

A. Rating a Ceded Policy

1. General

A Servicing Carrier shall rate all policies ceded to Commonwealth Automobile Reinsurers (CAR) in accordance with the Commercial Automobile Insurance Manual which is available on CAR's website under the Manuals tab.

A Servicing Carrier shall charge the policyholder a premium for the policy based on the coverage and limits provided at the rates filed by or on behalf of CAR and approved by the Commissioner of Insurance. Refer to the Rate Section of the Commercial Automobile Insurance Manual.

2. Experience Rating

A Servicing Carrier must adjust the premium for each ceded risk that is eligible for experience rating, in accordance with the requirements set forth in the Massachusetts Commercial Automobile Experience Rating Plan. The Massachusetts Commercial Automobile Experience Rating Plan Manual is available on CAR's website under the Manuals tab.

For additional information relative to experience rating reporting requirements, available informational reports and applicable non-compliance penalties, refer to Section D. of this Chapter.

3. Verification of Proper Rating

a. Commercial Rate Edit

CAR edits ceded commercial premium data for the latest two policy effective years to assure that it has been rated properly. The Commercial Rate Edit is run on a weekly basis after ceded commercial premium data is loaded to CAR's Accounting System. CAR's weekly processing schedule is available on CAR's website under the Schedules tab.

Using the statistically reported rating components, the rate edit system calculates the expected premium. The calculated premium is compared to the premium reported on the statistical record and any discrepancies are identified. Records with more than a 10% discrepancy are considered to be in error and are required to be corrected. Note that it is possible that the error may be attributed to incorrectly reported statistical information rather than a calculation discrepancy. Corrections may only be made by submitting offset and re-enter adjustment records in a subsequent monthly accounting/statistical submission. For additional information relative to offset and re-enter procedures, refer to the Massachusetts Commercial Automobile Statistical Plan and CAR's Policy Edit package which are available on CAR's website under the Manuals tab.

Servicing Carriers are responsible for assuring that the cumulative percentage of rate errors for each line of business and policy effective year remains below an established rate edit tolerance level, with an established minimum volume of records in error. Once the company exceeds the tolerance and minimum volume levels, the company is provided with six monthly accounting/statistical shipments to reduce its cumulative error percentage to below the established tolerance level. Specific details relative to the established tolerance level is available in Section A. of Part VII – Statistical Data Quality Program of the Massachusetts Commercial Automobile Statistical Plan.

A Servicing Carrier that does not reduce its rate edit error percentage to below the established tolerance level by the six month deadline will be assessed a penalty. For each subsequent month that the Servicing Carrier's rate edit error percentage remains over the tolerance level, an additional penalty will be assessed. Specific details relative to the established penalty amounts and assessment procedures is available in Section B. of Part VII – Statistical Data Quality Program of the Massachusetts Commercial Automobile Statistical Plan.

Additional information relative to available rate edit error and penalty reports is available on CAR's website under the Reports tab.

b. Ceded Commercial Audit

On a biennial basis, CAR performs premium audits for a sample of a Servicing Carrier's ceded commercial policies. For the policies audited, the Servicing Carrier is required to provide CAR with supporting information needed to rate the policy. CAR will rate the policy using the applicable commercial rates and Experience Rating Plan, to verify that the premium statistically reported by the Servicing Carrier has been properly rated. All premium discrepancies identified must be corrected by submitting offset/re-enter adjustment records in a subsequent monthly accounting/statistical shipment within two accounting months from the distribution date of the final audit report.

For additional information relative to CAR's commercial audit, refer to Chapter IX – Compliance Audit of this Manual. For additional information relative to the submission of offset/re-enter records, refer to CAR's Policy Edit Package and the Massachusetts Commercial Automobile Statistical Plan which are available on CAR's website under the Manuals tab.

4. Required Limits and Coverages for Ceded Risks

G.L. c. 175, § 113H requires that a Servicing Carrier must make at least the following coverages and limits of liability available to commercial risks ceded to CAR:

a. Liability Coverages

Bodily Injury – \$250,000/\$500,000
Medical Payments – \$5,000
Uninsured Motorist Coverage – \$250,000/\$500,000
Underinsured Motorist Coverage – \$250,000/\$500,000
Property Damage – \$50,000
Personal Injury Protection – \$8,000 per person, per accident

b. Physical Damage Coverages

Collision – \$500 Deductible
Limited Collision – \$500 Deductible
Comprehensive – \$500 Deductible
Fire and Theft – \$500 Deductible
Comprehensive or Fire and Theft – \$100 Glass Deductible

5. Additional Limits and Coverages

In addition to the cedeable coverages and limits required by G.L. c. 175, § 113H, Rule 6 – Coverages of CAR's Rules of Operation also requires a Servicing Carrier, upon request of the insured, to write increased limits and provide miscellaneous coverages for policies of an Eligible Risk as defined in Rule 2 – Definitions of CAR's Rules of Operation and issued for classifications as defined in the Commercial Automobile Insurance Manual as follows:

a. Garages

Liability Coverages

Bodily Injury – \$1,000,000/\$1,000,000
Medical Payments – \$5,000
Uninsured Motorist Coverage – \$500,000/\$500,000
Underinsured Motorist Coverage – \$500,000/\$500,000
Property Damage – \$500,000
Combined Single Limit – \$1,000,000

Physical Damage Coverages

Collision – \$300 Deductible
Limited Collision
Fire, Theft and Combined Additional Coverage – \$300 Deductible
Automobile Dealer's Physical Damage Supplement –
\$1,000,000 per named location
Garagekeepers' Legal Liability – \$1,000,000
Direct Primary Garagekeepers' Liability – \$1,000,000
Drive-Away-Collision

b. Taxicabs

Liability Coverages

Bodily Injury – \$250,000/\$500,000
Medical Payments – \$5,000
Uninsured Motorist Coverage – \$250,000/\$500,000
Underinsured Motorist Coverage – \$250,000/\$500,000
Property Damage – \$50,000

