



DANIEL R. JUDSON  
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

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## 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

**TUESDAY, FEBRUARY 14, 2012 AT 10:00 A.M.**

### MEMBERS OF THE COMMITTEE

Mr. John V. Kelly – Chairman  
The Commerce Insurance Company

Mr. Paolo V. Abelli  
Ms. Carol M. Berthold  
Mr. William J. Cahill, Jr.  
Mr. Sumner D. Gilman  
Mr. Richard P. Jones  
Mr. Joseph P. Leahy, Jr.  
Ms. Ann M. McKeown  
Mr. M. John Olivieri, Jr.  
Mr. Michael Petrarca, Jr.  
Ms. Erin Schaaf  
Ms. Susan K. Scott  
Mr. Joseph A. Vargas

Liberty Mutual Group  
GEICO  
Hanover Insurance Company  
Economy Insurance Agency, Inc.  
Leslie S. Ray Insurance Agency, Inc.  
Leahy & Brown Insurance & Realty  
Safety Insurance Company  
J.K. Olivieri Insurance Agency, Inc.  
Amica Mutual Insurance Company  
Arbella Insurance Group  
Travelers of Massachusetts  
Vargas & Vargas Insurance

### AGENDA

#### MSC

##### **12.01 Records of Previous Meeting**

The Records of the MAIP Steering Committee meeting of January 18, 2012 should be read and approved.

#### MSC

##### **11.07 Assigned Risk Producer Decertification**

At its January 18, 2012 meeting, the Committee voted to accept the proposed procedures for handling in-force business from a decertified Assigned Risk Producer (ARP).

**MSC**

**11.07 Assigned Risk Producer Decertification** (continued)

Attached for the Committee's consideration are amendments to Rule 29 – Assignment Process adding language to allow an exception to the three-year assignment period, and Rule 30 – Assigned Risk Company Requirements addressing the company's responsibilities to the policyholder in the event an ARP is decertified. (Docket #MSC11.07, Exhibit #4)

**MSC**

**11.09 Voluntary Rate Analysis**

At its January 18, 2012 meeting, the Committee continued discussion relating to ARP access to the voluntary rate of the Assigned Risk Company (ARC), including a requirement that the ARC provide access to its voluntary rates to the ARP at the time of the assignment, the timing of a voluntary quote, and issues relating to the down payment.

The attached exhibit provides additional information to aid the Committee in its continued discussion of this subject. (Docket #MSC11.09, Exhibit #4)

**MSC**

**11.10 MAIP Policy Application Enhancement Request**

The attached proposal provides additional detail relating to the development of a modification to the MAIP Policy Application to add a function which would allow an ARP to void an assignment. The Committee should be prepared to discuss this proposal. (Docket #MSC11.10, Exhibit #3)

**MSC**

**12.03 Pre-Inspection Requirements**

Attached for the Committee's consideration is a modification to Rule 29 – Assignment Process, which waives pre-inspection requirements as it applies to those applicants who qualify for no down payment at the time of the assignment in accordance with the procedures found in Rule 29.D.2. (Docket #MSC12.03, Exhibit #1)

**MSC**

**12.04 Compliance with Performance Standards**

Attached for the Committee's consideration is a modification to the Assigned Risk Producer Procedures Manual that requires remedial action by the ARP if over a three-month period validated violations exceed three percent of the number of applications submitted during that time. (Docket #MSC12.04, Exhibit #3)

Additionally, Assigned Risk Company Performance Standard E. – Reinstatement has been clarified to indicate that a policy will be reinstated or a renewal issued, if the ARC receives notification prior to the effective date that the reason has been remedied. (Docket #MSC12.04, Exhibit #4)

**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, § 21.

PAMELA WALLACE  
Vice President Residual Market Services & Secretary

**Attachments**

Boston, Massachusetts  
February 3, 2012

## MEMORANDUM

To: Members of the MAIP Steering Committee

From: Pamela Wallace

Date: February 3, 2012

Re: Agenda Item MSC 11.07 – Assigned Risk Producer Decertification

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The following draft proposal has been amended in response to the Committee's January 18, 2012 discussion on procedures to be followed by an Assigned Risk Company (ARC) when an Assigned Risk Producer (ARP) has been decertified.

