

## Manual of Administrative Procedures

### 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 cartridge, 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 1<sup>st</sup> of each year. For example, Servicing Carriers may not submit 2007 cessions after February 1, 2010.

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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#### 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, 2007, the company could not change the ERP's private passenger election until on or after January 1, 2008. But, the ERP's commercial election could be changed once during 2007.

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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#### 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 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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#### 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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**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 Cartridge

Companies may submit cessions on cartridge.

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

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A. Reporting Requirements (continued)

5. Specifications for Cession Reporting on Cartridge (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. Cartridges 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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**A. Reporting Requirements (continued)**

5. Specifications for Cession Reporting on Cartridge (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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**A. Reporting Requirements (continued)**

5. Specifications for Cession Reporting on Cartridge (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 FTP Transmission

Servicing Carriers must receive prior written approval from CAR before they can report cession records via FTP Transmission. Once approved, cession transmissions can be submitted directly to 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.

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A. Reporting Requirements (continued)

6. General Instructions for Cession Reporting 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 FTP Transmission:

a) Transmission Record:

Location	Field Length	Field Name	Contents
1	1	Kind of Record	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 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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**A. Reporting Requirements (continued)**

6. General Instructions for Cession Reporting via 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 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 will upon request send an electronic acknowledgement. The acknowledgement can be sent directly to the company or can be sent to a folder on CAR's FTP site for the company to pick up. 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, 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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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: DATA OPERATIONS DEPARTMENT

DEPARTMENT: DATA OPERATIONS DEPARTMENT

OFFICE TELEPHONE NUMBER: (617) 338-4000 EXTENSION: 420

COMPANY: CAR

ADDRESS: 225 FRANKLIN 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: \_\_\_\_\_

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EXHIBIT II-A-2  
ONLINE CESSION ADD SCREEN

CR600SA	COMMONWEALTH AUTOMOBILE REINSURERS	01/01/2007				
COMPANY: 999	CESSION RECORD - ADD	08:10:42				
	ANY INSURANCE COMPANY					
	REC NO	RCPT DTE 10/07/2007				
CAR	POL EFF DT	POL EXP DT				PROD
ID POLICY NUMBER	MM/DD/YYYY	MM/DD/YYYY	RSK	TX	INSURED'S NAME	CODE
( . . . . . )	. . . . .	. . . . .	.	.	. . . . .	. . . . . )
ERROR						
CODE	DESCRIPTION					

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**EXHIBIT II-A-3  
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	Insureds Name
6	
7	
8	
9	
70	
1	
2	
3	
4	
5	
6	
7	
8	
9	
80	

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

Location	Field Length	Field Name	Contents
1	1	Filler	Space
2	1	Punch Identifier	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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#### 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.

## Manual of Administrative Procedures

### 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 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-cessed 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 2007	
	TX 4 CESSIONS RECEIVED FROM 07/02/06 THROUGH 01/01/07 TX 15 PREMIUM ACCOUNTING DATES FROM 06/06 THROUGH 11/06		
POLICY NUMBER	POLICY EFFECTIVE DATE	TYPE OF FLAT CANCELLATION	TYPE OF DOCUMENTATION SUBMITTED
999999310	12/01/06	TX 15	
NEW TX 4 FLAT CANCELLED POLICIES	0	TOTAL FLAT CANCELLED POLICIES	1
NEW TX 15 FLAT CANCELLED POLICIES	1	TOTAL POLICIES	2,250
		PERCENT OF FLAT CANCELLED POLICIES	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 through its FTP site. CAR can transmit the cession data file directly to the Servicing Carrier or to a folder on CAR's FTP site regardless of transmission option. 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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EXHIBIT II-D-1  
CR140 REJECTED CESSIONS REPORT

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							00		*****
02/01/98	02/10/98		/ /	/ /	001				3215		62	3	NO MATCH CCS MSTR
TOTAL UNPROCESSABLE CESSION RECORDS: 4													

