



COMMONWEALTH AUTOMOBILE REINSURERS

225 FRANKLIN STREET – BOSTON, MASSACHUSETTS 02110

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RALPH A. IANNACO
President

September 19, 2007

BULLETIN NO. 850

PROPOSED CHANGES TO THE RULES OF THE MASSACHUSETTS AUTOMOBILE INSURANCE PLAN

At its meeting of September 19, 2007, the Governing Committee voted to amend the following Massachusetts Automobile Insurance Plan (MAIP) Rules by deleting and adding the language as indicated on the attached copy. A copy of the Filing Letter, which contains an explanation of these Rule changes, is attached for your information.

The proposed MAIP Rules are listed below.

- 23 – Member Obligations
- 26 – Policyholder Rights and Responsibilities
- 28 – Application Process
- 30 – Assigned Risk Company and Limited Assignments Distribution Company Requirements

This Bulletin, with a copy of the proposed changes to the MAIP Rules as listed above, is being furnished to every Member Company, the two associations of insurance producers, and the Public Protection Division of the Office of the Attorney General, as required in Article X of the Plan of Operation. Any Member Company may request a public hearing within five days of receipt of this Bulletin and Filing Letter, as provided by Article X of the Plan of Operation.

A proposed Rule shall become effective upon the written approval of the Commissioner or upon the expiration of thirty days after filing, providing the Commissioner has not previously disapproved the Rule in writing.

JOSEPH J. MAHER, JR.
Vice President, General Counsel & Secretary

Attachments



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RALPH A. IANNACO
President

September 19, 2007

Honorable Nonnie S. Burnes
Commissioner of Insurance
Massachusetts Division of Insurance
One South Station
Boston, MA 02110-2208

Dear Commissioner Burnes:

MAIP Rules

23 – Member Obligations

26 – Policyholder Rights and Responsibilities

28 – Application Process

30 – Assigned Risk Company and Limited Assignment Distribution Company Requirements

In accordance with the provisions of Article X of the Plan of Operation, I hereby file, at the request of the Governing Committee, the attached amendments to the above MAIP Rules

The attached amendments change MAIP Rules 23, 26, 28, and 30 by deleting and adding the language as indicated on the attached copy.

The remainder of each of the Rules is unchanged.

Explanation

The proposed modifications to MAIP Rule 23 provide consistency with the provisions of Rule 26.A.1.a concerning the declination of voluntary coverage.

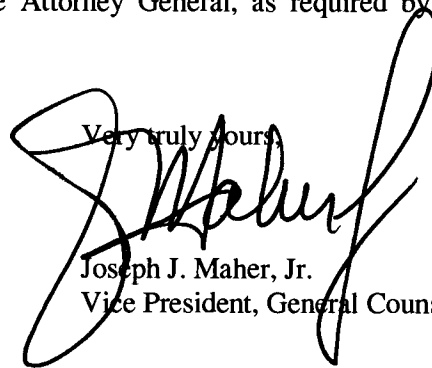
The proposed modifications to MAIP Rule 26 provide that MAIP shall accept for assignment motor vehicles eligible to be insured under the standard private passenger Massachusetts Automobile Insurance policy pursuant to the MAIP Private Passenger Automobile Insurance Manual. Further, the cancellation provisions of 26.E are modified to be consistent with the cancellation provisions found in Rule 18 of the Massachusetts Private Passenger Insurance Manual, as well as modifications to the dishonored checks provisions found in Rule 26.E.3.

The proposed modifications to MAIP Rule 28 provide minimum standards for installment payment plans to be offered to MAIP insureds for policies effective April 1, 2008 through March 31, 2009.

The proposed modifications to MAIP Rule 30 provide that the producer of record will be recognized as such by a voluntary company writing a risk previously placed in MAIP through that producer of record, except in the three listed circumstances.

A copy of the proposed modifications to MAIP Rules 23, 26, 28, and 30, attached hereto, is being furnished to every Member Company, the two associations of insurance producers, and the Public Protection Division of the Office of the Attorney General, as required by Article X of the Plan of Operation.

