CAR expenses, and the profits and losses on CAR policies, shall be allocated among the Members of CAR in the manner provided under this Rule.

Assessments to pay for CAR's expenses and losses on CAR policies, shall be levied on a quarterly basis or as frequently as the Governing Committee deems necessary. Such assessments shall be allocated among the Members in accordance with the following principles:

A. Participation – Expenses

Expenses, including all costs of operating CAR and all costs, charges, expenses and liabilities and all income, property and other assets which the Governing Committee determine not to be properly chargeable to the profit or loss of risks ceded to CAR by Servicing Carriers, shall be shared by the Members. Sharing is based upon the proportion that each Member's Massachusetts direct written Motor Vehicle Insurance premiums, which are reported on its Annual Statement for the most recent calendar year, bear to the total of such premiums for all Members.

Commercial ceded written premium (CAR ID Codes 4 and 5) with policy effective dates of January 1, 2006 and subsequent is excluded from this calculation. Additionally, all premium from classifications and/or coverages that are not statistically reportable to CAR (those classes or coverages not specified in the Massachusetts Statistical Plans) and all premium from Antique Vehicle classification codes 0483 and 9620 is excluded from this calculation.

B. Participation – Underwriting Results

For the purpose of establishing a basis for allocation of Servicing Carrier premiums, losses and expense allowances, each company licensed to write Motor Vehicle Insurance in Massachusetts shall report statistical information required by the Rules of Operation to CAR or permit its statistical agencies, designated by the company or appointed by the Commissioner, to report all required statistical information to CAR. If the company does not exceed CAR's established statistical reporting thresholds and therefore is not required to report statistical data to CAR, CAR will utilize the company's Massachusetts Annual Statement data as a basis for determining underwriting results.

In recognition of the need to provide stability in the Massachusetts Motor Vehicle Insurance marketplace, Member participation shall be calculated in accordance with the following procedures:

1. Private Passenger Motor Vehicles Participation for Policy Years 1993 and Subsequent.

   For policy years 1993 and subsequent, private passenger participation ratios are calculated using a utilization formula based on the Member Company's voluntary and ceded exposures.

   Exposures from ceded risks meeting the following criteria shall be excluded from the calculation of the utilization ratio, where noted in subsequent paragraphs:

Policy Years	Exclusion Criteria
2006-2009	Ceded exposures for risks at SDIP Points 9 and greater and ceded exposures for Inexperienced Operators (0-3 years) – Rate Classes 20, 21, 25, and 26.

   Additionally, voluntary and ceded exposures for Antique Vehicles with policy effective dates of November 1998 and subsequent shall be excluded from the calculation of the utilization ratio.

   The formula for determining the utilization ratio shall be as follows:

   a. For each company, separately for liability and physical damage, determine the company's voluntary written exposures from voluntary agents or direct written (CAR ID Code 0), voluntary written exposures from Exclusive Representative Producers (CAR ID Code 1), voluntary-ceded written exposures (CAR ID Code 4), and ceded exposures written through Representative Producers with whom the company has no voluntary relationship, (CAR ID Code 5), for the calendar year corresponding to the policy year whose participation ratios are being calculated.

Note that if a company has bought out of its Servicing Carrier responsibilities, the exposures serviced on this company's behalf by another entity will be counted as if they were written by the buying-out company. Note also that voluntary-ceded and Exclusive Representative Producer (ERP) ceded exposures meeting the exclusion criteria pursuant to Section B.1. above should be separately identified, to enable their exclusion where specified in subsequent paragraphs.

For the following Miscellaneous Rated as Private Passenger classifications, the exposures used in the calculation of a company's private passenger liability participation ratio, including Rule 12 credit calculations, will be adjusted by the following factor for the indicated policy year:

Policy Years 2006-2009	Classification	Adjustment Factor
0400	Electric Vehicles	.33
0426	Snowmobiles	.33
0483*	Antique Vehicles	.33
0408-0431	Motorcycles	.33
0508-0531		
0608-0631		

*Adjustment for Antique Vehicles is only applicable to policies effective prior to November 1998.

The liability voluntary-ceded and ceded ERP exposures with the specified classifications noted above which meet the exclusion criteria pursuant to Section B.1. above should be separately identified, to enable their exclusion where specified in subsequent paragraphs.

For policy years 2006 through 2009 note that all other Miscellaneous Rated as Private Passenger classifications are included in the liability participation ratio calculations without adjustment.

