

**COMMONWEALTH AUTOMOBILE  
REINSURERS**

**MANUAL OF  
ADMINISTRATIVE PROCEDURES**

**2025**

**REVISED THROUGH SEPTEMBER 23, 2025**

**101 ARCH STREET, SUITE 400  
BOSTON, MA 02110**

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## **A. Introduction**

The Manual of Administrative Procedures provides Servicing Carriers with information needed to assure the successful operation of the commercial residual market. As authorized by the Commonwealth Automobile Reinsurers' (CAR's) Plan and Rules of Operation, Members are appointed by CAR's Governing Committee to serve as commercial automobile Servicing Carriers for a specified term. Appointments are based upon responses to the Request for Proposal (RFP) for the Massachusetts Residual Market Commercial Automobile Program. For further information relative to the appointment of a Member as a Servicing Carrier, refer to Chapter II – Servicing Carrier Appointment of this Manual.

The Manual of Administrative Procedures supplements CAR's Plan and Rules of Operation but does not add any requirements beyond those contained in the Plan and Rules. Although the information contained in the Manual of Administrative Procedures is most pertinent to Servicing Carriers, it may also be used by other Members of CAR to obtain information relative to the reporting and processing of commercial automobile policies which are ceded to CAR.

The Manual of Administrative Procedures provides Servicing Carriers with information needed to perform all required responsibilities relative to policies ceded to the Commonwealth Automobile Reinsurers, including; cession reporting requirements, identification of limits, coverages and endorsements applicable to ceded policies, Servicing Carrier responsibilities relative to the investigation of fraudulent claim activity, CAR's audit procedures for monitoring compliance with statistical reporting requirements for ceded premium and loss data, established claim practices and the Performance Standards, and the policy level edit and error correction procedures for reported ceded data. Additionally, the Manual of Administrative Procedures provides information relative to the reimbursement of ceding expense allowances to Servicing Carriers for the servicing of ceded business and the determination of a Member's share in CAR's administrative expenses and underwriting results.

The Manual of Administrative Procedures identifies established standards and approved forms that must be used by Servicing Carriers and Exclusive Representative Producers for validating an applicant's or risk's eligibility for placement in the commercial residual market. Additionally, the Manual of Administrative Procedures describes the supplemental application that must be used to collect additional information for the evaluation of a commercial risk from an eligibility and rating standpoint.

Specific responsibilities and requirements for appointed Servicing Carriers are contained in Rule 13 – Servicing Carrier Requirements of CAR's Rules of Operation and in Chapter III – Servicing Carrier Responsibilities of this

Manual. CAR's Plan and Rules of Operation and Manual of Administrative Procedures are available on CAR's website under the Manuals tab.

## **B. Organization of the Manual of Administrative Procedures**

The Manual of Administrative Procedures is organized into Chapters that deal with specific subjects that are applicable to the various operations of CAR. The Chapters included are as follows:

- Chapter I – Overview
- Chapter II – Servicing Carrier Appointment
- Chapter III – Servicing Carrier Responsibilities
- Chapter IV – Cession Rules and Procedures
- Chapter V – Premium
- Chapter VI – Allowances to Servicing Carriers
- Chapter VII – Participation
- Chapter VIII – Data Reporting, Accounting Edit and Correction Procedures
- Chapter IX – Compliance Audit
- Chapter X – Servicing Carrier and Exclusive Representative Producer Standards and Forms

The Manual of Administrative Procedures is prepared by CAR in conjunction with its advisory committees and with the approval of CAR's Governing Committee.

## **C. Definition of Fiscal Year**

CAR's fiscal year runs from October 1 through September 30. This enables CAR to distribute fiscal year end results to its Members prior to the end of the calendar year and allows participating Members to include experience elements (i.e., written and earned premium, claims paid, claims reserves, salvage/subrogation recoveries, CAR expenses, etc.) in their respective Annual Statements.

## **D. Other Useful Information**

In conjunction with the instructions set forth in this Manual, there are several other manuals and informational guides that Servicing Carriers may reference for additional information. The Massachusetts Automobile Commercial Statistical Plan provides the details necessary to statistically code and report commercial premium and loss records to CAR, the Commercial Automobile Insurance Manual provides information relative to the classification and premium rating of commercial vehicles, the Experience Rating Manual provides information needed to rate those risks that are eligible for experience rating, and the Commercial Claims Performance Standards provides information relative to claims handling, specifically for containing costs, ensuring prompt customer service and timely payment of legitimate claims,

and preventing the payment of inflated, fraudulent, and unwarranted claims.  
These documents are available on CAR's website under the Manuals tab.

#### **A. Appointment of Carriers to Service the Residual Market**

##### **1. General Information**

In order to control the size of and to establish equitable access to the residual market for all classes of commercial automobile business, Commonwealth Automobile Reinsurers (CAR) employs a specialized program for handling ceded commercial risks. The Commercial Automobile Program is designed to enhance the effectiveness of loss control and underwriting practices by consolidating the servicing of the business to a limited number of Servicing Carriers appointed for a specific term. Every producer is assigned to a single Servicing Carrier. The number of Servicing Carriers and the appointment term are determined by CAR's Governing Committee.

##### **2. Eligibility**

The Commercial Automobile Program applies to all classes of commercial automobile business.

##### **3. Request for Proposal**

To solicit proposals for servicing ceded commercial business, CAR invites prospective participants to respond to the Commercial Servicing Carrier Request for Proposal (RFP). Solicitation of proposals is made via a CAR Bulletin. At the time proposals are being solicited, the RFP is also posted to the home page of CAR's website.

The RFP provides information necessary to enable the submission of a proposal for consideration as a carrier to service Massachusetts ceded commercial automobile business. The RFP identifies the schedule of events, the expectations for the Program, Servicing Carrier performance requirements, requirements for the content of the company's proposal and the term of the appointment.

The RFP requests proposers to provide information relative to administrative and account management services, underwriting and policy processing, claims management services, management information systems, and loss control services and how each of these would be handled if the company is selected to serve as a Servicing Carrier. The RFP further requests proposers to identify any additional services that they may offer to control claims and service costs, to specify an implementation plan which will provide a smooth transition and minimal service disruption for both producers and insureds and to identify residual market depopulation strategies which will assist CAR in its efforts to control the size of the commercial residual market.

Finally, the RFP requests proposers to provide a detailed cost projection and price proposal to service commercial automobile business. The selected price, as approved by CAR's Governing Committee, will be uniformly applicable to each company selected to serve as a Servicing Carrier for the Program. For additional price information, refer to Chapter VI – Allowances to Servicing Carriers of this Manual.

#### 4. Servicing Carrier Requirements

Specific requirements and responsibilities for those Members appointed to serve as commercial automobile Servicing Carriers including those responsibilities relative to Exclusive Representative Producers (ERPs) may be found in Rule 13 – Servicing Carrier Requirements of CAR's Rules of Operation which is available on CAR's website under the Manuals tab, and in Chapter III – Servicing Carrier Responsibilities and Chapter X – Servicing Carrier and Exclusive Representative Producer Standards and Forms of this Manual.

The RFP for the Commercial Automobile Program provides further information and requirements relative to the servicing of specific aspects of the Program.

#### 5. Withdrawal/Termination

If an appointed Servicing Carrier withdraws from the Program or is terminated by CAR or the Division of Insurance, the provisions of Rule 16.A. – Terminations of CAR's Rules of Operation will apply. At least 45 days prior to the policy renewal date the withdrawing Servicing Carrier must notify the insured and the producer of record that coverage will be non-renewed.

## **B. Appointment of Exclusive Representative Producers to Servicing Carriers**

### **1. Appointment Process**

Servicing Carriers will receive appointments of newly applying producers on a rotational basis. However, pursuant to Rule 14.A.2. – Exclusive Representative Producer Requirements, a producer applying for appointment as an ERP that has a contractual relationship or membership in a so-called producer cluster or network, or a direct or indirect material and continuing proprietary or management interest in another agency or brokerage firm which also has an ERP appointment to a Servicing Carrier is considered to be an affiliate of the other agency or brokerage firm. Such a producer will be appointed to the same Servicing Carrier as all members of the affiliated group.

New ERP appointments to Servicing Carriers will be made as follows:

#### **a. Applicant with a Voluntary Commercial Automobile Contract**

An applicant who has a current voluntary commercial automobile agency contract with an active Massachusetts commercial automobile insurer will be appointed to a Servicing Carrier when the applicant has satisfied the eligibility requirements of Rule 14.A.4. For purposes of this section, brokerage agreements and memberships in a group do not constitute a voluntary contract with an active Massachusetts commercial automobile insurer.

#### **b. Applicant without a Voluntary Commercial Automobile Contract**

On an annual basis, the Governing Committee, or its designee, will assess whether a market need exists for new ERP appointments to service the commercial residual market. The determination will be made following a review of current residual market data and the committee's evaluation of whether access to producers that have experience servicing all classes of commercial automobile risks throughout the Commonwealth is available to applicants for insurance.

##### **1) Market Need Exists**

If the committee determines that a market need exists and that access to the residual market is not currently being served by producers with existing ERP appointments, the committee will determine the conditions under which a new appointment will be made to an applicant without a voluntary commercial automobile contract. This may include an adjustment to the number of



appointments available and modification to the schedule for re-evaluating market access.

2) Market Need Does Not Exist

If the committee determines that a market need does not exist for a new appointment to an applicant without a current voluntary contract, no such new appointment will be made. However, the applicant may petition for a review of its application before a CAR committee and must demonstrate that a market need exists that will be uniquely served by the applicant's appointment.

c. Applicant Who Purchased of a Book of Business

Notwithstanding an existing voluntary commercial automobile contract with an active Massachusetts commercial automobile insurer, an applicant purchasing the book of business of an ERP or former ERP who has been terminated pursuant to CAR Rules, or has withdrawn from an appointment where grounds for termination were previously issued, must petition the committee for a Servicing Carrier appointment. The applicant must satisfy the committee that the conditions for termination are not present in the purchase and must demonstrate that a market need exists that would be uniquely served by the applicant's appointment.

d. CAR Committee Review of Applicants

Committee reviews of applicants petitioning for an appointment will be held on a quarterly basis, depending upon the need for such reviews.

The Servicing Carrier must provide service to its ERPs under substantially the same contractual terms and conditions governing its voluntary producer relationships.

To maintain an appointment, the ERP must maintain the minimum commercial written premium volume as specified in Rule 14.C. – Exclusive Representative Producer Requirements of CAR's Rules of Operation.

2. Premium Redistribution Process

A producer applying for an ERP appointment must identify any affiliated relationships relating to commercial business. An existing ERP must notify its Servicing Carrier and CAR of any new affiliated relationship within 30 days of such change.

Annually, upon request by a Servicing Carrier, an ERP must furnish updated information relative to its affiliated relationships or change in affiliated status. This information will assist CAR in its evaluation and assessment of the need to redistribute commercial ceded written premium among Servicing Carriers.

On a quarterly basis, CAR will perform a review of the distribution of ceded commercial written premium and, if necessary, may perform a redistribution of residual market books of business to maintain equity among Servicing Carriers. Any such distribution will occur no sooner than 60 calendar days from the date of review. If a redistribution is performed, any subsequent redistribution will not occur for at least 12 reporting months after the effective date of the previous distribution.

Routine changes in group membership will not affect changes in Servicing Carrier assignments until a subsequent redistribution review takes place. However, all other affiliation changes, including private agency affiliations or agency purchases and sales will result in immediate reassignment, if warranted.

A Servicing Carrier may terminate an ERP's contract for failure to provide the requested affiliated agency disclosure information. For additional information relative to the termination of ERP contracts by a Servicing Carrier, refer to Rule 14 – Exclusive Representative Producer Requirements of CAR's Rules of Operation, or Chapter III – Servicing Carrier Responsibilities of this Manual.

### 3. Termination

- a. If a producer requests termination as an ERP of a Servicing Carrier, the provisions of Rule 16.B. – Terminations of CAR's Rules of Operation will apply.
- b. If an ERP is terminated by a Servicing Carrier, the termination provisions contained in Rule 13 – Servicing Carrier Requirements and Rule 14 – Exclusive Representative Producer Requirements of CAR's Rules of Operation apply.
- c. An ERP appointment, whether made to a Servicing Carrier with which the producer has a voluntary relationship or a Serving Carrier with which the producer does not have a voluntary relationship, terminates with the sale of the agency.

If the purchaser of the agency has a voluntary market and has been assigned to a Servicing Carrier as an ERP, consideration may be given to rewriting the automobile business in the voluntary or involuntary market(s) of the purchaser.

## **A. Servicing Carrier Responsibilities**

In order to successfully fulfill its residual market obligations, a Servicing Carrier is responsible for meeting the requirements of CAR's Rules of Operation, specifically performing the duties identified in Rule 13 – Servicing Carrier Requirements including those relative to rates and policy issuance, data reporting, Exclusive Representative Producers (ERPs), and compliance with established claims performance standards. Additional Servicing Carrier responsibilities are described in Section B. of this Chapter and in Chapter X – Servicing Carrier and Exclusive Representative Producer Standards and Forms of this Manual. Section C. provides requirements relative to the termination of an ERP contract including the process for reviewing such termination and associated appeal procedures. Section D. of this Chapter provides information relative to the premium and expense reimbursement procedure a Servicing Carrier must follow when an ERP default occurs.

## **B. Additional Servicing Carrier Responsibilities**

### **1. Review of Agency Groups and Affiliations**

On an annual basis, a Servicing Carrier must provide CAR with information relative to each ERP's affiliation status for commercial Motor Vehicle Insurance. Any contractual relationship or membership in a producer cluster or network that the ERP may have or whether the ERP has a direct or indirect material and continuing proprietary or management interest in another agency or brokerage firm having an ERP appointment to another Servicing Carrier must be identified. Additionally, any new agency affiliations or changes in affiliated agency relationships must be identified. CAR will also perform a review of producer group websites in an attempt to confirm group memberships. Refer to Rule 13.B.5. of CAR's Rules of Operation for additional information.

This information will assist CAR in its evaluation and assessment of the need to redistribute commercial ceded written premium among Servicing Carriers. For additional information relative to redistribution, refer to Chapter II.B. – Servicing Carrier Appointment of this Manual.

### **2. Commission Payment Requirements**

A Servicing Carrier must pay commission to an ERP on ceded commercial business as specified in Rule 18 – Commissions of CAR's Rules of Operation.

### 3. Validation of Commercial Market Eligibility

To assure the eligibility of an applicant or a risk for placement in the commercial automobile residual market, a Servicing Carrier is required to implement standards, as established by CAR's Governing Committee.

The established standards identify underwriting tools and opportunities that may be used by a Servicing Carrier in order to validate a risk's eligibility. The standards also identify risk evaluation tools and opportunities that should be used by an Exclusive Representative Producer to determine risk eligibility, prior to submitting a risk to their Servicing Carrier for placement in the commercial automobile residual market.

A Servicing Carrier must assure that its Exclusive Representative Producers submit all forms as required by the established standards. Additionally, a Servicing Carrier must assure that its Exclusive Representative Producers submit a supplemental application for all new business policies. Certification attesting to the information submitted on the forms and supplemental application, as well as the application for insurance, must be obtained for all risks.

Additionally, pursuant to Rule 10 – Claim Practices of CAR's Rules of Operation, a Servicing Carrier must conduct audits on a representative sample of policies to verify garaging and policy facts.

Refer to Chapter X – Servicing Carrier and Exclusive Representative Producer Standards and Forms of this manual for more specific information relative to the established standards and required forms.

Refer to Section B.4. of this Chapter for further information relative to supplemental application requirements.

### 4. Submission of a Supplemental Application

A supplemental application is required to be completed for all new business policies. The application collects general risk information for all commercial risks, as well as additional ownership, usage and garaging information for public transportation and trucking risks. The information collected on the supplemental application may be used to further determine the eligibility of a risk for placement in the commercial automobile residual market.

An Exclusive Representative Producer must assure that the general risk section of the supplemental application is completed by all risks. Further, based upon the risk's type of operation, the public automobile information addendum and/or the trucker/motor carrier information addendum of the

application must also be completed by the risk. The risk must sign and date the application to certify to the accuracy of the information provided on the application. The producer, as a witness to the signing, must also provide a signature and date on the application. The signed and dated supplemental application, including any required addenda, must then be submitted to the Servicing Carrier.

Note that at the discretion of the Servicing Carrier, a supplemental application may also be requested for renewal business.

The supplemental application is located on the Reports page of CAR's website under the Commercial Only Forms, Manuals link. Refer to Exhibit III-B-2.

#### 5. Reporting Requirements for an Ineligible Risk

A Servicing Carrier that declines, non-renews or cancels a risk it determines to be ineligible for coverage in the commercial residual market must report such action, and the reason(s) therefore, to CAR's Ineligible Risk Database within two business days of the issuance of the notice to the risk. Data elements to be reported include Business Name, Owner License Number, Federal Employer Identification Number (FEIN), USDOT Number, Policy Identification Number, Class Type, as well as other data elements that identify the risk and are beneficial to the administration of the Commercial Servicing Carrier Program. CAR will maintain the database for access by Servicing Carriers to enable more efficient underwriting. However, a Servicing Carrier is required to perform its own investigation to independently determine eligibility of a risk.

Note that if the declination, non-renewal or cancellation is rescinded, the Servicing Carrier must update the Ineligible Risk Database to notify CAR of the reinstatement.

The Ineligible Risk Database application is available on the Reports page of CAR's website, under the Servicing Carrier Profile link. A Help manual that provides detailed information relative to CAR's Ineligible Risk Database is also available.

#### 6. Large Loss Notification Procedures

To provide companies with timely and enhanced information relative to large commercial residual market losses, a Servicing Carrier is required to notify CAR of the occurrence of a large loss.

Servicing Carriers must notify CAR within ten business days of the carrier becoming aware of an accident involving a commercial ceded insured that

may potentially result in a large loss liability for the commercial residual market. These accidents include those with serious injuries (including, but not limited to, spinal injury, traumatic brain injury and amputation) and fatalities, and are not based upon a specific dollar amount threshold. Notification should be provided using the Large Loss Notification Form which is available on the Reports section of CAR's website, under the Servicing Carrier Profile link. A Help manual that provides detailed information relative to the Large Loss Notification Form and reporting application is also available. Only users associated with a commercial Servicing Carrier will be granted access to the Large Loss Notification Form and a valid user ID and password is required for access.

Additionally, to ensure that CAR's committees are advised of the circumstances surrounding large losses that may impact commercial deficit loss projections and that may potentially have an impact on a company's financial reporting requirements, several Large Loss Reports will be provided to CAR's Loss Reserving Committee on a quarterly basis. The reports provide historical large loss information by policy year for policies exceeding \$1 million in total losses including ALAE expenses. These reports will also be available to commercial companies on the Reports page of CAR's website, under the Deficit and Large Loss link. All users with a valid user ID and password are able to access the Large Loss Reports.

#### 7. Claims Handling

The Commercial Claims Performance Standards provide the requirements for the handling and payment of claims by Servicing Carriers. During its investigation of a claim, the Servicing Carrier should record the use of the vehicle and driver of the vehicle at the time of the accident to validate the application of coverage and classification.

#### 8. Federal Motor Carrier Safety Administration (FMCSA) Requirements

Servicing Carriers are required to maintain access with the FMCSA in order to file the appropriate insurance forms on behalf of their risks in a timely manner.

#### 9. Additional Commercial Automobile Program and Performance Requirements

In addition to complying with the provisions of CAR's Rules of Operation, a Servicing Carrier is responsible for adhering to the following requirements:

##### a. Administrative and Account Management Services

- 1) A management level account executive with knowledge of the Program must be assigned and will be responsible for assuring the requirements of the Program, responding to CAR inquiries and meeting with CAR staff and committee representatives.
- 2) Each Servicing Carrier must provide a direct bill program. Servicing Carriers must cooperate with their assigned producers to assure that policyholders are made aware of their option to utilize an installment plan.

