



NATALIE A. HUBLEY
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

101 Arch Street, Suite 400 Boston, Massachusetts 02110
www.commauto.com 617-338-4000

ADDITIONAL INFORMATION

TO MEMBERS OF THE GOVERNING COMMITTEE

FOR THE MEETING OF:

Wednesday, June 19, 2019 at 10:30 a.m.

GC

19.06 Commercial Program Oversight Committee

The Records of the Commercial Program Oversight Committee meeting of June 6, 2019 are attached. (Docket #GC19.06, Exhibit #5)

The Records of the Commercial Program Oversight Committee meeting of June 6, 2019 have been distributed and are on file.

GC

19.12 Loss Reserving Committee

A Summary of the Loss Reserving Committee meeting of June 5, 2019 is attached. (Docket #GC19.12, Exhibit #2)

The Records of the Loss Reserving Committee meeting of June 5, 2019 have been distributed and are on file.

GC

19.15 MAIP Steering Committee

The Records of the MAIP Steering Committee meeting of June 6, 2019 are attached. (Docket #GC19.15, Exhibit #2)

The Records of the MAIP Steering Committee meeting of June 6, 2019 have been distributed and are on file.

GC
19.17 Joint Actuarial Commercial Lines Committee

The Records of the Joint Actuarial Commercial Lines Committee meeting of May 23, 2019 are attached. (Docket #GC19.17, Exhibit #1)

The Records of the Joint Actuarial Commercial Lines Committee meeting of May 23, 2019 have been distributed and are on file.

NATALIE A. HUBLEY
President

Attachments

Boston, Massachusetts
June 13, 2019



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RECORDS OF MEETING

COMMERCIAL PROGRAM OVERSIGHT COMMITTEE – JUNE 6, 2019

Members Present

Mr. William Cahill, Jr. – Chair
Mr. Charles Boynton, III
Mr. Peter Chung
Mr. Brian Hayes
Mr. Kenneth Olivieri⁽¹⁾

The Hanover Insurance Company
Boynton Insurance Agency, Inc.
The Norfolk & Dedham Group
Quincy Mutual Group
J.K. Olivieri Insurance Agency, Inc.

Substituted for:

⁽¹⁾Mr. John Olivieri, Jr.

Not in Attendance:

N/A

19.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Commercial Program Oversight Committee meeting of March 28, 2019. The Records have been distributed and are on file.

19.04 2018 Servicing Carrier Annual Report Review

Mr. John Metcalfe stated that 2018 Annual Reports prepared by the four Servicing Carriers, and a summary of the reports as prepared by staff were distributed to the Committee as additional meeting information. He noted that the commercial Servicing Carrier Annual Reports are intended to provide Servicing Carriers with a framework to annually report to CAR their efforts in managing the commercial automobile residual market. The Committee was also provided with a series of data reports prepared by staff which profile the commercial residual market, and which may be used by the Committee in its review and discussion of the Annual Reports.

The Committee noted that the data reports provided by staff were helpful from an underwriting perspective and requested that they be provided in the future to assist the Committee in its yearly review of Servicing Carrier efforts in managing the commercial residual market. Additional suggestions were made for further information to be provided with the 2019 annual reports. Members agreed that it may be helpful, as new programs and procedures are implemented, to receive trend data from the four Servicing Carriers in order to track improvement. Ms. Hubley stated that CAR could provide industry data to the Servicing Carriers that identifies trends from year to year, provides volume information, underwriting results, frequency and severity by classification, and specifically targets those classes identified as problematic, such as the non-fleet private passenger types and zone rated buses. Committee members agreed that the individual Servicing Carriers would then be asked to respond with trends and comments on their own company experience in these areas.

Committee discussion ensued with members indicating that the summary exhibit prepared by staff was helpful for identifying and comparing the efforts of each of the Servicing Carriers. Members were pleased with the success each carrier had in implementing the recently approved procedures and standards. However, despite implementing these practices, it was noted that there still appeared to be differing loss results from carrier to carrier. Although the Committee expected to see more consistency in the results, members agreed that the measures taken may not be immediately reflected and as CAR continues to standardize approaches and practices, the results should continue to improve.

The Committee was encouraged by the positive comments provided by each of the Servicing Carriers with respect to the Ineligible Risk Database. Members agreed that the database is a helpful tool and suggested that it may be beneficial to take further advantage of the database, adding to the information contained in it and potentially expanding access to its data. The Committee also cited the positive handling of challenging risks by the four carriers, including specifically the non-owned and zone rated risks.

In their Annual Reports, each of the Servicing Carriers provided recommendations for addressing market concerns and commercial issues to be addressed by CAR's committees as the program moves forward. Ms. Natalie Hubley stated that CAR will follow up on those recommendations to obtain a better understanding of what each Servicing Carrier is proposing and to determine the best avenue to address each issue. Staff will then add items to the Commercial Automobile Committee's list of residual market issues being addressed and/or refer issues to another appropriate committee.

In response to questions regarding efforts to address adequacy in the commercial automobile residual market rates, Ms. Hubley advised the Committee that the newly formed Joint Actuarial Commercial Lines Committee would be involved in a commercial rate study that would include the evaluation of rates and rate adequacy in various classifications and in rates pertaining to operations outside of Massachusetts. In addition, she noted that staff intends to review other states' commercial automobile residual market plans and compare them to what is offered in the Massachusetts commercial automobile residual market. The review is intended to identify areas where the Massachusetts residual market rate and/or plan provides market attributes that may be more attractive to an out-of-state risk than those in their domiciled state and to identify potential actions that can be taken to address the disparity in plan offerings. The Committee noted that it would be highly beneficial to identify various programs or procedures instituted by other states' residual markets and commented positively relative to the anticipated involvement and efforts of the Joint Actuarial Commercial Lines Committee and CAR staff.

Finally, it was noted that despite the reports of implementation efforts and the successes noted to date involving the areas of risk eligibility and rating, the development of standard procedures for validating business entity and licensing and determining principal place of business, challenges still remain. The Committee agreed that the commercial automobile residual market will continue to be a high priority effort for both CAR and its committees.

MARIAN ADGATE
Corporate Documentation Specialist

Boston, Massachusetts
June 13, 2019



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SUMMARY OF MEETING

LOSS RESERVING COMMITTEE – JUNE 5, 2019

Ms. Lynellen Ramirez – Chair
Mr. Michael Lombardi ⁽¹⁾
Ms. Alyssa Potter
Ms. Melissa Vaughn ⁽²⁾

Arbella Insurance Group
MAPFRE U.S.A. Corporation
The Hanover Insurance Company
Safety Insurance Company

Substituted for:

⁽¹⁾ Mr. Warren Ehrlich

⁽²⁾ Mr. Glenn Hiltbold

19.01 Records of Previous Meeting

The Committee unanimously voted to approve the Records of the Loss Reserving Committee meeting of March 5, 2019. The Records have been distributed and are on file.

19.04 Quality of Current Quarter Reporting

The Committee was advised that 14 Bodily Injury (BI) large loss claims and two Property Damage Liability (PDL) claims were referred this quarter to CAR's Compliance Audit Department for additional information and verification of the reported statistics. These claims, impacting policy years 2011-2018, either were newly reported, experienced large upward or downward reserve changes, or were paid in excess of the prior quarter reserve.

The Committee reviewed large loss reports for all large losses reported for policy years 2009-2019 as of March, 2019. During the current quarter, 9 new claims ranging from policy years 2014 through 2018 with losses greater than \$1.0 million were reported, while one claim fell below the \$1.0 million threshold. The reports are attached, pages 4-7. Page 7 provides a summary of the change in large losses from the prior quarter.

A Committee member advised of a significant bus accident that occurred during the 1st quarter, 2019. The initial reserves reported for this accident were \$2.4 million, however, the reserve was subsequently increased to the \$5.0 million policy limit. Although the full \$5.0 million was not reflected in the loss reserving data for the current quarter, it was considered in the ultimate accident year selections.

19.06 Policy Year Deficit and Loss Ratio Report

The Committee set loss and loss adjustment expense reserves, using data through March 31, 2019.

The Committee estimated a policy year 2016 commercial deficit of \$48.9 million with a loss ratio of 103.4 percent, representing a deterioration of \$200,000 from the prior quarter.

The Committee estimated a policy year 2017 commercial deficit of \$33.1 million with a loss ratio of 93.2 percent, representing an improvement of \$345,000 from the prior quarter.

The Committee estimated a policy year 2018 commercial deficit of \$37.3 million with a loss ratio of 95.2 percent, representing a deterioration of \$1.7 million from the prior quarter. The change was primarily due to two new large claims reported during the current quarter.

Ultimate loss ratio and deficit projections for policy years 2016-2018 are attached as pages 8-9.

The following summary displays results from the June 5, 2019 meeting:

Total AO

<u>CAL/AY</u>	<u>Earned Premium(000)</u>	<u>Loss & Allocated Loss Adjustment Expense (000)</u>				<u>Number of Open Claims</u>
		<u>Paid</u>	<u>Case Outstanding</u>	<u>IBNR</u>	<u>Held Ultimate</u>	
2010	95,938	73,934	267	(1)	74,200	2
2011	88,176	74,791	107	-	74,898	2
2012	91,576	65,392	454	10	65,856	8
2013	102,216	78,739	2,680	1,040	82,459	29
2014	117,843	96,038	6,559	(268)	102,329	57
2015	140,066	100,361	10,093	1,891	112,345	135
2016	160,225	120,861	35,449	9,691	166,001	439
2017	175,274	100,205	50,957	20,629	171,791	1,247
2018	189,610	79,897	60,913	35,349	176,159	3,455
2019 @ 3 mos	49,351	9,167	13,149	26,307	48,623	1,720
Total	1,210,275	799,385	180,628	94,648	1,074,661	7,094

Total PP

<u>CAL/AY</u>	<u>Earned Premium(000)</u>	<u>Loss & Allocated Loss Adjustment Expense (000)</u>			<u>Held Ultimate</u>	<u>Number of Open Claims</u>
		<u>Paid</u>	<u>Case Outstanding</u>	<u>IBNR</u>		
2010	2,871	2,794	-	-	2,794	-
Total	2,871	2,794	-	-	2,794	-

SHANNON CHIU
Actuarial/Statistical Analyst

Boston, Massachusetts
June 13, 2019

Loss Reserving Committee Executive Summary – Attachments

<u>Report Name</u>	<u>Page(s)</u>
Large Loss Listing by Policy Year (> \$ 1.0 Million)	4-5
Large Loss Summary by Policy Year (> \$ 300,000)	6
Change in Large Losses by Policy Year	7
Ultimate Loss Ratio and Deficit Projections at March, 2019	8-9

Commonwealth Automobile Reinsurers
Large Loss Listing By Policy Year (Large Losses \$1.0 Million and Greater)
Data Reported Through March, 2019

#	Policy		Liability		Limit		Accident		Claimants	Class Description	ITD Paid	Current	ITD Total		Prior	Prior Qtr Total	Change Total	QTR 1st >	
	Year	Limit	Limit	Year	Year	Losses	Reserves	Loss			Reserves	Losses	Loss	PIP Loss	CITY	TWN	1.0 Mill	1st Rept	
1	18	1.0 M	CSL	18	7	SEMITRAILERS, FLEET	742,453	436,028	30,001	1,208,482	967,091	1,185,363	23,119	0	NON MA	4Q 2018	3Q 2018		
2	18	1.0 M	CSL	19	2	NON-OWNED: HIRED AUTOS	0	1,000,000	20,000	1,020,000			1,020,000	0	NON MA	1Q 2019	1Q 2019		
3	18	1.0 M	CSL	19	2	SEMITRAILERS, FLEET	651,484	372,747	18,637	1,042,868			1,042,868	0	NON MA	1Q 2019	1Q 2019		
4	18	1.0 M	CSL	18	2	EXTRA-HEAVY TRUCKS, FLEET	0	1,008,000	29	1,008,029	1,008,000	1,008,003	26	8,000	MASS	4Q 2018	4Q 2018		
5	18	1.0 M	CSL	18	4	EXTRA-HEAVY TRUCK-TRACTORS, FLEET	0	1,000,000	50,205	1,050,205	1,000,000	1,050,200	5	0	MASS	4Q 2018	4Q 2018		
6	18	5.0 M	CSL	19	32	CHARTER BUS, FLEET, ZONE RATED	0	2,284,200	77,000	2,361,200			2,361,200	116,000	NON MA	1Q 2019	1Q 2019		
7	18	5.0 M	CSL	18	1	BUS NOT OTHERWISE CLASSIFIED, FLEET, ZONE RATED	0	5,003,500	50,125	5,053,625	100,000	110,000	4,943,625	3,625	NON MA	1Q 2019	4Q 2018		
8	18	5.0 M	CSL	18	64	SIGHTSEEING BUS, FLEET, ZONE RATED	336,050	5,007,510	183,601	5,527,161	5,029,090	5,305,014	222,147	440,751	NON MA	2Q 2018	2Q 2018		
18 Total							1,729,987	16,111,985	429,598	18,271,570	8,104,181	8,658,580	966,190	568,376					
1	17	1.0 M	CSL	17	8	EXTRA-HEAVY TRUCK-TRACTORS, FLEET	1,136,433	0	3,762	1,140,195	0	1,142,864	(2,669)	4,100	MASS	4Q 2017	3Q 2017		
2	17	1.0 M	CSL	18	1	GARAGES: RISKS SUBJECT TO COMPULSORY LAW	7,067	1,000,000	50,533	1,057,600	1,002,000	1,052,100	5,500	7,067	MASS	4Q 2018	3Q 2018		
3	17	1.0 M	CSL	18	5	EXTRA-HEAVY TRUCK-TRACTORS, NON FLEET, ZONE RATED	122,534	950,000	47,500	1,120,034	952,500	1,111,330	8,704	0	NON MA	4Q 2018	2Q 2018		
4	17	1.0 M	CSL	17	1	NON-OWNED: NON OWNERSHIP LIABILITY	1,000,000	0	3,456	1,003,456	0	1,003,456	0	0	NON MA	1Q 2018	4Q 2017		
5	17	1.0 M	CSL	17	2	URBAN BUS, FLEET	20,493	1,000,000	26	1,020,519	1,000,000	1,020,519	0	0	MASS	3Q 2017	3Q 2017		
6	17	1.0 M	CSL	18	1	EXTRA-HEAVY TRUCKS, FLEET	0	1,003,500	7,625	1,011,125	1,003,500	1,011,125	0	3,625	MASS	4Q 2018	4Q 2018		
7	17	5.0 M	CSL	17	6	CHARTER BUS, NON-FLEET, ZONE RATED	116,888	1,035,000	55,742	1,207,630	1,035,000	1,207,630	0	8,000	NON MA	4Q 2018	3Q 2017		
8	17	1.0 M	CSL	18	2	HEAVY TRUCKS, NON FLEET	0	1,001,588	15,030	1,016,618	1,001,588	1,016,618	0	0	MASS	3Q 2018	2Q 2018		
9	17	1.0 M	CSL	17	1	TRAILERS, FLEET	8,175	999,825	150,000	1,158,000	999,825	1,158,000	0	8,000	MASS	4Q 2017	2Q 2017		
17 Total							2,411,590	6,989,913	333,674	9,735,177	6,994,413	9,723,642	11,535	30,792					
1	16	1.0 M	CSL	17	3	GARAGES: RISKS SUBJECT TO COMPULSORY LAW	120,507	1,000,000	30,004	1,150,511	1,000,000	1,150,511	0	0	NON MA	1Q 2018	2Q 2017		
2	16	5.0 M	CSL	16	1	INTER CITY BUS, FLEET	5,000,000	0	250,006	5,250,006	2,400,000	5,248,131	1,875	0	NON MA	3Q 2016	3Q 2016		
3	16	1.0 M	CSL	17	2	NON-OWNED: HIRED AUTOS	1,000,000	0	17	1,000,017	1,000,000	1,010,017	(10,000)	0	NON MA	3Q 2017	2Q 2017		
4	16	5.0 M	CSL	17	4	CHARTER BUS, FLEET	50,031	2,004,785	71,293	2,126,109	2,004,785	2,096,109	30,000	55,122	NON MA	4Q 2018	2Q 2017		
5	16	1.0 M	CSL	16	4	EXTRA-HEAVY TRUCK-TRACTORS, NON FLEET, ZONE RATED	26,314	976,906	36,956	1,040,176	976,906	1,040,173	3	0	NON MA	3Q 2018	4Q 2016		
6	16	5.0 M	CSL	17	27	CHARTER BUS, FLEET	507,816	5,565,570	249,795	6,323,181	5,563,000	6,310,610	12,571	73,915	NON MA	4Q 2017	4Q 2017		
7	16	5.0 M	CSL	16	1	BUS NOT OTHERWISE CLASSIFIED, FLEET	0	3,000,000	185,000	3,185,000	3,000,000	3,185,000	0	0	MASS	4Q 2018	4Q 2018		
8	16	1.0 M	CSL	16	2	NON-OWNED: HIRED AUTOS	1,000,000	0	45	1,000,045	0	1,000,045	0	0	NOT REPORTED	1Q 2017	3Q 2016		
9	16	1.0 M	CSL	16	10	MEDIUM TRUCKS, FLEET	232,056	781,048	49,314	1,062,418	783,248	1,059,774	2,644	0	MASS	2Q 2018	4Q 2016		
10	16	1.0 M	CSL	17	4	LIGHT TRUCK, FLEET	125,748	850,000	45,668	1,021,416	650,000	808,424	212,992	0	MASS	1Q 2019	1Q 2017		
11	16	1.0 M	CSL	16	1	PRIVATE PASSENGER TYPES, FLEET	50,000	1,000,000	102,848	1,152,848	1,000,000	1,110,720	2,128	50,025	NON MA	4Q 2016	3Q 2016		
12	16	1.0 M	CSL	16	4	NON-OWNED: NON OWNERSHIP LIABILITY	0	1,000,002	123,391	1,123,393	1,000,002	1,113,541	9,852	0	NOT REPORTED	4Q 2017	3Q 2017		
13	16	1.0 M	CSL	16	4	GARAGES: RISKS SUBJECT TO COMPULSORY LAW	71,057	996,985	75,000	1,143,042	500,000	608,042	535,000	0	MASS	1Q 2019	1Q 2017		
14	16	5.0 M	CSL	17	39	CHARTER BUS, FLEET, ZONE RATED	352,349	1,160,271	135,830	1,648,450	1,162,696	1,637,105	11,345	181,480	NON MA	3Q 2017	2Q 2017		
15	16	5.0 M	CSL	17	12	CHARTER BUS, FLEET, ZONE RATED	135,983	901,494	145,942	1,183,419	926,494	1,183,419	0	45,901	NON MA	4Q 2018	3Q 2017		
16	16	1.0 M	CSL	17	16	GARAGES: RISKS SUBJECT TO COMPULSORY LAW	10,100	1,000,000	211,100	1,221,200	1,000,000	1,161,400	59,800	0	MASS	2Q 2017	2Q 2017		
17	16	1.5 M	CSL	16	4	AIRPORT BUS OR AIRPORT LIMOUSINE, FLEET	1,485,321	23,114	58,201	1,566,636	64,678	1,695,249	(128,613)	50,250	NON MA	2Q 2017	2Q 2016		
18	16	1.0 M	CSL	17	15	GARAGES: RISKS SUBJECT TO COMPULSORY LAW	0	1,012,500	1,500	1,014,000	1,012,500	1,014,000	0	0	MASS	2Q 2017	2Q 2017		
19	16	1.0 M	CSL	16	2	EXTRA-HEAVY TRUCK-TRACTORS, NON FLEET	2,773	1,000,000	85,000	1,087,773	1,000,000	1,062,773	25,000	0	NON MA	3Q 2018	3Q 2016		
20	16	1.0 M	CSL	17	29	TRAILERS, NON FLEET	59,074	771,940	182,650	1,013,664	771,940	983,502	30,162	0	NON MA	1Q 2019	1Q 2017		
16 Total							10,229,129	23,044,615	2,039,560	35,313,304	25,816,249	34,518,545	794,759	456,693					
1	15	1.0 M	CSL	16	2	HEAVY TRUCKS, FLEET	1,016,000	0	12,957	1,028,957	0	1,028,957	0	16,000	MASS	4Q 2016	4Q 2016		
2	15	5.0 M	CSL	16	74	CHARTER BUS, FLEET, ZONE RATED	5,560,090	38,062	923,685	6,521,837	175,821	6,646,441	(124,604)	322,530	NON MA	4Q 2016	1Q 2016		
3	15	1.0 M	CSL	16	3	LIGHT TRUCK, FLEET	14,288	985,711	19,830	1,019,829	985,711	1,020,000	(171)	0	NON MA	1Q 2018	2Q 2017		
4	15	5.0 M	CSL	16	36	NON-OWNED: NON OWNERSHIP LIABILITY	4,054,198	945,802	149,997	5,149,997	1,695,802	5,149,996	1	0	NON MA	2Q 2018	4Q 2016		
5	15	5.0 M	CSL	16	4	SPECIAL RATING AND ADJUSTMENT: COMPOSITE RATED RISKS	1,824,935	0	146,584	1,971,519	0	1,971,519	0	0	MASS	1Q 2016	1Q 2016		
6	15	1.0 M	CSL	16	1	LIGHT TRUCK, FLEET	0	1,000,000	50,000	1,050,000	500,000	525,000	525,000	0	NON MA	1Q 2019	2Q 2016		
7	15	1.0 M	CSL	16	3	EXTRA-HEAVY TRUCK-TRACTORS, FLEET, ZONE RATED	922,549	80,000	167,267	1,169,816	80,000	1,110,459	59,357	0	NON MA	4Q 2018	1Q 2016		
8	15	1.0 M	CSL	15	3	SOCIAL SERVICES AUTO, FLEET	1,015,095	0	489	1,015,584	0	1,015,584	0	6,380	MASS	1Q 2016	3Q 2015		
9	15	1.5 M	CSL	16	7	BUS NOT OTHERWISE CLASSIFIED, FLEET, ZONE RATED	96,109	1,300,000	36,575	1,432,684	1,500,000	1,647,907	(215,223)	84,341	NON MA	3Q 2018	2Q 2016		
10	15	5.0 M	CSL	16	15	CHARTER BUS, NON-FLEET, ZONE RATED	1,369,996	2,191,000	265,292	3,826,288	2,191,000	3,826,288	0	55,845	NON MA	3Q 2016	2Q 2016		
15 Total							15,873,260	6,540,575	1,772,676	24,186,511	7,128,334	23,942,151	244,360	485,096					

**Commonwealth Automobile Reinsurers
Large Loss Listing By Policy Year (Large Losses \$1.0 Million and Greater)
Data Reported Through March, 2019**

