Rule 2 - Definitions

When used in these Rules and the Plan of Operation, the following words shall have the stated meanings:

CAR means Commonwealth Automobile Reinsurers.

CAR YEAR OF EXPOSURE means one car insured for twelve months.

COMMERCIAL MOTOR VEHICLE means any insurable motor vehicle not included in the definition of Private Passenger Motor Vehicle.

COMMISSIONER means the Commissioner of Insurance of Massachusetts.

ELIGIBLE RISK means

1. Private Passenger – any person who qualifies for a motor vehicle insurance policy under the provisions of G.L. c.175, §113H and §193R;

2. Commercial – any person which has its principal place of business within the Commonwealth of Massachusetts and which is required by a financial responsibility law as enacted by the legislature of any State or of the United States or by any valid regulation of the Interstate Commerce Commission, United States Department of Transportation, or the Massachusetts Department of Public Utilities to maintain motor vehicle insurance with respect to vehicles owned or leased by it, and registered within or outside of the Commonwealth of Massachusetts. Ordinances or Bylaws, as enacted by any political subdivision of any State, shall not for the purposes of determining eligibility be considered as a financial responsibility law.

   With respect to both 1. and 2., physical damage coverage is eligible for cession to CAR only when written in conjunction with statutory coverage for the same vehicle.

   With respect to both 1. and 2., pursuant to G.L. c.175, §113U, Antique Vehicles do not qualify as an eligible risk.

EXCLUSIVE REPRESENTATIVE PRODUCER (ERP) means

1. Private Passenger – a person licensed as a property and casualty insurance producer pursuant to G.L. c.175, §162H to §162X inclusive, who has a place of business in Massachusetts and who does not have any existing voluntary agency relationship with a Servicing Carrier of CAR for motor vehicle insurance, and who has been appointed by the Governing Committee or its designee to a Servicing Carrier to immediately certify motor vehicle insurance policies.

Nonresident licensed producers with a place of business in any state contiguous to Massachusetts may apply to CAR for appointment as an Exclusive Representative Producer;

2. Commercial – a person satisfying 1., or, a person who has an existing voluntary relationship(s) with a Member Company(s) of CAR for commercial motor vehicle insurance business, and who has also been appointed by the Governing Committee or its designee to a Servicing Carrier for purposes of writing commercial ceded business.

   Nonresident licensed producers with a place of business in any state contiguous to Massachusetts may apply to CAR for appointment as an Exclusive Representative Producer.

INACTIVE MEMBER, Subject to CAR Rule 3.A. "INACTIVE MEMBER" is any insurer which is licensed to write motor vehicle insurance policies or bonds in Massachusetts, but which did not, in fact, issue any motor vehicle insurance policies or bonds in Massachusetts during the most recent calendar year and which is not the issuing company on any outstanding Massachusetts motor vehicle insurance policies or bonds.

INSURER means any corporation, association, partnership or individual licensed to write motor vehicle insurance in Massachusetts.

MAIP means the Massachusetts Automobile Insurance Plan. Beginning on January 1, 2007, and subject to a phase-in period through July 1, 2007, for the placement of eligible risks, the MAIP is the mechanism by which eligible risks who are unable to obtain voluntary coverage are assigned to a Member for the purpose of obtaining private passenger automobile insurance coverage.

MANUAL OF ADMINISTRATIVE PROCEDURES means the Manual of Administrative Procedures of CAR.

MARKET NEED for the appointment of ERPs for private passenger automobile business means those territories where the current rate Subsidy averages 10% or more.

MEMBER means any insurer which is licensed to write motor vehicle insurance policies or bonds in Massachusetts and which does not qualify for inactive membership status. Groups of companies under the same ownership and management will be treated as a single Member. Groups of companies under either the same ownership or management, but not both, may elect to be treated either separately or as a single Member.

MOTOR VEHICLE INSURANCE means direct insurance against injury or damage, including the legal liability therefore, arising out of the ownership, operation, maintenance or use of motor vehicles, including but not limited to bodily injury liability insurance, personal injury protection insurance, property damage liability insurance, physical damage insurance, medical payments insurance, uninsured/underinsured motorists insurance and towing and labor insurance.

NEWLY EMERGING COMPANY means a company duly licensed by the Commonwealth of Massachusetts for the purpose of insuring against physical damage and liability arising from the ownership of motor vehicle(s); which company, at the time of its licensure to write physical damage or liability coverage in the Commonwealth of Massachusetts has neither: previously written both physical damage and liability coverage for private passenger and commercial classifications in the Commonwealth of Massachusetts, nor assumed the assets and/or liabilities of another insurer writing motor vehicle insurance in the Commonwealth of Massachusetts, and is not, at any time, a part of, or controlled by, any insurer or group of insurers which has previously written physical damage or liability insurance in the United States or in Canada.

This definition shall apply to companies becoming members of CAR subsequent to the effective date of the Rule change, as approved by the Commissioner of Insurance.

NEWLY WRITING COMPANY means any member which does not qualify as a Newly Emerging Company and which did not write physical damage and/or liability coverage for private passenger and/or commercial motor vehicles in the Commonwealth of Massachusetts in 1982.

PERSON means every natural person, firm, co-partnership, association, corporation, government or agency thereof.

PLAN OF OPERATION or PLAN means the Plan of Operation of CAR.

PRINCIPAL PLACE OF BUSINESS as it applies to the definition of an eligible risk, the term "principal place of business" is defined as the chief or usual place of business. It is the head office, the place where the principal officers generally transact business and the place to which reports are made and from which orders emanate. It is also the place where the corporate functions are performed. It is where executive offices are located and corporate decisions are made.

The burden of proof with regard to the location of the principal place of business, consistent with the definition as stated above, lies with the applicant who seeks to qualify as an eligible risk.

PRIVATE PASSENGER MOTOR VEHICLE

A. A motor vehicle of the private passenger or station wagon type that is owned or leased under contract for a continuous period of at least twelve months by one or more individuals, excluding partnership and corporations, and is not used as a public or livery conveyance for passengers nor rented to others.

B. A motor vehicle with a pick-up body, a sedan delivery, a van, a panel truck, or similar type ` vehicles with a load capacity of 1,500 pounds or less that is owned or leased under contract for a continuous period of at least twelve months by one or more individuals, excluding partnerships and corporations, not used in the occupation, profession or business of the insured.

REPRESENTATIVE PRODUCER means a person licensed as a fire or casualty insurance producers pursuant to G.L. c.175, §162H to §162X, inclusive, who has a place of business in Massachusetts and who has been appointed by the Governing Committee, or its designee, to a Servicing Carrier to immediately certify private passenger motor vehicle insurance policies and who has executed a contract with the Servicing Carrier. A nonresident licensed agent authorized by a Servicing Carrier to certify private passenger Massachusetts motor vehicle policies may apply to the Governing Committee for appointment as a Representative Producer of such Servicing Carrier, provided all requirements of Rule 14. have been satisfied.

RULES OF OPERATION or RULES or RULE means the Rules of Operation of CAR or a Rule of CAR.

SERVICING CARRIER means a Member which has been appointed pursuant to the Plan and Rules of Operation to issue motor vehicle insurance policies at the request of a Representative Producer or an Exclusive Representative Producer. Where a company within a group under the same management writes exclusively private passenger type motor vehicle insurance and another company within that same group writes exclusively commercial motor vehicle insurance, those companies shall be considered as one Servicing Carrier for purposes of this definition.

Rule 9 - Audit Review

Automobile insurance policies written by a Member of CAR or another entity subject to the Plan and Rules of CAR, or its successor entity, shall be subject to a review and audit in a manner and time determined by the Governing Committee. Each Member or entity authorizes CAR or its successor entity to audit any portion of its motor vehicle insurance business which has a bearing on any credits, penalties, or deficit sharing attributable to such Member or entity.

Rule 10 - Claim Practices

The Governing Committee shall establish and monitor procedures for the review of claim practices of Servicing Carriers to insure compliance with the "Performance Standards for the Handling and Payment of Claims by Servicing Carriers". National Association of Insurance Commissioners (NAIC) guidelines are incorporated where applicable into the Performance Standards. CAR will conduct periodic audits of Servicing Carriers' claims including policies reinsured in the plan and voluntarily written as specified in G.L. c. 175, §113H. An error tolerance rate of ten percent (10%) for procedures and seven percent (7%) for claims resolution will be implemented and enforced.

A. Claim practices of each Servicing Carrier shall comply with the requirements of G.L. c. 175, §113H. Servicing Carriers shall, in accordance with the Performance Standards:

1. Comply with the standards for prompt investigation of claims. Upon receipt of a new claim, investigate policy information for garaging, listed operator, prior accidents, or any other issues. Information developed may be used to affirm or deny claim payments. Discrepancies shall be communicated to the Underwriting Department and the premium recalculated and billed if appropriate;

2. Affirm or deny coverage of claims within a reasonable period of time;

3. Effectuate prompt, fair and equitable settlements of claims in which liability is reasonably clear;

4. Maintain claim reserving procedures for all applicable claims;

5. Conduct internal claim quality audit of a reasonably representative number of claim files on residual market business, commensurate with their procedures for audit of claims on voluntary business, in order to verify compliance with the Performance Standards. With sufficient frequency to reflect reasonable continuity of their quality controls, Servicing Carriers shall prepare internal reports summarizing the efforts and conclusions of their claim department quality audit. Reports shall consolidate comments relative to both residual market and voluntary claim adjustment. Report format shall be at the discretion of each Servicing Carrier, or as may be requested from time to time on an individual basis by the Governing Committee, or their designee;

6. Establish complaint handling procedures, and maintain complete records of all complaints received on claims related to both residual market and voluntary business. Servicing Carriers shall maintain records reflecting the number of complaints received annually. For purposes of this Rule, the term "complaint" shall mean any written communication initiated by the complainant primarily expressing a grievance;

7. Acknowledge and act promptly upon communications regarding claims;

A. Claim practices of each Servicing Carrier (continued)

8. Promptly provide a reasonable explanation for denial of a claim or for the offer of a compromise settlement;

9. Resolve inter-company subrogation disputes involving Physical Damage and Personal Injury Protection claims through arbitration;

10. Have Direct Telephone Reporting available for first and third party claims; and

11. Servicing Carriers shall offer training on claim reporting and fraud recognition to producers and their customer service representatives. Such training shall be completed for current producers and customer service representatives within six months of approval of this rule, and for new producers and customer service representatives within six months of licensing or employment.

B. In the handling of residual market claims, Servicing Carriers shall not:

1. Misrepresent pertinent facts or policy provisions relating to the coverage at issue;

2. Refuse to pay claims without having conducted a reasonable investigation based upon all available information; or

3. Fail to promptly settle claims, where liability is reasonably clear, under one portion of the policy coverage in order to influence settlements under other portions of the policy coverage.

C. Every Servicing Carrier shall maintain a Special Investigative Unit to investigate suspicious claims for the express purpose of eliminating fraud and shall specifically report to CAR evidence of fraud pertaining to theft or misappropriation of a motor vehicle on policies issued through CAR as provided in the Manual of Administrative Procedures. Special Investigative Units so established shall be organized and operated to investigate claims on any policies which are issued through CAR and on policies issued on a voluntary basis by Servicing Carriers. The SIU shall investigate suspicious circumstances surrounding underwriting, rating, and premium issues. A claim shall not be investigated by such a unit solely on the basis that such claim arises from a policy issued through CAR.

D. Failure to meet the standards or requirements described in this Rule may prevent reimbursement of loss or expense or may result in such other penalties as may be imposed by the Governing Committee or as directed by the Performance Standards.

E. Special Reimbursements (for claims arising out of policies written prior to July 1, 2007)

1. Excess Judgments

A Servicing Carrier shall notify, in writing, the Vice President-Claims of CAR of any tort liability judgment, for which the Servicing Carrier may be liable, against an insured of a Servicing Carrier policy if the amount of the judgment exceeds the limit of coverage, within 180 days of the entry of judgment. A Servicing Carrier shall also notify, in writing, the Vice President-Claims of CAR of any settlement of a claim against a Servicing Carrier policy if the amount of the settlement, for which the Servicing Carrier may be liable, exceeds the limit of coverage, within 180 days of the execution of any settlement.

Within one year of the entry of judgment or the execution of settlement prior to any entry of judgment, the Servicing Carrier may apply, with adequate supporting explanation and documentation, including the complete claim file and complete underwriting file if requested, to the Vice President-Claims for reimbursement of such amounts; provided however, that if no final judgment has been entered and the Servicing Carrier has so notified, in writing, the Vice President-Claims and has provided notification, the request for reimbursement may be filed within 180 days after the subsequent entry of final judgment or execution of settlement or within one year of the initial notification, whichever occurs later. The Vice President-Claims shall review the request with the Claims Advisory Committee and shall refer its recommendation to the Governing Committee for consideration. The Governing Committee may authorize reimbursement of all or any part of the amount requested unless it determines that the Servicing Carrier was negligent in the handling of the claim and its negligence was the proximate cause of the excess judgment or settlement, in which event the request shall be denied.

The requirements of this Rule shall apply to all excess judgments entered or excess settlements executed which occur on or after the effective date of the approval of these amendments. For excess judgments entered or excess settlements executed within 179 days prior to the effective date of the approval of these amendments, Servicing Carriers must provide notice and/or a request for reimbursement during the same time periods set forth above, but measured from the effective date of the approval of the amendments.

For all other requests for reimbursement on judgments or settlements pre-dating this amendment, the excess judgment or settlement must be reported promptly. In no event will a request for reimbursement be considered if a delay in reporting, by or within the control of the Servicing Carrier, is prejudicial to CAR or its ability to properly evaluate the request.

Failure to comply with any of the requirements set forth above shall preclude any request for reimbursement in connection with such judgment and/or settlement.

Approved reimbursements shall be submitted as separate loss records.

E. Special Reimbursements (continued)

2. Penalties

The Governing Committee may authorize reimbursements to Servicing Carriers for payments of penalties imposed by Massachusetts Courts in accordance with G.L. c.90, §34O and G.L. c. 175, §113O, and for the payment of legal expenses for the successful defense of actions based on Chapter 93A.

A request for reimbursement, accompanied by adequate supporting explanation and documentation, shall be sent promptly to the Vice President-Claims, who shall review the request with the Claims Advisory Committee and thereafter present its recommendations to the Governing Committee for consideration.

In cases that do not involve any negligence in the handling of the claim by the Servicing Carrier, which negligence is the proximate cause of the imposition of the penalty, the Governing Committee may authorize reimbursement of all or part of the amount of penalty.

Approved reimbursements shall be submitted as separate loss records.

3. Notice of Reimbursement

The Governing Committee shall give thirty days' written notice to the Commissioner of its intent to consider any request for reimbursement pursuant to this section.

F. Dishonesty

Loss or expense resulting from the dishonesty of those employed to handle claims shall be the sole responsibility of the Servicing Carrier.

G. Claim Contingency Procedures

1. Terminations

A Member which terminates its designation as a Servicing Carrier as provided in Rule 16 shall, subject to the provisions of Rule 10 - Claim Practices, service to a conclusion all claims against all policies issued by it in its capacity as a Servicing Carrier and in effect prior to the date of termination. "Service to a conclusion" shall mean until the claim is properly closed, or until an agreed date.

G. Claim Contingency Procedures (continued)

2. Other Terminations

Upon notice from the Governing Committee of the termination, other than voluntary, of a Member's designation as a Servicing Carrier, the Vice President-Claims shall examine a representative sample of open claim files to determine the amount of work completed, to estimate the future cost of servicing the claims to a conclusion, and to verify compliance with Rule 10 - Claim Practices. He shall review his findings with the Claims Advisory Committee and shall present to the Governing Committee for its consideration the recommendations of the Claims Advisory Committee for the further servicing of said Servicing Carrier claims.

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 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 determines 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.

Note that commercial ceded written premium from Exclusive Representative Producers (CAR Identification Code 5) with policy effective dates of January 1, 2006 and subsequent is excluded from this calculation. Additionally, all premium from those 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 are excluded from this calculation.

B. Participation -- Underwriting Results

For purposes 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 principles and procedures:

B. Participation -- Underwriting Results (continued)

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

For policy year 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 Year	Exclusion Criteria
2004-2005	Ceded exposures for risks at SDIP step 20 and above, and ceded exposures for Inexperienced Operators (0-3 years) - Rate Classes 20, 21, 25, and 26.
2006	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

B. Participation -- Underwriting Results (continued)

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 in paragraph 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 Year 2004-2006	Classification	Adjustment Factor
0400	Electric Cars	.33
0426	Snowmobiles	.33
0483*	Antique Vehicles	.33
0408-0416	Motorcycles	.33
0608-0616	Motorcycles	.33

*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 in paragraph B. 1, above should be separately identified, to enable their exclusion where specified in subsequent paragraphs.

For policy years 2004 through 2006 note that all other Miscellaneous Rated as Private Passenger classifications are included in the liability participation ratio calculations without adjustment.

B. Participation -- Underwriting Results (continued)

For policy years 2004 through 2006 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 Year	Minimum Allowable Exposures
1992	85.0% of 1989 voluntary and voluntary-ceded exposures
1993 and later	The greater of: 80.0% of the previous calendar year voluntary and ceded exposures from voluntary agents or written directly, or 80.0% 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 company newly emerging 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 company newly emerging 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 company newly emerging in 1990-1992, 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.

B. Participation -- Underwriting Results (continued)

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 company newly writing 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 company newly writing 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 company newly writing in 1990-1992, 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 newly writing 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.

B. Participation -- Underwriting Results (continued)

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 as determined in 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 determined in 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 as determined in a. will be used.

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

- Voluntary retained exposures from all sources, from a. above

- Ceded exposures from all sources, from a. and b.

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

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

In the above formula, for policy years 1993 through 2006, the value of the K factor will be 4.0.

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

d. For each company, determine each company's participation credits based on voluntary business from all sources.

B. Participation -- Underwriting Results (continued)

e. Determine for each company, "adjusted total voluntary written exposures" by multiplying the total industry voluntary written exposures from all sources from a. above by the company's pre-credit utilization ratio as determined in 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 from d. above, by the total industry voluntary written exposures from a. above minus the total industry participation credits from 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 Identification Codes:

B. Participation -- Underwriting Results (continued)

CAR Identification 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 Identification 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 Identification Codes 0 and 1 as described in (i) above.

All retained premium (CAR Identification Codes 0 and 1) for Antique Vehicles (Classification Code 9620) shall be excluded from the calculation 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 as determined in (i) above by the total industry retained premium as determined in (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.

B. Participation -- Underwriting Results (continued)

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 Identification Codes:

CAR Identification 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 Identification Code 5) are excluded from the calculation of commercial participation ratios.

Additionally, all premium (CAR Identification 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 Identification Codes 0 and 1) is less than zero, this premium is excluded from the commercial participation ratio formula.

B. Participation -- Underwriting Results (continued)

Additionally, if the company's ceded written premium (CAR Identification Code 4) minus the excluded premium noted in (b) below is less than zero, this premium is excluded from the commercial participation ratio formula and the company's ceded market share in (d) below will equal zero.

(b) Identify Commercial Exclusions

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 Identification Code 4) meeting the following criteria shall be excluded:

B. Participation -- Underwriting Results (continued)

Exclusion Criteria		
Classification Description	**Policy Year (s)**	**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

B. Participation -- Underwriting Results (continued)

Classification Description	Policy Year (s)	Statistical Code
Specialized Delivery Armored Cars	2004-2005	###410
Church Bus	2004-2005	638#00, 639#00, 630#00, 635#00, 636#00, 637#00
Social Services Automobile Employee Operated All Other	2004-2005	64#### 65####
Short Term Leasing or Rental Concerns Private Passenger Autos 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 Identification Codes 0 and 1) as the total of all Servicing Carriers' ceded written premium (CAR Identification Code 4) bears to the total of all Servicing Carriers' voluntary written premium (CAR Identification Codes 0 and 1).