The Servicing Carrier must use an installment payment plan that has been filed with and approved by the Division of Insurance. The plan must include the application of an installment finance charge plan based on an annual percentage rate and no more than a 30% first or deposit payment on or before the policy effective date. The plan must also include that no less than seven monthly payments thereafter must be offered to the insured that chooses to pay in installments.

b. Underwriting and Policy Processing

- 1) A specific taxi, limousine and car service new business and renewal application must be used. Refer to Exhibit III-B-1. The application requires information that is necessary for the proper classification and rating of the policy. A copy of the Hackney License or other municipal document authorizing the operation of a taxi, or license or other municipal document authorizing the operation of a limousine or car service vehicle must be included with the application. For Boston taxis or any other jurisdiction that utilizes a medallion system, the application must include the taxi medallion number.
- 2) For renewal business, the producer will be required to submit a completed renewal application to the Servicing Carrier within 45 days prior to the policy effective date.
- 3) Within 30 days of the receipt of the application, the Servicing Carrier must mail the policy to the insured. If notified of a dispute relative to the premium charged, reply within 15 days of receiving the notification.
- 4) Assure that all data necessary to properly classify, rate and experience rate ceded policies is reported to CAR in compliance with the Commercial Automobile Statistical Plan and according to

approved rules, rates and rating plans as contained in CAR's Commercial Automobile Insurance Manual.

- 5) Secure and verify each risk's loss history in order to properly experience rate the risk and distribute the rating calculation and loss information to each eligible policyholder and producer.
- 6) In order to prevent premium leakage, perform a pre-audit on any trucking risk with a cost of hire exposure and five or more power units or the equivalent of exposures if hired by the risk. The audits must be completed within 120 days of the policy effective date. Additional or return premium must be computed in accordance with the results of the audit and with appropriate notification given to the producer and the insured.

c. Claims Management Services

- 1) For risks insured through the Commercial Automobile Program, Servicing Carriers must establish claims management procedures in compliance with the provisions of CAR's Rules of Operation and this Manual.
- 2) A Servicing Carrier's Massachusetts claims unit must manage all claims occurring out-of-state.

d. Management Information Systems Services

- 1) Servicing Carriers must provide all data required by CAR's Rules of Operations and this Manual.
- 2) Servicing Carriers must produce any ad hoc reports as may be requested by CAR.

e. Loss Control Services

A Servicing Carrier is expected to provide safety engineering or loss control services consistent with best practices and as directed by CAR's Governing Committee. Minimum parameters for the establishment of loss control programs to be made available to qualifying policyholders are as follows:

- 1) Program features must include vehicle inspection, driver and equipment evaluation, a review of accident and loss experience, a safety newsletter or other informational mailings.



Additionally, for taxi, limousine and car service risks, the Servicing Carrier must complete the mandatory CAR Underwriting Inspection Form found on CAR's website. For taxi policies, the form must be completed on all new and renewal business, except those vehicles classified as non-owner operator in the Boston territory that are not subject to this requirement. For vehicles classified as limousine or car service, Servicing Carriers must complete the form at the time a new business policy is written and as necessary thereafter to determine accurate classification and garaging. This type of inspection, in conjunction with a new business application and/or other available source documentation, will assist the Servicing Carrier in determining the proper territory and rating classification of each vehicle. The CAR Underwriting Inspection Form can be found on CAR's website on the Commercial Only – Forms and Manuals Page.

- 2) Upon request, any risk regardless of size will be provided written material concerning loss control. Any risk with five or more power units or the equivalent of such exposure, if hired by the risk, that develops an experience rating debit will be offered a loss control survey.
- 3) The results of the loss control survey will include a corrective action plan, safety management feature and, if applicable to the risk, a hazardous material plan.

### EXHIBIT III-B-1

#### TAXI, LIMOUSINE AND CAR SERVICE APPLICATION

Date Completed: \_\_\_\_\_ Policy Effective Date: \_\_\_\_\_

**PRODUCER INFORMATION:**

Producer Name: \_\_\_\_\_

Street: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP: \_\_\_\_\_

Producer Code: \_\_\_\_\_ Telephone No: \_\_\_\_\_

**APPLICANT INFORMATION**

Named Insured: \_\_\_\_\_

Street: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP: \_\_\_\_\_

Business Telephone No. \_\_\_\_\_

Tax ID No: \_\_\_\_\_ Social Security No: \_\_\_\_\_

Headquarters (if other than above)

Street: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

**OWNERSHIP AND CONTROL OF ORGANIZATION**

Named Insured is a; Corporation: \_\_\_\_\_ Partnership: \_\_\_\_\_ Sole Proprietor: \_\_\_\_\_ Other: \_\_\_\_\_

State where incorporated: \_\_\_\_\_ Date of Incorporation \_\_\_\_\_ Date Operations Commenced: \_\_\_\_\_

Management, Ownership and Control (list names of Principals and anyone else with 10% or more ownership interest)

|                | Name  | Date in Position | Percent Ownership |
|----------------|-------|------------------|-------------------|
| President:     | _____ | _____            | _____             |
| Vice President | _____ | _____            | _____             |
| Secretary      | _____ | _____            | _____             |
| Gen'l. Mgr.    | _____ | _____            | _____             |
| Treasurer      | _____ | _____            | _____             |
| Others         | _____ | _____            | _____             |
|                | _____ | _____            | _____             |
|                | _____ | _____            | _____             |

Affiliated Companies (list all affiliated companies or companies under the same ownership. If more than 5, use Remarks section)

| Name  | Address |
|-------|---------|
| _____ | _____   |
| _____ | _____   |
| _____ | _____   |

**PAYMENT PLAN**

Total Estimated Annual Premium \$ \_\_\_\_\_ Deposit Premium \$ \_\_\_\_\_

Full Annual Premium Enclosed Yes \_\_\_\_\_ Installment Option Yes \_\_\_\_\_

Premium Is Financed? Yes \_\_\_\_\_

Name and Address of Finance Company \_\_\_\_\_

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**EXHIBIT III-B-1**  
(continued)

**OPERATOR INFORMATION**

Is vehicle: Owner-Operated? \_\_\_\_\_ Driven by Employee? \_\_\_\_\_ Driven by Independent Contractor? \_\_\_\_\_ Leased? \_\_\_\_\_  
If leased describe conditions of lease: Daily \_\_\_\_\_ Monthly \_\_\_\_\_ Other \_\_\_\_\_ If other, describe the arrangement \_\_\_\_\_

List all Operators:

| Name  | Date of Birth | License and State | Hackney License No. |
|-------|---------------|-------------------|---------------------|
| _____ | _____         | _____             | _____               |
| _____ | _____         | _____             | _____               |
| _____ | _____         | _____             | _____               |
| _____ | _____         | _____             | _____               |

**ACCIDENT INFORMATION**

Has applicant or any operator been involved in any motor vehicle accidents in the past 36 months?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes complete the following (if necessary use a separate sheet):

| Name of Operator | Accident Date | Place of Accident |
|------------------|---------------|-------------------|
| _____            | _____         | _____             |
| _____            | _____         | _____             |
| _____            | _____         | _____             |
| _____            | _____         | _____             |

Amount of Loss (Include paid and outstanding amounts)

| BI Amount | PD Amount | Physical Damage Amount |
|-----------|-----------|------------------------|
| _____     | _____     | _____                  |
| _____     | _____     | _____                  |
| _____     | _____     | _____                  |
| _____     | _____     | _____                  |

**CONVICTION INFORMATION**

Has the applicant or any operator had their driver's license or Hackney license suspended or revoked during the preceding 36 months?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes complete the following:

| Name  | Date  | Reason |
|-------|-------|--------|
| _____ | _____ | _____  |
| _____ | _____ | _____  |
| _____ | _____ | _____  |
| _____ | _____ | _____  |

Has the applicant or any operator been convicted, paid a fine, or forfeited bail for any moving violation (other than suspension or revocation),

or been assigned to an alcohol education program in the past 36 months?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes complete the following:

| Name  | Date  | Reason |
|-------|-------|--------|
| _____ | _____ | _____  |
| _____ | _____ | _____  |
| _____ | _____ | _____  |
| _____ | _____ | _____  |

**PRIOR INSURANCE INFORMATION**

Has the applicant failed to pay any automobile insurance premium due or contracted during the preceding 12 months?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes complete the following and provide explanation in the Remarks Section on page 6:

Insurance Company \_\_\_\_\_ Amount due or in dispute \_\_\_\_\_

Has any automobile policy or coverage been declined, cancelled or non-renewed during the past three years?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, explain reason:

**EXHIBIT III-B-1**  
(continued)

**PRIOR CARRIER INFORMATION**

List the prior automobile insurance carriers for this company and any affiliated companies for past five years and attach loss statements from the carrier. Use a separate sheet if necessary.

| Company Name | Policy Number | Policy Period |
|--------------|---------------|---------------|
| _____        | _____         | _____         |
| _____        | _____         | _____         |
| _____        | _____         | _____         |
| _____        | _____         | _____         |

**GENERAL INFORMATION**

Explain all 'Yes' responses in the Remarks Section on page 6.

|  |           |          |
|--|-----------|----------|
| With the exception of Loss Payee are any vehicles not owned solely by the applicant? | Yes _____ | No _____ |
| Are there any vehicle owned but not scheduled on this application?                   | Yes _____ | No _____ |
| Does the applicant obtain MVR verifications for listed operators?                    | Yes _____ | No _____ |
| Does the applicant have a specific driver recruiting method?                         | Yes _____ | No _____ |
| Is the applicant subject to the Workers Compensation Act?                            | Yes _____ | No _____ |
| (Include the Company and Policy Number in the Remarks Section on page 6)             |           |          |
| Does the applicant adhere to any commercial automobile safety practices?             | Yes _____ | No _____ |
| (If so, provide specific details in the Remarks Section on page 6)                   |           |          |
| Is the applicant object to the Bus Regulatory Act?                                   | Yes _____ | No _____ |
| Is an ICC or any other financial responsibility filing required?                     | Yes _____ | No _____ |
| (List all such requirements in the Remarks Section on page 6)                        |           |          |

**BUSINESS FUNCTIONS**

Indicate the percentage of use for each of the following functions which are applicable to the applicant:

- \_\_\_\_\_ % Street cruising
- \_\_\_\_\_ % Owns and operates radio dispatch service
- \_\_\_\_\_ % Works out of non-owned dispatch service
- \_\_\_\_\_ % Phone calls for general transport
- \_\_\_\_\_ % Regular stand (Train, Bus Station etc.)
- \_\_\_\_\_ % Contract service  
(Provide specific details in Remarks Section)
- \_\_\_\_\_ % Transportation to/from Airport(s)  
(Provide locations in Remarks Section on page 6)
- \_\_\_\_\_ % Prearranged special events such as Weddings, Proms, etc.

**Customers**

Indicate percentage of customers which are:

- \_\_\_\_\_ % General Public
- \_\_\_\_\_ % Specialized (Elderly, Children, Special Needs, Package Delivery, etc.)  
(Provide Specific details in the Remarks Section on page 6)

**EXHIBIT III-B-1**  
(continued)

VEHICLE DESCRIPTION

|                                 |                          |                     |          |            |
|---------------------------------|--------------------------|---------------------|----------|------------|
| No. Year Make, Model, Body Type |                          | VIN                 |          |            |
| City(s), State Where Operated   | Seating Capacity         | Radius of Operation | Cost New | Class Code |
| City(s) Where Licensed          | License or Permit Number | Medallion Number    |          |            |

|                                 |                          |                     |          |            |
|---------------------------------|--------------------------|---------------------|----------|------------|
| No. Year Make, Model, Body Type |                          | VIN                 |          |            |
| City(s), State Where Operated   | Seating Capacity         | Radius of Operation | Cost New | Class Code |
| City(s) Where Licensed          | License or Permit Number | Medallion Number    |          |            |

|                                 |                          |                     |          |            |
|---------------------------------|--------------------------|---------------------|----------|------------|
| No. Year Make, Model, Body Type |                          | VIN                 |          |            |
| City(s), State Where Operated   | Seating Capacity         | Radius of Operation | Cost New | Class Code |
| City(s) Where Licensed          | License or Permit Number | Medallion Number    |          |            |

|                                 |                          |                     |          |            |
|---------------------------------|--------------------------|---------------------|----------|------------|
| No. Year Make, Model, Body Type |                          | VIN                 |          |            |
| City(s), State Where Operated   | Seating Capacity         | Radius of Operation | Cost New | Class Code |
| City(s) Where Licensed          | License or Permit Number | Medallion Number    |          |            |

|                                 |                          |                     |          |            |
|---------------------------------|--------------------------|---------------------|----------|------------|
| No. Year Make, Model, Body Type |                          | VIN                 |          |            |
| City(s), State Where Operated   | Seating Capacity         | Radius of Operation | Cost New | Class Code |
| City(s) Where Licensed          | License or Permit Number | Medallion Number    |          |            |

|                                 |                          |                     |          |            |
|---------------------------------|--------------------------|---------------------|----------|------------|
| No. Year Make, Model, Body Type |                          | VIN                 |          |            |
| City(s), State Where Operated   | Seating Capacity         | Radius of Operation | Cost New | Class Code |
| City(s) Where Licensed          | License or Permit Number | Medallion Number    |          |            |

Loss Payee/Additional Interests

|       |                  |
|-------|------------------|
| No.   | Name and Address |
| _____ | _____            |
| _____ | _____            |
| _____ | _____            |
| _____ | _____            |

**EXHIBIT III-B-1**  
(continued)

COVERAGE SELECTION

| Coverage Type                              | Limit of Liability  | Vehicle No. |
|--|---|-------------|
| A Compulsory                               |   |             |
| A-1 Bodily Injury                          | \$20,000 each person \$40,000 each accident                                 | _____       |
| A-2 Personal Injury Protection             | \$8,000 each person   | _____       |
| <hr/>                                      |   |             |
| B. Bodily Injury Other than Statutory      | \$ _____ each person  |             |
| Minimum Limit \$20,000/\$40,000            | \$ _____ each accident  | _____       |
| <hr/>                                      |   |             |
| C. Property Damage Liability               |   |             |
| Mandatory \$5,000                          | \$ _____ each accident  | _____       |
| <hr/>                                      |   |             |
| D. Medical Payments Optional               |   |             |
| Maximum \$5,000                            | \$ _____ each person  | _____       |
| <hr/>                                      |   |             |
| E. Comprehensive                           | ACV less \$ _____ deductible<br>Glass Deductible \$100 Deductible Yes _____ | _____       |
| <hr/>                                      |   |             |
| F. Fire                                    | ACV less \$ _____ deductible<br>Glass Deductible \$100 Deductible Yes _____ | _____       |
| <hr/>                                      |   |             |
| G. Fire & Theft                            | ACV less \$ _____ deductible<br>Glass Deductible \$100 Deductible Yes _____ | _____       |
| <hr/>                                      |   |             |
| H. Fire, Theft & CAC                       | ACV less \$ _____ deductible<br>Glass Deductible \$100 Deductible Yes _____ | _____       |
| <hr/>                                      |   |             |
| I. Collision                               |   |             |
| Waiver of Deductible Yes _____ No _____    | \$ _____ deductible   | _____       |
| <hr/>                                      |   |             |
| J. Limited Collision                       |   |             |
| Waiver of Deductible Yes _____ No _____    | \$ _____ deductible   | _____       |
| Full Coverage (\$0 ded) Yes _____ No _____ |   |             |
| <hr/>                                      |   |             |
| K. Uninsured Motorist Coverage             | \$ _____ each person  |             |
| Mandatory \$20,000/\$40,000                | \$ _____ each accident  |             |
| <hr/>                                      |   |             |
| L. Underinsured Motorist Coverage          | \$ _____ each person  |             |
|  | \$ _____ each accident  |             |

**EXHIBIT III-B-1**  
(continued)

**Optional Coverages Applicable to Limousine and Car Service Risks Only:**

| Coverage Type   | Limit of Liability | Vehicle No. |
|---|--------------------|-------------|
| M. Loss of Use – Rental Reimbursement<br>Maximum \$30 per day | \$ _____ per day   | _____       |
| <hr/>   |                    |             |
| N. Hired Auto – Liability Only<br>Cost of Hire                | \$ _____           | _____       |
| <hr/>   |                    |             |
| O. Non-Owned<br>Number of Employees                           | \$ _____           | _____       |
| <hr/>   |                    |             |
| P. Drive Other Car Coverage                                   | \$ _____           | _____       |

**REMARKS:**

**The Fair Credit Reporting Act**

In connection with your application for insurance and as part of our normal underwriting procedure, an investigative consumer report may be obtained, including, if applicable, information as to character, general reputation, personal characteristics and mode of living. This information is obtained through personal interviews with your friends, neighbors and business associates. Upon written request, received within a reasonable timeframe, additional detailed information concerning the nature and scope of this investigation will be provided.

Any person who knowingly and with intent to defraud any insurance company or another person files an application for insurance or statement of claim containing any materially false information or who, for the purpose of misleading, conceals information concerning any fact material thereto, commits a fraudulent act which is a crime and may subject the person to criminal and civil penalties.

Furthermore, the applicant has the responsibility to notify the insurance company of any changes in ownership, operators, vehicles and/or use of vehicles during the policy term. Failure to do so may result in the denial of coverage.

**I hereby declare that I have read all of the statements contained in this application and they are complete and true as of this date. The coverage and limits I requested are as indicated in the application.**

Date: \_\_\_\_\_ Signature of Applicant: \_\_\_\_\_

The information contained in this application is as told to me by the applicant and is true and complete to the best of my knowledge.

Date: \_\_\_\_\_ Signature of Producer: \_\_\_\_\_

**EXHIBIT III-B-2**

**Supplemental Application  
General Risk Information**

Applicant Name: \_\_\_\_\_

Agent Name: \_\_\_\_\_

1. Name of all entities to be insured on this policy: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

2. What is the date and location that this business was established? \_\_\_\_\_  
Date City/Town & State

3. How long has this business been located at its current principal place of business? \_\_\_\_\_

4. Management, Ownership and Control: Please provide the following information for all owners, officers, partners and stockholders for the entities insured on this policy:

| Name | Position | Years in Position | Percentage of Ownership |
|------|----------|-------------------|-------------------------|
|      |          |                   | %                       |
|      |          |                   | %                       |
|      |          |                   | %                       |
|      |          |                   | %                       |

5. Does the Principal Owner(s) have any other form(s) of employment and/or income? ☐ Y ☐ N

If yes, please explain: \_\_\_\_\_  
 \_\_\_\_\_

6. List the name and address of all affiliated companies or corporations under the same ownership:  
 \_\_\_\_\_  
 \_\_\_\_\_

7. Do you or your company have an active Workers' Compensation insurance policy? ☐ Y ☐ N

If yes, provide a copy of your policy Declarations Page. If no, please provide an explanation as to why not:  
 \_\_\_\_\_



**EXHIBIT III-B-2**  
(continued)

**Supplemental Application**  
**General Risk Information**

Applicant Name: \_\_\_\_\_

Agent Name: \_\_\_\_\_

8. Do you or your company have an active General Liability insurance policy? ☐ Y ☐ N

If yes, provide a copy of your policy Declarations Page. If no, please provide an explanation as to why not:

\_\_\_\_\_

9. Does your company have an ACTIVE filing with the MA Secretary of Commonwealth's office? ☐ Y ☐ N

If no, please provide an explanation as to why: \_\_\_\_\_

\_\_\_\_\_

10. Are any of the risks to be insured on the policy public automobiles? ☐ Y ☐ N

If yes, please complete the Public Auto Information Addendum of the application.

11. Will any of the risks to be insured on the policy be engaging in Transportation Network Services activities during the policy period? ☐ Y ☐ N

If yes, please complete the Taxi, Limousine, and Car Service Application.

12. Are any of the risks to be insured on the policy truckers/motor carriers? ☐ Y ☐ N

If yes, please complete the Trucker/Motor Carrier Information Addendum of the application.

**EXHIBIT III-B-2**  
(continued)

**Supplemental Application**  
**General Risk Information**

Applicant Name: \_\_\_\_\_

Agent Name: \_\_\_\_\_

By signing below, I hereby certify that all information provided herein is true and accurate.

Signature of Applicant's Authorized Representative: \_\_\_\_\_

Date: \_\_\_\_\_

Printed Name of Applicant's Authorized Representative: \_\_\_\_\_

Title: \_\_\_\_\_

-----  
Witness to the Signator and Signing above:

Signature of Producer: \_\_\_\_\_ Date: \_\_\_\_\_

Printed Name of Producer: \_\_\_\_\_

Agency Name: \_\_\_\_\_

Any person who knowingly and with intent to defraud any insurance company or another person files an application for insurance or statement of claim containing any materially false information or who, for the purpose of misleading, conceals information concerning any fact material thereto, commits a fraudulent act, which is a crime and may subject the person to criminal and civil penalties.

