

# **2010 ISO Commercial Auto Forms Revision**

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Insurance Services Office, Inc. (ISO) has revised its commercial auto forms and endorsements for a June 1, 2010, effective date in most states.

While some insurers may delay adoption of the revised forms and endorsements for months or even years after the effective date, proactive producers and risk managers will want to get an overview of the changes before they actually encounter them.

ISO has filed new editions of its Business Auto Coverage Form (BACF), Garage Coverage Form (GCF), and Motor Carrier Coverage Form (MCCF), as well as several endorsements used with these forms. At the same time, ISO plans to withdraw its Truckers Coverage Form (TCF), which has become outdated because of changes in motor carrier regulations.

Going forward, the MCCF will be used instead of the TCF. Under ISO manual rules, the MCCF can be written for a person or an organization providing transportation by auto in the furtherance of a commercial enterprise, while eligibility for the TCF is limited to a person or an organization engaged in the business of transporting property by auto for hire.

For example, the MCCF can be written not only for a motor carrier that transports property of others for hire, but also for an insured that transports only its own property by auto (not just property of others) or that transports people (as opposed to property).

Other than ISO's withdrawal of the TCF, changes to the other coverage forms and endorsements range from being only editorial to having a light to moderate effect on coverage.

Noteworthy changes that apply equally to the BACF, GCF, and MCCF are as follows:

- The supplementary payment applicable to costs taxed against the insured in a suit that the insurer defends has been clarified to state that it applies only to *court* costs taxed against the insured, and that the insurer's payment for such costs does not include attorneys' fees or attorneys' expenses taxed against the insured. Attorneys' fees for which the insured is held liable are covered by the auto liability insuring agreement in each of the commercial auto forms, because the plaintiff's attorney's fee is normally a percentage of the damages awarded to the plaintiff that has made the claim against the insured.
- Additional wording has been added to the Fellow Employee exclusion to extend the exclusion to wrongful death claims made by the survivors of an employee who is killed on the job because of a fellow employee's negligence.
- The existing exclusion of physical damage coverage for electronic equipment has been modified so that it will no longer exclude electronic equipment that receives or transmits audio, visual, or data signals, as long as the equipment is permanently installed in the auto (or is removable from a housing unit that is permanently installed in the auto). However, the revised forms limit coverage for such equipment (including sound-reproducing equipment) to \$1,000 per accident. Higher limits are available by endorsement.

- The “wear and tear” exclusion applicable to physical damage coverage has been reworded to apply only to loss “due and confined to” wear and tear, freezing, mechanical breakdown, electrical breakdown, and road damage to tires. The “due and confined” language, also found in ISO’s Personal Auto Policy, replaces language in the commercial forms that was aimed at achieving the same effect.

For example, if an electrical breakdown occurs, the insurer will not pay the cost of repairing or replacing the damaged electrical component, because the loss was “due and confined” to the electrical breakdown. However, if the electrical breakdown causes a fire that then destroys the covered auto, the fire damage to the rest of the auto would not be confined to the electrical breakdown. Accordingly (assuming the auto is covered for comprehensive or specified causes of loss), the fire damage to the rest of the auto (other than the component initially damaged by the electrical breakdown) would be covered.

ISO has also introduced these new commercial auto endorsements:

- CA 04 44 – Waiver of Subrogation, which amends the subrogation condition so that it does not apply to the entity listed in the endorsement if subrogation is waived before the accident or loss under a contract with the entity.
- CA 23 98 – Trailer Interchange Coverage, which allows this coverage to be added to the Business Auto Coverage Form for a private carrier that enters into trailer interchange agreements and wants to obtain this coverage.
- CA 04 45 – Golf Carts and Low Speed Vehicles, which allows coverage for golf carts and other low-speed vehicles that are not subject to financial responsibility or other motor vehicle insurance laws and thus would not otherwise meet the definition of “auto” in ISO commercial auto forms.

In addition, ISO has modified the Limits of Insurance and Deductibles provisions applicable to garagekeepers coverage in the Garage Coverage Form to clarify that the full limit of insurance is available if a loss exceeds the sum of the deductible and the limit of insurance. In other words, the deductible is subtracted from the full amount of the loss, not from the limit of insurance. The same change has been made to the Deductible provision applicable to trailer interchange coverage in the Motor Carrier Coverage Form.

The definition of “customer’s auto” in the GCF has been expanded to include situations in which the named insured, with or without the owner’s knowledge or consent, has lawful possession of a land vehicle or trailer for service, repair, storage, or safekeeping. For example, if a towing company took possession of an abandoned vehicle at the request of the police, this vehicle would meet the definition of “customer’s auto” for purposes of garagekeepers coverage in the GCF.

Various other changes have been made to these GCF endorsements to maintain consistency between them and the ISO Commercial General Liability Coverage Form: CA 25 08 – Personal

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Injury Liability Coverage – Garages; CA 25 10 – Fire Legal Liability Coverage – Garages; and CA 25 14 – Broadened Coverage – Garages.

This article has mentioned only the more significant changes in the 2010 commercial auto forms and endorsements. For complete details, those with access to ISO Circulars should see Circular LI-CA-2009-103. For the associated revisions of manual rules and loss costs, see Circulars LI-CA-2009-104 and LI-CA-2009-105.

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