1	14	1.0 M	CSL	15	9	GARAGES: RISKS SUBJECT TO COMPULSORY LAW	0	1,000,000	435,862	1,435,862	1,000,000	1,436,846	(984)	0	NON MA	1Q 2017	3Q 2015
2	14	1.0 M	CSL	14	4	EXTRA-HEAVY TRUCK-TRACTORS, FLEET	1,027,733	0	56,146	1,083,879	0	1,083,879	0	0	NON MA	4Q 2014	3Q 2014
3	14	1.0 M	CSL	15	2	NON-OWNED: NON OWNERSHIP LIABILITY	1,000,000	0	0	1,000,000	0	1,000,000	0	0	MASS	1Q 2015	1Q 2015
4	14	1.0 M	CSL	14	4	EXTRA-HEAVY TRUCK-TRACTORS, FLEET	50,000	950,000	79,361	1,079,361	368,000	497,356	582,005	0	MASS	1Q 2019	2Q 2014
5	14	1.0 M	BI	15	3	PRIVATE PASSENGER TYPES, NON FLEET	1,065,335	0	3,315	1,068,650	0	1,068,650	0	22,362	MASS	4Q 2015	2Q 2015
6	14	1.5 M	CSL	15	6	BUS NOT OTHERWISE CLASSIFIED, NON-FLEET, ZONE RATED	1,672,346	0	47,640	1,719,986	0	1,719,986	0	167,114	NON MA	4Q 2015	2Q 2015
7	14	1.0 M	CSL	14	4	NON-OWNED: HIRED AUTOS	938,211	0	295,018	1,233,229	0	1,233,229	0	0	NON MA	3Q 2016	3Q 2014
14 Total							5,753,625	1,950,000	917,342	8,620,967	1,368,000	8,039,946	581,021	189,476			
1	13	5.0 M	CSL	13	2	INTER CITY BUS, FLEET	1,764,617	0	66,058	1,830,675	0	1,830,675	0	0	NON MA	4Q 2016	1Q 2014
2	13	1.0 M	CSL	13	2	NON-OWNED: NON OWNERSHIP LIABILITY	1,000,000	0	26,833	1,026,833	0	1,026,833	0	0	NON MA	3Q 2015	4Q 2013
3	13	5.0 M	CSL	14	3	CHARTER BUS, NON-FLEET, ZONE RATED	1,432,188	0	75,117	1,507,305	0	1,507,305	0	0	NON MA	3Q 2017	1Q 2014
4	13	5.0 M	CSL	14	15	CHARTER BUS, NON-FLEET, ZONE RATED	3,386,839	2,157	299,623	3,688,619	2,157	3,684,702	3,917	214,816	NON MA	4Q 2017	1Q 2014
5	13	5.0 M	CSL	14	2	CHARTER BUS, FLEET	1,217,136	0	52,574	1,269,710	0	1,269,710	0	0	NON MA	4Q 2015	1Q 2014
6	13	5.0 M	CSL	14	1	SPECIAL RATING AND ADJUSTMENT: COMPOSITE RATED RISKS	2,508,000	0	23,224	2,531,224	0	2,531,224	0	8,000	MASS	2Q 2017	2Q 2014
7	13	1.0 M	CSL	14	1	NON-OWNED: HIRED AUTOS	1,000,000	0	25,432	1,025,432	0	1,025,432	0	0	NOT REPORTED	3Q 2014	2Q 2014
8	13	1.5 M	CSL	14	17	BUS NOT OTHERWISE CLASSIFIED, NON-FLEET, ZONE RATED	1,521,226	0	10,096	1,531,322	0	1,531,322	0	22,359	NON MA	3Q 2014	2Q 2014
9	13	1.0 M	CSL	14	2	EXTRA-HEAVY TRUCK-TRACTORS, NON FLEET, ZONE RATED	42,344	1,007,656	255,000	1,305,000	1,007,656	1,305,000	0	55,000	NON MA	4Q 2014	3Q 2014
13 Total							13,872,350	1,009,813	833,957	15,716,120	1,009,813	15,712,203	3,917	300,175			
1	12	5.0 M	CSL	13	4	INTER CITY BUS, FLEET	1,495,842	0	24,568	1,520,410	0	1,520,410	0	0	NON MA	4Q 2016	2Q 2013
2	12	1.0 M	CSL	12	2	EXTRA-HEAVY TRUCK-TRACTORS, FLEET	1,088,400	0	10,895	1,099,295	0	1,099,295	0	0	MASS	3Q 2012	3Q 2012
3	12	5.0 M	CSL	12	1	BUS NOT OTHERWISE CLASSIFIED, FLEET	3,858,000	0	24,490	3,882,490	0	3,882,490	0	8,000	MASS	1Q 2013	4Q 2012
4	12	1.0 M	CSL	12	2	NON-OWNED: NON OWNERSHIP LIABILITY	1,000,000	0	3,810	1,003,810	0	1,003,810	0	0	NOT REPORTED	4Q 2012	3Q 2012
5	12	5.0 M	CSL	12	2	BUS NOT OTHERWISE CLASSIFIED, NON-FLEET, ZONE RATED	1,250,000	0	67,167	1,317,167	0	1,317,167	0	0	NON MA	4Q 2012	4Q 2012
6	12	5.0 M	CSL	13	3	INTER CITY BUS, FLEET	4,849,894	0	41,378	4,891,272	4,750,000	4,930,471	(39,199)	100,455	NON MA	1Q 2013	1Q 2013
12 Total							13,542,136	0	172,308	13,714,444	4,750,000	13,753,643	(39,199)	108,455			
1	11	49	CSL	12	1	ALL OTHER SPECIAL RATING AND ADJUSTMENT	962,503	0	53,247	1,015,750	0	1,015,750	0	0	NON MA	1Q 2017	1Q 2012
2	11	5.0 M	CSL	11	14	SEMITRAILERS, FLEET	5,130,932	0	227,409	5,358,341	0	5,358,341	0	0	MASS	3Q 2011	3Q 2011
3	11	1.0 M	CSL	11	7	LIGHT TRUCK, FLEET	1,008,378	0	22,620	1,030,998	0	1,030,998	0	0	MASS	1Q 2012	3Q 2011
4	11	1.0 M	CSL	11	2	CAR SERVICE, NON-FLEET	1,008,000	0	117,427	1,125,427	0	1,125,427	0	8,069	MASS	2Q 2018	4Q 2011
5	11	1.0 M	CSL		1	GARAGES: RISKS SUBJECT TO COMPULSORY LAW	10,531	50,000	171,405	231,936	1,000,000	1,154,124	(922,188)	0	MASS	2Q 2018	1Q 2012
11 Total							8,120,344	50,000	592,108	8,762,452	1,000,000	9,684,640	(922,188)	8,069			
1	10	1.0 M	CSL	10	4	GARAGES: RISKS SUBJECT TO COMPULSORY LAW	1,047,336	0	7,576	1,054,912	0	1,054,912	0	0	MASS	3Q 2010	3Q 2010
2	10	1.0 M	CSL	10	3	HEAVY TRUCKS, NON FLEET	1,012,086	0	2,313	1,014,399	0	1,014,399	0	0	MASS	3Q 2010	2Q 2010
3	10	1.0 M	CSL	11	2	NON-OWNED: HIRED AUTOS	1,000,000	0	402,416	1,402,416	0	1,402,416	0	0	NOT REPORTED	2Q 2013	1Q 2012
4	10	1.0 M	CSL	10	2	GARAGES: RISKS SUBJECT TO COMPULSORY LAW	1,000,000	0	68,416	1,068,416	0	1,068,416	0	1	MASS	4Q 2013	2Q 2010
5	10	1.0 M	CSL	11	1	HEAVY TRUCKS, NON FLEET	1,002,680	0	5,803	1,008,483	0	1,008,483	0	0	MASS	3Q 2011	3Q 2011
10 Total							5,062,102	0	486,524	5,548,626	0	5,548,626	0	1			
1	09	1.0 M	CSL	10	3	NON-OWNED: NON OWNERSHIP LIABILITY	1,000,000	0	2,773	1,002,773	0	1,002,773	0	0	MASS	3Q 2011	2Q 2010
2	09	5.0 M	CSL	10	1	CHARTER BUS, FLEET	1,300,000	0	40,299	1,340,299	0	1,340,299	0	50,051	NON MA	3Q 2011	2Q 2010
3	09	1.0 M	CSL	09	1	NON-OWNED: HIRED AUTOS	1,000,000	0	1,036	1,001,036	0	1,001,036	0	0	NOT REPORTED	1Q 2010	4Q 2009
4	09	1.0 M	CSL	09	2	SPECIAL TYPES: SHORT TERM LEASING OR RENTAL CONCERNS	1,000,000	0	1,452	1,001,452	0	1,001,452	0	0	MASS	4Q 2009	3Q 2009
5	09	1.0 M	CSL	10	2	EXTRA-HEAVY TRUCK-TRACTORS, NON FLEET, ZONE RATED	1,000,000	0	126,062	1,126,062	0	1,126,062	0	0	NON MA	3Q 2012	1Q 2011
09 Total							5,300,000	0	171,622	5,471,622	0	5,471,622	0	50,051			
Grand Total							81,894,523	55,696,901	7,749,369	145,340,793	56,170,990	135,053,598	10,287,195	2,197,184			

**Commonwealth Automobile Reinsurers
Large Loss Policy Summary By Policy Year
Data Reported Through March, 2019
(Large Losses \$300,000 or Greater)**

		2009			2010			2011			2012		
≥	≤	Policies	Inc Loss	% TOT ⁽¹⁾	Policies	Inc Loss	% TOT	Policies	Inc Loss	% TOT	Policies	Inc Loss	% TOT
5.0 M	+	-	-	0.0%	-	-	0.0%	1	5,358,341	7.5%	-	-	0.0%
2.5 M	5.0 M	-	-	0.0%	-	-	0.0%	-	-	0.0%	2	8,773,762	11.3%
2.0 M	2.5 M	-	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%
1.5 M	2.0 M	-	-	0.0%	-	-	0.0%	-	-	0.0%	1	1,520,410	2.0%
1.0 M	1.5 M	5	5,471,622	7.5%	5	5,548,626	8.2%	3	3,172,175	4.4%	3	3,420,272	4.4%
Policies > 1.0 M		5	5,471,622	7.5%	5	5,548,626	8.2%	4	8,530,516	11.9%	6	13,714,444	17.6%
500,000	1.0 M	12	9,402,210	12.9%	7	4,946,202	7.3%	10	7,439,633	10.4%	8	5,198,473	6.7%
300,000	500,000	13	4,816,189	6.6%	10	3,736,802	5.5%	6	2,262,500	3.2%	12	4,852,402	6.2%
Sum of Large Losses		30	19,690,021	27.0%	22	14,231,630	20.9%	20	18,232,649	25.5%	26	23,765,319	30.5%
Prior Qtr		30	19,690,021	27.0%	22	14,231,630	20.9%	21	19,386,773	26.8%	25	23,220,588	29.9%
Total Incurred Losses		72,943,795			67,998,531			71,430,079			77,850,257		
		2013			2014			2015			2016		
≥	≤	Policies	Inc Loss	% TOT	Policies	Inc Loss	% TOT	Policies	Inc Loss	% TOT	Policies	Inc Loss	% TOT
5.0 M	+	-	-	0.0%	-	-	0.0%	2	11,671,834	8.8%	2	11,603,441	7.2%
2.5 M	5.0 M	2	6,219,996	6.3%	-	-	0.0%	1	3,826,288	2.9%	1	3,185,000	2.0%
2.0 M	2.5 M	-	-	0.0%	-	-	0.0%	-	-	0.0%	1	2,126,109	1.3%
1.5 M	2.0 M	3	4,869,302	4.9%	1	1,719,986	1.7%	1	1,971,519	1.5%	2	3,215,086	2.0%
1.0 M	1.5 M	4	4,626,975	4.7%	6	6,900,981	6.9%	6	6,717,931	5.1%	14	15,213,922	9.5%
Policies > 1.0 M		9	15,716,273	16.0%	7	8,620,967	8.6%	10	24,187,572	18.2%	20	35,343,558	22.0%
500,000	1.0 M	12	8,297,479	8.4%	5	3,599,349	3.6%	11	7,161,368	5.4%	17	11,589,207	7.2%
300,000	500,000	15	5,178,134	5.3%	15	5,633,482	5.6%	9	3,327,322	2.5%	19	7,217,806	4.5%
Sum of Large Losses		36	29,191,886	29.7%	27	17,853,798	17.8%	30	34,676,262	26.1%	56	54,150,571	33.7%
Prior Qtr		36	29,260,660	29.7%	27	17,857,743	17.8%	30	34,718,440	26.2%	57	53,297,468	33.5%
Total Incurred Losses		98,432,068			100,180,889			132,905,883			160,884,184		
		2017			2018			2019			Total All Years		
≥	≤	Policies	Inc Loss	% TOT	Policies	Inc Loss	% TOT	Policies	Inc Loss	% TOT	Policies	Inc Loss	% TOT
5.0 M	+	-	-	0.0%	2	10,580,786	10.9%	-	-	0.0%	7	39,214,402	3.9%
2.5 M	5.0 M	-	-	0.0%	-	-	0.0%	-	-	0.0%	6	22,005,046	2.2%
2.0 M	2.5 M	-	-	0.0%	1	2,361,200	2.4%	-	-	0.0%	2	4,487,309	0.4%
1.5 M	2.0 M	-	-	0.0%	-	-	0.0%	-	-	0.0%	8	13,296,303	1.3%
1.0 M	1.5 M	9	9,735,177	7.2%	5	5,329,584	5.5%	-	-	0.0%	60	66,137,265	6.5%
Policies > 1.0 M		9	9,735,177	7.2%	8	18,271,570	18.8%	-	-	0.0%	83	145,140,325	14.3%
500,000	1.0 M	14	9,618,472	7.1%	4	2,642,875	2.7%	-	-	0.0%	100	69,895,268	6.9%
300,000	500,000	17	6,163,020	4.5%	10	3,864,464	4.0%	-	-	0.0%	126	47,052,121	4.6%
Sum of Large Losses		40	25,516,669	18.8%	22	24,778,909	25.5%	-	-	0.0%	309	262,087,714	25.8%
Prior Qtr		36	23,266,615	17.6%	14	13,233,485	22.3%	-	-	0.0%	298	248,163,423	25.5%
Total Incurred Losses		135,797,304			97,031,640			1,906,116			1,017,360,746		

⁽¹⁾ % TOT = Large Loss / Total Incurred Losses

Change in Large Losses By Policy Year

Summary of Losses Over 1.0 Million:

<u>Policy Year</u>	<u># Claims</u>	<u>Current Reserves</u>	<u>Current Incurred</u>	<u>Prior Incurred</u>	<u>L Change in losses</u>
2018	8	16,111,985	18,271,570	8,658,580	9,612,990
2017	9	6,989,913	9,735,177	9,723,642	11,535
2016	20	23,044,615	35,313,304	34,518,545	794,759
2015	10	6,540,575	24,186,511	23,942,151	244,360
2014	7	1,950,000	8,620,967	8,039,946	581,021
2013	9	1,009,813	15,716,120	15,712,203	3,917
2012	6	0	13,714,444	13,753,643	(39,199)
2011	4	0	8,530,516	8,530,516	0
2010	5	0	5,548,626	5,548,626	0
2009	<u>5</u>	<u>0</u>	<u>5,471,622</u>	<u>5,471,622</u>	<u>0</u>
Subtotal	83	55,646,901	145,108,857	133,899,474	11,209,383

Losses that went under 1.0 Million (Remain on Report):

<u>Policy Year</u>	<u># Claims</u>	<u>Current Reserves</u>	<u>Current Incurred</u>	<u>Prior Incurred</u>	<u>L Change in losses</u>
2011	1	50,000	231,936	1,154,124	(922,188)
Subtotal	1	50,000	231,936	1,154,124	(922,188)
Total All	84	55,696,901	145,340,793	135,053,598	10,287,195

New To Report: Incurred Losses Over 1.0 Million:

<u>Policy Year</u>	<u># Claims</u>	<u>Current Reserves</u>	<u>Current Incurred</u>	<u>Prior Incurred</u>	<u>L Change in losses</u>
2018	4	8,660,447	9,477,693	110,000	9,367,693
2016	3	2,618,925	3,178,122	2,399,968	778,154
2015	1	1,000,000	1,050,000	525,000	525,000
2014	<u>1</u>	<u>950,000</u>	<u>1,079,361</u>	<u>497,356</u>	<u>582,005</u>
	9	13,229,372	14,785,176	3,532,324	11,252,852

COMMERCIAL ULTIMATE POLICY YEAR DEFICIT PROJECTIONS
 BASED ON DATA REPORTED THROUGH QUARTER ENDING MARCH 2019
 (000's OMITTED)

SUMMARY EXHIBIT

	Policy Year 2016		Policy Year 2017		Policy Year 2018	
	Dollars	% Prem	Dollars	% Prem	Dollars	% Prem
Premium	169,141	100.0%	182,600	100.0%	196,500	100.0%
Losses Incurred and ALAE	174,911	103.4%	170,183	93.2%	187,068	95.2%
Underwriting Expenses	43,158	25.5%	45,502	24.9%	46,767	23.8%
Underwriting Result	(48,928)	-28.9%	(33,085)	-18.1%	(37,335)	-19.0%

COMPARISON OF ULTIMATE POLICY YEAR DEFICIT PROJECTIONS
PRIOR AND CURRENT QUARTER ESTIMATES

Policy Year 2018

	Prior Qtr Estimate		Current Qtr Estimate		Variance	
	Dollars	% Prem	Dollars	% Prem	Dollars	Percent
Premium	198,100	100.0%	196,500	100.0%	(1,600)	-0.8%
Losses Incurred and ALAE	186,610	94.2%	187,068	95.2%	458	0.2%
Underwriting Expenses	47,148	23.8%	46,767	23.8%	(381)	-0.8%
					0	
Underwriting Result	(35,658)	-18.0%	(37,335)	-19.0%	(1,677)	4.7%

Policy Year 2017

	Prior Qtr Estimate		Current Qtr Estimate		Variance	
	Dollars	% Prem	Dollars	% Prem	Dollars	Percent
Premium	182,500	100.0%	182,600	100.0%	100	0.1%
Losses Incurred and ALAE	170,455	93.4%	170,183	93.2%	(272)	-0.2%
Underwriting Expenses	45,475	24.9%	45,502	24.9%	27	0.1%
Underwriting Result	(33,430)	-18.3%	(33,085)	-18.1%	345	-1.0%

Policy Year 2016

	Prior Qtr Estimate		Current Qtr Estimate		Variance	
	Dollars	% Prem	Dollars	% Prem	Dollars	Percent
Premium	169,141	100.0%	169,141	100.0%	0	0.0%
Losses Incurred and ALAE	174,711	103.3%	174,911	103.4%	200	0.1%
Underwriting Expenses	43,158	25.5%	43,158	25.5%	0	0.0%
Underwriting Result	(48,728)	-28.8%	(48,928)	-28.9%	(200)	0.4%



NATALIE A. HUBLEY
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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RECORDS OF MEETING

MAIP STEERING COMMITTEE – JUNE 6, 2019

Members Present

Mr. John Kelly – Chair
Ms. Kerri Boutin⁽¹⁾
Ms. Elizabeth Brodeur
Mr. Allen Chaves
Mr. Joshua Damico
Ms. Jean Downey
Mr. Kenneth Olivieri⁽²⁾
Mr. Barry Tagen
Mr. Christopher Taylor
Ms. Marie-Armel Theodat
Mr. Mark Winiker

MAPFRE U.S.A. Corporation
Risman Insurance Agency, Inc.
Safety Insurance Company
Arbella Insurance Group
GEICO
The Norfolk & Dedham Group
J.K. Olivieri Insurance Agency, Inc.
Pilgrim Insurance Company
The Hanover Insurance Company
R. Theodat Insurance Agency, Inc.
A-Affordable Insurance Agency, Inc.

Substituted for:

⁽¹⁾ Mr. Henry Risman

⁽²⁾ Mr. John Olivieri, Jr.

Not in Attendance:

N/A

19.01 Records of Meeting

The Committee unanimously voted to approve the Records of the MAIP Steering Committee meeting of April 23, 2019. The Records have been distributed and are on file.

19.04 Updates to the MAIP Rules and Procedures Manual

At the last meeting, CAR staff presented the Committee with updates to Rules 21 through 40 of the Rules of Operation. The Rules had been updated to reflect current practices, eliminate obsolete procedures and date references, and provide a general clean-up of language. The more significant modifications made included the elimination of references to the phase-in of and transition to the MAIP, and all references to Clean-in-Three Risks. In discussion of the proposed updates, Mr. John Kelly expressed concern that current Rule language may not be consistent with Division of Insurance bulletins issued relative to the requirements and procedures for group marketing plans and requested staff to further review that bulletin in conjunction with Rule 26 – Policyholder Rights and Responsibilities as it pertains to insurance obtained through a group marketing plan and eligibility for MAIP coverage.

Ms. Marian Adgate stated that CAR staff reviewed DOI Bulletin 2011-09, Filing Requirements and Procedures for Private Passenger Motor Vehicle Group Marketing Plans Pursuant to M.G.L. c. 175, Section

193R. She noted that this Bulletin replaced Bulletin 2007-13 which was originally published in conjunction with the transition to competitive rating. Each of the Bulletins provided companies with information on the filing requirements and procedures relative to group marketing plans. Ms. Adgate stated that confirmation was received from the DOI that the portion of Rule 26 pertaining to an applicant's eligibility for placement through the MAIP relative to insurance obtained through a group marketing plan applied only during the transition to MAIP. Therefore, language in Rule 26.A.3.b.(1) has been deleted. She also stated that language in Rule 31.A. Eligibility Requirements, has been eliminated as it pertained to the transition period to MAIP. All other modifications to the Rules are as presented to the Committee at its last meeting.

The Committee unanimously voted to approve the proposed amendments to Rules 21 through 40 of CAR's Rules of Operation, and recommend their approval to the Governing Committee.

19.05 Updates to Private Passenger Residual Market Rating Manual

The Committee continued its discussion relative to updates to the Private Passenger Residual Market Rating Manual. At the last meeting, Ms. Browne stated that the Committee had unanimously voted to recommend to the Governing Committee updates to Rule 4 – Standard Procedures to amend the timeframe for an insurer to provide the coverage selections page on a renewal policy to the insured from “not less than thirty days” to “not less than twenty days” prior to policy expiration. Additionally, the Committee had unanimously voted to recommend to the Governing Committee updates to Rule 7 – Policy Period to eliminate reference to the issuance of policies with terms of less than one year such that policies assigned through MAIP would be set at a standard one year term. The Committee also voted to recommend to the Governing Committee that, as the classification assignment requirements for automobiles owned by the clergy are no different than for other operators on the policy, Rule 28 – Assignment of Operators be updated to eliminate the reference to clergy use. Ms. Browne further noted that the Committee agreed that Rule 31 – Transportation of Fellow Employees should be maintained as it specifies the distinction between personal and commercial policies, and currently the Rule is not presenting any issues.

Ms. Browne stated that although there was significant discussion at its last meeting relative to the operator exception for active military service in Rule 28, the Committee did not come to a conclusion on this topic and requested staff to further research the impact that the elimination of the exception would have on the assignment process. She noted that staff's research did not identify any impacts to the assignment process and that no unique processing exists when an operator in active military service is listed on a policy, as the majority of companies exclude these operators from the policy. Elimination of this exclusion from Rule 28 would not change the process, just provide a clarification. One member questioned whether the elimination of this language impacts the scenario where the deployed operator is the only insured on the policy. Ms. Browne noted that in order for a policy to be eligible for placement through the MAIP, there must be a listed operator on the policy. Additionally, a physical damage only policy is not eligible for the MAIP.

The Committee unanimously voted that the Private Passenger Residual Market Rating Rules be updated as approved by the Committee and recommended the proposed modifications to the Governing Committee. The Committee also agreed that the Rule amendments should be incorporated in the next private passenger rate and manual filing.

