

**SAFECO INSURANCE COMPANY OF AMERICA DIRECT  
PAYMENT PLAN FOR MOTOR VEHICLE COLLISION AND  
COMPREHENSIVE COVERAGE CLAIMS AND REFERRAL  
REPAIR SHOP PROGRAMS**

Set forth below is the direct payment and referral repair shop plan of the Safeco Insurance Company of America for collision, limited collision and comprehensive insurance claims.

**Definitions**

As used in this Plan, the following words will have the meanings indicated:

Betterment means the difference between the cost of the new part and the value of the part on the vehicle at time of the loss.

Claimant means any person making a claim for motor vehicle damage or loss for first party damages.

Collision coverage means that optional coverage defined in M.G.L. c. 90, § 34O(1) offered as part of a motor vehicle liability policy or bond, except for glass claims.

Comprehensive coverage means that optional coverage defined in M.G.L. c. 175, § 113O as fire and theft coverage or comprehensive coverage, so-called, offered as part of a motor vehicle liability policy or bond, except for glass claims.

Limited collision coverage means that optional coverage defined in M.G.L. c. 90, § 34O(2) offered as part of a motor vehicle policy or bond, except for glass claims.

Motor vehicle insurance means motor vehicle liability policies or bonds as defined in M.G.L. c. 90, §§ 34A, 34O, and in M.G.L. c. 175.

Referral shop means a shop which has entered into an agreement satisfactory to Safeco Insurance Company of America, to complete repairs for claimants referred by Safeco Insurance Company of America without undue delay, for the amount of the direct payment to the claimant plus any applicable deductible, plus any supplemental payment authorized by Safeco Insurance Company of America or a shop with which Safeco Insurance Company of America makes arrangements directly for the repair of the claimant's car.

Repair shop means a motor vehicle repair shop as defined in M.G.L. c. 100A, § 1, but not including glass specialty shops and shops which primarily sell tires or audio equipment.

## Direct Payment Plan Provisions

**(1) Payment to the Claimant:** Safeco Insurance Company of America shall offer to pay every claimant for the loss of or damage to the motor vehicle under collision coverage, limited collision coverage or comprehensive coverage, the full amount, less any applicable deductible, of the cost of repair of the damage as described in an appraisal made by a licensed automobile damage appraiser employed or designated by Safeco Insurance Company of America, subject to the terms and conditions of the applicable insurance policy. The insured cost of repairs described in an appraisal may differ from the actual cost of repairs due to the replacement of used or depreciated components by new components in the actual course of repairs, so-called “betterment”.

Unless such direct payment is refused by the claimant, Safeco Insurance Company of America shall make such payment at the time of, or within five business days after, the preparation of said appraisal, unless the claimant permits a longer period in order to allow Safeco Insurance Company of America sufficient time to make arrangements with a referral shop. In no event shall payment be made before providing a copy of the appraisal to the claimant, unless the claimant directs Safeco Insurance Company of America to make arrangements directly with a referral shop for the repair of the claimant’s car, in which case Safeco Insurance Company of America may, with the claimant’s consent, provide such copy after payment. Such arrangements shall be known as ~~Massachusetts PACE One Stop~~ Safeco’s Superior Shop Program. Shops that enter into these arrangements shall be known as ~~Massachusetts PACE One Stop~~ Superior Shop Program Shops. Nothing in this Plan shall be construed to affect the right of Safeco Insurance Company of America to delay payment for a period of time reasonably necessary to investigate any claim before authorizing repair work or making payment on such claim.

If the claimant refuses such direct payment, Safeco Insurance Company of America shall comply with applicable laws and regulations relating to such payments without regard to the plan.

**(2) Form of Payment:** The payments described above shall be in cash or a negotiable instrument payable to the claimant, and the lienholder, if applicable. The payments described above can be made payable to the repair shop selected by the claimant in accordance with the claimant’s direction to pay the repair shop.

If a claimant elects to have Safeco Insurance Company of America make arrangements directly with a referral shop under its ~~Massachusetts PACE One Stop~~ Superior Shop Program for the repair of the claimant’s car, Safeco Insurance Company of America will provide the claimant with a list of conveniently located referral shops willing and able to enter into such arrangements.

**(3) Repair Certification:** Each claimant shall receive, with the appraisal and direct payment check, a repair certification form. The form is attached as Attachment A.

The claimant shall return the repair certification form to Safeco Insurance Company of America upon completion of the repairs. If the claimant elects not to repair the vehicle or if the repair certification form is not returned to Safeco Insurance Company of America, the actual cash value of the insured vehicle will be reduced by the amount of the claim payment plus any applicable deductible, unless and until such time as Safeco Insurance Company of America or any successor insurer receives a repair certification form.

**(4) Resolution of Consumer Disputes:** If the claimant disputes the accuracy of the appraisal or the amount of the payment based thereon, the dispute shall be resolved as follows.

(a) The claimant, or the claimant's representative or repair shop at the direction of the claimant, must notify Safeco Insurance Company of America by telephone or in writing if the cost of repairs is expected to exceed the amount of the payment plus any applicable deductible and the claimant is seeking to have Safeco Insurance Company of America pay any part of the difference. Such notice must be prior to, or in the course of, the repair work.

(b) Safeco Insurance Company of America will promptly evaluate the source of any differences between Safeco Insurance Company of America's appraisal and the cost of repairs and either authorize or deny a supplemental payment within three business days after the notification of such difference and inspection of the vehicle. During such three-day period, Safeco Insurance Company of America may inspect the vehicle, and if it so requests, the claimant or repair shop shall make the vehicle available for inspection by Safeco Insurance Company of America. Safeco Insurance Company of America shall not delay such inspection for more than three days without the consent of the claimant. If Safeco Insurance Company of America makes a timely request for inspection Safeco Insurance Company of America will either authorize or deny a supplemental payment within three business days after the inspection. The claimant may direct Safeco Insurance Company of America to make any supplemental payment to the repair shop, provided the repair shop is registered under M.G.L. c. 100A. Otherwise, any supplemental payment must be made directly to the claimant.

(c) If the claimant and Safeco Insurance Company of America are unable to reach agreement as to any dispute as to the amount of the payment by Safeco Insurance Company of America, either party may demand arbitration of the dispute. The demand for arbitration must be in writing and it must include an appraisal of the cost of the repair prepared by a licensed automobile damage appraiser and an itemized bill for the actual cost of the repair, if the repair has

been completed. The arbitration will be conducted pursuant to General Provision Section 11 of the Massachusetts Standard Automobile Insurance Policy and the applicable provisions of M.G.L. c. 175, § 191A. Notwithstanding this provision, the claimant may, without prejudice, pursue any other remedy which may be available.

(d) If the repair is made at a registered repair shop that is a Safeco Insurance Company of America's referral shop, neither the referral shop nor Safeco Insurance Company of America shall require the claimant to pay more than the amount of the direct payment plus the amount of any applicable deductible to have the repair work completed, and any dispute as to the amount of the appraised damage shall be resolved between the referral shop and Safeco Insurance Company of America.

**(5) Referral Shop Program:**

(a) Safeco Insurance Company of America shall not require a claimant to have repairs made at any specific repair shop or list of shops.

(b) Number of Shops:

Every claimant will be given a single list containing the names and locations of all registered repair shops as defined in 211 CMR 123.03 that appear on the list of registered repair shops maintained by the Division of Standards pursuant to M.G.L. c. 100A, § 6. Safeco will highlight at least five repair shops geographically convenient for the claimant which will perform the repairs on referred claims without undue delay. Safeco will not provide a separate list containing only its referral shops.

A repair shop may not be on Safeco Insurance Company of America's referral shop unless that repair shop appears on the list of all registered repair shops maintained by the Division of Standards and complies with the provisions of M.G.L. c. 100A. The claimant may or may not choose to use a Safeco Insurance Company of America's referral shop.

Safeco Insurance Company of America's referral shops shall include only shops which have entered into an agreement satisfactory to Safeco Insurance Company of America to complete repairs for claimants referred by Safeco Insurance Company of America without undue delay, for the amount of the direct payment to the claimant plus any applicable deductible, plus any supplemental payment authorized by Safeco Insurance Company of America.

In determining which registered repair shops will be referral shops, Safeco Insurance Company of America shall consider all of the following criteria and only the following criteria: the quality and cost of repairs at a particular shop, the quality of the service given the customer, the responsiveness of the shop to the customer's needs, the ability of the shop to perform repairs without undue delay, the geographic convenience of the shop for the claimant, cooperation of the shop with the pre- and post-repair inspections, and the

shop's compliance with applicable laws and regulations. Safeco Insurance Company of America will maintain written guidelines incorporating these criteria as applied by Safeco Insurance Company of America in implementing its plan; such guidelines shall be deemed to be a part of the Safeco Insurance Company of America's plan. Safeco Insurance Company of America's guidelines shall be made available to the Commissioner upon his or her request, and shall also be made available on request to any repair shop in the event that Safeco Insurance Company of America denies that shop placement on or strikes that shop from its list.

A repair shop shall be included on the list prepared by Safeco Insurance Company of America if the shop agrees in writing to comply fully with the plan, unless the shop is denied placement on or stricken from the list pursuant to 211 CMR 123-06(5), and is determined by Safeco Insurance Company of America not to satisfy one or more of the criteria listed above. The form of agreement between the shops on the referral list and Safeco Insurance Company of America may provide adequate assurances that the repair shop will continue to satisfy Safeco Insurance Company of America as to such criteria.

**Development and Changes of Referral List.** Safeco Insurance Company of America may strike a repair shop from its referral list, or deny placement thereon, provided Safeco Insurance Company of America files a statement with the Commissioner of insurance specifying the nature of the shop's failure to comply with the plan or with the agreement or proposed agreement between Safeco Insurance Company of America and the repair shop. A repair shop which claims that it has been improperly stricken from or denied placement on the list may demand arbitration. Such binding arbitration shall be conducted by a neutral arbitrator jointly agreed to by Safeco Insurance Company of America and the repair shop, or, in the absence of such agreement, within 21 days of submission of the request for arbitration to Safeco Insurance Company of America, by an arbitrator selected by the Commissioner of Insurance. The parties to the arbitration shall bear the costs of the arbitration equally, but the losing party shall be liable to the prevailing party for its costs, unless the arbitrator orders otherwise. If the arbitrator finds that the losing party acted in bad faith, he or she may also award the prevailing party attorney's fees, if any. The arbitrator shall determine whether the repair shop was improperly stricken from the list, but shall make no finding or order as to any damages other than the award of costs and/or attorney's fees, if any. The decision of the arbitrator shall be final.

(c) **Referral Shop List and Updates:**

Safeco Insurance Company of America will maintain and update quarterly the listing of all registered repair shops located within the county in which the claimant resides, based on the list of repair shops maintained by the Automobile Insurers Bureau of Massachusetts or any successor thereto.

(d) Safeco Insurance Company of America's Guarantee:

If a claimant has repairs performed at a Safeco Insurance Company of America's referral shop, then Safeco Insurance Company of America shall guarantee the quality of the materials and workmanship used in making the repairs. This guarantee by Safeco Insurance Company of America is in addition to all other guarantees which may be made by the manufacturer and the repair shop. The agreement between Safeco Insurance Company of America and the repair shop may provide for indemnification of Safeco Insurance Company of America by the repair shop for any costs associated with such guarantee under such terms and conditions as the parties to the agreement shall specify.