### Policyholder Notification

Upon notification by CAR that an ARP has been decertified, the ARC will identify all assigned in-force policies written by the ARP. The ARC will advise each policyholder of this action, including the steps to be taken by the policyholder to secure replacement coverage, where to send payments or request policy changes in the interim, and a statement that if no action is taken to replace coverage, the policy will be non-renewed as of its current expiration date. A sample letter is attached.

### ARC Processing Procedure

If the ARC receives notification via a proper notice of transfer of Insurer, the ARC will cancel the policy pro rata.

If proper notification is not received, the ARC will issue a non-renewal notice adhering to statutory and regulatory requirements. If notice is not received and the expiration date is within 60 days of the notice on decertification, the policy will be non-renewed as of its next expiration date.

### Commissions

No commission will be paid on any in-force assigned business of a decertified ARP.

### Rule Amendments

#### Rule 29 – Assignment Process

- D. Assignment Period –language has been added to allow the non-renewal of an assigned policy prior to the expiration of the 3 year assignment period if the ARP has been decertified.

#### Rule 30 – ARC Requirements

A section has been added to address ARC responsibilities as identified above.

## ABC Insurance Company

John Doe  
123 Main Street  
Boston, MA 02110

Re: Main Street Insurance Agency, Inc.  
Policy Number: 123-45678-90  
Expiration Date: November 1, 2012

Dear Mr. Doe

ABC Insurance Company has been notified by Commonwealth Automobile Reinsurers that the insurance producer representing you on the policy listed above, Main Street Insurance Agency, Inc. has been decertified for failure to comply with the Rules of Operation of the Massachusetts Automobile Insurance Plan (MAIP). As a result, the producer is no longer authorized to represent your automobile insuring interests on this policy which includes the acceptance of premium payments from you.

The purpose of this letter is to request that you select another insurance producer to represent you as the producer of record to service your automobile insurance needs. Please show this letter to your new producer and request that he or she immediately notify ABC Insurance Company of the name of your replacement insurance company and the effective date of your new policy. The Massachusetts Division of Insurance hosts a website (<http://www.agentfinder.doi.state.ma.us>) which may be of assistance in your efforts to locate a new producer.

If you are unable to find replacement automobile insurance coverage at least 45 days prior to the expiration date as reflected above, your current policy will be non-renewed.

Until replacement coverage is obtained, all policy documents will be mailed directly to you, and policy payments should be sent directly to:

ABC Insurance Company  
P.O. Box 123  
Boston, MA 02110

Additionally, for policy changes and inquiries (i.e. billing inquiry, change in address, adding or deleting a vehicle or driver, etc.) call us at 617-338-1234 or toll free at 1-800-123-1234 until another insurance producer is selected.

To report a claim please call 617-338-5678 or 1-800-123-4567

Sincerely,

Robert Smith  
ABC Insurance Company

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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.

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.2 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.

**D. Assignment Period**

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

For policies of an Eligible Risk whose assignment period ends March 31, 2012 and prior, the designated ARC may offer to continue an Eligible Risk's assignment beyond the period of three consecutive years by offering to write a third renewal, may offer to write the policy on a voluntary basis, or may non-renew the policy.

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For policies of an Eligible Risk whose three year assignment period ends effective April 1, 2012 and subsequent, the designated ARC may offer to write the policy on a voluntary basis, or may non-renew the policy.

2. For policies whose three year assignment period ends effective January 1, 2012 and subsequent, 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 (2A Form) to the former ARC 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. 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 2A Form 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.

If no 2A Form is received, the designated ARC will issue a non-renewal notice at least 45 days prior to the expiration date with a copy sent to the ARP.

Upon receipt of the non-renewal notice, 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.

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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.

4. The designated ARC may issue a notice of non-renewal if the ARP of record has been decertified pursuant to Rule 31.D and the policyholder has not obtained replacement coverage.