19.08 MAIP Policy Application System

At the last meeting, Ms. Browne informed the Committee that the Registry has implemented the Operator phase of its new ATLAS system. The Committee agreed with CAR's proposal to update the MAIP Policy Application System to access Registry data in order to improve the accuracy of operator

information in the MAIP Policy Application System. Upon input of operator(s) license number and state information into the MAIP Policy Application System, the application will access Registry operator data, and operator information and experience will be pre-filled. The Committee requested staff to review each field of the MAIP Policy Application data fields that could be pre-filled through access of the Registry of Motor Vehicle files and determine whether it would be acceptable for the producer filing the application to manually update the data, if necessary.

Accordingly, Ms. Browne presented the Committee with staff's recommendation. The Committee agreed that the insured's address and date first licensed may be updated by the producer, with the system automatically writing a comment into the Remarks field of the MAIP Policy Application. However, the Committee agreed that the insured's date of birth and merit rating may not be updated as these fields are critical for rating purposes. The driver training and owed premium fields may also not be updated. In each of these cases, the producer should use the Remarks field to indicate that a change in information is requested. Finally, the Committee expressed concern with staff's initial recommendation relative to insured's first and last name and agreed that producers should not have the ability to update this field as potential UMS reporting issues may arise. The producer should use the Remarks field to indicate any requested change. Ms. Browne also noted that added to the policy application system will be an indicator to identify if the pre-fill was unsuccessful; alerting the assigned company to the fact that the producer had manually entered the operator data.

The Committee unanimously voted to accept staff's recommendations, with the suggested modification to the first and last name field, and present its recommendations to the Governing Committee.

19.09 Electronic Transmission of Payments

At the last meeting, the Committee noted that implementing a requirement that allows for the electronic transfer and receipt of payments from agent offices may serve to address compliance concerns raised relative to agency MAIP Rule violations. Producer violation information previously provided by staff indicated that a high percentage of violations are attributed to the failure to remit payments on a timely basis. The Committee considered whether moving to an electronic payment method may serve to improve the process so as to create efficiencies in the marketplace.

Mr. Kelly distributed a document summarizing the producer payment issue. Committee discussion ensued with members noting that some of the producers with a small volume in the MAIP may be reluctant to develop such a payment method. Therefore, it was suggested that it may be important to assure that any new requirements to be implemented are phased-in over a period of time, potentially starting out as an optional program that may serve to assure agents of its ease of business use.

To the assist the Committee in its continued discussion of this issue, the Committee requested staff to provide additional analysis of the producer violation data and determine whether the late remittance of premium is a market wide problem or is an issue for just a few producers. If possible, more detail relative to the type of payment issues occurring should also be provided. This data will further assist the Committee in developing ideas to improve the process as well as reduce the number of violations.

MARIAN ADGATE
Corporate Documentation Specialist

Boston, Massachusetts
June 12, 2019

May 23, 2019

Rules 21-40 of CAR's Rules of Operation

Memorandum of Changes

Rules 21 through 40 of CAR's Rules of Operation establish the policies and procedures by which Members, Assigned Risk Companies (ARCs) and Assigned Risk Producers (ARPs) are governed with regard to the operation of, and participation in, the Massachusetts Automobile Insurance Plan (MAIP). Although many modifications have been made to the Rules since the inception of MAIP to reflect new practices and procedures put in place, the Rules have not been updated in their entirety since May, 2008.

Accordingly, CAR staff has reviewed the current Rules and has made updates to reflect current procedures. In general, the majority of the modifications made include the elimination of obsolete language, procedures and date references and a clean-up of Rule language, as necessary. A description of the more noteworthy updates made to the Rules are identified below.

Rule 21 – General Provisions

References to the MAIP phase-in and transition procedures have been eliminated.

Rule 22 – Definitions

Definitions for the Assigned Risk Company Manual and Assigned Risk Producer Procedures Manual have been added to the Rule. The definition of the Manual of Administrative Procedures Manual, which now applies to commercial business only, has been eliminated. The Clean-in-Three Risk and New Business definitions have been eliminated as this terminology is no longer applicable.

Rule 26 – Policyholder Rights and Responsibilities

Language referencing MAIP ineligibility for insurance obtained through a group marketing plan, applicable during the transition to MAIP, has been eliminated. Reference to Clean-in-Three Risks has been eliminated.

Rule 27 – Coverages

Reference to anti-theft device discounts has been eliminated, as those discounts are no longer applicable to MAIP policies.

Rule 29 – Assignment Process

Obsolete language relative to the calculation used to determine a Member's initial Quota Share upon implementation of the MAIP and the Quota Share of a Newly Writing Company whose initial rate filing and rate manual was effective prior to January 1, 2011 has been eliminated. References to Clean-in-Three Risks have been eliminated.

Rule 30 – Assigned Risk Company Requirements

Obsolete language relative to the appointment of Newly Writing Companies with an initial rate filing and rate manual effective prior to January 1, 2011 has been eliminated.

CAR | **Rules of Operation**
Rule 21 | **General Provisions**
Revision Date | **2017.12.19**
Page | **1 of 6**

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.

All Private Passenger Motor Vehicle Insurance business must either be written voluntarily or be declined and referred for placement through the MAIP.

Rules 21 through 40 of The CAR's 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. and the constraints identified in Section D.

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. 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. 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. Additionally, constraints on business that cannot be non-renewed are imposed pursuant to Section D. 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~~

CAR | **Rules of Operation**
Rule 21 | **General Provisions**
Revision Date 2017.12.19
Page 2 of 6

~~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.l., 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~~

CAR | **Rules of Operation**
Rule 21 | **General Provisions**
Revision Date 2017.12.19
Page 3 of 6

- ~~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 adopted pursuant to Rule 21.C.3.a. and b. do not apply to new business applications submitted through the MAIP by a former~~

CAR | **Rules of Operation**
Rule 21 | **General Provisions**
Revision Date 2017.12.19
Page 4 of 6

~~Exclusive Representative Producer that receives a voluntary contract subsequent to April 1, 2010.~~

- ~~5. The down payment will be calculated as 20% of the MAIP premium for new business applications resulting from the non-renewal of an assigned policy as a result of the expiration of the three year assignment period pursuant to Rule 29.D.1. This provision applies to applications submitted to the MAIP for coverage effective September 1, 2011 through December 31, 2011.~~

~~**D. Constraints on Placement Through the MAIP**~~

- ~~1. A Clean-in-Three Risk, defined in Rule 22, and pursuant to the provisions of Rule 21.D.2., D.3., D.4, and D.5., cannot be non-renewed by a Member unless:~~
- ~~a. The insured, at his own initiative, chooses not to renew his policy with such Member;~~
 - ~~b. 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~~
 - ~~c. 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.~~
- ~~2. For policies effective April 1, 2014 through March 31, 2015, a Clean-in-Three Risk can not be non-renewed by the Member except as provided by Rule 21.D.1. if the producer did not have a voluntary contract or brokerage agreement with any Member as of April 1, 2010 and did not subsequently receive a voluntary contract or brokerage agreement with a Member prior to October 31, 2013.~~
- ~~3. For policies effective April 1, 2015 through March 31, 2016, a Clean-in-Three Risk can not be non-renewed by the Member except as provided by Rule 21.D.1. if the producer did not have a voluntary contract or brokerage agreement with any Member as of April 1, 2010 and did not subsequently receive a voluntary contract or brokerage agreement with a Member prior to September 24, 2014.~~
- ~~4. For policies effective April 1, 2016 through March 31, 2017, a Clean-in-Three Risk can not be non-renewed by the Member except as~~

CAR | **Rules of Operation**
Rule 21 | **General Provisions**
Revision Date 2017.12.19
Page 5 of 6

~~provided by Rule 21.D.1. if the producer did not have a voluntary contract or brokerage agreement with any Member as of April 1, 2010 and did not subsequently receive a voluntary contract or brokerage agreement with a Member prior to October 7, 2015.~~

~~5. For policies effective April 1, 2017 through March 31, 2018, a Clean-in-Three Risk can not be non-renewed by the Member except as provided by Rule 21.D.1. if the producer did not have a voluntary contract or brokerage agreement with any Member as of April 1, 2010 and did not subsequently receive a voluntary contract or brokerage agreement with a Member prior to November 16, 2016.~~

~~6. For policies effective April 1, 2018 and subsequent, the restriction on the non-renewal of a Clean-in-Three Risk no longer applies.~~

~~—For Clean-in-Three Risks whose policies expire April 1, 2018 through March 31, 2019, the following procedures shall apply:~~

~~—On or about the first business day of the month, the Member will distribute to the ARP a list of Clean-in-Three policies which will expire during the month at least 120 days from the distribution date, thereby providing the ARP an opportunity to seek replacement coverage in the voluntary market. If replacement coverage is obtained for the risk, the ARP shall submit a Notice of Transfer of Insurer to the former Member identifying the new carrier.~~

~~—No less than 60 days prior to the expiration date, if replacement coverage is not obtained for the Eligible Risk, the ARP shall submit an application to the MAIP. Upon receiving the assignment, the ARP shall submit a Notice of Transfer of Insurer to the former Member identifying the newly designated ARC. A down payment is not required and upon receipt of the application, the newly designated ARC will bill the applicant for 20% of the premium to be charged, which shall be the lower of the MAIP premium or the voluntary premium for which the applicant qualifies. The pre-inspection requirement shall be waived provided that the vehicle(s) to be insured is the same as the vehicle(s) insured under the previous policy.~~

~~—If a Notice of Transfer of Insurer is not received, the designated Member will issue a non-renewal notice to the named insured at least 45 days prior to the expiration date with a copy sent to the ARP.~~

CAR	Rules of Operation
Rule 21	General Provisions
Revision Date	2017.12.19
Page	6 of 6

~~**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.~~

CAR | **Rules of Operation**
Rule 22 | **Definitions**
Revision Date | **2009.05.01**
Page | **1 of 3**

When used in the Rules, the following terms shall have the stated meanings:

ASSIGNED RISK COMPANY (ARC) means a Member that has been appointed pursuant to the Plan and Rules of Operation to issue Private Passenger Motor Vehicle Insurance policies assigned through the MAIP and is a Servicing Carrier as this term is used in G.L. c. 175, § 113H.

ASSIGNED RISK COMPANY PROCEDURES MANUAL means the manual of administrative procedures developed by CAR to provide ARCs with detailed instructions and information needed to perform their MAIP obligations.

ASSIGNED RISK POLICY means a Private Passenger Motor Vehicle Insurance policy underwritten by an ARC pursuant to assignment through the Massachusetts Automobile Insurance Plan (MAIP).

ASSIGNED RISK PRODUCER (ARP) means any person licensed as a property and casualty insurance producer pursuant to G.L. c. 175, § 162H through § 162X inclusive, that has completed the MAIP requirements and has been certified by the Governing Committee or its designee to immediately submit Private Passenger Motor Vehicle Insurance policies for placement through the MAIP with an ARC.

ASSIGNED RISK PRODUCER PROCEDURES MANUAL means the manual of administrative procedures developed by CAR to provide ARPs with detailed information needed to perform their MAIP obligations.

CAR means Commonwealth Automobile Reinsurers.

CAR (car) YEAR OF EXPOSURE means one car insured for 12 months.

~~**CLEAN-IN-THREE RISK** means an Eligible Risk who is the named insured and any other person who usually operates the vehicle, who during the three successive years prior to the policy effective date, meets all of the following requirements:~~

~~(1) has been licensed to operate an automobile in Massachusetts at least 36 successive months prior to the effective date of the policy;~~

CAR | **Rules of Operation**
Rule 22 | **Definitions**
Revision Date | **2009.05.01**
Page | **2 of 3**

~~(2) has been continuously insured for the past 36 months prior to the effective date of the policy, with no more than one period of lapsed coverage and where such period was not in excess of 60 days;~~

~~(3) has not been found to be at fault for an accident that generated an insurance claim including a PIP claim, or a traffic violation as defined in 211 CMR 134.00 in the 36 months immediately prior to the effective date of the policy; and~~

~~(4) In the previous 60 successive months prior to the effective date of the policy has not had a DUI conviction or a conviction for a vehicular felony.~~

COMMISSIONER means the Commissioner of Insurance of Massachusetts.

ELIGIBLE RISK means any person who qualifies for a Private Passenger Motor Vehicle Insurance policy under the provisions of G.L. c.175, § 113H excluding Antique Motor Vehicles pursuant to G.L. c.175, § 113U.

GOVERNING COMMITTEE means the committee required by G.L. c. 175, § 113H(B).

HOUSEHOLD MEMBER means anyone living in a person's household at a single residence who is related to that person by blood, marriage, or adoption. This includes wards, stepchildren or foster children.

INACTIVE MEMBER means any insurer which is licensed to write Private Passenger Motor Vehicle Insurance policies or bonds in Massachusetts, but which did not, in fact, issue any Private Passenger Motor Vehicle Insurance policies or bonds in Massachusetts voluntarily during the most recent calendar year and which is not the issuing company on any outstanding Massachusetts Private Passenger Motor Vehicle Insurance policies or bonds.

LIMITED ASSIGNMENT DISTRIBUTION AGREEMENT (LADA) means a contract between an ARC and another Member under which the Member transfers its obligation to provide Private Passenger Motor Vehicle Insurance policies to risks assigned to it through the MAIP to the ARC and the ARC agrees to assume liability for and service all of the Member's MAIP assignments in exchange for a negotiated fee.

CAR | **Rules of Operation**
Rule 22 | **Definitions**
Revision Date | **2009.05.01**
Page | **3 of 3**

MAIP means the Massachusetts Automobile Insurance Plan. The MAIP is the mechanism by which Eligible Risks who are unable to obtain voluntary coverage are assigned to a Member for the purpose of obtaining Private Passenger Motor Vehicle Insurance coverage, and by which such risks are distributed equitably based upon each Member's Quota Share.

~~**MANUAL OF ADMINISTRATIVE PROCEDURES (MAP)** means the CAR Manual of Administrative Procedures of the MAIP.~~

MEMBER means any insurer which is licensed to write Private Passenger Motor Vehicle Insurance policies or bonds in Massachusetts and which does not qualify for inactive membership status. Groups of companies under the same ownership and management will be treated as a single Member. Groups of companies under either the same ownership or management, but not both, may elect to be treated either separately or as a single Member.

MOTOR VEHICLE INSURANCE means direct insurance against injury or damage, including the legal liability arising out of the ownership, operation, maintenance or use of motor vehicles, including but not limited to bodily injury liability insurance, personal injury protection insurance, property damage liability insurance, physical damage insurance, medical payments insurance, uninsured/underinsured motorists insurance and towing and labor insurance.

~~**NEW BUSINESS** for the Private Passenger Motor Vehicle Insurance market means: 1) a newly licensed driver applying for his own policy; or 2) a risk applying to a Member who has not been insured in the Commonwealth in the 12 months preceding the application for coverage. This definition will expire upon the completion of the transition pursuant to Rule 21 from a reinsurance facility to the MAIP.~~

NEWLY WRITING COMPANY means any Member which did not provide physical damage and/or liability coverage under a Private Passenger Motor Vehicle Insurance policy in the Commonwealth of Massachusetts in the 12 consecutive calendar months preceding the calendar date on which the Member's initial Private Passenger Motor Vehicle Insurance rates and rate manual became effective.

PERSON means every natural person, firm, partnership, association, corporation, government or agency.

PLAN OF OPERATION or PLAN means the CAR Plan of Operation.

CAR	Rules of Operation
Rule 22	Definitions
Revision Date	2009.05.01
Page	4 of 3

PRIVATE PASSENGER MOTOR VEHICLE means those vehicles as defined in a Massachusetts Private Passenger Automobile Insurance Manual on file with the Commissioner.

QUOTA SHARE means the volume of business assignable through the MAIP to a Member that qualifies to be appointed as an ARC pursuant to Rule 30.

RULES OF OPERATION or RULES or RULE means the CAR Rules of Operation of the MAIP or a Rule of the MAIP.

CAR	Rules of Operation
Rule 23	Member Obligations
Revision Date	2008.05.06
Page	1 of 3

A. Member Obligations

1. Every Member shall be bound by the Plan of Operation and all Rules adopted pursuant to it.
2. A Member declining to write a risk voluntarily must provide the reason for the declination in writing to the applicant either directly or through the producer within a reasonable time after the decision is made.
3. Financial Obligations
 - a. Each Member agrees to pay assessments levied against it for the operating expenses of the MAIP, to pay penalties levied against it under the Rules adopted by the Governing Committee, and to submit in a timely and accurate fashion all statistics, records and accountings required by the MAIP.
 - b. Each Member, in recognition of the absolute necessity for timely payments of balances owed the MAIP, shall pay late payment fees at the prime rate as established by the Federal Reserve Bank of Boston compounded monthly for late payment of any assessment or late payment fees levied in accordance with the Plan or Rules of Operation. Each Member shall also compensate the MAIP for all damages and expenses incurred by the MAIP as a result of the failure of any Member to pay any balance owed the MAIP pursuant to the provisions of Rules 23 or 35, which remains unpaid as of the 10th calendar day following the invoice due date, written notice of the default having been mailed by certified mail to the company by the MAIP on or after the first business day following the invoice due date. Damages and expenses as used herein shall include but not be limited to the MAIP's attorney's fees incurred directly or indirectly with the collection of the balance due, all costs of borrowing incurred as a result of the non-payment, the cost of all staff time spent in connection with efforts to collect the balance outstanding, all financial losses resulting from non-payment and all other related expenses and losses.
 - c. Any Member shall be entitled to appeal to the Governing Committee any assessments, or late payment fees, damages or expenses which were levied in accordance with the Plan or Rules of Operation. However, the Member will be required to pay the amount billed by the MAIP before such appeal will be considered.

CAR | **Rules of Operation**
Rule 23 | **Member Obligations**
Revision Date | **2008.05.06**
Page | **2 of 3**

If the Governing Committee rules in favor of the Member, a proper adjustment, including interest at the prime rate and any damages and expenses assessed, will be made by the MAIP to the Member's account. Before exercising any other right of appeal provided pursuant to G.L. c.175, § 113H, the Plan of Operation or Rules of Operation of the MAIP, the Member shall pay all amounts owed to the MAIP.

- d. With respect to Members which have failed to pay assessments, late payment fees or compensatory damages or expenses within forty-five (45) calendar days of the postmark date of the overdue payment notice, a report will be submitted to the Division of Insurance setting forth the fact of such non-payment for its consideration and, if it deems appropriate, action.
4. When a Member is merged or consolidated into another insurer, or another insurer has reinsured a Member's entire motor vehicle insurance business in Massachusetts, such Member and its successor in interest or such other insurer shall be liable for such Member's obligations. The Quota Share of the continuing Member will be adjusted to include the business attributable to the merged or consolidated Member.
5. Assigned Risk ~~p~~Policies of the transferring Member shall not be subject to cancellation by the Member to which said obligations have been transferred in accordance with the provisions of Rule 29 – Assignment Process; provided however, that nothing set forth herein shall prohibit the cancellation of an Assigned Risk ~~p~~Policy pursuant to the provisions defining an ~~e~~Eligible ~~r~~Risk or the provisions of G.L. c.175, § 22C.
6. A Member may terminate its membership in the MAIP upon the surrendering of its license to write motor vehicle insurance policies or bonds in Massachusetts. Terminations of membership shall not discharge or otherwise affect the liabilities of the Member incurred prior to the effective date of the termination of membership or in any way affect the Member's obligation to make payments pursuant to the provisions of Rule 35 – Assessments.
7. If any Member is declared insolvent by a court of competent jurisdiction, its membership in the MAIP shall terminate as of the date it is declared insolvent, but it shall be liable to the MAIP for all obligations incurred under the Plan or these Rules as of the date it is

CAR	Rules of Operation
Rule 23	Member Obligations
Revision Date	2008.05.06
Page	3 of 3

declared insolvent. The MAIP shall compute the amount of such obligations in accordance with these Rules and shall be entitled to offset any liabilities of the Member to the MAIP against any liabilities of the MAIP to the Member.

8. No judgment against the MAIP shall create any direct liability against the individual Members.
9. There shall be an Annual Meeting of the Members of the MAIP, which shall be held within seventy-five (75) days of the end of the fiscal year at such time and place as is determined by the Governing Committee and specified in the notice of meeting.
10. Special meetings of the Members of the MAIP shall be called at any time by the Governing Committee upon the written request of eight (8) members of the Governing Committee.
11. Written notice of any such meeting of the Members of the MAIP shall be sent to each Member at least ten (10) days before the date fixed for such meeting stating the purpose of the meeting.
12. Minutes of all Governing Committee, Subcommittee (both standing and temporary), and Advisory Committee meetings of the MAIP shall be sent to all Members, the Governing Committee, producer associations, and the Commissioner.

B. Inactive Member Obligations

An Inactive Member shall receive those distributions from the MAIP which are required by Article X of the Plan of Operation or which otherwise emanate from the Massachusetts Division of Insurance. Inactive Members will not be furnished with other MAIP Bulletins and will not be assigned reporting numbers. Inactive Members must abide by the Plan of Operation and Rules of Operation of the MAIP. At such time as an Inactive Member voluntarily issues a private motor vehicle insurance policy or bond in Massachusetts, it must concurrently obtain a reporting number and as of that date must fully assume the obligations of a Member.

CAR | **Rules of Operation**
Rule 24 | **Governing Committee**
Revision Date | **2008.05.06**
Page | **1 of 4**

A. Responsibilities of the Governing Committee

The Governing Committee of CAR shall have responsibility for the administration of the MAIP, including the preparation and filing of the Plan and Rules of Operation and the adoption and filing of any amendments to the Plan or Rules ~~or Plan~~ of Operation.

B. Members and Alternates

Any member of the Governing Committee may designate an alternate for any meeting of the Governing Committee by giving notice to the Commissioner and the MAIP of the name of such alternate prior to the meeting, subject to the approval of the Commissioner. In addition, all members of the Governing Committee shall designate, subject to the approval of the Commissioner, an alternate who may attend one meeting of the Governing Committee during each calendar year without prior approval of the Commissioner for the specific meeting.

