

**Preferred Mutual Insurance Company
Private Passenger Automobile Manual - Massachusetts**

Rule 7. POLICY PERIOD

Rule 7. is replaced by the following:

RULE 7. POLICY PERIOD

The insured shall have the option to purchase, and the insurer shall not refuse to issue, an annual motor vehicle policy providing compulsory coverages containing any expiration date as the insured may elect. All policies are written for a term of twelve months.

RULE 11. PREMIUM CALCULATION RULE

Rule 11. is replaced by the following:

RULE 11. PREMIUM CALCULATION RULE

The following sequence shall be used in rating the policy. The manual rate includes any premium adjustment as may be necessary to increase, reduce or eliminate the deductible amount applicable to Parts 7, 8 and 9, or to apply Waiver of Deductible under Part 7.

1. Apply the appropriate rating factor under Rule 24 to the manual rate for Parts 7 and 9, if applicable.
2. Apply the appropriate rating factor under Rule 48 to the rate for Parts 7, 8 or 9, if applicable.
3. Apply the appropriate discount to the premium developed in Step 2. Refer to Rule 19 for a definition of the available discounts.

Parts 1 through 9 and Part 12 may be subject to more than one discount or rating factor. In such case, the order of the premium calculation shall be

- (1) annual mileage
- (2) multi-car
- (3) passive restraint
- (4) anti-theft
- (5) future effective date or good pay/loyalty discount
- (6) anti-lock brakes
- (7) good student
- (8) account credit
- (9) years licensed factor
- (10) class 15 discount

The discount shall be rounded to the nearest dollar after each application.

4. Apply the appropriate merit rating plan points to the premium developed in step 3.

NOTE: A discount of the premiums paid for Parts 4 and 7 will be given to eligible policyholders who provide evidence of purchase of eleven monthly passes or tickets from a qualified public transit system during the policy period. Refer to Rule 19. The discount is applied to the premium developed in step 4.

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Rule 18. TERMINATION OF INSURANCE

Rule 18. A.1. is replaced by the following:

A. Cancellations

The following provisions apply when a policy is cancelled:

1. If a policy is cancelled by the company or by the insured at any time, the return premium shall be computed pro rata.

Rule 18. F. is replaced by the following:

F. Instructions For Use of Pro Rata Table

1. Express the date of cancellation by year and decimal part of a year by combining the calendar year with the decimal appearing opposite the month and day in the Pro Rata Table, e.g., March 7, 2007, is designated as 2007.181.
2. In like manner express the effective date of the policy by year and decimal part of a year and subtract from the cancellation date.
3. The difference, in the case of one year policies, represents the percentage of the annual premium which is to be retained by the carrier.

Examples:

Cancellation date September 22, 2007	2007.726
Effective date July 6, 2007	<u>2007.512</u>
	.214

Earned premium for one year policy term will therefore be .214 times the annual premium.

Cancellation date March 7, 2007	2007.181
Effective date December 15, 2006	<u>2006.956</u>
	.225

Earned premium for one year policy term will therefore be .225 times the annual premium.

NOTE: As it is not customary to charge for the extra day (February 29), which occurs one year in every four years, this table shall also be used for each such year.

The SHORT RATE CANCELLATION OF SHORT TERM POLICIES, Table 1 and Table 2 do not apply.

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RULE 19. DISCOUNTS

The following discounts are added:

- Future Effective Date** A New Business application that is submitted 7 or more days prior to the effective date, will receive a premium credit.
- Good Pay/Loyalty Credit** If an insured(s) has completed 1 billing year with zero non-payments or NSF's, a 2% Good Pay/Loyalty Credit will be applied on the following term. For each year thereafter, if the insured has 1 or less non-payments and zero NSF's the Good Pay/Loyalty Credit will increase by 1% per year with a maximum of 5%.
- If an insured(s) has 2 or more non-payments in a billing year, the Good Pay/Loyalty Credit will decrease by 1% for the following term.
- Any occurrence of an NSF will negate the Good Pay/Loyalty Credit for the following term.
- Once the Good Pay/Loyalty Credit has been negated eligibility will be as stated in paragraph 1.
- Account Credit** Applies when the policyholder's Primary Homeowner (Owners, Tenants, and Condos) or Mobile Homeowner coverage is written with Preferred Mutual.
- This credit may be applied mid-term or at policy inception.
- Anti-Lock Brake Discount** A premium discount applies for those private passenger autos equipped with factory installed two or four wheel Anti-Lock Braking Systems (ABS).
- Good Student Discount** Applies as follows:
- 1) The owner or operator is
 - a) Classified in one of the following inexperienced operator classes: 17, 18, 20, 21, 25, 26, and
 - b) A full time high school, college or university student.
 - 2) A certified statement from a school official is presented to the Company on each anniversary date of the policy indicating that the student has met one of the following requirements during the immediately preceding school semester.
 - a) Is in the upper 20% of his/her class scholastically, or
 - b) Maintains a "B" average, or its equivalent. If the letter grading system cannot be averaged, then no grade can be below "B".
 - c) When in a school maintaining a numerical grade, must have at least a 3 in a 4, 3, 2, 1 point system or its equivalent.
 - 3) Student is included in a "Dean's List", "Honor Roll" or comparable list indicating scholastic achievement. A premium change resulting from a change in the scholastic standing of the student cannot be effected between anniversary dates of the policy.

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RULE 26. MODEL YEAR 2010 VEHICLES

For Model Year 2010 vehicles, apply the following factors to the 2009 Collision (Part 7) or Comprehensive (Part 9) premiums shown in the Rate Section of this manual.

<u>Collision - Part 7</u>		<u>Comprehensive – Part 9</u>	
<u>Symbol</u>	<u>Factor</u>	<u>Symbol</u>	<u>Factor</u>
1	1.051	1	1.016
2	1.052	2	1.017
3	1.052	3	1.016
4	1.052	4	1.017
5	1.053	5	1.017
6	1.054	6	1.018
7	1.054	7	1.017
8	1.055	8	1.017
10	1.056	10	1.017
11	1.056	11	1.017
12	1.056	12	1.017
13	1.056	13	1.018
14	1.056	14	1.018
15	1.056	15	1.018
16	1.057	16	1.018
17	1.057	17	1.018

RULE 28. PRIVATE PASSENGER CLASSIFICATIONS

Rule 28. B. 1. a. iii. is replaced by the following:

If an operator is to be listed as a deferred driver to be excluded in rating to produce a lower premium charge, the policyholder must submit a copy of a Coverage Selections Page showing the deferred operator as a listed principal operator on that policy.

A deferral can be lifted at any point in the policy term if the company determines that the deferral is no longer valid.

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RULE 29. YEARS LICENSED FACTOR

Years Licensed Less Than	Charge
1	9%
2	8%
3	7%
4	6%
5	5%
6	4%
7	3%
8	2%
9	1%

Years Licensed 9 or more and less than 51	Charge
	0%

Years Licensed More Than	Charge
50	1%
51	2%
52	3%
53	4%
54	5%

RULE 42. REPAIR OR REPLACEMENT COVERAGE

For no additional premium, Coverage for Damage to Your Auto (Parts 7, 8, and 9) is changed from Actual Cash Value to Replacement Cost, subject to certain limitations and exclusions.

This coverage will only apply on new vehicles; owned or leased by the insured(s); with Collision (Part 7) or Limited Collision (Part 8) and Comprehensive (Part 9) coverages carried on the auto.

Attach endorsement MARR

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Rule 50. USE OF OTHER AUTOMOBILES

Rule 50.is replaced by the following:

RULE 50. USE OF OTHER AUTOMOBILES

A policy may be extended to provide coverage for an individual who owns an auto but also drives borrowed or rented autos. The policy may also be extended to provide coverage for household members.

Endorsement M-0051-S, Use of Other Automobiles-Vehicles Furnished or Available For Regular Use may be used to cover vehicles furnished or available for regular use except vehicles furnished for use as public or livery conveyances.

The following rates apply for Damage To Someone Else's Property (Part 4), Optional Bodily Injury To Others (Part 5), and Medical Payments (Part 6):

- 1) Vehicles Furnished or Available For Regular Use Except Public or Livery Conveyances
 - A) No Primary Insurance - 90% of the applicable Private Passenger rate for an individual and 100% for individual and household members.
 - B) Primary Insurance – 12% of the applicable Private Passenger rate for an individual and 13% for individual and household members.
 - C) If the Named Individual is in the business of selling, servicing, repairing or parking autos and there is no insurance afforded on a primary basis, the applicable exclusion may be eliminated and the rate to be changed shall be 100% of the applicable private passenger rate.

Physical Damage Coverages

A policy providing Collision (Part 7), Limited Collision (Part 8) or Comprehensive (Part 9) coverages may be extended to provide these coverages for non-owned private passenger autos furnished or available for regular use to the named individual other than for use as a public or livery conveyance.

The premium for these coverages shall be the applicable private passenger class, symbol 5 and the latest model year shown in the manual for the territory in which the named individual resides.

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Rule 54. ANTI-THEFT DEVICE STANDARDS AND DISCOUNTS

Rule 54. 1, 2, 3, 4, and 5 are replaced by the following:

RULE 54. ANTI-THEFT DEVICE STANDARDS AND DISCOUNTS

1. Eligibility

This rule is applicable to:
private passenger automobiles as defined in Rule 27 in this manual.

2. Coverages

The discount is applicable to the Comprehensive coverage or other combination of specified perils which afford Theft coverage.

3. Discounts Applicable

The following discounts are to be applied:

Vehicles Qualifying for	Discount
Category I	5%
Category II	15%
Category III	20%
Category IV	20%
Category IV, plus Category I	25%
Category IV, plus Category II	30%
Category IV, plus Category III	35%
Category V	25%
Category V, plus Category I	28%
Category V, plus Category II	32%
Category V, plus Category III	36%

4. Definitions

As used in this regulation, the following words shall mean:

“Passive” describes an anti-theft device or system which is activated automatically when the operator turns the ignition key to the off position.

“Alarm,” except where otherwise specified, means horn, bell, siren or other sounding device which is audible at 300 feet.

“Tubular” describes a type of lock whose key is cylindrically shaped and which has at least 50,000 combinations.

“Electronic lock or keyless device” is an electronic coding device which must have more than 10,000 combinations. The combination used to unlock the device can be entered through a keyboard or similar data entry device or by means of a remote control device.

5. General

Stickers identifying the particular anti-theft system installed may not be attached to the car unless specifically permitted in these rules.

If two or more qualifying devices are attached to a vehicle, the total discount shall be that applicable to the device meeting standards for the highest discount. If one of the qualifying devices is a Category IV device, the applicable discount shall be calculated as stated in Item 4. Discounts Applicable.

Insurers may require reasonable evidence of installation of any anti-theft device but may not refuse to grant a discount to a qualifying device solely on the grounds that it was installed by the owner of the auto.

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Categories Defined

Category I

Devices qualifying in this category receive 5% discounts.

(a) Ignition or Starter Cut-Off Switch in Combination with Flush or Tapered Door Lock Buttons

This device is an ignition cut-off switch (sometimes called a "kill switch") or a starter cut-off switch which is inserted into the ignition wiring of an auto. The switch is tripped upon leaving the auto and must be switched back in order to start the auto.

The switch must be installed so that it is not visible from the driver's position when the driver is seated. In addition, the vehicle must contain flush or tapered door lock buttons on all doors.

A sticker may identify the presence of this system.

(b) Ignition or Starter Cut-Off Switches

Such ignition or starter cut-off switches either must be designed so that the wires leading from the switch to the engine compartment are protected by armored tubing or cable, or operate passively.

(c) Non-Passive, Externally-Operated Alarm

This is a non-passive warning alarm which is installed in an auto and can be set to go off if any door, the trunk or the hood is opened without first turning off the alarm by use of a key inserted in a lock mounted on the outside of the auto.

