

Manual of Administrative Procedures

Chapter VIII - Taxi and Limousine Program

A. Purpose

To establish a residual market mechanism that provides motor vehicle insurance for taxi risks, for policies effective January 1, 1995 and subsequent, and for limousine and car service risks for policies effective January 1, 1996 and subsequent.

Manual of Administrative Procedures

Chapter VIII - Taxi and Limousine Program

B. Eligibility

The following classifications of vehicles are eligible for placement through the program:

1. Taxicab

Taxicab is defined as a metered or un-metered motor vehicle with a seating capacity of eight (8) or less that is operated for hire by or on behalf of the named insured or by an employee, but does not pick-up, transport, or discharge passengers along a route.

The following taxicab classifications and leasing arrangements may exist:

a. Owner-operator

This classification shall apply to individual owners of single taxicabs operated by the individual owner or spouse. It shall also apply to individuals owning, under a corporate name, a single taxicab operated by such individual or spouse.

b. Rented or Leased Taxi

A taxi which is not operated by the named insured or an employee of the named insured in attendance as a chauffeur, and is rented or leased to others on a long term or short term agreement, or on a time, commission, profit-sharing, or other independent contractor basis.

If such automobile is operated part of the time by the named insured or an employee of the named insured, and is rented or leased to others part of the time as stated above, it shall be classified as a Rented or Leased Taxi.

For the purpose of the classification, an employee is defined as one who is deemed to be such within the purview of the Massachusetts Workers' Compensation Law or any other federal, state or municipal law, which defines an employer-employee relationship and is applicable to the person operating the vehicle.

c. All Other

This classification shall apply in all other cases where a. or b. above does not apply.

Manual of Administrative Procedures

Chapter VIII - Taxi and Limousine Program

B. Eligibility (continued)

2. Limousine

Limousine is defined as an unmarked luxury sedan with a seating capacity of eight (8) or less which:

- a. is hired on a pre-arranged hourly basis for weddings, funerals, religious ceremonies or other non-business social functions;
- b. is hired on an exclusive, dedicated basis for the duration of the event, not for drop-off and pick-up;
- c. is operated by the named insured, an employee, or an independent contractor of the named insured, in attendance as a chauffeur at the beginning and ending of the function.

3. Car Service

Car Service is defined as an unmarked for hire auto with a seating capacity of eight (8) or less which:

- a. is hired on a prearranged basis;
- b. does not pick up hail fares on the street;
- c. does not contain a rate meter, and does not charge for services based upon miles traveled in the trip is less than twenty-five (25) miles;
- d. operates on a scheduled business day, and is returned to the vehicle's base of operation for a continuous period of at least four (4) hours in each twenty-four (24) hour period;
- e. is operated by the named insured, an employee, or an independent contractor of the named insured, in attendance as a chauffeur;
- f. operates from a base with two-way communication;
- g. primary payment method is by billing or credit card.

The Car Service classification is a subset of the Limousine classification. For purposes of this chapter, Car Service business is treated similarly to Limousine business and accordingly, all references to the Limousine classification also pertain to the Car Service classification.

Manual of Administrative Procedures

Chapter VIII - Taxi and Limousine Program

C. Effective Date and Extent of Coverage

1. Coverage shall become effective in accordance with the assignment procedures contained in Section D of this chapter.
2. The coverage available for taxicabs through the program is as follows:

- a. Personal Injury Protection \$8,000 per person, per accident
- b. Bodily Injury Total policy limits of \$250,000/\$500,000
- c. Property Damage Total policy limits of \$50,000
- d. Medical Payments \$5,000
- e. Collision \$500 deductible
- f. Comprehensive \$500 deductible

The coverage available for limousines and car service vehicles through the program is as follows:

- a. Personal Injury Protection \$8,000 per person, per accident
 - b. Bodily Injury Total policy limits of \$1,000,000/\$1,000,000
 - c. Property Damage Total policy limits of \$500,000 or,
 - d. Combined Single Limit \$1,000,000
 - e. Medical Payments \$5,000
 - f. Collision \$300 deductible
 - g. Comprehensive \$300 deductible
3. Policies issued by Servicing Carriers under the provisions of this program shall include notification to the policyholder that coverage has been issued on behalf of CAR's Taxi and Limousine Program and coverage may be available in the voluntary market.

Manual of Administrative Procedures

Chapter VIII - Taxi and Limousine Program

D. Administration of the Taxi and Limousine Program

1. Servicing Carrier Appointments

CAR will distribute a Request for Proposal to service the residual market taxi, limousine and car service business in Massachusetts. No more than two (2) Servicing Carriers will be appointed to administer the Taxi and Limousine Program for a period of five (5) years. The appointment may be extended based upon factors relative to the Servicing Carrier's performance. These factors may include, but will not be limited to, conformance with the regulations of the Taxi and Limousine Program, adherence to CAR's rules, and effective loss control, underwriting and claims administration.

2. CAR Administrative Responsibilities – Data

CAR, as administrator of the Taxi and Limousine Program, will receive all statistical and accounting data and will balance, review, audit, and distribute this data in accordance with the Rules of Operation, Manual of Administrative Procedures, Commercial Statistical Plan, Commercial Automobile Insurance Manual and the Taxi/Limousine Index Reporting Manual.

