



DANIEL R. JUDSON
PRESIDENT

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September 20, 2012

BULLETIN NO. 969

PROPOSED CHANGES TO THE RULES OF OPERATION

At its meeting of September 19, 2012, 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 37 – Commissions

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, provided the Commissioner has not previously disapproved the Rule in writing.

DANIEL R. JUDSON
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Attachment



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September 20, 2012

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

Rules of Operation

Rule 37 – Commissions

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 37 of the Rules of Operation.

The attached amendments change Rule 37 by deleting and adding the language as indicated on the attached copy.

The remainder of the Rule is unchanged.

Explanation

Proposed amendments to Rule 37 modify commission payments to Assigned Risk Producers consistent with the conclusions reached in the examination of producer compensation programs initiated by the Division of Insurance in October 2011 and contained in a report dated May 7, 2012. Incorporating the commission schedule in the Rule will provide transparency and assure that consistent compensation of Assigned Risk Producers among all Assigned Risk Companies will be achieved.

A copy of the proposed amendments to Rule 37 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,

Daniel R. Judson
President

Attachment: Rule 37 – Commissions

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

A. For policies effective prior to October 1, 2012, Assigned Risk Producers (ARPs) will be paid the same average commission for private passenger risks insured through the MAIP as is paid for voluntary risks in accordance with the private passenger motor vehicle insurance rates on file with the Commissioner.

For MAIP business, ARPs that are not operating under the so-called American Agency System will be paid the same average commission as those that are operating under the American Agency System.

B. For policies effective October 1, 2012 and subsequent, if the ARP has a private passenger automobile contractual relationship with the Assigned Risk Company (ARC) receiving the assignment the terms of the contract relating to commission payments apply regardless of the rate, voluntary or MAIP, used to issue the policy.

C. For policies effective October 1, 2012 and subsequent, if the ARP does not have a private passenger automobile contractual relationship with the ARC receiving the assignment, commission compensation shall be in accordance with the following commission schedule. Merit rating codes are as defined in the Massachusetts Private Passenger Residual Market Automobile Insurance Manual. The MAIP commission schedule applies regardless of the rate, voluntary or MAIP, used to issue the policy.

<u>Merit Rating Codes for Rated Operator(s)</u>	<u>Base Commission Percentage</u>
<u>All Rated Operators have Merit Rating Code = 99</u>	<u>13.0%</u>
<u>All Rated Operators have Merit Rating Code = 0, 98 or 99</u>	<u>12.0%</u>
<u>At Least One Rated Operator has Merit Rating Code = 1 - 4</u>	<u>10.0%</u>
<u>At Least One Rated Operator has Merit Rating Code = 5 or more</u>	<u>10.0%</u>

The following additional provisions apply:

1. The commission rate is determined at the time a new business or renewal policy is issued.
2. A commission rate adjustment shall be made as a result of an endorsement with an effective date the same as the policy effective date if such endorsement affects the commission percentage.

3. A commission rate adjustment shall not be made as a result of a mid-term policy endorsement.

D. For policies effective October 1, 2012 and subsequent, if the ARP is not operating under the so-called American Agency System, commission compensation shall be the same as for those ARPs operating under the American Agency System in accordance with Section B or C. of this Rule, whichever applies.

E. Nothing in this Rule is intended to alter any statutory obligation relating to commission payments.