(d) Internally-Operated Alarm Not Meeting Category II or Category III Criteria

This is an alarm system which is activated from within the vehicle but which does not meet all the criteria found in Section (5.3) (a) or Section (5.4)(a); alarm must be triggered by entry of doors, hood or trunk.

(e) Steering Column Armored Collar

This is a device similar to an oversized padlock which clamps on the steering column over the ignition lock and prevents access to it. This device, upon being locked, prevents the vehicle from being started, or if the auto is hot-wired and started, the device prevents it from being steered. No part of the device, when not in operation, is attached to the steering column. A sticker may identify the presence of this device.

(f) Steering Wheel Removal Lock

This device prevents steering movement of the vehicle from a parked position. This is a high security steering wheel lock assembly manufactured of hardened steel components, which allows removal of the steering wheel from the vehicle. The assembly is permanently attached to the vehicle's steering column and is located between the column and the steering wheel. Operation of the lock is controlled by a high security configured key. Unlocking the assembly will permit removal of the steering wheel from the vehicle. A fitted security plate is then inserted onto the lock assembly in place of the steering wheel and the lock's security key is then removed. Re-attachment of the steering wheel onto the lock assembly requires use of the security key to first remove the fitted security plate and then to attach the steering wheel. The security key can be removed from the lock assembly only after either the security plate or steering wheel have been locked into place.

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Category II

Devices qualifying in this category receive 15% discounts.

(a) Internally-Operated Alarm Systems Not Meeting Category III Criteria

This is an alarm system which is activated from within the auto but which does not meet all the criteria in Section (5.4)(a). The ignition must be automatically cut off, or the starter must be disconnected automatically. The alarm must be triggered by entry of doors, hood or trunk.

(b) Non-Passive Fuel Cut-Off Device

This is a shut-off device which operates to block the fuel line when a switch is tripped or when the device is engaged by a key. The switch to open or shut off the fuel line must be well hidden from view.

(c) Non-Passive Steering Wheel Lock

This device prevents the steering wheel from turning. A steel collar and barrel, into which the shackle of a lock fits, are permanently attached to the steering post. The shackle, made of case-hardened alloy steel, fits over the steering wheel spoke and into the barrel. A tubular key operates the lock. The collar, barrel and shackle must resist cutting with a file. A sticker may identify the presence of this system.

(d) Armored Cable Hood Lock and Ignition Cut-Off Switch

This system is one which meets all the criteria of Section (5.4)(f)(1) except paragraph (a). Armor must be similar to that used in outdoor telephone booths; it must extend through firewall and be secured so as to prevent retraction.

(e) Window Identification System

A window identification is one in which identification letters and/or numbers are etched by sandblasting, chemical process or other permanent marking into all the windows of the vehicle other than the small vent window.

Provision must be made for immediate telephone identification of the owner of the vehicle any time of day or night.

A sticker may identify the presence of this identification system.

(f) Emergency Handbrake Lock

This device prevents the release of the emergency handbrake. The lock replaces the handbrake grip, and is permanently attached to the handbrake lever. The lock encasement must be all metal construction. The lock is released by entering a preset digital combination. A sticker may identify the presence of this device.

(g) Car Transmission Lock

The device prevents the vehicle from moving from a parked position by locking the gear shift. A steel encased lock is permanently attached to the floor of the vehicle by a steel stand. The shackle, made of case hardened alloy steel, fits around the gear shift and is inserted into the lock. The device must have a high security locking system with at least 50,000 combinations. The lock, shackle and stand must resist cutting and filing.

A sticker may identify this system.

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Category III

Devices qualifying in this category receive 20% discounts.

(a) Passive Alarm System - This is an alarm system meeting the following criteria:

- (1) Ignition must be cut off automatically, or starter must be disabled automatically.
- (2) Alarm must be triggered by entry of doors, hood or trunk.
- (3) Hood must not open unless unlocked from inside the vehicle by a key, or by an electronic keyless device.
- (4) Alarm must sound for no more than eight minutes, and upon ceasing to sound, must reset itself.
- (5) Alarm must not emit a pulsating, whooping, or yelping sound which would cause it to be mistaken for the modern police, fire or other emergency vehicle siren.
- (6) Alarm must be installed in the engine compartment so as to be inaccessible without opening the hood.
- (7) The system must be engaged passively by turning the ignition key to the off position. To disarm the system a tubular lock or electronic keyless device must be used. The maximum time delay permitted to disarm the system after re-entry is twenty seconds.

(b) Passive Fuel Cut-Off Device

This fuel cut-off device is engaged by turning the ignition key to the off position. The driver must trip a switch to open the fuel line each time the car is started. This device must meet the following criteria:

- (1) The fuel line must be blocked when the power is off.
- (2) The switch to open the fuel line must be well hidden from view, but accessible to the driver from the driver's seat. In the alternative a tubular key or an electronic keyless device may be used.
- (3) A parking/service attendant override switch may be provided. It must be well hidden from view. It must not be accessible from the passenger compartment; alternatively, if the override switch is accessible from the passenger compartment, a warning buzzer must sound (or the operator must be distracted in some other way) while the engine is running and the override switch engaged. If the buzzer is disconnected, it must result in disconnection of the entire anti-theft system.
- (4) Any under-the-dash wiring installed in connection with this device must blend in color with factory-installed wiring.

(c) Armored Ignition Cut-Off Switch

This device is a kill switch designed to resist tampering. To prevent hot-wiring of the auto, a protective cap is attached to the coil or starter solenoid. Such devices must meet the following criteria:

- (1) Armored cable must run from a separate key to the coil, starter solenoid, or other engine component. Such cable must be similar to that used in outdoor telephone booths, collapse when cut, and preclude quick reconnection of the cut wire inside; alternatively, some other effective means of preventing defeat of the system by cutting the armored cable must be employed.
- (2) The device must prevent hot-wiring of the car.

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- (3) A separate lock must be of tubular type and must be installed inside the auto so as to facilitate use by the driver; alternatively, an electronic keyless device may be used in lieu of a lock if it does not take significantly longer to engage the device than it takes to remove a key from a lock, and use of the system is otherwise facilitated.

(d) Passive Multi-Component Cut-Off Switch

This device is a kill switch activated when the ignition key is turned to the off position. It is designed to prevent hot-wiring of the auto. Such device must meet the following criteria:

- (1) The primary wire to the ignition coil must be disconnected.
- (2) The device must disconnect the starter.
- (3) One or more wires to the electronic ignition system, or to the points and condenser must be disconnected and grounded to the chassis.
- (4) The wiring must blend with factory-installed wiring, and the disconnecting/grounding wires must be routed to random points in the electrical system away from the components they affect.
- (5) The control module, if separate from the electronic locking mechanism, must be hidden in the engine compartment or other part of the car so that it is not easily detectable.
- (6) In order to start the car, a lock or electronic device must be used to deactivate the system. The lock must be of tubular type and must be installed inside the auto so as to facilitate use by the driver; alternatively, an electronic keyless device may be used in lieu of a lock if it does not take significantly longer to engage the device than it takes to remove a key from a lock, and use of the system is otherwise facilitated.

(e) Passive Time Delay Ignition System

This is a device which allows the car to start only if the operator waits a prescribed time, which must vary from device to device in a range of three to twenty seconds, before moving the ignition key from "On" to "Start". If the auto does not start, the operator must be required to wait at least ninety seconds before the device can be operated successfully on a subsequent try.

The device must be resistant to tampering; for example, if it is forcibly removed, reconnection of the electrical system must not be possible with a hot-wire device. Alternatively, the device must be installed with a hood lock operated by a tubular key.

(f) Armored Cable or Electrically Operated Hood Lock and Ignition Cut-Off Switch

This is a supplemental hood lock operated from within the auto which also cuts off the ignition when engaged. Such devices must meet the following criteria:

(1) Armored Cable Hood Lock

- (a) The hood lock cable must be armored by case hardened solid steel tubing designed to resist cutting; tubing must extend through firewall and be secured so as to prevent retraction. Otherwise, an alarm meeting the criteria of Section (5.3)(a) must be installed.
- (b) The system must be engaged by a push button or other device which facilitates use. The push button or other device must be installed within reach of driver when seated.
- (c) No portion of the hood lock cable may be accessible so that it could be grasped from underneath the car; and, if accessible through the grillwork, armor must extend to the locking mechanism.

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(2) Electrically Operated Hood Lock

- (a) The hood lock is electrically operated and functions so that it remains locked even if the wiring operating the hood lock is cut.
- (b) The system must be engaged passively by turning the ignition key to the off position. To disarm the system a separate key or electronic keyless device must be used.
- (c) If the hood lock can be reached through the grillwork or from underneath the car, the hood lock must be shielded or armored so that it cannot be manually operated. The locks controlling the devices must be of tubular type or operate electronically.

(g) Passive, Delayed Ignition Cut-Off System

This electronic system disables the ignition circuit at a preset engine speed such that the engine cannot be restarted or hot-wired. Such device must meet these criteria:

- (1) The ignition must cut off automatically as soon as the engine reaches a speed in the range of 1,500 to 2,000 RPM.
- (2) The system must be automatically armed when the ignition key is turned to the off position.
- (3) A push button or other type of disarm switch must be well hidden from view. The wiring must blend with factory-installed wiring if placed under the dash. In the alternative, a tubular key or an electronic keyless device may be used.
- (4) An alarm or horn shall be actuated at the same time the ignition is disabled.
- (5) If a parking/service attendant switch is provided, a buzzer must sound all the time the engine is running. The switch must be hidden in a remote place.

(h) Passive Ignition Lock Protective system

This is a case hardened steel, protective cap which fits over the ignition lock so as to prevent extraction of the ignition lock cylinder. The cap fastens to a steel collar which fits around the steering post and over the ignition lock. The ignition key fits through a slot in the cap.

A sticker may identify the presence of this system.

(i) High Security Ignition Replacement Lock

This is a high security, case hardened steering column ignition lock, conforming to NHTSA Standard No. 1141, which cannot be removed using a conventional slide hammer or lock puller equipment.

A sticker may identify the presence of this system.

(j) Hydraulic Brake Lock

This is a dash-mounted device which, when activated and pressurized with the brake pedal, maintains hydraulic pressure on the brakes at two or more of a vehicle's wheels so that the vehicle cannot be driven. The device must have a high security locking system with at least 50,000 combinations and a lock which cannot be pulled using a conventional slide hammer or lock puller equipment.

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Category IV

Devices qualifying in this category receive 20% discounts.

Vehicle Recovery System

This is an electronic unit installed in a vehicle that is activated after that vehicle is stolen. When activated, the device provides information to law enforcement officials or another public or private entities regarding the vehicle's location. The system provides for the routine delivery of the information to the appropriate law enforcement organization to assist in the recovery of the vehicle.

Category V

Devices qualifying in this category receive 25% discounts.

Vehicle Recovery System with Unauthorized Movement Notification

This is an electronic unit installed in a vehicle that is activated after that vehicle is moved without authorization. When activated, the device provides information to law enforcement officials or another public or private entity regarding the vehicle's location. The system provides for the routine delivery of the information to the appropriate law enforcement organization to assist in the recovery of the vehicle. Additionally, the device must provide personalized notification to the owner of a vehicle (or his or her authorized user) in the event of a potentially unauthorized movement of the owner's vehicle. Personalized notification shall mean notification delivered directly to the owner or his or her authorized user via automated communication, which is available beyond the proximity of the vehicle itself, to one or more devices designated in advance by the owner or his or her authorized user, such as to the owner's home telephone, mobile phone, electronic mail service, or wireless text messaging service. If maintaining the system in effect requires the payment of a service fee, insureds must provide the insurer reasonable confirmation of the coverage.

