



COMMONWEALTH AUTOMOBILE REINSURERS

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RALPH A. IANNACO
PRESIDENT

May 20, 2011

BULLETIN NO. 943

DECISION

PROPOSED CHANGES TO RULES OF OPERATION

Rule 36.I – Approval of LADAs

Rule 36.J. and 36.K. – Termination of LADAs

Proposed changes to the Rules of Operation amending Rule 36 were filed with the Commissioner of Insurance on April 21, 2011. The proposed changes were furnished to all members and interested parties as Bulletin No. 941, dated April 21, 2011.

The Commissioner of Insurance, in his correspondence dated May 19, 2011, has approved the proposed amendments to Rule 36.I. as filed. However, the proposed amendments to Rules 36.J. and 36.K. have been disapproved.

Please bring these changes to the attention of all interested parties. The Rules of Operation, including all approved changes, are available on CAR's website.

RALPH A. IANNACO
President

Attachment



COMMONWEALTH OF MASSACHUSETTS
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DIVISION OF INSURANCE

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JOSEPH G. MURPHY
COMMISSIONER OF INSURANCE

May 19, 2011

Mr. Ralph A. Iannaco, President
Commonwealth Automobile Reinsurers
225 Franklin Street
Boston, MA 02110

Re: Proposed Amendments to MAIP Rule of Operation 36

Dear Mr. Iannaco:

On April 21, 2011, Commonwealth Automobile Reinsurers ("CAR") submitted proposed amendments to MAIP Rule of Operation 36 ("Rule 36") for my approval that the CAR Governing Committee approved on April 20. The Division of Insurance ("Division") has carefully reviewed these proposed amendments and I have concluded that they should be approved in part and disapproved in part.

With respect to the proposed amendments to Rule 36.I, these amendments are approved as submitted.

With respect to the proposed amendments to Rule 36.J and Rule 36.K, these proposed amendments are disapproved as submitted. I will reconsider that position, however, if the proposed amendments address the concerns outlined below.

Rule 36.J currently states that a Limited Assignment Distribution Agreement ("LADA") may be terminated by either the Assigned Risk Company ("ARC") or the Member in accordance with the terms and conditions of the contract. The proposed amendments in CAR's April 21 submission additionally require that the MAIP be notified of any such termination of a LADA contract between an ARC and a Member 90 days prior to the effective date of the termination. This proposed amendment provides timely notice of the termination of the LADA to the MAIP and helps facilitate an orderly transition as respects the policyholders subject to the terminating LADA.

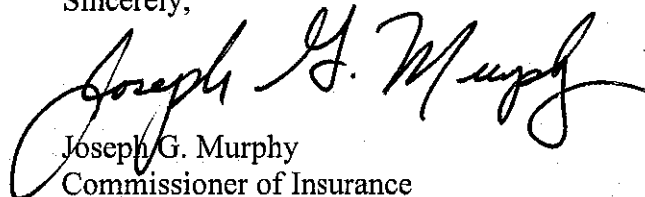
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The proposed amendments to Rule 36.J in CAR's April 21 submission also require, however, that the ARC continue to receive assignments under the LADA until the termination date, and further require the ARC to service all business assigned under the LADA until the end of the three-year assignment period. These proposed changes are inconsistent with the current provisions of MAIP Rule 38.

MAIP Rule 38 details the process to be followed when a LADA is terminated as a result of an involuntary termination of an ARC, or as a result of a Member exiting the private passenger motor vehicle insurance market. In the first instance, the ARC is required to service its existing MAIP business until the expiration of the three-year assignment period for its MAIP assignments, but other servicing options are possible, depending on the circumstances. See Rule 38.A.3. In the second instance, the exiting Member is responsible for ensuring that its MAIP assignments are serviced through the end of the three-year assignment period, which may or may not involve a LADA. See Rule 38.B. In either instance, the proposed amendments to Rule 36.J either directly or potentially conflict with the termination provisions of Rule 38.

When a LADA terminates for reasons other than those addressed in Rule 38, the market benefit of requiring an ARC to continue servicing all MAIP assignments insured through a LADA until the end of the policy's three-year MAIP assignment period is unclear. Moreover, CAR does not provide any explanation that justifies the proposed requirement that an ARC continue to service the assigned business until the end of its three-year assignment period following the termination of a LADA. The Division believes that the process of terminating a LADA is more appropriately addressed by the terms of an individual contract rather than a general default in a MAIP rule.

Sincerely,

A handwritten signature in black ink, reading "Joseph G. Murphy". The signature is fluid and cursive, with the first name "Joseph" being the most prominent.

Joseph G. Murphy
Commissioner of Insurance