

**A. Limited Assignment Distribution Agreement**

A Member may enter into a contract, called a Limited Assignment Distribution Agreement (LADA), with an Assigned Risk Company (ARC), under which the Member transfers its obligation to provide Private Passenger Motor Vehicle Insurance policies to risks assigned to it through the Massachusetts Automobile Insurance Plan (MAIP) to the ARC and the ARC agrees to assume liability for and service all of the Member's MAIP assignments in exchange for a negotiated fee. The LADA must provide that:

1. The ARC is responsible for servicing the other Member's MAIP assignments in addition to its own MAIP assignments;
2. The ARC is solely responsible for ensuring that its practices comply with all MAIP Rules, state laws and regulations with respect to all business serviced, including business serviced under LADAs;
3. The ARC assumes all of the other Member's legal liabilities with respect to the Member's MAIP assignments; and
4. The ARC offers the same premiums and provides the same level of service to the other Member's MAIP assignments as it does to its own MAIP assignments.

**B. Eligibility Requirements for ARCs Entering Into LADAs**

To be eligible to enter into a LADA(s) with another Member(s), an ARC must apply for and receive approval from the Commissioner. The ARC's application to the Commissioner should include a recommendation from the Governing Committee regarding the ARC's application.

An ARC must meet and continuously maintain all of the following operating requirements, in addition to the requirements contained in Rule 30:

1. Directly write at least 1% of Massachusetts' voluntary Private Passenger Motor Vehicle property damage liability car years. If the individual company is part of a group of companies under common ownership, control or management, the voluntary direct written Private Passenger Motor Vehicle property damage liability car years of all companies in the group combined may be used to fulfill this requirement provided that the company has not elected to be treated as a separate Member pursuant to Rule 22.
2. Have a statutory capital and surplus of at least \$25,000,000;
3. Have and maintain a net premium to surplus ratio that does not exceed 2 to 1;
4. Have maintained an A.M. Best's financial rating of A- or better for a continuous three-year period from the most current publication date of the Member's rating. A financial rating from an alternative rating service cannot be used to fulfill this eligibility requirement;
5. Have been licensed to write motor vehicle liability insurance and physical damage insurance without restriction in the United States or its territories or possessions for a minimum of five years;
6. Have a facility to issue policies and to provide policyholder services, including a process for the reporting and resolution of policyholder complaints; and

The Commissioner may consider a LADA application from an ARC that does not meet the 1% market share requirement or the 2 to 1 net premium to surplus ratio requirement.

If at any time an ARC does not meet one or more eligibility requirements, the ARC immediately must notify the MAIP and the Commissioner.

**C. Assignment Volume Limitation Under LADAs**

When the MAIP quota share premium is greater than \$5 million, each ARC with a LADA shall be subject to a limitation on the additional MAIP assigned exposures it may write on behalf of other Members pursuant to a LADA. The limitation represents the maximum percentage of the total MAIP assignments that an ARC may service through LADAs. This limitation shall be determined in accordance with the following formula:

$$\text{Limitation} = \frac{\text{Market Share of Members That May Be Excused From Their Servicing Carrier Obligations}}{\text{Number of Active ARCs w/ LADAs}} + 10\%$$

Where:

- i. The market shares of all Members that may be excused from their servicing carrier obligations pursuant to Section D. includes the market shares of Members with LADAs (including those described in Section D.2.) and the market shares of Members who otherwise satisfy the eligibility requirements of Section D.1.
- ii. Active ARCs with LADAs include only those ARCs receiving MAIP assignments through LADAs pursuant to Section B. In order to qualify as an active ARC with LADAs, the ARC must have a market share of at least 10% of all MAIP assignments made under LADAs.
- iii. Example: Assume there is only one ARC that services MAIP business through LADAs, and that the voluntary market share of Members eligible to enter into LADAs is 15%. The single ARC may enter into LADAs to service up to 25% of the potential MAIP assignments of other Members eligible to enter into LADAs.

The resulting percentage shall be rounded to the nearest whole percentage. This standard is applicable to existing ARCs with LADAs. The limitation on additional MAIP assignments that ARCs may service on behalf of other Members under LADAs shall be subject to annual review by the Governing Committee.

**D. Eligibility Requirements for Members That May Be Excused from Their Servicing Carrier Obligations**

1. Members with private passenger MAIP Quota Shares that write 5% or less of Massachusetts voluntary private passenger direct property damage liability written car years may be excused from their Servicing Carrier obligations and may enter into a LADA with an ARC.
2. Members with private passenger MAIP Quota Shares whose market share of the Massachusetts voluntary private passenger motor vehicle direct property damage liability written cars year is five percent (5%) or greater may apply to the Commissioner to waive the market share requirement. The Commissioner may grant or deny such a request, or revoke an existing market share waiver, at her discretion, for the benefit of the MAIP.
3. Annually, all market share waivers will be reviewed by the Commissioner based upon each Member's first quarter quota share distribution reports. Any Member whose market share equals or exceeds five percent (5%) may have its market share waiver revoked. If a Member's market share waiver is revoked by the Commissioner, the MAIP shall notify the Member and the ARC by June 30 that the LADA will terminate as of December 31 of that calendar year.
4. The eligibility requirements described in Sections D.1. through D.3. are not in effect when the MAIP quota share premium is \$10 million or less. In this instance, any Member with a Quota Share has the option to enter into a LADA. If the MAIP quota share premium exceeds \$10 million, the Governing Committee shall be guided by the procedure in Section G.