RULE 56. MERIT RATING PLAN

Rule 56. is replaced by the following:

RULE 56. MERIT RATING PLAN

Driving Record/Experience Period

Each listed operator on a policy is assigned a merit rate adjustment based on the operator's driving record. The merit rate adjustment is a percentage multiplied by the otherwise applicable premium to reflect the number, type, and age of the rated operator's at fault accidents and traffic violations during the policy experience period.

The policy experience period is the six years immediately preceding the effective date of the policy. At fault accidents or traffic violations that occurred more than five years prior to the policy effective date are not considered in the determination of the merit rate adjustment.

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 the insurer receives the operator's merit rating information.

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If an operator's Motor Vehicle Report (MVR) is electronically available, the insurer 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 must be combined by the insurer 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, the company must submit a policy inquiry to the Merit Rating Board in compliance with its Administrative Procedures. An operator's MVR 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 information.

If an operator's MVR is not electronically available, the policy experience period for the operator will begin as of the effective date of the policy until the insurer receives the operator's actual merit rating information. The operator may obtain an official driving record or a record from a previous insurer and submit it to the new insurer. 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 the insurer. 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, the company must 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 information.

Classification of Points By Driving Infraction

Points are assigned as follows:

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

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 constitutes a minor at-fault accident. A claim payment of more than \$2,000 constitutes a major at-fault accident. An "at-fault" accident is one in which the insurer determines that the involved operator is more than 50% at fault.

An operator's total number of points is based on the number of years since the last at fault accident or traffic violation. If the most recent at fault accident or traffic violation occurred less than three years prior to the policy effective date, the total number of points is equal to the sum of the above point values for each driving infraction in the policy experience period. 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 driving infractions during the policy experience period is three or less, the total number of points is equal to the sum of the above point values for each driving infraction minus the number of driving infractions in the policy experience period. 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.

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Calculation of the Merit Rate Adjustment

The merit rate adjustment is applied to Compulsory Bodily Injury (Part 1), PIP (Part 2), Property Damage (Part 4) and Collision (Part 7).

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

	<u>Experienced Operators</u>	<u>Inexperienced Operators</u>
	<u>Merit Rate Adj.</u>	<u>Merit Rate Adj.</u>
Excellent Driver Discount Plus (6 Years Incident-Free)	<u>-17.0%</u>	
Excellent Driver Discount (5 Years Incident-Free)	<u>-7.0%</u>	<u>-7.0%</u>
	<u>Point Factor</u>	<u>Point Factor</u>
Number of Points X	+ 15.0%	+ 7.5%
(Multiply number of points times the rate adjustment shown)		

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Miscellaneous Rating Factors

DEDUCTIBLES (RULE 16)			
Deductibles:	<u>\$1,000*</u>	<u>\$2,000*</u>	\$100** Glass
Collision:	.63	.48	Not Applicable
Limited Collision:	.54	.32	Not Applicable
Comprehensive:	.66	.60	.84
Including Fire, Theft and Combined Additional Coverages			
*Charges based on \$500 Deductible Premium		\$300 Deductible - \$10	
**Applies to otherwise determined premium		\$500 Deductible - \$13	
Collision Waiver of Deductible Charges:		\$1,000 Deductible - \$16	
		\$2,000 Deductible - \$25	

SUBSTITUTE TRANSPORTATION (RULE 17)				
	<u>\$15/Day, \$450 Maximum</u>	<u>\$30/Day, \$900 Maximum</u>	<u>\$45/Day, \$1,350 Maximum</u>	<u>\$100/Day, \$3,000 Maximum</u>
Private Passenger:	\$12	\$62	\$146	\$300
Motorcycle:	\$45	\$90	\$167	\$346

DISCOUNTS (RULE 19)	
Multi-Car*:	10% Parts 1, 2, 4, 5, 7, 8 and 9
Public Transit:	10% Property Damage and Collision \$75 Maximum per eligible vehicle
Annual Mileage:	0-5,000 miles - 10% Parts 1-8 and 12 5,001-7,500 miles - 5% Parts 1-8 and 12
Passive Restraint:	25% Parts 2, 3, 6 and 12
Future Effective Date*:	3% Parts 1, 2, 4, 5, 6, 7, 8 and 9
Good Pay/Loyalty Credit*:	From 2% to 5% Parts 1, 2, 4, 5, 6, 7, 8 and 9
Account Credit*:	10% Parts 1, 2, 4, 5, 7, 8 and 9
Anti-Lock Brake Discount*:	5% Parts 1, 2, 4, 5, 6, 7 and 8
Good Student Discount*:	5% Parts 1, 2, 4, 5, 7 and 8
*See Preferred Mutual Exception Page	

MODEL YEAR RATING (RULE 20)																
Rating Factors for Model Year Rates Not Shown in the Rate Section																
Symbol																
Collision	1	2	3	4	5	6	7	8	10	11	12	13	14	15	16	17
Model Year																
1999	0.96	0.96	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95
1998	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
1990-97	0.81	0.81	0.81	0.80	0.80	0.80	0.80	0.79	0.79	0.79	0.79	0.79	0.79	0.78	0.78	0.78
Symbol																
Comprehensive	1	2	3	4	5	6	7	8	10	11	12	13	14	15	16	17
Model Year																
1999	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98
1998	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.96	0.96
1990-97	0.93	0.93	0.93	0.93	0.93	0.92	0.92	0.92	0.92	0.92	0.92	0.92	0.92	0.92	0.92	0.92

Apply the factor above for the model year and symbol of the vehicle to the 2000 model year rates on the rate page.
For 1989 and prior model year vehicles, see Rule 20.

FIRE, THEFT AND COMBINED ADDITIONAL COVERAGE (RULE 21)	
	<u>Actual Cash Value</u>
Fire	10% of Comprehensive Premium
Fire & Theft	70% of Comprehensive Premium
Fire, Theft & C.A.C.	85% of Comprehensive Premium

PERSONAL INJURY PROTECTION - DEDUCTIBLE (RULE 30)							
DEDUCTIBLE:	\$100	\$250	\$500	\$1,000	\$2,000	\$4,000	\$8,000
Policyholder - Alone:	2%	4%	8%	14%	26%	37%	45%
Policyholder and Household Members:	2%	5%	10%	19%	35%	48%	59%

Preferred Mutual Insurance Company

Massachusetts Personal Automobile Explanatory Memorandum

Preferred Mutual Insurance Company wishes to adopt the Personal Automobile rates and rules filed and approved for the Automobile Insurance Bureau (AIB) effective April 1, 2008. At this time we would also like to place on file exceptions to the AIB rates and rules as follows.

Rule 7. Policy Period

Preferred Mutual will only be issuing policies with a term of 12 months at this time. We will consider this option during future program reviews.

Rule 18. A. 1. Cancellations

All cancellations, regardless of who initiates, will be processed on a pro rata basis. This is Preferred Mutual's standard practice for Personal Lines.

Rule 18. F. Instructions for use of Pro Rata or Short Rate Table

Preferred Mutual will only be issuing policies with a term of 12 months at this time. We have also removed the reference to the use of Short Rate Tables as we will be processing all cancellations on a pro rata basis.

Rule 19. Discounts

We have increased the Multi-Car discount from -5% to -10%.

The following new discounts are being proposed to give us a better marketing position. Our research of competitors in the Massachusetts Personal Auto marketplace has shown these credits are currently being offered by other companies. We have also found many of these credits work for us in the New York Personal Auto program.

Future Effective Date

If the new business application is submitted by the agent seven (7) or more days prior to the effective date, a 3% discount will be applied to Parts 1, 2, 4, 5, 6, 7, 8 and 9. This seven-day lead-time will give our processing departments time to review the submission prior to the inception date, thus validating data and ensuring a higher degree of quality. We anticipate this will reduce the number of amendments made during the first few days of the policy creating less expense from a processing standpoint. We will also see improvement in our cash flow as bills will be produced and paid earlier in the policy cycle.

Preferred Mutual Insurance Company

This credit will only be applied to the first term of a new business policy. When the policy renews, this credit will be removed.

Good Pay/Loyalty Credit

The intent of the Good Pay/Loyalty Credit is to replace the Future Effective Date credit after the first year of the policy.

The basis of this credit is the length of time the insured has had continuous Personal Auto coverage with Preferred Mutual and their payment history. The credit will range from 2% to 5% and is applicable to Parts 1, 2, 4, 5, 6, 7, 8 and 9.

Account Credit

A 10% Account Credit will be applied to Parts 1, 2, 4, 5, 7, 8 and 9 if the insured's Primary Homeowner or Mobile Homeowner policy is written with Preferred Mutual. This credit will be applied to Owners, Tenants and Condominium forms. An accompanying credit will be applied to the insured's Homeowner policy.

Our experience in New York, where we write both the home and auto business, proves year after year that account business performs better than mono-line business. Our intent is to target account business in Massachusetts. We have many years of successfully handling account rounding in New York and would like to carry that expertise into the Massachusetts marketplace.

Anti-Lock Brake Discount

We are proposing a 5% discount to Parts 1, 2, 4, 5, 6, 7 and 8 if the vehicle is equipped with factory installed anti-lock brakes. This credit is currently offered in our domicile state of New York. We feel this credit, along with our other initiatives, will make us stand out in the Massachusetts Personal Auto marketplace.

Good Student Discount

Again, this is very similar to the Good Student Discount we allow on our New York Personal Auto policies. The Preferred Mutual rule closely follows ISO in determining who qualifies.

This credit will only be allowed for the inexperienced operator classes. If verification is not received annually, the credit will be removed at renewal.

First Accident Forgiveness – Renewals Only

We are proposing a waiver the first accident, once we have had a policy for at least four (4) full renewal terms. We will only allow one accident to be waived and there may not be any other accidents for which Surcharge points were already forgiven.

Preferred Mutual Insurance Company

Surcharges

Included with our manual exceptions is an Experience Surcharge. This is a declining surcharge, which decreases from +9% to 0% as the driver gains more experience behind the wheel. We have also included a small surcharge for those drivers who are licensed more than 50 years. The surcharge for those with 50 or more years driving experience, ranges from +1% to +5%.

Repair or Replacement Coverage

Preferred Mutual is proposing an enhancement for newer vehicles at no additional premium. Our company endorsement was included in our form filing under SERFF tracking number PMUT-125854901 and State filing number 117417.

