



COMMONWEALTH AUTOMOBILE REINSURERS

225 Franklin Street Boston, Massachusetts 02110

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617-338-4000

RALPH A. IANNACO  
PRESIDENT

November 4, 2010

**BULLETIN NO. 934**

Proposed Changes to the Rules of Operation

At its meeting of November 3, 2010, the Governing Committee voted to amend the following Rules 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 impacted Rules are listed below:

- Rule 21 – General Provisions
- Rule 26 – Policyholder Rights and Responsibilities
- Rule 29 – Assignment Process
- Rule 30 – Assigned Risk Company Requirements

This Bulletin, with a copy of the proposed changes to the Rules listed above, 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 30 days after filing, provided the Commissioner has not previously disapproved the Rule in writing.

RALPH A. IANNACO  
President

Attachment



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RALPH A. IANNACO  
PRESIDENT

November 4, 2010

Honorable Joseph G. Murphy  
Commissioner of Insurance  
Massachusetts Division of Insurance  
1000 Washington Street, Suite 810  
Boston, MA 02118

### **Rules of Operation**

**Rule 21 – General Provisions**

**Rule 26 – Policyholder Rights and Responsibilities**

**Rule 29 – Assignment Process**

**Rule 30 – Assigned Risk Company Requirements**

Dear Commissioner Murphy:

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 Rules 21, 26, 29 and 30 of the Rules of Operation.

The attached amendments change Rules 21, 26, 29 and 30 by deleting and adding the language as indicated on the attached copy.

The remainder of these Rules is unchanged.

### **Explanation**

In your correspondence dated August 25, 2010, you requested CAR to modify its Rules of Operation in order to comply with the provisions of Chapter 237 of the Acts of 2010 that pertain to the obligations and responsibilities of Newly Writing Companies and a producer's ownership of policy expirations. Additionally, the Governing Committee has adopted several other modifications to the Rules relating to quota share credits for policies effective April 1, 2011 and later, including voluntary and clean-in-three credits. Accordingly, Rules 21, 26, 29, and 30 of the Rules of Operation have been amended as noted below.

### **Rules 29.C.1., 29.C.2., 30.A.1. and 30.A.2.**

Language has been added to identify the reporting obligations and Assigned Risk Company eligibility requirements for a Newly Writing Company whose initial rates become effective on and after January 1, 2011. The language added specifies that Newly Writing Companies whose initial rates become effective January 1, 2011 and subsequent shall be eligible for appointment as an ARC as of the effective date of its initial rate filing. The reporting of summary data will begin no later than 45 days after the close of the month in which the Member's initial rates become effective and will be reported thereafter on a monthly

basis until the Member commences reporting detailed statistical data to CAR. Additionally, obsolete language has been deleted from Rule 29.C.

**Rule 30.C.1.d.**

Language from G.L. c. 175, § 113H(D), which pertains to a producer's rights when a policy is removed from the MAIP and written voluntarily has been added. Additionally, all dates and references pertaining to the sunset of an Assigned Risk Company's obligations to the producer of record in this regard have been eliminated.

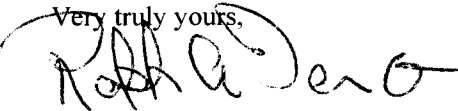
**Rule 29.E.1. and E.2.**

Selected voluntary credit factors for policies effective April 1, 2011 and later have been added. It is anticipated that the proposed credit factors will result in a 3.4% decrease in available credit premium, with the decrease in the classes and territories addressed by the Commissioner last year remaining within established parameters. Additionally, obsolete language has been deleted from these sections of the Rule.

**Rules 21.D, 21.F., 26.C., and 29.H.**

In order to ensure the continued control of the size of the residual market and most effectively target the appropriate risks for credit, the Governing Committee has adopted language, to extend by one-year, the clean-in-three renewal provisions and the date by which clean-in-three recommendations will be made to the Division of Insurance. It was the Committee's consensus that a one-year extension and the credit resulting from the voluntary market share exclusion, in combination with the voluntary class/territory credits, would best achieve this objective.

