

**COMMONWEALTH AUTOMOBILE
REINSURERS**

**MANUAL OF
ADMINISTRATIVE PROCEDURES**

2002

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**100 SUMMER STREET
BOSTON, MA 02110**

Manual of Administrative Procedures

Chapter I - Overview

A. Introduction

The purpose of the Manual of Administrative Procedures is to provide the detailed instructions needed to operate the Commonwealth Automobile Reinsurers (CAR) successfully. It supplements the Plan and Rules of Operation but does not add any new policy requirements beyond those contained in the Plan and Rules. The Manual contains instructions to Servicing Carriers, Members, and, to a limited extent, to producers concerning the processing of policies which are ceded to the Commonwealth Automobile Reinsurers. It also contains specific material designed to regulate the conduct of Representative Producers and Servicing Carriers for Representative Producers' business. The Manual should provide for a better understanding and more consistency by the Servicing Carriers in performing the various operations required in connection with policies ceded to the Commonwealth Automobile Reinsurers. It also provides information concerning the responsibilities of all Members, including Servicing Carriers, and their participation in the results of the Commonwealth Automobile Reinsurers' business.

To achieve the goals set for the Manual, it has been organized into Chapters which deal with a subject in its entirety. For example, the Chapter on cessions contains all the information needed to carry out the intent of the Rules applicable to ceding policies to the Commonwealth Automobile Reinsurers. It assigns necessary responsibilities to both Servicing Carriers and Commonwealth Automobile Reinsurers' Staff and defines their duties. By referring to this one Chapter, the user of the Manual is able to learn all requirements applicable to ceding policies to the Commonwealth Automobile Reinsurers. Other Chapters which deal with other subjects have been similarly organized.

The Manual makes reference to other matters which are important to the total insurance transaction, such as policy rating and reporting of statistics. However, the Massachusetts Automobile Insurance Manual and Statistical Plans which cover these subjects are not included in this Manual. This was done to avoid duplication of subject matter. It also reduces the need to revise this Manual when changes to the other documents occur.

The Manual is prepared by the Commonwealth Automobile Reinsurers' Staff working with advisory committees under the authority of the Governing Committee. Revisions will be made as needs dictate, and suggestions for improvement are solicited. Suggestions should be sent to the Commonwealth Automobile Reinsurers, attention of the Administrative Vice President and Secretary.

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B. Description of Responsibility

1. Servicing Carriers' Responsibility

The ceding Servicing Carrier shall:

- a. Give the same type of service to ceded business that it provides for its voluntary market including the same premium payment plans available to non-Commonwealth Automobile Reinsurers' insureds.
- b. Bill, collect, and refund premiums when due according to its usual marketing procedures.
- c. Record premium and loss transactions as direct written business and pay taxes and all assessments thereon.
 - 1) Record ceded transactions first as direct business of the company and then make a subsequent entry for reinsurance to the Commonwealth Automobile Reinsurers. Detail records shall be kept available to support all transactions involving the Commonwealth Automobile Reinsurers.
 - 2) Report monthly, as required by the Massachusetts Automobile Statistical Plans, a record for all transactions which involve a premium amount or a loss amount.
- d. Provide for the lawful and timely processing of claims in a manner consistent with generally accepted industry standards.
- e. Pay the insurance producers in accordance with the Rules of Operation of the Commonwealth Automobile Reinsurers.
- f. Code and prepare data processing input for all required transactions.
- g. Prepare and promptly file all required accounting and statistical reports. Report this information to the Commonwealth Automobile Reinsurers or its designated statistical agent in the manner prescribed by the Massachusetts Automobile Statistical Plans.
- h. Use forms in the performance of accounting billing services to Commonwealth Automobile Reinsurers' insureds which are the same as forms used for non-ceded insureds. This applies to forms used for billing, nonpayment of premium, cancellation, checks, drafts, and claim forms.

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Chapter I - Overview

B. Description of Responsibility

1. Servicing Carriers' Responsibility (continued)

- i. Maintain all controls, books, ledgers, and data sets necessary to accomplish the above responsibilities.

NOTE: Any matters concerning exceptions to these requirements, or clarification of any requirement, should be submitted to the Commonwealth Automobile Reinsurers' President, in writing, for consideration.

2. Commonwealth Automobile Reinsurers' Responsibility

The Commonwealth Automobile Reinsurers shall:

- a. Receive and process all accounting statistical reports from writing Servicing Carriers.
- b. Bill and collect assessments when due from participating Members.
- c. Receive and disburse funds in settlement of balances with participating Members.
- d. Calculate premiums in force, premiums unearned, IBNR, and any other reserves required for reports.
- e. Prepare consolidated reports for participating Members, the Governing Committee, and regulatory authorities.
- f. Allocate participation experience and report shares to the Members.
- g. Prepare and distribute an annual report to all Members.
- h. Verify the acceptability of accounting statistical reports through the use of computer edits, audits, etc.
- i. Maintain all controls, books, ledgers, and data sets necessary to accomplish the above responsibilities.

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B. Description of Responsibility

3. Members' Responsibility

Participating Members shall:

- a. Prepare and promptly file all required accounting and statistical reports. Report this information to the Commonwealth Automobile Reinsurers or its designated statistical agent in the manner prescribed by the Massachusetts Automobile Statistical Plans.
- b. Record on their books their share of participation experience as assumed reinsurance.
- c. Remit assessments and payments of balances when due.

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C. Definition of Fiscal Year

The fiscal year for the Commonwealth Automobile Reinsurers will be from October 1 through September 30. This enables the Commonwealth Automobile Reinsurers to distribute fiscal year end results to its Members prior to the end of the calendar year. Thus, the report distribution to participating Members will allow time for the participating Members to include the various experience elements (i.e., written premium, earned premium, in force premium, claims paid, claims reserves, salvage/subrogation recoveries, various Commonwealth Automobile Reinsurers' expenses, etc.) in their respective Annual Statements.

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CHAPTER II - Cession Rules and Procedures

A. Reporting Requirements

1. General Information

In order to place business with Commonwealth Automobile Reinsurers (CAR), Servicing Carriers must notify CAR via cession notice. Servicing Carriers can submit cession notices using specially formatted magnetic tape, ATT transmission, FTP transmission or CAR's on-line cession reporting application.

Servicing Carriers should report a new business cession (transaction code 1) if the ceded policy is new business to the ceding company or group. Similarly, Servicing Carriers should report a renewal cession (transaction code 2) if the ceded policy is renewal business to the ceding company or group.

The effective date of cession (or coverage date) is based upon the receipt date of cession notification relative to the policy effective date and premium receipt date. The cession date (or coverage date) will equal the policy effective date if:

1. CAR receives the new business (transaction code 1) cession within twenty-three (23) calendar days subsequent to the policy effective date.
2. CAR receives the renewal business (transaction code 2) cession on or before the policy effective date.

Otherwise, the cession date (or coverage date) will equal the date CAR receives the cession notice unless CAR receives premium earlier than the cession. In that case, the earliest premium receipt date will be the cession (or coverage) date. In cases where the first premium records reported on a ceded policy are washout records, CAR will not use that premium in calculating the cession (or coverage) date.

Servicing Carriers may not submit cession notification more than ninety (90) calendar days prior to the policy effective date.

Servicing Carriers may not submit cession notices more than three years after their effective date, as of February 1st of each year. For example, Servicing Carriers may not submit 1997 cessions after February 1, 2000.

CAR will receive cessions during regular CAR business days only, and will assign the cession receipt date equal to the business day CAR receives the cession.

Only the Servicing Carrier, or its designee, can file a notice of cession. If a Servicing Carrier cedes a policy covering more than one motor vehicle, the entire policy is ceded subject to the limitations of coverages and limits that may be ceded. (See Rule 6 of CAR's Rules of Operation).

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CHAPTER II - Cession Rules and Procedures

A. Reporting Requirements (continued)

2. Automatic Backdate Options

For effective years 1995 and subsequent, Servicing Carriers can elect to cede 100% of a producer's new business only, provided that the Servicing Carrier does not have a voluntary contract with the producer. This backdate option can be applied by market segment, as described below.

If a Servicing Carrier elects to cede 100% of the Exclusive Representative Producer's (ERP's) new business for both market segments, then all transaction code 1 cessions with a risk indicator of 0 or 2 will receive a cession date equal to the policy effective date, regardless of the date on which CAR received the cession. However, if a Servicing Carrier elects to cede 100% of the ERP's private passenger business only, then the automatic backdate will apply to transaction code 1 cessions with a risk indicator equal to 0; or, if a Servicing Carrier elects to cede 100% of all the ERP's commercial business only, then the automatic backdate will apply to transaction code 1 cessions with a risk indicator equal to 2. Transaction code 2 cessions will receive a cession date using the regular cession date calculation procedures as noted at the beginning of this section.

CAR must receive the Servicing Carrier's notification of its election to cede a particular ERP's business using the automatic backdate option at least thirty (30) calendar days prior to the policy effective date on which this alteration in the cession date calculation is to begin. This alteration to the cession calculation can only begin as of a policy effective date which is the first calendar day of a month. For newly assigned ERP's, Servicing Carriers may elect, at the time of assignment, to cede the ERP's business using one of the automatic backdate options. If a Servicing Carrier chooses to so notify CAR, the Servicing Carrier may not rescind or change this action until the anniversary date of the effective date of the notice.

Servicing Carriers may change their 100% cede elections for a producer on a line of business basis. That is, for example, if a company changes the option on private passenger business on January 1, 1997, the company could not change the ERP's private passenger election until on or after January 1, 1998. But, the ERP's commercial election could be changed once during 1997.

If a Servicing Carrier does not choose any of the automatic backdate options, then the regular procedures for assigning the cession receipt date will hold for each transaction code.

For the Servicing Carriers writing ceded taxicab/limousine business, the assigned producers are automatically established with the automatic backdate option on new business (transaction code 1 cession records).

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CHAPTER II - Cession Rules and Procedures

A. Reporting Requirements (continued)

2. Automatic Backdate Options (continued)

CAR will monitor Servicing Carriers' cession reporting for such producers to assure that cession reporting is performed on a timely basis, with problematic reporting patterns brought to the attention of the CAR Operations Committee. The monitoring procedures will include the quarterly distribution of the CR215 Summary Report of Backdated Producers, which notifies the Servicing Carrier of the total number and percentage of late involuntary producer cessions reported for each policy year. CAR distributes the CR215 reports the first day of the month of March, June, September and December and includes cessions received through at least the first day of the previous month.

After the second quarter, if more than 5% of a Servicing Carrier's involuntary producer's new business cessions for a particular market segment and policy effective year are automatically backdated, and more than twenty-five (25) policies are backdated, CAR will contact the Servicing Carrier in writing to alert them of the problem. Accordingly, companies must provide CAR with a written description of the cause of their reporting problem and an action plan for timely reporting in the future.

3. Paper Cession Reporting

CAR accepts paper cession notices under the following conditions only:

- a. if CAR's telecommunications system is unavailable to the industry for any period of time.
- b. if the ATT Network or CAR's FTP site is unavailable to the industry for any period of time.
- c. if a Servicing Carrier's system is unavailable for any reason, it can submit paper cession notices to CAR.

In the event that a Servicing Carrier must submit a paper cession notice to CAR, the Servicing Carrier must contact the Data Operations Department the same day it is submitting the paper cession notice to notify CAR of any system problems. Upon receiving the cession notice, CAR will date-stamp the cession and retain it for six (6) calendar months from the receipt date of the cession.

Servicing Carriers may submit a faxed cession notice under the three conditions stated above as well. All faxed cessions must be accompanied by the cession telefax transmission form. Please reference Exhibit II-A-1.

Telefaxed cessions received after 6:00 p.m. are assigned a date received equal to the next business day.

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CHAPTER II - Cession Rules and Procedures

A. Reporting Requirements (continued)

4. Adding Cession Records On-line

The following instructions apply to the individual fields contained in the cession record. Please reference Exhibit II-A-2.

- a. Company Code - Enter the three (3) digit company code assigned by CAR. The code should correspond to the Servicing Carrier named. It should be the three (3) digit code used to report premium and loss accounting data (see Chapters III and IV of this manual).
- b. CAR ID Code - Enter the code to reflect the type of relationship between the Servicing Carrier and the producer writing the policy.

4 = Ceded Business from Voluntary Agents

Ceded business from voluntary agents, or written directly by the company.

5 = Ceded Business from ERP's (No voluntary contract)

Ceded business from an ERP that does not have a voluntary motor vehicle insurance contract with their assigned Servicing Carrier.

- c. Policy Number - Enter the complete policy number consisting of three to sixteen (3-16) alphabetic and/or numeric characters. This number must be the same number and in the same format used to identify premium and loss transactions for the policy in the monthly detail reporting as outlined in the Statistical Plans.
- d. Effective Date - Enter the effective date (month/day/year) of the policy. The effective year must equal one of the three (3) current cession reporting years and be no later than the current date plus ninety (90) calendar days.
- e. Expiration Date - Enter the expiration date (month/day/year) of the policy period. This cannot be more than two (2) years after the effective date.
- f. Risk Indicator - Enter the one (1) digit code applicable to the risk(s) contained on the ceded policy. Codes are as follows:

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CHAPTER II - Cession Rules and Procedures

A. Reporting Requirements (continued)

4. Adding Cession Records On-line (continued)

f. Risk Indicator (continued)

0 = Private Passenger Policies

A policy should be coded as a Private Passenger policy if all the class codes are contained in the Private Passenger Statistical Plan.

Note: Policies containing both Private Passenger risks and Commercial (Non-Taxicab/Non-Limousine) risks should be coded as Private Passenger policies.

1 = Taxicab or Limousine Policies

All of the risks on the policy must have class codes, which are classified as Taxicabs or Limousines, as indicated in the Commercial Statistical Plan.

2 = Commercial (Non-Taxicab/Non-Limousine) Policies

All of the risks must have class codes, which are contained in the Commercial Statistical Plan (including Private Passenger Types).

g. Transaction Code - Enter the one (1) digit code applicable to the risk ceded. Codes are as follows:

1 - New Business to the company or group.

2 - Renewal Business to the company or group.

4 - Policy Not Taken (If the company reported premium in the monthly accounting shipment, no cancellation cession notice is needed to reflect such termination. Instead, cancellation premium should be submitted in a monthly accounting shipment. See Section C, Part 2 of this Chapter).

5 - Policy Not Ceded (See Section C, Part 2 of this chapter).

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A. Reporting Requirements (continued)

4. Adding Cession Records On-line (continued)

- h. Insureds Name - Enter the last name first, followed by the first name and middle initial. For partnerships, corporations, etc., enter the full name. The name must be at least one (1), and no more than sixteen (16) alphabetic and/or numeric characters in length.
- i. Producer Code - The Servicing Carrier assigns a unique producer code to each Representative Producer, and must be at least three (3), and no more than six (6), alphabetic and/or numeric characters in length.

When adding cessions using the on-line system, Servicing Carriers must complete the entire cession record. The system does not allow blank fields, such as Insureds Name or Producer Code. If a Servicing Carrier inadvertently leaves a field blank, the system prompts them to complete the record. Also, the system does not allow Servicing Carriers to add cession records, that contain fatal errors. Instead, the system highlights the fatal error and will not add the cession until the fatal error condition is corrected.

Furthermore, if the Servicing Carrier creates a non-fatal cession error when adding a cession record, the on-line system states the non-fatal error and gives the Servicing Carrier the option of adding the record with the non-fatal error or to "redo" the cession add before adding it to the database. If the Servicing Carrier chooses to add a cession record which contains a non-fatal error, the record will appear on the CR157 error list once CAR loads it to its database. (Please reference Section E: Cession Correction Procedures of this chapter.)

5. Specifications for Cession Reporting on Magnetic Tape

Companies may elect to submit cessions on tape or cartridge.

The following physical requirements must be met when reporting cessions to CAR:

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CHAPTER II - Cession Rules and Procedures

A. Reporting Requirements (continued)

5. Specifications for Cession Reporting on Magnetic Tape (continued)

Type	9 Track
B.P.I.	1600 (or 6250)
Parity	Odd
Blocking Factor	10 records per block
Recording Mode	Fixed block lengths
Record Length	80 character card image (see Exhibit II-A-2) written in EBCDIC (Extended Binary Coded Decimal Interchange Code).
Internal Tape Labels	Volume, header, and trailer labels must conform to standard IBM OS or DOS 360/370 format.
External Tape Labels	A label must be attached to each reel specifying: Shipment Date, Servicing Carrier's Name and Number, Type of Shipment (Cession Notices), Reel ID Number, Number of Reels.
General	The final block of a file can be a short block, that is, it can be less than the specified blocking factor. There must be no padding of the last block, as with nines (9's). Do not use record marks at the end of a record. In all cases, a tape mark must follow the last data record. There should be no tape marks, header, or trailer labels (EOF marks) interspersed among the data records.

- a. Tapes must contain the standard IBM label, which includes a tape number. This is important for later reference.
- b. The format must follow the record layout shown in Exhibit II-A-3. The coding instructions are outlined in the next section.
- c. Every tape must also contain a batch control record after the detailed cession correction records. Servicing Carriers may divide a tape into several batches for control purposes, in which case, a batch control record must follow the last detail record of each group.

The batch control record should be coded as follows:

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CHAPTER II - Cession Rules and Procedures

A. Reporting Requirements (continued)

5. Specifications for Cession Reporting on Magnetic Tape (continued)

Location	Field Length	Field Name	Contents
1	1	Kind of Record	5 = Batch Record
2 - 3	2	Type of Submission	01 = Original submission 02 = Resubmission
4 - 10	7	Total Cessions in Batch	Numeric - right justified seven (7) digit code to indicate the number of detail records in the preceding batch.
11	1	Filler	
12 - 14	3	Company Number	Numeric – three (3) digit company code assigned by CAR
15 - 80	66	Filler	

Under no circumstances will a tape be accepted which contains both cession corrections and regular cession records.

If a Servicing Carrier fails to conform to these instructions for the reporting of cessions (media of reporting, tape specifications, tape labeling conventions, etc.) the submission will be rejected and returned to the Servicing Carrier. The Servicing Carrier then has thirty (30) calendar days from the date of rejection to resubmit the items correctly in order to maintain the original receipt date.

The detailed cession records should be coded as follows:

Location	Field Length	Field Name	Contents
1	1	Kind of Record	Numeric - 1 denoting cession notice
2 - 3	2	State Code	Numeric - 20 denoting Massachusetts
4 - 9	6	CAR use only	Blanks
10	1	CAR ID Code	<u>4 = Ceded Business from Voluntary Agents</u> Ceded business from voluntary agents, or written directly by the company. <u>5 = Ceded Business from ERP's (No Voluntary Contract)</u> Ceded business from an ERP that does not have a voluntary motor vehicle insurance contract with their assigned Servicing Carrier.

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CHAPTER II - Cession Rules and Procedures

A. Reporting Requirements (continued)

5. Specifications for Cession Reporting on Magnetic Tape (continued)

Location	Field Length	Field Name	Contents
11 – 14	4	Company Code	Numeric – three (3) digit code as assigned by CAR preceded by a zero (0). This should be the same three (3) digit code used to report premium and loss accounting data (see Chapters III and IV of the Manual).
15 – 30	16	Policy Number	Three (3) character minimum - any combination of alphabetic and/or numeric characters. Left justified--spaces are to be used only to fill out the unused positions of the field.
31 – 36	6	Effective Date	Numeric – effective date of policy in month/day/year order, that is: Month – two (2) digits, 01 through 12 Day – two (2) digits, 01 through 31 Year – two (2) digits, valid cession reporting year The policy effective date cannot be later than the current date plus ninety (90) calendar days.
37-42	6	Expiration Date	Numeric – expiration date of policy in month/day/year order. This cannot be more than two (2) years after the effective date. Month – two (2) digits, 01 through 12 Day – two (2) digits, 01 through 31 Year – two (2) digits, valid cession reporting year
43	1	Risk Indicator	0 - Private Passenger Policies 1 - Taxicab/Limousine Policies 2 – Commercial (Non-Taxicab/Non-Limousine)
44	1	Transaction Code	<u>Numeric</u> 1 - New business, to the company or group 2 - Renewal, to the company or group 4 - Policy not taken 5 - Policy not ceded
45 - 49	5	Reserved for Future Use	Blanks
50 - 55	6	Producer Code	The unique company assigned code number for each producer, consisting of at least three (3), but no more than six (6), alphabetical and/or numeric characters, left justified. Mandatory on all business.
56 - 64	9	Reserved for Future Use	Blanks
65 - 80	16	Name of Insured	Left justified - Enter the last name first followed by the first name and middle initial. For partnerships, corporations, etc., enter what most clearly identifies the insured.

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CHAPTER II - Cession Rules and Procedures

A. Reporting Requirements (continued)

6. General Instructions for Cession Reporting via ATT or FTP Transmission

Servicing Carriers must receive prior written approval from CAR before they can report cession records via ATT or FTP Transmission. Once approved, cession transmissions can be submitted indirectly through the ATT Network or directly via CAR's FTP site.

Servicing Carriers can report cession records via transmission on a continual basis with transmissions not to exceed one (1) hour of transmission time. CAR will assign cession receipt dates to transmission submissions according to the date and time that the transmission is started. All transmissions submitted to CAR on a weekend or holiday, or submitted on a CAR business day after 6:00 p.m. Eastern Standard Time will be assigned a cession receipt date equal to the following CAR business day. All transmissions submitted to CAR before 6:00 p.m. Eastern Standard Time on a CAR business day will be assigned a date received equal to the date of transmission.

The cession record layout for cessions reported via transmission is the same as for tape (see example in Section 3 of this chapter). However, cession transmissions must contain certain shipment identification records that will be used by CAR to control the processing of the data submitted. These are:

(1) Transmission Record

The transmission record is an eighty (80) character record that is used to provide information identifying the submission; including kind of record, type of submission, transmitter identification number, and creation date. The transmission record must be the first record contained in every transmission. Note there must only be one (1) transmission record per transmission, and corrections must be transmitted separately from original cessions.

(2) Batch Control Record(s)

At the option of the Servicing Carrier, a transmission can be divided into several groups (or "batches") of detail cession records for control purposes. In such cases, one batch control record must follow the last detail cession record of each group. Note if the submission is not divided into batches, one (1) batch control record must follow the last detail cession record in the transmission.

The information contained on the eighty (80) character batch control record includes the kind of record, the type of submission, the total number of detail cession records in the batch, and the company number.

Manual of Administrative Procedures**CHAPTER II - Cession Rules and Procedures****A. Reporting Requirements** (continued)

6. General Instructions for Cession Reporting via ATT or FTP Transmission (continued)

(3) End-Of-Transmission Record

The end-of-transmission record must be the last record in a cession transmission. The eighty (80) character record includes information relative to the kind of record, type of submission, transmitter identification number, and number of total records in the transmission (excluding the transmission record and end-of-transmission record but including the batch control record(s) and detail cession records.

The following coding instructions must be used for reporting cessions to CAR via ATT or FTP Transmission:

a) Transmission Record:

Location	Field Length	Field Name	Contents
1	1	Kind of Record	Numeric - 0, denoting cession ATT transmission Numeric – 2, denoting FTP transmission
2 - 3	2	Type of Submission	<u>Numeric</u> 01 - indicates original submission 02 - indicates resubmission
4 - 11	8	Transmitter Id. No.	Eight (8) digit company number as determined by ATT, CAR and/or company.
12 - 17	6	Creation Date	Numeric-indicates the system date (YYMMDD) upon which the company internally created the transmission. This date may be used by CAR to assign cession receipt date if the network is temporarily out of service and CAR was properly notified of the problem via a hard copy of the message confirming this condition.
18 - 80	63	Filler	

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CHAPTER II - Cession Rules and Procedures

A. Reporting Requirements (continued)

6. General Instructions for Cession Reporting via ATT or FTP Transmission (continued)

b) Batch Control Records:

Location	Field Length	Field Name	Contents
1	1	Kind of Record	Numeric - 5, denoting batch control record
2 - 3	2	Type of Submission	<u>Numeric</u> 01 - indicates original submission 02 - indicates resubmission
4 - 10	7	Total Cession In Batch	Numeric – right justified with leading positions zero filled. Denotes the number of detail cession records in preceding batch.
11	1	Filler	
12 - 14	3	Company Number	Numeric – three (3) digit company number assigned by CAR
15 - 80	66	Filler	

c) End-of-Transmission Record:

Location	Field Length	Field Name	Contents
1	1	Kind of Record	Numeric - 9, denotes end-of-transmission record
2 - 3	2	Type of Submission	<u>Numeric</u> 01 – indicates original submission 02 - indicates resubmission
4 - 11	8	Transmitter Iden. Number	Eight (8) digit company number as assigned by ATT, CAR and/or company.
12 - 18	7	Total Records	Numeric - Right justified with leading positions zero-filled. Denotes number of records in total transmission, (including detail cession records and batch control records, but excluding the transmission record and the end-of-transmission record).
19 - 80	62	Filler	

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CHAPTER II - Cession Rules and Procedures

A. Reporting Requirements (continued)

7. Cession Acknowledgment and Verification Procedures

There are two (2) types of cession acknowledgements that CAR performs:

a. Electronic "talk-back" acknowledgement

After CAR receives a cession transmission, it sends an electronic acknowledgement. The acknowledgement goes to the company's ATT mailbox or the company's designated FTP site. CAR acknowledges transmissions on a batch level which include the following information:

- ❑ Company Number (from Batch Control Record)
- ❑ Time Received
- ❑ Date Received
- ❑ Submission Type (from Batch Control Record)
- ❑ Total Cessions in Batch (from Batch Control Record)
- ❑ Total Detail Records (counted from data submission)

If the "Total Cessions in Batch" count does not match the "Total Detail Records" count, CAR will contact the company and may reject the submission. Exhibit II-A-4 shows the record layout to the "talk back" record.

b. On-line Summary acknowledgement

When a Servicing Carrier uses the on-line system to add, correct, or delete cession records, the system provides a summary acknowledgement of that activity upon exiting the system. This summary acknowledgement details the number of cessions added, number of cessions corrected, and number of cessions deleted. It also provides a batch number for Servicing Carriers to use in balancing cession records once CAR has loaded them to its cession database file.

In addition, the CR156 On-line Cession Activity List serves as a detailed acknowledgement of cession records processed during the week. Servicing Carriers should review this on-line list weekly to verify cession reporting. Within this function, a summary screen exists which provides cession record totals by batch number and batch type (cession adds or cession corrections) to further help in verifying cession reporting.

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CHAPTER II - Cession Rules and Procedures

A. Reporting Requirements (continued)

7. Cession Acknowledgment and Verification Procedures (continued)

Servicing Carriers must report any problems to CAR within thirty (30) days of CAR's loading cession records to its cession database file, so that CAR can process a cession backdate if appropriate. However, if a problem is reported to CAR outside the thirty (30)-day window, backdates can be granted only if the company can show intent to cede. Please note that missing a transmission (or partial transmission), is **not** considered an appropriate reason for a backdate unless the requirements on page A:14 are met.

Furthermore, because CAR provides electronic feedback or faxed batch acknowledgements the business day following the day CAR picks up the transmission, the company must contact CAR within ten (10) business days of that acknowledgement date to request a cession backdate. If the documentation is not acceptable, or CAR is notified after the ten (10) business days have passed, the batch will be assigned a receipt date equal to the date CAR was notified of the problem - **not** the original attempted transmission date. This procedure applies to partial batches also. If CAR receives only part of a transmission, the Servicing Carrier must contact CAR within ten (10) business days. Since CAR's acknowledgement indicates the number of records received in each batch in the transmission, the Servicing Carrier can recognize a partial submission.

If a company cannot transmit for some technical reason (such as the ATT network being temporarily unavailable), the company must provide CAR with hardcopy documentation that shows:

- a. the time and date of the transmission,
- b. an error message, if one existed, showing the transmission failed,
- c. the fact that the attempted job was a cession transmission, and
- d. the number of records in the batch.

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CHAPTER II - Cession Rules and Procedures

EXHIBIT II-A-1

CESSION TELEFAX TRANSMISSION FORM

****Please note accompanying page MUST contain the information to complete a cession add or correction.****

DATE: _____ TIME: _____

RECIPIENT NAME: CESSION DEPARTMENT

DEPARTMENT: CESSION DEPARTMENT

OFFICE TELEPHONE NUMBER: (617) 338-4000 EXTENSION: 375

COMPANY: CAR

ADDRESS: 100 SUMMER STREET
BOSTON, MA 02110

"FAX" TELEPHONE NUMBER: (617) 338-5422 SPEED DIALING CODE:

MESSAGE FROM: (NAME)

COMPANY AND ADDRESS:

TELEPHONE NUMBER:

COMMENTS:

TOTAL CESSIONS INCLUDED (EXCLUDING COVER):

OPERATOR'S COMMENTS :

SENT BY: _____ DATE: _____ TIME: _____

Commonwealth Automobile Reinsurers

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CHAPTER II - Cession Rules and Procedures

EXHIBIT II-A-2
ONLINE CESSION ADD SCREEN

```
CR600SA                COMMONWEALTH AUTOMOBILE REINSURERS                10/07/1997
COMPANY: 999            CESSION RECORD - ADD                            08:10:42
                        ANY INSURANCE COMPANY
                                REC NO                RCPT DTE 10/07/1997

CAR
ID POLICY NUMBER      POL EFF DT      POL EXP DT      RSK   TX   INSURED'S NAME      PROD
( . . . . . MM/DD/YYYY MM/DD/YYYY . . . . . )
( . . . . . )
```

```
ERROR
CODE      DESCRIPTION
```

Commonwealth Automobile Reinsurers

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CHAPTER II - Cession Rules and Procedures

**EXHIBIT II-A-3
TAPE CESSION RECORD LAYOUT**

FILE LABEL:	NOTICE OF CESSION	RECORD LENGTH:	80
LOCATION:	TAPE	BLOCKING FACTOR (TAPE):	10
RECORDING MODE:	FIXED		

Kind of Record = 1 (Notice of Cession)

1	Kind of Record
2	State Code
3	
4	CAR Use Only
5	
6	
7	
8	
9	
10	CAR ID Code
1	Company Code
2	
3	
4	
5	Policy Number
6	
7	
8	
9	
20	
1	
2	
3	
4	
5	
6	
7	
8	
9	
30	
1	Policy Effective Month
2	
3	Policy Effective Day
4	
5	Policy Effective Year
6	
7	Policy Expiration Month
8	
9	Policy Expiration Day
40	

1	Policy Expiration Year
2	
3	Risk Indicator
4	Transaction Code
5	Reserved for Future Use
6	
7	
8	
9	
50	Producer Code
1	
2	
3	
4	
5	
6	Reserved for Future Use
7	
8	
9	
60	
1	
2	
3	
4	
5	
6	
7	Insureds Name
8	
9	
70	
1	
2	
3	
4	
5	
6	
7	
8	
9	
80	

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CHAPTER II - Cession Rules and Procedures

**EXHIBIT II-A-4
“TALK-BACK” RECORD LAYOUT**

Location	Field Length	Field Name	Contents
1	1	Filler	Space
2	1	Punch Identifier	Alpha - Value = "T" for ATT Submission Space for FTP Submission
3-5	3	Company Number	Numeric - 3-digit company number assigned by CAR
6	1	Filler	Space
7-14	8	Time of Transmission	Numeric - HH:MM:SS
15	1	Filler	Space
16-23	8	Date of Transmission	Numeric - YY:MM:DD
24	1	Filler	Space
25-26	2	Record Type	Numeric 01 = Original Submission 02 = Resubmission 03 = Original - Correction 04 = Resubmission - Correction
27	1	Filler	Space
28-34	7	Subtotal - Batch Count	Numeric - the number of cessions contained in the batch
35	1	Filler	Space
36-42	7	Batch Detail Total	Numeric - the total number of cessions in the batch

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CHAPTER II - Cession Rules and Procedures

B. Policy Extensions

A policy may be extended only with the approval of the insured. Relevant documentation must be kept and made available to CAR upon request.

Note, when a previously ceded policy is to be extended during the term of the original policy period, the extended period must also be ceded. If the Servicing Carrier desires to switch the policy to voluntarily retained business, the ceded policy must be canceled and a new voluntary policy written. (See "Removal of Ceded Business" - Section C, Part 2, of this chapter.)

If a company wishes to cede an extended voluntary policy, it will follow the procedure used for midterm cession as outlined in Chapter III on Page B:1. The dates shown on the cession will be the original policy effective date and the new expiration date. As an alternative to extending a voluntary policy and ceding it, the company and insured may agree to cancel and rewrite the policy under a new policy number. Rules pertaining to ceding a renewal policy should be followed when using this method.

1. Extension Via Endorsement

The extension via endorsement of a currently ceded policy must be reported in the following manner:

- a. Endorsement premium records must be submitted to inform CAR of the extension. CAR must receive these records no later than the accounting month after the effective date of the extension.
 - (1) The transaction code of the records must be 12 (endorsement).
 - (2) The expiration date must reflect the new, extended expiration date. The new expiration date cannot be more than twenty-four (24) months from the original policy effective date.
 - (3) The additional premium amount and exposure units for the extended period (i.e., the period between the original expiration date and the new expiration date) should be properly shown.
 - (4) The original policy effective date should be shown.
 - (5) The transaction date should equal to the policy expiration date of the original policy.

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CHAPTER II - Cession Rules and Procedures

B. Policy Extensions (continued)

1. Extension Via Endorsement (continued)

b. Accounting transactions subsequent to the extension of the policy expiration date must reflect:

(1) Endorsement transaction codes (transaction 12 records).

(2) The original policy effective date.

(3) The new, extended expiration date.

c. Servicing Carriers must process a cession correction for policies extended under this method to update the cession record to reflect the new, extended expiration date. Servicing Carriers must process the cession correction prior to the original policy expiration date.

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CHAPTER II - Cession Rules and Procedures

C. Cession Termination Procedures

Cession of a risk automatically terminates on the expiration date of the policy, unless the policy has been terminated or removed from CAR at an earlier date. It is permissible to terminate the cession midterm and rewrite the policy as business retained by the Servicing Carrier. See Part 2, Section C of this chapter for details.

1. Policy Not Taken - Cession Flat Cancellation

When a Servicing Carrier cedes a policy for a risk and the policyholder fails to furnish a renewal application on a form as prescribed by the Commissioner, or fails to pay renewal premiums, estimated renewal premiums, or deposit premiums as required, a flat cancellation of cession will be allowed provided that the policy is canceled by legal notice which takes effect within sixty-five (65) days of the policy's effective date. This shall be done in one of two ways depending on the accounting practices of the Servicing Carrier.

- a. If the Servicing Carrier does not record premium as written premium unless the amount is paid (or there is an indication it will be paid), the Servicing Carrier must notify CAR of cession termination by processing a transaction code 4 cession using the on-line cession reporting application or by submitting a transaction 4 cession on tape or via ATT or FTP transmission. The Servicing Carrier must process or submit the transaction 4 cession within ninety (90) calendar days after the policy effective date. However, a transaction 4 reporting extension is provided each year for private passenger renewal policies which have effective dates in January and February. CAR will accept flat cancellations for those policies provided no premium has been collected, the policy has been canceled by legal notice prior to May 1 of that year, and the Servicing Carrier processed or submitted a transaction 4 cession by June 1 of that year.
- b. If the Servicing Carrier does record the premium as written premium prior to payment, the termination of cession must be accomplished in one of the next two monthly detail premium submissions, starting as of the effective month of the legal cancellation notice, using premium transaction code "15" records. However, note that a transaction "15" reporting extension is provided each year for private passenger renewal policies with effective dates in January and February. For these policies, the policy must be canceled by legal notice no later than May 1 of the particular year, and the transaction "15" premium records must be reported no later than the June accounting/statistical shipment of the particular year. **A Notice of Cession with transaction code "4" should not be processed or submitted to CAR.**

Servicing Carriers must maintain documentation that the policy was not taken for a minimum of ten (10) months. Semiannually, in February and August, CAR will randomly sample ceded policies that have been flat canceled by Servicing Carriers via transaction 4 cession notices and transaction 15 premium records. The February sample will include those policies which were flat canceled by transaction 15 premium records during the June through November accounting/statistical shipments, and transaction 4 cession records received from approximately July 2 through January 1.

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CHAPTER II - Cession Rules and Procedures

C. Cession Termination Procedures (continued)

1. Policy Not Taken - Cession Flat Cancellation (continued)

Similarly, the August sample will include those policies which were flat canceled by transaction 15 premium records during the December through May accounting/statistical shipments, and transaction 4 cession records received from approximately January 2 through July 1.

Sampling of flat cancellations will be performed separately by policy effective year and by transaction code for the three (3) most recent policy effective years. If a Servicing Carrier has flat canceled 1,000 or more ceded policies for a particular policy effective year via a particular transaction during the time period of interest, CAR will sample ten (10) flat canceled policies. If the Servicing Carrier has flat canceled less than 1,000 ceded policies for a particular policy effective year via a particular transaction during the time period of interest, CAR will sample five (5) flat canceled policies. In instances where a Servicing Carrier has flat canceled less than five (5) policies for a particular policy effective year during the time period of interest, CAR will request documentation for the entire population of flat canceled policies.

The CA5010 Randomly Requested Flat Cancellation Documentation Listing (Exhibit II-C-1) will be distributed to each Servicing Carrier in early March and September. The Servicing Carrier will then be required to provide CAR, within sixty days (60), proper documentation to validate the flat cancellation for a minimum of 80% of each category of sampled policies. (Note that for samples of less than five (5) policies, the Servicing Carrier must return 100% valid documentation in order to avoid a penalty.) CAR will contact, within one week after the due date, those Servicing Carriers who have not responded with any documentation for the CA5010 listing. Companies thus contacted will be assessed a late penalty in addition to any missing/invalid documentation penalties according to the following schedule:

Documentation received within:

- two (2) weeks after the due date - \$250 penalty
- four (4) weeks after the due date - \$500 penalty

Documentation received after more than four (4) weeks after the due date will be considered missing documentation and will be assessed the full penalty amount.

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CHAPTER II - Cession Rules and Procedures

C. Cession Termination Procedures (continued)

1. Policy Not Taken - Cession Flat Cancellation (continued)

The following documentation is considered valid:

- Statutory Notice of Cancellation
- Plate Return Receipt
- Change of Carrier Notice
- Registry of Motor Vehicle System Printouts for Plate Return
- Registry of Motor Vehicle System Printouts for Change of Carrier
- Lost Policy Release Forms on Non-Owned
- Evidence the policy was ceded under another member
- Evidence the policy was canceled prior to renewal
- Notification for request for Cancellation from the Agent or Insured (this documentation must be signed and clearly display the effective date of the policy)

In instances where a Servicing Carrier cannot provide proper documentation for 80% of the sampled policies, a penalty equal to the cession/no premium write-off penalty for the particular policy effective year and risk indicator of the policy for which documentation cannot be provided, or the latest policy effective year and risk indicator for which a cession/no premium write-off penalty has been established, will be assessed for each policy until the limit has been met. Penalties will be applied in each of the following cases:

- a. The Servicing Carrier cannot supply CAR, by the established due date, with acceptable documentation of the flat cancellation as specified above.
- b. The documentation provided by the Servicing Carrier reveals that the policy should not have been flat canceled. For example, the policy was actually in-force for a period of time, the decision to retain the policy as voluntary business was made after the policy's effective date, etc.
- c. For flat cancellations because of failure to furnish rating statement and/or failure to pay renewal or deposit premiums, the flat cancellation was reported after the established time limitations stated above.

2. Removal of Ceded Business

A Servicing Carrier may decide, after ceding a policy, that it prefers to keep the policy as retained business. This shall be done in one of two ways depending on whether the decision to retain the policy is made before or after the policy takes effect.

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CHAPTER II - Cession Rules and Procedures

C. Cession Termination Procedures (continued)

2. Removal of Ceded Business (continued)

If the decision to retain a policy is made before the policy takes effect, the Servicing Carrier should process a transaction 5 cession before the policy's effective date using the on-line cession reporting application, on tape, or via ATT or FTP transmission. This transaction 5 cession must be received by CAR prior to the policy effective date.

If the decision to retain the policy as voluntary is made after the policy takes effect, the following rules must be observed:

- a. Policies can be removed from CAR as of the date the decision is made to retain the policy as voluntary or as of a future date during the ceded policy's term.
- b. Cancellation premium must be reported for the ceded policy number in the normal manner, using premium transaction code 13 records, and these records must be reported no later than two (2) accounting months after the effective month of the removal (the transaction date will reflect the effective month of the removal). Refer to Chapter III - Premium (page B:2) for further explanation.
- c. New business premium must be reported for the new voluntary policy number in the normal manner, using new business premium transaction records. These voluntary premium records must be reported no later than two (2) accounting months after the effective month of the removal (the transaction date will reflect the effective month of the removal).
- d. Reinstatement, for any reason, of a policy previously removed from CAR and retained as voluntary business is prohibited. However, the policy may be re-ceded to CAR midterm during the policy period or upon expiration of the voluntary policy's term.
- e. Any attempt by a company to circumvent these rules and, in addition, report a loss as Commonwealth Automobile Reinsurers' business that occurred after the removal date, will be brought to the attention of CAR's Governing Committee.

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CHAPTER II - Cession Rules and Procedures

EXHIBIT II-C-1

CA5010R RANDOMLY REQUESTED FLAT CANCELLATION
DOCUMENTATION LISTING

CA5010R	COMMONWEALTH AUTOMOBILE REINSURERS		
RANDOMLY REQUESTED FLAT CANCELLATION DOCUMENTATION LISTING			
COMPANY	999 ANY INSURANCE COMPANY	POLICY YEAR 1997	
TX 4 CESSIONS RECEIVED FROM 07/02/97 THROUGH 01/01/98 TX 15 PREMIUM ACCOUNTING DATES FROM 06/97 THROUGH 11/97			
POLICY NUMBER	POLICY EFFECTIVE DATE	TYPE OF FLAT CANCELLATION	TYPE OF DOCUMENTATION SUBMITTED
985642310	12/01/97	TX 15	
NEW TX 4 FLAT CANCELLED POLICIES		0	TOTAL FLAT CANCELLED POLICIES
NEW TX 15 FLAT CANCELLED POLICIES		1	TOTAL POLICIES
			PERCENT OF FLAT CANCELLED POLICIES
			1 2,250 0.04%
* THE MONTH AND YEAR ON THIS DATE ARE CORRECT. YOU SHOULD CONTACT YOUR DATA ANALYST TO PROVIDE THE ACTUAL EFFECTIVE DATE FOR THIS POLICY.			

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CHAPTER II - Cession Rules and Procedures

D. Cession Listings and On-line Functions

CAR will produce the listings and provide the on-line functions noted below.

1. CR140 REJECTED CESSIONS REPORT

This report (see Exhibit II-D-1) is produced each time CAR loads cession records to its cession database file. It displays any cessions contained in that week's cession load which incurred a fatal error. Only those cessions submitted on tape or via transmission will appear on this report (or any paper cessions which CAR has allowed). Cessions added through the on-line cession reporting application "fatal" at point of entry and as a result will not appear on the CR140. See Sections A and E of this chapter for additional information.

2. CR150 REJECTED CESSION CORRECTIONS REPORT

This report (see Exhibit II-D-2) is produced each time CAR loads cession correction records to its cession database file. It displays any cession corrections contained in that week's cession load, which incurred a fatal error. Only those cession corrections submitted on tape or via transmission will appear on this report (or any paper cession corrections, which CAR has allowed). Cession corrections added through the on-line cession reporting application "fatal" at point of entry so will never process through the CR150. See Sections A and E of this chapter for additional information.

3. CR215 SUMMARY OF AUTOMATIC BACKDATE PRODUCERS REPORT

This report (see Exhibit II-D-3) is produced quarterly and shows the percentage of cessions backdated for each producer code the Servicing Carrier has set up with automatic backdate options. It also shows the loss amount covered under each backdate. Following the second quarter only, Servicing Carriers who exceed 5% and 25 policies backdates for new business are required to explain the problem in writing.

4. CR220 DETAILED AUTOMATICALLY BACKDATED CESSIONS REPORT

This report (see Exhibit II-D-4) is produced upon request and lists detailed cessions and cession corrections that were backdated under the automatic backdate criteria. The report can run under a number of selection options, such as a specified load date range or specified producer codes. It is designed to give further information about the summary information provided on the CR215 report.

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CHAPTER II - Cession Rules and Procedures

D. Cession Listings and On-line Functions (continued)

5. CR156 ON-LINE CESSION ACTIVITY LIST

This on-line function (see Exhibits II-D-5, II-D-6, and II-D-7) is updated each time CAR loads cession records to its cession database file. It consists of three (3) parts. Part 1 shows new cession activity, including corrections loaded. Part 2 specifies the cession correction activity, including the original cession record and the cession correction record. Part 3 shows cession deletions and nullifications (via either transaction 4 or transaction 5 cessions) of previously reported cessions. Servicing Carriers can request to view cession records by specific load date and can access batch totals to incorporate into balancing procedures.

This function serves as each Servicing Carrier's cession acknowledgment and should be reviewed carefully.

6. CR156 ELECTRONIC TRANSMISSION OF CESSIONS.

Upon loading cession adds and corrections to its cession database file, CAR can immediately transmit a detail cession file containing those cessions using the ATT Network or through FTP transmission. CAR can transmit the cession data file to a Servicing Carrier's own mailbox or to CAR's mailbox regardless of transmission option. For those companies who do not have their own mailbox, CAR can provide a unique user-id to allow them to retrieve their data from CAR's mailbox. By transmitting a data file, companies can automate their cession verification procedures by using the data file to systematically match the cessions the company intended to submit to those actually loaded to CAR's cession database. The format of the data file is outlined in Exhibit II-D-8.

7. ON-LINE CESSION ERROR LIST

This on-line function (see Exhibit II-D-9) is updated each time CAR loads cession records to its cession database file. It displays any non-fatal cession errors for the three current cession reporting years. Servicing Carriers can request to view non-fatal cession error records by specific load date to help coordinate correction efforts. See Section E of this chapter for more information.

8. CR170 ON-LINE NOTICE OF CESSIONS RECEIVED AND NOTICE OF CESSIONS RECEIVED REPORT

This on-line function (see Exhibit II-D-10) is always available and displays a cumulative list of all active cession records contained on CAR's database file for the current cession reporting years. This list serves for informational purposes.

Approximately early April of each year, CAR will produce the paper CR170 report for the most recent effective year closed out. CAR can produce this information on paper, tape, or microfiche. Servicing Carriers should use this as an historical list of active cessions for future reference.

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CHAPTER II - Cession Rules and Procedures

D. Cession Listings and On-line Functions (continued)

9. CR180 ON-LINE CESSION CORRECTION BY "KEY"

This on-line function (see Exhibit II-D-11) allows Servicing Carriers to correct a cession record containing a specific "key". The "key" is comprised of company number, policy effective year, policy number, and record number. While cessions containing a non-fatal cession error can be accessed using the CR157 or CR165 functions, this function provides a method of correcting (or changing) an error-free cession.