Preferred Mutual Insurance Company

Massachusetts Personal Automobile – Side by Side Comparison of AIB vs. PMIC rules

Rule #	AIB	PMIC																																																												
7.	<p><u>RULE 7. POLICY PERIOD</u></p> <p>A. The insured shall have the option to purchase and the insurer shall not refuse to issue an annual motor vehicle policy or bond providing compulsory coverages containing any expiration date as the insured may elect. Insurers may offer such policies or bonds for a period of more than one year but not more than two years or may issue an extension of any existing policy or bond.</p> <p>B. Policies insuring individually owned motorcycles, trailers and other recreational-type vehicles shall, at the option of the insured, be issued for a period of less than one year with policy expiration to be coterminous with the registration. Endorsement M-0103-S, titled Non-Renewal of Policy (Motorcycles, Recreational Vehicles & Trailers), must be issued with the policy.</p> <p>“Recreational-type vehicle” means a land motor vehicle subject to a motor vehicle registration which expires November 30 or December 31, and is principally used for vacation travel or leisure-time activity. Registration for motorcycles expires December 31. Registration for all other recreational vehicles expires November 30.</p> <p>The premium for such policies shall be determined by applying the appropriate percentage to the annual rate based on policy inception date as shown in the table below.</p> <p>If a short term policy is cancelled at the request of the insured later than thirty days from the effective date or later than thirty days from the receipt of the policy, whichever is later, the return premium shall be calculated on a short rate basis using the appropriate short rate table applicable to short term policies found in Rule 18.</p> <table border="1" style="width: 100%; margin-top: 10px;"> <thead> <tr> <th colspan="3" style="text-align: center;">Percentages for Short Term Policies</th> </tr> <tr> <th style="text-align: center;">Date Interval*</th> <th style="text-align: center;">Motorcycle</th> <th style="text-align: center;">Percent of Annual Rates</th> </tr> </thead> <tbody> <tr><td style="text-align: center;">All Other</td><td></td><td></td></tr> <tr><td style="text-align: center;">Dec. 1-31</td><td style="text-align: center;">Jan. 1-31</td><td style="text-align: center;">100</td></tr> <tr><td style="text-align: center;">Jan. 1-31</td><td style="text-align: center;">Feb. 1-28</td><td style="text-align: center;">98</td></tr> <tr><td style="text-align: center;">Feb. 1-28</td><td style="text-align: center;">Mar. 1-31</td><td style="text-align: center;">94</td></tr> <tr><td style="text-align: center;">Mar. 1-31</td><td style="text-align: center;">Apr. 1-30</td><td style="text-align: center;">90</td></tr> <tr><td style="text-align: center;">Apr. 1-30</td><td style="text-align: center;">May 1-31</td><td style="text-align: center;">88</td></tr> <tr><td style="text-align: center;">May 1-31</td><td style="text-align: center;">Jun. 1-30</td><td style="text-align: center;">86</td></tr> <tr><td style="text-align: center;">Jun. 1-30</td><td style="text-align: center;">Jul. 1-31</td><td style="text-align: center;">80</td></tr> <tr><td style="text-align: center;">Jul. 1-15</td><td style="text-align: center;">Aug. 1-15</td><td style="text-align: center;">75</td></tr> <tr><td style="text-align: center;">Jul. 16-31</td><td style="text-align: center;">Aug. 16-31</td><td style="text-align: center;">68</td></tr> <tr><td style="text-align: center;">Aug. 1-15</td><td style="text-align: center;">Sep. 1-15</td><td style="text-align: center;">60</td></tr> <tr><td style="text-align: center;">Aug. 16-31</td><td style="text-align: center;">Sep. 16-30</td><td style="text-align: center;">53</td></tr> <tr><td style="text-align: center;">Sep. 1-15</td><td style="text-align: center;">Oct. 1-15</td><td style="text-align: center;">45</td></tr> <tr><td style="text-align: center;">Sep. 16-30</td><td style="text-align: center;">Oct. 16-31</td><td style="text-align: center;">38</td></tr> <tr><td style="text-align: center;">Oct. 1-15</td><td style="text-align: center;">Nov. 1-15</td><td style="text-align: center;">30</td></tr> <tr><td style="text-align: center;">Oct. 16-31</td><td style="text-align: center;">Nov. 16-30</td><td style="text-align: center;">27</td></tr> <tr><td style="text-align: center;">Nov. 1-15</td><td style="text-align: center;">Dec. 1-15</td><td style="text-align: center;">20</td></tr> <tr><td style="text-align: center;">Nov. 16-30</td><td style="text-align: center;">Dec. 16-31</td><td style="text-align: center;">14</td></tr> </tbody> </table> <p>* All dates inclusive</p>	Percentages for Short Term Policies			Date Interval*	Motorcycle	Percent of Annual Rates	All Other			Dec. 1-31	Jan. 1-31	100	Jan. 1-31	Feb. 1-28	98	Feb. 1-28	Mar. 1-31	94	Mar. 1-31	Apr. 1-30	90	Apr. 1-30	May 1-31	88	May 1-31	Jun. 1-30	86	Jun. 1-30	Jul. 1-31	80	Jul. 1-15	Aug. 1-15	75	Jul. 16-31	Aug. 16-31	68	Aug. 1-15	Sep. 1-15	60	Aug. 16-31	Sep. 16-30	53	Sep. 1-15	Oct. 1-15	45	Sep. 16-30	Oct. 16-31	38	Oct. 1-15	Nov. 1-15	30	Oct. 16-31	Nov. 16-30	27	Nov. 1-15	Dec. 1-15	20	Nov. 16-30	Dec. 16-31	14	<p><u>RULE 7. POLICY PERIOD</u></p> <p>Rule 7. is replaced by the following:</p> <p><u>RULE 7. POLICY PERIOD</u></p> <p>The insured shall have the option to purchase, and the insurer shall not refuse to issue, an annual motor vehicle policy providing compulsory coverages containing any expiration date as the insured may elect. All policies are written for a term of twelve months.</p>
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Preferred Mutual Insurance Company

Massachusetts Personal Automobile – Side by Side Comparison of AIB vs. PMIC rules

Rule #	AIB	PMIC
18.A.1.	<p><u>RULE 18. TERMINATION OF INSURANCE</u></p> <p>A. Cancellations</p> <p>The following provisions apply when a policy is cancelled:</p> <ol style="list-style-type: none"> 1. If a policy is cancelled by the company at any time, or by the insured within thirty days of the effective date or within thirty days of the receipt of the policy, whichever is later, the return premium shall be computed pro rata. "Policy" in this instance includes the copy of the coverage selections page. <p>If the policy is cancelled at the request of the insured later than thirty days from the effective date or later than thirty days from the receipt of the policy, whichever is later, the return premium shall be calculated on a short rate basis except that in the following cases the return premium shall be computed pro rata:</p> <ol style="list-style-type: none"> a. If the insured has disposed of the automobile, provided the insured takes out a new policy in the same company on another automobile to become effective within thirty days of the date of cancellation. b. If the insured automobile is repossessed under terms of a financing agreement. c. If an automobile is cancelled from a policy, the policy remaining in force on other automobiles, or if there remains in force in the name of the insured or spouse, if a resident of the same household, and in the same company, a concurrent automobile policy covering another automobile. d. If the insured enters the military service of the United States of America. e. If the insured deletes or reduces any coverage and the policy remains in effect for other coverage. 	<p><u>TERMINATION OF INSURANCE</u></p> <p>Rule 18. A.1. is replaced by the following:</p> <p>A. Cancellations</p> <p>The following provisions apply when a policy is cancelled:</p> <ol style="list-style-type: none"> 1. If a policy is cancelled by the company or by the insured at any time, the return premium shall be computed pro rata.

Preferred Mutual Insurance Company
Massachusetts Personal Automobile – Side by Side Comparison of AIB vs. PMIC rules

Rule #18.F Continued	AIB	PMIC																																							
	<p>Instructions for Short Rate Table:</p> <ol style="list-style-type: none"> Determine the pro rata earned premium in accordance with the previous instructions. Add that factor to the following factor: <table border="1" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: center;">Policy Period Months in Effect in excess of</th> <th style="text-align: center;">but less than</th> <th style="text-align: center;">Factors</th> </tr> </thead> <tbody> <tr><td>0</td><td>1</td><td>.000</td></tr> <tr><td>1</td><td>2</td><td>.055</td></tr> <tr><td>2</td><td>3</td><td>.050</td></tr> <tr><td>3</td><td>4</td><td>.045</td></tr> <tr><td>4</td><td>5</td><td>.040</td></tr> <tr><td>5</td><td>6</td><td>.035</td></tr> <tr><td>6</td><td>7</td><td>.030</td></tr> <tr><td>7</td><td>8</td><td>.025</td></tr> <tr><td>8</td><td>9</td><td>.020</td></tr> <tr><td>9</td><td>10</td><td>.015</td></tr> <tr><td>10</td><td>11</td><td>.010</td></tr> <tr><td>11</td><td>12</td><td>.005</td></tr> </tbody> </table> Apply the factor determined in 2 above to the annual premium to compute the percentage of the annual premium which is to be retained by the company. <p>Example: Pro rata premium in example .214 Short rate factor (policy in effect 2-3 months) <u>.050</u> .264</p> <p>Earned premium for annual policy cancelled on a short rate basis is .264 times the annual premium.</p>	Policy Period Months in Effect in excess of	but less than	Factors	0	1	.000	1	2	.055	2	3	.050	3	4	.045	4	5	.040	5	6	.035	6	7	.030	7	8	.025	8	9	.020	9	10	.015	10	11	.010	11	12	.005	
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Preferred Mutual Insurance Company
Massachusetts Personal Automobile – Side by Side Comparison of AIB vs. PMIC rules

Rule #	AIB	PMIC
DISCOUNTS (RULE 19)	Miscellaneous Rating Factors	
This credit was increased		
No Change	5% Parts 1, 2, 4, 5, 7, 8 and 9	Multi-Car: 10% Parts 1, 2, 4, 5, 7, 8 and 9
No Change	10% Property Damage and Collision \$75 Maximum per eligible vehicle	Public Transit: 10% Property Damage and Collision \$75 Maximum per eligible vehicle
No Change	Annual Mileage: 0-5,000 miles - 10% Parts 1-8 and 12 5,001-7,500 miles - 5% Parts 1-8 and 12	Annual Mileage: 0-5,000 miles - 10% Parts 1-8 and 12 5,001-7,500 miles - 5% Parts 1-8 and 12
No Change	Passive Restraint: 25% Parts 2, 3, 6 and 12	Passive Restraint: 25% Parts 2, 3, 6 and 12
PMIC Credit or Charge		Future Effective Date* 3% Parts 1, 2, 4, 5, 6, 7, 8 and 9
PMIC Credit or Charge		Good Pay/Loyalty Credit* From 2% to 5% Parts 1, 2, 4, 5, 6, 7, 8 and 9
PMIC Credit or Charge		Account Credit* 10% Parts 1, 2, 4, 5, 7, 8 and 9
PMIC Credit or Charge		Anti-Lock Brake Discount* 5% Parts 1, 2, 4, 5, 6, 7 and 8
PMIC Credit or Charge		Good Student Discount* 5% Parts 1, 2, 4, 5, 7 and 8

Preferred Mutual Insurance Company
Massachusetts Personal Automobile – Side by Side Comparison of AIB vs. PMIC rules

Rule #	AIB	PMIC
PMIC Credit or Charge		Future Effective Date
PMIC Credit or Charge		Good Pay/Loyalty Credit
PMIC Credit or Charge		Account Credit
PMIC Credit or Charge		Anti-Lock Brake Discount

A New Business application submitted 7 or more days prior to the effective date will receive a premium credit.

If an insured(s) has completed 1 billing year with zero non-payments or NSF's, a 2% Good Pay/Loyalty Credit will be applied on the following term. For each year thereafter, if the insured has 1 or less non-payments and zero NSF's the Good Pay/Loyalty Credit will increase by 1% per year with a maximum of 5%.

If an insured(s) has 2 or more non-payments in a billing year, the Good Pay/Loyalty Credit will decrease by 1% for the following term.

Any occurrence of an NSF will negate the Good Pay/Loyalty Credit for the following term.

Once the Good Pay/Loyalty Credit has been negated eligibility will be as stated in paragraph 1.

Applies when the policyholder's Primary Homeowner (Owners, Tenants, and Condos) or Mobile Homeowner coverage is written with Preferred Mutual.

A premium discount applies for those private passenger autos equipped with factory installed two or four wheel Anti-Lock Braking Systems (ABS).