**E. Credit Programs**

All credits for each rate year shall be reviewed annually and submitted to the Commissioner for his 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, 2010 and subsequent, a Member shall receive a credit for any exposure that it insures voluntarily in the territory and operator classes pursuant to Section E.2. below.
- b. Credit shall be applied to the Member's Quota Share pursuant to Section 29.C. above for the appropriate premiums pursuant to Section E.2. below.

2. Amount of Credits

Members shall receive credit for each exposure written voluntarily pursuant to Section E.1.b. above in the territory and operator classes listed below. 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 factor shown below.

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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.

3. 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.
4. 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;
- 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;

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- 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;
- (4) Failure to remit payments to an ARC on a timely basis 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 (2) working days of the effective date of coverage;

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- (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 Manual of Administrative Procedures.

j. Decertification of Assigned Risk Producers

Upon notification that an ARP has been decertified, the ARC will identify all assigned in-force policies of the ARP. The ARC will send written notification to each policyholder that the producer has been decertified for failure to comply with the Rules of Operation of the MAIP, and include the steps to be taken to secure replacement coverage, where to send payments or policy changes in the interim, and a statement that if no action is taken to replace coverage, the policy will be non-renewed as of its current expiration date.

If the ARC receives proper notification of the transfer of insurer, the ARC will cancel the policy pro rata. If proper notification is not received, the ARC will issue a non-renewal notice adhering to statutory and regulatory requirements. If the expiration date is within 60 days of the notice of decertification, the policy will be non-renewed as of its next expiration date.

No commission will be paid on in-force assigned business of a decertified ARP.

## MEMORANDUM

To: Members of the MAIP Steering Committee

From: Pamela Wallace

Date: February 3, 2012

Re: Agenda Item MSC 11.09 – Voluntary Rate Analysis

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At its November 8, 2011 meeting, the Committee voted to require that Assigned Risk Companies (ARCs) provide access to voluntary rates to Assigned Risk Producers (ARPs) at the time an assignment is made. The Committee also acknowledged that additional research and subsequent discussion by the Committee will be necessary to identify potential amendments to CAR's Rules of Operation and the timing of a rate quote, and to establish parameters for access to a company's voluntary rates.

At the January 18, 2012 meeting the Committee reviewed the proposal and continued its discussion of this matter which included the need for compliance by all ARCs, additional information on the timing of the voluntary quote, and potential modifications to the down payment and installment plan.

The draft proposal has been amended, and additional information included which addresses the concerns raised by the Committee. These items have been highlighted in red.

### Rule Amendments

Changes to the following Rules of Operation will be necessary to implement a requirement that ARCs provide access to voluntary rates. Modifications to ARP and ARC Performance Standards will be required to monitor compliance. Failure to comply with the Rules of Operation or Performance Standards will be reported to the Governing Committee for corrective action which may include notification to the Division of Insurance.

### Rule 28 – Application Process

#### C. Premium Deposit and Payment Options

##### 1. Amount of Premium Deposit

Modify deposit requirements to reflect 25% of the MAIP premium, or 30% of the voluntary premium if known. (the determination of the deposit is based on the lower of the MAIP total calculated premium or the ARC total calculated quote)

##### 2. Installment Plan

Modify the second paragraph to reflect the deposit requirements as stipulated in 28.C.1.

## Rule 30 – Assigned Risk Company Requirements

### B. Responsibilities

2. The requirement to provide access to voluntary rates could be incorporated in this section while continuing to provide direction on the steps to be taken in the event the original quote is inaccurate.

#### 4. General Duties

The requirement to provide access to voluntary rates could alternatively be included in this section with 30.B.2. updated to include reference to the quote process at the point of the assignment.

## Rule 31 – Assigned Risk Producer Requirements

### B. Ongoing Assigned Risk Producer Requirements and Responsibilities

3.j. Modify to include the option of providing a voluntary premium quote. In the event the ARP does provide a voluntary quote, the ARP must inform the Eligible Risk that the final premium for the risk will be determined and billed by the ARC upon receipt of the new business application.

### Parameters for Access to Voluntary Rates

The ARC will be required to provide access to voluntary rates either by providing web based rating capability directly or through a third party vendor, or by providing a dedicated, toll free telephone service for quoting purposes.