**(6) Disclosure to Consumers:** Every claimant under the Plan shall be given full and adequate disclosure on a form approved by the Commissioner. The disclosure form shall be given to the claimant prior to, or at the same time as, any payment being made. The disclosure form shall be given with the appraisal and at such other times as Safeco Insurance Company of America may determine, and shall state:

(a) that the claimant may elect to accept direct payment under the Plan and receive a list of referral shops or have Safeco Insurance Company of America make arrangements directly with a referral shop for repair of the claimant's car, or he or she may choose to pursue the claim without regard to the Plan.

(b) if the claimant accepts direct payment, he or she may choose to have repairs made at any repair shop, whether or not the shop is a Safeco Insurance Company of America's referral shop;

(c) if the claimant accepts direct payment, the claimant may choose a Safeco Insurance Company of America's referral shop in which case Safeco Insurance Company of America will guarantee the materials and workmanship of the repair, and the cost of the insured repair, excluding betterment, to the claimant will not exceed the amount of Safeco Insurance Company of America's direct payment to the claimant plus any applicable deductible.

(d) the procedure for resolving claimants' disputes under the plan; and

(e) such other information as will aid the claimant in exercising his or her rights under the plan.

**(7) Reinspection Requirements:** A licensed automobile damage appraiser shall reinspect vehicles following completion of repairs in accordance with the laws and regulations of the Commonwealth of Massachusetts:

(a) With respect to repairs as to which the appraisal indicates that the cost is expected to exceed \$4,000, at least 75% of such vehicles shall be reinspected;

(b) With respect to repairs as to which the appraisal indicates that the cost is not expected to exceed \$4,000, at least 25% of such vehicles shall be reinspected.

Safeco Insurance Company of America in its discretion may reinspect additional vehicles in addition those that it reinspects pursuant to the forgoing provision.

**(8) Conflicts of Interest:**

(a) No employee or agent of Safeco Insurance Company of America with responsibility for entering into a referral shop agreement shall receive or ask for any payment, gift or any other thing of value from any repair shop seeking to be a referral shop or from any referral shop. No repair shop, or employee or owner thereof, shall give, pay or offer to give or pay, any thing of value to any employee or agent of a Safeco Insurance Company of America with responsibility for creating, managing or maintaining a list of repair shops. No repair shop, or employee, owner or agent thereof, shall give or pay, or offer to give or pay, any thing of value to any person in exchange for being included, or as an inducement for being included, as a Safeco Insurance Company of America's referral shop. For the purposes of 211 CMR 123.08(7)(a), the words "employee", "owner" and "agent" shall also include any spouse or child of an employee, owner or agent.

(b) A discount on parts, glass, labor rate or other item or customer service in connection with the repair of motor vehicles offered by a repair shop to Safeco Insurance Company of America shall not constitute a "payment, gift or any other thing of value."

**(9) Effective Date:** This Plan shall be effective on ~~August 1, 2013~~ July 30, 2018, subject to the approval of the Commissioner, and shall be available to all claimants submitting claims arising from accidents or other losses occurring on or after the date, unless and until the approval of this Plan is revoked or the Plan is otherwise terminated, or unless and until Safeco Insurance Company of America ceases to implement the Plan.

**(10)** In the event that 211 CMR 123 is amended, this plan shall be deemed modified concurrent with effective date of such amendment, so as to conform to that regulation.

**SAFECO INSURANCE COMPANY OF AMERICA DIRECT  
PAYMENT PLAN FOR MOTOR VEHICLE COLLISION AND  
COMPREHENSIVE COVERAGE CLAIMS AND REFERRAL  
REPAIR SHOP PROGRAMS**

Set forth below is the direct payment and referral repair shop plan of the Safeco Insurance Company of America for collision, limited collision and comprehensive insurance claims.

**Definitions**

As used in this Plan, the following words will have the meanings indicated:

Betterment means the difference between the cost of the new part and the value of the part on the vehicle at time of the loss.

Claimant means any person making a claim for motor vehicle damage or loss for first party damages.

Collision coverage means that optional coverage defined in M.G.L. c. 90, § 34O(1) offered as part of a motor vehicle liability policy or bond, except for glass claims.

Comprehensive coverage means that optional coverage defined in M.G.L. c. 175, § 113O as fire and theft coverage or comprehensive coverage, so-called, offered as part of a motor vehicle liability policy or bond, except for glass claims.

Limited collision coverage means that optional coverage defined in M.G.L. c. 90, § 34O(2) offered as part of a motor vehicle policy or bond, except for glass claims.

Motor vehicle insurance means motor vehicle liability policies or bonds as defined in M.G.L. c. 90, §§ 34A, 34O, and in M.G.L. c. 175.

Referral shop means a shop which has entered into an agreement satisfactory to Safeco Insurance Company of America, to complete repairs for claimants referred by Safeco Insurance Company of America without undue delay, for the amount of the direct payment to the claimant plus any applicable deductible, plus any supplemental payment authorized by Safeco Insurance Company of America or a shop with which Safeco Insurance Company of America makes arrangements directly for the repair of the claimant's car.

Repair shop means a motor vehicle repair shop as defined in M.G.L. c. 100A, § 1, but not including glass specialty shops and shops which primarily sell tires or audio equipment.



## **Direct Payment Plan Provisions**

**(1) Payment to the Claimant:** Safeco Insurance Company of America shall offer to pay every claimant for the loss of or damage to the motor vehicle under collision coverage, limited collision coverage or comprehensive coverage, the full amount, less any applicable deductible, of the cost of repair of the damage as described in an appraisal made by a licensed automobile damage appraiser employed or designated by Safeco Insurance Company of America, subject to the terms and conditions of the applicable insurance policy. The insured cost of repairs described in an appraisal may differ from the actual cost of repairs due to the replacement of used or depreciated components by new components in the actual course of repairs, so-called “betterment”.

Unless such direct payment is refused by the claimant, Safeco Insurance Company of America shall make such payment at the time of, or within five business days after, the preparation of said appraisal, unless the claimant permits a longer period in order to allow Safeco Insurance Company of America sufficient time to make arrangements with a referral shop. In no event shall payment be made before providing a copy of the appraisal to the claimant, unless the claimant directs Safeco Insurance Company of America to make arrangements directly with a referral shop for the repair of the claimant’s car, in which case Safeco Insurance Company of America may, with the claimant’s consent, provide such copy after payment. Such arrangements shall be known as Safeco’s Superior Shop Program. Shops that enter into these arrangements shall be known as Superior Shop Program Shops. Nothing in this Plan shall be construed to affect the right of Safeco Insurance Company of America to delay payment for a period of time reasonably necessary to investigate any claim before authorizing repair work or making payment on such claim.

If the claimant refuses such direct payment, Safeco Insurance Company of America shall comply with applicable laws and regulations relating to such payments without regard to the plan.

**(2) Form of Payment:** The payments described above shall be in cash or a negotiable instrument payable to the claimant, and the lienholder, if applicable. The payments described above can be made payable to the repair shop selected by the claimant in accordance with the claimant’s direction to pay the repair shop.

If a claimant elects to have Safeco Insurance Company of America make arrangements directly with a referral shop under its Superior Shop Program for the repair of the claimant’s car, Safeco Insurance Company of America will provide the claimant with a list of conveniently located referral shops willing and able to enter into such arrangements.

**(3) Repair Certification:** Each claimant shall receive, with the appraisal and direct payment check, a repair certification form. The form is attached as Attachment A.

The claimant shall return the repair certification form to Safeco Insurance Company of America upon completion of the repairs. If the claimant elects not to repair the vehicle or if the repair certification form is not returned to Safeco Insurance Company of America, the actual cash value of the insured vehicle will be reduced by the amount of the claim payment plus any applicable deductible, unless and until such time as Safeco Insurance Company of America or any successor insurer receives a repair certification form.

**(4) Resolution of Consumer Disputes:** If the claimant disputes the accuracy of the appraisal or the amount of the payment based thereon, the dispute shall be resolved as follows.

(a) The claimant, or the claimant's representative or repair shop at the direction of the claimant, must notify Safeco Insurance Company of America by telephone or in writing if the cost of repairs is expected to exceed the amount of the payment plus any applicable deductible and the claimant is seeking to have Safeco Insurance Company of America pay any part of the difference. Such notice must be prior to, or in the course of, the repair work.

(b) Safeco Insurance Company of America will promptly evaluate the source of any differences between Safeco Insurance Company of America's appraisal and the cost of repairs and either authorize or deny a supplemental payment within three business days after the notification of such difference and inspection of the vehicle. During such three-day period, Safeco Insurance Company of America may inspect the vehicle, and if it so requests, the claimant or repair shop shall make the vehicle available for inspection by Safeco Insurance Company of America. Safeco Insurance Company of America shall not delay such inspection for more than three days without the consent of the claimant. If Safeco Insurance Company of America makes a timely request for inspection Safeco Insurance Company of America will either authorize or deny a supplemental payment within three business days after the inspection. The claimant may direct Safeco Insurance Company of America to make any supplemental payment to the repair shop, provided the repair shop is registered under M.G.L. c. 100A. Otherwise, any supplemental payment must be made directly to the claimant.

(c) If the claimant and Safeco Insurance Company of America are unable to reach agreement as to any dispute as to the amount of the payment by Safeco Insurance Company of America, either party may demand arbitration of the dispute. The demand for arbitration must be in writing and it must include an appraisal of the cost of the repair prepared by a licensed automobile damage appraiser and an itemized bill for the actual cost of the repair, if the repair has been completed. The arbitration will be conducted pursuant to General

Provision Section 11 of the Massachusetts Standard Automobile Insurance Policy and the applicable provisions of M.G.L. c. 175, § 191A. Notwithstanding this provision, the claimant may, without prejudice, pursue any other remedy which may be available.

(d) If the repair is made at a registered repair shop that is a Safeco Insurance Company of America's referral shop, neither the referral shop nor Safeco Insurance Company of America shall require the claimant to pay more than the amount of the direct payment plus the amount of any applicable deductible to have the repair work completed, and any dispute as to the amount of the appraised damage shall be resolved between the referral shop and Safeco Insurance Company of America.

**(5) Referral Shop Program:**

(a) Safeco Insurance Company of America shall not require a claimant to have repairs made at any specific repair shop or list of shops.

(b) Number of Shops:

Every claimant will be given a single list containing the names and locations of all registered repair shops as defined in 211 CMR 123.03 that appear on the list of registered repair shops maintained by the Division of Standards pursuant to M.G.L. c. 100A, § 6. Safeco will highlight at least five repair shops geographically convenient for the claimant which will perform the repairs on referred claims without undue delay. Safeco will not provide a separate list containing only its referral shops.

A repair shop may not be on Safeco Insurance Company of America's referral shop unless that repair shop appears on the list of all registered repair shops maintained by the Division of Standards and complies with the provisions of M.G.L. c. 100A. The claimant may or may not choose to use a Safeco Insurance Company of America's referral shop.

Safeco Insurance Company of America's referral shops shall include only shops which have entered into an agreement satisfactory to Safeco Insurance Company of America to complete repairs for claimants referred by Safeco Insurance Company of America without undue delay, for the amount of the direct payment to the claimant plus any applicable deductible, plus any supplemental payment authorized by Safeco Insurance Company of America.

