

# NORTHEAST REGIONAL OFFICE

*Managed by AIPSO*

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January 31, 2019

## **SUBRES (ME AIP) 19-01**

### **Subscriber Mail Vote: Proposed Amendments to Section 5. AMENDMENT OF PLAN**

Attached for your consideration and approval are proposed amendments to Plan Section 5. The Maine Plan Board of Governors and the Maine Bureau of Insurance have approved the amendments.

The proposed amendments eliminate the subscriber ballot requirement when changes are made to the Plan of Operation. New language is introduced to clarify that all changes to the Plan require the approval of the Board of Governors and the Maine Bureau of Insurance.

An explanatory memorandum is attached which provides additional detail regarding the amendments.

Accordingly, subscribers are requested to vote on the proposed amendments to Plan Section 5. If you do not respond by February 22, 2019, it will be assumed that you approve of the proposed amendments and your vote will be so recorded.

**Attachment(s)**            Explanatory Memorandum  
                                 Proposed Amendments

**Response Required**    February 22, 2019



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## AMENDMENT OF PLAN

### Defining the Issue

Currently, the Plan of Operation may be amended by the companies subscribing to the Plan by a subscriber vote. With advances in technology, Plan subscriber companies are now able to review proposals more immediately with access to AIPSO.com. With information more readily available to them subscriber voting may no longer be necessary.

### Action Needed

Please review the following information and decide if the proposal is appropriate for the Maine Automobile Insurance Plan.

### Proposal

The Plan proposes revision of the procedure for amendment of the Plan of Operation to eliminate the subscriber ballot requirement. New language is introduced to clarify that all changes in the Plan require the approval of the Maine Bureau of Insurance.

Current Plan rules require transmission of a subscriber ballot to registered subscriber companies following Board of Governors and Bureau of Insurance approval of an amendment to the Plan of Operation. The Plan rarely receives dissenting votes and/or comments from subscriber companies.

With the decrease in private passenger and commercial application volumes, subscriber companies are less impacted by the automobile residual market. For example, companies subject to private passenger assignments may enter LAD agreements and no longer write their own assignments or maintain the systems necessary to write the business. Companies writing commercial auto insurance continue to participate in CAIP results, but CAIPs are much smaller in size. For these reasons, companies may no longer wish to receive certain types of notices from the Plan.

The Plan proposes elimination of the subscriber ballot requirement and introduction of a new provision clarifying that all changes require the approval of the Maine Bureau of Insurance.

### Impact

Adoption of these amendments will have the following impact:

- The release of amendments approved by the Board of Governors and the regulator will no longer be delayed, pending the results of the subscriber ballot.
- The time and expense associated with the preparation and transmission of the Plan subscriber ballots is eliminated.
- Subscriber companies will no longer receive subscriber ballots. Companies who do not serve on the Board of Governors will no longer have the opportunity to vote on Plan administrative matters impacting them.
- Subscriber companies will continue to have access to Plan minutes and agendas on AIPSO.com.

**AIPSO Systems Impact:** This project has no impact on AIPSO systems.

## **Background**

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Currently, after the Maine Board of Governors and the Bureau of Insurance have approved a proposal to amend the Plan of Operation, the Plan must conduct a subscriber vote giving subscribers at least 20 days to either approve any amendments in the proposal or disapprove them when changes to the Introduction or Sections of the Plan manual are included in the proposal.

When the current subscriber ballot procedure was introduced in the 1970's, its purpose was to allow all subscriber companies to vote on amendments to the Plan of Operation. Application volumes in the automobile residual market were higher and most companies wrote their own assignments. State Plan of Operation amendments approved by the governing bodies were distributed to all subscriber companies for review and approval. Since then the residual market has less impact on companies due to the decline in application volumes.

With advances in technology, subscriber companies may access and review Plan proposals on AIPSO.com. Subscribing companies will have the ability to review all proposals included in the agenda more immediately, and provide comments on the amendment prior to, or during, a meeting/teleconference. Companies that are large writers of Plan business typically are on the state governing boards and review the proposed amendments. Subscriber companies may attend governing committee meetings and/or bring up a topic of discussion at any time if they are interested in doing so.

More than half of the Plans countrywide have eliminated the subscriber company ballot to effect Plan of Operation changes. That authority has been transferred to the governing body which has a fiduciary responsibility to represent the industry in all such matters.

During the September 7, 2018 Board of Governors meeting, the Board members approved a recommendation to eliminate the requirement for subscriber voting. The Board requested a proposal amending the Plan of Operation be presented at the next Board meeting.

## **Proposed Changes**

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### **Sec. 5. Amendment of Plan**

The subscriber ballot is eliminated in its entirety. A provision is introduced to clarify that the Board of Governors and the Maine Bureau of Insurance must approve all amendments to the Plan of Operation.

## **Attachments**

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Exhibit A – Amendment to Section 5

**ADMINISTRATIVE PROVISIONS**

**Sec. 5 AMENDMENT OF PLAN**

~~Subject to approval of the Superintendent of Insurance the Plan may be amended by the companies subscribing to the Plan by subscriber vote. The subscriber vote circular containing the proposed Plan amendment shall be placed on the Plan website. Notice of any proposed amendment subject to subscriber vote shall be transmitted to registered subscriber companies in accordance with the procedures established by the Plan not less than 20 days prior to the final date fixed for voting thereon.~~

~~An amendment shall become effective~~

~~unless disapproved by 10% or more of all the subscribing companies writing direct automobile insurance in the state, provided such dissenting subscribing companies write at least 20% of the net direct automobile bodily injury and physical damage premiums in the state, or~~

~~unless disapproved by 20% or more of the subscribing companies writing direct automobile insurance in the state irrespective of the amount of such premiums written by such dissenting subscribing companies.~~

All changes in the Plan require the prior approval of the Board of Governors and the Maine Bureau of Insurance.