



COMMONWEALTH AUTOMOBILE REINSURERS

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RALPH A. IANACO
PRESIDENT

January 31, 2008

BULLETIN NO. 864

PROPOSED CHANGES TO RULES OF OPERATION

Rule 29 – Assignment Process

The Governing Committee, at its Special Meeting of January 31, 2008, voted to amend Rule 29 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.

This Bulletin, with a copy of the proposed changes to Rule 29, is being furnished to every Member Company 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

January 31, 2008

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

Dear Commissioner Burnes:

Rules of Operation

Rule 29 – Assignment Process

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 Rule 29 of CAR's Rules of Operation.

The attached amendments change Rule 29 by deleting and adding the language as indicated on the attached copy.

The remainder of Rule 29 is unchanged.

Explanation

The proposed amendments to Rule 29 are detailed as follows:

Section B. Calculation of Initial Quota Share

- Property damage liability exposures from the motorcycle and miscellaneous classifications will be adjusted by a factor of .33 for use in calculating a Member's initial Quota Share.
- Exposures from Newly Writing Companies will be included in the initial Quota Share determination.

Section C. Assignment of Applications

- In Section 1.a., property damage liability exposures from the motorcycle and miscellaneous classifications will be adjusted by a factor of .33 for use in calculating a Member's Quota Share.
- In Section 1.b., the premium definition used in the application assignment procedure has been clarified to identify that the private passenger motor vehicle MAIP premiums will be developed from the MAIP Rating Plan and will exclude subsidies calculated using MAIP cost-based rates.
- In Section 2., the procedure for assigning applications to Members has been clarified.

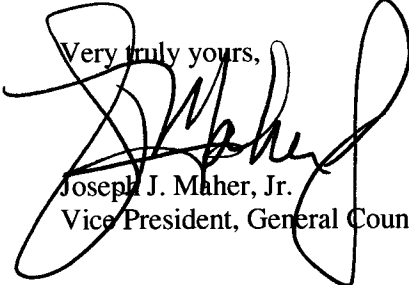
Section E. Assignment Period

- An obsolete reference to CAR's obligations under Rule 26.A. has been eliminated.

Section F. Credit Programs

- Section 1.a. has been modified to clarify that Members will receive credit for each MAIP eligible policy voluntarily written in the territories and classes identified in Section F.2. This Section also identifies that policies voluntarily insured in the territories and classes identified in Section F.2. and written through group marketing plans pursuant to G.L. c. 175, § 193R that meet the MAIP eligibility criteria pursuant to Rule 21.B. are eligible for voluntary credit.
- In Section 2., the credit table has been modified to include territories 40-45.
- In Section 3., references to fixed-and-established rates have been changed.

A copy of the proposed amendments to Rule 29 is attached hereto, and 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

Attachment: Rule 29 – Assignment Process

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

A. Limited Assignment Distribution Procedure

A Member may delegate its ARC responsibilities if the Member executes an agreement with a Limited Assignment Distribution Company (LADC) to service its Quota Share and to receive additional assignments of the Member's assigned risk business. Nothing in these Rules shall be construed to relieve a Member of its responsibility of ensuring that any LADC with which it has a contract to service its private passenger motor vehicle insurance risks complies with all CAR Rules, [federal and](#) state laws and regulations. If at any time a LADC fails to maintain these requirements, the Governing Committee or the Commissioner may move to terminate the LADC.

B. Calculation of Initial Quota Share

For the purposes of calculating a Member's initial Quota Share, the Member's voluntary market share will be the ratio of each company's written [property damage liability](#) exposures for the 12-month period ending June 30, 2007 with CAR ID Codes 0 or 1 over the industry written exposures for the 12-month period ending June 30, 2007 with CAR ID Codes 0 or 1. [Exposures from Motorcycles, Snowmobiles and Electric Cars will be adjusted by a factor of .33.](#)

[Exposures from Newly Writing Companies will be included in the initial Quota Share determination upon identification that the company has written private passenger automobile insurance in Massachusetts. A Newly Writing Company's voluntary market share shall be determined as the ratio of its underlying written property damage liability exposures for CAR ID Code 0 to the corresponding industry exposures, both as adjusted by the .33 factor noted above.](#)

[To the extent that the inclusion of a Newly Writing Company's voluntary market share causes the sum of the industry's voluntary market shares to differ from unity, an off-balance factor will be applied to all other companies' ratios such that the sum becomes unity.](#)