Furthermore, the applicant has the responsibility to notify the insurance company of any changes in vehicles and/or use of the vehicles during the policy term. Failure to do so may result in the denial of coverage.

**EXHIBIT III-B-2**

**Supplemental Application**  
**Public Automobile Information Addendum**

Applicant Name: \_\_\_\_\_

Agent Name: \_\_\_\_\_

1. Please describe your transportation operation: \_\_\_\_\_  
 \_\_\_\_\_

2. For each of the following categories, indicate the percentage of usage and the number of units used for each class:

| Vehicle Category                          | Usage Description   | Percentage of Use | Number of Units |
|---|---|-------------------|-----------------|
| Charter Bus                               | <i>An automobile chartered for special trips, touring, picnics, outings, games and similar uses.</i>  | %                 |                 |
| Bus Not Otherwise Classified              | <i>This classification includes, but is not limited to automobiles such as shuttle buses, courtesy buses run by hotels, and buses that operate city to city or point to point and is not to a transportation facility, on a regularly scheduled basis.</i>  | %                 |                 |
| Inter-City Bus                            | <i>An automobile that picks up and transports passengers on a published schedule of stops between stations located in two or more towns or cities.</i>  | %                 |                 |
| School Bus                                | <i>An automobile that carries students or other persons to and from school, or in any school activity including games, outings and similar school trips. This includes vehicles owned by or contracted with a school or school district.</i>  | %                 |                 |
| Sightseeing Bus                           | <i>An automobile accepting individual passengers for a fare for sightseeing or guided tours, making occasional stops at certain points of interest and returning the passengers to the point of origin.</i>   | %                 |                 |
| Airport Bus or Limousine (Shuttle)        | <i>An automobile for hire that transports passengers between airports and other passenger stations, or motels.</i>  | %                 |                 |
| Urban Bus (Transit)                       | <i>An automobile that picks up, transports and discharges passengers at frequent local stops along a prescribed route and operated principally within the limits of a city or town, and communities contiguous to such city or town, and includes scheduled express service between points on that route.</i> | %                 |                 |
| Social Service Agency Automobile          | <i>An automobile used by a government entity, civic, charitable or social service organization to provide transportation to clients incidental to the social services sponsored by the organization, including special trips and outings.</i>   | %                 |                 |
| Church Bus                                | <i>An automobile used by a church to transport persons to or from services and other church related activities.</i>   | %                 |                 |
| Transportation of Athletes & Entertainers | <i>An automobile owned by a group, firm or organization that transports its own professional athletes, musicians or other entertainers.</i>   | %                 |                 |
| Van Pools                                 | <i>An automobile used to provide prearranged commuter transportation for employees to and from work and is not otherwise used to transport passengers for a charge.</i>   | %                 |                 |

**EXHIBIT III-B-2**  
(continued)

**Supplemental Application**  
**Public Automobile Information Addendum**

Applicant Name: \_\_\_\_\_  
Agent Name: \_\_\_\_\_

Based on your answers(s) on the prior chart, please answer the questions below that apply:

3. Are filings required of any government or public agency (i.e. DOT or DPU)? ☐ Y ☐ N

If yes, please provide a list of agency names, your ID number (i.e. MC or DOT) & required liability limit:

\_\_\_\_\_  
\_\_\_\_\_

4. What is the principal place of garaging of your vehicles when not on the road? *Note that this address may be outside of Massachusetts:*

\_\_\_\_\_

5. If different from the principal place of garaging, list the address from where your trips emanate?

\_\_\_\_\_

6. Do you travel outside of the United States? ☐ Y ☐ N If Yes, to where? \_\_\_\_\_

7. Charter/Tour Operation - List your six most frequent destinations (City/Town & State):

1 \_\_\_\_\_ 2 \_\_\_\_\_ 3 \_\_\_\_\_

4 \_\_\_\_\_ 5 \_\_\_\_\_ 6 \_\_\_\_\_

8. Inter-City Operation or Line Run - List the starting and ending location for your three most frequent runs (City/Town & State):

Start \_\_\_\_\_ End \_\_\_\_\_

Start \_\_\_\_\_ End \_\_\_\_\_

Start \_\_\_\_\_ End \_\_\_\_\_

**EXHIBIT III-B-2**  
(continued)

**Supplemental Application**  
**Public Automobile Information Addendum**

Applicant Name: \_\_\_\_\_

Agent Name: \_\_\_\_\_

9. Social Service Auto\*: List the 6 locations (City/Town & State) that you travel to or through most frequently\*\*:

1 \_\_\_\_\_ 2 \_\_\_\_\_ 3 \_\_\_\_\_

4 \_\_\_\_\_ 5 \_\_\_\_\_ 6 \_\_\_\_\_

10. Sightseeing & Urban bus: List the 6 locations (City/Town & State) that you travel to or through most frequently\*\*:

1 \_\_\_\_\_ 2 \_\_\_\_\_ 3 \_\_\_\_\_

4 \_\_\_\_\_ 5 \_\_\_\_\_ 6 \_\_\_\_\_

11. Airport Bus/Shuttle & School Bus: Provide contracts with the Transportation Hub(s), Hotel(s) or School District(s) for which you are providing transportation services. Please list them below:

\_\_\_\_\_  
\_\_\_\_\_

*\*Note that independent contractors must provide a current executed contract with a social service agency (i.e. MART, GATRA, etc.). Failure to do so may result in a premium increase or cancellation of the insurance policy.*

*\*\*Note that the past 3 months of trips logs supporting this information must be provided. Failure to do so may result in a premium increase.*

**EXHIBIT III-B-2**  
(continued)

**Supplemental Application**  
**Public Automobile Information Addendum**

Applicant Name: \_\_\_\_\_

Agent Name: \_\_\_\_\_

By signing below, I hereby certify that all information provided herein is true and accurate.

Signature of Applicant's Authorized Representative: \_\_\_\_\_

Date: \_\_\_\_\_

Printed Name of Applicant's Authorized Representative: \_\_\_\_\_

Title: \_\_\_\_\_

-----  
Witness to the Signator and Signing above:

Signature of Producer: \_\_\_\_\_ Date: \_\_\_\_\_

Printed Name of Producer: \_\_\_\_\_

Agency Name: \_\_\_\_\_

**EXHIBIT III-B-2**

**Supplemental Application**  
**Trucker/Motor Carrier Information Addendum**

Applicant Name: \_\_\_\_\_

Agent Name: \_\_\_\_\_

1. Are filings required of any government or public agency (i.e. DOT or DPU)? ☐ Y ☐ N

If yes, please provide a list of agency names, your ID number (i.e. MC or DOT) & required liability limit:

\_\_\_\_\_

2. Are any vehicles owned, operated or leased that are not included on this application? ☐ Y ☐ N

If yes, please provide details: \_\_\_\_\_

\_\_\_\_\_

3. What is the principal place of garaging of your vehicle(s) when not on the road? *Note that this address may be outside of Massachusetts:*

\_\_\_\_\_

4. If different from the principal place of garaging, list the address from where your trips emanate?

\_\_\_\_\_

5. Do you travel outside of the United States? If so, where? \_\_\_\_\_

6. Terminus Points - List your six most frequent destinations (City & State) and provide the last 4 quarters of IFTA reports to support:

1 \_\_\_\_\_ 2 \_\_\_\_\_ 3 \_\_\_\_\_

4 \_\_\_\_\_ 5 \_\_\_\_\_ 6 \_\_\_\_\_

7. Are all Owner/Operators who haul under your MC Authority scheduled on this policy? ☐ Y ☐ N

If no, please provide details:

\_\_\_\_\_

8. Do you have a signed trailer interchange agreement? ☐ Y ☐ N

If yes, please provide a copy.

**EXHIBIT III-B-2**  
(continued)

**Supplemental Application**  
**Trucker/Motor Carrier Information Addendum**

Applicant Name: \_\_\_\_\_

Agent Name: \_\_\_\_\_

9. Do you hire, rent or borrow any units from others? ☐ Y ☐ N

If yes, will they be scheduled on this policy? ☐ Y ☐ N

If no, please explain: \_\_\_\_\_

10. What is the average term of the lease you generally enter into? \_\_\_\_\_

11. Please indicate by checking the box your understanding that any lease or rental agreement for less than six months is covered only if Hired Automobile Coverage is purchased and if so, extends to liability coverage only? I understand ☐

12. Do you carry Hired Physical Damage Coverage? ☐ Y ☐ N

If yes, provide your policy number and insurance carrier: \_\_\_\_\_

\_\_\_\_\_

13. Please document the most common commodities that you haul:

| Commodity | % of Loads | Cargo Owner(s) |
|-----------|------------|----------------|
|           |            |                |
|           |            |                |
|           |            |                |
|           |            |                |

14. Is hazardous material or hazardous waste hauled? ☐ Y ☐ N

If yes, please provide a description: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



**EXHIBIT III-B-2**

(continued)

**Supplemental Application**  
**Trucker/Motor Carrier Information Addendum**

Applicant Name: \_\_\_\_\_

Agent Name: \_\_\_\_\_

By signing below, I hereby certify that all information provided herein is true and accurate.

Signature of Applicant's Authorized Representative: \_\_\_\_\_

Date: \_\_\_\_\_

Printed Name of Applicant's Authorized Representative: \_\_\_\_\_

Title: \_\_\_\_\_

-----  
Witness to the Signator and Signing above:

Signature of Producer: \_\_\_\_\_ Date: \_\_\_\_\_

Printed Name of Producer: \_\_\_\_\_

Agency Name: \_\_\_\_\_

### **C. Termination of Exclusive Representative Producer Contracts**

#### **1. Termination by a Servicing Carrier**

- a. In accordance with Rule 13.B.6. – Servicing Carrier Requirements, a Servicing Carrier may terminate an ERP contract and authority to bind coverage upon failure of the ERP to meet the eligibility requirements and/or definition of ERP as provided by the Rules of Operation or upon failure of the ERP to fulfill any of the requirements specified in Rule 14.B.1. – Exclusive Representative Producer Requirements.
- b. In order to adequately advise the ERP of the termination and satisfy due process, a notice of termination of an ERP contract must contain sufficient facts and supporting documentation to establish the basis for the termination. At a minimum, a notice of termination of an ERP contract issued by a Servicing Carrier must:
  - 1) Be in writing.
  - 2) State the specific CAR Rule provision(s) that constitute the basis for the termination.
  - 3) Define changes in operational procedures, if any, that the Servicing Carrier intends to implement upon the ERP's receipt of the notice.
  - 4) Advise the ERP of the right to request that the termination be reviewed by CAR, pursuant to Rule 14.H. and include a copy of CAR's "Request for Review/Relief" form.
  - 5) Be hand delivered or mailed by a method that provides proof of mail to the ERP's principal place of business, with a copy of the termination sent to CAR and the Division of Insurance.
  - 6) Identify the specific provision(s) in the ERP contract, if any, that have been violated and constitute the basis for the termination.
- c. If, pursuant to Rules 14 and 20, the ERP requests a review by CAR of the termination, the Servicing Carrier must provide CAR with a copy of any documents and materials referenced in the notice of termination, including, if applicable, the ERP contract. Such documents and materials will become part of the record considered by the reviewing committee(s).

2. Request for Review of a Termination

- a. Pursuant to Rule 14 – Exclusive Representative Producer Requirements, an ERP may request review of a Servicing Carrier’s termination of his or her ERP contract by submitting a completed “Request for Review/Relief” form to CAR. The completed “Request for Review/Relief” form must be received by CAR within 30 calendar days of the delivery of the termination notice.
- b. The receipt by CAR of a completed “Request for Review/Relief” form will stay the ERP’s termination until the ERP has exhausted all appeal rights pursuant to Rule 20 – Review and Appeal. However, any reviewing committee may lift the stay if such stay is not in the best interests of the motoring public.
  - 1) During any stay, Servicing Carriers are not to issue non-renewal notices to the ERP’s customers.
  - 2) During any stay, any operational procedures implemented by the Servicing Carrier pursuant to the notice of termination will remain in effect until they are reviewed by the Market Review Committee.
  - 3) CAR will not decertify the ERP as an Assigned Risk Producer until such time as the ERP has exhausted his or her appeal rights under Rules 14 and 20, or such rights are waived.
- c. The matter will be reviewed initially by the Market Review Committee. Following a decision by the Market Review Committee, a subsequent review by the Governing Committee Review Panel may be requested pursuant to Rule 20 – Review and Appeal. These committees will be convened within 15 business days from CAR’s receipt of the completed “Request for Review/Relief” form unless the aggrieved ERP waives the 15-day requirement. Each party may, but is not required to, be represented by counsel in connection with the review of the termination.
- d. Any formal ruling of the Governing Committee (including a ruling by the Governing Committee Review Panel as its designee) may be appealed to the Commissioner pursuant to Rule 20 – Review and Appeal by filing a notice of appeal with CAR and the Commissioner within 30 days of the ruling. The ruling of the Governing Committee will remain in full effect unless otherwise directed by the Commissioner.

e. Written Materials

- 1) Any written materials to be considered by the reviewing committee must be submitted to CAR's Docket Clerk no later than 12:00 p.m., 5 business days prior to the scheduled meeting date. Timely submitted materials will be docketed by CAR and distributed to the reviewing committee as soon as practicable.
- 2) Written materials submitted to CAR after 12:00 p.m. on the 5th business day prior to the scheduled meeting date will not be entered on the docket, but the submitting party may petition the reviewing committee directly for consideration of such materials. The reviewing committee has the discretion to determine whether such materials will be considered in its deliberations.
- 3) Parties who petition the reviewing committee for the submission of materials are expected to be prepared to provide a minimum of 25 copies at the meeting. Parties should provide copies of ALL written materials that they wish considered in the matter to the opposing party in concert with their submission(s) to CAR and/or the reviewing committee.

3. Guidance for Reviewing Committees

In the event that an ERP requests that the termination of his or her ERP contract be reviewed, the reviewing committee(s) should be guided by the following principles.

a. Foundation for Review

- 1) Upon receipt of a request for review of the termination of an ERP contract, the matter will be docketed by CAR's Docket Clerk.
  - (a) CAR staff, with the assistance of counsel (if directed by CAR's President), will perform a quality check and review the notice of termination, as well as any documentation and materials submitted by the Servicing Carrier, to ascertain whether the Servicing Carrier has complied with Rule 13 – Servicing Carrier Requirements in issuing the notice of termination. CAR staff will not evaluate the amount of information purportedly supporting the termination or make any determination regarding the merits of the termination, or the credibility or probative value of any information submitted to CAR.

(b) During its review of the notice of termination, if CAR staff identifies any deficiencies, CAR staff will inform the Servicing Carrier and the ERP of such deficiencies. However, CAR staff will not review the quantum of supporting documentation.

- 2) CAR staff (or counsel if appropriate), will open the meeting of Market Review Committee (and the Governing Committee Review Panel if there is a subsequent request for review) by framing the issue for review and providing a summary of the procedural history of the matter, including information about the notice of termination and its compliance with the requirements contained in Rule 13 – Servicing Carrier Requirement and the ERP’s request for review.

b. Scope and Standard of Review

- 1) Any operational procedures implemented by the Servicing Carrier pursuant to the notice of termination will be reviewed by the Market Review Committee to determine whether each such operational procedure is in the best interest of the motoring public and should remain in effect during a stay of the termination. Any party aggrieved by the Market Review Committee’s decision with respect to operational procedures may request further review by the Governing Committee Review Panel pursuant to Rule 20 – Review and Appeal.
- 2) The Market Review Committee (and the Governing Committee Review Panel if there is a subsequent request for review) will consider whether the termination should be upheld based on the grounds stated in the notice of termination, and not on any grounds that were not articulated in the notice of termination. The ERP’s conduct in connection with the MAIP or any business other than residual market commercial motor vehicle insurance will not be considered in the review of the Servicing Carrier’s termination of the ERP contract.
- 3) Although CAR staff will perform a quality check and review of the notice of termination and supporting documentation, the reviewing committee is expected to expressly consider the adequacy of the notice of termination and the evidentiary support offered with respect to each claimed basis for termination.
- 4) The Market Review Committee (and the Governing Committee Review Panel if there is a subsequent request for review) is expected to deliberate on each alleged violation that was the basis

of the Servicing Carrier's termination of the ERP contract and, when multiple violations have been alleged, to determine whether each one separately is a valid basis for termination. Pursuant to Rule 20 – Review and Appeal, the reviewing committee should decide whether the termination is an unfair, unreasonable or improper practice.

- 5) In the event that the termination is not upheld, the Market Review Committee (or the Governing Committee Review Panel if there is a subsequent request for review) may defer a finding and establish a probationary period for the ERP and determine which operational procedures, if any, should remain in place during the probationary period. The reviewing committee may establish the probationary period subject to the condition that if any documented transgressions of the same type that formed the basis for the notice of termination or violations of the operational procedures are reported, the termination will be upheld.
- 6) In the event of a request for review of a decision of the Market Review Committee, the Governing Committee Review Panel will review the matter *de novo*. The Governing Committee Review Panel may consider the Market Review Committee's decision but is not bound by it. The Governing Committee Review Panel is entitled to hear statements from the parties and to review additional materials that were not necessarily before the Market Review Committee. If documentation is considered by the Governing Committee Review Panel that was not before the Market Review Committee, the Governing Committee Review Panel should re-examine the action by the Market Review Committee in light of such new documentation.

**D. Servicing Carrier Reimbursement of Premium and Extraordinary Expenses as a Result of an Exclusive Representative Producer Default**

When an ERP collects premium from an insured, but fails to remit all or part of the premium to the Servicing Carrier, or there is unearned commission due the Servicing Carrier as a result of termination of the ERP, a Servicing Carrier may petition CAR for reimbursement. A petition for reimbursement will only be considered if the premium or unearned commission owed is from an Exclusive Representative Producer that does not have a voluntary contract to write automobile insurance with the petitioning Servicing Carrier.

An advisory committee will be appointed to review a Servicing Carrier's petition for reimbursement and will make a recommendation to CAR's Governing Committee as to whether the Servicing Carrier is entitled to reimbursement.

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

1. In support of its petition for reimbursement, the Servicing Carrier must demonstrate that sound business practices and procedures, particularly those relative to premium collection practices, were in place and that at a minimum, the following procedures were followed:

- a) Prior to Default of the ERP:

- (1) An agreement between the Servicing Carrier and the ERP relative to required premium collection and payment procedures was in place;
- (2) The Servicing Carrier had monitored the timely submission of applications by the ERP;
- (3) The Servicing Carrier had maintained communication with the ERP through agency visits, accounting briefings and other means to provide the ERP with an understanding of company procedures;
- (4) If the ERP had a history or evidence of collection and payment problems, procedures had been put in place by the Servicing Carrier to monitor ERP compliance. Such procedures may include, but are not limited to, regular agency visits and the strict monitoring of timely premium remittances.

- b) After Default of the ERP:

- (1) The Servicing Carrier had used reasonable premium collection practices including, but not limited to, the following:
  - (a) Providing proof of cancellation or audit letters to all impacted insureds;
  - (b) Submitting a demand notice to the Exclusive Representative Producer;
  - (c) Providing notice to the Commissioner of Insurance and CAR;
  - (d) Taking legal action to recover the premium dollars at issue as well as company supplies;
- (2) The Servicing Carrier had made reasonable provisions to service the policyholders affected.

2. To determine the form and amount of recommended reimbursement, the following should be considered:
  - a) Policies for which the insured has presented proof of payment versus cancelled coverage.
  - b) Net loss versus gross premium (net of commission).
3. Other Considerations for Reimbursement

Other recommended considerations for reimbursement shall include, but are not limited to, the following:

- a) In some cases, appropriate legal steps to preclude further opportunity for fraud may be required, such as action under G.L. c. 175, §176.
- b) Reimbursement may be made to the Servicing Carrier in the amount requested less the expected amount to be realized from the sale of the agency. The amount of reduction shall be based on:
  - (1) The number of policies/vehicles currently contained in the ERP's book of business.
  - (2) The current market rate of agency sales based on agency size and location.

