



COMMONWEALTH AUTOMOBILE REINSURERS

225 Franklin Street Boston, Massachusetts 02110

www.commauto.com

617-338-4000

RALPH A. IANNACO
PRESIDENT

February 17, 2010

BULLETIN NO. 920

PROPOSED CHANGES TO THE RULES OF OPERATION

At its meeting of February 17, 2010, the Governing Committee voted to amend the following Rule of Operation by deleting and adding the language as indicated on the attached copy. A copy of the Filing Letter, which contains an explanation of this Rule change, is attached for your information.

The proposed Rule is listed below.

Rule 21 – General Provisions

This Bulletin, with a copy of the proposed changes to the Rule as listed above, is being furnished to every Member Company as required in Article X of the Plan of Operation. Any Member Company may request a public hearing within five days of receipt of this Bulletin and Filing Letter, as provided by Article X of the Plan of Operation.

A proposed Rule shall become effective upon the written approval of the Commissioner or upon the expiration of 30 days after filing, provided the Commissioner has not previously disapproved the Rule in writing.

RALPH A. IANNACO
President



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RALPH A. IANNACO
PRESIDENT

February 17, 2010

Honorable Joseph G. Murphy
Commissioner of Insurance
Massachusetts Division of Insurance
One South Station
Boston, MA 02110-2208

Dear Commissioner Murphy:

Rules of Operation

Rule 21 – General Provisions

In accordance with the provisions of Article X of the Plan of Operation, I hereby file, at the request of the Governing Committee, the attached amendments to Rule 21 of the Rules of Operation.

The attached amendments change Rule 21 by deleting and adding the language as indicated on the attached copy.

The remainder of this Rule is unchanged.

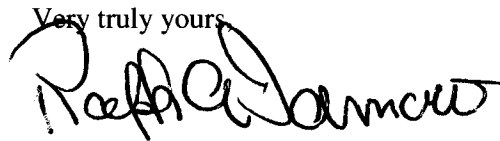
Explanation

Rule 21

The proposed amendments to Rule 21.C. add transition procedures that apply to new business applications for coverage effective April 1, 2010 through March 31, 2011 submitted to the MAIP for assignment by a former ERP that does not have a voluntary contract as of April 1, 2010. The amendments provide that a down payment is calculated based on 20% of the MAIP rate and includes a provision relating to the ARP maintaining the original signed new business application.

In correspondence dated January 14, 2010, the Commissioner suggested that CAR consider calculating the down payment for these MAIP applications based on 20% of 80% of the MAIP rate. However, the committee expressed concern that this calculation will result in an insufficient deposit and voted unanimously to recommend the down payment be calculated as 20% of the full MAIP premium.

A copy of the proposed amendments to Rule 21 is attached hereto, and is being furnished to every Member Company, the two associations of insurance producers, and the Public Protection Division of the Office of the Attorney General, as required by Article X of the Plan of Operation.

Very truly yours,

Ralph A. Iannaco
President

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Attachment: Rule 21 – General Provisions

cc: Assigned Risk Producers of Massachusetts, Inc.
Massachusetts Association of Insurance Agents
Public Protection Division – Office of the Attorney General

A. General Provisions

The Massachusetts Automobile Insurance Plan (MAIP) has been created to provide Private Passenger Motor Vehicle Insurance to Eligible Risks, as defined by Rule 22, who seek and are unable to obtain such insurance through the voluntary market, and to assure that the risks written through the MAIP are distributed equitably based upon the Quota Share of each Member as defined by Rule 22.

The Rules of Operation of the MAIP are adopted in accordance with CAR's Plan of Operation in order to implement the MAIP and shall be effective July 16, 2007, subject to the provisions for the phase-in of placements through the MAIP pursuant to Section B. below and the constraints identified in Section D. below.

B. Provisions for the Phase-In of Placements Through the MAIP

In order to achieve a smooth transition from the reinsurance facility administered by Commonwealth Automobile Reinsurers (the CAR pool) to the MAIP, the placement of Eligible Risks through the MAIP will not begin until April 1, 2008 pursuant to Section B.2. below and will, at first, be limited to New Business. The placement of all other business through the MAIP will be subject to a gradual process. The first, limited category of risks that must be placed through the MAIP if declined in the voluntary market will also begin for policies effective on or after April 1, 2008 pursuant to Sections B.2. and 3. below. Only as of April 1, 2009 must all risks that are declined in the voluntary market be placed through the MAIP pursuant to Section B.4. below. Additionally, constraints on business that cannot be non-renewed are imposed for a three-year transition period pursuant to Section D. below. This measured approach is necessary to ensure that the MAIP is not overwhelmed in its initial operation and to allow CAR time to implement the administrative framework of the MAIP. To achieve these benefits, the following Rules apply to eligibility for ceding to the CAR pool and to eligibility for placement through the MAIP on or after July 16, 2007:

1. Beginning on July 16, 2007, the MAIP Rules become effective, but no business can be placed through the MAIP until April 1, 2008. Members who are eligible to cede pursuant to CAR Rules may continue to cede to the CAR pool new or other Private Passenger Motor Vehicle Insurance business, including renewal business, with policy effective dates from July 16, 2007 through March 31, 2008.
2. All New Business, pursuant to Rule 22, with policy effective dates on or after April 1, 2008, must either be written voluntarily or be declined and referred for placement through the MAIP. These declined risks can no longer be ceded to the CAR pool as of April 1, 2008.
3. All Private Passenger Motor Vehicle Insurance business, including renewal business, with policy effective dates on or after April 1, 2008 that has 10 or more merit rating points, as determined by the MAIP rate manual rules, must either be written voluntarily or declined and referred for placement through the MAIP. These risks can no longer be ceded to the CAR pool as of April 1, 2008.
4. All Private Passenger Motor Vehicle Insurance business with policy effective dates on or after April 1, 2009, must either be written voluntarily or be declined and referred for placement through the MAIP. These risks can no longer be ceded to the CAR pool as of April 1, 2009.

The last policy effective date on which any risk can be ceded to the CAR pool is March 31, 2009.

C. Transition Procedures

1. The following procedures have been established in order to continue a smooth transition from the reinsurance facility administered by CAR to the MAIP. Notwithstanding anything to the contrary in these Rules, including but not limited to the provisions of Rules 26.A.3.a.(3), 28.B.1., 28.C.1.a., 31.B.3.1., 31.B.5.a., and 31.B.6., these procedures apply to applications for coverage effective through March 31, 2010 that meet the following eligibility criteria:

- a. The applicant's prior policy was non-renewed.
 - b. The applicant's producer of record for the prior policy was an Exclusive Representative Producer on the effective date of that policy, or the prior policy was ceded to CAR.
 - c. There is no prior premium owed; and
 - d. The applicant is otherwise eligible for MAIP placement.
2. An applicant that meets the established eligibility criteria is subject to the following provisions:
- a. The down payment will be calculated as 20% of the MAIP premium;
 - b. Pre-inspection requirements will be waived;
 - c. The down payment and original MAIP policy application, signed by the ARP, must be submitted to the Assigned Risk Company within 2 business days of the assignment. The requirement for an applicant's signature on the original application will be waived provided that, a signed copy of the application is received by the ARP within 10 business days of the assignment. The ARP will be required to maintain the signed copy, and make this copy available upon request;
 - d. If requested by its former ERP, the former Servicing Carrier will provide a list of non-renewed policies in electronic format to the former ERP.
3. The following procedures apply to new business applications submitted through the MAIP for coverage effective April 1, 2010 through March 31, 2011 by a former Exclusive Representative Producer that does not have a voluntary contract as of April 1, 2010.
- a. The down payment will be calculated as 20% of the MAIP premium;

b. The down payment and original MAIP policy application, signed by the ARP, must be submitted to the Assigned Risk Company within 2 business days of the assignment. The requirement for an applicant's signature on the original application will be waived provided that a signed copy of the application is received by the ARP within 10 business days of the assignment. The ARP will be required to maintain the signed copy, and make this copy available upon request.

4. Procedures pursuant to Rule 21.C.3.a. and b. do not apply to new business applications submitted through the MAIP by a former Exclusive Representative Producer that receives a voluntary contract subsequent to April 1, 2010.

D. Constraints on Placement Through the MAIP During the Transition Period

A Clean-in-Three Risk, pursuant to Rule 22, with a renewal date during the period April 1, 2008 through March 31, 2011, cannot be non-renewed by a Member unless:

1. The insured, at his own initiative, chooses not to renew his policy with such Member;
2. The producer terminates his relationship with a Member and the producer transfers his book of business, which includes such a Clean-in-Three Risk, from that Member to a new Member; or
3. The Member terminates his relationship with a producer and the producer transfers his book of business, which includes such a Clean-in-Three Risk, from that Member to a new Member.

E. Obligations of Assigned Risk Companies Relative to Clean-in-Three Business

The Producer of a Clean-in-Three Risk, renewed by an Assigned Risk Company (ARC) pursuant to Rule 21.D., shall continue as the risk's producer of record and shall be paid commissions owed on such business, even if the producer does not hold a voluntary contract with the ARC. The producer's commission and the term of commission payments are governed by Rule 30.C.1.d.

F. Responsibility of CAR During the Transition Period

CAR is directed to submit to the Commissioner, by December 1, 2010, proposed rules that will ensure continued control of the size of the residual market after April 1, 2011. In developing such rules, CAR is to consider market-based strategies as well as other methodologies.