For policy years 2006 through 2009 all Miscellaneous Rated as Private Passenger classifications are included in the physical damage participation ratio calculations without adjustment. However, voluntary and ceded exposures for Antique Vehicles with policy effective dates of November 1998 and subsequent are not included in either the liability or physical damage participation ratio calculations.

b. For each company, separately for liability and physical damage, determine the company's minimum allowable written exposures as:

Policy Years	**Minimum Allowable Exposures**
1992	85% of 1989 voluntary and voluntary-ceded exposures
1993-2008	The greater of: 80% of the previous calendar year voluntary and ceded exposures from voluntary agents or written directly, or 80% of the previous year's minimum allowable exposures

For any company which was not a Servicing Carrier for private passenger business during the entire period from January 1, 1989 through December 31, 1989, the number of 1989 voluntary-ceded exposures used in the determination of its 1992 minimum allowable written exposures shall equal that company's 1989 voluntary exposures multiplied by 88%.

For a Newly Emerging Company in 1990, the number of 1989 voluntary exposures used in this calculation for the company's first year of writing shall equal the company's actual voluntary written exposures from all sources in calendar year 1990. For a Newly Emerging Company in 1991 through 1992, the number of 1989 voluntary exposures used in this calculation for the company's first year of writing shall equal the company's actual voluntary written exposures from voluntary agents or written direct, in the corresponding calendar year. For the second and third year of writing of a Newly Emerging Company in 1990 through 1992, the number of 1989 voluntary exposures used in this calculation shall equal the greatest number of voluntary exposures which the company has actually written in any calendar year up to and including the current calendar year.

Voluntary exposures written through ERPs will be counted in the calendar year 1990 total, but not in the totals for subsequent calendar years. The number of 1989 voluntary-ceded exposures shall equal the 1989 voluntary exposures determined above, multiplied by a factor equal to the total industry's voluntary-ceded exposures including those meeting the exclusion criteria, divided by the total industry's voluntary exposures for the corresponding calendar year, including ERP voluntary exposures for calendar year 1990, but excluding them for subsequent calendar years, then further multiplied by 20% in the first year, 40% in the second year and 60% in the third year.

For a Newly Writing Company in 1990, the number of 1989 voluntary exposures used in this calculation for the company's first year of writing shall equal the company's actual voluntary written exposures from all sources in calendar year 1990. For a Newly Writing Company in 1991 through 1992, the number of 1989 voluntary exposures used in the calculation for the company's first year of writing shall equal the company's actual voluntary written exposures from voluntary agents or written direct, in the corresponding calendar year. For the second and third year of writing, of a Newly Writing Company in 1990 through 1992, the number of 1989 voluntary exposures used in this calculation shall equal the greatest number of voluntary exposures which the company has actually written in any calendar year up to and including the current calendar year.

Voluntary exposures written through ERPs will be counted in the calendar year 1990 total, but not in the totals for subsequent calendar years. The number of 1989 voluntary-ceded exposures shall equal the 1989 voluntary exposures determined above, multiplied by a factor equal to the total industry's voluntary-ceded exposures including those meeting the exclusion criteria, divided by the total industry's voluntary exposures for the corresponding calendar year, including ERP voluntary exposures for calendar year 1990 but excluding them for subsequent calendar years.

For the purpose of this calculation, a company shall be considered to be a Newly Writing Company in any year in which its written exposures, both voluntary and ceded, from voluntary agents or direct written, exceed 250% of its 1989 written exposures, provided that its 1989 written exposures comprise less than 1% of all exposures written in 1989 and providing that the company has not been defined as Newly Emerging in 1987 through 1992.

For policy years 2007 and prior, if the company's minimum allowable exposures are greater than the total of the voluntary and voluntary-ceded exposures including those meeting the exclusion criteria pursuant to Section B.1.a. above, including voluntary exposures from ERPs for calendar year 1990, but excluding them for subsequent calendar years, then the difference will be added to the voluntary-ceded exposures excluding those meeting the exclusion criteria pursuant to Section B.1.a. above.

For policy year 2008, if the company’s minimum allowable exposures are greater than the total of its voluntary written exposures from voluntary agents or written directly by the company (CAR ID Code 0), voluntary-ceded written exposures (CAR ID Code 4), and MAIP eligible business retained as voluntary (CAR ID Code 8), including those meeting the exclusion criteria pursuant to Section B.1.a. above, then the difference will be added to the voluntary-ceded exposures excluding those meeting the exclusion criteria pursuant to Section B.1.a. above.

If the company's minimum allowable exposures are less than or equal to this total, then the company's voluntary-ceded exposures excluding those meeting the exclusion criteria pursuant to Section B.1.a. above will be used.