10. CR600 ON-LINE CESSION ADD FUNCTION

This on-line function (see Exhibit II-A-2) allows Servicing Carriers to add new cession records to CAR's database file. It indicates fatal errors immediately while allowing Servicing Carriers to add cession records with non-fatal errors. See Section A of this chapter for more information.

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CHAPTER II - Cession Rules and Procedures

EXHIBIT II-D-1
CR140 REJECTED CESSIONS REPORT

CR140IW		COMMONWEALTH AUTOMOBILE REINSURERS										RUN DATE 02/11/97	
COMPANY 999		CESSIONS WITH FATAL ERROR CODES											
DATE REC	SUSPENSE LOADED	POLICY NUMBER	EFF DATE	EXP DATE	STATE	TX	TYPE RISK	CAR ID	PROD CODE	INSUREDS NAME	MEDIA TYPE	ERROR MESSAGES	
02/04/97	02/07/97	12345678901212	02/16/97	02/16/98		2	2	4	5433	DISPLAY IMAG I	1	STATE CODE INVALID	
02/04/97	02/07/97	12345678901222	02/12/97	02/12/98		2	2	4	5433	JANES DAVI H	1	STATE CODE INVALID	
02/04/97	02/07/97	12345678901231	02/16/97	02/16/98		2	2	4	5433	SPANISH ASSES G	1	STATE CODE INVALID	
02/04/97	02/07/97	12345678901242	02/01/97	02/01/98		2	2	4	5477	MAHONEY JOHN P	1	STATE CODE INVALID	
02/04/97	02/07/97	12345678901243	02/04/97	02/04/98		2	2	4	5437	BIOTEK IND	1	STATE CODE INVALID	
02/04/97	02/07/97	12345678901251	02/16/97	02/16/98		2	2	4	5433	KELTRONICS CO	1	STATE CODE INVALID	
02/04/97	02/07/97	12345678901262	02/11/97	02/11/98		2	2	4	5433	CONRAD TREE	1	STATE CODE INVALID	
TOTAL UNPROCESSABLE CESSION RECORDS: 7													

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CHAPTER II - Cession Rules and Procedures

EXHIBIT II-D-2
CR150 REJECTED CESSION CORRECTIONS REPORT

CR150IW		COMMONWEALTH AUTOMOBILE REINSURERS										RUN DATE 02/11/97		
COMPANY 999		CESSIONS WITH FATAL ERROR CODES												
DATE REC	SUSPENSE LOADED	POLICY NUMBER	EFF DATE	EXP DATE	REC#	TX	TYPE RISK	CAR ID	PROD CODE	INSUREDS NAME	MD TP	REC TP	ERROR MESSAGES	
07/08/97	07/10/97	0360810	07/15/97	07/15/98	001	2	2	4	0792	ZIRCON COM	61	1	ORIGINAL RECORD	
02/10/98	02/10/98		/ /	/ /	001								DELETE NOT ALLOWED	
07/09/97	07/10/97	586194	07/01/97	07/01/98	001	4	0	4	0845	CATCH UP INC	50	0	ORIGINAL RECORD	
02/10/98	02/10/98	5861945									61	3	CORR NOT ALLOWED	
07/10/97	07/10/97	2511924	08/01/97	08/01/98	002	1	2	5	2654	JETLINE ENG	01	0	ORIGINAL RECORD	
02/10/98	02/10/98				002				2645		50	3	MATCH REC INACTIVE	
02/01/98	02/10/98	2521274		97	001						00		*****	
02/01/98	02/10/98		/ /	/ /	001				3215		62	3	NO MATCH CCS MSTR	
TOTAL UNPROCESSABLE CESSION RECORDS: 4														

Commonwealth Automobile Reinsurers

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CHAPTER II - Cession Rules and Procedures

EXHIBIT II-D-3

CR215 SUMMARY OF AUTOMATIC BACKDATE PRODUCERS REPORT

CR215R		COMMONWEALTH AUTOMOBILE REINSURERS						RUN DATE 02/11/97	
PAGE: 1									
SUMMARY REPORT OF BACKDATE PRODUCERS									
4TH QUARTER 1997									
COMPANY NUMBER: 999									
***** B A C K D A T E D C O V E R A G E *****									
PROD			BACKDATE	NEW OR		TOTAL	PERCENT	TOTAL	TOTAL
CODE	PRODUCER NAME	YEAR	OPTIONS	RENEWAL	TOTAL	BACKDATED	BACK-	OUTSTANDING	PAID
			JFMAMJJASOND	BUSINESS	POLICIES	POLICIES	DATED	LOSSES	LOSSES
CC11	SMITH AGENCY	1997 PP	111111111111	NEW	23	0	0.0	0	0
				RENEWAL	0	0	0.0	0	0
		AO	111111111111	NEW	4	1	25.0*	0	0
				RENEWAL	0	0	0.0	0	0
CX12	CHARLES AGENCY	1997 PP	111111111111	NEW	4	4	100.0*	0	0
				RENEWAL	0	0	0.0	0	0
		AO	111111111111	NEW	17	12	70.6*	0	0
				RENEWAL	50	0	0.0	0	0
CZ99	MURPHY AGENCY	1997 PP	111111111111	NEW	10	10	100.0*	0	0
				RENEWAL	56	0	0.0	0	0
		AO	111111111111	NEW	10	4	40.0	0	0
				RENEWAL	26	0	0.0	0	0
DA01	BARTLETT AGENCY	1997 PP	111111111111	NEW	100	4	4.0	0	0
				RENEWAL	0	0	0.0	0	0
		AO	111111111111	NEW	24	2	8.3*	0	0
				RENEWAL	54	0	0.0	0	0
* MORE THAN 5% OF THE TOTAL NEW BUSINESS CESSIONS FOR THIS POLICY YEAR ARE BACKDATED									
BACKDATE OPTIONS: PP = PRIVATE PASSENGER; AO = ALL OTHERS; 0 = NONE; 1 = ALL; 2 = NEW BUSINESS ONLY									

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CHAPTER II - Cession Rules and Procedures

EXHIBIT II-D-4

CR220 DETAILED AUTOMATICALLY BACKDATE CESSIONS REPORT

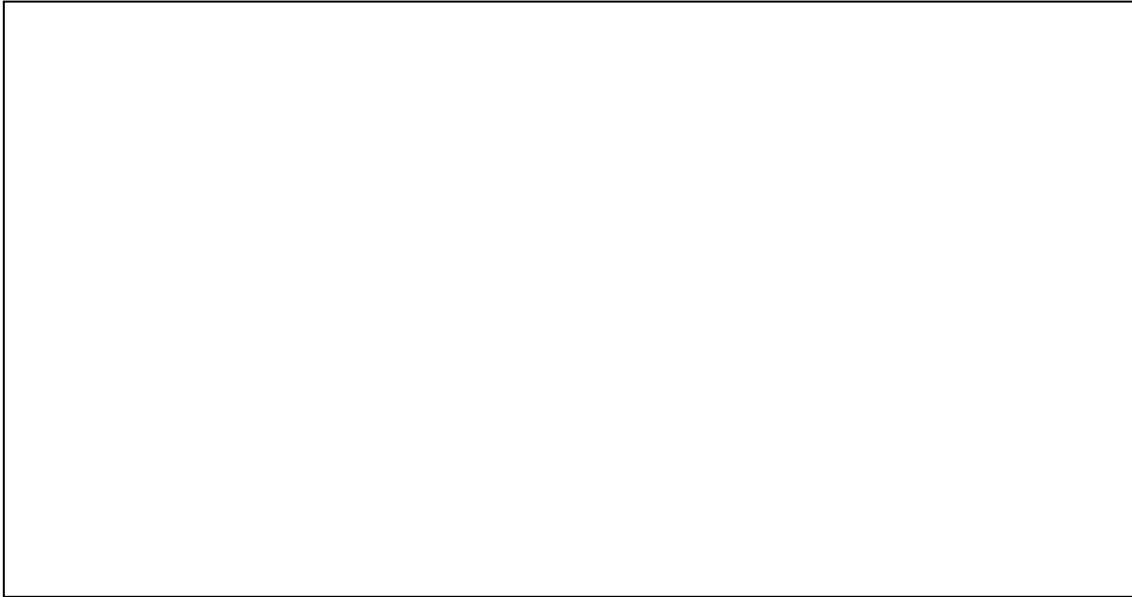
CR215R		COMMONWEALTH AUTOMOBILE REINSURERS							RUN DATE 02/11/1997		
DETAIL REPORT OF POLICIES REPORTED UNDER BACKDATED PRODUCERS											
COMPANY NUMBER: 999			CAR ID: 5			MARKET: AO					
YEAR: 1997			PRODUCER CODE: CC11			TYPE OF BUSINESS: NEW					
BD											
SWITCH	POLICY NUMBER	EFFEC DATE	EXPIR DATE	T R X S	DATE RECEIVED	CESSION DATE	INSUREDS NAME	REC TYP	MED TYP	CESSION LD DATE	REC NO
1	98754123	05/22/1997	05/22/1998	1 2	04/25/1997	05/22/1997	JACKSON	0	01	04/29/1997	00001
1	98812451	11/21/1997	11/21/1998	1 2	10/01/1997	11/21/1997	RILEY	0	01	10/15/1997	00001
2	99123456	12/01/1997	12/01/1998	1 2	01/15/1998	12/01/1997	DALY	0	01	01/20/1998	00002
1	99456321	09/01/1997	09/01/1998	1 2	09/01/1997	09/01/1997	COLLINS	0	60	09/07/1997	00001
TOTAL POLICIES: 4			TOTAL BACKDATED POLICIES: 1			PERCENT BACKDATED: 25.0					

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CHAPTER II - Cession Rules and Procedures

EXHIBIT II-D-5

CR156 ON-LINE CESSION ACTIVITY REPORT - CESSIONS ADDED



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CHAPTER II - Cession Rules and Procedures

EXHIBIT II-D-6

CR156 ON-LINE CESSION ACTIVITY REPORT – CESSIONS CORRECTED

CR156SC COMMONWEALTH AUTOMOBILE REINSURERS 05/01/1998
COMPANY: 999 APPLIED CORRECTIONS 12:03:15
ANY INSURANCE COMPANY
DEACTIVATE DATE: 10/04/1997

POLICY NUMBER	EFF DT	EXP DT	DT RCV	DT S	T	R	A	A	C	E
	YYMMDD	YYMMDD	YYMMDD	PT	K X	INS NM	S TYP	T NO	D	PROD R
85200120908	970924	980924	970715	1	2 2	UNION ST	0 50	3 001	5	441127 0
85200120908	970924	980924	970715	1	2 2	UNION ST	30	0 002	5	443241 2
85600130808	970909	980909	970722	1	2 2	PELLETIE	0 50	3 001	5	441183 0
85600130808	970909	980909	970722	1	2 2	PELLETIE	30	0 002	4	443870 0
94508376103	970812	980812	970718	1	2 2	STAN AND	0 50	3 001	4	440632 0
94508376103	970812	980812	970718	1	2 2	STAN AND	30	0 002	5	440632 0
96608378903	970826	980826	970711	1	2 2	DONALD	0 50	3 001	4	443445 0
96608378903	970826	980826	970711	1	2 2	DONALD	30	0 002	4	443441 0

* THIS CESSION HAS BEEN AWARDED A CESSION DATE OTHER THAN THE EFFECTIVE DATE

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EXHIBIT II-D-7

CR156 ON-LINE CESSION ACTIVITY REPORT – CESSIONS DELETED & NULLED

CR156SC	COMMONWEALTH AUTOMOBILE REINSURERS	05/01/1998													
COMPANY: 999	APPLIED DELETES AND NULLS	12:47:43													
ANY INSURANCE COMPANY															
DEACTIVATE DATE: 10/04/1997															
	R	A	A	C	E										
	EFF DT	EXP DT	DT RCV	DT S	T	B	MED	C	REC	I	PROD	R			
POLICY NUMBER	YYMMDD	YYMMDD	YYMMDD	PT	K	X	INS	NM	S	TYP	T	NO	D	CODE	R
542085071	951226	961226	970404	2	0	1	BUFFUM	A	0	52	1	001	4	446939	0
56609217700	970604	980604	970709	2	2	1	BOSTON	H	0	20	1	002	4	443181	0
58109401902	970901	980901	970715	1	2	2	MASS	MOT	0	50	1	002	4	443301	0
58909402002	970920	980920	970716	1	2	2	DONS	TIR	0	50	1	002	4	443566	0
67100113401	970901	980901	970723	1	2	5	WALTER	C	0	50	1	001	5	440773	0
69600172500	970618	980618	970715	2	2	1	MARSHFIE	0	50	1	002	5	440769	0	
87100176100	970702	980702	970725	1	2	1	TAKE	ACT	0	50	1	002	5	440787	0
88802095301	970911	980911	970723	1	2	2	CONTINEN	0	50	1	002	4	446495	0	
89702171600	970401	980401	970428	2	2	1	GENTLE	C	0	50	1	001	4	446206	0
91206181900	970731	980731	970715	1	2	1	ERNEST	G	0	50	1	002	4	443648	0
95408071107	970701	980701	970723	2	2	2	SUFFOLK	0	25	1	002	4	616615	0	
96108071107	970701	980701	970723	2	2	2	SUFFOLK	0	25	1	003	4	616615	0	

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**EXHIBIT II-D-8
CR156 ELECTRONIC TRANSMISSION OF CESSIONS
(RECORD LAYOUTS)**

Company ID Record:

Location	Field Length	Field Name	Contents
1	1	Kind of Record	Numeric - 0, denoting cession acknowledgement submission.
2-4	3	Company Number	Numeric - 3-digit company number assigned by CAR
5-12	8	Transmitter Id Number	8-digit account number assigned by ATT, CAR and/or company
13-20	8	User-Id	Numeric - 8-digit user-id assigned by ATT or CAR
21-28	8	Transmission Date	Numeric - indicates the run date (YYMMDD) of the cession load
29-80	52	Filler	

Detail Cession Record:

Location	Field Length	Field Name	Contents
1	1	Kind of Record	Numeric 1 = Add 2 = Correction 3 = Delete 4 = Null
2-4	3	Company Number	Numeric - 3-digit company number assigned by CAR
5-20	16	Policy Number	Alpha-Numeric - policy number as reported on the cession by the company
21-28	8	Effective Date	Numeric - (YYYYMMDD) as reported on the cession by the company
29-36	8	Expiration Date	Numeric - (YYYYMMDD) as reported on the cession by the company
37-44	8	Date Received	Numeric - (YYYYMMDD) as assigned by CAR
45-52	8	Coverage Date	Numeric - (YYYYMMDD) as assigned by CAR
53	1	Type of Risk	Numeric 0 = Private Passenger 1 = Taxi/Limo 2 = All Other Commercial Business
54	1	Trans Code	Numeric 1 = New Business 2 = Renewal Business 4 = Flat Cancellation 5 = Retained as Voluntary

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**EXHIBIT II-D-8
CR156 ELECTRONIC TRANSMISSION OF CESSIONS
(RECORD LAYOUTS)**

Detail Cession Record (continued):

Location	Field Length	Field Name	Contents
55-64	10	Insured's Name	Alpha-Numeric - as reported on the cession by the company
65	1	Record Type	Numeric 0 = Add 1 = Delete 3 = Correction
66-67	2	Media Type	Numeric 00-19 = Tape 20-29 = Paper 30-49 = Listing Correction 50-59 = ATT Transmission 60-84 = On-line Activity 85-99 = FTP Transmission
68-70	3	Record Number	Numeric - Number of the cession as assigned by CAR
71	1	CAR ID Code	Numeric 4 = Ceded Business from Voluntary Agents 5 = Ceded Business from Exclusive Representative Producers
72-77	6	Producer Code	Alpha-Numeric - as reported on the cession by the company
78	1	Autobackdate Switch	Numeric 0 = No Autobackdate 1 = Autobackdate Eligible 2 = Automatically Backdated
79	1	Activity Status	Numeric 0 = Active Cession 1 = Deleted Cession 2 = Corrected Cession 4 = Nulled by Transaction 4 5 = Nulled by Transaction 5
80	1	Error Status	Numeric 0 = No Error 1 = Error 2 = Error 3 = Error

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**EXHIBIT II-D-8
CR156 ELECTRONIC TRANSMISSION OF CESSIONS
(RECORD LAYOUTS)**

Control Record:

Location	Field Length	Field Name	Contents
1	1	Kind of Record	Numeric - 9, denoting control record
2-4	3	Company Number	Numeric - 3-digit company number assigned by CAR
5-13	9	Add Record Count	Numeric - the number of "adds" in the transmission
14-22	9	Correction Record Count	Numeric - the number of "corrections" in the transmission
23-31	9	Delete Record Count	Numeric - the number of "deletes" in the transmission
32-40	9	Null Record Count	Numeric - the number of "nulls" in the transmission
41-80	40	Filler	

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EXHIBIT II-D-9
ON-LINE CESSION ERROR LIST

CR157SA	C.A.R. CESSION ERROR LISTING	05/01/1998
COMPANY: 999	ERROR LIST DATE: 10/04/1997	12:57:46
ANY INSURANCE COMPANY	(MM/DD/YYYY)	
	R	
CAR	POL EFF POL EXP S T	PROD RECEIPT REC
ID POLICY NUMBER	MM/DD/YY MM/DD/YY K X INSURED'S NAME	CODE MM/DD/YY NO
- 5 12400120908	09/24/97 09/24/98 2 2 UNION STREET AU	443241 07/15/97 002
ERRORS	05	
- 4 24509210701	05/30/97 05/30/98 2 2 OAKLAND AV	443695 07/10/97 002
ERRORS	05	
- 4 64202117601	11/12/97 11/12/98 2 2 CHANDLER C GIRO	446495 09/22/97 001
ERRORS	08	
- 4 69102117601	11/12/97 11/12/98 2 2 CHANDLER C GIRO	446495 10/02/97 002
ERRORS	08	
- 4 71408501707	09/18/97 09/18/98 2 2 PAN	449839 08/26/97 002
ERRORS	08	
- 4 72208501707	09/18/97 09/18/98 2 2 PAN MASSACHUSET	449839 07/17/97 003
ERRORS	08	
X - MARK THE CESSION TO BE CORRECTED		

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EXHIBIT II-D-10

CR170 ON-LINE NOTICE OF CESSIONS RECEIVED

CR170SA COMMONWEALTH AUTOMOBILE REINSURERS 05/01/1998
COMPANY: 999 CR170 - ACTIVE CESSIONS 13:15:58
ANY INSURANCE COMPANY START W/EFF YR 95

I				R		POL NO Q3K00128506		REC NO 001	
N		EFF DT	EXP DT	S	T	CAR PROD DT	DT RCV	REC ER	
F	POLICY NUMBER	YYMMDD	YYMMDD	K	X	INSURED NM	ID CODE PT	YYMMDD	PREM NO R
1	25800128506	950101	960101	2	2	SIMONELLI	4 443087 1	941228	S 001 0
1	26700136307	951025	961025	2	2	ALLIA	5 441217 1	950927	Y 001 0
1	27100144907	951213	961213	2	2	AVON	4 443087 1	951127	Y 001 0
1	35400146306	950203	960203	2	2	REGIONAL H	4 443003 1	950123	Y 001 0
1	39901305406	950101	960101	2	2	MOLONARIJA	4 446311 1	941228	Y 001 0
1	41201890706	950510	960510	2	2	MAHONEY'S T	4 449430 1	950425	Y 001 0
1	42503205307	951120	961120	2	2	PROTECTION	4 446358 1	951005	C 001 0
1	43703235506	950101	960101	2	2	KIMBALL TR	4 446311 1	941228	Y 001 0
1	57103240006	950505	960505	2	2	CHASE AND	4 449305 1	950425	Y 001 0
1	59703247607	951206	961206	2	2	PAUL M LIT	4 449450 1	951127	Y 001 0
1	60003252006	950101	960101	2	2	FRENCH EXC	4 443527 1	941228	S 001 0
1	60303278706	950101	960101	2	2	STERL	4 448191 1	941228	Y 001 0

* THIS CESSION HAS BEEN AWARDED A CESSION DATE OTHER THAN THE POL EFF DATE.

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EXHIBIT II-D-11
CR180 CORRECT CESSION BY "KEY"

SCREEN 1

```
CR180SA          COMMONWEALTH AUTOMOBILE REINSURERS          05/01/1998
COMPANY: 999          CESSION CORRECTION BY KEY              01:21:51
                    ANY INSURANCE COMPANY
```

PLEASE ENTER THE KEY FOR THE CESSION TO BE CORRECTED / DELETED

```
POLICY NUMBER      0154034
EFFECTIVE YEAR      1999
RECORD NUMBER       000001
TRANSACTION TYPE    C      C=CORRECTION / D=DELETE
```

SCREEN 2

```
CR600SA          COMMONWEALTH AUTOMOBILE REINSURERS          07/16/1999
COMPANY: 999          CESSION RECORD - CORRECT              10:24:56
                    ANY INSURANCE COMPANY
                                REC NO 001   RCPT DTE 07/07/1999
CAR                      POL EFF DT   POL EXP DT           PROD
ID POLICY NUMBER      MM/DD/YYYY   MM/DD/YYYY   RSK TX   INSURED'S NAME   CODE
5   0154034           08/08/1999   08/08/2000   0  2   ZAINO, PAUL,       ERP295
( . . . . . )

ERROR
CODE      DESCRIPTION
05 INVALID PRODUCER CODE
```


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CHAPTER II - Cession Rules and Procedures

E. Cession Correction Procedures

This section describes the procedures companies must use to correct cessions, which are in error. The responsibility for the accuracy of cession submissions rests with the Servicing Carriers. Servicing Carriers should perform edits within their own systems to ensure the accuracy of all cession submissions.

1. Processing a Cession Correction On-line (Exhibit II-D-11)

If the company needs to correct an original cession record that is in error, the company can process a cession correction on-line using the function: "Correct Cession By Key." The receipt date remains equal to the receipt date of the original cession. Companies need to change only those field(s) which they are correcting, not complete a new cession record. CAR will fill in the remaining fields with the information from the original record. Companies should carefully review their CR156 on-line cession activity list since it serves as the companies' cession acknowledgments.

Only with CAR's approval, and only when CAR or a Servicing Carrier is experiencing system problems, can a Servicing Carrier submit a cession correction on paper or via telefax.

2. Coding Instructions for Reporting Cession Corrections on Tape

Companies may elect to submit cession corrections on tape. (see physical requirements specified in this chapter on page A:8.)

- a. Tapes must contain the standard IBM label, which includes a tape number. This is important for later reference.
- b. Using the eighty (80) character record format outlined below and in Exhibit II-E-1, companies should submit only one (1) detail record per correction, indicating the key of the record to be corrected and the corrected fields.

Location	Field Length	Field Name	Contents
1	1	Kind of Record	1 = Detail record. This field <u>must</u> be filled in.
2	1	Filler	
3 - 5	3	Company Number	Numeric – three (3) digit code as assigned by CAR. This field <u>must</u> be filled in.
6 - 7	2	Effective Year	Numeric – two (2) digits for valid cession reporting year only. This field <u>must</u> be filled in.

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CHAPTER II - Cession Rules and Procedures

E. Cession Correction Procedures (continued)

2. Coding Instructions for Reporting Cession Corrections on Tape (continued)

Location	Field Length	Field Name	Contents
8 - 23	16	Policy Number	Three (3) character minimum--any combination of alpha and/or numeric characters. Left justify. Spaces are to be used only to fill out the unused positions of the field. This field <u>must</u> be filled in.
24 - 26	3	Cession Record Number	Numeric - The last three (3) digits of the record number from the cession to be corrected. The number is on the cession file and can be seen on policy histories or any listing of cessions. This field <u>must</u> be filled in.
27	1	Record Type	1 =Delete. The record noted on the cession file will be deactivated. 3 =Correction. The record noted on the cession file will be corrected, as coded in the following fields. This field <u>must</u> be filled in.
28 - 33	6	Corrected Effective Date	Month/day/year order: Month – two (2) digits, 01-12 Day – two (2) digits, 01-31 Year – two (2) digits, valid cession reporting year. The policy effective date cannot be later than the current date plus ninety (90) days. Fill in only if correcting this field.
34 - 49	16	Corrected Policy Number	Three (3) character minimum--any combination of alpha and/or numeric characters. Left justify. Spaces are to be used only to fill out the unused positions of the filed. Fill in only if correcting this field.
50 - 55	6	Corrected Expiration Date	Month/day/year order: Month – two (2) digits, 01-12 Day – two (2) digits, 01-31 Year – two (2) digits, valid cession reporting year The policy expiration date cannot exceed the effective date by more than twenty-four (24) months. Fill in only if correcting this field.
56	1	Corrected CAR ID Code	<u>4 = Ceded Business from Voluntary Agent</u> Ceded business from voluntary agents, or written directly by the company. <u>5 = Ceded Business from Representative Producers (No Voluntary Contract)</u> Ceded business from a Representative Producer that does not have a voluntary motor vehicle insurance contract with their assigned Servicing Carrier.
57	1	Corrected Type of Risk	0 = Private Passenger 1 = Taxicab/Limousine 2 = Commercial (Non-Taxicab/Non-Limousine) Fill in only if correcting this field.

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CHAPTER II - Cession Rules and Procedures

E. Cession Correction Procedures (continued)

2. Coding Instructions for Reporting Cession Corrections on Tape (continued)

Location	Field Length	Field Name	Contents
58	1	Corrected Transaction Code	1 = New Business to the company or group 2 = Renewal to the company or group 4 = Policy not Taken 5 = Policy not Ceded Fill in only if correcting this field.
59 - 74	16	Corrected Insured's Name	Left justified. There must be at least one (1) character. Fill in only if correcting this field.
75 - 80	6	Corrected Producer Code	The unique company-assigned code number for each Representative Producer, left justified. Fill in only if correcting this field.

NOTE: Any column not used should be left blank, not zero filled.

- c. Every correction tape must also contain a batch control record after the detailed cession correction records. Servicing Carriers may divide a tape into several batches for control purposes, in which case a batch control record must follow the last detail record of each group.

The batch control record should be coded as follows:

Location	Field Length	Field Name	Contents
1	1	Kind of Record	5 = Batch Record
2 - 3	2	Type of Submission	03 = Correction Submission 04 = Correction Resubmission
4 - 10	7	Total Cessions in Batch	Numeric - right-justified seven (7) digit code to indicate the number of detail records in the preceding batch.
11	1	Filler	
12 - 14	3	Company Number	Numeric – three (3) digit company code assigned by CAR.
15 - 80	66	Filler	

Under no circumstances will a tape be accepted which contains both cession corrections and regular cession records.

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CHAPTER II - Cession Rules and Procedures

E. Cession Correction Procedures (continued)

3. Coding Instructions for Reporting Cession Corrections via ATT or FTP Transmission

Corrections can also be reported via batch transmission. The following coding instructions must be used for reporting corrections to CAR via transmission:

a) Transmission Record:

Location	Field Length	Field Name	Contents
1	1	Kind of Record	Numeric - 0 denoting ATT transmission Number – 2 denoting FTP transmission
2 - 3	2	Type of Submission	<u>Numeric</u> 03 - indicates correction submission 04 - indicates correction resubmission
4 - 11	8	Transmitter Id Number	Eight (8) digit company number as determined by ATT, CAR and/or company
12 - 17	6	Creation Date	Numeric – indicates the system date (YYMMDD) upon which the company internally created the transmission. This date may be used by CAR to assign cession receipt date if the network is temporarily out of service and CAR was properly notified of the problem via a hard copy of the message confirming this condition.
18 - 80	63	Filler	

b) Batch Control Records:

Location	Field Length	Field Name	Contents
1	1	Kind of Record	Numeric - 5 denoting batch control record
2 - 3	2	Type of Submission	<u>Numeric</u> 03 - indicates correction submission 04 - indicates correction resubmission
4 - 10	7	Total Cession Records	Numeric - right justified with leading positions zero filled. Denotes the number of detail cession records in preceding batch.
11	1	Filler	
12 - 14	3	Company Number	Numeric – three (3) digit company number assigned by CAR.
15 - 80	66	Filler	

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CHAPTER II - Cession Rules and Procedures

E. Cession Correction Procedures (continued)

3. Coding Instructions for Reporting Cession Corrections via ATT or FTP Transmission (continued)

c) End-of-Transmission Record:

Location	Field Length	Field Name	Contents
1	1	Kind of Record	Numeric - 9 denotes end-of-transmission record
2 - 3	2	Type of Submission	<u>Numeric</u> 03 - indicates correction submission 04 - indicates correction resubmission
4 - 11	8	Transmitter Id Number	Eight (8) digit company number as assigned by ATT, CAR, and/or company
12 - 18	7	Total Cessions In Batch	Numeric - Right justified with leading positions zero filled. Denotes number of records in total transmission, (including detail cession records and batch control records, but excluding the transmission records and the end-of-the transmission record).
19 - 80	2	Filler	

4. Acknowledgment of Correction Transmission

There are two (2) types of cession correction acknowledgements CAR performs:

a. Electronic "talk-back" acknowledgement

After CAR receives a cession correction submission, it sends an electronic acknowledgment. The acknowledgment goes to the company's ATT Mailbox or the company's designated FTP site. CAR acknowledges transmission on a batch level, which includes the following information:

- ❑ Company Number (from the Batch Control Record)
- ❑ Time Received
- ❑ Date Received
- ❑ Submission type (from the Batch Control Record)
- ❑ Total Cessions in Batch (from the Batch Control Record)
- ❑ Total Detail Records (counted from the detail submission)

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CHAPTER II - Cession Rules and Procedures

E. Cession Correction Procedures (continued)

4. Acknowledgment of Correction Transmission (continued)

a. Electronic "talk-back" acknowledgement (continued)

If the "Total Cessions in Batch" count does not match the "Total Detail Records" count, CAR will contact the company and may reject the submission. Exhibit II-A-4 shows the record layout of the "talk-back" record.

b. On-line summary acknowledgement

When a Servicing Carrier uses the on-line system to add, correct, or delete cession records, the system provides a summary acknowledgement of that activity upon exiting the system. This summary acknowledgement details the number of cessions added, number of cessions corrected, and number of cessions deleted. It also provides a batch number for Servicing Carriers to use in balancing cession records, once CAR has loaded them to its cession database file.

In addition, the CR156 on-line Cession Activity List serves as a detailed cession correction acknowledgment of cession records processed during the week. Servicing Carriers should review this on-line list weekly to verify cession activity. Servicing Carriers must report any problems to CAR within thirty (30) days of CAR's loading the cession correction to its database file.

5. CR140 Rejected Cessions and CR150 Rejected Cession Correction Reports

Both the CR140 Cession Load and CR150 Cession Correction Load produce a report of unprocessable, or "fatal" records reported on tape or via transmission that were rejected and not loaded to the cession file. Cessions added through the on-line cession reporting application "fatal" at point of entry and, as a result, will not appear on the CR140/CR150. Please reference the Cession Edit Package for more detailed information, including correction options. The fatal cession and cession correction errors are as follows:

a. Effective Year Less Than or Equal to Delete Year - #1

The effective year on all cession records must be one (1) of three (3) currently reportable years.

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CHAPTER II - Cession Rules and Procedures

E. Cession Correction Procedures (continued)

5. CR140 Rejected Cessions and CR150 Rejected Cession Correction Reports (continued)

b. Company Number/Effective Date Invalid - #2

The company number on all cession records must be a valid company number. In order for it to be valid, it must find a match on CAR's company file. The company number must also be three (3) digits long.

In addition, the effective date must be valid. That is, the month must be 01-12 and the day must be 01-31.

c. There is no cession error code #3.

d. Ineligible to Report Policy Effective Date - #4

The effective date on all cessions must be within the cede-eligible date bounds for each company. The edit checks against CAR's company file for the relative information.

e. Date Received Invalid - #5

Servicing Carriers may report a cession no more than ninety (90) days prior to the effective date.

f. CAR ID Code Invalid - #6

The CAR ID Code on all cessions must be a valid CAR ID Code for that effective year and month. For example, in the 1997 policy effective year, the valid CAR ID Codes are 4 or 5.

The edit also checks against CAR's company file to insure the Servicing Carrier reports only CAR IDs it is eligible to report and within eligible timeframes.

g. Risk Code Invalid - #7

The risk indicator on all cessions must be 0 (Private Passenger), 1 (Taxicab/Limousine), or 2 (Commercial (Non-Taxicab/Non-Limousine)).

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CHAPTER II - Cession Rules and Procedures

E. Cession Correction Procedures (continued)

5. CR140 Rejected Cessions and CR150 Rejected Cession Correction Reports (continued)

h. Market Indicator/Servicing Carrier Invalid - #8

This edit checks the risk indicator coded on the cession record against the company file to verify that the Servicing Carrier is eligible to cede the type of business the risk indicator denotes. Note that beginning in 1995, only Taxi/Limo Servicing Carriers may submit taxi/limo cessions (risk indicator 1).

i. Transaction Code Invalid - #9

The transaction code on all cessions must be 1 (New Business), 2 (Renewal Business), 4 (Cancellation), or 5 (Uncede).

j. State Code Invalid - #10 (Adds only)

The state code on all transmission and tape cessions must be '20'. This does not apply to correction cessions.

k. Record Type Invalid - #11 (Corrections only)

The record type reported on the cession correction record must be a '1' (delete) or a '3' (correction). If a '1' is indicated, all fields in the correction record must be blank. If a '3' is indicated, at least one field in the correction record must be coded with a value.

l. No Matching Record - #12 (Corrections only)

For each cession correction or cession delete record reported, an original record must already exist on CAR's cession file. In order for the original record to be found, the following fields must match: company number, effective year, policy number, and cession file record number.

m. Matching Record Not Active - #13 (Corrections only)

For each cession correction or cession delete record reported, an original record must not only exist on CAR's cession file, but it must also be active. That is, the original record must not have been corrected, deleted, or nulled by a transaction 4 or 5 cession.

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CHAPTER II - Cession Rules and Procedures

E. Cession Correction Procedures (continued)

5. CR140 Rejected Cessions and CR150 Rejected Cession Correction Reports (continued)

n. Correction Not Allowed - #14 (Corrections only)

CAR does not allow Servicing Carriers to make the following corrections:

1. Company number corrections
2. Cross-references (effective year or policy number changes) on transaction 4 or transaction 5 cessions.
3. Transaction 1 and 2 cessions may not be changed to transaction 4 or 5 cessions. Transaction 4 and 5 cessions may not be changed to transaction 1 or 2 cessions.
4. Transaction 4 cessions may not be changed to transaction 5 cessions or vice versa.

Other error cases in which corrections are limited:

1. Nonfatal Error Code 9: Effective Date Inconsistent on Transaction 4
 - Effective Date Correction allowed
 - Delete allowed
2. Nonfatal Error Code 10: Effective Date Inconsistent on Transaction 5
 - Effective Date Correction allowed
 - Delete allowed
3. Nonfatal Error Code 11: Date Received Invalid with Effective Date for Transaction 5
 - Delete allowed
4. Nonfatal Error Code 12: Transaction 5 Invalid for Producer
 - Producer Code Correction allowed
 - CAR ID Code Correction allowed
 - Delete allowed
5. Nonfatal Error Code 13: Premium Reported on Transaction 5
 - Delete allowed

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CHAPTER II - Cession Rules and Procedures

E. Cession Correction Procedures (continued)

5. CR140 Rejected Cessions and CR150 Rejected Cession Correction Reports (continued)

n. Correction Not Allowed - #14 (Corrections only) (continued)

6. Nonfatal Error Code 14: No Matching Record for Transaction 4
- Delete allowed
7. Nonfatal Error Code 15: Matching Record Not Active for Transaction 4
- Delete allowed
8. Nonfatal Error Code 16: No Matching Record for Transaction 5
- Delete allowed
9. Nonfatal Error Code 17: Matching Record Not Active for Transaction 5
- Delete allowed
10. Nonfatal Error Code 18: Risk Indicator Inconsistent on Transaction 5
- Delete allowed

6. On-Line Cession Error List

The On-Line Cession Error List is updated each time CAR loads cession records to its cession database file. It contains all cessions which have an error for the three (3) current cession reporting years. The nonfatal cession and cession correction errors are as follows:

a. Policy Number Invalid - #1

The policy number must be between three (3) and sixteen (16) characters long and left-justified. In addition, only letters and numbers may be used, and no embedded spaces are allowed.

b. Policy Expiration Date Invalid - #2

The policy expiration date must be a valid, numeric date and must be greater than 12/83. In addition, the expiration month must be 01-12, and the day must be 01-31.

c. Expiration Date Invalid with Effective Date - #3

The expiration date must be greater than or equal to the policy effective date, but cannot exceed the policy effective date by more than twenty-four (24) months.

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CHAPTER II - Cession Rules and Procedures

E. Cession Correction Procedures (continued)

6. On-line Cession Error List (continued)

d. Insured's Name Invalid - #4

The insured's name must be at least one (1) character, but no more than sixteen (16), alpha-numeric, and left-justified. The first field must contain a letter or a number. For fields other than the first field, the following characters are valid in addition to letters and numbers:

- apostrophes (')
- ampersands (&)
- dashes (-)
- commas (,)
- periods(.)
- spaces ()
- pound signs (#)

All other characters are invalid.

e. Invalid Producer Codes - #5

The producer code/CAR ID combination must be valid for the company and effective year according to CAR's producer code file. Transaction 4 and 5 cessions do not process through this edit. Cessions which fail this edit do not go through nonfatal edits #6 or #7.

f. Risk or Month Invalid for Producer - #6

CAR uses the risk indicator and the effective date on the cession to determine whether the producer code/CAR ID is valid for that company, date, and market (Private Passenger or Commercial), as indicated on CAR's Producer Code Matrix. Transaction 4 and 5 cessions do not go through this edit. Cessions which fail this edit do not go through nonfatal edit #7.

g. Invalid Date for Producer Code - #7

The effective date on transaction 1 and 2 cessions must be before the termination date (if such a date exists), for each producer on CAR's Producer Code File. Transaction 4 and 5 cessions do not process through this edit.

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CHAPTER II - Cession Rules and Procedures

E. Cession Correction Procedures (continued)

6. On-line Cession Error List (continued)

h. Duplicate Policy Number/Effective Date - #8

Only one (1) active transaction 1 or transaction 2 policy may exist on a policy for any given policy number and effective year.

i. Effective Date Inconsistent on Transaction 4 Cession - #9

The effective month and day of the transaction 4 cession must match the active, in-force transaction 1 or 2 cession in order to null that cession.

j. Effective Date Inconsistent on Transaction 5 Cession - #10

The effective month and day of the transaction 5 cession must match the active, in-force transaction 1 or 2 cession in order to null that cession.

k. Date Received Invalid with Effective Date for Transaction 5 - #11

CAR must receive a transaction 5 cession prior to the effective date of the active in-force cession. If there are any special extensions in effect, then the transaction 5 cession must be received prior to the extension deadline.

l. Transaction 5 Invalid for Producer - #12

If the producer code reported on the transaction 5 cession is set up for 100% cede and 100% autobackdating on CAR's Producer Code File, the transaction 5 cession will not uncede the active in-force cession, regardless of when CAR receives the transaction 5 cession. In addition, a transaction 5 will not uncede an active in-force cession that was eligible for autobackdating (whether actually autobackdated or not).

m. Premiums/Losses Reported on Transaction 5 - #13

The premium on a policy must net to \$0 and the losses on a policy must also net to \$0 for a transaction 5 to be applied. Otherwise, the transaction 5 will be flagged in error and not allowed to uncede the active in-force cession.

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CHAPTER II - Cession Rules and Procedures

E. Cession Correction Procedures (continued)

6. On-line Cession Error List (continued)

n. No Matching Record for Transaction 4 - #14

A transaction 1 or 2 must exist on the policy in order for the transaction 4 to be applied. Only non-correction cessions go through this edit.

o. Matching Record Not Active for Transaction 4 - #15

There must be an active in-force cession on the policy in order for the transaction 4 to be applied.

p. No Matching Record for Transaction 5 - #16

A transaction 1 or 2 must exist on the policy in order for the transaction 5 to be applied. Only non-correction cessions go through this edit.

q. Matching Record Not Active for Transaction 5 - #17

There must be an active in-force cession on the policy in order for the transaction 5 to be applied.

r. Risk Indicator Inconsistent on Transaction 5 - #18

During any special extensions the Governing Committee has granted for transaction 5 reporting, the risk indicator on the transaction 5 cession must match the risk indicator on the active in-force cession in order for the transaction 5 to be applied. A risk indicator of 1 can match to a risk indicator of either 1 or 2. Similarly, a risk indicator of 2 can match to a risk indicator of either 1 or 2. Only non-correction cessions go through this edit.

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CHAPTER II - Cession Rules and Procedures

EXHIBIT II-E-1
TAPE SESSION CORRECTION LAYOUT

FILE LABEL: NOTICE OF CESSION CORRECTION
LOCATION: TAPE
RECORDING MODE: FIXED

RECORD LENGTH: 80
BLOCKING FACTOR (TAPE): 10

Kind of Record = 1 (Detail Record)

1	Kind of Record
2	Filler
3	Company Number
4	
5	
6	Effective Year
7	
8	Policy Number
9	
10	
1	
2	
3	
4	
5	
6	
7	
8	
9	
20	
1	
2	
3	
4	Cession Record Number
5	
6	
7	Record Type
8	Corrected Effective Date
9	
30	
1	
2	
3	Corrected Policy Number
4	
5	
6	
7	
8	
9	
40	
1	

2	Corrected Policy (cont'd)
3	
4	
5	
6	
7	
8	
9	
50	Corrected Expiration Date
1	
2	
3	
4	
5	
6	Corrected CAR ID Code
7	Corrected Type of Risk
8	Corrected Transaction Code
9	Corrected Insured's Name
60	
1	
2	
3	
4	
5	
6	
7	
8	
9	
70	
1	
2	
3	
4	
5	Corrected Producer Code
6	
7	
8	
9	
80	

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CHAPTER II - Cession Rules and Procedures

F. Cession Backdate Criteria

If a Servicing Carrier is requesting a cession backdate, it should submit a letter to CAR explaining the situation and any appropriate documentation. Include in the letter all cession information (e.g., CAR ID Code, Policy Number, Effective Date, Insureds Name, etc.) so that CAR can add the cession backdate to its cession database file.

The various cession backdates that CAR has the authority to act upon are outlined below.

1. Transaction 1 and 2 Cession Backdates

Transaction 1 (new business) and 2 (renewal) cession backdates will be allowed if one or more of the following four conditions are met:

- a. Cessions for business written by ERP's with which the Servicing Carrier does not have a voluntary contract will be backdated when the Servicing Carrier can prove that:

- (1) The ERP's acted in an untimely or irresponsible manner on the particular policy.
- (2) The Servicing Carrier added the cession on-line or reported the cession via tape or wire within ten (10) business days of the date that they became aware of the problem.

Servicing Carriers should note that if they choose to cede the particular ERP's business using one of the automatic backdate options, and if CAR has been notified of this intention within the proper time frames, then CAR will automatically backdate some (if not all) of the ERP's cessions (dependent upon the automatic backdate option). This avoids the need for the Servicing Carrier to provide the documentation described in (1) and (2) above for specific policies where the involuntary ERP's untimely or irresponsible action caused a cession to be added or reported late to CAR. Please refer to page 2:A:1 and 2:A:2 for more information concerning the automatic backdating of CAR coverage for policies written by ERP's.

- b. CAR will backdate cessions when the Servicing Carrier can prove that the failure to add the cession notice using the on-line cession reporting application was outside of their control. The incorrect actions (or omissions) of a Representative Producer with which the Servicing Carrier has a voluntary contract or a Servicing Carrier employee would be considered within the control of the Servicing Carrier and, therefore, not a valid reason to permit a cession backdate. (Note that no access to the on-line cession reporting applications is an invalid reason).

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CHAPTER II - Cession Rules and Procedures

F. Cession Backdate Criteria (continued)

1. Transaction 1 and 2 Cession Backdates (continued)

c. Cessions will be backdated provided that:

- (1) The Servicing Carrier contacted CAR and informed them of a systems problem, which prevented the Servicing Carrier from adding cessions using the on-line cession reporting application. In such cases, CAR allows the Servicing Carrier to fax cession notices.
- (2) CAR's on-line cession reporting application is unavailable during the course of a business day. In such cases, CAR allows the Servicing Carrier to fax cession notices.
- (3) Proof that the Servicing Carrier mailed a cession tape to CAR (by a method other than regular mail) on a timely basis is documented and supplied to CAR.
- (4) The Servicing Carrier cannot transmit cession data because the ATT Network is experiencing system problems.
- (5) The Servicing Carrier notifies CAR of the cession backdate request within thirty (30) business days from the date the cession is loaded to CAR's cession database file and lists on the CR156 on-line activity list.

d. Cession backdates will be allowed provided that the Servicing Carrier can conclusively demonstrate the intent to cede a policy by meeting the following conditions:

- (1) For each policy that a Servicing Carrier is requesting a cession backdate, a photocopy of the Dec page containing the statistical coding indicating a ceded policy must be supplied to CAR. If this documentation is not available, other internal documentation clearly demonstrating a decision to cede may be substituted. For commercial policies, the letter to the insured stating the policy premium is based upon CAR's rate, must also be supplied.
- (2) The documentation must also conclusively demonstrate that the decision to cede the policy was made prior to the effective date for renewals or was made within twenty-three (23) days of the effective date for new business.

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CHAPTER II - Cession Rules and Procedures

F. Cession Backdate Criteria (continued)

1. Transaction 1 and 2 Cession Backdates (continued)

- (3) The premium records must be reported within two (2) accounting months of the policy's effective date (i.e. premium for a March effective date policy must be reported by the April submission) and must be reported as ceded business. Note that a similar two-month sliding scale would be utilized in the case of late rates for a new year. For applicable commercial policies, the CAR rate must be utilized.
- (4) The appeal must be made within forty-five (45) days of company receipt of the CA2400 -Critical Accounting Error Listing on which the policy first appeared. (The appeal may be made sooner, if the company discovers the error earlier.)
- (5) The company must conclusively demonstrate that they have sound cession verification procedures and have also implemented new procedures to rectify the problems which created the need for the backdate request.

The appeal should be sent to CAR's Data Operations Department. All information received by CAR will be reviewed to determine if the company has met the necessary condition. CAR will approve those requests for 25 cessions or less and for which all conditions have been satisfactorily met. All other appeals will be presented to the Operations Committee for review. For each cession backdate approved, a \$25 processing fee will be assessed in CAR's next quarterly cash flow.

2. Transaction 5 Cession Backdates

Transaction 5 (policy removal) cession backdates will be allowed in the following instances:

a. Renewals will be backdated provided that:

- (1) Servicing Carriers prove (and must supply the proof to Commonwealth Automobile Reinsurers) that they intended to remove the policy from CAR prior to its renewal date. Servicing Carriers prove they intended to remove the policy within the extended timeframes, granted each year by the Governing Committee, for reporting a transaction 5 cession.
- (2) The dollar amounts on any premium or loss records reported as ceded business net to zero.