B. Participation -- Underwriting Results (continued)

(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 Identification Code 4) as determined in (a) or (c) above by the total industry ceded written premium (CAR Identification Code 4) as determined in (a) and (c) above. Company and industry premium identified in (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 Identification Codes 0 and 1) and ceded (CAR Identification Code 4) written premium as determined in (a) and (c) above, by the total industry voluntary (CAR Identification Codes 0 and 1) and ceded (CAR Identification Code 4) written premium as determined in (a) and (c) above. Company and industry premium identified in (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 from (d) above and 50% of the ratio from (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) as determined in (a) and (c) above, by the company's utilization ratio as determined in (f) above. Industry premium identified in (b) above is excluded from this calculation.

B. Participation -- Underwriting Results (continued)

(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 as determined in (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 Identification Codes 0 and 1), from (a) above.

b) Ceded written premium (CAR Identification Code 4), from (a) or (c) above, excluding premium identified in (b) above.

Using the voluntary and ceded premiums 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.

B. Participation -- Underwriting Results (continued)

3. Companies Electing to Withdraw

a. Private Passenger Automobile

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 (3) 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 as determined in Rule 11.B.1.c., 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 Rule 11.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 Rule 11.B.1. had no plan been filed and approved.

B. Participation -- Underwriting Results (continued)

b. Commercial Automobile

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.

The credits provided under this Rule are offered to enhance the prospects for a viable voluntary market in all territories and classifications. The credits shall be reviewed annually and any necessary adjustments shall be made.

Any credit adjustments made under this Rule shall not result in a Member's participation ratio being adjusted below zero.

Private Passenger Motor Vehicles

Each Member shall receive credit for voluntarily writing private passenger business within the territories and classifications that would otherwise be disproportionately represented in CAR. This credit is applied to the Member's participation units used to determine its share of CAR's underwriting results as provided for in Rule 11 – Assessments and Participation.

A. Policy Year 2006

For policy effective year 2006, for each unit of voluntary retained private passenger business written in credit-eligible territories and classifications, participation credits will be given as shown below using approved credit factors and based upon a territory/classification matrix methodology for calculating rate subsidies. Specific credit factors will be determined annually.

2006 Credit Factors

	Rate Class	**10**	**10**	**10**	**10**	**15**	**17**	**17**	**17**	**17**	**18**	**18**	**18**	**30**
	Statistical Class	**10**	**2040**	**2242**	**2426**	**1516**	**10**	**1516**	**2242**	**2426**	**10**	**2040**	**2426**	**30**
Territory	**1**	0	0	4	2	0	0	0	0	0	0	0	0	0
	2	0	2	6	2	0	0	0	1	0	0	0	0	0
	3	0	1	5	2	0	0	0	1	0	0	0	0	0
	4	0	2	6	2	0	0	0	1	0	0	0	0	0
	5	0	3	7	2	0	0	0	1	0	0	0	0	0
	6	0	3	6	2	0	0	0	2	0	0	0	0	0
	7	0	2	7	3	0	0	0	1	0	0	1	0	0
	8	0	3	7	2	0	0	0	1	0	0	1	0	0
	9	0	3	7	3	0	0	0	2	0	5	0	0	0
	1	0	1	7	3	0	0	0	3	0	4	0	0	0
	1	0	3	8	3	0	1	0	2	0	2	0	0	0
	1	0	5	7	3	0	0	0	4	0	0	0	0	0
	1	0	1	7	1	0	2	0	5	0	0	1	0	0
	1	0	1	9	3	0	4	0	4	1	0	0	0	0
	1	2	7	1	8	0	7	0	1	4	1	1	0	0
	1	5	1	2	9	0	1	2	1	7	6	1	0	0
	1	0	5	1	4	0	0	0	6	0	6	0	0	0
	1	5	8	2	1	0	3	0	4	0	1	0	0	0
	1	2	5	2	9	0	5	0	1	3	2	0	0	0
	2	6	1	2	1	0	4	0	1	0	1	2	0	0
	2	9	2	3	1	1	1	4	2	1	5	9	2	0
	2	1	1	3	2	5	1	5	3	1	9	1	0	0
	2	0	1	8	1	1	1	0	5	1	0	4	0	0
	2	0	1	7	1	0	2	0	6	0	0	4	0	0
	2	0	5	1	6	0	9	0	5	6	9	0	0	0
	2	2	6	1	6	0	8	0	1	6	8	0	0	0
	2	0	1	4	2	0	0	0	1	0	0	0	0	0

2006 Credit Factors (continued)

	Rate Class	**20**	**20**	**20**	**20**	**21**	**21**	**21**	**25**	**25**	**25**	**25**	**26**	**26**	**26**
	Statistical Class	**10**	**1516**	**22**	**24**	**10**	**20**	**24**	**10**	**1516**	**26**	**42**	**10**	**26**	**40**
Territory	**1**	3	0	1	3	0	6	0	0	0	0	2	0	0	0
	2	0	0	1	2	0	4	3	0	0	0	2	1	0	0
	3	0	0	1	3	0	5	0	0	0	0	1	0	0	0
	4	0	0	1	5	0	8	3	0	0	0	1	0	0	0
	5	0	0	1	6	0	7	0	0	0	0	2	0	0	0
	6	2	0	1	2	0	1	0	0	0	0	4	0	0	0
	7	2	0	1	3	0	9	6	0	0	0	5	0	0	1
	8	2	0	2	4	0	1	5	3	0	0	5	0	0	0
	9	4	0	1	6	0	7	3	6	0	2	5	0	0	1
	1	6	0	2	1	2	1	1	6	0	2	7	0	0	1
	1	1	0	2	8	0	8	3	0	0	0	8	0	0	1
	1	1	0	2	1	0	1	2	1	0	2	1	0	0	2
	1	1	0	2	1	2	1	3	6	0	4	1	0	0	0
	1	1	0	2	1	0	1	1	3	0	9	1	3	0	5
	1	1	3	3	2	1	1	4	2	0	9	2	5	0	5
	1	2	5	4	2	7	2	1	0	2	1	2	1	0	6
	1	5	0	3	2	0	1	0	5	0	0	4	2	1	0
	1	1	0	2	1	0	1	9	0	0	4	1	0	0	5
	1	1	0	3	1	4	1	1	0	0	0	1	1	0	5
	2	1	0	3	1	6	1	3	0	0	0	1	0	2	0
	2	2	9	5	3	4	2	1	2	5	1	3	1	3	9
	2	2	1	5	3	6	2	2	1	9	1	1	0	7	8
	2	1	1	3	1	0	1	3	0	0	7	2	0	1	0
	2	1	0	2	1	0	1	2	0	0	0	1	0	0	1
	2	1	0	3	3	0	1	5	1	0	2	1	0	0	4
	2	1	3	3	2	2	1	4	6	0	1	2	0	1	4
	2	0	0	1	1	0	3	0	0	0	0	1	0	0	0

Rule 13 - Servicing Carrier Requirements

A. Appointments

1. Private Passenger

The Governing Committee shall appoint Servicing Carriers as authorized in the Plan and Rules of Operation. A Member may be excused from its private passenger Servicing Carrier responsibilities for Exclusive Representative Producer business if the Member executes an agreement with another entity for handling its share of private passenger Exclusive Representative Producer business. The agreement must be reviewed and approved by CAR. Nothing in this paragraph shall be construed to affect the rights of any private passenger Servicing Carrier to enter into any contractual agreement for the purpose of servicing the Servicing Carrier's voluntary or voluntary ceded private passenger business. Nothing in this paragraph shall be construed so as to relieve any Servicing Carrier of its share of the underwriting and/or administrative expenses of CAR nor of its responsibility to provide coverage as required by G.L. c. 175, §113H(A).

a. Each member company is required to be a private passenger Servicing Carrier provided the company's reported written property damage liability exposures for private passenger motor vehicle insurance business equals or exceeds an established threshold as follows:

(1) For private passenger business, all companies with 5,000 or more reported written property damage liability exposures for the most recently completed policy year, will be required to become a private passenger Servicing Carrier effective January 1st of the next policy year following notification of eligibility status.

2. Commercial

a. For commercial motor vehicle business effective prior to January 1, 2006, each company with reported voluntarily produced commercial written premium equal to or greater than 0.5% of the total market voluntarily produced commercial written premium, will be required to become a commercial motor vehicle Servicing Carrier effective January 1st of the next policy year following notification of eligibility status. A member will only be required to become a Servicing Carrier when it has met or exceeded the above stated threshold.

A. Appointments (continued)

b. For policies effective January 1, 2006 and subsequent, the Governing Committee shall appoint a limited number of Servicing Carriers, for a specified period of time, as authorized in the Plan and Rules of Operation, based on the response of Member Companies to the Request for Proposal for Servicing Carrier for Massachusetts Residual Market Commercial Business.

(1) A commercial Servicing Carrier may only enter into a contractual 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 aforementioned Request for Proposal.

(2) A commercial Servicing Carrier, in addition to satisfying the requirements listed in Section 4. hereunder, shall be required to satisfy all criteria contained in the aforementioned Request for Proposal, consistent with the Member's response to the Request for Proposal.

3. For purposes of determining Servicing Carrier eligibility, groups of companies under the same ownership and management will be treated as a single member company.

4. In order to assure the protection of the public interest, the Governing Committee in considering the appointment of a Member as a Servicing Carrier shall require the following:

a. That the company has satisfied the Governing Committee that it, or another entity pursuant to a written agreement reviewed and approved by the Governing Committee or its designee, has the ability to, and it will effectively:

(1) 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.

(2) Service insurance claims in every state, the District of Columbia and Canada.

A. Appointments (continued)

(3) Administer a Direct Bill Program for Private Passenger risks and for Commercial risks.

(4) Provide an Installment Payment Plan which has been filed with and approved by the Commissioner. The Installment Payment Plan shall require no more than a 30% first or deposit payment on or before the policy effective date, and no less than seven monthly payments thereafter. A Servicing Carrier shall cooperate with its Exclusive Representative Producers to assure that policyholders are made aware of their option to utilize an Installment Payment Plan.

(5) Maintain a Special Investigative Unit to investigate suspicious or questionable motor vehicle insurance claims for the purpose of eliminating fraud, and to verify garaging and policy facts on a representative sample of policies.

(6) Report all required information to CAR in an accurate and timely manner.

(7) Adopt and maintain a plan approved by the Commissioner of Insurance providing for direct payment by the insurer to the insured under collision, limited collision, comprehensive, and fire and theft coverages.

This requirement shall apply to all private passenger Servicing Carriers whose average market share for the three years preceding equals or exceeds one percent of the total private passenger market.

Additionally, this requirement shall also apply to all commercial Servicing Carriers January 1, 2006 and subsequent.

B. Servicing Carrier Responsibilities

1. No domestic insurance company shall be denied participation as a Servicing Carrier based solely upon its share of the Massachusetts motor vehicle insurance market.

2. If a Servicing Carrier has contracted with a third party for performing any of its Servicing Carrier's responsibilities, the Servicing Carrier guarantees said performance by such third party.

3. Servicing Carriers must provide quality service to CAR policyholders by maintaining the standards established as a condition of appointment under Section A. 4 of this Rule.

4. Policies and Forms

   a. For private passenger business, policies and other forms mailed to policyholders shall be the same as those used for non-Servicing Carrier motor vehicle business. Servicing Carriers shall provide the same level and type of service to policies issued through CAR, as they provide to policies issued voluntarily.

   b. For commercial business, policies and other forms mailed to policyholders shall be the same as those specifically referenced in CAR's Manual of Administrative Procedures.

   c. Servicing Carriers shall provide the same level and type of service to policies issued through CAR, as they provide to policies issued voluntarily.

5. For Private Passenger Motor Vehicles

   No group or members of a group under the same management or ownership or both may charge rates on business subject to the provisions of G.L. c. 175, §113B, different from those fixed and established under such section or provide different levels of service through a member of the group that is not a Servicing Carrier than is provided to policyholders insured by a Servicing Carrier member of the group.

B. Servicing Carrier Responsibilities (continued)

6. General Duties

The Servicing Carrier shall perform the following general duties:

a. Provide a contract signed by an authorized company representative with terms consistent with these Rules to a qualified newly assigned or reassigned ERP within 15 business days of the Servicing Carrier's receipt of the assignment by CAR. If the Servicing Carrier determines that the assigned or reassigned ERP is not duly qualified, the Servicing Carrier will notify CAR within 2 business days of that determination.

However, during the initial period of assigning ERPs to one of the limited number of Servicing Carriers appointed to issue commercial policies effective January 1, 2006 and subsequent, the Servicing Carrier must provide a contract signed by an authorized company representative with terms consistent with these Rules no less than 60 calendar days prior to January 1, 2006. If the Servicing Carrier determines that the assigned ERP is not duly qualified, the Servicing Carrier will notify CAR within 2 business days of that determination.

b. Accomplish confirmation of operator driving licenses and records in order to effectively administer the Safe Driver Insurance Plan.

c. Verify that representations contained in the application for insurance are accurate as to classification, garaging, discounts, credits, vehicle use, vehicle description and experience for those risks eligible to be experience rated.

d. Assure that a policy has been issued for each RMV-1 and/or RMV-3 certificate and that the policy effective date and the certification date are the same.

e. Adopt procedures designed to assure that all assigned Exclusive Representative Producers comply with all provisions of the contract between the Servicing Carrier and the producer.

f. Implement procedures to assure collection of premiums billed.

B. Servicing Carrier Responsibilities (continued)

g. 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.

h. Termination

Servicing Carriers shall be entitled to immediately terminate an Exclusive Representative Producer's contract to bind coverage on behalf of the Servicing Carrier when any of the conditions listed below exist or upon failure of the Exclusive Representative Producer to meet the requirements/definition of Exclusive Representative Producer as defined in Rule 2 of the Rules of Operation.

(1) Those conditions deemed to be cause for immediate termination of an Exclusive Representative Producer contract and authority to bind coverage shall include:

(a) Failure to maintain a valid agents/brokers license as issued by the Division of Insurance.

(b) Willful misappropriation of premium due a Servicing Carrier in accordance with the provisions of CAR Rules of Operation.

(c) The entry of a finding, by a court of competent jurisdiction that the producer has engaged in fraudulent activity in connection with the business of motor vehicle insurance.

(2) The following conditions shall be cause for a Servicing Carrier to terminate an Exclusive Representative Producer's authority to bind coverage on behalf of a Servicing Carrier with said Exclusive Representative Producer being entitled to a thirty day written notice of termination:

(a) Failure to remit payments to a Servicing Carrier on a timely basis in accordance with CAR's Rules of Operation.

B. Servicing Carrier Responsibilities (continued)

(b) Failure to notify the Servicing Carrier of any suspected fraud in the application for insurance or in the underwriting or rating process or in the payment of premium obligations or surrounding a loss.

(c) Failure to assist the Servicing Carrier during any audit or investigation.

(d) Violations of the conditions set forth in the Servicing Carrier contract.

(e) Failure to report all coverages bound within two working days of the effective date of coverage.

(f) Failure to comply with reasonable procedures as supplied by the Servicing Carrier for processing claims, remitting premiums, and requesting coverages.

(g) Failure to adhere to a directive issued by the Commissioner relative to the charging of Service Fees.

(h) Failure to provide a reasonable and good faith effort to verify the information provided by the applicant, including rating and licensing data.

(i) Failure to comply with applicable agency requirements and procedures, as prescribed in the CAR Rules of Operation.

(j) Failure to refrain from brokering private passenger business, as defined in Rule 14.B.1.r.

3. All Exclusive Representative Producer terminations issued by a Servicing Carrier, both immediate and thirty (30) day terminations, shall:

(a) Be in writing.

B. Servicing Carrier Responsibilities (continued)

(b) State the specific CAR Rule provision(s) that constitute the basis for the termination.

(c) Include a copy of the CAR Request for Review form, and a copy of the section of Rule 13 entitled "Termination", to advise the ERP of its right to request a review of the termination by CAR.

(d) 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 to CAR concurrently.

(e) Define changes in operational procedures, if any, that the Servicing Carrier intends to implement concurrent with the ERP's termination effective date.

It shall be the responsibility of each Member of CAR to so notify CAR of any change in the status of any of their producers so that this information may be communicated to the remaining Servicing Carriers. It shall also be the responsibility of each Member to so notify CAR of any Exclusive Representative Producer which defaults on premium payments.

Any Exclusive Representative Producer terminated pursuant to this Rule may request that the termination be reviewed by CAR pursuant to the provisions of Rule 20. A complete "Request For Review" form must be received by CAR within thirty (30) calendar days of the delivery of the termination notice, with a copy of this Rule and a copy of the "Request For Review" form, to the ERP's principal place of business. A review by the Market Review Committee of CAR will be held within fifteen (15) business days of the date of CAR's receipt of the completed "Request For Review" form.

If the termination is upheld by the Market Review Committee, the terminating Servicing Carrier may commence issuance of non-renewal notices as of the date of the Committee's decision, unless the ERP requests, and is granted, a stay of non-renewal notifications. The request for a stay must be made before the

B. Servicing Carrier Responsibilities (continued)

adjournment of the Market Review Committee meeting at which the termination has been sustained. The request for stay must be made in conjunction with the ERP's stated intent to have the Committee's action reviewed by the Governing Committee Review Panel, pursuant to Rule 20. The Market Review Committee has the discretion to grant such a stay only if it deems such action is appropriate.

At the time a termination notice is issued, the Servicing Carrier will continue to service the ERP's in-force business, until all of the policies have been legally cancelled or non-renewed. Such service will include additions, deletions and changes of vehicles and coverages on in-force policies. The Servicing Carrier may define changes in operational procedures, as are necessary to effectively service the in-force policies. If the changes in procedures are to be implemented as of the termination effective date, the Servicing Carrier will provide written explanations of those procedures at the time of the notice of termination. The ERP may request a review of any such changes in the Servicing Carrier's operational procedures.

i. Report immediately to CAR and the Division of Insurance any termination of an Exclusive Representative Producer's contract and initiate procedures in a timely manner, including litigation if necessary, to administer a controlled run off of the business from an Exclusive Representative Producer whose agreement has been terminated.

j. Maintain effective communication with Exclusive Representative Producers by scheduling meetings when necessary and conducting whatever educational/training sessions as may be required to assure that Exclusive Representative Producers provide quality service to the motoring public.

k. Verify, prior to contracting and on an ongoing basis, producer eligibility for assignment to a Servicing Carrier as required by G.L. c. 175, §113H.

B. Servicing Carrier Responsibilities (continued)

l. Provide Exclusive Representative Producers with all information and procedures required for them to effectively service policies issued through CAR.

m. Comply with all of the provisions of the Rules of Operation and Manual of Administrative Procedures.

n. Maintain records of infractions of the Rules of Operation of CAR by Exclusive Representative Producers and report such infractions as appropriate and necessary.

o. Provide Exclusive Representative Producers with necessary information from the policy declaration page, to support their servicing of their insureds, in an appropriate and usable format and medium.

p. Provide producers with a list of approved inspection services for conducting pre-inspections.

q. Provide Exclusive Representative Producers, at least quarterly, with premium, production, and experience data on their business.

r. Notify CAR of any new affiliated agency status, or changes in affiliated agency relationships.

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 - Servicing Carriers must provide CAR written or electronic notice of eligible coverages bound within twenty-three calendar days of the effective date of the policy, otherwise CAR's obligation for reimbursement of losses shall become effective on the date CAR receives proper written or electronic notification of the eligible coverages bound.

B. Servicing Carrier Responsibilities (continued)

b. Renewals - Servicing Carriers must provide CAR a written or electronic notice of eligible coverages bound prior to the effective renewal date of the policy, otherwise CAR's obligation for reimbursement of losses shall become effective on the date CAR receives proper written or electronic notification of the eligible coverages bound.

c. A Servicing Carrier may elect to cede 100% of the new business of an ERP. This option can be selected for only private passenger new business, for only commercial new business, or for all new business from the 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 assigned to a Servicing Carrier by CAR, the Servicing Carrier may have the 100% cede option apply as of the contracting date provided that CAR is notified in writing by the Servicing Carrier of their intentions within thirty (30) calendar days of the Servicing Carrier's receipt of the assignment. After the initial thirty (30) calendar day period, all elections 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 thirty (30) calendar days later than the date that the notification is received by CAR. Servicing Carriers may change elections, with the same notification lead times to CAR applying.