Minimum allowable exposures criteria will not be used in calculating a company’s participation for policy year 2009.

c. For each company and for the industry, determine the following:

- Voluntary retained exposures from all sources, pursuant to Section B.1.a. above
- Ceded exposures from all sources, pursuant to Sections B.1.a. and b. above

Determine each company's pre-credit utilization ratio as:

$$\frac{\text{(Company Voluntary Retained Exposures)} + \text{(Company Ceded Exposures x K).}}{\text{(Industry Voluntary Retained Exposures)} + \text{(Industry Ceded Exposures x K).}}$$

In the above formula, for policy years 1993 through 2009, the value of the K factor will be 4.0.

For subsequent policy years, the value of the K factor will be re-examined based upon existing market conditions.

d. Determine each company's participation credits based on voluntary business from all sources.

e. Determine, for each company, adjusted total voluntary written exposures by multiplying the total industry voluntary written exposures from all sources pursuant to Section B.1.a. above by the company's pre-credit utilization ratio pursuant to Section B.1.c. above. Determine, then, each company's final utilization ratio by dividing the company's adjusted total voluntary exposures minus the company's participation credits pursuant to Section B.1.d. above, by the total industry voluntary written exposures pursuant to Section B.1.a. above minus the total industry participation credits pursuant to Section B.1.d. above.

f. To the extent that inclusion of any of the final utilization ratios calculated above causes the sum of the final utilization ratios to differ from unity, an off-balance factor shall be applied to each ratio such that the sum becomes unity.

2. Commercial Motor Vehicles

a. Commercial Participation Ratio Formula

(1) Policy Years 2006 and Subsequent

For policy years 2006 and subsequent, a company’s commercial participation ratios shall be determined as a function of the company’s retained market share. Ceded business shall not be included in the commercial participation formula.

The formula for determining commercial participation ratios shall be as follows:

(a) Determine Premium to be Used in Participation Ratio Calculation

(i) For each company, separately for liability and physical damage, determine the company's retained written premium to be used in the calculation of commercial participation ratios. Premiums shall be separately summarized for the following CAR ID Codes:

CAR ID Code	Description
0	Voluntary written premium from voluntary producers or written directly by the company
1	Voluntary written premium from producers with whom the company has no voluntary contract

If the sum of a company's retained premium (CAR ID Codes 0 and 1) is less than zero, this premium is excluded from the commercial participation ratio formula.

(ii) For the industry, separately for liability and physical damage, determine the total industry retained premium to be used in the calculation of commercial participation ratios. Premium shall be separately summarized for CAR ID Codes 0 and 1 pursuant to Section B.2.a.(1)(a)(i) above.

All retained premium (CAR ID Codes 0 and 1) for Antique Vehicles (Classification Code 9620) shall be excluded from the calculations of commercial participation ratios.

(b) Determine Company’s Final Participation Ratio

Determine each company’s final participation ratio by dividing the company’s retained premium pursuant to Section B.2.a.(1)(a)(i) above by the total industry retained premium pursuant to Section B.2.a.(1)(a)(ii) above.

(2) Policy Years 1995 Through 2005

For policy years 1995 through 2005, a company's commercial participation ratios shall be determined as a function of the company's utilization of the residual market. If the company is not a Servicing Carrier for commercial motor vehicle business, a "grossing-up" process is performed.

The formula for determining commercial participation ratios shall be as follows:

(a) Determine Premium to be Used in Participation Ratio Calculation

For each company, separately for liability and physical damage, determine the company’s written premium to be used in the calculation of commercial participation ratios. Premium shall be separately summarized for the following CAR ID Codes.

CAR ID Code	Description
0	Voluntary written premium from voluntary agents or written directly by the company
1	Voluntary written premiums from Exclusive Representative Producers with whom the company has no voluntary relationship
4	Ceded written premium from voluntary agents or written directly by the company

Note that all ceded premium written through Representative Producers with whom the Servicing Carrier has no voluntary relationship (CAR ID Code 5) are excluded from the calculation of commercial participation ratios.

Additionally, all premium (CAR ID Codes 0, 1, and 4) for Antique Vehicles (Classification Code 9620) shall be excluded.

If the sum of a company's voluntary written premium (CAR ID Codes 0 and 1) is less than zero, this premium is excluded from the commercial participation ratio formula.

Additionally, if the company's ceded written premium (CAR ID Code 4) minus the excluded premium pursuant to Section B.2.a.(2)(b) below is less than zero, this premium is excluded from the commercial participation ratio formula and the company's ceded market share pursuant to Section B.2.a.(2)(d) below will equal zero.