Preferred Mutual Insurance Company
Massachusetts Personal Automobile – Side by Side Comparison of AIB vs. PMIC rules

Rule #	AIB	PMIC	
PMIC Credit or Charge		Good Student Discount	<p>Applies as follows:</p> <ol style="list-style-type: none"> 1) The owner or operator is <ol style="list-style-type: none"> a) Classified in one of the following inexperienced operator classes: 17, 18, 20, 21, 25, 26, and b) A full time high school, college or university student. 2) A certified statement from a school official is presented to the Company on each anniversary date of the policy indicating that the student has met one of the following requirements during the immediately preceding school semester. <ol style="list-style-type: none"> a) Is in the upper 20% of his/her class scholastically, or b) Maintains a "B" average, or its equivalent. If the letter grading system cannot be averaged, then no grade can be below "B". c) When in a school maintaining a numerical grade, must have at least a 3 in a 4, 3, 2, 1 point system or its equivalent. 3) Student is included in a "Dean's List", "Honor Roll" or comparable list indicating scholastic achievement. A premium change resulting from a change in the scholastic standing of the student cannot be effected between anniversary dates of the policy.

Preferred Mutual Insurance Company
Massachusetts Personal Automobile – Side by Side Comparison of AIB vs. PMIC rules

Rule #	AIB	PMIC
PMIC Credit or Charge		<p>First Accident Forgiveness - Applied at policy renewal only</p> <p>WAIVER OF ASSIGNMENT OF FIRST DRIVING RECORD POINTS FOR AN INCURRED ACCIDENT</p> <p>The waiver will apply to both major and minor accidents.</p> <p>Surcharge points will not be assigned, if during the four years immediately preceding the accident date:</p> <ol style="list-style-type: none"> 1) The policy was in force with Preferred Mutual for at least 4 full renewal terms, without a lapse in coverage; and 2) There are no other accidents chargeable within the immediate prior 4 years under the Merit Rating Plan; and 3) There are no other accidents for which Surcharge points were already forgiven. <p>An accident involving an unlisted permissive user cannot be waived.</p> <p>Only one accident will be waived for each eligible policy, regardless of the number of vehicles or operators on the policy. To further explain, a second chargeable situation under the Merit Rating Plan (for the policy) will result in the assignment of Surcharge points equal as if it was the first.</p>

Preferred Mutual Insurance Company
 Massachusetts Personal Automobile – Side by Side Comparison of AIB vs. PMIC rules

Rule #	AIB	PMIC																																
PMIC Credit or Charge		<p>SURCHARGES Experience Surcharge</p> <table border="0"> <tr> <td>Years Licensed Less Than</td> <td>Charge</td> </tr> <tr> <td>1</td> <td>9%</td> </tr> <tr> <td>2</td> <td>8%</td> </tr> <tr> <td>3</td> <td>7%</td> </tr> <tr> <td>4</td> <td>6%</td> </tr> <tr> <td>5</td> <td>5%</td> </tr> <tr> <td>6</td> <td>4%</td> </tr> <tr> <td>7</td> <td>3%</td> </tr> <tr> <td>8</td> <td>2%</td> </tr> <tr> <td>9</td> <td>1%</td> </tr> </table> <table border="0"> <tr> <td>Years Licensed More Than</td> <td>Charge</td> </tr> <tr> <td>50</td> <td>1%</td> </tr> <tr> <td>51</td> <td>2%</td> </tr> <tr> <td>52</td> <td>3%</td> </tr> <tr> <td>53</td> <td>4%</td> </tr> <tr> <td>54</td> <td>5%</td> </tr> </table>	Years Licensed Less Than	Charge	1	9%	2	8%	3	7%	4	6%	5	5%	6	4%	7	3%	8	2%	9	1%	Years Licensed More Than	Charge	50	1%	51	2%	52	3%	53	4%	54	5%
Years Licensed Less Than	Charge																																	
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53	4%																																	
54	5%																																	
PMIC Credit or Charge		<p>REPAIR OR REPLACEMENT COVERAGE</p> <p>For no additional premium, Coverage for Damage to Your Auto (Parts 7, 8, and 9) is changed from Actual Cash Value to Replacement Cost, subject to certain limitations and exclusions.</p> <p>This coverage will only apply on new vehicles; owned or leased by the insured(s); with Collision (Part 7) or Limited Collision (Part 8) and Comprehensive (Part 9) coverages carried on the auto.</p> <p>Attach endorsement MARR</p>																																

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Rule 7. POLICY PERIOD

Rule 7. is replaced by the following:

RULE 7. POLICY PERIOD

The insured shall have the option to purchase, and the insurer shall not refuse to issue, an annual motor vehicle policy providing compulsory coverages containing any expiration date as the insured may elect. All policies are written for a term of twelve months.

RULE 11. PREMIUM CALCULATION RULE

Rule 11. is replaced by the following:

RULE 11. PREMIUM CALCULATION RULE

The following sequence shall be used in rating the policy. The manual rate includes any premium adjustment as may be necessary to increase, reduce or eliminate the deductible amount applicable to Parts 7, 8 and 9, or to apply Waiver of Deductible under Part 7.

1. Apply the appropriate rating factor under Rule 24 to the manual rate for Parts 7 and 9, if applicable.
2. Apply the appropriate rating factor under Rule 48 to the rate for Parts 7, 8 or 9, if applicable.
3. Apply the appropriate discount to the premium developed in Step 2. Refer to Rule 19 for a definition of the available discounts.

Parts 1 through 9 and Part 12 may be subject to more than one discount or rating factor. In such case, the order of the premium calculation shall be

- (1) annual mileage
- (2) multi-car
- (3) passive restraint
- (4) anti-theft
- (5) future effective date or good pay/loyalty discount
- (6) anti-lock brakes
- (7) good student
- (8) account credit
- (9) years licensed factor
- (10) class 15 discount

The discount shall be rounded to the nearest dollar after each application.

4. Apply the appropriate merit rating plan points to the premium developed in step 3.

NOTE: A discount of the premiums paid for Parts 4 and 7 will be given to eligible policyholders who provide evidence of purchase of eleven monthly passes or tickets from a qualified public transit system during the policy period. Refer to Rule 19. The discount is applied to the premium developed in step 4.

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Rule 18. TERMINATION OF INSURANCE

Rule 18. A.1. is replaced by the following:

A. Cancellations

The following provisions apply when a policy is cancelled:

1. If a policy is cancelled by the company or by the insured at any time, the return premium shall be computed pro rata.

Rule 18. F. is replaced by the following:

F. Instructions For Use of Pro Rata Table

1. Express the date of cancellation by year and decimal part of a year by combining the calendar year with the decimal appearing opposite the month and day in the Pro Rata Table, e.g., March 7, 2007, is designated as 2007.181.
2. In like manner express the effective date of the policy by year and decimal part of a year and subtract from the cancellation date.
3. The difference, in the case of one year policies, represents the percentage of the annual premium which is to be retained by the carrier.

Examples:

Cancellation date September 22, 2007	2007.726
Effective date July 6, 2007	<u>2007.512</u>
	.214

Earned premium for one year policy term will therefore be .214 times the annual premium.

Cancellation date March 7, 2007	2007.181
Effective date December 15, 2006	<u>2006.956</u>
	.225

Earned premium for one year policy term will therefore be .225 times the annual premium.

NOTE: As it is not customary to charge for the extra day (February 29), which occurs one year in every four years, this table shall also be used for each such year.

The SHORT RATE CANCELLATION OF SHORT TERM POLICIES, Table 1 and Table 2 do not apply.

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RULE 19. DISCOUNTS

The following discounts are added:

- Future Effective Date** A New Business application that is submitted 7 or more days prior to the effective date, will receive a premium credit.
- Good Pay/Loyalty Credit** If an insured(s) has completed 1 billing year with zero non-payments or NSF's, a 2% Good Pay/Loyalty Credit will be applied on the following term. For each year thereafter, if the insured has 1 or less non-payments and zero NSF's the Good Pay/Loyalty Credit will increase by 1% per year with a maximum of 5%.
- If an insured(s) has 2 or more non-payments in a billing year, the Good Pay/Loyalty Credit will decrease by 1% for the following term.
- Any occurrence of an NSF will negate the Good Pay/Loyalty Credit for the following term.
- Once the Good Pay/Loyalty Credit has been negated eligibility will be as stated in paragraph 1.
- Account Credit** Applies when the policyholder's Primary Homeowner (Owners, Tenants, and Condos) or Mobile Homeowner coverage is written with Preferred Mutual.
- This credit may be applied mid-term or at policy inception.
- Anti-Lock Brake Discount** A premium discount applies for those private passenger autos equipped with factory installed two or four wheel Anti-Lock Braking Systems (ABS).
- Good Student Discount** Applies as follows:
- 1) The owner or operator is
 - a) Classified in one of the following inexperienced operator classes: 17, 18, 20, 21, 25, 26, and
 - b) A full time high school, college or university student.
 - 2) A certified statement from a school official is presented to the Company on each anniversary date of the policy indicating that the student has met one of the following requirements during the immediately preceding school semester.
 - a) Is in the upper 20% of his/her class scholastically, or
 - b) Maintains a "B" average, or its equivalent. If the letter grading system cannot be averaged, then no grade can be below "B".
 - c) When in a school maintaining a numerical grade, must have at least a 3 in a 4, 3, 2, 1 point system or its equivalent.
 - 3) Student is included in a "Dean's List", "Honor Roll" or comparable list indicating scholastic achievement. A premium change resulting from a change in the scholastic standing of the student cannot be effected between anniversary dates of the policy.

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Rule 50. USE OF OTHER AUTOMOBILES

Rule 50.is replaced by the following:

RULE 50. USE OF OTHER AUTOMOBILES

A policy may be extended to provide coverage for an individual who owns an auto but also drives borrowed or rented autos. The policy may also be extended to provide coverage for household members.

Endorsement M-0051-S, Use of Other Automobiles-Vehicles Furnished or Available For Regular Use may be used to cover vehicles furnished or available for regular use except vehicles furnished for use as public or livery conveyances.

The following rates apply for Damage To Someone Else's Property (Part 4), Optional Bodily Injury To Others (Part 5), and Medical Payments (Part 6):

- 1) Vehicles Furnished or Available For Regular Use Except Public or Livery Conveyances
 - A) No Primary Insurance - 90% of the applicable Private Passenger rate for an individual and 100% for individual and household members.
 - B) Primary Insurance – 12% of the applicable Private Passenger rate for an individual and 13% for individual and household members.
 - C) If the Named Individual is in the business of selling, servicing, repairing or parking autos and there is no insurance afforded on a primary basis, the applicable exclusion may be eliminated and the rate to be changed shall be 100% of the applicable private passenger rate.

Physical Damage Coverages

A policy providing Collision (Part 7), Limited Collision (Part 8) or Comprehensive (Part 9) coverages may be extended to provide these coverages for non-owned private passenger autos furnished or available for regular use to the named individual other than for use as a public or livery conveyance.

The premium for these coverages shall be the applicable private passenger class, symbol 5 and the latest model year shown in the manual for the territory in which the named individual resides.

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Rule 54. ANTI-THEFT DEVICE STANDARDS AND DISCOUNTS

Rule 54. 1, 2, 3, 4, and 5 are replaced by the following:

RULE 54. ANTI-THEFT DEVICE STANDARDS AND DISCOUNTS

1. Eligibility

This rule is applicable to:
private passenger automobiles as defined in Rule 27 in this manual.

2. Coverages

The discount is applicable to the Comprehensive coverage or other combination of specified perils which afford Theft coverage.

3. Discounts Applicable

The following discounts are to be applied:

Vehicles Qualifying for	Discount
Category I	5%
Category II	15%
Category III	20%
Category IV	20%
Category IV, plus Category I	25%
Category IV, plus Category II	30%
Category IV, plus Category III	35%
Category V	25%
Category V, plus Category I	28%
Category V, plus Category II	32%
Category V, plus Category III	36%

4. Definitions

As used in this regulation, the following words shall mean:

“Passive” describes an anti-theft device or system which is activated automatically when the operator turns the ignition key to the off position.

“Alarm,” except where otherwise specified, means horn, bell, siren or other sounding device which is audible at 300 feet.