Physical Damage Coverages

Collision – \$500 Deductible
Limited Collision
Comprehensive – \$500 Deductible
Fire and Theft – \$500 Deductible

c. Limousines and Car Service

Liability Coverages

Bodily Injury – \$1,000,000/\$1,000,000
Medical Payments – \$5,000
Uninsured Motorist Coverage – \$500,000/\$500,000
Underinsured Motorist Coverage – \$500,000/\$500,000
Property Damage – \$500,000
Combined Single Limit – \$1,000,000

Physical Damage Coverages

Collision – \$300 Deductible
Limited Collision
Comprehensive – \$300 Deductible
Fire and Theft – \$300 Deductible

d. All Other Commercial Classes (Including Private Passenger Types)

Liability Coverages

Coverage for policies written on the Business Auto Coverage Form is restricted to only those vehicles specifically described on the policy declarations.

Bodily Injury – \$1,000,000/\$1,000,000
 Medical Payments – \$5,000 (for Buses), \$10,000 (for Trucks, Tractors and Trailers and Van Pools) and \$25,000 (for Private Passenger Types)
 Uninsured Motorist Coverage – \$500,000/\$500,000
 Underinsured Motorist Coverage – \$500,000/\$500,000
 Property Damage – \$500,000
 Combined Single Limit – \$1,000,000

Physical Damage Coverages

Collision – \$300 Deductible
 Limited Collision
 Comprehensive – \$300 Deductible
 Fire, Theft and Combined Additional Coverage – \$300 Deductible
 Towing and Labor – \$100 per Disablement (Private Passenger Types Only)
 Rental Reimbursement

e. Miscellaneous Coverages and Limits

Non-Ownership Liability and Hired Automobiles, liability coverage only, either as a separate policy or in conjunction with a statutory Massachusetts Motor Vehicle Insurance policy

Physical Damage coverage for damage to trailers under a trailer interchange contract but only when written in conjunction with motor vehicle liability coverage

Stated Amount or Agreed Value Physical Damage coverages

All coverages and limits required by any financial responsibility law or State or Federal regulation as specified in the definition of Eligible Risk which is contained in Rule 2 – Definitions of CAR's Rules of Operation.

6. Non-Cedeable Limits and Coverages

For policies written with limits or coverages which exceed the cedeable limits or coverages specified in Rule 6 – Coverages of CAR's Rules of Operation or Sections A.4. and A.5. of this Chapter, refer to the reporting instructions specified in Section B.2. of this Chapter.

Non-cedeable coverages may also include but are not limited to the following:

Physical Damage only policies

Physical Damage on Repossessed Automobiles

Physical Damage on Non-Ownership or Hired Automobiles policy

7. Massachusetts Commercial Automobile Policy Forms, Endorsements and Certifications

In addition to the cedeable coverage and limits outlined in Sections A.4., A.5., and A.6. of this Chapter, the following policy forms, endorsements and certifications are also cedeable for a commercial policy:

a. Massachusetts Garage Insurance Policy

(1) Policy Forms

Form Title	Form Number
Garage Declarations – Massachusetts	MM 00 94 10 06
Massachusetts Garage Insurance Policy	MM 00 95 10 11

(2) Garage Endorsements

Endorsement Title	Endorsement Number
Additional Insured – Municipalities	MM 25 98 09 98
Automobile Dealers – “Drive-Away” Collision or Limited Collision	CA 25 02 12 93
False Pretense Coverage	CA 25 03 03 06
Franchise Products Endorsement	MM 25 97 09 98
Garage Coverage Form – Other Than Covered Autos Exposure – Total Pollution Exclusion With a Building Heating Equipment Exception and a Hostile Fire Exception	CA 25 36 03 06
Garage Locations and Operations Medical Payments Coverage	CA 25 05 03 06
Locations and Operations Not Covered	CA 25 07 12 93
Named Driver Collision Coverage	CA 25 11 12 93
Pollution Liability – Broadened Coverage For Covered Autos	MM 25 96 10 06

b. Massachusetts Commercial Automobile Insurance Policy

(1) Policy Forms

Form Title	Form Number
Business Auto Coverage Form	CA 00 01 03 06
Business Auto Declarations	CA DS 03 03 06
Common Policy Conditions	IL 00 17 11 98
Declarations – Massachusetts Business Auto Coverage Form	MM 00 97 10 06
Nuclear Energy Liability Exclusion Endorsement	IL 00 21 04 98
Truckers Coverage Form	CA 00 12 03 06
Truckers Declarations	CA DS 14 03 06
Truckers Declarations – Massachusetts	MM 00 96 10 06

(2) Special Types Endorsements

Endorsement Title	Endorsement Number
Additional Insured – Lessor of Leased Equipment	CA 20 47 07 97
Additional Insured – Owner of Leased Vehicle	MM 20 25 09 98
Driving Schools	CA 20 06 12 93
Emergency Vehicles – Volunteer Firefighters and Workers Injuries Excluded	CA 20 30 12 93
Farm Tractors and Farm Tractors Equipment	CA 20 08 12 93
Guest Occupants Exclusion	MM 20 06 09 98
Leasing or Rental Concerns – Contingent Coverage	CA 20 09 07 97
Leasing or Rental Concerns – Conversion, Embezzlement, or Secretion Coverage	CA 20 10 12 93
Leasing or Rental Concerns – Exclusion of Certain Leased Autos	CA 20 11 03 06
Leasing or Rental Concerns – Rent-it-There/Leave-it-Here Autos	CA 20 12 10 01
Leasing or Rental Concerns – Schedule of Limits for Owned Autos	CA 20 13 10 01
Leasing or Rental Concerns – Second Level Coverage	CA 20 14 07 97
Lessor – Additional Insured and Loss Payee - Massachusetts	MM 20 26 10 06
Mobile Equipment	MM 20 11 10 06
Mobile Home Contents Not Covered	CA 20 17 12 93
Physical Damage Coverage – Autos Held for Sale by Non-Dealers	MM 20 27 10 06