In determining which registered repair shops will be referral shops, Safeco Insurance Company of America shall consider all of the following criteria and only the following criteria: the quality and cost of repairs at a particular shop, the quality of the service given the customer, the responsiveness of the shop to the customer's needs, the ability of the shop to perform repairs without undue delay, the geographic convenience of the shop for the claimant, cooperation of the shop with the pre- and post-repair inspections, and the shop's compliance with applicable laws and regulations. Safeco Insurance

Company of America will maintain written guidelines incorporating these criteria as applied by Safeco Insurance Company of America in implementing its plan; such guidelines shall be deemed to be a part of the Safeco Insurance Company of America's plan. Safeco Insurance Company of America's guidelines shall be made available to the Commissioner upon his or her request, and shall also be made available on request to any repair shop in the event that Safeco Insurance Company of America denies that shop placement on or strikes that shop from its list.

A repair shop shall be included on the list prepared by Safeco Insurance Company of America if the shop agrees in writing to comply fully with the plan, unless the shop is denied placement on or stricken from the list pursuant to 211 CMR 123-06(5), and is determined by Safeco Insurance Company of America not to satisfy one or more of the criteria listed above. The form of agreement between the shops on the referral list and Safeco Insurance Company of America may provide adequate assurances that the repair shop will continue to satisfy Safeco Insurance Company of America as to such criteria.

Development and Changes of Referral List. Safeco Insurance Company of America may strike a repair shop from its referral list, or deny placement thereon, provided Safeco Insurance Company of America files a statement with the Commissioner of insurance specifying the nature of the shop's failure to comply with the plan or with the agreement or proposed agreement between Safeco Insurance Company of America and the repair shop. A repair shop which claims that it has been improperly stricken from or denied placement on the list may demand arbitration. Such binding arbitration shall be conducted by a neutral arbitrator jointly agreed to by Safeco Insurance Company of America and the repair shop, or, in the absence of such agreement, within 21 days of submission of the request for arbitration to Safeco Insurance Company of America, by an arbitrator selected by the Commissioner of Insurance. The parties to the arbitration shall bear the costs of the arbitration equally, but the losing party shall be liable to the prevailing party for its costs, unless the arbitrator orders otherwise. If the arbitrator finds that the losing party acted in bad faith, he or she may also award the prevailing party attorney's fees, if any. The arbitrator shall determine whether the repair shop was improperly stricken from the list, but shall make no finding or order as to any damages other than the award of costs and/or attorney's fees, if any. The decision of the arbitrator shall be final.

(c) Referral Shop List and Updates:

Safeco Insurance Company of America will maintain and update quarterly the listing of all registered repair shops located within the county in which the claimant resides, based on the list of repair shops maintained by the Automobile Insurers Bureau of Massachusetts or any successor thereto.

(d) Safeco Insurance Company of America's Guarantee:

If a claimant has repairs performed at a Safeco Insurance Company of America's referral shop, then Safeco Insurance Company of America shall guarantee the quality of the materials and workmanship used in making the repairs. This guarantee by Safeco Insurance Company of America is in addition to all other guarantees which may be made by the manufacturer and the repair shop. The agreement between Safeco Insurance Company of America and the repair shop may provide for indemnification of Safeco Insurance Company of America by the repair shop for any costs associated with such guarantee under such terms and conditions as the parties to the agreement shall specify.

**(6) Disclosure to Consumers:** Every claimant under the Plan shall be given full and adequate disclosure on a form approved by the Commissioner. The disclosure form shall be given to the claimant prior to, or at the same time as, any payment being made. The disclosure form shall be given with the appraisal and at such other times as Safeco Insurance Company of America may determine, and shall state:

(a) that the claimant may elect to accept direct payment under the Plan and receive a list of referral shops or have Safeco Insurance Company of America make arrangements directly with a referral shop for repair of the claimant's car, or he or she may choose to pursue the claim without regard to the Plan.

(b) if the claimant accepts direct payment, he or she may choose to have repairs made at any repair shop, whether or not the shop is a Safeco Insurance Company of America's referral shop;

(c) if the claimant accepts direct payment, the claimant may choose a Safeco Insurance Company of America's referral shop in which case Safeco Insurance Company of America will guarantee the materials and workmanship of the repair, and the cost of the insured repair, excluding betterment, to the claimant will not exceed the amount of Safeco Insurance Company of America's direct payment to the claimant plus any applicable deductible.

(d) the procedure for resolving claimants' disputes under the plan; and

(e) such other information as will aid the claimant in exercising his or her rights under the plan.

**(7) Reinspection Requirements:** A licensed automobile damage appraiser shall reinspect vehicles following completion of repairs in accordance with the laws and regulations of the Commonwealth of Massachusetts:

(a) With respect to repairs as to which the appraisal indicates that the cost is expected to exceed \$4,000, at least 75% of such vehicles shall be reinspected;

(b) With respect to repairs as to which the appraisal indicates that the cost is not expected to exceed \$4,000, at least 25% of such vehicles shall be reinspected.

Safeco Insurance Company of America in its discretion may reinspect additional vehicles in addition those that it reinspects pursuant to the forgoing provision.

**(8) Conflicts of Interest:**

(a) No employee or agent of Safeco Insurance Company of America with responsibility for entering into a referral shop agreement shall receive or ask for any payment, gift or any other thing of value from any repair shop seeking to be a referral shop or from any referral shop. No repair shop, or employee or owner thereof, shall give, pay or offer to give or pay, any thing of value to any employee or agent of a Safeco Insurance Company of America with responsibility for creating, managing or maintaining a list of repair shops. No repair shop, or employee, owner or agent thereof, shall give or pay, or offer to give or pay, any thing of value to any person in exchange for being included, or as an inducement for being included, as a Safeco Insurance Company of America's referral shop. For the purposes of 211 CMR 123.08(7)(a), the words "employee", "owner" and "agent" shall also include any spouse or child of an employee, owner or agent.

(b) A discount on parts, glass, labor rate or other item or customer service in connection with the repair of motor vehicles offered by a repair shop to Safeco Insurance Company of America shall not constitute a "payment, gift or any other thing of value."

**(9) Effective Date:** This Plan shall be effective on July 30, 2018, subject to the approval of the Commissioner, and shall be available to all claimants submitting claims arising from accidents or other losses occurring on or after the date, unless and until the approval of this Plan is revoked or the Plan is otherwise terminated, or unless and until Safeco Insurance Company of America ceases to implement the Plan.

**(10)** In the event that 211 CMR 123 is amended, this plan shall be deemed modified concurrent with effective date of such amendment, so as to conform to that regulation.

**SAFECO INSURANCE COMPANY OF AMERICA DIRECT  
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COMPREHENSIVE COVERAGE CLAIMS AND REFERRAL  
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Set forth below is the direct payment and referral repair shop plan of the Safeco Insurance Company of America for collision, limited collision and comprehensive insurance claims.

**Definitions**

As used in this Plan, the following words will have the meanings indicated:

Betterment means the difference between the cost of the new part and the value of the part on the vehicle at time of the loss.

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Collision coverage means that optional coverage defined in M.G.L. c. 90, § 34O(l) offered as part of a motor vehicle liability policy or bond, except for glass claims.

Comprehensive coverage means that optional coverage defined in M.G.L. c. 175, § 113O as fire and theft coverage or comprehensive coverage, so-called, offered as part of a motor vehicle liability policy or bond, except for glass claims.

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## Direct Payment Plan Provisions

**(1) Payment to the Claimant:** Safeco Insurance Company of America shall offer to pay every claimant for the loss of or damage to the motor vehicle under collision coverage, limited collision coverage or comprehensive coverage, the full amount, less any applicable deductible, of the cost of repair of the damage as described in an appraisal made by a licensed automobile damage appraiser employed or designated by Safeco Insurance Company of America, subject to the terms and conditions of the applicable insurance policy. The insured cost of repairs described in an appraisal may differ from the actual cost of repairs due to the replacement of used or depreciated components by new components in the actual course of repairs, so-called “betterment”.

Unless such direct payment is refused by the claimant, Safeco Insurance Company of America shall make such payment at the time of, or within five business days after, the preparation of said appraisal, unless the claimant permits a longer period in order to allow Safeco Insurance Company of America sufficient time to make arrangements with a referral shop. In no event shall payment be made before providing a copy of the appraisal to the claimant, unless the claimant directs Safeco Insurance Company of America to make arrangements directly with a referral shop for the repair of the claimant’s car, in which case Safeco Insurance Company of America may, with the claimant’s consent, provide such copy after payment. Such arrangements shall be known as ~~Massachusetts PACE One Stop~~ Safeco’s Superior Shop Program. Shops that enter into these arrangements shall be known as ~~Massachusetts PACE One Stop~~ Superior Shop Program Shops. Nothing in this Plan shall be construed to affect the right of Safeco Insurance Company of America to delay payment for a period of time reasonably necessary to investigate any claim before authorizing repair work or making payment on such claim.

If the claimant refuses such direct payment, Safeco Insurance Company of America shall comply with applicable laws and regulations relating to such payments without regard to the plan.

**(2) Form of Payment:** The payments described above shall be in cash or a negotiable instrument payable to the claimant, and the lienholder, if applicable. The payments described above can be made payable to the repair shop selected by the claimant in accordance with the claimant’s direction to pay the repair shop.

If a claimant elects to have Safeco Insurance Company of America make arrangements directly with a referral shop under its ~~Massachusetts PACE One Stop~~ Superior Shop Program for the repair of the claimant’s car, Safeco Insurance Company of America will provide the claimant with a list of conveniently located referral shops willing and able to enter into such arrangements.



**(3) Repair Certification:** Each claimant shall receive, with the appraisal and direct payment check, a repair certification form. The form is attached as Attachment A.

The claimant shall return the repair certification form to Safeco Insurance Company of America upon completion of the repairs. If the claimant elects not to repair the vehicle or if the repair certification form is not returned to Safeco Insurance Company of America, the actual cash value of the insured vehicle will be reduced by the amount of the claim payment plus any applicable deductible, unless and until such time as Safeco Insurance Company of America or any successor insurer receives a repair certification form.

**(4) Resolution of Consumer Disputes:** If the claimant disputes the accuracy of the appraisal or the amount of the payment based thereon, the dispute shall be resolved as follows.

(a) The claimant, or the claimant's representative or repair shop at the direction of the claimant, must notify Safeco Insurance Company of America by telephone or in writing if the cost of repairs is expected to exceed the amount of the payment plus any applicable deductible and the claimant is seeking to have Safeco Insurance Company of America pay any part of the difference. Such notice must be prior to, or in the course of, the repair work.

(b) Safeco Insurance Company of America will promptly evaluate the source of any differences between Safeco Insurance Company of America's appraisal and the cost of repairs and either authorize or deny a supplemental payment within three business days after the notification of such difference and inspection of the vehicle. During such three-day period, Safeco Insurance Company of America may inspect the vehicle, and if it so requests, the claimant or repair shop shall make the vehicle available for inspection by Safeco Insurance Company of America. Safeco Insurance Company of America shall not delay such inspection for more than three days without the consent of the claimant. If Safeco Insurance Company of America makes a timely request for inspection Safeco Insurance Company of America will either authorize or deny a supplemental payment within three business days after the inspection. The claimant may direct Safeco Insurance Company of America to make any supplemental payment to the repair shop, provided the repair shop is registered under M.G.L. c. 100A. Otherwise, any supplemental payment must be made directly to the claimant.