However, if the sale of the agency has not been affected within six months of the approved initial reimbursement, the Servicing Carrier may be reimbursed fully if it can satisfy the Committee that it has diligently pursued a sale.

Prior to any recommendation being made to the Governing Committee, verification that all premium subject to reimbursement has been properly reported to CAR will be made.

4. In instances where an ERP is determined to be in default and the Servicing Carrier incurs extraordinary expenses in handling the default, the Servicing Carrier may subsequently petition CAR for reimbursement of these expenses. Expenses may include: professional services such as attorneys, auditors, serving of legal papers, etc. Prior to contracting these services, the Servicing Carrier must complete the Servicing Carrier Request for Reimbursement of Extraordinary Expenses (Exhibit III-D-1) and obtain approval from CAR.

In support of its petition for reimbursement of extraordinary expenses incurred, the Servicing Carrier must demonstrate that it acted in a timely



manner to cure the default and has taken action to attach the assets of the agency. In addition, the Servicing Carrier must also ensure that all reasonable precautions have been taken to prevent continued violations by the ERP.

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

**EXHIBIT III-D-1**

**Servicing Carrier Request for Reimbursement of Extraordinary Expenses**

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

**E. Request for Reimbursement of Extraordinary Expenses from the Commercial Automobile Servicing Carrier Program**

A Servicing Carrier may be reimbursed in whole or in part for a specific, necessary and extraordinary expense incurred in performing its obligations as a Servicing Carrier. The Servicing Carrier must petition CAR for such relief and the expense must be actually incurred before reimbursement. Such expense must be explained by the Servicing Carrier in such detail as is requested and establish that the expense is necessary and significantly in excess of the normal additional expense that could reasonably have been contemplated by the Servicing Carrier in acceptance of the terms of CAR's request for proposal for the current service period.

**1. Reimbursement Considerations**

An advisory committee will be appointed to review a Servicing Carrier's petition for reimbursement and will make a recommendation to CAR's Governing Committee as to whether or not the Servicing Carrier qualifies for the reimbursement it requested or some portion thereof. Reimbursement of an extraordinary expense will be reviewed on an individual case basis.

**2. Procedures**

**a. Request for Reimbursement**

A Servicing Carrier must provide CAR with timely and reasonable notification that it is seeking reimbursement of extraordinary expenses involved in a matter it deems to be significantly in excess of costs that could reasonably have been contemplated in the expense allowance provision for the current Servicing Carrier program.

The Servicing Carrier must complete a Request for Reimbursement of Extraordinary Expenses form (Exhibit III-E-1) with a copy sent to the Commissioner of Insurance. The following additional information must also be provided:

- 1) A summary of the request.
- 2) A detailed description of the issue(s) directly responsible for the request and why the petitioner deems its efforts as being necessary and extraordinary, i.e., why the effort/expense is considered to be outside of the scope of services accepted by the carrier in response to CAR's Request for Proposal for Commercial Automobile Servicing Carrier Appointment.

- 3) A background of events, in chronological order, leading up to the request, including pertinent correspondence and documentation between the company(s), producer(s) and/or any other involved entity.
- 4) A summary of efforts undertaken by the Servicing Carrier to mitigate the impact to the residual market.
- 5) A detailed accounting of any incurred expenses directly related to the residual market issue by company employees and/or contracted service providers utilized by the company on a regular or routine basis that are alleged to be extraordinary. Provide detailed explanations as to why these specific efforts/costs are deemed to be necessary, significant and extraordinary.
- 6) An explanation for the need of any outside business, legal or other service provider contracted to specifically address resolution of the issue(s) along with the anticipated costs and an accounting of any expenses already incurred that are directly related to the issue presented by the Servicing Carrier.
- 7) Confirmation that the Commissioner of Insurance has been copied on the request.

b. Advisory Committee Review

The appointed advisory committee will be charged with determining whether or not the Servicing Carrier had diligently used usual and customary procedures for managing residual market business, including effective oversight of agency/company business submissions (underwriting, loss control, etc.) and whether the company diligence was timely in addressing issues that may have otherwise held costs to lower amounts. The petitioning Servicing Carrier must demonstrate that it qualifies for relief and address why the expected and/or incurred extraordinary costs could not have been anticipated in the Servicing Carrier's acceptance of the service terms and the expense allowance provision resulting from Servicing Carrier selection process. The committee's presumption prior to review of the request will be that expense allowance expectations for residual market business were intended to be at a level that would anticipate and require a higher level of management versus voluntary business. A decision to authorize reimbursement and the amount of reimbursement will not be based solely on whether the Servicing Carrier's efforts were justified but also on whether the efforts are

deemed to have been extraordinary and the company took appropriate steps to mitigate negative impact to the residual market.

The advisory committee will require any level of detail it may deem necessary to support the amount of the requested reimbursement. The Servicing Carrier bears the burden of providing adequate documentation and justification for all requested expense amounts. Reimbursable expenses must be already paid, directly related to the residual market issue, and quantifiable and verifiable prior to reimbursement and are subject to the further approval required in 2.d. and 2.e. of this Section.

c. CAR Review of an Approved Expense Reimbursement

To the extent that clarification or revision of the original requested reimbursement amount occurs as a result of advisory committee deliberations, CAR staff will verify that all documentation supports the recommended reimbursement amounts pursuant to the committee discussion.

d. Governing Committee and Commissioner of Insurance Approval

The Governing Committee will consider whether to authorize reimbursement of all or any part of the amount requested. Any decision by CAR's Governing Committee to approve reimbursement of extraordinary expenses, will be sent to the Commissioner of Insurance for review.

e. Reimbursement by CAR

If approved by the Commissioner of Insurance, CAR staff will review final expense documentation to confirm compliance with the approved reimbursement amount and approved reimbursement payments will be processed as bulk adjustments to the Servicing Carrier's Settlement of Balances and the Governing Committee will be notified.

**EXHIBIT III-E-1**

|  |               |               |
|--|---------------|---------------|
| <b>COMMONWEALTH AUTOMOBILE REINSURERS</b>  |               |               |
| <b>REQUEST FOR REIMBURSEMENT OF EXTRAORDINARY EXPENSES<br/>COMMERCIAL AUTOMOBILE SERVICING CARRIER PROGRAM</b>   |               |               |
| <b>Company Name:</b>   |               |               |
| <b>Requestor/Contact Name:</b>   |               | <b>Date:</b>  |
| <b>Tel. #:</b>   | <b>Fax #:</b> | <b>Email:</b> |
| <b>Signature:</b>  |               |               |
| <b>Total Requested Reimbursement Expense Amount:</b>   |               |               |
| <b>Reason For Reimbursement Request:</b>   |               |               |
| Concisely summarize the reason(s) for your request(s) and provide an overview of the nature of your issue(s).  |               |               |
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|  |               |               |
|  |               |               |
| <i>Please reference CAR's Manual of Administrative Procedures, Chapter III, Section E. for procedures and documentation requirements relative to a request for reimbursement of extraordinary expenses.</i>  |               |               |
| <b>Scheduling of Review</b>  |               |               |
| Upon receipt of a completed Request for Reimbursement of Extraordinary Expenses form, a hearing date will be established as coordinated by CAR with the petitioning party and the designated committee chair. After a date has been confirmed, CAR will issue a written Notice of Meeting in compliance with the Open Meeting Law.   |               |               |
| <b>Submission of Written Information</b>   |               |               |
| Any written materials to be considered by the designated committee must be submitted to CAR's Docket Clerk no later than 12:00 p.m., five business days prior to the scheduled meeting date. Timely submitted materials will be docketed by CAR and distributed to the committee as soon as practicable. Written materials submitted to CAR after 12:00 p.m. on the fifth business day prior to the scheduled meeting date will not be entered on the docket, but the submitting party may petition the committee directly for consideration of such materials. The committee has the discretion to determine whether such materials will be considered in its deliberations. If the committee allows such materials to be considered, the submitting party is expected to be prepared to provide a minimum of 25 copies at the meeting. |               |               |
| <u><b>All document submissions must be in compliance with M.G.L. c. 93H and 201 CMR 17.00: Standards for the Protection of Personal Information of Residents of the Commonwealth (i.e. personal information, as defined, must be redacted). Any document submission determined to not be in compliance will result in the document being returned to the sender for correction and may impact its distribution to the reviewing committee.</b></u>   |               |               |

**A. Cession Reporting Requirements**

**1. General Information**

**a. Ceding Business to Commonwealth Automobile Reinsurers**

In order to cede business to Commonwealth Automobile Reinsurers (CAR), Servicing Carriers must submit a cession record to CAR. Servicing Carriers may submit cession records via FTP (File Transfer Protocol) transmission, or through CAR's online cession reporting application which may be accessed from the Reports page of CAR's website.

If the ceded policy is new business to the company or group, a Transaction Code 1 (New Business) cession record should be reported by the Servicing Carrier. If the ceded policy is renewal business to the company or group, a Transaction Code 2 (Renewal Business) cession record should be reported by the Servicing Carrier.

Cession records are accepted for only the three most current policy effective years, as specified in the Call Schedule published as a CAR Accounting and Statistical Notice at the beginning of each calendar year. A cession record received after reporting has ceased for an effective year will be rejected by CAR.

Note that if a Servicing Carrier cedes a policy that provides coverage for more than one automobile, the entire policy is considered to be ceded to CAR, subject to the cedeable limits and coverage limitations as specified in Rule 6 – Coverages of CAR's Rules of Operation.

For additional information relative to the reporting of cession records to CAR, refer to the Policy Edit Package and the Cession Edit Package which are available on the Manuals page of CAR's website.

**b. Determining the Effective Date of Cession**

The date upon which loss coverage on a ceded policy begins is referred to as the cession effective date. The cession effective date is determined based upon the receipt date of the cession record as compared to the policy effective date and premium receipt date. The cession effective date will equal the policy effective date if:

1. CAR receives the Transaction Code 1 (New Business) cession record within 23 calendar days subsequent to the policy effective date.
2. CAR receives the Transaction Code 2 (Renewal Business) cession record on or before the policy effective date.

Otherwise, the cession effective date will equal the date CAR receives the cession record. However, if CAR receives Transaction Code 11 (New or Renewal) premium prior to receipt of the cession record, the receipt date of the earliest reported premium record will be the cession effective date. Note that in the case where the earliest premium records reported on a ceded policy are washout records, CAR will not use those premium records to determine the cession effective date.

## 2. Automatic Cession Backdate

### a. Electing a 100% Cede Option

A Servicing Carrier may elect to cede 100% of an Exclusive Representative Producer's (ERP's) new business. If a Servicing Carrier elects this option, the cession effective date of all reported Transaction Code 1 (New Business) cession records will be automatically backdated to the policy effective date, regardless of the date that CAR received the cession record.

CAR must receive the Servicing Carrier's notification of its election to cede 100% of an ERP's new business within the timeframes specified in Rule 13.B.7.c. of CAR's Rules of Operation.

For policies with effective dates prior to January 1, 2022, all reported Transaction Code 1 (New Business) cession records from producers assigned to the Servicing Carriers appointed to service residual market taxi, limousine and car service business are provided with automatic cession backdates. For policies with effective dates January 1, 2022 and subsequent, the automatic backdate of all commercial cessions, including taxi, limousine, and car service business, will only occur if the Servicing Carrier has elected to cede 100% of the Exclusive Representative Producer's new business.

If the automatic backdate option is not selected, all reported Transaction Code 1 (New Business) and 2 (Renewal Business) cession records will receive a cession effective date using the cession effective date calculation procedures noted in Section A.1.b. of this Chapter.

### b. Monitoring Servicing Carrier Compliance with 100% Cede Option

For those ERPs for which a Servicing Carrier has elected the 100% cede option, CAR monitors the latest three reporting years for cession activity. On a quarterly basis, information that identifies the industry volume, by company, of backdated cessions is published in CAR's Operational Reports which is available on Reports page of CAR's website under the Company Status Reports link. The information provided includes the number of each Servicing Carrier's policies that are eligible for backdate and the number and percentage of cessions backdated. If more than 5% of the Servicing



Carrier's total new business cessions are backdated, or if more than 5% are backdated but fall within the 5% and 25 policies in error tolerance level, that information will also be identified.

After the second quarter of the calendar year, if CAR determines that more than 5% and 25 policies of a Servicing Carrier's new business cessions from ERPs for a particular policy effective year have been automatically backdated, CAR will request the Servicing Carrier to provide CAR with a written description of the cause of their reporting problem, including an action plan for timely reporting in the future.

Any problematic reporting patterns will be brought to the attention of the Compliance and Operations Committee.

### 3. Submission Methods

A Servicing Carrier may not submit a cession record more than 90 calendar days prior to the policy effective date. Cession records submitted outside that time period will not be accepted by CAR's cession system. Cession records may be reported to CAR using the following methods:

#### a. Reporting Cession Records via CAR's Online Cession Application

Cession records may be reported using CAR's online cession application. For additional information relative to the specific cession screens to be utilized by Servicing Carriers, refer to Section D. of this Chapter.

On CAR's website, from the Reports tab (Exhibit IV-A-1), log in and click on the Cessions link (Exhibit IV-A-2) to access the cession data and reports screens.

From the Cessions screen (Exhibit IV-A-3), click on the Cession Entry link to add a cession record. Enter the following fields on the Cession Entry screen (Exhibit IV-A-4). Note that the application does not allow for blank fields. If a field is left blank, the application will provide a prompt to complete the field.

The following instructions apply:

- 1) Company Code – The three-digit company code associated with the user's log-on ID is displayed. This code is also the three-digit code used to report premium and loss accounting/statistical data.
- 2) CAR ID Code – Select the code that reflects the type of relationship that exists between the Servicing Carrier and the producer writing the policy. Acceptable codes are as follows:

4 = Ceded Business from Voluntary Agents

This includes ceded business from voluntary agents or written directly by the company.

5 = Ceded Business from ERPs (No voluntary contract)

This includes ceded business from an ERP with whom the Servicing Carrier does not have a voluntary motor vehicle insurance contract.

- 3) Policy Identification Number – Enter the complete policy number consisting of three to sixteen 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 as reported in the detailed statistical shipments reported to CAR on a monthly basis.
- 4) Policy Effective Date – Enter the policy effective date (month/day/year) of the policy. The effective year must equal a valid cession reporting year and the policy effective date must be no later than the current date plus 90 calendar days.
- 5) Policy Expiration Date – Enter the policy expiration date (month/day/year). This date cannot be greater than two years after the policy effective date.
- 6) Risk Indicator – Select the one-digit code applicable to the risk(s) written on the policy. Acceptable codes are as follows:

Policies with effective dates December 31, 2021 and prior:

1 = Taxicab, Limousine or Car Service Policy

All risks on the policy must have a Taxicab, Limousine or Car Service classification code, as listed in the Commercial Statistical Plan.

2 = Other Commercial Policy (Not Taxicab, Limousine or Car Service)

All risks on the policy must have a classification code, listed in the Commercial Statistical Plan that is not a Taxicab, Limousine or Car Service classification code.

Policies with effective dates January 1, 2022 and subsequent:

2 = Commercial Policy

All risks on the policy must have a classification code listed in the Commercial Statistical Plan.

- 7) Transaction Code – Select the one-digit numeric code. Acceptable codes are as follows:

1 – New Business (to the company)

2 – Renewal Business (to the company)

4 – Policy Not Taken or Cancelled

Note that if the Servicing Carrier has already reported premium for the policy, a Transaction 4 cession record must not be reported. Instead, cancellation premium records should be reported in a monthly accounting/statistical shipment. For additional information, refer to Section C.1. of this Chapter.

5 – Policy Not Ceded

Note that if the Servicing Carrier has already reported premium for the policy, a Transaction 5 cession record must not be reported. Instead, cancellation premium records should be reported in a monthly accounting/statistical shipment. For additional information, refer to Sections C.1. and C.3. of this Chapter.

- 8) Insured's 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 and no more than sixteen alphabetic and/or numeric characters.
- 9) Producer Code – Enter the unique producer code number as assigned by the Servicing Carrier. The Producer Code must consist of three to six alphabetic and/or numeric characters.

The application will not allow Servicing Carriers to add a cession record that contains a fatal error. The field containing the fatal error will be identified and the cession record will not be added unless the fatal error condition is corrected. If the Servicing Carrier creates a non-fatal error when adding a cession record, the field in error will be identified and the Servicing Carrier will be given the option to either correct the field in error or to continue and add the error record to CAR's cession database. If the Servicing Carrier chooses to add a cession record that contains a non-fatal error, the record will be immediately loaded to the cession database and will display on the Cession Correction screen (Exhibit IV-D-3). For additional information relative to cession error correction procedures, refer to Section E. of this Chapter.

Note that all cession records entered via the cession reporting application in a single day are considered one batch.

b. Reporting Cession Records via FTP Transmission

To report cession records to CAR via FTP transmission, Servicing Carriers must complete the FTP User Account Request Form located on CAR's website, under the Data Transfers link. Once the FTP Account has been established, cession record transmissions can be submitted directly via CAR's FTP site.

Servicing Carriers can report cession records via FTP transmission on a continual basis with no more than 15 batches allowed in one day and with transmissions not to exceed one hour of transmission time.

CAR will assign a receipt date to a cession transmission submission according to the date and time that the transmission was started. All transmissions submitted to CAR on a weekend or holiday or submitted on a CAR business day after 7:00 p.m. Eastern Standard Time will be assigned a receipt date equal to the following CAR business day. All transmissions submitted to CAR before 7:00 p.m. Eastern Standard Time on a CAR business day will be assigned a date received equal to the date of transmission. Cessions reported via FTP transmission are processed nightly for formatting verification and loaded to the permanent database file the following day.