#### Web Based Application

- After an assignment is made, the Checklist will contain a link to the assigned ARC's rating application. (Note that the MAIP Policy Application will only provide the link, there is no transfer of information between the MAIP Policy Application and the ARC's rating software)
- The ARP will upload or otherwise input to the ARC's rating application all of the information necessary to complete the premium quote, including any additional or supplemental information that is not part of the MAIP application.
- The ARC will return to the ARP, in a printable format, the premium quote which will include the calculation of a 30% down payment based on the voluntary quote provided.
- The ARP will compare the voluntary **quote** to the MAIP **premium** calculated at the point of the assignment, and collect the **appropriate** premium deposit **based on the lower total premium**.
- The ARP **includes a comment in the Remarks section** and submits the signed application, a copy of the voluntary premium quote and the deposit premium to the ARC.

#### Toll Free Telephone Number Service

- After an assignment is made, the ARP will access and complete the supplemental /additional application of the assigned ARC from the Checklist.
- The Checklist will contain the toll free telephone number to the dedicated customer support rating service as designated by the assigned ARC.
- The ARP will provide all of the information necessary to calculate the voluntary quote to the customer support rating service.
- The ARC will respond with the premium quote, which will include a 30% down payment deposit amount based on the voluntary quote provided, and an identification number to be used to match the quote to the new business application upon receipt by the ARC.

- The ARP will compare the voluntary **quote** to the MAIP **premium** calculated at the point of the assignment, and collect the **appropriate** premium deposit **based on the lower total premium**.
- The ARP includes the voluntary premium quote identification number in the Remarks Section and submits the signed application and the deposit premium to the ARC .

#### Timing of the Rate Quote

After the assignment is made, it will be necessary for the ARP to obtain from the applicant any supplemental or additional information necessary for the ARC to produce the voluntary quote. The supplemental application may be accessed from the assignment Checklist for those ARCs providing telephone service, or direct from the ARC through the link to the rating service as provided by the ARC.

Upon receipt of the information necessary to calculate the premium, the ARC will provide the voluntary quote for assigned risk business utilizing the same standards and timeframes as provided to voluntary market quotes.

#### Additional Items for Discussion

##### Rule 28.C.2 – Installment Plan

The Committee should determine the benefits and drawbacks to modifying the installment plan to require that an overpayment of the down payment be subtracted from the first installment in total, rather than equally impacting each installment.

##### Rule 31 – ARP Requirements

As written the proposal suggests that the voluntary quote is obtained at the option of the ARP, at the January 18, 2012 meeting, the Committee briefly discussed whether this should be an ARP requirement. The Committee should be prepared to make this determination at the meeting.

## MEMORANDUM

To: MAIP Steering Committee Members

From: Pamela Wallace

Date: February 3, 2012

Re: Agenda 11.10 – MAIP Policy Enhancement Request

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### Void MAIP Policy Assignment Proposal

Create the ability, within the MAIP Policy Application, to automate the notification to an Assigned Risk Company, and CAR, that an applicant has refused an assignment, been unable to provide the required down payment or otherwise does not want coverage in the MAIP.

The automated notification of an assignment not taken (void) would be available on assigned applications for two days from the date of assignment. Applications cannot be voided, through the MAIP Application after two days have passed. Any action taken with an application after two days must be handled directly with the assigned company.

The assignment of an application, where an RMV form has been stamped with the assigned Company name, cannot be voided using the automated application. These must be communicated to the assigned company directly. Failure to comply with this provision would be a violation of the ARP Performance Standards.

This capability will provide accurate and timely notice to the Company of an application not taken. It will streamline the Producer workflow and provide a documented record of the activity versus the current method of a telephone call to the assigned company. The enhancement will also enable CAR to track and oversee, in real time, handling of MAIP assignments by ARPs to assess void volumes, trends and potential abuses.

### Development Parameters

The ARP will select an assignment to be voided from a list edited to contain applications for two days from the date of assignment.

Notification of a valid void transaction will be made via e-mail to the individual initiating the transaction at the agency, an ARC recipient, and a unique mail address at CAR.

If the void is processed the same day that the assignment is made, the application will not be included in the nightly FTP transfer.