(c) If the claimant and Safeco Insurance Company of America are unable to reach agreement as to any dispute as to the amount of the payment by Safeco Insurance Company of America, either party may demand arbitration of the dispute. The demand for arbitration must be in writing and it must include an appraisal of the cost of the repair prepared by a licensed automobile damage appraiser and an itemized bill for the actual cost of the repair, if the repair has

been completed. The arbitration will be conducted pursuant to General Provision Section 11 of the Massachusetts Standard Automobile Insurance Policy and the applicable provisions of M.G.L. c. 175, § 191A. Notwithstanding this provision, the claimant may, without prejudice, pursue any other remedy which may be available.

(d) If the repair is made at a registered repair shop that is a Safeco Insurance Company of America's referral shop, neither the referral shop nor Safeco Insurance Company of America shall require the claimant to pay more than the amount of the direct payment plus the amount of any applicable deductible to have the repair work completed, and any dispute as to the amount of the appraised damage shall be resolved between the referral shop and Safeco Insurance Company of America.

**(5) Referral Shop Program:**

(a) Safeco Insurance Company of America shall not require a claimant to have repairs made at any specific repair shop or list of shops.

(b) Number of Shops:

Every claimant will be given a single list containing the names and locations of all registered repair shops as defined in 211 CMR 123.03 that appear on the list of registered repair shops maintained by the Division of Standards pursuant to M.G.L. c. 100A, § 6. Safeco will highlight at least five repair shops geographically convenient for the claimant which will perform the repairs on referred claims without undue delay. Safeco will not provide a separate list containing only its referral shops.

A repair shop may not be on Safeco Insurance Company of America's referral shop unless that repair shop appears on the list of all registered repair shops maintained by the Division of Standards and complies with the provisions of M.G.L. c. 100A. The claimant may or may not choose to use a Safeco Insurance Company of America's referral shop.

Safeco Insurance Company of America's referral shops shall include only shops which have entered into an agreement satisfactory to Safeco Insurance Company of America to complete repairs for claimants referred by Safeco Insurance Company of America without undue delay, for the amount of the direct payment to the claimant plus any applicable deductible, plus any supplemental payment authorized by Safeco Insurance Company of America.

In determining which registered repair shops will be referral shops, Safeco Insurance Company of America shall consider all of the following criteria and only the following criteria: the quality and cost of repairs at a particular shop, the quality of the service given the customer, the responsiveness of the shop to the customer's needs, the ability of the shop to perform repairs without undue delay, the geographic convenience of the shop for the claimant, cooperation of the shop with the pre- and post-repair inspections, and the

shop's compliance with applicable laws and regulations. Safeco Insurance Company of America will maintain written guidelines incorporating these criteria as applied by Safeco Insurance Company of America in implementing its plan; such guidelines shall be deemed to be a part of the Safeco Insurance Company of America's plan. Safeco Insurance Company of America's guidelines shall be made available to the Commissioner upon his or her request, and shall also be made available on request to any repair shop in the event that Safeco Insurance Company of America denies that shop placement on or strikes that shop from its list.

A repair shop shall be included on the list prepared by Safeco Insurance Company of America if the shop agrees in writing to comply fully with the plan, unless the shop is denied placement on or stricken from the list pursuant to 211 CMR 123-06(5), and is determined by Safeco Insurance Company of America not to satisfy one or more of the criteria listed above. The form of agreement between the shops on the referral list and Safeco Insurance Company of America may provide adequate assurances that the repair shop will continue to satisfy Safeco Insurance Company of America as to such criteria.

Development and Changes of Referral List. Safeco Insurance Company of America may strike a repair shop from its referral list, or deny placement thereon, provided Safeco Insurance Company of America files a statement with the Commissioner of insurance specifying the nature of the shop's failure to comply with the plan or with the agreement or proposed agreement between Safeco Insurance Company of America and the repair shop. A repair shop which claims that it has been improperly stricken from or denied placement on the list may demand arbitration. Such binding arbitration shall be conducted by a neutral arbitrator jointly agreed to by Safeco Insurance Company of America and the repair shop, or, in the absence of such agreement, within 21 days of submission of the request for arbitration to Safeco Insurance Company of America, by an arbitrator selected by the Commissioner of Insurance. The parties to the arbitration shall bear the costs of the arbitration equally, but the losing party shall be liable to the prevailing party for its costs, unless the arbitrator orders otherwise. If the arbitrator finds that the losing party acted in bad faith, he or she may also award the prevailing party attorney's fees, if any. The arbitrator shall determine whether the repair shop was improperly stricken from the list, but shall make no finding or order as to any damages other than the award of costs and/or attorney's fees, if any. The decision of the arbitrator shall be final.

(c) Referral Shop List and Updates:

Safeco Insurance Company of America will maintain and update quarterly the listing of all registered repair shops located within the county in which the claimant resides, based on the list of repair shops maintained by the Automobile Insurers Bureau of Massachusetts or any successor thereto.

(d) Safeco Insurance Company of America's Guarantee:

If a claimant has repairs performed at a Safeco Insurance Company of America's referral shop, then Safeco Insurance Company of America shall guarantee the quality of the materials and workmanship used in making the repairs. This guarantee by Safeco Insurance Company of America is in addition to all other guarantees which may be made by the manufacturer and the repair shop. The agreement between Safeco Insurance Company of America and the repair shop may provide for indemnification of Safeco Insurance Company of America by the repair shop for any costs associated with such guarantee under such terms and conditions as the parties to the agreement shall specify.

**(6) Disclosure to Consumers:** Every claimant under the Plan shall be given full and adequate disclosure on a form approved by the Commissioner. The disclosure form shall be given to the claimant prior to, or at the same time as, any payment being made. The disclosure form shall be given with the appraisal and at such other times as Safeco Insurance Company of America may determine, and shall state:

(a) that the claimant may elect to accept direct payment under the Plan and receive a list of referral shops or have Safeco Insurance Company of America make arrangements directly with a referral shop for repair of the claimant's car, or he or she may choose to pursue the claim without regard to the Plan.

(b) if the claimant accepts direct payment, he or she may choose to have repairs made at any repair shop, whether or not the shop is a Safeco Insurance Company of America's referral shop;

(c) if the claimant accepts direct payment, the claimant may choose a Safeco Insurance Company of America's referral shop in which case Safeco Insurance Company of America will guarantee the materials and workmanship of the repair, and the cost of the insured repair, excluding betterment, to the claimant will not exceed the amount of Safeco Insurance Company of America's direct payment to the claimant plus any applicable deductible.

(d) the procedure for resolving claimants' disputes under the plan; and

(e) such other information as will aid the claimant in exercising his or her rights under the plan.

**(7) Reinspection Requirements:** A licensed automobile damage appraiser shall reinspect vehicles following completion of repairs in accordance with the laws and regulations of the Commonwealth of Massachusetts:

(a) With respect to repairs as to which the appraisal indicates that the cost is expected to exceed \$4,000, at least 75% of such vehicles shall be reinspected;

(b) With respect to repairs as to which the appraisal indicates that the cost is not expected to exceed \$4,000, at least 25% of such vehicles shall be reinspected.

Safeco Insurance Company of America in its discretion may reinspect additional vehicles in addition those that it reinspects pursuant to the forgoing provision.

**(8) Conflicts of Interest:**

(a) No employee or agent of Safeco Insurance Company of America with responsibility for entering into a referral shop agreement shall receive or ask for any payment, gift or any other thing of value from any repair shop seeking to be a referral shop or from any referral shop. No repair shop, or employee or owner thereof, shall give, pay or offer to give or pay, any thing of value to any employee or agent of a Safeco Insurance Company of America with responsibility for creating, managing or maintaining a list of repair shops. No repair shop, or employee, owner or agent thereof, shall give or pay, or offer to give or pay, any thing of value to any person in exchange for being included, or as an inducement for being included, as a Safeco Insurance Company of America's referral shop. For the purposes of 211 CMR 123.08(7)(a), the words "employee", "owner" and "agent" shall also include any spouse or child of an employee, owner or agent.

(b) A discount on parts, glass, labor rate or other item or customer service in connection with the repair of motor vehicles offered by a repair shop to Safeco Insurance Company of America shall not constitute a "payment, gift or any other thing of value."

**(9) Effective Date:** This Plan shall be effective on ~~August 1, 2013~~ July 30, 2018, subject to the approval of the Commissioner, and shall be available to all claimants submitting claims arising from accidents or other losses occurring on or after the date, unless and until the approval of this Plan is revoked or the Plan is otherwise terminated, or unless and until Safeco Insurance Company of America ceases to implement the Plan.

**(10)** In the event that 211 CMR 123 is amended, this plan shall be deemed modified concurrent with effective date of such amendment, so as to conform to that regulation.

**SAFECO INSURANCE COMPANY OF AMERICA DIRECT  
PAYMENT PLAN FOR MOTOR VEHICLE COLLISION AND  
COMPREHENSIVE COVERAGE CLAIMS AND REFERRAL  
REPAIR SHOP PROGRAMS**

Set forth below is the direct payment and referral repair shop plan of the Safeco Insurance Company of America for collision, limited collision and comprehensive insurance claims.

**Definitions**

As used in this Plan, the following words will have the meanings indicated:

Betterment means the difference between the cost of the new part and the value of the part on the vehicle at time of the loss.

Claimant means any person making a claim for motor vehicle damage or loss for first party damages.

Collision coverage means that optional coverage defined in M.G.L. c. 90, § 34O(1) offered as part of a motor vehicle liability policy or bond, except for glass claims.

Comprehensive coverage means that optional coverage defined in M.G.L. c. 175, § 113O as fire and theft coverage or comprehensive coverage, so-called, offered as part of a motor vehicle liability policy or bond, except for glass claims.

Limited collision coverage means that optional coverage defined in M.G.L. c. 90, § 34O(2) offered as part of a motor vehicle policy or bond, except for glass claims.

Motor vehicle insurance means motor vehicle liability policies or bonds as defined in M.G.L. c. 90, §§ 34A, 34O, and in M.G.L. c. 175.

Referral shop means a shop which has entered into an agreement satisfactory to Safeco Insurance Company of America, to complete repairs for claimants referred by Safeco Insurance Company of America without undue delay, for the amount of the direct payment to the claimant plus any applicable deductible, plus any supplemental payment authorized by Safeco Insurance Company of America or a shop with which Safeco Insurance Company of America makes arrangements directly for the repair of the claimant's car.

Repair shop means a motor vehicle repair shop as defined in M.G.L. c. 100A, § 1, but not including glass specialty shops and shops which primarily sell tires or audio equipment.

## **Direct Payment Plan Provisions**

**(1) Payment to the Claimant:** Safeco Insurance Company of America shall offer to pay every claimant for the loss of or damage to the motor vehicle under collision coverage, limited collision coverage or comprehensive coverage, the full amount, less any applicable deductible, of the cost of repair of the damage as described in an appraisal made by a licensed automobile damage appraiser employed or designated by Safeco Insurance Company of America, subject to the terms and conditions of the applicable insurance policy. The insured cost of repairs described in an appraisal may differ from the actual cost of repairs due to the replacement of used or depreciated components by new components in the actual course of repairs, so-called “betterment”.

