



# COMMONWEALTH AUTOMOBILE REINSURERS

225 Franklin Street Boston, Massachusetts 02110

[www.commauto.com](http://www.commauto.com)

617-338-4000

RALPH A. IANNACO  
PRESIDENT

## NOTICE OF MEETING

### MAIP STEERING COMMITTEE

A meeting of the MAIP Steering Committee will be held at the offices of Commonwealth Automobile Reinsurers, 225 Franklin Street, Boston, on

**WEDNESDAY, FEBRUARY 10, 2010 AT 1:00 P.M.**

### MEMBERS OF THE COMMITTEE

Mr. William J. Cahill, Jr. – Chairman  
The Hanover Insurance Company

Mr. Paolo V. Abelli	Liberty Mutual Group
Mr. Joseph F. Cofield	Metropolitan P&C Insurance Company
Ms. Karen A. Cora	Deland Gibson Insurance Associates, Inc.
Mr. Robert J. Cordner	OneBeacon Insurance
Mr. William F. Hofmann, III	Provider Insurance Group, Inc.
Mr. Richard P. Jones	Leslie S. Ray Insurance Agency, Inc.
Mr. John V. Kelly	The Commerce Insurance Company
Mr. Edward N. Patrick, Jr.	Safety Insurance Company
Ms. Susan K. Scott	The Premier Insurance Company of Mass.
Mr. Joseph A. Vargas	Vargas & Vargas Insurance

### AGENDA

#### MSC

##### **10.01 Records of Previous Meeting**

The Records of the MAIP Steering Committee meeting of January 14, 2010 should be read and approved.

#### MSC

##### **10.05 Rule 21 C. Transition Procedures**

The Committee should be prepared to discuss the attached correspondence received from the Division of Insurance. In order to facilitate discussion, staff has drafted modifications to Rule 21. C. as described in Acting Commissioner Murphy's letter. (Docket #10.05, Exhibit #1)

**MSC**

**10.06 Clean-In-Three Provisions**

The Committee should be prepared to commence discussion of issues relating to the expiration of clean-in-three provisions as of policies effective April 1, 2011 as had been suggested by Mr. Sumner Gilman and briefly discussed at the January 14, 2010 Committee meeting.

**MSC**

**10.07 Electronic Funds Transfer (EFT)**

At the January 14, 2010 meeting, the Committee acknowledged that EFT availability for MAIP business had been discussed in detail at a number of meetings. However, in response to a request from the Division of Insurance, the Chairman requested that members consider alternatives to EFT for discussion at the next meeting. Members should be prepared to continue this discussion.

**Other Business**

To transact any other business that may properly come before this Committee.

**Executive Session**

The MAIP Steering Committee may convene in Executive Session in accordance with the provisions of G.L. c. 30A, § 11A1/2.

PAMELA WALLACE  
Vice President – Residual Market Services

Attachment

Boston, Massachusetts  
January 29, 2010



**COMMONWEALTH OF MASSACHUSETTS**  
**Office of Consumer Affairs and Business Regulation**  
**DIVISION OF INSURANCE**

One South Station • Boston, MA 02110-2208  
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DEVAL L. PATRICK  
GOVERNOR

TIMOTHY P. MURRAY  
LIEUTENANT GOVERNOR

GREGORY BIALECKI  
SECRETARY OF HOUSING AND  
ECONOMIC DEVELOPMENT

BARBARA ANTHONY  
UNDERSECRETARY

JOSEPH G. MURPHY  
ACTING COMMISSIONER OF INSURANCE

January 14, 2010

**VIA ELECTRONIC AND REGULAR MAIL**

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

Re: Amendments to the Rules of the Massachusetts Automobile Insurance Plan

Dear Mr. Iannaco:

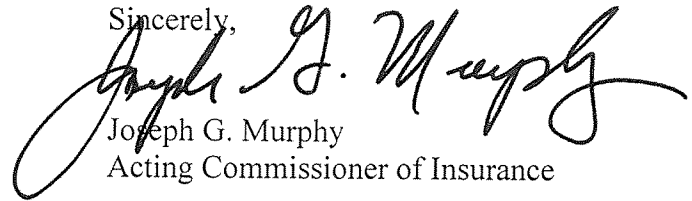
On December 18, 2009, I sent you a letter disapproving CAR's proposed amendments to MAIP Rules 28.C.1 and 29.E, and remanding them to CAR for revision within 30 days. The Division of Insurance ("Division"), while reviewing CAR's proposals, has identified a modification to Rule 21 that, if adopted, would continue to assist former ERPs who do not have voluntary appointments with insurers. The special procedures for former ERPs found in Rule 21.C.2. currently relate only to policies effective on or before March 31, 2010. Extending the special processing options described in Rule 21.C.2.a. and 21.C.2.c. for new business policies will assist the former ERPs that, as of April 1, 2010 still do not have voluntary contracts, in their efforts to attract new business.

The Division also requests that CAR consider amending the down payment requirements of Rule 21.C. As you know, the Lane Bolling Amendment requires that a policyholder who obtains insurance through the MAIP be charged a premium that is the lesser of the MAIP rate or the assigned insurer's rate in the voluntary market. It appears that the insurers' premiums in the voluntary market are often lower than the MAIP premium. However, because the down payments are calculated off the MAIP premium for new business, the down payments often are higher than if the actual premium was used for such a calculation. I suggest that CAR consider calculating the 20% deposit for new business referenced in Rule 21.C off 80% of the MAIP premium.

I appreciate CAR's prompt attention to these suggestions. If it chooses to amend

Rule 21 to reflect either, or both, of these suggestions, kindly submit them to me along with the revisions requested to Rules 28.C.1 and 29.E

Sincerely,

A handwritten signature in black ink, appearing to read "Joseph G. Murphy". The signature is fluid and cursive, with a large initial "J" and "M".

Joseph G. Murphy  
Acting Commissioner of Insurance

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**A. General Provisions**

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

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

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

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

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

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

### **C. Transition Procedures**

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

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- a. The applicant's prior policy was non-renewed.
  - b. The applicant's producer of record for the prior policy was an Exclusive Representative Producer on the effective date of that policy, or the prior policy was ceded to CAR.
  - c. There is no prior premium owed; and
  - d. The applicant is otherwise eligible for MAIP placement.
2. An applicant that meets the established eligibility criteria is subject to the following provisions:
- a. The down payment will be calculated as 20% of the MAIP premium;
  - b. Pre-inspection requirements will be waived;
  - c. The down payment and original MAIP policy application, signed by the ARP, must be submitted to the Assigned Risk Company within 2 business days of the assignment. The requirement for an applicant's signature on the original application will be waived provided that, a signed copy of the application is received by the ARP within 10 business days of the assignment. The ARP will be required to maintain the signed copy, and make this copy available upon request;
  - d. If requested by its former ERP, the former Servicing Carrier will provide a list of non-renewed policies in electronic format to the former ERP.
3. The following procedures apply to new business applications submitted to MAIP for coverage through March 31, 2011 by a former Exclusive Representative Producer that does not have a voluntary contract as of April 1, 2010.
- a. A 20% down payment based on 80% of the MAIP premium will be calculated;

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- b. The down payment and original MAIP policy application, signed by the ARP, must be submitted to the Assigned Risk Company within 2 business days of the assignment. The requirement for an applicant's signature on the original application will be waived provided that, a signed copy of the application is received by the ARP within 10 business days of the assignment. The ARP will be required to maintain the signed copy, and make this copy available upon request.
4. Procedures pursuant to Rule 21.C.3 a. and b. do not apply to new business applications submitted to MAIP by a former Exclusive Representative Producer that receives a voluntary contract subsequent to April 1, 2010.

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

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

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

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

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

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the ARC. The producer's commission and the term of commission payments are governed by Rule 30.C.1.d.

**F. Responsibility of CAR During the Transition Period**

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