(2) Special Types Endorsements (continued)

Endorsement Title	Endorsement Number
Professional Services Not Covered	CA 20 18 12 93
Registration Plates Not Issued for a Specific Auto	MM 20 10 01 04
Sound Receiving Equipment Coverage – Fire, Police and Emergency Vehicles	CA 20 02 12 93

(3) Truck, Tractor, Trailer Endorsements

Endorsement Title	Endorsement Number
Commercial Automobiles Equipped with Amusement Devices	MM 23 03 09 98
Coverage for Injury to Leased Workers	CA 23 25 07 97
Explosives	MM 23 04 09 98
Multi-Purpose Equipment	CA 23 03 12 93
Rolling Stores	CA 23 04 10 01
Trailer Interchange – Fire and Fire and Theft Coverage	CA 23 13 12 93
Truckers Endorsement	CA 23 20 03 06
Truckers – Excess Coverage for the Named Insured and Named Lessors for Leased Autos	CA 23 08 12 93
Truckers – Insurance for Non-Trucking Use	MM 23 07 09 98
Truckers – Uniform Intermodal Interchange Endorsement (Form UIIE-1)	CA 23 17 03 06
Truckers – Named Lessee as Insured	CA 23 12 12 93
Wrong Delivery of Liquid Products	CA 23 05 12 93

(4) Public Transportation Endorsements

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

(5) Common Coverages Endorsements

Endorsement Title	Endorsement Number
Additional Insured	MM 99 50 09 98
Agreed Value Insurance	MM 99 66 09 98
Auto Medical Payments Coverage	MM 99 13 10 06

(5) Common Coverages Endorsements (continued)

Endorsement Title	Endorsement Number
Audio, Visual and Data Electronic Equipment Coverage	CA 99 60 03 06
Covered Auto Designation Symbol	CA 99 54 07 97
Drive Other Car Coverage – Broadened Coverage for Named Individuals	MM 99 22 09 98
Employees as Insureds	CA 99 33 02 99
Employee as Lessor	CA 99 47 07 97
Fire, Fire and Theft, Fire, Theft and Windstorm and Limited Specified Causes of Loss Coverages	MM 99 47 09 98
Garagekeepers Coverage	CA 99 37 03 06
Garagekeepers Coverage – Customers’ Sound Receiving Equipment	CA 99 59 03 06
Glass Breakage – \$100 Deductible	MM 99 51 09 98
Hired Autos Specified as Covered Autos You Own	CA 99 16 12 93
Individual Named Insured	CA 99 17 10 01
Liability Insurance – Deductible	MM 99 19 09 98
Limited Collision Coverage	MM 99 16 09 98
Loss of Use / Rental Reimbursement Coverage	MM 99 39 09 98
Loss Payable Clause – Audio, Visual and Data Electronic Equipment	CA 99 61 12 93
Massachusetts Changes	MM 99 67 09 98
Massachusetts Mandatory Endorsement	MM 99 11 10 11
Operator Exclusion	CR 99 01 08 18
Personal Injury Protection Coverage	MM 99 35 09 98
Pollution Liability – Broadened Coverage for Covered Autos	MM 99 55 10 06
Premium Adjustment and Coverage Endorsement - Massachusetts	MM 99 68 09 98
Rate Modification	MM 99 23 09 98
Restriction of PIP for Employers Subject to the Massachusetts Workers’ Compensation Act	MM 99 20 09 98
Social Service Agencies – Volunteers as Insureds	CA 99 34 12 93
Split Liability Limits - Massachusetts	MM 99 18 09 98
Stated Amount Insurance - Massachusetts	MM 99 56 09 02
Underinsured Motorists Coverage - Massachusetts	MM 99 54 09 98
Uninsured Motorists Coverage - Massachusetts	MM 99 28 09 98
Waiver of Deductible	MM 99 17 09 98

(6) Certifications

Form Title	Form Number
Non-Fleet Private Passenger Type	CR 00 02 08 18
Principal Place of Business	CR 00 01 08 18

B. Premium Reporting

1. General

Servicing Carriers shall statistically report premium on ceded policies in accordance with the reporting instructions contained in the Massachusetts Commercial Automobile Statistical Plan which is available on CAR's website under the Manuals tab.

2. Reporting Policies with Non-Cedeable Limits or Coverages

For policies written with limits or coverages which exceed the cedeable limits or coverages identified in Section A. of this Chapter, a separate premium record must be reported to identify the portion of the premium applicable to the excess limits or coverage. This record must be reported with classification code 800000 (Non-Cedeable Limits) and a voluntary CAR Identification code. Refer to the Decision Table of the Massachusetts Commercial Automobile Statistical Plan for additional coding requirements for this classification code. The portion of the premium applicable to the cedeable limits or coverage must be reported on another record with a ceded CAR Identification Code in accordance with the statistical reporting requirements specified in the Massachusetts Commercial Automobile Statistical Plan. The Plan is available on CAR's website under the Manuals tab.

3. Monitoring the Reporting of Premium

Each policy with an active in-force cession is edited to ensure that positive policy premium has been reported. The Cession/No Premium Warning and Penalty Listings identify those policies for which either no premium exists or negative premium has been reported. The Cession/No Premium penalty program and write-off procedure assure that premium for ceded policies is reported to CAR in a timely manner. For additional information, refer to Section C of this Chapter and CAR's Policy Edit Package which is available on CAR's website under the Manuals tab.

