

**Sec. 8. DETERMINATION AND FULFILLMENT OF PRIVATE PASSENGER NONFLEET LIABILITY QUOTAS**

*The second paragraph of B.5 is amended as follows:*

**B. Limited Assignment Distribution Procedure (LAD)**

**5. Monitoring Servicing Company Eligibility**

If the Plan determines that a servicing company does not continue to meet one or more of the eligibility requirements in Section 8.B.1, the Plan shall immediately provide written notification to the servicing company and the Advisory Committee. If the servicing company advises the Plan that it no longer meets one or more eligibility requirements, the Plan shall verify the information and provide written acknowledgement to the servicing company. The Plan shall immediately advise the Advisory Committee, in writing, that the servicing company no longer meets one or more of the eligibility requirements. The Advisory Committee may recommend to the Commissioner remedies, including but not limited to, providing a period of time to remedy the cause of ineligibility or termination of the LAD servicing company. With the exception of a LAD servicing company who is terminated due to insolvency or Insurance Department order in accordance with Section 8.B.7.a, a terminated servicing company with an A.M. Best financial rating of B or below (including not rated) must enter a LAD buyout arrangement in accordance with Section 8.B.15.

*Paragraph B.7.a(2) is amended as follows:*

**7. Termination of LAD Servicing Company**

**a. Insolvency or Insurance Department Order**

If a servicing company is terminated due to insolvency, rehabilitation, or insurance department order, the Advisory Committee and Plan will be guided by the following:

(2) Assignments to the servicing company will be restricted until a specified date. The assignments that would have otherwise gone to the servicing company under the LAD arrangement will be distributed to companies with quotas who are not LAD buy-out companies.

*Paragraph B.7.b(3) is amended as follows:*

**b. Any Other Reason**

If a servicing company is terminated for any reason, other than those indicated in Section 8.B.7.a, the Advisory Committee and Plan will be guided by the following:

(3) The servicing company may has the option to seek a LAD buy-out arrangement for its assignments and in-force policies, unless otherwise directed by the Advisory Committee. A servicing company with an A.M. Best financial rating of B or below (including not rated) must obtain a LAD buy-out arrangement in accordance with Section 8.B.15.

*New paragraph B.15 is introduced as follows: (Current paragraphs B.15 and B.16 are redesignated B.16 and B.17.)*

**15. Subscriber Companies Required to Buy-Out**

Any subscriber company with a private passenger nonfleet quota who is currently receiving assignments or will receive assignments for the first time that has an A.M. Best rating of B or below (including not rated) and any subscriber company that has been directed to do so by the Commissioner shall enter a LAD arrangement with a servicing company in accordance with the procedure outlined below. For the purposes of this procedure, a terminated LAD servicing company shall be considered a subscriber company.

The Plan shall review, upon release by A.M. Best, the A.M. Best ratings of all subscriber companies for the purpose of identifying those companies, if any, that have an A.M. Best rating of B or below and those companies, if any, that do not have an A.M. Best rating. For purposes of this procedure, the applicable A.M. Best rating for companies shall be the most recent rating available at the time of the Plan's review. The Plan shall promptly provide written notification to any company with an A.M. Best rating of B or below (including not rated) at that time. The Plan's notification shall provide the reason for the requirement that the company enter into a LAD arrangement.

If at any time during a calendar year the A.M. Best rating of a subscriber company with a quota who is subject to this procedure becomes B or below (including not rated ), the company shall notify the Plan, in writing, of the change in their financial rating and request information to enter a LAD

arrangement. The Plan shall verify the information and provide the company with written acknowledgement that they are subject to the procedure in Section 8.B.15 and must buy out in LAD.

Each Plan letter of notification or acknowledgement shall state that a signed LAD buy-out contract must be executed within 30 calendar days of the date of the Plan's letter. At the same time, the Plan shall also provide the company with the name, address, and contact person of each servicing company. When entering the LAD arrangement, the company must provide the servicing company with a copy of the Plan's letter and notify the Plan, in writing, that they have obtained a LAD arrangement with a servicing company. Acting on behalf of the subscriber company, the servicing company shall forward a signed buy-out contract to the Plan within 30 calendar days following the date of execution of the buy-out contract. The LAD buy-out contract shall become effective in accordance with Section 8.B.11. At the discretion of the Advisory Committee, assignments to a subscriber company that has been required to buy-out may be suspended until the company is able to negotiate a LAD buy-out contract. Suspension of assignments is subject to confirmation by the Advisory Committee. The buy-out company shall negotiate the buy-out fee with the servicing company.

The Commissioner may direct at any time that a subscriber company buy out in LAD for good cause other than that company's A.M. Best rating or lack thereof. The Plan shall provide written notification to any subscriber company so identified by the Commissioner in the manner outlined above.

Any subscriber company subject to Section 8.B.15 who fails to enter a LAD arrangement and provide the Plan with an executed buy-out contract in accordance with this procedure shall be referred to the Commissioner. If the subscriber company is a terminated LAD servicing company (not subject to Section 8.B.7.a) who has attempted to negotiate a LAD buy-out arrangement with a servicing company and has failed to do so, the matter shall be referred to the Commissioner for consideration.

If a subscriber company with an A.M. Best rating of B or below (including not rated) is part of a group of companies which has a

group rating better than B, the Plan shall provide that company with the option of entering a LAD arrangement (including transfer of renewals) or transferring its future Plan assignments and Plan renewals to another company within its own group provided that company has an A.M. Best rating better than B. The subscriber company shall notify the Plan of its selected option within 30 calendar days of the date of the Plan's written notification to the subscriber company.

If the A.M. Best rating of the buy-out company has improved to better than B, it has the option to continue to buy-out in LAD under this procedure or to resume writing Plan assignments at the end of the existing LAD buy-out contract term. If the buy-out company elects to terminate its LAD arrangement at the end of the existing buy-out contract term and resume writing Plan assignments, it will be the company's responsibility to notify the Plan. The LAD arrangement must be terminated in accordance with the terms and conditions stated in the buy-out contract.

In the event a subscriber company has been directed by the Commissioner to enter a LAD arrangement for good cause other than the company's A.M. Best rating or lack thereof, the Commissioner shall advise the Plan when the company may resume writing its own Plan assignments. The Plan shall promptly notify the subscriber company of any change in its status under this procedure. If the subscriber company elects to write its own Plan assignments, the LAD arrangement must be terminated in accordance with the terms and conditions stated in the buy-out contract.