“Tubular” describes a type of lock whose key is cylindrically shaped and which has at least 50,000 combinations.

“Electronic lock or keyless device” is an electronic coding device which must have more than 10,000 combinations. The combination used to unlock the device can be entered through a keyboard or similar data entry device or by means of a remote control device.

5. General

Stickers identifying the particular anti-theft system installed may not be attached to the car unless specifically permitted in these rules.

If two or more qualifying devices are attached to a vehicle, the total discount shall be that applicable to the device meeting standards for the highest discount. If one of the qualifying devices is a Category IV device, the applicable discount shall be calculated as stated in Item 4. Discounts Applicable.

Insurers may require reasonable evidence of installation of any anti-theft device but may not refuse to grant a discount to a qualifying device solely on the grounds that it was installed by the owner of the auto.

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Categories Defined

Category I

Devices qualifying in this category receive 5% discounts.

(a) Ignition or Starter Cut-Off Switch in Combination with Flush or Tapered Door Lock Buttons

This device is an ignition cut-off switch (sometimes called a "kill switch") or a starter cut-off switch which is inserted into the ignition wiring of an auto. The switch is tripped upon leaving the auto and must be switched back in order to start the auto.

The switch must be installed so that it is not visible from the driver's position when the driver is seated. In addition, the vehicle must contain flush or tapered door lock buttons on all doors.

A sticker may identify the presence of this system.

(b) Ignition or Starter Cut-Off Switches

Such ignition or starter cut-off switches either must be designed so that the wires leading from the switch to the engine compartment are protected by armored tubing or cable, or operate passively.

(c) Non-Passive, Externally-Operated Alarm

This is a non-passive warning alarm which is installed in an auto and can be set to go off if any door, the trunk or the hood is opened without first turning off the alarm by use of a key inserted in a lock mounted on the outside of the auto.

(d) Internally-Operated Alarm Not Meeting Category II or Category III Criteria

This is an alarm system which is activated from within the vehicle but which does not meet all the criteria found in Section (5.3) (a) or Section (5.4)(a); alarm must be triggered by entry of doors, hood or trunk.

(e) Steering Column Armored Collar

This is a device similar to an oversized padlock which clamps on the steering column over the ignition lock and prevents access to it. This device, upon being locked, prevents the vehicle from being started, or if the auto is hot-wired and started, the device prevents it from being steered. No part of the device, when not in operation, is attached to the steering column. A sticker may identify the presence of this device.

(f) Steering Wheel Removal Lock

This device prevents steering movement of the vehicle from a parked position. This is a high security steering wheel lock assembly manufactured of hardened steel components, which allows removal of the steering wheel from the vehicle. The assembly is permanently attached to the vehicle's steering column and is located between the column and the steering wheel. Operation of the lock is controlled by a high security configured key. Unlocking the assembly will permit removal of the steering wheel from the vehicle. A fitted security plate is then inserted onto the lock assembly in place of the steering wheel and the lock's security key is then removed. Re-attachment of the steering wheel onto the lock assembly requires use of the security key to first remove the fitted security plate and then to attach the steering wheel. The security key can be removed from the lock assembly only after either the security plate or steering wheel have been locked into place.

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Category II

Devices qualifying in this category receive 15% discounts.

(a) Internally-Operated Alarm Systems Not Meeting Category III Criteria

This is an alarm system which is activated from within the auto but which does not meet all the criteria in Section (5.4)(a). The ignition must be automatically cut off, or the starter must be disconnected automatically. The alarm must be triggered by entry of doors, hood or trunk.

(b) Non-Passive Fuel Cut-Off Device

This is a shut-off device which operates to block the fuel line when a switch is tripped or when the device is engaged by a key. The switch to open or shut off the fuel line must be well hidden from view.

(c) Non-Passive Steering Wheel Lock

This device prevents the steering wheel from turning. A steel collar and barrel, into which the shackle of a lock fits, are permanently attached to the steering post. The shackle, made of case-hardened alloy steel, fits over the steering wheel spoke and into the barrel. A tubular key operates the lock. The collar, barrel and shackle must resist cutting with a file. A sticker may identify the presence of this system.

(d) Armored Cable Hood Lock and Ignition Cut-Off Switch

This system is one which meets all the criteria of Section (5.4)(f)(1) except paragraph (a). Armor must be similar to that used in outdoor telephone booths; it must extend through firewall and be secured so as to prevent retraction.

(e) Window Identification System

A window identification is one in which identification letters and/or numbers are etched by sandblasting, chemical process or other permanent marking into all the windows of the vehicle other than the small vent window.

Provision must be made for immediate telephone identification of the owner of the vehicle any time of day or night.

A sticker may identify the presence of this identification system.

(f) Emergency Handbrake Lock

This device prevents the release of the emergency handbrake. The lock replaces the handbrake grip, and is permanently attached to the handbrake lever. The lock encasement must be all metal construction. The lock is released by entering a preset digital combination. A sticker may identify the presence of this device.

(g) Car Transmission Lock

The device prevents the vehicle from moving from a parked position by locking the gear shift. A steel encased lock is permanently attached to the floor of the vehicle by a steel stand. The shackle, made of case hardened alloy steel, fits around the gear shift and is inserted into the lock. The device must have a high security locking system with at least 50,000 combinations. The lock, shackle and stand must resist cutting and filing.

A sticker may identify this system.

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Category III

Devices qualifying in this category receive 20% discounts.

(a) Passive Alarm System - This is an alarm system meeting the following criteria:

- (1) Ignition must be cut off automatically, or starter must be disabled automatically.
- (2) Alarm must be triggered by entry of doors, hood or trunk.
- (3) Hood must not open unless unlocked from inside the vehicle by a key, or by an electronic keyless device.
- (4) Alarm must sound for no more than eight minutes, and upon ceasing to sound, must reset itself.
- (5) Alarm must not emit a pulsating, whooping, or yelping sound which would cause it to be mistaken for the modern police, fire or other emergency vehicle siren.
- (6) Alarm must be installed in the engine compartment so as to be inaccessible without opening the hood.
- (7) The system must be engaged passively by turning the ignition key to the off position. To disarm the system a tubular lock or electronic keyless device must be used. The maximum time delay permitted to disarm the system after re-entry is twenty seconds.

(b) Passive Fuel Cut-Off Device

This fuel cut-off device is engaged by turning the ignition key to the off position. The driver must trip a switch to open the fuel line each time the car is started. This device must meet the following criteria:

- (1) The fuel line must be blocked when the power is off.
- (2) The switch to open the fuel line must be well hidden from view, but accessible to the driver from the driver's seat. In the alternative a tubular key or an electronic keyless device may be used.
- (3) A parking/service attendant override switch may be provided. It must be well hidden from view. It must not be accessible from the passenger compartment; alternatively, if the override switch is accessible from the passenger compartment, a warning buzzer must sound (or the operator must be distracted in some other way) while the engine is running and the override switch engaged. If the buzzer is disconnected, it must result in disconnection of the entire anti-theft system.
- (4) Any under-the-dash wiring installed in connection with this device must blend in color with factory-installed wiring.

(c) Armored Ignition Cut-Off Switch

This device is a kill switch designed to resist tampering. To prevent hot-wiring of the auto, a protective cap is attached to the coil or starter solenoid. Such devices must meet the following criteria:

- (1) Armored cable must run from a separate key to the coil, starter solenoid, or other engine component. Such cable must be similar to that used in outdoor telephone booths, collapse when cut, and preclude quick reconnection of the cut wire inside; alternatively, some other effective means of preventing defeat of the system by cutting the armored cable must be employed.
- (2) The device must prevent hot-wiring of the car.

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- (3) A separate lock must be of tubular type and must be installed inside the auto so as to facilitate use by the driver; alternatively, an electronic keyless device may be used in lieu of a lock if it does not take significantly longer to engage the device than it takes to remove a key from a lock, and use of the system is otherwise facilitated.

(d) Passive Multi-Component Cut-Off Switch

This device is a kill switch activated when the ignition key is turned to the off position. It is designed to prevent hot-wiring of the auto. Such device must meet the following criteria:

- (1) The primary wire to the ignition coil must be disconnected.
- (2) The device must disconnect the starter.
- (3) One or more wires to the electronic ignition system, or to the points and condenser must be disconnected and grounded to the chassis.
- (4) The wiring must blend with factory-installed wiring, and the disconnecting/grounding wires must be routed to random points in the electrical system away from the components they affect.
- (5) The control module, if separate from the electronic locking mechanism, must be hidden in the engine compartment or other part of the car so that it is not easily detectable.
- (6) In order to start the car, a lock or electronic device must be used to deactivate the system. The lock must be of tubular type and must be installed inside the auto so as to facilitate use by the driver; alternatively, an electronic keyless device may be used in lieu of a lock if it does not take significantly longer to engage the device than it takes to remove a key from a lock, and use of the system is otherwise facilitated.

(e) Passive Time Delay Ignition System

This is a device which allows the car to start only if the operator waits a prescribed time, which must vary from device to device in a range of three to twenty seconds, before moving the ignition key from "On" to "Start". If the auto does not start, the operator must be required to wait at least ninety seconds before the device can be operated successfully on a subsequent try.

The device must be resistant to tampering; for example, if it is forcibly removed, reconnection of the electrical system must not be possible with a hot-wire device. Alternatively, the device must be installed with a hood lock operated by a tubular key.

(f) Armored Cable or Electrically Operated Hood Lock and Ignition Cut-Off Switch

This is a supplemental hood lock operated from within the auto which also cuts off the ignition when engaged. Such devices must meet the following criteria:

(1) Armored Cable Hood Lock

- (a) The hood lock cable must be armored by case hardened solid steel tubing designed to resist cutting; tubing must extend through firewall and be secured so as to prevent retraction. Otherwise, an alarm meeting the criteria of Section (5.3)(a) must be installed.
- (b) The system must be engaged by a push button or other device which facilitates use. The push button or other device must be installed within reach of driver when seated.
- (c) No portion of the hood lock cable may be accessible so that it could be grasped from underneath the car; and, if accessible through the grillwork, armor must extend to the locking mechanism.

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(2) Electrically Operated Hood Lock

- (a) The hood lock is electrically operated and functions so that it remains locked even if the wiring operating the hood lock is cut.
- (b) The system must be engaged passively by turning the ignition key to the off position. To disarm the system a separate key or electronic keyless device must be used.
- (c) If the hood lock can be reached through the grillwork or from underneath the car, the hood lock must be shielded or armored so that it cannot be manually operated. The locks controlling the devices must be of tubular type or operate electronically.

(g) Passive, Delayed Ignition Cut-Off System

This electronic system disables the ignition circuit at a preset engine speed such that the engine cannot be restarted or hot-wired. Such device must meet these criteria:

- (1) The ignition must cut off automatically as soon as the engine reaches a speed in the range of 1,500 to 2,000 RPM.
- (2) The system must be automatically armed when the ignition key is turned to the off position.
- (3) A push button or other type of disarm switch must be well hidden from view. The wiring must blend with factory-installed wiring if placed under the dash. In the alternative, a tubular key or an electronic keyless device may be used.
- (4) An alarm or horn shall be actuated at the same time the ignition is disabled.
- (5) If a parking/service attendant switch is provided, a buzzer must sound all the time the engine is running. The switch must be hidden in a remote place.

(h) Passive Ignition Lock Protective system

This is a case hardened steel, protective cap which fits over the ignition lock so as to prevent extraction of the ignition lock cylinder. The cap fastens to a steel collar which fits around the steering post and over the ignition lock. The ignition key fits through a slot in the cap.

A sticker may identify the presence of this system.

(i) High Security Ignition Replacement Lock

This is a high security, case hardened steering column ignition lock, conforming to NHTSA Standard No. 1141, which cannot be removed using a conventional slide hammer or lock puller equipment.