A copy of the proposed amendments to Rules 21, 26, 29, and 30 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,  


Ralph A. Iannaco  
President

Attachments: Rule 21 – General Provisions  
Rule 26 – Policyholder Rights and Responsibilities  
Rule 29 – Assignment Process  
Rule 30 – Assigned Risk Company Requirements

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

**A. General Provisions**

The Massachusetts Automobile Insurance Plan (MAIP) has been created to provide Private Passenger Motor Vehicle Insurance to Eligible Risks, as defined by Rule 22, who seek and are unable to obtain such insurance through the voluntary market, and to assure that the risks written through the MAIP are distributed equitably based upon the Quota Share of each Member as defined by Rule 22.

The Rules of Operation of the MAIP are adopted in accordance with CAR's Plan of Operation in order to implement the MAIP and shall be effective July 16, 2007, subject to the provisions for the phase-in of placements through the MAIP pursuant to Section B. below and the constraints identified in Section D. below.

**B. Provisions for the Phase-In of Placements Through the MAIP**

In order to achieve a smooth transition from the reinsurance facility administered by Commonwealth Automobile Reinsurers (the CAR pool) to the MAIP, the placement of Eligible Risks through the MAIP will not begin until April 1, 2008 pursuant to Section B.2. below and will, at first, be limited to New Business. The placement of all other business through the MAIP will be subject to a gradual process. The first, limited category of risks that must be placed through the MAIP if declined in the voluntary market will also begin for policies effective on or after April 1, 2008 pursuant to Sections B.2. and 3. below. Only as of April 1, 2009 must all risks that are declined in the voluntary market be placed through the MAIP pursuant to Section B.4. below. Additionally, constraints on business that cannot be non-renewed are imposed for a three-year transition period pursuant to Section D. below. This measured approach is necessary to ensure that the MAIP is not overwhelmed in its initial operation and to allow CAR time to implement the administrative framework of the MAIP. To achieve these benefits, the following Rules apply to eligibility for ceding to the CAR pool and to eligibility for placement through the MAIP on or after July 16, 2007:

1. Beginning on July 16, 2007, the MAIP Rules become effective, but no business can be placed through the MAIP until April 1, 2008. Members who are eligible to cede pursuant to CAR Rules may continue to cede to the CAR pool new or other Private Passenger Motor Vehicle Insurance business, including renewal business, with policy effective dates from July 16, 2007 through March 31, 2008.
2. All New Business, pursuant to Rule 22, with policy effective dates on or after April 1, 2008, must either be written voluntarily or be declined and referred for placement through the MAIP. These declined risks can no longer be ceded to the CAR pool as of April 1, 2008.
3. All Private Passenger Motor Vehicle Insurance business, including renewal business, with policy effective dates on or after April 1, 2008 that has 10 or more merit rating points, as determined by the MAIP rate manual rules, must either be written voluntarily or declined and referred for placement through the MAIP. These risks can no longer be ceded to the CAR pool as of April 1, 2008.
4. All Private Passenger Motor Vehicle Insurance business with policy effective dates on or after April 1, 2009, must either be written voluntarily or be declined and referred for placement through the MAIP. These risks can no longer be ceded to the CAR pool as of April 1, 2009.

The last policy effective date on which any risk can be ceded to the CAR pool is March 31, 2009.