3. Producer Appointments

Producers will be appointed to taxi and limousine Servicing Carriers under the following conditions:

- a. When one (1) Servicing Carrier is appointed to serve as the sole taxi or limousine Servicing Carrier, each licensed agent or broker that wrote taxi, limousine or car service business in the prior policy year will be assigned to this Servicing Carrier, for the purpose of providing motor vehicle insurance for taxi, limousine and car service risks.
- b. When two (2) Servicing Carriers (neither of which is a current taxi or limousine Servicing Carrier) are appointed to serve as taxi and limousine Servicing Carriers, each licensed agent or broker that wrote taxi, limousine or car service business in the prior policy year will be assigned to a Servicing Carrier for the purpose of providing motor vehicle insurance for taxi, limousine and car service risks. The producer assignment will be made as far as practical (based upon the total taxi, limousine and car service exposures contained in the Taxi and Limousine Program) so that each Servicing Carrier has a similar book of business.
- c. When one (1) Servicing Carrier (not currently serving as a taxi or limousine Servicing Carrier) is appointed as a replacement for a Servicing Carrier whose term has expired, each licensed agent or broker that was previously assigned to the exiting Servicing Carrier will be reassigned to the newly appointed Servicing Carrier. CAR will review each Servicing Carrier's book of business and, as far as practical, perform the necessary actions to assure that each Servicing Carrier has a similar book of business.

Manual of Administrative Procedures

Chapter VIII - Taxi and Limousine Program

D. Administration of the Taxi and Limousine Program (continued)

In the situation where a taxi or limousine Servicing Carrier withdraws from the Taxi & Limousine program, the provisions of Rule 16, Terminations, of CAR's Rules of Operation will apply.

Each producer will be required to contract with a taxi or limousine Servicing Carrier for the administration of the Taxi and Limousine Program, and will be assigned to the same Servicing Carrier for the purpose of providing motor vehicle insurance for both taxi, limousine and car service risks.

A licensed agent or broker not currently writing taxi, limousine or car service business may apply for appointment to a taxi or limousine Servicing Carrier. An appointment will be made provided that the producer has an existing Servicing Carrier appointment with CAR and the status of any existing private passenger and/or commercial appointment shall inure to the taxi or limousine appointment.

All taxi and limousine appointments to Servicing Carriers will be conditional upon the writing of taxi, limousine and car service business with a taxi or limousine Servicing Carrier. CAR will review each appointment on an annual basis and those producers failing to produce any taxi, limousine or car service business within the prior twelve (12) month period will be given notice that their Servicing Carrier appointment will expire twelve (12) months from the date of notice unless taxi, limousine and car service business is placed with their taxi or limousine Servicing Carrier prior to the producer's termination.

Producers whose taxi or limousine appointment is terminated as a result of non-production will be eligible for reappointment to a taxi or limousine Servicing Carrier if they either provide a letter of intent from an insured to place taxi, limousine or car service business through the agency or it has been two (2) years from the effective date of terminating their appointment to a taxi or limousine Servicing Carrier from lack of production.

Manual of Administrative Procedures

Chapter VIII - Taxi and Limousine Program

E. Servicing Carrier Requirements

1. Appointments

Servicing Carriers shall be appointed by the Governing Committee subject to the approval of the Commissioner of Insurance.

2. Standards

Servicing Carriers shall be subject to the following standards:

- a. Each Servicing Carrier shall satisfy all requirements set forth in the Rules of Operation and the provisions of the Manual of Administrative Procedures.
- b. With respect to underwriting and rating, Servicing Carriers must:
 1. Properly rate all policies in accordance with the approved rules, rates and rating plans contained in CAR's Commercial Automobile Insurance Manual.
 2. Utilize the taxi, limousine and car service new business application (Exhibit VIII-E-1), taxi, limousine and car service renewal application and all other forms developed by CAR for use in the program.
 3. Secure and verify loss history from the prior carrier or CAR in order to properly experience rate the risk.
 4. Distribute to each eligible policyholder and their producer, copies of the experience rating calculation and underlying loss information.
 5. Mail the appropriate policy within thirty (30) days of the receipt of the application.
 6. Reply within fifteen (15) days to letters disputing the premium charged.
- c. Each Servicing Carrier must provide a direct billing program, which shall consist of a 30% down payment and eight (8) subsequent equal installments. For policies effective June 30, 1997 and prior, premium subject to direct billing shall be charged the maximum finance charge allowed to insurers by Massachusetts' General Law. For new and renewal policies effective July 1, 1997 and subsequent, premium subject to direct billing shall be charged a 12% finance charge. Premium financed policies shall not be eligible for the direct billing payment option. Finance company checks must be made payable to the Servicing Carrier.

Manual of Administrative Procedures

Chapter VIII - Taxi and Limousine Program

E. Servicing Carrier Requirements (continued)

3. Annual Report on Loss Control

On or before March 1 of each year, Servicing Carriers shall submit an annual report to CAR's Governing Committee addressing the effect of Servicing Carrier requirements on loss control of insured taxi, limousine and car service risks. The Servicing Carrier may suggest amendments to these requirements, which it believes will further reduce claims, or improve service in other areas.

4. Reporting of Data

Servicing Carriers shall provide all data to CAR necessary to properly classify, rate and experience rate taxi, limousine and car service policies. Additional data relative to ownership, vehicle, claim, operator and general policy information shall be required in order to effectively administer the Taxi and Limousine Program.