A sticker may identify the presence of this system.

(j) Hydraulic Brake Lock

This is a dash-mounted device which, when activated and pressurized with the brake pedal, maintains hydraulic pressure on the brakes at two or more of a vehicle's wheels so that the vehicle cannot be driven. The device must have a high security locking system with at least 50,000 combinations and a lock which cannot be pulled using a conventional slide hammer or lock puller equipment.

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Category IV

Devices qualifying in this category receive 20% discounts.

Vehicle Recovery System

This is an electronic unit installed in a vehicle that is activated after that vehicle is stolen. When activated, the device provides information to law enforcement officials or another public or private entities regarding the vehicle's location. The system provides for the routine delivery of the information to the appropriate law enforcement organization to assist in the recovery of the vehicle.

Category V

Devices qualifying in this category receive 25% discounts.

Vehicle Recovery System with Unauthorized Movement Notification

This is an electronic unit installed in a vehicle that is activated after that vehicle is moved without authorization. When activated, the device provides information to law enforcement officials or another public or private entity regarding the vehicle's location. The system provides for the routine delivery of the information to the appropriate law enforcement organization to assist in the recovery of the vehicle. Additionally, the device must provide personalized notification to the owner of a vehicle (or his or her authorized user) in the event of a potentially unauthorized movement of the owner's vehicle. Personalized notification shall mean notification delivered directly to the owner or his or her authorized user via automated communication, which is available beyond the proximity of the vehicle itself, to one or more devices designated in advance by the owner or his or her authorized user, such as to the owner's home telephone, mobile phone, electronic mail service, or wireless text messaging service. If maintaining the system in effect requires the payment of a service fee, insureds must provide the insurer reasonable confirmation of the coverage.

RULE 56. MERIT RATING PLAN

Rule 56. is replaced by the following:

RULE 56. MERIT RATING PLAN

Driving Record/Experience Period

Each listed operator on a policy is assigned a merit rate adjustment based on the operator's driving record. The merit rate adjustment is a percentage multiplied by the otherwise applicable premium to reflect the number, type, and age of the rated operator's at fault accidents and traffic violations during the policy experience period.

The policy experience period is the six years immediately preceding the effective date of the policy. At fault accidents or traffic violations that occurred more than five years prior to the policy effective date are not considered in the determination of the merit rate adjustment.

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 the insurer receives the operator's merit rating information.

If an operator's Motor Vehicle Report (MVR) is electronically available, the insurer 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 must be combined by the insurer 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, the company must submit a policy inquiry to the Merit Rating Board in compliance with its Administrative

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Procedures. An operator's MVR 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 information.

If an operator's MVR is not electronically available, the policy experience period for the operator will begin as of the effective date of the policy until the insurer receives the operator's actual merit rating information. The operator may obtain an official driving record or a record from a previous insurer and submit it to the new insurer. 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 the insurer. 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, the company must 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 information.

Classification of Points By Driving Infraction

Points are assigned as follows:

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

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 constitutes a minor at-fault accident. A claim payment of more than \$2,000 constitutes a major at-fault accident. An "at-fault" accident is one in which the insurer determines that the involved operator is more than 50% at fault.

An operator's total number of points is based on the number of years since the last at fault accident or traffic violation. If the most recent at fault accident or traffic violation occurred less than three years prior to the policy effective date, the total number of points is equal to the sum of the above point values for each driving infraction in the policy experience period. 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 driving infractions during the policy experience period is three or less, the total number of points is equal to the sum of the above point values for each driving infraction minus the number of driving infractions in the policy experience period. 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.

Calculation of the Merit Rate Adjustment

The merit rate adjustment is applied to Compulsory Bodily Injury (Part 1), PIP (Part 2), Property Damage (Part 4) and Collision (Part 7).

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

	<u>Experienced Operators</u>	<u>Inexperienced Operators</u>
	<u>Merit Rate Adj.</u>	<u>Merit Rate Adj.</u>
Excellent Driver Discount Plus (6 Years Incident-Free)	<u>-17.0%</u>	
Excellent Driver Discount (5 Years Incident-Free)	<u>-7.0%</u>	<u>-7.0%</u>
	<u>Surcharge Factor</u>	<u>Surcharge Factor</u>

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Number of Points X

+ 15.0%

+ 7.5%

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Merit Rating Plan

Calculation of Merit Rate Adjustments
Percentages to Apply to Otherwise Applicable Premiums *

Points	<u>Experienced Operators</u> (Rate Class 10, 15 or 30)		<u>Inexperienced Operators</u> (All Other Rate Classes)	
	<u>Parts 1, 2 and 4</u>	<u>Part 7</u>	<u>Parts 1, 2 and 4</u>	<u>Part 7</u>
	Credit Factors			
Excellent Driver Plus	0.170	0.170	NA	NA
Excellent Driver	0.070	0.070	0.070	0.070
	No Credit/No Surcharge Factors			
0	0.000	0.000	0.000	0.000
	Surcharge Factors			
1	0.150	0.150	0.075	0.075
2	0.300	0.300	0.150	0.150
3	0.450	0.450	0.225	0.225
4	0.600	0.600	0.300	0.300
5	0.750	0.750	0.375	0.375
6	0.900	0.900	0.450	0.450
7	1.050	1.050	0.525	0.525
8	1.200	1.200	0.600	0.600
9	1.350	1.350	0.675	0.675
10	1.500	1.500	0.750	0.750
11	1.650	1.650	0.825	0.825
12	1.800	1.800	0.900	0.900
13	1.950	1.950	0.975	0.975
14	2.100	2.100	1.050	1.050
15	2.250	2.250	1.125	1.125
16	2.400	2.400	1.200	1.200
17	2.550	2.550	1.275	1.275
18	2.700	2.700	1.350	1.350
19	2.850	2.850	1.425	1.425
20	3.000	3.000	1.500	1.500
21	3.150	3.150	1.575	1.575
22	3.300	3.300	1.650	1.650
23	3.450	3.450	1.725	1.725
24	3.600	3.600	1.800	1.800
25	3.750	3.750	1.875	1.875
26	3.900	3.900	1.950	1.950
27	4.050	4.050	2.025	2.025
28	4.200	4.200	2.100	2.100
29	4.350	4.350	2.175	2.175
30	4.500	4.500	2.250	2.250
31	4.650	4.650	2.325	2.325
32	4.800	4.800	2.400	2.400
33	4.950	4.950	2.475	2.475

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Merit Rating Plan

34	5.100	5.100	2.550	2.550
35	5.250	5.250	2.625	2.625
36	5.400	5.400	2.700	2.700
37	5.550	5.550	2.775	2.775
38	5.700	5.700	2.850	2.850
39	5.850	5.850	2.925	2.925
40	6.000	6.000	3.000	3.000
41	6.150	6.150	3.075	3.075
42	6.300	6.300	3.150	3.150
43	6.450	6.450	3.225	3.225
44	6.600	6.600	3.300	3.300
45	6.750	6.750	3.375	3.375

* Total merit rate adjustment is determined by multiplying the above percentages (for the appropriate points) to premiums by coverage (after all other applicable discounts and rating factors), rounding to the nearest whole dollar amount, and then summing the results for all coverages.

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RULE 57. FIRST ACCIDENT FORGIVENESS

The First Accident Forgiveness program is to be applied at renewal only. Only one qualifying accident will be forgiven per policy.

There will be a waiver of merit rating points for an incurred accident under this policy. The waiver will apply to both major and minor accidents.

Points will not be assigned if the following criteria have been met:

1. The incurred accident happens after the policy has been in force with Preferred Mutual Insurance Company for at least three (3) full consecutive years.
2. The policy is free of any at fault accidents during those three (3) full consecutive years referred to in 1. above.
3. No other accidents have been waived under this program on this policy.
4. The driver and the vehicle involved in the accident were insured on the policy at the time the accident occurred.

After these three (3) full consecutive years, the waiver will be applied on the first renewal following that incurred accident.

Accidents involving unlisted permissive users cannot be waived.

Only one accident will be waived for each eligible policy, regardless of the number of vehicles on the policy.

The waiver of this accident is for purposes of this Accident forgiveness program ONLY.

Waived accidents are still considered at fault for the purposes of applying other rules, such as the Massachusetts endorsement Waiver of Deductible.

The First Accident Forgiveness automatically applies if the eligibility guidelines are met.

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Rule 7. POLICY PERIOD

Rule 7. is replaced by the following:

RULE 7. POLICY PERIOD

The insured shall have the option to purchase, and the insurer shall not refuse to issue, an annual motor vehicle policy providing compulsory coverages containing any expiration date as the insured may elect. All policies are written for a term of twelve months.

RULE 11. PREMIUM CALCULATION RULE

Rule 11. is replaced by the following:

RULE 11. PREMIUM CALCULATION RULE

The following sequence shall be used in rating the policy. The manual rate includes any premium adjustment as may be necessary to increase, reduce or eliminate the deductible amount applicable to Parts 7, 8 and 9, or to apply Waiver of Deductible under Part 7.

1. Apply the appropriate rating factor under Rule 24 to the manual rate for Parts 7 and 9, if applicable.
2. Apply the appropriate rating factor under Rule 48 to the rate for Parts 7, 8 or 9, if applicable.
3. Apply the appropriate discount to the premium developed in Step 2. Refer to Rule 19 for a definition of the available discounts.

Parts 1 through 9 and Part 12 may be subject to more than one discount or rating factor. In such case, the order of the premium calculation shall be

- (1) annual mileage
- (2) multi-car
- (3) passive restraint
- (4) anti-theft
- (5) future effective date or good pay/loyalty discount
- (6) anti-lock brakes
- (7) good student
- (8) account credit
- (9) years licensed factor
- (10) class 15 discount

The discount shall be rounded to the nearest dollar after each application.

4. Apply the appropriate merit rating plan points to the premium developed in step 3.

NOTE: A discount of the premiums paid for Parts 4 and 7 will be given to eligible policyholders who provide evidence of purchase of eleven monthly passes or tickets from a qualified public transit system during the policy period. Refer to Rule 19. The discount is applied to the premium developed in step 4.

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Rule 18. TERMINATION OF INSURANCE

Rule 18. A.1. is replaced by the following:

A. Cancellations

The following provisions apply when a policy is cancelled:

1. If a policy is cancelled by the company or by the insured at any time, the return premium shall be computed pro rata.

Rule 18. F. is replaced by the following:

F. Instructions For Use of Pro Rata Table

1. Express the date of cancellation by year and decimal part of a year by combining the calendar year with the decimal appearing opposite the month and day in the Pro Rata Table, e.g., March 7, 2007, is designated as 2007.181.
2. In like manner express the effective date of the policy by year and decimal part of a year and subtract from the cancellation date.
3. The difference, in the case of one year policies, represents the percentage of the annual premium which is to be retained by the carrier.

Examples:

Cancellation date September 22, 2007	2007.726
Effective date July 6, 2007	<u>2007.512</u>
	.214

Earned premium for one year policy term will therefore be .214 times the annual premium.

Cancellation date March 7, 2007	2007.181
Effective date December 15, 2006	<u>2006.956</u>
	.225

Earned premium for one year policy term will therefore be .225 times the annual premium.

NOTE: As it is not customary to charge for the extra day (February 29), which occurs one year in every four years, this table shall also be used for each such year.

The SHORT RATE CANCELLATION OF SHORT TERM POLICIES, Table 1 and Table 2 do not apply.

