



COMMONWEALTH AUTOMOBILE REINSURERS

225 Franklin Street Boston, Massachusetts 02110

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RALPH A. IANNACO  
PRESIDENT

April 15, 2009

**BULLETIN NO. 899**

**PROPOSED CHANGES TO THE RULES OF OPERATION**

At its meeting of April 15, 2009, the Governing Committee voted to amend the following Rule of Operation 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 Rule is listed below.

Rule 29 – Assignment Process

This Bulletin, with a copy of the proposed changes to the Rule as listed above, is being furnished to every Member Company as required by 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 30 days after filing, provided the Commissioner has not previously disapproved the Rule in writing.

RALPH A. IANNACO  
President



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RALPH A. IANNAO  
PRESIDENT

April 15, 2009

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.B. and C. set forth provisions for a Newly Writing Company to report summary data for Quota Share determination until the carrier is required to report detailed statistics in accordance with the Massachusetts Private Passenger Statistical Plan.

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,

A handwritten signature in black ink that reads "Ralph A. Iannaco". The signature is written in a cursive, flowing style.

Ralph A. Iannaco  
President

RAI: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. 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 Member'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 0 or 1. Exposures for motorcycles, snowmobiles, and electric motor vehicles will be adjusted by a factor of 0.33.

**B. Assignment of Applications**

The MAIP 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 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 for motorcycles, snowmobiles, and electric motor vehicles will be adjusted by a factor of 0.33.

Exposures that qualify as a Clean-in-Three Risk pursuant to Rule 22 as of the effective date of their current Private Passenger Motor Vehicle Insurance policy will be adjusted by a factor of 0.0 provided all of the following conditions are met:

- (1) The operator was insured under a Private Passenger Motor Vehicle Insurance policy issued by the Assigned Risk Company (ARC) with an effective date between April 1, 2008 and March 31, 2009;
- (2) The producer of record for the policy between April 1, 2008 through March 31, 2009 that insured the operator was exclusively assigned to the Member by CAR; and
- (3) The producer of record for the operator has not changed since March 31, 2009.

[b. For the purpose of establishing the Quota Share of a Newly Writing Company that becomes eligible for appointment as an ARC pursuant to Rule 30 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 pursuant to Rule 29.C.](#)

[b.c.](#) Private Passenger Motor Vehicle MAIP premiums shall be developed from the MAIP rates and rating plan and shall include the total of: 20/40 bodily injury (including guest), \$100,000 property damage liability, and \$8,000 personal injury protection manual premiums excluding subsidies calculated using MAIP cost-based rates and adjusted for the MAIP merit rating plan for Private Passenger Motor Vehicle MAIP insureds and any risk voluntarily insured that is eligible for premium credits allowed pursuant to this Rule.

2. MAIP will assign applications to the most undersubscribed Member as defined by the ratio of the Member's assigned MAIP premium to the Member's credit-adjusted Quota Share. In the event this ratio is the same for two or more Members, MAIP will assign the application to the most undersubscribed of those Members based upon the difference between each Member's assigned MAIP premium and its credit-adjusted Quota Share. All assignments are subject to the distribution restrictions relative to the assignment process pursuant to Section F. below. After assignment, MAIP will update the accumulated assigned MAIP premium and recalculate each Member's ratio of assigned MAIP premium to credit-adjusted Quota Share.

**C. Quota Share Adjustment**

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

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

To determine the current premium Quota Share of a Newly Writing Company that becomes eligible for appointment as an ARC pursuant to Rule 30 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 beginning no later than the 23-month anniversary of the calendar date on which the Member's initial Private Passenger Motor Vehicle Insurance rates and manual become effective. The Member will be required to report private passenger property damage liability car months of exposure by CAR identification code, policy effective month, premium town, classification, and merit rating status as defined in the Massachusetts Private Passenger Automobile Statistical Plan. The initial report will include the 12 consecutive policy effective months that will be used to determine the Member's initial Quota Share. Monthly data will be reported thereafter until the Member commences reporting detailed statistical data to CAR.

