

A. Appointments

1. The Governing Committee shall appoint Members to serve as commercial Servicing Carriers, for a specified term, as authorized in the Plan and Rules of Operation, based on the responses to the Request for Proposal for Massachusetts Residual Market Commercial Automobile Business (RFP). The Governing Committee or its designee shall establish the RFP criteria.
 - a. A commercial Servicing Carrier may only enter into an agreement for the purpose of servicing its commercial ceded business, if the terms and conditions of that agreement have been fully disclosed in the response of that Member to the RFP.
 - b. A commercial Servicing Carrier, in addition to satisfying the requirements listed in Section A.3., shall be required to satisfy all criteria contained in the RFP, consistent with the Member's response to the RFP.
2. No domestic insurance company shall be denied participation in the RFP process to serve as a Servicing Carrier based solely upon its share of the Massachusetts Motor Vehicle Insurance market.
3. The Governing Committee in considering the appointment of a Member as a Servicing Carrier, shall require that the company has satisfied the Governing Committee that it, or another entity pursuant to its response to the RFP, has the ability to, and will effectively:
 - a. Provide policy issuance and premium collection services for all eligible classes of risks, except for those classes of risks specifically exempted by the Commissioner upon the request of the applicant.
 - b. Service insurance claims in every state, the District of Columbia and Canada.
 - c. Administer a direct bill program.
 - d. Provide an installment payment plan in accordance with the provisions of the Request for Proposal for Massachusetts Residual Market Commercial Automobile Business. A Servicing Carrier shall cooperate with its Exclusive Representative Producers

(ERPs) to assure that policyholders are made aware of their option to utilize an installment payment plan.

- e. Maintain a Special Investigative Unit to investigate suspicious or questionable Motor Vehicle Insurance claims for the purpose of eliminating fraud, and to assist in the verification of garaging and policy facts on a representative sample of policies.
- f. Report all required information to CAR in an accurate and timely manner.
- g. Adopt and maintain a plan approved by the Commissioner providing for direct payment by the insurer to the insured under collision, limited collision, comprehensive, and fire and theft coverages.

B. Servicing Carrier Responsibilities

- 1. A Servicing Carrier that has contracted with a third party for performing any of its Servicing Carrier responsibilities guarantees the third party's performance.
- 2. A Servicing Carrier must provide quality service to CAR policyholders by maintaining the standards established as a condition of appointment under Section A.3.
- 3. A Servicing Carrier shall provide the same level of service to ceded policies as it provides to policies issued voluntarily.
- 4. Policies and other forms mailed to policyholders shall be those specifically referenced in CAR's Manual of Administrative Procedures.
- 5. General Duties

A Servicing Carrier shall perform the following general duties:

- a. Provide a contract signed by an authorized company representative with terms consistent with the Rules of Operation to a qualified newly appointed or reappointed ERP within 15 business days of the Servicing Carrier's receipt of the appointment by CAR. If the Servicing Carrier determines that the appointed or reappointed

ERP is not duly qualified, the Servicing Carrier will notify CAR within two business days of that determination.

- b. Verify that information contained in the application for insurance is accurate as to classification, garaging, discounts, credits, vehicle use, vehicle description and experience for those risks eligible to be experience rated.
- c. Assure that a policy has been issued for each Registration and Title Application (RTA) and that the policy effective date and the certification date are the same.
- d. Adopt procedures designed to assure that all assigned ERPs comply with all provisions of the contract between the Servicing Carrier and the producer.
- e. Implement procedures to assure collection of premiums billed.
- f. Comply with the terms and conditions of premium finance notes and/or agreements submitted to the Servicing Carrier, on behalf of applicants for insurance, by the producer or by a premium finance company licensed under the laws of the Commonwealth of Massachusetts.
- g. Maintain effective communication with ERPs by scheduling meetings when necessary and conducting educational or training sessions as may be necessary to assure that ERPs provide quality service to the motoring public.
- h. Verify, prior to contracting and on an ongoing basis, producer eligibility for appointment to a Servicing Carrier as required by G.L. c. 175, §113H.
- i. Provide ERPs with all information and procedures required for them to effectively service policies ceded to CAR.
- j. Comply with all of the provisions of the Plan and Rules of Operation and the Manual of Administrative Procedures.
- k. Maintain records of infractions of the Rules of Operation by ERPs and report such infractions as appropriate.