Very truly yours,



Joseph J. Maher, Jr.
Vice President, General Counsel & Secretary

JJM:kat

Attachments: 23 – Member Obligations
26 – Policyholder Rights and Responsibilities
28 – Application Process
30 – Assigned Risk Company and Limited Assignment Distribution Company Requirements

cc: Exclusive Representative Producers of Massachusetts, Inc.
Massachusetts Association of Insurance Agents
Public Protection Division – Office of the Attorney General

Rule 23 – Member Obligations

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 prior to referring the risk to the MAIP.~~
- ~~3~~2. 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 Rule 23 or 35, which remains unpaid as of the tenth 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 nonpayment, the cost of all staff time spent in connection with efforts to collect the balance outstanding, all financial losses resulting from nonpayment and all other related expenses and losses.
 - c. Any Member shall be entitled to appeal to the Governing Committee any assessment, 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 appeals will be considered. 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 nonpayment for its consideration and, if it deems appropriate, action.

43. 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.

54. Assigned Risk 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 policy pursuant to the provisions defining an eligible risk or the provisions of G.L. c.175, §22C.

65. 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.

76. 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 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.

87. No judgment against the MAIP shall create any direct liability against the individual Members.

- | ~~98~~. 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.
- | ~~109~~. 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.
- | ~~110~~. 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.
- | ~~121~~. 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 issues a 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.

Rule 26 – Policyholder Rights and Responsibilities

A. Eligibility Requirements

1. Applicants Eligible for the 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 make incorrect or misleading statements in the prescribed application form, or does not fall within any of the prohibitions or exclusions shown in 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 fifteen (15) days, except that nonresidents who are members of the United States military forces shall be eligible with respect to motor vehicles registered in other states provided such military nonresidents 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 the standard private passenger Massachusetts Automobile Insurance Policy pursuant to the [MAIP](#) Private Passenger Automobile Insurance Manual ~~published by the Automobile Insurers Bureau ("AIB")~~.

3. Applicants Not Eligible for the MAIP

- a. No Member is required to offer or continue insurance to any applicant or insured in any of the following circumstances:
 - (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 twelve (12) months; or

- (3) An applicant shall not be entitled to physical damage insurance as defined in Rule 27 nor shall any ARC or LADC 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 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 under the MAIP if any of such entities has 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 part.

B. Reassignment Rights

1. A Member shall provide coverage to each applicant assigned to it. However, subject 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 Member;
 - b. the applicant or policyholder is currently involved as a plaintiff in litigation with the Member;
 - c. the policyholder of a Member filed a Consumer Complaint with the Division of Insurance against such Member prior to the MAIP assignment;
 - d. the policyholder of a Member filed a Consumer Complaint with the Attorney General against such Member prior to the MAIP assignment; or
 - e. the applicant or policyholder has invoked his/her rights under a consumer protection statute regarding his/her relationship with the Member (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 MAP and provide the necessary

documentation required by such Form no later than thirty (30) days following: (1) the date of the initial assignment to the MAIP, or (2) the annual policy renewal date.

3. Consistent with Rule 29.G.3, at no time may an applicant or a policyholder request reassignment to a different Member if any outstanding premium balance is due the Member. Furthermore, an applicant or a policyholder may not for any reason request reassignment to a specific Member under this subsection.

C. Clean-in-Three Risks

All Clean-in-Three Risks with renewal dates during the period April 1, 2008 through March 31, 2011, shall not be non-renewed by a Member, subject to the exceptions identified in Rule 21.C.

D. 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 E of this Rule may reapply to the MAIP as soon as the cause of ineligibility is removed.

- a. Applicants cancelled for nonpayment 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 nonpayment of premium reapplies, provided such applicant is otherwise eligible, the application shall be accompanied by the deposit prescribed in Rule 28.
- c. Such application shall be considered a new application and the applicant shall be assigned to a company in accordance with the provisions of Rule 29 or reassigned to the prior company, if applicable, in accordance with Rule 29.

2. Renewal Application

Any policyholder who fails to pay the renewal premium quoted by the assigned company 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 prescribed in Rule 28.
- b. Such application shall be considered a new application and the applicant shall be assigned to a company in accordance with the provisions of Rule 29.

E. Cancellations

If a policy is cancelled by the company at any time or by the insured within thirty (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 approved rates for that policy year.