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CHAPTER II - Cession Rules and Procedures

F. Cession Backdate Criteria (continued)

2. Transaction 5 Cession Backdates (continued)

b. New Business will be backdated provided that:

- (1) Servicing Carriers prove they intended to remove the policy from CAR before the effective date or within the extended timeframes for reporting a transaction 5 cession.
- (2) The dollar amounts on any premium or loss records reported as ceded business net to zero.

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Chapter III - Premium

A. Rating

1. General

Each Servicing Carrier shall rate all policies reinsured through Commonwealth Automobile Reinsurers (CAR) in accordance with the manual of classifications, rules and rates, and rating plans filed by or on behalf of CAR.

2. Private Passenger

Each Servicing Carrier shall charge the policyholder a premium for the policy based on the coverage and limits provided at the rates promulgated by the Commissioner of Insurance. Additionally, each risk reinsured through CAR shall be subject to the provisions of the Safe Driver Insurance Plan (SDIP) established by the Commissioner of Insurance in the same manner as risks not reinsured through CAR.

3. Commercial

Each Servicing Carrier shall charge the policyholder a premium for the policy based on the coverage and limits provided at the rates filed by or on behalf of CAR and approved by the Commissioner of Insurance.

4. Experience Rating

Each Servicing Carrier must adjust the premium for each risk reinsured through CAR which qualifies for experience rating in accordance with the eligibility requirements set forth in the Experience Rating Plan filed by or on behalf of CAR and approved by the Commissioner of Insurance.

5. Verification of Proper Rating

CAR will verify that ceded policies have been properly rated. For private passenger policies, a computer edit will be performed to ensure that the proper premiums are reported for the rating factors identified on the statistical record. Servicing Carriers, which report private passenger submissions containing a substantive percentage of records with rating errors, are required to submit offset and re-enter correction records in a subsequent monthly accounting/statistical submission.

Manual of Administrative Procedures

Chapter III - Premium

A. Rating (continued)

5. Verification of Proper Rating (continued)

For commercial premiums, CAR will perform audits for a sampling of a Servicing Carrier's ceded commercial policies. For the policies audited, the Servicing Carrier is required to provide CAR with all the supporting information needed to rate the policy. CAR will rate the policy using all applicable commercial and experience rating plans, and verify that the premium statistically reported by the Servicing Carrier has been properly rated. All premium discrepancies identified must be corrected by the Servicing Carrier through the reporting of premium accounting/statistical records within two (2) accounting months from the date the Servicing Carrier is notified of the discrepancies.

6. Required Cedeable Limits and Coverages

Massachusetts Law requires that a Servicing Carrier must make available at least the following coverages and limits of liability to those risks, both private passenger and commercial, reinsured through CAR:

a. Liability Coverages

Personal Injury Protection

Bodily Injury - \$250,000/\$500,000

Medical Payments - \$5,000

Uninsured Motorist Coverage - \$250,000/\$500,000

Underinsured Motorist Coverage - \$250,000/\$500,000

Property Damage - \$50,000

b. Physical Damage Coverage

Collision - \$500 Deductible

Limited Collision

Comprehensive - \$500 Deductible

Fire and Theft - \$500 Deductible

Comprehensive or Fire and Theft - \$100 Glass Deductible

c. All coverages and limits required by any financial responsibility law or State or Federal regulation as defined in Rule 2 of CAR's Rules of Operation under the definition of an eligible risk.

Manual of Administrative Procedures

Chapter III - Premium

A. Rating (continued)

7. Additional Cedeable Limits and Coverages

- a. In addition to the cedeable coverages and limits required by Law, CAR Rules of Operation allow a Servicing Carrier, at their discretion, to increase the cedeable limits for policies issued in accordance with the Private Passenger Manual as follows:

(1) Liability Coverages

Bodily Injury - \$500,000/\$500,000

Medical Payments - \$25,000

Uninsured Motorist Coverage - \$500,000/\$500,000

Underinsured Motorist Coverage - \$500,000/\$500,000

Property Damage - \$250,000

(2) Physical Damage

Collision - \$300 Deductible

Limited Collision

Comprehensive - \$300 Deductible

Fire and Theft - \$300 Deductible

Towing

Substitute Transportation

- b. In addition to the cedeable coverages and limits required by Law, CAR Rules require a Servicing Carrier, at the option of the insured, to increase the cedeable limits for policies issued in accordance with the CAR Commercial Automobile Manual as follows:

(1) Garage Insurance

Liability

Bodily Injury - \$1,000,000/\$1,000,000

Medical Payments - \$5,000

Uninsured Motorist Coverage - \$500,000/\$500,000

Underinsured Motorist Coverage - \$500,000/\$500,000

Property Damage - \$500,000

Manual of Administrative Procedures

Chapter III - Premium

A. Rating (continued)

7. Additional Cedeable Limits and Coverages (continued)

(1) Garage Insurance

Physical Damage

Collision - \$300 Deductible

Limited Collision

Fire, Theft and Combined Additional Coverage - \$300 Deductible

Automobile Dealer's Physical Damage - \$1,000,000 per location

Garagekeepers' Legal Liability \$1,000,000

Drive-Away-Collision

Direct Primary Garagekeepers' Liability - \$1,000,000

(2) Taxicabs

Liability

Bodily Injury - \$250,000/\$500,000

Medical Payments - \$5,000

Uninsured Motorist Coverage - \$250,000/\$500,000

Underinsured Motorist Coverage - \$250,000/\$500,000

Property Damage - \$50,000

Physical Damage

Collision - \$300 Deductible

Limited Collision

Comprehensive \$300 Deductible

Fire and Theft - \$300 Deductible

(3) All Other Commercial Classes Including Private Passenger Types

Liability

Bodily Injury - \$1,000,000/\$1,000,000

Medical Payments - \$10,000 (for Limousines and Car Service - \$5,000 and for Private Passenger Types - \$25,000)

Uninsured Motorist Coverage - \$500,000/\$500,000

Underinsured Motorist Coverage - \$500,000/\$500,000

Property Damage - \$500,000

Combined Single Limit - \$1,000,000

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Chapter III - Premium

A. Rating (continued)

7. Additional Cedeable Limits and Coverages (continued)

(3) All Other Commercial Classes Including Private Passenger Types

Physical Damage

Collision - \$300 Deductible

Limited Collision

Comprehensive - \$300 Deductible

Fire, Theft and Combined Additional Coverage - \$300 Deductible

Towing

Rental Reimbursement

(4) Miscellaneous Coverages and Limits

Policies on a Gross Receipts or Composite Rate Basis

Non-Ownership and Hired-Car (liability coverage only, either as a separate policy or endorsed onto an existing policy)

Trailer Interchange only when written in conjunction with motor vehicle liability coverages

Stated Amount or Agreed Value Physical Damage coverages

8. Non-Cedeable Limits and Coverages

Rule 6 of the Rules of Operation prohibits Servicing Carriers from ceding certain limits and coverages. Refer to Rule 6 for a description of the non-cedeable limits and coverages. Non-cedeable coverages include but are not limited to the following:

Physical Damage only policies

Physical Damage on Repossessed Autos

Physical Damage for Non-Owned or Hired Autos

Liability limits in excess of the limits as stated in Subsections 6 and 7 of this chapter

Refer to Section B of this chapter for instructions on how to report non-cedeable coverage.

Commonwealth Automobile Reinsurers

Manual of Administrative Procedures

Chapter III - Premium

A. Rating (continued)

9. Massachusetts Commercial Automobile Endorsements

In addition to the cedeable coverage and limits outlined in Subsections 6, 7, and 8 of this chapter, the following endorsements are also cedeable for a commercial policy:

a. Massachusetts Simplified Garage Policy Program

(1) Policy Forms

Form Title	Form Number
Garage Declarations – Massachusetts	MM 00 94 09 02
Massachusetts Garage Insurance Policy	MM 00 95 09 02

(2) Garage Endorsements

Endorsement Title	Endorsement Number
Additional Insured – Lessor of Leased Equipment	CA 20 47 07 97
Additional Insured – Municipalities	MM 25 98 09 98
Automobile Dealers – “Drive-Away” Collision or Limited Collision	CA 25 02 12 93
False Pretense Coverage	CA 25 03 07 97
Franchise Products Endorsement	MM 25 97 09 98
Garage Coverage Form – Other Than Covered Autos Exposure – Total Pollution Exclusion With a Building Heating Equipment Exception and a Hostile Fire Exception	CA 25 36 10 01
Garage Locations and Operations Medical Payments Coverage	CA 25 05 07 97
Locations and Operations Not Covered	CA 25 07 12 93
Massachusetts Changes in Garage Coverage Form	MM 25 99 09 98
Named Driver Collision Coverage	CA 25 11 12 93
Pollution Liability – Broadened Coverage For Covered Autos	MM 25 96 09 02

Commonwealth Automobile Reinsurers

Manual of Administrative Procedures

Chapter III - Premium

A. Rating (continued)

9. Massachusetts Commercial Automobile Endorsements (continued)

b. Massachusetts Simplified Commercial Automobile Program

(1) Policy Forms

Form Title	Form Number
Business Auto Coverage Form	CA 00 01 10 01
Business Auto Declarations	CA DS 03 10 01
Common Policy Conditions	IL 00 17 11 98
Declarations – Massachusetts Business Auto Coverage Form	MM 00 97 09 02
Nuclear Energy Liability Exclusion Endorsement	IL 00 21 04 98
Truckers Coverage Form	CA 00 12 10 01
Truckers Declarations	CA DS 14 10 01
Truckers Declarations – Massachusetts	MM 00 96 09 02

(2) Special Types Endorsements

Endorsement Title	Endorsement Number
Lessor – Additional Insured and Loss Payee - Massachusetts	MM 20 26 09 02
Additional Insured – Owner of Leased Vehicle	MM 20 25 09 98
Antique Auto	MM 20 04 09 98
Driving Schools	CA 20 06 12 93
Emergency Vehicles – Volunteer Firefighters and Workers Injuries Excluded	CA 20 30 12 93
Farm Tractors and Farm Tractors Equipment	CA 20 08 12 93
Guest Occupants Exclusion	MM 20 06 09 98
Leasing or Rental Concerns – Contingent Coverage	CA 20 09 07 97

Commonwealth Automobile Reinsurers

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Chapter III - Premium

A. Rating (continued)

9. Massachusetts Commercial Automobile Endorsements (continued)

(2) Special Types Endorsements (continued)

Endorsement Title	Endorsement Number
Leasing or Rental Concerns – Conversion, Embezzlement, or Secretion Coverage	CA 20 10 12 93
Leasing or Rental Concerns – Exclusion of Certain Leased Autos	CA 20 11 12 93
Leasing or Rental Concerns – Rent-it-There/Leave-it-Here Autos	CA 20 12 10 01
Leasing or Rental Concerns – Schedule of Limits for Owned Autos	CA 20 13 10 01
Leasing or Rental Concerns – Second Level Coverage	CA 20 14 07 97
Mobile Equipment	MM 20 11 09 98
Mobile Home Contents Not Covered	CA 20 17 12 93
Professional Services Not Covered	CA 20 18 12 93
Registration Plates Not Issued for a Specific Auto	MM 20 10 09 98
Sound Receiving Equipment Coverage – Fire, Police and Emergency Vehicles	CA 20 02 12 93

(3) Truck, Tractor, Trailer Endorsements

Endorsement Title	Endorsement Number
Commercial Automobiles Equipped with Amusement Devices	MM 23 03 09 98
Coverage for Injury to Leased Workers	CA 23 25 07 97
Explosives	MM 23 04 09 98
Multi-Purpose Equipment	CA 23 03 12 93
Rolling Stores	CA 23 04 10 01
Trailer Interchange – Fire and Fire and Theft Coverage	CA 23 13 12 93
Truckers Endorsement	CA 23 20 10 01
Truckers – Equipment Interchange Association Uniform Endorsement	CA 23 15 01 87
Truckers – Excess Coverage for the Named Insured and Named Lessors for Leased Autos	CA 23 08 12 93

Commonwealth Automobile Reinsurers

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Chapter III - Premium

A. Rating (continued)

9. Massachusetts Commercial Automobile Endorsements (continued)

(3) Truck, Tractor, Trailer Endorsements (continued)

Endorsement Title	Endorsement Number
Truckers – Insurance for Non-Trucking Use	MM 23 07 09 98
Truckers – Uniform Intermodal Interchange Endorsement (Form UIIE-1)	CA 23 17 09 00
Truckers – Named Lessee as Insured	CA 23 12 12 93
Truckers – Red Book Interchange Section Operations	CA 23 14 01 87
Wrong Delivery of Liquid Products	CA 23 05 12 93

(4) Public Transportation

Endorsement Title	Endorsement Number
Public Transportation Autos	CA 24 02 12 93

(5) Common Coverages

Endorsement Title	Endorsement Number
Additional Insured	MM 99 50 09 98
Agreed Value Insurance	MM 99 66 09 98
Auto Medical Payments Coverage	MM 99 13 09 98
Audio, Visual and Data Electronic Equipment Coverage	CA 99 60 10 01
Covered Auto Designation Symbol	CA 99 54 07 97
Drive Other Car Coverage – Broadened Coverage for Named Individuals	MM 99 22 09 98
Employees as Insureds	CA 99 33 02 99
Employee as Lessor	CA 99 47 07 97
Fire, Fire and Theft, Fire, Theft and Windstorm and Limited Specified Causes of Loss Coverages	MM 99 47 09 98

Commonwealth Automobile Reinsurers

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Chapter III - Premium

A. Rating (continued)

9. Massachusetts Commercial Automobile Endorsements (continued)

(5) Common Coverages (continued)

Endorsement Title	Endorsement Number
Garagekeepers Coverage	CA 99 37 10 01
Garagekeepers Coverage – Customers’ Sound Receiving Equipment	CA 99 59 10 01
Glass Breakage – \$100 Deductible	MM 99 51 09 98
Hired Autos Specified as Covered Autos You Own	CA 99 16 12 93
Individual Named Insured	CA 99 17 10 01
Liability Insurance – Deductible	MM 99 19 09 98
Limited Collision Coverage	MM 99 16 09 98
Loss of Use / Rental Reimbursement Coverage	MM 99 39 09 98
Loss Payable Clause – Audio, Visual and Data Electronic Equipment	CA 99 61 12 93
Massachusetts Changes	MM 99 67 09 98
Massachusetts Mandatory Endorsement	MM 99 11 09 02
Personal Injury Protection Coverage	MM 99 35 09 98
Pollution Liability – Broadened Coverage for Covered Autos	MM 99 55 09 02
Premium Adjustment and Coverage Endorsement - Massachusetts	MM 99 68 09 98
Rate Modification	MM 99 23 09 98
Restriction of PIP for Employers Subject to the Massachusetts Workers’ Compensation Act	MM 99 20 09 98
Social Service Agencies – Volunteers as Insureds	CA 99 34 12 93
Split Liability Limits - Massachusetts	MM 99 18 09 98
Stated Amount Insurance - Massachusetts	MM 99 56 09 02
Underinsured Motorists Coverage - Massachusetts	MM 99 54 09 98
Uninsured Motorists Coverage - Massachusetts	MM 99 28 09 98
Waiver of Deductible	MM 99 17 09 98

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Chapter III - Premium

B. Reporting

1. General

Each Servicing Carrier shall report premiums on policies reinsured through CAR as a normal function of statistical reporting in accordance with the reporting instructions contained in the Massachusetts Automobile Statistical Plans.

2. Reporting Policies with Non-Cedeable Limits or Coverages

For premiums which exceed the cedeable limits or coverages, the portion of the premium which exceeds the limit and/or coverage must be reported on a separate record using the special non-cedeable classification codes listed in the Special Rating and Adjustment classification code tables of the Massachusetts Automobile Statistical Plans. The CAR ID code for these records should always be voluntary. Consult the decision tables of Special Rating and Adjustment classes for the codes to be used in the other data fields. The premium portion that falls within the cedeable limits or coverage must be reported in accordance with the normal statistical requirements.

3. Timely Reporting of Premium

CAR processes each Servicing Carrier's monthly detail ceded premium reportings against the cessions on the Master File to ensure that premium is reported on a timely basis for each policy for which a notice of cession has been reported. To ensure that premiums for ceded policies are reported to CAR in a timely manner, cession/no premium error listings and penalty procedures have been developed (see Section C of this Chapter).

4. Mid-term Cession of a Policy to CAR

Upon subsequent review, a policy originally retained by a Servicing Carrier as voluntary business can be ceded to CAR. The Servicing Carrier will relinquish its responsibility on losses which occur on or after the date the notification of cession is received by CAR. However, the premium for the entire policy term is due CAR.

Manual of Administrative Procedures

Chapter III - Premium

B. Reporting (continued)

5. Mid-term Removal of a Policy from CAR

Policies can be removed from CAR mid-term by canceling the ceded policy and re-writing a voluntary policy under a different policy number. This can be accomplished by following the procedures for mid-term removal of a cession outlined in Chapter II, Section C.

6. Mid-Term Cancellation of a Policy from CAR

Cancellation premium must be reported for the ceded policy number in the normal manner, up to and including the earliest of: (1) date of expiration, (2) statutory date of cancellation, or (3) date of cancellation/rewrite. Transactions of this type must be reported no later than two accounting months after the effective month of the removal (the transaction date will reflect the effective month of the removal) using premium transaction code "13."

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Chapter III - Premium

C. Cession No Premium and Net Negative Premium Error Listings and Penalty Procedures

1. Cession/No Premium Warning List

A detail list of cessions for which no corresponding positive premium exists is available via CAR's on-line accounting application (see Exhibit III-C-1). Cessions newly identified with a Cession/No Premium error are available for review as of the 28th of each month. Cessions with existing errors are available continuously until the error condition is eliminated or the Cession/No Premium Write-Off occurs. By selecting the "Latest Listing Date" function within the application, Servicing Carriers can identify all cessions appearing for the first time in a cession/no premium error.

Unless a special waiver is granted, the Servicing Carrier will have approximately five (5) monthly detail reportings to ensure that the premium is reported (or, if appropriate, to issue a transaction code "4" cession notice indicating a policy not taken, see Section 2:C After that time, the cession moves to the Cession/No Premium Penalty List and becomes eligible for a \$60 Cession/No Premium penalty.

EXAMPLE: Policy written effective 4/05/YR - Cession date 4/05/YR.

MONTHLY REPORT		
First Month's Premium Report	4/YR	Due in CAR's office 6/15.
Second Month's Premium Report	5/YR	Due in CAR's office 7/15. On approximately 7/28, the Servicing Carrier can view the on-line Warning List showing those cessions with unreported premium. There is a function within the application to view newly listed cessions.
Third Month's Premium Report	6/YR	Due in CAR's office 8/15. On approximately 8/28, the Servicing Carrier can view the on-line Warning List showing those cessions with unreported premium.
Fourth Month's Premium Report	7/YR	Due in CAR's office 9/15. On approximately 9/28, the Servicing Carrier can view the on line Warning List showing those cessions with unreported premium.

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Chapter III - Premium

C. Cession No Premium and Negative Premium Error Listings and Penalty Procedures (continued)

1. Cession/No Premium Warning List (continued)

MONTHLY REPORT		
Fifth Month's Premium Report	8/YR	Due in CAR's office 10/15. On approximately 10/28, the Servicing Carrier can view the on-line Warning List showing those cessions with unreported premium.
Sixth Month's Premium Report	9/YR	Due in CAR's office 11/15. On approximately 11/28, the Servicing Carrier can view the on-line Warning List showing those cession with unreported premium.
Seventh Month's Premium Report	10/YR	Due in CAR's office 12/15. On approximately 11/28, the Servicing Carrier can view the on line Penalty List showing those cession with unreported premium for longer than five (5) months.

1. Cession/No Premium Warning List (Continued)

Note that older policies with new activity causing a cession/no premium condition will move at an accelerated pace from the Warning List to the Penalty List than as described above. In fact, a policy may never appear on the Warning List, but rather become immediately eligible for the Penalty List. By selecting the "Latest Listing Date" function, Servicing Carriers can identify all cessions appearing for the first time (regardless of which section the cessions may appear).

2. Cession/No Premium Penalty List

If the unreported premium is not received by the due date of the seventh monthly detail premium shipment beginning with the cession date of the cession, the cessions move to the Penalty List (see Exhibit III-C-2). Servicing Carriers will be assessed a \$60 penalty for each policy appearing on the Penalty List, approximately June 1 and December 1 (i.e. after the processing of the March and September accounting shipments). The on-line application displays the current total penalty amount.

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Chapter III - Premium

C. Cession No Premium and Negative Premium Error Listings and Penalty Procedures (continued)

2. Cession/No Premium Penalty List (continued)

The total penalty amount appearing on the Penalty Lists on approximately June 1 and December 1 will be processed by CAR as bulk adjustments to the Settlement of Balances and Members' Participation Reports for the quarters ending June 30 and December 31, respectively. All members of CAR will share in the income resulting from these penalties based upon their percentage of the industry-wide total Massachusetts Annual Statement Page 15 direct automobile premium writings for the most current calendar year for which data is available. The \$60 penalty will be assessed semi-annually until the Cession/No Premium situation is resolved for each cession.

Servicing Carriers may appeal for the reversal of the \$60 Cession/No Premium penalties in cases for which a non-effective date canceled policy has a premium value of less than \$5. The Servicing Carrier should provide CAR, in writing, the policy number and effective year of each cession/no premium error being appealed, the Coverage Selections Page, and the Cancellation Notification Documentation. For those appeals previously approved, copies of CAR Staff correspondence demonstrating previous approval is sufficient documentation.

3. Cession/No Premium Write-Off Procedures

The reporting of ceded premium for a particular policy effective year will be discontinued two (2) years following the end of a policy effective year (e.g. reporting of ceded premiums for policy effective year 1997 will be discontinued following the December, 1999 monthly accounting shipment due date). If CAR has not received the premium for the cession by the time the reporting of ceded premium for a particular policy effective year has been discontinued, the cession will be subject to the cession/no premium "write-off" procedures for the particular policy effective year.

Under the write-off procedures, the Servicing Carrier will be assessed a penalty based upon the average statewide premium for each cession. Each year the write-off amount will be calculated separately, by risk indicator (0= private passenger, 1= taxicab/limousine, and 2= commercial), and will be based on a policy count (that excludes flat cancelled and cession/no premium policies) divided by the corresponding full premium (rather than deviated) at fifteen (15) months. Note the cession/no premium write-off penalties are in addition to any semi-annual \$60 cession/no premium penalties CAR may have assessed.

Manual of Administrative Procedures

Chapter III - Premium

C. Cession No Premium and Negative Premium Error Listings and Penalty Procedures
(continued)

3. Cession/No Premium Write-Off Procedures (continued)

The total Cession/No Premium Write-Off penalty for the Servicing Carrier will be processed by CAR as bulk adjustments to the Settlement of Balances and Members' Participation Reports for the quarters ending March 31. All members of CAR will share in the income resulting from these penalties based upon their percentage of the industry-wide total Massachusetts Annual Statement Page 15 direct automobile premium writings for the particular policy effective year being written-off.

Servicing Carriers may appeal for the reversal of the Cession/No Premium Write-Off in cases for which a non-effective date canceled policy has a premium value of less than \$5. The Servicing Carrier should provide CAR, in writing, the policy number and effective year of each cession/no premium write-off error being appealed, the Coverage Selections Page, and the Cancellation Notification Documentation. For those appeals for \$60 cession/no premium penalties which have been previously approved, copies of CAR correspondence demonstrating previous approval is sufficient documentation.

4. Net Negative Premium List

Available via the on-line accounting application, Servicing Carriers may view current policies containing net negative premium (see exhibit III-C-3). This listing displays the detail premium records creating the net negative premium condition. Corrections cannot be made to this list, rather must be made by submitting offset and re-enter records in a monthly accounting shipment.

5. Net Negative Premium Write-Off Procedures

After the reporting of ceded premium for a particular policy effective year has been discontinued, CAR will "write-off" the premium records for all policies for that particular policy effective year which contain a net negative premium amount.

Manual of Administrative Procedures

Chapter III - Premium

C. Cession No Premium and Negative Premium Error Listings and Penalty Procedures (continued)

5. Net Negative Premium Write-Off Procedures (Continued)

Any policy containing net negative premium will appear on the Net Negative Premium Listing (see exhibit III-C-3). However, these policies will also appear on other listings. Policies containing net negative premium which contain an active in-force cession appear on the Cession/No Premium Warning List (see Exhibit III-C-1) or on the Cession/No Premium Penalty List (see exhibit III-C-2). These listings display the net premium dollars contained on each policy. Policies containing net-negative premium which do not contain an active in-force cession appear on the Critical Accounting Error List (see Chapter X, page D:4). They will be flagged with accounting error codes 1 and 5 and may also contain other accounting errors.

Immediately following the Cession/No Premium Write-Off for a particular policy effective year (see Section C, Part 3 of this chapter), all policies for that effective year which contain net negative premium will be subject to the Net Negative Premium Write-Off process. Under this process, offsetting premium records will be added to the CAR master file and to the quarterly participation reports for all premium records on policies, which contain a net negative policy premium amount. Thus, the net premium amount for each of these policies will be brought to zero. This write-off will be made in addition to any other penalties or write-offs to which the policies may be subject. Servicing Carriers can view the detail premium records written-off by using the on-line accounting application as well as a summary of the premium records and dollars written-off, broken down by effective year. Annually, CAR will provide a detail listing of the premium records written-off (see Exhibit III-C-4) and a summary of the premium records and dollars written-off, broken down by line of business, accounting date, and class group (see Exhibit III-C-5). For Taxi/Limo Servicing Carriers, the summary will provide separate totals for the taxi and limousine business.

6. Monitoring for Trends of Late Premium Reporting

CAR's Staff is responsible for identifying and reporting to the Chairperson of the appropriate CAR committee trends of late premium or negative premium reporting from a Servicing Carrier so that further action may be undertaken if needed.

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Chapter III - Premium

EXHIBIT III-C-1 CESSION/NO PREMIUM WARNING LIST

SCREEN 1

COMPANY 999		COMMONWEALTH AUTOMOBILE REINSURERS				CO410SA	
		ACCOUNTING ONLINE ACCESS SYSTEM				07/14/1999	
		WARNING POLICIES - LIST DATE (06/99)				03:02 PM	
FROM 018440		CAR 1ST LIST COVERAGE POL EXP				POLICY	
YR	POLICY NUMBER	RSK	ID	MM/DD/YY	MM/DD/YY	MM/DD/YY	PREM DOLL MSG DATE
=====							
X	98 018440	0	4	06/28/99	07/08/98	02/24/99	-32
-	99 002321	0	5	06/28/99	03/26/99	03/26/00	0
-	99 002561	0	4	06/28/99	03/24/99	03/24/00	0
-	99 002822	0	4	06/28/99	03/23/99	03/23/00	0
-	99 007682	0	4	06/28/99	03/18/99	03/18/00	0
-	99 008542	0	4	06/28/99	03/24/99	03/24/00	0
-	99 010326	0	4	06/28/99	03/18/99	03/18/00	0
-	99 010420	0	4	06/28/99	03/29/99	03/29/00	0
-	99 010463	0	5	06/28/99	03/29/99	03/29/00	0
-	99 010529	0	4	06/28/99	03/29/99	03/29/00	0
=====							
TYPE STARTING POLICY NUMBER -OR- TYPE 'X' TO SELECT A POLICY							

SCREEN 2

CR600SA		COMMONWEALTH AUTOMOBILE REINSURERS				07/14/1999	
COMPANY: 999		CESSION RECORD - CORRECT				03:06:08	
		REC NO 002				RCPT DTE 06/02/1999	
CAR		POL EFF DT		POL EXP DT		PROD	
ID	POLICY NUMBER	MM/DD/YYYY	MM/DD/YYYY	RSK	TX	INSURED'S NAME	CODE
4	018440	02/24/1998	02/24/1999	0	2	ROSE, ERIC	9BA870
(.)							

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Chapter III - Premium

EXHIBIT III-C-2
CESSION/NO PREMIUM PENALTY LIST

SCREEN 1

COMPANY 999			COMMONWEALTH AUTOMOBILE REINSURERS						CO410SA	
			ACCOUNTING ONLINE ACCESS SYSTEM						07/14/1999	
			PENALTY POLICIES - RISK TYPE (ALL)						03:17 PM	
FROM 016706			CAR 1ST LIST			COVERAGE		POL EXP	POLICY	
YR	POLICY	NUMBER	RSK	ID	MM/DD/YY	MM/DD/YY	MM/DD/YY	PREM DOLL	MSG	DATE
=====										
X	98	016706	0	4	01/28/99	10/09/98	10/31/98	0		
-	98	017209	0	5	01/28/99	10/24/98	10/31/98	0		
-	98	017348	0	5	01/28/99	10/29/98	10/31/98	0		
-	98	017649	0	5	01/28/99	10/06/98	10/31/98	0		
-	98	017661	0	4	01/28/99	10/17/98	10/31/98	0		
-	98	017726	0	5	01/28/99	10/25/98	10/31/98	0		
-	98	018480	0	5	01/28/99	10/18/98	10/31/98	0		
-	98	018484	0	5	01/28/99	09/30/98	09/30/98	0		
-	98	018585	0	5	01/28/99	10/04/98	10/31/98	0		
-	98	018685	0	5	01/28/99	10/20/98	10/31/98	0		
TYPE STARTING POLICY NUMBER -OR- TYPE 'X' TO SELECT A POLICY										

SCREEN 2

CR600SA		COMMONWEALTH AUTOMOBILE REINSURERS					07/14/1999	
COMPANY: 999		CESSION RECORD - CORRECT					03:21:55	
							REC NO 001 RCPT DTE 10/20/1998	
CAR		POL EFF DT	POL EXP DT				PROD	
ID	POLICY NUMBER	MM/DD/YYYY	MM/DD/YYYY	RSK	TX	INSURED'S NAME	CODE	
4	016706	10/09/1998	10/09/1999	0	1	SHEEHAN, MEGHAN, F	000004	
(.)								

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EXHIBIT III-C-4
DETAIL LISTING OF PREMIUM RECORDS WRITTEN-OFF

SCREEN 1

COMPANY	999	COMMONWEALTH AUTOMOBILE REINSURERS	CO810SA
NEXT WO	04/23/2000	ACCOUNTING ONLINE ACCESS SYSTEM	07/15/1999
EFF YR	1996	POLICIES WRITTEN OFF - PREMIUM	09:23 AM

YR	POLICY NUMBER	COV EFF MM/DD/YY	COV EFF MM/DD/YY	PREM WO RECORDS	DOLLARS	LOSS WO RECORDS	DOLLARS	MSG DT MMDDYY
X 96	010600	99/99/99	00/00/00	1	310	0	0	
96	011565	99/99/99	00/00/00	34	13	0	0	
96	011669	99/99/99	00/00/00	1	3	0	0	
96	014482	10/11/96	09/17/97	68	120	0	0	
96	016469	99/99/99	00/00/00	1	288	0	0	
96	016629	99/99/99	00/00/00	1	80	0	0	
96	016725	99/99/99	00/00/00	2	75	0	0	
96	017303	99/99/99	00/00/00	5	9	0	0	
96	017625	99/99/99	00/00/00	1	482	0	0	
96	018528	99/99/99	00/00/00	1	64	0	0	

TYPE 'X' BESIDE YR OF CHOSEN POLICY

SCREEN 2

COMPANY	999	COMMONWEALTH AUTOMOBILE REINSURERS	CO825SA
NEXT WO	04/23/2000	ACCOUNTING ONLINE ACCESS SYSTEM	07/15/1999
EFF YR	96	PREMIUM WRITTEN OFF - LISTING	09:27 AM

POLICY NUMBER	COV EFF MM/DD/YY	COV EXP MM/DD/YY	PREMIUM RECORDS	DOLLARS	PAID LOSS RECORDS	DOLLARS	MSG DATE MM/DD/YY
010600	99/99/99	00/00/00	1	310	0	0	02/16/99

===== P R E M I U M =====

LI	EFF	ACTG	EXP	TRANS	RECEIPT	PRM	CLS	D	P	PREMIUM	PREMIUM	ERROR
TX	NE	MO	MM/YY	MM/YY	MM/YY	MM/DD/YY	TWN	CLASS	GRP	C	S	D
12	41	10	11/97	10/97	10/96	04/24/99	603	110100	1	4	0	1
											310	0
												145

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Chapter III - Premium

**EXHIBIT III-C-5
SUMMARY REPORT OF PREMIUMS WRITTEN-OFF**

CA3250Y	COMMONWEALTH AUTOMOBILE REINSURERS						RUN DATE 04/24/1999	
SUMMARY OF PREMIUM RECORDS WRITTEM-OFF FOR POLICY YEAR 1996								
COMPANY 999 ANY INSURANCE COMPANY								
	CLASS GROUP 1 - PRIVATE PASSENGER				CLASS GROUP 2&3-ALL OTHER BUSINESS			
	RECORDS	DOLLARS	CED EXP PERCENT	CEDING EXPENSES	RECORDS	DOLLARS	CED EXP PERCENT	CEDING EXPENSES
ACCOUNTING YEAR 1996								
LIABILITY & NO-FAULT	138	\$1,216-	35.50	\$431-	58	\$3,724-	30.64	\$1,141-
PHYSICAL DAMAGE	45	\$2,562-	39.23	\$1,005-	31	\$820-	41.52	\$340-
GRAND TOTAL	183	\$3,778-		\$1,436-	89	\$4,544-		\$1,481-
ACCOUNTING YEAR 1997								
LIABILITY & NO-FAULT	18	\$3,129-	35.11	\$1,098-	0	\$0	28.51	
PHYSICAL DAMAGE	4	\$81-	39.31	\$31-	0	\$0	36.20	
GRAND TOTAL	22	\$3,210-		\$1,129-	0	\$0		\$0
ACCOUNTING YEAR 1998								
LIABILITY & NO-FAULT	13	\$1,352-	32.67	\$441-	10	\$2,018	32.85	\$662
PHYSICAL DAMAGE	7	\$238-	35.97	\$85-	0	\$0	37.97	
GRAND TOTAL	20	\$1,590-		\$526-	10	\$2,018		\$662
ALL YEARS								
LIABILITY & NO-FAULT	169	\$5,697-		\$1,970-	68	\$1,706-		\$479-
PHYSICAL DAMAGE	56	\$2,881-		\$1,121-	31	\$820-		\$340-
GRAND TOTAL	225	\$8,578-		\$3,091-	99	\$2,526-		\$819-

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Chapter III - Premium

D. Experience Rating Error Listing and Penalty Procedures

1. Reporting Requirements for Experience Rated Policies

For each ceded policy subject to experience rating, the Servicing Carrier must submit a Notification of Policy Subject to Experience Rating Form. Refer to Exhibit III-D-1. Through editing and comparison of this form with policies identified as eligible for experience rating from the Servicing Carriers' monthly detail premium reportings, CAR will produce listings to assure the proper rating and reporting of ceded experience rated policies.

The experience rating error and penalty listings will be produced five times at three month intervals for each policy year. In this manner, the final listing for a particular policy year will be produced by comparing a minimum of fifteen accounting months of statistical data to the Notification of Policy Subject to Experience Rating Forms received during the same fifteen month period.

Detail instructions on the completion of the form are as follows:

- a. Print or type all information as clearly and legibly as possible.
- b. Verify prior to submission to CAR that the policy number on the form matches exactly to the policy number reported on cession notices and premium statistical records. CAR compares the information on the notification form to statistically reported premium information. If the policy numbers do not match, unnecessary error listings are generated.
- c. If the form is an original submission, check the box next to Original and only complete Part II.

Company Number - The three digit company code number.

Policy Number - The policy number for the risk which must match exactly to the policy number reported on the cession notice and premium statistical records.

Name of Risk - The name appearing on the policy as the insured.

Effective Date - The effective date of the policy.

Tax Identification No. - The tax identification number for the insured. If a number does not exist as in the case of municipalities, indicate this to be the case on the form. If the insured does not have a tax identification number for any other reason, use the social security number of the policyholder.

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Chapter III - Premium

D. Experience Rating Error Listing and Penalty Procedures (continued)

1. Reporting Requirements for Experience Rated Policies (continued)

Liability Modification - The three digit modification factor. For example, a 5% credit should be reported as 0.95. Conversely a 5% debit should be reported as 1.05.

Physical Damage Modification - The three digit modification factor reported in the same manner as described for liability.

Garage Policy - This block should be checked if the form is being submitted for a garage policy.

GKLL/Dealer's Physical Damage Modification - The three digit modification factor for Garagekeepers' Legal Liability or Dealer's Physical Damage.

Status - Check the appropriate box. Please note that if (3) is indicated, the name of the former insurer and the date of the request for prior information must be completed.

- d. If the form is a correction notice, check the box next to Correction and complete Part 1 in its entirety. Also, complete the sections in Part II, which pertain to the information being corrected.

Be extremely certain that the company number, policy number, and effective date reported in Part 1 match exactly to the company number, policy number, and effective date on the original submission. If a corresponding entry does not exist on the CAR Experience Rating File, the correction form will be returned without being processed.

- e. The signature of the person completing the form must be included on each form submitted. This will enable CAR staff to contact the appropriate individual should the need arise.

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Chapter III - Premium

D. Experience Rating Error Listing and Penalty Procedures (continued)

2. Experience Rating Penalty Listing

The Notification of Policy Subject to Experience Rating Form must be received at CAR within 120 calendar days from the ceded policy's effective date. Penalties will be assessed for each form which is received later than the 120 calendar day time frame. For policies effective January 1, 1985 and subsequent, the following penalty amounts apply:

121 - 150 days from the policy effective date = \$ 25
151 - 180 days from the policy effective date = \$ 50
181 - 210 days from the policy effective date = \$ 75
211 or more days from the policy effective date = \$100

On a quarterly basis, Servicing Carriers will be provided an Experience Rating Penalty Listing (Exhibit III-D-2) of all policies eligible for the penalty.

All Servicing Carriers' penalty assessments will be processed by CAR as bulk adjustments and appear on the Settlement of Balances and Member's Participation Reports. The monies generated from these penalty assessments will be shared by all members of CAR based upon their percentage of the industry-wide total Massachusetts Annual Statement Page 14 direct automobile written premiums used for determining the sharing of CAR' administrative expense accounts in the Other Than Private Passenger Pools for the most recent calendar year for which data is available.

3. Policies Eligible for Experience Rating - Experience Rating Notification Forms Not Reported Listing

This report (see Exhibit III-D-3) lists, in policy number order, those ceded policies found to be eligible for experience rating for which a notification form has not been received. Eligibility for experience rating is determined based upon the statistical data submitted for each policy. A ceded policy is considered eligible if the liability exposure is greater than or equal to 60 car months, or if the physical damage exposure is greater than or equal to 60 car months and the total physical damage premium is greater than or equal to \$500. For taxis, a ceded policy is considered eligible if the liability exposure is greater than or equal to 12 car months or if the physical damage premium is greater than or equal to \$1,000.

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Chapter III - Premium

D. Experience Rating Error Listing and Penalty Procedures (continued)

3. Policies Eligible for Experience Rating - Experience Rating Notification Forms Not Reported Listing (continued)

The match between the notification forms and the statistical data is based upon company number, policy number, and policy effective month and year. Policy numbers contained on the notification forms must match exactly to the policy numbers reported in the statistical records.

Servicing Carriers are required to research each policy listed and note on the report the corrective action taken. If it is found that a policy is not eligible for experience rating, the Servicing Carrier is required to submit documentation which will support the Servicing Carrier's belief that the policy is not eligible. Such documentation must include a copy of the declaration page for the policy. The report, with the "Corrective Action Taken" section completed, must be returned to CAR within 60 calendar days from the date the listing is mailed to the Servicing Carrier.

In order to ensure that all eligible policies have been experience rated, and the proper notification submitted to CAR, a penalty of \$100 will be assessed for each policy for which successful corrective action was not taken and which appears on the final Experience Rating Notification Forms Not Reported Listing for the particular policy year.

4. Experience Rating Notification Forms - Statistical Data Not Reported Listing

This report (Exhibit III-D-4) lists in policy number order those ceded policies for which a notification form has been submitted, but for which the statistical data for the policy has not been reported.

The match between the notification forms and statistical data is based upon company number, policy number, and policy effective month and year. The policy number contained on the notification forms must match exactly to the policy numbers reported in the statistical records.

Servicing Carriers are required to research each policy listed and note on the report the corrective action to be taken by the Servicing Carrier. If the policy was non-renewed or canceled flat, documentation to support the non-renewal or flat cancellation must be submitted to CAR. The report, with the "Corrective Action Taken" section completed, must be returned to CAR within 60 calendar days from the date the listing is mailed to the Servicing Carrier.

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Chapter III - Premium

D. Experience Rating Error Listing and Penalty Procedures (continued)

5. Exchange of Experience Rating Information

All members of CAR must provide to a Servicing Carrier upon request the information necessary to determine the proper experience rating modification for any policy eligible for experience rating which is to be ceded to CAR. If a Servicing Carrier has been unable to obtain this information from another member of CAR, it will notify CAR of the situation. CAR will then request the member to provide the information to the Servicing Carrier within ten business days. Failure of any member to provide experience rating information for a ceded policy within ten business days of receiving a request from CAR will result in a penalty of \$500.

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Chapter III - Premium

EXHIBIT III-D-1

COMMONWEALTH AUTOMOBILE REINSURERS
NOTIFICATION OF POLICY SUBJECT TO EXPERIENCE RATING

☐ Original - Complete Part II Only Date:

Servicing Carrier Name:

☐ Correction - Complete Parts I and II Address:

Part I

Company No. _____ (as originally submitted)

Effective Date _____ (as originally submitted)

Policy No. _____ (as originally submitted)

Part II (for corrections only complete the information to be corrected)

Company Number

Policy Number

Name of Risk

Effective Date

Tax Identification No.

Liability Modification

Physical Damage Modification

Garage Policy ☐

GKLL/Dealer's Physical Damage Modification

Status: Complete only if no modification has been applied.

(1) ___ Insured New in Business

(2) ___ Change of Ownership

(3) ___ Unable to Obtain Prior Year Experience

a) Requested From

Insurance Co. Date

I understand this notification should agree with the company number, policy number, and insured's name as submitted on the cession notice and statistical records.

Submitted By

Commonwealth Automobile Reinsurers

Manual of Administrative Procedures

Chapter III - Premium

**EXHIBIT III-D-2
EXPERIENCE RATING PENALTY LISTING**

Commonwealth Automobile Reinsurers

ER685Q

Experience Rating Penalty Listing

Company

Policy Number	Insured Name	Eff. Date	Date Rec.	Days Elapsed	Penalty
803608	J.W. Brad	01/01/2001	12/13/2000	329	\$100
816273	Dietz Cons	01/01/2001	12/13/2000	133	\$25
832261	Malone, E.A.	01/01/2001	12/13/2000	195	\$75

Total Policies Listed	3
Total Penalties Assessed	\$200

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Chapter III - Premium

**EXHIBIT III-D-3
LISTING OF POLICIES ELIGIBLE FOR EXPERIENCE RATING -
EXPERIENCE RATING FORMS NOT REPORTED**

Commonwealth Automobile Reinsurers
Policies Eligible For Experience Rating
Experience Rating Notification Forms Not Reported

ER685Q

Company

Policy Number	Effective Date	Corrective Action
454002	01/2001	
999001	01/2001	
999002	01/2001	
999003	01/2001	
999004	01/2001	
999005	01/2001	
Total Policies Listed	6	

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Chapter III - Premium

**EXHIBIT III-D-4
LISTING OF EXPERIENCE RATING NOTIFICATION FORMS -
STATISTICAL DATA NOT REPORTED**

Commonwealth Automobile Reinsurers
Experience Rating Notification Forms
Statistical Data Not Reported

ER685Q

Company

Policy Number	Insured Name	Effective Date	Date Received
Q3K08007601	Handy Crane	01/01/2001	12/13/2001
Q3K08016001	Lite Contractors	01/01/2001	12/13/2001
Q3K08016101	Metropolitan	01/01/2001	12/13/2001
Q3K08017401	Charles ZA	01/01/2001	12/13/2001
Q3K08018001	Itam Realty	01/01/2001	12/13/2001

Total Policies Listed 5

Commonwealth Automobile Reinsurers

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Chapter IV - Claims

A. Records

Upon request, Servicing Carriers shall deliver to CAR:

1. individual claim files to support the payment or recovery of loss or expense,
2. underwriting files related to the issuance, rating, and endorsement of policies, including, but not limited to, evidence of the types and limits of coverage applicable to payments of loss or expense,
3. copies of records of internal audits performed in compliance with Rule 10 A (5), and
4. copies of records of complaints maintained in compliance with Rule 10 A (6).

Servicing Carriers shall preserve for at least three years records required by Rules 10 A (5) and 10 A (6).

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Chapter IV - Claims

B. Fraud

The reduction of insurance fraud, by monitoring and coordinating the investigation of suspicious claims, is an important goal of Commonwealth Automobile Reinsurers. It seeks the achievement of three beneficial results:

1. successful resistance to the payment of fraudulent claims,
2. the establishment of a deterrent to fraud, and
3. the reduction of losses, with the consequent improvement in insurance rates.

In order to achieve these results, Servicing Carriers must pursue the investigation of fraud by establishing a commitment to support and encourage the activities of their Special Investigative Units.

1. Each Servicing Carrier, in addition to maintaining a Special Investigative Unit to investigate suspicious claims, shall report to CAR, at least monthly, all suspicious motor vehicle claims referred to its Special Investigative Unit. These reports, on cards provided by CAR, will contribute to a central index system for the use of the Servicing Carriers. The following information shall be reported:
 - a) name and address of policyholder
 - b) date of birth
 - d) policy number
 - c) date of loss
 - e) claim number
 - f) license number
 - g) type of loss
 - h) year, make and model of vehicle
 - i) vehicle identification number
 - j) reasons for suspicion

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Chapter IV - Claims

B. Fraud (continued)

2. Each Servicing Carrier shall report quarterly to CAR:
 - a) number of cases assigned to its S.I.U.
 - b) number of cases in which payment denied or compromised for physical damage, bodily injury, and personal injury protection claims
 - c) dollars saved during the period through denials or compromises
3. Each Servicing Carrier shall, in addition, report to CAR such information as it may request with respect to the operation of its Special Investigative Unit.

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Chapter IV - Claims

C. Statistical Evaluation

One way in which the CAR Claim Department will monitor the performance of Servicing Carriers, both collectively and individually, is by comparative analyses of selected statistical data reported in compliance with the statistical plans. Such analyses identify trends and deviations which may warrant reviews of claim files in search of explanations.

The CAR Claim Department will supply annually to each Servicing Carrier a report of its average cost per claim for each coverage and a comparison of its averages with those of other Servicing Carriers with similar volumes of business and with the combined averages of all Servicing Carriers. The report will also cover salvage and subrogation.

The continuity and adequacy of reserves will be monitored by programs which record and follow them from quarter to quarter and which ultimately compare the reserve to the payment.

Other programs permit the analyses of claim frequencies, allocated expense, and other indicia of the effectiveness of claim department operations.

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Chapter IV - Claims

D. Claim Files

The Commonwealth Automobile Reinsurers' Claim Department will review as necessary a representative selection of the claim files of each Servicing Carrier.