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 7.a above. 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 7.b above.

d. Servicing Carriers must report on a monthly basis their premiums written, paid losses, allowable expenses and any other information which may be required by the Plan, Rules or Manual of Administrative Procedures.

B. Servicing Carrier Responsibilities (continued)

e. If a Servicing Carrier elects to cede a policy, all coverages written on that policy which are eligible coverages under Rule 6 must be reported, as ceded, to CAR, by the Servicing Carrier.

8. Continuation of Eligibility as a Servicing Carrier

A private passenger Servicing Carrier must maintain a viable book of voluntarily written private passenger motor vehicle policies. The Commissioner may terminate any Servicing Carrier if he finds that disruptive reductions in voluntarily issued private passenger motor vehicle policies are in violation of this section.

9. Inducements

No Servicing Carrier shall offer any inducement, monetary or otherwise, to the ERP of another Servicing Carrier to incent that ERP to accept business from, or to purchase, that Servicing Carrier's ERP or a part of that ERP's book of business. CAR will not recognize any ERP sale, unless the purchasing ERP and the Servicing Carrier of the selling ERP submit affidavits that such inducements or incentives are not part of the transaction.

10. Penalties

If CAR determines that either a Servicing Carrier or a Non-Servicing Carrier Member of CAR is found to have provided a direct incentive for either an ERP or a voluntary producer to engage in brokering activity prohibited by Rule 14.B.1.r., CAR shall assess a penalty on such Servicing Carrier or Non-Servicing Carrier for all exposures or premium identified as being so brokered. The assessment shall be $2,000 per exposure for private passenger motor vehicles for each of the calendar years in which the business was brokered, with a minimum penalty of $25,000.

C. ERP Subscription

1. Subscription Share (Ought to Have) and Methodology – Private Passenger

a. Servicing Carriers will be assigned Exclusive Representative Producers (ERPs) based upon the Servicing Carrier's total market share. The Servicing Carrier's "ought to have" share of ERP exposures will be equal to the Servicing Carrier's percentage of the total market multiplied by the sum of all Servicing Carriers' ERP exposures. Servicing Carrier ERP subscription reports will be developed based upon statistical data reported to CAR for the latest twelve (12) policy effective months. CAR will verify, validate and/or adjust this data for use in the subscription process, including the assignment and reassignment of ERPs and Servicing Carrier oversubscription relief.

b. A Servicing Carrier's "over or under subscription" position will be determined by comparing its actual number of ERP exposures to its "ought to have" number of ERP exposures and expressing the result as a percentage of the "ought to have" number of ERP exposures.

c. A Servicing Carrier's over/under subscription level is arrived at by subtracting its own number of ERP exposures from its "ought to have" number of ERP exposures as defined above.

(1) A Servicing Carrier assigned a newly emerging ERP will be credited with the greater of 400 exposures or the actual number of exposures written by that ERP until the third anniversary of the assignment, for purposes of determining the Servicing Carrier's subscription level. Thereafter, the actual number of exposures written by that ERP will be attributed to the Servicing Carrier.

Exposures written by producers appointed as ERPs, as a result of losing their last voluntary private passenger market, are to be fully attributed to the successor Servicing Carrier at the time of appointment. The Servicing Carrier terminating the voluntary relationship will have exposures deducted from its share as those exposures expire or are written through another carrier.

C. ERP Subscription (continued)

(2) When one ERP purchases an entire book of automobile business from another ERP, the exposures associated with the purchased ERP will be fully attributed to the successor Servicing Carrier and will be deducted from the predecessor Servicing Carrier at the time of transfer and the selling ERP's appointment will be terminated. Voluntarily contracted ERP transfers will be counted as voluntary agent produced exposures for the successor Servicing Carrier and subtracted from the ERP Servicing Carrier on an "as written" basis.

(3) Companies which have been Servicing Carriers for thirty-six (36) months or less will have their voluntarily written (non-ERP) exposure total "grossed up" using a factor that is based on a three (3) year rolling average of the industry non-ERP cession rate. The factor will be updated annually at the end of June.

(4) The primary consideration for subscription order will be based on a Servicing Carrier's percentage of their "ought to have" ERP share. However, for Servicing Carriers between 75% and 100% of their "ought to have" ERP shares, subscription will be calculated in 5% intervals within which subscription order will be based on exposure counts.

(5) No ERP with greater than 300 exposures shall be assigned to a Servicing Carrier where the assignment will result in the Servicing Carrier exceeding 105% of its "ought to have" ERP share. In the event that an assignment would bring a carrier over 105%, the ERP will be assigned to the next most undersubscribed Servicing Carrier where the assignment complies with this Rule, and the most undersubscribed Servicing Carrier will remain eligible for the next assignment.

d. A Servicing Carrier is prohibited from entering into a two or three party agreement with an ERP for the purpose of a change in assignment.

C. ERP Subscription (continued)

e. If an ERP receives a voluntary contract from a Servicing Carrier and is subsequently terminated within twenty-four (24) months of the contract date, the canceling Servicing Carrier's and industry's exposure totals will continue to include the producer's number of exposures, in force as of the cancellation date, as "produced by a voluntarily contracted producer" for a period of thirty-six (36) months. In addition, actual exposures written will be counted as ERP exposures for the newly assigned ERP Servicing Carrier.

f. If a Servicing Carrier is undersubscribed by 25% and 1,000 exposures or for three (3) consecutive months, CAR will simultaneously notify the Governing Committee and all oversubscribed Servicing Carriers of that circumstance. The Governing Committee will determine whether to order a redistribution of ERPs from oversubscribed Servicing Carriers to the undersubscribed carrier. An oversubscribed Servicing Carrier may notify the Governing Committee of its desire to forego any redistribution of its ERPs. Upon Governing Committee direction, CAR will randomly reassign ERPs from the then most oversubscribed Servicing Carrier until the undersubscribed Servicing Carrier's subscription approximates its "ought to have" share pursuant to the procedures outlined in C.2.

2. Subscription Relief – Private Passenger

In order to assure that the subscription relief process is responsive to those Servicing Carriers that become oversubscribed and to further assure that the relief process itself does not cause additional Servicing Carriers to become oversubscribed, the following methodology will be used to provide subscription relief, making every effort to reduce the oversubscribed Servicing Carrier to a level of 100% of its "ought to have" ERP exposures.

a. A Servicing Carrier may petition CAR for relief if it has been oversubscribed at a level of 110% or more for a period of three (3) or more consecutive months. The petition will be in writing and addressed to the President of CAR.

C. ERP Subscription (continued)

b. CAR will confirm the petitioner's eligibility for relief based upon the Servicing Carrier's subscription level at the time of the Servicing Carrier's petition. CAR will verify and validate the petitioning Servicing Carrier's reported data for the applicable three (3) month period. CAR will also review all Servicing Carriers' data reported for the same period, pursuant to C.1.a. Upon completion of the data validation process, CAR will then perform the following subscription relief procedure.

(1) CAR will randomly select ERPs of the petitioning Servicing Carrier and will reassign those ERPs to the most undersubscribed Servicing Carrier pursuant to C.1. However, if a randomly selected ERP will reduce the petitioning Servicing Carrier's "ought to have" ERP share to below 100%, or, if the reassignment of the ERP causes the most undersubscribed Servicing Carrier's ERP subscription level to go above 100%, the ERP will not be assigned and a new selection will be made.

(2) Following the reassignment of each individual ERP, CAR will recalculate subscription levels for all Servicing Carriers. The process will continue until the petitioning Servicing Carrier's subscription level is as close to 100% as possible without going below 100%. In any event, the petitioning Servicing Carrier's subscription level must be less than 105% of its "ought to have" number of ERP exposures, while assuring that no additional Servicing Carriers become oversubscribed in the process.

(3) If after all of the petitioning Servicing Carrier's eligible ERPs have been reassigned, but subscription relief cannot be completed because the only ERPs left to reassign produce entire books of business that would cause either the petitioning Serving Carrier's subscription level to drop below 100% or the recipient Servicing Carrier's subscription level to exceed 100% of its "ought to have" share, further relief will be granted by reassigning exposures to the most undersubscribed Servicing Carrier by utilizing garaging towns. The supplementary relief process will include the following:

(a) CAR will randomly reassign the garaging towns of a randomly selected ERP to the most undersubscribed Servicing Carrier.

C. ERP Subscription (continued)

The reassignment process will be in accordance with Sections C.2.b.(1)–(2) of this Rule, substituting garaging town in place of an entire ERP as the unit of assignment. CAR will recalculate subscription levels for all Servicing Carriers after the reassignment of each individual garaging town, until the petitioning Servicing Carrier's subscription level is reduced to as close to 100% as possible without going below 100% of its "ought to have" number of ERP exposures.

(b) The individual garaging towns reassigned to a Servicing Carrier through the multiple Servicing Carrier relief process will function as an independent ERP assignment on a going forward basis.

(c) Each Servicing Carrier writing business with a multiple Servicing Carrier ERP is required to monitor the process by ensuring that the policies it writes are only from the garaging town(s) it has been assigned.

c. ERPs or individual garaging towns so reassigned by CAR will be reimbursed by the petitioning Servicing Carrier at a rate of $15 per exposure based on a count of the ERP exposure as statistically reported to CAR for the most recent twelve (12) month period at the time of reassignment.

d. If an ERP or individual garaging town was assigned or reassigned within the previous thirty-six (36) months, that ERP or individual garaging town of an ERP will not be randomly reassigned, and another random selection shall be made from the oversubscribed Servicing Carrier's remaining ERPs unless this provision precludes an oversubscribed Servicing Carrier from obtaining subscription relief, in which instance an ERP or an individual garaging town of an ERP may be reassigned notwithstanding having been assigned or reassigned within the previous thirty-six (36) months.

3. Subscription Methodology – Commercial

a. For Policies Effective January 1, 2006 and Subsequent

C. ERP Subscription (continued)

(1) Each producer that has an assignment to a commercial Servicing Carrier

on December 31, 2005 shall be assigned to one of the limited number of commercial Servicing Carriers appointed to issue policies effective January 1, 2006 and subsequent. Such assignments will be made to provide equitable distribution among all those carriers based upon CAR's review of premium volume and agency loss ratio by major commercial class, with an effort to minimize market disruption. Subsequent to the original assignments, CAR will perform annual reviews of the distribution of ceded commercial written premium and will make such periodic adjustments to the distribution of commercial business as the Governing Committee determines is necessary to ensure that no individual carrier is unduly burdened.

(2) Two- and three- party agreements with an ERP and a commercial Servicing Carrier will not be permitted.

(3) An applicant for an ERP assignment to a commercial Servicing Carrier will be assigned to a commercial Servicing Carrier on a rotational basis subject to the provisions of section C.3.a (1) of this Rule.

b. For Policies Effective Prior to January 1, 2006

(1) A Servicing Carrier's "ought to have" ERP subscription level will be based upon its voluntarily written (non-ERP) market share. Further defined, a Servicing Carrier's "ought to have" volume of ERP written premium will be equal to that Servicing Carrier's actual percentage of the total Servicing Carrier non-ERP market multiplied by the sum of all Servicing Carriers' ERP written premium.

A Servicing Carrier's over/under subscription level is arrived at by subtracting its own volume of ERP written premium from its "ought to have" volume of ERP written premium as defined above.

Subscription order will be based on each Servicing Carrier's variance from its "ought to have" ERP written premium dollars.

C. ERP Subscription (continued)

(2) Two-party agreements with an ERP of a Servicing Carrier which has less than 100% of its "ought to have" written premium will not be permitted.

Three-party agreements providing for an ERP to go from its present Servicing Carrier to a less subscribed Servicing Carrier are permitted.

Rule 14 - Representative Producer and Exclusive Representative Producer Requirements

A. Appointments

1. Representative Producer Appointments

Producers who have a voluntary producer agreement with any Member Company appointed as a Servicing Carrier in accordance with these Rules shall be assigned to represent those Servicing Carriers, as Representative Producers, as defined in Rule 2. for new and renewal private passenger or all other motor vehicle business or both, consistent with such voluntary producer agreement. Such Carriers shall service such Representative Producers under substantially the same contractual terms and conditions governing their normal agency relationship.

2. Exclusive Representative Producer Appointments

a. New Appointments

Any licensed producer who does not have a voluntary producer agreement for private passenger or commercial motor vehicle business with any Member Companies appointed as Servicing Carriers in accordance with these Rules or, as of January 1, 2006, any licensed producer who has not been appointed as a commercial Exclusive Representative Producer to one of the Member Companies which has been selected by the Governing Committee as a commercial Servicing Carrier, may apply for an appointment to represent a Servicing Carrier, as an Exclusive Representative Producer, as defined in Rule 2 for new and renewal business for which a voluntary agreement does not exist. The producer shall be subject to the provisions of the Eligibility Requirements (Rule 14.A.2.e.). If CAR determines the applicant has satisfied these eligibility criteria the applicant will be appointed to a Servicing Carrier as an Exclusive Representative Producer. Such Carriers shall service such Exclusive Representative Producers under substantially the same contractual terms and conditions governing their normal producer relationship.

For all private passenger Servicing Carriers and those commercial Servicing Carriers for December 31, 2005 and prior, if an applicant is applying as a consequence of the involuntary cancellation of a voluntary agency or brokerage agreement, as far as is possible, the appointment shall be made to an insurer other than that which last cancelled a voluntary agreement for motor vehicle insurance business with the applicant.

A. Appointments (continued)

An applicant for an ERP appointment who is applying because of the involuntary cancellation of a voluntary contract with an insurer shall, insofar as possible, be assigned to the insurer which last cancelled the voluntary contract for placing private passenger automobile insurance.

Newly qualified producers, with offices in market need areas as defined in Rule 2. who receive ERP appointments shall be assigned to Servicing Carriers whose total market share in that market need area is below their total market share statewide.

In the case of an applicant who is applying as a consequence of a voluntary producer agreement being terminated because the applicant (1) intentionally withdraws from a voluntary agreement to write motor vehicle insurance business on behalf of a Servicing Carrier, or (2) requests cancellation of a voluntary agreement for motor vehicle insurance business, or (3) engages in conduct which CAR concludes by its nature raises such issues as to the ethical or professional standards of the producer that would reasonably cause the voluntary Servicing Carrier to terminate its voluntary agreement, and the voluntary Servicing Carrier as a result of that conduct does so terminate the agreement with the producer, such producer is ineligible for appointment to a Servicing Carrier as an Exclusive Representative Producer.

b. Affiliated Producers

(1) If an applicant for a private passenger appointment to represent a Servicing Carrier as an Exclusive Representative Producer, or a producer holding an involuntary (Exclusive Representative Producer) appointment, for private passenger commercial motor vehicle insurance business is found to have a direct or indirect material and continuing proprietary or management interest in another agency or brokerage firm which has a voluntary (Representative Producer) or involuntary (Exclusive Representative Producer) appointment to a Servicing Carrier for the same type of business or vice versa, the producer is presumed to be an affiliate of the other agency or brokerage firm and is ineligible for appointment, or for the continuation of an appointment, to a Servicing Carrier as an Exclusive Representative Producer for that type of business

A. Appointments (continued)

insofar as there exists a Servicing Carrier market through the affiliated agency.

An Exclusive Representative Producer that CAR determines has an affiliated voluntary relationship, as described in the preceding paragraph, which existed prior to January 1, 1991, may continue in that status only for so long as such voluntary relationship with the Servicing Carrier(s) is maintained. Business written through the Exclusive Representative Producer will be assigned the same CAR ID Codes as that written through the affiliated agency and the Servicing Carrier will not be entitled to additional fees as provided in Rule 17. or to the option provided by Rule 13.B.7.c., regarding cession backdates.

(2) An applicant for a commercial Exclusive Representative Producer appointment determined to have an affiliated relationship or an existing commercial ERP identified as having an affiliated relationship will be assigned to the same Servicing Carrier as all members of the affiliated group.

An affiliation will be presumed to exist if the new applicant or existing ERP is found to have a contractual relationship or membership in a producer cluster or network, or is found to have a direct or indirect material and continuing proprietary or management interest in another agency or brokerage firm. Assignments emanating from the formation of an affiliated group for the sole purpose of placing commercial automobile business are prohibited.

(3) An applicant for a commercial ERP appointment must identify any affiliated relationships at the point of application. An existing commercial ERP must notify its Servicing Carrier of any new affiliated relationship, or change in affiliated status within thirty (30) days of such change.

A. Appointments (continued)

(4) Annually as of the commercial ERP appointment date, each ERP will be required to furnish its Servicing Carrier with a completed affiliated agency disclosure form.

(5) Failure to furnish the completed affiliated agency disclosure form will result in the termination of the ERP appointment for commercial motor vehicle business by the assigned Servicing Carrier. An ERP terminated under the provision of this section shall be provided a thirty (30) day written notice, and shall be ineligible for appointment to a Servicing Carrier for a period of two (2) years commencing on the effective date of the termination.

(6) Any applicant aggrieved by staff's determination of its affiliated status may appeal to the Governing Committee and may present evidence to refute that determination. If the applicant is successful in refuting that determination, it will be appointed to a Servicing Carrier under the same terms and conditions as an Exclusive Representative Producer.

c. Voluntary Contracting

(1) A producer which has an Exclusive Representative Producer appointment to a Servicing Carrier and which obtains a voluntary agreement with another Servicing Carrier or non-Servicing Carrier will retain the involuntary assignment for thirty (30) days from the date on which the voluntary contract is effective.

(2) An existing Servicing Carrier who makes a voluntary contract offer to their own ERP will, with thirty (30) days notice, have the option to decline new and renewal business when the ERP enters in to a voluntary contract with a second Servicing Carrier.

A. Appointments (continued)

d. Sale of Exclusive Representative Producer Business

If a producer which has an Exclusive Representative Producer appointment to a Servicing Carrier sells its stock or its book of business to a producer which does not have a motor vehicle insurance relationship with a Servicing Carrier, such appointment will inure to the purchaser subject to the eligibility requirements and production and market need criteria of this Rule, notwithstanding the location of the seller's place of business. If the Exclusive Representative Producer appointment was in a probationary status, as respects the above requirements or criteria, that status will carry over to the purchaser of this business.

If the sale does not result in the continuation of the appointment to the sellers' Servicing Carrier, then that Servicing Carrier shall enter an agreement with the purchaser whereby all risks written by the Servicing Carrier on behalf of the seller, for policies with an effective date as of 90 days subsequent to the date of the sale for renewal business and as of the date of sale for new business, will be fully serviced through the purchaser until the policy expiration date of each risk, as noted on the declaration page of each policy in force as of these respective dates.

Servicing shall include, but not be limited to, change of existing vehicles, adding insureds, adding named operators onto the existing policy, endorsing coverage limits, providing all notices required by law, claims processing and premium collection. All other obligations of both Servicing Carrier and producer as set forth pursuant to the Plan and Rules of Operation shall remain in force during the term of this agreement.

e. Eligibility Requirements

Prior to any action being taken on an application for an Exclusive Representative Producer appointment, the producer must satisfy the Governing Committee that he or she:

A. Appointments (continued)

(1) has completed a course of study, approved by the Commissioner of Insurance, which concentrates on the Massachusetts motor vehicle insurance system;

(2) has attained a passing grade on a written examination based on material covered in the approved course;

(3) has within the preceding twelve (12) month period worked for a minimum of six (6) months with a producer licensed by the Division of Insurance, or with a Massachusetts automobile insurer, during which time the applicant's efforts were primarily devoted to the Massachusetts motor vehicle insurance market; and

(4) will be addressing a market need as determined by criteria to be established by the Governing Committee of CAR.

(5) for commercial appointments, has an existing commercial relationship with a non-Servicing Carrier or can provide letter(s) of intent from insureds identifying commercial policies expected to be written as of the first year of appointment that would satisfy the production criteria established in Rule 14.D.3. Continued eligibility is dependent upon compliance with the provisions of Rule 14.D.3.