The record layout for cession records reported via FTP transmission is as follows:

| Location | Field Length | Field Name     | Contents  |
|----------|--------------|----------------|---|
| 1        | 1            | Kind of Record | Numeric: 1 – indicates cession record   |
| 2 – 3    | 2            | State Code     | Numeric: 20 – indicates Massachusetts   |
| 4 – 9    | 6            | CAR Use Only   |   |
| 10       | 1            | CAR ID Code    | Numeric:<br>4 – Voluntary Agent Business<br>5 – ERP Business  |
| 11 – 14  | 4            | Company Code   | Numeric: Three-digit code as assigned by CAR preceded by a zero (0). This should be the same three-digit code used to report premium and loss statistical data. |

| Location | Field Length | Field Name              | Contents   |
|----------|--------------|-------------------------|--|
| 31 – 36  | 6            | Effective Date          | Numeric: Effective date of the policy in month/day/year order:<br>Month: two digits, 01 through 12<br>Day: two digits, 01 through 31<br>Year: two digits, valid effective year<br>The policy effective date cannot be later than the current date plus 90 calendar days. |
| 37 – 42  | 6            | Expiration Date         | Numeric: Expiration date of the policy in month/day/year order.<br>Month: two digits, 01 through 12<br>Day: two digits, 01 through 31<br>Year: two digits, valid expiration year   |
| 43       | 1            | Risk Indicator          | Numeric:<br>Policies effective December 31, 2021 and prior:<br>1 – Taxi, Limousine or Car Service Policy<br>2 – All Other Commercial Policy<br>Policies effective January 1, 2022 and subsequent:<br>2 – Commercial Policy   |
| 44       | 1            | Transaction Code        | Numeric:<br>1 – New Business<br>2 – Renewal Business<br>4 – Policy Not Taken or Cancelled<br>5 – Policy Not Ceded  |
| 45 – 49  | 5            | Reserved for Future Use |  |
| 50 – 55  | 6            | Producer Code           | Alphanumeric: The unique company assigned code number for each producer, consisting of at least three, but no more than six, alphabetical and/or numeric characters. Must be left justified.   |
| 56 – 64  | 9            | Reserved for Future Use |  |
| 65 – 80  | 16           | Insured's Name          | Alphanumeric: The last name first followed by the first name and middle initial. Must be left justified and consist of at least two characters. For partnerships, corporations, etc., enter a name that clearly identifies the insured.                                  |

Cession record FTP transmissions must also contain certain shipment identification records that will be used by CAR to control the processing of the data submitted, including a begin transmission record, batch control record(s) and an end of transmission record. The following coding instructions should be used:

(1) Begin Transmission Record

The begin transmission record is an 80-character record that is used to provide information identifying the submission. The begin transmission record must be the first record contained in every transmission and there must only be one begin transmission record per transmission.

| Location | Field Length | Field Name                    | Contents  |
|----------|--------------|-------------------------------|---|
| 1        | 1            | Kind of Record                | Numeric: 2 – indicates FTP transmission   |
| 2 - 3    | 2            | Type of Submission            | Numeric:<br>01 – indicates original submission  |
| 4 - 7    | 4            | Account Identification Number | Alphanumeric:<br>Four-character alphanumeric identification number as assigned by CAR or the company.   |
| 8 - 11   | 4            | Filler                        |   |
| 12 - 17  | 6            | Creation Date                 | Numeric: indicates the system date (YYMMDD) upon which the company internally created the transmission. |
| 18 - 80  | 63           | Filler                        |   |

(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 80-character batch control record must follow the last detail cession record of each group. Note if the submission is not divided into batches, a single batch control record must follow the last detail cession record in the transmission.

| Location | Field Length | Field Name             | Contents   |
|----------|--------------|------------------------|--|
| 1        | 1            | Kind of Record         | Numeric: 5 – indicates batch control record  |
| 2 - 3    | 2            | Type of Submission     | Numeric:<br>01 – indicates original submission   |
| 4 - 10   | 7            | Total Records in Batch | Numeric: right justified with leading positions zero filled. Denotes the number of records in the preceding batch. |
| 11       | 1            | Filler                 |  |
| 12 - 14  | 3            | Company Number         | Numeric: three-digit company number assigned by CAR  |
| 15 - 80  | 66           | Filler                 |  |

(3) End-Of-Transmission Record

The 80-character end-of-transmission record must be the last record in a cession transmission.

| Location | Field Length | Field Name                    | Contents  |
|----------|--------------|-------------------------------|---|
| 1        | 1            | Kind of Record                | Numeric: 9 – indicates end-of-transmission record   |
| 2 - 3    | 2            | Type of Submission            | Numeric:<br>01 – indicates original submission  |
| 4 - 7    | 4            | Account Identification Number | Alphanumeric:<br>Four-character alpha-numeric identification number as assigned by CAR or the company.  |
| 8 - 11   | 4            | Filler                        |   |
| 12 - 18  | 7            | Total Records in Transmission | Numeric: right justified with leading positions zero-filled. Denotes total number of records in the transmission (including detail cession records and batch control records but excluding the begin transmission record and the end-of-transmission record). |
| 19 - 80  | 62           | Filler                        |   |

#### 4. Cession Acknowledgment Procedures

To acknowledge CAR's receipt of transmitted cession records, companies may reference the following reports:

##### a. FTP Transmissions Report

The FTP Transmissions Report on CAR's website is updated on a daily basis to provide summary level information relative to a company's cession record transmissions. Transmissions will be acknowledged on a batch level and will include the following information:

- Company Number
- Date Processed by CAR
- Account Identification Number
- Transmission Time
- Transmission Date
- Number of Cessions (from the company reported batch control record)
- Total Cession Records Received (as counted from data submission)

If the Number of Cessions count from the batch control record does not match the Total Cession Records Received count, CAR will contact the company and may reject the cession submission.

Additionally, upon request by a Servicing Carrier, CAR will transmit through its FTP site, a data file that contains those cessions that were added to CAR's cession database file and cession corrections that were processed. Companies can use this file to automate their cession verification procedures by matching the cessions the company intended to submit to those actually loaded to CAR's cession database. For record layout information, contact CAR's Operations Services Department.

##### b. Online Cession Activity Acknowledgement

All cession activity occurring via CAR's online cession reporting application is immediately loaded to CAR's cession database and may be acknowledged by viewing the Cession Records screen (Exhibit IV-D-1) to confirm the addition of specific cession records. Servicing Carriers may enter start and stop load dates to view cessions processed during a specific period of time.

Additionally, for balancing purposes, Servicing Carriers may obtain summary counts from the Batch Totals screen (Exhibit IV-D-7) of cessions added, corrected and deleted, immediately following the cession activity. Servicing Carriers may review these screens at any time to verify cession reporting.



Any identified problems must be reported to CAR as soon as possible so that CAR may process any necessary adjustments or cession backdates, if appropriate. For additional information relative to cession backdate procedures, refer to Section H. of this Chapter.

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09/30 | 2Q 2019 Participation Ratios  
09/06 | 06 2019 Settlement of Balances

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**EXHIBIT IV-A-3**  
**CESSIONS SCREEN**

|   |   |      |           |           |         |            |          |            |           |            |           |          |     |          |      |        |  |  |  |  |  |  |  |
|---|---|------|-----------|-----------|---------|------------|----------|------------|-----------|------------|-----------|----------|-----|----------|------|--------|--|--|--|--|--|--|--|
|  | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 2px 5px;">Home</td> <td style="padding: 2px 5px;">About CAR</td> <td style="padding: 2px 5px;">MAIP</td> <td style="padding: 2px 5px;">Reports</td> <td style="padding: 2px 5px;">Bulletins</td> <td style="padding: 2px 5px;">Manuals</td> <td style="padding: 2px 5px;">Committees</td> <td style="padding: 2px 5px;">Calendar</td> <td style="padding: 2px 5px;">Contact Us</td> <td style="padding: 2px 5px;">Schedules</td> <td style="padding: 2px 5px;">Training</td> </tr> <tr> <td style="padding: 2px 5px;">FAQ</td> <td style="padding: 2px 5px;">Site Map</td> <td style="padding: 2px 5px;">Help</td> <td style="padding: 2px 5px;">Search</td> <td colspan="7"></td> </tr> </table> | Home | About CAR | MAIP      | Reports | Bulletins  | Manuals  | Committees | Calendar  | Contact Us | Schedules | Training | FAQ | Site Map | Help | Search |  |  |  |  |  |  |  |
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|   |   |   |  |
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| <p><a href="#">Reports</a> &gt; <a href="#">Cessions</a></p> <p><b>Cession Data</b><br/> <a href="#">Cession Entry</a><br/> <a href="#">Cession Correction</a><br/> <a href="#">Cession Update</a><br/> <a href="#">Company Notes</a></p> <p><b>Cession Reports</b><br/> <a href="#">Cession Records</a><br/> <a href="#">Batch Totals</a><br/> <a href="#">Fatal Cessions</a></p> <p><b>Additional Applications in Commercial Only</b><br/> <a href="#">Forms, Manuals</a><br/> <a href="#">CAR Accounting</a><br/> <a href="#">Experience Rating</a><br/> <a href="#">Rate Edit</a><br/> <a href="#">Servicing Carrier Profile</a></p>  | <p><b>Cessions</b></p> <p>The Cession record is the first notification from a Servicing Carrier that it is choosing to cede a policy to CAR. There are a number of fatal and non-fatal cessions edits that validate the cession record.</p> <p>This cession system allows users to add, correct, delete, and view cession records reported to CAR. Please contact Data Operations with any inquiries Please contact <a href="#">Data Operations</a> with any inquiries.</p> <table style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> <p><b>Cession Data</b></p> <p> <a href="#">Cession Entry</a><br/>           Use this function to submit a new cession record for processing.</p> <p> <a href="#">Cession Correction</a><br/>           Use this function to correct an existing cession record that has a non-fatal error.</p> <p> <a href="#">Cession Update</a><br/>           Use this function to change specific fields on the cession record such as Insured's Name, Producer Code, Effective Month or Day, Transaction Code, etc.</p> <p> <a href="#">Company Notes</a><br/>           Use this function to add or update notes for a specific policy (per policy effective year).</p> </td> <td style="width: 50%; vertical-align: top;"> <p><b>Cession Reports</b></p> <p> <a href="#">Cession Records</a><br/>           Use this function to view all cession records for the three most current reporting years.</p> <p> <a href="#">Batch Totals</a><br/>           Summary total by date received and media type.</p> <p> <a href="#">Fatal Cessions</a><br/>           Use this function to view all fatal cessions.</p> </td> </tr> </table> | <p><b>Cession Data</b></p> <p> <a href="#">Cession Entry</a><br/>           Use this function to submit a new cession record for processing.</p> <p> <a href="#">Cession Correction</a><br/>           Use this function to correct an existing cession record that has a non-fatal error.</p> <p> <a href="#">Cession Update</a><br/>           Use this function to change specific fields on the cession record such as Insured's Name, Producer Code, Effective Month or Day, Transaction Code, etc.</p> <p> <a href="#">Company Notes</a><br/>           Use this function to add or update notes for a specific policy (per policy effective year).</p> | <p><b>Cession Reports</b></p> <p> <a href="#">Cession Records</a><br/>           Use this function to view all cession records for the three most current reporting years.</p> <p> <a href="#">Batch Totals</a><br/>           Summary total by date received and media type.</p> <p> <a href="#">Fatal Cessions</a><br/>           Use this function to view all fatal cessions.</p> |
| <p><b>Cession Data</b></p> <p> <a href="#">Cession Entry</a><br/>           Use this function to submit a new cession record for processing.</p> <p> <a href="#">Cession Correction</a><br/>           Use this function to correct an existing cession record that has a non-fatal error.</p> <p> <a href="#">Cession Update</a><br/>           Use this function to change specific fields on the cession record such as Insured's Name, Producer Code, Effective Month or Day, Transaction Code, etc.</p> <p> <a href="#">Company Notes</a><br/>           Use this function to add or update notes for a specific policy (per policy effective year).</p> | <p><b>Cession Reports</b></p> <p> <a href="#">Cession Records</a><br/>           Use this function to view all cession records for the three most current reporting years.</p> <p> <a href="#">Batch Totals</a><br/>           Summary total by date received and media type.</p> <p> <a href="#">Fatal Cessions</a><br/>           Use this function to view all fatal cessions.</p>  |   |  |

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|--|---|

**EXHIBIT IV-A-4**  
**CESSION ENTRY SCREEN**



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**Cession Entry**  
Use this function to submit a new cession record for processing.

Company  
| 999

CAR ID  
4 - Voluntary Agent

Policy ID

Eff Date

Exp Date

Recv Date  
08/06/2021

Risk Type  
2 - All Other Commercial

Trans Code  
1 - New Business

Insured Name

Producer Code

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## **B. Extending a Policy**

### **1. General Information**

A policy may only be extended with a policyholder's approval. The Servicing Carrier must make relevant documentation available to CAR upon request.

If a ceded policy is to be extended, the extended period must also be ceded. However, if the Servicing Carrier desires to, instead, retain the policy as voluntary business, the original ceded policy must be canceled and a new voluntary policy must be written. Refer to Section C.3. of this Chapter for reporting instructions.

If a company wishes to cede an extended policy that was previously voluntary, the entire policy premium is due CAR but the Servicing Carrier's responsibility for loss coverage will be relinquished as of the cession effective date. This procedure is similar to that of a mid-term cession of a policy as referenced in Section B.1. of Chapter V – Premium of this Manual. The dates of the cession record must be the original policy effective date and the new expiration date.

As an alternative to extending a voluntary policy and then ceding it, the company may cancel and rewrite the voluntary policy under a new policy number.

### **2. Reporting Options**

When a ceded policy is extended, options for the reporting of cession and premium records are as follows:

#### **a. Extension by Endorsement**

- 1) Submit Transaction 12 (Endorsement or Policy Extension) premium records under the original policy number to inform CAR of the extension. CAR must receive these records no later than the accounting month following the effective date of the extension. The premium records will be coded as follows:
  - (a) The policy expiration date reported on the premium records must reflect the new, extended policy expiration date. The new policy expiration date cannot be more than 24 months later than the original policy effective date.
  - (b) Report the additional premium and exposure for the period between the original policy expiration date and the new extended policy expiration date.
  - (c) The policy effective date reported on the premium records must be the original policy effective date.

(d) The transaction effective date must be the policy expiration date of the original policy.

- 2) Any transactions occurring subsequent to the extended policy expiration date must be reported with a Transaction Code 12 (Endorsement or Policy Extension), the original policy effective date and the new, extended policy expiration date.
- 3) A cession correction that updates the cession record to reflect the new, extended policy expiration date must be processed via CAR's online cession reporting application. This correction must be processed prior to the original policy expiration date. Refer to Section E. of this Chapter for additional information relative to the reporting of cession corrections.

b. Extension by Cancellation and Rewrite

If the policy is extended by cancellation and rewrite, report the unearned premium from the original policy as a Transaction Type Code 13 (Cancellation of Policy Pro Rata or Short Rate) premium record. Report the new policy premium with a Transaction Type Code 11 (New or Renewal) and the new policy number to identify the rewritten policy.

**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 also permissible for a Servicing Carrier to terminate the cession of a policy mid-term and rewrite the policy as voluntary business. Refer to Section C.3. of this Chapter for additional information.

1. Policy Not Taken - Cession Flat Cancellation

When a Servicing Carrier cedes a policy 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 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. Report a Transaction Code 4 Cession Record

If the Servicing Carrier has not yet recorded the premium as written premium, the Servicing Carrier must notify CAR of cession termination by submitting a Transaction Code 4 (Policy Not Taken or Cancelled) cession record via the online cession reporting application or by FTP transmission. The Servicing Carrier must submit the Transaction Code 4 cession record within 90 calendar days after the policy effective date.

b. Report Transaction Code 15 Premium Records

If the Servicing Carrier has recorded the premium as written, the termination of cession must be accomplished by reporting Transaction Code 15 (Cancelled Flat) premium records. A Transaction Code 4 cession record should not be submitted.

2. Flat Cancellation Audit

Servicing Carriers are monitored for proper reporting of Transaction Code 4 (Policy Not Taken or Cancelled) cession records and Transaction Code 15 (Cancelled Flat) premium records to assure that policies have been properly flat cancelled. A Servicing Carrier must maintain documentation that verifies that the policy was not taken for a minimum of 10 months.

Semiannually, in February and August, CAR will randomly sample ceded policies that have been flat canceled by Servicing Carriers via Transaction Code 4 (Policy Not Taken or Cancelled) cession records and Transaction Code 15 (Cancelled Flat) premium records. Sampling of flat cancellations will be performed separately by policy effective year and by transaction code for the three most recent policy effective years. No more than 10 policies will be selected for each policy effective year.

The February sample will include those policies that were flat canceled by Transaction Code 15 (Cancelled Flat) premium records during the June through November accounting/statistical shipments, and Transaction Code 4 (Policy Not Taken or Cancelled) cession records received from approximately July 2 through January 1. The August sample will include those policies that were flat canceled by Transaction Code 15 premium (Cancelled Flat) records during the December through May accounting/statistical shipments, and Transaction Code 4 (Policy Not Taken or Cancelled) cession records received from approximately January 2 through July 1.

Upon notification, Servicing Carriers may view the February and August samples by clicking on the Flat Cancel Sample link from the CAR Accounting screen (Exhibit IV-C-1). From the Flat Cancel Sample screen (Exhibit IV-C-2) and the Flat Cancel Sample Details screen (Exhibit IV-C-3), Servicing Carriers may view the individual policies that require supporting documentation. The



Servicing Carrier will be required to provide CAR, within 60 days, proper documentation to validate the flat cancellation for at least 80% of each category of sampled policies. For samples of less than five canceled policies, the Servicing Carrier must provide valid documentation for all policies in the sample in order to avoid a penalty.

Supporting documentation must be uploaded to CAR through the online cession application. The following is acceptable documentation that may be submitted to validate the flat cancellation of a policy:

- Statutory Notice of Cancellation
- Plate Return Receipt
- Notice of Transfer of Insurer
- Registry of Motor Vehicle System Printouts for Plate Return
- Registry of Motor Vehicle System Printouts for Transfer of Insurer
- Cancellation Request/Policy Release Form
- Evidence that the policy was ceded under another policy
- Evidence that 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)

When a Servicing Carrier cannot provide proper documentation for the required percentage of sampled policies, a penalty equal to the established cession/no premium write-off penalty amount for the particular policy effective year of the policy for which documentation cannot be provided, or the cession/no premium write-off penalty amount established for the latest policy effective year, 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.
- 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 and the decision to retain the policy as voluntary business was made after the policy's effective date.
- c. For flat cancellations occurring as a result of failure to furnish a rating statement and/or failure to pay renewal or deposit premiums, the flat cancellation was reported after the established time limitations.

Additionally, those Servicing Carriers that fail to provide flat cancellation documentation by the established due date will be assessed a late penalty fee as follows:

| Documentation Received                      | Late Penalty Amount |
|---|---------------------|
| 1-14 Calendar Days After the Due Date       | \$250               |
| 15 Calendar Days or More After the Due Date | \$500               |

For additional information relative to the flat cancellation audit, refer to Section X. of the Policy Edit Package, which is available on the Manuals page of CAR's website.

### 3. Policy Not Ceded – Removal of Ceded Business

After ceding a policy to CAR, a Servicing Carrier may decide to retain the policy as voluntary business. The following reporting procedures apply and are dependent upon whether the decision to retain the policy as voluntary is made before or after the policy takes effect.

#### a. Prior to the Policy Effective Date

If the decision to retain a policy as voluntary is made prior to the effective date of the policy, the Servicing Carrier should submit a Transaction Code 5 (Policy Not Ceded) cession record to CAR using the online cession reporting application or via FTP transmission. The Transaction Code 5 (Policy Not Ceded) cession must be received prior to the policy effective date.


#### b. Mid-Term Removal

If the decision to retain the policy as voluntary is made after the policy has already taken effect, the following procedures apply for the mid-term removal of the policy from CAR:

- 1) Policies may 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.
- 2) Transaction Code 13 (Cancellation of Policy Pro Rata or Short Rate) premium must be reported for the ceded policy, under the original ceded policy number, no later than two accounting months after the effective month and year that the policy was removed as ceded. The Transaction Effective Date reported on the premium must reflect the effective month and year of the removal.
- 3) Transaction Code 11 (New or Renewal) premium records must be reported under the new voluntary policy number no later than two accounting months after the effective month and year of the removal as a ceded policy. The Transaction Effective Date reported on the premium record must reflect the effective month and year of the removal.

- 4) Reinstatement, for any reason, of a policy that had been previously removed as ceded from CAR and then retained as voluntary business is prohibited. The policy may be re-ceded to CAR midterm during the policy period, however, loss coverage would commence only as of the re-cede date, but the full policy premium would be due CAR. The policy may also be ceded to CAR upon expiration of the voluntary policy's term.
- 5) Any attempt by a Servicing Carrier to circumvent these procedures, including the reporting of a loss that occurred after the removal date as CAR business, will be brought to the attention of CAR's Governing Committee.

## EXHIBIT IV-C-1 CAR ACCOUNTING SCREEN


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**EXHIBIT IV-C-2**  
**FLAT CANCEL SAMPLE SCREEN**



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**Data Quality Reports & Applications - Flat Cancel Sample**

Please select a year to view the list of policies sampled. For each policy listed, input any additional comments to validate the flat cancel transaction.

**Company:**

999 - Any Insurance Company

**Run Date:**

8/3/2016

**Due Date:** TX 4 cessions received from 1/2/2016 through 7/1/2016.

10/1/2016 TX 15 premium accounting dates from 12/2015 through 5/2016.

**Sample Summary**


| Eff Yr | TX 4 Sampled | TX 4 Cancelled | TX 15 Sampled | TX 15 Cancelled | Total Policies | Total Cancelled | % Flat Cancelled |
|--------|--------------|----------------|---------------|-----------------|----------------|-----------------|------------------|
| 2015   | 5            | 75             | 5             | 88              | 10633          | 163             | 1.53             |
| 2016   | 5            | 35             | 5             | 217             | 6864           | 252             | 3.67             |

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**EXHIBIT IV-C-3**  
**FLAT CANCEL SAMPLE DETAILS SCREEN**



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**Flat Cancel Sample Details**

Please select a policy to provide comments and/or upload supporting documentation. Upon selecting upload, the next screen provides a list of valid cancellation reasons and the option to choose a file from your library.

**Company:**

999 - Any Insurance Company

**Run Date:**

8/3/2016

**Due Date:** TX 4 cessions received from 1/2/2016 through 7/1/2016.  
TX 15 premium accounting dates from 12/2015 through 5/2016.