### **C. Transition Procedures**

1. The following procedures have been established in order to continue a smooth transition from the reinsurance facility administered by CAR to the MAIP. Notwithstanding anything to the contrary in these Rules, including but not limited to the provisions of Rules 26.A.3.a.(3), 28.B.1., 28.C.1.a., 31.B.3.1., 31.B.5.a., and 31.B.6., these procedures apply to applications for coverage effective through March 31, 2010 that meet the following eligibility criteria:

- a. The applicant's prior policy was non-renewed.
  - b. The applicant's producer of record for the prior policy was an Exclusive Representative Producer on the effective date of that policy, or the prior policy was ceded to CAR.
  - c. There is no prior premium owed; and
  - d. The applicant is otherwise eligible for MAIP placement.
2. An applicant that meets the established eligibility criteria is subject to the following provisions:
- a. The down payment will be calculated as 20% of the MAIP premium;
  - b. Pre-inspection requirements will be waived;
  - c. The down payment and original MAIP policy application, signed by the ARP, must be submitted to the Assigned Risk Company within 2 business days of the assignment. The requirement for an applicant's signature on the original application will be waived provided that, a signed copy of the application is received by the ARP within 10 business days of the assignment. The ARP will be required to maintain the signed copy, and make this copy available upon request;
  - d. If requested by its former ERP, the former Servicing Carrier will provide a list of non-renewed policies in electronic format to the former ERP.
3. The following procedures apply to new business applications submitted through the MAIP for coverage effective April 1, 2010 through March 31, 2011 by a former Exclusive Representative Producer that does not have a voluntary contract as of April 1, 2010.
- a. The down payment will be calculated as 20% of the MAIP premium;

- b. The down payment and original MAIP policy application, signed by the ARP, must be submitted to the Assigned Risk Company within 2 business days of the assignment. The requirement for an applicant's signature on the original application will be waived provided that a signed copy of the application is received by the ARP within 10 business days of the assignment. The ARP will be required to maintain the signed copy and make this copy available upon request.
4. Procedures adopted pursuant to Rule 21.C.3.a. and b. do not apply to new business applications submitted through the MAIP by a former Exclusive Representative Producer that receives a voluntary contract subsequent to April 1, 2010.

**D. Constraints on Placement Through the MAIP During the Transition Period**

A Clean-in-Three Risk, pursuant to Rule 22, with a renewal date during the period April 1, 2008 through March 31, 2012~~1~~, cannot be non-renewed by a Member unless:

1. The insured, at his own initiative, chooses not to renew his policy with such Member;
2. The producer terminates his relationship with a Member and the producer transfers his book of business, which includes such a Clean-in-Three Risk, from that Member to a new Member; or
3. The Member terminates his relationship with a producer and the producer transfers his book of business, which includes such a Clean-in-Three Risk, from that Member to a new Member.

**E. Obligations of Assigned Risk Companies Relative to Clean-in-Three Business**

The Producer of a Clean-in-Three Risk, renewed by an Assigned Risk Company (ARC) pursuant to Rule 21.D., shall continue as the risk's producer of record and shall be paid commissions owed on such business, even if the producer does not hold a voluntary contract with the ARC. The producer's commission and the term of commission payments are governed by Rule 30.C.1.d.

**F. Responsibility of CAR During the Transition Period**

CAR is directed to submit to the Commissioner, by December 1, ~~2011~~ 2010, proposed rules that will ensure continued control of the size of the residual market after April 1, ~~2012~~ 2011. In developing such rules, CAR is to consider market-based strategies as well as other methodologies.



**A. Eligibility Requirements**

1. Applicants Eligible for the Massachusetts Automobile Insurance Plan (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 intentionally make incorrect or misleading statements in the prescribed application form, or does not fall within any of the prohibitions or exclusions pursuant to 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 15 days, except that non-residents who are members of the United States military forces shall be eligible with respect to motor vehicles registered in other states provided such military non-residents 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 a standard Private Passenger Motor Vehicle Insurance policy approved for use by the MAIP.

3. Applicants not Eligible for the MAIP

- a. No Assigned Risk Company (ARC) 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 12 months; or
  - (3) An applicant shall not be entitled to physical damage insurance pursuant to Rule 27 nor shall any ARC 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 through the MAIP if any such entities have 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 Rule.