C. Assignment of Applications

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

1. For the purpose of such distribution as described above: (1) voluntary private passenger property damage liability direct written exposures; and (2) private passenger motor vehicle MAIP premiums shall be defined as below:
 - a. "Voluntary private passenger property damage liability direct written exposures" shall be the number of private passenger property damage liability car years written by the company for the most recent 12 months, regardless of the type of motor vehicle insurance policy under which such property damage liability car years are written, excluding private passenger liability car years written through the MAIP. Exposures from Motorcycles, Snowmobiles and Electric Cars will be adjusted by a factor of .33.
 - b. "Private passenger motor vehicle MAIP premiums" shall be developed from the MAIP Rating Plan and shall include ~~mean~~ the total of: 20/40 bodily injury (including guest), \$100,000 property damage liability, and \$8,000 personal injury protection manual premiums, ~~(excluding the Commissioner's subsidies)~~ excluding subsidies calculated using MAIP cost-based rates and adjusted for SDIP points, for private passenger motor vehicle MAIP insureds and any risk voluntarily insured that is eligible for premium credits allowed under this Rule.

2. CAR will assign applications to the most undersubscribed Member based on the percentage of the Member's assigned MAIP premium to the Member's credit-adjusted Quota Share. In the event that this percentage is the same for two or more companies, CAR will assign the application to the most undersubscribed of those Members based upon each Member's assigned MAIP premium less its credit-adjusted Quota Share. Distribution restrictions relative to the assignment process are identified in Section G. After the assignment, CAR will update accumulated MAIP premium in the Quota Share totals and recalculate each Member's Quota Share.

D. Quota Share Adjustment

~~The MAIP-CAR~~ shall adjust the assigned premium Quota Share of each ARC monthly, in order to correct for the amount of previously assigned MAIP premium which was less than or in excess of each ARC's appropriate share of total MAIP premium, for the amount of premium connected with reversed assignments due to non-payment or insufficient funds, for the amount of premium associated with MAIP risks moving to the voluntary market and for any applicable credits. On a monthly basis, ~~the MAIP-CAR~~ shall notify each ARC of its market share and Quota Share (premium) adjustments.

Until April 1, 2009, the premium Quota Share of each ARC shall be based on the voluntary exposure market share pursuant to Section B. Thereafter, monthly adjustments will be made to each ARC's premium based Quota Share to reflect the latest rolling 12-month voluntary exposure based market share.

E. Assignment Period

An Eligible Risk shall be assigned to a designated ARC for a period of three consecutive years. 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 or subsequent renewal.

If an Eligible Risk is unable to obtain insurance in the voluntary market at the end of the consecutive three-year period, ~~notwithstanding CAR's obligations under Rule 26A to notify all Members of the risk's information if requested to do so by such risk as provided for in Rule 26.A,~~ or is unable to obtain an extension by the designated ARC or LADC, reapplication for coverage may be made to the MAIP. Such reapplication shall be considered a new application and the Eligible Risk shall be assigned to a different ARC or LADC than previously designated.

In the case of non-resident military personnel, 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.

F. Credit Programs

All credits for each rate year shall be reviewed annually and submitted to the Commissioner for his or her approval. Any premium credited under this Rule that in aggregate exceeds 100% of the overall quota may not be credited against the quota.

1. Voluntary Credit

~~a. Each Member shall receive a credit for each policy presently in the MAIP that it voluntarily writes at the policy's expiration date, through the producer of record or through the Member's own producer.~~

~~b.~~ a. Each Member shall receive a credit for each MAIP eligible policy voluntarily insured in the territories and operator classes pursuant to Section F.2. Policies voluntarily insured in the territories and operator classes pursuant to Section F.2. and written through group marketing plans pursuant to G.L. c. 175, § 193R that meet the MAIP eligibility criteria pursuant to Rule 21.B. are eligible for voluntary credit.

~~e.~~ b. Credit shall be applied to the Member's Quota Share as adjusted pursuant to Rule 29.D. for the appropriate premiums pursuant to Section F.2.

2. Amount of Credits

Members shall receive credit for each exposure written voluntarily in the territory and operator classes listed below. The amount of credit shall equal the annual private passenger MAIP premium for the risk if written through the MAIP, multiplied by the factor shown.

~~The amount of credit for rate year 2008 will be as follows:~~

~~One hundred percent (100%) of the annual private passenger MAIP premiums defined in C.1.b. that would have been charged if the risk had been written through the MAIP for any of the following risks. No more than one such credit can be issued.~~

~~a. Inexperienced Operator: Designated inexperienced operator classes having a higher proportion of MAIP risks. The MAIP shall at least~~

~~annually circulate to Members a list of the inexperienced operator classes for credit;~~

~~b. Senior Citizen: Any operator of the auto aged sixty five (65) or over residing in the household; or~~

~~c. Territorial: Designated rating territories having a higher proportion of MAIP risks. The MAIP shall at least annually circulate to Members a list of the rating territories qualifying for territorial credit.~~