4. Mid-Term Cession of a Policy to CAR

A policy originally written as voluntary by a Servicing Carrier may be ceded to CAR subsequent to the policy effective date. The Servicing Carrier's responsi-

bility for loss coverage will be relinquished as of the cession receipt date. However, the premium for the entire policy term is due CAR.

5. Mid-Term Removal of a Policy from CAR

After ceding a policy to CAR, a Servicing Carrier may decide to retain the policy as voluntary business. The policy may be removed from CAR mid-term by canceling the ceded policy via Transaction Code 13 (Cancellation of Policy Pro Rata or Short Rate) and re-writing a voluntary policy under a different policy number. For additional detail relative to the mid-term removal of a ceded policy, refer to Section C.3.b. of Chapter IV – Cession Rules and Procedures of this Manual.

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

To ensure that positive premium is reported for each policy that has an active in-force cession, CAR produces several error listings. A policy that remains in an error status for a specified period of time will periodically be assessed a \$60 penalty and when premium reporting is closed out for a particular policy year, if the unreported premium condition still exists, the affected policy will be assessed a write-off penalty. A policy in error will initially be listed on the Cession/No Premium Warning Listing and then, if uncorrected, will move to the Cession/No Premium Penalty Listing. These listings and associated penalty and write-off procedures are described in further detail as follows:

1. Cession/No Premium Warning Listing

The Cession/No Premium Warning Listing provides a detail listing of cessions for which no positive premium exists. The listing is updated weekly in conjunction with CAR's Accounting Load (refer to Section B. of Chapter VIII – Accounting Edit and Correction Procedures of this Manual). To access this listing, select the Accounting Corrections Option from the CAR Accounting System (TE120) screen (refer to Exhibit V-C-1). Then select the Warning and Penalty Policies function from the Accounting Online Access System – Menu Selections (CO100) screen (refer to Exhibit V-C-2). From the Warning and Penalty (CO400) screen (refer to Exhibit V-C-3) a Servicing Carrier may view all policies or a summary by policy effective year of all policies that are in a warning status or policies that are in a warning status as of a specific listing date (refer to Exhibit V-C-4). To identify those cessions appearing on the list for the first time with a cession/no premium error, select the Warning Policies Appearing on Latest List Date function. Cessions in error will continue to appear on the listing until the error condition is resolved or the cession/no premium write-off occurs. Refer to Section C.3. of this Chapter for additional information relative to the cession/no premium write-off.

A Servicing Carrier will have approximately five monthly accounting/statistical shipments to report positive policy premium or to report, if applicable, a Transaction Code 4 (Policy Not Taken or Cancelled) cession record. Refer to Section C. of Chapter IV – Cession Rules and Procedures of this Manual for information relative to cession termination procedures.

If the cession remains in error after that time period, the cession will be listed on the Cession/No Premium Penalty Listing and will become eligible for a semi-annual \$60 Cession/No Premium penalty. Refer to Section C.2. of this Chapter. For an example of the cession/no premium penalty and write-off process, refer to Section C.4. of this Chapter and CAR's Policy Edit Package which is available on CAR's website under the Manuals tab.

However, if new activity on an existing policy causes a cession/no premium error to occur, it is possible that the policy will appear on the Cession/No Premium Warning Listing and will move more quickly to the Cession/No Premium Penalty Listing. It is also possible that a policy may never appear on the Cession/No Premium Warning Listing, and become immediately eligible for the Cession/No Premium Penalty Listing and a \$60 penalty.

2. Cession/No Premium Penalty Listing

If premium is not received by the due date of the seventh monthly accounting/statistical premium shipment from the cession effective date, the cession will be listed on the Cession/No Premium Penalty Listing, a report similar in format to the Cession/No Premium Warning Listing. A Servicing Carrier will be assessed a \$60 penalty for each policy that is listed on the Cession/No Premium Penalty Listing, semi-annually on approximately June 1 and December 1, after processing the March and September accounting/statistical shipments. To identify the current total penalty amount, select the Penalty Policies function from the Warning and Penalty (CO400) screen. The Servicing Carrier may view all policies in a penalty status or a summary by policy effective year or as of a specific listing date (refer to Exhibit V-C-5).

Penalties will be processed as bulk adjustments to a Servicing Carrier's Settlement of Balances and Member's Participation Reports. Penalties will continue to be assessed semi-annually until the cession/no premium error condition is resolved or the cession/no premium write-off occurs. Refer to Section C.3. of this Chapter for additional information relative to the cession/no premium write-off. For an example of the cession/no premium penalty and write-off process, refer to Section C.4. of this Chapter and CAR's Policy Edit Package which is available on CAR's website under the Manuals tab.

Servicing Carriers may appeal for the reversal of a \$60 cession/no premium penalty in the instance where a policy is cancelled subsequent to the policy effective date and which generates policy premium of less than \$5. The Servicing Carrier should provide CAR with proper documentation to substantiate its appeal, including, but not limited to, the policy number and effective year of each policy for which a \$60 cession/no premium penalty is being appealed, the policy's Coverage Selections Page, and any existing cancellation documentation. If the appeal of a \$60 penalty has been previously approved for a particular policy, a copy of correspondence between CAR and the Servicing Carrier is sufficient documentation for any further \$60 penalty appeals for the same policy.

3. Cession/No Premium Write-Off

The reporting of ceded premium for a particular policy effective year is discontinued two years following the end of a policy effective year. For example, the ceded premiums for policy effective year 2016 may only be reported through the December, 2018 monthly accounting/statistical shipment. If CAR has not received the premium for the cession by the time the reporting of ceded premium for a particular policy effective year has been closed out, the cession will be subject to write-off.