A field to identify a void transaction will be added to the ARC and ARP assignment listings page found in the MAIP section of CAR's website.

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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.

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.2 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.

**D. Assignment Period**

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

For policies of an Eligible Risk whose assignment period ends March 31, 2012 and prior, the designated ARC may offer to continue an Eligible Risk's assignment beyond the period of three consecutive years by offering to write a third renewal, may offer to write the policy on a voluntary basis, or may non-renew the policy.

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For policies of an Eligible Risk whose three year assignment period ends effective April 1, 2012 and subsequent, the designated ARC may offer to write the policy on a voluntary basis, or may non-renew the policy.

2. For policies whose three year assignment period ends effective January 1, 2012 and subsequent, 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 (2A Form) to the former ARC 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. 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 2A Form 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; and pre-inspection requirements shall be waived.

If no 2A Form is received, the designated ARC will issue a non-renewal notice at least 45 days prior to the expiration date with a copy sent to the ARP.

Upon receipt of the non-renewal notice, 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.

<b>CAR</b>	<b>ASSIGNED RISK PRODUCER PROCEDURES MANUAL</b>
<b>Chapter II</b>	<b>General Responsibilities</b>
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1. Violation Reporting

Assigned Risk Companies report producer performance violations online to CAR using the ARP Violations link which is located on the MAIP Company page of CAR's website. The violation report will be forwarded to both the ARP and to CAR. The ARP has 20 calendar days to respond to CAR regarding the validity of the alleged violation via the ARP Violations link which is located on the MAIP Producer page of CAR's website (refer to Exhibits 10 and 11). A copy of the response will also be forwarded to the ARC. CAR will validate the ARP's response and determine if further action is required.

Violations include failure to comply with the producer requirements specified in Rule 31 – Assigned Risk Producer Requirements of CAR's Rules of Operation as well as those requirements set forth in this Manual and include, but are not limited to, the following:

- a. application and/or required down payment submitted to the ARC more than two business days from the date of assignment,
- b. insufficient down payment submitted (in accordance with Rule 28 – Application Process of CAR's Rules of Operation) including the failure to collect 80% of the calculated MAIP premium or 100% of the assigned ARC's voluntary premium, if known, if the insured's policy had been cancelled for non-payment within the preceding 24 months,
- c. application not eligible for MAIP coverage,
- d. information on the application for insurance coverage is misrepresented,
- e. application missing documentation in accordance with Rule 31 – Assigned Risk Producer Requirements of CAR's Rules of Operation, including lack of insured or producer signatures(s) and Supplemental Application, if required,
- f. failure to verify that the eligible risk has not been and was not, at the time of application, in default in the payment of any motor vehicle premium within the past 24 months,

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- g. principal operator does not hold a valid driver's license or insufficient license information provided (i.e. no translation for foreign license, copy of license not forwarded, etc),
- h. failure to report all coverages bound and all registrations/titles certified to the ARC within two business days after binding coverage or certifying a registration,
- i. failure to remit payment on a timely basis to the ARC and/or check or money order not made directly payable to the ARC, and
- j. failure to return uncontested unearned commission.

2. Compliance Review

Once an ARP responds to a reported violation or the 20-calendar day response period has elapsed, CAR will review the documentation provided by the ARC and/or ARP and will determine the validity of the reported violation.

On a monthly basis, CAR shall assess each ARP's performance to determine whether the number of validated violations exceeds 10% of the number of applications submitted in any one month and at least three violations within that month.

CAR will also identify those ARPs that have had validated violations reported in each month of a consecutive three-month period, but the volume of those violations does not exceed the monthly compliance threshold.

3. Warning – Suspension/Remedial Action Required

If the ARP's performance in the latest calendar month exceeds the established tolerances as noted in Section B.2. of this Chapter, CAR will notify the ARP of the failure to comply with the Rules of Operation and request the producer to immediately institute corrective measures.

The producer will be warned that subsequent failure to comply with the standard for each month within the following 90-day period will result in an immediate suspension of the agency certification for a period of not less than one month.