---

**Sample Detail for Policy Year 2016**

| Policy ID  | Effective Date | Flat Cancel Type | Documentation Comment                               | Upload Count |
|------------|----------------|------------------|---|--------------|
| ZZZZZZZZZZ | 4/13/2016      | TX 4             | Cancelled flat for Underwriting Reasons.            | 1            |
| ZZZZZZZZZZ | 4/16/2016      | TX 4             | Cancelled flat for Plate Return Receipt prior term. | 1            |
| ZZZZZZZZZZ | 5/2/2016       | TX 4             | Cancelled not wanted by insured prior term.         | 1            |
| ZZZZZZZZZZ | 1/1/2016       | TX 4             | Cancelled flat policy voided.                       | 1            |
| ZZZZZZZZZZ | 1/15/2016      | TX 4             | Cancelled flat policy rewritten ceded ZZZZZZZZZZZZ  | 1            |
| ZZZZZZZZZZ | 3/22/2016      | TX 15            | Cancelled flat not wanted by insured.               | 1            |
| ZZZZZZZZZZ | 1/10/2016      | TX 15            | Policy cancelled flat 2/A change of carrier.        | 1            |
| ZZZZZZZZZZ | 3/5/2016       | TX 15            | Cancelled within 65 days, Failure to Pay Deposit.   | 1            |
| ZZZZZZZZZZ | 3/11/2016      | TX 15            | Cancelled within 65 days, Failure to Pay Deposit.   | 1            |
| ZZZZZZZZZZ | 4/9/2016       | TX 15            | Cancelled flat rewritten voluntary                  | 1            |

Selected policy from above:

#### **D. Online Cession Application Screens**

1. Cession Records Screen (Exhibit IV-D-1)

The Cession Records screen displays all cession records loaded to CAR's database file for the three most current cession reporting years. Servicing Carriers may browse cession records by producer code, error code and status (active, deleted, nulled (by Transaction 4 cession)/unceded (by Transaction 5 cession), or corrected) or by specific policy identification number. Note that for cession corrections, both the original cession record and the cession correction record are displayed. Servicing Carriers may also view cession records by specific load date or effective date.

Also note that if requested by a Servicing Carrier, CAR is able to provide a spreadsheet version of active cessions for the most recent policy effective year that has been closed-out for cession reporting. Refer to Section G. of Chapter VIII – Data Reporting, Accounting Edit and Correction Procedures of this Manual for further information relative to CAR's close-out of older policy effective years for reporting purposes.

2. Cession Entry Screen (Exhibit IV-D-2)

The Cession Entry screen is used to add cession records to CAR's cession database file. Adding a cession record that has a fatal error will not be allowed. Refer to Section A.3.a. of this Chapter for additional information.

3. Cession Correction Screen (Exhibits IV-D-3 and IV-D-4)

The Cession Correction screens display cession records that have been loaded to CAR's cession database file but contain a non-fatal cession error. The three most current cession reporting years are displayed. Servicing Carriers may view cessions in error by specific receipt date or effective date to assist in the coordination of cession correction efforts. A correction that creates a fatal error will not be allowed. Refer to Section E. of this Chapter for cession correction information and procedures. Refer to Section F. of this Chapter for a description of the non-fatal cession errors.

4. Cession Update Screen (Exhibit IV-D-5)

The Cession Update screen provides Servicing Carriers with a means to correct or change an error-free cession record. Servicing Carriers may locate a cession record by entering search criteria consisting of company number, policy effective year, policy identification number, and record number.

5. Fatal Cessions Screen (Exhibit IV-D-6)

Only those cessions submitted via FTP transmission that contained a fatal error will appear on this screen. Cessions added through the online cession reporting application that contain a fatal error are not accepted at point of entry and will not appear on the Fatal Cessions screen. This screen is populated each time CAR loads cession records to its cession database file. Refer to Sections A.3.a. and F. of this Chapter for additional information.

6. Batch Totals Screen (Exhibit IV-D-7)

The Batch Totals screen provides Servicing Carriers with a summary report that identifies, by batch, total cessions received, type of submission (add or correction), type of media used for submission (online or FTP), batch receipt date and load date.

7. Company Notes Screen (Exhibit IV-D-8)

The Company Notes screen is for internal company use and may be used by Servicing Carriers to add informational notes on a specific policy.



EXHIBIT IV-D-1

CESSIONS RECORDS SCREEN

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Cession Records

Use this function to view all cession records for the three most current reporting years. For Active cessions and Correction Pairs you can select a Load-Date range, whereas for Deleted or Nulled/Unceded cessions you can select a Deactivate-Date range.

Company
 Policy ID
 Status
 Cession Load/Deact Start
 Cession Load/Deact Stop

999
 
 Active

Eff Date Start
 Eff Date Stop
 Producer Code
 Media Type

All

Insured Name
 Recv Date Start
 Recv Date Stop

Retrieve

Results limited to first 1000 records. Use criteria or sorting to narrow results.

Export to Excel


| Co No | LA T E | Policy ID  | R F M | Eff Date   | Exp Date   | I X | Insured Name | Recv Date  | Prod Code | I Y E | N O T E | Error Codes          |
|-------|--------|------------|-------|------------|------------|-----|--------------|------------|-----------|-------|---------|----------------------|
| 999   | 5      | 9999999999 | 1     | 04/02/2017 | 04/02/2018 | 2   | ZZZZZZZZZZ   | 03/24/2017 | 460127    | 0     | A       | 00000000000000000000 |
| 999   | 5      | 9999999999 | 1     | 04/01/2017 | 04/01/2018 | 2   | ZZZZZZZZZZ   | 03/03/2017 | 460127    | 0     | A       | 00000000000000000000 |
| 999   | 4      | 9999999999 | 2     | 04/04/2017 | 04/04/2018 | 4   | ZZZZZZZZZZ   | 03/16/2017 | 469439    | 0     | A       | 00000000000000000000 |
| 999   | 5      | 9999999999 | 1     | 04/06/2017 | 04/06/2018 | 2   | ZZZZZZZZZZ   | 03/30/2017 | 460127    | 0     | A       | 00000000000000000000 |
| 999   | 5      | 9999999999 | 2     | 04/06/2017 | 04/06/2018 | 1   | ZZZZZZZZZZ   | 04/07/2017 | 460127    | 3     | A       | 00000000000000000000 |
| 999   | 4      | 9999999999 | 1     | 04/01/2017 | 04/01/2018 | 2   | ZZZZZZZZZZ   | 02/28/2017 | 463438    | 0     | A       | 00000000000000000000 |
| 999   | 5      | 9999999999 | 1     | 04/11/2017 | 04/11/2018 | 2   | ZZZZZZZZZZ   | 03/10/2017 | 460127    | 0     | A       | 00000000000000000000 |
| 999   | 5      | 9999999999 | 1     | 04/11/2017 | 04/11/2018 | 2   | ZZZZZZZZZZ   | 03/10/2017 | 460127    | 0     | A       | 00000000000000000000 |
| 999   | 5      | 9999999999 | 1     | 04/09/2017 | 04/09/2018 | 2   | ZZZZZZZZZZ   | 04/08/2017 | 460127    | 0     | A       | 00000000000000000000 |
| 999   | 5      | 9999999999 | 1     | 04/07/2017 | 04/07/2018 | 2   | ZZZZZZZZZZ   | 01/18/2017 | 460127    | 0     | A       | 00000000000000000000 |
| 999   | 5      | 9999999999 | 1     | 04/15/2017 | 04/15/2018 | 2   | ZZZZZZZZZZ   | 03/28/2017 | 460127    | 0     | A       | 00000000000000000000 |
| 999   | 5      | 9999999999 | 1     | 04/12/2017 | 04/12/2018 | 2   | ZZZZZZZZZZ   | 03/13/2017 | 460127    | 0     | A       | 00000000000000000000 |
| 999   | 4      | 9999999999 | 1     | 04/01/2017 | 04/01/2018 | 2   | ZZZZZZZZZZ   | 02/28/2017 | 462293    | 0     | A       | 00000000000000000000 |
| 999   | 5      | 9999999999 | 1     | 04/21/2017 | 04/21/2018 | 2   | ZZZZZZZZZZ   | 03/23/2017 | 460127    | 0     | A       | 00000000000000000000 |

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**EXHIBIT IV-D-2**  
**CESSION ENTRY SCREEN**



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**Cession Entry**  
Use this function to submit a new cession record for processing.

Company  
| 999

CAR ID  
4 - Voluntary Agent

Policy ID

Eff Date

Exp Date

Recv Date  
08/06/2021

Risk Type  
2 - All Other Commercial

Trans Code  
1 - New Business

Insured Name


Producer Code

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**EXHIBIT IV-D-3**  
**CESSION CORRECTION SCREEN**



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**Cession Correction**  
 Use this function to correct an existing cession record that has a non-fatal error. Please select a cession from the grid for correcting. Place your mouse cursor over the grid headings to see a description of each column.

Company  
 999

Policy ID

Eff Date Start

Eff Date Stop

Producer Code

Error Code  
 - Any -

Recv Date Start

Recv Date Stop

Results limited to first 1000 records. Use criteria or sorting to narrow results.

Error Code Totals

| 01 | 02 | 03 | 04 | 05  | 06 | 07  | 08   | 09 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 |
|----|----|----|----|-----|----|-----|------|----|----|----|----|----|----|----|----|----|----|
| 0  | 0  | 0  | 7  | 514 | 49 | 926 | 1233 | 3  | 0  | 0  | 0  | 0  | 19 | 35 | 0  | 0  | 0  |


| Co No | Prod Code | C I D | Policy ID  | R E C | Eff Date   | Exp Date   | I X | Insured Name | Receipt Date | I N F | Error Codes          |
|-------|-----------|-------|------------|-------|------------|------------|-----|--------------|--------------|-------|----------------------|
| 999   | 463648    | 4     | 9999999999 | 3     | 07/01/2017 | 07/01/2018 | 4   | ZZZZZZZZZZ   | 11/05/2017   |       | 00000000000000000000 |
| 999   | 464575    | 5     | 9999999999 | 1     | 09/20/2017 | 09/20/2018 | 2   | ZZZZZZZZZZ   | 08/21/2017   | Y     | 00001000000000000000 |
| 999   | 464883    | 4     | 9999999999 | 1     | 11/21/2017 | 11/21/2018 | 2   | ZZZZZZZZZZ   | 10/20/2017   | Y     | 00001000000000000000 |
| 999   | 463971    | 4     | 9999999999 | 1     | 12/19/2017 | 12/19/2018 | 2   | ZZZZZZZZZZ   | 11/17/2017   | Y     | 00001000000000000000 |
| 999   | 463648    | 4     | 9999999999 | 1     | 12/16/2017 | 12/16/2018 | 2   | ZZZZZZZZZZ   | 11/14/2017   | Y     | 00000110000000000000 |
| 999   | 463971    | 4     | 9999999999 | 1     | 11/07/2017 | 11/07/2018 | 2   | ZZZZZZZZZZ   | 10/06/2017   | Y     | 00001000000000000000 |
| 999   | 463648    | 4     | 9999999999 | 1     | 12/06/2017 | 12/06/2018 | 2   | ZZZZZZZZZZ   | 11/06/2017   | Y     | 00000110000000000000 |
| 999   | 463648    | 4     | 9999999999 | 1     | 11/17/2017 | 11/17/2018 | 2   | ZZZZZZZZZZ   | 10/17/2017   | Y     | 00000110000000000000 |
| 999   | 463648    | 4     | 9999999999 | 1     | 11/01/2017 | 11/01/2018 | 2   | ZZZZZZZZZZ   | 10/02/2017   | Y     | 00000110000000000000 |
| 999   | 467077    | 4     | 9999999999 | 1     | 02/11/2017 | 02/11/2018 | 2   | ZZZZZZZZZZ   | 01/10/2017   | Y     | 00001000000000000000 |
| 999   | 464883    | 4     | 9999999999 | 1     | 11/01/2017 | 11/01/2018 | 2   | ZZZZZZZZZZ   | 10/02/2017   | Y     | 00001000000000000000 |
| 999   | 462658    | 4     | 9999999999 | 1     | 01/13/2017 | 01/13/2018 | 1   | ZZZZZZZZZZ   | 01/18/2017   | Y     | 00001000000000000000 |
| 999   | 468446    | 4     | 9999999999 | 1     | 04/03/2017 | 04/03/2018 | 4   | ZZZZZZZZZZ   | 04/19/2017   |       | 00000000000000000000 |
| 999   | 462333    | 4     | 9999999999 | 1     | 06/06/2017 | 06/06/2018 | 1   | ZZZZZZZZZZ   | 05/19/2017   | Y     | 00001000000000000000 |
| 999   | 462333    | 4     | 9999999999 | 1     | 06/04/2017 | 06/04/2018 | 1   | ZZZZZZZZZZ   | 06/14/2017   | Y     | 00001000000000000000 |
| 999   | 463337    | 4     | 9999999999 | 3     | 06/21/2017 | 06/21/2018 | 4   | ZZZZZZZZZZ   | 07/10/2017   |       | 00000000000000000000 |

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**EXHIBIT IV-D-4**  
**CESSION CORRECTION DETAIL SCREEN**



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**Cession Correction**  
Use this function to correct an existing cession record that has a non-fatal error.  
  
Non-fatal 15 - Matching Record Not Active for Transaction 4.  

|       |              |            |        |
|-------|--------------|------------|--------|
| Co No | Pol Eff Year | Policy ID  | Rec No |
| 999   | 2017         | 9999999999 | 3      |

|                     |            |            |            |            |
|---------------------|------------|------------|------------|------------|
| CAR ID              | Policy ID  | Eff Date   | Exp Date   | Reov Date  |
| 4 - Voluntary Agent | 9999999999 | 07/01/2017 | 07/01/2018 | 11/05/2017 |


  

|                          |                  |              |               |
|--------------------------|------------------|--------------|---------------|
| Risk Type                | Trans Code       | Insured Name | Producer Code |
| 2 - All Other Commercial | 4 - Cancellation | ZZZZZZZZZZZZ | 463648        |


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**EXHIBIT IV-D-5  
CESSION UPDATE SCREEN**

|   |   |                                      |                      |                      |        |     |                      |                      |                      |   |  |  |  |        |           |          |          |           |                       |                      |                      |                      |                      |           |            |              |               |                            |                    |                      |                      |   |  |                                      |  |
|---|---|--------------------------------------|----------------------|----------------------|--------|-----|----------------------|----------------------|----------------------|---|--|--|--|--------|-----------|----------|----------|-----------|-----------------------|----------------------|----------------------|----------------------|----------------------|-----------|------------|--------------|---------------|----------------------------|--------------------|----------------------|----------------------|---|--|--------------------------------------|--|
|    | <a href="#">Home</a>   <a href="#">About CAR</a>   <a href="#">MAIP</a>   <a href="#">Reports</a>   <a href="#">Bulletins</a>   <a href="#">Manuals</a>   <a href="#">Committees</a>   <a href="#">Calendar</a>   <a href="#">Contact Us</a>   <a href="#">Schedules</a>   <a href="#">Training</a><br><a href="#">FAQ</a>   <a href="#">Site Map</a>   <a href="#">Help</a>   <a href="#">Search</a>   |                                      |                      |                      |        |     |                      |                      |                      |   |  |  |  |        |           |          |          |           |                       |                      |                      |                      |                      |           |            |              |               |                            |                    |                      |                      |   |  |                                      |  |
| <a href="#">Reports &gt; Cessions</a><br><br><b>Cession Data</b><br><a href="#">Cession Entry</a><br><a href="#">Cession Correction</a><br><a href="#">Cession Update</a><br><a href="#">Company Notes</a><br><br><b>Cession Reports</b><br><a href="#">Cession Records</a><br><a href="#">Batch Totals</a><br><a href="#">Fatal Cessions</a><br><br><b>Additional Applications in Commercial Only</b><br><a href="#">Forms, Manuals</a><br><a href="#">CAR Accounting</a><br><a href="#">Experience Rating</a><br><a href="#">Rate Edit</a><br><a href="#">Servicing Carrier Profile</a> | <p><b>Cession Update</b><br/>         Use this function to change specific fields on the cession record such as Insured's Name, Producer Code, Effective Month or Day, Transaction Code, etc. To find the record(s), enter some search criteria and click 'Retrieve'.</p> <table border="0"> <tr> <td>Company</td> <td>Pol Eff Year</td> <td>Policy ID</td> <td>Rec No</td> </tr> <tr> <td>999</td> <td><input type="text"/></td> <td><input type="text"/></td> <td><input type="text"/></td> </tr> <tr> <td colspan="4"><input type="button" value="Retrieve"/></td> </tr> </table><br><table border="0"> <tr> <td>CAR ID</td> <td>Policy ID</td> <td>Eff Date</td> <td>Exp Date</td> <td>Recv Date</td> </tr> <tr> <td>4 - Voluntary Agent ▾</td> <td><input type="text"/></td> <td><input type="text"/></td> <td><input type="text"/></td> <td><input type="text"/></td> </tr> </table><br><table border="0"> <tr> <td>Risk Type</td> <td>Trans Code</td> <td>Insured Name</td> <td>Producer Code</td> </tr> <tr> <td>2 - All Other Commercial ▾</td> <td>1 - New Business ▾</td> <td><input type="text"/></td> <td><input type="text"/></td> </tr> <tr> <td colspan="2"><input type="button" value="Update"/> <input type="button" value="Delete"/></td> <td colspan="2"><input type="button" value="Notes"/></td> </tr> </table> | Company                              | Pol Eff Year         | Policy ID            | Rec No | 999 | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="button" value="Retrieve"/> |  |  |  | CAR ID | Policy ID | Eff Date | Exp Date | Recv Date | 4 - Voluntary Agent ▾ | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | Risk Type | Trans Code | Insured Name | Producer Code | 2 - All Other Commercial ▾ | 1 - New Business ▾ | <input type="text"/> | <input type="text"/> | <input type="button" value="Update"/> <input type="button" value="Delete"/> |  | <input type="button" value="Notes"/> |  |
| Company   | Pol Eff Year  | Policy ID                            | Rec No               |                      |        |     |                      |                      |                      |   |  |  |  |        |           |          |          |           |                       |                      |                      |                      |                      |           |            |              |               |                            |                    |                      |                      |   |  |                                      |  |
| 999   | <input type="text"/>  | <input type="text"/>                 | <input type="text"/> |                      |        |     |                      |                      |                      |   |  |  |  |        |           |          |          |           |                       |                      |                      |                      |                      |           |            |              |               |                            |                    |                      |                      |   |  |                                      |  |
| <input type="button" value="Retrieve"/>   |   |                                      |                      |                      |        |     |                      |                      |                      |   |  |  |  |        |           |          |          |           |                       |                      |                      |                      |                      |           |            |              |               |                            |                    |                      |                      |   |  |                                      |  |
| CAR ID  | Policy ID   | Eff Date                             | Exp Date             | Recv Date            |        |     |                      |                      |                      |   |  |  |  |        |           |          |          |           |                       |                      |                      |                      |                      |           |            |              |               |                            |                    |                      |                      |   |  |                                      |  |
| 4 - Voluntary Agent ▾   | <input type="text"/>  | <input type="text"/>                 | <input type="text"/> | <input type="text"/> |        |     |                      |                      |                      |   |  |  |  |        |           |          |          |           |                       |                      |                      |                      |                      |           |            |              |               |                            |                    |                      |                      |   |  |                                      |  |
| Risk Type   | Trans Code  | Insured Name                         | Producer Code        |                      |        |     |                      |                      |                      |   |  |  |  |        |           |          |          |           |                       |                      |                      |                      |                      |           |            |              |               |                            |                    |                      |                      |   |  |                                      |  |
| 2 - All Other Commercial ▾  | 1 - New Business ▾  | <input type="text"/>                 | <input type="text"/> |                      |        |     |                      |                      |                      |   |  |  |  |        |           |          |          |           |                       |                      |                      |                      |                      |           |            |              |               |                            |                    |                      |                      |   |  |                                      |  |
| <input type="button" value="Update"/> <input type="button" value="Delete"/>   |   | <input type="button" value="Notes"/> |                      |                      |        |     |                      |                      |                      |   |  |  |  |        |           |          |          |           |                       |                      |                      |                      |                      |           |            |              |               |                            |                    |                      |                      |   |  |                                      |  |
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**EXHIBIT IV-D-6**  
**FATAL CESSIONS SCREEN**



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**Fatal Cessions**  
 Use this function to view all fatal cessions.
 