On a yearly basis, following the close-out of reporting for a specific policy effective year, a Servicing Carrier will be assessed a penalty based upon the average ceded statewide premium for the policy year for each cession written-off. The write-off amount for each policy effective year will be calculated separately for taxi/limousine/car service business and all other commercial business. Servicing Carriers are notified of the established cession/no premium write-off penalty amounts via a CAR Bulletin that is posted to CAR's website. The cession/no premium write-off penalties are in addition to any semi-annual \$60 cession/no premium penalties that may have already been assessed. Penalties will be processed as bulk adjustments to a Servicing Carrier's Settlement of Balances and Member's Participation Reports for the quarter ending March 31.

Servicing Carriers may appeal for the reversal of a Cession/No Premium Write-Off penalty in the instance where a policy is cancelled subsequent to the policy effective date and which generates policy premium of less than \$5. The Servicing Carrier should provide CAR with proper documentation to substantiate its appeal, including, but not limited to, the policy number and effective year of each cession/no premium write-off error being appealed, the policy's Coverage Selections Page, and any existing cancellation documentation. For those appeals for which \$60 cession/no premium penalties had been previously approved for a particular policy, a copy of correspondence between CAR and the Servicing Carrier is sufficient documentation for any further write-off penalty for the same policy.

4. Example of Cession/No Premium Penalty and Write-Off Process

A cession record with a policy effective date of February 7, 2016 is reported. Ceded policy premium is due in the February, 2016 monthly accounting/statistical shipment which is due at CAR on April 15, 2016. If positive premium is not reported for the policy by the shipment due date, the policy will be flagged with a cession/no premium error. The following table identifies the dates that the policy would appear on the Cession/No Premium Warning and Cession/No Premium Penalty Listings and the associated penalty amounts.

Example: Policy with Effective Date of February 7, 2016			
If positive premium not reported:			
Policy Lists on Cession/No Premium Warning Listing	Policy First Lists on Cession/No Premium Penalty Listing	Policy Assessed \$60 Cession/No Premium Penalty	Policy is Eligible for Cession/No Premium Write-Off
May 28, 2016	Oct. 28, 2016	Nov. 28, 2016	April 2019
June 28, 2016		May 28, 2017	
July 28, 2016		Nov. 28, 2017	
Aug. 28, 2016		May 28, 2018	
Sept. 28, 2016		Nov. 28, 2018	

Note that a late reported cession may not list on the Cession/No Premium Warning or Cession/No Premium Penalty Listings for the full listing cycle prior to the policy being written-off.

5. Net Negative Premium Listing

A Servicing Carrier may select the Net Negative Premium (CO500) function from the Accounting Online Access System – Menu Selections (CO100) screen to view a listing of policies reported with net negative premium (S refer to Exhibit V-C-6). The Net Negative Premium Policies screen (CO510) displays the detail premium records that have created the net negative premium condition. A summary report by effective year is also available. Corrections must be made by submitting offset and re-enter records in a monthly accounting/statistical shipment.

Note that policies with Net Negative Premium errors may also appear on other listings. Policies with net negative premium which have an active in-force cession will appear on the Cession/No Premium Warning Listing or on the Cession/No Premium Penalty Listing. Policies with net negative premium which do not have an active in-force cession appear will appear on the Critical Accounting Error Listing flagged with an Error Code 1 – No Valid In-Force Cession. The policies will also be flagged with non-critical Error Code 5 – Net Premium Not Positive and may also potentially contain

other accounting errors. Refer to Sections B. and D. of Chapter VIII – Accounting Edit and Correction Procedures of this Manual.

6. Net Negative Premium Write-Off

After the close out of premium reporting and after the Cession/No Premium Write-Off has taken place for a particular policy effective year, all policies for that effective year that have an overall reported premium amount of less than \$0 will be identified and will be subject to the Net Negative Premium Write-Off process. Under this process, the negative premium amount will be offset by CAR such that the total policy premium will net to \$0. Offsetting premium records will be loaded to CAR's Accounting System and will be reflected in a Servicing Carrier's Settlement of Balances and Member's Participation Reports for the quarter ending March 31. The net negative premium write-off is performed in addition to any other penalties or write-offs to which the policies may be subject.

EXHIBIT V-C-1
CAR ACCOUNTING SYSTEM MENU SCREEN (TE120)

TE120	COMMONWEALTH AUTOMOBILE REINSURERS	03/15/2016
	C.A.R. ACCOUNTING SYSTEM	08:41:21
COMPANY NUMBER 999		
CAR POLICY HISTORIES	.....	PF2 OR 02
PRODUCER INQUIRIES	.....	PF3 OR 03
CESSION BROWSE OPTIONS	.....	PF4 OR 04
ACCOUNTING CORRECTIONS	.....	PF5 OR 05

EXHIBIT V-C-2
ACCOUNTING ONLINE ACCESS SYSTEM –
MENU SELECTIONS SCREEN (CO100)

COMPANY 999	COMMONWEALTH AUTOMOBILE REINSURERS	CO100SA
	ACCOUNTING ONLINE ACCESS SYSTEM	03/15/2016
	MENU SELECTIONS	08:42 AM
 ERROR LISTINGS:		
CRITICAL ERROR POLICIES	(CA2400)	PF2 OR 02
NON CRITICAL ERROR POLICIES	(CA2685)	PF3 OR 03
WARNING AND PENALTY POLICIES	(CA2500)	PF4 OR 04
 INFORMATIONAL LISTINGS:		
NET NEGATIVE PREMIUMS	(CA4000)	PF5 OR 05
OUTSTANDING LOSS RESERVES	(CA4100)	PF6 OR 06
CRITICAL/NON CRITICAL ANALYSIS	(CA2650)	PF7 OR 07
PREMIUMS AND LOSSES WRITTEN-OFF	(CA3200)	PF8 OR 08
 REVIEW MESSAGES:		
REVIEW/UPDATE POLICY MESSAGES	. . . . .	PF9 OR 09
REVIEW CAR NEWSLETTER	. . . . .	PF11 OR 11
 SELECT FUNCTION KEY/ENTER NUMBER		
PF1/01 - HELP PANEL	: :	PF12/12 - RETURN TO MENU