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EXHIBIT II-D-3

CR215 SUMMARY OF AUTOMATIC BACKDATE PRODUCERS REPORT

CR215R		COMMONWEALTH AUTOMOBILE REINSURERS						RUN DATE 02/11/97		
		SUMMARY REPORT						PAGE: 1		
		OF BACKDATE PRODUCERS								
		4TH QUARTER 1997								
COMPANY NUMBER: 999										
		***** BACKDATED COVERAGE *****								
PROD CODE	PRODUCER NAME	YEAR	BACKDATE OPTIONS JFMAMJJASOND	NEW OR RENEWAL BUSINESS	TOTAL POLICIES	TOTAL BACKDATED POLICIES	PERCENT BACK-DATED	TOTAL OUTSTANDING LOSSES	TOTAL PAID 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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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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EXHIBIT II-D-5

CR156 ON-LINE CESSION ACTIVITY REPORT - CESSIONS ADDED

CR156SC	COMMONWEALTH AUTOMOBILE REINSURERS	05/01/1998
COMPANY: 999	APPLIED ADDS	11:55:50
ANY INSURANCE COMPANY		
CESSN LOAD DATE: 10/04/1997	START WITH DATE RECEIVED = YYMMDD:	970708
	R	A A C E
POLICY NUMBER	EFF DT EXP DT DT RCV DT S T	B MED C REC I PROD R
15609402002	970920 980920 970708 1 2 2	DONS TIR 30 0 003 4 443566 0
*15709210701	970530 980530 970710 2 2 2	OAKLAND 30 0 002 4 443695 2
15808378903	970826 980826 970711 1 2 2	DONALD 30 0 002 4 443441 0
16400622400	970701 980701 970711 1 2 1	ROBERT A 30 0 002 5 440813 0
168225983	970624 980624 970711 1 0 1	WOODS G 30 0 002 4 445045 0
171534778	970822 980822 970711 1 2 2	IMPRESSI 30 0 002 5 440821 0
173250922	970822 980822 970711 1 0 2	RENFREW 30 0 002 4 443662 0
182250956	970822 980822 970711 1 0 2	BANNISTE 30 0 002 5 449442 2
249042248	970823 980823 970714 1 0 2	MCNULTY 30 0 002 4 449442 0
267042904	970824 980824 970714 1 0 2	WELCH P 30 0 002 4 449442 0
299151778	970809 980809 970714 1 0 2	READ PA 30 0 002 4 443671 0
300154530	970823 980823 970714 1 0 2	STEVENS 30 0 002 4 443662 0

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

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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							
	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
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

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	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 CAR and/or company
13-20	8	User-Id	Numeric - 8-digit user-id assigned by 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):

<b>Location</b>	<b>Field Length</b>	<b>Field Name</b>	<b>Contents</b>
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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CHAPTER II - Cession Rules and Procedures

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	MOLOMARIJA		4	446311	1	941228	Y	001	0
1	41201890706	950510	960510	2	2	MAHONEY	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
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
```

## Manual of Administrative Procedures

### 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 cartridge

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

- a. Cartridges 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 Cartridge (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 Cartridge (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 cartridge must also contain a batch control record after the detailed cession correction records. Servicing Carriers may divide a cartridge 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 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	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 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 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 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 will upon request send an electronic acknowledgment. The acknowledgment can be sent directly to the company or can be sent to a folder on CAR's FTP site for the company to pick up. 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)

## Manual of Administrative Procedures

### 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.

## Manual of Administrative Procedures

### 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.

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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)

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)).

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.

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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)

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.

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

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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)

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
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

## Manual of Administrative Procedures

### CHAPTER II - Cession Rules and Procedures

#### E. Cession Correction Procedures (continued)

##### 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.

##### 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.

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**CHAPTER II - Cession Rules and Procedures**

**E. Cession Correction Procedures (continued)**

6. On-Line Cession Error List (continued)

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.

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.

## Manual of Administrative Procedures

### CHAPTER II - Cession Rules and Procedures

#### E. Cession Correction Procedures (continued)

6. On-line Cession Error List (continued)

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.

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.

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**E. Cession Correction Procedures** (continued)

6. On-line Cession Error List (continued)

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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**EXHIBIT II-E-1**

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

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

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#### 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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**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 or FTP server 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 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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**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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**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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