C. Powers

The Governing Committee shall have the following powers:

1. To select at the annual meeting a Chair~~man~~ and Vice-Chair~~man~~ of the Committee in accordance with the following procedures:

The position of Chair~~man~~ and Vice-Chair~~man~~ shall be rotated annually between those chosen from insurance companies and those chosen from producers of insurance, except the Committee may elect an incumbent Chair~~man~~ and/or an incumbent Vice-Chair~~man~~ to a second one-year term or, if the incumbent has served for less than a full year, to one new term of one year, regardless of ~~his (her)~~ the predecessor. At no time shall the Chair~~man~~ and Vice-Chair~~man~~ both be insurer members or producer members of the Committee. No person may serve more than two (2) consecutive terms as Chair~~man~~ of the Committee. In the event the Chair~~man~~ is unable to complete ~~his (her)~~ the term, the Vice-Chair~~man~~ shall become Chair~~man~~, at which time the Committee shall elect a new Vice-Chair~~man~~;

2. a. To appoint and remove the officers of the MAIP, subject to the approval of the Commissioner, and fix their salaries within the ranges established for the position. After an appointment has been approved, the Commissioner may instruct the Governing Committee to remove the officer for cause only. Salary ranges for

CAR | **Rules of Operation**
Rule 24 | **Governing Committee**
Revision Date | **2008.05.06**
Page | **2 of 4**

officers shall be established by the Governing Committee, subject to the approval of the Commissioner, at a level that is consistent with the level of salaries in public sector organizations in Massachusetts;

- b. To appoint or employ others as is necessary to carry out the business of the MAIP;
3. To appoint, in consultation with the Commissioner, standing or temporary subcommittees for purposes of assuring that subcommittees fairly represent the Member Companies and producers, with due consideration given to the existence of expertise appropriate for the subcommittee in question. No individual may serve as Chair~~person~~ of more than two (2) standing subcommittees;
4. To prepare an Assigned Risk Company Procedures Manual and an Assigned Risk Producer Procedures Manual~~Manual of Administrative Procedures~~ which shall contain instructions and information needed to assure the successful operation for the statistical recording and reporting of the MAIP;~~business, auditing and claim review procedures, and other pertinent information;~~
5. To appoint or terminate ARCs as necessary;
6. To certify or revoke the certification of ARPs as necessary;
7. To manage the process by which risks are assigned to ARCs and to establish a process for requests for reassignment by policyholders by reason of placement in the MAIP, as is provided for by Rule 26.B, and to report quarterly to the Division the circumstances and outcomes of such requests for review;
8. To ensure that CAR complies with its obligations to applicants and policyholders in the MAIP;
9. To levy assessments on the Members as necessary for the operating expenses of the MAIP;
10. To assess penalties as provided for in the Rules of Operation, Assigned Risk Company Procedures Manual or Assigned Risk Producer Procedures Manual~~or Manual of Administrative Procedures~~ and to report to the Commissioner on a quarterly basis all producer and Member infractions;

CAR | **Rules of Operation**
Rule 24 | **Governing Committee**
Revision Date | **2008.05.06**
Page | **3 of 4**

11. To authorize contracts as necessary to provide space, equipment and services for the MAIP;
12. To distribute an annual report and minutes of the Annual Meeting of the Governing Committee and all other Governing Committee, subcommittee and advisory committee meetings to the Commissioner, to Members and to producer representatives serving on any committee;
13. To file manuals of classifications, rules, rates, rating plans and policy forms with the Commissioner, as may be permitted or required by law;
14. To initiate or defend legal actions in the name of the MAIP on behalf of the Members; and
15. To take any other action it deems necessary or appropriate for efficient and effective operation of the MAIP consistent with the purpose and intent of the MAIP.

D. Annual Meeting

The Governing Committee shall hold an Annual Meeting in conjunction with the Annual Meeting of the Members and shall report a summary of the previous fiscal year's activities at that time.

E. Additional Meetings

The Governing Committee shall hold additional meetings as necessary when called by the Chair~~man~~, by the Commissioner, or upon written petition of four (4) members of the Governing Committee. No meeting shall be held with less than ten (10) days' notice unless at least eight (8) members of the Committee waive the notice requirement, which waiver shall be entered into the minutes of the meeting.

F. Agendas for Meetings

Agendas for meetings shall be furnished to all members of the Governing Committee and to the Commissioner with the notice of such meeting. Only items specifically listed on the agenda will be considered unless two-thirds of the members of the Committee present vote for admission of each additional item.

CAR Rule 24 Revision Date Page	Rules of Operation Governing Committee 2008.05.06 4 of 4
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G. Quorum

A quorum of the Governing Committee shall consist of eight (8) members, at least two (2) of which are insurer members and two (2) of which are producer members. No vote of the Governing Committee shall be taken unless a quorum is present.

H. Procedures

Before the Governing Committee takes final action on a matter that has a direct impact on the determination of any Member's Quota Share or any other significant financial impact, the final text of the motion to be considered will be provided to all members of the Governing Committee, at least twenty (20) calendar days prior to the scheduled Governing Committee action, unless ten (10) members of the Governing Committee vote to waive the twenty (20) day requirement. The text of the motion, sent to members of the Governing Committee, will be accompanied by an explanation. Any such action taken by the Governing Committee will not take effect for twenty (20) calendar days, unless ten (10) members of the Governing Committee vote that the action will be effective immediately. Any party aggrieved by the action may appeal to the Commissioner pursuant to Rule 40.B.

I. Proxy Voting Not Allowed

No member of the Governing Committee shall be permitted to vote by proxy.

J. Open Meetings

All Governing Committee, subcommittee (both standing and temporary) and advisory committee meetings shall be subject to the provisions of G.L. c.30A, § 11A½. Upon a two-thirds vote of the members of the Governing Committee present and voting, the Governing Committee may meet in Executive Session, as permitted by said § 11A½.

CAR | **Rules of Operation**
Rule 25 | **MAIP Officers**
Revision Date | **2008.05.06**
Page | **1 of 1**

The officers of the MAIP shall include a President and such other officers as the Governing Committee may authorize. The position descriptions of the above officers will be contained in the Personnel Manual under the jurisdiction of the Governing Committee. The Personnel Manual will also contain information regarding the term of office and salary ranges of the officers.

The President shall preside at all meetings of the MAIP membership and attend meetings of its committees of which ~~he~~ the President is a member ex officio, and perform such other duties as may be designated by the Governing Committee.

The President shall be responsible for all property of the MAIP, shall receive and carefully keep all monies of the MAIP, disburse the same only for the business of the MAIP, and shall account to the Governing Committee for all such disbursements.

The President, or such other person as the Governing Committee may appoint, may sign and endorse in the name and on behalf of the MAIP in the transaction of its business, but not otherwise, checks, drafts, notes, and bills of exchange, subject to such countersignature as the Governing Committee may determine.

The President, or such other person as the Governing Committee may appoint, shall make such filings with the Commissioner on behalf of the MAIP as may be directed by the Governing Committee.

In the absence of the President, or the inability of the President to act, the Governing Committee shall designate another officer of the MAIP to act as President, with all the powers and duties conferred upon the President by the Plan and the Rules of Operation.

CAR Rule 26 Revision Date Page	Rules of Operation Policyholder Rights and Responsibilities 2011.12.19 1 of 7
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A. Eligibility Requirements

1. Applicants Eligible for the Massachusetts Automobile Insurance Plan (MAIP)

- a. A completed, signed application for assignment submitted to the MAIP shall constitute a certification by the applicant, or his duly authorized agent submitting the application on his behalf, to the effect that the applicant has attempted within 15 days prior to the date of application to obtain Motor Vehicle Insurance in the voluntary market and that he has been unable to obtain such insurance through a voluntary policy.
- b. An application shall be considered in good faith if the applicant reports all information of a material nature and does not intentionally make incorrect or misleading statements in the prescribed application form, or does not fall within any of the prohibitions or exclusions pursuant to Section A.3. of this Rule.
- c. The MAIP shall be available to residents and non-residents of the state only with respect to motor vehicles that are registered or will be registered in the state within 15 days, except that non-residents who are members of the United States military forces shall be eligible with respect to motor vehicles registered in other states provided such military non-residents are stationed in this state at the time application is made and are otherwise eligible for insurance under the Plan.

2. Motor Vehicles Eligible for Assignment

The MAIP shall accept for assignment applications to insure all types of motor vehicles that may be insured under a standard Private Passenger Motor Vehicle Insurance policy approved for use by the MAIP.

3. Applicants not Eligible for the MAIP

- a. No Assigned Risk Company (ARC) is required to offer or continue insurance to any applicant or insured in any of the following circumstances:

CAR | **Rules of Operation**
Rule 26 | **Policyholder Rights and Responsibilities**
Revision Date | **2011.12.19**
Page | **2 of 7**

- (1) If any person who usually drives the motor vehicle does not hold or is not eligible to obtain an operator's license or fails to obtain such license as required by law; or
 - (2) If the applicant or any person who usually drives the motor vehicle has failed to pay an insurance company any motor vehicle insurance premiums due or contracted during the preceding 12 months; or
 - (3) An applicant shall not be entitled to physical damage insurance pursuant to Rule 27 nor shall any ARC be required to offer or continue to offer physical damage insurance if the applicant has failed to make the vehicle(s) available for inspection pursuant to 211 CMR 94.
- b. An applicant who is eligible for insurance shall not be placed in the MAIP ~~in any of the following circumstances:~~

~~(1) If a person obtains insurance through a group marketing plan pursuant to G.L. c. 175, § 193R; or~~

~~(2) If~~ if the applicant is one of two or more entities, in each of which the same person or group of persons or corporations owns a majority interest, none of such entities shall be eligible for insurance through the MAIP if any such entities have failed to meet its premium obligations as outlined above. If an entity owns the majority interest in another entity that in turn owns the majority interest in another entity, all entities so related shall be considered under the same majority ownership for purposes of this Rule.

B. Reassignment Rights

1. An ARC shall provide coverage to each applicant assigned to it. However, pursuant to Sections B.2. and B.3. of this Rule, an applicant or policyholder may subsequently request reassignment to another Member if the applicant or policyholder can establish any one of the following:
 - a. the applicant or policyholder has previously been involved as a plaintiff in litigation with the ARC;

CAR | **Rules of Operation**
Rule 26 | **Policyholder Rights and Responsibilities**
Revision Date | **2011.12.19**
Page | **3 of 7**

- b. the applicant or policyholder is currently involved as a plaintiff in litigation with the ARC;
 - c. the policyholder of an ARC filed a consumer complaint with the Division of Insurance against such ARC prior to the MAIP assignment;
 - d. the policyholder of an ARC filed a consumer complaint with the Attorney General against such ARC prior to the MAIP assignment;
or
 - e. the applicant or policyholder has invoked his rights under a consumer protection statute regarding his relationship with the ARC (i.e. applicant has previously issued a Chapter 93A Demand Letter) prior to the MAIP assignment.
2. To request reassignment, an applicant or policyholder must complete the Request for Reassignment Form found in the Assigned Risk Company Procedures Manual and provide the necessary documentation required by such form no later than 30 days following:
1) the date of the initial assignment through the MAIP, or 2) the annual policy renewal date.
 3. Pursuant to Rule 29.FE.2., at no time may an applicant or policyholder request reassignment to a different Member if any outstanding premium balance is due the ARC. Furthermore, an applicant or policyholder may not for any reason request reassignment to a specific Member under this Section.
 4. If the reassignment of an applicant or a policyholder pursuant to Rule 26.B.1. results in assignment to a Member that has executed a Limited Assignment Distribution Agreement (LADA) with the ARC from which the applicant or the policyholder has requested reassignment, the MAIP shall apply the reassignment process until the applicant or the policyholder obtains insurance from another ARC.

C. Clean in Three Risks

~~All Clean in Three Risks with renewal dates during the period April 1, 2008 through March 31, 2014, shall not be non-renewed by a Member, subject to the exceptions identified in Rule 21.D.~~

CAR | **Rules of Operation**
Rule 26 | **Policyholder Rights and Responsibilities**
Revision Date | **2011.12.19**
Page | **4 of 7**

CD. Re-Eligibility for the MAIP

Applicants eligible for assignment in accordance with Section A. are subject to the following re-eligibility requirements.

1. New Application

Any applicant denied insurance under Section A. or cancelled under Section **ED.** of this Rule may reapply to the MAIP as soon as the cause of ineligibility is removed.

- a. Applicants cancelled for non-payment of premium may reapply for assignment at any time provided no earned premium is owed the previous assigned company.
- b. If an applicant cancelled for non-payment of premium reapplies, provided such applicant is otherwise eligible, the application shall be accompanied by the deposit pursuant to Rule 28.
- c. Such application shall be considered a new application and the applicant shall be assigned to a Member pursuant to Rule 29 or reassigned to the prior Member, if applicable.

2. Renewal Application

Any policyholder, who fails to pay the renewal premium quoted by the ARC in accordance with these Rules, may reapply for assignment at any time.

- a. If the applicant reapplies, provided the applicant is otherwise eligible, the application shall be accompanied by the deposit pursuant to Rule 28.
- b. Such application shall be considered a new application and the applicant shall be assigned to a Member pursuant to Rule 29.

E.D. Cancellations

If a policy is cancelled by the ARC at any time or by the insured within 30 days of the effective date or the receipt of the policy, whichever is later, the return premium shall be computed pro rata. Policy in this instance includes the copy of the coverage selections page showing the final policy premium.

CAR Rule 26 Revision Date Page	Rules of Operation Policyholder Rights and Responsibilities 2011.12.19 5 of 7
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Nothing in these Rules should be construed to change the statutory obligations of companies to their producers or policyholders with regard to policy non-renewal or cancellation.

1. Cancellation at the Request of the Policyholder

If the policy is cancelled at the request of the insured later than 30 days from the effective date or later than 30 days from the receipt of the policy, whichever is later, the return premium shall be calculated on a short rate basis except that in the following cases the return premium shall be computed pro rata:

- a. If the policyholder has disposed of the vehicle, provided the policyholder obtains a new policy with the same company on another vehicle to become effective within 30 days of the date of cancellation;
- b. If the insured vehicle is repossessed under the terms of a financing agreement;
- c. If a vehicle is cancelled from a policy, the policy remaining in force on another vehicle, or if there remains in force in the name of the insured or his spouse, if a resident of the same household, and in the same company, a concurrent vehicle policy covering another vehicle;
- d. If the policyholder enters the military service of the United States of America;
- e. If the insured deletes or reduces any coverage and the policy remains in effect for other coverage;
- f. If the policyholder requests cancellation of a policy because coverage has been replaced in the voluntary market, and provides the ARC written confirmation of the replacement coverage.
- g. Theft of Vehicle or Plates
 - (1) If the insured vehicle is stolen or destroyed (total or constructive total loss) and cancellation is requested by the insured within 30 days following the date the vehicle was stolen or destroyed, the return premium for all coverages (including the premium for the coverages under which the loss

CAR | **Rules of Operation**
Rule 26 | **Policyholder Rights and Responsibilities**
Revision Date | **2011.12.19**
Page | **6 of 7**

was paid) shall be calculated on a pro rata basis from the day following the date of such loss.

- (2) If the insured's registration plates are stolen or destroyed, a lost plate affidavit is to be filed with the Registry of Motor Vehicles canceling only coverage with respect to such plates effective the day following the date of such loss, and the policy shall continue to provide coverage with respect to any replacement plates.
 - (3) If the insured files a lost plate affidavit with the Registry of Motor Vehicles, the company may cancel the policy.
2. Except as otherwise provided by law, no cancellation of the policy, or any of its parts, whether by the company or by the insured, shall be valid unless written notice thereof is given by the party proposing cancellation to the other party at least 20 days in each case prior to the intended effective date thereof. Notice of cancellation sent by the company to the insured and the loss payee at the addresses stated in the policy by regular mail for which a certificate of mailing receipt has been obtained from the United States Postal Service, shall be a sufficient notice. ~~and a~~An affidavit of any officer, producer, or employee of the company, duly authorized for the purpose, that he has so sent such addressed as aforesaid, shall be prima facie evidence of the sending thereof as aforesaid.

When the cancellation becomes effective, the company shall electronically transmit the pertinent data to the Registry of Motor Vehicles in the manner prescribed by the Uninsured Motorists System (UMS). The written notice to the insured shall specify the reason or reasons for cancellation if the cancellation affects Part 1 coverage. If the reason for cancellation is non-payment of premium, the Notice of Cancellation shall state the amount of deficiency of the premium owed to the company for all the insurance provided and shall state in substance that the cancellation will not be effective if the insured pays the full amount of such deficiency on or prior to the effective date of the cancellation. If a cancellation of the policy results in a return premium of less than \$5.00, no refund need be made except at the request of the insured, in which case the actual return premium shall be allowed.

CAR Rule 26 Revision Date Page	Rules of Operation Policyholder Rights and Responsibilities 2011.12.19 7 of 7
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No policy in effect prior to a rate level revision shall be endorsed or cancelled and rewritten to take advantage of such a revision or to avoid the application of such a revision.

3. Cancellation by the ARC

- a. An ARC that has issued a policy ~~under~~ through the MAIP shall have the right to cancel the insurance for reasons permitted by Massachusetts law, and by giving notice pursuant to the policy.
- b. Each such cancellation shall be on a pro rata basis, subject to a minimum premium of \$25 per motor vehicle or policy whichever is greater, with the balance returned to the policyholder. A copy of each such cancellation notice shall be furnished to the producer of record. A statement of facts in support of each such cancellation, as is required for a statutory notice of cancellation, shall be furnished to the producer of record and to the policyholder 20 days prior to the effective date of cancellation.

Cancellation shall be effective on the date specified and coverage shall cease on that date.

If the ARC issues a cancellation notice for non-payment of premium to the policyholder and the policyholder's remittance received by the ARC subsequent to the issuance of such cancellation notice is justifiably dishonored by the financial institution, the policy will terminate on the date and time shown on the cancellation notice issued for non-payment of premium.

Nothing herein shall be deemed to affect the right of the ARC to cancel a policy for fraud, misrepresentation, or to invoke other remedies provided by law.

CAR | **Rules of Operation**
Rule 27 | **Coverages**
Revision Date | **2008.10.17**
Page | **1 of 2**

An Eligible Risk, as defined in Rule 22 – Definitions, may choose to purchase up to the following limits for Private Passenger Motor Vehicle Insurance and, upon request, the Assigned Risk Company (ARC) shall provide such coverage. An ARC is not required to provide coverage for any higher limits unless the ARC agrees to do so at the request of an Eligible Risk.

1. Bodily Injury Liability: Total policy limits of \$250,000 each person, \$500,000 each accident;
2. Personal Injury Protection: \$8,000 per person, per accident;
3. Property Damage Liability: Total policy limits of \$250,000 each accident;
4. Medical Payments: \$25,000 each person;
5. Uninsured Motorists: \$250,000 each person, \$500,000 each accident for bodily injury;
6. Underinsured Motorists: \$250,000 each person, \$500,000 each accident for bodily injury;
7. Physical Damage Insurance, which shall mean: (a) collision coverage or limited collision coverage, (b) fire and theft coverage, or (c) comprehensive coverage, as those coverages are defined in the Private Passenger Motor Vehicle Insurance policy approved for the MAIP. ~~Assigned Risk Companies~~ ARCs must charge the extra risk rate or, in the alternative, refuse to issue collision, fire, theft or comprehensive coverage under any of the following circumstances:
 - a. Comprehensive, fire and theft or collision coverage on a vehicle customarily operated by or owned by persons convicted within the most recent five-year period of any category of vehicular homicide, Motor Vehicle Insurance related fraud or motor vehicle theft;
 - b. Comprehensive, fire and theft or collision coverage on a vehicle customarily driven by or owned by persons who have, within the most recent five-year period, made an intentional and material misrepresentation in making claim under such coverages;

CAR | **Rules of Operation**
Rule 27 | **Coverages**
Revision Date | **2008.10.17**
Page | **2 of 2**

- c. Collision coverage on a motor vehicle customarily driven by or owned by persons who have been involved in four or more accidents in which such person has been deemed to be at fault in excess of 50% within the three years immediately preceding the effective date of the policy;
 - d. Comprehensive, fire and theft coverage on a motor vehicle customarily driven by or owned by persons who have had two or more total theft or fire claims within the three years immediately preceding the effective date of the policy;
 - e. Comprehensive, fire and theft or collision coverage on a motor vehicle customarily driven, or owned by persons convicted one time within the most recent three year period of any category of driving while under the influence of alcohol or drugs;
 - f. Comprehensive, fire and theft or collision coverage on any motor vehicle for which a salvage title has been issued by the Registrar of Motor Vehicles unless a new certificate of title has been issued pursuant to G.L. c. 90D § 20D; or
 - g. Comprehensive, fire and theft or collision coverage on a high-theft motor vehicle that does not have at least a minimum anti-theft or auto recovery device as prescribed by the Commissioner. The Commissioner may designate as a high-theft vehicle any motor vehicle, classified according to make, model and year of manufacturer, which has both above average incidence of theft and above-average original sales price, ~~and may approve discounts for appropriate anti-theft or auto recovery devices for such motor vehicles.~~
8. An ARC may waive any deductible amount applicable to a payment under comprehensive coverage for glass damage and be reimbursed, when the policyholder has elected to repair rather than replace damaged glass as permitted by law and where satisfactory proof of the repair has been presented to the company.
 9. Towing and Labor: \$100.00 per disablement; and
 10. Substitute Transportation: \$100.00 per day, 30-day maximum.

CAR | **Rules of Operation**
Rule 28 | **Application Process**
Revision Date | **2015.03.31**
Page | **1 of 4**

A. Submitting an Application to the MAIP

To obtain MAIP coverage for an Eligible Risk an Assigned Risk Producer (ARP) must submit an electronic application for private passenger motor vehicle insurance coverage to the MAIP.

ARPs must assure that the application for insurance through the MAIP is submitted on the prescribed form and that each application is completed accurately and thoroughly. An application that contains information the MAIP verifies as incorrect or an incomplete application will be returned to the producer for remedy. Once the application for coverage through the MAIP is received and all required information for the assignment of the policy is provided, the MAIP will assign a certification number to the application.

B. Assignment of Application to a Member

An application with a certification number will be randomly assigned to a Member based on its Quota Share as specified in Rule 29 – Assignment Process. The MAIP will notify the ARC of the policy assignment. The MAIP will notify the ARP of the identity of the ARC which will issue the policy and the effective date of the coverage.

Once the policy has been assigned to an ARC, after receiving such notice, the ARP is responsible for providing the ARC with the following items within two working days as specified in Rule 31.B.5.:

1. The original application form and any supplemental or additional information, signed by the applicant and the ARP, and if applicable, a copy of the voluntary premium quote or voluntary premium quote identification number; and
2. The required deposit premium as specified in Section C.1.

C. Premium Deposit and Payment Options

1. Amount of Premium Deposit

A deposit of the amount noted in Section C.1.a. shall accompany the application for MAIP coverage. The applicant, at his option, may choose to make a larger deposit payment. The deposit shall be in the form of a personal check, certified check, bank check, money order, premium finance company check or ARP's check made payable to the

CAR | **Rules of Operation**
Rule 28 | **Application Process**
Revision Date | **2015.03.31**
Page | **2 of 4**

ARC. In the event that an ARP submits a dishonored check, issued either by the agency or by the ARP individually, on one or more occasions during a one-year period, future payments for the next 12 months must be submitted by certified check, bank check, or money order.

- a. If a voluntary quote is obtained by the ARP the new business deposit shall be determined based upon the lower of the MAIP quoted premium or the ARC voluntary quoted premium. The applicant will be required to provide a deposit of 30% with the deposit calculated using whichever total premium is less. If a voluntary quote is not obtained, a deposit of 25% of the MAIP quoted premium is required.

However, the applicant will be required to provide a premium deposit of 80% of the MAIP premium, or if known, 100% of the ARC's voluntary premium, if the applicant has during the preceding 24 months been issued a notice of cancellation for non-payment of an automobile insurance premium which resulted in the cancellation of that policy.

The ARC shall send the applicant a notice of any additional or return premium adjustment to the deposit premium at the same time as the issuance of the coverage selections page. The applicant may be required to pay any additional deposit premium within 30 days of the issuance of the coverage selections page, and the ARC may not issue a cancellation notice for non-payment of premium during this 30 day period. Any return premium adjustment to the deposit shall be sent to the applicant within 30 days of the issuance of the coverage selections page.

- b. A deposit of 20% is required for a renewal policy. An ARC may elect to require more than a 20% deposit for a renewal policy if the policyholder during the preceding 24 months has been issued a notice of cancellation for non-payment of an automobile insurance premium which resulted in the cancellation of that policy.
- c. All deposit, installment and additional premium payments shall be submitted gross of any commissions. Commission to the ARP will be paid in accordance with Rule 37 – Commissions.

CAR | **Rules of Operation**
Rule 28 | **Application Process**
Revision Date | **2015.03.31**
Page | **3 of 4**

2. Installment Plan

Each ARC will utilize the installment payment plan filed by Commonwealth Automobile Reinsurers for MAIP business. The plan will require an initial deposit payment for new and renewal business pursuant to Section C.1. Upon receipt of the new business deposit, the ARC will then calculate the balance of the premium owed on the basis of the lower of the MAIP rate or the ARC rate and the insured will pay that premium balance over nine equal monthly installments. The deposit for renewal business will be a percentage of the premium calculated using the lower of the ARC's rate or the MAIP rate. The remaining balance will be paid over nine equal monthly installments.