**E. Monitoring ARC Eligibility To Enter Into LADAs**

The MAIP will review annually the eligibility of each ARC to enter into LADAs to ensure the ARC continues to meet the eligibility requirements in Section B. Such review may include, but is not limited to, verification of any or all of the eligibility criteria in Section B., review of quarterly financial statements filed by the ARC with the Division of Insurance, and monitoring the volume of LADA business written in relation to any applicable assignment volume limitation in Section C.

If the MAIP determines that an ARC no longer meets one or more of the eligibility requirements in Section B., the MAIP shall immediately provide written notification to the ARC, the Governing Committee and the Commissioner. If the ARC advises the MAIP that it no longer meets one or more of the eligibility requirements in Section B., the MAIP shall verify such information and provide written acknowledgement to the ARC. The MAIP immediately shall advise the Governing Committee and the Commissioner, in writing, that the ARC no longer meets one or more of the eligibility requirements of Section B. The Governing Committee may take such action as it deems necessary, including establishing a period of time for the ARC to remedy the cause of ineligibility, or recommending the Commissioner terminate the LADA.

**F. Monitoring ARC Servicing Capacity Under LADAs**

The MAIP will review the volume of MAIP assignments written by ARCs under LADAs on a monthly basis and advise the Governing Committee.

If an assignment volume limitation exists under Section C., MAIP's review may include an estimate as to when an ARC might approach, meet, or exceed, the limitation. The MAIP will provide the ARC and the Governing Committee with written notification on the status of the ARC's capacity to continue to accept MAIP assignments under LADAs.

The MAIP will bring any ARC that is expected to exceed, or has exceeded, the assignment volume limitation to the attention of the Governing Committee. The ARC shall be provided at least 20 days advance written notice of the Governing Committee meeting at which the matter will be discussed. During the period between notification to the ARC of meeting or exceeding its assignment volume limitation and the date of the Governing Committee meeting, the ARC may continue to accept assignments under its LADAs.

If an ARC is expected to exceed its assignment volume limitation, or has exceeded its assignment volume limitation, Governing Committee remedies shall include, but are not limited to, one or more of the following:

1. Prohibit the ARC from entering into and negotiating any new LADAs but continue servicing MAIP assignments under existing LADAs;
2. Solicit for one or more additional ARCs to offer LADAs; or
3. Employ any other remedy deemed appropriate by the Governing Committee and approved by the Commissioner.

**G. Review of Plan Premium Volume**

The MAIP will advise the Governing Committee whether the MAIP quota share premium volume is less than, meets, or exceeds \$10 million. The Governing Committee shall be governed by the following:

1. If the MAIP quota share premium volume is \$10 million or less, all Members with MAIP Quota Shares may enter into a LADA.
2. If the MAIP quota share premium volume exceeds \$10 million, the Governing Committee may, at their discretion:
  - a. Reinstate the market share eligibility requirement set forth in Section D. in accordance with the procedure set out in Section H;
  - b. Solicit for another ARC to service MAIP business under LADAs;

- c. Continue to offer all Members with MAIP Quota Shares the option to enter into a LADA until such time as the Governing Committee determines further action is necessary;
- d. Implement a combination of b. and c. above; or
- e. Take any other action deemed appropriate by the Governing Committee.

**H. Reinstatement of Eligibility Requirements For Members to Enter Into LADAs**

If the eligibility requirements for Members to enter into LADAs are reinstated by the Governing Committee in accordance with Section G., the MAIP shall be guided by the following:

- 1. All ARCs and Members shall be notified by June 30 that the eligibility requirement in Section D.1. will be reinstated as of January 1 of the new calendar year.
- 2. Members with MAIP Quota Shares that meet the eligibility requirement in Section D.1. may enter into a LADA with an ARC as of January 1 of the new calendar year.
- 3. Current Members with LADAs pursuant to Section D.2. shall be notified in writing by June 30 that their LADA(s) are terminated as of December 31 and that they should prepare to receive their own MAIP assignments as of December 31 of that calendar year.
- 4. Members with market shares of five percent (5%) or more may apply to the Commissioner for a market share waiver in accordance with the procedure in Section D.2.

**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. LADA contracts are renewable 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.

**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 effective date of the termination. The terms and conditions of the contract between the Member and the ARC shall include provisions for servicing MAIP business until the expiration of the three year assignment period.

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