



NATALIE A. HUBLEY  
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

101 Arch Street, Suite 400 Boston, Massachusetts 02110

[www.commauto.com](http://www.commauto.com)

617-338-4000

November 17, 2017

**BULLETIN NO. 1041**

**PROPOSED CHANGES TO THE RULES OF OPERATION**

At its meeting of November 15, 2017, the Governing Committee voted to amend the following Rule of Operation by deleting and adding the language as indicated on the attached copy. A copy of the Filing Letter, which contains an explanation of the Rule changes, is attached for your information. The impacted Rule is listed below.

**Rule 21 – General Provisions**

This Bulletin, with a copy of the proposed changes to the Rule listed above, is being furnished to every Member Company as required in Article X of the Plan of Operation. Any Member Company may request a public hearing within five days of receipt of this Bulletin and Filing Letter, as provided by Article X of the Plan of Operation.

A proposed Rule shall become effective upon the written approval of the Commissioner or upon the expiration of 30 days after filing, provided the Commissioner has not previously disapproved the Rule in writing.

NATALIE A. HUBLEY  
President

Attachment



NATALIE A. HUBLEY  
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

101 Arch Street, Suite 400 Boston, Massachusetts 02110  
www.commauto.com 617-338-4000

November 16, 2017

Honorable Gary D. Anderson  
Commissioner of Insurance  
Massachusetts Division of Insurance  
1000 Washington Street, Suite 810  
Boston, MA 02118

### **Proposed Changes to the Rules of Operation**

Dear Commissioner Anderson:

In accordance with the provisions of Article X of the Plan of Operation, I hereby file, at the request of the Governing Committee, amendments to the following Rule of CAR's Rules of Operation:

#### **Rule 21 – General Provisions**

Changes are shown by deleting and adding language as reflected on the attached copy. The remainder of this Rule is unchanged.

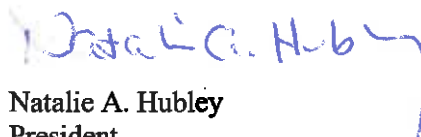
#### **Rule 21.D.**

Pursuant to Rule 21.D. of the Rules of Operation, Clean-in-Three risks written by qualifying former Exclusive Representative Producers (ERPs) currently may not be non-renewed by the ERP's Servicing Carrier though March 31, 2018. At its November 15, 2017 meeting, the Governing Committee, pursuant to Rule 21.D.6. unanimously voted to ratify the March 31, 2018 end date based on a review of current data relating to Clean-in-Three risks.

After an extensive effort during 2017 to assist the former ERPs in securing offers, there remains 10 agencies without a voluntary contract. Those agencies write a combined total of 403 Clean-in-Three exposures. To provide policy processing assistance to these ERPs in transitioning their Clean-in-Three business to the MAIP, should that be needed, the Governing Committee also voted unanimously to add further provisions to Rule 21, applicable to those Clean-in-Three risks whose policies expire April 1, 2018 through March 31, 2019. These provisions include notification requirements to the producer, and modification of the down payment and pre-inspection requirements if the producer is unable to place the risk in the voluntary market.

A copy of the proposed amendments to Rule 21 is attached hereto, and is being furnished to every Member Company, the two associations of insurance producers, and the Public Protection Division of the Office of the Attorney General, as required by Article X of the Plan of Operation.

Very truly yours,



Natalie A. Hubley  
President

Attachment: Rule 21 – General Provisions

cc: Massachusetts Urban Agents Association, Inc.  
Massachusetts Association of Insurance Agents  
Public Protection Division – Office of the Attorney General

**A. General Provisions**

The Massachusetts Automobile Insurance Plan (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 as defined by Rule 22.

The Rules of Operation of the MAIP are adopted in accordance with CAR's 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 through the MAIP pursuant to Section B. and the constraints identified in Section D.

**B. Provisions for the Phase-In of Placements Through 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 through the MAIP will not begin until April 1, 2008 pursuant to Section B.2. and will, at first, be limited to New Business. The placement of all other business through the MAIP will be subject to a gradual process. The first, limited category of risks that must be placed through the MAIP if declined in the voluntary market will also begin for policies effective on or after April 1, 2008 pursuant to Sections B.2. and 3. Only as of April 1, 2009 must all risks that are declined in the voluntary market be placed through the MAIP pursuant to Section B.4. Additionally, constraints on business that cannot be non-renewed are imposed pursuant to Section D. 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 through 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 through the MAIP until April 1, 2008. Members who are eligible to cede pursuant to 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, pursuant to Rule 22, with policy effective dates on or after April 1, 2008, must either be written voluntarily or be declined and referred for placement through 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 merit rating points, as determined by the MAIP rate manual rules, must either be written voluntarily or declined and referred for placement through the MAIP. These risks can no longer be ceded to the CAR pool as of April 1, 2008.
4. 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 through the MAIP. These risks can no longer be ceded to the CAR pool as of April 1, 2009.

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

### **C. Transition Procedures**

1. The following procedures have been established in order to continue a smooth transition from the reinsurance facility administered by CAR to the MAIP. Notwithstanding anything to the contrary in these Rules, including but not limited to the provisions of Rules 26.A.3.a.(3), 28.B.1., 28.C.1.a., 31.B.3.l., 31.B.5.a., and 31.B.6., these procedures apply to applications for coverage effective through March 31, 2010 that meet the following eligibility criteria:
  - a. The applicant's prior policy was non-renewed.
  - b. The applicant's producer of record for the prior policy was an Exclusive Representative Producer on the effective date of that policy, or the prior policy was ceded to CAR.
  - c. There is no prior premium owed; and
  - d. The applicant is otherwise eligible for MAIP placement.

