. Withdrawing endorsement - MCA 205 • Diminished Value Exclusion.

Common Exclusions • Parts II and III

Part II - Government / Legal / War - Added "Government" to the title. Revised the exclusion to clarify that acts done to defend against war whether actual or expected are not covered. Consistent with other MSO policies.

Part III - Government / Legal / War - Revised the Government / Legal / War Exclusion to clarify that acts done to defend against war whether actual or expected are not covered. Consistent with other MSO policies.

Common Conditions • Parts II and III

Coverage Territory - Included the District of Columbia in the description of the coverage territory.

Common Glossary • Parts II And III

Auto - Revised the definition of "auto" to include other vehicles subject to compulsory or financial responsibility law or other motor vehicle insurance law.

Diminution in Value, Employee, Fungi, Leased Worker, Mobile Equipment, Rot and Decay Organisms, and Temporary Worker - Newly defined terms.

You / Your / Yourself - Added "yourself" and revised the definition

**PROGRAM
REVISIONS
(Continued)**

ENDORSEMENTS

New endorsement - MCA 322 • Mobile Equipment Coverage.
Withdrawn endorsement - MCA 205 • Diminished Value Exclusion

We also developed a sample policyholder notice for the program changes.

MSO ACTION

We have filed and received approval for the revised MCA 010, new endorsement MCA 322 and the accompanying rule and rating factor in New Jersey, Pennsylvania, Maryland, Delaware and Ohio.

**EFFECTIVE
DATE**

October 1, 2005 - New Jersey and Pennsylvania
October 15, 2005 - Maryland & Delaware
November 1, 2005 - Ohio

DISTRIBUTION

The revised policy form, new endorsement and revised manual pages will be added to the CD-ROM. Affiliated companies will be able to access it through our website: <http://www.msonet.com>.

QUESTIONS

Pepper Treuvey at (800) 935-6900 or e-mail to: ptreuvey@msonet.com.