~~For policies effective prior to August 1, 2015, a flat fee of \$6.00 per installment finance charge will apply until the entire balance is paid.~~

~~For policies effective August 1, 2015 and subsequent, a A flat fee of \$8.00 per installment finance charge will apply until the entire balance is paid.~~

3. Dishonored Check Charge

~~For policies effective prior to August 1, 2015, a dishonored check fee of \$25 will be charged to an applicant or policyholder issuing a check that is dishonored by the financial institution to which the check is presented for payment.~~

~~For policies effective August 1, 2015 and subsequent, a A dishonored check fee of \$29 will be charged to an applicant or policyholder issuing a check that is dishonored by the financial institution to which the check is presented for payment.~~

4. Late Fee or Cancellation Fee

~~For policies effective prior to August 1, 2015, a policyholder who fails to pay an installment premium by the applicable due date will be charged a late fee or cancellation fee of \$25.~~

~~For policies effective August 1, 2015 and subsequent, a A policyholder who fails to pay an installment premium by the applicable due date will be charged a late fee or cancellation fee of \$29.~~

CAR	Rules of Operation
Rule 28	Application Process
Revision Date	2015.03.31
Page	4 of 4

5. Agency Acceptance of Payments

Acceptance of payment by the ARP shall be viewed as a payment to the ARC.

6. Premium Financed Policies

The standards pertaining to premium financing for policies issued through the MAIP must be consistent with state laws and regulations.

CAR | **Rules of Operation**
Rule 29 | **Assignment Process**
Revision Date | **2016.12.15**
Page | **1 of 9**

A. Calculation of Initial Quota Share

~~For the purposes of calculating a Member's initial Quota Share, the Member's voluntary market share will be the ratio of each Member's written property damage liability exposures for the 12-month period ending June 30, 2007 with CAR ID codes 0 or 1 over the industry written exposures for the 12-month period ending June 30, 2007 with CAR ID 0 or 1. Exposures for motorcycles, snowmobiles, and electric motor vehicles will be adjusted by a factor of 0.33.~~

AB. Assignment of Applications

The MAIP shall randomly assign applications that are eligible for coverage based on each Member's individual Quota Share. A Member's Quota Share shall reflect that Member's proportion of Private Passenger Motor Vehicle MAIP premiums that its respective voluntary private passenger property damage liability direct written exposures bears to the statewide total of voluntary private passenger property damage liability direct written exposures of all companies in the state.

1. For the purpose of such distribution as described above: (1) voluntary private passenger property damage liability direct written exposures; and (2) private passenger MAIP premiums shall be defined as below:
 - a. Voluntary private passenger property damage liability direct written exposures shall be the number of private passenger property damage liability car years written by the company for the most recent 12 months, regardless of the type of Motor Vehicle Insurance policy under which such property damage liability car years are written, excluding private passenger liability car years written through the MAIP. Exposures for motorcycles, snowmobiles, and electric motor vehicles will be adjusted by a factor of 0.33.

~~Exposures of a Clean-in-Three Risk as defined in Rule 22 as of the effective date of its current Private Passenger Motor Vehicle Insurance policy and pursuant to the provisions of Rule 21.D. will be adjusted by a factor of 0.0 provided the following conditions are met:~~

CAR | **Rules of Operation**
Rule 29 | **Assignment Process**
Revision Date | **2016.12.15**
Page | **2 of 9**

~~(1) The operator was insured by a Member under a Private Passenger Motor Vehicle Insurance policy with an effective date between April 1, 2008 and March 31, 2009 and the producer of record was exclusively assigned to the Member by CAR;~~

~~(2) The producer of record for the operator has not changed since March 31, 2009.~~

- b. For the purpose of establishing the Quota Share of a Newly Writing Company that becomes eligible for appointment as an ARC pursuant to Rule 30 before that Member is required to submit detailed statistical data under the provisions of the Massachusetts Private Passenger Automobile Statistical Plan, the Member is required to report interim summary data pursuant to Section BC.
- c. Private Passenger Motor Vehicle MAIP premiums shall be developed from the MAIP rates and rating plan and shall include the total of: 20/40 bodily injury (including guest), \$100,000 property damage liability, and \$8,000 personal injury protection manual premiums excluding subsidies calculated using MAIP cost-based rates and adjusted for the MAIP merit rating plan for Private Passenger Motor Vehicle MAIP insureds and any risk voluntarily insured that is eligible for premium credits allowed pursuant to this Rule.
2. MAIP will assign applications to the most undersubscribed Member as defined by the ratio of the Member's assigned MAIP premium to the Member's credit-adjusted Quota Share. In the event this ratio is the same for two or more Members, MAIP will assign the application to the most undersubscribed of those Members based upon the difference between each Member's assigned MAIP premium and its credit-adjusted Quota Share. All assignments are subject to the distribution restrictions relative to the assignment process pursuant to Section F. After assignment, MAIP will update the accumulated assigned MAIP premium and recalculate each Member's ratio of assigned MAIP premium to credit-adjusted Quota Share.

BC. Quota Share Adjustment

The MAIP shall adjust the assigned premium Quota Share of each Member monthly, in order to correct for the amount of previously assigned MAIP premium which was less than or in excess of each

CAR | **Rules of Operation**
Rule 29 | **Assignment Process**
Revision Date | **2016.12.15**
Page | **3 of 9**

Member's appropriate share of total MAIP premium, for the amount of premium connected with reversed assignments due to non-payment or insufficient funds, and for the amount of premium associated with MAIP risks moving to the voluntary market or adjustments for any applicable credits. On a monthly basis, the MAIP shall notify each Member of its market share and premium Quota Share adjustments.

~~1. To determine the current premium Quota Share of a Newly Writing Company that becomes eligible for appointment as an ARC pursuant to Rule 30.A.1. before that Member is required to submit detailed statistical data under the provisions of the Massachusetts Private Passenger Automobile Statistical Plan, the Member is required to report interim summary data to CAR beginning no later than the 23-month anniversary of the calendar date on which the Member's initial Private Passenger Motor Vehicle Insurance rates and manual become effective. The Member will be required to report private passenger property damage liability car months of exposure by CAR identification code, policy effective month, premium town, classification, and merit rating status as defined in the Massachusetts Private Passenger Automobile Statistical Plan. The initial report will include the 12 consecutive policy effective months that will be used to determine the Member's initial Quota Share. Monthly data will be reported thereafter until the Member commences reporting detailed statistical data to CAR.~~

~~An additional adjustment shall be made to the latest rolling 12-month voluntary exposure based market share that is used to determine the current premium Quota Share of a Member(s) when that Member(s) is part of an insurer group that includes any other insurance company that qualifies as a Newly Writing Company, and that Newly Writing Company has elected to be treated as a Member separate from the current Member(s) under these Rules. This adjustment shall continue until the Newly Writing Company become eligible for appointment as an ARC pursuant to Rule 30.~~

~~The latest rolling 12-month voluntary exposure based market share used to determine such Member(s) current premium Quota Share shall not be adjusted to reflect any reduction in vehicle exposures that were insured under a Private Passenger Motor Vehicle Insurance policy issued voluntarily by such Member(s) immediately prior to the vehicle's initial policy inception date with such Newly Writing Company.~~

CAR | **Rules of Operation**
Rule 29 | **Assignment Process**
Revision Date | **2016.12.15**
Page | **4 of 9**

~~This adjustment will apply regardless of whether the initial policy inception date with the Newly Writing Company pre-dates the calendar months underlying the latest rolling 12-month voluntary exposure based market share used to determine the Member(s) current premium Quota Share.~~

2. To determine the current premium Quota Share of a Newly Writing Company that becomes eligible for appointment as an ARC pursuant to Rule 30.A.21, before that Member is required to submit detailed statistical data under the provisions of the Massachusetts Private Passenger Automobile Statistical Plan, the Member is required to report interim summary data to CAR. The Member shall begin reporting summary data no later than 45 days after the close of the month of the Member's initial Private Passenger Motor Vehicle Insurance rates and rate manual effective date. The Member will be required to report written private passenger property damage liability car months of exposure by CAR identification code, policy effective month, territory, classification, and merit rating status as defined in the Massachusetts Private Passenger Automobile Statistical Plan. Monthly summary data will be reported thereafter until the Member commences reporting detailed statistical data to CAR.

CD. **Assignment Period**

1. An Eligible Risk shall be insured by a designated ARC for a period of three consecutive years.

At the expiration of the three year assignment period, the designated ARC may offer to write the policy on a voluntary basis, or may non-renew the policy.

2. If the designated ARC intends to non-renew the policy at the end of the three year assignment period the following procedures shall apply.

On or about the first business day of the month, the designated ARC will distribute to the ARP a list of policies that the ARC does not intend to renew and which will expire during the month at least 120 days from the distribution date, thereby providing the ARP an opportunity to seek replacement coverage in the voluntary market. If replacement coverage is obtained for the risk, the ARP shall submit a Notice of Transfer of Insurer to the former ARC identifying the new carrier.

CAR | **Rules of Operation**
Rule 29 | **Assignment Process**
Revision Date | **2016.12.15**
Page | **5 of 9**

No less than 60 days prior to the expiration date, if replacement coverage is not obtained for the Eligible Risk, the ARP shall submit an application to the MAIP. The application will be assigned to a Member such that the designated ARC is different than the former ARC. Upon receiving the assignment, the ARP shall submit a Notice of Transfer of Insurer to the former ARC identifying the newly designated ARC. A down payment is not required and upon receipt of the application, the newly designated ARC will bill the applicant for 20% of the premium to be charged, which shall be the lower of the MAIP premium or the voluntary premium for which the applicant qualifies. The pre-inspection requirement shall be waived provided that the vehicle(s) to be insured is the same as the vehicle(s) insured under the previous policy.

If a Notice of Transfer of Insurer is not received, the designated ARC will issue a Notice of Expiration of Policy Assignment to the named insured at least 45 days prior to the expiration date with a copy sent to the ARP.

Upon receipt of the Notice of Expiration of Policy Assignment, the Eligible Risk may reapply for coverage through the MAIP. Such reapplication shall be considered a new business application and the Eligible Risk shall be assigned to a different Member such that the designated ARC is different than the former ARC.

3. In the case of a non-resident military person, pursuant to Rule 26.A.1.c., the designated ARC need not renew if at the time of the renewal the policyholder is stationed in another state and his motor vehicle is not registered in Massachusetts.

E.D. Credit Programs

Credits shall be reviewed annually and submitted to the Commissioner for approval. Any premium credited under this Rule that in aggregate exceeds 100% of the overall Quota Share may not be credited against the Quota Share.

1. Voluntary Credit
 - a. For policies with effective dates of April 1, ~~2015~~ 2017 and subsequent, a Member shall receive a credit for any exposure that it insures voluntarily in the territory and operator classes pursuant to Sections ~~ED.2.~~ and ~~ED.3.~~

CAR | **Rules of Operation**
Rule 29 | **Assignment Process**
Revision Date | **2016.12.15**
Page | **6 of 9**

- b. Credit shall be applied to the Member's Quota Share pursuant to Section C. for the appropriate premiums pursuant to Sections E.2. and E.3.

2. Amount of Credits

Members shall receive credit for each exposure written voluntarily pursuant to Section E.1.b. in the territory and operator classes listed in Section E.3. The amount of credit shall equal the annual Private Passenger Motor Vehicle MAIP premium for the risk as if it has been insured through the MAIP, multiplied by the appropriate factor as displayed in the policy effective date tables.

~~For policies with effective dates of April 1, 2013 and subsequent, t~~The factor will be determined based on a review of the three most recent prior years of residual market share data, by territory and operator class. Credit eligible groups will be defined by ranges of residual market shares, and credit factors will be established in accordance with the following criteria:

Residual Market Group	Residual Market Share Range	Voluntary Credit Factor
0	0.0% - 4.9%	0.00
1	5.0% - 7.9%	1.00
2	8.0% - 10.9%	1.00
3	11.0% - 16.9%	1.00
4	17.0% - 22.9%	1.25
5	23.0% - 28.9%	1.50
6	29.0% - 34.9%	1.75
7	35.0% - 40.9%	2.00
8	41.0% - 46.9%	2.25
9	47.0% - 100.0%	2.50

CAR | **Rules of Operation**
Rule 29 | **Assignment Process**
Revision Date | **2016.12.15**
Page | **7 of 9**

3. Credit Factors

The following factors are applicable for policies with effective dates of April 1, ~~2015~~ 2017 and subsequent.

Territory	Operator Class									
	10	15	17	18	20	21	25	26	30	M/M*
01										
02					1.00					
03					1.00					
04					1.00					
05					1.00					
06					1.00					
07			1.00		1.00					
08			1.00		1.00					
09			1.00		1.00	1.00				
10			1.00		1.00	1.00				
11					1.00					
12			1.00		1.00					
13			1.00		1.00	1.00				1.00
14			1.00		1.00	1.00	1.00			1.00
15			1.00		1.25	1.00	1.00		1.00	1.00
16	1.00		1.00		1.50	1.00	1.00		1.00	1.00
17			1.00		1.25					
18	1.00		1.00	1.00	1.25	1.00	1.00			1.00
19			1.00		1.00	1.00				
20	1.00		1.00		1.50	1.00	1.00			
21	1.00	1.00	1.00		1.75	1.00	1.00			1.00
22	1.00	1.00	1.00	1.00	1.75	1.00	1.00	1.00	1.00	1.00
23			1.00		1.25		1.00			1.00
24					1.00	1.00	1.00			1.00
25			1.00		1.00		1.00			
26			1.00		1.50	1.00	1.00			1.00
27					1.00					
40	1.00		1.00	1.00	1.50	1.00				1.00
41	1.00		1.00	1.00	1.00	1.00				1.00
42	1.00		1.00		1.25	1.00				1.00
43	1.00		1.00		1.25	1.00	1.00			1.00
44	1.00		1.00		1.50	1.00	1.00			1.00
45	1.00		1.00		1.25	1.00	1.00	1.00		1.00
99										

* Motorcycle and Miscellaneous Classes

CAR | **Rules of Operation**
Rule 29 | **Assignment Process**
Revision Date | **2016.12.15**
Page | **8 of 9**

4. Take-Out Credit

~~For policies with effective dates on or after April 1, 2009, a~~ A Member shall receive credit for each exposure previously insured through the MAIP or that had been ceded to CAR (CAR ID Codes 4 and 5) that it writes voluntarily at the expiration of that policy. A Member may receive a credit for the first year in which an Eligible Risk is written voluntarily after the expiration of the policy previously issued through the residual market.

The value of a take-out credit shall equal the annual Private Passenger Motor Vehicle MAIP premium pursuant to Section ~~B-1-b-A.1.c.~~, that the risk would have been charged if he had been insured through the MAIP, multiplied by a factor of 1.0. Take-out credits are applied in addition to any voluntary credit(s) pursuant to Section ED.

To qualify for take-out credit, all of the following requirements must be met:

- a. The Member must provide proper notification prior to the expiration of the policy;
- b. The voluntary policy must be in effect for at least 90 days;
- c. The kinds and amounts of coverage to be offered to a voluntary risk shall at least equal those in the policy being replaced;
- d. The Member shall be required to submit an approved monthly reporting form to the MAIP for all policies qualifying for credit during the month and to submit supporting data to the MAIP upon request; and
- e. The Member shall, if requested by the MAIP, agree to a physical audit of its records to substantiate the credits and exposures stated in the monthly report. The executed request for credit form must be submitted to the MAIP by the last day of the fourth month following the effective date of the policy.

CAR | **Rules of Operation**
Rule 29 | **Assignment Process**
Revision Date | **2016.12.15**
Page | **9 of 9**

EF. Distribution Restrictions

Distribution shall be made on the basis that any applicant eligible for assignment under the MAIP Rules shall be assigned or reassigned to any Member with a Quota Share, subject to the following restrictions:

1. No risk shall be assigned to more than one Member.
2. Reassignment to Prior Member

In the case where an applicant or policyholder has been cancelled for non-payment of premium, or has an outstanding premium balance due a Member and is otherwise eligible for placement through the MAIP pursuant to G.L. c. 175, § 113H, the applicant or policyholder is ineligible for assignment to another Member, and will be assigned to that same Member such that the policy premium deposit will be applied first to the outstanding premium due, and any remaining deposit balance will be applied to the new policy.

FG. Accruing, Buying, Selling or Transferring Credits

1. Eligibility
 - a. Assigned Risk Companies may accrue excess credits.
 - b. ~~As of April 1, 2008,~~ ARCs may sell, transfer, or buy excess credits to or from other ARCs in accordance with the procedures below.

2. Operational Procedures

CAR will calculate the volume of excess credit premium eligible for transfer, if any, for each ARC on a monthly basis. ~~Such~~ This calculation will be ~~made performed~~ in conjunction with the monthly updates to ~~the CAR's~~ statistical database, ~~data~~.

3. Notification of Intent to Transfer Credits

Assigned Risk Companies shall report to CAR within 30 days the execution of any agreement by the ARC to purchase, sell or transfer excess credits. An ARC shall notify CAR by submitting the prescribed authorization form to CAR. The terms of any such agreement must be reviewed by CAR and found to be consistent with CAR Rules.

CAR | **Rules of Operation**
Rule 30 | **Assigned Risk Company Requirements**
Revision Date | **2014.10.17**
Page | **1 of 9**

A. Appointments

The Governing Committee shall appoint ARCs in accordance with the eligibility requirements specified in accordance with the Plan and these Rules. For purposes of determining eligibility, groups of companies under the same ownership and management will be treated as a single Member.

- ~~1.~~ ~~A Newly Writing Company whose initial Private Passenger Motor Vehicle insurance rates and rate manual become effective prior to January 1, 2011 will be eligible for appointment as an ARC and be required to accept assignments through the MAIP on the 24-month anniversary of the calendar date on which the Newly Writing Company's initial Private Passenger Motor Vehicle insurance rates and rate manual became effective.~~
- ~~12.~~ A Newly Writing Company ~~whose initial Private Passenger Motor Vehicle insurance rates and rate manual become effective on or after January 1, 2011~~ shall be eligible for appointment as an ARC as of the effective date of its initial rates and rate manual. The ARC shall be required to accept assignments through the MAIP on the date that MAIP processes the ARC's initial summary data submission pursuant to Rule 29.~~CB.2.~~
- ~~23.~~ A Member may be excused from its private passenger motor vehicle ~~s~~servicing ~~e~~Carrier responsibilities for the business assigned to it through the MAIP if the Member executes a Limited Assignment Distribution Agreement (LADA). Rule 36 details the eligibility requirements and procedures applicable to LADAs.
- ~~34.~~ In order to assure the protection of the public interest, the Governing Committee, in considering the appointment of an ARC, shall require that the Member has the ability to and will effectively meet the following requirements:
 - a. Provide policy issuance and premium collection services for all eligible classes of risks, except for those classes of risks specifically exempted by the Commissioner;
 - b. Service insurance claims in every state, the District of Columbia and Canada;
 - c. Administer a direct bill program;

CAR Rule 30 Revision Date Page	Rules of Operation Assigned Risk Company Requirements 2014.10.17 2 of 9
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- d. Provide an installment payment plan as described in Rule 28 – Application Process. An ARC shall cooperate with ARPs to assure that policyholders are made aware of their option to utilize an installment payment plan;
- e. Maintain a special investigative unit to investigate suspicious or questionable motor vehicle insurance claims for the purpose of eliminating fraud;
- f. Report all required information to the MAIP in an accurate and timely manner;
- g. Adopt and maintain a plan approved by the Commissioner providing for direct payment by the insurer to the insured under collision, limited collision, comprehensive, and fire and theft coverages; and
- h. Use the policy forms, endorsements, new business application and renewal questionnaire filed by the MAIP with and approved by the Commissioner for use in private passenger motor vehicle insurance.

B. Responsibilities

Nothing in this Rule shall be construed to affect the rights of any Member to enter into any third party contractual agreement for the purpose of servicing its voluntary business. Nothing in this Rule shall be construed so as to relieve any Member of its Quota Share or its share of the administrative expenses of the MAIP, as required by G.L. c. 175, § 113H. A Member appointed as an ARC is required to perform the following responsibilities in its capacity as an ARC:

- 1. An ARC must provide quality service to policyholders assigned through the MAIP by maintaining the standards established as a condition of appointment under Section A. Policies and other forms mailed to policyholders shall be the same as those filed by the MAIP and approved by the Commissioner for private passenger motor vehicle business. An ARC shall provide the same level of service to policies assigned to it through the MAIP as it provides to policies it issues voluntarily. At a minimum the ARC shall provide timely access to billing and claim information which will reflect current premium due, payments made, and if applicable, cancellation status and effective date, claim status and claim payments made.

CAR Rule 30 Revision Date Page	Rules of Operation Assigned Risk Company Requirements 2014.10.17 3 of 9
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2. ~~Effective September 1, 2012, a~~An ARC shall, for purposes of quoting an assigned Eligible Risk, provide access to its voluntary rates to ARPs by providing either web-based rating capability directly or through a third party comparative rating vendor, or by providing a dedicated toll-free telephone service for quoting purposes.

If an ARC provides access through a third party comparative rating vendor and an ARP wishes to access an ARC's voluntary rates using a third party comparative rater, (1) the ARP will contract with the third party vendor for access to the ARC's voluntary rates and request access to the voluntary rates from the ARC, and (2) the ARC will not withhold permission for gaining access to its voluntary rates for any third party vendor it supports for its voluntary agents.

After an assignment is made, the ARP will obtain from the Eligible Risk any supplemental or additional information needed by the ARC to produce the voluntary quote. The ARC shall provide the quote using the same timeframes applicable to its voluntary market quotes, but in all cases within 48 hours of the receipt of the information necessary to calculate the voluntary premium.

An ARC providing web-based rating capability shall return the voluntary premium quote to the ARP in a printable format. An ARC providing a toll-free telephone service will respond with the voluntary premium quote and include an identification number to be used to match the quote to the new business application upon receipt by the ARC.

3. An ARC shall bill the premium for a policy assigned through the MAIP that is the lesser of the premium calculated using the ARC's rates applicable to that policy if the ARC or its affiliates had issued the policy in the voluntary market and the premium calculated using the MAIP rates on file with the Commissioner. For the purposes of this comparison:
- a. The ARC, through its affiliated companies, shall quote risk-specific premiums based on the rates applicable to its voluntary policies for any eligible risk obtaining insurance through the MAIP.
 - b. The ARC must use voluntary private passenger motor vehicle insurance rates that are based primarily on actual loss and expense experience for risks voluntarily insured.

CAR Rule 30 Revision Date Page	Rules of Operation Assigned Risk Company Requirements 2014.10.17 4 of 9
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The calculation of the premium assigned through the MAIP shall be based on information contained in the application. At the time the assignment is made, the ARC shall provide a form to the Eligible Risk requesting any additional or supplemental information necessary to accurately calculate the premium. The completed form shall be submitted by the ARP to the ARC with the application within two business days. If during the underwriting process an ARC discovers third-party information that appears inconsistent with the information provided on the application for insurance or is inconsistent with any supplemental information, the ARC shall: 1) initiate an inquiry either directly with the insured or through the producer of record to resolve any factual errors; and 2) obtain the insured's consent before issuing a notice of adjustment to the down payment and/or total premium. If the inquiry is made directly to the applicant, the producer of record shall be furnished a copy.