- l. Provide ERPs with necessary information from the policy declaration page, in a usable format and medium, to support the servicing of their insureds.
 - m. Provide producers with a list of approved inspection services for conducting pre-inspections.
 - n. Provide ERPs with premium, production, and experience data on their business, at least quarterly.
 - o. On an annual basis, provide CAR with information relative to each ERP's affiliation status for commercial Motor Vehicle Insurance. Identify any contractual relationship or membership in a producer cluster or network that the ERP may have or whether the ERP has a direct or indirect material and continuing proprietary or management interest in another agency or brokerage firm having an ERP appointment to another Servicing Carrier. Include any new agency affiliations or changes in affiliated agency relationships.
 - p. Offer training on claim reporting and fraud recognition to producers and their customer service representatives.
 - q. On an annual basis, evaluate an ERP's book of business to assure that minimum commercial Motor Vehicle Insurance written premium volume requirements are met pursuant to the provisions of Rule 14.C.1. Provide a copy of the evaluation to the ERP and to CAR within 15 days of the evaluation date.
 - r. Terminate an ERP's contract to bind coverage in accordance with Section B.6.
6. Termination of ERP Contracts
- a. A Servicing Carrier may terminate an ERP's contract and authority to bind coverage upon failure of the ERP to meet the eligibility requirements and/or definition of ERP as provided by the Rules of Operation or upon failure of the ERP to fulfill any of the requirements of Rule 14.B.1.
 - (1) A Servicing Carrier shall have cause to immediately terminate an ERP's contract and the authority to bind coverage pursuant to the provisions of Rule 14.B.2.a.

- (2) A Servicing Carrier shall have cause to terminate an ERP's contract and the authority to bind coverage with thirty days written notice of termination pursuant to the provisions of Rule 14.B.2.b.
- b. All ERP terminations issued by a Servicing Carrier, both immediate and 30 day terminations, shall:
- (1) Be in writing.
 - (2) State the specific CAR Rule provision(s) that constitute the basis for the termination.
 - (3) Define changes in operational procedures, if any, that the Servicing Carrier intends to implement upon the ERP's receipt of the termination notice.
 - (4) Advise the ERP of the right to request that the termination be reviewed by CAR, pursuant to Rule 14.F. and include a copy of CAR's "Request for Review/Relief" form.
 - (5) Be hand delivered or mailed by a method that provides proof of mail to the ERP's principal place of business, with a copy of the termination notice sent concurrently to CAR and the Division of Insurance.
- c. A Servicing Carrier shall initiate procedures in a timely manner to administer a controlled run off of the business from an ERP whose contract has been terminated.
- d. When a termination notice is issued, the Servicing Carrier shall continue to service the ERP's in-force business until all of the policies have been legally cancelled or non-renewed. Such service includes additions, deletions and changes of vehicles and coverages on in-force policies.
- e. A Servicing Carrier may commence issuance of non-renewal notices following termination of an ERP appointment provided that the termination has not been stayed or overturned in accordance with the provisions of Rule 14.F. and Rule 20.

7. Reporting Requirements

All eligible coverages written by a Servicing Carrier must be reported to CAR in accordance with the following provisions:

- a. New Business – A Servicing Carrier must provide CAR written or electronic notice of eligible coverages bound within 23 calendar days of the effective date of the policy, otherwise CAR's obligation to provide reimbursement for losses shall commence on the date which CAR receives proper written or electronic notification of the eligible coverages bound.
- b. Renewals – A Servicing Carrier must provide CAR with a written or electronic notice of eligible coverages bound prior to the effective renewal date of the policy, otherwise CAR's obligation to provide reimbursement for losses shall commence on the date which CAR receives proper written or electronic notification of the eligible coverages bound.
- c. A Servicing Carrier may elect to cede 100% of the commercial new business of an ERP. If this option is selected, the Servicing Carrier must cede all eligible new business produced by the ERP, and CAR's obligation for reimbursement for losses will commence as of the new business policy's effective date, regardless of the date that the cession notice is received by CAR.

When an ERP is newly appointed to a Servicing Carrier by CAR, the Servicing Carrier may elect the 100% cede option as of the contract date provided that CAR is notified in writing by the Servicing Carrier of its intentions within 30 calendar days of the Servicing Carrier's receipt of the appointment. After the initial 30 calendar day period, the election by a Servicing Carrier to cede 100% of an ERP's new business must apply as of the first day of a month, which date must be no less than 30 calendar days later than the date that the notification is received by CAR. Servicing Carriers may change elections, and the same notification lead times to CAR apply.

Absent specific notice to CAR of the intention to cede 100% of an ERP's new business, all new business produced by an ERP will be ceded in accordance with Section B.7.a. Regardless of the Servicing Carrier's new business 100% cede election for a

particular ERP, all renewal business from the ERP will be ceded in accordance with Section B.7.b.

- d. A Servicing Carrier must report written premiums, paid and outstanding losses, allowable expenses and any other information which may be required by the Plan and Rules of Operation, the Manual of Administrative Procedures and the Massachusetts Commercial Automobile Statistical Plan.

C. Exclusive Representative Producer Assignment Methodology

1. Servicing Carriers shall receive appointments of newly applying producers on a rotational basis.
2. CAR will perform quarterly reviews of the distribution of ceded commercial written premium and, if necessary, may perform a redistribution of residual market books of business to maintain equity among Servicing Carriers. Any such redistribution shall occur no sooner than 60 calendar days from the date of review. If a redistribution is performed, any subsequent redistribution shall not occur for at least 12 reporting months after the effective date of the previous redistribution.