(6) Having satisfied the preceding criteria the applicant must conclusively show that he or she:

(a) is applying in good faith;

(b) will operate from an established location in Massachusetts, except licensed nonresident producers if licensed pursuant to Massachusetts General Laws;

(c) will maintain regular business hours;

A. Appointments (continued)

(d) has not been convicted of a crime related to his occupation as an insurance producer;

(e) has not had his/her producer’s license to engage as an insurance producer revoked/suspended;

(f) has not been involved in a material and substantial breach of a contract between a Servicing Carrier and a producer;

(g) is not in default in remittance of any motor vehicle premiums due a Member company;

(h) agrees to comply with the provisions of the Plan of Operation, the Rules of Operation, the Manual of Administrative Procedures, the contract between the Exclusive Representative Producer and the Servicing Carrier, and the applicable regulations of the Division of Insurance;

(i) agrees to notify CAR and the Servicing Carrier of an agreement to sell the agency fifteen (15) days in advance of the proposed closing of any such sale and further agrees to obtain a certification from the Servicing Carrier, which shall be provided to CAR, that the agency does not owe to the Servicing Carrier any past due premium based upon the latest available statement;

(j) has not been declined an Exclusive Representative Producer assignment within the preceding sixty (60) days, said declination not having been reversed by the Governing Committee, the Division of Insurance or a court of competent jurisdiction.

A. Appointments (continued)

(k) has not had an Exclusive Representative Producer assignment rescinded or cancelled by a Servicing Carrier as provided in Rule 14.H, or been terminated as an Exclusive Representative Producer for failure to meet minimum production criteria or market need criteria as provided in Rules 14.C and D within the preceding twenty-four (24) months, said rescission or

cancellation not having been reversed by the Governing Committee, the Division of Insurance or a court of competent jurisdiction.

B. Ongoing Exclusive Representative Producer Requirements

1. It will be the ongoing responsibility of a producer which has an Exclusive Representative Producer appointment to a Servicing Carrier to fulfill the following requirements as well as the eligibility criteria in Rule 14.A.2.e. Failure to do so will be grounds for termination of said appointment.

   a. Require of all new applicants for insurance that they complete in its entirety a new business application for insurance;

   b. Report all coverage bound and all registrations/titles certified to the Servicing Carrier within two working days after binding coverage or certifying a registration;

   c. Verify that the applicant has not been in default in the payment of any motor vehicle insurance premiums in the past twelve (12) months;

   d. Comply with the reasonable written procedures supplied by the Servicing Carrier for processing claims;

   e. Forward to the insured within thirty (30) days of receipt from the Servicing Carrier, all policies and endorsements if not mailed directly by the Servicing Carrier to the policyholder;

B. Ongoing Exclusive Representative Producer Requirements (continued)

   f. Remit payments on a timely basis in accordance with the provisions set forth in the contract between the Servicing Carrier and the Exclusive Representative Producer, however, a Servicing Carrier shall extend the payment period for an additional seven days upon sufficient notice that all or part of a premium is being financed by a licensed premium finance company where the premium finance company has given its written assurance to pay the full premium financed to the

Servicing Carrier directly. This provision shall not obligate a Servicing Carrier to provide such additional time if notwithstanding any written assurances the premium finance company has failed to perform its commitment previously;

g. Notify the Servicing Carrier of any suspected fraud surrounding a loss;

h. Cooperate with the Servicing Carrier and CAR personnel during all audits and investigations;

i. Properly order endorsements;

j. Order only those coverages from the Servicing Carrier requested by the insured, for which he may be eligible;

k. Quote proper premiums based on information provided by the applicants for the coverage desired;

l. Conduct all monetary transactions with the insured and the Servicing Carrier as required by the Rules of Operation and the Exclusive Representative Producer contract;

m. Advise the premium finance company and/or the insured that checks for premiums for all financed accounts are to be made payable to the Servicing Carrier;

n. Retain the necessary documentation of Servicing Carrier transactions in accordance with the Manual of Administrative Procedures;

o. Notify the applicant for insurance that he has the option of utilizing an Installment Payment Plan;

B. Ongoing Exclusive Representative Producer Requirements (continued)

p. Comply with the Automobile Insurance Bureau Form 2-A Procedures relative to the use of the Notice of Transfer of Insurer form.

q. Develop and maintain a book of business as required in paragraphs C and D.

r. Refrain from brokering private passenger business. Brokering, for the purposes of this Rule, shall mean the placing of private passenger motor vehicle insurance risks with a carrier on behalf of, or at the request of, another producer which has an appointment with a Servicing Carrier or non-Servicing Carrier of CAR for binding private passenger motor vehicle insurance risks, where the producer placing the risk pays to the other producer some form of compensation including, but not limited to, money, barter, services, or expense reductions or where the originating producer retains control or ownership rights of the motor vehicle risk.

Exclusive Representative Producers may engage in brokering risks pursuant to a brokerage agreement approved by their Servicing Carrier for the sole purpose of providing access by the ERP to its Servicing Carrier's private passenger automobile group marketing program(s). Such business shall be coded and statistically reported to CAR as emanating from the originating producer. If an ERP engages in brokering prohibited under this section, its Servicing Carrier shall issue a thirty-day notice of termination of the ERP's appointment.

C. Exclusive Representative Producer Responsibilities – Garaging Town Servicing Carrier Assignments

1. An Exclusive Representative Producer that has an appointment to more than one private passenger Servicing Carrier, as a result of the multiple Servicing Carrier relief process outlined in Rule 13.C.2.(b) will place new and renewal business with the appropriate Servicing Carrier, based on the garaging town of the vehicle(s) on each policy, as follows:

C. Exclusive Representative Producer Responsibilities – Garaging Town Servicing Carrier Assignments (continued)

a. Stamps, necessary forms and a list of Servicing Carrier garaging town assignments will be maintained in each office location for each Servicing Carrier to which the ERP has been appointed;

b. New and renewal business will be placed with the Servicing Carrier based upon the garaging town of the vehicle(s) on each policy;

c. For policies insuring multiple vehicles with different garaging towns, the entire policy will be assigned to the appropriate Servicing Carrier based on the garaging town of the first vehicle listed on the policy;

d. Policies placed with the incorrect Servicing Carrier will be rewritten immediately and placed with the correct Servicing Carrier retroactive to the original policy effective date;

e. For garaging towns that are reassigned to a new Servicing Carrier, the policies will be rewritten with that Servicing Carrier on the policy's next renewal effective date;

f. If the policyholder moves to a garaging town that is assigned to a different Servicing Carrier, the policy will be placed with the new Servicing Carrier upon renewal. However, in the case where the policy holder moves within sixty (60) days prior to the scheduled renewal effective date, the policy may be placed with the new Servicing Carrier on the next year's policy renewal date;

g. If a new book of business or new office location is acquired, that business will be placed with the appropriate Servicing Carrier based on the garaging town of the vehicle(s) on each policy, upon the policy's next renewal effective date.

D. Production Criteria

1. All Exclusive Representative Producers whose applications were submitted and who were appointed on or after January 1, 1992, shall be reviewed annually on the anniversary of each Exclusive Representative Producer's contract date. Those Exclusive Representative Producers who within the first twelve (12) months after their contract date fail to develop a book of business of at least 100 motor vehicles, those Exclusive Representative Producers who within twenty-four (24) months following their contract date fail to develop a book of business of at least 250 motor vehicles, those Exclusive Representative Producers who within thirty-six (36) months following their contract date fail to develop a book of business of at least 400 motor vehicles, and those who

subsequently fail to maintain a book of business of at least 400 motor vehicles as of their annual evaluation date, will be terminated, unless the Governing Committee or its designee determines particular circumstances that merit a continuation of the assignment. The Servicing Carrier shall be responsible for providing a copy of the evaluation to the Exclusive Representative Producer and to CAR within fifteen (15) days of the evaluation date. The effective date of termination shall be one year after the evaluation date on which the Exclusive Representative Producer failed to develop or maintain the applicable minimum book of business. If during the twelve (12) month phase out period the Exclusive Representative Producer obtains and maintains the applicable minimum book of business, the termination process shall be suspended but the Exclusive Representative Producer shall continue to be subject to annual evaluations.

2. Annual evaluations of Exclusive Representative Producers whose appointments were effective prior to January 1, 1992, shall commence on and after January 1, 1992. Those Exclusive Representative Producers who fail to develop or maintain a book of business of at least 100 motor vehicles as of the latter of January 1, 1992, or the first anniversary of their appointment, and those Exclusive Representative Producers who fail to develop or maintain a book of business of at least 250 motor vehicles as of the latter of January 1, 1993 or the third anniversary of their appointment and as of each subsequent annual evaluation will be terminated unless the Governing Committee or its designee determines particular circumstances that merit a continuation of the assignment, pursuant to the terms and notification provisions set forth in paragraph 1 above.

D. Production Criteria (continued)

3. Beginning with evaluations occurring on January 1, 2006 and thereafter, Exclusive Representative Producers appointed for commercial motor vehicle business, who within the first twelve (12) months after their appointment date fail to develop a minimum book of business of $10,000 in commercial motor vehicle written premium, those who within twenty-four (24) months after their appointment date fail to develop a minimum book of business of $20,000 in commercial motor vehicle written premium, those who within thirty-six (36) months after their appointment date fail to develop a book of business of $30,000 in commercial motor vehicle written premium, and those who subsequently fail to maintain a book of business of at least $30,000 in commercial motor vehicle written premium as of their evaluation date, will be terminated for commercial motor vehicle

business.

4. An Exclusive Representative Producer terminated under the provisions of this section shall be ineligible for appointment to a Servicing Carrier for a period of two (2) years commencing on the effective date of the termination.

   For purposes of this paragraph, the term Exclusive Representative Producer includes any licensed producer and any other newly emerging producer with whom or which the terminated Exclusive Representative Producer has a direct or indirect material and continuing proprietary or management interest.

E. Market Need Criteria

1. Beginning January 1, 1990, CAR shall review the appointment of all Exclusive Representative Producers in order to determine whether there is a market need to be served by the Exclusive Representative Producer. CAR shall conduct such a review of each Exclusive Representative Producer as of the third anniversary of the producer's contract and at least once within each succeeding three year period.

   Each Exclusive Representative Producer who does not meet the market need requirement shall be so notified by CAR within forty-five (45) days of the determination. If CAR finds that the Exclusive Representative Producer has: (a) been offered and has refused a voluntary contract to write motor vehicle business of the type covered by its Exclusive Representative Producer appointment with a company that is a Servicing Carrier;

E. Market Need Criteria (continued)

   or (b) has not made a substantial effort to obtain such a voluntary contract with a Servicing Carrier, that Exclusive Representative Producer appointment shall terminate three years from the date of notification of CAR's finding. For each year during the three year time period, that Exclusive Representative Producer shall receive a dollar commission which is minus ten (10) percent of the dollar commission established by the Commissioner in his annual opinion, findings and decision on automobile insurance rates. Prior to any adjustment in commission paid to an Exclusive Representative Producer pursuant to this section, both CAR and the Servicing Carrier shall notify the affected Exclusive Representative Producer in writing of the commission adjustment.

2. The notification shall advise the Exclusive Representative Producer of the right to a hearing as provided in Rule 20. The Exclusive Representative Producer shall be given an opportunity to demonstrate to CAR that he/she is satisfying a market need based on criteria established by CAR or that he/she has been unable to obtain a voluntary contract to write motor vehicle business of the type covered by its Exclusive Representative Producer appointment during the twelve (12) months immediately preceding the date of notification.

3. If at any time during the three year period referred to in 1 above, the Exclusive Representative Producer satisfies the Governing Committee that he or she has made a substantial effort to obtain such a voluntary contract, such Exclusive Representative Producer shall be entitled, as of the date of the Governing Committee's finding, to full commissions as provided for in Rule 18. and to all other rights conferred by the Rules of Operation.

F. Change of Assignment

1. Changes of assignment of Servicing Carriers, for reasonable business purposes, may be made upon application to and approval by the Governing Committee, provided there is no significant disruption of the marketplace and no unfair or inequitable apportionment of premiums, losses or expenses.

G. Service Fees

1. G.L. c. 175, §182 prohibits producers and others in connection with the placing or negotiation of insurance policies or the continuance or renewal thereof from selling or offering to sell anything of value whatsoever not specified in the policy of insurance, and further prohibits said producers from charging the insured at a rate different from that fixed, established or approved by the Commissioner. See also G.L. c. 176D. The following acts and practices are prohibited:

   a. Charging a fee in addition to the premium rate fixed, established or approved by the Commissioner for certifying a registration on behalf of a Servicing Carrier;

b. Charging a fee in addition to the premium rate fixed, established or approved by the Commissioner for acting as a producer and placing the insured's motor vehicle insurance business with a Servicing Carrier;

c. Charging a fee in addition to the premium rate fixed, established or approved by the Commissioner for providing assistance to the insured in the completion of forms which are completed in order for the insured to procure or to continue motor vehicle insurance; and

d. Charging a fee in addition to the premium rate fixed, established or approved by the Commissioner for the sale of a "service contract" which provides for service or advice relating to the issuance, continuance, or renewal of an insured's motor vehicle insurance policy.

2. Nothing set forth in the provisions of paragraph 1 above is intended to prohibit producers from charging runners' fees and other non-insurance related fees if the following requirements are met;

a. The producer provides to the insured a complete description of the non-insurance related services for which the fee, in addition to the premium rate, is being charged;

b. The producer advises the insured that there is no obligation to purchase the non-insurance related service and that the insured may obtain motor vehicle insurance through the producer, notwithstanding the insured's decision not to purchase the non-insurance related services;

G. Service Fees (continued)

c. The insured, after having been apprised of the information set forth in G.2.a. and G.2.b.above, agrees to pay the fee; and

d. The fee for the services provided is reasonable.

3. The producer may enter into a contract with the insured pursuant to which the producer provides non-insurance related services to the insured if the producer complies with all of the requirements of G, 2 above. In the event the producer and insured execute such a "service contract", the producer shall give to the insured an executed copy of the contract and shall retain an executed copy in his or her file which shall be made available to the Servicing Carrier, Division of Insurance and CAR upon request.

H. Appointment Ineligibility

1. Any licensed property and casualty producer who within the preceding twenty-four (24) month period has had an Exclusive Representative Producer assignment rescinded or cancelled by a Servicing Carrier with the said rescission or cancellation not having been reversed by the Governing Committee, the Division of Insurance, or court of competent jurisdiction shall be ineligible for an appointment to represent a Servicing Carrier as an Exclusive Representative Producer.

   Any licensed property and casualty producer whose Exclusive Representative Producer assignment rescission or cancellation has not been reversed pursuant to the preceding paragraph and who, after a hearing by the Governing Committee or its designee, has been found to have committed a subsequent material and substantial breach of a contract with a Servicing Carrier, said finding not having been reversed by the Division of Insurance or a court of competent jurisdiction, shall be ineligible for an appointment to represent a Servicing Carrier as an Exclusive Representative Producer.

   A material and substantial breach of contract will be deemed to have occurred where a finding has been made that the Exclusive Representative Producer has on three distinct occasions committed any of the following acts or omissions or on any one occasion has committed a combination of any three or more of the following acts or omissions:

H. Appointment Ineligibility (continued)

a. Failure to remit payments to a Servicing Carrier on a timely basis in accordance with CAR Rules of Operation and those prescribed by the Servicing Carrier.

b. Failure to forward to any insured within thirty (30) days of receipt from the Servicing Carrier policies and endorsements (if not mailed directly by the Servicing Carrier).

c. Failure to notify the Servicing Carrier of any suspected fraud, known to the Exclusive Representative Producer surrounding a loss.

d. Failure to assist the Servicing Carrier during any audit or investigation of the motor vehicle business of the Exclusive Representative Producer.

e. Failure to report to the Servicing Carrier all coverages bound, all registrations/titles certified within two working days after binding coverage or certifying a registration.

f. Failure to comply with reasonable procedures as supplied by the Servicing Carrier for processing claims.

2. If a voluntary agent has been terminated by his or her voluntary Servicing Carrier as a consequence of any of the above acts or omissions, that former voluntary agent will be ineligible for appointment as an Exclusive Representative Producer for a period of two (2) years commencing on the effective date of the termination.

3. An Exclusive Representative Producer terminated for failure to meet minimum production criteria as provided in Rule 14.D. or to meet market need criteria as provided in Rule 14.E. shall be ineligible for appointment to represent a Servicing Carrier as an Exclusive Representative Producer for a period of two (2) years commencing on the effective date of the termination.

4. For purposes of this section, the term Exclusive Representative Producer includes any licensed producer and any other newly emerging producer with whom or which the terminated Exclusive Representative Producer has a direct or indirect material and continuing proprietary or management interest.

Rule 17 - Expense Allowance to Servicing Carriers

A. Private Passenger Ceding Expense Allowances

1. For ceded business written for calendar years 1994 and later, Servicing Carriers shall receive credit against their premiums written account (excluding ceded premium for Antique Vehicles with policy effective dates of November, 1998 and subsequent) for expenses as follows:

   a. For all private passenger motor vehicle business, Commission and Brokerage expenses, Direct Writer Selling expense, and Premium Taxes shall be reimbursed on an actual incurred basis, but in no case can they be greater than the allowance provided in the Commissioner's annual Decision on Private Passenger Automobile Insurance Rates.

   b. For all private passenger motor vehicle insurance business, Unallocated Claim Adjustment Expenses, Other Acquisition, including Field Supervision and Collection Expenses, and General Expenses shall be reimbursed at the actual allowance provided in the Commissioner's annual Decision on Private Passenger Automobile Insurance Rates. Each Servicing Carrier's expense allowance shall be adjusted by the ratio of its claim frequency and other appropriate factors for ceded business to the claim frequency and other appropriate factors for all ceded business.

   Each Servicing Carrier's expense allowance shall be determined as a percent of its ceded premium written, based upon the percent of the statewide average rate which is represented by the aforementioned expense components.

   Separate computations shall be made for the liability pool and for the physical damage pool.

   Interim ceding expense allowances for each Servicing Carrier for a particular calendar year will be determined using the procedure outlined above utilizing the applicable expense components provided in the Commissioner's annual Decision on Private Passenger Automobile Insurance Rates, in conjunction with exposures and the adjustment based on claim frequency and other appropriate factors described in (b) above for the most recent calendar year available.

A. Private Passenger Ceding Expense Allowances (continued)

Annually, interim expense allowances will be trued-up to reflect the actual incurred expenses for that calendar year as described in (a) above, and to reflect the exposure and adjustment for claim frequency and other appropriate factors described in (b) above for that calendar year.

Interim ceding expense allowances for each Servicing Carrier for a particular calendar year will be determined using the procedure outlined above utilizing the applicable expense components provided in the Commissioner's annual Decision on Private Passenger Automobile Insurance Rates, in conjunction with exposures and the adjustment based on claim frequency and other appropriate factors described in A.1.b. above for the most recent calendar year available.

B. Commercial Ceding Expense Allowance

1. Expense Allowances on Ceded Business (Excluding Taxi, Limousine and Car Service Business)

For ceded commercial business written for calendar years 1995 and later, (except for taxi, limousine and car service business written through CAR's Taxi and Limousine Program); Servicing Carriers shall receive credit against their premium written account for the expenses noted below. Each Servicing Carrier's expense allowance shall be determined as a percent of its ceded premium written, based upon the percent of the average rate which is represented by these expense components.

Separate computations shall be made for the liability pool and for the physical damage pool. Both interim and final expense allowances will be credited to the Servicing Carrier as a percentage of written premium through the Commonwealth Automobile Reinsurers' quarterly settlement of balances procedure.

a. Calendar Years 2006 and Subsequent

(1) Premium Tax and Commission

Servicing Carriers will be reimbursed for premium tax and commissions according to the approved Commonwealth Automobile Reinsurers' rate

B. Commercial Ceding Expense Allowance (continued)

filing is not filed and/or approved, the premium tax and commission allowance will remain unchanged from the prior year.

An off-balance factor shall be applied to each Servicing Carrier's aforementioned rate components in order to disburse all of the expenses provided for by the expense components contained in CAR's Commercial Automobile Rates.

