RULE 56. MERIT RATING PLAN

The following is an overview of the terms of the Merit Rating Plan and its impact on underlying rates.

Experience Period

Each listed operator on a policy is assigned a merit rating based on the operator’s driving record. The merit rating adjustment is a percentage multiplied by the otherwise applicable premium that reflects the number, type, and age of at fault accidents and traffic violations of the operator during the policy experience period. The percentage can be either positive or negative.

The policy experience period is the six years immediately preceding the effective date of the policy.

The merit rating adjustment will be determined based on the merit rating code reported to us by the Merit Rating Board.

Operators New to Massachusetts

If an application for insurance indicates that an operator new to Massachusetts was licensed outside of Massachusetts within the last six years or such operator is being added to an existing policy, the operator’s policy experience period will begin as of the effective date of that policy until Commerce receives an authorized inquiry response from the Merit Rating Board indicating the operator’s merit rating code.

If an operator’s Motor Vehicle Report (MVR) is electronically available, Commerce will be responsible for obtaining it from the state or country where the operator was licensed. Driving history on MVRs obtained from more than one state or country will be combined by Commerce and considered as one report. An acceptable MVR must have three years or more driving history, unless the operator has been licensed less than three years. If there are no motor vehicle violations or at-fault accidents shown on the MVR, Commerce will submit a policy inquiry to the Merit Rating Board in compliance with the MRB manual and its Administrative Procedures. An operator’s MVR with motor vehicle violations or at-fault accidents will be submitted to the Merit Rating Board. The Merit Rating Board will determine the operator’s merit rating code.

If an operator’s MVR is not electronically available, the operator’s policy experience period will begin as of the effective date of the policy until Commerce receives an authorized inquiry response from the Merit Rating Board with the operator’s actual merit rating code. The operator may obtain an official driving record or a record from a previous insurer and submit it to Commerce. If the driving record is not in English, a translation certified as true and correct by the translator must be obtained by the operator and attached to the driving record submitted to Commerce. An acceptable driving record must have three or more years driving history, unless the operator has been licensed less than three years. If there are no motor vehicle violations or at-fault accidents shown on the operator’s record, Commerce will submit a policy inquiry to the Merit Rating Board in compliance with its Administrative Procedures. An operator’s record with motor vehicle violations or at-fault accidents must be submitted to the Merit Rating Board. The Merit Rating Board will determine the operator’s merit rating code.

Determination of Merit Rating Code

Points are assigned to an operator for each of the following at-fault accidents and traffic violations that occurred during the five years immediately preceding the effective date of the policy:

| Minor traffic law violation | 2 points |
| Minor at-fault accident     | 3 points |
| Major at-fault accident     | 4 points |
| Major traffic law violation | 5 points |

An “at-fault” accident is one in which the company determines that the involved operator is more than 50% at fault. An at-fault accident is defined as minor only if it resulted in a claim payment for bodily injury liability, damage to someone else’s property, collision or limited collision of at least $500 and up to $2,000. An at-fault accident is defined as major only if it resulted in a claim payment of more than $2,000.

If the most recent at fault accident or traffic violation occurred less than three years prior to the policy effective date, the operator’s merit rating code will equal the sum of the points accumulated for at-fault accidents and traffic violations that occurred during the five years immediately preceding the effective date of the policy. If the most recent at fault accident or traffic violation occurred more than three years prior to the policy effective date, and the number of at fault accidents or traffic violations in the past five years is three or less, the points assigned to each incident shall be reduced by one, and the total number of points assigned to the operator shall be the sum of those reduced points. In no event shall the points for any at fault accident or traffic violation be reduced below zero.

Points are not assigned to a non-criminal minor motor vehicle traffic law violation if it is the first such violation or if it occurs in the sixth (oldest) year in the six year policy experience period.
If there are no at-fault accidents or traffic violations attributable to an operator during the six years immediately preceding the policy effective date, the operator’s merit rating code is 99. If there are no at-fault accidents or traffic violations attributable to an operator during the five years immediately preceding the policy effective date, the operator’s merit rating code is 98. In addition, a merit rating code of 98 will be assigned to an operator with at least 5 years of experience, with an incident free period equal to or greater than three, with 1 minor non criminal traffic violation that occurred in the 4th, 5th or 6th year of the experience period.