~~The initial listing of credit eligible operator classes and rating territories are indicated by an 'X' in the table below:~~

Territory	Operator Class							
	10	15	17	18	20	21	25	26
1					<u>1.0</u>		<u>1.0</u>	
2					<u>1.0</u>		<u>1.0</u>	
3					<u>1.0</u>		<u>1.0</u>	
4					<u>1.0</u>		<u>1.0</u>	
5					<u>1.0</u>		<u>1.0</u>	
6					<u>1.0</u>		<u>1.0</u>	
7					<u>1.0</u>		<u>1.0</u>	
8					<u>1.0</u>		<u>1.0</u>	
9					<u>1.0</u>		<u>1.0</u>	
10					<u>1.0</u>		<u>1.0</u>	
11					<u>1.0</u>		<u>1.0</u>	
12					<u>1.0</u>		<u>1.0</u>	
13					<u>1.0</u>		<u>1.0</u>	
14					<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
15	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>		<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
16	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
17					<u>1.0</u>		<u>1.0</u>	
18	<u>1.0</u>	<u>1.0</u>			<u>1.0</u>		<u>1.0</u>	
19	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>		<u>1.0</u>		<u>1.0</u>	
20	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>		<u>1.0</u>		<u>1.0</u>	
21	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
22	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
23			<u>1.0</u>		<u>1.0</u>		<u>1.0</u>	
24					<u>1.0</u>		<u>1.0</u>	
25					<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
26			<u>1.0</u>		<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
27					<u>1.0</u>		<u>1.0</u>	
40					<u>1.0</u>		<u>1.0</u>	
41					<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
42	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>		<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
43	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>		<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
44	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
45	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>		<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>

3. Take-Out Credit

Each Member shall receive a credit for each policy presently in the MAIP that is written voluntarily through the producer of record or through the Member's own producer, at the expiration of the MAIP policy.

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

a. ~~(1)~~ The Member must provide proper notification prior to the expiration of the policy;

b. ~~(2)~~ The voluntary policy must be in effect for at least 90 days;

c. ~~(3)~~ The kind and limits of coverage to be offered as a voluntary risk shall be equal to or greater than those in the policy being replaced, and the premium for such coverage shall not exceed the ~~Commissioner's fix and establish~~ MAIP premium for the equivalent coverages; and

d. ~~(4)~~ The Member shall be required to submit an approved monthly reporting form to ~~the MAIP-CAR~~ for all policies qualifying during the month and to submit supporting data to ~~the MAIP-CAR~~ upon request.

e. The Member shall, if requested by ~~the MAIP-CAR~~, permit a physical audit of its records to substantiate the credits and exposures stated in the monthly report. The executed request for credit form must be submitted to ~~the MAIP-CAR~~ by the last day of the fourth month following the effective date of the policy.

G. Distribution Restrictions

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

1. No risk shall be assigned to more than one Member.
2. Household Procedure

If voluntary motor vehicle insurance coverage is in force on a motor vehicle owned by a Household Member at the time of the application to the MAIP, the applicant shall be assigned to the company providing the voluntary coverage unless the applicant specifically requests an individual policy separate from the existing policy, subject to the following requirements:

- a. The applicant is eligible under the Rules of the MAIP;
 - b. A copy of the Declarations Page for the policy providing motor vehicle insurance coverage for a vehicle owned by a Household Member is submitted with the application;
 - c. The limits and coverages requested are available from the assigned household company; and
 - d. An assignment to any company under the provisions of the household procedure will be factored into such company's Quota Share. Any assignment to any company under the provisions of the household procedure that is contrary to the above provisions shall be returned to the MAIP promptly for reassignment.
3. Reassignment to Prior Member

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

H. Accruing, Buying, Selling or Transferring Credits

1. Members may accrue excess credits.
2. As of April 1, 2008, Members may sell, transfer, or buy excess credits to or from other Members in accordance with systems and procedures developed by CAR.
3. Members shall report all transactions relating to the purchase, transfer or sale of excess credits to CAR within 30 days.

I. Credits Relating to Clean-in-Three Risks

No later than April 1, 2009, CAR shall develop a credit mechanism to encourage carriers to insure and retain on a voluntary basis those consumers who are Clean-in-Three Risks and who meet the following criteria:

1. The applicant or any person who usually drives the motor vehicle has not failed to pay an insurance company any motor vehicle insurance premiums due or contracted during the preceding 12 months; and
2. Any person who usually drives the motor vehicle holds or is eligible to obtain an operator's license.

Such credit will be available to carriers as of April 1, 2011, when the transitional constraint on non-renewal of Clean-in-Three Risks pursuant to Rule 21.C. has ended.