**B. Reassignment Rights**

1. An ARC shall provide coverage to each applicant assigned to it. However, pursuant to Sections B.2. and 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 ARC;
  - b. the applicant or policyholder is currently involved as a plaintiff in litigation with the ARC;
  - c. the policyholder of an ARC filed a consumer complaint with the Division of Insurance against such ARC prior to the MAIP assignment;
  - d. the policyholder of an ARC filed a consumer complaint with the Attorney General against such ARC prior to the MAIP assignment;  
or
  - e. the applicant or policyholder has invoked his rights under a consumer protection statute regarding his relationship with the ARC (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 30 days following: 1) the date of the initial assignment through the MAIP, or 2) the annual policy renewal date.
  3. Pursuant to Rule 29.F.3., at no time may an applicant or policyholder request reassignment to a different Member if any outstanding premium balance is due the ARC. Furthermore, an applicant or policyholder may not for any reason request reassignment to a specific Member under this Section.
  4. If the reassignment of an applicant or a policyholder pursuant to Rule 26.B.1. results in assignment to a Member that has executed a Limited Assignment Distribution Agreement (LADA) with the ARC from which the applicant or the policyholder has requested reassignment, the MAIP shall apply the reassignment process until the applicant or the policyholder obtains insurance from another ARC.

**C. Clean-in-Three Risks**

All Clean-in-Three Risks with renewal dates during the period April 1, 2008 through March 31, 2012<sup>4</sup>, shall not be non-renewed by a Member, subject to the exceptions identified in Rule 21.D.

**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 non-payment 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 non-payment of premium reapplies, provided such applicant is otherwise eligible, the application shall be accompanied by the deposit pursuant to Rule 28.
- c. Such application shall be considered a new application and the applicant shall be assigned to a Member pursuant to Rule 29 or reassigned to the prior Member, if applicable.

2. Renewal Application

Any policyholder, who fails to pay the renewal premium quoted by the ARC 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 pursuant to Rule 28.

- b. Such application shall be considered a new application and the applicant shall be assigned to a Member pursuant to Rule 29.

#### **E. Cancellations**

If a policy is cancelled by the ARC at any time or by the insured within 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 policy premium.

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 30 days from the effective date or later than 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 policyholder has disposed of the vehicle, provided the policyholder obtains a new policy with the same company on another vehicle to become effective within 30 days of the date of cancellation;
- b. If the insured vehicle is repossessed under the terms of a financing agreement;
- c. If a vehicle is cancelled from a policy, the policy remaining in force on other vehicle, 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 vehicle policy covering another vehicle;
- d. If the policyholder 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 ARC written confirmation of the replacement coverage.
  - g. Theft of Vehicle or Plates
    - (1) If the insured vehicle is stolen or destroyed (total or constructive total loss) and cancellation is requested by the insured within 30 days following the date the vehicle was 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's registration plates are stolen or destroyed, a lost plate affidavit is to be filed with the Registry of Motor Vehicles canceling 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.
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 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 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.

3. Cancellation by the ARC
  - a. An ARC that has issued a policy under the MAIP shall have the right to cancel the insurance for reasons permitted by Massachusetts law, and by giving notice pursuant to 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 20 days prior to the effective date of cancellation.

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

If the ARC issues a cancellation notice for non-payment of premium to the policyholder and the policyholder's remittance received by the ARC 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 non-payment of premium.

Nothing herein shall be deemed to affect the right of the ARC to cancel a policy for fraud, misrepresentation, or to invoke other remedies provided by law.



**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.
  - 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.~~

1. To determine the current premium Quota Share of a Newly Writing Company that becomes eligible for appointment as an ARC pursuant to Rule 30.A.1. 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.