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If the ARP's performance over a consecutive three-month period indicates that validated violations exist in each month, ~~but~~ and the volume of those violations ~~does not~~ exceeds 3% of the number of applications submitted for the three month period, the monthly compliance thresholds specified in Section B.2. of this Chapter, CAR shall notify the ARP of its review findings and require the ARP to address remedial action in a meeting with CAR staff.

4. Non-Compliance

If the ARP remains in compliance for the entire 90-day probation period, the review process will begin again. However, if the ARP exceeds the standard for three or more non-consecutive months in any 12-month period, the result will be an immediate suspension of the agency certification for a period of not less than one month.

Non-compliance during the 90-day probation period will result in the immediate suspension of the agency certification for a period of not less than one month or not more than six months.

5. Immediate Suspension and/or Decertification

CAR will immediately suspend certification in cases deemed to be valid, for a period of not less than one month or not more than six months for any violations involving falsification of information for coverage, misrepresentation of rating information, participation in the false reporting of claims, mishandling of premium funds or failure to return uncontested unearned commission within the specified timeframe. In all cases, the severity of the violations will be taken into consideration. CAR may revoke the certification of the producer if the violations are deemed numerous and/or egregious. Notification of decertification will be provided to all ARCs, the RMV and the Division of Insurance.

Note that failure to renew or maintain an active producer's license will result in the immediate suspension of access to the MAIP Policy Application and possible decertification of the ARP. CAR will reinstate access to the MAIP Policy Application upon receipt of a copy of a valid and current license in good standing.

## **ASSIGNED RISK COMPANY PERFORMANCE STANDARDS**

### **Category I**

#### **A. Claims Performance**

Claim adjustment practices and procedures shall be in accordance with the established Performance Standards and shall correspond with those followed for voluntarily written business.

#### **B. Certificates of Insurance**

The Assigned Risk Company (ARC) shall, at the request of the named insured or producer of record, issue certificates of insurance, which shall include SR-22 filings. Such certificates or filings must be provided within four business days after receipt of a request for same.

#### **C. Cancellation – Insufficient Down Payment**

The ARC may not cancel a policy for non-payment of premium if such premium deficiency is the result of an insufficient down payment. The ARC shall bill the policyholder for the amount of the deficiency, or otherwise incorporate the amount in future premium installments. If the policyholder fails to pay the minimum amount due, then the ARC may issue a statutory notice of cancellation for non-payment of premium.

#### **D. Cancellation - Misrepresentation**

To prevent wrongful cancellation, if during the underwriting process an ARC discovers third-party information that appears inconsistent with the information provided on the application for insurance, 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.

#### **E. Reinstatement**

If the reason for a cancellation or non-renewal has been remedied **and the ARC receives notification** prior to the **cancellation or non-renewal** effective date, then the ARC shall reinstate the policy or issue the renewal.

#### **F. Disputed Premium Recalculation**

The ARC shall issue an endorsement recalculating premium within 15 days from the receipt of a determination validating an incorrect premium charge identified as a result of a complaint filed in accordance with ARC Performance Standard K – Premium Disputes.

## **Category II**

### **G. Policy Issuance**

The ARC must issue a policy within 15 calendar days of the receipt of a completed application and any supplemental information needed to verify and appropriately calculate the premium for the coverages requested.

### **H. Endorsements**

Any endorsement to an assigned policy, which includes all information necessary for processing, shall be issued within 15 calendar days of receipt.

### **I. Return Premiums**

Return premium checks must be mailed within 30 calendar days of the effective date of the cancellation or endorsement generating the return.

### **J. Policy Changes**

If policy changes are mailed directly to the insured, copies must be furnished to the Assigned Risk Producer.

### **K. Premium Disputes**

The ARC shall reply within 15 calendar days to letters disputing the premium charged.

### **L. Commissions**

Commission shall be paid no less frequently than monthly and shall be paid within 15 calendar days after the close of the month in which the commission was credited to the producer's account. Each payment will include a commission statement that contains the policy number, named insured, and amount of premium on which the commission has been calculated.

### **M. Cancellation Notices**

A copy of each cancellation notice issued by an ARC shall be furnished to the producer of record.