Unless such direct payment is refused by the claimant, Safeco Insurance Company of America shall make such payment at the time of, or within five business days after, the preparation of said appraisal, unless the claimant permits a longer period in order to allow Safeco Insurance Company of America sufficient time to make arrangements with a referral shop. In no event shall payment be made before providing a copy of the appraisal to the claimant, unless the claimant directs Safeco Insurance Company of America to make arrangements directly with a referral shop for the repair of the claimant’s car, in which case Safeco Insurance Company of America may, with the claimant’s consent, provide such copy after payment. Such arrangements shall be known as Safeco’s Superior Shop Program. Shops that enter into these arrangements shall be known as Superior Shop Program Shops. Nothing in this Plan shall be construed to affect the right of Safeco Insurance Company of America to delay payment for a period of time reasonably necessary to investigate any claim before authorizing repair work or making payment on such claim.

If the claimant refuses such direct payment, Safeco Insurance Company of America shall comply with applicable laws and regulations relating to such payments without regard to the plan.

**(2) Form of Payment:** The payments described above shall be in cash or a negotiable instrument payable to the claimant, and the lienholder, if applicable. The payments described above can be made payable to the repair shop selected by the claimant in accordance with the claimant’s direction to pay the repair shop.

If a claimant elects to have Safeco Insurance Company of America make arrangements directly with a referral shop under its Superior Shop Program for the repair of the claimant’s car, Safeco Insurance Company of America will provide the claimant with a list of conveniently located referral shops willing and able to enter into such arrangements.

**(3) Repair Certification:** Each claimant shall receive, with the appraisal and direct payment check, a repair certification form. The form is attached as Attachment A.

The claimant shall return the repair certification form to Safeco Insurance Company of America upon completion of the repairs. If the claimant elects not to repair the vehicle or if the repair certification form is not returned to Safeco Insurance Company of America, the actual cash value of the insured vehicle will be reduced by the amount of the claim payment plus any applicable deductible, unless and until such time as Safeco Insurance Company of America or any successor insurer receives a repair certification form.

**(4) Resolution of Consumer Disputes:** If the claimant disputes the accuracy of the appraisal or the amount of the payment based thereon, the dispute shall be resolved as follows.

(a) The claimant, or the claimant's representative or repair shop at the direction of the claimant, must notify Safeco Insurance Company of America by telephone or in writing if the cost of repairs is expected to exceed the amount of the payment plus any applicable deductible and the claimant is seeking to have Safeco Insurance Company of America pay any part of the difference. Such notice must be prior to, or in the course of, the repair work.

(b) Safeco Insurance Company of America will promptly evaluate the source of any differences between Safeco Insurance Company of America's appraisal and the cost of repairs and either authorize or deny a supplemental payment within three business days after the notification of such difference and inspection of the vehicle. During such three-day period, Safeco Insurance Company of America may inspect the vehicle, and if it so requests, the claimant or repair shop shall make the vehicle available for inspection by Safeco Insurance Company of America. Safeco Insurance Company of America shall not delay such inspection for more than three days without the consent of the claimant. If Safeco Insurance Company of America makes a timely request for inspection Safeco Insurance Company of America will either authorize or deny a supplemental payment within three business days after the inspection. The claimant may direct Safeco Insurance Company of America to make any supplemental payment to the repair shop, provided the repair shop is registered under M.G.L. c. 100A. Otherwise, any supplemental payment must be made directly to the claimant.

(c) If the claimant and Safeco Insurance Company of America are unable to reach agreement as to any dispute as to the amount of the payment by Safeco Insurance Company of America, either party may demand arbitration of the dispute. The demand for arbitration must be in writing and it must include an appraisal of the cost of the repair prepared by a licensed automobile damage appraiser and an itemized bill for the actual cost of the repair, if the repair has been completed. The arbitration will be conducted pursuant to General



Provision Section 11 of the Massachusetts Standard Automobile Insurance Policy and the applicable provisions of M.G.L. c. 175, § 191A. Notwithstanding this provision, the claimant may, without prejudice, pursue any other remedy which may be available.

(d) If the repair is made at a registered repair shop that is a Safeco Insurance Company of America's referral shop, neither the referral shop nor Safeco Insurance Company of America shall require the claimant to pay more than the amount of the direct payment plus the amount of any applicable deductible to have the repair work completed, and any dispute as to the amount of the appraised damage shall be resolved between the referral shop and Safeco Insurance Company of America.

**(5) Referral Shop Program:**

(a) Safeco Insurance Company of America shall not require a claimant to have repairs made at any specific repair shop or list of shops.

(b) Number of Shops:

Every claimant will be given a single list containing the names and locations of all registered repair shops as defined in 211 CMR 123.03 that appear on the list of registered repair shops maintained by the Division of Standards pursuant to M.G.L. c. 100A, § 6. Safeco will highlight at least five repair shops geographically convenient for the claimant which will perform the repairs on referred claims without undue delay. Safeco will not provide a separate list containing only its referral shops.

A repair shop may not be on Safeco Insurance Company of America's referral shop unless that repair shop appears on the list of all registered repair shops maintained by the Division of Standards and complies with the provisions of M.G.L. c. 100A. The claimant may or may not choose to use a Safeco Insurance Company of America's referral shop.

Safeco Insurance Company of America's referral shops shall include only shops which have entered into an agreement satisfactory to Safeco Insurance Company of America to complete repairs for claimants referred by Safeco Insurance Company of America without undue delay, for the amount of the direct payment to the claimant plus any applicable deductible, plus any supplemental payment authorized by Safeco Insurance Company of America.

In determining which registered repair shops will be referral shops, Safeco Insurance Company of America shall consider all of the following criteria and only the following criteria: the quality and cost of repairs at a particular shop, the quality of the service given the customer, the responsiveness of the shop to the customer's needs, the ability of the shop to perform repairs without undue delay, the geographic convenience of the shop for the claimant, cooperation of the shop with the pre- and post-repair inspections, and the shop's compliance with applicable laws and regulations. Safeco Insurance

Company of America will maintain written guidelines incorporating these criteria as applied by Safeco Insurance Company of America in implementing its plan; such guidelines shall be deemed to be a part of the Safeco Insurance Company of America's plan. Safeco Insurance Company of America's guidelines shall be made available to the Commissioner upon his or her request, and shall also be made available on request to any repair shop in the event that Safeco Insurance Company of America denies that shop placement on or strikes that shop from its list.

A repair shop shall be included on the list prepared by Safeco Insurance Company of America if the shop agrees in writing to comply fully with the plan, unless the shop is denied placement on or stricken from the list pursuant to 211 CMR 123-06(5), and is determined by Safeco Insurance Company of America not to satisfy one or more of the criteria listed above. The form of agreement between the shops on the referral list and Safeco Insurance Company of America may provide adequate assurances that the repair shop will continue to satisfy Safeco Insurance Company of America as to such criteria.

Development and Changes of Referral List. Safeco Insurance Company of America may strike a repair shop from its referral list, or deny placement thereon, provided Safeco Insurance Company of America files a statement with the Commissioner of insurance specifying the nature of the shop's failure to comply with the plan or with the agreement or proposed agreement between Safeco Insurance Company of America and the repair shop. A repair shop which claims that it has been improperly stricken from or denied placement on the list may demand arbitration. Such binding arbitration shall be conducted by a neutral arbitrator jointly agreed to by Safeco Insurance Company of America and the repair shop, or, in the absence of such agreement, within 21 days of submission of the request for arbitration to Safeco Insurance Company of America, by an arbitrator selected by the Commissioner of Insurance. The parties to the arbitration shall bear the costs of the arbitration equally, but the losing party shall be liable to the prevailing party for its costs, unless the arbitrator orders otherwise. If the arbitrator finds that the losing party acted in bad faith, he or she may also award the prevailing party attorney's fees, if any. The arbitrator shall determine whether the repair shop was improperly stricken from the list, but shall make no finding or order as to any damages other than the award of costs and/or attorney's fees, if any. The decision of the arbitrator shall be final.

(c) Referral Shop List and Updates:

Safeco Insurance Company of America will maintain and update quarterly the listing of all registered repair shops located within the county in which the claimant resides, based on the list of repair shops maintained by the Automobile Insurers Bureau of Massachusetts or any successor thereto.

(d) Safeco Insurance Company of America's Guarantee:

If a claimant has repairs performed at a Safeco Insurance Company of America's referral shop, then Safeco Insurance Company of America shall guarantee the quality of the materials and workmanship used in making the repairs. This guarantee by Safeco Insurance Company of America is in addition to all other guarantees which may be made by the manufacturer and the repair shop. The agreement between Safeco Insurance Company of America and the repair shop may provide for indemnification of Safeco Insurance Company of America by the repair shop for any costs associated with such guarantee under such terms and conditions as the parties to the agreement shall specify.

**(6) Disclosure to Consumers:** Every claimant under the Plan shall be given full and adequate disclosure on a form approved by the Commissioner. The disclosure form shall be given to the claimant prior to, or at the same time as, any payment being made. The disclosure form shall be given with the appraisal and at such other times as Safeco Insurance Company of America may determine, and shall state:

(a) that the claimant may elect to accept direct payment under the Plan and receive a list of referral shops or have Safeco Insurance Company of America make arrangements directly with a referral shop for repair of the claimant's car, or he or she may choose to pursue the claim without regard to the Plan.

(b) if the claimant accepts direct payment, he or she may choose to have repairs made at any repair shop, whether or not the shop is a Safeco Insurance Company of America's referral shop;

(c) if the claimant accepts direct payment, the claimant may choose a Safeco Insurance Company of America's referral shop in which case Safeco Insurance Company of America will guarantee the materials and workmanship of the repair, and the cost of the insured repair, excluding betterment, to the claimant will not exceed the amount of Safeco Insurance Company of America's direct payment to the claimant plus any applicable deductible.

(d) the procedure for resolving claimants' disputes under the plan; and

(e) such other information as will aid the claimant in exercising his or her rights under the plan.

**(7) Reinspection Requirements:** A licensed automobile damage appraiser shall reinspect vehicles following completion of repairs in accordance with the laws and regulations of the Commonwealth of Massachusetts:

(a) With respect to repairs as to which the appraisal indicates that the cost is expected to exceed \$4,000, at least 75% of such vehicles shall be reinspected;

(b) With respect to repairs as to which the appraisal indicates that the cost is not expected to exceed \$4,000, at least 25% of such vehicles shall be reinspected.

Safeco Insurance Company of America in its discretion may reinspect additional vehicles in addition those that it reinspects pursuant to the forgoing provision.

**(8) Conflicts of Interest:**

(a) No employee or agent of Safeco Insurance Company of America with responsibility for entering into a referral shop agreement shall receive or ask for any payment, gift or any other thing of value from any repair shop seeking to be a referral shop or from any referral shop. No repair shop, or employee or owner thereof, shall give, pay or offer to give or pay, any thing of value to any employee or agent of a Safeco Insurance Company of America with responsibility for creating, managing or maintaining a list of repair shops. No repair shop, or employee, owner or agent thereof, shall give or pay, or offer to give or pay, any thing of value to any person in exchange for being included, or as an inducement for being included, as a Safeco Insurance Company of America's referral shop. For the purposes of 211 CMR 123.08(7)(a), the words "employee", "owner" and "agent" shall also include any spouse or child of an employee, owner or agent.