Company: 
 Policy ID: 
 Eff Date Start: 
 Eff Date Stop: 
 Producer Code:

Error Code: 
 Recv Date Start: 
 Recv Date Stop:

19 records found.

Error Code Count
 

| 01 | 02 | 03 | 04 | 05 | 06 | 07 | 08 | 09 | 10 |
|----|----|----|----|----|----|----|----|----|----|
| 1  | 1  | 0  | 14 | 0  | 14 | 3  | 15 | 1  | 0  |

| Co No | Policy ID  | R S K | C I D | I X | Eff Date   | Exp Date   | Insured Name | State Code | Recv Date  | Error Codes |
|-------|------------|-------|-------|-----|------------|------------|--------------|------------|------------|-------------|
| 999   | 9999999999 | 2     | 4     | 2   | 22/13/2019 | 22/13/2020 | ZZZZZZZZZZ   | 20         | 01/24/2019 | 0101010100  |
| 999   | 9999999999 | 3     | 4     | 2   | 02/27/2019 | 02/27/2020 | ZZZZZZZZZZ   | 20         | 01/24/2019 | 0001011000  |
| 999   | 9999999999 | 2     | 8     | 2   | 02/08/2019 | 02/08/2020 | ZZZZZZZZZZ   | 20         | 01/24/2019 | 0001010100  |
| 999   | 9999999999 | 2     | 4     | 4   | 02/08/2019 | 02/08/2020 | ZZZZZZZZZZ   | 20         | 01/24/2019 | 0001010100  |
| 999   | 9999999999 | 2     | 5     | 1   | 01/13/2019 | 01/13/2020 | ZZZZZZZZZZ   | 20         | 01/24/2019 | 0001010100  |
| 999   | 9999999999 | 2     | 4     | 1   | 01/11/2019 | 01/11/2020 | ZZZZZZZZZZ   | 20         | 01/24/2019 | 0001010100  |
| 999   | 9999999999 | 2     | 5     | 1   | 01/11/2019 | 01/11/2020 | ZZZZZZZZZZ   | 20         | 01/24/2019 | 0001010100  |
| 999   | 9999999999 | 2     | 4     | 1   | 01/10/2019 | 01/10/2020 | ZZZZZZZZZZ   | 20         | 01/24/2019 | 0001010100  |
| 999   | 9999999999 | 1     | 4     | 1   | 01/09/2019 | 01/09/2020 | ZZZZZZZZZZ   | 20         | 01/24/2019 | 0001010100  |
| 999   | 9999999999 | 2     | 5     | 1   | 12/31/2018 | 12/31/2019 | ZZZZZZZZZZ   | 20         | 01/24/2019 | 0001010100  |
| 999   | 9999999999 | 2     | 4     | 1   | 12/31/2018 | 12/31/2019 | ZZZZZZZZZZ   | 20         | 01/24/2019 | 0001010100  |
| 999   | 9999999999 | 2     | 4     | 1   | 12/20/2018 | 12/20/2019 | ZZZZZZZZZZ   | 20         | 01/24/2019 | 0001010100  |
| 999   | 9999999999 | 2     | 5     | 3   | 12/17/2018 | 12/17/2019 | ZZZZZZZZZZ   | 20         | 01/24/2019 | 0001010110  |
| 999   | 9999999999 | 2     | 4     | 2   | 02/27/2017 | 02/27/2018 | ZZZZZZZZZZ   | 20         | 01/24/2019 | 0001010100  |
| 999   | 9999999999 | 2     | 4     | 2   | 02/13/2015 | 02/13/2016 | ZZZZZZZZZZ   | 20         | 01/24/2019 | 1000000000  |
| 999   | 9999999999 | 0     | 5     | 2   | 04/07/2019 | 04/07/2020 | ZZZZZZZZZZ   | 20         | 03/18/2019 | 0000001000  |
| 999   | 9999999999 | 0     | 5     | 2   | 03/26/2019 | 03/26/2020 | ZZZZZZZZZZ   | 20         | 02/19/2019 | 0000001000  |

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### EXHIBIT IV-D-7 BATCH TOTALS SCREEN

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**Cession Data**

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**Batch Totals**

Summary total by date received and media type.

Company

Batch Load Date Start

Batch Load Date Stop

Results limited to first 1000 records. Use criteria or sorting to narrow results.

[Export to Excel](#)

| Co No | Media Type | Batch Type | Susp Total | Cess Total | Valid | Invalid | Fatal | Deleted | Corrected | Recv Date  | Load Date  |
|-------|------------|------------|------------|------------|-------|---------|-------|---------|-----------|------------|------------|
| 999   | 85         | 01         | 24         | 0          | 0     | 0       | 0     | 0       | 0         | 04/04/2019 | 04/04/2019 |
| 999   | 85         | 01         | 0          | 19         | 18    | 1       | 0     | 0       | 0         | 04/03/2019 | 04/03/2019 |
| 999   | 85         | 01         | 0          | 44         | 42    | 2       | 0     | 0       | 0         | 04/02/2019 | 04/02/2019 |
| 999   | 60         | 03         | 0          | 0          | 0     | 0       | 0     | 0       | 3         | 01/09/2019 | 04/01/2019 |
| 999   | 85         | 01         | 0          | 31         | 27    | 4       | 0     | 0       | 0         | 04/01/2019 | 04/01/2019 |
| 999   | 60         | 01         | 0          | 1          | 1     | 0       | 0     | 0       | 0         | 03/28/2019 | 03/29/2019 |
| 999   | 85         | 01         | 0          | 17         | 16    | 1       | 0     | 0       | 0         | 03/29/2019 | 03/29/2019 |
| 999   | 85         | 01         | 0          | 19         | 19    | 0       | 0     | 0       | 0         | 03/28/2019 | 03/28/2019 |
| 999   | 60         | 03         | 0          | 0          | 0     | 0       | 0     | 74      | 0         | 03/21/2019 | 03/27/2019 |
| 999   | 85         | 01         | 0          | 11         | 11    | 0       | 0     | 0       | 0         | 03/27/2019 | 03/27/2019 |
| 999   | 85         | 01         | 0          | 45         | 45    | 0       | 0     | 0       | 0         | 03/26/2019 | 03/26/2019 |
| 999   | 85         | 01         | 0          | 15         | 15    | 0       | 0     | 0       | 0         | 03/25/2019 | 03/25/2019 |
| 999   | 60         | 03         | 0          | 0          | 0     | 0       | 0     | 0       | 1         | 03/11/2019 | 03/22/2019 |
| 999   | 85         | 01         | 0          | 30         | 30    | 0       | 0     | 0       | 0         | 03/22/2019 | 03/22/2019 |
| 999   | 86         | 01         | 0          | 30         | 0     | 30      | 0     | 0       | 0         | 03/22/2019 | 03/22/2019 |
| 999   | 87         | 01         | 0          | 30         | 0     | 30      | 0     | 0       | 0         | 03/22/2019 | 03/22/2019 |
| 999   | 85         | 01         | 0          | 14         | 13    | 1       | 0     | 0       | 0         | 03/21/2019 | 03/21/2019 |

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**EXHIBIT IV-D-8**  
**COMPANY NOTES SCREEN**

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**Company Notes**  
Use this function to add or update notes for a specific policy (per policy effective year).

Company:  Pol Eff Year:  Policy ID:

Notes:

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#### **E. Cession Correction Procedures**

CAR performs fatal and non-fatal edit routines against all cession records and cession corrections. Cession records added via FTP transmission that contain a fatal error (refer to Section F. of this Chapter), will be rejected and will not be loaded to CAR's permanent cession database file. The Servicing Carrier must resubmit the corrected record in a future submission. Cession records added through CAR's online Cession Entry screen are rejected at point of entry and will not be accepted if the information entered creates a fatal error. Cession records that are flagged with a non-fatal cession error (refer to Section G. of this Chapter) may be corrected as follows:

##### **1. Processing a Cession Correction**

A cession record with a non-fatal cession error may be corrected via CAR's online Cession Correction screen (Exhibit IV-D-4). Servicing Carriers should change only those field(s) which they are correcting, and do not need to enter all the fields of the cession record. If a Servicing Carrier attempts to change a field for which a correction is not allowed (refer to Fatal Error Code 14 in Section F. of this Chapter), an error message will be displayed. The cession receipt date of the corrected cession record will remain equal to the cession receipt date assigned to the original cession record.

##### **2. Acknowledgment of Cession Corrections**

To verify cession correction activity, a Servicing Carrier should reference the online Cession Records screen (Exhibit IV-D-1) on a regular basis. Additionally, the online Batch Totals screen (Exhibit IV-D-7) provides a summary of the manner by which the cession record was reported and the type of action taken and may be used by the Servicing Carrier for balancing purposes.

Servicing Carriers must report any identified cession correction problems to CAR as soon as possible so that CAR may process the necessary adjustments.

#### **F. Fatal Cession Edits**

If a Servicing Carrier attempts to add, via CAR's online Cession Entry screen (Exhibit IV-D-2) or via FTP transmission, a cession record containing one of the following fatal cession errors, the records will not be accepted or added to CAR's cession database. If a Servicing Carrier attempts to correct a cession record via CAR's online Cession Correction (Exhibit IV-D-4) or Cession Update (Exhibit IV-D-5) screens and creates one of the following fatal cession errors, the system will display the error created and will not allow the correction to be made.

Those cession records added via FTP transmission that were rejected and therefore not loaded to CAR's cession database file because the cession records

contained a fatal cession error, will be displayed on the Fatal Cessions screen (Exhibit IV-D-6).

Refer to the Cession Edit Package for detailed cession edit information, including cession correction options. A link to the Cession Edit Package can be found on CAR's website under the Manuals tab.

The fatal cession add and cession correction errors are as follows:

1. Fatal Error Code 1 – Effective Year Invalid

The effective year must be one of the three currently reportable years.

2. Fatal Error Code 2 – Company Number/Policy Effective Date Invalid

The company number must be a valid three-digit company number.

The policy effective date must be valid. The effective month must be 01-12 and the effective day must be 01-31.

3. Fatal Error Code 3 – Reserved for Future Use

4. Fatal Error Code 4 – Ineligible to Report Policy Effective Date

The policy effective date must fall within the cession eligible start and stop dates for each company, based upon the information contained on CAR's Company File.

5. Fatal Error Code 5 – Date Received Invalid

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

6. Fatal Error Code 6 – CAR ID Code Invalid

The CAR ID Code must be a valid CAR ID Code for that effective year, effective month and company number.

7. Fatal Error Code 7 – Risk Indicator Code Invalid

For policies effective December 31, 2021 and prior, the reported risk indicator must be 1 (Taxicab, Limousine, or Car Service), or 2 (Other Commercial (Not Taxicab, Limousine, or CAR Service)).

For policies effective January 1, 2022 and subsequent, CAR will convert any risk indicator with value 1 to a value of 2.

8. Fatal Error Code 8 – Market Indicator/Servicing Carrier Invalid

The risk indicator reported on the cession record must be valid for the Servicing Carrier.

9. Fatal Error Code 9 – Transaction Code Invalid

The reported transaction code must be 1 (New Business), 2 (Renewal Business), 4 (Policy Not Taken or Cancelled), or 5 (Policy Not Ceded).

10. Fatal Error Code 10 – State Code Invalid

The state code on all cession submitted via FTP transmission must equal 20.

This edit is performed on cession adds only.

11. Fatal Error Code 11 – Reserved for Future Use

12. Fatal Error Code 12 – Reserved for Future Use

13. Fatal Error Code 13 – Reserved for Future Use

14. Fatal Error Code 14 – Correction Not Allowed

The following cession corrections are not allowed:

1. Company number corrections
2. Changes to policy number or policy effective year on Transaction 4 or Transaction 5 cession records.
3. Transaction 1 and 2 cession records may not be changed to Transaction 4 or 5 cession records. Transaction 4 and 5 cession records may not be changed to Transaction 1 or 2 cession records.
4. Transaction 4 cession records may not be changed to Transaction 5 cession records. Transaction 5 cession records may not be changed to Transaction 4 cession records.

This edit is performed for cession corrections only.

There are also other scenarios where cession corrections are limited. Any correction attempted to those records flagged with the following non-fatal errors, other than the identified allowed corrections, will also generate a Fatal Error Code 14 – Correction Not Allowed.

1. Non-Fatal Error Code 9 – Effective Date Inconsistent on Transaction 4
  - Corrections to Effective Month and Effective Day are allowed
  - Delete allowed
2. Non-Fatal Error Code 10 – Effective Date Inconsistent on Transaction 5
  - Corrections to Effective Month and Effective Day are allowed
  - Delete allowed
3. Non-Fatal Error Code 11 – Date Received Invalid with Effective Date on Transaction 5
  - Delete allowed
4. Non-Fatal Error Code 12 – Transaction 5 Invalid for Producer
  - Corrections to Producer Code are allowed
  - Corrections to CAR ID Code are allowed
  - Delete allowed
5. Non-Fatal Error Code 13 – Premium/Losses Reported on Transaction 5
  - Delete allowed
6. Non-Fatal Error Code 14 – No Matching Record for Transaction 4
  - Delete allowed
7. Non-Fatal Error Code 15 – Matching Record Not Active for Transaction 4
  - Delete allowed
8. Non-Fatal Error Code 16 – No Matching Record for Transaction 5
  - Delete allowed
9. Non-Fatal Error Code 17 – Matching Record Not Active for Transaction 5
  - Delete allowed
10. Non-Fatal Error Code 18 – Risk Indicator Inconsistent on Transaction 5
  - Delete allowed

#### **G. Non-Fatal Cession Errors**

CAR performs non-fatal edits against all cession and cession correction records. A non-fatal error is considered to be a minor error, and therefore, records flagged with a non-fatal cession error are immediately loaded to CAR's permanent cession database file. Servicing Carriers may correct these errors as specified in Section E.1. of this Chapter.

The online Cession Correction screen (Exhibit IV-D-3) is updated each time CAR loads cession records to its cession database file. It displays all cession records for the three most current cession reporting years that have a non-fatal cession error.

The non-fatal cession add and cession correction errors are as follows:

a. Non-Fatal Error Code 1 – Policy Number Invalid

The policy number must be between three and sixteen alpha-numeric characters and must be left-justified. In addition, the policy number may only contain letters and numbers; no special characters or embedded spaces are allowed.

b. Non-Fatal Error Code 2 – Policy Expiration Date Invalid

The policy expiration date must be a valid, numeric date. The expiration month must equal 01-12, and the expiration day must equal 01-31.

c. Non-Fatal Error Code 3 – Policy Expiration Date Invalid with Policy Effective Date

The policy expiration date must be greater than or equal to the policy effective date, but cannot exceed the policy effective date by more than two years.

d. Non-Fatal Error Code 4 – Insured's Name Invalid

The insured's name must be at least one character, but no more than sixteen alpha-numeric characters, and must be left-justified. The first position must contain a letter or a number. For positions 2-16, the following characters are also valid:

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

e. Non-Fatal Error Code 5 – Invalid Producer Code

The producer code/CAR ID combination must be valid for the company and effective year according to CAR's Producer Code Matrix file. Transaction 4 and 5 cessions do not process through this edit. Cessions which fail this edit do not go through non-fatal cession edits 6 and 7.

f. Non-Fatal Error Code 6 – Risk or Month Invalid for Producer

CAR uses the risk indicator and the effective date on the cession record to determine whether the producer code/CAR ID Code combination is valid for that company and date, as indicated on CAR's Producer Code Matrix file. Transaction 4 and Transaction 5 cession records do not go through this edit. Cessions which fail this edit do not go through non-fatal cession edit 7.

g. Non-Fatal Error Code 7 – Invalid Date for Producer Code

The effective date on Transaction 1 and Transaction 2 cession records must be before the producer's termination date as listed on CAR's Producer Code Matrix file. Transaction 4 and Transaction 5 cession records do not process through this edit.

h. Non-Fatal Error Code 8 – Duplicate Policy Number/Effective Date

Only one active Transaction 1 or Transaction 2 cession record may exist on a policy for each policy number/effective year combination.

i. Non-Fatal Error Code 9 – Effective Date Inconsistent on Transaction 4

The effective month and day of the Transaction 4 cession record must match the active, in-force Transaction 1 or Transaction 2 cession record in order to null that cession. For this edit, correction to the effective month and day are allowed. Deletion of this record is allowed.

j. Non-Fatal Error Code 10 – Effective Date Inconsistent on Transaction 5

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

k. Non-Fatal Error Code 11 – Date Received Invalid with Effective Date on Transaction 5

CAR must receive a Transaction 5 cession record prior to the policy effective date of the active, in-force cession.

l. Non-Fatal Error Code 12 – Transaction 5 Invalid for Producer

If the producer code reported on the Transaction 5 cession record is set up for the 100% cede and auto backdating option, the Transaction 5 cession record will not uncede the active, in-force cession regardless of when CAR receives the Transaction 5 cession record.

m. Non-Fatal Error Code 13 – Premiums/Losses Reported on Transaction 5

The premium and losses on a policy must net to \$0 for a Transaction 5 cession record to be applied.

n. Non-Fatal Error Code 14 – No Matching Record for Transaction 4

A Transaction 1 or Transaction 2 cession record must exist on the policy in order for the Transaction 4 cession record to be applied. Cession correction records do not go through this edit.

o. Non-Fatal Error Code 15 – Matching Record Not Active for Transaction 4

There must be an active, in-force Transaction 1 or Transaction 2 cession record on the policy in order for the Transaction 4 cession record to be applied.

p. Non-Fatal Error Code 16 – No Matching Record for Transaction 5

A Transaction 1 or Transaction 2 cession record must exist on the policy in order for the Transaction 5 cession record to be applied. Cession correction records do not go through this edit.

q. Non-Fatal Error Code 17 – Matching Record Not Active for Transaction 5

There must be an active, in-force Transaction 1 or Transaction 2 cession record on the policy in order for the Transaction 5 cession record to be applied.

r. Non-Fatal Error Code 18 – Risk Indicator Inconsistent on Transaction 5

The risk indicator on the Transaction 5 cession record must match the risk indicator on the active, in-force Transaction 1 or Transaction 2 cession record in order for the Transaction 5 cession record to be applied. Cession correction records do not go through this edit.

## **H. Cession Backdate Criteria**

A Servicing Carrier that requests a cession backdate must be able to prove that the policy was intended to be ceded and must believe that its failure to submit the cession on a timely basis was outside of its control. A request that explains the situation and provides pertinent documentation should be provided to CAR and should include information to identify the cession record (e.g., CAR ID Code, Policy Number, Policy Effective Date, Insured's Name, etc.).

### **1. Eligibility for Cession Backdates**

CAR has the authority to grant a cession backdate for Transaction 1 (New Business) and Transaction 2 (Renewal) cession records if any of the following conditions are met:

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

- (1) The ERP acted in an untimely or improper manner.
- (2) The Servicing Carrier added the cession via CAR's online cession reporting application or reported the cession via FTP transmission within ten business days of the date that it became aware of the problem.

- b. CAR will backdate cessions when the Servicing Carrier can prove that the failure to add the cession using CAR's online cession reporting application was outside of its control.

The incorrect actions or omissions of a producer with whom the Servicing Carrier has a voluntary contract, or an employee of the Servicing Carrier is considered to be within the control of the Servicing Carrier and is, therefore, not a valid reason to grant a cession backdate. Additionally, not having access to CAR's online cession reporting application is also not a valid reason for granting a cession backdate.

- c. Cessions will also be backdated by CAR provided that:

- (1) The Servicing Carrier informs CAR of a company systems problem that prevented the Servicing Carrier from reporting cessions to CAR.
- (2) CAR's online cession reporting application or FTP server is unavailable during the course of a business day.



