



July 28, 2008

## **COMMERCIAL AND PERSONAL AUTO PHYSICAL DAMAGE EXCLUSIONS REVISED**

### **BACKGROUND**

The Wear and Tear and Other Specified Causes of Loss Exclusions in both the commercial auto and personal auto policy forms exclude a list of perils including wear and tear, electrical or mechanical breakdown and tire damage (Exclusion 4 in MCA 010 / Exclusion 12 in MPA 010). The excluded perils support the concept that the auto policy is not a maintenance contract. There is an exception to the exclusion that would provide coverage for any of the excluded losses if it ensues from an otherwise covered loss. For example, if a collision loss causes a tire blowout, it would be covered.

It is not clear if a covered loss that results from an excluded peril is covered. As an example, a fire loss resulting from electrical breakdown. The intent of the auto coverage would be that these types of ensuing losses would be covered.

We revised the various state commercial and personal auto mandatory endorsements to replace the Wear and Tear Exclusion. The modified exclusions clarify that such ensuing losses are, in fact, covered.

### **MSO<sup>®</sup> ACTION**

We filed and received approval of the mandatory endorsements in Delaware, Maryland, New Jersey, New York, Ohio and Pennsylvania. The following endorsements have been filed.

### **EFFECTIVE DATE**

October 1, 2008

### **ENDORSEMENTS CHANGED**

Delaware - MCA 830 (10 08)  
Maryland - MCA 840 (10 08) and MPA 840 (10 08)\*  
New Jersey - MCA 820 (10 08)  
New York - MCA 850 (10 08)  
Ohio - MCA 844 (10 08)  
Pennsylvania - MCA 810 (10 08) and MPA 810 (10 08)

\*Additionally, at the request of the Maryland Insurance Administration, we made two additional changes in MPA 840. We added the words "of gross unearned premium" in the Premium Financed Policies provision in paragraph 1.A. We deleted paragraph 1.B.2.c. pertaining to termination of policies.

**DISTRIBUTION**

The revised endorsements will be added to the CD-ROM. Affiliated companies will be able to access this through our website: <http://www.msonet.com>.

**QUESTIONS**

Contact Jan Kozlowski at (800) 935-6900.