(b) A discount on parts, glass, labor rate or other item or customer service in connection with the repair of motor vehicles offered by a repair shop to Safeco Insurance Company of America shall not constitute a "payment, gift or any other thing of value."

**(9) Effective Date:** This Plan shall be effective on July 30, 2018, subject to the approval of the Commissioner, and shall be available to all claimants submitting claims arising from accidents or other losses occurring on or after the date, unless and until the approval of this Plan is revoked or the Plan is otherwise terminated, or unless and until Safeco Insurance Company of America ceases to implement the Plan.

**(10)** In the event that 211 CMR 123 is amended, this plan shall be deemed modified concurrent with effective date of such amendment, so as to conform to that regulation.

**SAFECO INSURANCE COMPANY OF AMERICA  
DIRECT PAYMENT PLAN FOR MOTOR VEHICLE  
COLLISION AND COMPREHENSIVE COVERAGE CLAIMS  
AND REFERRAL REPAIR SHOP PROGRAMS**

**July 30, 2018**

Set forth below is the direct payment and referral repair shop plan of Safeco Insurance Company of America, for itself and the benefit of its affiliates meaning any entity under common management and control with Liberty Mutual Group Inc., now or in the future all hereafter (“Safeco”) for collision, limited collision and comprehensive insurance claims.

**Definitions**

As used in this Plan, the following words will have the meanings indicated:

Betterment means the difference between the cost of the new part and the value of the part on the vehicle at time of the loss.

Claimant means any person making a claim for motor vehicle damage or loss for first party damages.

Collision coverage means that optional coverage defined in M.G.L. c. 90, § 34O(1) offered as part of a motor vehicle liability policy or bond, except for glass claims.

Comprehensive coverage means that optional coverage defined in M.G.L. c. 175, § 113O as fire and theft coverage or comprehensive coverage, so-called, offered as part of a motor vehicle liability policy or bond, except for glass claims.

Limited collision coverage means that optional coverage defined in M.G.L. c. 90, § 34O(2) offered as part of a motor vehicle policy or bond, except for glass claims.

Motor vehicle insurance means motor vehicle liability policies or bonds as defined in M.G.L. c. 90, §§ 34A, 34O, and in M.G.L. c. 175.

Referral shop means a shop which has entered into an agreement satisfactory to Safeco, to complete repairs for claimants referred by Safeco without undue delay, for the amount of the direct payment to the claimant plus any applicable deductible, plus any supplemental payment authorized by Safeco or a shop with which Safeco makes arrangements directly for the repair of the claimant’s car.

Repair shop means a motor vehicle repair shop as defined in M.G.L. c. 100A, § 1, but not including glass specialty shops and shops which primarily sell tires or audio equipment.

### **Direct Payment Plan Provisions**

(1) **Payment to the Claimant:** Safeco shall offer to pay every claimant for the loss of or damage to the motor vehicle under collision coverage, limited collision coverage or comprehensive coverage, the full amount, less any applicable deductible, of the cost of repair of the damage as described in an appraisal made by a licensed automobile damage appraiser employed or designated by Safeco, subject to the terms and conditions of the applicable insurance policy. The insured cost of repairs described in an appraisal may differ from the actual cost of repairs due to the replacement of used or depreciated components by new components in the actual course of repairs, so-called “betterment”.

Unless such direct payment is refused by the claimant, Safeco shall make such payment at the time of, or within five business days after, the preparation of said appraisal, unless the claimant permits a longer period in order to allow Safeco sufficient time to make arrangements with a referral shop. In no event shall payment be made before providing a copy of the appraisal to the claimant, unless the claimant directs Safeco to make arrangements directly with a referral shop for the repair of the claimant’s car, in which case Safeco may, with the claimant’s consent, provide such copy after payment. Such arrangements shall be known as Safeco's Superior Shop Program. Shops that enter into these arrangements shall be known as Superior Shop Program Shops. Nothing in this Plan shall be construed to affect the right of Safeco to delay payment for a period of time reasonably necessary to investigate any claim before authorizing repair work or making payment on such claim.

If the claimant refuses such direct payment, Safeco shall comply with applicable laws and regulations relating to such payments without regard to the plan.

#### Desk Review Appraisals:

Safeco, in its discretion, can utilize physical inspections or a desk review to establish damage incurred by an insured’s vehicle. If Safeco conducts a desk review to establish damage incurred by an insured’s vehicle, Safeco will utilize current industry technology including (but not limited to) auditing software, review and reinspection software and digital imaging. Safeco in its discretion can use any additional technology it believes increases the accuracy of desk reviews.

In addition to current technology, Safeco’s desk review program includes:

- 1) Providing audit business rules at the shop level on every estimate (electronic, immediate feedback on the stringent estimating guidelines of

Safeco Insurance Company specific to any areas of opportunity the shop has on the estimate being submitted);

- 2) A second layer of electronic auditing at the time the estimate is received by Safeco to identify any portions of the submitted estimate that could be considered non-compliant with the business rules;
- 3) Licensed Staff Appraisers, called Program Administrators (PA's), who monitor and review estimates, photos, and documentation submitted by the shop. This allows for further negotiation where needed and removes any potential conflict of interest. Once the estimate is identified as Accurate, the PA will approve the estimate, thereby adopting it as the Company's estimate, at which time the estimate is sent for payment processing. Estimates received from shops communicating manually will be reviewed by licensed staff appraisers utilizing the business rules.

A shop estimate may be accepted by Safeco as complete upon audit, review and /or reinspection by either electronic or physical means. Estimates approved by electronic means will follow all Safeco rules in the Agreement between Safeco and the Program Shop.

No estimates prepared by a licensed appraiser of a Shop will be rewritten by a staff appraiser on Safeco letterhead. A Safeco Massachusetts licensed auto damage appraiser ("LM ADA") will complete a review of all claims utilizing a desk review and determine the appraised value of the loss. Under no circumstances will a payment be issued on a desk review estimate without review and approval by an LM ADA, except where Safeco elects to pay a claim where pursuant to 212 CMR 2.04 (1)(a) the amount of loss, less any applicable deductible, is less than \$1,500. The review shall include the LM ADA personally inspecting all photos and other information relating to the damage present on the vehicle before making the ultimate decision on the appraised value of the loss, and the LM ADA shall have the right to personally direct how the damaged vehicle is examined, photographed and otherwise appraised, and may request additional photographs when the photographs submitted by the Program Shop are insufficient to establish the appraisal value of damage incurred by the vehicle.

The forgoing process applies to an initial report of a claim as well as supplements and reinspections required under the laws and regulations required by the Commonwealth.

(2) **Form of Payment:** The payments described above shall be in cash or a negotiable instrument payable to the claimant, and the lienholder, if applicable. The payments described above can be made payable to the repair shop selected by the claimant in accordance with the claimant's direction to pay the repair shop.

If a claimant elects to have Safeco make arrangements directly with a referral shop under its Superior Shop Program for the repair of the

claimant's car, Safeco will provide the claimant with a list of conveniently located referral shops willing and able to enter into such arrangements.

(3) **Repair Certification:** Each claimant shall receive, with the appraisal and direct payment check, a repair certification form. The form is attached as Attachment A.

The claimant shall return the repair certification form to Safeco upon completion of the repairs. If the claimant elects not to repair the vehicle or if the repair certification form is not returned to Safeco, the actual cash value of the insured vehicle will be reduced by the amount of the claim payment plus any applicable deductible, unless and until such time as Safeco or any successor insurer receives a repair certification form.

(4) **Resolution of Consumer Disputes:** If the claimant disputes the accuracy of the appraisal or the amount of the payment based thereon, the dispute shall be resolved as follows.

(a) The claimant, or the claimant's representative or repair shop at the direction of the claimant, must notify Safeco by telephone or in writing if the cost of repairs is expected to exceed the amount of the payment plus any applicable deductible and the claimant is seeking to have Safeco pay any part of the difference. Such notice must be prior to, or in the course of, the repair work.

(b) Safeco will promptly evaluate the source of any differences between Safeco's appraisal and the cost of repairs and either authorize or deny a supplemental payment within three business days after the notification of such difference and inspection of the vehicle. During such three-day period, Safeco may inspect the vehicle, and if it so requests, the claimant or repair shop shall make the vehicle available for inspection by Safeco. Safeco shall not delay such inspection for more than three days without the consent of the claimant. If Safeco makes a timely request for inspection Safeco will either authorize or deny a supplemental payment within three business days after the inspection. The claimant may direct Safeco to make any supplemental payment to the repair shop, provided the repair shop is registered under M.G.L. c. 100A. Otherwise, any supplemental payment must be made directly to the claimant.

(c) If the claimant and Safeco are unable to reach agreement as to any dispute as to the amount of the payment by Safeco, either party may demand arbitration of the dispute. The demand for arbitration must be in writing and it must include an appraisal of the cost of the repair prepared by a licensed automobile damage appraiser and an itemized bill for the actual cost of the repair, if the repair has been completed. The arbitration will be conducted pursuant to General Provision Section 11 of the Massachusetts Standard Automobile Insurance Policy and the applicable provisions of M.G.L. c. 175, § 191A. Notwithstanding this provision, the claimant may, without prejudice, pursue any other remedy which may be available.



(d) If the repair is made at a registered repair shop that is a Safeco referral shop, neither the referral shop nor Safeco shall require the claimant to pay more than the amount of the direct payment plus the amount of any applicable deductible to have the repair work completed, and any dispute as to the amount of the appraised damage shall be resolved between the referral shop and Safeco.

**(5) Referral Shop Program:**

(a) Safeco shall not require a claimant to have repairs made at any specific repair shop or list of shops.

(b) Number of Shops:

Every claimant will be given a single list containing the names and locations of all registered repair shops as defined in [211 CMR 123.03](#) that appear on the list of registered repair shops maintained by the Division of Standards pursuant to M.G.L. c. 100A, § 6. Safeco will highlight at least five repair shops geographically convenient for the claimant which will perform the repairs on referred claims without undue delay. Safeco will not provide a separate list containing only its referral shops. A repair shop may not be on Safeco's referral shop unless that repair shop appears on the list of all registered repair shops maintained by the Division of Standards and complies with the provisions of M.G.L. c. 100A. The claimant may or may not choose to use a Safeco referral shop.

A repair shop may not be on Safeco's referral shop unless that repair shop appears on the list of all registered repair shops maintained by the Division of Standards and complies with the provisions of M.G.L. c. 100A. The claimant may or may not choose to use a Safeco referral shop.

Safeco's referral shops shall include only shops which have entered into an agreement satisfactory to Safeco to complete repairs for claimants referred by Safeco without undue delay, for the amount of the direct payment to the claimant plus any applicable deductible, plus any supplemental payment authorized by Safeco.

