

**PROGRAM DIVISION
BULLETIN**

2006-07

January 20, 2006

**IMPORTANT INFORMATION REGARDING
DMV REPORTING IN MAINE**

**THE INFORMATION IN THIS BULLETIN REPLACES PROGRAM DIVISION
BULLETIN 2004-55 WHICH WAS ISSUED ON 12/22/2004**

As mentioned in our previous communication, an effort was put forth to have Maine amend their law to exclude commercial fleet and composite rated policies from having to be reported when cancelled, terminated, lapsed or just lost to competition. That effort was somewhat successful.

On January 1, 2005, the Maine Legislature enacted new amendments to Title 29–A s 1601-A, requiring insurance companies to report to the Maine Secretary of State, the cancellation, termination or lapse of motor vehicle policies, covering vehicles registered in the State of Maine. This law also applies in those situations where we lose a Commercial Auto policy at renewal due to competition. Previously, this law applied to Fleet and Non-Fleet policies as well as composite rated policies.

However, as a result of our efforts, subsequent legislation, specifically Sec. 1. Title 29-A s 1601-A, sub-S6, was signed into law on May 12, 2005, and states that an insurance company that insures a Fleet of three (3) or more vehicles under commercial automobile coverage is exempt from the requirements of notifying the Secretary of State when insurance is cancelled, terminated or lapsed.

Therefore, if you have two (2) or less vehicles covered under a commercial automobile policy, you must report to the Maine Secretary of State, the cancellation, termination or lapse of motor vehicle policies, covering vehicles registered in the State of Maine. If this is the case, proceed as described below.

© 2000 American International Group, Inc.
The material contained herein is proprietary to the member companies of American International Group, Inc. and is intended for use only by Program Administrators. Unauthorized disclosure, dissemination, copying, or other use of this material without the expressed written permission of AIG is strictly prohibited.

**LEXINGTON INSURANCE COMPANY
PROGRAM DIVISION**

100 Summer Street/19th Floor, Boston, MA 02110
phone 617-330-1100 / fax 617-330-8595

The notice must include the following for each vehicle registered in Maine where coverage has ceased:

- Name of registered owner
- Address of registered owner
- Date of birth of registered owner
- Complete VIN number of registered vehicle

The statute does provide that “if a company knows that a replacement policy has been secured in place of the policy cancelled, terminated, lapsed or non-renewed, the company is not required to notify the Secretary of State”. However, because the statute places an “*affirmative knowledge*” requirement upon the company, you will need to document the file as to the replacement coverage in order to avoid the need to file such notice to the Secretary of State. More on this in Underwriting Action noted below.

KEEP IN MIND:

This law, like many other state DMV reporting laws, was designed to enhance the State's ability to police all registered vehicles in that state to ensure that vehicles driven on Maine roadways are in compliance with the Maine Financial Responsibility (FR) laws. Unfortunately, the original law ignored how the insurance industry has operated over the many years, i.e. the issuance of large fleet and or composite rated policies for ease of vehicle additions and deletions during the course of the policy term. Through the efforts put forth we have been able to get Maine to amend their law to exclude commercial, fleets with three (3) or more vehicles. For commercial auto policies with two (2) or less vehicles we must comply with this law as described above effective May 12, 2005. While this information will sometimes be difficult for us to obtain, we must endeavor to obtain it in order to be compliant with this revised Maine law.

UNDERWRITING ACTION:

If the Program Administrator has a Commercial Automobile policy with Maine exposure, and the Program Administrator cancels, terminates or if the policy has a lapse in coverage, for any reason, or if we lose the policy at renewal to competition, and that policy has two (2) or less vehicles on it, the Program Administrator **must** obtain the required four (4) data elements described above and report them to the Maine Secretary of State to ensure compliance with this new law.

The Program Administrator must make sure that the name of the registered owner is a named insured on the policy and that the registered owners address matches the address on the policy. Also, the Program Administrator must obtain the complete VIN number of the vehicle or vehicles on the policy.

As for the “birth date” of a registered owner that is not a natural person (i.e. a corporation), the only suggestion we can offer you is to use the date of incorporation of the named insured.

© 2000 American International Group, Inc.
The material contained herein is proprietary to the member companies of American International Group, Inc. and is intended for use only by Program Administrators. Unauthorized disclosure, dissemination, copying, or other use of this material without the expressed written permission of AIG is strictly prohibited.

LEXINGTON INSURANCE COMPANY
PROGRAM DIVISION

100 Summer Street/19th Floor, Boston, MA 02110
phone 617-330-1100 / fax 617-330-8595

The only exception to reporting a cancelled, terminated, lapsed policy, or a policy lost at renewal to competition, is if the previous carrier has "*affirmative knowledge*" that another carrier has, in fact, picked up the coverage for the insured. In order to document the company's compliance with this law, this affirmative knowledge must be more than just a verbal communication or "*they told me so*". The file must contain documentation containing one or more of the following which would support the company's decision not to file the notice with the Secretary of State:

- Obtaining a copy of the Dec page from the new carrier that replaces our coverage/policy.
- Obtaining a copy of the binder from the new carrier that replaces our coverage/policy.
- A fax memo from the broker advising us that they have replaced coverage and indicating the information specified below.

Ideally, a copy of the new carriers Dec page would be the first choice; however, dependent upon circumstances, obtaining such affirmative knowledge in a timely fashion will sometimes be impossible. Therefore, a fax memo from the broker would be practical if, and only if, the fax memo contained certain key information needed to evidence our affirmative knowledge.

The fax memo should contain the following:

- The broker's name, address and contact person.
- Reference to our expiring / cancelled insured name, policy number and policy period.
- The new carriers name, policy number and effective date

This documentation **must** be maintained in the underwriting file for future reference and as proof that we have affirmative knowledge that another carrier has, in fact, picked up the coverage after us in accordance with Maine law.

A sample fax memo from the broker showing all of the elements required to prove affirmative knowledge follows for your for your reference. Any fax that you receive from your broker must contain all of the information below, especially that of the effective date of the replacing policy.

If you have any questions regarding this matter, please contact your Program Manager.

© 2000 American International Group, Inc.
The material contained herein is proprietary to the member companies of American International Group, Inc. and is intended for use only by Program Administrators. Unauthorized disclosure, dissemination, copying, or other use of this material without the expressed written permission of AIG is strictly prohibited.

LEXINGTON INSURANCE COMPANY
PROGRAM DIVISION

100 Summer Street/19th Floor, Boston, MA 02110
phone 617-330-1100 / fax 617-330-8595

Date:

*Re: AIG First Named Insured
AIG expired / cancelled Policy Number
AIG policy period: (i.e. 01/01/04 to 01/01/05)*

Dear Mr. Underwriter,

This is to confirm that the captioned policy has been replaced with the ABC Insurance Company effective 01/01/05.

Sincerely,

*Joe Broker
XYZ Brokerage, Inc.
123 Main Street
Anywhere, USA, 12345
(212)-555-1234*

© 2000 American International Group, Inc.
The material contained herein is proprietary to the member companies of American International Group, Inc. and is intended for use only by Program Administrators.
Unauthorized disclosure, dissemination, copying, or other use of this material without the expressed written permission of AIG is strictly prohibited.

LEXINGTON INSURANCE COMPANY

PROGRAM DIVISION

100 Summer Street/19th Floor, Boston, MA 02110
phone 617-330-1100 / fax 617-330-8595