(b) <u>Identify Commercial Exclusions</u>

Premium from risks meeting the criteria noted below shall be identified and excluded as necessary from the commercial participation ratio calculations.

For policy years 2003 through 2005, premium from ceded risks (CAR ID Code 4) meeting the following criteria shall be excluded:

Exclusion Criteria		
Classification Description	**Policy Years**	**Statistical Code**
Contract Carriers Hauling Chemicals Hauling Petroleum or Petroleum Products All Other	2003-2005	###230 ###270 ###290
Petroleum Business	2003-2005	###920
Long-Haul Truckers Non-Fleet Fleet	2003-2005	##32## ##62##
Emergency Vehicles Emergency Ambulances Fire Department Law Enforcement	2003-2005	791300 790800, 790900 791100, 791200, 794200
School Buses	2003-2005	61##00, 62##00
Buses N.O.C.	2003-2005	53##00, 54##00, 55##00, 58##00
Limousines	2003-2005	42#900
Car Service	2003-2005	43#900
Truckers Cost-of-Hire	2003-2005	661300
Chemical Manufacturers	2003-2005	###110
Garage Non-franchised Dealers Repair Shops	2003-2005	735100, 735200 780800, 781000, 781100, 781200, 781300
Taxicabs Fleet Non-Fleet	2003-2005	418700, 419700, 410700, 418800, 419800, 410800, 418900, 419900, 410900 415700, 416700, 417700, 415800, 416800, 417800, 415900, 416900, 417900
Van Pools	2004-2005	411###, 412###
Zone Rated Bus Fleet Non-Fleet	2004-2005	520900, 560900 527900, 567900

Exclusion Criteria		
Classification Description	**Policy Years**	**Statistical Code**
Specialized Delivery Armored Vehicles	2004-2005	###410
Church Bus	2004-2005	638#00, 639#00, 630#00, 635#00, 636#00, 637#00
Social Services Vehicles Employee Operated All Other	2004-2005	64#### 65####
Short Term Leasing or Rental Concerns Private Passenger Motor Vehicle Miscellaneous Types	2004-2005	721400 721600
Bobtail Operations	2004-2005	748900
Ambulance Services – Non-Emergency	2004-2005	791400
Driver Training Programs Educational Institutions Commercial Driving Schools	2004-2005	792600 792700

(c) Assign a “Gross-Up” Ceded Premium for Non-Servicing Carriers

For companies that are not Servicing Carriers for commercial motor vehicle business, a "gross-up" ceded written premium is assigned. The “gross-up” ceded premium that is assigned will bear the same relationship to the non-Servicing Carrier's voluntary written premium (CAR ID Codes 0 and 1) as the total of all Servicing Carriers' ceded written premium (CAR ID Code 4) bears to the total of all Servicing Carriers' voluntary written premium (CAR ID Codes 0 and 1).

(d) Determine Ceded Market Share

For each company, for policy years 2001 and prior, determine the company's ceded market share after the assignment of a "gross-up" ceded premium for non-Servicing Carriers. Divide the company's ceded written premium (CAR ID) pursuant to Sections B.2.a.(2)(a) or (c) above by the total industry ceded written premium (CAR ID Code 4) pursuant to Sections B.2.a.(2)(a) and (c) above. Company and industry premium pursuant to Section B.2.a.(2)(b) above is excluded from this calculation.

(e) Determine Total Market Share

For each company, for policy years, 2001 and prior, determine the company's total market share after the assignment of a "gross-up" ceded premium for non-Servicing Carriers. Divide the company's total voluntary (CAR ID Codes 0 and 1) and ceded (CAR ID Code 4) written premium pursuant to Sections B.2.a.(2)(a) and (c) above, by the total industry voluntary (CAR ID Codes 0 and 1) and ceded (CAR ID Code 4) written premium pursuant to Sections B.2.a.(2)(a) and (c) above. Company and industry premium pursuant to Section B.2.a.(2)(b) above is excluded from this calculation.

(f) Determine Utilization Ratio

For policy years 2001 and prior, determine each company's utilization ratio by combining 50% of the ratio pursuant to Section B.2.a.(2)(d) above and 50% of the ratio pursuant to Section B.2.a.(2)(e) above.

(g) Determine Adjusted Total Written Premium

For policy years 2001 and prior, determine each company's adjusted total written premium. Multiply the total industry written premium (after the assignment of a "gross-up" ceded premium for non-Servicing Carriers) pursuant to Sections B.2.a.(2)(a) and (c) above, by the company's utilization ratio pursuant to Section B.2.a.(2)(f) above. Industry premium pursuant to Section B.2.a.(2)(b) above is excluded from this calculation.