(2) Other Expenses

On both an interim and final basis, Servicing Carriers will be reimbursed for Other Expenses including, but not limited to, ULAE expenses; Other Acquisition, including Field Supervision and Collection Expenses, and General Expenses according to the allowance as determined through the limited servicing carrier bid review and selection process and approved by the Governing Committee..

b. Calendar Years 1995 through 2004

(1) Premium Tax and Commission

Commission and Brokerage expenses, Direct Writer Selling Expenses and Premium Taxes shall be reimbursed on an actual incurred basis, but in no case can they be greater than the allowance provided in the Commissioner of Insurance's annual Decision on the CAR Commercial Rate Filing.

An off-balance factor shall be applied to each Servicing Carrier's aforementioned rate components in order to disburse all of the expenses provided for by the expense components contained in CAR's Commercial Automobile Rates.

B. Commercial Ceding Expense Allowance (continued)

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

. Unallocated Loss Adjustment Expenses, and Company Expense, including Other Acquisition, Field Supervision and Collection Expenses, Other Taxes Licenses and Fees and All Other General Expenses shall be reimbursed at the allowance provided in the Commissioner of Insurance's annual Decision on the CAR Commercial Rate Filing, adjusted by each Servicing Carrier's ratio of its claim frequency and other appropriate factors for ceded business, written by the Servicing Carrier, to the claim frequency and other appropriate factors for all ceded business.

To distribute all available expense dollars as provided for in CAR's Commercial Automobile Rates, an off-balance procedure shall be applied to the above adjusted expense components.

(3) Interim Ceding Expense Allowances

Interim ceding expense allowances provide expense reimbursement to Servicing Carriers on a temporary basis, pending determination of final ceding expense allowances. Interim ceding expense allowances for each Servicing Carrier shall be determined using the procedure outlined above. The applicable expense components provided in the Commissioner of Insurance's annual Decision on CAR's Commercial Rate Filing, in conjunction with the claim frequency and off-balancing adjustments described in 1) and 2) above for the most recent calendar year available shall be utilized.

Annually, interim expense allowances will be trued-up to reflect the actual incurred expenses, capped and off-balanced for that calendar year as described in 1) above, and to reflect the claim frequency and other appropriate factors and off-balancing adjustments described in 2) above for that calendar year.

B. Commercial Ceding Expense Allowance (continued)

2. Taxi, Limousine and Car Service Ceding Expense Allowances

For taxi, limousine and car service business written through CAR's Taxi and Limousine Program, expense allowances will be reimbursed to Servicing Carriers as follows. Interim and final expense allowances will be credited to the Servicing Carrier as a percentage of written premium through the Commonwealth Automobile Reinsurers' quarterly settlement of balances procedure.

a. Premium Tax and Commission

Servicing Carriers will be reimbursed for premium tax and commissions according to the approved Commonwealth Automobile Reinsurers' rate filing for each class for the corresponding policy year. 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.

b. 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, as determined through the taxi and limousine bid review and selection process and approved by the Governing Committee.

c. Interim Ceding Expense Allowances

Interim expenses will be based on the ratio of the agreed upon per unit allowance for each policy year of the Servicing Carrier's appointment, separately for taxi and limousine property damage liability exposures, to the average taxi and limousine premium as approved in CAR's commercial rate filing for the corresponding policy year.

B. Commercial Ceding Expense Allowance (continued)

Annually, interim expenses will be trued-up based on the agreed upon per unit allowance multiplied by the ceded property damage liability exposures statistically reported for the corresponding policy year.

3. Cession Limitation

For policy years 2003 through 2005, in order to maintain a viable voluntary market, a cession limitation will be applied to Commercial Motor Vehicle insurance classifications rated according to manuals approved by the Commissioner of Insurance pursuant to G.L. c. 175E (Competitive Rating) and written during a policy year by a Servicing Carrier.

The limitation will be stated as a percentage of the written premium reported to CAR by the Servicing Carrier.

a. Cession Limitation Exclusions

(1) Business written through involuntarily assigned Representative Producers and ceded to CAR will be excluded from the cession limitation.

(2) For policy years 2003 through 2005, ceded premiums for the following classifications will be excluded from the calculations:

B. Commercial Ceding Expense Allowance (continued)

Exclusion Criteria		
Classification Description	**Policy Year (s)**	**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	20035	43#900
Truckers Cost-of-Hire	2003-2005	661300
Chemical Manufacturers	2003-2005	###110

B. Commercial Ceding Expense Allowance (continued)

Exclusion Criteria		
Classification Description	Policy Year(s)	Statistical Code
Garage Non-franchised Dealers Repair Shops	2003-2005	735100, 735200 780800, 781000, 781100, 781200, 781300
	Should be one cell with above	
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
Specialized Delivery Armored Cars	2004-2005	###410
Church Bus	2004-2005	638#00, 639#00, 630#00, 635#00, 636#00, 637#00
Social Services Automobile Employee Operated All Other	2004-2005	64#### 65####
Short Term Leasing or Rental Concerns Private Passenger Autos 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

B. Commercial Ceding Expense Allowance (continued)

b. Penalty for Exceeding Established Cession Limitation

If a Servicing Carrier's ceded premium for the policy year exceeds the limitation for that policy year, as noted in the chart below, a reduction in expense allowances will be applied as follows:

(1). For premium up to the cession limitation noted below, the expense allowance as determined by the previously identified calculations will be granted.

(2) For premium in excess of the cession limitation, but less than or equal to 40%; no expense allowance will be granted except for taxes, commissions, or comparable selling expenses of direct writing companies.

(3) For premium in excess of 40%, no expense allowance will be granted.

The following cession limitations will apply:

Policy Year	Cession Limitation
2003	30%
2004	30%
2005	30%

Rule 21 – General Provisions

A. General Provisions

The Massachusetts Automobile Insurance Plan (the "MAIP") has been created to provide private passenger motor vehicle insurance to eligible risks, as defined by Rule 22, who seek and are unable to obtain such insurance through the voluntary market, and to assure that the risks written through the MAIP are distributed equitably based upon the quota share of each Member, both as defined by Rule 22.

The Rules of Operation of the MAIP are adopted in accordance with the CAR Plan of Operation in order to implement the MAIP and shall be effective January 1, 2007, subject to the Provisions for the Phase-In of Placements in the MAIP set out in Rule 21.B below.

B. Provisions for the Phase-In of Placements in the MAIP

In order to achieve a smooth transition from the reinsurance facility administered by Commonwealth Automobile Reinsurers ("the CAR pool") to the MAIP, the placement of eligible risks in the MAIP will not begin until April 1, 2007 (see Rule 21.B.2 below) and will be limited to new business through June 30, 2007 (see 21.B.3 below). This measured approach is necessary to ensure that the MAIP is not overwhelmed in its initial operation and to allow CAR time to implement the administrative framework of the MAIP. To achieve these benefits, the following rules apply to eligibility for ceding to the CAR pool and to eligibility for placement in the MAIP on and after January 1, 2007:

1. Beginning on January 1, 2007, the MAIP Rules become effective, but no business can be placed in the MAIP until April 1, 2007. Members who are eligible to cede under the CAR Rules may continue to cede to the CAR pool new or renewal private passenger motor vehicle insurance business with policy effective dates from January 1, 2007 through March 31, 2007.

2. Applications for all new business, as defined by Rule 22, with policy effective dates on and after April 1, 2007, must either be written voluntarily or be declined and referred for placement in the MAIP. Except for new business applications with policy effective dates on and after April 1, 2007, Members who are eligible to cede under the CAR Rules may continue to cede to the CAR pool renewal private passenger motor vehicle insurance business with policy effective dates from April 1, 2007 through June 30, 2007.

3. All applications for new or renewal private passenger motor vehicle insurance with policy effective dates on and after July 1, 2007, must either be written voluntarily or be declined and referred for placement in the MAIP. No private passenger motor vehicle insurance business with policy effective dates on and after July 1, 2007, can be ceded to the CAR pool.

Rule 22 – Definitions

When used in the Rules, the following terms shall have the stated meanings:

ASSIGNED RISK COMPANY (ARC) means a Member that has been appointed pursuant to the Plan and Rules of Operation to issue private passenger motor vehicle insurance policies assigned by the MAIP and, for the purposes of the MAIP, is a servicing carrier as this term is used in G.L. c. 175, § 113H.

ASSIGNED RISK POLICY means a private passenger motor vehicle insurance policy underwritten by an ARC or a LADC pursuant to assignment by the MAIP.

ASSIGNED RISK PRODUCER (ARP) means any person licensed as a property and casualty insurance producer pursuant to G.L. c. 175, §162H to §162X inclusive, that has completed the MAIP requirements and has been certified by the Governing Committee or its designee to immediately submit motor vehicle insurance policies for placement through the MAIP with an ARC.

CAR means Commonwealth Automobile Reinsurers.

CAR (car) YEAR OF EXPOSURE means one car insured for twelve (12) months.

CLEAN-IN-THREE RISK means an Eligible Risk who, as of sixty (60) days prior to the expiration of his or her third consecutive policy in the MAIP, meets the following criteria: 1) has not been found to be at fault for an accident that generated a motor vehicle insurance claim, including a PIP claim; 2) has not been found to be at fault for any traffic violation set forth in Appendix A of 211 CMR 134.00 (Save Driver Insurance Plan); and 3) in the previous sixty (60) successive months has not been convicted of any Operating Under the Influence or vehicular felony offenses set forth in Appendix A of 211 CMR 134.00.

COMMISSIONER means the Commissioner of Insurance of Massachusetts.

ELIGIBLE RISK means any person who qualifies for a private passenger motor vehicle insurance policy under the provisions of G.L. c.175, §113H excluding antique motor vehicles pursuant to G.L. c.175, §113U.

GOVERNING COMMITTEE means the committee required by G.L. c. 175, §113H(B).

HOUSEHOLD MEMBER means anyone living in a person's household who is related to that person by blood, marriage, or adoption. This includes wards, stepchildren or foster children.

INACTIVE MEMBER means any insurer which is licensed to write motor vehicle insurance policies or bonds in Massachusetts, but which did not, in fact, issue any motor

vehicle insurance policies or bonds in Massachusetts during the most recent calendar year and which is not the issuing company on any outstanding Massachusetts motor vehicle insurance policies or bonds.

LIMITED ASSIGNMENT DISTRIBUTION COMPANY (LADC) means an insurer which is licensed to write motor vehicle insurance policies or bonds in Massachusetts that has been approved pursuant to the Rules of Operation to enter into an agreement with a Member that has been appointed as an ARC for the purpose of servicing that Member's quota share of MAIP business.

MAIP means the Massachusetts Automobile Insurance Plan. The MAIP is the mechanism by which eligible risks who are unable to obtain voluntary coverage are assigned to a Member for the purpose of obtaining private passenger motor vehicle insurance coverage, and by which such risks are distributed equitably based upon each Member's quota share.

MANUAL OF ADMINISTRATIVE PROCEDURES (MAP**)** means the CAR Manual of Administrative Procedures of the MAIP.

MEMBER means any insurer which is licensed to write motor vehicle insurance policies or bonds in Massachusetts and which does not qualify for inactive membership status. Groups of companies under the same ownership and/or management will be treated as a single Member. A LADC that functions exclusively as an LADC is not a Member.

MOTOR VEHICLE INSURANCE means direct insurance against injury or damage, including the legal liability arising out of the ownership, operation, maintenance or use of motor vehicles, including but not limited to bodily injury liability insurance, personal injury protection insurance, property damage liability insurance, physical damage insurance, medical payments insurance, uninsured/underinsured motorists insurance and towing and labor insurance.

NEW BUSINESS for the private passenger motor vehicle insurance market means : 1) a risk new to Massachusetts; 2) a new driver applying for his or her own policy; or 3) a risk applying to a Member who has not been insured by the Member in the twelve (12) months preceding the application for coverage.

PERSON means every natural person, firm, partnership, association, corporation, government or agency.

PLAN OF OPERATION or PLAN means the CAR Plan of Operation.

PRIVATE PASSENGER MOTOR VEHICLE

A. A motor vehicle of the private passenger or station wagon type that is owned or leased under contract for a continuous period of at least twelve months by one or more individuals, excluding partnerships and

corporations, and is not used as a public or livery conveyance for passengers nor rented to others.

B. A motor vehicle with a pick-up body, a sedan delivery, a van, a panel truck, or similar type vehicles with a load capacity of 1,500 pounds or less that is owned or leased under contract for a continuous period of at least twelve months by one or more individuals, excluding partnerships and corporations, not used in the occupation, profession or business of the insured.

QUOTA SHARE means the volume of business to be assigned to a Member participating as an ARC in the MAIP.

RULES OF OPERATION or RULES or RULE means the CAR Rules of Operation of the MAIP or a Rule of the MAIP.

Rule 23 – Member Obligations

A. Member Obligations

1. Every Member shall be bound by the Plan of Operation and all Rules adopted pursuant to it.

2. A Member declining to write a risk voluntarily must provide the reason for the declination in writing to the applicant prior to referring the risk to the MAIP.

3. Financial Obligations

   a. Each Member agrees to pay assessments levied against it for the operating expenses of the MAIP; to pay penalties levied against it under the Rules adopted by the Governing Committee; and to submit in a timely and accurate fashion all statistics, records and accountings required by the MAIP.

   b. Each Member, in recognition of the absolute necessity for timely payments of balances owed the MAIP, 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 the MAIP for all damages and expenses incurred by the MAIP as a result of the failure of any Member to pay any balance owed the MAIP pursuant to the provisions of Rule 23 or 35, which remains unpaid as of the tenth calendar day following the invoice due date, written notice of the default having been mailed by certified mail to the company by the MAIP on or after the first business day following the invoice due date. Damages and expenses as used herein shall include but not be limited to the MAIP'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 nonpayment, the cost of all staff time spent in connection with efforts to collect the balance outstanding, all financial losses resulting from nonpayment 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 the MAIP 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 the MAIP to the Member's account. Before exercising any other right of appeal provided pursuant to G.L. c.175, §113H, the Plan of Operation or Rules of Operation of the MAIP, the Member shall pay all amounts owed to the MAIP.

d. With respect to Members which have failed to pay assessments, late payment fees or compensatory damages or expenses within forty-five (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 nonpayment for its consideration and, if it deems appropriate, action.

4. 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. The quota share of the continuing Member will be adjusted to include the business attributable to the merged or consolidated Member.

5. Assigned Risk policies of the transferring Member shall not be subject to cancellation by the Member to which said obligations have been transferred in accordance with the provisions of Rule 29 - Assignment Process; provided however, that nothing set forth herein shall prohibit the cancellation of an Assigned Risk policy pursuant to the provisions defining an eligible risk or the provisions of G.L. c.175, §22C.

6. A Member may terminate its membership in the MAIP 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 the 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 the provisions of Rule 35 – Assessments.

7. If any Member is declared insolvent by a court of competent jurisdiction, its membership in the MAIP shall terminate as of the date it is declared insolvent, but it shall be liable to the MAIP for all obligations incurred under the Plan or these Rules as of the date it is declared insolvent. The MAIP shall compute the amount of such obligations in accordance with these Rules and shall be entitled to offset any liabilities of the Member to the MAIP against any liabilities of the MAIP to the Member.

8. No judgment against the MAIP shall create any direct liability against the individual Members.

9. There shall be an annual meeting of the Members of the MAIP, which shall be held within seventy-five (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.

10. Special meetings of the Members of the MAIP shall be called at any time by the Governing Committee upon the written request of eight (8) members of the Governing Committee.

11. Written notice of any such meeting of the Members of the MAIP shall be sent to each Member at least ten (10) days before the date fixed for such meeting stating the purpose of the meeting.

12. Minutes of all Governing Committee, Subcommittee (both standing and temporary), and Advisory Committee meetings of the Members of the MAIP shall be sent to all Members, the Governing Committee, producer associations, and the Commissioner.

B. <u>Inactive Member Obligations</u>

An Inactive Member shall receive those distributions from the MAIP 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 MAIP Bulletins and will not be assigned reporting numbers. Inactive Members must abide by the Plan of Operation and Rules of Operation of the MAIP. 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.

Rule 24 – Governing Committee

A. Responsibilities of the Governing Committee

The Governing Committee of CAR shall have responsibility for the administration of the MAIP, including the preparation and filing of the Plan and Rules of Operation and the adoption and filing of any amendments to the Rules or Plan of Operation.

B. Members and Alternates

Any member of the Governing Committee may designate an alternate for any meeting of the Governing Committee by giving notice to the Commissioner and the MAIP of the name of such alternate prior to the meeting, subject to the approval of the Commissioner. In addition, all members of the Governing Committee shall designate, subject to the approval of the Commissioner, an alternate who may attend one meeting of the Governing Committee during each calendar year without prior approval of the Commissioner for the specific meeting.

C. Powers

The Governing Committee shall have the following powers:

1. To select at the annual meeting a Chairman and Vice-Chairman of the Committee in accordance with the following procedures:

   The position of Chairman and Vice-Chairman shall be rotated annually between those chosen from insurance companies and those chosen from producers of insurance, except the Committee may elect an incumbent Chairman and/or an incumbent Vice-Chairman to a second one-year term or, if the incumbent has served for less than a full year, to one new term of one year, regardless of his (her) predecessor. At no time shall the Chairman and Vice-Chairman both be insurer members or producer members of the Committee. No person may serve more than two (2) consecutive terms as Chairman of the Committee. In the event the Chairman is unable to complete his (her) term, the Vice-Chairman shall become Chairman, at which time the Committee shall elect a new Vice-Chairman;

2. a. To appoint and remove the officers of the MAIP, subject to the approval of the Commissioner, and fix their salaries within the ranges established for the position. After an appointment has been approved, the Commissioner may instruct the Governing Committee to remove the officer for cause only. Salary ranges for officers shall be established by the Governing Committee, subject to the approval of the Commissioner, at a level that is consistent with the level of salaries in public sector organizations in Massachusetts;

b. To appoint or employ others as is necessary to carry out the business of the MAIP;

3. To appoint, in consultation with the Commissioner, standing or temporary subcommittees for purposes of assuring that subcommittees fairly represent the Member Companies and producers, with due consideration given to the existence of expertise appropriate for the subcommittee in question. No individual may serve as Chairperson of more than two (2) standing subcommittees;

4. To prepare a Manual of Administrative Procedures which shall contain instructions for the statistical recording and reporting of MAIP business, auditing and claim review procedures, and other pertinent information;

5. To appoint or terminate ARCs and LADCs as necessary;

6. To certify or revoke the certification of ARPs as necessary;

7. To manage the process by which risks are assigned to ARCs and to establish a process for requests for reassignment by policyholders by reason of placement in the MAIP, as is provided for by Rule 26.B, and to report quarterly to the Division the circumstances and outcomes of such requests for review;

8. To ensure that CAR complies with its obligations to Clean-in-Three Risks;

9. To levy assessments on the Members as necessary for the operating expenses of the MAIP;

10. To assess penalties as provided for in the Rules of Operation or Manual of Administrative Procedures and to report to the Commissioner on a quarterly basis all producer and Member infractions;

11. To authorize contracts as necessary to provide space, equipment and services for the MAIP;

12. To distribute an annual report and minutes of the Annual Meeting of the Governing Committee and all other Governing Committee, subcommittee and advisory committee meetings to the Commissioner, to Members and to producer representatives serving on any committee;

13. To file manuals of classifications, rules, rates, rating plans and policy forms with the Commissioner, as may be permitted or required by law;

14. To initiate or defend legal actions in the name of the MAIP on behalf of the Members;

15. To take any other action it deems necessary or appropriate for efficient and effective operation of the MAIP consistent with the purpose and intent of the MAIP.

D. Annual Meeting

The Governing Committee shall hold an Annual Meeting in conjunction with the Annual Meeting of the Members and shall report a summary of the previous fiscal year's activities at that time.

E. Additional Meetings

The Governing Committee shall hold additional meetings as necessary when called by the Chairman, by the Commissioner, or upon written petition of four (4) members of the Governing Committee. No meeting shall be held with less than ten (10) days' notice unless at least eight (8) members of the Committee waive the notice requirement, which waiver shall be entered in the minutes of the meeting.