EXHIBIT V-C-3
WARNING AND PENALTY SCREEN (CO400)

COMPANY 999	COMMONWEALTH AUTOMOBILE REINSURERS	C0400SA
	ACCOUNTING ONLINE ACCESS SYSTEM	05/25/2016
	WARNING & PENALTY (CA2500)	08:11:25
(1) PENALTY POLICIES		
SELECT POLICIES	PF5 OR 05	
COMPANY SUMMARY	PF15 OR 15	
(2) WARNING POLICIES		
SELECT POLICIES	PF6 OR 06	
COMPANY SUMMARY	PF16 OR 16	
(3) WARNING & PENALTY POLICIES BY LIST DATE (MM/YYYY) (05 / 2016)		
SELECT POLICIES	PF7 OR 07	
COMPANY SUMMARY	PF17 OR 17	
(4) WARNING POLICIES APPEARING ON LATEST LIST DATE (04/2016)		
SELECT POLICIES	PF8 OR 08	
TYPE OVER (DEFAULTS) - SELECT FUNCTION KEY/ENTER NUMBER		
PF1/01 - HELP PANEL	: :	PF12/12 - RETURN TO MENU

EXHIBIT V-C-4
WARNING POLICIES SCREEN (CO410)

COMPANY 999		COMMONWEALTH AUTOMOBILE REINSURERS				C0410SA	
		ACCOUNTING ONLINE ACCESS SYSTEM				05/25/2016	
		WARNING POLICIES				11:28 AM	
FROM 123456		CAR 1ST LIST		COVERAGE	POL EXP	POLICY	
YR	POLICY NUMBER	RSK	ID	MM/DD/YY	MM/DD/YY	MM/DD/YY	PREM DOLL MSG DATE
=====							
_ 15	123456	2	5	03/28/16	03/01/16	02/10/16	0
_ 16	456789	2	4	04/28/16	01/29/16	01/29/17	0

TYPE STARTING POLICY NUMBER -OR- TYPE 'X' TO SELECT A POLICY

PF1/01 - HELP PANEL	SELECT FUNCTION/ENTER NUMBER	PF2/02 - SELECT ALL REC
PF7/07 - PAGE BACKWARD	: :	PF8/08 - PAGE FORWARD
PF9/09 - POLICY MESSAGE	PF10/10 - POLICY HISTORY	PF12/12 - RETURN TO MENU

EXHIBIT V-C-5
PENALTY POLICIES SCREEN (CO410)

COMPANY 999		COMMONWEALTH AUTOMOBILE REINSURERS				CO410SA	
		ACCOUNTING ONLINE ACCESS SYSTEM				05/25/2016	
		PENALTY POLICIES				11:28 AM	
FROM 123456		CAR 1ST LIST		COVERAGE	POL EXP	POLICY	
YR	POLICY NUMBER	RSK	ID	MM/DD/YY	MM/DD/YY	MM/DD/YY	PREM DOLL MSG DATE
=====							
_ 15	123456	2	5	03/28/16	03/01/16	02/10/16	0
_ 16	456789	2	4	04/28/16	01/29/16	01/29/17	0

TYPE STARTING POLICY NUMBER -OR- TYPE 'X' TO SELECT A POLICY

PF1/01 - HELP PANEL	SELECT FUNCTION/ENTER NUMBER	PF2/02 - SELECT ALL REC
PF7/07 - PAGE BACKWARD	: :	PF8/08 - PAGE FORWARD
PF9/09 - POLICY MESSAGE	PF10/10 - POLICY HISTORY	PF12/12 - RETURN TO MENU

EXHIBIT V-C-6
NET NEGATIVE PREMIUM SCREEN (CO500)

COMPANY 999	COMMONWEALTH AUTOMOBILE REINSURERS	C0500SA
	ACCOUNTING ONLINE ACCESS SYSTEM	05/25/2016
	NET NEGATIVE PREMIUM (CA4000)	10:44:11
(1) EFFECTIVE YEAR (FORMAT=YYYY)		
(ALL)		
SELECT POLICIES PF5 OR 05		
COMPANY SUMMARY PF15 OR 15		
TYPE OVER (DEFAULTS) - SELECT FUNCTION KEY/ENTER NUMBER		
PF1/01 - HELP PANEL	:	PF12/12 - RETURN TO MENU

NET NEGATIVE PREMIUM POLICIES SCREEN (CO510)

COMPANY 999	COMMONWEALTH AUTOMOBILE REINSURERS	C0510SA
	ACCOUNTING ONLINE ACCESS SYSTEM	05/25/2016
	NET NEGATIVE PREMIUM POLICIES - EFFECTIVE YEAR (ALL)	10:46 AM
	POL POL EDIT COV EFF COV EXP POLICY MSG DATE	
YR POLICY NUMBER	RSK STATUS MM/DD/YY MM/DD/YY MM/DD/YY PREM DOLL	MM/DD/YY
=====		
- 15 123B27330	0 06/24/15 99/99/99 00/00/00	-22
- 15 123B62572	0 06/24/15 99/99/99 00/00/00	-65
- 15 123G09808	0 WARND 09/30/15 06/23/15 06/23/16	-861
- 15 123G18576	0 WARND 12/02/15 09/06/15 09/06/16	-3,600
TYPE 'X' NEXT TO YR TO SELECT A POLICY		
PF1/01 - HELP PANEL	SELECT FUNCTION/ENTER NUMBER	PF2/02 - SELECT ALL REC
PF7/07 - PAGE BACKWARD	:	PF8/08 - PAGE FORWARD
PF9/09 - POLICY MESSAGE	PF10/10 - POLICY HISTORY	PF12/12 - RETURN TO MENU