5. At-Fault Driver Information

Servicing Carriers will provide at-fault taxi, limousine and car service driver information to CAR.

6. Toll-Free Number for Producers to Contact Servicing Carriers

Servicing Carriers shall establish a toll-free number for producers to contact Servicing Carriers to answer questions, which may arise in issuing a policy.

7. Loss Control Requirements

For taxi, limousine and car service risks Servicing Carriers must:

- a. Offer toll-free number to claimants and taxi drivers to encourage the timely reporting of accidents.
- b. Offer toll-free fax number to taxi owners and producers to encourage the timely reporting of accidents.
- c. Provide self-addressed claim forms to all taxicabs.
- d. Report all claims to CAR's Taxi Index System within thirty (30) days of the report of the claim to the Servicing Carrier.
- e. Report suspicious claims to CAR's Special Investigative Unit Department within thirty (30) days of the knowledge that the claim is suspicious.

Manual of Administrative Procedures

Chapter VIII - Taxi and Limousine Program

E. Servicing Carrier Requirements (continued)

- f. Each Servicing Carrier will develop a residual market safety program, which will be made available to any policyholder that requests information on programs designed to reduce claim frequency. These programs will consist of the following:
 - 1. Driver Education: This program will include information regarding safe driving techniques, defensive driving skills, emergency driving skills, inclement weather driving, proper discharge of passengers, and benefits of seat belt usage.
 - 2. Development of Hiring Guidelines: This program will include instruction on driver selection, performing background and reference checks on potential drivers.
 - 3. Loss Reporting Instructions: This program will include instruction regarding the timeframes within and procedures by which a claim should be reported, instruction on completion of the claims form, procedures for reporting a bodily injury versus a physical damage claim and coordinating efforts with authorities.
 - 4. Inspection of Vehicles: This program will include information regarding the performance of a mandatory underwriting inspection on all new business taxicab policies and on their renewal, except that vehicles classified as non-owner operator in the Boston territory are not subject to this requirement. Vehicles classified as limousine or car service are subject to a mandatory inspection at the time a new business policy is written and as necessary thereafter to determine accurate classification and garaging. This type of inspection will assure proper territory and rating classification of each vehicle. Information regarding vehicle pre-inspection, including vehicle safety checks and preventative maintenance will also be included in this program.
 - 5. Education on Benefits of Loss Control: This program will include information regarding the benefits to taxi owners regarding potential future rate reduction due to improved loss experience, upon compliance with the taxi loss control and vehicle safety programs.
 - 6. Audit of Ownership Changes: This program will include information regarding the mandatory inspection of each new owner's facilities and verification of management control and ownership.
- g. Comply with existing performance standards in or issued pursuant to the Rules of Operation, Manual of Administrative Procedures and the Performance Standards for the Handling and Payment of Claims.
- h. Comply with any other reasonable requirement as approved by CAR's Governing Committee.

Commonwealth Automobile Reinsurers

Manual of Administrative Procedures

Chapter VIII - Taxi and Limousine Program

Exhibit VIII-E-1

APPLICATION

Date Completed: _____

Policy Effective Date: _____

PRODUCER INFORMATION:

Producer Name: _____

Street: _____ City: _____ State: _____ ZIP: _____

Producer Code: _____ Telephone No: _____

APPLICANT INFORMATION

Named Insured: _____

Street: _____ City: _____ State: _____ ZIP: _____

Business Telephone No. _____

Tax ID No: _____ Social Security No: _____

Headquarters (if other than at>ove)

Street: _____ City: _____ State: _____ Zip: _____

OWNERSHIP AND CONTROL OF ORGANIZATION

Named Insured is a; Corporation: _____ Partnership: _____ Sole Proprietor: _____ Other: _____

State where incorporated: _____ Date of Incorporation _____ Date Operations Commenced: _____

Management, Ownership and Control (list names of Principals and anyone else with 10% or more ownership interest)

	Name	Date in Position	Percent Ownership
President:	_____	_____	_____
Vice President	_____	_____	_____
Secretary	_____	_____	_____
Gen'l.Mgr.	_____	_____	_____
Treasurer	_____	_____	_____
Others	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
	_____	_____	_____

Affiliated Companies (list all affiliated companies or companies under the same ownership. If more than 5, use Remarks section)

Name	Address
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

PAYMENT PLAN

Total Estimated Annual Premium S _____ Deposit Premium S _____

Full Annual Premium Enclosed Yes _____ Installment Option Yes _____

Premium Is Financed? Yes _____

Name and Address of FinanceCompany _____

Commonwealth Automobile Reinsurers

Manual of Administrative Procedures

Chapter VIII - Taxi and Limousine Program

Exhibit VIII-E-1
(continued)

OPERATOR INFORMATION

Is vehicle: Owner-Operated? _____ Driven by Employee? _____ Driven by Independent Contractor? _____ Leased? _____
If leased describe conditions of lease: Daily _____ Monthly _____ Other _____ If other describe the arrangement _____

List all Operators:

Name	Date of Birth	License and State	Hackney License No.
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

ACCIDENT INFORMATION

Has applicant or any operator been involved in any motor vehicle accidents in the past 36 months?

Yes _____ No _____

If yes complete the following (if necessary use a separate sheet):

Name of Operator	Accident Date	Place of Accident
_____	_____	_____
_____	_____	_____
_____	_____	_____

Amount of Loss (Include paid and outstanding amounts)

BI Amount	PD Amount	Physical Damage Amount
_____	_____	_____
_____	_____	_____
_____	_____	_____

CONVICTION INFORMATION

Has the applicant or any operator had their driver's license or Hackney license suspended or revoked during the preceding 36 months?