F. Agendas for Meetings

Agendas for meetings shall be furnished to all members of the Governing Committee and to the Commissioner with the notice of such meeting. Only items specifically listed on the agenda will be considered unless two-thirds of the members of the Committee present vote for admission of each additional item.

G. Quorum

A quorum of the Governing Committee shall consist of eight (8) members, at least two (2) of which are insurer members and two (2) of which are producer members. No vote of the Governing Committee shall be taken unless a quorum is present.

H. Procedures

Before the Governing Committee takes final action on a matter that has a direct impact on the determination of any Member’s quota share or any other significant financial impact, the final text of the motion to be considered will be provided to all members of the Governing Committee, at least twenty (20) calendar days prior to the scheduled Governing Committee action, unless ten (10) members of the Governing Committee vote to waive the twenty (20) day requirement. The text of the motion, sent to members of the Governing Committee, will be accompanied by an explanation. Any such action taken by the Governing Committee will not take effect for twenty (20) calendar days, unless ten (10) members of the Governing Committee vote that the action will be effective

immediately. Any party aggrieved by the action may appeal to the Commissioner pursuant to Rule 40.B.

I. Proxy Voting Not Allowed

No member of the Governing Committee shall be permitted to vote by proxy.

J. Open Meetings

All Governing Committee, subcommittee (both standing and temporary) and advisory committee meetings shall be subject to the provisions of G.L. c.30A, § 11A½. Upon a two-thirds vote of the members of the Governing Committee present and voting, the Governing Committee may meet in executive session, as permitted by said § 11A½.

Rule 25 – MAIP Officers

The officers of the MAIP shall include a President and such other officers as the Governing Committee may authorize. The position description of the above officers will be contained in the Personnel Manual under the jurisdiction of the Governing Committee. The Personnel Manual will also contain information regarding the term of office and salary ranges of the officers.

The President shall preside at all meetings of the MAIP membership and attend meetings of its committees of which he is a member ex officio, and perform such other duties as may be designated by the Governing Committee.

The President shall be responsible for all property of the MAIP, shall receive and carefully keep all monies of the MAIP, disburse the same only for the business of the MAIP and shall account to the Governing Committee for all such disbursements.

The President, or such other person as the Governing Committee may appoint, may sign and endorse in the name and on behalf of the MAIP in the transaction of its business, but not otherwise, checks, drafts, notes, and bills of exchange, subject to such countersignature as the Governing Committee may determine.

The President, or such other person as the Governing Committee may appoint, shall make such filings with the Commissioner on behalf of the MAIP as may be directed by the Governing Committee.

In the absence of the President, or the inability of the President to act, the Governing Committee shall designate another officer of the MAIP to act as President, with all the powers and duties conferred upon the President by the Plan and the Rules of Operation.

Rule 26 – Policyholder Rights and Responsibilities

A. Eligibility Requirements

1. Applicants Eligible for the MAIP

   To be eligible for coverage as described in Rule 27, the applicant must meet the following criteria:

   a. An individual applying for coverage through the MAIP must certify by means of a statement, signed under the pains and penalties of perjury, that the individual has attempted, and been unsuccessful in obtaining, insurance on a voluntary basis within the fifteen (15) days prior to the date of application.

      Any applicant who is unable to obtain insurance in the voluntary market must be informed in writing by the Member as to the reasons for the declination.

   b. After providing the statement required by section A.1.a of this Rule, the individual shall be considered for assignment upon making application in good faith to the MAIP. An applicant shall be considered in good faith if he or she reports all information of a material nature and does not make incorrect or misleading statements in the prescribed application form, or does not come with any of the prohibitions or exclusions shown in section A.3 of this Rule.

   c. The MAIP shall be available to residents and non-residents of the state only with respect to motor vehicles that are registered or will be registered in the state within fifteen (15) days, except that nonresidents who are members of the United States military forces shall be eligible with respect to motor vehicles registered in other states provided such military nonresidents are stationed in this state at the time application is made and are otherwise eligible for insurance under the Plan.

2. Risks Eligible for Assignment

   The MAIP shall accept for assignment applications to insure all types of motor vehicles that may be insured under the standard private passenger Massachusetts Automobile Insurance Policy pursuant to the Private Passenger Automobile Insurance Manual published by the Automobile Insurers Bureau ("AIB").

3. Applicants Not Eligible for the MAIP

   a. An applicant shall not be entitled to coverage, nor shall any Member be required to offer or continue insurance in either of the following circumstances:

(1) If any person who usually drives the motor vehicle does not hold or is not eligible to obtain an operator's license or fails to obtain such license as required by law;

(2) An applicant shall not be entitled to physical damage insurance as defined in Rule 27 nor shall any ARC or LADC be required to offer or continue to offer physical damage insurance if the applicant has failed to make the vehicle(s) available for inspection pursuant to 211 CMR 94.

b. An applicant who is eligible for insurance shall not be placed in the MAIP in any of the following circumstances:

(1) If a person obtains insurance through a group marketing plan pursuant to G.L. c. 175, § 193R; or

(2) If the applicant is one of two or more entities, in each of which the same person or group of persons or corporations owns a majority interest, none of such entities shall be eligible for insurance under the MAIP if any of such entities has failed to meet its premium obligations as outlined above. If an entity owns the majority interest in another entity that in turn owns the majority interest in anther entity, all entities so related shall be considered under the same majority ownership for purposes of this part.

B. <u>Reassignment Rights</u>

1. A Member shall provide coverage to each applicant assigned to it. However, subject to sections B.2. and B.3. of this Rule, an applicant or policyholder may subsequently request reassignment to another Member if the applicant or policyholder can establish any one of the following:

a. the applicant or policyholder has previously been involved as a plaintiff in litigation with the Member;

b. the applicant or policyholder is currently involved as a plaintiff in litigation with the Member;

c. the applicant or policyholder filed a Consumer Complaint with the Division of Insurance against the Member prior to the MAIP assignment;

d. the applicant or policyholder filed a Consumer Complaint with the Attorney General against the Member prior to the MAIP assignment; or

e. the applicant or policyholder has invoked his/her rights under a consumer protection statute regarding his/her relationship with the Member (i.e. applicant has previously issued a Chapter 93A Demand Letter) prior to the MAIP assignment.

2. To request reassignment, an applicant or policyholder must complete the Request for Reassignment Form found in the MAP and provide the necessary documentation required by such Form no later than thirty (30) days following: (1) the date of the initial assignment to the MAIP, or (2) the annual policy renewal date.

3. Consistent with Rule 29.G.3, at no time may an applicant or a policyholder request reassignment to a different Member if any outstanding premium balance is due the Member. Furthermore, an applicant or a policyholder may not for any reason request reassignment to a specific Member under this subsection.

C. <u>Clean-in-Three Risks</u>

No later than 45 days prior to the expiration of a policyholder's third consecutive assigned risk policy, and annually thereafter as long as the policyholder has further consecutive assigned risk policies, a policyholder who qualifies as a Clean-in-Three Risk shall have his or her status as a Clean-in-Three Risk reported to all Members by CAR. After such notice has issued, if no Member elects to voluntarily write the Clean-in-Three Risk for the ensuing policy period, reapplication for coverage may be made to the MAIP under Rule 29E; provided, however, that, notwithstanding any provisions of Rule 29E, a Clean-in-Three Risk may elect to continue to be assigned to the Member who issued the assigned risk policy during the previous three-year period.

D. <u>Re-Eligibility for the MAIP</u>

Applicants eligible for assignment in accordance with Section A. are subject to the following re-eligibility requirements.

1. New Application

   Any applicant denied insurance under Section A or cancelled under Section D of this Rule may reapply to the MAIP as soon as the cause of ineligibility is removed.

   a. Applicants cancelled for nonpayment of premium may reapply for assignment at any time provided no earned premium is owed the previous assigned company.

   b. If an applicant cancelled for nonpayment of premium reapplies, provided such applicant is otherwise eligible, the application shall be accompanied by the deposit prescribed in Rule 28.

   c. Such application shall be considered a new application and the applicant shall be assigned to a company in accordance with the

provisions of Rule 29 or reassigned to the prior company, if applicable, in accordance with Rule 29.

2. Renewal Application

Any policyholder who fails to pay the renewal premium quoted by the assigned company in accordance with these Rules, may reapply for assignment at any time.

a. If the applicant reapplies, provided the applicant is otherwise eligible, the application shall be accompanied by the deposit prescribed in Rule 28.

b. Such application shall be considered a new application and the applicant shall be assigned to a company in accordance with the provisions of Rule 29.

E. <u>Cancellations</u>

Nothing in these Rules should be construed to change the statutory obligations of companies to their producers or policyholders with regard to policy non-renewal or cancellation.

1. Cancellation at the Request of the Policyholder

If for any reason the policyholder requests cancellation of his policy, the return premium to be refunded to him shall be calculated at 0.90 of the pro rata unearned premium for the period of coverage or the sum of $25 per motor vehicle or policy, whichever is greater, except in the following cases when the return premium shall be computed pro rata:

a. If the policyholder has disposed of the motor vehicle, provided the policyholder obtains a new policy with the same company on another motor vehicle to become effective within thirty (30) days of the date of cancellation;

b. If the insured motor vehicle is repossessed under the terms of a financing agreement;

c. If a motor vehicle is cancelled from a policy, the policy remaining in force on other motor vehicles; or if a concurrent motor vehicle policy, with the same company, but covering another vehicle, remains in force in the name of the policyholder or his spouse, if a resident of the same household;

d. If the policyholder enters the armed forces of the United States of America;

e. If the insured motor vehicle is stolen or destroyed (total or constructive total loss) and cancellation is requested by the insured within thirty (30) days following the date the motor vehicle is stolen or destroyed; or

f. If the policyholder requests cancellation of a policy because coverage has been replaced in the voluntary market, and provides the assigned company written confirmation of the replacement coverage.

2. Cancellation by the ARC or LADC

a. An ARC or LADC that has issued a policy under the MAIP shall have the right to cancel the insurance for reasons permitted under Massachusetts law, and by giving notice as required in the policy.

b. Each such cancellation shall be on a pro rata basis, subject to a minimum premium of $25 per motor vehicle or policy whichever is greater, with the balance returned to the policyholder. A copy of each such cancellation notice shall be furnished to the producer of record. A statement of facts in support of each such cancellation, as is required for a statutory notice of cancellation, shall be furnished to the producer of record and to the policyholder ten (10) days prior to the effective date of cancellation.

Cancellation shall be effective on the date specified and coverage shall cease on that date.

No coverage will be effective if the policyholder's premium remittance that accompanies the application is justifiably dishonored by the financial institution.

If the ARC or LADC issues a cancellation notice for nonpayment of premium to the policyholder and the policyholder's remittance received by the ARC or LADC subsequent to the issuance of such cancellation notice is justifiably dishonored by the financial institution, the policy will terminate on the date and time shown on the cancellation notice issued for nonpayment of premium.

Nothing herein shall be deemed to affect the right of the ARC or LADC to rescind a policy for fraud, misrepresentation, or if the policyholder's premium remittance that accompanies the application is justifiably dishonored by the financial institution, or to invoke other remedies provided by law.

3. Minimum Refund

At the time of cancellation, the policyholder shall be notified that any unearned premium amounts under $5 will be refunded only upon the policyholder's request.

Rule 27 – Coverages

Policies of an Eligible Risk as defined in Rule 22 – Definitions and written by an ARC or LADC may provide for coverage up to the following limits for private passenger motor vehicles.

1. Bodily Injury Liability: Total policy limits of $500,000 each person, $500,000 each accident;

2. Personal Injury Protection: $8,000 per person, per accident;

3. Property Damage Liability: Total policy limits of $250,000 each accident;

4. Medical Payments: $25,000 each person;

5. Uninsured Motorists: $500,000 each person, $500,000 each accident for bodily injury;

6. Underinsured Motorists: $500,000 each person, $500,000 each accident for bodily injury;

7. Physical Damage Insurance, which shall mean: (a) collision coverage or limited collision coverage, (b) fire and theft coverage, or (c) comprehensive coverage, as those coverages are defined in the Massachusetts Motor Vehicle Insurance Policy. Assigned Risk Companies must charge the extra risk rate as promulgated by the Commissioner or, in the alternative, refuse to issue collision, fire, theft or comprehensive coverage under the following circumstances:

    a. Comprehensive, fire and theft or collision coverage on a vehicle customarily operated by or owned by persons convicted within the most recent five (5) year period of any category of vehicular homicide, auto insurance related fraud or motor vehicle theft;

    b. Comprehensive, fire and theft or collision coverage on a vehicle customarily driven by or owned by persons who have, within the most recent five (5) year period, made an intentional and material misrepresentation in making claim under such coverages;

    c. Collision coverage on a motor vehicle customarily driven by or owned by persons who have been involved in four (4) or more accidents in which such person has been deemed to be at fault in excess of fifty percent (50%) within the three (3) years immediately preceding the effective date of the policy;

d. Comprehensive or fire and theft coverages on a motor vehicle customarily driven by or owned by persons who have had two (2) or more total theft or fire claims within the three (3) years immediately preceding the effective date of the policy;

e. Comprehensive, fire and theft or collision coverage on a motor vehicle customarily driven, or owned by persons convicted one time within the most recent three (3) year period of any category of driving while under the influence of alcohol or drugs;

f. Comprehensive, fire and theft or collision coverage on any motor vehicle for which a salvage title has been issued by the Registrar of Motor Vehicles unless a new certificate of title has been issued pursuant to G.L. c. 90D §20D; and

g. Comprehensive, fire and theft or collision coverage on a high-theft motor vehicle that does not have at least a minimum anti-theft or auto recovery device as prescribed by the Commissioner. The Commissioner may designate as a "high-theft vehicle" any motor vehicle, classified according to make, model and year of manufacturer, which has both above average incidence of theft and above-average original sales price, and may approve discounts for appropriate anti-theft or auto recovery devices for such motor vehicles.

8. An ARC or LADC may waive the deductible amount applicable to a payment under comprehensive coverage for glass damage and be reimbursed, when the policyholder has elected to repair rather than replace damaged glass as permitted by law and where satisfactory proof of the repair has been presented to the company.

9. Towing and Labor: $100.00 per disablement; and

10. Substitute Transportation: $100.00 per day, thirty (30) day maximum.

Rule 28 – Application Process

A. Submitting an Application to the MAIP

To obtain MAIP coverage for an Eligible Risk an ARP must submit an electronic application for private passenger motor vehicle insurance coverage to the MAIP.

Assigned Risk Producers must assure that the application for insurance through the MAIP is submitted on the prescribed form and that each application is completed accurately and thoroughly. An incomplete or incorrect application will be returned to the producer for remedy. Once the application for coverage through the MAIP is received and all required information for issuance of the policy is provided, the MAIP will assign a certification number to the application.

B. Assignment of Policy to Assigned Risk Company or Limited Assigned Distribution Company

An application with a certification number will be randomly assigned to an ARC based on quota share as specified in Rule 29 – Assignment Process. The MAIP will notify the ARC of the policy assignment. The MAIP will notify the ARP of the ARC to which the policy is assigned and the effective date of the coverage.

Once the policy has been assigned to an ARC, the ARP is responsible for providing the ARC with the following items within two (2) working days as specified in Rule 31.B.2:

1. The original application form, signed by the applicant and the ARP; and

2. The required deposit premium as specified below.

C. Premium Deposit and Payment Options

1. Amount of Deposit

   A deposit of at least the amount noted below shall accompany the application for MAIP coverage. The deposit shall be in the form of a personal check, certified check, bank check, money order, premium finance company check or ARP's check made payable to the ARC or LADC. In the event that an ARP submits a dishonored check, issued either by the agency or by the ARP individually, on one or more occasions during a one-year period, future payments must be submitted by certified check, bank check, or money order.

   a. For a new business policy, a deposit of thirty percent (30%) is required.

   b. For a renewal policy, a deposit of twenty percent (20%) is required.

However, if the Eligible Risk has previously had a policy cancelled for non-payment, a premium deposit of one hundred percent (100%) will be required in addition to the outstanding balance of any earned premium. The Eligible Risk must complete a new application and the ARP must verify that the Eligible Risk has no earned premium outstanding within the last twelve (12) months.

Upon receipt of the deposit accompanying an application for insurance, the ARC or LADC may deduct from such deposit any unpaid balance or earned premium owed to that ARC or LADC. If any outstanding balance is not paid within the time permitted by the MAIP, the ARC or LADC shall be entitled to cancel the insurance.

All deposit, installment and additional premium payments shall be submitted gross of any commissions. Commission to the ARP will be paid in accordance with Rule 37 – Commissions.

2. Installment Plan

Each installment bill will consist of one-tenth of the remainder of the policy premium, subject to a minimum amount due of $20 (to which any outstanding balance of less than $20 is to be added), plus an installment charge of $4 on each installment. If there has been a lapse in coverage of more than one day at any time during the past twelve (12) months, the installment charge may be equal to an Annual Percentage Rate (APR) of fifteen percent (15%). If the policyholder elects to pay the outstanding balance at any point during the installment billing period, the installment charge for the current bill would apply.

a. 1st installment – 1 month after the effective date of the policy;

b. 2nd installment – 2 months after the effective date of the policy;

c. 3rd installment – 3 months after the effective date of the policy;

d. 4th installment – 4 months after the effective date of the policy;

e. 5th installment – 5 months after the effective date of the policy;

f. 6th installment – 6 months after the effective date of the policy;

g. 7th installment – 7 months after the effective date of the policy;

h. 8th installment – 8 months after the effective date of the policy;

i. 9th installment – 9 months after the effective date of the policy; and

j. 10th installment – 10 months after the effective date of the policy.

The first installment bill shall reflect the current annual policy premium plus the total installment charge, minus the deposit. Each installment bill shall display the status of the account and is to be released to the insured.

Additional premium, less the deposit premium resulting from changes to the policy, shall be spread over the remaining installments, if any, or will be billed immediately as a separate transaction if there are no remaining installments.

Return premium resulting from changes to the policy may be used to reduce the outstanding balance, or if the outstanding balance is eliminated, any amount remaining will be returned immediately. If an outstanding balance remains, the number and amounts of the remaining installments will be adjusted accordingly.

The return premium check shall be sent to the insured. In instances where the premium is financed and a power of attorney is on file with the assigned company, the return premium check shall be sent to the premium finance company.

3. Insufficient Funds Charge

   An applicant or policyholder that issues a check that is returned for insufficient funds will be charged a fee of $25.

4. Late Fee or Cancellation Fee

   A policyholder that fails to pay an installment premium by the applicable due date will be charged a late fee of $15.

5. Reinstatement on Non-Payment Cancellations

   No grace period shall be allowed for the reinstatement of a policy cancelled for non-payment.

6. Agency Acceptance of Payments

   Acceptance of payment by the ARP shall be viewed as a payment to the ARC or LADC. To avoid policy cancellation, a payment must be received on or before the policy cancellation date.

7. Premium Financed Policies

   The standards pertaining to premium financing for policies issued through the MAIP must be consistent with state laws and regulations.

Rule 29 – Assignment Process

A. Limited Assignment Distribution Procedure

A Member may delegate its ARC responsibilities if the Member executes an agreement with a Limited Assignment Distribution Company (LADC) to service its quota share and to receive additional assignments of the Member's assigned risk business. Nothing in these Rules shall be construed to relieve a Member of its responsibility of ensuring that any LADC with which it has a contract to service its private passenger motor vehicle insurance risks complies with all CAR Rules, state laws and regulations. If at any time a LADC fails to maintain these requirements, the Governing Committee or the Commissioner may move to terminate the LADC.

B. Calculation of Initial Quota Share

For the purposes of calculating a Member's initial Quota Share, the Member's voluntary market share will be the ratio of each company's calendar year 2006 written exposures with CAR ID codes 0 or 1 over the industry calendar year 2006 written exposures with CAR ID 0 or 1.