D. Experience Rating Procedures

1. Reporting Requirements for Experience Rated Policies

For each ceded policy subject to experience rating, a Servicing Carrier must submit an Experience Rating Notification. The Experience Rating Notification must be submitted through CAR's online Experience Rating System within 120 calendar days from the effective date of the ceded policy. To enter a notification, on CAR's website from the Reports tab, click on the Experience Rating link. Under Submit Data, click on the Add/New link (refer to Exhibit V-D-1).

The information added via the notification is compared to statistically reported premium data for the policy to ensure that the ceded policy has been accurately rated and reported to CAR. The system will calculate the applicable liability and/or physical damage modification factors for the policy and a variety of informational listings are also available. Users may update, delete, browse or renew modifications previously entered, view transaction history, prior policy, and affiliation reports and view an experience rating calculation worksheet for each notification submitted. For a description of available reports, refer to the Experience Rating System Help Manual.

On a quarterly basis, for each policy year, experience rating compliance reports are produced. These reports include a discrepancy report, a report that identifies policies determined to be eligible for experience rating but for which a notification is not reported and a report that identifies policies for which a notification is reported but the policy is not determined to be eligible for experience rating. Penalty reports are also produced for each policy year. The reports are produced five times in total commencing with the June quarter of the policy year and ending with the June quarter of the following year. For additional information relative to error and penalty reports, refer to Sections D.2. and D.3. of this Chapter.

For additional information relative to experience rating, including a risk's eligibility for experience rating and how to calculate the risk's experience modification, refer to the Experience Rating Plan Manual which is available on CAR's website under the Manuals tab.

2. Experience Rating Non-Compliance Penalties and Penalty Reports

If an Experience Rating Notification is not submitted within 120 calendar days from the effective date of the eligible ceded policy, penalties will be assessed as follows:

Notification of Policy Subject to Experience Rating – Date Submitted	Penalty Amount
121 - 150 days from the policy effective date	\$ 25
151 - 180 days from the policy effective date	\$ 50
181 - 210 days from the policy effective date	\$ 75
211 or more days from the policy effective date	\$100

Policies eligible for an Experience Rating penalty will be listed on a Penalty Report, which is updated on a quarterly basis (refer to Exhibit V-D-2). Note that policies that are eligible for experience rating but for which a notification has not been submitted that are listed on the Eligible but Not Reported report as of the final report cycle of the policy year, will be assessed the maximum experience rating penalty. Penalties will be processed as bulk adjustments to a Servicing Carrier's Settlement of Balances and Member's Participation Reports.

3. Experience Rating Compliance Reports

a. Discrepancy Report

This report lists policies with differences between the experience modification calculated by CAR, the company reported experience modification and the Rating Modification Factor code as reported on the company's premium statistical records (refer to Exhibit V-D-3). A policy in error will continue to be listed on this report until the discrepancy is corrected.

b. Policy Eligible for Experience Rating – Experience Rating Notification Form Not Reported Listing

This report lists ceded policies which are determined to be eligible for experience rating but for which an Experience Rating Notification has not been submitted (refer to Exhibit V-D-4).

A policy's eligibility for experience rating is determined based upon reported statistical data. A match is made between the company number, policy number and effective month and year of reported statistical data to the same information reported via the Experience Rating Notification. The eligibility criteria for specific commercial classifications and coverages is included in the Experience Rating Plan Manual which is available on CAR's website under the Manuals tab. The reason that CAR

has found the policy to be eligible for experience rating is identified on this listing.

A Servicing Carrier must research each policy identified on the listing and enter the corrective action to be taken in the Corrective Action Taken column. If the Servicing Carrier believes that a policy is not eligible for experience rating, it may also indicate that in the Corrective Action Taken column. If CAR agrees with the Servicing Carrier's assessment, CAR will accept the comment and the policy will no longer list on this report. However, if additional supporting documentation is required, CAR will contact the Servicing Carrier.

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

c. Experience Rating Notification Form Reported – Policy Not Eligible for Experience Rating Listing

This report lists policies for which an Experience Rating Notification has been submitted, but according to reported statistical data and eligibility criteria, the policies are not determined to be eligible for experience rating (refer to Exhibit V-D-5).

A match is made between the company number, policy number, and policy effective month and year reported via the Experience Rating Notification to the same information on reported statistical data.

A Servicing Carrier should research each policy listed in order to identify the corrective action to be taken. CAR will assist the Servicing Carrier, if necessary.

Examples of possible corrective action are as follows:

If the policy was non-renewed or canceled flat, the Servicing Carrier may need to delete the Experience Rating Notification using the Renew/Update/Delete link. If the policy was determined to be not eligible because the Servicing Carrier had failed to link an affiliated policy, the Servicing Carrier may need to identify the affiliation using the Add/New link.

4. Exchange of Experience Rating Information

Upon request, Members must provide a Servicing Carrier with information necessary to determine the proper experience rating modification for any

policy eligible for experience rating which is to be ceded to CAR. If a Servicing Carrier is unable to obtain this information from another Member, CAR should be notified. CAR will request the Member to provide the information to the Servicing Carrier within ten business days. Failure of any Member to provide experience rating information for a ceded policy within ten business days of receiving a request from CAR will result in a penalty of \$500.