(h) Determine Company's Final Participation Ratio

(i) Policy Years 2001 and Prior

Determine each company's final participation ratio by dividing the company's adjusted total written premium pursuant to Section B.2.a.(2)(g) above by the total industry written premium.

(ii) Policy Years 2002 through 2004

For each company and for the industry, determine the following:

a) Voluntary written premium from all sources (CAR ID Codes 0 and 1) pursuant to Section B.2.a.(2)(a) above.

b) Ceded written premium (CAR ID Code 4) pursuant to Sections B.2.a.(2)(a) or (c) above, excluding premium pursuant to Section B.2.a.(2)(b) above.

Using the voluntary and ceded premium identified above, determine each company's final participation ratio as:

$$\frac{\text{(Company Voluntary Retained Written Premium)} + \text{(Company Ceded Written Premium x K)}}{\text{(Industry Voluntary Retained Written Premium)} + \text{(Industry Ceded Written Premium x K)}}$$

In this formula, for policy years 2002 and 2003, the value of the K factor shall be 12.0. For policy years 2004 and 2005 the value of the K factor shall be 11.0.

3. Companies Electing to Withdraw

   a. <u>Private Passenger</u>

      A company electing to withdraw from the Massachusetts Private Passenger Motor Vehicle Insurance market shall file a plan for an orderly withdrawal over a period which shall not exceed three years and which shall include full settlement of all financial obligations to CAR. Approval of the plan for purposes of this section shall mean written approval by the Commissioner of Insurance. Prior to approval, the Commissioner of Insurance shall hold a public hearing if requested to do so by the Governing Committee of CAR, any Member Company of CAR, or any association of producers, to consider the effect of the withdrawal on the orderly and equitable conduct and operation of the Massachusetts Motor Vehicle Insurance market. Any such party seeking a hearing must file a request with the Division of Insurance within 10 days of notice by the Division of Insurance to CAR of the opportunity for a hearing. Copies of the plan shall be made public at the time of such notice.

      On approval of this plan, data for the withdrawing company shall be removed from the calculation of participation ratios for the remainder of the industry beginning in the first year following the year of election to withdraw. The participation ratio of the withdrawing company shall remain constant over the three-year period following the year of election to withdraw and shall be applied separately for those three years. The withdrawing company's participation ratio for this period shall be the company's pre-credit utilization ratio pursuant to Section B.1.c. above for the year of election. Upon request of the company electing to withdraw, CAR may at its option, agree to accept a single payment at any time in settlement of all amounts then outstanding, including those amounts outstanding as a consequence of the calculations specified in this paragraph.

If the withdrawing company is later found not to have complied with the provisions of the plan as approved by the Commissioner of Insurance, the company's payment pursuant to Section B.3. may be adjusted to assure that the final payment for each year will be no less than the payment which, absent the approval of the withdrawal plan, would have been made pursuant to pursuant to Section B.1. had no plan been filed and approved.

b. Commercial

Companies electing to withdraw from the Massachusetts Commercial Motor Vehicle market but still maintain their license to underwrite other than Motor Vehicle Insurance in Massachusetts shall file a plan for such withdrawal with the Commissioner of Insurance for approval. Such a plan shall specify in detail how its risks are to be placed elsewhere.

C. Settlement of Balances

1. CAR will issue quarterly summaries to all Members reflecting their cumulative balances. However, for the current policy year there will be no reimbursement of Members with allowable credits in excess of written premiums, nor reimbursement of CAR by any of the Members until after the close of the third quarter of the calendar year, or at a later date if so determined by the Governing Committee.

2. The Governing Committee, subject to the approval of the Commissioner, may offer or allow a Servicing Carrier reimbursement in whole or in part for specific extraordinary expense incurred in qualifying for, continuing as, or ceasing to be, a Servicing Carrier. Such expense must be explained and supported in such detail as required by the Governing Committee, and must be in its judgment significantly in excess of the normal additional expense expected to be incurred by the Servicing Carrier, and must be actually incurred before reimbursement. The Servicing Carrier must petition the Governing Committee for such relief.

3. The Governing Committee, subject to the approval of the Commissioner, may authorize reimbursement of Servicing Carriers for normal insurance business losses incurred in connection with CAR business. Such normal business losses shall be as defined and designated by the Governing Committee but shall not include any loss or expense incurred as a result of fraud or dishonesty on the part of a Servicing Carrier's claims personnel including, but not limited to, independent adjusters and agents, and each Servicing Carrier shall hold CAR harmless from and reimburse it for any such loss or expense charged. The Servicing Carrier must petition the Governing Committee for such relief.