Yes _____ No _____

If yes complete the following:

Name	Date	Reason
_____	_____	_____
_____	_____	_____
_____	_____	_____

Has the applicant or any operator been convicted, paid a fine, or forfeited bail for any moving violation (other than suspension or revocation), or been assigned to an alcohol education program in the past 36 months?

Yes _____ No _____

If yes complete the following:

Name	Date	Reason
_____	_____	_____
_____	_____	_____
_____	_____	_____

PRIOR INSURANCE INFORMATION

Has the applicant failed to pay any automobile insurance premium due or contracted during the preceding 12 months?

Yes _____ No _____

If yes complete the following and provide explanation in the Remarks section on page 3:

Insurance Company _____ Amount due or in dispute _____

Has any automobile policy or coverage been declined, cancelled or non-renewed during the past three years?

Yes _____ No _____

If yes, explain reason:

Commonwealth Automobile Reinsurers

Manual of Administrative Procedures

Chapter VIII - Taxi and Limousine Program

Exhibit VIII-E-1
(continued)

PRIOR CARRIER INFORMATION

List the prior automobile insurance carriers for this company and any affiliated companies for past five years and attach loss statements from the carrier. Use a separate sheet if necessary.

Company Name	Policy Number	Policy Period

GENERAL INFORMATION

Explain all 'yes' responses in the Remarks section on page 6.

With the exception of Loss Payee are any vehicles not owned solely by the applicant?	Yes- _____	No _____
Are there any vehicle owned but not scheduled on this application?	Yes _____	No _____
Does the applicant obtain MVR verifications for listed operators?	Yes _____	No _____
Does the applicant have a specific driver recruiting method?	Yes _____	No _____
Is the applicant subject to the Workers Compensation Act?		
(Include the Company and Policy Number in remarks)	Yes _____	No _____
Does the applicant adhere to the specific Safety Program designed for taxi/limo risks?	Yes _____	No _____
Is the applicant object to the Bus Regulatory Act?	Yes _____	No _____
Is an ICC or any other financial responsibility filing required?		
(List all such requirements in the Remarks Section)	Yes _____	No _____

BUSINESS FUNCTIONS

Indicate the percentage of use for each of the following functions which are applicable to the applicant:

_____ %	Street cruising
_____ %	Owns and operates radio dispatch service
_____ %	Works out of non-owned dispatch service
_____ %	Phone calls for general transport
_____ %	Regular stand (Train , Bus Station etc.)
_____ %	Contract service (Provide specific details in Remarks Section)
_____ %	Transportation to/from Airport(s) (Provide locations in Remarks Section)
_____ %	Prearranged special events such as Weddings, Proms, etc.

Customers

Indicate percentage of customers which are:

_____ %	General Public
_____ %	Specialized (Elderly, Children, Special Needs, Package Delivery, etc.) (Provide Specific details in the Remarks Section)

Commonwealth Automobile Reinsurers

Manual of Administrative Procedures

Chapter VIII - Taxi and Limousine Program

Exhibit VIII-E-1
(continued)

VEHICLE DESCRIPTION

No. Year Make, Model, Body Type		VIN		
City(s), State Where Operated	Seating Capacity	Radius of Operation	Cost New	Class Code
City(s) Where Licensed	License or Permit Number	Medallion Number		
No. Year Make, Model, Body Type		VIN		
City(s), State Where Operated	Seating Capacity	Radius of Operation	Cost New	Class Code
City(s) Where Licensed	License or Permit Number	Medallion Number		
No. Year Make, Model, Body Type		VIN		
City(s), State Where Operated	Seating Capacity	Radius of Operation	Cost New	Class Code
City(s) Where Licensed	License or Permit Number	Medallion Number		
No. Year Make, Model, Body Type		VIN		
City(s), State Where Operated	Seating Capacity	Radius of Operation	Cost New	Class Code
City(s) Where Licensed	License or Permit Number	Medallion Number		
No. Year Make, Model, Body Type		VIN		
City(s), State Where Operated	Seating Capacity	Radius of Operation	Cost New	Class Code
City(s) Where Licensed	License or Permit Number	Medallion Number		
No. Year Make, Model, Body Type		VIN		
City(s), State Where Operated	Seating Capacity	Radius of Operation	Cost New	Class Code
City(s) Where Licensed	License or Permit Number	Medallion Number		
Loss Payee/Additional Interests				
No.	Name and Address			

Commonwealth Automobile Reinsurers

Manual of Administrative Procedures

Chapter VIII - Taxi and Limousine Program

Exhibit VIII-E-1
(continued)