2. An applicant that meets the established eligibility criteria is subject to the following provisions:
  - a. The down payment will be calculated as 20% of the MAIP premium;
  - b. Pre-inspection requirements will be waived;
  - c. The down payment and original MAIP policy application, signed by the ARP, must be submitted to the Assigned Risk Company within 2 business days of the assignment. The requirement for an applicant's signature on the original application will be waived provided that, a signed copy of the application is received by the ARP within 10 business days of the assignment. The ARP will be required to maintain the signed copy, and make this copy available upon request;
  - d. If requested by its former ERP, the former Servicing Carrier will provide a list of non-renewed policies in electronic format to the former ERP.
3. The following procedures apply to new business applications submitted through the MAIP for coverage effective April 1, 2010 through March 31, 2011 by a former Exclusive Representative Producer that does not have a voluntary contract as of April 1, 2010.
  - a. The down payment will be calculated as 20% of the MAIP premium;
  - b. The down payment and original MAIP policy application, signed by the ARP, must be submitted to the Assigned Risk Company within 2 business days of the assignment. The requirement for an applicant's signature on the original application will be waived provided that a signed copy of the application is received by the ARP within 10 business days of the assignment. The ARP will be required to maintain the signed copy and make this copy available upon request.
4. Procedures adopted pursuant to Rule 21.C.3.a. and b. do not apply to new business applications submitted through the MAIP by a former Exclusive Representative Producer that receives a voluntary contract subsequent to April 1, 2010.

5. The down payment will be calculated as 20% of the MAIP premium for new business applications resulting from the non-renewal of an assigned policy as a result of the expiration of the three year assignment period pursuant to Rule 29.D.1. This provision applies to applications submitted to the MAIP for coverage effective September 1, 2011 through December 31, 2011.

**D. Constraints on Placement Through the MAIP**

1. A Clean-in-Three Risk, defined in Rule 22, and pursuant to the provisions of Rule 21.D.2., D.3., D.4, and D.5., cannot be non-renewed by a Member unless:
  - a. The insured, at his own initiative, chooses not to renew his policy with such Member;
  - b. The producer terminates his relationship with a Member and the producer transfers his book of business, which includes such a Clean-in-Three Risk, from that Member to a new Member; or
  - c. The Member terminates his relationship with a producer and the producer transfers his book of business, which includes such a Clean-in-Three Risk, from that Member to a new Member.
2. For policies effective April 1, 2014 through March 31, 2015, a Clean-in-Three Risk can not be non-renewed by the Member except as provided by Rule 21.D.1. if the producer did not have a voluntary contract or brokerage agreement with any Member as of April 1, 2010 and did not subsequently receive a voluntary contract or brokerage agreement with a Member prior to October 31, 2013.
3. For policies effective April 1, 2015 through March 31, 2016, a Clean-in-Three Risk can not be non-renewed by the Member except as provided by Rule 21.D.1. if the producer did not have a voluntary contract or brokerage agreement with any Member as of April 1, 2010 and did not subsequently receive a voluntary contract or brokerage agreement with a Member prior to September 24, 2014.
4. For policies effective April 1, 2016 through March 31, 2017, a Clean-in-Three Risk can not be non-renewed by the Member except as provided by Rule 21.D.1. if the producer did not have a voluntary contract or brokerage agreement with any Member as of April 1, 2010

and did not subsequently receive a voluntary contract or brokerage agreement with a Member prior to October 7, 2015.

5. For policies effective April 1, 2017 through March 31, 2018, a Clean-in-Three Risk can not be non-renewed by the Member except as provided by Rule 21.D.1. if the producer did not have a voluntary contract or brokerage agreement with any Member as of April 1, 2010 and did not subsequently receive a voluntary contract or brokerage agreement with a Member prior to November 16, 2016.
6. For policies effective April 1, 2018 and subsequent, the restriction on the non-renewal of a Clean-in-Three Risk no longer applies. ~~However, no later than December 1, 2017, CAR shall confirm that the end date should be ratified based on a review of then current data relating to Clean in Three Risks.~~

For Clean-in-Three Risks whose policies expire April 1, 2018 through March 31, 2019, the following procedures shall apply:

On or about the first business day of the month, the Member will distribute to the ARP a list of Clean-in-Three policies which will expire during the month at least 120 days from the distribution date, thereby providing the ARP an opportunity to seek replacement coverage in the voluntary market. If replacement coverage is obtained for the risk, the ARP shall submit a Notice of Transfer of Insurer to the former Member identifying the new carrier.

No less than 60 days prior to the expiration date, if replacement coverage is not obtained for the Eligible Risk, the ARP shall submit an application to the MAIP. Upon receiving the assignment, the ARP shall submit a Notice of Transfer of Insurer to the former Member identifying the newly designated ARC. A down payment is not required and upon receipt of the application, the newly designated ARC will bill the applicant for 20% of the premium to be charged, which shall be the lower of the MAIP premium or the voluntary premium for which the applicant qualifies. The pre-inspection requirement shall be waived provided that the vehicle(s) to be insured is the same as the vehicle(s) insured under the previous policy.

If a Notice of Transfer of Insurer is not received, the designated Member will issue a non-renewal notice to the named insured at least 45 days prior to the expiration date with a copy sent to the ARP.



**E. Obligations of Assigned Risk Companies Relative to Clean-in-Three Business**

The Producer of a Clean-in-Three Risk, renewed by an Assigned Risk Company (ARC) pursuant to Rule 21.D., shall continue as the risk's producer of record and shall be paid commissions owed on such business, even if the producer does not hold a voluntary contract with the ARC. The producer's commission and the term of commission payments are governed by Rule 30.C.1.d.