C. Assignment of Applications

The MAIP shall randomly assign applications that are eligible for coverage based on each Member's individual quota share. A Member's quota share shall reflect that Member's proportion of private passenger motor vehicle MAIP premiums that its respective voluntary private passenger property damage liability direct written exposures bears to the statewide total of voluntary private passenger property damage liability direct written exposures of all companies in the state.

1. For the purpose of such distribution as described above: (1) voluntary private passenger property damage liability direct written exposures; and (2) private passenger MAIP premiums shall be defined as below:

    a. "Voluntary private passenger property damage liability direct written exposures" shall be the number of private passenger property damage liability car years written by the company for the most recent twelve (12) months, regardless of the type of motor vehicle insurance policy under which such property damage liability car years are written, excluding private passenger liability car years written through the MAIP.

    b. "Private passenger motor vehicle MAIP premiums" shall mean the total of:
    20/40 bodily injury (including guest), $100,000 property damage liability, and $8,000 personal injury protection manual premiums (excluding the Commissioner's subsidies) adjusted for SDIP points for

private passenger motor vehicle MAIP insureds and any risk voluntarily insured that is eligible for premium credits allowed under this rule.

D. <u>Quota Share Adjustment</u>

The MAIP shall adjust the current assignment quota share of each ARC on a monthly basis, to reflect the amount of MAIP exposure which was less than or in excess of the ARC's proportionate share of the total MAIP exposure. Adjustments to an ARC's quota share will include an update of market share base data, a true-up of assigned exposure with actual statistically reported exposure and adjustments for any applicable credits, reversed assignments due to non-payment or insufficient funds, or MAIP risks moving to the voluntary market. On a monthly basis, the MAIP shall notify each ARC of its quota adjustment.

E. <u>Assignment Period</u>

An Eligible Risk shall be assigned to a designated ARC for a period of three (3) consecutive years. The designated ARC may offer to continue an Eligible Risk's assignment beyond the period of three (3) consecutive years by offering to write a third or subsequent renewal.

If the Eligible Risk is unable to obtain insurance in the voluntary market at the end of the consecutive three (3) year period, notwithstanding the obligations of CAR under Rule 26C to notify all Members of Clean-in-Three Risks, or unable to obtain an extension by the designated ARC or LADC, reapplication for coverage may be made to the MAIP. Such reapplication shall be considered a new application and the Eligible Risk shall, except as provided in Rule 26C for Clean-in-Three Risks, be assigned to a different ARC or LADC than previously designated

In the case of nonresident military personnel, as described under Rule 26.A.1.d, the designated ARC need not renew if at the time of the renewal the policyholder is stationed in another state and his motor vehicle is not registered in Massachusetts.

F. <u>Credit Programs</u>

All credits for each rate year shall be reviewed annually and submitted to the Commissioner for his/her approval. Any premium credited under this Rule that in aggregate exceeds one-hundred percent (100%) of the overall quota may not be credited against the quota.

1. Voluntary Credit

    a. Any person insured through the MAIP may request the MAIP to make known to all Members that he is seeking coverage on a voluntary basis.

b. Each Member shall receive a credit for each policy presently in the MAIP that it voluntarily writes at the policy's expiration date, through the producer of record or through the Member's own producer.

c. Credit shall be applied to the Member's quota share in Rule 29.D for the appropriate premiums as defined under section F.2 below.

2. Amount of Credits

The amount of credit for rate year 2007 will be as follows:

One-hundred percent (100%) of the annual private passenger MAIP premiums defined in C.1.b. that would have been charged if the risk had been written through the MAIP for any of the following risks. No more than one such credit can be issued.

a. Inexperienced Operator: Designated inexperienced operator classes having a higher proportion of MAIP risks. The MAIP shall at least annually circulate to Members a list of the inexperienced operator classes for credit.

b. Senior Citizen: Any operator of the auto aged sixty-five (65) or over residing in the household; or

c. Territorial: Designated rating territories having a higher proportion of MAIP risks. The MAIP shall at least annually circulate to Members a list of the rating territories qualifying for territorial credit.

The initial listing of credit eligible operator classes and rating territories are indicated by an 'X' in the table below:

	Operator Class							
Territory	10	15	17	18	20	21	25	26
1					X		X	
2					X		X	
3					X		X	
4					X		X	
5					X		X	
6					X		X	
7					X		X	
8					X		X	
9					X		X	
10					X		X	
11					X		X	
12					X		X	
13					X		X	
14					X	X	X	X
15	X	X	X		X	X	X	X
16	X	X	X	X	X	X	X	X
17					X		X	

18	X	X			X		X	
19	X	X	X		X		X	
20	X	X	X		X		X	
21	X	X	X	X	X	X	X	X
22	X	X	X	X	X	X	X	X
23			X		X		X	
24					X		X	
25					X	X	X	X
26			X		X	X	X	X
27					X		X	

d. To qualify for credit, all of the following requirements must be met:

(1) The Member must provide proper notification prior to the expiration of the policy;

(2) The policy must be in effect for at least ninety (90) days;

(3) The kinds and amounts of coverage to be offered as a voluntary risk shall at least equal those in the policy being replaced, and the premium for such coverage shall not exceed the Commissioner's fix-and-establish premium for the equivalent coverages; and

(4) The Member shall be required to submit an approved reporting form to the MAIP monthly for all policies qualifying during the month and agrees to submit supporting data to the MAIP upon request.

e. The Member shall, if requested by the MAIP, agree to a physical audit of its records to substantiate the credits and exposures stated in the monthly report. The executed request for credit form must be submitted to the MAIP by the last day of the fourth month following the effective date of the policy.

G. <u>Distribution Restrictions</u>

Distribution shall be made on the basis that any applicant within the foregoing definitions eligible for assignment, shall be assigned or reassigned to any Member with a quota share, subject to the following restrictions:

1. No risk shall be assigned to more than one Member.

2. Household Procedure

If voluntary motor vehicle insurance coverage is in force on a motor vehicle owned by a Household Member at the time of the application to the MAIP, the applicant shall be assigned to the company providing the voluntary insurance unless the applicant specifically requests an individual policy separate from the existing policy, provided that the following requirements are met:

a. The applicant is eligible under the rules of the MAIP;

b. A copy of the Declarations page for the policy providing motor vehicle insurance coverage for a vehicle owned by a Household Member is submitted with the application;

c. The limits and coverages requested are available from the assigned household company; and

d. An assignment to any company under the provisions of the household procedure will be eligible for credit under the provisions of Rule 29.F. Any assignment to any company under the provisions of the household procedure that is contrary to the above provisions shall be returned to the MAIP promptly for reassignment.

3. Reassignment to Prior Member

In the case where an applicant or policyholder has been cancelled for nonpayment of premium, or has an outstanding premium balance due a company, the applicant or policyholder is ineligible for assignment to another Member, and will be assigned to that same Member company such that the policy premium deposit will be applied first to the outstanding premium due, and, if the outstanding premium is satisfied, any remaining deposit balance will be applied to the new policy.

4. LADCs with No Voluntary Writings

No assignments shall be made to a LADC which has written no private passenger liability or physical damage insurance other than for MAIP insureds during the period on which the quotas are based.

Rule 30 – Assigned Risk Company and Limited Assignment Distribution Company Requirements

A. Appointments

1. All Members are required to be Assigned Risk Companies. A Member may delegate its ARC responsibilities for assigned risk business if the Member executes an agreement with a LADC for handling its private passenger business quota share, in accordance with Rule 29 – Assignment Process. The agreement must be reviewed and approved by the MAIP.

2. LADCs must be approved by the Governing Committee and must meet and continuously maintain specified eligibility requirements. If at any time the LADC does not satisfy the specified requirements, the MAIP or the Commissioner may take appropriate action to terminate the LADC. The specified eligibility requirements that a LADC must meet are:

   a. have a statutory capital and surplus of at least $25,000,000;

   b. have and maintain a net premium to surplus ratio that does not exceed 2 to 1;

   c. have maintained an A.M. Best's financial rating of A- or better for a continuous three (3) 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;

   d. have been licensed to write motor vehicle liability insurance and physical damage insurance without restriction for a minimum of five (5) years;

   e. have a service facility affording policy issuance and all other policyholder services; and

   f. have the ability to service insurance claims in every state, the District of Columbia; and Canada.

3. The Governing Committee has the option to consider a LADC application from a company that does not meet the above eligibility criteria with the prior written approval of the Commissioner.

   The Governing Committee shall appoint ARCs and LADCs in accordance with the eligibility requirements specified in accordance with the Plan and these Rules. For purposes of determining eligibility, groups of companies under the same ownership and management will be treated as a single Member.

4. In order to assure the protection of the public interest, the Governing Committee, in considering the appointment of an insurer as an ARC or LADC, shall require that the insurer, pursuant to a written agreement reviewed and approved by the Governing Committee or its designee, has the ability to and will effectively meet the following requirements:

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 the Installment Payment Plan as described in Rule 28 – Application Process. An ARC or LADC shall cooperate with ARPs 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;

f. Report all required information to the MAIP 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; and

h. The policy forms, endorsements, new business application and renewal questionnaire shall be those filed by the Automobile Insurers Bureau and approved for use by the Commissioner for private passenger motor vehicle insurance.

B. <u>Responsibilities</u>

Nothing in this Rule shall be construed to affect the rights of any ARC or LADC to enter into any contractual agreement for the purpose of servicing the ARC's voluntary business. Nothing in this Rule shall be construed so as to relieve any Member of its quota share, its share of the administrative expenses of the MAIP, or of its responsibility to provide coverages as required by G.L. c.175, §113H(A).

An ARC or LADC is required to perform the following responsibilities. If an ARC has contracted with a LADC for performing any of its responsibilities, it guarantees that the following responsibilities will be performed by the LADC:

1. ARCs and LADCs must provide quality service to policyholders assigned through the MAIP by maintaining the standards established as a condition of appointment under Section A.1 of this Rule. Policies and other forms mailed to policyholders shall be the same as those used for non-ARC or non-LADC motor vehicle business. ARCs and LADCs shall provide the same level and type of service to policies issued through the MAIP, as they provide to policies issued voluntarily.

2. No group or members of a group under the same management or ownership or both may charge rates on business subject to the provisions of G.L. c.175, §113B, different from those fixed and established under such section or provide different levels of service through a member of the group that is not an ARC or LADC than is provided to policyholders insured by an ARC or LADC member of the group.

3. General Duties

   ARCs and LADCs shall perform the following general duties:

   a. Confirm operator driving licenses and records in order to effectively administer the Safe Driver Insurance Plan;

   b. Verify eligibility criteria;

   c. Verify that representations contained in the application for insurance are accurate as to classification, garaging, discounts, credits, vehicle use and vehicle description;

   d. Assure that a policy has been issued for each RMV-1 and/or RMV-3 certificate and that the policy effective date and the certification date are the same;

   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 ARC or LADC, 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. Ensure that there is communication among the ARC's or LADC's Underwriting, Claims, and SIU departments and that any

discrepancies in information are shared promptly among the departments and documented;

h. Maintain and forward to the MAIP a copy of all written complaints filed with the ARC or LADC on all ARPs; and

i. Monitoring of Assigned Risk Producers

ARCs and LADCs will be responsible for notifying the MAIP of ARP infractions that may result in the revocation of the ARP's MAIP certification as follows:

(1) Failure to maintain a valid producer's license as issued by the Division of Insurance;

(2) Willful misappropriation of premium due an ARC or LADC in accordance with the provisions of the MAIP Rules of Operation;

(3) The entry of a finding, by a court of competent jurisdiction that the producer has engaged in fraudulent activity in connection with the business of motor vehicle insurance;

(4) Failure to remit payments to an ARC or LADC on a timely basis in accordance with the MAIP Rules of Operation;

(5) Failure to notify the ARC or LADC of any suspected fraud in the application for insurance or in the underwriting or rating process or in the payment of premium obligations or surrounding a loss;

(6) Failure to assist the ARC or LADC during any audit or investigation;

(7) Failure to report all coverages bound within two (2) working days of the effective date of coverage;

(8) Failure to comply with reasonable procedures as required by the MAIP for processing claims, remitting premiums and requesting coverages;

(9) Failure to adhere to a directive issued by the Commissioner relative to the charging of Service Fees;

(10) Failure to provide a reasonable and good faith effort to verify the information provided by the applicant, including rating and licensing data;

(11) Failure to comply with applicable agency requirements and procedures, as prescribed in the MAIP Rules of Operation; and

(12) Failure to comply with all of the provisions of the Rules of Operation and Manual of Administrative Procedures.

4. Reporting Requirements

On a monthly basis, ARCs and LADCs must report all premiums written, paid losses, allowable expenses and any other information that may be required by the Plan, Rules or Manual of Administrative Procedures.

5. Continuation of Eligibility as an ARC

An ARC must maintain a viable book of voluntarily written motor vehicle policies. The Commissioner may terminate any ARC if he or she finds that disruptive reductions in voluntarily issued motor vehicle policies are in violation of this section.

C. <u>Procedures for Voluntary Writing of Risks from the MAIP</u>

1. Voluntary Writing by an ARC of Its Own Policyholder Insured through the MAIP.

a. Eligibility

A risk is eligible if it is currently insured through the MAIP.

b. Offer to Write

The kinds and amounts of coverage to be offered for such voluntary risks shall not be less than those afforded by the policy being replaced unless the insured refuses such kinds and amounts of coverage.

c. Notification

The producer of record must be mailed notification of such offer on a prescribed form ninety (90) days prior to expiration, which shall contain the provisional premium quotation to be offered. The policyholder shall be mailed the offer for voluntary coverage forty-five (45) days prior to expiration with copy to the producer of record.

d. Member Obligations

Following such offer to write, the Member shall have no further obligations to the policyholder or to the producer of record if the policyholder obtains replacement insurance from another Member, except that such Member shall issue any required notice of non-renewal.

Once the offer to write voluntary coverage is mailed, the Member shall have no further obligation to the producer of record if the policyholder accepts its offer and the producer of record is not licensed by that Member, except to issue any required notice of non-renewal. However, the Member shall have the option of servicing the policy through the producer of record if permitted by the laws of the state.

If such replacement coverage is obtained by the producer of record within the period of his or her forty-five (45) day advance notice, the producer of record shall notify the assigned Member and it shall not make an offer to the policyholder.

2. Voluntary Writing of Present MAIP Insured by Member Other Than Assigned Company

a. Eligibility

A risk is eligible if it is currently insured through the MAIP.

b. Offer to Write

The kinds and amounts of coverage to be offered for such voluntary risks shall not be less than those afforded by the policy being replaced unless such kinds and amounts of coverage are refused by the insured.

3. Right of Insured to Reapply to Plan
Nothing in the provisions of this Section shall render the policyholder ineligible for coverage in the MAIP for the full term of the three (3) year assignment period. Subject to the right to reassignment pursuant to Rule 26.A.2., the policyholder may, at his or her option, continue the policy with the assigned company as a MAIP risk if the three (3) year assignment period has not yet expired.

D. <u>Failure to Comply with the Provisions of this Section</u>

If the Governing Committee finds that any Member without good cause is not complying with the provisions of this section it shall notify the Commissioner in writing.

E. Reporting Credits

Refer to the Manual of Administrative Procedures for the procedure outlining company reporting of all credits.

Rule 31 – Assigned Risk Producer Requirements

A. Eligibility Requirements

In accordance with G.L. c. 175, §113H(C), every ARP shall be assigned to each and every ARC for the sole purpose of placing assigned risk business.

As of April 1, 2007, any licensed property and casualty producer in good standing shall be determined to have met the producer certification requirements of the MAIP. Subject to the provisions of Rule 21.B, these producers shall be eligible to submit business to the MAIP as an ARP provided that the producer can satisfy the requirements for electronic access to the MAIP and the Registry of Motor Vehicles, holds a property and casualty producer's license and maintains production criteria set out in Section C of this Rule.

Beginning April 1, 2007, in order to be eligible to submit private passenger business to the MAIP for assignment to an ARC or a Limited Assignment Distribution Company, an ARP, as defined in Rule 22 – Definitions, must meet the producer certification requirements of the MAIP as follows:

1. has electronic access to the MAIP and the Registry of Motor Vehicles;

2. has within the preceding twelve (12) month period worked for a minimum of six (6) months with a producer licensed by the Division of Insurance, or with a Massachusetts motor vehicle insurer, during which time the applicant's efforts were primarily devoted to the Massachusetts motor vehicle insurance market; and

3. In satisfying the preceding criteria the applicant must conclusively show that he or she:

    a. is applying in good faith;

    b. will operate from an established location properly equipped to meet producer certification requirements;

    c. will maintain regular business hours;

    d. has not been convicted of a crime related to his occupation as an insurance producer;

    e. has not had his or her license to engage as an insurance producer revoked/suspended;

    f. has not been involved in a material and substantial breach of a contract between an ARC or LADC and a producer;

g. is not in default in remittance of any motor vehicle premiums due a Member;

h. agrees to comply with the provisions of the Plan of Operation, the Rules of Operation, the Manual of Administrative Procedures, the MAIP's certification requirements, the production requirements as outlined in Section C of this Rule and the applicable regulations of the Division of Insurance;

i. agrees to notify the MAIP of an agreement to sell the agency fifteen (15) days in advance of the proposed closing of any such sale; and

j. has not had an ARP certification revoked by the MAIP as provided in these Rules, including failure to meet minimum production criteria within the preceding twenty-four (24) months, the revocation not having been reversed by the Governing Committee, the Division of Insurance or a court of competent jurisdiction.

B. <u>Ongoing Assigned Risk Producer Requirements and Responsibilities</u>

It will be the ongoing responsibility of an ARP to fulfill the following requirements as well as the producer certification requirements in Section A of this Rule. Failure to do so will be grounds for revocation of certification:

1. The ARP must use the policy forms, endorsements, new business application and renewal questionnaire that are filed by the Automobile Insurers Bureau and approved for use by the Commissioner for private passenger motor vehicle insurance.

2. The ARP must require that all eligible risks applying for insurance coverage by the MAIP for the first time complete a new business insurance application in its entirety.

3. The ARP must ensure that the application for insurance through the MAIP is submitted on the prescribed forms and that each application is filled out accurately and in its entirety. An incomplete or incorrect application will be returned to the producer for remedy. Steps that the ARP must take in order to complete an application correctly include the following:

   a. The ARP must list all licensed operators in the household, including those not used for classification purposes, on the application;

   b. The ARP must include photocopies of the licenses of each listed operator with the new business application;

c. The ARP must supply documentation supporting the deferral for rating purposes of any household member;

d. The ARP must confirm each licensed operator's driving record in order to comply with the Safe Driver Insurance Plan;

e. The ARP must verify that the Eligible Risk has not been and is not now in default in the payment of any motor vehicle insurance premiums in the past twenty-four (24) months;

f. The ARP must certify, in making application to the MAIP as set forth in Rule 26, that the ARP has been given a letter evidencing that the risk has made an attempt to obtain private passenger automobile insurance within fifteen (15) days of the application to the MAIP and has been turned down for such insurance;

g. The ARP must include the full and complete address of the Eligible Risk. A post office box will not be accepted for the determination of garaging town;

h. The ARP must verify eligibility for premium discounts through the Registry of Motor Vehicles or other appropriate sources;

i. The ARP must order only those coverages from the ARC or LADC requested by the Eligible Risk, for which he or she may be eligible;

j. The ARP must quote proper premiums based on information provided by the Eligible Risk for the coverage desired;

k. The ARP must notify the eligible risk that he or she has the option of utilizing an Installment Payment Plan;

l. The ARP must verify that the Eligible Risk has signed the new business application before it is submitted to the MAIP; and

m. The ARP must sign the new business application before it is submitted to the MAIP.

4. The ARP must submit an electronic application for private passenger motor vehicle insurance coverage to the MAIP to obtain MAIP coverage for an Eligible Risk.

5. Once the MAIP has notified the ARP of the certification number assigned to the application, of the ARC or LADC to which the policy is assigned and of the effective date of the coverage, the ARP is responsible for providing the ARC or LADC with the following items within two (2) business days:

a. The original application form, signed by the Eligible Risk and the ARP; and

b. The required deposit premium as specified in Rule 28.

