BULLETIN NO. 2010-04

TO: All Insurers That Issue Private Passenger Motor Vehicle Insurance Policies in Massachusetts

FROM: Joseph G. Murphy, Acting Commissioner of Insurance

RE: Brokerage Agreements with Former ERPs

DATE: February 5, 2010

The vast majority of former exclusive representative producers ("former ERPs") have succeeded in obtaining voluntary contracts with insurers or have merged their insurance businesses into other businesses that have obtained such contracts under managed competition. A small number of former ERPs, however, have been unable to obtain such voluntary contracts and continue to write private passenger automobile insurance business exclusively in the residual market. The Division of Insurance ("Division") remains committed to assisting these former ERPs and their customers during this transition. The Division also remains steadfast in its goal of maintaining a small residual market and depopulating that market whenever feasible. The Division issues this Bulletin consistent with these goals.

The Division encourages insurers to offer brokerage agreements to former ERPs without voluntary contracts wherever possible. A brokerage agreement allows a producer to sell insurance through an insurer and provides the opportunity to cultivate a productive relationship that may lead to an agency appointment with the insurer. The use of brokerage agreements also will serve to reroute some risks to the voluntary market that otherwise would land in the residual market.

The nature and details of such brokerage agreements are subject to negotiation between the insurer and the producer. Insurers may instruct producers as to the standards they wish to apply to the risks subject to such brokerage agreements with regard to the insurer’s underwriting criteria provided all such instructions and criteria are consistent with 211 CMR 79.00, et seq.