Claims for review will not be selected at random with the intent of producing data which can be extrapolated. Rather, they will be selected manually from monthly lists of payments and credits of loss and expense to provide a variety of claims, both large and small, involving liability and physical damage coverages.

The review will monitor compliance with Rule of Operation 10 - Claim Practices - and will consider whether the claims were handled in a lawful and timely manner consistent with The Performance Standards for the Handling and Payment of Claims by Servicing Carrier. The review will also cover the quality of investigation and the imagination applied to it, and the adequacy of documentation.

At the conclusion of the review, the Claim Department will send to the Servicing Carrier a written report detailing their compliance with the Performance Standards. Non-compliance will be addressed as outlined in the Measurements and Penalties portion of the Performance Standards.

In addition to routine annual reviews, the Claim Department may conduct special reviews to seek explanations of undesirable statistical trends or significant deviations from averages.

The Claim Department may request a Servicing Carrier to correct arithmetical errors, to offset overpayments, and to absorb the cost of a claim which it handled improperly. A Servicing Carrier shall promptly take the action requested or provide a written explanation of why it believes that it should not take such action. Disagreements that cannot be resolved shall be considered by the Claims Advisory Committee.

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Chapter IV - Claims

E. Reporting

1. General

Each Servicing Carrier shall report losses on policies ceded to the Commonwealth Automobile Reinsurers as a normal function of statistical reporting in accordance with the reporting instructions contained in the Massachusetts Automobile Statistical Plans.

2. Reporting Policies With Non-Cedable Limits or Coverages

For losses which exceed the cedable limits or coverages, the portion of the loss which exceeds the limit of coverage must be reported on a separate record using the special non-cedable classification codes listed in the Special Rating and Adjustment Classification Code Tables of the Massachusetts Automobile Statistical Plans. The CAR ID Code for these records should always be voluntary. Consult the decision tables of Special Rating and Adjustment Classes for the codes to be used in other data fields. The loss portion that falls within the cedable limits or coverage must be reported in accordance with the normal statistical requirements.

3. Verification of Loss Coverage by the Commonwealth Automobile Reinsurers

The Commonwealth Automobile Reinsurers processes each Servicing Carrier's monthly detail ceded losses against the premium and cessions on the Master File to ensure that there is an in-force cession and in-force premium for each policy on which a loss is reported and that the loss occurred on or after the cession effective date and on or before the cession expiration or cancellation date. Losses which do not meet these criteria will be listed on accounting error listings. If the situation is not corrected within three listing cycles, the loss will be written-off, meaning that the Commonwealth Automobile Reinsurers will recoup any reimbursement made to the Servicing Carrier for that loss (for further details on CAR's verification of loss coverage, refer to Chapter X of this Manual).

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Chapter IV - Claims

E. Reporting (continued)

4. Outstanding Losses

Each Servicing Carrier shall establish, maintain, and report, as provided in the Massachusetts Automobile Statistical Plans, adequate reserves for the payment of outstanding losses.

As required by the Massachusetts Automobile Statistical Plans, losses are reported on a paid-outstanding basis (as opposed to a closed-open basis). Outstanding losses, reported on a quarterly basis, must be valued at the close of each quarter. If a payment has been made on a claim, the Servicing Carrier must reduce the value of the reserve by that amount. If the projected loss for a claim has been increased, the Servicing Carrier should increase the reserve amount. Reserves for the allocated loss adjustment expense portion of a claim should be reported as a separate record using the code for outstanding allocated loss adjustment expenses listed on the Transaction Type Code pages of the Massachusetts Automobile Statistical Plans.

Note that although no reimbursement is made for the reserve portion of a claim, the outstanding losses are reflected in the Members' Participation Reports each quarter and are also utilized in the process of projecting incurred but not reported (IBNR) losses each quarter.

5. Allocated Loss Adjustment Expense

Allocated Loss Adjustment Expense should be reported as a separate record using the codes for allocated loss adjustment expense listed on the Transaction Type Code pages of the Massachusetts Automobile Statistical Plans. Note that although it is optional to report allocated loss adjustment expense on claims for non-ceded business, it is necessary to report it for ceded business in order to secure reimbursement for that portion of a loss.

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Chapter IV - Claims

E. Reporting (continued)

5. Allocated Loss Adjustment Expense (continued)

Allocated loss adjustment expenses are the following types of expenses of a Servicing Carrier in connection with claim settlements which can be directly allocated to a particular claim. The following are allowable allocated loss adjustment expenses:

- a. External Attorney's fees for claims in suit.
- b. House counsel fees for claims in suit (excluding subrogation claims, see Section 7, A).

These fees may be reported provided that:

- 1. the fees are computed at the same rate and by the same method as non-ceded claims, and
- 2. the fees reflect the total operational cost, including labor, on an individual suit basis and are substantiated by time statistics.

NOTE: Operational costs are defined as expenses which are normally contained in company overhead, such as rent, heat, electricity, benefits, etc., but excludes any items of profit.

- c. Arbitration, court, and other specific items of expense such as:

Examinations under oath
Accident reconstruction services
Medical examination (to determine the extent of the company's liability)
Preferred Provider Network/Organization expenses incurred on a particular claim
Expert medical or other evidence
Laboratory and x-ray
Autopsy
Stenographic
Witnesses and summonses

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Chapter IV - Claims

E. Reporting (continued)

5. Allocated Loss Adjustment Expense (continued)

Copies of documents
Public record/police/fire reports (to the limit provided for by law)
Motor vehicle registration search fees
Appraisals of property (excluding motor vehicles)
Special investigation of a claimant's background (including asset/credit reports)
Engine oil, fluid analysis

6. Unallocated Loss Adjustment Expenses

The following items are unallocated expenses and shall not be reported:

- a. Overhead, salaries, and traveling expenses of company employees (other than amounts allocated as attorney's fees for claims in suit).
- b. Special investigations (concerning the facts of the loss).
- c. Adjuster's fees (including those paid to independent adjusters and/or attorneys for adjusting claims).

NOTE: The term "adjusting" includes the investigation and adjustment of claims, the disposition of salvage, and the recovery of subrogation claims not in suit.

- d. Fees for appraisals of motor vehicles (including preinspections and intensified appraisals).
- e. Salvage pool expenses - to be reported under transaction Code 25, indicating salvage recovery.
- f. Fees for retrieval of preinspection reports.

Unallocated expenses are not reported as detailed statistical records. Servicing Carriers are reimbursed for unallocated expenses via an interim expense allowance factor applied to the premium reported each month. Refer to Chapter V for further explanation of expense allowances.

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Chapter IV - Claims

E. Reporting (continued)

7. Subrogation Recoveries/Expenses

Certain expenses incurred in effecting recovery, not to exceed the original loss amount, may be reported separately using a subrogation transaction code or deducted from the recovered amount.

a. Subrogation expenses that may be reported or deducted from the recovered amount:

1. attorney's fees and associated costs for claims in suit
2. court costs
3. location/address reports

b. Subrogation expenses that are not to be reported or deducted from the recovery amount:

1. cost of company employees
2. collection agency fees
3. subrogation recovery services

8. Salvage Recoveries/Expenses

The following salvage expenses with a salvage transaction Code 25 may be reported as separate records or netted from the recovery amount:

1. Original towing and storage charges - excluding losses resulting from towing and labor
2. Haul fee (to salvage yard)
3. Pool fee or commission
4. Auction fee
5. Salvage title fee (to the limit provided by law). Fees charged by independent services/salvors to obtain title shall not be reported.

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Chapter IV - Claims

E. Reporting (continued)

9. Taxicab Index

To enable CAR to continue to monitor collision and comprehensive claims submitted by taxicabs, Servicing Carriers are required to:

- a. Submit policy information to the Index concurrent with the cession of a policy insuring a taxicab, and
- b. Obtain from the Index a history of prior physical damage claims before payment of a claim under the collision and comprehensive sections of the policy.

Servicing Carriers will be assessed a penalty where either requirement has not been met.

10. Servicing Carrier S.I.U. Investigatory Expense

As approved by the Governing Committee on May 20, 1987, CAR will reimburse Servicing Carriers for costs incurred by their S.I.U.'s which relate to unusual facets of investigating potential fraud which falls outside those expenses allowable under allocated expenses. The pre-approval of these expenses by CAR is necessary.

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Chapter IV - Claims

F. Performance Standards for the Handling and Payment of Claims by Servicing Carriers

Automobile Insurance Reform Legislation, Chapter 273 of the Acts of 1988, Section 41 and 44, require Commonwealth Automobile Reinsurers (CAR) to establish Performance Standards for Servicing Carriers designed to contain costs, ensure prompt customer service and payment of legitimate claims, and resist inflated, fraudulent, and unwarranted claims.

The Performance Standards which CAR has developed require Servicing Carriers to establish various plans and programs. In many instances, this may only require formalizing and/or enhancing current practices and procedures. In other instances, detailed plans and programs will need to be developed by the Servicing Carriers to comply with the Standards. In some situations, time frames have been established to ensure prompt customer service.

Measurements of performance and compliance with the Standards will be conducted through periodic surveys of closed claims, enhanced by relevant Statistical Plan data and procedures established by CAR. In addition to Statistical Plan data, Servicing Carriers are required to report savings brought about by S.I.U. activities for physical damage, bodily injury, and personal injury protection claims.

Commonwealth Automobile Reinsurers

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Chapter IV - Claims

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Chapter V - Allowances to Servicing Carriers

A. General

Each Servicing Carrier will receive a credit towards its premium written for expenses related to policies ceded to Commonwealth Automobile Reinsurers (CAR).

Interim expense allowances provide expense reimbursement to Servicing Carriers on a temporary basis, pending determination of final ceding expense allowances. Interim allowances are discussed in Section B of this chapter.

The total interim expense allowances credited to the Servicing Carrier, as determined by the application of the interim expense percentages to the Servicing Carrier's written premiums reported in each of the monthly accounting/statistical submissions for the particular calendar year, will be adjusted to equal the results calculated in the Servicing Carrier's calendar year final determination of expenses as described in Section C of this chapter.

In general, a Servicing Carrier's private passenger final expense compensation for Commission Expense and Premium Tax Expense will be equal to the expense portion of the private passenger rates unless the Servicing Carrier's actual expenses, as reflected in its Massachusetts Automobile Insurance Expense Plan, are less than that amount. In this case, the Servicing Carrier will receive final expense compensation equal to its actual expenses. Note that in the capping process described above, for those companies which are direct writers, the "direct writer selling expense" portion of their Other Acquisition Expenses (as reported on their Expense Plan), will replace the Commission Expense piece of the calculation.

Also, each Servicing Carrier's private passenger final expense compensation for Unallocated Loss Adjustment Expense (ULAE) and one-half of Company Expense will equal the expense portion of the rates adjusted by the Servicing Carrier's ceded claim frequency relativity to the industry.

Interim expense allowances for private passenger are calculated using a simplified method, similar to the calculation of final expense allowances, using the current statewide private passenger rates and the latest available claim frequency and Expense Plan data.

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Chapter V - Allowances to Servicing Carriers

A. General (continued)

For calendar year 1994, a Servicing Carrier's other than private passenger final expense compensation for ULAE Expense and one-half of Company Expense will equal the expense portion of the average rates as reported on the Massachusetts Automobile Insurance Expense Plan, adjusted by the company's ceded claim frequency relativity to the industry. For calendar years 1995 and subsequent, a Servicing Carrier's other than private passenger final expense compensation for ULAE Expense and one-half of Company Expense will equal the allowance provided in the Commissioner of Insurance's Annual Decision on CAR's Commercial Rate Filing, adjusted by the company's ceded claim frequency relativity to the industry. Additionally, each Servicing Carrier's claim frequency is further adjusted by an off-balance factor to assure distribution of all available ULAE and one-half of company expense dollars.

Also, for calendar year 1994, a Servicing Carrier's other than private passenger final expense compensation for Commission Expense and Premium Tax Expense will be equal to the expense portion of the other than private passenger rates from the Expense Plan, unless the Servicing Carrier's actual expenses are less than that amount. In the capping process described above, for those companies which are direct writers, the "direct writer selling expense" portion of their Other Acquisition Expenses (as reported on their Expense Plan), will replace the Commission Expense piece of the calculation. Additionally, each Servicing Carrier's Commission expenses (or direct writer selling expenses) and Premium Tax expenses is further adjusted by an off-balance factor to assure distribution of all available commission and premium tax expense dollars.

For calendar years 1995 and subsequent, a Servicing Carrier's other than private passenger final expense compensation for Commission expenses (or Direct Writer Selling Expenses), and Premium Tax expenses will equal the allowance provided in the Commissioner of Insurance's Annual Decision on CAR's Commercial Rate Filing, unless the Servicing Carrier's actual expenses are less than that amount. Additionally, each Servicing Carrier's Commission expenses (or Direct Writer Selling expenses), and Premium Tax expenses are further adjusted by an off-balance factor to assure distribution of all available commission and premium tax expense dollars.

For calendar years 1995 and subsequent, policy years 1995 and subsequent taxi business will be excluded from the existing other than private passenger interim and final ceding expenses calculations. The procedure for calculating interim and final ceding expense allowances for policy years 1995 and subsequent taxi business, is described in Chapter VIII of this manual.

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Chapter V - Allowances to Servicing Carriers

A. General (continued)

For calendar years 1996 and subsequent, policy years 1996 and subsequent limousine business will be excluded from the existing other than private passenger interim and final ceding expense calculations. The procedure for calculating interim and final ceding expense allowances for policy years 1996 and subsequent limousine business, is described in Chapter VIII of this manual.

For calendar year 1994, interim expense allowances for other than private passenger ceded business are calculated using a simplified method, similar to the calculation of final expense allowances, using the all other than private passenger expense data from the most current Massachusetts Automobile Insurance Expense Call, and the latest available claim frequency data.

For calendar years 1995 and subsequent, interim expense allowances for other than private passenger ceded business are calculated using a simplified method, similar to the calculation of final expense allowances, using the expense allowance provided in the Commissioner's Annual Decision on the CAR Commercial Rate Filing. Note that policy year 1995 and subsequent taxi business reported in calendar years 1995 and subsequent and policy year 1996 and subsequent limousine business reported in calendar years 1996 and subsequent is excluded from these calculations.

Private passenger and all other than private passenger interim and final ceding expense allowances are not applicable to ceded Antique Vehicle premium with policy effective dates of November, 1998 and subsequent.

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Chapter V - Allowances to Servicing Carriers

B. Interim Expense Allowances

The interim expense percentages for use in calculating ceding expense allowances for a particular calendar year are established annually by CAR, as described below, and bulletined to its Servicing Carriers. All expense allowances, as calculated based on interim expense percentages, are subject to retroactive adjustment using the procedures outlined in Section C. of this Chapter.

1. Private Passenger Interim Ceding Expenses for All Producers

Private passenger interim percentages are based on the current statewide private passenger rate components in conjunction with Expense Plan data and ceded frequency data for the most recent year available. This is generally data for the second prior year, valued at fifteen months.

To determine interim expense allowances for agency companies, the Commission and Premium Tax Expense rate components expressed as a percent of premium are used. For companies which are direct writers, the Direct Writer Selling Expense portion of the Other Acquisition Expense percentages from the company's most recent Expense Plan Return are used in place of the Commission Expense rate component. For all companies, the ULAE Expense and one-half of Company Expense components from the rates are adjusted for the Servicing Carrier's ceded claim frequency relative to the industry, with the other one-half of Company Expense added without frequency adjustment.

The Commission or Direct Writer Selling Expense portion of the Other Acquisition Expense rate component and Premium Tax Expenses are combined with the ULAE and Company Expense rate components to determine the company's overall interim ceding expense allowance as a percent of premium.

Private passenger interim percentages for Servicing Carriers that have a mix of agency and direct written business, will be determined based upon a weighted average of the agency and direct writer interim expense ratios, using the most recently available premium.

Interim allowances are subject to final adjustment, as described in Section C.1.

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Chapter V - Allowances to Servicing Carriers

B. Interim Expense Allowances (continued)

2. Other than Private Passenger Interim Ceding Expenses

For calendar year 1994, other than private passenger interim percentages for all ceded business (CAR ID codes 3, 4, 5, 6 and 9) are based on expense data from the most current Massachusetts Automobile Insurance Expense Plan and ceded claim frequency data for the most recent year available. This is generally data for the second prior year, valued at fifteen months.

For calendar years 1995 and subsequent, other than private passenger interim percentages for all ceded business (CAR ID Codes 4 and 5 for policy years 1995 and subsequent and CAR ID Codes 3, 4, 5, 6 and 9 for policy years 1993 and 1994), are based on the allowance provided in the Commissioner's Annual Decision on the CAR Commercial Rate Filing and ceded claim frequency data for the most recent year available. Note that policy year 1995 and subsequent taxi business reported in calendar years 1995 and subsequent and policy years 1996 and subsequent limousine business reported in calendar years 1996 and subsequent are excluded from this calculation.

To determine interim expense allowances for agency companies, the Commission and Premium Tax Expense rate components expressed as a percent of premium are used. For companies which are direct writers, the Direct Writer Selling Expense portion of the Other Acquisition Expense percentages from the company's most recent Expense Plan Return as used in place of the Commission Expense rate component. For all companies, the ULAE Expense and one-half of Company Expense components from the rates are adjusted for the Servicing Carrier's ceded claim frequency relative to the industry, with the other one-half of Company Expense added without frequency adjustment.

The Commission or Direct Writer Selling Expense portion of the Other Acquisition Expense rate component and Premium Tax Expenses are combined with the ULAE and Company Expense rate components to determine the company's overall interim ceding expense allowance as a percent of premium.

Other than private passenger interim percentages for Servicing Carriers that have a mix of agency and direct written business, will be determined based upon a weighted average of the agency and direct writer interim expense ratios, using the most recently available premium.

These interim allowances are subject to final adjustment, as described in Section C.2.

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Chapter V - Allowances to Servicing Carriers

C. Final Determination of Expenses

The final expense allowances of each Servicing Carrier are determined by the Commonwealth Automobile Reinsurers after the close of each calendar year, using each carrier's actual experience for the year in conjunction with the appropriate expense components in the rates. Interim ceding expense allowances for each Servicing Carrier are compared with finalized expense allowances calculated for each Servicing Carrier. Any ceding expense adjustment necessary to correct the Servicing Carrier's interim ceding expense dollars so they reflect the finalized expense allowances will be processed as an adjustment to the Servicing Carrier's Settlement of Balances Account. The net amount of all such adjustments will be shared by the industry in accordance with their underwriting results participation ratios for the particular policy year and participation pool.

Expenses for both private passenger and other than private passenger are calculated for the following groupings:

1. Unallocated Loss Adjustment Expense.
2. Company Expense: including Other Acquisition, Field Supervision and Collection Expense; Other Taxes, Licenses and Fees; and All Other General Expenses. (Note that the Direct Writer Selling Expense portion of Other Acquisition Expense, if any, is excluded from this category, since it is included in 3. below.)
3. Commission Expense and/or Direct Writer Selling Expense
4. Premium Tax Expense.

For private passenger, the expense percentages used to compute the final expense allowances are calculated by adjusting ULAE Expense and one-half of Company Expense for the Servicing Carrier's ceded claim frequency relative to the industry, as described in Section C.1.a. of this Chapter. Also, the Commission Expense or Direct Writer Selling Expense and Premium Tax Expense are adjusted by the Servicing Carrier's private passenger Average Capping Factor, as described in Section C.1.c. of this Chapter.

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Chapter V - Allowances to Servicing Carriers

C. Final Determination of Expenses (continued)

For calendar years 1994 and subsequent, the expense percentages used to compute final other than private passenger expense allowances are calculated by adjusting ULAE Expense and one-half of Company Expense by the Servicing Carrier's ceded claim frequency relative to the industry, and by an off-balance factor, as described in Section C. 2. a. and C. 2. b. of this Chapter. Also, the Commission Expense or Direct Writer Selling Expense and Premium Tax Expense are adjusted by the Servicing Carrier's other than private passenger Average Capping Factor, as described in Section C. 2. c. of this Chapter, and by another off-balance factor, as described in Section C. 2. d. 3. of this Chapter.

The calculation of expense allowances for policy years 1995 and subsequent taxi business reported in calendar years 1995 and subsequent, and the calculation of expense allowances for policy years 1996 and subsequent limousine business reported in calendar years 1996 and subsequent is described in Chapter VIII of the Manual.

1. Private Passenger Final Expense Allowances

The procedure used to determine private passenger final ceding expense ratios and adjustments is described below. Exhibit V-C-1 further illustrates this procedure with a numerical example.

a. Ceded Frequency Relativity Adjustment

A ceded claim frequency measure is determined for each Servicing Carrier, initially using the current year data valued at 15 months, and then later recalculated using the current year data valued at 27 months.

- 1) Private passenger liability ceded claim frequency is calculated for each Servicing Carrier by dividing ceded accident year property damage liability plus no-fault incurred claim counts by related property damage liability plus no-fault earned car years of exposure.
- 2) Private passenger physical damage ceded claim frequency is calculated for each Servicing Carrier by dividing ceded accident year collision plus comprehensive incurred claim counts by related collision plus comprehensive earned car years of exposure.

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Chapter V - Allowances to Servicing Carriers

C. Final Determination of Expenses (continued)

1. Private Passenger Final Expense Allowances (continued)

- 3) A liability frequency relativity factor is calculated for each Servicing Carrier by dividing its ceded liability claim frequency by the industry average ceded liability claim frequency.
- 4) A physical damage frequency relativity factor is calculated for each Servicing Carrier by dividing its ceded physical damage claim frequency by the industry average ceded physical damage claim frequency.

b. Calculation of Unallocated Loss Adjustment Expense and Company Expense Ratios

- 1) The ULAE Expense rate component and one-half of the Company Expense rate component, for private passenger liability, are combined and multiplied by each Servicing Carrier's liability claim frequency relativity factor, capped at a minimum of 75% and a maximum of 150%.
- 2) The result is combined with the other unadjusted half of the Company Expense rate component for private passenger liability. The combined ratio resulting for the Servicing Carrier is its private passenger liability final expense ratio for ULAE and Company Expenses.
- 3) The ULAE Expense and Company Expense rate components for private passenger physical damage are adjusted in the same manner as private passenger liability.
- 4) The result is combined with the other unadjusted half of the Company Expense rate component for private passenger physical damage. The combined ratio resulting for the Servicing Carrier is its private passenger physical damage final expense ratio for ULAE and Company Expenses.

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Chapter V - Allowances to Servicing Carriers

C. Final Determination of Expenses (continued)

1. Private Passenger Final Expense Allowances (continued)

c. Average Capping Factor

The average capping factor procedure assures that a Servicing Carrier whose actual Commission and Premium Tax Expenses, as reported on the Massachusetts Automobile Expense Plan, are less than these expense components in the statewide approved rates, will have its final Commission and Premium Tax Expenses limited to its actual expenses. A Servicing Carrier whose actual Commission and Premium Tax expenses are greater than the expense components, will receive no more than the statewide approved rates provide.

The average capping procedure for Servicing Carriers (excluding those which are direct writers) is as follows:

- 1) Each Servicing Carrier's private passenger liability written premium and incurred expenses for Commission Expense and Premium Tax Expense, as reported on the Massachusetts Automobile Insurance Expense Plan, are used to derive an expense call ratio for private passenger liability.
- 2) Each Servicing Carrier's private passenger physical damage written premium and incurred expenses for Commission Expense and Premium Tax Expense, as reported on the Massachusetts Automobile Insurance Expense Plan, are used to derive an expense call ratio for private passenger physical damage.
- 3) The private passenger liability rate components for Commission Expense and Premium Tax Expense are combined. The same components for private passenger physical damage are also combined.
- 4) The Servicing Carrier's liability result from 1.c.1) is divided by the liability rate component from 1.c.3). The Servicing Carrier's physical damage result from 1.c.2) is divided by the physical damage rate component from 1.c.3).

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Chapter V - Allowances to Servicing Carriers

C. Final Determination of Expenses (continued)

1. Private Passenger Final Expense Allowances (continued)

c. Average Capping Factor (continued)

- 5) The liability result from 1.c.4) is weighted by private passenger liability written premium divided by total private passenger written premium, as reported on the Servicing Carrier's Annual Statement Page 14. The physical damage result from 1.c.4) is weighted by private passenger physical damage written premium divided by total private passenger written premium, as reported on the Servicing Carrier's Annual Statement Page 14.
- 6) The resulting ratios from 1.c.5) are combined to obtain the Servicing Carrier's private passenger Average Capping Factor. An average capping factor greater than 1.0000 will be capped at 1.0000.

For ceded business written by a company which is a direct writer, the company will be provided with reimbursement equal to the Direct Writer Selling Expense portion of its Other Acquisition Expenses as reported on the Massachusetts Automobile Expense Plan and Premium Tax Expenses, adjusted by the average capping factor procedure, rather than the Commission and Premium Tax Expenses as adjusted by the average capping factor procedure.

For those companies which are partly direct writer and partly agency, both an agency and a direct writer capping factor are calculated (as described in 1.c.1) - 1.c.6) above), based on the portion of the company's premium, which is directly written and that which originates from the company's agency business.

d. Final Ceding Expense Ratio Calculation

The calculation of each Servicing Carrier's (excluding those which are direct writers) final ceding expense ratios is as follows:

- 1) The private passenger liability Commission Expense and Premium Tax Expense rate components are combined and multiplied by the Servicing Carrier's private passenger average capping factor to derive the Servicing Carrier's private passenger liability final expense ratio for Commission and Premium Tax Expenses.

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Chapter V - Allowances to Servicing Carriers

C. Final Determination of Expenses (continued)

1. Private Passenger Final Expense Allowances (continued)

d. Final Ceding Expense Ratio Calculation (continued)

- 2) The private passenger physical damage Commission Expense and Premium Tax Expense rate components are combined and multiplied by the Servicing Carrier's private passenger average capping factor to derive the Servicing Carrier's private passenger physical damage final expense ratio for Commission and Premium Tax Expenses.
- 3) Derive the total private passenger final liability expense ratio for the Servicing Carrier by combining the final expense ratio for ULAE and Company Expenses from 1.b.2) with the final expense ratio for Commission and Premium Tax Expenses from 1.d.1).
- 4) Derive the total private passenger final physical damage expense ratio for the Servicing Carrier by combining the final expense ratio for ULAE and Company Expenses from 1.b.4) with the final expense ratio for Commission and Premium Tax Expenses from 1.d.2).

For those companies which are direct writers, the final ceding expense ratios are calculated by combining the final expense ratio for ULAE and Company Expenses from 1.b.2) for liability and 1.b.4) for physical damage with the company's corresponding Direct Writer Selling Expense portion of the Other Acquisition Expenses as reported on its Expense Plan, and the Premium Tax Expense rate component.

For those companies which are partly direct writer and partly agency, both direct writer final expense ratios and agency final expense ratios are calculated (as described in 1.d.1) - 1.d.4) above), based on the portion of the company's premium which is directly written and that which originates from the company's agency business.

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Chapter V - Allowances to Servicing Carriers

C. Final Determination of Expenses (continued)

1. Private Passenger Final Expense Allowances (continued)

e. Final Ceding Expense Adjustment Calculation

- 1) The Servicing Carrier's private passenger liability final expense ratio from 1.d.3) is applied to its total ceded private passenger liability premium (CAR ID codes 3, 4, 5, 6, and 9 for policy years 1994 and prior and CAR ID codes 4 and 5 for policy years 1995 and subsequent), as reported to CAR during the calendar year. These dollars are compared to the liability expense dollars that were provided to the Servicing Carrier on an interim basis. The difference between the final liability expense dollars and the interim liability expense dollars is processed as the calendar year liability ceding expense adjustment for the Servicing Carrier.
- 2) The Servicing Carrier's private passenger physical damage final expense ratio from 1.d.4) is applied to its total ceded private passenger physical damage premium (CAR ID codes 3, 4, 5, 6, and 9 for policy years 1994 and prior and CAR ID codes 4 and 5 for policy years 1995 and subsequent), as reported to CAR during the calendar year. These dollars are compared to the physical damage expense dollars that were provided to the Servicing Carrier on an interim basis. The difference between the final physical damage expense dollars and the interim physical damage expense dollars is processed as the calendar year physical damage ceding expense adjustment for the Servicing Carrier.
- 3) For those companies which have both direct written and agency business, the Servicing Carrier's direct written liability ratio is applied to the Servicing Carrier's ceded direct written private passenger liability premium, as reported to CAR during the calendar year. These dollars are compared to the ceded direct written liability expenses dollars that were provided to the Servicing Carrier on an interim basis. The difference between the final liability direct written expense dollars and the interim liability direct written expenses dollars is processed as the calendar year liability direct written ceding expense adjustment for the Servicing Carrier.

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Chapter V - Allowances to Servicing Carriers

C. Final Determination of Expenses (continued)

e. Final Ceding Expense Adjustment Calculation (continued)

Additionally, the Servicing Carrier's agency liability ratio is applied to the Servicing Carrier's ceded agency private passenger liability premium, as reported to CAR during the calendar year. These dollars are compared to the ceded agency liability expense dollars that were provided to the Servicing Carrier on an interim basis. The difference between the final liability agency expense dollars and the interim liability agency expense dollars is processed as the calendar year liability agency ceding expense adjustment for the Servicing Carrier.

The liability direct written expense adjustment and the liability agency expense adjustment are summed in order to obtain the calendar year liability ceding expense adjustment for the Servicing Carrier.

- 4) For those companies which have both direct written and agency business, the Servicing Carrier's physical damage calendar year ceding expense adjustment is calculated similarly to the liability ceding expense adjustment described in 1.e.3) above.

2. Other than Private Passenger Final Expense Allowances

The procedure used to determine other than private passenger final expense ratios and adjustment for calendar years 1994 and subsequent is described below. Exhibit V-C-2 further illustrates this procedure with a numerical example. Note that for calendar years 1995 and subsequent, policy years 1995 and subsequent taxi business is excluded from the calculations described below. Additionally, for calendar years 1996 and subsequent, policy years 1996 and subsequent limousine business is excluded from the calculations described below.

a. Ceded Frequency Relativity Adjustment

A ceded claim frequency measure is determined for each Servicing Carrier, initially using the current year data valued at 15 months, and then later recalculated using the current year data valued at 27 months.

- 1) Other than private passenger liability ceded claim frequency is calculated for each Servicing Carrier by dividing ceded accident year property damage liability plus no-fault incurred claim counts by related property damage liability plus no-fault earned premium.

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Chapter V - Allowances to Servicing Carriers

C. Final Determination of Expenses (continued)

2. Other than Private Passenger Final Expense Allowances (continued)

- 2) Other than private passenger physical damage ceded claim frequency is calculated for each Servicing Carrier by dividing ceded accident year collision plus comprehensive incurred claim counts by related collision plus comprehensive earned premium.
- 3) A liability frequency relativity factor is calculated for each Servicing Carrier by dividing its ceded liability claim frequency by the industry average ceded liability claim frequency.
- 4) A physical damage frequency relativity factor is calculated for each Servicing Carrier by dividing its ceded physical damage claim frequency by the industry average ceded physical damage claim frequency.

b. Calculation of Unallocated Loss Adjustment Expense and Company Expense Ratios

- 1) For other than private passenger liability, the ULAE and one-half of the Company Expense rate components, based on industry data from the Massachusetts Automobile Insurance Expense Plan, for calendar year 1994, and the Commissioner's Annual Decision on CAR's Commercial Rate Filing for calendar years 1995 and subsequent, are combined and multiplied by each Servicing Carrier's liability claim frequency relativity factor, capped at a minimum of 75% and a maximum of 150%.
- 2) An off-balance factor is applied to each Servicing Carrier's other than private passenger liability ULAE and one-half of the Company Expense rate components, in order to distribute all available expense dollars as provided for in the Annual Expense Call, or the Commissioner's Annual Decision on CAR's Commercial Rate Filing.
- 3) The result is combined with the other unadjusted half of the Company Expense rate component for other than private passenger liability. The combined ratios resulting for the Servicing Carrier is its other than private passenger liability final expense ratios for ULAE and Company Expenses.

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Chapter V - Allowances to Servicing Carriers

C. Final Determination of Expenses (continued)

2. Other than Private Passenger Final Expense Allowances (continued)

- 4) The ULAE and one-half of the Company Expense rate components, based on industry data from the Massachusetts Automobile Insurance Expense Plan for calendar year 1994, or the Commissioner's Annual Decision on CAR's Commercial Rate Filing for calendar years 1995 and subsequent, are adjusted in the same manner as other than private passenger liability.
- 5) An off-balance factor is applied to each Servicing Carrier's other than private passenger physical damage ULAE and one-half of the Company Expense rate components, in order to distribute all available expense dollars as provided for in the Annual Expense Call or the Commissioner's Annual Decision on CAR's Commercial Rate Filing.
- 6) The result is combined with the other unadjusted half of the Company Expense rate component for other than private passenger physical damage. The combined ratios resulting for the Servicing Carrier is its other than private passenger physical damage final expense ratios for ULAE and Company Expense.

c. Average Capping Factor

The average capping factor procedure assures that a Servicing Carrier whose actual Commission and Premium Tax Expenses (as reported on the Massachusetts Automobile Expense Plan) are less than the industry average of these expense components, as reported on the Expense Plan, for calendar year 1994 or in the Commissioner's Annual Decision on CAR's Commercial Rate Filing for calendar years 1995 and subsequent, will have its final Commission and Premium Tax Expenses limited to its actual expenses. A Servicing Carrier whose actual Commission and Premium Tax expenses are greater than the industry average expense components, will receive no more than the Expense Call in policy year 1994 or the Commissioner's Annual Decision on CAR's Commercial Rate Filing in policy years 1995 and subsequent provides.

The average capping procedure for Servicing Carriers (excluding those which are direct writers), is as follows:

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Chapter V - Allowances to Servicing Carriers

C. Final Determination of Expenses (continued)

2. Other than Private Passenger Final Expense Allowances (continued)

c. Average Capping Factor (continued)

- 1) Each Servicing Carrier's other than private passenger liability written premium and incurred expenses for Commission Expense and Premium Tax Expense, as reported on the Massachusetts Automobile Insurance Expense Plan, are used to derive an expense call ratio for other than private passenger liability.
- 2) Each Servicing Carrier's other than private passenger physical damage written premium and incurred expenses for Commission Expense and Premium Tax Expense, as reported on the Massachusetts Automobile Insurance Expense Plan, are used to derive an expense call ratio for other than private passenger physical damage.
- 3) The other than private passenger liability industry average expense components for Commission Expense and Premium Tax Expense, from the Annual Expense Call for calendar year 1994 or the Commissioner's Annual Decision on CAR's Commercial Rate Filing for calendar years 1995 and subsequent, are combined. The same components for other than private passenger physical damage are also combined.
- 4) The Servicing Carrier's other than private passenger liability expense call ratio from 2. c. 1) is divided by the other than private passenger liability industry average Commission and Premium Tax combined rate component from 2. c. 3). The Servicing Carrier's other than private passenger physical damage expense call ratio from 2. c. 2) is divided by the other than private passenger physical damage industry average Commission and Premium Tax combined rate components from 2. c. 3).
- 5) The liability result from 2. c. 4) is weighted by other than private passenger liability written premium divided by total industry other than private passenger written premium, as reported on the Servicing Carrier's Massachusetts Annual Statement Page 14. The physical damage result from 2. c. 4) is weighted by other than private passenger physical damage written premium divided by total industry other than private passenger written premium, as reported on the Servicing Carrier's Massachusetts Annual Statement Page 14.

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Chapter V - Allowances to Servicing Carriers

C. Final Determination of Expenses (continued)

2. Other than Private Passenger Final Expense Allowances (continued)

c. Average Capping Factor (continued)

- 6) The resulting other than private passenger liability and physical damage ratios from 2. c. 5) are combined to obtain the Servicing Carrier's other than private passenger Average Capping Factor. An average capping factor greater than 1.000 will be capped at 1.000.

For a company which is a direct writer, it will have a direct writer capping factor calculated using the procedure described in 2. c. 1) - 6), based on the company's direct written premium.

For a company which is partly direct writer and partly agency, both an agency and a direct writer capping factor is calculated using the procedure described in 2. c. 1) - 6), based on the portion of the company's premium which is directly written and that which originates from the company's agency business.

d. Final Ceding Expense Ratio Calculation

The calculation of each Servicing Carrier's (excluding those which are direct writers) final ceding expense ratios is as follows:

- 1) The other than private passenger liability Commission Expense and Premium Tax Expense rate components are combined and multiplied by the Servicing Carrier's other than private passenger average capping factor to obtain the Servicing Carrier's other than private passenger liability capped expense ratio for Commissions and Premium Tax Expenses.
- 2) The other than private passenger physical damage Commission Expense and Premium Tax Expense rate components are combined and multiplied by the Servicing Carrier's other than private passenger average capping factor to derive the Servicing Carrier's other than private passenger physical damage capped expense ratios for Commission and Premium Tax Expenses.

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Chapter V - Allowances to Servicing Carriers

C. Final Determination of Expenses (continued)

2. Other than Private Passenger Final Expense Allowances (continued)

d. Final Ceding Expense Ratio Calculation (continued)

- 3) An off-balance factor is applied to each Servicing Carrier's capped Commission and Premium Tax expense components in order to fully disburse Commission and Premium Tax expense dollars reported by the industry on average. This calculation is performed separately for liability and physical damage, and results in the Servicing Carrier's other than private passenger liability and physical damage final expense ratio for Commission and Premium Tax Expenses.
- 4) Derive the total other than private passenger final liability expense ratio for the Servicing Carrier by combining the final expense ratio for ULAE and Company Expenses from 2. b. 3) with the final expense ratio for Commission and Premium Tax Expenses from 2. d. 3).
- 5) Derive the total other than private passenger final physical damage expense ratio for the Servicing Carrier by combining the final expense ratio for ULAE and Company Expenses from 2. b. 6) with the final expense ratio for Commission and Premium Tax Expenses from 2. d. 3).

For those companies which are direct writers, the final ceding expense ratios are calculated by combining the final off-balanced expense ratios for ULAE and Company Expenses from 2. b. 3) for liability and 2. b. 6) for physical damage with the company's corresponding capped and off-balanced Direct Writer Selling Expense and the Premium Tax expense ratios from section 2. d. 3).

For those companies which are partly direct writer and partly agency, both direct writer final expense ratios and agency final expense ratios are calculated as described in 2. d. 1) - 5), above.

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Chapter V - Allowances to Servicing Carriers

C. Final Determination of Expenses (continued)

2. Other than Private Passenger Final Expense Allowances (continued)

e. Final Ceding Expense Adjustment Calculation

- 1) The Servicing Carrier's other than private passenger liability final expense ratio from 2. d. 4) is applied to its total ceded other than private passenger liability premium (CAR ID codes 3, 4, 5, 6, and 9 for policy year 1994 and CAR ID Codes 4 and 5 for policy years 1995 and subsequent), as reported to CAR during the calendar year. These dollars are compared to the liability expense dollars that were provided to the Servicing Carrier on an interim basis. The difference between the final liability expense dollars and the interim liability expense dollars is processed as the calendar year liability ceding expense adjustment for the Servicing Carrier.
- 2) The Servicing Carrier's other than private passenger physical damage final expense ratio from 2. d. 5) is applied to its total ceded other than private passenger physical damage premium (CAR ID codes 3, 4, 5, 6 and 9 for policy year 1994 and CAR ID Codes 4 and 5 for policy years 1995 and subsequent), as reported to CAR during the calendar year. These dollars are compared to the ceded direct written physical damage expense dollars that were provided to the Servicing Carrier on an interim basis. The difference between the final physical damage expense dollars and the interim physical damage expense dollars is processed as the calendar year physical damage ceding expense adjustment for the Servicing Carrier.

For those companies which have both direct written and agency business, the Servicing Carrier's direct written liability ratio is applied to the Servicing Carrier's ceded direct written other than private passenger liability premium, as reported to CAR during the calendar year. These dollars are compared to the ceded direct written liability expense dollars that were provided to the Servicing Carrier on an interim basis. The difference between the final liability direct written expense dollars and the interim liability direct written expense dollars is processed as the calendar year liability direct written ceding expense adjustment for the Servicing Carrier.

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Chapter V - Allowances to Servicing Carriers

C. Final Determination of Expenses (continued)

2. Other than Private Passenger Final Expense Allowances (continued)

e. Final Ceding Expense Adjustment Calculation (continued)

Additionally, the Servicing Carrier's agency liability ratio is applied to the Servicing Carrier's ceded agency other than private passenger liability premium, as reported to CAR during the calendar year. These dollars are compared to the ceded agency liability expense dollars that were provided to the Servicing Carrier on an interim basis.

The difference between the final liability agency expense dollars and the interim liability agency expense dollars is processed as the calendar year liability agency ceding expense adjustment for the Servicing Carrier.

The liability direct written expense adjustment and the liability agency expense adjustment are summed in order to obtain the calendar year liability ceding expense adjustment for the Servicing Carrier.

For those companies which have both direct written and agency business, the Servicing Carrier's physical damage calendar year ceding expense adjustment is calculated similarly to the liability ceding expense adjustment described above.

3. Adjustments to Expense Allowances for Servicing Carriers Ceding in Excess of Established Commercial Cession Limitation

In order to maintain a viable voluntary market, a cession limitation is applied to "All Other Motor Vehicle" insurance written during a policy year by a Servicing Carrier. However, business written through involuntarily assigned Representative Producers and ceded to CAR, and ceded premiums for those classifications for which little or no voluntary market exists (as specified in Rule 17 of the CAR Rules of Operation) will be excluded from the cession limitation calculations. Additionally, voluntary and ceded premium for Antique Vehicles with policy effective dates of November, 1998 and subsequent will be excluded from the cession limitation calculations.

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Chapter V - Allowances to Servicing Carriers

C. Final Determination of Expenses (continued)

3. Adjustments to Expense Allowances for Servicing Carriers Ceding in Excess of Established Commercial Cession Limitation (continued)

Based upon the provisions of Rule 17 of the CAR Rules of Operation, a Servicing Carrier whose cession rate exceeds the Other Than Private Passenger cession limitation established for a particular policy year will be subject to a reduction in ceding expense allowances. Also, for policy years 1995 through 1997, the commercial cession limitation provides for a "window" within which a Servicing Carrier may exceed the established limitation, but will only lose a portion of their ceding expense allowance, rather than the entire allowance. Exhibit V-C-3 displays a numerical example of the reports that are distributed on a monthly basis, to estimate the potential reduction in ceding expenses for each Servicing Carrier. A description of the calculations performed is as follows:

- a. Accumulate total voluntary-retained and voluntary-ceded commercial written premiums, liability separately from physical damage (CAR ID codes 0, 1, and 4). Note that ceded business written through involuntarily assigned Representative Producers (CAR ID code 5) is not included in this accumulation. Also, voluntary-ceded commercial premiums from those classifications for which little or no voluntary market exists (as specified in Rule 17 of the CAR Rules of Operation) and voluntary and ceded premium for Antique Vehicles with policy effective dates of November, 1998 and subsequent are excluded from the cession limitation calculations. Calculate the percent of total written premium.
- b. Accumulate total voluntary-ceded commercial written premiums (CAR ID code 4), liability separately from physical damage. Calculate the percent of voluntary ceded premium to the total written premium.
- c. Calculate allowable ceded premium amount by applying the cession limitation percentage applicable to the particular policy year, to the total voluntary-retained and voluntary-ceded written premium accumulated in Section 3. a. of this chapter.

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Chapter V - Allowances to Servicing Carriers

C. Final Determination of Expenses (continued)

3. Adjustments to Expense Allowances for Servicing Carriers Ceding in Excess of Established Commercial Cession Limitation (continued)
 - d. Identify the ceded premium in excess of the allowable limit from 3. c. of this chapter, but less than or equal to the established "window" percentage, of the company's total voluntary-retained and voluntary-ceded written premium, liability separately from physical damage. Apply the company's calendar year ceding expense allowance (less premium tax, commissions, or comparable selling expense of direct writing companies) to the excess premium amount to identify the company's year-to-date reduction in ceding expense allowances.
 - e. Identify the ceded premium in excess of the "window" percentage from Section 3. c. of this chapter, liability separately from physical damage. Apply the company's calendar year total ceding expense allowance to the excess premium amount to identify the company's year-to-date reduction in ceding expense allowances.
 - f. A total year-to-date reduction in ceding expense allowances is also calculated, liability separately from physical damage, by accumulating the year-to-date reduction dollars from Sections 3.d. and 3.e. of this chapter.

Since premium data for a particular policy year may be reported to CAR for a period of three (3) calendar years, a Servicing Carrier's adherence to the commercial cession limitation for a particular policy year is also tracked for a period of three (3) calendar years. Therefore, the ceded premium for a particular policy year's cession limitation, reported in each allowable calendar year will be accumulated separately so that the appropriate ceding expense allowance percentages can be applied and used to identify the Servicing Carrier's final reduction in ceding expense allowances.

The final reduction in ceding expense allowances is processed as a reduction to the Servicing Carrier's Other Than Private Passenger Final Expense Allowance dollars as calculated in Section 2. c. of this chapter.