6. The new business application, any additional coverage, and/or modifications in coverage must be submitted to the ARC or LADC within two (2) days of the effective date of coverage.

7. The ARP must remit payments on a timely basis. However, an ARC or LADC shall extend the payment period for an additional seven (7) days upon sufficient notice that all or part of a premium is being financed by a licensed premium finance company where the premium finance company has given its written assurance to pay the full premium financed to the ARC or LADC directly. This provision shall not obligate an ARC or LADC to provide such additional time if, notwithstanding any written assurances, the premium finance company has failed to perform its commitment previously.

8. The ARP must conduct all monetary transactions with the eligible risk and the ARC or LADC as required by the Rules of Operation.

9. The ARP must advise the premium finance company and/or the policyholder that checks for premiums for all financed accounts are to be made payable to the ARC or LADC.

10. The ARP must report all coverages bound and all registrations/titles certified to the ARC or LADC within two (2) business days after binding coverage or certifying a registration.

11. The ARP must forward to the Eligible Risk within thirty (30) days of receipt from the ARC or LADC, all policies and endorsements if not mailed directly by the ARC or LADC to the eligible risk.

12. The ARP must properly order endorsements.

13. The ARP must retain the necessary documentation of ARC or LADC transactions in accordance with the Manual of Administrative Procedures.

14. The ARP and his or her employees will be required to receive training on claims reporting and fraud recognition. For current ARPs and employees, such training must be completed within six (6) months of the initial implementation of the MAIP. For new ARPs, such training must be completed within six (6) months of certification by the Governing Committee or its designee to immediately submit motor vehicle insurance policies for placement through the MAIP with an ARC or LADC. For new

employees, such training must be completed within six (6) months of hire. Any fraud training program that receives three (3) CEU credits from the Massachusetts Division of Insurance will be acceptable. For purposes of this requirement, any other required training that an ARC or LADC provides to its producers is not considered sufficient for meeting this requirement.

15. The ARP must notify the MAIP and the ARC or LADC of any suspected fraud surrounding a loss.

16. The ARP must cooperate with ARC or LADC and MAIP personnel during all audits and investigations.

17. The ARP and his or her employees are prohibited from accepting a fee or any other monetary or tangible property for referring the insured or parties to an accident to any glass, repair or rental facility, or to any legal or medical provider.

18. ARPs shall provide referral information to consumers consistent with company practices under regulations relating to motor vehicle repairs.

19. ARPs who meet the producer certification requirements specified in this Rule after April 1, 2007, shall develop and maintain a book of business as required in Section C of this Rule.

C. Production Criteria

Each ARP that meets the producer certification requirements specified in Rule 31 after April 1, 2007 shall be reviewed annually by the MAIP on the anniversary of his/her certification date. Those ARPs who within the first twelve (12) months after their appointment date as an ARP fail to develop a total book of business of at least one-hundred (100) private passenger motor vehicles, those ARPs who within twenty-four (24) months following their appointment date fail to develop a total book of business of at least two-hundred, fifty (250) private passenger motor vehicles, those ARPs who within thirty-six (36) months following their appointment date fail to develop a total book of business of at least four-hundred (400) private passenger motor vehicles, and those who subsequently fail to maintain a total book of business of at least four hundred (400) private passenger motor vehicles as of their annual evaluation date, will have their certifications revoked unless the Governing Committee or its designee determines particular circumstances that merit a continuation of the certification.

The MAIP shall be responsible for providing the results of the evaluation to the ARP within fifteen (15) days of the evaluation date. The effective date of revocation shall be one year after the evaluation date on which the ARP failed to develop or maintain the applicable minimum book of business. If during the twelve (12) month run-off period, the ARP obtains and maintains the applicable minimum book of business, the certification revocation process shall be suspended and the ARP shall continue to be subject to annual evaluations.

D. <u>Service Fees</u>

1. G.L. c.175, §182 prohibits producers and others in connection with the placing or negotiation of insurance policies or the continuance or renewal thereof from selling or offering to sell anything of value whatsoever not specified in the policy of insurance, and further prohibits producers from charging the insured a rate different from that fixed, established or approved by the Commissioner. See also G.L. c.176D. The following acts and practices are prohibited:

    a. Charging a fee in addition to the premium rate fixed, established or approved by the Commissioner for certifying a registration on behalf of an ARC or LADC;

    b. Charging a fee in addition to the premium rate fixed, established or approved by the Commissioner for acting as a producer and placing the applicant's motor vehicle insurance business with an ARC or LADC;

    c. Charging a fee in addition to the premium rate fixed, established or approved by the Commissioner for providing assistance to the insured in the completion of forms which are completed in order for the insured to procure or to continue motor vehicle insurance; and

    d. Charging a fee in addition to the premium rate fixed, established or approved by the Commissioner for the sale of a "service contract" which provides for service or advice relating to the issuance, continuance, or renewal of an insured's motor vehicle insurance policy.

2. Nothing set forth in the provisions above is intended to prohibit producers from charging courier fees and other non-insurance related fees if the following requirements are met:

    a. The producer provides to the applicant a complete description of the non-insurance related services for which the fee, in addition to the premium rate, is being charged;

    b. The producer advises the applicant that there is no obligation to purchase the non-insurance related service and that the insured may obtain motor vehicle insurance through the producer, notwithstanding the insured's decision not to purchase the non-insurance related services;

    c. The applicant, after having been apprised of the above information, agrees to pay the fee; and

    d. The fee for the services provided is reasonable.

3. The producer may enter into a contract with the applicant, pursuant to which the producer provides non-insurance related services to the applicant if the producer complies with all of the requirements above. In the event the producer and applicant execute such a

"service contract", the producer shall give to the applicant an executed copy of the contract and shall retain an executed copy in his or her file that shall be made available to the ARC or LADC, Division of Insurance and the MAIP upon request.

E. Certification Ineligibility

1. Grounds for revoking the certification of an ARP shall be as provided in Rule 30 – Assigned Risk Company and Limited Assignment Distribution Company Responsibilities and Rule 31 – Assigned Risk Producer Responsibilities. Any licensed property or casualty producer who within the preceding twenty-four (24) month period has had an ARP certification revoked with the said revocation not having been reversed by the Governing Committee, the Division of Insurance, or court of competent jurisdiction, shall be ineligible to place business with the MAIP.

2. An ARP having its certification revoked for failure to meet minimum production criteria as provided in Rule 31.C shall be ineligible for recertification for a period of two (2) years commencing on the effective date of the revocation.

3. For purposes of this section, the term Assigned Risk Producer includes any licensed producer with whom or which the ARP whose certification as been revoked has a direct or indirect material and continuing proprietary or management interest.

   ARPs whose certification is revoked in conjunction with these Rules must return all MAIP forms, manuals and certification stamp(s) as well as any materials supplied by an ARC or LADC at such time as the revocation becomes effective. The ARP may appeal the revocation in accordance with the procedures specified in Rule 40 – Hearings, Review.

F. Voluntary Termination

An ARP may choose to terminate its ability to submit business to the MAIP. In this case, the ARP shall be required to provide thirty (30) days advance written notice to the MAIP.

The ARP shall return all MAIP forms, manuals and certification stamp(s) as well as any materials supplied by an ARC or LADC.

Rule 32 – Claim Practices

The Governing Committee shall establish and monitor procedures for the review of claim practices of ARCs and LADCs to insure compliance with the "Performance Standards for the Handling and Payment of Claims". National Association of Insurance Commissioners guidelines are incorporated where applicable into the Performance Standards. The MAIP will conduct periodic audits of ARC and LADC claims including policies in the MAIP and voluntarily written as specified in G.L. c.175, §113H.

A. Claim practices of each ARC and LADC shall comply with the requirements of G.L. c.175, §113H. ARCs and LADCs shall, in accordance with the Performance Standards and the MAIP's Rules:

1. Comply with the standards for prompt investigation of claims. Upon receipt of a new claim, investigate policy information for garaging, listed operator, prior accidents, or any other issues. Information developed may be used to affirm or deny claim payments. Discrepancies shall be communicated to the Underwriting Department and the premium recalculated and billed if appropriate and in accordance with Division of Insurance requirements;.

2. Affirm or deny coverage of claims within a reasonable period of time;

3. Effectuate prompt, fair and equitable settlements of claims in which liability is reasonably clear;

4. Maintain claim reserving procedures for all applicable claims;

5. Conduct internal claim quality audit of a reasonably representative number of claim files on MAIP business, commensurate with their procedures for audit of claims on voluntary business, in order to verify compliance with the Performance Standards. With sufficient frequency to reflect reasonable continuity of their quality controls, ARCs and LADCs shall prepare internal reports summarizing the efforts and conclusions of their claim department quality audit. Reports shall consolidate comments relative to both the MAIP and voluntary claim adjustment. Report format shall be at the discretion of each ARC and LADC, or as may be requested from time to time on an individual basis by the Governing Committee, or the Committee's designee;

6. Establish complaint handling procedures, and maintain complete records of all complaints received on claims related to both the MAIP and voluntary business. ARCs and LADCs shall maintain records reflecting the number of complaints received annually. For purposes of this Rule,

the term "complaint" shall mean any written communication initiated by the complainant primarily expressing a grievance;

ARCs and LADCs shall also maintain and forward to the MAIP, records on all written complaints filed on all producers;

7. Acknowledge and act promptly upon communications regarding claims;

8. Promptly provide a reasonable explanation for denial of a claim or for the offer of a compromise settlement;

9. Resolve inter-company subrogation disputes involving Physical Damage and Personal Injury Protection claims through arbitration;

10. Have direct telephone reporting available for first and third party claims;

11. Provide producers with a list of approved inspection services for conducting pre-inspections. Appraisers shall report when the damage is inconsistent with the description of the loss; and

12. ARCs and LADCs shall offer training on claim reporting and fraud recognition to producers and their customer service representatives. Such training shall be completed for current producer and customer services representatives within six (6) months of approval of this Rule and for new producers and customer services representatives within six (6) months of licensing or employment.

B. In the handling of MAIP claims, ARCs and LADCs shall not:

1. Misrepresent pertinent facts or policy provisions relating to the coverage at issue;

2. Refuse to pay claims without having conducted a reasonable investigation based upon all available information; and

3. Fail to promptly settle claims, where liability is reasonably clear, under one portion of the policy coverage in order to influence settlements under other portions of the policy coverage.

C. Every ARC or LADC shall maintain a Special Investigative Unit to investigate suspicious claims for the express purpose of eliminating fraud and shall specifically report to the MAIP evidence of fraud pertaining to theft or misappropriation of a motor vehicle on policies issued through the MAIP as provided in the Manual of Administrative Procedures. Special Investigative Units so established shall be organized and operated to investigate claims on any policies that are issued through MAIP and on policies issued on a voluntary basis by Members. The SIU shall investigate suspicious circumstances surrounding underwriting, rating, and premium issues. A claim shall not be investigated by such a unit solely on the basis that such claim arises from a policy issued through the MAIP. The SIU shall also conduct an audit on a representative sample of policies to verify garaging and policy facts.

D. Compliance with Performance Standards. An error tolerance of ten percent (10%) for procedures and seven percent (7%) for claim resolution will be used to measure compliance with the Performance Standards. Failure to meet the standards or other requirements described in this Rule may result in penalties as directed by the Performance Standards or as may be otherwise imposed by the Governing Committee.

E. Dishonesty

Loss or expense resulting from the dishonesty of those employed to handle claims shall be the sole responsibility of the ARC or LADC.

F. Claim Contingency Procedures

1. Terminations

An ARC or a LADC whose appointment is terminated as provided in Rule 38 shall, subject to the provisions of Rule 32 - Claim Practices, service to a conclusion all claims against all policies issued by it in its capacity as an ARC or a LADC and in effect prior to the date of termination. "Service to a conclusion" shall mean until the claim is properly closed, or until an agreed date.

2. Other Terminations

Upon notice from the Governing Committee of the non-voluntary termination of a company's appointment as an ARC or a LADC, the MAIP shall examine a representative sample of open claim files to determine the amount of work completed, to estimate the future cost of servicing the claims to a conclusion, and to verify compliance with Rule 32 - Claim Practices. Findings from that examination shall be reviewed with the Claims Advisory Committee, which shall present to the Governing Committee for its consideration the recommendations of the

Claims Advisory Committee for the further servicing of said ARC or LADC claims.

Rule 33 – Statistical Data

Each Member shall furnish or cause to be furnished all statistical data in connection with policies of insurance which may be required by the Governing Committee, and which is not in conflict with Chapter 365 of the Acts of 1977, including data to be used in conjunction with the Safe Driver Insurance Plan. Each Member agrees to permit the Statistical Agent for the Massachusetts Division of Insurance to release statistics requested by the Governing Committee. Statistics shall be furnished at such times and in such form and detail as may be required by the Governing Committee.

Rule 34 – Audit Review

Motor Vehicle insurance policies written by a Member directly or through a LADC subject to the Plan and Rules of the MAIP shall be subject to a review and audit in a manner and time determined by the Governing Committee. Each Member authorizes the MAIP to audit any portion of its motor vehicle insurance business that has a bearing on any credits, penalties, determination of quota share or any other issue relating to such business.

Rule 35 – Assessments

Expenses of the MAIP, including all costs of operating the MAIP 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 placed in the MAIP by Members, shall be shared among each Member based upon the proportion that each Member's Massachusetts direct written motor vehicle premiums which are reported on its Annual Statement for the most recent calendar year bear to the total of such premiums for all Members. Assessments for the expenses of the MAIP shall be levied on a quarterly basis or as frequently as the Governing Committee deems necessary.

Premium from those classifications and/or coverages that are not statistically reportable to the MAIP (those classes or coverages not specified in the Massachusetts Private Passenger Statistical Plan) and all premium from Antique Vehicles (Classification Code 0483) is excluded from this calculation.

Rule 36 – (Reserved)

Rule 37 - Commissions

ARPs will be paid the same average commission for private passenger risks insured through the MAIP as are paid for voluntary retained risks in accordance with the rate approved by the Commissioner.

For MAIP business, ARPs that are not operating under the American Agency System will be paid the same average commission as those that are operating under the American Agency System.

Nothing in this Rule is intended to alter any statutory obligation relating to commission payments.

Rule 38 – Terminations

A. Assigned Risk Company and Limited Assignment Distribution Company Terminations

1. Terminations by the MAIP

   In the event that it becomes necessary for the Governing Committee to terminate a Member from the MAIP, notice shall be given in writing by the Chairman of the Governing Committee to the Chief Executive Officer of the Member. Such notice shall specify a period of time of no less than six (6) months or such earlier time as the parties may mutually agree, at which time the MAIP will no longer assign new business to the ARC. The notice to the terminating Member will further stipulate that the Member will be expected, in good faith, to the best of its ability, to continue to provide service on existing policies as required under the Rules of Operation until the expiration date following the effective date of the termination notice unless the parties shall have mutually agreed to other arrangements for the service of such policies.

   In the event an ARC or LADC experiences unanticipated or unusual operational difficulties that would impair its ability to continue to meet the established ARC or LADC performance standards, the Governing Committee, subject to the approval of the Commissioner, may take such action as it may deem appropriate to alleviate the difficulties. Such actions by the Governing Committee shall be taken when it is evident the interest of the insuring public and the industry would be better served.

   Nothing in this section shall in any manner be deemed to act to modify or reduce an ARC's or LADC's obligations under the Plan, Rules of Operation, or Manual of Administrative Procedures.

2. Approval by the Commissioner of Terminations by the MAIP

   No termination of an ARC or LADC will become effective until approved by the Commissioner. In granting his approval, the Commissioner will consider the impact of such termination on policyholders, producers and brokers, and the market for motor vehicle insurance.

3. Terminations by the Commissioner

   The Commissioner may terminate any ARC or LADC which he/she determines to have violated the standards established for ARCs and LADCs in these Rules or the Plan or if he/she finds that the operation or financial stability of such ARC or LADC presents a danger to the interests of policyholders or the continued operation of the MAIP or will create substantial market disruption.

B. Members Electing to Withdraw from the Massachusetts Private Passenger Motor Vehicle Insurance Market

A Member electing to withdraw from the Massachusetts private passenger motor vehicle insurance market shall file a withdrawal plan for an orderly withdrawal that shall include full settlement of all financial obligations to the MAIP. Approval of the withdrawal plan for purposes of this section shall mean written approval by the Commissioner. Prior to approval, the Commissioner shall hold a public hearing if requested to do so by the Governing Committee of the MAIP, a Member of the MAIP, 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 ten (10) days of notice by the Division of Insurance to CAR of the opportunity for a hearing. Copies of the withdrawal plan shall be made public at the time of such notice.

Rule 39 – Indemnification

A. Any person or Member made, or threatened to be made, a party to any action, suit or proceeding, because such person, or any officers, employee or representative of such Member, served on the Governing Committee or on any committee of the MAIP or was an officer or employee of the MAIP, shall be indemnified by the MAIP against all judgments, fines, amounts paid in settlement, reasonable costs and expenses including attorneys' fees, and any other liabilities that may be incurred as a result of such action, suit or proceeding, or threatened action, suit or proceeding, except in relation to matters as to which he or it shall be adjudged in such action, suit or proceeding to be liable by reason of breach of duty involving gross negligence, bad faith, dishonest, willful misfeasance or reckless disregard of the responsibilities in the performance of his or its duties or obligations to the MAIP and, with respect to any criminal actions or proceedings, except when such person or Member had reasonable cause to believe that his or its conduct was unlawful. Such indemnification shall be provided whether such person or Member is a Member or is holding office or is employed at the time of such action, suit or proceeding and whether any such liability is incurred prior to the adoption of this Rule. Such indemnification shall not be exclusive of other rights such person or Member may have and shall extend to the successors, heirs, executors or administrators of such person or Member. In the event of settlement or other termination of a matter before final adjudication, indemnification shall be provided only if the Governing Committee determines with the advice of independent counsel that the person or Member to be indemnified did not in counsel's opinion commit such a breach of duty.

B. In each instance in which a question of indemnification arises, entitlement thereto, pursuant to the conditions set forth in the first paragraph of this Rule, shall be determined by the Governing Committee which shall also determine the time and manner of payment of such indemnification; provided, that a person or Member who or which has been wholly successful, on the merits or otherwise, in the defense of a civil or criminal action, suit or proceeding of this character described in the first paragraph on this Rule shall be entitled to indemnification as authorized in such paragraph. Nothing herein shall be deemed to bind a person or Member who or which the Governing Committee has determined not to be entitled to indemnification, or to preclude such person or Member from asserting the right to such indemnification by legal proceedings. Such indemnification as is herein provided shall be considered an operating expense apportioned among all Members, including any named in any such action, suit or proceeding, according to the Expense Ratio deemed by the Governing Committee to be most appropriate.

Rule 40 – Hearings, Review

A. Any Member or licensed producer aggrieved by any unfair, unreasonable, or improper practice of the MAIP or another Member with respect to the operation of the MAIP may request a formal hearing and ruling by the Governing Committee on the alleged practice. The request for hearing must be made within thirty (30) days after the date such person knew of the alleged practice. Any documentation or correspondence which either party wishes to have considered in connection with the deliberations of the matter should be forwarded to the MAIP at least five (5) business days prior to the date scheduled for the hearing.

The hearing shall be held within fifteen (15) business days after the receipt of the original request. Except as may be otherwise provided by the Governing Committee, the hearing shall be held by a panel appointed by the Governing Committee, consisting of three (3) Governing Committee members entitled to vote. The decision of this panel or any committee sitting at the request of or under the authority of the Governing Committee shall be rendered within fifteen (15) business days of the hearing. The ruling of the majority of the panel shall be deemed to be the formal ruling of the Governing Committee unless the full committee on its own motion shall modify or rescind the panel's action.

B. Any formal Governing Committee ruling may be appealed to the Commissioner by filing notice of appeal with the MAIP and the Commissioner within (30) thirty days after the date of the ruling's issuance. The Commissioner may approve, modify, amend or disapprove the ruling or direct the Governing Committee to reconsider the ruling. In addition, the Commissioner may issue any other appropriate order, including granting the aggrieved party a new hearing.