



COMMONWEALTH AUTOMOBILE REINSURERS

225 Franklin Street Boston, Massachusetts 02110

www.commauto.com

617-338-4000

RALPH A. IANNACO
PRESIDENT

April 21, 2011

BULLETIN NO. 941

Proposed Changes to the Rules of Operation

At its meeting of April 20, 2011, 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 this Rule change, is attached for your information.

The impacted Rule is listed below:

Rule 36 – Limited Assignment Distribution Agreements

This Bulletin, with a copy of the proposed changes to the Rule 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, providing the Commissioner has not previously disapproved the Rule in writing.

RALPH A. IANNACO
President

Attachments



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RALPH A. IANNACO
PRESIDENT

April 21, 2011

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

Rules of Operation

Rule 36 – Limited Assignment Distribution Agreements

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 Rule 36 of the Rules of Operation.

The attached amendments change Rule 36 by deleting and adding the language as indicated on the attached copy.

The remainder of the Rule is unchanged.

Explanation

The proposed amendments to Rule 36 eliminate calendar year references and establish that LADA contracts are renewable by agreement of the Member and the Assigned Risk Company (Rule 36.I.). Rule 36 has also been amended to require a 90-day written notification to MAIP if a LADA is terminated by either the Member or the ARC (Rule 36.J.). Additionally, the conflict provision, applicable to Rule 36 in its entirety, has been removed from Rule 36.J. and established as Rule 36.K.

A copy of the proposed amendments to Rule 36 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, appearing to read "Ralph A. Iannaco", written in a cursive style.

Ralph A. Iannaco
President

Attachment: Rule 36 – Limited Assignment Distribution Agreements

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

I. Approval of LADAs

The Governing Committee shall ratify all LADAs which have been reviewed and approved by the MAIP with the fee provision of the contract omitted. The LADA must contain provisions agreed upon by the ARC and the Member. The LADA also must contain provisions which provide that, with respect to any of the Member's in-force policies in existence at the time of the execution of the LADA, such policies shall continue to be serviced by the Member until their respective anniversary date. In addition, the LADA shall provide that, at least 45 days prior to the anniversary date of each affected in-force policy of the Member, the Member shall issue a non-renewal notice and the ARC shall provide the policyholder and producer of record with a renewal offer and, if accepted, issue the policy in accordance with these Rules.

The ARC shall be obligated to make a renewal offer for the remainder of the original three year assignment period. Upon issuance of the initial renewal offer by the ARC, the Member subject to the LADA shall be relieved of its obligation with regard to the three year assignment period.

The LADA may start on a date agreed upon by the Member and the ARC and approved by the MAIP. ~~and, thereafter, shall run to the end of that calendar year.~~ LADA contracts are renewable ~~each calendar year~~ by agreement of the Member and the ARC.

Once the MAIP has reviewed and approved the LADA between the ARC and the Member, the MAIP will send all assignments for all Members subject to the LADA to the ARC. At least annually, the MAIP will indicate how much of the LADA business was needed to fulfill each Member's assigned Quota Share. Any over/under assignment of the Member's assigned Quota Share subject to the LADA will be attributed to the ARC.

J. Termination of LADAs

A LADA may be terminated by either the ARC or the Member in accordance with the terms and conditions of the contract. Written notice of such termination shall be provided to MAIP 90 days prior to the effective date of the termination. The ARC will continue to receive assignments under the LADA until the termination date, and will be required to service all business assigned under the LADA until the end of the three year assignment period. If a conflict exists between Rule 36 and the LADA, the provisions of Rule 36 shall apply.

K. If a conflict exists between Rule 36 and the LADA, the provisions of Rule 36 shall apply.