~~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 thirty (30) days from the effective date or later than thirty (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 insured has disposed of the automobile, provided the insured takes out a new policy in the same company on another automobile to become effective within thirty days of the date of cancellation.
- b. If the insured automobile is repossessed under terms of a financing agreement.
- c. If an automobile is cancelled from a policy, the policy remaining in force on other automobiles, 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 automobile policy covering another automobile.
- d. If the insured 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 assigned company written confirmation of the replacement coverage.

g. Theft of Vehicle or Plates

- (1) If the insured automobile is stolen or destroyed (total or constructive total loss) and cancellation is requested by the insured within thirty (30) days following the date the automobile is stolen or destroyed, the return premium for all coverages (including the premium for the coverages under which loss was paid) shall be calculated on a pro rata basis from the day following the date of such loss.
- (2) If the insured registration plates are stolen or destroyed, a lost plate affidavit is to be issued to the Registry of Motor Vehicles cancelling 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.

~~If for any reason the policyholder requests cancellation of his policy, the return premium to be refunded to him shall be calculated at 0.90 of the pro rata unearned premium for the period of coverage or the sum of \$25 per motor vehicle or policy, whichever is greater, except in any of the following cases when the return premium shall be computed pro rata:~~

- ~~a. If the policyholder has disposed of the motor vehicle, provided the policyholder obtains a new policy with the same company on another motor vehicle to become effective within thirty (30) days of the date of cancellation;~~
- ~~b. If the insured motor vehicle is repossessed under the terms of a financing agreement;~~
- ~~c. If a motor vehicle is cancelled from a policy, the policy remaining in force on other motor vehicles; or if a concurrent motor vehicle policy, with the same company, but covering another vehicle, remains in force in the name of the policyholder or his spouse, if a resident of the same household;~~
- ~~d. If the policyholder enters the armed forces of the United States of America;~~
- ~~e. If the insured motor vehicle is stolen or destroyed (total or constructive total loss) and cancellation is requested by the insured within thirty (30) days following the date the motor vehicle is stolen or destroyed; or~~

~~f.—If the policyholder requests cancellation of a policy because coverage has been replaced in the voluntary market, and provides the assigned company written confirmation of the replacement coverage.~~

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 twenty (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 that 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.

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.

2-3. Cancellation by the ARC or LADC

- a. An ARC or LADC that has issued a policy under the MAIP shall have the right to cancel the insurance for reasons permitted under Massachusetts law, and by giving notice as required in 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 twenty (20) days prior to the effective date of cancellation.

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

~~No coverage will be effective if the policyholder's premium remittance that accompanies the application is justifiably dishonored by the financial institution.~~

If the ARC or LADC issues a cancellation notice for nonpayment of premium to the policyholder and the policyholder's remittance received by the ARC or LADC 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 nonpayment of premium.

Nothing herein shall be deemed to affect the right of the ARC or LADC to ~~revoke~~ cancel a policy for fraud, misrepresentation, ~~or if the policyholder's premium remittance that accompanies the application is justifiably dishonored by the financial institution,~~ or to invoke other remedies provided by law.

~~3. Minimum Refund~~

~~At the time of cancellation, the policyholder shall be notified that any unearned premium amounts under \$5 will be refunded only upon the policyholder's request.~~

Rule 28 – Application Process

A. Submitting an Application to the MAIP

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

Assigned Risk Producers 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 Policy to Assigned Risk Company or Limited Assigned Distribution Company

An application with a certification number will be randomly assigned to an ARC based on 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 ARC to which the policy is assigned and the effective date of the coverage.

Once the policy has been assigned to an ARC, the ARP is responsible for providing the ARC with the following items within two (2) 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.

C. Premium Deposit and Payment Options

1. Amount of Deposit

A deposit of at least the amount noted below shall accompany the application for MAIP coverage. 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 or LADC. 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 twelve (12) months must be submitted by certified check, bank check, or money order.

- a. For a new business policy, a deposit of thirty percent (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 thirty percent (30%) is required.

- b. For a renewal policy, a deposit of twenty percent (20%) is required.

However, if the Eligible Risk has previously had a policy cancelled for non-payment, a premium deposit of one hundred percent (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 twelve (12) months.

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

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 or LADC shall provide an Installment Payment Plan which has been filed with and approved by the Commissioner. The Installment Payment Plan shall require not more than a 30% first or deposit payment on or before the policy effective date, and no less than seven (7) monthly payments thereafter. An ARC or LADC shall cooperate with its ARP to assure that policyholders are made aware of their option to utilize an Installment Payment Plan.

