



COMMONWEALTH AUTOMOBILE REINSURERS

225 Franklin Street Boston, Massachusetts 02110

www.commauto.com

617-338-4000

RALPH A. IANNACO
PRESIDENT

ADDITIONAL INFORMATION

TO MEMBERS OF THE MAIP STEERING COMMITTEE

FOR THE MEETING OF:

Thursday, January 14, 2010 at 10:00 a.m.

MSC

10.03 Rule 28.C. Premium Deposit and Payment Options

Attached are modifications to Rule 28.C.1. of the CAR Rules of Operation, and Rule 14 of CAR's Private Passenger Automobile Insurance Manual to reflect the suggestions provided in the correspondence received from Acting Commissioner Murphy in remanding Rule 28 to CAR for further deliberation. (Docket #MSC10.03, Exhibit #2)

PAMELA WALLACE
Vice President Residual Market Services

Attachment

Boston, Massachusetts
January 8, 2010

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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 incomplete or incorrect application will be returned to the producer for remedy. Once the application for coverage through the MAIP is received and all required information for issuance 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.2:

1. The original application form, signed by the applicant and the ARP; and
2. The required deposit premium as specified below.

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C. Premium Deposit and Payment Options

1. Amount of Premium Deposit

A deposit of the amount noted below 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 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. For a new business policy, a deposit of 30% is required; provided that for MAIP business with policy effective dates of April 1, 2008 through March 31, 2009 a deposit of not more than 25% of the premium quoted based on the MAIP rates is required.~~

a. A deposit of 25% of the quoted premium based on the MAIP rates is required with a new business policy application, ~~with an effective date on and after April 1, 2009.~~

However, the applicant will be required to provide a premium deposit of 80% 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 with 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.

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- 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.

~~However, if the Eligible Risk has had a policy cancelled within the preceding 24 months for non-payment, a premium deposit of 100% will be required in addition to the outstanding balance of any earned premium, consistent with Massachusetts law. The Eligible Risk must complete a new application and the ARP must verify that the Eligible Risk has no earned premium outstanding within the last 12 months.~~

~~Upon receipt of the deposit accompanying an application for insurance, the ARC may deduct from such deposit any unpaid balance of premium earned within the preceding 12 months that is owed to the ARC. If any outstanding balance is not paid within the time permitted by the MAIP, the ARC shall be entitled to cancel the insurance.~~

- 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.

2. Installment Plan

For MAIP business with policy effective dates of April 1, 2008 through March 31, 2009, each ARC shall utilize an installment payment plan that has been filed with and approved by the Commissioner, with the following limitations: 1) MAIP insureds must be offered the same flat fee per installment finance charge plans that the ARC uses in the voluntary market, but the fee may not exceed \$6.00 per installment; 2) no fees based on an annual percentage rate (“APR”) shall be charged, regardless of those available in the voluntary market; 3) no more than a 25% first or deposit payment based on the MAIP premium may be required on or before the policy effective date; and 4) no fewer than seven monthly payments thereafter must be offered to MAIP insureds who choose to pay in installments.

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Each ARC will utilize the installment payment plan filed by Commonwealth Automobile Reinsurers for MAIP business with effective dates on and after April 1, 2009. The plan will require an initial deposit payment of 25% for new business and 20% for renewal business. The deposit for new business will be a percentage of the premium calculated using MAIP rates then in effect. 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. A flat \$6.00 per installment finance charge will be charged until the entire balance is paid.

3. Dishonored Check Charge

An applicant or policyholder that issues a check that is dishonored by the financial institution to which the check is presented for payment will be charged a fee as provided in the plan filed by the ARC and approved by the Division of Insurance for policies with effective dates April 1, 2008 through March 31, 2009.

For policies effective on and after April 1, 2009 a dishonored check fee of \$25 will be charged to an applicant or policy holder issuing a check that is dishonored by the financial institution to which the check is presented for payment.

4. Late Fee or Cancellation Fee

A policyholder that fails to pay an installment premium by the applicable due date will be charged a late fee or cancellation fee as provided in the plan filed by the ARC and approved by the Division of Insurance for policies with effective dates April 1, 2008 through March 31, 2009.

A policy holder 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 with effective dates on or after April 1, 2009.

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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.

RULE 12. WHOLE DOLLAR PREMIUM RULE

The premium for "each exposure" means the premium developed for each coverage for each automobile after the application of all applicable discounts. The premium for each exposure shall be rounded at each step to the nearest whole dollar, separately for each coverage provided by the policy.

A premium involving \$0.50 or more shall be rounded to the next whole dollar at the end of each step. This does not apply to Part 5, 20/40 limits and Part 6, \$5,000 limit where rates displayed in the manual may be used or rounded to the lower whole dollar.

This procedure shall apply to all interim premium adjustments, including endorsements or cancellations at the request of the insured. In the case of cancellation by the company, the return premium may be carried to the next higher whole dollar.

RULE 13. INSTALLMENT PAYMENT OF PREMIUMS

The installment payment plans offered to policyholders insured through the MAIP are governed by the MAIP Rules of Operation. All motor vehicle insurance policy premium charges are due and payable on the effective date of the policy, subject to the provisions of the Deposit Premium Rule (Rule 14), unless an installment payment plan is used.

RULE 14. DEPOSIT PREMIUM RULE

A company, its producer or any broker may require deposit premium prior to the issuance of a policy provided the per vehicle deposit does not exceed 25% for new business or 20% for renewal business of the applicable annual premium for the insurance requested in accordance with the MAIP Rules of Operation. [Refer to MAIP Rule 28.C.1.](#) ~~if the applicant has been in default in the payment of any premium for automobile insurance or merit rating adjustment during the preceding 1224 months, the entire policy premium is payable in advance.~~

RULE 15. EMPLOYERS SUBJECT TO MASSACHUSETTS WORKERS' COMPENSATION ACT

Motor vehicles owned by an employer subject to the Massachusetts workers' compensation law not used at any time to transport persons other than employees of the named insured shall be eligible for a 25% reduction in the Personal Injury Protection premium otherwise applicable. A vehicle which qualifies for this reduction is not eligible for any Personal Injury Protection deductible.

RULE 16. DEDUCTIBLES - PARTS 7, 8 and 9

Deductibles, higher than the standard deductible, are available for Collision, Limited Collision and Comprehensive Coverages including Fire, Theft and Combined Additional Coverages. Refer to the Miscellaneous Rating Factors page for applicable factors.

RULE 17. SUBSTITUTE TRANSPORTATION

The charges for this coverage are on a per vehicle/per year basis for automobiles and motorcycles. Refer to the Miscellaneous Rating Factors page for applicable limits and premiums.