2. To determine the current premium Quota Share of a Newly Writing Company that becomes eligible for appointment as an ARC pursuant to Rule 30.A.2 before that Member is required to submit detailed statistical data under the provisions of the Massachusetts Private Passenger Automobile Statistical Plan, the Member is required to report interim summary data to CAR. The Member shall begin reporting summary data no later than 45 days after the close of the month of the Member's initial Private Passenger Motor Vehicle Insurance rates and rate manual effective date. The Member will be required to report written private passenger property damage liability car months of exposure by CAR identification code, policy effective month, territory, classification, and merit rating status as defined in the Massachusetts Private Passenger Automobile Statistical Plan. Monthly summary data will be reported thereafter until the Member commences reporting detailed statistical data to CAR.

**D. Assignment Period**

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 it insures voluntarily in the territory and operator classes pursuant to Section E.2. below.~~

a. For policies with effective dates of April 1, 2009 and subsequent, through March 31, 2011, 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.

~~e.~~b. Credit shall be applied to the Member's Quota Share pursuant to Section 29.C. above for the appropriate premiums pursuant to Section E.2. below.

## 2. Amount of Credits

~~Members shall receive 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



The following factors are applicable for policies with effective dates from April 1, 2010 through March 31, 2011.

Operator Class										
Territory	10	15	17	18	20	21	25	26	30	M/M*
01					0.8					
02					0.8					
03					1.5					
04					0.8					
05			0.25		1.5	0.35				
06					1.5					
07			0.25		1.5	0.75				
08			0.25		1.5		0.25			
09			0.7		1.5	0.35	0.25			
10			0.25		1.5	0.75				
11			0.25		1.5		0.25			
12			0.25		1.5	0.75	0.25			0.35
13			0.8		1.5	0.75	0.7			0.35
14			0.7		1.5	0.35	0.7			0.75
15	0.35		0.7	0.35	3.5	1.75	1.5		0.35	0.85
16	0.85		1.5	0.85	3.5	1.75	1.5	1.75	0.75	0.85
17			0.7		1.5		1.5			
18	0.35		0.8		2.5		0.25		0.35	0.75
19			1.5		2.5		0.8			0.75
20	0.35		1.5	0.35	2.5		0.8	0.35	0.35	0.85
21	0.75	0.35	1.5	0.75	2.5	1.75	1.5		0.75	0.85
22	0.85	0.75	1.5	0.35	2.5	0.85	0.8			1.75
23			1.5		3.5	0.75	1.5			0.85
24			0.7		1.5	0.85	0.8			0.75
25			0.8		1.5	0.75				
26	0.35		1.5	0.35	2.5	1.75	0.8			0.85
27					1.5					
40	0.85		1.5		3.5	0.85	1.5			0.85
41	0.35		1.5	0.75	1.5	1.75	1.5	0.35		0.35
42	0.85		1.5	0.75	2.5	1.75	0.8			0.85
43	0.75		0.8	0.35	2.5	1.75	0.8			0.35
44	0.75		0.8	0.75	2.5	0.85	0.8	0.35	0.35	0.85
45	0.75		1.5		2.5	0.85	1.5		0.35	0.85
99										

\* Motorcycle and Miscellaneous Classes

The following factors are applicable for policies with effective dates of April 1, 2011 and subsequent.