In determining the merit rating adjustment for motorcycles, the merit rating code for a motorcycle operator is the merit rating code otherwise determined unless the operator is classified as inexperienced under Rule 44 and the otherwise applicable merit rating code for the operator is 98 or 99.

The motorcycle rating code will be determined as follows:

<table>
<thead>
<tr>
<th>Years of Motorcycle Experience</th>
<th>Operator Merit Rating Code</th>
<th>Motorcycle Merit Rating Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 but less than 6</td>
<td>99</td>
<td>98</td>
</tr>
<tr>
<td></td>
<td>98</td>
<td>98</td>
</tr>
<tr>
<td>Less than 5</td>
<td>99</td>
<td>00</td>
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<tr>
<td></td>
<td>98</td>
<td>00</td>
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</tbody>
</table>

**Accident Forgiveness – CIC 2209**

Accident Forgiveness means that Commerce will waive and not assign points for an at-fault accident under the Merit Rating Plan if:

1. The policy was endorsed with this coverage at the time the accident occurred;
2. The operator involved in the accident is listed on the Coverage Selections Page at the time of the accident and the Merit Rating Board has posted for the at fault accident to the account of the operator; and
3. The operator involved in the accident was not deferred or excluded from coverage.

If Accident Forgiveness was applied in a prior term of this policy, Commerce will continue to waive the points for that accident until: (1) the accident no longer qualifies for points under our Merit Rating Plan; (2) this endorsement is removed; or (3) there is a lapse in coverage.

**Conditions**

- At the time this endorsement is initially purchased all operators on the policy must have a merit rating code of: 99, 98, 00, 01, 02, 03, or 04.
- Only one at-fault accident per policy will be forgiven at any point in time.
- Where there are multiple at-fault accidents per policy, the oldest eligible accident will be forgiven.
- The Merit Rating Board’s surcharge date is used to determine which at-fault accident is the oldest.
- Any other accidents that occur while one accident is being forgiven, will not qualify for Accident Forgiveness unless the surcharge for the older at-fault accident is reversed by the Board of Appeals.

**Removal of Accident Forgiveness**

Commerce will remove this endorsement and Accident Forgiveness will no longer apply if:

1. at any point in time during the policy period the insured requests removal of this endorsement; or
2. the insured adds an operator to their policy who has a merit rating code of 05 or greater.

Points previously waived for an accident will be assigned in accordance with our Merit Rating Plan as of the date that this coverage is removed.

Where there has been a lapse in coverage, the policy will automatically be reinstated with this endorsement, if eligible. Accident Forgiveness will apply only to subsequent accidents in accordance with the terms of the endorsement.

There is a 5% charge to the policy premium for accident forgiveness to apply. Note: This charge does not apply to the Commerce Elite Package or Commerce Enhancer Package endorsements.

**Calculation of Premium Adjustment**
The merit rating adjustment is multiplied by the otherwise applicable premium for Part 1 - Compulsory Bodily Injury, Part 2 - Personal Injury Protection, Part 4 – Damage to Someone Else’s Property, Part 5 – Optional Bodily Injury and Part 7 - Collision.

The merit rate adjustment is the last step in the rating process after all discounts and rating factors have been applied to the premium.

### Merit Rating Plan Table

**Calculation of Merit Rate Adjustments**

<table>
<thead>
<tr>
<th>Coverage Merit Rating Code</th>
<th>Experienced Operators (Rate Class 10, 15 or 30)</th>
<th>Inexperienced Operators (All Other Rate Classes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part 1</td>
<td>Part 2</td>
<td>Part 3</td>
</tr>
<tr>
<td>Part 4</td>
<td>Part 5</td>
<td>Part 7</td>
</tr>
<tr>
<td>Part 7</td>
<td>Part 1</td>
<td>Part 2</td>
</tr>
<tr>
<td>Part 4</td>
<td>Part 5</td>
<td>Part 7</td>
</tr>
<tr>
<td>Part 7</td>
<td>Part 1</td>
<td>Part 2</td>
</tr>
</tbody>
</table>

*The merit rate adjustment is determined by multiplying the above factors (for the appropriate merit rating code) by 100 to derive the appropriate percent charge. Multiply the applicable percentage to the premium by coverage (after all other applicable discounts and rating factors have been applied), rounding to the nearest whole dollar amount, and then summing the results for all coverages. See Rule 11 – Premium Calculation.*