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RULE 19. DISCOUNTS

The following discounts are added:

- Future Effective Date** A New Business application that is submitted 7 or more days prior to the effective date, will receive a premium credit.
- Good Pay/Loyalty Credit** If an insured(s) has completed 1 billing year with zero non-payments or NSF's, a 2% Good Pay/Loyalty Credit will be applied on the following term. For each year thereafter, if the insured has 1 or less non-payments and zero NSF's the Good Pay/Loyalty Credit will increase by 1% per year with a maximum of 5%.
- If an insured(s) has 2 or more non-payments in a billing year, the Good Pay/Loyalty Credit will decrease by 1% for the following term.
- Any occurrence of an NSF will negate the Good Pay/Loyalty Credit for the following term.
- Once the Good Pay/Loyalty Credit has been negated eligibility will be as stated in paragraph 1.
- Account Credit** Applies when the policyholder's Primary Homeowner (Owners, Tenants, and Condos) or Mobile Homeowner coverage is written with Preferred Mutual.
- This credit may be applied mid-term or at policy inception.
- Anti-Lock Brake Discount** A premium discount applies for those private passenger autos equipped with factory installed two or four wheel Anti-Lock Braking Systems (ABS).
- Good Student Discount** Applies as follows:
- 1) The owner or operator is
 - a) Classified in one of the following inexperienced operator classes: 17, 18, 20, 21, 25, 26, and
 - b) A full time high school, college or university student.
 - 2) A certified statement from a school official is presented to the Company on each anniversary date of the policy indicating that the student has met one of the following requirements during the immediately preceding school semester.
 - a) Is in the upper 20% of his/her class scholastically, or
 - b) Maintains a "B" average, or its equivalent. If the letter grading system cannot be averaged, then no grade can be below "B".
 - c) When in a school maintaining a numerical grade, must have at least a 3 in a 4, 3, 2, 1 point system or its equivalent.
 - 3) Student is included in a "Dean's List", "Honor Roll" or comparable list indicating scholastic achievement. A premium change resulting from a change in the scholastic standing of the student cannot be effected between anniversary dates of the policy.

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RULE 26. YEARS LICENSED FACTOR

Years Licensed Less Than	Charge
1	9%
2	8%
3	7%
4	6%
5	5%
6	4%
7	3%
8	2%
9	1%

Years Licensed 9 or more and less than 51	Charge
	0%

Years Licensed More Than	Charge
50	1%
51	2%
52	3%
53	4%
54	5%

RULE 42. REPAIR OR REPLACEMENT COVERAGE

For no additional premium, Coverage for Damage to Your Auto (Parts 7, 8, and 9) is changed from Actual Cash Value to Replacement Cost, subject to certain limitations and exclusions.

This coverage will only apply on new vehicles; owned or leased by the insured(s); with Collision (Part 7) or Limited Collision (Part 8) and Comprehensive (Part 9) coverages carried on the auto.

Attach endorsement MARR

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Rule 50. USE OF OTHER AUTOMOBILES

Rule 50.is replaced by the following:

RULE 50. USE OF OTHER AUTOMOBILES

A policy may be extended to provide coverage for an individual who owns an auto but also drives borrowed or rented autos. The policy may also be extended to provide coverage for household members.

Endorsement M-0051-S, Use of Other Automobiles-Vehicles Furnished or Available For Regular Use may be used to cover vehicles furnished or available for regular use except vehicles furnished for use as public or livery conveyances.

The following rates apply for Damage To Someone Else's Property (Part 4), Optional Bodily Injury To Others (Part 5), and Medical Payments (Part 6):

- 1) Vehicles Furnished or Available For Regular Use Except Public or Livery Conveyances
 - A) No Primary Insurance - 90% of the applicable Private Passenger rate for an individual and 100% for individual and household members.
 - B) Primary Insurance – 12% of the applicable Private Passenger rate for an individual and 13% for individual and household members.
 - C) If the Named Individual is in the business of selling, servicing, repairing or parking autos and there is no insurance afforded on a primary basis, the applicable exclusion may be eliminated and the rate to be changed shall be 100% of the applicable private passenger rate.

Physical Damage Coverages

A policy providing Collision (Part 7), Limited Collision (Part 8) or Comprehensive (Part 9) coverages may be extended to provide these coverages for non-owned private passenger autos furnished or available for regular use to the named individual other than for use as a public or livery conveyance.

The premium for these coverages shall be the applicable private passenger class, symbol 5 and the latest model year shown in the manual for the territory in which the named individual resides.

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Rule 54. ANTI-THEFT DEVICE STANDARDS AND DISCOUNTS

Rule 54. 1, 2, 3, 4, and 5 are replaced by the following:

RULE 54. ANTI-THEFT DEVICE STANDARDS AND DISCOUNTS

1. Eligibility

This rule is applicable to:
private passenger automobiles as defined in Rule 27 in this manual.

2. Coverages

The discount is applicable to the Comprehensive coverage or other combination of specified perils which afford Theft coverage.

3. Discounts Applicable

The following discounts are to be applied:

Vehicles Qualifying for	Discount
Category I	5%
Category II	15%
Category III	20%
Category IV	20%
Category IV, plus Category I	25%
Category IV, plus Category II	30%
Category IV, plus Category III	35%
Category V	25%
Category V, plus Category I	28%
Category V, plus Category II	32%
Category V, plus Category III	36%

4. Definitions

As used in this regulation, the following words shall mean:

“Passive” describes an anti-theft device or system which is activated automatically when the operator turns the ignition key to the off position.

“Alarm,” except where otherwise specified, means horn, bell, siren or other sounding device which is audible at 300 feet.

“Tubular” describes a type of lock whose key is cylindrically shaped and which has at least 50,000 combinations.

“Electronic lock or keyless device” is an electronic coding device which must have more than 10,000 combinations. The combination used to unlock the device can be entered through a keyboard or similar data entry device or by means of a remote control device.

5. General

Stickers identifying the particular anti-theft system installed may not be attached to the car unless specifically permitted in these rules.

If two or more qualifying devices are attached to a vehicle, the total discount shall be that applicable to the device meeting standards for the highest discount. If one of the qualifying devices is a Category IV device, the applicable discount shall be calculated as stated in Item 4. Discounts Applicable.

Insurers may require reasonable evidence of installation of any anti-theft device but may not refuse to grant a discount to a qualifying device solely on the grounds that it was installed by the owner of the auto.

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RULE 57. FIRST ACCIDENT FORGIVENESS

Applied at policy renewal only

WAIVER OF ASSIGNMENT OF FIRST DRIVING RECORD POINTS FOR AN INCURRED ACCIDENT

The waiver will apply to both major and minor accidents.

Surcharge points will not be assigned, if during the four years immediately preceding the accident date:

- 1) The policy was in force with Preferred Mutual for at least 4 full renewal terms, without a lapse in coverage; and
- 2) There are no other accidents chargeable within the immediate prior 4 years under the Merit Rating Plan; and
- 3) There are no other accidents for which Surcharge points were already forgiven.

An accident involving an unlisted permissive user cannot be waived.

Only one accident will be waived for each eligible policy, regardless of the number of vehicles or operators on the policy. To further explain, a second chargeable situation under the Merit Rating Plan (for the policy) will result in the assignment of Surcharge points equal as if it was the first.

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Rule 7. POLICY PERIOD

Rule 7. is replaced by the following:

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The SHORT RATE CANCELLATION OF SHORT TERM POLICIES, Table 1 and Table 2 do not apply.

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Miscellaneous Rating Factors are amended as follows:

DISCOUNTS (RULE 19)

DISCOUNTS (RULE 19)	
Multi-Car:	10% Parts 1, 2, 4, 5, 7, 8 and 9
Public Transit:	10% Part 4 (Property Damage) and Part 7 (Collision) \$75 Maximum per eligible vehicle
Annual Mileage:	0-5,000 miles - 10% Parts 1-8 and 12 5,001-7,500 miles - 5% Parts 1-8 and 12
Passive Restraint:	25% Parts 2, 3, 6 and 12
Future Effective Date*	3% Parts 1, 2, 4, 5, 6, 7, 8 and 9
Good Pay/Loyalty Credit*	From 2% to 5% Parts 1, 2, 4, 5, 6, 7, 8 and 9
Account Credit*	10% Parts 1, 2, 4, 5, 7, 8 and 9
Anti-Lock Brake Discount*	5% Parts 1, 2, 4, 5, 6, 7 and 8
Good Student Discount*	5% Parts 1, 2, 4, 5, 7 and 8
Future Effective Date	A New Business application submitted 7 or more days prior to the effective date will receive a premium credit.
Good Pay/Loyalty Credit	<p>If an insured(s) has completed 1 billing year with zero non-payments or NSF's, a 2% Good Pay/Loyalty Credit will be applied on the following term. For each year thereafter, if the insured has 1 or less non-payments and zero NSF's the Good Pay/Loyalty Credit will increase by 1% per year with a maximum of 5%.</p> <p>If an insured(s) has 2 or more non-payments in a billing year, the Good Pay/Loyalty Credit will decrease by 1% for the following term.</p> <p>Any occurrence of an NSF will negate the Good Pay/Loyalty Credit for the following term.</p> <p>Once the Good Pay/Loyalty Credit has been negated eligibility will be as stated in paragraph 1.</p>
Account Credit	Applies when the policyholder's Primary Homeowner (Owners, Tenants, and Condos) or Mobile Homeowner coverage is written with Preferred Mutual.
Anti-Lock Brake Discount	A premium discount applies for those private passenger autos equipped with factory installed two or four wheel Anti-Lock Braking Systems (ABS).

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Good Student Discount

Applies as follows:

- 1) The owner or operator is
 - a) Classified in one of the following inexperienced operator classes: 17, 18, 20, 21, 25, 26, and
 - b) A full time high school, college or university student.
- 2) A certified statement from a school official is presented to the Company on each anniversary date of the policy indicating that the student has met one of the following requirements during the immediately preceding school semester.
 - a) Is in the upper 20% of his/her class scholastically, or
 - b) Maintains a "B" average, or its equivalent. If the letter grading system cannot be averaged, then no grade can be below "B".
 - c) When in a school maintaining a numerical grade, must have at least a 3 in a 4, 3, 2, 1 point system or its equivalent.
- 3) Student is included in a "Dean's List", "Honor Roll" or comparable list indicating scholastic achievement. A premium change resulting from a change in the scholastic standing of the student cannot be effected between anniversary dates of the policy.

First Accident Forgiveness - Applied at policy renewal only

WAIVER OF ASSIGNMENT OF FIRST DRIVING RECORD POINTS FOR AN INCURRED ACCIDENT

The waiver will apply to both major and minor accidents.

Surcharge points will not be assigned, if during the four years immediately preceding the accident date:

- 1) The policy was in force with Preferred Mutual for at least 4 full renewal terms, without a lapse in coverage; and
- 2) There are no other accidents chargeable within the immediate prior 4 years under the Merit Rating Plan; and
- 3) There are no other accidents for which Surcharge points were already forgiven.

An accident involving an unlisted permissive user cannot be waived.

Only one accident will be waived for each eligible policy, regardless of the number of vehicles or operators on the policy. To further explain, a second chargeable situation under the Merit Rating Plan (for the policy) will result in the assignment of Surcharge points equal as if it was the first.

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SURCHARGES
Experience Surcharge

Years Licensed	Charge
Less Than	
1	9%
2	8%
3	7%
4	6%
5	5%
6	4%
7	3%
8	2%
9	1%

Years Licensed	Charge
More Than	
50	1%
51	2%
52	3%
53	4%
54	5%

REPAIR OR REPLACEMENT COVERAGE

For no additional premium, Coverage for Damage to Your Auto (Parts 7, 8, and 9) is changed from Actual Cash Value to Replacement Cost, subject to certain limitations and exclusions.

This coverage will only apply on new vehicles; owned or leased by the insured(s); with Collision (Part 7) or Limited Collision (Part 8) and Comprehensive (Part 9) coverages carried on the auto.

Attach endorsement MARR