Operator Class										
Territory	10	15	17	18	20	21	25	26	30	M/M*
01					<u>0.8</u>					
02					<u>0.8</u>					
03					<u>0.8</u>					
04					<u>0.8</u>					
05			<u>0.25</u>		<u>1.5</u>	<u>0.35</u>				
06					<u>0.8</u>					
07			<u>0.25</u>		<u>1.5</u>	<u>0.35</u>				
08			<u>0.25</u>		<u>1.5</u>	<u>0.35</u>				
09			<u>0.7</u>		<u>1.5</u>	<u>0.35</u>	<u>0.25</u>			
10			<u>0.25</u>		<u>1.5</u>	<u>0.35</u>				
11			<u>0.7</u>		<u>1.5</u>	<u>0.35</u>	<u>0.25</u>			
12			<u>0.7</u>		<u>1.5</u>	<u>0.35</u>	<u>0.25</u>			
13			<u>0.7</u>		<u>1.5</u>	<u>0.75</u>	<u>0.7</u>			<u>0.35</u>
14			<u>0.7</u>		<u>1.5</u>		<u>0.7</u>			<u>0.35</u>
15			<u>0.8</u>	<u>0.35</u>	<u>1.5</u>	<u>1.75</u>	<u>1.5</u>			<u>0.85</u>
16	<u>0.75</u>		<u>1.5</u>	<u>0.85</u>	<u>2.5</u>	<u>0.75</u>	<u>1.5</u>		<u>0.35</u>	<u>0.85</u>
17			<u>0.7</u>		<u>1.5</u>		<u>0.7</u>			
18	<u>0.35</u>		<u>1.5</u>		<u>1.5</u>	<u>1.75</u>	<u>0.8</u>			<u>0.35</u>
19			<u>1.5</u>	<u>0.35</u>	<u>1.5</u>	<u>0.75</u>	<u>0.8</u>			<u>0.35</u>
20	<u>0.75</u>		<u>1.5</u>	<u>0.35</u>	<u>1.5</u>	<u>0.85</u>	<u>0.8</u>	<u>0.85</u>		<u>0.85</u>
21	<u>0.85</u>	<u>0.35</u>	<u>1.5</u>	<u>0.85</u>	<u>2.5</u>	<u>1.75</u>	<u>1.5</u>		<u>0.75</u>	<u>0.85</u>
22	<u>0.85</u>	<u>0.75</u>	<u>1.5</u>	<u>0.35</u>	<u>2.5</u>	<u>0.85</u>	<u>1.5</u>	<u>0.35</u>		<u>0.85</u>
23			<u>0.8</u>		<u>2.5</u>	<u>0.85</u>	<u>1.5</u>			<u>0.75</u>
24			<u>0.7</u>		<u>1.5</u>	<u>0.35</u>	<u>0.7</u>			
25			<u>0.8</u>		<u>1.5</u>	<u>0.85</u>	<u>0.7</u>			
26	<u>0.35</u>		<u>0.8</u>	<u>0.35</u>	<u>2.5</u>	<u>1.75</u>	<u>0.8</u>			<u>0.75</u>
27					<u>0.8</u>					
40	<u>0.85</u>		<u>1.5</u>	<u>0.85</u>	<u>2.5</u>	<u>1.75</u>	<u>0.8</u>			<u>0.85</u>
41	<u>0.35</u>		<u>1.5</u>	<u>0.75</u>	<u>1.5</u>	<u>1.75</u>	<u>0.8</u>			<u>0.35</u>
42	<u>0.85</u>		<u>1.5</u>	<u>0.75</u>	<u>1.5</u>	<u>1.75</u>	<u>0.8</u>			<u>0.85</u>
43	<u>0.75</u>		<u>0.8</u>	<u>0.35</u>	<u>2.5</u>	<u>0.85</u>	<u>0.8</u>			<u>0.35</u>
44	<u>0.75</u>		<u>0.8</u>	<u>0.75</u>	<u>1.5</u>	<u>0.75</u>	<u>0.8</u>	<u>0.35</u>	<u>0.35</u>	<u>0.85</u>
45	<u>0.75</u>		<u>1.5</u>	<u>0.75</u>	<u>2.5</u>	<u>0.85</u>	<u>0.8</u>			<u>0.75</u>
99										

\* 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. 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, ~~2011~~ [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~~ [2012](#), when the transitional constraint on non-renewal of Clean-in-Three Risks pursuant to Rule 21.D. has ended.

**A. Appointments**

The Governing Committee shall appoint ARCs 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.