COVERAGE SELECTION

Coverage Type	Limit of Liability	Vehicle No.
A Compulsory		
A-1 Bodily Injury	\$20,000 each person \$40,000 each accident	_____
A-2 Personal Injury Protection	\$8,000 each person	_____
<hr/>		
B Bodily Injury Other than Statutory	\$ _____ each person	
Minimum Limit \$20,000/\$40,000	\$ _____ each accident	_____
<hr/>		
C Property Damage Liability		
Mandatory \$5,000	\$ _____ each accident	_____
<hr/>		
D Medical Payments Optional		
Maximum \$5,000	\$ _____ each person	_____
<hr/>		
E Comprehensive	ACV less \$ _____ deductible Glass Deductible \$100 Deductible Yes _____	_____
<hr/>		
F Loss of Use - Rental Reimbursement		
Maximum \$30 per day	\$ _____ per day	_____
<hr/>		
G Fire	ACV less \$ _____ deductible Glass Deductible \$100 Deductible Yes _____	_____
<hr/>		
H Fire & Theft	ACV less \$ _____ deductible Glass Deductible \$100 Deductible Yes _____	_____
<hr/>		
I Fire, Theft & CAC	ACV less \$ _____ deductible Glass Deductible \$100 Deductible Yes _____	_____
<hr/>		
L Collision		
Waiver of Deductible Yes _____ No _____	\$ _____ deductible	
<hr/>		
M Limited Collision		
Waiver of Deductible Yes _____ No _____	\$ _____ deductible	
<hr/>		
Full Coverage	Yes _____ No _____	
<hr/>		
U1 Uninsured Motorist Coverage	\$ _____ each person	
Mandatory \$20,000/\$40,000	\$ _____ each accident	_____
<hr/>		
U2 Underinsured Motorist Coverage	\$ _____ each person	
	\$ _____ each accident	_____

.5-

Commonwealth Automobile Reinsurers

Manual of Administrative Procedures

Chapter VIII - Taxi and Limousine Program

Exhibit VIII-E-1
(continued)

REMARKS:

The Fair Credit Reporting Act

In connection with your application for insurance and as part of our normal underwriting procedure, an investigative consumer report may be obtained, including . if applicable information as to character, general reputation, personal characteristics and mode of living. This information is obtained through personal interviews with your friends neighbors and business associates. Upon written request, received within a reasonable timeframe, additional detailed information concerning the nature and scope of this investigation will be provided.

--

I hereby declare that I have read all of the statements contained in this application and they are complete and true as of this date. The coverage and limits I requested are as indicated in the application.

Date: _____ Signature of Applicant: _____

The information contained in this application is as told to me by the applicant and is true and complete to the best of my knowledge.

Date: _____ Signature of Producer: _____

Manual of Administrative Procedures

Chapter VIII - Taxi and Limousine Program

F. Producer Requirements

1. Reporting of Suspicious Claims

Producers will report suspicious claims to CAR's Special Investigative Unit Department within thirty (30) days of the report of the knowledge that the claim is suspicious.

2. Applications - Renewal Questionnaires

- a. Applications and renewal questionnaires must be complete and on the forms approved by CAR, signed by the applicant and producer, and must include all information necessary to correctly classify and rate the policy including a copy of the Hackney License or other municipal document authorizing the operation of a taxi, or license or other municipal document authorizing the operation of a limousine or car service vehicle. For Boston taxis or any other jurisdiction which utilizes a medallion system, the application or renewal questionnaire must include the taxi medallion number.
- b. For renewal taxi, limousine and car service business, the producer will be required to submit a completed renewal questionnaire to the Servicing Carrier forty-five (45) days prior to the policy effective date.

3. CAR Rules of Operation

Producers shall satisfy the requirements of the Rules of Operation of CAR, provided however, that the provisions of Rule 14, C, Production Criteria and Rule 14, D, Market Need Criteria shall not apply separately for the application of the program.

Manual of Administrative Procedures

Chapter VIII - Taxi and Limousine Program

G. Servicing Carrier Allowances

Prior to the selection of a Member Company as a taxi and limousine Servicing Carrier, interested companies will submit a bid to CAR to service ceded taxi, limousine and car service business at a specified allowance. The bid will indicate an expense allowance to reimburse the Servicing Carrier for their unallocated loss adjustment expense; other acquisitions, including field supervision and collection expense; and general expenses. The determination of the per unit expense reimbursement will be finalized by CAR's Governing Committee and the Servicing Carrier(s) selected through the Request for Proposal (RFP) process.

Expense allowances will be reimbursed according to the procedure defined below:

1. Premium Tax and Commission

Servicing Carriers will be reimbursed for premium tax and commissions according to the approved CAR rate filing for each class for the corresponding policy year. Expense allowances will be credited to the Servicing Carrier as a percentage of written premium through CAR's quarterly settlement of balances procedure. For policy years where a CAR rate filing is not filed and/or approved, the premium tax and commission allowance will remain unchanged from the prior year.

2. Unallocated Loss Adjustment Expenses (ULAE), Company and General Expenses

Servicing Carriers will be reimbursed for ULAE expenses; other acquisition, including field supervision and collection expenses; and general expenses according to the per unit allowance for each classification for each policy year of appointment, determined through the bid review and selection process and approved by the Governing Committee.

In the first (1st) policy year of the Servicing Carrier's appointment, interim expenses will be based on the ratio of the agreed upon per unit allowance, separately for taxi, limousine and car service property damage liability exposures, to the average taxi, limousine and car service premium as approved in CAR's commercial rate filing for the corresponding policy year.

For the second (2nd) and third (3rd) policy years of the appointment, the interim allowance will be based on the agreed upon per unit allowance for those years, separately for taxi, limousine and car service property damage liability exposures, to the average taxi, limousine and car service premium as approved in CAR's commercial rate filing of the corresponding policy years.

Interim expenses will be credited to the Servicing Carrier as a percentage of written premium through CAR's quarterly settlement of balances procedure, subject to true-up as defined below.