~~Each installment bill will consist of one tenth of the remainder of the policy premium, subject to a minimum amount due of \$20 (to which any outstanding balance of less than \$20 is to be added), plus an installment charge of \$4 on each installment. If there has been a lapse in coverage of more than one day at any time during the past twelve (12) months, the installment charge may be equal to an Annual Percentage Rate (APR) of fifteen percent (15%). If the policyholder elects to pay the outstanding balance at any point during the installment billing period, the installment charge for the current bill would apply.~~

- ~~a. 1st installment—1 month after the effective date of the policy;~~
- ~~b. 2nd installment—2 months after the effective date of the policy;~~
- ~~c. 3rd installment—3 months after the effective date of the policy;~~
- ~~d. 4th installment—4 months after the effective date of the policy;~~

- ~~e. 5th installment 5 months after the effective date of the policy;~~
- ~~f. 6th installment 6 months after the effective date of the policy;~~
- ~~g. 7th installment 7 months after the effective date of the policy;~~
- ~~h. 8th installment 8 months after the effective date of the policy;~~
- ~~i. 9th installment 9 months after the effective date of the policy; and~~
- ~~j. 10th installment 10 months after the effective date of the policy.~~

~~The first installment bill shall reflect the current annual policy premium plus the total installment charge, minus the deposit. Each installment bill shall display the status of the account and is to be released to the insured.~~

~~Additional premium, less the deposit premium resulting from changes to the policy, shall be spread over the remaining installments, if any, or will be billed immediately as a separate transaction if there are no remaining installments.~~

~~Return premium resulting from changes to the policy may be used to reduce the outstanding balance, or if the outstanding balance is eliminated, any amount remaining will be returned immediately. If an outstanding balance remains, the number and amounts of the remaining installments will be adjusted accordingly.~~

~~The return premium check shall be sent to the insured. In instances where the premium is financed and a power of attorney is on file with the assigned company, the return premium check shall be sent to the premium finance company.~~

3. ~~Insufficient Funds~~Dishonored Check Charge

An applicant or policyholder that issues a check that is ~~returned for insufficient funds~~dishonored by the financial institution to which the check is presented for payment will be charged a fee ~~of \$25~~as provided in the plan filed by the ARC or LADC and approved by the Division of Insurance.

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 of \$15~~as provided in the plan filed by the ARC or the LADC and approved by the Division of Insurance.

~~5. Reinstatement on Non-Payment Cancellations~~

~~—No grace period shall be allowed for the reinstatement of a policy cancelled for non-payment.~~

65. Agency Acceptance of Payments

Acceptance of payment by the ARP shall be viewed as a payment to the ARC or LADC. ~~To avoid policy cancellation, a payment must be received on or before the policy cancellation date.~~

76. Premium Financed Policies

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

**Rule 30 – Assigned Risk Company and Limited Assignment
Distribution Company Requirements**

A. Appointments

1. All Members are required to be Assigned Risk Companies. A Member may delegate its ARC responsibilities for assigned risk business if the Member executes an agreement with a LADC for handling its private passenger business quota share, in accordance with Rule 29 – Assignment Process. The agreement must be reviewed and approved by the MAIP.
2. LADCs must be approved by the Governing Committee and must meet and continuously maintain specified eligibility requirements. If at any time the LADC does not satisfy the specified requirements, the MAIP or the Commissioner may take appropriate action to terminate the LADC. The specified eligibility requirements that a LADC must meet are:
 - a. have a statutory capital and surplus of at least \$25,000,000;
 - b. have and maintain a net premium to surplus ratio that does not exceed 2 to 1;
 - c. have maintained an A.M. Best's financial rating of A- or better for a continuous three (3) 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;
 - d. have been licensed to write motor vehicle liability insurance and physical damage insurance without restriction for a minimum of five (5) years;
 - e. have a service facility affording policy issuance and all other policyholder services; and
 - f. have the ability to service insurance claims in every state, the District of Columbia; and Canada.
3. The Governing Committee has the option to consider a LADC application from a company that does not meet the above eligibility criteria with the prior written approval of the Commissioner.

The Governing Committee shall appoint ARCs and LADCs 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.

4. In order to assure the protection of the public interest, the Governing Committee, in considering the appointment of an insurer as an ARC or LADC, shall require that the insurer, pursuant to a written agreement reviewed and approved by the Governing Committee or its designee, 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 upon the request of the applicant;
 - b. Service insurance claims in every state, the District of Columbia and Canada;
 - c. Administer a Direct Bill Program;
 - d. Provide the Installment Payment Plan as described in Rule 28 – Application Process. An ARC or LADC 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. The policy forms, endorsements, new business application and renewal questionnaire shall be those filed by the Automobile Insurers Bureau and approved by the Commissioner for private passenger motor vehicle insurance.