1. A Newly Writing Company [whose initial Private Passenger Motor Vehicle insurance rates and rate manual become effective prior to January 1, 2011](#) will be eligible for appointment as an ARC and be required to accept assignments through the MAIP on the 24-month anniversary of the calendar date on which the Newly Writing Company's initial Private Passenger Motor Vehicle insurance rates and rate manual became effective.
  
2. [A Newly Writing Company whose initial Private Passenger Motor Vehicle insurance rates and rate manual become effective on or after January 1, 2011 shall be eligible for appointment as an ARC as of the effective date of its initial rates and rate manual. The ARC shall be required to accept assignments through the MAIP on the date that MAIP processes the ARC's initial summary data submission pursuant to Rule 29.C.2.](#)
  
3. A Member may be excused from its private passenger motor vehicle servicing carrier responsibilities for the business assigned to it through the MAIP if the Member executes a Limited Assignment Distribution Agreement (LADA). Rule 36 details the eligibility requirements and procedures applicable to LADAs.
  
4. In order to assure the protection of the public interest, the Governing Committee, in considering the appointment of an ARC, shall require that the Member 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;
  
  - b. Service insurance claims in every state, the District of Columbia

and Canada;

- c. Administer a direct bill program;
- d. Provide an installment payment plan as described in Rule 28 – Application Process. An ARC 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. Use the policy forms, endorsements, new business application and renewal questionnaire filed by the MAIP with and approved by the Commissioner for use in private passenger motor vehicle insurance.

**B. Responsibilities**

Nothing in this Rule shall be construed to affect the rights of any Member to enter into any third party contractual agreement for the purpose of servicing its voluntary business. Nothing in this Rule shall be construed so as to relieve any Member of its Quota Share or its share of the administrative expenses of the MAIP, as required by G.L. c. 175, § 113H. A Member appointed as an ARC is required to perform the following responsibilities in its capacity as an ARC:

- 1. An ARC 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 filed by the MAIP and approved by the Commissioner for private passenger

motor vehicle business. An ARC shall provide the same level of service to policies assigned to it through the MAIP as it provides to policies it issues voluntarily.

2. An ARC shall bill the premium for a policy assigned through the MAIP that is the lesser of the premium calculated using the ARC's rates applicable to that policy if the ARC or its affiliates had issued the policy in the voluntary market and the premium calculated using the MAIP rates on file with the Commissioner. For the purposes of this comparison:
  - a. The ARC, though its affiliated companies, shall quote risk-specific premiums based on the rates applicable to its voluntary policies for any eligible risk obtaining insurance through the MAIP.
  - b. The ARC must use voluntary private passenger motor vehicle insurance rates that are based primarily on actual loss and expense experience for risks voluntarily insured.

The calculation of the premium assigned through the MAIP shall be based on information contained in the application. If during the underwriting process an ARC discovers third-party information that appears inconsistent with the information provided on the application for insurance, the ARC shall: 1) initiate an inquire either directly with the insured or through the producer of record to resolve any factual errors; and 2) obtain the insured's consent before issuing a notice of adjustment to the down payment and/or total premium. If the inquiry is made directly to the applicant, the producer of record shall be furnished a copy.

If the resolution of an apparent inconsistency results in a change to information used to calculate premium, the ARC shall charge an appropriate premium based upon the additional or corrected information, and adjust the applicant's next bill accordingly. If, however, the applicant is unwilling to consent to the modification, and the ARC has independent evidence that the applicant had the actual intent to deceive or the material misrepresentation increases the ARC's risk of loss, the ARC may cancel the policy as provided by Massachusetts law.



3. No companies within an insurer group under the same management or ownership or both may provide a different level of service through a company within the group that is not an ARC than is provided to policyholders insured by a company with the group that is an ARC.

4. General Duties

ARCs shall perform the following general duties.