EXHIBIT V-D-1
ADD/NEW EXPERIENCE RATING NOTIFICATION SCREEN

Notifications - Add/New		
Company:	999 - Any Insurance Company	
Eff Year	Policy ID	Tax ID
2011	A03852856	063538926
<input type="button" value="Submit"/>		

EXHIBIT V-D-2
EXPERIENCE RATING PENALTY REPORT SCREEN

Penalty Report						
Company: 999				Quarter: 3/2009 ▼		
Penalties Assessed - Notification received late						
Policy ID	Insured Name	Effective Date (MM/DD/YYYY)	Date Recvd	Days Elapsed	Penalty	
BLBXKXT	TEST GER	04/14/2009	09/18/2009	157	50	
W3X716T	TEST NAN	04/24/2009	09/18/2009	147	25	
Total Policies Listed: 2						
Total Penalties Assessed: \$75						
Penalty Letter						

EXHIBIT V-D-3

DISCREPANCY REPORT SCREEN

Discrepancy Report								
Company: 999 Any Insurance Company								
Quarter: 4/2010								
Policy ID	Effective Date (MM/DD/YYYY)	Liability			Physical Damage			Type
		CAR Calc Mod	CO Rpt Mod	Stat Rpt Mod	CAR Calc Mod	CO Rpt Mod	Stat Rpt Mod	
L9M521T	01/31/2010	0039	055	055	0053	085	085	Both
Z7J845T	02/18/2010	0055	085	085				Liab
BWBSLBT	03/18/2010				0045	049	049	Physd
BWBSLCT	03/18/2010				0045	049	049	Physd
S71610T	06/21/2010	0056	054	054				Liab
BNBVDVT	06/30/2010				0000	100	114	Physd
Z5V536T	08/26/2010	0165		100				Liab
BZBVVCT	09/07/2010	0101		104	0068	060		Both
HLP075T	10/06/2010				0075	078		Physd
BXASNQT	11/05/2010				0084	100		Physd
BJBZDYT	12/03/2010			161		084		Both
HZG541T	12/10/2010			153		101		Both

Discrepancy Totals

Liability only: 3

Physical Damage only: 5

Both Liab & Phys Dam: 4

EXHIBIT V-D-4
POLICY ELIGIBLE – NOTIFICATION FORM NOT REPORTED SCREEN

Eligible Notification Forms, Not Reported				
Company: 999 Any Insurance Company			Quarter: 5/2010	
Policies Effective: 0/2010 through 0/2010				
Policy ID	Effective Year	Eligible Code	Corrective Action Taken	CAR Accept
BQAGVZT	2010	3	NOT ELIGIBLE AS OF POLICY EFFECTIVE.	
BQAXWHT	2010	8	NOT ELIGIBLE PHYSICAL DAMAGE PREMIUM \$1408	
BVAXPQT	2010	8	NOT ELIGIBLE PHYSICAL DAMAGE PREMIUM \$1407	
BWBQHTT	2010	2	NOT ELIGIBLE AS OF POLICY EFFECTIVE.	
BYBSJVT	2010	8	NOT ELIGIBLE AS OF POLICY EFFECTIVE.	
S99012T	2010	2	NOT ELIGIBLE AS OF POLICY EFFECTIVE.	
BCCMPBT	2010	8		
BSAPNHT	2010	9		
BVBSCWT	2010	4		
BWATWLT	2010	8		
RNO027T	2010	9		
S81878T	2010	2		
BBCTNST	2010	8	Updated Comment	
Total Policies Listed: 13				
Eligibility Code definitions				
1	Taxis and policies written on a gross receipts or mileage basis the exposure must be greater than 0.			
2	Limousines, car service and all bus classifications, the sum of the PD liab exp must be 36 car months (3 vehicles), or greater.			
3	Trucks, tractors, private passenger types, garage plates, commercial motorcycles and vehicles classified from the Special Types Section of the Commercial Automobile Manual, the sum of the PD exposure must be equal to 60 car months (5 vehicles), or greater.			
4	Non-owned and hired auto coverage the sum of BI and PD premium must be \$5000 or greater.			
5	Composite rated policies, the sum of BI and PD premium must be greater than 0.			
6	Exposure must be 60 car months(5 vehicles) or greater, and the sum of OTC and Collision premium must be \$1500 or greater.			
7	Taxis, the sum of the OTC and Collision premium must be \$1000 or greater.			
8	All garage, gross receipt, mileage and composite rate classifications, the sum of the OTC and Collision premium must be \$1500 or greater.			
9	Garage and specific vehicles with physical damage coverage, the sum of OTC and Collision premium must be \$1500 or greater.			

EXHIBIT V-D-5
NOTIFICATION FORM REPORTED, POLICY NOT ELIGIBLE REPORT SCREEN

Reported, Not Eligible Policy Report			
Company: 999 Any Insurance Company			
Latest Quarter: 4/2010			
Policy ID	Effective Date (MM/DD/YYYY)	Tax ID	Primary Co.-Year -Policy ID
BCCRTPT	12/31/2010	053335674	
X4Y685T	12/31/2010	053645317	
BCCXJHT	12/30/2010	309311234	
RSG014T	12/27/2010	083339984	
BCCDTT	12/26/2010	S02444265	
BKALRTT	12/26/2010	S02444265	
N54923T	12/23/2010	053133322	
BTBNLVT	12/21/2010	053741568	
BCCGSDT	12/20/2010	093939950	
BCCTSGT	12/20/2010	083272913	
BJBNLBT	12/19/2010	093539296	
BRBSPVT	12/17/2010	023541876	
BTBRGWT	12/15/2010	033941050	
X3W431T	12/15/2010	093436905	
958684T	12/14/2010	093334704	
BKAZXQT	12/10/2010	043541986	
HMI656T	12/10/2010	063637957	
Total Policies Listed: 17			