An additional adjustment shall be made to the latest rolling 12-month voluntary exposure based market share that is used to determine the current premium Quota Share of a Member(s) when that Member(s) is part of an insurer group that includes any other insurance company that qualifies as a Newly Writing Company, and that Newly Writing Company has elected to be treated as a Member separate from the current Member(s) under these Rules. This adjustment shall continue until the Newly Writing Company become eligible for appointment as an ARC pursuant to Rule 30.

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.

**D. Assignment Period**

An Eligible Risk shall be insured by 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 that is unable to obtain insurance in the voluntary market at the end of the consecutive three-year period, or is unable to obtain an extension by the designated ARC he may reapply for coverage through the MAIP. Such reapplication shall be considered a new application and the Eligible Risk shall be assigned to a different Member such that the designated ARC is different than the previous ARC.

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.

**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, 2008 through March 31, 2009, Members shall receive a credit for any exposure that is eligible for placement through the MAIP pursuant to Rule 21.B.3., including those exposures meeting the MAIP eligibility criteria but written under a group marketing plan pursuant to G.L. c. 175, § 193R, that it insures voluntarily.
- b. For policies with effective dates of April 1, 2008 through March 31, 2009, a Member shall receive a credit for any exposure that is eligible for MAIP placement for reasons other than those described in Rule 21.B.3., including those exposures meeting the MAIP eligibility criteria but written under a group marketing plan pursuant to G.L. c. 175, § 193R, that in insures voluntarily in the territory and operator classes pursuant to Section E.2. below.

For policies with effective dates of April 1, 2009 through March 31, 2010, 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.

- c. 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 a credit for each exposure with a policy effective date on or prior to March 31, 2009 if 10 or more points are attributable to the exposure based on the MAIP rate manual. Such credit shall equal the annual Private Passenger Motor Vehicle MAIP premium that the risk would have been charged if it had been insured through the MAIP.

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.

If an exposure qualifies for credit on the basis of merit rating points and on the basis of operator class and territory, the final credit shall be the greater of the credit based on merit rating points or the credit based on operator class and territory.

The following factors are applicable for policies with effective dates from April 1, 2008 through March 31, 2009.



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

The following factors are applicable for policies with effective dates from April 1, 2009 through March 31, 2010.

Operator Class										
Territory	10	15	17	18	20	21	25	26	30	M/M*
01					1.0		0.5			
02					1.0		0.5			
03					1.5		0.5			
04					1.5		0.5			
05					1.5	0.5	0.5			
06			0.5		1.5		0.5			
07			0.5		1.5	1.0	1.0			
08			0.5		1.5	0.5	1.0			
09			1.0		1.5	1.0	1.0	0.5		
10			1.0		1.5	1.0	1.0	0.5		
11			1.0		1.5	1.0	1.0			
12			1.0		1.5	1.0	1.0	0.5		0.5
13			1.0		2.0	1.0	1.0	1.0		0.5
14			1.0	0.5	1.5	1.0	1.0	1.0		1.0
15	0.5	0.5	1.0	1.0	2.5	1.0	1.0	0.5		1.0
16	1.0	1.0	1.5	0.5	2.0	1.5	1.5	1.5	1.0	1.0
17			1.0		2.0	1.0	1.5			
18	0.5	0.5	1.5		2.0	1.0	1.5			1.0
19	0.5	0.5	1.5	1.0	2.0	0.5	1.0			1.0
20	0.5	0.5	1.5		2.0	1.5	2.0	1.5	1.0	1.0
21	0.5	1.0	1.5	1.0	2.0	1.5	1.5	1.0	0.5	1.0
22	1.0	1.0	1.5	1.0	2.0	1.5	1.5	1.0	1.5	1.5
23			1.0		2.0	1.0	1.5	0.5		1.0
24			1.0		2.0	1.0	1.0	0.5		1.0
25			1.0		1.5	0.5	1.0	0.5	0.5	1.0
26			1.5	1.0	2.0	1.0	1.0	0.5		1.0
27					1.0		0.5			
40	0.5		1.5	1.0	2.5	1.5	1.0	1.0		1.0
41			1.5		2.0	1.5	1.0	1.0		0.5
42	0.5	0.5	1.5	0.5	2.0	1.0	1.0	1.0		1.0
43	1.0	0.5	1.5	1.0	2.5	1.5	1.0	1.0		0.5
44	0.5	0.5	1.0	0.5	2.0	1.0	1.0	1.0		1.0
45	1.0	0.5	1.5	1.0	2.0	1.5	1.5	1.0	1.0	1.0
99						0.5		0.5		