- a. Confirm operator driving licenses and records in order to administer the MAIP merit rating plan and its own merit rating plan accurately;
- b. Verify eligibility criteria;
- c. Verify that information contained in the application for insurance is accurate as to classification, garaging, discounts, credits, vehicle use, vehicle description, and, to the extent verifiable, other rating factors;
- d. Assure that a policy has been issued for each RMV-1 and/or RMV-3 certificate and that the policy effective date and the certification date are the same;
- e. Implement procedures to assure collection of premiums billed;
- f. Comply with the terms and conditions of premium finance notes and/or agreements submitted to the ARC on behalf of applicants for insurance, by the producer or by a premium finance company licensed under the laws of the Commonwealth of Massachusetts;
- g. Ensure that there is communication among the ARC's Underwriting, Claims, and SIU Departments and that any discrepancies in information are shared promptly among the departments and documented;
- h. Maintain and forward to the MAIP a copy of all written complaints filed with the ARC regarding the service provided by the ARC or any ARP; and

i. Monitoring of Assigned Risk Producers

ARCs will be responsible for notifying the MAIP of ARP infractions that may result in the revocation of the ARP's MAIP certification as follows:

- (1) Failure to maintain a valid producer's license as issued by the Division of Insurance;
- (2) Willful misappropriation of premium due an ARC in accordance with the provisions of the MAIP Rules of Operation;
- (3) The entry of a finding, by a court of competent jurisdiction that the producer has engaged in fraudulent activity in connection with the business of motor vehicle insurance;
- (4) Failure to remit payments to an ARC on a timely basis in accordance with the MAIP Rules of Operation;
- (5) Failure to notify the ARC of any suspected fraud in the application for insurance or in the underwriting or rating process or in the payment of premium obligations or surrounding a loss;
- (6) Failure to assist the ARC during any audit or investigation;
- (7) Failure to report all coverages bound within two (2) working days of the effective date of coverage;
- (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.

#### 5. Reporting Requirements

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

#### 6. Continuation of Eligibility as an ARC

An ARC must maintain a viable book of voluntarily written private passenger motor vehicle insurance 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 to the Producer of Record

The producer of record must be mailed notification of such offer ninety (90) days prior to expiration, which shall contain the 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.

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

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 ARC and it shall not make an offer to the policyholder.

d. ARC Obligations to the Producer of Record

A duly licensed insurance producer, certified to place business through the MAIP, shall own and have an exclusive right, as the insured's producer of records, to use certain insurance information of the insured embodying the records of the insurance agency which shall include but not be limited to, the name of the insured, the policy inception date, the amount of insurance coverage, the policy number and the terms of insurance. An ARC may choose, ~~during the period from April 1, 2008 through March 31, 2011,~~ to offer voluntary coverage to a policyholder it has insured through the MAIP. Once the ARC mails the offer to write voluntary coverage and the policyholder accepts the offer, ~~during that period~~ the policyholder's producer of record shall continue to represent the policyholder who has been written or renewed in the voluntary market and to service the policy unless: 1) the producer is decertified or suspended by the MAIP or the Commissioner of Insurance pursuant to Rule 31.B; 2) the insured chooses to terminate such producer as its producer of record; or 3) the producer of record is precluded from dealing with other companies

by contract. ~~During the period from April 1, 2008 through March 31, 2011,~~ ~~a~~An ARC who subsequently writes a policy on a voluntary basis that it previously insured through the MAIP shall pay a commission in accordance with its commission structure for business written in the voluntary market at voluntary rates, regardless of whether there is a contract between the ARC and the producer of record. No commission payments shall be made to the producer of record if that producer is decertified or suspended under Rule 31.B, is terminated by the policyholder as its producer of record, or is precluded from dealing with other companies by contract.

~~On and after April 1, 2011, the ARC shall have no further obligation to the producer of record unless there is a contract between the licensed producer and the ARC. However, the ARC shall have the option of servicing the policy through the producer of record.~~

2. Voluntary Writing of Present MAIP Insured by Member Other Than the ARC

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., the policyholder may, at his or her option, continue the policy with the ARC 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 the reporting of all credits.