Commonwealth Automobile Reinsurers

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Chapter V - Allowances to Servicing Carriers

EXHIBIT V-C-1

Calculation of Private Passenger Final Ceding Expense Allowances

COMMONWEALTH AUTOMOBILE REINSURERS

Truing-Up of Calendar Year 1994 Ceding Expenses at 15 months

Group Number: 123

Private Passenger

SECTION I: Calculation of Claim Frequency Relativity

ITEM	LIABILITY	PHYS DAM	SOURCE
(A) Ceded PDL/OTC Earned CAR Years Exposure	29,287.0	19,287.2	AIB
(B) Ceded PIP/COLL Earned CAR Years Exposure	29,289.0	17,274.6	AIB
(C) Ceded TOTAL Earned CAR Years Exposure	58,676.0	36,561.8	(A) + (B)
(D) Ceded PDL/OTC Incurred Claim Count	3,579	6,167	AIB Derived
(E) Ceded PIP/COLL Incurred Claim Count	2,705	5,115	AIB Derived
(F) Ceded TOTAL Incurred Claim Count	6,284	11,282	(D) + (E)
(G) Claim Frequency	10.72794	30.85734	(F) / (C) * 100
(H) Industry Claim Frequency	12.25610	32.00011	AIB
(I) Claim Frequency Relativity	0.87531	0.96429	(G) / (H)

SECTION II: Calculation of Capped ULAE and Company General Expenses Ratio

ITEM	LIABILITY	PHYS DAM	SOURCE
(A) ULAE – Rate Component	0.09910	0.12750	1994 Rates
(B) ½ Company Expense – Rate Component	0.04365	0.03730	1994 Rates
(C) ULAE and ½ Company Expense	0.14275	0.16480	(A) + (B)
(D) Lower Cap	0.10706	0.12360	(C) * 75%
(E) Upper Cap	0.21412	0.24720	(C) * 150%
(F) Relative ULAE and ½ Company Expense Ratio	0.12495	0.15891	(Section I, Item (I) * (C)
(G) Capped ULAE and ½ Company Expense Ratio	W 0.12495	W 0.15891	L = Lower U= Upper W = Within
(H) Final ULAE and ½ Company Expense Ratio	0.16860	0.19621	(B) + (G)

Commonwealth Automobile Reinsurers

Manual of Administrative Procedures

Chapter V - Allowances to Servicing Carriers

EXHIBIT V-C-1

(continued)

COMMONWEALTH AUTOMOBILE REINSURERS
Truing-Up of Calendar Year 1994 Ceding Expenses at 15 months
Group Number: 123
Private Passenger

SECTION III: Calculation of Commissions and Premium Tax Capping Factors

ITEM	LIABILITY	PHYS DAM	SOURCE
(A) Written Premium – Agent Business	\$95,341,718	\$55,610,072	1994 Expense Call, Line 3
(B) Written Premium – Direct Premium	\$0	\$0	Direct Writer Call
(C) Commission Expenses	\$13,411,051	\$7,822,279	1994 Expense Call, Line 16
(D) Direct Writer Selling Expenses	\$0	\$0	Direct Writer Call
(E) Premium Tax Expense – Agent Business	\$2,222,037	\$1,296,050	1994 Expense Call, Line 20
(F) Premium Tax Expense – Direct Written	\$0	\$0	Direct Writer Call
(G) Agent Commission & Premium Tax Expense	\$15,633,088	\$9,118,329	(C) + (E)
(H) DW Selling & Premium Tax Expense	\$0	\$0	(D) + (F)
(I) Agent Commissions & Premium Tax Expense Ratio	0.16397	0.16397	(G) / (A)
(J) DW Selling & Premium Tax Expense Ratio	0.00000	0.00000	(H) / (B)
(K) Commission & Premium Tax Rate Component	0.15000	0.14360	1994 Rates
(L) Actual Commission & Tax Expense Ratio Relativity	1.09313	1.14185	(I) / (K)
(M) Actual DW Selling & Tax Expense Ratio Relativity	0.00000	0.00000	(J) / (K)
(N) Page 15 Written Premium	\$95,341,718	\$55,610,072	1994 Annual Statement
(O) Page15 Weight	0.6316	0.3684	(N) / Sum of (N)
(P) Expense Ratio Weights – Agent	0.69042	0.42066	(L) * (O)
(Q) Expense Ratio Weights – DW	0.00000	0.00000	(M) * (O)
(R) Commission & Premium Tax Capping Factor – Agent	1.00000	1.00000	Sum of (P) – Not Greater than 1
(S) Commission & Premium Tax Capping Factor – DW	0.00000	0.00000	Sum of (Q) – Not Greater than 1

SECTION II: Calculation of Capped ULAE and Company General Expenses Ratio

ITEM	LIABILITY	PHYS DAM	SOURCE
(A) Final Commission & Premium Tax Expense Ratio – Agent	0.15000	0.14360	Section III, Item (K) * Item (R)
(B) Final Commission & Premium Tax Expense Ratio – DW	0.00000	0.00000	Section III, Item (K) * Item (S)
(C) Final Expense Ratio – Agent	0.31860	0.33981	Section II, Item (H) + (A)
(D) Final Expense Ratio – DW	0.00000	0.00000	Section II, Item (H) + (B)

Commonwealth Automobile Reinsurers

Manual of Administrative Procedures

Chapter V - Allowances to Servicing Carriers

EXHIBIT V-C-2

Calculation of Other Than Private Passenger Final Ceding Expense Allowances

COMMONWEALTH AUTOMOBILE REINSURERS
Truing-Up of Calendar Year 1994 Ceding Expenses at 15 months
Group Number: 123
Commercial

SECTION I: Calculation of Claim Frequency Relativity

ITEM	LIABILITY	PHYS DAM	SOURCE
(A) Ceded PDL/OTC Earned Premium	309,190	125,820	AIB
(B) Ceded PIP/COLL Earned Premium	32,777	175,493	AIB
(C) Ceded TOTAL Earned Premium	341,967	301,313	(A) + (B)
(D) Ceded PDL/OTC Incurred Claim Count	83	59	AIB Derived
(E) Ceded PIP/COLL Incurred Claim Count	2	45	AIB Derived
(F) Ceded TOTAL Incurred Claim Count	85	104	(D) + (E)
(G) Claim Frequency	2.48562	3,45156	(F) / (C) * 10,000
(H) Industry Claim Frequency	4.02968	5.60509	AIB
(I) Claim Frequency Relativity	0.61683	0.61579	(G) / (H)

SECTION II: Calculation of Capped Final ULAE Expense Ratio

ITEM	LIABILITY	PHYS DAM	SOURCE
(A) ULAE – Rate Component	0.07130	0.11040	1994 CAR Rates
(B) ½ Company Expense – Rate Component	0.05370	0.04780	1994 CAR Rates
(C) ULAE and ½ Company Expense	0.12500	0.15820	(A) + (B)
(D) Lower Cap	0.09375	0.11865	(C) * 75%
(E) Upper Cap	0.18750	0.23730	(C) * 150%
(F) Relative ULAE and ½ Company Expense Ratio	0.07710	0.09742	(Section I, Item (I) * (C)
(G) Capped ULAE and ½ Company Expense Ratio	W 0.09375	W 0.11865	L = Lower U= Upper W = Within
(H) Off – Balance Factor	0.99936	1.00159	Rates/Ind Freq Adj Expenses
(I) Off – Balanced ULAE and ½ Company Expense Ratio	0.09369	0.11884	(G) * (H)
(J) Final ULAE and ½ Company Expense Ratio	0.14739	0.16664	(B) + (I)

Commonwealth Automobile Reinsurers

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Chapter V - Allowances to Servicing Carriers

EXHIBIT V-C-2

(continued)

COMMONWEALTH AUTOMOBILE REINSURERS
Truing-Up of Calendar Year 1994 Ceding Expenses at 15 months
Group Number: 123
Commercial

SECTION III: Calculation of Commissions and Premium Tax Capping Factors

ITEM	LIABILITY	PHYS DAM	SOURCE
(A) Written Premium – Agent Business	\$7,825,176	\$2,107,538	1994 Expense Call, Line 3
(B) Written Premium – Direct Premium	\$0	\$0	Direct Writer Call
(C) Commission Expenses	\$1,100,712	\$296,453	1994 Expense Call, Line 16
(D) Direct Writer Selling Expenses	\$0	\$0	Direct Writer Call
(E) Premium Tax Expense – Agent Business	\$182,374	\$49,118	1994 Expense Call, Line 20
(F) Premium Tax Expense – Direct Written	\$0	\$0	Direct Writer Call
(G) Agent Commission & Premium Tax Expense	\$1,283,086	\$345,571	(C) + (E)
(H) DW Selling & Premium Tax Expense	\$0	\$0	(D) + (F)
(I) Agent Commissions & Premium Tax Expense Ratio	0.16397	0.16397	(G) / (A)
(J) DW Selling & Premium Tax Expense Ratio	0.00000	0.00000	(H) / (B)
(K) Commission & Premium Tax Rate Component	0.12410	0.12430	1994 CAR Rates
(L) Actual Commission & Tax Expense Ratio Relativity	1.32127	1.31915	(I) / (K)
(M) Actual DW Selling & Tax Expense Ratio Relativity	0.00000	0.00000	(J) / (K)
(N) Page 15 Written Premium	\$7,825,176	\$2,107,538	1994 Annual Statement
(O) Page15 Weight	0.78782	0.21218	(N) / Sum of (N)
(P) Expense Ratio Weights – Agent	1.04092	0.27990	(L) * (O)
(Q) Expense Ratio Weights – DW	0.00000	0.00000	(M) * (O)
(R) Commission & Premium Tax Capping Factor – Agent	1.00000	1.00000	Sum of (P) – Not Greater than 1
(S) Commission & Premium Tax Capping Factor – DW	0.00000	0.00000	Sum of (Q) – Not Greater than 1

SECTION IV: Calculation of Final Expense Ratio

ITEM	LIABILITY	PHYS DAM	SOURCE
(A) Final Commission & Premium Tax Expense Ratio – Agent	0.12410	0.12430	Section III, Item (K) * Item (R)
(B) Final Commission & Premium Tax Expense Ratio – DW	0.00000	0.00000	Section III, Item (K) * Item (S)
(C) Off Balance Factor – Agent	1.00418	1.00463	Rate Component/Agency Capped Expense
(D) Final Expense Ratio – DW	1.16505	1.18303	Rate Component/DW Capped Expenses
(E) Off Balanced Final Comm & Ptax Exp Ratio - Agent	0.12462	0.12488	(A) * (C)
(F) Off Balanced Final Comm & Ptax Exp Ratio – DW	0.00000	0.00000	(B) * (D)
(G) Final Expense Ratio – Agent	0.27201	0.29152	Section II, Item (J) + (E)
(H) Final Expense Ratio – DW	0.00000	0.00000	Section II, Item (J) + (F)

Commonwealth Automobile Reinsurers

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Chapter V - Allowances to Servicing Carriers

EXHIBIT V-C-3

COMMONWEALTH AUTOMOBILE REINSURERS
COMMERCIAL CESSION LIMITATION REPORT

Note: The figures below include data through accounting month Jan 2001.

GRP-AFFIL:123	<u>PY 2001</u>	<u>PY 2000</u>	<u>PY 1999</u>
TOT RETAINED + VOL-CEDED COMMERCIAL WRITTEN PREMIUMS (CAR ID CODES 0,1,4)			
LIABILITY	\$0	\$652,184	\$7,836,924
PHYSICAL DAMAGE	\$0	\$166,988	\$2,135,224
TOTAL	\$0	\$819,172	\$9,972,148
PERCENT OF TOTAL WRITTEN			
LIABILITY	0.00%	79.62%	78.59%
PHYSICAL DAMAGE	0.00%	20.38%	21.41%
TOTAL	0.00%	100.00%	100.00%
TOT VOL-CEDED COMMERCIAL WRITTEN PREMIUMS (CAR ID CODE 4)			
LIABILITY	\$0	\$107,394	\$645,492
PHYSICAL DAMAGE	\$0	\$26,205	\$155,322
TOTAL	\$0	\$133,599	\$800,814
PERCENT CEDED			
LIABILITY	0%	16.47%	8.24%
PHYSICAL DAMAGE	0%	15.69%	7.27%
TOTAL	0%	16.31%	8.03%
TOTAL VOL-CEDED COMMERCIAL PREMIUMS EXCLUDED (CAR ID CODE 4)			
LIABILITY	\$0	\$145,296	\$437,065
PHYSICAL DAMAGE	\$0	\$22,405	\$111,588
TOTAL	\$0	\$167,701	\$584,653
ALLOWABLE CEDED PREMIUM AMOUNT			
30%	\$0	\$245,752	\$2,991,644
40%	\$0	\$327,669	\$3,988,859

Commonwealth Automobile Reinsurers

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Chapter V - Allowances to Servicing Carriers

EXHIBIT V-C-3

(continued)

**COMMONWEALTH AUTOMOBILE REINSURERS
COMMERCIAL CESSION LIMITATION REPORT**

Note: The figures below include data through accounting month Jan 2001.

GRP-AFFIL:123	<u>PY 2001</u>	<u>PY 2000</u>	<u>PY 1999</u>
TOT RETAINED + VOL-CEDED COMMERCIAL WRITTEN PREMIUMS (CAR ID CODES 0,1,4)			
30% TO 40% CEDED PREMIUMS IN EXCESS OF ALLOWABLE LIMIT			
LIABILITY	\$0	\$0	\$0
PHYSICAL DAMAGE	\$0	\$0	\$0
TOTAL	\$0	\$0	\$0
ULAE && COMPANY EXPENSE COMPONENTS			
LIABILITY	18.440%	18.160%	17.870%
PHYSICAL DAMAGE	19.610%	19.970%	20.600%
ESTIMATED PY-T-D REDUCTION IN CEDING EXPENSES			
LIABILITY	\$0	\$0	\$0
PHYSICAL DAMAGE	\$0	\$0	\$0
TOTAL	\$0	\$0	\$0
OVER 40% CEDED PREMIUMS IN EXCESS OF ALLOWABLE LIMIT			
LIABILITY	\$0	\$0	\$0
PHYSICAL DAMAGE	\$0	\$0	\$0
TOTAL	\$0	\$0	\$0
TOTAL EXPENSE COMPONENTS			
LIABILITY	30.320%	30.990%	30.280%
PHYSICAL DAMAGE	31.490%	32.800%	33.030%
ESTIMATED OVER 40% PY-T-D REDUCTION IN CEDING EXPENSES			
LIABILITY	\$0	\$0	\$0

Commonwealth Automobile Reinsurers

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Chapter V - Allowances to Servicing Carriers

D. Rate Deviations

Servicing Carriers using private passenger rates resulting from an approved rate deviation under Section 113B or Sections 193R of Chapter 175 of the General Laws are responsible to the pool for the full premium on ceded policies, although written premium is statistically reported at the deviated rate. CAR identifies premium written at a deviation from the statewide approved rates based on the Type of Risk and the Rate Departure Factor Code. The following adjustments are processed:

1. The difference between ceded written premium reported at a deviated level and the unadjusted ceded written premium is calculated, and an adjustment is processed quarterly through the Settlement of Balances and Member Participation Reports. (Refer to Chapter VI, Exhibit VI-B-1, Lines A.4. and B.4., and Exhibit VI-C-1, the line entitled Rate Deviation.)
2. The ceding expense allowance applicable to the rate deviation adjustment determined in 1., above, based on the Servicing Carrier's established interim ceding expense allowance percentages, is processed through the Settlement of Balances and Member Participation Reports on a quarterly basis. (Refer to Chapter VI, Exhibit VI-B-1, Lines A.5. and B.5., and Exhibit VI-C-1, the line entitled Rate Deviation Expense Allowance.)
3. Annually, once the final expense ratios are determined (as described in Section C.1.), an adjustment to the rate deviation expense allowance is processed through the Settlement of Balances and Member Participation Reports. The adjustment is calculated based on the final ceding expense allowance percentages less the expense allowances provided on an interim basis.

Commonwealth Automobile Reinsurers

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Chapter V - Allowances to Servicing Carriers

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Chapter VI - Participation

A. Introduction

This Chapter describes the procedures for determining a Member's share in the Commonwealth Automobile Reinsurers' underwriting results and in all reinsurance related costs associated with operating the Commonwealth Automobile Reinsurers.

Section B describes the procedures for distributing the Commonwealth Automobile Reinsurers' deficit to its Member Companies. This is accomplished through the quarterly cash flow reports, which include the Settlement of Balances, Special Assessment, and Withdrawal Disbursement reports. Also, described in Section B are the procedures by which companies may verify their quarterly cash flow reports.

Section C describes the Member Participation Reports, which documents each Member's assumed underwriting results and administrative expenses.

Section D describes the formulas for determining a Member's participation ratios for sharing in the Commonwealth Automobile Reinsurers' underwriting results and administrative expenses.

Manual of Administrative Procedures

Chapter VI - Participation

B. Settlement of Balances, Assessments and Disbursements

1. Sharing in Commonwealth Automobile Reinsurers' Deficit

To reduce unnecessary cash flow of funds for each Member, Commonwealth Automobile Reinsurers (CAR) will accumulate the balance due each Servicing Carrier based on that Servicing Carrier's actual writings. CAR will net these balances with the balance due a Member Company (or due CAR) on an assumed basis. This is determined by multiplying the Member's participation ratios, as calculated in Section D of this chapter, by the total CAR experience of written premium, losses paid, ceding expense allowances, and miscellaneous income and expenses.

In performing these calculations, CAR will only use data found to be acceptable by the approved and published due dates for each accounting/statistical month. Accordingly, if a portion of a Servicing Carrier's submission is unacceptable or missing, CAR will use the timely and acceptable data for participation purposes. However, if incomplete data results in a negative impact to the pool, Loss of Investment Income will be billed to the Servicing Carrier (as defined later in this chapter).

Additionally, the Servicing Carrier must provide to CAR, accrual information for the unacceptable or missing portion of the submission. Accrual information is defined as written premium, written exposure, paid losses, and outstanding losses, broken down by line of business (i.e. bodily injury, property damage, no fault, collision, and other-than-collision). Failure to provide this information within four (4) business days of the approved and published due date will result in the assessment of a \$50.00 per business day late accrual payment fee.

To discourage companies from submitting erroneous accrual data to avoid a penalty, CAR will verify the accuracy of the accrual information once the data has been statistically reported to CAR, and if necessary, assess the same \$50.00 per business day late accrual payment fee for erroneous accrual data.

In the event that CAR discovers that a submission is incomplete or incorrect after the due date, CAR will work with the Servicing Carrier to determine the extent of the problem. CAR will document a description of the reporting problem, the deadline for responding to CAR's request for an explanation and, if needed, the deadline for reporting correction (generally the subsequent quarter), and the potential penalty for failure to comply with the request.

2. Settlement of Balances Reports

Exhibit VI-B-1 of this chapter displays an example of the Settlement of Balances Report which is distributed to Members on a quarterly basis. This report summarizes Servicing Carriers' ceded balances reported during the current quarter and current quarter assumed shares, as well as the Member's share in CAR's contingency fund and prior quarter payment activity. The report also calculates the Member's net share of the quarter's participation.

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Chapter VI - Participation

B. Settlement of Balances, Assessments and Disbursements (continued)

2. Settlement of Balances Reports (continued)

Three (3) Settlement of Balances Reports are produced each quarter. The SB-5 displays prior policy year experience, the SB-4 displays current policy year experience and the SB-1 displays all policy years. As specified in Rule 11, Section C.1. of the CAR Rules of Operation, cash shared in the quarters ending March 31 and June 30 is based on prior policy year experience (SB-5 balances). For the quarters ending September 30 and December 31, cash distribution is based on all policy years' experience (SB-1 balances).

a. Section A - Writing Carrier Experience (Ceded Business)

Section A displays the business that a Servicing Carrier cedes to CAR for the current accounting quarter.

To verify Section A of the Settlement of Balances Report for all policy years combined, the figures displayed on each line of Section A should be compared to the total accounting/statistical data reported by the Servicing Carrier and accepted by CAR for that quarter. Additionally, any net negative premium write-offs, insolvency fund reimbursements, loss write-offs, ceding expense true-ups, and other adjustments applied to the company for the quarter, as detailed in the "Circular Letter to Member Companies" accompanying the SB reports, should be used in the verification process.

b. Section B - Participating Member Experience (Assumed Business)

Section B displays a Member's assumed share of the industry's ceded business for the current accounting quarter, based on the company's participation ratios.

This is derived by subtracting the Member's inception-to-date figures as of the prior quarter from the Member's inception-to-date figures as of the current quarter. This process provides not only for the assuming of current quarter ceded activity, but also for the truing-up of prior quarters' policy year results from current quarter changes in participation ratios.

To verify Section B of the Settlement of Balances Reports, Members should multiply their current underwriting results participation ratios, by policy year and by pool, to the industry inception-to-date ceded activity as of the current quarter less inactive companies' frozen assumed shares. The prior quarter's underwriting results participation ratios, by policy year and by pool, should then be multiplied by the prior quarter's industry inception-to-date ceded activity less inactive companies' frozen assumed shares. The balances reflected in Section B of the Settlement of Balances reports reflect the difference between these two products.

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Chapter VI - Participation

B. Settlement of Balances, Assessments and Disbursements (continued)

2. Settlement of Balances Reports (continued)

b. Section B - Participating Member Experience (Assumed Business) (continued)

Note that CAR performs these calculations each quarter and the results are reflected on each company's Member Participation (MP) reports, which are described in more detail in Section C of this chapter.

c. Section C - Miscellaneous Expenses and Income

Section C displays a Member's assumed share of CAR's administrative expenses, the investment income earned by CAR, and other miscellaneous income earned by CAR, based on the company's administrative expense participation ratios.

Members should verify Section C of the Settlement of Balances Reports in a manner similar to that described above for Section B, except that Members should apply their administrative expense participation ratios (which are based on the Member's Massachusetts Annual Statement Page 15 figures) to the current and prior quarters' industry fiscal-year-to-date miscellaneous expenses and income, less inactive companies' current fiscal year frozen assumed shares.

d. Section D - Contingency Fund

In order to fund current operations, a contingency fund will be maintained. CAR will assess Member Companies for this fund through the Settlement of Balances Reports.

To verify Section D of the Settlement of Balances Reports, Members should apply their total Page 15 administrative expense participation ratio (for all pools combined, and for the most recent calendar year) to the established industry contingency fund amount.

e. Section E - Account Activity During Last Period

Section E identifies any outstanding balances owed to CAR or to the company. To do this, a Member Company's net balance from the prior quarter is netted with payments made by the company or by CAR in the prior quarter, and the various penalties and processing fees incurred by the company during the quarter.

Manual of Administrative Procedures

Chapter VI - Participation

B. Settlement of Balances, Assessments and Disbursements (continued)

2. Settlement of Balances Reports (continued)

f. Section F - Net Settlement Amount

Section F displays the total amount due the Servicing Carrier or due CAR, relating to the Settlement of Balances.

To verify Section F, combine the net balances from Sections A through E.

3. Special Assessments Due

If CAR's cash flow is not sufficient to fund necessary operating costs, or payment of a special operational cost is required, or if the balances owed to CAR by insolvent companies are substantial enough to disrupt the quarterly cash distribution process, it may become necessary to secure cash funds in order to support CAR operations. Such a special assessment must receive prior approval of the Governing Committee. Exhibit VI-B-2 displays the calculation of companies' special assessment balances relative to insolvent companies.

Members will share assessments which are not properly chargeable to the profit or loss of risks ceded to CAR, in the same proportion that their Massachusetts Direct Written Motor Vehicle Insurance Premium, as reported on their Massachusetts Annual Statement Page 15 for the most recent calendar year bears to the total of such premium for all Members.

Assessments related to profits and losses on risks ceded to CAR will be shared by Members according to their underwriting results participation ratios for each of the four (4) participation pools (private passenger liability and physical damage and all other liability and physical damage), for the policy years affected.

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Chapter VI - Participation

B. Settlement of Balances, Assessments and Disbursements (continued)

4. Withdrawal Settlement Disbursements

Member Companies withdrawing from the Massachusetts automobile insurance marketplace may pay a withdrawal settlement to CAR, representing an estimate of their future obligation. CAR disburses these balances to its remaining Members in the cash flow subsequent to the settlement payment, using the most recent available underwriting results participation ratios. When participation ratios are finalized, the disbursement of the withdrawal settlements are trued-up, including investment income. Each quarter during which CAR disburses a withdrawal settlement, or trues-up previous disbursements, a set of exhibits is distributed to Members in order to illustrate the remaining Members' share in the withdrawal settlements, and the calculation of investment income on the true-up of previous disbursements.

a. Analysis of Total Settlement Amount

Exhibit VI-B-3 displays an example of the Analysis of Total Settlement Amount Report, which identifies by policy year and pool the total settlement paid by each withdrawing company, and the interest earned by CAR while holding these monies. A separate page is provided for each withdrawn company.

b. Calculation of Cash Disbursement

Exhibit VI-B-4 displays an example of the Calculation of Cash Disbursement Report. A single report is provided to each Member Company for all withdrawal settlements combined, outlining by pool and by policy year, the company's current share of the total settlement for all withdrawals, as well as the company's prior share of the total withdrawals and the participation ratios used in the calculation of the current share.

c. Summary of True-Up and Interest Calculation

Exhibit VI-B-5 displays an example of the Summary of True-Up and Interest Calculation Report. This report summarizes the disbursement and true-up of the withdrawal settlements (Section A of this chapter), and reflects the calculation of investment income on the true-up of previous disbursements (Section B of this chapter). The one-year T-Bill rate as of the original date of each withdrawal settlements disbursement is used in calculating investment income on the true-up of disbursements.

Manual of Administrative Procedures

Chapter VI - Participation

B. Settlement of Balances, Assessments and Disbursements (continued)

5. Net Balance Due

If the net balance from Section F of the Settlement of Balances Report, the total amount due CAR or due the company from the Special Assessment, and Withdrawal Settlements, represents an assessment due CAR, the payment must be received by CAR by the due date specified on the invoice and in the "Circular Letter to All Member Companies" which accompanies the quarterly cash flow reports.

If the net balance from Section F of the Settlement of Balances Report, the total amount due CAR or due the company from the Special Assessment, and Withdrawal Settlements, represents a payment due to a Member Company, CAR will issue payment on the date specified in the "Circular Letter to All Member Companies."

Groups of companies which participate in CAR may elect to net the amounts receivable and/or payable for all of the companies within the group, so that only one (1) payment is due either the group or CAR.

As specified in Rule 3 of the CAR Rules of Operation, each Member agrees to pay late payment penalty fees for each calendar day by which payment is overdue, at the prime rate as of the date that payment was due, as established by BankBoston. If the balance remains unpaid as of the tenth (10th) calendar day following the invoice due date, then the late payment penalty fee may also include compensation for damages and expenses incurred by CAR as a result of the company's failure to remit timely payment. CAR will provide written notice of such a default by certified mail.

A Member is entitled to appeal to CAR's Operations Committee any assessment or late payment fees, damages or expenses which were levied. However, it is necessary for the Member to pay the amount invoiced before such appeals will be considered. If the Operations Committee and subsequently the Governing Committee rules in favor of the company, an adjustment, including interest at prime rate will be made by CAR to the Member's account.

If a Member fails to pay assessments, late payment fees, or compensatory damages or expenses within forty-five (45) calendar days from the postmark date of the overdue payment notice, the Division of Insurance will be notified.

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Chapter VI - Participation

B. Settlement of Balances, Assessments and Disbursements (continued)

6. Loss of Investment Income

When a Servicing Carrier successfully appeals the exclusion of monthly accounting/statistical data from the Settlement of Balances Reports for a given quarter, CAR will reimburse them for their loss of investment income. The rate of interest to be used will be the prime rate as established by BankBoston on the date that CAR disburses payments to its Members for balances owed them in the quarter. The term of investment will be ninety (90) days for each quarter from which the data was excluded.

Correspondingly, when any Servicing Carrier's accounting/statistical data is either not received or rejected as of the end of the quarter, and therefore excluded from the Settlement of Balances Reports for the given quarter, and the exclusion results in a significant loss of investment income to CAR's Members, the Servicing Carrier may be billed for the interest income due CAR. The interest will be computed as stated above.

The principal amount on which the interest calculation is to be made will be the balance due the Servicing Carrier resulting from the net of ceded written premiums less the sum of ceding expense allowances, losses paid, and allocated expenses.

Additionally, a Servicing Carrier may be assessed for investment income lost by the pool due to the incorrect reporting of data by the Servicing Carrier which the Servicing Carrier does not correct on a timely basis. When CAR initially identifies a reporting problem and notifies the Servicing Carrier, the Servicing Carrier has until the next full reporting quarter to correct the problem. If the reporting problem remains uncorrected at the close of the next quarter, CAR Staff has the authority to settle cases where the pool is disadvantaged by assessing the Servicing Carrier for loss of investment income retroactive to the first day of the calendar quarter after the problem was first identified until the date that cash on the quarterly distribution containing the correction shipment is settled.

Investment income will be billed to the Servicing Carrier only under circumstances where the pool has experienced a significant adverse impact due the Servicing Carrier's incorrect reporting. These procedures have not been developed to penalize companies for incorrect reporting, but rather as an incentive to assure that Servicing Carriers resolve reporting problems in a timely manner.

Manual of Administrative Procedures

Chapter VI - Participation

B. Settlement of Balances, Assessments and Disbursements (continued)

7. Interim Settlement to Servicing Carrier

Interim settlements will normally not be granted. However, requests for interim settlements from a Servicing Carrier will be considered by CAR. Servicing Carriers are permitted to apply for an interim settlement in the event that the Servicing Carrier is experiencing significant negative cash flow in its ceded book of business, specifically, if the Servicing Carrier is in a run-off position. In such cases, reimbursements will be limited to the loss of investment income on the funds, computed from the last day of the accounting month in which the negative cash flow occurred to the expected cash flow date of the quarterly cash flow reports for that quarter.

8. Wire Transfer of Funds

CAR will disburse all quarterly settlement funds due Members via wire transfer. In turn, each Member is required to pay all quarterly settlement invoices due CAR via wire transfer.

The Member Company Wire Transfer Instruction form (Exhibit VI-B-6) should be submitted by each Member to CAR's Financial Department. CAR will not accept check payments, and will not remit settlement balances due Members via check. A separate agreement may be signed for any Member wishing to allow CAR to directly debit their bank account.

9. Minimum Invoice Payment Procedures

To provide for greater efficiency in the accounting procedures of both CAR and Member Companies, invoices and payments for CAR's Quarterly Cash Flow will not be issued as long as the amount due CAR or the Member is less than \$1,000. However, Members whose balances are below this minimum level will continue to receive their quarterly Member Participation and Settlement of Balances reports, and the cumulative amount due CAR or the Member will be reflected on the Settlement of Balances reports.

Additionally, CAR Staff will have the authority not to pursue collection or disbursement of balances, which remain below \$1,000 at the time of the close-out of participation reporting for the policy year(s) for which the balance is owed.

CAR Staff will also be authorized to waive late payment penalty fees which amount to \$25 or less.

Commonwealth Automobile Reinsurers

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Chapter VI - Participation

EXHIBIT VI-B-1

QUARTER ENDING 6/30/96

COMMONWEALTH AUTOMOBILE REINSURERS

9/12/96

SETTLEMENT OF BALANCES

ALL POLICY YEARS COMBINED

XYZ INSURANCE COMPANY

ACTIVITY DESCRIPTION	PRIVATE PASSENGER	OTHER THAN PRIVATE PASSENGER	ALL POOLS
A. WRITING CARRIER EXPERIENCE (CEDED BUSINESS)			
1. PREMIUMS WRITTEN	\$21,710,651.00	\$6,096,187.00	\$27,806,838.00
2. COMMISSIONS PAID	\$0.00	\$0.00	\$0.00
3. CEDING EXPENSE ALLOWANCE	\$7,757,884.00	\$2,074,710.00	\$9,832,594.00
4. RATE DEVIATION	\$3,166,000.00	\$0.00	\$3,166,000.00
5. RATE DEVIATION EXPENSE ALLOWANCE	\$1,044,780.00	\$0.00	\$1,044,780.00
6. LOSSES PAID	\$14,746,164.00	\$4,900,439.00	\$19,646,603.00
7. ALLOCATED EXPENSES PAID	\$417,533.00	\$311,079.00	\$728,612.00
8. BALANCE DUE CAR (COMPANY)	\$910,290.00	(\$1,190,041.00)	(\$279,751.00)
(1+4) - (2+3+5+6+7)			
B. PARTICIPATING MEMBER EXPERIENCE (ASSUMED BUSINESS)			
1. PREMIUMS WRITTEN	\$8,244,093.00	\$6,096,832.00	\$14,340,925.00
2. COMMISSIONS PAID	\$0.00	(\$1,939.00)	(\$1,939.00)
3. CEDING EXPENSE ALLOWANCE	\$2,978,835.00	\$2,089,407.00	\$5,068,242.00
4. RATE DEVIATION	\$1,333,618.00	\$0.00	\$1,333,618.00
5. RATE DEVIATION EXPENSE ALLOWANCE	\$440,094.00	\$0.00	\$440,094.00
6. LOSSES PAID	\$8,730,041.00	\$5,173,080.00	\$13,903,121.00
7. ALLOCATED EXPENSES PAID	\$349,637.00	\$296,414.00	\$646,051.00
8. BALANCE DUE CAR (COMPANY)	\$2,920,896.00	\$1,460,130.00	\$4,381,026.00
- (1+4) + (2+3+5+6+7)			
C. MISCELLANEOUS EXPENSES AND INCOME			
1. MISCELLANEOUS EXPENSES	\$182,727.00	\$32,329.00	\$215,056.00
2. INVESTMENT INCOME	\$6,799.00	\$1,188.00	\$7,987.00
3. ALL OTHER MISCELLANEOUS INCOME	\$6,096.00	\$992.00	\$7,088.00
4. BALANCE DUE CAR (COMPANY)	\$169,832.00	\$30,149.00	\$199,981.00
(1) - (2+3)			
D. CONTINGENCY FUND			
1. AS OF THIS PERIOD			\$360,472.50
2. AS OF LAST PERIOD			\$361,416.00
3. BALANCE DUE CAR (COMPANY)			(\$943.50)
(1) - (2)			
E. ACCOUNT ACTIVITY DURING LAST PERIOD			
1. NET SETTLEMENT AS OF LAST PERIOD (LINE "F" FROM LAST STATEMENT)			\$952,920.65
2. PAYMENTS TO CAR DURING LAST PERIOD			\$0.00
3. PAYMENTS TO THE COMPANY DURING LAST PERIOD			\$2,254,075.35
4. PENALTIES AND OTHER ADJUSTMENTS			(\$686.00)
5. BALANCE DUE CAR (COMPANY)			\$3,206,310.00
(1) - (2) + (3+4)			
F. NET SETTLEMENT AMOUNT			
1. NET BALANCE DUE CAR (COMPANY)			\$7,506,622.50

Last revision date: 10/27/99

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Commonwealth Automobile Reinsurers

Manual of Administrative Procedures

Chapter VI - Participation

EXHIBIT VI-B-2

COMMONWEALTH AUTOMOBILE REINSURERS

Calculation of Insolvent Company Special Assessment
Quarter Ending September 30, 1992

CO: XYZ Insurance Company
NUMBER: 999

12/14/92

*****UNDERWRITING RESULTS*****						*****ADMINISTRATIVE EXPENSES*****					*****TOTAL*****	
Policy	Total Special	Single Factor	Assess	Previous Assess	Amount Due		Total Special	Single Factor	Assess	Previous Assess	Amount Due	Amount Due
Year	Assessment	Ratio	Amount	Paid	CAR (CO.)		Assessment	Ratio	Amount	Paid	CAR (CO.)	CAR (CO.)
74	(\$109)	1.0000000	(\$109)	\$0	(\$109)		(\$1)	0.5000000	(\$1)	\$0	(\$1)	(\$110)
75	(\$158)	1.0000000	(\$158)	\$0	(\$158)		\$7	0.5000000	\$4	\$0	\$4	(\$154)
76	(\$120)	1.0000000	(\$120)	\$0	(\$120)		(\$2)	0.5000000	(\$1)	\$0	(\$1)	(\$121)
77	\$1,322	1.0000000	\$1,322	\$0	\$1,322		\$158	0.5000000	\$79	\$0	\$79	\$1,401
78	\$2,729	1.0000000	\$2,729	\$0	\$2,729		\$334	0.5000000	\$167	\$0	\$167	\$2,896
79	\$1,952	1.0000000	\$1,952	\$0	\$1,952		\$223	0.5000000	\$112	\$0	\$112	\$2,064
80	\$6,343	1.0000000	\$6,343	\$0	\$6,343		\$614	0.5000000	\$307	\$0	\$307	\$6,650
81	\$14,684	1.0000000	\$14,684	\$0	\$14,684		\$1,404	0.5000000	\$702	\$0	\$702	\$15,386
82	\$64,065	1.0000000	\$64,065	\$0	\$64,065		\$2,238	0.5000000	\$1,119	\$0	\$1,119	\$65,184
83	\$84,082	1.0000000	\$84,082	\$0	\$84,082		\$7,291	0.5000000	\$3,646	\$0	\$3,646	\$87,728
84	\$126,403	1.0000000	\$126,403	\$0	\$126,403		\$3,643	0.5000000	\$1,822	\$0	\$1,822	\$128,225
85	\$177,884	1.0000000	\$177,884	\$0	\$177,884		\$194	0.5000000	\$97	\$0	\$97	\$177,981
86	\$428,818	1.0000000	\$428,818	\$0	\$428,818		(\$5,280)	0.5000000	(\$2,640)	\$0	(\$2,640)	\$426,178
87	\$876,077	1.0000000	\$876,077	\$0	\$876,077		(\$39,216)	0.5000000	(\$19,608)	\$0	(\$19,608)	\$856,469
88	\$1,703,667	1.0000000	\$1,703,667	\$0	\$1,703,667		(\$89,306)	0.5000000	(\$44,653)	\$0	(\$44,653)	\$1,659,014
89	(\$1,797,137)	1.0000000	(\$1,797,137)	\$0	(\$1,797,137)		(\$80,068)	0.5000000	(\$40,034)	\$0	(\$40,034)	(\$1,837,171)
90	(\$59,249)	1.0000000	(\$59,249)	\$0	(\$59,249)		\$265	0.5000000	\$133	\$0	\$133	(\$59,116)
ALL	\$1,631,253		\$1,631,253	\$0	\$1,631,253		(\$197,502)		(\$98,749)	\$0	(\$98,749)	\$1,532,504

Commonwealth Automobile Reinsurers

Manual of Administrative Procedures

Chapter VI - Participation

EXHIBIT VI-B-3

COMMONWEALTH AUTOMOBILE REINSURERS

Analysis of Settlement Amount
All Companies - All Quarters Disbursements

Policy Year	Principal Private Passenger Liability	Interest	Total	Principal Private Passenger Phys. Dam.	Interest	Total	Principal Total Private Passenger	Interest	Total
1982	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1983	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1984	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1985	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1986	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1987	\$16,542,836	\$230,207	\$16,773,043	\$10,067,880	\$136,907	\$10,204,787	\$26,610,716	\$367,114	\$26,977,830
1988	\$10,930,854	\$168,234	\$11,099,088	\$6,654,358	\$99,752	\$6,754,110	\$17,585,212	\$267,986	\$17,853,198
1989	\$2,342,408	\$1,303,851	\$3,646,259	\$274,827	\$153,858	\$428,685	\$2,617,235	\$1,457,709	\$4,074,944
1990	\$3,316,156	\$1,174,633	\$4,490,789	\$1,197,132	\$147,852	\$1,344,984	\$4,513,288	\$1,322,485	\$5,835,773
1991	\$10,144,673	\$827,734	\$10,972,407	\$2,667,249	\$217,364	\$2,884,613	\$12,811,922	\$1,045,098	\$13,857,020
1992	\$32,718,165	\$814,822	\$33,532,987	\$11,829,210	\$261,056	\$12,090,266	\$44,547,375	\$1,075,878	\$45,623,253
1993	\$30,204,046	\$745,093	\$30,949,139	\$10,927,194	\$239,236	\$11,166,430	\$41,131,240	\$984,329	\$42,115,569
1994	\$27,885,032	\$683,573	\$28,568,605	\$10,094,455	\$219,846	\$10,314,301	\$37,979,487	\$903,419	\$38,882,906
1995	\$6,182,691	\$357,776	\$6,540,467	\$1,626,333	\$94,301	\$1,720,634	\$7,809,024	\$452,077	\$8,261,101
1996	\$5,633,431	\$325,994	\$5,959,425	\$1,481,850	\$85,922	\$1,567,772	\$7,115,281	\$411,916	\$7,527,197
1997	\$5,132,967	\$297,032	\$5,429,999	\$1,350,208	\$79,291	\$1,429,499	\$6,483,175	\$376,323	\$6,859,498
1998	\$4,201,066	\$260,628	\$4,461,694	\$1,104,574	\$68,697	\$1,173,271	\$5,305,640	\$329,325	\$5,634,965
1999	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$155,234,325	\$7,189,577	\$162,423,902	\$59,275,270	\$1,804,082	\$61,079,352	\$214,509,595	\$8,993,659	\$223,503,254
Other Than Private Passenger Liability			Other Than Private Passenger Phys. Dam.			Total Other Than Private Passenger			
1982	\$1,001	\$9	\$1,010	\$0	\$0	\$0	\$1,001	\$9	\$1,010
1983	\$12,233	\$114	\$12,347	\$8	\$1	\$9	\$12,241	\$115	\$12,356
1984	\$6,890	\$62	\$6,952	\$1	\$0	\$1	\$6,891	\$62	\$6,953
1985	\$332,153	\$28,041	\$360,194	\$41,101	\$3,566	\$44,667	\$373,254	\$31,607	\$404,861
1986	\$1,190,180	\$103,271	\$1,293,451	\$151,870	\$13,178	\$165,048	\$1,342,050	\$116,449	\$1,458,499
1987	\$3,972,336	\$110,186	\$4,082,522	\$120,026	\$10,415	\$130,441	\$4,092,362	\$120,601	\$4,212,963
1988	\$4,255,834	\$161,729	\$4,417,563	\$198,453	\$17,220	\$215,673	\$4,454,287	\$178,949	\$4,633,236
1989	\$2,056,239	\$268,635	\$2,324,874	(\$42,742)	(\$45,356)	(\$88,098)	\$2,013,497	\$223,279	\$2,236,776
1990	\$510,115	\$329,017	\$839,132	(\$28,895)	(\$41,097)	(\$69,992)	\$481,220	\$287,920	\$769,140
1991	\$142,870	\$35,563	\$178,433	\$0	(\$5,537)	(\$5,537)	\$142,870	\$30,026	\$172,896
1992	\$132,785	\$4,305	\$137,090	(\$145)	(\$413)	(\$558)	\$132,640	\$3,892	\$136,532
1993	\$120,989	\$3,656	\$124,645	(\$132)	(\$332)	(\$464)	\$120,857	\$3,324	\$124,181
1994	\$110,240	\$3,335	\$113,575	(\$120)	(\$303)	(\$423)	\$110,120	\$3,032	\$113,152
1995	\$100,446	\$2,938	\$103,384	(\$110)	(\$259)	(\$369)	\$100,336	\$2,679	\$103,015
1996	\$91,523	\$2,677	\$94,200	(\$100)	(\$236)	(\$336)	\$91,423	\$2,441	\$93,864
1997	\$83,392	\$2,438	\$85,830	(\$91)	(\$216)	(\$307)	\$83,301	\$2,222	\$85,523
1998	\$75,984	\$2,040	\$78,024	(\$83)	(\$166)	(\$249)	\$75,901	\$1,874	\$77,775
1999	\$1,360	\$14	\$1,374	(\$75)	(\$1)	(\$76)	\$1,285	\$13	\$1,298
Subtotal	\$13,196,570	\$1,058,030	\$14,254,600	\$438,966	(\$49,536)	\$389,430	\$13,635,536	\$1,008,494	\$14,644,030
Total	\$168,430,895	\$8,247,607	\$176,678,502	\$59,714,236	\$1,754,546	\$61,468,782	\$228,145,131	\$10,002,153	\$238,147,284

Commonwealth Automobile Reinsurers

Manual of Administrative Procedures

Chapter VI - Participation

EXHIBIT VI-B-4

COMMONWEALTH AUTOMOBILE REINSURERS

Calculation of Settlement Disbursement

Quarter Ending December 31, 1991

XYZ Insurance Company

*****Private Passenger Liability*****						*****Private Passenger Physical Damage*****				
Policy Year	Settlement Amount	Current Adjusted Ratio	Current Disbursement Amount	Previous Disbursement Amount	Amount Due Co. (CAR)	Settlement Amount	Current Adjusted Ratio	Current Disbursement Amount	Previous Disbursement Amount	Amount Due Co. (CAR)
1982	\$0	0.0004018	\$0	\$0	\$0	0	0.0004602	\$0	0	\$0
1983	\$0	0.0003940	\$0	\$0	\$0	0	0.0004708	\$0	0	\$0
1984	\$0	0.0003830	\$0	\$0	\$0	0	0.0004172	\$0	0	\$0
1985	\$0	0.0004037	\$0	\$0	\$0	0	0.0004255	\$0	0	\$0
1986	\$0	0.0004042	\$0	\$0	\$0	0	0.0004368	\$0	0	\$0
1987	\$16,949,627	0.0004328	\$7,336	\$7,336	\$0	10303128	0.0004572	\$4,711	4711	\$0
1988	\$11,205,269	0.0004080	\$4,572	\$4,572	\$0	6809833	0.0004285	\$2,918	2918	\$0
1989	\$0	0.0000000	\$0	\$0	\$0	0	0.0000015	\$0	0	\$0
1990	\$3,403,004	0.0008064	\$2,744	\$942	\$1,802	1230544	0.0000005	\$1	0	\$1
1991	\$9,277,216	0.0014601	\$13,546	\$13,176	\$370	2438054	0.0000010	\$2	2	\$0
1992	\$9,987,745	0.0000040	\$40	\$15,865	(\$15,825)	2473742	0.0000023	\$6	3	\$3
1993	\$9,164,574	0.0000054	\$49	\$14,551	(\$14,502)	2266684	0.0000035	\$8	2	\$6
1994	\$8,410,609	0.0000054	\$45	\$13,347	(\$13,302)	2077251	0.0000035	\$7	2	\$5
1995	\$5,810,921	0.0000054	\$31	\$9,429	(\$9,398)	1525576	0.0000035	\$5	2	\$3
1996	\$5,294,691	0.0000054	\$29	\$8,592	(\$8,563)	1390044	0.0000035	\$5	2	\$3
1997	\$4,824,320	0.0000054	\$26	\$7,828	(\$7,802)	1266558	0.0000035	\$4	1	\$3
1998	\$3,887,635	0.0000054	\$21	\$6,292	(\$6,271)	1020084	0.0000035	\$4	1	\$3
1999	\$0	0.0000054	\$0	\$0	\$0	0	0.0000035	\$0	0	\$0
ALL	\$88,215,611		\$28,439	\$101,930	(\$73,491)	\$32,801,498		\$7,671	\$7,644	\$27
*****Other Than Private Passenger Liability*****						*****Other Than Private Passenger Physical Damage*****				
Policy Year	Settlement Amount	Current Adjusted Ratio	Current Disbursement Amount	Previous Disbursement Amount	Amount Due Co. (CAR)	Settlement Amount	Current Adjusted Ratio	Current Disbursement Amount	Previous Disbursement Amount	Amount Due Co. (CAR)
1982	\$1,010	0.0034813	\$4	0	\$4	0	0.0039301	\$0	0	\$0
1983	\$12,347	0.0051381	\$63	0	\$63	9	0.0046944	\$0	0	\$0
1984	\$6,952	0.0034517	\$24	0	\$24	1	0.0039339	\$0	0	\$0
1985	\$360,194	0.0062135	\$2,238	2160	\$78	44667	0.0050836	\$227	227	\$0
1986	\$1,293,451	0.0061196	\$7,915	7899	\$16	165048	0.0038504	\$636	636	\$0
1987	\$4,050,114	0.0058855	\$23,837	23837	\$0	130441	0.0023623	\$308	308	\$0
1988	\$4,390,405	0.0074495	\$32,706	32706	\$0	215673	0.0024522	\$529	529	\$0
1989	\$1,658,279	0.0056728	\$9,407	9407	\$0	46771	0.0024267	\$113	113	\$0
1990	\$671,569	0.0027520	\$1,848	0	\$1,848	-29837	0.0024335	(\$73)	0	(\$73)
1991	\$131,961	0.0027610	\$364	394	(\$30)	0	0.0024423	\$0	0	\$0
1992	\$122,869	0.0027628	\$339	366	(\$27)	-146	0.0024447	\$0	0	\$0
1993	\$111,955	0.0027628	\$309	334	(\$25)	-133	0.0024447	\$0	0	\$0
1994	\$102,007	0.0027628	\$282	304	(\$22)	-121	0.0024447	\$0	0	\$0
1995	\$92,945	0.0027628	\$257	277	(\$20)	-111	0.0024447	\$0	0	\$0
1996	\$84,689	0.0027628	\$234	252	(\$18)	-101	0.0024447	\$0	0	\$0
1997	\$77,165	0.0027628	\$213	230	(\$17)	-92	0.0024447	\$0	0	\$0
1998	\$1,507	0.0027628	\$4	209	(\$205)	-84	0.0024447	\$0	0	\$0
1999	\$1,374	0.0027628	\$4	4	\$0	-76	0.0024447	\$0	0	\$0
ALL	\$13,170,793		\$80,048	\$78,379	\$1,669	\$571,909		\$1,740	\$1,813	(\$73)
*****All Pools Liability*****						*****All Pools Physical Damage*****				
Policy Year	Settlement Amount		Current Disbursement Amount	Previous Disbursement Amount	Amount Due Co. (CAR)	Settlement Amount		Current Disbursement Amount	Previous Disbursement Amount	Amount Due Co. (CAR)
ALL	\$101,386,404		\$108,487	\$180,309	(\$71,822)	\$33,373,407		\$9,411	\$9,457	(\$46)

Commonwealth Automobile Reinsurers

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Chapter VI - Participation

EXHIBIT VI-B-5

**COMMONWEALTH AUTOMOBILE REINSURERS
WITHDRAWING COMPANY SETTLEMENT DISBURSEMENTS
SUMMARY OF TRUE-UP AND INTEREST CALCULATIONS**

Q/E 09/30/92

999 XYZ I NSURANCE COMPANY

A. True-up and Disbursement of Withdrawal Settlements (All Years):

(1) Member's Share of Settlements this Quarter	\$1,648,883
(2) Settlement Monies Received to Date	\$1,597,166
(3) Outstanding Balance	\$0
(4) Balance Due Company/ (CAR)	\$51,717

B. Calculation of Interest

Settlements Originally Disbursed in the 3/92 and Prior Quarters

(1) Member's Share of Settlements Current Quarter	\$1,612,401
(2) Member's Share of Settlements 3/92 Quarter	\$1,597,166
(3) Difference (1-2)	\$15,235
(4) Interest Due Company/(CAR)	\$282

C. Total Balance Due Company/(CAR) **\$51,999**

Commonwealth Automobile Reinsurers

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Chapter VI - Participation

EXHIBIT VI-B-6

MEMBER COMPANY WIRE TRANSFER INSTRUCTIONS

Please submit this form to the attention of the Financial Department of CAR. CAR will wire transfer all future disbursements to the members in accordance with the instructions provided below.