Manual of Administrative Procedures

Chapter VIII - Taxi and Limousine Program

G. Servicing Carrier Allowances (continued)

2. Unallocated Loss Adjustment Expenses (ULAE), Company and General Expenses (continued)

Expense allowances will be true-up based on the agreed upon per unit allowance multiplied by the actual ceded property damage liability exposures statistically reported for the corresponding policy year as of eighteen and thirty (18 and 30) months.

The initial true-up of expenses, using data reported through eighteen (18) months of the corresponding policy year, will occur in the subsequent September quarterly settlement of balances. Expenses will continue to be credited on an interim basis, as a percentage of written premium, based upon data that is statistically reported to CAR in the September and the following December, March and June quarters.

The final true-up of expenses, using data reported through thirty (30) months of the corresponding policy year, will occur in the subsequent September quarter, as part of the quarterly settlement of balances procedure. At this point, additional reimbursement for ULAE, company and general expenses will no longer be provided.

In the event that a Servicing Carrier's appointment is extended beyond three (3) years, the per unit allowance will be negotiated by the carrier and CAR's Governing Committee. Interim and final allowances will then be determined in the manner outlined above.

Manual of Administrative Procedures

Chapter VIII - Taxi and Limousine Program

H. Participation

1. All Other than Private Passenger Underwriting Results – Exclusions

For determining all other than private passenger underwriting results participation ratios for policy years 1995 and subsequent, written premiums from ceded taxi and ceded limousine and car service business will be excluded from the calculation.

2. Sharing of Underwriting Results

Underwriting results of ceded taxi and ceded limousine and car service business will be shared by member companies in the "all other than private passenger" pools as defined in CAR's Manual of Administrative Procedures and Rules of Operation.

3. Sharing of Administrative Expenses

Servicing Carriers writing taxi, limousine or car service business will be required to share in CAR's administrative expenses as defined in CAR's Manual of Administrative Procedures and Rules of Operation.

Manual of Administrative Procedures

Chapter VIII - Taxi and Limousine Program

I. Servicing Carrier Withdrawal

1. Withdrawal Subject to Rule 16 of CAR's Rules of Operation

In the event that a Servicing Carrier for this program seeks to withdraw as a Servicing Carrier during the term of its appointment, such a withdrawal will be subject to the provisions of Rule 16, Terminations, of CAR's Rules of Operation.

2. Servicing of Policies

If a Servicing Carrier is not renewing its appointment with CAR for an additional term, it shall nonetheless renew all policies expiring on or before the final date of the existing term and shall continue to service such policies in compliance with CAR's Rules and requirements to the policy expiration date of each risk. This includes, but is not limited to, change of existing vehicles, adding insureds, adding named operators onto existing policies, endorsing coverage limits, providing all notices required by law, and providing claims processing and premium collection services.

3. Notification of Policy Non-Renewals

At least forty-five (45) days prior to the policy anniversary date, the withdrawing carrier shall notify the insured and the producer of record that coverage will be non-renewed.

Manual of Administrative Procedures

Chapter VIII - Taxi and Limousine Program

J. Incentive Program

CAR offers Servicing Carriers an incentive to reduce the portion of CAR's deficit associated with losses incurred on ceded taxi business. For policy year 1995, each Servicing Carrier will receive an additional ceding expense adjustment for a specified reduction in its ceded taxi liability loss ratio from an industry projected liability loss ratio. Conversely, a Servicing Carrier will have its ceding expenses reduced for a specified increase in its loss ratio over the industry standard. For policy years 1996 and 1997, each Servicing Carrier will receive an incentive, also in the form of an additional ceding expense adjustment, for a reduction in its actual ceded taxi liability loss ratio from an established Servicing Carrier standard loss ratio. Conversely, a Servicing Carrier will have its ceding expense allowances reduced for an increase in its actual loss ratio over its standard loss ratio. A Servicing Carrier's Incentive Program credit or debit will be processed as a ceding expense adjustment through CAR's Settlement of Balances.

1. The policy year 1995 incentive will be determined as follows:
 - a. An industry standard loss ratio will be calculated from CAR's Commercial Rate Filing using the taxi liability coverages only. The standard ratio will be determined by dividing the indicated involuntary loss and ALAE pure premium by the approved average liability tax rate.
 - b. CAR's published Incentive Program Credit/Debit Schedule for policy year 1995, identifies the specified amount of credit or debit a Servicing Carrier may receive for a specified taxi loss ratio difference as compared to the industry standard. This schedule for the industry is displayed on Exhibit VIII-J-1.
 - c. Each Servicing Carrier's actual policy year 1995 taxi liability loss ratio (including IBNR), as determined by CAR's Loss Reserving Committee, will be compared to the established industry standard loss ratio for policy year 1995. Each Servicing Carrier will receive an increase/decrease in its ceding expense allowance for every 2.5% reduction/increase in its actual ceded taxi liability loss ratio (including IBNR) from the industry standard loss ratio, with a maximum incentive penalty of \$500,000.
 - d. The calculation of the Servicing Carrier's incentive credit or debit will be made three (3) times. On an interim basis, the first comparison will be made based upon incurred results reported as of twenty-four (24) months and the Servicing Carrier will receive one-third of the indicated credit or debit. The interim calculation will be trued-up based upon policy year incurred results reported as of thirty-six (36) months. At the thirty-six (36) month true-up, a Servicing Carrier will receive two-thirds of the trued-up credit or debit. The final comparison will be made based upon policy year incurred results reported as of forty-eight (48) months and the Servicing Carrier will receive its full true-up credit or debit amount.

