

Appendix "B"

Second Revised Rules

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 July 16, 2007, subject to the Provisions for the Phase-In of Placements in the MAIP set out in Rule 21.B below and the constraints identified in Rule 21.C 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, 2008 (see Rule 21.B.2 below) and will, at first, be limited to new business. The placement of all other business in the MAIP will be subject to a gradual process. The first, limited category of risks that must be placed in the MAIP if declined in the voluntary market will also begin for policies effective on or after April 1, 2008 (see Rule 21.B.3 below). Only as of April 1, 2009 must all risks that are declined in the voluntary market be placed in MAIP (see Rule 21.B.4 below). Additionally, constraints on business that cannot be non-renewed are imposed for a three-year transition period (see Rule 21.C 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 or after July 16, 2007:

1. Beginning on July 16, 2007, the MAIP Rules become effective, but no business can be placed in the MAIP until April 1, 2008. Members who are eligible to cede under the CAR Rules may continue to cede to the CAR pool new or other private passenger motor vehicle insurance business, including renewal business, with policy effective dates from July 16, 2007 through March 31, 2008.
2. All new business, as defined by Rule 22, with policy effective dates on or after April 1, 2008, must either be written voluntarily or be declined and referred for placement in the MAIP. These declined risks can no longer be ceded to the CAR pool as of April 1, 2008.

3. All private passenger motor vehicle insurance business, including renewal business, with policy effective dates on or after April 1, 2008 that has 10 or more Safe Driving Insurance Points ("S.D.I.P."), must either be written voluntarily or declined and referred for placement in the MAIP. These risks can no longer be ceded to the CAR pool as of April 1, 2008.

All private passenger motor vehicle insurance business with policy effective dates on or after April 1, 2009, must either be written voluntarily or be declined and referred for placement in the MAIP. These risks can no longer be ceded to the CAR pool as of April 1, 2009.

4. The last policy effective date on which any risk can be ceded to the CAR pool is March 31, 2009.

C. Constraints on Placement in the MAIP During the Transition Period

All Clean-in-Three risks, as defined in Rule 22, with renewal dates during the period April 1, 2008 through March 31, 2011, cannot be non-renewed by a Member unless:

1. The insured, at his own initiative, chooses not to renew his policy with such Member;
2. The producer terminates his relationship with a Member and the producer transfers his book of business, which includes such Clean-in-Three risk, from that Member to a new Member; or
3. The Member terminates his relationship with a producer and the producer transfers his book of business, which includes such Clean-in-Three risk, from that Member to a new Member.

D. Responsibility of CAR During the Transition Period

CAR is directed to submit to the Commissioner, by December 15, 2009, proposed rules that will ensure continued control of the size of the residual market after April 1, 2011. In developing such rules, CAR is to consider market-based strategies as well as other methodologies.

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 is the named insured and any other person who usually operates the vehicle, who during the three (3) successive years prior to the policy effective date, meets all of the following requirements:

- (1) has been licensed to operate an automobile in Massachusetts at least thirty-six (36) successive months prior to the effective date of the policy;
- (2) has been continuously insured for the past thirty-six (36) months prior to the effective date of the policy, with no more than one period of lapsed coverage and where such period was not in excess of sixty (60) days;
- (3) has not been found to be at fault for an accident that generated an insurance claim including a PIP claim, or a traffic violation as defined in the Safe Driver Insurance Plan (S.D.I.P.) in the thirty-six (36) months immediately prior to the effective date of the policy; and
- (4) In the previous sixty (60) successive months prior to the effective date of the policy has not had a DUI conviction or a conviction for a vehicular felony, as defined in the Safe Driver Insurance Plan.

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 newly licensed driver applying for his or her own policy; or 2) a risk applying to a

Member who has not been insured in the Commonwealth in the twelve (12) months preceding the application for coverage. This definition will expire upon the completion of the transition as contemplated in Rule 21 from CAR to the MAIP.

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 means those vehicles as defined in the Massachusetts Private Passenger Automobile Insurance Manual published by the Automobile Insurers Bureau in Massachusetts.

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. Inactive Member Obligations

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 applicants and policyholders in the MAIP;
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; and
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

- a. A completed, signed application for assignment submitted to the MAIP, shall constitute a certification by the applicant, or his duly authorized agent submitting the application on his behalf, to the effect that the applicant has attempted within 15 days prior to the date of application, to obtain motor vehicle insurance in the voluntary market and that he has been unable to obtain such insurance through a voluntary policy.
- b. An application shall be considered in good faith if the applicant reports all information of a material nature and does not make incorrect or misleading statements in the prescribed application form, or does not fall within 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. Motor Vehicles 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. No Member is required to offer or continue insurance to any applicant or insured in any 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; or
 - (2) If the applicant or any person who usually drives the motor vehicle has failed to pay an insurance company any motor vehicle insurance premiums due or contracted during the preceding twelve (12) months; or

- (3) 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 another entity, all entities so related shall be considered under the same majority ownership for purposes of this part.

B. Reassignment Rights

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 policyholder of a Member filed a Consumer Complaint with the Division of Insurance against such Member prior to the MAIP assignment;
 - d. the policyholder of a Member filed a Consumer Complaint with the Attorney General against such 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