I wish to have my company's Settlement of Balances due from CAR transferred in accordance with the following instructions:

(PLEASE TYPE INFORMATION)

COMPANY

CONTACT PERSON _____

TITLE _____

TELEPHONE NO. _____

MEMBER COMPANY

BANK ACCOUNT NO. _____

ACCOUNT TYPE Checking _____ Savings _____

BANK NAME _____

BANK ADDRESS _____

OTHER NECESSARY
INFORMATION _____

CONTACT PERSON _____
(Signature)

AUTHORIZED
INDIVIDUAL _____
(Signature)

TITLE _____

Commonwealth Automobile Reinsurers

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Chapter VI - Participation

C. Commonwealth Automobile Reinsurers' Reporting of Operations and Members' Participation

1. Quarterly and Fiscal Year-to-Date Reports for Governing Committee

The Commonwealth Automobile Reinsurers will accumulate every Servicing Carrier's ceded business at the end of each quarter. This is done by extracting data that is identified as CAR ceded business from the acceptable monthly submissions of data that are sent to CAR. From this data, financial statements will be prepared for distribution to the Governing Committee.

2. Members Participation Reports

In order that Member Companies may prepare and book entries to their financial records, the MP-1 through MP-6 Members Participation Reports (Exhibit VI-C-1) are distributed to the industry. These reports display each Member's assumed share, by policy year and participation pool, of CAR's ceded premium, expenses, losses and net underwriting results, calculated by applying the Member's underwriting results participation ratios.

The MP1, MP2, and MP3 reports display, by policy year and pool, current quarter's activity, fiscal year-to-date activity, and inception to date results, respectively. The MP4, MP5, and MP6 reports display a summary by policy year of the cash balances reflected on the MP1, MP2, and MP3 reports, respectively.

The Members Participation Reports are released to Members approximately seventy-five days following the close of the quarter being reported (i.e., within thirty business days of the date the final monthly submission for the quarter is due at CAR), in accordance with the following schedule:

Quarter Ending	Approximate Distribution Date	Reports Produced	
		Individual Member Company	Industry Totals
December 31	March 25	MP-1,4	MP-1,3,4,6
March 31	June 25	MP-1,4	MP-1,2,3,4,5,6
June 30	September 25	MP-1,4	MP-1,2,3,4,5,6
September 30	December 25	MP-1,2,3,4,5,6	MP-1,2,3,4,5,6

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C. Commonwealth Automobile Reinsurers' Reporting of Operations and Members' Participation

2. Members Participation Reports (continued)

Member Companies may request to receive MP 2, 3, 5 & 6 reports for all accounting quarters by submitting a written request to the Financial Department. Members may also request to receive their assumed data on P.C. diskette or on mainframe tape.

In some cases, when a company has shared in CAR's results for a policy year and was unable to continue due to insolvency or other reasons, the remaining member companies of CAR must assume the insolvent company's balances that it is unable to meet. To accomplish this, CAR removes the company's ratio from the participation base. The industry inception to date ceded balances are then reduced by the frozen or "inactive" company's paid assumed balances. The remaining companies' assumed share in CAR's results is then calculated by applying the participation ratios.

The industry MP reports distributed to member companies each quarter include two sections. An "All Companies Combined" report, which reflects the total industry assumed shares, as well as "All Active Companies" report, which represents the sum of the active members' assumed shares, and will be required for a company to verify their assumed share in CAR's results.

Each policy year will be held open until all claims are settled and final distribution has been made, or until it is determined by the Operations Committee that the volume of open claims and outstanding loss reserves for a particular policy year are sufficiently low to allow the close-out of that policy year for participation purposes. Paid and outstanding loss activity submitted at the time of the close-out of the policy year to which the activity pertains, or submitted in subsequent quarters, will be shared using the participation ratios for the oldest policy year that remains open.

The close out of a policy year for participation purposes will always take place as of the September quarter of a particular calendar year.

Commonwealth Automobile Reinsurers

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Chapter VI - Participation

EXHIBIT VI-C-1

REPORT: MP-1
 QUARTER ENDING : MARCH 31, 2001
 POLICY YEAR 2001
 PRIVATE PASSENGER

COMMONWEALTH AUTOMOBILE REINSURERS
 MEMBERS PARTICIPATION REPORT
 ALL COMPANIES COMBINED

DATE: 8/14/01
 PAGE: 1

***** ACCOUNTS *****	***** LIABILITY *****				***** PHYSICAL DAMAGE *****			ALL COV
	BI	PIP	PD	TOTAL	COLL	OTC	TOTAL	
PREMIUMS WRITTEN	36,968,974	8,465,492	27,296,620	72,731,086	23,453,250	9,865,622	33,318,872	106,049,958
UNEARNED PREMIUMS (CURR)	31,822,774	7,300,601	23,520,371	62,643,746	20,204,294	8,514,407	28,718,701	91,362,447
PREMIUMS EARNED (1)	5,146,200	1,164,891	3,776,249	10,087,340	3,248,956	1,351,215	4,600,171	14,687,511
 CEDING EXPENSE ALLOWANCE (3)	 12,001,156	 2,751,289	 8,857,364	 23,609,809	 7,981,916	 3,390,642	 11,372,558	 34,982,367
RATE DEVIATION (4)	344,880	69,907	239,951	654,738	261,754	101,695	363,449	1,018,187
RATE DEVIATION EXP ALLOW (5)	111,759	26,594	75,897	214,250	87,248	35,814	123,062	337,312
 LOSSES PAID TOTAL	 4,147	 117,963	 1,004,791	 1,126,901	 4,591,178	 740,560	 5,331,738	 6,458,639
ACCIDENT YEAR 2001	4,147	117,963	1,004,791	1,126,901	4,591,178	740,560	5,331,738	6,458,639
 LOSSES O/S (CURR) TOTAL	 5,793,950	 2,524,168	 2,024,870	 10,342,988	 0	 0	 0	 10,342,988
ACCIDENT YEAR 2001	5,793,950	2,524,168	2,024,870	10,342,988	0	0	0	10,342,988
 LOSSES O/S IBNR (CURR) TOTAL	 2,753,001	 -402,999	 1,432,001	 3,782,003	 299,000	 1,399,000	 1,698,000	 5,480,003
ACCIDENT YEAR 2001	2,753,001	-402,999	1,432,001	3,782,003	299,000	1,399,000	1,698,000	5,480,003
 LOSSES INCURRED TOTAL (6)	 8,551,098	 2,239,132	 4,461,662	 15,251,892	 4,890,178	 2,139,560	 7,029,738	 22,281,630
ACCIDENT YEAR 2001	8,551,098	2,239,132	4,461,662	15,251,892	4,890,178	2,139,560	7,029,738	22,281,630
 CLAIMS EXP ALLOWANCE TOTAL (7)	 747	 7,231	 851	 8,829	 3,223	 1,790	 5,013	 13,842
ACCIDENT YEAR 2001	747	7,231	851	8,829	3,223	1,790	5,013	13,842
 NET UNDERWRITING RESULTS	 -15,173,680	 -3,789,448	 -9,379,574	 -28,342,702	 -9,451,855	 -4,114,896	 -13,566,751	 -41,909,453

* NET UNDERWRITING RESULTS = (1) - (2) - (3) + (4) - (5) - (6) - (7)

Manual of Administrative Procedures

Chapter VI - Participation

D. Basis of Commonwealth Automobile Reinsurers' Experience Distribution to Participating Members

1. Timeliness of Experience Used in Participation Determination

The ratios used for distribution will be based on the most current data available, until the calendar year data relative to a specific policy year is available in its entirety. At that point, retroactive adjustments to each Member's inception-to-date share will be made so that the current policy year distribution is based on the calendar year writings for that year.

2. Participation Determination

a. Underwriting Results

1. General

A separate set of participation ratios will be calculated for each policy effective year. The policy year ratios will be based upon the data for the latest two (2) policy effective years, reported in the corresponding calendar year. For example, 1994 policy year participation ratios would be based upon data for policy effective years 1993 and 1994, reported in calendar year 1994.

Participation ratios for the Private Passenger Liability and Private Passenger Physical Damage pools are calculated based on written car years of exposure, with no more than one (1) year (twelve (12) calendar months) of exposure included for each vehicle listed on any policy that is written.

Participation ratios for the All Other Liability and All Other Physical Damage pools are calculated based on written premium.

Until such time as the final policy effective year's participation ratios are available, the policy effective year's participation ratios will be estimated using the data for the two (2) most recent policy effective years, as reported in the most recent calendar year from which data is available, adjusted to include newly emerging Members' and newly writing Members' estimates of their experience. For example, until the data for policy effective years 1993 and 1994 reported in calendar year 1994 is available, the participation ratios for policy effective year 1994 will initially be estimated using the data for policy effective years 1991 and 1992 reported in calendar year 1992, and then again using data for policy effective years 1992 and 1993 reported in calendar year 1993, adjusted to include estimates of the experience of Members emerging and newly writing in calendar year 1994.

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Chapter VI - Participation

D. Basis of Commonwealth Automobile Reinsurers' Experience Distribution to Participating Members

2. Participation Determination (continued)

a. Underwriting Results (continued)

1. General (continued)

Both private passenger and other than private passenger policy year ratios will subsequently be re-calculated based on the data reported to CAR during the corresponding calendar year, once the data is complete. All assessments calculated from the estimated participation ratios will be retroactively adjusted to be shared using the updated participation ratios. Final ratios for a particular policy year are calculated in the June quarter following the close of the calendar year. For example, the final policy year 1994 participation ratios are calculated in the quarter ending June 30, 1995.

2. Private Passenger Motor Vehicles

Policy Years 1994 and Subsequent:

For policy years 1994 and subsequent, private passenger participation ratios are equal to the Member Company's utilization ratio. All exposures from ERP's, both voluntary and ceded, and associated Rule 12 credits, will be included in the calculation of utilization ratios. Note, however, that exposures from ceded risks which meet the established exclusion criteria are not included in the calculation of a company's utilization ratio. Additionally, voluntary and ceded exposures for Antique Vehicles with policy effective dates of November, 1998 and subsequent are not included in the calculation of the utilization ratio.

Initially, policy year 1994 private passenger participation ratios will be estimated using final policy year 1992 participation ratios and subsequently final policy year 1993 participation ratios. These estimated ratios will also be adjusted for Members which are newly emerging or newly writing in 1994, to reflect estimates of their calendar year 1994 writings.

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Chapter VI - Participation

D. Basis of Commonwealth Automobile Reinsurers' Experience Distribution to Participating Members

2. Participation Determination (continued)

a. Underwriting Results (continued)

2. Private Passenger Motor Vehicles (continued)

The final private passenger participation ratios for policy years 1994 and subsequent will be calculated as adjusted for Rule 12 credits earned in the particular calendar year.

Exhibits VI-D-1 and VI-D-2 contain examples of Private Passenger Liability and Private Passenger Physical Damage participation ratio calculations. For additional details regarding these calculations, refer to Rule 11 of the CAR Rules of Operation.

3. All Other Motor Vehicles

Policy Years 1994 and Subsequent:

For policy years 1994 and subsequent, a company's all other participation ratios shall be determined as a function of the company's utilization of the residual market if the company is a Servicing Carrier for all other motor vehicle business, with a "grossing-up" process to be applied for those companies which are not Servicing Carriers for this business. Premium from ceded risks meeting the established exclusion criteria, as well as ceded ERP written premium and voluntary and ceded premium for Antique Vehicles with policy effective dates of November, 1998 and subsequent are excluded from the calculation of the utilization ratio.

Policy year 1994 All Other participation ratios will be estimated using the final policy year 1993 All Other utilization ratios. Subsequent years' All Other participation ratios will be estimated using the All Other Utilization ratios from the prior policy year.

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Chapter VI - Participation

D. Basis of Commonwealth Automobile Reinsurers' Experience Distribution to Participating Members

2. Participation Determination (continued)

a. Underwriting Results (continued)

3. All Other Motor Vehicles (continued)

Policy Years 1994 and Subsequent:

All Other policy year ratios will then be re-calculated based on the data reported to CAR during the corresponding calendar year, once the data is complete. All assessments calculated from the estimated participation ratios will be retroactively adjusted to be shared using the updated participation ratios. Final ratios for a particular policy year are calculated in the June quarter following the close of the calendar year. For example, the final policy year 1994 participation ratios are calculated in the quarter ending September 30, 1995.

Exhibits VI-D-3 and VI-D-4 contain examples of All Other Liability and All Other Physical Damage participation ratio calculations. For additional details regarding these calculations, refer to Rule 11 of the CAR Rules of Operation.

b. Administrative Expenses

Expenses, including all costs of operating CAR, and all costs, charges, expenses and liabilities and all income, property and other assets which the Governing Committee determine not to be properly chargeable to the profit or loss of risks ceded to CAR by Servicing Carriers, shall be shared by Member Companies. These expenses shall be shared in the proportion that each Member's Massachusetts statistically reportable direct written motor vehicle insurance premiums (excluding Antique Vehicle premium for policies effective November, 1998 and subsequent) which are reported on its Annual Statement for the most recent calendar year, bear to the total of such premiums (excluding Antique Vehicle premium for policies effective November, 1998 and subsequent) for all Members.

Commonwealth Automobile Reinsurers

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Chapter VI - Participation

EXHIBIT VI-D-1

COMMONWEALTH AUTOMOBILE REINSURERS

09/05/96

1994 PARTICIPATION BASE DATA AND CALCULATION OF PARTICIPATION RATIOS

PAGE: 1A

** BASED UPON FINAL 1994 CALENDAR YEAR DATA AS OF 12 MONTHS **

COMPANY NUMBER: 123

COMPANY NAME: ABC

PRIVATE PASSENGER LIABILITY BASE DATA AND PARTICIPATION RATIO FOR SHARING IN C.A.R.'S UNDERWRITING RESULTS

SECTION I

----- REPORTING COMPANY DATA ANNUALIZED TO ESTIMATE CALENDAR YEAR 1994 -----

REPORTING COMPANY NUMBER -->				CO./GRP.	INDUSTRY
A) C.Y. 1994 VOL RETAINED EXPOSURE	248,000	0	0	248,000	2,188,510
B) C.Y. 1994 VOL CEDED EXPOSURE	23,100	0	0	23,100	150,245
C) C.Y. 1994 ERP RETAINED EXPOSURE	120,000	0	0	120,000	801,673
D) C.Y. 1994 ERP CEDED EXPOSURE	19,300	0	0	19,300	259,929
E) C.Y. 1994 VOL RETAINED MISC/MOTOR EXPOSURE	700	0	0	700	15,383
F) C.Y. 1994 VOL CEDED MISC/MOTOR EXPOSURE	2,200	0	0	2,200	5,440
G) C.Y. 1994 ERP RETAINED MISC/MOTOR EXPOSURE	300	0	0	300	5,906
H) C.Y. 1994 ERP CEDED MISC/MOTOR EXPOSURE	1,100	0	0	1,100	4,886
I) C.Y. 1994 CAR ID 0, 2 CREDITS	70,600	0	0	70,600	560,908
J) C.Y. 1994 CAR ID 1, 7 + 8 CREDITS	62,500	0	0	62,500	362,994
K) VOLUNTARY CEDED SDIP EXCLUSIONS	6,500	0	0	6,500	31,185
L) ERP CEDED SDIP EXCLUSIONS	4,600	0	0	4,600	32,073
M) VOL CEDED RATE CLASS EXCLUSIONS	8,500	0	0	8,500	30,781
N) ERP CEDED RATE CLASS EXCLUSIONS	4,600	0	0	4,600	26,369
O) C.Y. 1993 VOLUNTARY RETAINED EXPOSURE	261,300	0	0	261,300	2,172,908
P) C.Y. 1993 VOLUNTARY CEDED EXPOSURE	25,300	0	0	25,300	138,586
Q) C.Y. 1993 MINIMUM ALLOWABLE EXPOSURES	234,900	0	0	234,900	1,812,572

----- ACTUAL COMPANY DATA REPORTED THROUGH DECEMBER 31, 1994 -----

REPORTING COMPANY NUMBER -->				CO./GRP.	INDUSTRY
R) C.Y. 1994 VOL RETAINED EXPOSURE	248,000	0	0	248,000	2,188,510
S) C.Y. 1994 VOL CEDED EXPOSURE	23,100	0	0	23,100	150,245
T) C.Y. 1994 ERP RETAINED EXPOSURE	120,000	0	0	120,000	801,673
U) C.Y. 1994 ERP CEDED EXPOSURE	19,300	0	0	19,300	259,929
V) C.Y. 1994 VOL RETAINED MISC/MOTOR EXPOSURE	700	0	0	700	15,383
W) C.Y. 1994 VOL CEDED MISC/MOTOR EXPOSURE	2,200	0	0	2,200	5,440
X) C.Y. 1994 ERP RETAINED MISC/MOTOR EXPOSURE	300	0	0	300	5,906
Y) C.Y. 1994 ERP CEDED MISC/MOTOR EXPOSURE	1,100	0	0	1,100	4,886
Z) C.Y. 1994 CAR ID 0, 2 CREDITS	70,600	0	0	70,600	560,908
AA) C.Y. 1994 CAR ID 1, 7 + 8 CREDITS	62,500	0	0	62,500	362,994
AB) VOLUNTARY CEDED SDIP EXCLUSIONS	6,500	0	0	6,500	31,185
AC) ERP CEDED SDIP EXCLUSIONS	4,600	0	0	4,600	32,073
AD) VOL CEDED RATE CLASS EXCLUSIONS	8,500	0	0	8,500	30,781
AE) ERP CEDED RATE CLASS EXCLUSIONS	4,600	0	0	4,600	26,369

Commonwealth Automobile Reinsurers

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Chapter VI - Participation

EXHIBIT VI-D-1
(continued)

COMMONWEALTH AUTOMOBILE REINSURERS

09/05/96

1994 PARTICIPATION BASE DATA AND CALCULATION OF PARTICIPATION RATIOS

PAGE: 1B

** BASED UPON FINAL 1994 CALENDAR YEAR DATA AS OF 12 MONTHS **

COMPANY NUMBER: 123

COMPANY NAME: ABC

PRIVATE PASSENGER LIABILITY BASE DATA AND PARTICIPATION RATIO FOR SHARING IN C.A.R.'S UNDERWRITING RESULTS

SECTION II

----- CALCULATION OF MINIMUM ALLOWABLE EXPOSURES -----

DESCRIPTION	VALUE	SOURCE
=====	=====	=====
A) C.Y. 1993 VOLUNTARY AGENT EXPOSURES	286,600	SECTION I, ITEM O + P
B) 80% OF C.Y. 1993 VOLUNTARY AGENT EXP.	229,280	(A) * 80.0%
C) 1993 MINIMUM ALLOWABLE EXPOSURES	234,897	SECTION I, ITEM Q
D) 80% OF C.Y. 1993 MINIMUM ALLOWABLE EXP.	187,918	(C) * 80.0%
E) 1994 MINIMUM ALLOWABLE EXPOSURES	229,280	MAXIMUM OF (B), (D)

SECTION III

----- CALCULATION OF VOLUNTARY CEDED EXPOSURES -----

DESCRIPTION	VALUE	SOURCE
=====	=====	=====
A) C.Y. 1994 VOLUNTARY AGENT EXPOSURES	274,000	SECTION I, ITEM A + B + E + F
B) MINIMUM ALLOWABLE EXPOSURES	229,280	SECTION II, ITEM E
C) IS COMPANY BELOW THE MINIMUM?	NO	COMPARES (A) TO (B)
D) REVISED 1994 VOL-CED EXPOSURES	10,300	IF ITEM C IS NO - SECTION I, ITEM [B + F - K - M]

SECTION IV

----- CALCULATION OF PRE-CREDIT UTILIZATION RATIO -----

DESCRIPTION	VALUE	SOURCE
=====	=====	=====
A) COMPANY 1994 RETAINED EXPOSURE	369,000	SECTION I, ITEM A + C + E + G
B) COMPANY 1994 REVISED CEDED EXPOSURE	21,500	SECTION III, ITEM D + SECTION I, ITEM [D + H - L - N]
C) 1994 PRE-CREDIT EXPOSURES	455,000	(A) + [(B) * 4]
D) INDUSTRY 1994 PRE-CREDIT EXPOSURES	4,250,492	
E) PRE-CREDIT UTILIZATION RATIO	0.1070464	(C) / (D)

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Chapter VI - Participation

EXHIBIT VI-D-1
(continued)

COMMONWEALTH AUTOMOBILE REINSURERS

09/05/96

1994 PARTICIPATION BASE DATA AND CALCULATION OF PARTICIPATION RATIOS

PAGE: 1C

** BASED UPON FINAL 1994 CALENDAR YEAR DATA AS OF 12 MONTHS **

COMPANY NUMBER: 123 COMPANY NAME: ABC

PRIVATE PASSENGER LIABILITY BASE DATA AND PARTICIPATION RATIO FOR SHARING IN C.A.R.'S UNDERWRITING RESULTS

SECTION V

----- OFF-BALANCED CREDIT ADJUSTED VOLUNTARY EXPOSURES: UTILIZATION FORMULA -----

DESCRIPTION =====	VALUE =====	SOURCE =====
A) COMPANY PRE-CREDIT UTILIZATION RATIO	0.1070464	SECTION IV, ITEM E
B) INDUSTRY 1994 VOLUNTARY EXPOSURE	3,011,472	SECTION I, ITEM R + T + V + X
C) COMPANY VOLUNTARY ADJUSTED EXPOSURE	322,367	(A) * (B)
D) COMPANY 1994 CREDITS	133,100	SECTION I, ITEM Z + AA
E) COMPANY CREDIT ADJUSTED EXPOSURES	189,267	(C) - (D), NOT < 0
F) INDUSTRY TOTAL EXPOSURES LESS CREDITS USED	2,087,569	
G) CREDIT ADJUSTED UTILIZATION RATIO	0.0906638	(E) / (F)

SECTION VI

----- CALCULATION OF FINAL 1994 EXPOSURES AND RATIOS -----

DESCRIPTION =====	VALUE =====	SOURCE =====
A) CREDIT ADJUSTED UTILIZATION RATIO	0.0906638	SECTION V, ITEM G
B) OFF-BALANCE FACTOR	0.9462140	SEE COVER LETTER FOR MORE INFORMATION
C) OFF-BALANCED WEIGHTED RATIO	0.0857874	(A) * (B)
D) INDUSTRY TOTAL EXPOSURES	2,307,275	
E) COMPANY FINAL ADJ. EXPOSURE	197,935	(C) * (D)
F) INDUSTRY TOTAL EXPOSURES	2,307,275	
G) COMPANY/GROUP FINAL 1994 PARTICIPATION RATIO	0.0857873	(E) / (F)
H) IF YOUR CO. IS PART OF A GROUP YOUR FINAL EXP. ARE	N/A	CO. TO GROUP WEIGHTED BY VOL AND VOL-CED EXP
I) IF YOUR CO. IS PART OF A GROUP YOUR FINAL RATIO IS	N/A	(H) / (D)

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Chapter VI - Participation

EXHIBIT VI-D-2

COMMONWEALTH AUTOMOBILE REINSURERS

09/05/96

1994 PARTICIPATION BASE DATA AND CALCULATION OF PARTICIPATION RATIOS

PAGE: 2A

** BASED UPON FINAL 1994 CALENDAR YEAR DATA AS OF 12 MONTHS **

COMPANY NUMBER: 123

COMPANY NAME: ABC

PRIVATE PASSENGER PHYSICAL DAMAGE BASE DATA AND PARTICIPATION RATIO FOR SHARING IN C.A.R.'S UNDERWRITING RESULTS

SECTION I

----- REPORTING COMPANY DATA ANNUALIZED TO ESTIMATE CALENDAR YEAR 1994 -----

REPORTING COMPANY NUMBER -->				CO./GRP.	INDUSTRY
A) C.Y. 1994 VOL RETAINED EXPOSURE	180,200	0	0	180,200	1,636,468
B) C.Y. 1994 VOL CEDED EXPOSURE	14,200	0	0	14,200	97,175
C) C.Y. 1994 ERP RETAINED EXPOSURE	76,400	0	0	76,400	516,943
D) C.Y. 1994 ERP CEDED EXPOSURE	10,300	0	0	10,300	135,981
E) C.Y. 1994 VOL RETAINED MISC/MOTOR EXPOSURE	1,300	0	0	1,300	16,255
F) C.Y. 1994 VOL CEDED MISC/MOTOR EXPOSURE	1,100	0	0	1,100	2,700
G) C.Y. 1994 ERP RETAINED MISC/MOTOR EXPOSURE	400	0	0	400	4,779
H) C.Y. 1994 ERP CEDED MISC/MOTOR EXPOSURE	600	0	0	600	2,612
I) C.Y. 1994 CAR ID 0, 2 CREDITS	48,200	0	0	48,200	383,429
J) C.Y. 1994 CAR ID 1, 7 + 8 CREDITS	35,100	0	0	35,100	213,506
K) VOLUNTARY CEDED SDIP EXCLUSIONS	N/A	N/A	N/A	N/A	N/A
L) ERP CEDED SDIP EXCLUSIONS	N/A	N/A	N/A	N/A	N/A
M) VOL CEDED RATE CLASS EXCLUSIONS	4,700	0	0	4,700	16,261
N) ERP CEDED RATE CLASS EXCLUSIONS	2,200	0	0	2,200	11,929
O) C.Y. 1993 VOLUNTARY RETAINED EXPOSURE	186,700	0	0	186,700	1,609,252
P) C.Y. 1993 VOLUNTARY CEDED EXPOSURE	15,300	0	0	15,300	90,668
Q) C.Y. 1993 MINIMUM ALLOWABLE EXPOSURES	164,400	0	0	164,400	1,344,740

----- ACTUAL COMPANY DATA REPORTED THROUGH DECEMBER 31, 1994 -----

REPORTING COMPANY NUMBER -->				CO./GRP.	INDUSTRY
R) C.Y. 1994 VOL RETAINED EXPOSURE	180,200	0	0	180,200	1,636,468
S) C.Y. 1994 VOL CEDED EXPOSURE	14,200	0	0	14,200	97,175
T) C.Y. 1994 ERP RETAINED EXPOSURE	76,400	0	0	76,400	516,943
U) C.Y. 1994 ERP CEDED EXPOSURE	10,300	0	0	10,300	135,981
V) C.Y. 1994 VOL RETAINED MISC/MOTOR EXPOSURE	1,300	0	0	1,300	16,255
W) C.Y. 1994 VOL CEDED MISC/MOTOR EXPOSURE	1,100	0	0	1,100	2,700
X) C.Y. 1994 ERP RETAINED MISC/MOTOR EXPOSURE	400	0	0	400	4,779
Y) C.Y. 1994 ERP CEDED MISC/MOTOR EXPOSURE	600	0	0	600	2,612
Z) C.Y. 1994 CAR ID 0, 2 CREDITS	48,200	0	0	48,200	383,429
AA) C.Y. 1994 CAR ID 1, 7 + 8 CREDITS	35,100	0	0	35,100	213,506
AB) VOLUNTARY CEDED SDIP EXCLUSIONS	N/A	N/A	N/A	N/A	N/A
AC) ERP CEDED SDIP EXCLUSIONS	N/A	N/A	N/A	N/A	N/A
AD) VOL CEDED RATE CLASS EXCLUSIONS	4,700	0	0	4,700	16,261
AE) ERP CEDED RATE CLASS EXCLUSIONS	2,200	0	0	2,200	11,929

Last revision date: 10/27/99

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Chapter VI - Participation

EXHIBIT VI-D-2
(continued)

COMMONWEALTH AUTOMOBILE REINSURERS

09/05/96

1994 PARTICIPATION BASE DATA AND CALCULATION OF PARTICIPATION RATIOS

PAGE: 2B

** BASED UPON FINAL 1994 CALENDAR YEAR DATA AS OF 12 MONTHS **

COMPANY NUMBER: 123

COMPANY NAME: ABC

PRIVATE PASSENGER PHYSICAL DAMAGE BASE DATA AND PARTICIPATION RATIO FOR SHARING IN C.A.R.'S UNDERWRITING RESULTS

SECTION II

----- CALCULATION OF MINIMUM ALLOWABLE EXPOSURES -----

DESCRIPTION	VALUE	SOURCE
=====	=====	=====
A) C.Y. 1993 VOLUNTARY AGENT EXPOSURES	202,000	SECTION I, ITEM O + P
B) 80% OF C.Y. 1993 VOLUNTARY AGENT EXP.	161,600	(A) * 80.0%
C) 1993 MINIMUM ALLOWABLE EXPOSURES	164,418	SECTION I, ITEM Q
D) 80% OF C.Y. 1993 MINIMUM ALLOWABLE EXP.	131,534	(C) * 80.0%
E) 1994 MINIMUM ALLOWABLE EXPOSURES	161,600	MAXIMUM OF (B), (D)

SECTION III

----- CALCULATION OF VOLUNTARY CEDED EXPOSURES -----

DESCRIPTION	VALUE	SOURCE
=====	=====	=====
A) C.Y. 1994 VOLUNTARY AGENT EXPOSURES	196,800	SECTION I, ITEM A + B + E + F
B) MINIMUM ALLOWABLE EXPOSURES	161,600	SECTION II, ITEM E
C) IS COMPANY BELOW THE MINIMUM?	NO	COMPARES (A) TO (B)
D) REVISED 1994 VOL-CED EXPOSURES	10,600	IF ITEM C IS NO - SECTION I, ITEM (B + F - K - M)

SECTION IV

----- CALCULATION OF PRE-CREDIT UTILIZATION RATIO -----

DESCRIPTION	VALUE	SOURCE
=====	=====	=====
A) COMPANY 1994 RETAINED EXPOSURE	258,300	SECTION I, ITEM A + C + E + G
B) COMPANY 1994 REVISED CEDED EXPOSURE	19,300	SECTION III, ITEM D + SECTION I, ITEM [D + H - N]
C) 1994 PRE-CREDIT EXPOSURES	335,500	(A) + [(B) * 4]
D) INDUSTRY 1994 PRE-CREDIT EXPOSURES	3,060,869	
E) PRE-CREDIT UTILIZATION RATIO	0.1096094	(C) / (D)

Commonwealth Automobile Reinsurers

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Chapter VI - Participation

EXHIBIT VI-D-2
(continued)

COMMONWEALTH AUTOMOBILE REINSURERS

09/05/96

1994 PARTICIPATION BASE DATA AND CALCULATION OF PARTICIPATION RATIOS

PAGE: 2C

** BASED UPON FINAL 1994 CALENDAR YEAR DATA AS OF 12 MONTHS **

COMPANY NUMBER: 123

COMPANY NAME: ABC

PRIVATE PASSENGER PHYSICAL DAMAGE BASE DATA AND PARTICIPATION RATIO FOR SHARING IN C.A.R.'S UNDERWRITING RESULTS

SECTION V

----- OFF-BALANCED CREDIT ADJUSTED VOLUNTARY EXPOSURES: UTILIZATION FORMULA -----

DESCRIPTION	VALUE	SOURCE
=====	=====	=====
A) COMPANY PRE-CREDIT UTILIZATION RATIO	0.1096094	SECTION IV, ITEM E
B) INDUSTRY 1994 VOLUNTARY EXPOSURE	2,174,445	SECTION I, ITEM R + T + V + X
C) COMPANY VOLUNTARY ADJUSTED EXPOSURE	238,340	(A) * (B)
D) COMPANY 1994 CREDITS	83,300	SECTION I, ITEM Z + AA
E) COMPANY CREDIT ADJUSTED EXPOSURES	155,040	(C) - (D), NOT < 0
F) INDUSTRY TOTAL EXPOSURES LESS CREDITS USED	1,577,510	
G) CREDIT ADJUSTED UTILIZATION RATIO	0.0982815	(E) / (F)

SECTION IX

----- CALCULATION OF FINAL 1994 EXPOSURES AND RATIOS -----

DESCRIPTION	VALUE	SOURCE
=====	=====	=====
A) CREDIT ADJUSTED UTILIZATION RATIO	0.0982815	SECTION V, ITEM G
B) OFF-BALANCE FACTOR	0.9506320	SEE COVER LETTER FOR MORE INFORMATION
C) OFF-BALANCED WEIGHTED RATIO	0.0934295	(A) * (B)
D) INDUSTRY TOTAL EXPOSURES	1,747,665	
E) COMPANY FINAL ADJ. EXPOSURE	163,283	(C) * (D)
F) INDUSTRY TOTAL EXPOSURES	1,747,665	
G) COMPANY/GROUP FINAL 1994 PARTICIPATION RATIO	0.0934292	(E) / (F)
H) IF YOUR CO. IS PART OF A GROUP YOUR FINAL EXP. ARE	N/A	CO. TO GROUP WEIGHTED BY VOL AND VOL-CED EXP
I) IF YOUR CO. IS PART OF A GROUP YOUR FINAL RATIO IS	N/A	(H) / (D)

Commonwealth Automobile Reinsurers

Manual of Administrative Procedures

Chapter VI - Participation

EXHIBIT VI-D-3

COMMONWEALTH AUTOMOBILE REINSURERS

09/05/96

1994 PARTICIPATION BASE DATA AND CALCULATION OF PARTICIPATION RATIOS

PAGE: 3A

** BASED UPON FINAL 1994 CALENDAR YEAR DATA AS OF 12 MONTHS **

COMPANY NUMBER: 123 COMPANY NAME: ABC

ALL OTHER LIABILITY BASE DATA AND PARTICIPATION RATIO FOR SHARING IN C.A.R.'S UNDERWRITING RESULTS

SECTION I

----- REPORTING COMPANY DATA -----

REPORTING COMPANY NUMBER -->				CO./GRP.	INDUSTRY
A) C.Y. 1994 VOLUNTARY RETAINED PREMIUM	\$25,000,000	\$0	\$0	\$25,000,000	\$261,331,382
B) C.Y. 1994 ERP RETAINED PREMIUM	\$3,300,000	\$0	\$0	\$3,300,000	\$6,909,513
C) C.Y. 1994 VOLUNTARY CEDED PREMIUM	\$16,000,000	\$0	\$0	\$16,000,000	\$81,171,885
D) C.Y. 1994 VOLUNTARY CEDED EXCLUSION	\$5,000,000	\$0	\$0	\$5,000,000	\$28,480,268
E) C.Y. 1993 UTILIZATION RATIO				0.1502579	

SECTION II

----- GROSS-UP OF VOLUNTARY CEDED PREMIUMS -----

DESCRIPTION	VALUE	SOURCE
=====	=====	=====
A) C.Y. 1994 TOTAL VOLUNTARY PREMIUMS	\$28,300,000	SECTION I, ITEM A + B
B) C.Y. 1994 VOLUNTARY CEDED PREMIUMS	\$16,000,000	SECTION I, ITEM C
C) C.Y. 1994 VOLUNTARY CEDED EXCLUSIONS	\$5,000,000	SECTION I, ITEM D
D) REVISED VOLUNTARY CEDED PREMIUMS	\$11,000,000	(B) - (C)
E) WAS COMPANY A SERVICING CARRIER IN 1994?	YES	
F) INDUSTRY SERVICING CARRIER VOLUNTARY PREMIUMS	\$228,603,592	
G) INDUSTRY SERVICING CARRIER VOL CEDED PREMIUMS	\$52,710,945	
H) NON-SERVICING CARRIER GROSS-UP FACTOR	0.2305779	(G) / (F)
I) NON-SERVICING CARRIER GROSS-UP	N/A	N/A - COMPANY WAS A SERVICING CARRIER
J) FINAL VOLUNTARY CEDED PREMIUMS	\$11,000,000	SERVICING CARRIER - USE (D)

Commonwealth Automobile Reinsurers

Manual of Administrative Procedures

Chapter VI - Participation

EXHIBIT VI-D-3
(continued)

COMMONWEALTH AUTOMOBILE REINSURERS

09/05/96

1994 PARTICIPATION BASE DATA AND CALCULATION OF PARTICIPATION RATIOS

PAGE: 3B

** BASED UPON FINAL 1994 CALENDAR YEAR DATA AS OF 12 MONTHS **

COMPANY NUMBER: 123 COMPANY NAME: ABC

ALL OTHER LIABILITY BASE DATA AND PARTICIPATION RATIO FOR SHARING IN C.A.R.'S UNDERWRITING RESULTS

SECTION III

----- CALCULATION OF UTILIZATION RATIO -----

DESCRIPTION	VALUE	SOURCE
=====	=====	=====
A) C.Y. 1994 TOTAL VOLUNTARY PREMIUMS	\$28,300,000	SECTION I, ITEM A + B
B) FINAL VOLUNTARY CEDED PREMIUMS	\$11,000,000	SECTION II, ITEM J
C) TOTAL PREMIUMS	\$39,300,000	(A) + (B)
D) INDUSTRY VOLUNTARY CEDED PREMIUMS	\$61,876,438	
E) INDUSTRY TOTAL PREMIUMS	\$330,230,133	
F) CEDED MARKET SHARE	0.1777736	(B) / (D)
G) TOTAL MARKET SHARE	0.1190079	(C) / (E)
H) 1994 UTILIZATION RATIO	0.1483908	[(F) + (G)] / 2

SECTION IV

----- CALCULATION OF FINAL PARTICIPATION RATIO -----

DESCRIPTION	VALUE	SOURCE
=====	=====	=====
A) 1993 UTILIZATION RATIO	0.1502579	SECTION I, ITEM E
B) 1994 UTILIZATION RATIO	0.1483908	SECTION III, ITEM H
C) EQUALLY WEIGHTED AVERAGE	0.1493244	AVERAGE OF (A), (B)
D) OFF-BALANCE FACTOR	0.9999969	
E) OFF-BAL 1994 UTILIZATION RATIO	0.1493239	(C) * (D)
F) INDUSTRY WRITTEN PREMIUM	\$330,230,133	SECTION III, ITEM E
G) COMPANY WRITTEN PREMIUM	\$49,311,251	(E) * (F)
H) COMPANY/GROUP FINAL 1994 PARTICPATION RATIO	0.1493239	(G) / (F)
I) IF YOUR CO. IS PART OF A GROUP YOUR FINAL PREM. ARE	N/A	CO. TO GROUP WEIGHTED BY VOL AND VOL-CED PREM
J) IF YOUR CO. IS PART OF A GROUP YOUR FINAL RATIO IS	N/A	(I) / (F)

Commonwealth Automobile Reinsurers

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Chapter VI - Participation

EXHIBIT VI-D-4

COMMONWEALTH AUTOMOBILE REINSURERS

09/05/96

1994 PARTICIPATION BASE DATA AND CALCULATION OF PARTICIPATION RATIOS

PAGE: 4A

** BASED UPON FINAL 1994 CALENDAR YEAR DATA AS OF 12 MONTHS **

COMPANY NUMBER: 123 COMPANY NAME: ABC

ALL OTHER PHYSICAL DAMAGE BASE DATA AND PARTICIPATION RATIO FOR SHARING IN C.A.R.'S UNDERWRITING RESULTS

=====

SECTION I

----- REPORTING COMPANY DATA -----

REPORTING COMPANY NUMBER -->				CO./GRP.	INDUSTRY
A) C.Y. 1994 VOLUNTARY RETAINED PREMIUM	\$7,800,000	\$0	\$0	\$7,800,000	\$68,848,346
B) C.Y. 1994 ERP RETAINED PREMIUM	\$1,200,000	\$0	\$0	\$1,200,000	\$2,311,290
C) C.Y. 1994 VOLUNTARY CEDED PREMIUM	\$3,500,000	\$0	\$0	\$3,500,000	\$17,616,982
D) C.Y. 1994 VOLUNTARY CEDED EXCLUSION	\$1,100,000	\$0	\$0	\$1,100,000	\$5,956,935
E) C.Y. 1993 UTILIZATION RATIO				0.1541814	

SECTION II

----- GROSS-UP OF VOLUNTARY CEDED PREMIUMS -----

DESCRIPTION	VALUE	SOURCE
=====	=====	=====
A) C.Y. 1994 TOTAL VOLUNTARY PREMIUMS	\$9,000,000	SECTION I, ITEM A + B
B) C.Y. 1994 VOLUNTARY CEDED PREMIUMS	\$3,500,000	SECTION I, ITEM C
C) C.Y. 1994 VOLUNTARY CEDED EXCLUSIONS	\$1,100,000	SECTION I, ITEM D
D) REVISED VOLUNTARY CEDED PREMIUMS	\$2,400,000	(B) - (C)
E) WAS COMPANY A SERVICING CARRIER IN 1994?	YES	
F) INDUSTRY SERVICING CARRIER VOLUNTARY PREMIUMS	\$60,862,057	
G) INDUSTRY SERVICING CARRIER VOL CEDED PREMIUMS	\$11,043,640	
H) NON-SERVICING CARRIER GROSS-UP FACTOR	0.1814536	(G) / (F)
I) NON-SERVICING CARRIER GROSS-UP	N/A	N/A - COMPANY WAS A SERVICING CARRIER
J) FINAL VOLUNTARY CEDED PREMIUMS	\$2,400,000	SERVICING CARRIER - USE (D)

Commonwealth Automobile Reinsurers

Manual of Administrative Procedures

Chapter VI - Participation

EXHIBIT VI-D-4
(continued)

COMMONWEALTH AUTOMOBILE REINSURERS

09/05/96

1994 PARTICIPATION BASE DATA AND CALCULATION OF PARTICIPATION RATIOS

PAGE: 4B

** BASED UPON FINAL 1994 CALENDAR YEAR DATA AS OF 12 MONTHS **

COMPANY NUMBER: 123 COMPANY NAME: ABC

ALL OTHER PHYSICAL DAMAGE BASE DATA AND PARTICIPATION RATIO FOR SHARING IN C.A.R.'S UNDERWRITING RESULTS
=====

SECTION III

----- CALCULATION OF UTILIZATION RATIO -----

DESCRIPTION =====	VALUE =====	SOURCE =====
A) C.Y. 1994 TOTAL VOLUNTARY PREMIUMS	\$9,000,000	SECTION I, ITEM A + B
B) FINAL VOLUNTARY CEDED PREMIUMS	\$2,400,000	SECTION II, ITEM J
C) TOTAL PREMIUMS	\$11,400,000	(A) + (B)
D) INDUSTRY VOLUNTARY CEDED PREMIUMS	\$12,912,918	
E) INDUSTRY TOTAL PREMIUMS	\$84,076,663	
F) CEDED MARKET SHARE	0.1858604	(B) / (D)
G) TOTAL MARKET SHARE	0.1355905	(C) / (E)
H) 1994 UTILIZATION RATIO	0.1607255	[(F) + (G)] / 2

SECTION IV

----- CALCULATION OF FINAL PARTICIPATION RATIO -----

DESCRIPTION =====	VALUE =====	SOURCE =====
A) 1993 UTILIZATION RATIO	0.1541814	SECTION I, ITEM E
B) 1994 UTILIZATION RATIO	0.1607255	SECTION III, ITEM H
C) EQUALLY WEIGHTED AVERAGE	0.1574535	AVERAGE OF (A), (B)
D) OFF-BALANCE FACTOR	0.9999972	
E) OFF-BAL 1994 UTILIZATION RATIO	0.1574531	(C) * (D)
F) INDUSTRY WRITTEN PREMIUM	\$84,076,663	SECTION III, ITEM E
G) COMPANY WRITTEN PREMIUM	\$13,238,131	(E) * (F)
H) COMPANY/GROUP FINAL 1994 PARTICIPATION RATIO	0.1574531	(G) / (F)
I) IF YOUR CO. IS PART OF A GROUP YOUR FINAL PREM. ARE	N/A	CO. TO GROUP WEIGHTED BY VOL AND VOL-CED PREM
J) IF YOUR CO. IS PART OF A GROUP YOUR FINAL RATIO IS	N/A	(I) / (F)

Commonwealth Automobile Reinsurers

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Chapter VI - Participation

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	B:1-4	2. Settlement of Balances Report
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	B:6	5. Net Balance Due
	B:7	6. Loss of Investment Income
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Chapter VI - Participation

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	D:8-10	VI-D-2 Calculation of Private Passenger Physical Damage Participation Ratios Report
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	D:13-14	VI-D-4 Calculation of All Other Physical Damage Participation Ratios Report

Manual of Administrative Procedures

**Chapter VII - Servicing Carrier/
Exclusive Representative Producer Responsibilities**

A. Reimbursement of Defaulted Exclusive Representative Producer Premiums

1. Introduction

Servicing Carriers may petition CAR for reimbursement of a defaulted Exclusive Representative Producer where the Exclusive Representative Producer collected premium from an insured, but failed to remit all or part of the premium to the Servicing Carrier, or there is unearned commission due the Servicing Carrier as a result of termination of the Exclusive Representative Producer or Representative Producer.

Petitions for reimbursement will be considered only for those Exclusive Representative Producers who have no voluntary contract to write automobile insurance with the petitioning Servicing Carrier.