If the resolution of an apparent inconsistency results in a change to information used to calculate premium, the ARC shall charge an appropriate premium based upon the additional or corrected information, and adjust the applicant's next bill accordingly. If, however, the applicant is unwilling to consent to the modification, and the ARC has independent evidence that the applicant had the actual intent to deceive or the material misrepresentation increases the ARC's risk of loss, the ARC may cancel the policy as provided by Massachusetts law.

4. No companies within an insurer group under the same management or ownership or both may provide a different level of service through a company within the group that is not an ARC than is provided to policyholders insured by a company with the group that is an ARC.
5. General Duties

ARCs shall perform the following general duties.

- a. Confirm operator driving licenses and records in order to administer the MAIP merit rating plan and its own merit rating plan accurately;
- b. Verify eligibility criteria;

CAR Rule 30 Revision Date Page	Rules of Operation Assigned Risk Company Requirements 2014.10.17 5 of 9
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- c. Verify that information contained in the application for insurance and any supplemental information is accurate as to classification, garaging, discounts, credits, vehicle use, vehicle description, and, to the extent verifiable, other rating factors;
- d. Assure that a policy has been issued for each RMV-1 and/or RMV-3 certificate and that the policy effective date and the certification date are the same;
- e. Implement procedures to assure collection of premiums billed;
- f. Comply with the terms and conditions of premium finance notes and/or agreements submitted to the ARC on behalf of applicants for insurance, by the producer or by a premium finance company licensed under the laws of the Commonwealth of Massachusetts;
- g. Ensure that there is communication among the ARC's Underwriting, Claims, and SIU Departments and that any discrepancies in information are shared promptly among the departments and documented;
- h. Maintain and forward to the MAIP a copy of all written complaints filed with the ARC regarding the service provided by the ARC or any ARP; and
- i. Monitoring of Assigned Risk Producers

ARCs will be responsible for notifying the MAIP of ARP infractions that may result in the revocation of the ARP's MAIP certification as follows:

- (1) Failure to maintain a valid producer's license as issued by the Division of Insurance;
- (2) Willful misappropriation of premium due an ARC in accordance with the provisions of the MAIP Rules of Operation;
- (3) The entry of a finding, by a court of competent jurisdiction that the producer has engaged in fraudulent activity in connection with the business of motor vehicle insurance;

CAR Rule 30 Revision Date Page	Rules of Operation Assigned Risk Company Requirements 2014.10.17 6 of 9
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- (4) Failure to forward premium payments to an ARC within two business days in accordance with the MAIP Rules of Operation;
- (5) Failure to notify the ARC of any suspected fraud in the application for insurance or in the underwriting or rating process or in the payment of premium obligations or surrounding a loss;
- (6) Failure to assist the ARC during any audit or investigation;
- (7) Failure to report all coverages bound within two business days of the effective date of coverage;
- (8) Failure to comply with reasonable procedures as required by the MAIP for processing claims, remitting premiums and requesting coverages;
- (9) Failure to adhere to a directive issued by the Commissioner relative to the charging of service fees;
- (10) Failure to provide a reasonable and good faith effort to verify the information provided by the applicant, including rating and licensing data;
- (11) Failure to comply with applicable agency requirements and procedures, as prescribed in the MAIP Rules of Operation; and
- (12) Failure to comply with all of the provisions of the Rules of Operation and Assigned Risk Producer Procedures Manual and the Assigned Risk Company Procedures Manual.

6. Reporting Requirements

On a monthly basis, ARCs must report all premiums written, and any other information that may be required by the Plan, Rules or Assigned Risk Company Procedures Manual.

7. Continuation of Eligibility as an ARC

An ARC must maintain a viable book of voluntarily written private passenger motor vehicle insurance policies. The Commissioner may terminate any ARC if ~~he or she finds that~~ disruptive reductions in voluntarily issued motor vehicle policies are found to be in violation of this Section.

CAR | **Rules of Operation**
Rule 30 | **Assigned Risk Company Requirements**
Revision Date | **2014.10.17**
Page | **7 of 9**

C. Procedures for Voluntary Writing of Risks from the MAIP

1. Voluntary Writing by an ARC of ~~Its~~ Own Policyholder Insured through the MAIP.

a. Eligibility

A risk is eligible if it is currently insured through the MAIP.

b. Offer to Write

The kinds and amounts of coverage to be offered for such voluntary risks shall not be less than those afforded by the policy being replaced unless the insured refuses such kinds and amounts of coverage.

c. Notification to the Producer of Record

The producer of record must be mailed notification of such offer ninety days prior to policy expiration, which shall contain the premium quotation to be offered. The policyholder shall be mailed the offer for voluntary coverage forty-five days prior to policy expiration with copy to the producer of record.

Following such offer to write, the ARC shall have no further obligations to the policyholder or to the producer of record if the policyholder obtains replacement insurance from another Member.

If such replacement coverage is obtained by the producer of record within the ~~period of his or her~~ forty-five day advance notice period, the producer of record shall notify the assigned ARC and it shall not make an offer to the policyholder.

d. ARC Obligations to the Producer of Record

A duly licensed insurance producer, certified to place business through the MAIP, shall own and have an exclusive right, as the insured's producer of records, to use certain insurance information of the insured embodying the records of the insurance agency which shall include but not be limited to, the name of the insured, the policy inception date, the amount of insurance coverage, the policy number and the terms of insurance. An ARC may choose to offer voluntary coverage to a policyholder it has insured through

CAR | **Rules of Operation**
Rule 30 | **Assigned Risk Company Requirements**
Revision Date | **2014.10.17**
Page | **8 of 9**

the MAIP. Once the ARC mails the offer to write voluntary coverage and the policyholder accepts the offer, the policyholder's producer of record shall continue to represent the policyholder who has been written or renewed in the voluntary market and to service the policy unless: 1) the producer is decertified or suspended by the MAIP or the Commissioner of Insurance pursuant to Rule 31.B.; 2) the insured chooses to terminate such producer as its producer of record; or 3) the producer of record is precluded from dealing with other companies by contract. An ARC who subsequently writes a policy on a voluntary basis that it previously insured through the MAIP shall pay a commission in accordance with its commission structure for business written in the voluntary market at voluntary rates, regardless of whether there is a contract between the ARC and the producer of record. No commission payments shall be made to the producer of record if that producer is decertified or suspended under Rule 31.B., is terminated by the policyholder as its producer of record, or is precluded from dealing with other companies by contract.

2. Voluntary Writing of Present MAIP Insured by Member Other ~~F~~than the ARC

a. Eligibility

A risk is eligible if it is currently insured through the MAIP.

b. Offer to Write

The kinds and amounts of coverage to be offered for such voluntary risks shall not be less than those afforded by the policy being replaced unless such kinds and amounts of coverage are refused by the insured.

3. Right of Insured to Reapply to ~~Plan~~ the MAIP

Nothing in the provisions of this Section shall render the policyholder ineligible for coverage in the MAIP for the full term of the three year assignment period. Subject to the right to reassignment pursuant to Rule 26.B.1.A.2., the policyholder may, at his or her option, continue the policy with the ARC as a MAIP risk if the three year assignment period has not yet expired.

CAR Rule 30 Revision Date Page	Rules of Operation Assigned Risk Company Requirements 2014.10.17 9 of 9
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D. Failure to Comply with the Provisions of this Section

If the Governing Committee finds that any Member without good cause is not complying with the provisions of this Section it shall notify the Commissioner in writing.

E. Reporting Credits

Refer to the Assigned Risk Company Procedures Manual for the procedure outlining the reporting of all credits.

CAR | **Rules of Operation**
Rule 31 | **Assigned Risk Producer Requirements**
Revision Date | **2014.10.17**
Page | **1 of 8**

A. Eligibility Requirements

In accordance with G.L. c. 175, § 113H, every Assigned Risk Producer (ARP) shall be assigned to each and every Assigned Risk Company (ARC) for the sole purpose of obtaining Private Passenger Motor Vehicle Insurance for applicants who have been unable to obtain such insurance through the method by which such insurance is voluntarily made available.

~~As of April 1, 2008, any licensed property and casualty producer in good standing shall be deemed to be certified as an ARP. Subject to the provisions of Rule 21.B., these producers shall submit business to the Massachusetts Automobile Insurance Plan (MAIP) as an ARP.~~

~~On or after April 1, 2008, To become certified as an ARP, all licensed property and casualty producers must meet the following requirements: and become certified as ARPs.~~

1. Have electronic access to the MAIP and the Registry of Motor Vehicles;
2. Have within the preceding 12-month period worked for a minimum of 6 months with a producer licensed by the Division of Insurance, or with a Massachusetts motor vehicle insurer, during which time the applicant's efforts were primarily devoted to the Massachusetts Motor Vehicle Insurance market; and
3. In satisfying the preceding criteria the applicant must conclusively show that he:
 - a. is applying in good faith;
 - b. will operate from an established location properly equipped to meet producer certification requirements;
 - c. will maintain regular business hours;
 - d. has not been convicted of a crime related to his occupation as an insurance producer;
 - e. has not had his license to engage as an insurance producer revoked or suspended;

CAR | **Rules of Operation**
Rule 31 | **Assigned Risk Producer Requirements**
Revision Date | **2014.10.17**
Page | **2 of 8**

- f. has not been involved in a material and substantial breach of a contract between an ARC and a producer;
- g. is not in default in the remittance of any motor vehicle premiums due a Member;
- h. agrees to comply with the provisions of the Plan of Operation, the Rules of Operation, the Assigned Risk Producer Procedures Manual and the Assigned Risk Company Procedures Manual, the MAIP's certification requirements, and the applicable regulations of the Division of Insurance;
- i. agrees to notify the MAIP of an agreement to sell the agency 15 days in advance of the proposed closing of any such sale; and
- j. has not had an ARP certification revoked by the MAIP as provided in these Rules, the revocation not having been reversed by the Governing Committee, the Division of Insurance or a court of competent jurisdiction.

B. Ongoing Assigned Risk Producer Requirements and Responsibilities

It will be the ongoing responsibility of an ARP to fulfill the following requirements as well as the producer ~~certification~~ eligibility requirements in Section A. Failure to do so will be grounds for revocation of certification.

1. The ARP must use the policy forms, endorsements, new business application and renewal questionnaire that are filed by the MAIP and approved for use by the Commissioner for Private Passenger Motor Vehicle Insurance.
2. The ARP must require that all Eligible Risks applying for insurance coverage by through the MAIP complete a new business insurance application in its entirety.
3. The ARP must ensure that the application and any additional or supplemental information for insurance through the MAIP is submitted on the prescribed forms and that each is filled out accurately and in its entirety. An application that contains information the MAIP verifies as inaccurate or an incomplete application will be returned to the

CAR | **Rules of Operation**
Rule 31 | **Assigned Risk Producer Requirements**
Revision Date | **2014.10.17**
Page | **3 of 8**

producer for remedy. Steps that the ARP must take in order to complete an application correctly include the following:

- a. The ARP must list all licensed operators in the household, including those not used for classification purposes, on the application;
- b. The ARP must verify through the Registry of Motor Vehicles Registration Inquiry System the driver's license for each listed operator who holds a Massachusetts driver's license. The ARP must submit a photocopy of the license of any operator holding an out-of-state or an out-of-country driver's license with the new business application.
- c. The ARP must supply documentation supporting the deferral for rating purposes of any household member;
- d. The ARP must confirm each licensed operator's driving record for rating and statistical data collection purposes;
- e. The ARP must verify that the Eligible Risk has not been and is not now in default in the payment of any Motor Vehicle Insurance premiums in the past 24 months;
- f. The ARP must certify, pursuant to Rule 26.A.1.a., that the risk has made an attempt to obtain Private Passenger Motor Vehicle Insurance within 15 days of the application to the MAIP and has been turned down for such insurance;
- g. The ARP must include the full and complete address of the Eligible Risk. A post office box will not be accepted for the determination of garaging town;
- h. The ARP must verify eligibility for premium discounts through the Registry of Motor Vehicles or other appropriate sources;
- i. The ARP must order from the ARC, only those coverages ~~from the ARC~~ requested by the Eligible Risk, for which he may be eligible through the MAIP;
- j. The ARP must quote the proper MAIP premium based on information provided by the Eligible Risk for the coverage desired. The ARP must inform the Eligible Risk that the final premium

CAR | **Rules of Operation**
Rule 31 | **Assigned Risk Producer Requirements**
Revision Date | **2014.10.17**
Page | **4 of 8**

- billed by the ARC may be less than the MAIP premium quoted, but it may not be more;
- k. The ARP may quote the voluntary premium of the designated ARC based on information provided by the Eligible Risk for the coverage desired. The ARP must inform the Eligible Risk that the final premium will be determined and billed by the ARC upon receipt of the new business application and any supplemental information necessary to calculate the voluntary premium for comparison to the MAIP premium;
 - l. The ARP must notify the Eligible Risk that he has the option of utilizing an installment payment plan;
 - m. The ARP must verify that the Eligible Risk has signed the new business application before it is submitted to the MAIP; and
 - n. The ARP must sign the new business application before it is submitted to the MAIP.
4. The ARP must submit an electronic application for Private Passenger Motor Vehicle Insurance coverage to the MAIP to obtain MAIP coverage for an Eligible Risk.
 5. Once the MAIP has notified the ARP of i) the certification number assigned to the application, ii) the ARC to which the policy is assigned and iii) the effective date of the coverage, the ARP is responsible for providing the ARC with the following items within two business days:
 - a. The original application form, any additional or supplemental information, and if applicable, a copy of the voluntary premium quote or voluntary premium quote identification number. The application must be signed by the Eligible Risk and the ARP; and
 - b. The required deposit premium pursuant to Rule 28.
 6. The new business application, any additional coverage, and/or modifications in coverage must be submitted to the ARC within two business days of the effective date of coverage.
 7. The ARP must forward premium payments to an ARC within two business days of receipt. However, an ARC shall extend the payment period for an additional seven days upon sufficient notice that all or

CAR	Rules of Operation
Rule 31	Assigned Risk Producer Requirements
Revision Date	2014.10.17
Page	5 of 8

part of a premium is being financed by a licensed premium finance company where the premium finance company has given its written assurance to pay the full premium financed to the ARC directly. This provision shall not obligate an ARC to provide such additional time if, notwithstanding any written assurances, the premium finance company has failed to perform its commitment previously.

8. The ARP must conduct all monetary transactions with the Eligible Risk and the ARC as required by the Rules of Operation.
9. The ARP must advise the premium finance company and/or the policyholder that checks for premiums for all financed accounts are to be made payable to the ARC.
10. The ARP must report all coverages bound and all registrations/titles certified to the ARC within two business days after binding coverage or certifying a registration.
11. The ARP must forward to the Eligible Risk within 30 days of receipt from the ARC, all policies and endorsements if not mailed directly by the ARC to the Eligible Risk.
12. The ARP must properly order endorsements.
13. The ARP must retain the necessary documentation of ARC transactions in accordance with the Assigned Risk Producer Procedures Manual and the Assigned Risk Company Procedures Manual.
14. The ARP and his employees will be required to receive training on claims reporting and fraud recognition. For current ARPs and employees, such training must be completed within six months of the initial implementation of the MAIP. For new ARPs, such training must be completed within six months of certification by the Governing Committee or its designee to immediately submit Motor Vehicle Insurance policies for placement through the MAIP with an ARC. For new employees, such training must be completed within six months of hire. Any fraud training program that receives three CEU credits from the Massachusetts Division of Insurance will satisfy the claims reporting and fraud recognition training requirement. No other training that an ARC provides to its producers is sufficient to meet the claims reporting and fraud recognition training requirement set in this Section.

CAR | **Rules of Operation**
Rule 31 | **Assigned Risk Producer Requirements**
Revision Date | **2014.10.17**
Page | **6 of 8**

15. The ARP must notify the MAIP and the ARC of any suspected fraud surrounding a loss.
16. The ARP must cooperate with ARC and MAIP personnel during all audits and investigations.
17. The ARP and his employees are prohibited from accepting a fee or any other monetary or tangible property for referring the insured or parties to an accident to any glass, repair or rental facility, or to any legal or medical provider.
18. ARPs shall provide referral information to consumers consistent with company practices under regulations relating to motor vehicle repairs.
19. The ARP must return uncontested unearned commission within 45 calendar days from the date the producer receives notice from the insurer that such commission is due.

C. Service Fees

1. G.L. c. 175, § 182, in part, prohibits producers and others in connection with the placing or negotiation of insurance policies or the continuance or renewal thereof from selling or offering to sell anything of value whatsoever not specified in the policy of insurance. See also G.L. c. 176D, § 3(8). The following acts and practices are prohibited:
 - a. Charging a fee in addition to the premium for certifying a registration on behalf of an ARC;
 - b. Charging a fee in addition to the premium for acting as a producer and placing the applicant's Motor Vehicle Insurance business with an ARC;
 - c. Charging a fee in addition to the premium for providing assistance to the insured in the completion of forms which are ~~completed in order for the insured required~~ to procure or to continue Motor Vehicle Insurance; and
 - d. Charging a fee in addition to the premium for the sale of a service contract which provides for service or advice relating to the issuance, continuance, or renewal of an insured's Motor Vehicle Insurance policy.

CAR | **Rules of Operation**
Rule 31 | **Assigned Risk Producer Requirements**
Revision Date | **2014.10.17**
Page | **7 of 8**

2. Nothing set forth in the provisions of Section C.1. is intended to prohibit producers from charging courier fees and other non-insurance related fees if the following requirements are met:
 - a. The producer provides to the applicant a complete description of the non-insurance related services for which the fee, in addition to the premium rate, is being charged;
 - b. The producer advises the applicant that there is no obligation to purchase the non-insurance related service and that the insured may obtain Motor Vehicle Insurance through the producer, notwithstanding the insured's decision not to purchase the non-insurance related services;
 - c. The applicant, after having been apprised of the information in Sections C.2.a. and C.2.b., agrees to pay the fee; and
 - d. The fee for the services provided is reasonable.
3. The producer may enter into a contract with the applicant, pursuant to which the producer provides non-insurance related services to the applicant if the producer complies with all of the requirements identified in C.1. and C.2. In the event the producer and applicant execute such a service contract, the producer shall give to the applicant an executed copy of the contract and shall retain an executed copy in his the producer's file that shall be made available to the ARC, Division of Insurance and the MAIP upon request.

D. Certification Ineligibility

1. Grounds for revoking the certification of an ARP shall be pursuant to Rules 30 and 31. Any licensed property or casualty producer who, within the preceding 24-month period, has had an ARP certification revoked with the said revocation not having been reversed by the Governing Committee, the Division of Insurance, or court of competent jurisdiction, shall be ineligible to place business with through the MAIP.
2. For purposes of this Section, the term Assigned Risk Producer includes any licensed producer with whom the ARP whose certification has been revoked has a direct or indirect material and continuing proprietary or management interest.

CAR	Rules of Operation
Rule 31	Assigned Risk Producer Requirements
Revision Date	2014.10.17
Page	8 of 8

An ARP whose certification is revoked in conjunction with these Rules must return all MAIP forms, manuals and certification stamp(s) as well as any materials supplied by an ARC at such time as the revocation becomes effective. The ARP may appeal the revocation in accordance with the procedures pursuant to Rule 40.

3. If an Exclusive Representative Producer's (ERP's) appointment has been terminated by a Servicing Carrier for violations of any obligation(s) delineated in Rule 14 of CAR's Rules of Operation, with the exception of Section C. Production Criteria, and having exhausted the appeal rights pursuant to Rules 14.F. and 20, the ERP is ineligible for MAIP certification or continuation of an existing MAIP certification. The ERP shall be ineligible to reapply for certification as an ARP until such time as the producer is eligible to reapply for appointment as an ERP.

CAR	Rules of Operation
Rule 32	Claim Practices
Revision Date	2008.05.06
Page	1 of 4

The Governing Committee shall establish and monitor procedures for the review of claim practices of ARCs to insure compliance with the "Performance Standards for the Handling and Payment of Claims". National Association of Insurance Commissioners guidelines are incorporated where applicable into the Performance Standards. The MAIP will conduct periodic audits of ARC claims including policies in the MAIP and voluntarily written as specified in G.L. c.175, §113H.

- A. Claim practices of each ARC shall comply with the requirements of G.L. c. 175, § 113H. ARCs shall, in accordance with the Performance Standards and the MAIP's Rules:
1. Comply with the standards for prompt investigation of claims. Upon receipt of a new claim, investigate policy information for garaging, listed operator, prior accidents, or any other issues. Information developed may be used to affirm or deny claim payments. Discrepancies shall be communicated to the Underwriting Department and the premium recalculated and billed if appropriate and in accordance with Division of Insurance requirements;
 2. Affirm or deny coverage of claims within a reasonable period of time;
 3. Effectuate prompt, fair and equitable settlements of claims in which liability is reasonably clear;
 4. Maintain claim reserving procedures for all applicable claims;
 5. Conduct internal claim quality audit of a reasonably representative number of claim files on MAIP business, commensurate with their procedures for audit of claims on voluntary business, in order to verify compliance with the Performance Standards. With sufficient frequency to reflect reasonable continuity of their quality controls, ARCs shall prepare internal reports summarizing the efforts and conclusions of their claim department quality audit. Reports shall consolidate comments relative to both the MAIP and voluntary claim adjustment. Report format shall be at the discretion of each ARC, or as may be requested from time to time on an individual basis by the Governing Committee, or the Committee's designee;
 6. Establish complaint handling procedures, and maintain complete records of all complaints received on claims related to both the MAIP and voluntary business. ARCs shall maintain records reflecting the number of complaints received annually. For purposes of this Rule,

CAR | **Rules of Operation**
Rule 32 | **Claim Practices**
Revision Date | **2008.05.06**
Page | **2 of 4**

the term "complaint" shall mean any written communication initiated by the complainant primarily expressing a grievance;

ARCs shall also maintain and forward to the MAIP, records on all written complaints filed on all producers;

7. Acknowledge and act promptly upon communications regarding claims;
 8. Promptly provide a reasonable explanation for denial of a claim or for the offer of a compromise settlement;
 9. Resolve inter-company subrogation disputes involving Physical Damage and Personal Injury Protection claims through arbitration;
 10. Have direct telephone reporting available for first and third party claims;
 11. Provide producers with a list of approved inspection services for conducting pre-inspections. Appraisers shall report when the damage is inconsistent with the description of the loss; and
 12. ARCs shall offer training on claim reporting and fraud recognition to producers and their customer service representatives. Such training shall be completed for current producer and customer services representatives within six (6) months of approval of this Rule and for new producers and customer services representatives within six (6) months of licensing or employment.
- B. In the handling of MAIP claims, ARCs shall not:
1. Misrepresent pertinent facts or policy provisions relating to the coverage at issue;
 2. Refuse to pay claims without having conducted a reasonable investigation based upon all available information; and
 3. Fail to promptly settle claims, where liability is reasonably clear, under one portion of the policy coverage in order to influence settlements under other portions of the policy coverage.

CAR | **Rules of Operation**
Rule 32 | **Claim Practices**
Revision Date | **2008.05.06**
Page | **3 of 4**

C. Every ARC shall maintain a special investigative unit to investigate suspicious claims for the express purpose of eliminating fraud and shall specifically report to the MAIP evidence of fraud pertaining to theft or misappropriation of a private passenger motor vehicle on policies issued through the MAIP as provided in the Manual of Administrative Procedures. Special investigative units so established shall be organized and operated to investigate claims on any policies that are issued through MAIP and on policies issued on a voluntary basis by ARCs. The special investigative unit shall investigate suspicious circumstances surrounding underwriting, rating, and premium issues. A claim shall not be investigated by such a unit solely on the basis that such claim arises from a policy issued through the MAIP. The special investigative unit also shall conduct an audit on a representative sample of policies to verify garaging and policy facts.