Manual of Administrative Procedures

Chapter VIII - Taxi and Limousine Program

J. Incentive Program (continued)

2. The policy year 1996 and 1997 incentives will be determined as follows:
 - a. A Servicing Carrier's standard loss ratio will be determined by CAR's Loss Reserving Committee and will initially be based upon the Servicing Carrier's prior policy year ultimate liability loss ratio (including IBNR), as of twenty-four (24) months.
 - b. A Servicing Carrier's standard loss ratio will be updated two (2) times to reflect the re-evaluation by the Loss Reserving Committee of its prior policy year ultimate liability loss ratio (including IBNR) at thirty-six and forty-eight (36 and 48) months.
 - c. A Servicing Carrier's actual loss ratio will be determined by CAR's Loss Reserving Committee and will initially be based upon the Servicing Carrier's ultimate liability loss ratio (including IBNR) for the current policy year, as of twenty-four (24) months.
 - d. A Servicing Carrier's actual loss ratio will be updated two (2) times to reflect the re-evaluation by the Loss Reserving Committee of its current policy year ultimate liability loss ratio (including IBNR) at thirty-six and forty-eight (36 and 48) months.
 - e. Each Servicing Carrier's actual policy year loss ratio will be compared to its standard policy year loss ratio to determine the incentive. The Servicing Carrier's incentive will be equal to 10% of the amount by which the Servicing Carrier reduced the portion of CAR's deficit associated with losses. Likewise, the penalty will be equal to 10% of the increase in the portion of the deficit associated with losses, with a maximum incentive/penalty of \$500,000. See Exhibit VIII-J-2 of this chapter for an example of this calculation.
 - f. The calculation of the Servicing Carrier's incentive credit or debit will be made three (3) times. On an interim basis, the first comparison will be made based upon incurred results reported as of twenty-four (24) months and the Servicing Carrier will receive one-third of the indicated credit or debit. The interim calculation will be trued-up based upon policy year incurred results reported as of thirty-six (36) months. At the thirty-six (36) month true-up, a Servicing Carrier will receive two-thirds of the trued-up credit or debit. The final comparison will be made based upon policy year incurred results reported as of forty-eight (48) months and the Servicing Carrier will receive its full true-up credit or debit amount.

Commonwealth Automobile Reinsurers

Manual of Administrative Procedures

Chapter VIII - Taxi and Limousine Program

Exhibit VIII-J-1

1995 Policy Year Taxi Incentive Debit/Credit Schedule

Impact of Incentive Program - Credits							Credit Schedule		
Standard Loss Ratio	Actual Loss Ratio	Difference	Standard Deficit	Actual Deficit	Incentive	Revised Deficit	Actual Loss Ratio - Standard Loss Ratio		
							>	< =	Credit
121.0%	93.5%	-27.5%	(11,783,100)	(6,805,600)	497,750	(7,303,350)	-30.0%		2.75%
121.0%	96.0%	-25.0%	(11,783,100)	(7,258,100)	452,500	(7,710,600)	-27.5%	-25.0%	2.50%
121.0%	98.5%	-22.5%	(11,783,100)	(7,710,600)	407,250	(8,117,850)	-25.0%	-22.5%	2.25%
121.0%	101.0%	-20.0%	(11,783,100)	(8,163,100)	362,000	(8,525,100)	-22.5%	-20.0%	2.00%
121.0%	103.5%	-17.5%	(11,783,100)	(8,615,600)	316,750	(8,932,350)	-20.0%	-17.5%	1.75%
121.0%	106.0%	-15.0%	(11,783,100)	(9,068,100)	271,500	(9,339,600)	-17.5%	-15.0%	1.50%
121.0%	108.5%	-12.5%	(11,783,100)	(9,520,600)	226,250	(9,746,850)	-15.0%	-12.5%	1.25%
121.0%	111.0%	-10.0%	(11,783,100)	(9,973,100)	181,000	(10,154,100)	-12.5%	-10.0%	1.00%
121.0%	113.5%	-7.5%	(11,783,100)	(10,425,600)	135,750	(10,561,350)	-10.0%	-7.5%	0.75%
121.0%	116.0%	-5.0%	(11,783,100)	(10,878,100)	90,500	(10,968,600)	-7.5%	-5.0%	0.50%
121.0%	118.5%	-2.5%	(11,783,100)	(11,330,600)	45,250	(11,375,850)	-5.0%	-2.5%	0.25%
121.0%	121.0%	0.0%	(11,783,100)	(11,783,100)	0	(11,783,100)	-2.5%	0.0%	0.00%