The CAR Governing Committee shall appoint a Defaulted Brokers Committee including agent representatives to review any petition by a Servicing Carrier seeking reimbursement.

The Servicing Carrier must demonstrate that sound business practices and procedures were used in the Exclusive Representative Producers/company relationship with particular attention to possible collection problems. The recommendations contained in this section shall be considered minimum along with any other action the company deems prudent.

The Governing Committee, after reviewing the recommendations of the Defaulted Brokers Committee, will determine if the Servicing Carrier is entitled to reimbursement in accordance with the criteria listed below:

2. Requirements

Prior to recommending action to be taken on a request by a Servicing Carrier for reimbursement, CAR and/or the Defaulted Brokers Committee will review the procedures followed by the Servicing Carrier. CAR and/or the Defaulted Brokers Committee shall determine if:

a. Prior to Default:

- (1) There was an agreement that provided for complete understanding of the collection and payment procedures;

Manual of Administrative Procedures

**Chapter VII - Servicing Carrier/
Exclusive Representative Producer Responsibilities**

A. Reimbursement of Defaulted Exclusive Representative Producer Premiums
(continued)

2. Requirements (continued)

a. Prior to Default: (continued)

- (2) The Servicing Carrier monitored the timely submission of applications;
- (3) The Servicing Carrier maintained communication with the Exclusive Representative Producer through agency visits, accounting department briefings and other techniques for explaining company procedures;
- (4) Safeguards were used by the Servicing Carrier if the Exclusive Representative Producer has a history of, or evidence of, collection and payment problems. Such safeguards shall include, but not be limited to regular agency visits, and strict monitoring of premium remittances within two working days.

b. After the Loss:

- (1) All reasonable collection procedures had been used including, but not limited to the following:
 - (a) Cancellation of, or audit letters to all insureds on whose behalf the Exclusive Representative Producer has not paid the company;
 - (b) Demand notice was sent to the Exclusive Representative Producer;
 - (c) Notice was sent to the Commissioner of Insurance and CAR;
 - (d) Legal action to recover the money at issue and company supplies;
- (2) Reasonable provisions have been made to adequately service policyholders affected.

Manual of Administrative Procedures

Chapter VII - Servicing Carrier/ Exclusive Representative Producer Responsibilities

A. Reimbursement of Defaulted Exclusive Representative Producer Premiums (continued)

2. Requirements (continued)

c. Consideration in determining the form and amount of recommended reimbursement shall include:

- (1) Policies for which the insured has presented proof of payment versus cancelable coverage.
- (2) Net loss versus gross premium (at least net of commission).

d. Other Recommended Conditions

In addition to parts a. and b. above, other recommended conditions for reimbursement shall include, but not be limited to the following:

- (1) In applicable cases, appropriate legal steps to preclude further opportunity for fraud may be required such as action under Section 176 of Chapter 175 of the General Laws.
- (2) Reimbursement shall be made to the Servicing Carrier in the amount requested less the expected amount to be realized from the sale of the agency. The amount of reduction shall be based on:
 - (a) The number of policies/vehicles currently on the book of business.
 - (b) The area which is being serviced.
 - (c) The current market rate of agency sales based on factors a) and b) above.

If no sale has been effected within six months of the approved initial reimbursement, the Servicing Carrier may be reimbursed fully if it can satisfy the Committee that it has diligently pursued a sale.

NOTE: Prior to making a recommendation to the Governing Committee, CAR will verify that all premiums which are subject to reimbursement have been properly reported to CAR.

Manual of Administrative Procedures

**Chapter VII - Servicing Carrier/
Exclusive Representative Producer Responsibilities**

B. Reimbursement of Defaulted Exclusive Representative Producer Extraordinary Expenses

In instances where an Exclusive Representative Producer is in default and the Servicing Carrier incurs extraordinary expenses in handling the default, the Servicing Carrier may petition CAR for reimbursement of these expenses. Expenses included are: professional services such as attorneys, auditors, serving of legal papers, etc. Prior to contracting these services, the Servicing Carrier must complete the Servicing Carrier Request for Reimbursement of Extraordinary Expenses (Exhibit VII-B-1) and obtain approval from CAR.

The Servicing Carrier must demonstrate that it acted in a timely manner to cure the default and has taken action to attach the assets of the agency. In addition the Servicing Carrier must also ensure that all reasonable precautions have been taken to prevent continued violations by the Exclusive Representative Producer.

The Servicing Carrier must submit to CAR, the name of any counsel retained for the purpose of litigating a default by an Exclusive Representative Producer, along with a synopsis of that counsel's experience in handling similar matters for the purpose of evaluating the reasonableness of any charges or fees to be paid to said retained counsel. The Servicing Carrier should further advise CAR of details of any fee arrangement.

The Defaulted Brokers Committee shall submit its recommendations to the Governing Committee for action.

Reimbursement of defaulted premium and extraordinary expenses will be reviewed on an individual case basis.

Commonwealth Automobile Reinsurers

Manual of Administrative Procedures

**Chapter VII - Servicing Carrier/
Exclusive Representative Producer Responsibilities**

EXHIBIT VII-B-1

Servicing Carrier Request for Reimbursement of Extraordinary Expenses

1. Exclusive Representative Producer _____
2. Amount of default _____
3. Date company became aware of default _____
4. Name of legal firm retained _____
5. Name of attorney handling default _____
6. Has this firm and/or attorney previously handled a default? _____
If yes, for which company? _____
Name of Broker _____
7. Method of billing by the attorney(s)
 - a. Contingency fee based on recovered premiums and commission _____
 - b. Per hour or part thereof/principal attorney or paralegal staff _____
 - c. Estimated total extraordinary expense to be incurred _____
8. Check action(s) taken:
 - a. License revocation proceedings Yes [] No [] Date: _____
 - b. Have steps been taken to attach assets? (i.e., bank accounts, R.E., etc.)
Yes [] No [] Date: _____ Court: _____
 - c. Has the company attempted to see the agency?
Yes [] No [] To whom: _____
 - d. Immediate steps taken to protect company's interests?

9. Is the Exclusive Rep. Producer represented by an attorney? _____
10. Is the Exclusive Rep. Producer still conducting business at the same or another location?
Yes [] No [] Indicate other location, if applicable _____

Manual of Administrative Procedures

**Chapter VII - Servicing Carrier/
Exclusive Representative Producer Responsibilities**

C. Sale of an Exclusive Representative Producer Agency

Any Producer appointment made by CAR, whether made to a Servicing Carrier which is a voluntary company in the agency, or to a Servicing Carrier which has no voluntary relationship with the agent or broker, terminates with the sale of the agency.

If the purchaser has no voluntary market, he or she may apply to become an Exclusive Representative Producer.

If the purchaser has a voluntary market and is a Representative Producer for one or more Servicing Carriers, consideration should be given to rewriting the automobile business in the voluntary or involuntary market(s) of the purchaser, unless the purchaser is appointed as a voluntary agent of the company(s) writing in the purchased agency. The purchaser would then be eligible for Representative Producer appointment by CAR to that company as a Servicing Carrier.

Manual of Administrative Procedures

**Chapter VII - Servicing Carrier/
Exclusive Representative Producer Responsibilities**

**D. Administration of the Start-up Fee for Newly Assigned Exclusive Representative Producers
(Rule 17, c, 1)**

A start-up fee for first time newly assigned Exclusive Representative Producers, as outlined in Rule 17, C, 1, CAR Rules of Operation, will be given a Servicing Carrier for all CAR ID Code 5 Producers who have had no previous direct or indirect relationship or interest, voluntary or involuntary, with the assigned Servicing Carrier.

Eligibility for the fee will be further defined by the reason for assignment. A Servicing Carrier will receive the start-up fee if the reason for assignment is the assigned Servicing Carrier was the "Next Servicing Carrier in Line" to receive an Exclusive Representative Producer assignment. In addition, the start-up fee will be paid to those Servicing Carriers electing to accept an Exclusive Representative Producer who would have otherwise qualified for the fee as previously indicated.

Manual of Administrative Procedures

**Chapter VII - Servicing Carrier/
Exclusive Representative Producer Responsibilities**

E. Administration of the Annual Processing Fee (Rule 17, c, 2)

An involuntarily assigned Exclusive Representative Producer shall be considered newly assigned for a period of 24 months following the Exclusive Representative Producer's original assignment date or until such time as the Exclusive Representative Producer meets the minimum production criteria as stated in Rule 14, for purposes of administration of the annual processing fee. The annual processing fee will be paid the Servicing Carrier, for an Exclusive Representative Producer qualifying for the fee, following the review of the Exclusive Representative Producer's vehicle production as required by Rule 14, C, CAR Rules of Operation. Vehicle count and date of review must be submitted to CAR, in writing, prior to processing fee payment. Payment of the processing fee will be made to a Servicing Carrier for each Exclusive Representative Producer qualifying as newly assigned, pursuant to Rule 17, C, 2, subsequent to the first and second anniversary date of the producer appointment.

Servicing Carriers shall not be entitled to the annual processing fee for any Exclusive Representative Producers who have attained the minimum vehicle volume for the year in which the Exclusive Representative Producer met the minimum production criteria requirements.

An Exclusive Representative Producer who fails to attain the minimum number of vehicles, following the first review date, shall be advised by the Servicing Carrier that their Exclusive Representative Producer appointment will terminate upon the next anniversary date unless the Exclusive Representative Producer has met the minimum stated requirements. Exclusive Representative Producers who have met the first year minimum requirement but failed to meet the second year minimum requirement shall be advised by the Servicing Carrier that their Exclusive Representative Producer appointment will terminate upon the next (third) anniversary unless the minimum stated requirements are met during the third year. CAR and the Exclusive Representative Producer shall be advised of all actions relative to the appointment status of Exclusive Representative Producers pursuant to Rule 14, C.

If a Servicing Carrier renews the book of business of a low volume Exclusive Representative Producer after termination pursuant to Rule 14, C, the Exclusive Representative Producer shall not be entitled to the commissions on the business renewed. The Servicing Carrier may continue to report that business to CAR for one year following the termination effective month of the Exclusive Representative Producer under the same terms and conditions as if it were being written by a newly appointed Exclusive Representative Producer.

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**Chapter VII - Servicing Carrier/
Exclusive Representative Producer Responsibilities**

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	B:2	VII-B-1 Servicing Carrier Request for Reimbursement of Extraordinary Expenses
C	C:1	Sale of an Exclusive Representative Producer Agency
D	D:1	Administration of the Start-up Fee for Newly Assigned Exclusive Representative Producers (Rule 17, c, 1)
E	E:1	Administration of the Annual Processing Fee (Rule 17, c, 2)

Manual of Administrative Procedures

Chapter VIII - Taxi and Limousine Program

A. Purpose

To establish a residual market mechanism that provides motor vehicle insurance for taxi risks, for policies effective January 1, 1995 and subsequent, and for limousine and car service risks for policies effective January 1, 1996 and subsequent.

Manual of Administrative Procedures

Chapter VIII - Taxi and Limousine Program

B. Eligibility

The following classifications of vehicles are eligible for placement through the program:

1. Taxicab

Taxicab is defined as a metered or un-metered motor vehicle with a seating capacity of eight (8) or less that is operated for hire by or on behalf of the named insured or by an employee, but does not pick-up, transport, or discharge passengers along a route.

The following taxicab classifications and leasing arrangements may exist:

a. Owner-operator

This classification shall apply to individual owners of single taxicabs operated by the individual owner or spouse. It shall also apply to individuals owning, under a corporate name, a single taxicab operated by such individual or spouse.

b. Rented or Leased Taxi

A taxi which is not operated by the named insured or an employee of the named insured in attendance as a chauffeur, and is rented or leased to others on a long term or short term agreement, or on a time, commission, profit-sharing, or other independent contractor basis.

If such automobile is operated part of the time by the named insured or an employee of the named insured, and is rented or leased to others part of the time as stated above, it shall be classified as a Rented or Leased Taxi.

For the purpose of the classification, an employee is defined as one who is deemed to be such within the purview of the Massachusetts Workers' Compensation Law or any other federal, state or municipal law, which defines an employer-employee relationship and is applicable to the person operating the vehicle.

c. All Other

This classification shall apply in all other cases where a. or b. above does not apply.

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Chapter VIII - Taxi and Limousine Program

B. Eligibility (continued)

2. Limousine

Limousine is defined as an unmarked luxury sedan with a seating capacity of eight (8) or less which:

- a. is hired on a pre-arranged hourly basis for weddings, funerals, religious ceremonies or other non-business social functions;
- b. is hired on an exclusive, dedicated basis for the duration of the event, not for drop-off and pick-up;
- c. is operated by the named insured, an employee, or an independent contractor of the named insured, in attendance as a chauffeur at the beginning and ending of the function.

3. Car Service

Car Service is defined as an unmarked for hire auto with a seating capacity of eight (8) or less which:

- a. is hired on a prearranged basis;
- b. does not pick up hail fares on the street;
- c. does not contain a rate meter, and does not charge for services based upon miles traveled in the trip is less than twenty-five (25) miles;
- d. operates on a scheduled business day, and is returned to the vehicle's base of operation for a continuous period of at least four (4) hours in each twenty-four (24) hour period;
- e. is operated by the named insured, an employee, or an independent contractor of the named insured, in attendance as a chauffeur;
- f. operates from a base with two-way communication;
- g. primary payment method is by billing or credit card.

The Car Service classification is a subset of the Limousine classification. For purposes of this chapter, Car Service business is treated similarly to Limousine business and accordingly, all references to the Limousine classification also pertain to the Car Service classification.

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Chapter VIII - Taxi and Limousine Program

C. Effective Date and Extent of Coverage

1. Coverage shall become effective in accordance with the assignment procedures contained in Section D of this chapter.
2. The coverage available for taxicabs through the program is as follows:

- a. Personal Injury Protection \$8,000 per person, per accident
- b. Bodily Injury Total policy limits of \$250,000/\$500,000
- c. Property Damage Total policy limits of \$50,000
- d. Medical Payments \$5,000
- e. Collision \$500 deductible
- f. Comprehensive \$500 deductible

The coverage available for limousines and car service vehicles through the program is as follows:

- a. Personal Injury Protection \$8,000 per person, per accident
 - b. Bodily Injury Total policy limits of \$1,000,000/\$1,000,000
 - c. Property Damage Total policy limits of \$500,000 or,
 - d. Combined Single Limit \$1,000,000
 - e. Medical Payments \$5,000
 - f. Collision \$300 deductible
 - g. Comprehensive \$300 deductible
3. Policies issued by Servicing Carriers under the provisions of this program shall include notification to the policyholder that coverage has been issued on behalf of CAR's Taxi and Limousine Program and coverage may be available in the voluntary market.

Manual of Administrative Procedures

Chapter VIII - Taxi and Limousine Program

D. Administration of the Taxi and Limousine Program

1. Servicing Carrier Appointments

CAR will distribute a Request for Proposal to service the residual market taxi, limousine and car service business in Massachusetts. No more than two (2) Servicing Carriers will be appointed to administer the Taxi and Limousine Program for a period of five (5) years. The appointment may be extended based upon factors relative to the Servicing Carrier's performance. These factors may include, but will not be limited to, conformance with the regulations of the Taxi and Limousine Program, adherence to CAR's rules, and effective loss control, underwriting and claims administration.

2. CAR Administrative Responsibilities – Data

CAR, as administrator of the Taxi and Limousine Program, will receive all statistical and accounting data and will balance, review, audit, and distribute this data in accordance with the Rules of Operation, Manual of Administrative Procedures, Commercial Statistical Plan, Commercial Automobile Insurance Manual and the Taxi/Limousine Index Reporting Manual.

3. Producer Appointments

Producers will be appointed to taxi and limousine Servicing Carriers under the following conditions:

- a. When one (1) Servicing Carrier is appointed to serve as the sole taxi or limousine Servicing Carrier, each licensed agent or broker that wrote taxi, limousine or car service business in the prior policy year will be assigned to this Servicing Carrier, for the purpose of providing motor vehicle insurance for taxi, limousine and car service risks.
- b. When two (2) Servicing Carriers (neither of which is a current taxi or limousine Servicing Carrier) are appointed to serve as taxi and limousine Servicing Carriers, each licensed agent or broker that wrote taxi, limousine or car service business in the prior policy year will be assigned to a Servicing Carrier for the purpose of providing motor vehicle insurance for taxi, limousine and car service risks. The producer assignment will be made as far as practical (based upon the total taxi, limousine and car service exposures contained in the Taxi and Limousine Program) so that each Servicing Carrier has a similar book of business.
- c. When one (1) Servicing Carrier (not currently serving as a taxi or limousine Servicing Carrier) is appointed as a replacement for a Servicing Carrier whose term has expired, each licensed agent or broker that was previously assigned to the exiting Servicing Carrier will be reassigned to the newly appointed Servicing Carrier. CAR will review each Servicing Carrier's book of business and, as far as practical, perform the necessary actions to assure that each Servicing Carrier has a similar book of business.

Manual of Administrative Procedures

Chapter VIII - Taxi and Limousine Program

D. Administration of the Taxi and Limousine Program (continued)

In the situation where a taxi or limousine Servicing Carrier withdraws from the Taxi & Limousine program, the provisions of Rule 16, Terminations, of CAR's Rules of Operation will apply.

Each producer will be required to contract with a taxi or limousine Servicing Carrier for the administration of the Taxi and Limousine Program, and will be assigned to the same Servicing Carrier for the purpose of providing motor vehicle insurance for both taxi, limousine and car service risks.

A licensed agent or broker not currently writing taxi, limousine or car service business may apply for appointment to a taxi or limousine Servicing Carrier. An appointment will be made provided that the producer has an existing Servicing Carrier appointment with CAR and the status of any existing private passenger and/or commercial appointment shall inure to the taxi or limousine appointment.

All taxi and limousine appointments to Servicing Carriers will be conditional upon the writing of taxi, limousine and car service business with a taxi or limousine Servicing Carrier. CAR will review each appointment on an annual basis and those producers failing to produce any taxi, limousine or car service business within the prior twelve (12) month period will be given notice that their Servicing Carrier appointment will expire twelve (12) months from the date of notice unless taxi, limousine and car service business is placed with their taxi or limousine Servicing Carrier prior to the producer's termination.

Producers whose taxi or limousine appointment is terminated as a result of non-production will be eligible for reappointment to a taxi or limousine Servicing Carrier if they either provide a letter of intent from an insured to place taxi, limousine or car service business through the agency or it has been two (2) years from the effective date of terminating their appointment to a taxi or limousine Servicing Carrier from lack of production.

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Chapter VIII - Taxi and Limousine Program

E. Servicing Carrier Requirements

1. Appointments

Servicing Carriers shall be appointed by the Governing Committee subject to the approval of the Commissioner of Insurance.

2. Standards

Servicing Carriers shall be subject to the following standards:

- a. Each Servicing Carrier shall satisfy all requirements set forth in the Rules of Operation and the provisions of the Manual of Administrative Procedures.
- b. With respect to underwriting and rating, Servicing Carriers must:
 1. Properly rate all policies in accordance with the approved rules, rates and rating plans contained in CAR's Commercial Automobile Insurance Manual.
 2. Utilize the taxi, limousine and car service new business application (Exhibit VIII-E-1), taxi, limousine and car service renewal application and all other forms developed by CAR for use in the program.
 3. Secure and verify loss history from the prior carrier or CAR in order to properly experience rate the risk.
 4. Distribute to each eligible policyholder and their producer, copies of the experience rating calculation and underlying loss information.
 5. Mail the appropriate policy within thirty (30) days of the receipt of the application.
 6. Reply within fifteen (15) days to letters disputing the premium charged.
- c. Each Servicing Carrier must provide a direct billing program, which shall consist of a 30% down payment and eight (8) subsequent equal installments. For policies effective June 30, 1997 and prior, premium subject to direct billing shall be charged the maximum finance charge allowed to insurers by Massachusetts' General Law. For new and renewal policies effective July 1, 1997 and subsequent, premium subject to direct billing shall be charged a 12% finance charge. Premium financed policies shall not be eligible for the direct billing payment option. Finance company checks must be made payable to the Servicing Carrier.

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Chapter VIII - Taxi and Limousine Program

E. Servicing Carrier Requirements (continued)

3. Annual Report on Loss Control

On or before March 1 of each year, Servicing Carriers shall submit an annual report to CAR's Governing Committee addressing the effect of Servicing Carrier requirements on loss control of insured taxi, limousine and car service risks. The Servicing Carrier may suggest amendments to these requirements, which it believes will further reduce claims, or improve service in other areas.

4. Reporting of Data

Servicing Carriers shall provide all data to CAR necessary to properly classify, rate and experience rate taxi, limousine and car service policies. Additional data relative to ownership, vehicle, claim, operator and general policy information shall be required in order to effectively administer the Taxi and Limousine Program.

5. At-Fault Driver Information

Servicing Carriers will provide at-fault taxi, limousine and car service driver information to CAR.

6. Toll-Free Number for Producers to Contact Servicing Carriers

Servicing Carriers shall establish a toll-free number for producers to contact Servicing Carriers to answer questions, which may arise in issuing a policy.

7. Loss Control Requirements

For taxi, limousine and car service risks Servicing Carriers must:

- a. Offer toll-free number to claimants and taxi drivers to encourage the timely reporting of accidents.
- b. Offer toll-free fax number to taxi owners and producers to encourage the timely reporting of accidents.
- c. Provide self-addressed claim forms to all taxicabs.
- d. Report all claims to CAR's Taxi Index System within thirty (30) days of the report of the claim to the Servicing Carrier.
- e. Report suspicious claims to CAR's Special Investigative Unit Department within thirty (30) days of the knowledge that the claim is suspicious.

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Chapter VIII - Taxi and Limousine Program

E. Servicing Carrier Requirements (continued)

- f. Each Servicing Carrier will develop a residual market safety program, which will be made available to any policyholder that requests information on programs designed to reduce claim frequency. These programs will consist of the following:
 - 1. Driver Education: This program will include information regarding safe driving techniques, defensive driving skills, emergency driving skills, inclement weather driving, proper discharge of passengers, and benefits of seat belt usage.
 - 2. Development of Hiring Guidelines: This program will include instruction on driver selection, performing background and reference checks on potential drivers.
 - 3. Loss Reporting Instructions: This program will include instruction regarding the timeframes within and procedures by which a claim should be reported, instruction on completion of the claims form, procedures for reporting a bodily injury versus a physical damage claim and coordinating efforts with authorities.
 - 4. Inspection of Vehicles: This program will include information regarding the performance of a mandatory underwriting inspection on all new business taxicab policies and on their renewal, except that vehicles classified as non-owner operator in the Boston territory are not subject to this requirement. Vehicles classified as limousine or car service are subject to a mandatory inspection at the time a new business policy is written and as necessary thereafter to determine accurate classification and garaging. This type of inspection will assure proper territory and rating classification of each vehicle. Information regarding vehicle pre-inspection, including vehicle safety checks and preventative maintenance will also be included in this program.
 - 5. Education on Benefits of Loss Control: This program will include information regarding the benefits to taxi owners regarding potential future rate reduction due to improved loss experience, upon compliance with the taxi loss control and vehicle safety programs.
 - 6. Audit of Ownership Changes: This program will include information regarding the mandatory inspection of each new owner's facilities and verification of management control and ownership.
- g. Comply with existing performance standards in or issued pursuant to the Rules of Operation, Manual of Administrative Procedures and the Performance Standards for the Handling and Payment of Claims.
- h. Comply with any other reasonable requirement as approved by CAR's Governing Committee.

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Chapter VIII - Taxi and Limousine Program

Exhibit VIII-E-1

APPLICATION

Date Completed: _____

Policy Effective Date: _____

PRODUCER INFORMATION:

Producer Name: _____

Street: _____ City: _____ State: _____ ZIP: _____

Producer Code: _____ Telephone No: _____

APPLICANT INFORMATION

Named Insured: _____

Street: _____ City: _____ State: _____ ZIP: _____

Business Telephone No. _____

Tax ID No: _____ Social Security No: _____

Headquarters (if other than at>ove)

Street: _____ City: _____ State: _____ Zip: _____

OWNERSHIP AND CONTROL OF ORGANIZATION

Named Insured is a; Corporation: _____ Partnership: _____ Sole Proprietor: _____ Other: _____

State where incorporated: _____ Date of Incorporation _____ Date Operations Commenced: _____

Management, Ownership and Control (list names of Principals and anyone else with 10% or more ownership interest)

	Name	Date in Position	Percent Ownership
President:	_____	_____	_____
Vice President	_____	_____	_____
Secretary	_____	_____	_____
Gen'l.Mgr.	_____	_____	_____
Treasurer	_____	_____	_____
Others	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
	_____	_____	_____

Affiliated Companies (list all affiliated companies or companies under the same ownership. If more than 5, use Remarks section)

Name	Address
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

PAYMENT PLAN

Total Estimated Annual Premium S _____ Deposit Premium S _____

Full Annual Premium Enclosed Yes _____ Installment Option Yes _____

Premium Is Financed? Yes _____

Name and Address of FinanceCompany _____

Commonwealth Automobile Reinsurers

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Chapter VIII - Taxi and Limousine Program

Exhibit VIII-E-1
(continued)

OPERATOR INFORMATION

Is vehicle: Owner-Operated? _____ Driven by Employee? _____ Driven by Independent Contractor? _____ Leased? _____
If leased describe conditions of lease: Daily _____ Monthly _____ Other _____ If other describe the arrangement _____

List all Operators:

Name	Date of Birth	License and State	Hackney License No.
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

ACCIDENT INFORMATION

Has applicant or any operator been involved in any motor vehicle accidents in the past 36 months?

Yes _____ No _____

If yes complete the following (if necessary use a separate sheet):

Name of Operator	Accident Date	Place of Accident
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Amount of Loss (Include paid and outstanding amounts)

BI Amount	PD Amount	Physical Damage Amount
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

CONVICTION INFORMATION

Has the applicant or any operator had their driver's license or Hackney license suspended or revoked during the preceding 36 months?

Yes _____ No _____

If yes complete the following:

Name	Date	Reason
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Has the applicant or any operator been convicted, paid a fine, or forfeited bail for any moving violation (other than suspension or revocation), or been assigned to an alcohol education program in the past 36 months?

Yes _____ No _____

If yes complete the following:

Name	Date	Reason
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

PRIOR INSURANCE INFORMATION

Has the applicant failed to pay any automobile insurance premium due or contracted during the preceding 12 months?

Yes _____ No _____

If yes complete the following and provide explanation in the Remarks section on page 3:

Insurance Company _____ Amount due or in dispute _____

Has any automobile policy or coverage been declined, cancelled or non-renewed during the past three years?

Yes _____ No _____

If yes, explain reason:

Commonwealth Automobile Reinsurers

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Chapter VIII - Taxi and Limousine Program

Exhibit VIII-E-1
(continued)

PRIOR CARRIER INFORMATION

List the prior automobile insurance carriers for this company and any affiliated companies for past five years and attach loss statements from the carrier. Use a separate sheet if necessary.

Company Name	Policy Number	Policy Period

GENERAL INFORMATION

Explain all 'yes' responses in the Remarks section on page 6.

With the exception of Loss Payee are any vehicles not owned solely by the applicant?	Yes- _____	No _____
Are there any vehicle owned but not scheduled on this application?	Yes _____	No _____
Does the applicant obtain MVR verifications for listed operators?	Yes _____	No _____
Does the applicant have a specific driver recruiting method?	Yes _____	No _____
Is the applicant subject to the Workers Compensation Act?		
(Include the Company and Policy Number in remarks)	Yes _____	No _____
Does the applicant adhere to the specific Safety Program designed for taxi/limo risks?	Yes _____	No _____
Is the applicant object to the Bus Regulatory Act?	Yes _____	No _____
Is an ICC or any other financial responsibility filing required?		
(List all such requirements in the Remarks Section)	Yes _____	No _____

BUSINESS FUNCTIONS

Indicate the percentage of use for each of the following functions which are applicable to the applicant:

_____ %	Street cruising
_____ %	Owns and operates radio dispatch service
_____ %	Works out of non-owned dispatch service
_____ %	Phone calls for general transport
_____ %	Regular stand (Train , Bus Station etc.)
_____ %	Contract service (Provide specific details in Remarks Section)
_____ %	Transportation to/from Airport(s) (Provide locations in Remarks Section)
_____ %	Prearranged special events such as Weddings, Proms, etc.

Customers

Indicate percentage of customers which are:

_____ %	General Public
_____ %	Specialized (Elderly, Children, Special Needs, Package Delivery, etc.) (Provide Specific details in the Remarks Section)

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Chapter VIII - Taxi and Limousine Program

Exhibit VIII-E-1
(continued)

VEHICLE DESCRIPTION

No. Year Make, Model, Body Type		VIN		
City(s), State Where Operated	Seating Capacity	Radius of Operation	Cost New	Class Code
City(s) Where Licensed	License or Permit Number	Medallion Number		
No. Year Make, Model, Body Type		VIN		
City(s), State Where Operated	Seating Capacity	Radius of Operation	Cost New	Class Code
City(s) Where Licensed	License or Permit Number	Medallion Number		
No. Year Make, Model, Body Type		VIN		
City(s), State Where Operated	Seating Capacity	Radius of Operation	Cost New	Class Code
City(s) Where Licensed	License or Permit Number	Medallion Number		
No. Year Make, Model, Body Type		VIN		
City(s), State Where Operated	Seating Capacity	Radius of Operation	Cost New	Class Code
City(s) Where Licensed	License or Permit Number	Medallion Number		
No. Year Make, Model, Body Type		VIN		
City(s), State Where Operated	Seating Capacity	Radius of Operation	Cost New	Class Code
City(s) Where Licensed	License or Permit Number	Medallion Number		
No. Year Make, Model, Body Type		VIN		
City(s), State Where Operated	Seating Capacity	Radius of Operation	Cost New	Class Code
City(s) Where Licensed	License or Permit Number	Medallion Number		
Loss Payee/Additional Interests				
No.	Name and Address			

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Chapter VIII - Taxi and Limousine Program

**Exhibit VIII-E-1
(continued)**

COVERAGE SELECTION

Coverage Type	Limit of Liability	Vehicle No.
A Compulsory		
A-1 Bodily Injury	\$20,000 each person \$40,000 each accident	_____
A-2 Personal Injury Protection	\$8,000 each person	_____
<hr/>		
B Bodily Injury Other than Statutory	\$ _____ each person	
Minimum Limit \$20,000/\$40,000	\$ _____ each accident	_____
<hr/>		
C Property Damage Liability		
Mandatory \$5,000	\$ _____ each accident	_____
<hr/>		
D Medical Payments Optional		
Maximum \$5,000	\$ _____ each person	_____
<hr/>		
E Comprehensive	ACV less \$ _____ deductible Glass Deductible \$100 Deductible Yes _____	_____
<hr/>		
F Loss of Use - Rental Reimbursement		
Maximum \$30 per day	\$ _____ per day	_____
<hr/>		
G Fire	ACV less \$ _____ deductible Glass Deductible \$100 Deductible Yes _____	_____
<hr/>		
H Fire & Theft	ACV less \$ _____ deductible Glass Deductible \$100 Deductible Yes _____	_____
<hr/>		
I Fire, Theft & CAC	ACV less \$ _____ deductible Glass Deductible \$100 Deductible Yes _____	_____
<hr/>		
L Collision		
Waiver of Deductible Yes _____ No _____	\$ _____ deductible	
<hr/>		
M Limited Collision		
Waiver of Deductible Yes _____ No _____	\$ _____ deductible	
Full Coverage Yes _____ No _____		
<hr/>		
U1 Uninsured Motorist Coverage	\$ _____ each person	
Mandatory \$20,000/\$40,000	\$ _____ each accident	_____
<hr/>		
U2 Underinsured Motorist Coverage	\$ _____ each person	
	\$ _____ each accident	_____

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Commonwealth Automobile Reinsurers

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Chapter VIII - Taxi and Limousine Program

Exhibit VIII-E-1
(continued)

REMARKS:

The Fair Credit Reporting Act

In connection with your application for insurance and as part of our normal underwriting procedure, an investigative consumer report may be obtained, including . if applicable information as to character, general reputation, personal characteristics and mode of living. This information is obtained through personal interviews with your friends neighbors and business associates. Upon written request, received within a reasonable timeframe, additional detailed information concerning the nature and scope of this investigation will be provided.

--

I hereby declare that I have read all of the statements contained in this application and they are complete and true as of this date. The coverage and limits I requested are as indicated in the application.

Date: _____ Signature of Applicant: _____

The information contained in this application is as told to me by the applicant and is true and complete to the best of my knowledge.

Date: _____ Signature of Producer: _____

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Chapter VIII - Taxi and Limousine Program

F. Producer Requirements

1. Reporting of Suspicious Claims

Producers will report suspicious claims to CAR's Special Investigative Unit Department within thirty (30) days of the report of the knowledge that the claim is suspicious.

2. Applications - Renewal Questionnaires

- a. Applications and renewal questionnaires must be complete and on the forms approved by CAR, signed by the applicant and producer, and must include all information necessary to correctly classify and rate the policy including a copy of the Hackney License or other municipal document authorizing the operation of a taxi, or license or other municipal document authorizing the operation of a limousine or car service vehicle. For Boston taxis or any other jurisdiction which utilizes a medallion system, the application or renewal questionnaire must include the taxi medallion number.
- b. For renewal taxi, limousine and car service business, the producer will be required to submit a completed renewal questionnaire to the Servicing Carrier forty-five (45) days prior to the policy effective date.

3. CAR Rules of Operation

Producers shall satisfy the requirements of the Rules of Operation of CAR, provided however, that the provisions of Rule 14, C, Production Criteria and Rule 14, D, Market Need Criteria shall not apply separately for the application of the program.

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Chapter VIII - Taxi and Limousine Program

G. Servicing Carrier Allowances

Prior to the selection of a Member Company as a taxi and limousine Servicing Carrier, interested companies will submit a bid to CAR to service ceded taxi, limousine and car service business at a specified allowance. The bid will indicate an expense allowance to reimburse the Servicing Carrier for their unallocated loss adjustment expense; other acquisitions, including field supervision and collection expense; and general expenses. The determination of the per unit expense reimbursement will be finalized by CAR's Governing Committee and the Servicing Carrier(s) selected through the Request for Proposal (RFP) process.

Expense allowances will be reimbursed according to the procedure defined below:

1. Premium Tax and Commission

Servicing Carriers will be reimbursed for premium tax and commissions according to the approved CAR rate filing for each class for the corresponding policy year. Expense allowances will be credited to the Servicing Carrier as a percentage of written premium through CAR's quarterly settlement of balances procedure. For policy years where a CAR rate filing is not filed and/or approved, the premium tax and commission allowance will remain unchanged from the prior year.

2. Unallocated Loss Adjustment Expenses (ULAE), Company and General Expenses

Servicing Carriers will be reimbursed for ULAE expenses; other acquisition, including field supervision and collection expenses; and general expenses according to the per unit allowance for each classification for each policy year of appointment, determined through the bid review and selection process and approved by the Governing Committee.

In the first (1st) policy year of the Servicing Carrier's appointment, interim expenses will be based on the ratio of the agreed upon per unit allowance, separately for taxi, limousine and car service property damage liability exposures, to the average taxi, limousine and car service premium as approved in CAR's commercial rate filing for the corresponding policy year.

For the second (2nd) and third (3rd) policy years of the appointment, the interim allowance will be based on the agreed upon per unit allowance for those years, separately for taxi, limousine and car service property damage liability exposures, to the average taxi, limousine and car service premium as approved in CAR's commercial rate filing of the corresponding policy years.

Interim expenses will be credited to the Servicing Carrier as a percentage of written premium through CAR's quarterly settlement of balances procedure, subject to true-up as defined below.

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Chapter VIII - Taxi and Limousine Program

G. Servicing Carrier Allowances (continued)

2. Unallocated Loss Adjustment Expenses (ULAE), Company and General Expenses (continued)

Expense allowances will be true-up based on the agreed upon per unit allowance multiplied by the actual ceded property damage liability exposures statistically reported for the corresponding policy year as of eighteen and thirty (18 and 30) months.

The initial true-up of expenses, using data reported through eighteen (18) months of the corresponding policy year, will occur in the subsequent September quarterly settlement of balances. Expenses will continue to be credited on an interim basis, as a percentage of written premium, based upon data that is statistically reported to CAR in the September and the following December, March and June quarters.

The final true-up of expenses, using data reported through thirty (30) months of the corresponding policy year, will occur in the subsequent September quarter, as part of the quarterly settlement of balances procedure. At this point, additional reimbursement for ULAE, company and general expenses will no longer be provided.

In the event that a Servicing Carrier's appointment is extended beyond three (3) years, the per unit allowance will be negotiated by the carrier and CAR's Governing Committee. Interim and final allowances will then be determined in the manner outlined above.

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Chapter VIII - Taxi and Limousine Program

H. Participation

1. All Other than Private Passenger Underwriting Results – Exclusions

For determining all other than private passenger underwriting results participation ratios for policy years 1995 and subsequent, written premiums from ceded taxi and ceded limousine and car service business will be excluded from the calculation.

2. Sharing of Underwriting Results

Underwriting results of ceded taxi and ceded limousine and car service business will be shared by member companies in the "all other than private passenger" pools as defined in CAR's Manual of Administrative Procedures and Rules of Operation.

3. Sharing of Administrative Expenses

Servicing Carriers writing taxi, limousine or car service business will be required to share in CAR's administrative expenses as defined in CAR's Manual of Administrative Procedures and Rules of Operation.

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Chapter VIII - Taxi and Limousine Program

I. Servicing Carrier Withdrawal

1. Withdrawal Subject to Rule 16 of CAR's Rules of Operation

In the event that a Servicing Carrier for this program seeks to withdraw as a Servicing Carrier during the term of its appointment, such a withdrawal will be subject to the provisions of Rule 16, Terminations, of CAR's Rules of Operation.

2. Servicing of Policies

If a Servicing Carrier is not renewing its appointment with CAR for an additional term, it shall nonetheless renew all policies expiring on or before the final date of the existing term and shall continue to service such policies in compliance with CAR's Rules and requirements to the policy expiration date of each risk. This includes, but is not limited to, change of existing vehicles, adding insureds, adding named operators onto existing policies, endorsing coverage limits, providing all notices required by law, and providing claims processing and premium collection services.

3. Notification of Policy Non-Renewals

At least forty-five (45) days prior to the policy anniversary date, the withdrawing carrier shall notify the insured and the producer of record that coverage will be non-renewed.

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Chapter VIII - Taxi and Limousine Program

J. Incentive Program

CAR offers Servicing Carriers an incentive to reduce the portion of CAR's deficit associated with losses incurred on ceded taxi business. For policy year 1995, each Servicing Carrier will receive an additional ceding expense adjustment for a specified reduction in its ceded taxi liability loss ratio from an industry projected liability loss ratio. Conversely, a Servicing Carrier will have its ceding expenses reduced for a specified increase in its loss ratio over the industry standard. For policy years 1996 and 1997, each Servicing Carrier will receive an incentive, also in the form of an additional ceding expense adjustment, for a reduction in its actual ceded taxi liability loss ratio from an established Servicing Carrier standard loss ratio. Conversely, a Servicing Carrier will have its ceding expense allowances reduced for an increase in its actual loss ratio over its standard loss ratio. A Servicing Carrier's Incentive Program credit or debit will be processed as a ceding expense adjustment through CAR's Settlement of Balances.

1. The policy year 1995 incentive will be determined as follows:
 - a. An industry standard loss ratio will be calculated from CAR's Commercial Rate Filing using the taxi liability coverages only. The standard ratio will be determined by dividing the indicated involuntary loss and ALAE pure premium by the approved average liability tax rate.
 - b. CAR's published Incentive Program Credit/Debit Schedule for policy year 1995, identifies the specified amount of credit or debit a Servicing Carrier may receive for a specified taxi loss ratio difference as compared to the industry standard. This schedule for the industry is displayed on Exhibit VIII-J-1.
 - c. Each Servicing Carrier's actual policy year 1995 taxi liability loss ratio (including IBNR), as determined by CAR's Loss Reserving Committee, will be compared to the established industry standard loss ratio for policy year 1995. Each Servicing Carrier will receive an increase/decrease in its ceding expense allowance for every 2.5% reduction/increase in its actual ceded taxi liability loss ratio (including IBNR) from the industry standard loss ratio, with a maximum incentive penalty of \$500,000.
 - d. The calculation of the Servicing Carrier's incentive credit or debit will be made three (3) times. On an interim basis, the first comparison will be made based upon incurred results reported as of twenty-four (24) months and the Servicing Carrier will receive one-third of the indicated credit or debit. The interim calculation will be trued-up based upon policy year incurred results reported as of thirty-six (36) months. At the thirty-six (36) month true-up, a Servicing Carrier will receive two-thirds of the trued-up credit or debit. The final comparison will be made based upon policy year incurred results reported as of forty-eight (48) months and the Servicing Carrier will receive its full true-up credit or debit amount.

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Chapter VIII - Taxi and Limousine Program

J. Incentive Program (continued)

2. The policy year 1996 and 1997 incentives will be determined as follows:
 - a. A Servicing Carrier's standard loss ratio will be determined by CAR's Loss Reserving Committee and will initially be based upon the Servicing Carrier's prior policy year ultimate liability loss ratio (including IBNR), as of twenty-four (24) months.
 - b. A Servicing Carrier's standard loss ratio will be updated two (2) times to reflect the re-evaluation by the Loss Reserving Committee of its prior policy year ultimate liability loss ratio (including IBNR) at thirty-six and forty-eight (36 and 48) months.
 - c. A Servicing Carrier's actual loss ratio will be determined by CAR's Loss Reserving Committee and will initially be based upon the Servicing Carrier's ultimate liability loss ratio (including IBNR) for the current policy year, as of twenty-four (24) months.
 - d. A Servicing Carrier's actual loss ratio will be updated two (2) times to reflect the re-evaluation by the Loss Reserving Committee of its current policy year ultimate liability loss ratio (including IBNR) at thirty-six and forty-eight (36 and 48) months.
 - e. Each Servicing Carrier's actual policy year loss ratio will be compared to its standard policy year loss ratio to determine the incentive. The Servicing Carrier's incentive will be equal to 10% of the amount by which the Servicing Carrier reduced the portion of CAR's deficit associated with losses. Likewise, the penalty will be equal to 10% of the increase in the portion of the deficit associated with losses, with a maximum incentive/penalty of \$500,000. See Exhibit VIII-J-2 of this chapter for an example of this calculation.
 - f. The calculation of the Servicing Carrier's incentive credit or debit will be made three (3) times. On an interim basis, the first comparison will be made based upon incurred results reported as of twenty-four (24) months and the Servicing Carrier will receive one-third of the indicated credit or debit. The interim calculation will be trued-up based upon policy year incurred results reported as of thirty-six (36) months. At the thirty-six (36) month true-up, a Servicing Carrier will receive two-thirds of the trued-up credit or debit. The final comparison will be made based upon policy year incurred results reported as of forty-eight (48) months and the Servicing Carrier will receive its full true-up credit or debit amount.

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Chapter VIII - Taxi and Limousine Program

Exhibit VIII-J-1

1995 Policy Year Taxi Incentive Debit/Credit Schedule

Impact of Incentive Program - Credits							Credit Schedule		
Standard Loss Ratio	Actual Loss Ratio	Difference	Standard Deficit	Actual Deficit	Incentive	Revised Deficit	Actual Loss Ratio - Standard Loss Ratio		
							>	< =	Credit
121.0%	93.5%	-27.5%	(11,783,100)	(6,805,600)	497,750	(7,303,350)	-30.0%		2.75%
121.0%	96.0%	-25.0%	(11,783,100)	(7,258,100)	452,500	(7,710,600)	-27.5%	-25.0%	2.50%
121.0%	98.5%	-22.5%	(11,783,100)	(7,710,600)	407,250	(8,117,850)	-25.0%	-22.5%	2.25%
121.0%	101.0%	-20.0%	(11,783,100)	(8,163,100)	362,000	(8,525,100)	-22.5%	-20.0%	2.00%
121.0%	103.5%	-17.5%	(11,783,100)	(8,615,600)	316,750	(8,932,350)	-20.0%	-17.5%	1.75%
121.0%	106.0%	-15.0%	(11,783,100)	(9,068,100)	271,500	(9,339,600)	-17.5%	-15.0%	1.50%
121.0%	108.5%	-12.5%	(11,783,100)	(9,520,600)	226,250	(9,746,850)	-15.0%	-12.5%	1.25%
121.0%	111.0%	-10.0%	(11,783,100)	(9,973,100)	181,000	(10,154,100)	-12.5%	-10.0%	1.00%
121.0%	113.5%	-7.5%	(11,783,100)	(10,425,600)	135,750	(10,561,350)	-10.0%	-7.5%	0.75%
121.0%	116.0%	-5.0%	(11,783,100)	(10,878,100)	90,500	(10,968,600)	-7.5%	-5.0%	0.50%
121.0%	118.5%	-2.5%	(11,783,100)	(11,330,600)	45,250	(11,375,850)	-5.0%	-2.5%	0.25%
121.0%	121.0%	0.0%	(11,783,100)	(11,783,100)	0	(11,783,100)	-2.5%	0.0%	0.00%

Impact of Incentive Program - Debits							Debit Schedule		
Standard Loss Ratio	Actual Loss Ratio	Difference	Standard Deficit	Actual Deficit	Penalty	Revised Deficit	Actual Loss Ratio - Standard Loss Ratio		
							>=	<	Debit
121.0%	121.0%	0.0%	(11,783,100)	(11,783,100)	0	(11,783,100)	0.0%	2.5%	0.00%
121.0%	123.5%	2.5%	(11,783,100)	(12,235,600)	(45,250)	(12,190,350)	2.5%	5.0%	-0.25%
121.0%	126.0%	5.0%	(11,783,100)	(12,688,100)	(90,500)	(12,597,600)	5.0%	7.5%	-0.50%
121.0%	128.5%	7.5%	(11,783,100)	(13,140,600)	(135,750)	(13,004,850)	7.5%	10.0%	-0.75%
121.0%	131.0%	10.0%	(11,783,100)	(13,593,100)	(181,000)	(13,412,100)	10.0%	12.5%	-1.00%
121.0%	133.5%	12.5%	(11,783,100)	(14,045,600)	(226,250)	(13,819,350)	12.5%	15.0%	-1.25%
121.0%	136.0%	15.0%	(11,783,100)	(14,498,100)	(271,500)	(14,226,600)	15.0%	17.5%	-1.50%
121.0%	138.5%	17.5%	(11,783,100)	(14,950,600)	(316,750)	(14,633,850)	17.5%	20.0%	-1.75%
121.0%	141.0%	20.0%	(11,783,100)	(15,403,100)	(362,000)	(15,041,100)	20.0%	22.5%	-2.00%
121.0%	143.5%	22.5%	(11,783,100)	(15,855,600)	(407,250)	(15,448,350)	22.5%	25.0%	-2.25%
121.0%	146.0%	25.0%	(11,783,100)	(16,308,100)	(452,500)	(15,855,600)	25.0%	27.5%	-2.50%
121.0%	148.5%	27.5%	(11,783,100)	(16,760,600)	(497,750)	(16,262,850)	27.5%		-2.75%

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Chapter VIII - Taxi and Limousine Program

Exhibit VIII-J-2

Example of Incentive/Penalty Calculation

Incentive Example:

Calculation of Standard Deficit:

Earned Premium	\$8,400,000
Standard Loss Ratio	98.5%
Losses	\$8,274,000
Expenses (44.1%)	\$3,704,400
Deficit	\$3,578,400

Calculation of Incentive Program Deficit:

Earned Premium	\$8,400,000
Actual Loss Ratio	97.3%
Losses	\$8,173,200
Expenses (44.1%)	\$3,704,400
Deficit	\$3,477,600

Reduction to Deficit \$100,800

10% Incentive Amount \$10,080
(Processed as a Ceding Expense
Adjustment through the
Settlement of Balances)

Penalty Example:

Calculation of Standard Deficit:

Earned Premium	\$8,400,000
Standard Loss Ratio	98.5%
Losses	\$8,274,000
Expenses (44.1%)	\$3,704,400
Deficit	\$3,578,400

Calculation of Incentive Program Deficit:

Earned Premium	\$8,400,000
Actual Loss Ratio	101.2%
Losses	\$8,500,800
Expenses (44.1%)	\$3,704,400
Deficit	\$3,805,200

Increase to Deficit \$226,800

10% Penalty Amount \$22,680
(Processed as a Ceding Expense
Adjustment through the
Settlement of Balances)

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Chapter IX - Audit

A. Member Responsibilities

Each Member is responsible to ensure that its own internal control and spot-check procedure is sufficient to detect any irregularity in handling all the Commonwealth Automobile Reinsurers' business. These controls include, but are not restricted to, the following items:

1. That all cessions, premiums, and claims are accurately and promptly reported to the Commonwealth Automobile Reinsurers;
2. That all reports, whether on a regular basis or by special call, are filed accurately and promptly;
3. That all producers are fully complying with the Plan of Operation and the Rules of Operation;
4. That ceded policies are properly rated and ceded claims properly reported to the Commonwealth Automobile Reinsurers.