D. Compliance with Performance Standards

An error tolerance of ten percent (10%) for procedures and seven percent (7%) for claim resolution will be used to measure compliance with the Performance Standards. Failure to meet the standards or other requirements described in this Rule may result in penalties as directed by the Performance Standards or as may be otherwise imposed by the Governing Committee.

E. Dishonesty

Loss or expense resulting from the dishonesty of those employed to handle claims shall be the sole responsibility of the ARC.

F. Claim Contingency Procedures

1. Terminations

An ARC whose appointment is terminated as provided in Rule 38 shall, subject to the provisions of Rule 32, ~~Claim Practices~~, service to a conclusion all claims against all policies issued by it in its capacity as an ARC and in effect prior to the date of termination. "Service to a conclusion" shall mean until the claim is properly closed, or until an agreed date.

CAR	Rules of Operation
Rule 32	Claim Practices
Revision Date	2008.05.06
Page	4 of 4

2. Other Terminations

Upon notice from the Governing Committee of the non-voluntary termination of a company's appointment as an ARC, the MAIP shall examine a representative sample of open claim files to determine the amount of work completed, to estimate the future cost of servicing the claims to a conclusion, and to verify compliance with Rule 32. ~~Claim Practices.~~ Findings from that examination shall be reviewed with the Compliance and Operations Committee Claims Advisory Committee, which shall present to the Governing Committee for its consideration the recommendations of the Compliance and Operations Committee Claims Advisory Committee for the further servicing of said ARC claims.

CAR	Rules of Operation
Rule 33	Statistical Data
Revision Date	2008.05.06
Page	1 of 1

Each Member shall furnish or cause to be furnished to the Statistical Agent all statistical data in connection with private passenger motor vehicle insurance policies which may be required by the Commissioner's Statistical Plan, and which is not in conflict with Chapter 365 of the Acts of 1977, including data to be used in conjunction with the MAIP merit rating plan. Each Member agrees to permit the Commissioner's Statistical Agent to release statistics to the ~~MAIP~~ Governing Committee as are necessary to operate the MAIP.

CAR	Rules of Operation
Rule 34	Audit Review
Revision Date	2008.05.06
Page	1 of 1

Private Passenger Motor Vehicle insurance policies written by an ARC directly or pursuant to a LADA subject to the Plan and Rules of the MAIP shall be subject to review and audit in a manner and time determined by the Governing Committee. Each ARC authorizes the MAIP to audit any portion of its Private Passenger Motor Vehicle insurance business that has a bearing on any credits, penalties, determination of assigned Quota Share, or any other issues relating to such business.

CAR	Rules of Operation
Rule 35	Assessments
Revision Date	2008.05.06
Page	1 of 1

Expenses of the MAIP, including all costs of operating the MAIP and all costs, charges, expenses and liabilities and all income, property and other assets which the Governing Committee determine not to be properly chargeable to the profit or loss of risks placed in the MAIP by Members, shall be shared among each Member based upon the proportion that each Member's Massachusetts direct written motor vehicle insurance premiums which are reported on its Annual Statement for the most recent calendar year bear to the total of such premiums for all Members. Assessments for the expenses of the MAIP shall be levied on a quarterly basis or as frequently as the Governing Committee deems necessary.

Premium from those classifications and/or coverages that are not statistically reportable to the MAIP (those classes or coverages not specified in the Massachusetts Private Passenger Statistical Plan) and all premium from Antique Vehicles (Classification Code 048300) is excluded from this calculation.

CAR | **Rules of Operation**
Rule 36 | **Limited Assignment Distribution Agreements**
Revision Date | **2011.12.19**
Page | **1 of 8**

A. Limited Assignment Distribution Agreement

A Member may enter into a contract, called a Limited Assignment Distribution Agreement (LADA), with an Assigned Risk Company (ARC), under which the Member transfers its obligation to provide Private Passenger Motor Vehicle Insurance policies to risks assigned to it through the Massachusetts Automobile Insurance Plan (MAIP) to the ARC and the ARC agrees to assume liability for and service all of the Member's MAIP assignments in exchange for a negotiated fee. The LADA must provide that:

1. The ARC is responsible for servicing the other Member's MAIP assignments in addition to its own MAIP assignments;
2. The ARC is solely responsible for ensuring that its practices comply with all MAIP Rules, state laws and regulations with respect to all business serviced, including business serviced under LADAs;
3. The ARC assumes all of the other Member's legal liabilities with respect to the Member's MAIP assignments; and
4. The ARC offers the same premiums and provides the same level of service to the other Member's MAIP assignments as it does to its own MAIP assignments.

B. Eligibility Requirements for ARCs Entering Into LADAs

To be eligible to enter into a LADA(s) with another Member(s), an ARC must apply for and receive approval from the Commissioner. The ARC's application to the Commissioner should include a recommendation from the Governing Committee regarding the ARC's application.

An ARC must meet and continuously maintain all of the following operating requirements, in addition to the requirements contained in Rule 30:

1. Directly write at least 1% of Massachusetts' voluntary Private Passenger Motor Vehicle property damage liability car years. If the individual company is part of a group of companies under common ownership, control or management, the voluntary direct written Private Passenger Motor Vehicle property damage liability car years of all companies in the group combined may be used to fulfill this

CAR Rule 36 Revision Date Page	Rules of Operation Limited Assignment Distribution Agreements 2011.12.19 2 of 8
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requirement provided that the company has not elected to be treated as a separate Member pursuant to Rule 22.

2. Have a statutory capital and surplus of at least \$25,000,000;
3. Have and maintain a net premium to surplus ratio that does not exceed 2 to 1;
4. Have maintained an A.M. Best's financial rating of A- or better for a continuous three-year period from the most current publication date of the Member's rating. A financial rating from an alternative rating service cannot be used to fulfill this eligibility requirement;
5. Have been licensed to write motor vehicle liability insurance and physical damage insurance without restriction in the United States or its territories or possessions for a minimum of five years;
6. Have a facility to issue policies and to provide policyholder services, including a process for the reporting and resolution of policyholder complaints; and

The Commissioner may consider a LADA application from an ARC that does not meet the 1% market share requirement or the 2 to 1 net premium to surplus ratio requirement.

If at any time an ARC does not meet one or more eligibility requirements, the ARC immediately must notify the MAIP and the Commissioner.

C. Assignment Volume Limitation Under LADAs

When the MAIP quota share premium is greater than \$5 million, each ARC with a LADA shall be subject to a limitation on the additional MAIP assigned exposures it may write on behalf of other Members pursuant to a LADA. The limitation represents the maximum percentage of the total MAIP assignments that an ARC may service through LADAs. This limitation shall be determined in accordance with the following formula:

CAR | **Rules of Operation**
Rule 36 | **Limited Assignment Distribution Agreements**
Revision Date | **2011.12.19**
Page | **3 of 8**

$$\text{Limitation} = \frac{\text{Market Share of Members That May Be Excused From Their Servicing Carrier Obligations}}{\text{Number of Active ARCs w/ LADAs}} + 10\%$$

Where:

- i. The market shares of all Members that may be excused from their servicing carrier obligations pursuant to Section D. includes the market shares of Members with LADAs (including those described in Section D.2.) and the market shares of Members who otherwise satisfy the eligibility requirements of Section D.1.
- ii. Active ARCs with LADAs include only those ARCs receiving MAIP assignments through LADAs pursuant to Section B. In order to qualify as an active ARC with LADAs, the ARC must have a market share of at least 10% of all MAIP assignments made under LADAs.
- iii. Example: Assume there is only one ARC that services MAIP business through LADAs, and that the voluntary market share of Members eligible to enter into LADAs is 15%. The single ARC may enter into LADAs to service up to 25% of the potential MAIP assignments of other Members eligible to enter into LADAs.

The resulting percentage shall be rounded to the nearest whole percentage. This standard is applicable to existing ARCs with LADAs. The limitation on additional MAIP assignments that ARCs may service on behalf of other Members under LADAs shall be subject to annual review by the Governing Committee.

D. Eligibility Requirements for Members That May Be Excused from Their Servicing Carrier Obligations

1. Members with private passenger MAIP Quota Shares that write 5% or less of Massachusetts voluntary private passenger direct property damage liability written car years may be excused from their Servicing Carrier obligations and may enter into a LADA with an ARC.

CAR Rule 36 Revision Date Page	Rules of Operation Limited Assignment Distribution Agreements 2011.12.19 4 of 8
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2. Members with private passenger MAIP Quota Shares whose market share of the Massachusetts voluntary private passenger motor vehicle direct property damage liability written cars year is five percent (5%) or greater may apply to the Commissioner to waive the market share requirement. The Commissioner may grant or deny such a request, or revoke an existing market share waiver, at her discretion, for the benefit of the MAIP.
3. Annually, all market share waivers will be reviewed by the Commissioner based upon each Member's first quarter quota share distribution reports. Any Member whose market share equals or exceeds five percent (5%) may have its market share waiver revoked. If a Member's market share waiver is revoked by the Commissioner, the MAIP shall notify the Member and the ARC by June 30 that the LADA will terminate as of December 31 of that calendar year.
4. The eligibility requirements described in Sections D.1. through D.3. are not in effect when the MAIP quota share premium is \$10 million or less. In this instance, any Member with a Quota Share has the option to enter into a LADA. If the MAIP quota share premium exceeds \$10 million, the Governing Committee shall be guided by the procedure in Section G.

E. Monitoring ARC Eligibility To Enter Into LADAs

The MAIP will review annually the eligibility of each ARC to enter into LADAs to ensure the ARC continues to meet the eligibility requirements in Section B. Such review may include, but is not limited to, verification of any or all of the eligibility criteria in Section B., review of quarterly financial statements filed by the ARC with the Division of Insurance, and monitoring the volume of LADA business written in relation to any applicable assignment volume limitation in Section C.

If the MAIP determines that an ARC no longer meets one or more of the eligibility requirements in Section B., the MAIP shall immediately provide written notification to the ARC, the Governing Committee and the Commissioner. If the ARC advises the MAIP that it no longer meets one or more of the eligibility requirements in Section B., the MAIP shall verify such information and provide written acknowledgement to the ARC. The MAIP immediately shall advise the Governing Committee and the Commissioner, in writing, that the ARC no longer meets one or more of the eligibility requirements of

CAR | **Rules of Operation**
Rule 36 | **Limited Assignment Distribution Agreements**
Revision Date | **2011.12.19**
Page | **5 of 8**

Section B. The Governing Committee may take such action as it deems necessary, including establishing a period of time for the ARC to remedy the cause of ineligibility, or recommending the Commissioner terminate the LADA.

F. Monitoring ARC Servicing Capacity Under LADAs

The MAIP will review the volume of MAIP assignments written by ARCs under LADAs on a monthly basis and advise the Governing Committee.

If an assignment volume limitation exists under Section C., MAIP's review may include an estimate as to when an ARC might approach, meet, or exceed, the limitation. The MAIP will provide the ARC and the Governing Committee with written notification on the status of the ARC's capacity to continue to accept MAIP assignments under LADAs.

The MAIP will bring any ARC that is expected to exceed, or has exceeded, the assignment volume limitation to the attention of the Governing Committee. The ARC shall be provided at least 20 days advance written notice of the Governing Committee meeting at which the matter will be discussed. During the period between notification to the ARC of meeting or exceeding its assignment volume limitation and the date of the Governing Committee meeting, the ARC may continue to accept assignments under its LADAs.

If an ARC is expected to exceed its assignment volume limitation, or has exceeded its assignment volume limitation, Governing Committee remedies shall include, but are not limited to, one or more of the following:

1. Prohibit the ARC from entering into and negotiating any new LADAs but continue servicing MAIP assignments under existing LADAs;
2. Solicit for one or more additional ARCs to offer LADAs; or
3. Employ any other remedy deemed appropriate by the Governing Committee and approved by the Commissioner.

CAR | **Rules of Operation**
Rule 36 | **Limited Assignment Distribution Agreements**
Revision Date | **2011.12.19**
Page | **6 of 8**

G. Review of Plan Premium Volume

The MAIP will advise the Governing Committee whether the MAIP quota share premium volume is less than, meets, or exceeds \$10 million. The Governing Committee shall be governed by the following:

1. If the MAIP quota share premium volume is \$10 million or less, all Members with MAIP Quota Shares may enter into a LADA.
2. If the MAIP quota share premium volume exceeds \$10 million, the Governing Committee may, at their discretion:
 - a. Reinstate the market share eligibility requirement set forth in Section D. in accordance with the procedure set out in Section H;
 - b. Solicit for another ARC to service MAIP business under LADAs;
 - c. Continue to offer all Members with MAIP Quota Shares the option to enter into a LADA until such time as the Governing Committee determines further action is necessary;
 - d. Implement a combination of 2.b. and 2.c.~~above~~; or
 - e. Take any other action deemed appropriate by the Governing Committee.

H. Reinstatement of Eligibility Requirements For Members to Enter Into LADAs

If the eligibility requirements for Members to enter into LADAs are reinstated by the Governing Committee in accordance with Section G., the MAIP shall be guided by the following:

1. All ARCs and Members shall be notified by June 30 that the eligibility requirement in Section D.1. will be reinstated as of January 1 of the new calendar year.
2. Members with MAIP Quota Shares that meet the eligibility requirement in Section D.1. may enter into a LADA with an ARC as of January 1 of the new calendar year.

CAR Rule 36 Revision Date Page	Rules of Operation Limited Assignment Distribution Agreements 2011.12.19 7 of 8
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3. Current Members with LADAs pursuant to Section D.2. shall be notified in writing by June 30 that their LADA(s) are terminated as of December 31 and that they should prepare to receive their own MAIP assignments as of December 31 of that calendar year.
4. Members with market shares of five percent (5%) or more may apply to the Commissioner for a market share waiver in accordance with the procedure in Section D.2.

I. Approval of LADAs

The Governing Committee shall ratify all LADAs which have been reviewed and approved by the MAIP with the fee provision of the contract omitted. The LADA must contain provisions agreed upon by the ARC and the Member. The LADA also must contain provisions which provide that, with respect to any of the Member's in-force policies in existence at the time of the execution of the LADA, such policies shall continue to be serviced by the Member until their respective anniversary date. In addition, the LADA shall provide that, at least 45 days prior to the anniversary date of each affected in-force policy of the Member, the Member shall issue a non-renewal notice and the ARC shall provide the policyholder and producer of record with a renewal offer and, if accepted, issue the policy in accordance with these Rules.

The ARC shall be obligated to make a renewal offer for the remainder of the original three year assignment period. Upon issuance of the initial renewal offer by the ARC, the Member subject to the LADA shall be relieved of its obligation with regard to the three year assignment period.

The LADA may start on a date agreed upon by the Member and the ARC and approved by the MAIP. LADA contracts are renewable by agreement of the Member and the ARC.

Once the MAIP has reviewed and approved the LADA between the ARC and the Member, the MAIP will send all assignments for all Members subject to the LADA to the ARC. At least annually, the MAIP will indicate how much of the LADA business was needed to fulfill each Member's assigned Quota Share.

CAR	Rules of Operation
Rule 36	Limited Assignment Distribution Agreements
Revision Date	2011.12.19
Page	8 of 8

J. Termination of LADAs

A LADA may be terminated by either the ARC or the Member in accordance with the terms and conditions of the contract. Written notice of such termination shall be provided to MAIP 90 days prior to the effective date of the termination. The ARC will continue to receive assignments under the LADA until the effective date of the termination. The terms and conditions of the contract between the Member and the ARC shall include provisions for servicing MAIP business until the expiration of the three year assignment period.

K. If a conflict exists between Rule 36 and the LADA, the provisions of Rule 36 shall apply.

CAR | **Rules of Operation**
Rule 37 | **Commissions**
Revision Date | **2012.10.23**
Page | **1 of 2**

~~A. For policies effective prior to October 1, 2012, Assigned Risk Producers (ARPs) will be paid the same average commission for private passenger risks insured through the MAIP as is paid for voluntary risks in accordance with the private passenger motor vehicle insurance rates on file with the Commissioner.~~

~~For MAIP business, ARPs that are not operating under the so-called American Agency System will be paid the same average commission as those that are operating under the American Agency System.~~

AB. For policies effective October 1, 2012 and subsequent, if the ARP has a private passenger automobile contractual relationship with the Assigned Risk Company (ARC) receiving the assignment, the terms of the contract relating to commission payments apply regardless of the rate, voluntary or MAIP, used to issue the policy.

BC. For policies effective October 1, 2012 and subsequent, if the ARP does not have a private passenger automobile contractual relationship with the ARC receiving the assignment, commission compensation shall be in accordance with the following commission schedule. Merit rating codes are as defined in the Massachusetts Private Passenger Residual Market Automobile Insurance Manual. The MAIP commission schedule applies regardless of the rate, voluntary or MAIP, used to issue the policy.

Merit Rating Codes for Rated Operator(s)	Base Commission Percentage
All Rated Operators have Merit Rating Code = 99	13.0%
All Rated Operators have Merit Rating Code = 0, 98 or 99	12.0%
At Least One Rated Operator has Merit Rating Code = 1 - 4	10.0%
At Least One Rated Operator has Merit Rating Code = 5 or more	10.0%

The following additional provisions apply:

1. The commission rate is determined at the time a new business or renewal policy is issued.
2. A commission rate adjustment shall be made as a result of an endorsement with an effective date the same as the policy effective date if such endorsement affects the commission percentage.

CAR	Rules of Operation
Rule 37	Commissions
Revision Date	2012.10.23
Page	2 of 2

3. A commission rate adjustment shall not be made as a result of a mid-term policy endorsement.

CD. ~~For policies effective October 1, 2012 and subsequent, if~~ the ARP is not operating under the so-called American Agency System, commission compensation shall be the same as for those ARPs operating under the American Agency System in accordance with Section BA. or CB. of this Rule, whichever applies.

DE. Nothing in this Rule is intended to alter any statutory obligation relating to commission payments.

CAR | **Rules of Operation**
Rule 38 | **Terminations**
Revision Date | **2008.05.06**
Page | **1 of 3**

A. Assigned Risk Company Terminations

1. Involuntary Terminations of an ARC

a. Involuntary Termination by the MAIP

In the event that it becomes necessary for the Governing Committee to terminate an ARC from the MAIP, notice shall be given in writing by the ~~Chairman~~ of the Governing Committee to the Chief Executive Officer of the ARC. Such notice shall specify a period of time of no less than six (6) months or such earlier time as the parties may mutually agree, at which time the MAIP will no longer assign new business to the ARC. The notice to the terminating ARC will stipulate further that the ARC shall continue to service its existing MAIP business until the expiration of the three-year assignment period for each of its MAIP assignments, unless the parties shall have mutually agreed to other arrangements for the service of such assignments and such arrangements have been approved by the Commissioner.

b. Involuntary Termination by the Commissioner

The Commissioner may terminate any ARC which ~~he/she is determined~~ to have violated the standards established for ARCs in these Rules, or the Plan, or if ~~it is found he/she finds~~ that the operation or financial stability of such ARC presents a danger to the interests of policyholders or the continued operation of the MAIP or will create substantial market disruption. If the Commissioner terminates an ARC, the ARC shall continue to service its existing MAIP business until the expiration of the three-year assignment period for each of its MAIP assignments, unless the Commissioner orders other arrangements for the service of such assignments.

2. Approval by the Commissioner of ARC Terminations

No termination of an ARC will become effective until approved by the Commissioner. In granting approval, the Commissioner will consider the impact of such termination on policyholders, producers, ~~and brokers~~, and the market for private passenger motor vehicle insurance. The ARC shall continue to ~~services~~ its MAIP business after the termination becomes effective until the expiration of the three-year assignment period for each of its MAIP assignments, unless other

CAR | **Rules of Operation**
Rule 38 | **Terminations**
Revision Date | **2008.05.06**
Page | **2 of 3**

arrangements for the service of such assignments has been approved by the Commissioner.

3. If the terminating ARC has executed LADAs with other Members at the time of its termination, the MAIP and the Governing Committee shall be guided by the following:
 - a. The terminating ARC will continue to receive assignments under its LADAs until the termination date. The terminating ARC must continue to service all business assigned under LADAs until the end of the three year assignment period has been reached, unless otherwise directed by the Governing Committee and approved by the Commissioner.
 - b. The MAIP will provide Members with which the terminating ARC has LADAs at least 90 days' written notice of termination of the ARC and cancellation of the LADA. Such notice shall indicate that the Member must either seek a LADA with another ARC, or be prepared to receive and write its own MAIP assignments.
 - c. The terminating ARC shall be responsible for its own MAIP assignments after termination of the LADA. The terminating ARC also may seek to enter a LADA with another ARC for the terminating ARC's own MAIP assignments.
4. In the event an ARC experiences unanticipated or unusual operations difficulties that would impair its ability to continue to meet the established ARC performance standards, the Governing Committee, subject to the approval of the Commissioner, may take such action as it may deem appropriate to alleviate the difficulties. Such actions by the Governing Committee shall be taken when it is evident the interest of the insuring public and the industry would be better served.

B. Members Electing to Withdraw from the Massachusetts Private Passenger Motor Vehicle Insurance Market

A Member electing to withdraw from the Massachusetts private passenger motor vehicle insurance market shall file a withdrawal plan for an orderly withdrawal that shall include full settlement of all financial obligations to the MAIP, as well as provide that the Member shall either continue to service its existing MAIP business until the expiration of the three-year assignment period for each of its MAIP assignments, or has made other arrangements for the service of such

CAR	Rules of Operation
Rule 38	Terminations
Revision Date	2008.05.06
Page	3 of 3

assignments, as approved by the Commissioner. Approval of the withdrawal plan for purposes of this Section shall mean written approval by the Commissioner. Prior to approval, the Commissioner shall hold a public hearing if requested to do so by the Governing Committee of the MAIP, a Member of the MAIP, or any association of producers, to consider the effect of the withdrawal on the orderly and equitable conduct and operation of the Massachusetts private passenger motor vehicle insurance market. Any such party seeking a hearing must file a request with the Division of Insurance within ten (10) days' notice by the Division of Insurance to CAR of the opportunity for a hearing. Copies of the withdrawal plan shall be made public at the time of such notice.

Nothing in Rule 38 shall in any manner ~~be deemed to~~ act ~~to or~~ modify or reduce an ARC's or a Member's obligations under the Plan, Rules, ~~of Operation~~, or Assigned Risk Company Procedures Manual.