B. Responsibilities

Nothing in this Rule shall be construed to affect the rights of any ARC or LADC to enter into any contractual agreement for the purpose of servicing the ARC's voluntary business. Nothing in this Rule shall be construed so as to relieve any Member of its quota share, its share of the administrative expenses of the MAIP, or of its responsibility to provide coverages as required by G.L. c.175, §113H(A). An ARC or LADC is required to perform the following responsibilities:

1. ARCs and LADCs must provide quality service to policyholders assigned through the MAIP by maintaining the standards established as a condition of appointment under Section A.1 of this Rule. Policies and other forms mailed to policyholders shall be the same as those used for non-ARC or non-LADC motor vehicle business. ARCs and LADCs shall provide the same level and type of service to policies issued through the MAIP, as they provide to policies issued voluntarily.
2. No group or members of a group under the same management or ownership or both may ~~charge rates on business subject to the provisions of G.L. c.175, §113B, different from those fixed and established under such section or~~ provide different levels of service through a member of the group that is not an ARC or LADC than is provided to policyholders insured by an ARC or LADC member of the group.
3. General Duties

ARCs and LADCs shall perform the following general duties:

- a. Confirm operator driving licenses and records in order to effectively administer the Safe Driver Insurance Plan;
- b. Verify eligibility criteria;
- c. Verify that representations contained in the application for insurance are accurate as to classification, garaging, discounts, credits, vehicle use and vehicle description;
- 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 or LADC, 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 or LADC'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 or LADC on all ARPs; and
- i. Monitoring of Assigned Risk Producers

ARCs and LADCs 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 or LADC 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 or LADC on a timely basis in accordance with the MAIP Rules of Operation;
- (5) Failure to notify the ARC or LADC 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 or LADC during any audit or investigation;
- (7) Failure to report all coverages bound within two (2) working 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 Manual of Administrative Procedures.

4. Reporting Requirements

On a monthly basis, ARCs and LADCs must report all premiums written, paid losses, allowable expenses and any other information that may be required by the Plan, Rules or Manual of Administrative Procedures.

5. Continuation of Eligibility as an ARC

An ARC must maintain a viable book of voluntarily written motor vehicle policies. The Commissioner may terminate any ARC if he or she finds that disruptive reductions in voluntarily issued motor vehicle policies are in violation of this section.

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

The producer of record must be mailed notification of such offer on a prescribed form ninety (90) days prior to expiration, which shall contain the provisional premium quotation to be offered. The policyholder shall be mailed the offer for voluntary coverage forty-five (45) days prior to expiration with copy to the producer of record.

d. Member Obligations

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

Once the offer to write voluntary coverage is mailed, ~~and the Member shall have no further obligation to the producer of record if~~ the policyholder accepts ~~its~~ the offer, the insured's producer of record shall continue to represent the insured written or renewed in the voluntary market, and such policy shall continue to be serviced through the producer of record, unless: 1) said producer is decertified or suspended by the MAIP or the Commissioner of Insurance pursuant to Rule 31.B, 2) at the insured's request, the insured terminates such producer as its producer of record, or 3) the producer of record is precluded from dealing with other companies by an exclusive agency contract. Further, if a policy is written or renewed on a voluntary basis, the Member shall pay the insured's producer of record the commission rate applicable to MAIP business. This Rule applies regardless of whether ~~and~~ the producer of record is ~~not~~ licensed by that Member. ~~— However, the Member shall have the option of servicing the policy through the producer of record if permitted by the laws of the state.~~

If such replacement coverage is obtained by the producer of record within the period of his or her forty-five (45) day advance notice, the producer of record shall notify the assigned Member and it shall not make an offer to the policyholder.

2. Voluntary Writing of Present MAIP Insured by Member Other Than Assigned Company

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

Nothing in the provisions of this Section shall render the policyholder ineligible for coverage in the MAIP for the full term of the three (3) year assignment period. Subject to the right to reassignment pursuant to Rule 26.~~A.2~~B., the policyholder may, at his or her option, continue the policy with the assigned company as a MAIP risk if the three (3) year assignment period has not yet expired.

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 Manual of Administrative Procedures for the procedure outlining company reporting of all credits.