



COMMONWEALTH AUTOMOBILE REINSURERS

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RALPH A. IANNACO
PRESIDENT

June 18, 2008

BULLETIN NO. 874

PROPOSED CHANGES TO RULES OF OPERATION

Rule 28 – Application Process

The Governing Committee, at its meeting of June 18, 2008, voted to amend Rule 28 by deleting and adding the language as indicated on the attached copy. A copy of the Filing Letter, which contains an explanation of the Rule change, is attached for your information.

This Bulletin, with a copy of the proposed change to Rule 28, 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 will 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



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RALPH A. IANNACO
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June 18, 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 28 – Application 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 28 of CAR's Rules of Operation.

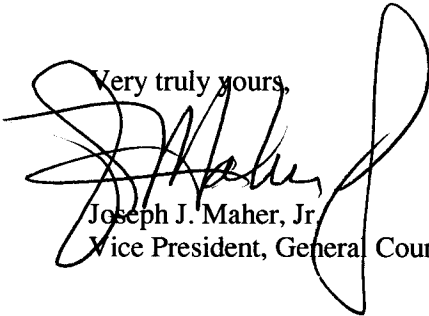
The attached amendments change Rule 28 by deleting and adding the language as indicated on the attached copy.

The remainder of Rule 28 is unchanged.

Explanation

The proposed amendments to Rule 28 seek to establish a standard billing plan applicable to all MAIP policies. The proposed plan features a 20% down payment for renewal business and a 25% down payment for new business, 10 installments including the down payment, a \$6.00 installment fee, a \$25 cancellation fee and a \$25.00 fee for any check that is uncollectible due to insufficient funds in the account upon which the check is drawn.

A copy of the proposed amendments to Rule 28 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 28 – Application Process

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

A. Submitting an Application to the MAIP

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

ARPs must assure that the application for insurance through the MAIP is submitted on the prescribed form and that each application is completed accurately and thoroughly. An incomplete or incorrect application will be returned to the producer for remedy. Once the application for coverage through the MAIP is received and all required information for issuance of the policy is provided, the MAIP will assign a certification number to the application.

B. Assignment of Application to a Member

An application with a certification number will be randomly assigned to a Member based on its Quota Share as specified in Rule 29 – Assignment Process. The MAIP will notify the ARC of the policy assignment. The MAIP will notify the ARP of the identity of the ARC which will issue the policy and the effective date of the coverage.

Once the policy has been assigned to an ARC, after receiving such notice, the ARP is responsible for providing the ARC with the following items within two working days as specified in Rule 31.B.2:

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

C. Premium Deposit and Payment Options

1. Amount of Premium Deposit

A deposit of ~~at least~~ the amount noted below shall accompany the application for MAIP coverage. The applicant, at his option, may choose to make a larger deposit payment. The deposit shall be in the form of a personal check, certified check, bank check, money order, premium finance company check or ARP's check made payable to the ARC. In the event that an ARP submits a dishonored check, issued either by the agency or by the ARP individually, on one or more occasions during a one-year period, future payments for the next 12 months must be submitted by certified check, bank check, or money order.

- a. For a new business policy, a deposit of 30% is required; provided that for MAIP business with policy effective dates of April 1, 2008 through March 31, 2009 a deposit of not more than twenty-five percent (25%) of the premium quoted based on the MAIP rates is required.

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

- b. ~~For a renewal policy, a~~ deposit of 20% is required for a renewal policy.

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

Upon receipt of the deposit accompanying an application for insurance, the ARC may deduct from such deposit any unpaid balance of premium earned within the preceding 12 months that is owed to the ARC~~or earned premium owed to that ARC~~. If any outstanding balance is not paid within the time permitted by the MAIP, the ARC 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 shall utilize an installment payment plan that has been filed with and approved by the Commissioner, with the following limitations: 1) MAIP insureds must be offered the same flat fee per installment finance charge plans that the ARC uses in the voluntary market, but the fee may not exceed \$6.00 per installment; 2) no fees based on an annual percentage rate (“APR”) shall be charged, regardless of those available in the voluntary market; 3) no more than a twenty-five percent (25%) first or deposit payment based on the MAIP premium may be required on or before the policy effective date; and 4) no fewer than seven (7) monthly payments thereafter must be offered to MAIP insureds who choose to pay in installments.

Each ARC will utilize the installment payment plan filed by Commonwealth Automobile Reinsurers for MAIP business with effective dates on and after April 1, 2009. The plan will require an initial deposit payment of 25% for new business and 20% for renewal business. The deposit for new business will be a percentage of the premium calculated using MAIP rates then in effect. The ARC will then calculate the balance of the premium owed on the basis of the lower of the MAIP rate or the ARC rate and the insured will pay that premium balance over nine equal monthly installments. The deposit for renewal business will be a percentage of the premium calculated using the lower of the ARC’s rate or the MAIP rate. The remaining balance will be paid over nine equal monthly installments. A flat \$6.00 per installment finance charge will be charged until the entire balance is paid.

3. Dishonored Check Charge

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

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

4. Late Fee or Cancellation Fee

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

[A policy holder who fails to pay an installment premium by the applicable due date will be charged a late fee or cancellation fee of \\$25 for policies with effective dates on or after April 1, 2009.](#)

5. Agency Acceptance of Payments

Acceptance of payment by the ARP shall be viewed as a payment to the ARC.

6. Premium Financed Policies

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