CAR | **Rules of Operation**
Rule 39 | **Indemnification**
Revision Date | **2008.05.06**
Page | **1 of 1**

- A. Any person or Member made, or threatened to be made, a party to any action, suit or proceeding, because such person, or any officers, employee or representative of such Member, served on the Governing Committee or on any committee of the MAIP or was an officer or employee of the MAIP, shall be indemnified by the MAIP against all judgments, fines, amounts paid in settlement, reasonable costs and expenses including attorneys' fees, and any other liabilities that may be incurred as a result of such action, suit or proceeding, or threatened action, suit or proceeding, except in relation to matters as to which he or it shall be adjudged in such action, suit or proceeding to be liable by reason of breach of duty involving gross negligence, bad faith, dishonest, willful misfeasance or reckless disregard of the responsibilities in the performance of his or its duties or obligations to the MAIP and, with respect to any criminal actions or proceedings, except when such person or Member had reasonable cause to believe that his or its conduct was unlawful. Such indemnification shall be provided whether such person or Member is a Member or is holding office or is employed at the time of such action, suit or proceeding and whether any such liability is incurred prior to the adoption of this Rule. Such indemnification shall not be exclusive of other rights such person or Member may have and shall extend to the successors, heirs, executors or administrators of such person or Member. In the event of settlement or other termination of a matter before final adjudication, indemnification shall be provided only if the Governing Committee determines with the advice of independent counsel that the person or Member to be indemnified did not in counsel's opinion commit such a breach of duty.
- B. In each instance in which a question of indemnification arises, entitlement thereto, pursuant to the conditions set forth in the first paragraph of this Rule, shall be determined by the Governing Committee which shall also determine the time and manner of payment of such indemnification; provided, that a person or Member who or which has been wholly successful, on the merits or otherwise, in the defense of a civil or criminal action, suit or proceeding of this character described in the first paragraph of this Rule shall be entitled to indemnification as authorized in such paragraph. Nothing herein shall be deemed to bind a person or Member who or which the Governing Committee has determined not to be entitled to indemnification, or to preclude such person or Member from asserting the right to such indemnification by legal proceedings. Such indemnification as is herein provided shall be considered an operating expense apportioned among all Members, including any Member named in any such action, suit or proceeding, according to the Expense Ratio deemed by the Governing Committee to be most appropriate.

CAR	Rules of Operation
Rule 40	Review and Appeal
Revision Date	2014.10.17
Page	1 of 1

A. Requesting a Review

Any Member or licensed producer aggrieved by any unfair, unreasonable, or improper practice of the MAIP or another Member with respect to the operation of the MAIP may request a formal review and ruling by the Governing Committee on the alleged practice. The request for review must be made within thirty (30) days after the date such person knew of the alleged practice. Any written material which either party wishes to have considered in connection with the deliberations of the matter should be forwarded to the MAIP at least five (5) business days prior to the date scheduled for the review.

The review shall be held within fifteen (15) business days after the receipt of the original request, unless such requirement is waived by the aggrieved party. Except as may be otherwise provided by the Governing Committee, the review shall be held by a Governing Committee Review Panel consisting of three (3) Governing Committee members entitled to vote. The decision of this Panel or any committee sitting at the request of or under the authority of the Governing Committee shall be rendered within fifteen (15) business days of the review. The ruling of the majority of the Panel shall be deemed to be the formal ruling of the Governing Committee.

B. Appealing a Ruling

Any formal Governing Committee ruling may be appealed to the Commissioner by filing a notice of appeal with the MAIP and the Commissioner within thirty (30) days after the date of the ruling's issuance. The ruling of the Governing Committee shall remain in full effect unless otherwise directed by the Commissioner. The Commissioner may approve, modify, amend or disapprove the ruling, or direct the Governing Committee to reconsider the ruling. In addition, the Commissioner may issue any other appropriate order, including granting the aggrieved party a new review.

June 19, 2019

Private Passenger Residual Market Automobile Insurance Manual

Memorandum of Changes

Updates have been made to the following Private Passenger Residual Market Automobile Insurance Manual Rules:

Rule 4 – Standard Procedures

In line with current industry standards, the Rule has been updated to indicate that the timeframe for an insurer to provide the coverage selections page on a renewal policy to the insured has been amended from not less than thirty days prior to policy expiration to not less than twenty days prior to policy expiration.

Rule 7 – Policy Period

The Rule has been updated to indicate that a policy assigned through the MAIP should be issued at a standard 12 month term. All references relative to the issuance of policies for a period of less than one year have been eliminated from the Rule.

Currently, the Rule states that at the option of the insured, policies insuring motorcycles, trailers and other recreational type vehicles may be issued for a period of less than one year with policy expiration coterminous with the registration. In most cases the policy and registration expiration dates do not match, therefore this change to the Rule will have little impact.

Rule 28 – Private Passenger Classifications

As no unique processing procedures exist for assigning operators to automobiles in the cases where an operator in active military service is listed on a policy or when the automobile is owned by the clergy, Rule language referencing clergy use and the assignment exception for operators in active military service has been eliminated.

Part 12 - Bodily Injury Caused By an Underinsured Auto

The basic limits are \$20,000 each person and \$40,000 each accident. Increased limits are available. The limits may not exceed the limits of Part 5, or if Part 5 is not purchased, Part 1 of this policy. This coverage is excess over Personal Injury Protection.

Other Coverages Available Are For:

Fire, Theft and Combined Additional Coverage subject to a basic deductible of \$500; higher deductibles are available at the option of the insured.

Theft coverage may be granted only in connection with Fire Coverage, and for a like amount in both cases.

These coverages are written on an actual cash value basis or stated amount basis.

Endorsement MPY-0031-S, titled Other Optional Insurance – Combined Additional Coverage, must be issued with the policy when this coverage is afforded.

Endorsement MPY-0028-S, titled Other Optional Insurance – Fire, Lightning and Transportation, must be issued with the policy when this coverage is afforded.

Endorsement MPY-0029-S, titled Other Optional Insurance – Theft, must be issued with the policy when this coverage is afforded.

RULE 3. COVERAGE AVAILABILITY

Massachusetts law and the provisions of Rule 27 of the MAIP Rules of Operation require insurers to make the following levels of coverage available at the insured's request for policies assigned through the MAIP:

1. Limits up to \$250,000 each person and \$500,000 each accident for Parts 3, 5 and 12. Limits above \$250,000 each person and \$500,000 each accident may be provided at the option of the insurer.
2. \$8,000 each person for Part 2
3. \$25,000 each person for Part 6.
4. Actual cash value subject to a \$500 deductible for Parts 7, 8 and 9, including fire, theft, and combined additional coverage.

Insurers must charge an extra-risk rate or refuse Collision and Comprehensive coverages under certain circumstances as required by law. Refer to Rule 24 for extra-risk rating procedures.

RULE 4. STANDARD PROCEDURES

A. Renewals

1. The insurer shall provide the coverage selections page not less than ~~thirty~~ twenty days prior to policy expiration. The coverage selections page may be accompanied by the Massachusetts renewal form.

If the Massachusetts renewal form is sent to the policyholder, it is not necessary for the policyholder to return this form to the producer or company representative unless the information contained on the coverage selections page or the Massachusetts renewal form is inaccurate or obsolete.

2. The insurer may elect to secure payment of a deposit premium. The premium quotation shall be based on the latest classification information and premium charges established for the renewal policy.
3. Failure to pay the deposit premium may result in cancellation of the policy. The specific reason for cancellation is non-payment of any required premium.

The Cancellation Notice must also contain the following statement:

"This cancellation will not take effect if the full amount due shown above is paid on or prior to the effective date of cancellation."

MASSACHUSETTS PRIVATE PASSENGER RESIDUAL MARKET AUTOMOBILE INSURANCE MANUAL

or, if the residential address of the operator cannot be determined, then, by the Massachusetts business address of the operator. No adjustment of the premium shall be made by reason of a change in the place of principal garaging during the policy period unless such change is permanent.

Massachusetts registration is required of non-residents in accordance with reciprocal agreements with the various states as determined by the Registrar of Motor Vehicles.

Any motor vehicle owned by a non-resident of Massachusetts for which Massachusetts registration is required, regularly garaged inside the Commonwealth, shall be charged the rate for the territory in which the motor vehicle is principally garaged by such non-resident during the period of Massachusetts registration.

RULE 6. OUT-OF-STATE GARAGING

Any motor vehicle, whether owned by a resident or non-resident of Massachusetts for which Massachusetts registration is required, principally garaged outside of Massachusetts shall be written at limits of liability at least equal to the financial responsibility limits of the state of principal garaging, and shall be charged the rates for vehicles garaged in Territory 9.

RULE 7. POLICY PERIOD

A. Policies issued by assignment through the MAIP shall be for 12 month terms.

~~**B.** Policies insuring individually owned motorcycles, trailers and other recreational type vehicles shall, at the option of the insured, be issued for a period of less than one year with policy expiration to be coterminous with the registration. Endorsement M-0103-S, titled Non-Renewal of Policy (Motorcycles, Recreational Vehicles & Trailers), must be issued with the policy.~~

~~“Recreational type vehicle” means a land motor vehicle subject to a motor vehicle registration which expires November 30 or December 31, and is principally used for vacation travel or leisure time activity. Registration for motorcycles expires December 31. Registration for all other recreational vehicles expires November 30.~~

~~The premium for such policies shall be determined by applying the appropriate percentage to the annual rate based on policy inception date as shown in the table below.~~

~~If a short term policy is cancelled at the request of the insured later than thirty days from the effective date or later than thirty days from the receipt of the policy, whichever is later, the return premium shall be calculated on a short rate basis using the appropriate short rate table applicable to short term policies found in Rule 18.~~

Percentages for Short Term Policies				
		Date Interval*	Percent of Annual Rates	
	All Other		Motorcycle	
Dec.	—1-31	Jan.	—1-31	100
Jan.	—1-31	Feb.	—1-28	98
Feb.	—1-28	Mar.	—1-31	94
Mar.	—1-31	Apr.	—1-30	90
Apr.	—1-30	May	—1-31	88
May	—1-31	Jun.	—1-30	86
Jun.	—1-30	Jul.	—1-31	80
Jul.	—1-15	Aug.	—1-15	75
Jul.	16-31	Aug.	16-31	68
Aug.	—1-15	Sep.	—1-15	60
Aug.	16-31	Sep.	16-30	53
Sep.	—1-15	Oct.	—1-15	45
Sep.	16-30	Oct.	16-31	38
Oct.	—1-15	Nov.	—1-15	30
Oct.	16-31	Nov.	16-30	27
Nov.	—1-15	Dec.	—1-15	20
Nov.	16-30	Dec.	16-31	14

*All dates inclusive

SECTION II - PRIVATE PASSENGER AUTOMOBILES

RULE 27. PRIVATE PASSENGER DEFINITION

- A. A motor vehicle of the private passenger or station wagon type that is owned or leased under contract for a continuous period of at least twelve months by one or more individuals, excluding (1) partnerships, (2) corporations, (3) unincorporated business associations, and (4) other legal business entities with a federal employer identification number, and is not used as a public or livery conveyance nor rented to others. A vehicle which meets the conditions of Rule 31, regarding the transportation of fellow employees, students or others for consideration, is included in this definition, provided such vehicle is not registered for carrying passengers for hire.
- B. A motor vehicle that is a pick-up or van, that is owned or leased under contract for a continuous period of at least 12 months by one or more individuals, excluding (1) partnerships, (2) corporations, (3) unincorporated business associations, and (4) other legal business entities with a federal employer identification number, and
1. has a gross vehicle weight rating of less than 10,000 pounds or has a vehicle rating group assigned to it by the Automobile Insurers Bureau of MA (AIB), and
 2. is not used for the delivery or transportation of goods or materials unless such use is incidental to the insured's business of installing, maintaining or repairing furnishings or equipment.
- C. Gross Vehicle Weight Rating means the value specified by the manufacturer as the loaded weight of a single vehicle.
- D. An eligible vehicle under this rule whose title has been transferred to a trust may be insured under a policy issued by assignment through the MAIP, subject to the following requirements: the grantor of the trust must be an individual or lawfully married individuals residing in the same household, and must be the only insured(s) named in Item 1 of the Coverage Selections Page. All vehicle(s) insured under the policy must be owned by the trust. A vehicle owned by a trust in which the grantor is a partnership or corporation must be written under a commercial auto policy.

If a motor vehicle is leased as described in the foregoing paragraphs, and the lessee is obtaining the insurance, the policy must be issued to the lessee as named insured and Endorsement M-0070-S, "Coverage For Anyone Renting An Auto To You," must be attached to the policy.

RULE 28. PRIVATE PASSENGER CLASSIFICATIONS

A. Operator Classes

- 10 Experienced Operator.** The operator has been licensed at least six years and is under the age of 65 and the automobile is not used in the occupation, profession or business of the insured.
- 15 Experienced Operator - age sixty-five or more.** The operator has been licensed at least six years and is sixty-five years of age or more and the automobile is not used in the occupation, profession or business of the insured.
- 17 Inexperienced Principal Operator - licensed three or more years.** The operator of the automobile has been licensed at least three years and less than six years and is the principal operator of the automobile.
- 18 Inexperienced Occasional Operator - licensed three or more years.** The operator has been licensed at least three years and less than six years and is not the principal operator of the automobile.
- 20 Inexperienced Principal Operator - licensed less than three years. No driver training.** The operator has been licensed less than three years, is the principal operator of the automobile, and has not completed a Satisfactory Driver Training Program.
- 21 Inexperienced Occasional Operator - licensed less than three years. No driver training.** The operator has been licensed less than three years, is not the principal operator of the automobile, and has not completed a Satisfactory Driver Training Program.

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25 Inexperienced Principal Operator - licensed less than three years. Driver training. The operator has been licensed less than three years, is the principal operator of the automobile, and has completed a Satisfactory Driver Training Program.

26 Inexperienced Occasional Operator - licensed less than three years. Driver training. The operator has been licensed less than three years, has completed a Satisfactory Driver Training Program, and is not the principal operator of the automobile.

Business Use. The operator has been licensed at least six years and the automobile is used in the occupation, profession, or business of the insured. Going to or from the principal place of the occupation, profession or business of the insured is not considered business use.

B. Operators

All operators of the insured automobiles must be listed on the Coverage Selections Page of the Policy. An operator is a person who has an operator's license, but does not include a person who has only a learner's permit.

1. Assignment of Operators to Automobiles

a. If an insurer defers operators listed on a policy who are rated on an automobile insured by another Massachusetts private passenger motor vehicle insurance policy for the purposes of rating the policy on which they are listed in the voluntary market, this practice must be extended to the rating of policies assigned to it through the MAIP. If the insurer does not defer any listed operator under the policy for the purposes of rating the policy, the insurer shall not adopt that practice for the purposes of rating a policy assigned to it through the MAIP.

b. Each operator listed on the policy shall be assigned to an automobile on the policy based on the operator's class and merit rating in a manner which produces the highest Combined Premium (the sum of the premium for Parts 1, 2, 4, 5, 7, 8, and 9 for the operator's class and the operator's merit rating adjustment) for each automobile. The operators shall be assigned in order of the highest Combined Premium applied to the automobile with highest Base Premium (the automobile's Class 10 premium for Parts 1, 2, 4, 5, 7, 8, and 9) until all operators are assigned to an automobile, except that:

- i. If an inexperienced operator is the principal operator of a specific automobile, the automobile shall be rated with the appropriate inexperienced principal operator class and merit rating adjustment of that operator.
- ii. If an operator age 65 or over is the principal operator of a specific automobile and all operators listed on the policy have been licensed at least six years, the automobile shall be rated as Class 15 and that operator's merit rating adjustment shall be applied. However, if more than one listed operator is age 65 or over, Class 15 and the merit rating adjustments of the Class 15 operators shall be applied in the manner which produces the highest Combined Premium.
- iii. If only one operator is listed on the policy, all automobiles on the policy will be assigned the same principal operator classification and merit rating adjustment.
- iv. If each listed operator has been used in rating an automobile on the policy, any remaining automobiles shall be assigned the operator class and merit rating adjustment which produces the lowest Combined Premium, unless the automobile is subject to rating as Class 30.
- v. If more than one operator is listed on the policy, an operator cannot be assigned as the principal operator of more than one automobile on the policy until the other operators are assigned to an automobile.

c. The assignment of operators to automobiles applies regardless of the number of policies or insurers involved.

~~d. An inexperienced operator in active military service with the Armed Forces of the United States of America shall not be considered an operator of the automobile unless such individual customarily operates the automobile.~~

~~e. Private passenger automobiles owned by clergy are to be classified as Class 10 or 15 unless (a) Class 30 is required due to business use other than in connection with church use or (b) an inexperienced operator is listed on the policy.~~

2. Excluded Operator

If an operator who is a member of the household is to be excluded in rating a particular automobile to produce a lower premium charge, the policyholder must submit a signed statement that such operator does not and will not operate the automobile to be insured. The signed statement must be part of the Operator Exclusion Form, M-0106-S.

If any operator excluded by the Operator Exclusion Form operates the automobile, under any circumstances, the appropriate operator classification premium for the full policy period shall be charged and the company shall deny payment of any claim under the optional coverage for a collision or limited collision claim because the excluded operator was driving the automobile at the time of the accident. The company may elect not to charge the additional premium for the full policy period.

3. Driving Experience

An operator new to Massachusetts must provide evidence of licensure from the state or country where the operator was previously licensed in order to assign the correct operator classification under this rule. If electronically available, the company will be responsible for obtaining the motor vehicle operator report from the other state or country. If necessary, a certified English translation may be required. No operator shall be assigned to Class 10 unless the operator has six or more years of driving experience.

The classification assigned to the operator is based on the number of years licensed in the other state or country and the completion of driver training, as established by the evidence of licensure. If no evidence of prior licensure is available, the operator may be assigned to Class 20 (inexperienced principal operator, licensed less than three years, no driver training) or Class 21 (inexperienced occasional operator, licensed less than three years, no driver training). The Massachusetts driving experience will be used thereafter to assign the operator classification.

4. Operator Use

Operators will be classified by the amount of use of an insured automobile:

- Principal Operator – a person who has an operator's license and operates the insured automobile more than any other listed operator as determined by the percentage of use of the automobile.
- Occasional Operator – a person who has an operator's license and operates the insured automobile less than the principal operator.

C. Classification Changes

Classification of each automobile shall be determined by the facts existing as of the effective date of the policy. Premium adjustments shall be made on a pro rata basis if changes occur during the policy period.

D. Satisfactory Driver Training Program

1. Completion and receipt of a certificate under the Massachusetts Driver Education Program prescribed by the Registrar of Motor Vehicles, or
2. The presenting of satisfactory evidence (certificate signed by school officials) that such operators has successfully completed a driver education course in a state other than Massachusetts meeting the following standards:
 - a. The course had the official approval of the State Department of Education or other responsible state agency, and was conducted by:
 - (1) a recognized secondary school, college or university, or



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NATALIE A. HUBLEY
 PRESIDENT

MAIP STEERING COMMITTEE
 MAIP POLICY APPLICATION SYSTEM
 RMV PRE-FILL – OPERATOR INFORMATION

At the previous meeting, the Committee requested staff to prepare an assessment of the MAIP Policy Application data fields that could be pre-filled by accessing the Registry of Motor Vehicle files and whether that data could then be updated by the producer filing the application. Please find staff's assessment as follows:

<u>Field Name:</u>	<u>Update Recommendation</u>	<u>Comments</u>
First & Last Name	No	Use the Remarks field to indicate a difference
Address	Yes	System will write a comment into the Remarks field
Date of Birth	No	Use the Remarks field to indicate a difference
Merit Rating	No	Use the Remarks field to indicate a difference
Date 1 st Licensed	Yes	System will write a comment into the Remarks field
1 st Lic Motorcycle	Yes	System will write a comment into the Remarks field
Driver Training	No	Registry is effective in collecting this data. Use the Remarks field to indicate an out-of-state DT program
Owed Premium/Co	No	Use the Remarks field to provide more information
<u>New field added to the Data Stream:</u>		<u>Description</u>
Unsuccessful Pre-Fill		N will be indicated by the system if pre-fill is unsuccessful

Additional Comments:

The Remarks field will be segmented in order to provide information for the various fields. More technical information will be provided once the detail system updates have been finalized.

If the producer changes the data in one of the allowable fields, CAR is not planning to maintain nor provide the original information. Accordingly, if there are additional changes to the same field or if the producer ultimately updates the information back to the original RMV data, CAR will not be able to indicate this.



NATALIE A. HUBLEY
PRESIDENT

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RECORDS OF MEETING

JOINT ACTUARIAL COMMERCIAL LINES COMMITTEE – MAY 23, 2019

Members Present

Mr. Glenn Hiltpold – Chair	Safety Insurance Company
Mr. Winfred Botchway ⁽¹⁾	Arbella Insurance Company
Ms. Sarah Clemens ⁽²⁾	MAPFRE U.S.A. Corporation
Mr. James French	Quincy Mutual Group
Mr. Lev Kamenetsky ⁽³⁾	The Hanover Insurance Company
Mr. Thomas Skelly, Jr.	Deland, Gibson Insurance Associates, Inc.
Mr. Barry Tagen	Pilgrim Insurance Company

Substituted for:

⁽¹⁾ Ms. Lynellen Ramirez
⁽²⁾ Ms. Wendy Stearns
⁽³⁾ Mr. Coleman Johnson

Not in Attendance:

Ms. Sheila Doherty, Doherty Insurance Agency, Inc.

19.04 Joint Actuarial Commercial Lines

Mr. Glenn Hiltpold opened the initial meeting by reading the Committee's objective. The Joint Actuarial Commercial Lines Committee is responsible for the oversight of a comprehensive study of the Commercial Residual Market Automobile Rating Plan to identify the source of all rate need and develop a transition plan to achieve adequacy. The Committee will assist CAR staff in developing a request for proposal (RFP) for actuarial consulting services, recommend potential candidates, serve as the selection committee, review the results of the consultant's work at regular intervals in the project, and develop a final recommendation for the Governing Committee.

Ms. Natalie Hubley advised the Committee that during its review of CAR's most recent commercial rate filing, the Division of Insurance (DOI) recognized a significant rate need evidenced by the increasing residual market deficit and the growth of the ceded market. However, the DOI suggested that CAR conduct an in-depth study of its Commercial Automobile Rating Plan to develop a comprehensive identification of the classes contributing to the rate need and to develop a multi-year transition plan to achieve adequacy. Ms. Hubley noted that, recognizing limitations that have historically been placed on increases by class to the residual market rate, and recognizing the significant resources needed to develop a comprehensive indication, staff has taken an incremental approach in its rate filings during recent years. The objective of this study is to provide the DOI with a complete understanding of CAR's expectations with respect to subsequent filings instead of submitting rate proposals based on partial indications. Finally, Ms. Hubley commented that, as this study will develop a long term plan to be implemented by CAR with the assistance

of its consulting actuaries at the Automobile Insurance Bureau (AIB), she anticipates that AIB staff will participate at future meetings of this Committee.

The Committee recognized that an additional objective of the study should be to ensure sustainable rate adequacy. Accordingly, the Committee discussed the ongoing CAR committee activity that is also expected to enhance sustained success of the Commercial Auto Program. Ms. Hubley noted that the efforts of the Commercial Automobile Committee and its work to develop policies and procedures to ensure consistency and stability, as well as the efforts of the Commercial Program Oversight Committee, the Reinsurance Committee, and the Compliance and Operations Committee are expected to contribute to a more stable residual market.

Discussion followed about the general scope of the study. One member questioned whether some evaluation of, among other issues, the approaches currently being considered by CAR staff and the AIB could be done by the Committee, or a subcommittee, in order to minimize the potential cost of an engagement. However, the Committee members agreed that a dedicated resource would be a more efficient approach, allowing for a more timely work product, and that their efforts would be better used to evaluate the work of the consulting actuary.

After discussion, the Committee directed staff to provide for its next meeting an analysis of residual market results by class, and to prepare a summary of the ongoing issues including potential alternative approaches that have been considered, in order that the Committee may prioritize items for a potential engagement. In addition, the Committee requested a summary of the issues addressed in the most recent rate filings, along with a status on the progress of those efforts. Finally, the Committee requested that staff provide additional information regarding anticipated content for a request for proposal.

KATY PROCTOR
Actuarial/Statistical Analyst

Boston, Massachusetts
June 12, 2019