If any internal irregularities are noted, they should be immediately corrected. Similarly, if, in the course of doing business, irregularities on the part of the Commonwealth Automobile Reinsurers or other Members are detected, these irregularities should be immediately reported to the Audit Committee. Each Member and producer is subject to audit by the Audit Committee or its designate to ensure compliance with the Commonwealth Automobile Reinsurers' procedures. Members are required to maintain records for policies and claims ceded to the Commonwealth Automobile Reinsurers for at least three calendar years following the last calendar year in which there has been activity.

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Chapter IX - Audit

B. Commonwealth Automobile Reinsurers' Procedures

1. Internal Procedures

The Commonwealth Automobile Reinsurers shall maintain records of all Members' errors or violations of the Plan of Operation or the Rules of Operation. If these errors or violations are serious or voluminous for a particular Member, a report shall be made to the Audit Committee.

The Commonwealth Automobile Reinsurers' Management will obtain any other available information requested by the Audit Committee.

2. Staffing

The Commonwealth Automobile Reinsurers shall maintain adequate audit staff qualified to analyze the preceding information and to act as a Commonwealth Automobile Reinsurers' quality control representative.

The Commonwealth Automobile Reinsurers' audit staff shall consist of appropriate professional and clerical personnel required to carry out the audit objectives. Direct supervision of the audit staff will be the responsibility of the Commonwealth Automobile Reinsurers' Auditor. The Commonwealth Automobile Reinsurers' Auditor will report audit activities and the results of these analyses at each Audit Committee meeting. The audit staff, as need arises and at the discretion of the Audit Committee, may be required to conduct field audits at Members' offices.

3. Internal Commonwealth Automobile Reinsurers' Audits

The Commonwealth Automobile Reinsurers will be subject to continued quality control reviews by the audit staff. An independent audit will be conducted annually by a public accounting firm recommended by the Audit Committee and approved by the Governing Committee. This audit will include but will not be restricted to the procedures employed by the Commonwealth Automobile Reinsurers for the following:

- a. Expense allocation;
- b. Assessment formulas;

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Chapter IX - Audit

B. Commonwealth Automobile Reinsurers' Procedures (continued)

3. Internal Commonwealth Automobile Reinsurers' Audits (continued)

- c. Distribution of premium, or charges for losses, to the Members;
- d. Investment of excess funds.

At the conclusion of this audit, the audit report and certified financial statements will be presented to the Audit Committee. Copies of the financial statement will be made available to Members upon request.

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C. Audits of Servicing Carriers' Files

When audits are conducted, an exact copy of all pertinent information contained in the underwriting and claim files will be accepted in lieu of the original record.

1. Documentation

The documentation for these audits shall include but will not be limited to the following:

- a. Photostats of declarations and endorsements for premium determinations;

In the absence of originals or photostats of originals, the following may be substituted:

- 1) A print-out of data stored in a computer, provided it is essentially in the same format as the declaration sheet, indicating coverages, limits, deductibles, dollars, etc., or
- 2) A hard copy of declaration and endorsement sheets produced from a microfiche, provided it is essentially in the same format as the declaration sheet, indicating coverages, limits, deductibles, dollars, etc.

The microfiche itself, or a duplicate thereof, will not be acceptable documentation for Field Audits.

- b. Claim file details;
- c. Salvage/subrogation recovery records;
- d. Reserve folder data;
- e. Commission rates applicable to all ceded risks;
- f. Dividend rates applicable to the Commonwealth Automobile Reinsurers' sessions.

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Chapter IX - Audit

C. Audits of Servicing Carriers' Files (continued)

2. Field Audits and Other Audits

Field Audits and other audits of the Commonwealth Automobile Reinsurers' Members may be performed by the Commonwealth Automobile Reinsurers' Audit Department on those policies, records, books of account, documents, and related material as prescribed by the Commonwealth Automobile Reinsurers to carry out its functions, as authorized by Article VIII - Auditing of Members of the Plan of Operation.

Rule 9 - Audit Review of the Rules of Operation provides that there shall be a review and audit function prescribed by the Governing Committee.

3. Audit Reports

Upon completion of any audit review, a report will be submitted. A reply to the audit staff will be required within thirty days. If the results of the audit require input to the Commonwealth Automobile Reinsurers, the reply must state the accounting report which will reflect the necessary changes. The audit staff will report on all audits to the Audit Committee. Any unresolved conditions shall then be referred to the Governing Committee.

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Chapter IX - Audit

D. Review of Ceded Business

Business reinsured with the Commonwealth Automobile Reinsurers shall be subject to audit to determine that procedures established by the Plan of Operation and the Rules of Operation have been complied with and that policies that have been reinsured are receiving the same service as those which are not reinsured. Any violation shall be reported with supporting information to the Governing Committee for appropriate action.

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Chapter IX - Audit

E. Rating Verification

It is imperative that all ceded business be correctly classified and rated to insure that the Commonwealth Automobile Reinsurers receives the full and proper premium for the risk. Each Servicing Carrier licensed to write motor vehicle insurance or any component thereof shall permit access to its exposures and premiums for all ceded business. The Commonwealth Automobile Reinsurers may review at any time a Servicing Carrier's ceded policy files either in the Servicing Carrier's office or at the Commonwealth Automobile Reinsurers.

This information will be summarized and analyzed by the Commonwealth Automobile Reinsurers. If this analysis discloses any unusual patterns or trends, the Servicing Carrier will be required to explain the cause. The Servicing Carrier shall respond within thirty days stating if the Servicing Carrier concurs with the finding and will identify which accounting report, CAR Monthly Accounting Summary Report, will reflect the correct premium. If a reply is not received or is not responsive, the entire file will be made available to the Audit Committee for evaluation. The Audit Committee will consider referral of the case to the Governing Committee.

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Chapter IX - Audit

F. Claim Fidelity

1. Statistical Reviews

Computer analysis of in-house data is to be used to determine direction of field audit examinations, audit frequency, and audit scope. Statistical comparisons, trends, and relative percentages of company and industry premium and loss figures which detect any adverse trends shall be thoroughly investigated.

The claim staff, Claims Advisory Committee, the audit staff, and the Audit Committee shall coordinate efforts and exchange information. If these reviews indicate any irregularities, appropriate action will be taken.

2. Loss Accounting Review

Claim file details, salvage/subrogation recovery records and reserve folder data shall be reviewed to verify reported amounts are in agreement with the Commonwealth Automobile Reinsurers' Plan of Operation, policy coverages, and dollar amounts reported to the Commonwealth Automobile Reinsurers. The Servicing Carrier will reflect the necessary change.

3. Servicing Carrier Confirmation Activity

Servicing Carriers shall obtain claimant confirmation on a reasonably representative number of claim payments on Commonwealth Automobile Reinsurers' ceded business. The extent of this confirmation activity will be reported to the Commonwealth Automobile Reinsurers upon written request. These reports, at the option of the Servicing Carriers, may include all confirmation activity or only that related to the Commonwealth Automobile Reinsurers' business.

4. Commonwealth Automobile Reinsurers' Confirmation Activity

The Commonwealth Automobile Reinsurers may confirm with the payee claim payments made on ceded business. Accidents may be confirmed with the insured. These inquiries will be made by either the public accounting firm referred to in Section B, Part 3 above, or by some other independent firm, and will be made in a manner which assures that the insureds are not informed of the fact that their policies have been reinsured in the Commonwealth Automobile Reinsurers under Article II of the Plan.

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Chapter IX - Audit

F. Claim Fidelity (continued)

5. Claim Service

Each Servicing Carrier shall take all steps necessary to assure that its claim adjusters are not informed that any policy has been reinsured in the Commonwealth Automobile Reinsurers. This rule will be subject to verification at the time of claims review or audit review by the Commonwealth Automobile Reinsurers' staff.

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Chapter IX - Audit

G. Input Verification

When a Servicing Carrier concurs with the exceptions noted in an audit report, this report will be distributed to the appropriate Commonwealth Automobile Reinsurers' staff areas which will be responsible to verify corrections are made and subsequent input complies with the Rules of Operation.

All information submitted by Servicing Carriers according to all Commonwealth Automobile Reinsurers' requirements is subject to verification by the Audit Committee or its designate.

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G	G:1	Input Verification

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Chapter X – Accounting Edit and Correction Procedures

A. General

1. Introduction

It is Commonwealth Automobile Reinsurers' (CAR's) responsibility to verify that Servicing Carriers report, completely and accurately, their cession, premium, paid loss, and outstanding loss data for ceded policies.

CAR loads all acceptable data for an accounting month to its accounting system, regardless of the completeness of the submission. That is, if a Servicing Carrier submits its monthly accounting shipment and CAR rejects one or more line of business (e.g., private passenger liability premium) due to a reporting error, CAR loads the remaining acceptable lines of business to its accounting system. CAR verifies that Servicing Carriers resubmit the rejected line(s) of business in a timely manner. Furthermore, CAR ensures the pool is not adversely impacted by this procedure by assessing Loss of Investment Income when appropriate.

CAR checks the data for accuracy via the policy edits. The policy edits verify that proper relationships exist between the cession, premium, and loss records reported for each ceded policy.

2. Servicing Carrier Responsibility

The Servicing Carrier's sole responsibility is to ensure the accuracy of their submissions. Therefore, CAR anticipates that Servicing Carriers perform various edits within their own systems to assure the validity of all submissions.

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Chapter X – Accounting Edit and Correction Procedures

B. Preliminary Verification of Data

1. Cession Edits

CAR performs cession edits on all cession and cession correction records Servicing Carriers submit prior to using the cession records in the accounting edit routines. Chapter II, Section E of this manual describes the preliminary edits of cessions and cession corrections.

2. Statistical Edits and Requirements

As CAR uses the monthly submissions reported for both accounting and statistical purposes, all submissions (voluntary and ceded) must pass preliminary statistical edits and requirements before CAR accepts and uses the submission for accounting purposes. As this manual references only those procedures relative to the performance of CAR's reinsurance functions, this manual does not contain a description of these statistical edits and requirements. The Massachusetts Automobile Statistical Plans and statistically-related industry publications, which CAR produces, provide information relative to the statistical edits and requirements.

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Chapter X – Accounting Edit and Correction Procedures

C. Accounting Verification

1. General

After CAR has balanced and accepted the premium, paid loss, and outstanding loss data for a particular month for accounting and statistical purposes, it loads the ceded policies to CAR's master file, with the exception of paid and outstanding loss data reported on closed-out policies (see Section G of this chapter for a detailed description of the close-out procedures). Weekly, the master file is edited for errors which reflect discrepancies in the reporting of cession, premium, and losses within each ceded policy. These policy-based edits are divided into three categories:

- critical accounting errors
- non-critical accounting errors
- cession/no premium errors

A description of these edits is provided below.

2. Critical Accounting Errors

Critical accounting errors are those errors which CAR has determined to be so critical in nature that the Servicing Carrier is required to correct every critical error identified. In general, critical errors indicate paid loss records for which CAR coverage cannot be granted. These critical errors are:

a. Error Code "1" - No Valid Inforce Cession

On every accounting record, an active inforce cession with the same policy number and policy effective year must exist. CAR will flag with Error Code 1 any premium or paid loss records reported on a policy which does not contain an active inforce cession.

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Chapter X – Accounting Edit and Correction Procedures

C. Accounting Verification (continued)

2. Critical Accounting Errors (continued)

b. Error Code "6" - No Positive Premium for Loss Records

For policies containing loss records, the policy must contain net positive premium.

If the net premium for the policy is less than or equal to zero, CAR will identify the loss records with Error Code 6. If a policy's term was not sufficient to generate earned premium, yet a loss occurred during this term, the Servicing Carrier must report a token premium record (as little as \$1 or \$2) to avoid the Error Code 6 condition.

c. Error Code "7" - Accident Date Outside of Cession Bounds

The accident date of every paid loss record reported for a policy must be a valid date and must fall within the period of reinsurance coverage CAR provides for a policy. The period of reinsured coverage begins on the policy's cession coverage date and ends on the policy's expiration date or, if cancelled, the policy's cancellation date.

CAR's Policy Edit Package contains a complete description of the critical accounting error edits.

3. Non-Critical Accounting Errors

Non-critical accounting errors are those errors which CAR has determined create a minimal financial impact if they are maintained at reasonable levels. Prior to the reporting of data for a particular policy effective year, CAR establishes acceptable tolerance levels for each non-critical error code to ensure they do not result in a financial impact on the industry. CAR requires detail correction of non-critical errors only when the Servicing Carrier's percentage and volume of policies containing a particular non-critical error code exceed the established tolerances. The following pages list the non-critical error codes.

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Chapter X – Accounting Edit and Correction Procedures

C. Accounting Verification (continued)

3. Non-Critical Accounting Errors (continued)

a. Error Code "2" - CAR ID Code Discrepancy

The CAR ID Code on every cession, premium, and paid loss record submitted for a policy must be the same. Any discrepancies cause the inconsistent record(s) to be flagged with Error Code 2.

b. Error Code "3" - Policy Effective and/or Expiration Date Discrepancies

All cession, premium, and paid loss records submitted for a policy must contain the same policy effective and expiration dates. Any discrepancies cause the inconsistent record(s) to be flagged with Error Code 3.

c. Error Code "4" - Date Discrepancies on Premium Records; New/Renewal Premium Not Found

A logical relationship must exist among the dates coded on the premium records within a policy. New business or renewal premium transactions (TX11) must exist on a policy.

d. Error Code "5" - Net Premium Less Than Zero

For every line of business/class group combination within a policy, the net premium amount must be greater than or equal to zero. Premium records which do not meet this requirement are flagged with Error Code 5.

e. Error Code "8" - Accident Date and/or Class Group Discrepancy Within a Claim

All paid loss records must have a valid claim number. Additionally, all paid loss records within a policy which contain the same claim number must also contain the same accident date and class group. Any discrepancies cause the inconsistent paid loss records to be flagged with Error Code 8.

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C. Accounting Verification (continued)

3. Non-Critical Accounting Errors (continued)

f. Error Code "9" - Invalid Net Loss Amount

The net loss amount for all paid loss records within a policy which contain the same line of business and claim number must be greater than or equal to zero. If it is not, then the paid loss records are flagged in Error Code 9.

g. Error Code "10" - No Matching Claim for Subrogation

For every subrogation record within a policy, a corresponding paid loss record having the same line of business and claim number must exist. The net paid loss amount must be greater than or equal to zero, and the net paid loss plus subrogation amount must be greater than or equal to zero. Any loss records violating these requirements are flagged in Error Code 10.

h. Error Code "11" - Invalid Net Allocated Expense Amount

The net paid allocated expense amount for all paid allocated expense records within a policy which contain the same line of business and claim number must be greater than or equal to zero. If it is not, then the paid allocated expense records are flagged with Error Code 11.

i. Error Code "12" - Unmatched Reinstatements

If a policy contains reinstatement premium transactions, it must also contain corresponding cancellation premium transactions. Any premium records which violate these requirements are flagged with Error Code 12.

CAR's Policy Edit Package contains a complete description of the edits for the non-critical accounting errors.

4. Cession/No Premium Errors

Cession/no premium errors indicate instances where a Servicing Carrier has not reported a net positive premium amount for a policy which contains an active inforce cession. Please reference Chapter III, Section C of this manual for a complete description of cession/no premium editing, error listings, and penalty procedures.

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Manual of Administrative Procedures

Chapter X – Accounting Edit and Correction Procedures

D. Accounting Error Listings

1. General

Servicing Carriers can view all their accounting error listings via the telecommunications system during the established hours of availability. CAR updates the on-line system following the extraction of ceded data from its statistical data base files.

2. Data Included in the Accounting Error Listings

Each time CAR extracts the ceded data from its statistical database file and loads the data to the master file, it will include the following items:

- a. Cession and cession correction records received one to two (1 to 2) weeks prior to the load to the master file.
- b. Accounting data for the current accounting month in which shipments are due. The current accounting month is defined in the Annual Call Schedule which CAR publishes. The shipment due date is the 15th of the month or, if the 15th falls on a weekend or holiday, the first business day following the 15th. Note: only the months of January, April, July and October include data reported on close-out policies. Refer to Section G of this chapter for information specific to closed-out policies.
- c. Error listings corrections made to the on-line accounting application that have not been applied since the last load to the master file.

3. Critical and Non-Critical Errors

a. Critical Accounting Errors

Servicing Carriers can review and correct their critical accounting errors via CAR's on-line accounting application (see Exhibit X-D-1). The on-line application lists, at all times, all policies which contain a critical accounting error. When a Servicing Carrier processes a correction which clears the critical error condition, the policy will no longer appear on the critical accounting error list. If the policy, after becoming free of critical errors, returns to a critical error state, then the policy will re-appear on the on-line critical error list.

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Chapter X – Accounting Edit and Correction Procedures

D. Accounting Error Listing Cycles (continued)

3. Critical and Non-Critical Errors (continued)

b. Non-Critical Errors

Servicing Carriers can review and correct their non-critical accounting errors via CAR's on-line accounting application (see Exhibit X-D-2). The on-line application lists all policies which contain a non-critical accounting error. When a Servicing Carrier processes a correction(s) which clears the non-critical error condition, the policy will no longer appear on the non-critical accounting error list. If the policy, after becoming free of non-critical errors, returns to a non-critical error state, then the policy will reappear on the on-line non-critical error list.

Also through the on-line accounting application, Servicing Carriers can review their percentage and volume of policies and records containing each non-critical error code for each policy effective year CAR is monitoring (see Exhibit X-D-3).

CAR monitors only the latest two (2) policy effective years for non-critical errors. This summary function within the on-line accounting application reflects all non-critical accounting errors residing on the master file. Any non-critical error code exceeding the established tolerance is specifically identified in the application.

4. Aging of Critical Accounting Errors

When a policy incurs a critical accounting error, the policy appears on CAR's on-line critical error list in the month which it is identified. The policy remains on the on-line critical error list for twelve (12) calendar months. After the twelve (12) month time period, the policy becomes eligible for the Critical Error Write-Off, described in Section F of this chapter.

If the Servicing Carrier submits records or processes corrections and the policy becomes free of critical error, then the policy disappears from the critical error list. If, after the policy has been free of critical error, the policy returns to a critical error state, then the Servicing Carrier begins a new twelve (12) month time period in which to correct the critical error condition. After the twelve (12) month time period, the policy becomes eligible for the Critical Error Write-Off, described in Section F of this chapter.

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Chapter X – Accounting Edit and Correction Procedures

EXHIBIT X-D-1 CRITICAL ACCOUNTING ERROR LISTING

SCREEN 1

COMPANY 999	COMMONWEALTH AUTOMOBILE REINSURERS					
CO210SA						
	ACCOUNTING ONLINE ACCESS SYSTEM					
07/15/1999						
NEXT WO 07/24/1999	CRITICAL- (ALL)EFF YR (ALL)ERRS					
10:37 AM						
FROM 0243460091	POLICY 1ST LIST === PREMIUM === ==== LOSS =====					
MSG DATE						
YR POLICY NUMBER	STATUS	MM/DD/YY	ERRORS	DOLLARS	ERRORS	DOLLARS
MM/DD/YY						
=====						
=====						
L 98 024346		11/19/98	48	0	2	289
- 98 032620	PREM	11/19/98	0	0	1	279
- 98 137442		11/19/98	42	-279	0	0
- 98 137442		11/19/98	0	0	0	1620

SCREEN 2

CO250SA	COMMONWEALTH AUTOMOBILE REINSURERS									
07/15/1999										
COMPANY 999		ACCOUNTING LOSS LISTING - ONLY ERRORS								
10:40 AM										
		EFF DATE			COV EFF		COV EXP		CRITICAL	
MSG DATE										
POLICY NUMBER		MM/DD/YY C TX		PROD RSK		MM/DD/YY		MM/DD/YY		MM/DD/YY
MM/DD/YY										
024346		06/09/98 4 4		000008 0		99/99/99		00/00/00		11/19/98
07/06/99										
(.....)		INSUREDS NAME								
LOGRASSO,ROCCO										
LOSSES		ACTG		ACCIDENT						
TX LB EFF SEQ		MM/YY		MM/DD/YY		TWN GRP		CLAIM ID		C TP
LOSS AMT										
00 05 06 000000 00/00 00/00/00 000 1 000000000 1 00										

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EXHIBIT X-D-2 NON-CRITICAL ACCOUNTING ERROR LISTING

SCREEN 1

COMPANY 999	COMMONWEALTH AUTOMOBILE REINSURERS					
CO310SA						
NEXT WO 07/24/1999	ACCOUNTING ONLINE ACCESS SYSTEM					
07/15/1999						
	NON CRITICAL- (1998)EFF YR (ALL)ERRS					
10:48 AM						
FROM 024583	POLICY 1ST LIST === PREMIUM === ===== LOSS =====					
MSG DATE						
YR POLICY NUMBER	STATUS	MM/DD/YY	ERRORS	DOLLARS	ERRORS	DOLLARS
MM/DD/YY						
=====						
=====						
P 98 024583	PREM	05/20/98	24	4	0	0
_ 98 019729	F CANC	06/17/98	16	928	0	0
_ 98 026385	PREM	06/17/98	13	630	0	0
98 033268	P CANC	06/17/98	29	644	0	0

SCREEN 2

CO225SA	COMMONWEALTH AUTOMOBILE REINSURERS									
07/15/1999										
COMPANY 999	ACCOUNTING PREMIUM LISTING - ONLY ERRORS									
10:51 AM										
	EFF DATE				COV EFF		COV EXP		NON CRIT	
MSG DATE										
POLICY NUMBER	MM/DD/YY		C	TX	PROD RSK	MM/DD/YY	MM/DD/YY	MM/DD/YY		
MM/DD/YY										
0245835451	01/20/98		4	2	000004 0	01/20/98	01/20/99	05/20/98		
(.....)						INSUREDS NAME				
MARTINEZ,ROSEMAR										
PREMIUMS		ACTG		EXPIR		TRANS				
TX LNE	EFF	SEQ	MM/YY	MM/YY	TWN	G	MM/YY	CLASS	C	DOLL 1 DOLL 2 -
ERRORS--										
11 01	01	000001	03/98	01/99	300	1	01/98	110100	5	102 2
(1.) (..)			(.. ..)			(.. ..)				

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**EXHIBIT X-D-3
NON-CRITICAL ACCOUNTING ERROR SUMMARY REPORT**

COMPANY 999		COMMONWEALTH AUTOMOBILE REINSURERS				
CO720SB		ACCOUNTING ONLINE ACCESS SYSTEM				
07/15/1999		NON CRITICAL ANALYSIS 1998 EFFEC YEAR(S)				
11:25:36						
	TOTAL	NON CRIT	PREMIUM	NON CRIT	LOSS	NON
CRIT						
YEAR	POLICIES	POLICIES	RECORDS	PREM REC	RECORDS	LOSS
REC						
=====						
=====						
1998	19,753	563	448,952	3,499	17,932	
521						
ERROR	NON CRIT	ERROR	=	OVER TOLERANCE	=	
CODES	POLICIES	PERCNT	1ST DATE	DEADLINE	LAST MAS TO BE	

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E. Correction Procedures

1. On-Line Applications

The on-line accounting application lists CAR's various error and informational listings for correction and browse purposes. Servicing Carriers can also use the on-line policy history application to facilitate the correction process. The on-line system is available to all Servicing Carriers. Please contact CAR for access.

If a Servicing Carrier or CAR experiences a system problem, CAR will ensure that the Servicing Carrier maintains a sufficient amount of time to correct any error records.

2. Critical Accounting Errors

A Servicing Carrier can correct critical errors in different ways depending on the nature of the error. If CAR has closed-out the policy, please refer to Section G of this chapter.

a. Method of Correction Prior to the Critical Error Write-Off

Servicing Carriers can correct critical accounting errors prior to the Critical Error Write-Off in three (3) ways:

1. Submitting offset/re-enter records

Using this option, the Servicing Carrier offsets the incorrect record and re-enters the corrected record in a subsequent monthly accounting/statistical submission. Please reference CAR's Policy Edit Package and the Massachusetts Automobile Statistical Plans for instructions relative to reporting offset and re-enter records.

2. Submitting cessions and cession corrections

Using this option, the Servicing Carrier submits a cession or cession correction to remove the error condition from the policy. Please reference Chapter II of this manual and CAR's Policy Edit Package for instructions relative to reporting cessions and cession corrections.

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Chapter X – Accounting Edit and Correction Procedures

E. Correction Procedures (continued)

2. Critical Accounting Errors (continued)

a. Method of Correction Prior to the Critical Error Write-Off (continued)

(3) Corrections processed via the on-line accounting application

Using this option, the Servicing Carrier makes the necessary correction in the correction grid provided on the on-line critical error list. CAR processes the corrections made to the on-line application weekly. When CAR processes the correction, it offsets the incorrect record, creates a corrected record, and loads it to the master file.

A critical error policy remains on the on-line critical error list until it becomes free of critical error or until CAR performs the Critical Error Write-Off against it after the twelve (12) month time period.

Corrections to policies containing effective years which CAR has closed-out are limited. Please refer to parts 4 and 5 of Section E of this chapter for more information.

b. Method of Correction After the Critical Error Write-Off

After a critical accounting error has been written-off, the Servicing Carrier can correct it using only the procedures described below.

- Do not submit offset and re-enter records to correct critical errors after CAR has written them off because this action will create additional critical error conditions.
- Do create only re-enter records for the written-off records (correcting the appropriate fields) and submit them in a Write-Off Correction Shipment. Only correction records for reportable years may be submitted (that is, write-off corrections will not be accepted for a policy effective year which has been determined to be a final close-out policy effective year). A Servicing Carrier may submit this type of submission in the February, May, August, and November accounting submissions only.

Furthermore, the Servicing Carrier must provide information relative to the write-off correction records it is submitting. Reference CAR's Policy Edit Package, the Massachusetts Automobile Statistical Plans, and CAR Staff for additional information regarding Write-Off Correction Shipments.

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E. Correction Procedures (continued)

3. Non-Critical Accounting Errors

Servicing Carriers may correct their non-critical errors in two ways:

a. Submitting offset/re-enter records

Using this option, the Servicing Carrier offsets the incorrect record and re-enters the corrected record in a subsequent monthly accounting/statistical submission. Please reference CAR's Policy Edit Package and the Massachusetts Automobile Statistical Plans for instructions relative to reporting offset and re-enter records.

b. Corrections processed via the on-line accounting application

Using this option, the Servicing Carrier makes the necessary correction in the correction grid provided on the on-line non-critical error list. CAR processes the corrections made to the on-line application weekly. When CAR processes the correction, it offsets the incorrect record, creates a corrected record, and loads it to the master file.

The on-line accounting application provides up-to-date information relative to each Servicing Carrier's non-critical error records. The on-line accounting application also provides a summary function so that Servicing Carriers can monitor the error percent of each non-critical error code to highlight any specific problem areas.

A non-critical error policy remains on the on-line non-critical error list until it becomes free of non-critical error.

4. Corrections for Policy Effective Years for which the Reporting of Cession and Premium Records has been Discontinued

CAR discontinues the reporting of cession and premium records for a particular policy effective year, two (2) years following the end of a policy effective year (e.g., reporting of premiums for policy effective year 1997 will cease following the December 1999 monthly accounting shipment due date and reporting of cessions policy year 1997 cessions will cease as of February 1, 2000). If a Servicing Carrier becomes aware of a situation where it needs to report ceded records after the discontinuation of reporting for a particular policy effective year, the Servicing Carrier may appeal in the following instances:

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E. Correction Procedures (continued)

4. Corrections for Policy Effective Years for which the Reporting of Cession and Premium Records has been Discontinued (continued)
 - a. The Servicing Carrier can document that its failure to report the original cession and/or premium records prior to the discontinuation of reporting was clearly outside of its control.
 - b. The Servicing Carrier can document that its failure to reinstate a previously flat-cancelled policy prior to the discontinuation of reporting was clearly outside of its control.

If CAR agrees that the failure to report the necessary records was outside the control of the Servicing Carrier, then CAR will process bulk adjustments (both premium and losses) to the Servicing Carrier's quarterly participation reports to assure that the uncorrected error does not result in a financial impact to the Servicing Carrier.

Although reporting may have been discontinued for a policy effective year, Servicing Carriers may continue to report loss data until the policy effective year is closed for statistical reporting.

5. Corrections for Policies with Effective Years That Have Been Closed-Out, but Which Do Not Meet the Close-Out Criteria

CAR closes out policies for effective years 1989 and prior only. Section G of this chapter contains a complete description of the close-out criteria. Corrections for policy effective year 1989 and prior policies that do not meet the close-out criteria will be limited to corrections within the policy. That is, policy number corrections will not be allowed. In instances where a policy number is in error, the record must be offset and re-entered under the correct policy number.

6. Corrections For Closed-Out Policies

If a Servicing Carrier reports a record containing a critical accounting error on a policy that has been closed-out, CAR will not process corrections to the policy. Instead, the record will be immediately written-off. A complete description of the write-off procedures for closed-out policies is contained in parts 2 and 3 of Section G of this chapter.

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F. Uncorrected Accounting Error Penalty Procedures

1. Critical Accounting Errors

a. Eligibility Criteria

For 1990 and subsequent policy effective year policies, a paid loss record with a critical error will be considered eligible for the Critical Error Write-Off Procedures if all of the following criteria have been met:

- (1) Twelve (12) calendar months have elapsed since the critical error first appeared on CAR's on-line accounting application. That is, the first list date noted on the on-line critical error list plus twelve (12) months.
- (2) The critical error condition remained uncorrected during the twelve (12) month period.

b. Critical Error Write-Off Procedures

The Critical Error Write-Off Procedures will take place each month following the load of ceded data to the master file after the shipment due date for a particular accounting month. That is, January submissions are due at CAR approximately March 15. After the 15th, CAR will load the ceded data to its master file and then perform the Critical Error Write-Off Procedures.

For every paid loss record meeting the above stated criteria, CAR will add an offsetting record to the master file and enter it into CAR's quarterly participation reports. Servicing Carriers can view the detail loss records written-off by using the on-line accounting application, which lists the detail write-off records by month. Servicing Carriers can also review on-line a summary of loss records and dollars written-off. Furthermore, CAR distributes a detail Listing of Records Written-Off (Exhibit X-F-1) after each monthly write-off showing all loss records included in the Critical Error Write-Off Procedures. Additionally, it distributes a Summary of Loss Records Written-Off report (see Exhibit X-F-2) of loss records and dollars written-off.

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F. Uncorrected Accounting Error Penalty Procedures (continued)

1. Critical Accounting Errors (continued)

b. Critical Error Write-Off Procedures (continued)

These procedures eliminate the critical error condition from the master file and decrease (or increase) the Servicing Carrier's reported paid losses in the next quarterly participation reports by the sum of the off-setting records generated.

Additionally, CAR assesses a penalty fee equal to 10% of the dollar value of the loss records being written-off against the Servicing Carrier. Note that CAR assesses a fee against those loss records that have remained in critical error for the entire twelve (12) month period only. That is, for those loss records that were reported during the 12-month period, CAR does not assess a 10% fee. This penalty fee is intended to encourage timely correction of losses with critical errors prior to the write-off, and to reimburse the pool for investment income lost as a result of the invalid loss reporting. Additionally, since losses reported on closed-out policies which contain critical errors are immediately written-off, CAR does not assess the penalty fee against those losses.

These 10% penalty fees are processed as bulk adjustments to the Settlement of Balances and Member's Participation Reports. They are reflected as a direct charge against the Servicing Carrier; all members share the total penalty dollars assessed against all Servicing Carriers based upon their percentage of the industry wide total Massachusetts Annual Statement, Page 15, direct automobile premium writings for the most current calendar year for which data is available.

Servicing Carriers may still correct critical errors after the errors are written-off. Reference Section E of this chapter for a description of the special correction procedures Servicing Carriers must follow for making corrections after the Critical Error Write-Off has occurred.

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Chapter X – Accounting Edit and Correction Procedures

F. Uncorrected Accounting Error Penalty Procedures (continued)

2. Non-Critical Accounting Errors

a. Eligibility Criteria

A Servicing Carrier's non-critical error condition will be considered eligible for the Non-Critical Error Audit Review Penalty Program if the Servicing Carrier's percentage and volume of policies for a particular policy effective year containing a particular non-critical error condition exceeds the established tolerance of 1% and ten (10) policies in error for that non-critical error code and policy effective year, and either:

- (1) the percentage and volume of non-critical error policies has exceeded the established non-critical error code tolerance for nine (9) months after the month in which the error condition was first identified as exceeding the tolerance, and/or
- (2) the percentage and volume of non-critical error policies exceeds the established non-critical error code tolerance as of the last month during which the particular policy effective year was monitored for non-critical errors. Normally, February represents the last month CAR monitors the older of the two (2) policy effective years being reviewed for non-critical errors.

b. Non-Critical Error Audit Review Penalty Procedures

The Non-Critical Error Audit Review Penalty Procedures assess penalties for excessive non-critical error conditions, as described below. An excessive non-critical error condition which remains uncorrected for a substantial period of time could be subject to both of the penalties described below.

- (1) If the excessive non-critical error condition is not corrected by the ninth (9th) month after the month in which the Servicing Carrier's policies containing the error code first exceeded the tolerance, CAR assesses a flat charge of \$50 per policy for each policy with the non-critical error code exceeding the established non-critical error code tolerance. If a Servicing Carrier exceeds the tolerance for a particular error code after the assessment of the initial nine (9) month penalty for that error code, then subsequent nine (9) month penalties will be assessed.

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F. Uncorrected Accounting Error Penalty Procedures (continued)

2. Non-Critical Accounting Errors (continued)

b. Non-Critical Error Audit Review Penalty Procedures (continued)

If the nine (9) month penalty for a particular error code exceeding the tolerance happens to coincide with the last month of reviewing a policy effective year, then only the last month penalty will be assessed.

(2) Last Month Penalty

If an excessive non-critical error condition exists as of the last time CAR monitors a particular policy effective year for non-critical errors, the Servicing Carrier will be assessed a flat charge of \$50 for each policy with a non-critical error code exceeding the established non-critical error code tolerances, previous assessments notwithstanding.

Servicing Carriers will be notified of all non-critical error code penalties, and the calculation for determining the penalty amount. Audit Review penalties will be processed as bulk adjustments to the Settlement of Balances and Member's Participation Reports. These penalties are reflected as a direct charge against the Servicing Carrier; all members share the total penalty dollars assessed against all Servicing Carriers based upon their percentage of the industry wide total Massachusetts Annual Statement, Page 15, direct automobile premium writings for the most current calendar year for which data is available.

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EXHIBIT X-F-1 DETAIL LISTING OF LOSSES WRITTEN OFF

SCREEN 1

COMPANY 999	COMMONWEALTH AUTOMOBILE REINSURERS					
CO810SA						
NEXT WO 07/24/1999	ACCOUNTING ONLINE ACCESS SYSTEM					
07/15/1999						
WO YEAR 1999	POLICIES WRITTEN OFF - LOSS					
11:33 AM						
WO MONTH 06						
	COV EFF	COV EFF	=== PREM WO	===	=== LOSS WO	
=== MSG DT						
YR POLICY NUMBER	MM/DD/YY	MM/DD/YY	RECORDS	DOLLARS	RECORDS	
DOLLARS MMDDYY						
X 96 999207	12/31/96	09/30/97	0	0	7	-
2642						
96 999208	12/05/96	05/31/97	0	0	1	-

SCREEN 2

COMPANY 999	COMMONWEALTH AUTOMOBILE REINSURERS					
CO850SA						
NEXT WO 07/24/1999	ACCOUNTING ONLINE ACCESS SYSTEM					
07/15/1999						
EFF YR 1996	LOSSES WRITTEN OFF - LISTING					
11:35 AM						
	COV EFF	COV EXP	=== PREMIUM ===	== PAID LOSS ==		
MSG DATE						
POLICY NUMBER	MM/DD/YY	MM/DD/YY	RECORDS	DOLLARS	RECORDS	DOLLARS
MM/DD/YY						
999207	12/31/96	09/30/97	0	0	7	-2642
===== L O S S E S						

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**EXHIBIT X-F-2
SUMMARY REPORT OF LOSSES WRITTEN OFF**

CA3200M	COMMONWEALTH AUTOMOBILE REINSURERS				RUN	
DATE 06/26/1999						
SUMMARY OF LOSS RECORDS WRITTEN-OFF						
COMPANY 999 ANY INSURANCE COMPANY						
ALL YEARS	CLASS GROUP 1 - PRIVATE PASSENGER		CLASS GROUP 2&3-ALL OTHER BUSINESS			
TOTALS						
	RECORDS	DOLLARS	RECORDS	DOLLARS	RECORDS	
DOLLARS						
CAR ID 3	0	\$0	0	\$0	0 \$0	
CAR ID 4	0	\$0		0	\$0 0	
\$0						
CAR ID 5	17	\$2,725-		9	\$5,115	

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Chapter X – Accounting Edit and Correction Procedures

G. Close-Out of Older Policy Effective Years

1. Eligibility Criteria

CAR closes-out policy effective years 1984-1989 only. All policy effective years subsequent to 1989 remain on CAR's on-line and off-line database files until the year has been closed-out for statistical reporting (approximately ten to twelve (10 to 12) years subsequent to the policy effective year). For policy effective years 1984-1989, CAR removes all policies for which it expects no additional reportings. That is, it closes-out all policies except:

- a. Those policies containing current outstanding loss records, provided that the policy also contains an active inforce cession, net positive premium, and that the outstanding loss' accident date falls between the policy's cession effective and expiration or cancellation dates. For purposes of the close-out program, a "current" outstanding loss is defined as one whose accounting date corresponds to one (1) of the four (4) most recent quarters for which accounting/statistical data has been reported.
- b. Those policies containing paid loss records flagged with critical errors, for which CAR expects future correction or write-off activity.

For each policy removed from the master file, CAR maintains a policy-level summary record on a separate close-out tape file. This summary record contains sufficient information to edit any future loss activity for critical accounting errors.

2. Reporting Requirements for Closed-Out Policy Effective Years

After a policy effective year is closed-out, additional loss reporting will only be expected against policies that have current outstanding losses and/or critical errors (as described above). However, CAR will access the close-out file monthly to allow for processing of additional loss reporting that it may receive on closed-out policies. Loss records CAR accepted during the most recent quarter for policies not found on the master file will be processed against the close-out file with the following stipulations:

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G. Close-Out of Older Policy Effective Years (continued)

2. Reporting Requirements for Closed-Out Policy Effective Years (continued)

- a. Outstanding losses cannot be reported for open physical damage claims, or for closed claims where subrogation recoveries are still pending. Therefore, in these cases, Servicing Carriers cannot prevent the close-out of a policy, even though additional loss reportings will be forthcoming.
- b. Paid loss records that fail one or more of the critical edits will be immediately written-off.

The records written-off will not be included on the Detail Loss Records Written-Off (Exhibit X-F-1). Instead, they will appear on the Listing of Records Processed for Closed-Out Policies (described later in this section).

- c. If an outstanding loss record fails one or more of the critical edits, the Servicing Carrier will see the error condition on the Records Processed for Closed-Out Policies (described in part 3 of Section G of this chapter).

3. Listing of Records Processed for Closed-Out Policies

Servicing Carriers receive a detailed Listing of Records Processed for Closed-Out Policies (Exhibit X-G-1) after each quarterly access of the close-out file. It lists all records processed against the close-out file, including paid and outstanding liability, non-fault, and physical damage losses. Critical error records are flagged with a message indicating the existence of critical accounting errors. In addition, companies receive a Summary of Loss Records Written-Off for Closed-Out Policies (Exhibit X-G-2) to permit reconciliation to quarterly member participation report totals.

4. Outstanding Loss Reserves List

By using the on-line accounting application, Servicing Carriers can review their outstanding loss activity for all policy effective years via the Outstanding Loss Reserve function. This list (Exhibit X-G-3) is intended to assist Servicing Carriers verify they are correctly reporting outstanding loss records quarterly for all ceded policies having open claims, in order to avoid those policies with open claims from being closed-out.

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G. Close-Out of Older Policy Effective Years (continued)

5. Final Close-Out of Older Policy Effective Years

After the volume of open claims for a particular policy effective year has decreased to fifty (50) or fewer records and \$200,000 or less, or has decreased significantly as determined by the Operations Committee, CAR will perform a final close-out of the older policy effective year. Any data reported to CAR for an effective year that a final close-out has occurred will be considered a "fatal" error, and the record(s) will be deleted from the submission.

If a Servicing Carrier settles a claim for a policy whose policy effective year has experienced a final close-out, the company should contact CAR in writing to request reimbursement for the claim. If the policy was validly ceded, CAR will process a bulk adjustment to the Member Company participation reports to ensure the company is reimbursed for the loss. Any other correction activity for an effective year that has had a final close-out will not be accepted for reimbursement. Companies are responsible for correcting errors during the time during the timeframe that an effective year is reportable (prior to the final close-out of an effective year).

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EXHIBIT X-G-1

LISTING OF RECORDS PROCESSED FOR CLOSED-OUT POLICIES

CA2310Q COMMONWEALTH AUTOMOBILE REINSURERS RUN
DATE 06/28/1999

LISTING OF RECORDS PROCESSED FOR CLOSED-OUT POLICIES
COMPANY 999 POLICY YEAR 1988

CLAIM	ERROR	CESSION EFFECTIVE	CESSION EXP/CANCL	TOTAL POLICY	C G LN I R TYP	EF	ACCTG	ACCIDENT	LOSS OR RESERVE
TX POLICY NUMBER	MM/DD/YY	MM/DD/YY	PREMIUM	BS D P LOSS MO	MM/YY	MM/DD/YY	AMOUNT		
NUMBER MESSAGE									
26 016347	01/01/88	01/01/89	\$2,712	41 4 1 06 01	03/99	07/23/88	\$50-		
BD010 NO ERROR									
26 018544	11/12/88	11/12/89	\$1,159	45 4 1 09 11	03/99	01/11/89	\$197-		
WB021 NO ERROR									
24 019687	99/99/99	00/00/00	\$0	45 4 1 03 01	03/99	01/02/88	\$4,467		
AB345 1 6									

RECORDS DOLLARS

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EXHIBIT X-G-2

SUMMARY OF LOSS RECORDS WRITTEN-OFF FOR CLOSED OUT POLICIES

CA2310Q	COMMONWEALTH AUTOMOBILE REINSURERS										RUN
DATE 06/28/1999											
SUMMARY OF PAID LOSS RECORDS WRITTEN-OFF FOR CLOSED-OUT POLICIES											
COMPANY 999 ANY INSURANCE COMPANY											
EFFECTIVE	CARRIER TYPE 4, 5, 6, OR 9					CARRIER TYPE 3 ONLY					
TOTAL											
YEAR	CLASS-1		CLASS-3		CLASS-1		CLASS-3				
	RECORDS	DOLLARS	RECORDS	DOLLARS	RECORDS	DOLLARS	RECORDS	DOLLARS			
RECORDS	DOLLARS										
1984	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	
1985	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	
1986	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	
1987	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	
1988	1	\$4,467	0	\$0	0	\$0	0	\$0	1	\$4,467	
1989	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	
TOTAL	1	\$4,467	0	\$0	0	\$0	0	\$0	1	\$4,467	

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EXHIBIT X-G-3

CURRENT OUTSTANDING LOSS RESERVES REPORTED ON CEDED POLICIES

SCREEN 1

COMPANY	999	COMMONWEALTH AUTOMOBILE REINSURERS							
CO610SA									
CURR QTR	03/1999	ACCOUNTING ONLINE ACCESS SYSTEM							
07/15/1999									
OS LOSS RESERVES POLICIES - EFFECTIVE YEAR (ALL)									
03:13 PM									
		POLICY	COV	EFF	COV	EXP	PREMIUM	QTR	RESERVE
MSG DATE									
YR	POLICY	NUMBER	STATUS	MM/DD/YY	MM/DD/YY	DOLLARS	RECORDS	DOLLARS	
MM/DD/YY									
=====									
=====									
X	94	999207		99/99/99	00/00/00	0	2	12774	
_	94	999207	PREM	06/01/94	06/01/95	23904	2	37623	
_	95	000031	PREM	05/28/95	05/28/96	1422	2	13981	
	95	004909	R CAN	09/18/95	12/31/95	519	2	13027	

SCREEN 2

COMPANY	585	CAR ACCOUNTING ONLINE ACCESS SYSTEM					
CO625SA							
LIST QTR	03/1999	OS LOSS RESERVES LISTING					
07/15/1999							
							03:52 PM
		COV EFF	COV EXP	===QTR RESERVED===			
MSG DATE							
POLICY NUMBER	YR	MM/DD/YY	MM/DD/YY	PREM DOLL	RECORDS	DOLLARS	
MM/DD/YY							
999207	94	99/99/99	00/00/00	0	2	12774	
===== L O S S E S							
=====							
EFF ACCIDENT PRM		CLS CAR LOSS				AMOUNT	
ERROR							
TX LINE MO	MM/DD/YY	TWN	CLASS	GRP ID	TYPE	CLAIM NUMBER	
RESERVED CODES							

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