

**A. Member Obligations**

1. Every Member shall be bound by the Plan and Rules of Operation.
2. Financial Obligations
  - a. Each Member agrees to pay assessments levied against it for losses or expenses or any combination thereof incurred under policies issued through CAR by a Servicing Carrier; to pay assessments levied against it for the operating expenses of CAR; to pay penalties levied against it pursuant to the Rules adopted by the Governing Committee; and to accurately submit all statistics, records and accountings required by CAR in a timely manner.
  - b. Each Member, in recognition of the absolute necessity for timely payments of balances owed CAR, shall pay late payment fees at the prime rate as established by the Federal Reserve Bank of Boston compounded monthly for late payment of any assessment or late payment fees levied in accordance with the Plan or Rules of Operation. Each Member shall also compensate CAR for all damages and expenses incurred by CAR as a result of the failure of any Member to pay any balance owed CAR pursuant to Rule 3 or 11 that remains unpaid as of the 10<sup>th</sup> calendar day following the invoice due date, written notice of the default having been mailed by certified mail to the company by CAR on or after the first business day following the invoice due date. As used herein, “damages and expenses” shall include but not be limited to CAR's attorney's fees incurred directly or indirectly with the collection of the balance due, all costs of borrowing incurred as a result of the non-payment, the cost of all staff time spent in connection with efforts to collect the balance outstanding, all financial losses resulting from non-payment and all other related expenses and losses.
  - c. Any Member shall be entitled to appeal to the Governing Committee any assessment, or late payment fees, damages or expenses which were levied in accordance with the Plan or Rules of Operation. However, the Member will be required to pay the amount billed by CAR before such appeals will be considered. If the Governing Committee rules in favor of the Member, a proper adjustment, including interest at the prime rate and any damages and expenses assessed, will be made by CAR to the Member's account. Before exercising any other right of appeal provided

pursuant to G.L. c. 175, § 113H or the Plan or Rules of Operation, the Member shall pay all amounts owed to CAR.

- d. With respect to Members which have failed to pay assessments, late payment fees or compensatory damages or expenses within 45 calendar days of the postmark date of the overdue payment notice, a report will be submitted to the Division of Insurance setting forth the fact of such non-payment for its consideration and any action it deems appropriate.
3. When a Member is merged or consolidated into another insurer, or another insurer has reinsured a Member's entire Motor Vehicle Insurance business in Massachusetts, such Member and its successor in interest or such other insurer shall be liable for such Member's obligations.
4. A Member may terminate its membership in CAR upon the surrendering of its license to write Motor Vehicle Insurance policies or bonds in Massachusetts. Terminations of membership shall not discharge or otherwise affect liabilities of the Member incurred prior to the effective date of the termination of membership or in any way affect the Member's obligation to make payments pursuant to Rule 11.
5. If any Member is declared insolvent by a court of competent jurisdiction, its membership in CAR shall terminate as of the date it is declared insolvent, but it shall be liable to CAR for all obligations incurred under the Plan or the Rules prior to the date it is declared insolvent. CAR shall compute the amount of such obligations in accordance with the Rules and shall be entitled to offset any liabilities of the Member to CAR against any liabilities of CAR to the Member.

Any unsatisfied net liability of an insolvent Member shall be assumed by and apportioned among the remaining Members of CAR in the same manner in which underwriting results are apportioned by CAR. CAR shall have all rights allowed by law on behalf of the remaining Members against the estate or funds of such insolvent Member for sums due CAR.

6. No judgment against CAR shall create any direct liability against the individual Members.

**B. Meetings**

1. There shall be an Annual Meeting of the Members of CAR, which shall be held within 75 days of the end of the fiscal year at such time and place as is determined by the Governing Committee and specified in the Notice of Meeting.
2. Special Meetings of the Members of CAR shall be called at any time by the Governing Committee upon the written request of eight members of the Governing Committee.
3. Written notice of any Annual or Special Meeting of the Members of CAR shall be mailed to each Member at least 10 days before the date fixed for such meeting stating the purpose of the meeting.
4. Minutes of all Annual and Special Meetings of the Members of CAR shall be sent to all Members, the Governing Committee, producer associations, and the Commissioner.

**C. Inactive Member Obligations**

Inactive Members must abide by the Plan and Rules of Operation. An Inactive Member shall receive those CAR distributions which are required by Article X of the Plan of Operation or which otherwise emanate from the Massachusetts Division of Insurance. Inactive Members will not be furnished with other CAR Bulletins and will not be assigned reporting numbers. At such time as an Inactive Member issues a Motor Vehicle Insurance policy or bond in Massachusetts, it must concurrently obtain a reporting number and as of that date must fully assume the obligations of a Member.