



## Consumer Information

### Changes in the Massachusetts Auto Insurance Policy ***May*** Affect Vehicle Owners Coverage for Towing Related and Repair Services (Effective 2016)

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#### The Facts

In 2015, the Auto insurers Bureau, a group representing the insurance companies writing auto policies in MA submitted a proposed revision to the MA Auto Policy to the Massachusetts Division of Insurance. The filing, the 8<sup>th</sup> Edition MA Auto Insurance Policy included several reductions in coverage and in Statewide Towing Association's opinion, some appear to be in conflict with several MA Statutes and REgulations. The Division of Insurance accepted the filing in late 2015. *Individual insurance companies have the option of adopting some or all of the new provisions and some insurance companies have done so.*

***Please review your policy carefully and consult with your insurance agent for specific information about your policy.***

#### What do the changes mean for MA vehicle owners?

These changes mean your auto policy *may* not cover and pay for some or all towing, recovery, storage and related services charges, for which you as the vehicle owner are liable.

There are several sections applicable to towing and repair charges.

#### **1. Damage to Someone Else's Property – Part 4**

"The amount we will pay does not include compensation for physical damage to your auto or towing or recovery of your auto or any decreased value or intangible loss claimed to result from the property damage."

This new language is in direct conflict with Massachusetts General Law Chapter 90 Section 340, Second Paragraph:

"Every policy of property damage liability insurance shall provide that the insurer will pay on behalf of the insured all sums the insured shall become legally obligated to pay as damages because of injury to or destruction of property, including loss of use thereof, caused by accident and arising out of the ownership, maintenance or use, including loading and unloading of the insured motor vehicle, subject to a limit of not less than five thousand dollars because of injury to or destruction of property of others in any one accident. Under terms and conditions approved by the commissioner the insurer shall have the right and duty to defend any suit against the insured seeking damages on account of such injury to or destruction of property even if any of the allegations of the suit are groundless, false or fraudulent."

How does this affect you? If your vehicle is in an accident in which there is property damage for example the vehicle hits a fence, guardrail, sign, house, lands in a pool or skids off the roadway and becomes stuck. Under the previous standard policy, the recovery/extrication and towing of your vehicle would have been covered under the Compulsory Section - Damage to Someone Else's Property. That *may* no longer be the case.

#### **2. Collision, Limited Collision and Comprehensive coverage related to towing services:**

Collision – Part 7

Limited Collision – Part 8

Comprehensive Coverage – Part 9

"The amount we will pay for towing, recovery and storage of your auto will be limited to the amounts, including all fees, established by law or regulation of the Massachusetts Department of Public Utilities for the removal of motor vehicles by police order or from private property."

How do these changes affect you?

The Massachusetts Department of Public Utilities regulates some towing and storage rates. Additional charges for services rendered that are outside the scope of those regulations are set by individual tow companies and are not included in the coverage as defined by the above insurance policy changes.

### **3. Collision, Limited Collision & Comprehensive coverage related to repair services:**

Collision – Part 7

Limited Collision – Part 8

Comprehensive Coverage – Part 9

"The cost to repair the auto is limited to the prevailing competitive price which we secure from a licensed repair facility under our direct payment plan."

This language appears in direct conflict with Massachusetts General Law Chapter 26, Section 8G: "If the appraiser and the repair shop fail to agree on a price for repairs, the appraiser shall not obtain a competitive estimate from another repair shop unless the owner of such other shop, or his authorized agent, either of which shall be a licensed appraiser, has inspected the vehicle and prepared an itemized estimate of repairs to be performed. No such competitive estimates shall be obtained by the use of photographs, telephone calls or in any manner other than a personal inspection."

"No appraiser or insurer shall request or suggest that repairs be made in a specified repair shop."

How do these changes affect you, the vehicle owner?

This means while you can choose where to have your vehicle repaired, your insurance company will only pay an amount equal to what they would pay their contracted auto body shop not what your chosen independent shop needs to be compensated to repair your vehicle properly.

### **4. Section 35 "When There Is An Accident Or Loss"**

"Do whatever is reasonable to protect the auto from further damage Where there is coverage provided by this policy, we will pay for any reasonable expenses incurred in doing this."

This means since the insurance company only pay for regulated towing and storage charges, they will no longer pay to protect your vehicle from further damage as a result of weather for example if your vehicle has broken windows and is open to the weather, the cost of covering the vehicle with a tarp or crash wrap or placing the vehicle inside a building i.e. inside storage.

### **Final Note:**

**These changes represent a reduction in insurance coverage.**

These changes ***do not*** represent an increase in towing, recovery, storage and related services charges. The towing industry in MA has not had an increase in the regulated towing rate since 2004 and that rate was based on 2003 cost data.

How much have your insurance costs increased since 2003?