In determining which registered repair shops will be referral shops, Safeco shall consider all of the following criteria, and only the following criteria: the quality and cost of repairs at a particular shop, the quality of the service given the customer, the responsiveness of the shop to the customer's needs, the ability of the shop to perform repairs without undue delay, the geographic convenience of the shop for the claimant, cooperation of the shop with the pre- and post-repair inspections, and the shop's compliance with applicable laws and regulations. Safeco will maintain written guidelines incorporating these criteria as applied by Safeco in implementing its plan; such guidelines shall be deemed to be a part of the Safeco's plan. Safeco's guidelines shall be made available to the Commissioner upon his or her request, and shall also be

made available on request to any repair shop in the event that Safeco denies that shop placement on or strikes that shop from its list.

A repair shop shall be included on the list prepared by Safeco if the shop agrees in writing to comply fully with the plan, unless the shop is denied placement on or stricken from the list pursuant to 211 CMR 123-06(5), and is determined by Safeco not to satisfy one or more of the criteria listed above. The form of agreement between the shops on the referral list and Safeco may provide adequate assurances that the repair shop will continue to satisfy Safeco as to such criteria.

**Development and Changes of Referral List.** Safeco may strike a repair shop from its referral list, or deny placement thereon, provided Safeco files a statement with the Commissioner of insurance specifying the nature of the shop's failure to comply with the plan or with the agreement or proposed agreement between Safeco and the repair shop. A repair shop which claims that it has been improperly stricken from or denied placement on the list may demand arbitration. Such binding arbitration shall be conducted by a neutral arbitrator jointly agreed to by Safeco and the repair shop, or, in the absence of such agreement, within 21 days of submission of the request for arbitration to Safeco, by an arbitrator selected by the Commissioner of Insurance. The parties to the arbitration shall bear the costs of the arbitration equally, but the losing party shall be liable to the prevailing party for its costs, unless the arbitrator orders otherwise. If the arbitrator finds that the losing party acted in bad faith, he or she may also award the prevailing party attorney's fees, if any. The arbitrator shall determine whether the repair shop was improperly stricken from the list, but shall make no finding or order as to any damages other than the award of costs and/or attorney's fees, if any. The decision of the arbitrator shall be final. This paragraph does not apply to the Safeco Superior Shop Program shops.

**(c) Referral Shop List and Updates**

Safeco will maintain and update quarterly the listing of all registered repair shops located within the county in which the claimant resides, based on the list of repair shops maintained by the Automobile Insurers Bureau of Massachusetts or any successor thereto.

**(d) Safeco's Guarantee:**

If a claimant has repairs performed at a Safeco referral shop, then Safeco shall guarantee the quality of the materials and workmanship used in making the repairs. This guarantee by Safeco is in addition to all other guarantees which may be made by the manufacturer and the repair shop. The agreement between Safeco and the repair shop may provide for indemnification of Safeco by the repair shop for any costs associated with such guarantee under such terms and conditions as the parties to the agreement shall specify.

**(6) Disclosure to Consumers**

Every claimant under the Plan shall be given full and adequate disclosure on a form approved by the Commissioner. The disclosure form shall be given to the claimant prior to, or at the same time as, any payment being made. The disclosure form shall be given with the appraisal and at such other times as Safeco may determine, and shall state:

- (a) that the claimant may elect to accept direct payment under the Plan and receive a list of referral shops or have Safeco make arrangements directly with a referral shop for repair of the claimant's car, or he or she may choose to pursue the claim without regard to the Plan.
- (b) if the claimant accepts direct payment, he or she may choose to have repairs made at any repair shop, whether or not the shop is a Safeco referral shop;
- (c) if the claimant accepts direct payment, the claimant may choose a Safeco referral shop in which case Safeco will guarantee the materials and workmanship of the repair, and the cost of the insured repair, excluding betterment, to the claimant will not exceed the amount of Safeco's direct payment to the claimant plus any applicable deductible.
- (d) the procedure for resolving claimants' disputes under the plan; and
- (e) such other information as will aid the claimant in exercising his or her rights under the plan.

**(7) Reinspection Requirements:** A licensed automobile damage appraiser shall reinspect vehicles following completion of repairs in accordance with the laws and regulations of the Commonwealth of Massachusetts. Currently the laws and regulations of the Commonwealth of Massachusetts provide as follows:

- (a) with respect to repairs as to which the appraisal indicates that the cost is expected to exceed \$4,000, at least 75% of such vehicles shall be reinspected;
- (b) with respect to repairs as to which the appraisal indicates that the cost is not expected to exceed \$4,000, at least 25% of such vehicles shall be reinspected.

In no event shall the selection of vehicles for reinspection be based on the age or sex of the policyholder or of the customary operators of the vehicle, or on the principal place of garaging the vehicle, or on whether the repairs were performed at a repair shop that is not a referral repair shop.

Safeco in its discretion may reinspect additional vehicles in addition those that it reinspects pursuant to the forgoing provision.

**(8) Conflicts of Interest:**

- (a) No employee or agent of Safeco with responsibility for entering into a referral shop agreement shall receive or ask for any payment, gift or any other thing of value from any repair shop seeking to be a referral shop or from any referral shop. No repair shop, or employee or owner thereof, shall give, pay or offer to give or pay, any thing of value to any employee or agent of a Safeco with responsibility for creating, managing or maintaining a list of repair shops. No repair shop, or employee, owner or agent thereof, shall give or pay, or offer to give or pay, any thing of value to any person in exchange for being included, or as an inducement for being included, as a Safeco referral shop. For the purposes of 211 CMR 123.08(7)(a). the words "employee", "owner" and "agent" shall also include any spouse or child of an employee, owner or agent.
- (b) A discount on parts, glass, labor rate or other item or customer service in connection with the repair of motor vehicles offered by a repair shop to Safeco shall not constitute a "payment, gift or any other thing of value."

**(9) Effective Date:**

This Plan shall be effective on July 30, 2018, subject to the approval of the Commissioner, and shall be available to all claimants submitting claims arising from accidents or other losses occurring on or after the date, unless and until the approval of this Plan is revoked or the Plan is otherwise terminated, or unless and until Safeco ceases to implement the Plan.

**(10)**

In the event that 211 CMR 123 is amended, this plan shall be deemed modified concurrent with effective date of such amendment, so as to conform to that regulation.

**SAFECO INSURANCE COMPANY OF AMERICA  
DIRECT PAYMENT PLAN FOR MOTOR VEHICLE  
COLLISION AND COMPREHENSIVE COVERAGE CLAIMS  
AND REFERRAL REPAIR SHOP PROGRAMS**

~~February 6, 2014~~ July 30, 2018

Set forth below is the direct payment and referral repair shop plan of Safeco Insurance Company of America, for itself and the benefit of its affiliates meaning any entity under common management and control with Liberty Mutual Group Inc., now or in the future all hereafter (“Safeco”) for collision, limited collision and comprehensive insurance claims.

**Definitions**

As used in this Plan, the following words will have the meanings indicated:

Betterment means the difference between the cost of the new part and the value of the part on the vehicle at time of the loss.

Claimant means any person making a claim for motor vehicle damage or loss for first party damages.

Collision coverage means that optional coverage defined in M.G.L. c. 90, § 34O(1) offered as part of a motor vehicle liability policy or bond, except for glass claims.

Comprehensive coverage means that optional coverage defined in M.G.L. c. 175, § 113O as fire and theft coverage or comprehensive coverage, so-called, offered as part of a motor vehicle liability policy or bond, except for glass claims.

Limited collision coverage means that optional coverage defined in M.G.L. c. 90, § 34O(2) offered as part of a motor vehicle policy or bond, except for glass claims.

Motor vehicle insurance means motor vehicle liability policies or bonds as defined in M.G.L. c. 90, §§ 34A, 34O, and in M.G.L. c. 175.

Referral shop means a shop which has entered into an agreement satisfactory to Safeco, to complete repairs for claimants referred by Safeco without undue delay, for the amount of the direct payment to the claimant plus any applicable deductible, plus any supplemental payment authorized by Safeco or a shop with which Safeco makes arrangements directly for the repair of the claimant’s car.

Repair shop means a motor vehicle repair shop as defined in M.G.L. c. 100A, § 1, but not including glass specialty shops and shops which primarily sell tires or audio equipment.

### **Direct Payment Plan Provisions**

(1) **Payment to the Claimant:** Safeco shall offer to pay every claimant for the loss of or damage to the motor vehicle under collision coverage, limited collision coverage or comprehensive coverage, the full amount, less any applicable deductible, of the cost of repair of the damage as described in an appraisal made by a licensed automobile damage appraiser employed or designated by Safeco, subject to the terms and conditions of the applicable insurance policy. The insured cost of repairs described in an appraisal may differ from the actual cost of repairs due to the replacement of used or depreciated components by new components in the actual course of repairs, so-called “betterment”.

Unless such direct payment is refused by the claimant, Safeco shall make such payment at the time of, or within five business days after, the preparation of said appraisal, unless the claimant permits a longer period in order to allow Safeco sufficient time to make arrangements with a referral shop. In no event shall payment be made before providing a copy of the appraisal to the claimant, unless the claimant directs Safeco to make arrangements directly with a referral shop for the repair of the claimant’s car, in which case Safeco may, with the claimant’s consent, provide such copy after payment. Such arrangements shall be known as ~~Safeco’s Massachusetts PACE One Stop Shop Program~~ Safeco’s Superior Shop Program. Shops that enter into these arrangements shall be known as ~~Massachusetts PACE One Stop Program~~ Superior Shop Program Shops. Nothing in this Plan shall be construed to affect the right of Safeco to delay payment for a period of time reasonably necessary to investigate any claim before authorizing repair work or making payment on such claim.

If the claimant refuses such direct payment, Safeco shall comply with applicable laws and regulations relating to such payments without regard to the plan.

#### **Desk Review Appraisals:**

Safeco, in its discretion, can utilize physical inspections or a desk review to establish damage incurred by an insured’s vehicle. If Safeco conducts a desk review to establish damage incurred by an insured’s vehicle, Safeco will utilize current industry technology including (but not limited to) auditing software, review and reinspection software and digital imaging. Safeco in its discretion can use any additional technology it believes increases the accuracy of desk reviews.

In addition to current technology, Safeco’s desk review program includes:

- 1) Providing audit business rules at the shop level on every estimate

(electronic, immediate feedback on the stringent estimating guidelines of

Safeco Insurance Company specific to any areas of opportunity the shop has on the estimate being submitted);

- 2) A second layer of electronic auditing at the time the estimate is received by Safeco to identify any portions of the submitted estimate that could be considered non-compliant with the business rules;
- 3) Licensed Staff Appraisers, called Program Administrators (PA's), who monitor and review estimates, photos, and documentation submitted by the shop. This allows for further negotiation where needed and removes any potential conflict of interest. Once the estimate is identified as Accurate, the PA will approve the estimate, thereby adopting it as the Company's estimate, at which time the estimate is sent for payment processing. Estimates received from shops communicating manually will be reviewed by licensed staff appraisers utilizing the business rules.

A shop estimate may be accepted by Safeco as complete upon audit, review and /or reinspection by either electronic or physical means. Estimates approved by electronic means will follow all Safeco rules in the Agreement between Safeco and the Program Shop.