Impact of Incentive Program - Debits							Debit Schedule		
Standard Loss Ratio	Actual Loss Ratio	Difference	Standard Deficit	Actual Deficit	Penalty	Revised Deficit	Actual Loss Ratio - Standard Loss Ratio		
							>=	<	Debit
121.0%	121.0%	0.0%	(11,783,100)	(11,783,100)	0	(11,783,100)	0.0%	2.5%	0.00%
121.0%	123.5%	2.5%	(11,783,100)	(12,235,600)	(45,250)	(12,190,350)	2.5%	5.0%	-0.25%
121.0%	126.0%	5.0%	(11,783,100)	(12,688,100)	(90,500)	(12,597,600)	5.0%	7.5%	-0.50%
121.0%	128.5%	7.5%	(11,783,100)	(13,140,600)	(135,750)	(13,004,850)	7.5%	10.0%	-0.75%
121.0%	131.0%	10.0%	(11,783,100)	(13,593,100)	(181,000)	(13,412,100)	10.0%	12.5%	-1.00%
121.0%	133.5%	12.5%	(11,783,100)	(14,045,600)	(226,250)	(13,819,350)	12.5%	15.0%	-1.25%
121.0%	136.0%	15.0%	(11,783,100)	(14,498,100)	(271,500)	(14,226,600)	15.0%	17.5%	-1.50%
121.0%	138.5%	17.5%	(11,783,100)	(14,950,600)	(316,750)	(14,633,850)	17.5%	20.0%	-1.75%
121.0%	141.0%	20.0%	(11,783,100)	(15,403,100)	(362,000)	(15,041,100)	20.0%	22.5%	-2.00%
121.0%	143.5%	22.5%	(11,783,100)	(15,855,600)	(407,250)	(15,448,350)	22.5%	25.0%	-2.25%
121.0%	146.0%	25.0%	(11,783,100)	(16,308,100)	(452,500)	(15,855,600)	25.0%	27.5%	-2.50%
121.0%	148.5%	27.5%	(11,783,100)	(16,760,600)	(497,750)	(16,262,850)	27.5%		-2.75%

Commonwealth Automobile Reinsurers

Manual of Administrative Procedures

Chapter VIII - Taxi and Limousine Program

Exhibit VIII-J-2

Example of Incentive/Penalty Calculation

Incentive Example:

Calculation of Standard Deficit:

Earned Premium	\$8,400,000
Standard Loss Ratio	98.5%
Losses	\$8,274,000
Expenses (44.1%)	\$3,704,400
Deficit	\$3,578,400

Calculation of Incentive Program Deficit:

Earned Premium	\$8,400,000
Actual Loss Ratio	97.3%
Losses	\$8,173,200
Expenses (44.1%)	\$3,704,400
Deficit	\$3,477,600

Reduction to Deficit \$100,800

10% Incentive Amount \$10,080
(Processed as a Ceding Expense
Adjustment through the
Settlement of Balances)

Penalty Example:

Calculation of Standard Deficit:

Earned Premium	\$8,400,000
Standard Loss Ratio	98.5%
Losses	\$8,274,000
Expenses (44.1%)	\$3,704,400
Deficit	\$3,578,400

Calculation of Incentive Program Deficit:

Earned Premium	\$8,400,000
Actual Loss Ratio	101.2%
Losses	\$8,500,800
Expenses (44.1%)	\$3,704,400
Deficit	\$3,805,200

Increase to Deficit \$226,800

10% Penalty Amount \$22,680
(Processed as a Ceding Expense
Adjustment through the
Settlement of Balances)

Commonwealth Automobile Reinsurers

Manual of Administrative Procedures

Chapter VIII - Taxi and Limousine Program

Table of Contents

<u>Section</u>	<u>Page</u>	<u>Title</u>
A	A:1	Purpose
B		Eligibility
	B:1	1. Taxicab
	B:2	2. Limousine
	B:2	3. Car Service
C	C:1	Effective Date and Extent of Coverage
D		Administration of the Taxi and Limousine Program
	D:1	1. Servicing Carrier Appointments
	D:1	2. CAR Administrative Responsibilities – Data
	D:1-2	3. Producer Appointments
E		Servicing Carrier Requirements
	E:1	1. Appointments
	E:1	2. Standards
	E:2	3. Annual Report on Loss Control
	E:2	4. Reporting of Data
	E:2	5. At-Fault Driver Information
	E:2	6. Toll-Free Number for Producers to Contact Servicing Carriers
	E:2-3	7. Loss Control Requirements
		<u>Exhibits</u>
	E:4-9	VIII-E-1 Taxi/Limousine New Business Application

Commonwealth Automobile Reinsurers

Manual of Administrative Procedures

Chapter VIII - Taxi and Limousine Program

Table of Contents

<u>Section</u>	<u>Page</u>	<u>Title</u>
F		Producer Requirements
	F:1	1. Reporting of Suspicious Claims
	F:1	2. Applications – Renewal Questionnaires
	F:1	3. CAR Rules of Operations
G		Servicing Carrier Allowances
	G:1	1. Premium Tax and Commission
	G:1-2	2. Unallocated Loss Adjustment Expenses (ULAE), Company and General Expenses
H		Participation
	H:1	1. All Other than Private Passenger Underwriting Results
	H:1	2. Sharing of Underwriting Results
	H:1	3. Sharing of Administrative Expenses
I		Servicing Carrier Withdrawal
	I:1	1. Withdrawal Subject to Rule 16 of CAR's Rules of Operation
	I:1	2. Servicing of Policies
	I:1	3. Notification of Policy Non-Renewals
J		Incentive Program
	J:1	1. Policy Year 1995 Incentive Determination
	J:2	2. Policy Year 1996 and 1997 Incentives Determination
		<u>Exhibits</u>
	J:3	VIII-J-1 1995 Policy Year Incentive Taxi Debit/Credit Schedule
	J:4	VIII-J-2 Example of Incentive/Penalty Calculation