\* Motorcycle and Miscellaneous Classes

3. Take-Out Credit

For policies with effective dates on or after April 1, 2009, a Member shall receive credit for each exposure previously insured through the MAIP or that had been ceded to CAR (CAR ID Codes 4 and 5) that it writes voluntarily at the expiration of that policy. A Member may receive a credit for the first year in which an Eligible Risk is written voluntarily after the expiration of the policy previously issued through the residual market.

The value of a take-out credit shall equal the annual Private Passenger Motor Vehicle MAIP premium pursuant to Section B.1.b. above, that the risk would have been charged if he had been insured through the MAIP, multiplied by a factor of 1.0. Take-out credits are applied in addition to any voluntary credit(s) pursuant to Section E.2. above.

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

- a. The Member must provide proper notification prior to the expiration of the policy;
- b. The voluntary policy must be in effect for at least 90 days;
- c. The kinds and amounts of coverage to be offered to a voluntary risk shall at least equal those in the policy being replaced;
- d. The Member shall be required to submit an approved monthly reporting form to the MAIP for all policies qualifying for credit during the month and to submit supporting data to the MAIP upon request; and
- e. The Member shall, if requested by the MAIP, agree to 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 by the last day of the fourth month following the effective date of the policy.

**F. Distribution Restrictions**

Distribution shall be made on the basis that any applicant eligible for assignment under the MAIP Rules 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

The household procedure will apply only to Private Passenger Motor Vehicle Insurance policies with effective dates on or after April 1, 2010.

If a voluntary Private Passenger Motor Vehicle Insurance policy is in force on a motor vehicle owned by a Household Member at the time an application through the MAIP is submitted, that application shall be assigned to the Member currently providing the voluntary insurance, provided that all of the following requirements are met:

- a. A copy of the coverage selections page for the policy providing Private Passenger Motor Vehicle Insurance coverage for a vehicle owned by a Household Member is submitted with the application; and
- b. The limits and coverages requested are available from the assigned household company.

Any assignment to a Member under the provisions of the household procedure that is contrary to such provisions shall be returned to the MAIP promptly for reassignment in accordance with the household procedure.

3. Reassignment to Prior Member

In the case where an applicant or policyholder has been cancelled for non-payment of premium, or has an outstanding premium balance due a Member and is otherwise eligible for placement through 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 such that the policy premium deposit will be applied first to the outstanding premium due, and any remaining deposit balance will be applied to the new policy.

**G. Accruing, Buying, Selling or Transferring Credits**

1. Eligibility

- a. Assigned Risk Companies may accrue excess credits.
- b. As of April 1, 2008, ARCs may sell, transfer, or buy excess credits to or from other ARCs in accordance with the procedures below.

2. Operational Procedures

CAR will calculate the volume of excess credit premium eligible for transfer, if any, for each ARC on a monthly basis. Such calculation will be made in conjunction with updates to the statistical base data.

3. Notification of Intent to Transfer Credits

Assigned Risk Companies shall report to CAR within 30 days the execution of any agreement by the ARC to purchase, sell or transfer excess credits. An ARC shall notify CAR by submitting the prescribed authorization form to CAR. The terms of any such agreement must be reviewed by CAR and found to be consistent with CAR Rules.

#### **H. Credits Relating to Clean-in-Three Risks**

Not later than December 1, 2010 CAR shall develop a credit mechanism designed to encourage Members to voluntarily insure 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 Private Passenger Motor Vehicle Insurance premiums due or contracted during the preceding 12 months; and
2. Any person who usually drives the Private Passenger Motor Vehicle holds or is eligible to obtain an operator's license.

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