No estimates prepared by a licensed appraiser of a Shop will be rewritten by a staff appraiser on Safeco letterhead. A Safeco Massachusetts licensed auto damage appraiser ("LM ADA") will complete a review of all claims utilizing a desk review and determine the appraised value of the loss. Under no circumstances will a payment be issued on a desk review estimate without review and approval by an LM ADA, except where Safeco elects to pay a claim where pursuant to 212 CMR 2.04 (1)(a) the amount of loss, less any applicable deductible, is less than \$1,500. The review shall include the LM ADA personally inspecting all photos and other information relating to the damage present on the vehicle before making the ultimate decision on the appraised value of the loss, and the LM ADA shall have the right to personally direct how the damaged vehicle is examined, photographed and otherwise appraised, and may request additional photographs when the photographs submitted by the Program Shop are insufficient to establish the appraisal value of damage incurred by the vehicle.

The forgoing process applies to an initial report of a claim as well as supplements and reinspections required under the laws and regulations required by the Commonwealth.

(2) **Form of Payment:** The payments described above shall be in cash or a negotiable instrument payable to the claimant, and the lienholder, if applicable. The payments described above can be made payable to the repair shop selected by the claimant in accordance with the claimant's direction to pay the repair shop.

If a claimant elects to have Safeco make arrangements directly with a referral shop under its ~~Massachusetts PACE One Stop Program~~ Superior Shop Program for the repair of the

claimant's car, Safeco will provide the claimant with a list of conveniently located referral shops willing and able to enter into such arrangements.

(3) **Repair Certification:** Each claimant shall receive, with the appraisal and direct payment check, a repair certification form. The form is attached as Attachment A.

The claimant shall return the repair certification form to Safeco upon completion of the repairs. If the claimant elects not to repair the vehicle or if the repair certification form is not returned to Safeco, the actual cash value of the insured vehicle will be reduced by the amount of the claim payment plus any applicable deductible, unless and until such time as Safeco or any successor insurer receives a repair certification form.

(4) **Resolution of Consumer Disputes:** If the claimant disputes the accuracy of the appraisal or the amount of the payment based thereon, the dispute shall be resolved as follows.

(a) The claimant, or the claimant's representative or repair shop at the direction of the claimant, must notify Safeco by telephone or in writing if the cost of repairs is expected to exceed the amount of the payment plus any applicable deductible and the claimant is seeking to have Safeco pay any part of the difference. Such notice must be prior to, or in the course of, the repair work.

(b) Safeco will promptly evaluate the source of any differences between Safeco's appraisal and the cost of repairs and either authorize or deny a supplemental payment within three business days after the notification of such difference and inspection of the vehicle. During such three-day period, Safeco may inspect the vehicle, and if it so requests, the claimant or repair shop shall make the vehicle available for inspection by Safeco. Safeco shall not delay such inspection for more than three days without the consent of the claimant. If Safeco makes a timely request for inspection Safeco will either authorize or deny a supplemental payment within three business days after the inspection. The claimant may direct Safeco to make any supplemental payment to the repair shop, provided the repair shop is registered under M.G.L. c. 100A. Otherwise, any supplemental payment must be made directly to the claimant.

(c) If the claimant and Safeco are unable to reach agreement as to any dispute as to the amount of the payment by Safeco, either party may demand arbitration of the dispute. The demand for arbitration must be in writing and it must include an appraisal of the cost of the repair prepared by a licensed automobile damage appraiser and an itemized bill for the actual cost of the repair, if the repair has been completed. The arbitration will be conducted pursuant to General Provision Section 11 of the Massachusetts Standard



Automobile Insurance Policy and the applicable provisions of M.G.L. c. 175, § 191A. Notwithstanding this provision, the claimant may, without prejudice, pursue any other remedy which may be available.

(d) If the repair is made at a registered repair shop that is a Safeco referral shop, neither the referral shop nor Safeco shall require the claimant to pay more than the amount of the direct payment plus the amount of any applicable deductible to have the repair work completed, and any dispute as to the amount of the appraised damage shall be resolved between the referral shop and Safeco.

**(5) Referral Shop Program:**

(a) Safeco shall not require a claimant to have repairs made at any specific repair shop or list of shops.

(b) Number of Shops:

Every claimant will be given a single list containing the names and locations of all registered repair shops as defined in [211 CMR 123.03](#) that appear on the list of registered repair shops maintained by the Division of Standards pursuant to M.G.L. c. 100A, § 6. Safeco will highlight at least five repair shops geographically convenient for the claimant which will perform the repairs on referred claims without undue delay. Safeco will not provide a separate list containing only its referral shops. A repair shop may not be on Safeco's referral shop unless that repair shop appears on the list of all registered repair shops maintained by the Division of Standards and complies with the provisions of M.G.L. c. 100A. The claimant may or may not choose to use a Safeco referral shop.

A repair shop may not be on Safeco's referral shop unless that repair shop appears on the list of all registered repair shops maintained by the Division of Standards and complies with the provisions of M.G.L. c. 100A. The claimant may or may not choose to use a Safeco referral shop.

Safeco's referral shops shall include only shops which have entered into an agreement satisfactory to Safeco to complete repairs for claimants referred by Safeco without undue delay, for the amount of the direct payment to the claimant plus any applicable deductible, plus any supplemental payment authorized by Safeco.

In determining which registered repair shops will be referral shops, Safeco shall consider all of the following criteria, and only the following criteria: the quality and cost of repairs at a particular shop, the quality of the service given the customer, the responsiveness of the shop to the customer's needs, the ability of the shop to perform repairs without undue delay, the geographic convenience of the shop for the claimant, cooperation of the shop with the pre- and post-repair inspections, and the shop's compliance with applicable laws and regulations. Safeco will maintain written guidelines incorporating

these criteria as applied by Safeco in implementing its plan; such guidelines shall be deemed to be a part of the Safeco's plan. Safeco's guidelines shall be made available to the Commissioner upon his or her request, and shall also be made available on request to any repair shop in the event that Safeco denies that shop placement on or strikes that shop from its list.

A repair shop shall be included on the list prepared by Safeco if the shop agrees in writing to comply fully with the plan, unless the shop is denied placement on or stricken from the list pursuant to 211 CMR 123-06(5), and is determined by Safeco not to satisfy one or more of the criteria listed above. The form of agreement between the shops on the referral list and Safeco may provide adequate assurances that the repair shop will continue to satisfy Safeco as to such criteria.

Development and Changes of Referral List. Safeco may strike a repair shop from its referral list, or deny placement thereon, provided Safeco files a statement with the Commissioner of insurance specifying the nature of the shop's failure to comply with the plan or with the agreement or proposed agreement between Safeco and the repair shop. A repair shop which claims that it has been improperly stricken from or denied placement on the list may demand arbitration. Such binding arbitration shall be conducted by a neutral arbitrator jointly agreed to by Safeco and the repair shop, or, in the absence of such agreement, within 21 days of submission of the request for arbitration to Safeco, by an arbitrator selected by the Commissioner of Insurance. The parties to the arbitration shall bear the costs of the arbitration equally, but the losing party shall be liable to the prevailing party for its costs, unless the arbitrator orders otherwise. If the arbitrator finds that the losing party acted in bad faith, he or she may also award the prevailing party attorney's fees, if any. The arbitrator shall determine whether the repair shop was improperly stricken from the list, but shall make no finding or order as to any damages other than the award of costs and/or attorney's fees, if any. The decision of the arbitrator shall be final. This paragraph does not apply to the Safeco ~~Massachusetts PACE One Stop Program~~ Superior Shop Program shops.

(c) Referral Shop List and Updates

Safeco will maintain and update quarterly the listing of all registered repair shops located within the county in which the claimant resides, based on the list of repair shops maintained by the Automobile Insurers Bureau of Massachusetts or any successor thereto.

(d) Safeco's Guarantee:

If a claimant has repairs performed at a Safeco referral shop, then Safeco shall guarantee the quality of the materials and workmanship used in making the repairs. This guarantee by Safeco is in addition to all other guarantees which may be made by the manufacturer and the repair shop. The agreement between Safeco and the repair shop may provide for indemnification of Safeco by the repair shop for any costs associated with such guarantee under such terms and conditions as the parties to the agreement shall specify.

**(6) Disclosure to Consumers**

Every claimant under the Plan shall be given full and adequate disclosure on a form approved by the Commissioner. The disclosure form shall be given to the claimant prior to, or at the same time as, any payment being made. The disclosure form shall be given with the appraisal and at such other times as Safeco may determine, and shall state:

- (a) that the claimant may elect to accept direct payment under the Plan and receive a list of referral shops or have Safeco make arrangements directly with a referral shop for repair of the claimant's car, or he or she may choose to pursue the claim without regard to the Plan.
- (b) if the claimant accepts direct payment, he or she may choose to have repairs made at any repair shop, whether or not the shop is a Safeco referral shop;
- (c) if the claimant accepts direct payment, the claimant may choose a Safeco referral shop in which case Safeco will guarantee the materials and workmanship of the repair, and the cost of the insured repair, excluding betterment, to the claimant will not exceed the amount of Safeco's direct payment to the claimant plus any applicable deductible.
- (d) the procedure for resolving claimants' disputes under the plan; and
- (e) such other information as will aid the claimant in exercising his or her rights under the plan.

**(7) Reinspection Requirements:** A licensed automobile damage appraiser shall reinspect vehicles following completion of repairs in accordance with the laws and regulations of the Commonwealth of Massachusetts. Currently the laws and regulations of the Commonwealth of Massachusetts provide as follows:

- (a) with respect to repairs as to which the appraisal indicates that the cost is expected to exceed \$4,000, at least 75% of such vehicles shall be reinspected;
- (b) with respect to repairs as to which the appraisal indicates that the cost is not expected to exceed \$4,000, at least 25% of such vehicles shall be reinspected.

In no event shall the selection of vehicles for reinspection be based on the age or sex of the policyholder or of the customary operators of the vehicle, or on the principal place of garaging the vehicle, or on whether the repairs were performed at a repair shop that is not a referral repair shop..

Safeco in its discretion may reinspect additional vehicles in addition those that it reinspects pursuant to the forgoing provision.

**(8) Conflicts of Interest:**

- (a) No employee or agent of Safeco with responsibility for entering into a referral shop agreement shall receive or ask for any payment, gift or any other thing of value from any repair shop seeking to be a referral shop or from any referral shop. No repair shop, or employee or owner thereof, shall give, pay or offer to give or pay, any thing of value to any employee or agent of a Safeco with responsibility for creating, managing or maintaining a list of repair shops. No repair shop, or employee, owner or agent thereof, shall give or pay, or offer to give or pay, any thing of value to any person in exchange for being included, or as an inducement for being included, as a Safeco referral shop. For the purposes of 211 CMR 123.08(7)(a). the words "employee", "owner" and "agent" shall also include any spouse or child of an employee, owner or agent.
- (b) A discount on parts, glass, labor rate or other item or customer service in connection with the repair of motor vehicles offered by a repair shop to Safeco shall not constitute a "payment, gift or any other thing of value."

**(9) Effective Date:**

This Plan shall be effective on ~~February 15, 2014~~ July 30, 2018, subject to the approval of the Commissioner, and shall be available to all claimants submitting claims arising from accidents or other losses occurring on or after the date, unless and until the approval of this Plan is revoked or the Plan is otherwise terminated, or unless and until Safeco ceases to implement the Plan.

**(10)**

In the event that 211 CMR 123 is amended, this plan shall be deemed modified concurrent with effective date of such amendment, so as to conform to that regulation.