2. Cession Backdate Requests for CAR Committee Review

Cession backdate requests not meeting the conditions specified in Section H.1. will be denied by CAR. The Servicing Carrier may appeal CAR's decision to CAR's Compliance and Operations Committee within 45 days of the policy being listed on the online Error Policies Screen, or sooner, if the company discovers the error earlier. The appeal letter should be sent to CAR's Operations Services Department and must provide documentation to substantiate the Servicing Carrier's intent to cede the policy for which the cession backdate has been requested. All information received by CAR will be reviewed to assure that the company has met all of the necessary conditions. For each cession backdate approved, the Servicing Carrier will be assessed a \$25 processing fee in CAR's next quarterly cash flow. The appeal letter should include the following:

- a. For each policy for which a cession backdate is requested, a photocopy of the Declaration page containing the statistical coding indicating that the policy is ceded must be supplied. If this documentation is not available, other internal documentation clearly demonstrating a decision to cede may be substituted.
- b. The documentation must demonstrate that the decision to cede the policy was made on or before the policy effective date for a Transaction 2 cession or was made within 23 calendar days subsequent to the policy effective date for a Transaction 1 cession.
- c. The premium records must have been reported within two accounting months of the policy effective date (e.g., premium for a policy with a March effective date must be reported no later than the due date of the April accounting/statistical submission) and must be reported as ceded business.
- d. The company must demonstrate that it is utilizing sound cession verification procedures and that it has implemented procedures to assure that the problems which created the need for the backdate request have been rectified.

#### **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. 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, Limousines, and Car Service),  
\$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

Drive Other Car

Non-Ownership Liability and Hired Automobiles, liability coverages only, either as a separate policy or in conjunction with a Massachusetts motor vehicle insurance policy.

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

d. Miscellaneous Coverages and Limits

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     |
| Public or Livery Passenger Conveyance and On-Demand Delivery Services Other Insurance Condition | CR 99 04 02 22     |

(5) Common Coverages Endorsements

| Endorsement Title  | Endorsement Number |
|--|--------------------|
| Additional Insured – Massachusetts   | CR 99 02 07 20     |
| Agreed Value Insurance   | MM 99 66 09 98     |
| Audio, Visual and Data Electronic Equipment Coverage   | CA 99 60 03 06     |
| Auto Medical Payments Coverage   | MM 99 13 10 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     |
| Public or Livery Passenger Conveyance and On-Demand Delivery Services Exclusion                | CR 99 06 02 22     |
| 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     |

(5) Common Coverages Endorsements (continued)

| Endorsement Title                               | Endorsement Number |
|---|--------------------|
| Specialty and Classic Auto – Massachusetts      | CR 99 03 04 21     |
| 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     |
| Vehicle Sharing Program Exclusion Endorsement   | CR 99 05 02 22     |
| Waiver of Deductible                            | MM 99 17 09 98     |

(6) Certifications

| Form Title                       | Form Number    |
|----------------------------------|----------------|
| Non-Fleet Private Passenger Type | CR 00 02 01 21 |
| 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 screens on CAR's website under the Reports tab 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 responsibility 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 Screens and Penalty Procedures**

To ensure that positive premium is reported for each policy that has an active in-force cession, CAR provides several online screens on its website. 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 screen and then, if uncorrected, will move to the Cession/No Premium Penalty screen. These screens and associated penalty and write-off procedures are described in further detail as follows:

#### 1. Cession/No Premium Warning Screen

The Cession/No Premium Warning screen provides a detail listing of cessions for which no positive premium exists. The screen 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 screen, click on the Reports tab on CAR's website (refer to Exhibit V-C-1), log in, and click on the CAR Accounting link (refer to Exhibit V-C-2). Then select Warning and Penalties to view the list of policies in a Warning status (refer to Exhibit V-C-3 and Exhibit V-C-4). The Warning and Penalties screen allows a Servicing Carrier to view all policies in a warning status, a penalty status, or a summary by policy effective year of all policies that are in a cession no/premium status. The columns in the warning and penalty screens are sortable which allows for alternate ways of reviewing the policies in error including newly added policies or policies nearing a penalty status. Cessions in error will continue to appear on the warning or penalty screen 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 screen 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 screen and will move more quickly to the Cession/No Premium Penalty screen. It is also possible that a policy may never appear on the Cession/No Premium Warning screen and become immediately eligible for the Cession/No Premium Penalty screen and a \$60 penalty.

#### 2. Cession/No Premium Penalty Screen

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 screen. A Servicing Carrier will be assessed a \$60 penalty for each policy that is listed on the Cession/No Premium Penalty screen, semi-annually on approximately June 1 and December 1, after processing the March and September accounting/statistical shipments. The Penalty Policies screen from the Warning and Penalties screen shows the current policies in a penalty status (refer to Exhibit V-C-4). The Servicing Carrier may view all policies in a penalty status or a summary by policy effective year.

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 2021 may only be reported through the December, 2023 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. For policies effective prior to January 1, 2022, the write-off amount for each policy effective year will be calculated separately for taxi/limousine/car service business and all other commercial business. For

policies effective January 1, 2022 and subsequent, one write-off amount for all policies will be calculated for each policy effective year. 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, 2021 is reported. Ceded policy premium is due in the February, 2021 monthly accounting/statistical shipment which is due at CAR on April 15, 2021. 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 screens and the associated penalty amounts.

| Example: Policy with Effective Date of February 7, 2021 |  |   |   |
|---|--|---|---|
| If positive premium not reported:                       |  |   |   |
| Policy Lists on<br>Cession/No Premium<br>Warning Screen | Policy First<br>Lists on<br>Cession/No Premium<br>Penalty Screen | Policy Assessed \$60<br>Cession/No Premium<br>Penalty | Policy is Eligible for<br>Cession/No Premium<br>Write-Off |
| May 28, 2021  | Oct. 28, 2021  | Nov. 28, 2021   | April 2024  |
| June 28, 2021   |  | May 28, 2022  |   |
| July 28, 2021   |  | Nov. 28, 2022   |   |
| Aug. 28, 2021   |  | May 28, 2023  |   |
| Sept. 28, 2021  |  | Nov. 28, 2023   |   |

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

#### 5. Net Negative Premium Screen

A Servicing Carrier may select the Net Negative Premiums screen from the CAR Accounting screen to view a list of policies reported with net negative premium (refer to Exhibit V-C-5). The Net Negative Premiums screen displays the detail premium records that have created the net negative premium condition. 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 in error on other screens. Policies with net negative premium which have an active in-force cession will appear on the Cession/No Premium Warning screen or on the Cession/No Premium Penalty screen. Policies with net negative premium which do not have an active in-force cession will appear on the Error Policies screen flagged with an Error Code 1 – No Valid In-Force Cession. The policies 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**  
**COMMAUTO.COM REPORTS SCREEN**

|   |                             |                                       |                              |                                   |                           |                         |                            |                          |                            |                           |                          |
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|---|---|--|

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**EXHIBIT V-C-2**  
**LOG-IN SCREEN**

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**EXHIBIT V-C-3**  
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| <b>CAR Accounting</b>  |  |  |  |  |  |  |
| <p>The CAR Accounting system houses the components of a ceded policy cession record, ceded premium records, and ceded loss records. There are a number of programs that monitor and edit the successful submission of each component part.</p> <p>The Error Notifications application provides different views of ceded policies that have an error or have been written off. It also allows the user to view summary level error information and allows the user to monitor policies with losses over \$1M.</p> <p>The Flat Cancellation Audit is a monitoring program where CAR requests documentation be uploaded to support TX4 and TX15 cancellation transactions.</p> <p>The Policy History function allows a user to view every ceded policy reported during the last 10 years.</p> <p>Please contact <a href="#">Data Operations</a> with any inquiries.</p>   |  |  |  |  |  |  |
| <table border="0"> <tr> <td align="left" style="vertical-align: top;"> <p><b>Error Notifications</b></p> <p><a href="#">Error Policies</a></p> <p><a href="#">High Loss Policies</a></p> <p><a href="#">Net Negative Premiums</a></p> <p><a href="#">Policy Year Error Summary</a></p> <p><a href="#">Prem and Loss Written-Off</a></p> <p><a href="#">Warnings and Penalties</a></p> </td> <td align="left" style="vertical-align: top;"> <p><b>Flat Cancellation</b></p> <p><a href="#">Flat Cancel Sample</a></p> </td> <td align="left" style="vertical-align: top;"> <p><b>Policy History</b></p> <p><a href="#">Cession</a></p> <p><a href="#">Claim Summary</a></p> <p><a href="#">Common</a></p> <p><a href="#">Loss</a></p> <p><a href="#">Premium</a></p> </td> <td align="left" style="vertical-align: top;"> <p><b>Additional Applications in Commercial Only</b></p> <p><a href="#">Forms, Manuals</a></p> <p><a href="#">Cessions</a></p> <p><a href="#">Experience Rating</a></p> <p><a href="#">Rate Edit</a></p> </td> </tr> </table>   |  |  | <p><b>Error Notifications</b></p> <p><a href="#">Error Policies</a></p> <p><a href="#">High Loss Policies</a></p> <p><a href="#">Net Negative Premiums</a></p> <p><a href="#">Policy Year Error Summary</a></p> <p><a href="#">Prem and Loss Written-Off</a></p> <p><a href="#">Warnings and Penalties</a></p>   | <p><b>Flat Cancellation</b></p> <p><a href="#">Flat Cancel Sample</a></p>  | <p><b>Policy History</b></p> <p><a href="#">Cession</a></p> <p><a href="#">Claim Summary</a></p> <p><a href="#">Common</a></p> <p><a href="#">Loss</a></p> <p><a href="#">Premium</a></p>  | <p><b>Additional Applications in Commercial Only</b></p> <p><a href="#">Forms, Manuals</a></p> <p><a href="#">Cessions</a></p> <p><a href="#">Experience Rating</a></p> <p><a href="#">Rate Edit</a></p> |
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## EXHIBIT V-C-4 WARNING AND PENALTY SCREEN

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**Notifications - Warning and Penalty**

The \$60 cession no premium warning and penalty grids identify all policies that have an active, in-force cession but have either no premium or negative premium dollars. The grids are updated on the 28th of every month. A ceded policy will appear on the warning list if CAR has not received premium within three months after the effective month of the policy. A policy remains on the warning grid for five months, beginning on the 1st Warned Date. If, after five months, premium has not been received at CAR, the policy moves from the warning grid to the penalty grid. A policy will remain on the penalty grid until premium is received or the policy effective year is closed to premium reporting.

**Company:** 999 - Any Insurance Company

Warned Policies Total: 34 [Export To Excel](#)

| Pol Eff Yr | Policy ID  | Risk Type | CAR ID Code | Warn List Date | Cov Eff Date | Pol Expir Date | Policy Prem Doll |
|------------|------------|-----------|-------------|----------------|--------------|----------------|------------------|
| 2020       | 1020061999 | 2         | 5           | 03/28/2021     | 12/12/2020   | 12/12/2021     | 0                |
| 2020       | 1020103999 | 2         | 5           | 03/28/2021     | 12/14/2020   | 12/14/2021     | 0                |
| 2021       | 1020068999 | 2         | 4           | 04/28/2021     | 01/01/2021   | 01/01/2022     | 0                |
| 2021       | 1020092999 | 2         | 4           | 04/28/2021     | 01/22/2021   | 01/22/2022     | 0                |
| 2021       | 1020103999 | 2         | 4           | 04/28/2021     | 01/05/2021   | 01/05/2022     | 0                |

Penalty Policies Total: 70 [Export To Excel](#)

| Pol Eff Yr | Policy ID  | Risk Type | CAR ID Code | Warn List Date | Cov Eff Date | Pol Expir Date | Policy Prem Doll |
|------------|------------|-----------|-------------|----------------|--------------|----------------|------------------|
| 2019       | 1020086099 | 2         | 4           | 10/28/2019     | 07/10/2019   | 07/10/2020     | 0                |
| 2019       | 1020044899 | 2         | 4           | 11/28/2019     | 08/06/2019   | 08/06/2020     | 0                |
| 2019       | 1020078399 | 2         | 5           | 02/28/2020     | 11/02/2019   | 11/02/2020     | 0                |
| 2020       | 1020012899 | 2         | 4           | 04/28/2020     | 01/21/2020   | 01/21/2021     | 0                |
| 2020       | 1020061499 | 2         | 4           | 04/28/2020     | 01/01/2020   | 01/01/2021     | 0                |

**Summary of Warned and Penalty Policies**

| Pol Eff Yr | Warning Cessions | Warning Dollars | Penalty Cessions | Penalty Dollars | Write-Off Cessions | Write-Off Dollars |
|------------|------------------|-----------------|------------------|-----------------|--------------------|-------------------|
| 2019       | 0                | 0               | 47               | 2,820           | 47                 | 423,000           |
| 2020       | 38               | 2,280           | 26               | 1,560           | 64                 | 0                 |
| 2021       | 0                | 0               | 0                | 0               | 0                  | 0                 |


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EXHIBIT V-C-5

NET NEGATIVE PREMIUMS



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Error Notifications - Net Negative Premiums

All ceded policies must have positive premium to ensure loss coverage. In those cases where a Servicing Carrier has reported premium records that result in an overall negative dollar total on a policy, CAR shows them in the grid below. Corrections must be made by submitting offset and re-enter records in a monthly accounting/statistical shipment. If a policy remains in a net negative status at the close of premium reporting for a specific effective year, it will process through the Net Negative Premium Write-Off program which runs annually in March each year.

Company: 999 - Any Insurance Company

Total Policies: 1

| Co No | Pol Eff Yr | Policy ID | Pol Edit Date | Cov Eff Date | Cov Expir Date | Warn List Date | Write Off Date | Policy Prem |
|-------|------------|-----------|---------------|--------------|----------------|----------------|----------------|-------------|
| 999   | 2021       | 2709999   | 06/17/2021    | 99/99/9999   | 00/00/0000     |                | 4/2024         | -5024       |

Premiums

**EXHIBIT V-C-6**  
**NET NEGATIVE PREMIUM DETAILS SCREEN**

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**Error Notifications - Net Negative Premiums**

The grid below lists all detail premium records for the policy selected excluding washout records. The total dollar amount and record count are listed at the top of the grid.

999 - Any Insurance Company

| Co No | Pol Eff Yr | Policy ID | Pol Edit Date | Cov Eff Date | Cov Expir Date | Warn List Date | Write Off Date | Policy Prem |
|-------|------------|-----------|---------------|--------------|----------------|----------------|----------------|-------------|
| 999   | 2021       | 2709999   | 06/17/2021    | 99/99/9999   | 00/00/0000     |                | 4/2024         | -5024       |

Total Error Records: 130    Total Error Amount: -5024

[Export To Excel](#)

| Rec No | Tx Type | Sub Line | Eff Mo | Actg Date | Expir Date | Tx Date | Receipt Date | Prem Town | Class Code | CAR ID | Dollar 1 | Dollar 2 | Error Codes |
|--------|---------|----------|--------|-----------|------------|---------|--------------|-----------|------------|--------|----------|----------|-------------|
| 000119 | 15      | 45       | 01     | 02/2021   | 01/2022    | 01/2021 | 04/14/2021   | 240       | 99999      | 4      | 511      | 2443     | WASHOUT     |
| 000120 | 15      | 45       | 01     | 02/2021   | 01/2022    | 01/2021 | 04/14/2021   | 240       | 99999      | 4      | 511      | 2443     | WASHOUT     |
| 000121 | 15      | 45       | 01     | 02/2021   | 01/2022    | 01/2021 | 04/14/2021   | 240       | 99999      | 4      | 1685     | 865      | WASHOUT     |
| 000122 | 15      | 45       | 01     | 02/2021   | 01/2022    | 01/2021 | 04/14/2021   | 240       | 99999      | 4      | 299      | 1131     | WASHOUT     |
| 000123 | 12      | 45       | 01     | 04/2021   | 01/2022    | 01/2021 | 06/04/2021   | 240       | 99999      | 4      | -1685    | -865     | WASHOUT     |
| 000124 | 12      | 45       | 01     | 04/2021   | 01/2022    | 01/2021 | 06/04/2021   | 240       | 99999      | 4      | -285     | -1018    | WASHOUT     |
| 000125 | 12      | 45       | 01     | 04/2021   | 01/2022    | 01/2021 | 06/04/2021   | 240       | 99999      | 4      | 289      | 1029     | WASHOUT     |
| 000126 | 12      | 45       | 01     | 04/2021   | 01/2022    | 01/2021 | 06/04/2021   | 240       | 99999      | 4      | -475     | -2014    | WASHOUT     |
| 000127 | 12      | 45       | 01     | 04/2021   | 01/2022    | 01/2021 | 06/11/2021   | 240       | 99999      | 4      | -1685    | -865     | 1 4         |
| 000128 | 12      | 45       | 01     | 04/2021   | 01/2022    | 01/2021 | 06/11/2021   | 240       | 99999      | 4      | -475     | -2014    | 1 4         |
| 000129 | 12      | 45       | 01     | 04/2021   | 01/2022    | 01/2021 | 06/11/2021   | 240       | 99999      | 4      | 289      | 1029     | 1 4         |

#### **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 –<br>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

2011

Policy ID

A03852856

Tax ID

063538926

Submit

**EXHIBIT V-D-2**  
**EXPERIENCE RATING PENALTY REPORT SCREEN**

|  |                     |  |                   |                         |                |
|--|---------------------|--|-------------------|-------------------------|----------------|
| <b>Penalty Report</b>                                  |                     |  |                   |                         |                |
| Company: 999   |                     |  | Quarter: 3/2009   |                         |                |
| <b>Penalties Assessed - Notification received late</b> |                     |  |                   |                         |                |
| <b>Policy ID</b>                                       | <b>Insured Name</b> | <b>Effective Date<br/>(MM/DD/YYYY)</b> | <b>Date Recvd</b> | <b>Days<br/>Elapsed</b> | <b>Penalty</b> |
| 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                         |                     |  |                   |                         |                |
| <a href="#">Penalty Letter</a>                         |                     |  |                   |                         |                |

**EXHIBIT V-D-3**  
**DISCREPANCY REPORT SCREEN**

| Discrepancy Report                 |                                |                    |                  |                    |                    |                  |                    |                 |  |
|------------------------------------|--------------------------------|--------------------|------------------|--------------------|--------------------|------------------|--------------------|-----------------|--|
| Company: 999 Any Insurance Company |                                |                    |                  |                    |                    |                  |                    | Quarter: 4/2010 |  |
| Policy ID                          | Effective Date<br>(MM/DD/YYYY) | Liability          |                  |                    | Physical Damage    |                  |                    | Type            |  |
|                                    |                                | CAR<br>Calc<br>Mod | CO<br>Rpt<br>Mod | Stat<br>Rpt<br>Mod | CAR<br>Calc<br>Mod | CO<br>Rpt<br>Mod | Stat<br>Rpt<br>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           |  |
| ST1610T                            | 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                             |            |
| <b>Total Policies Listed: 13</b>          |  |               |   |            |
| <b>Eligibility Code definitions</b>       |  |               |   |            |
| 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<br>(MM/DD/YYYY) | Tax ID    | Primary<br>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 |                                |
| BKALRT                               | 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            |                                |           |                                |

## **A. General**

A Servicing Carrier will receive a credit against its premium written for expenses related to policies ceded to Commonwealth Automobile Reinsurers (CAR). Reimbursement will be provided for premium tax and commission expenses, as well as other expenses, including, but not limited to, unallocated loss adjustment, underwriting/technical services, loss control services and company/general expenses.

Expense allowances are initially calculated on an interim basis as specified in Section B. of this Chapter. On an annual basis, ceding expenses will be trued-up as specified in Section C. of this Chapter.

As part of the Massachusetts Residual Market Commercial Automobile Request for Proposal (RFP) process, companies interested in servicing ceded commercial automobile business submit a price proposal. The proposal will indicate a price for the initial year of the appointment to reimburse the Servicing Carrier for its unallocated loss adjustment expenses (ULAE), and underwriting/policy processing, loss control services and company/general expenses. The proposal will also include a price for each of the subsequent years in the appointment term.

The final expense allowances for the commercial Servicing Carrier(s) selected through the RFP process is approved by CAR's Governing Committee.

For additional information relative to the RFP process and the selection of Servicing Carriers to service the commercial automobile residual market, refer to Chapter I – Overview of this Manual.

## **B. Calculation of Interim Expense Allowances**

Interim expense allowances are provided for both premium tax and commission expenses and for ULAE, and underwriting/policy processing, loss control services and company/general expenses.

Interim expense ratios used to calculate ceding expenses are established annually, as follows:

### **1. Premium Tax and Commission**

Servicing Carriers will be reimbursed for premium tax and commission as a percentage of written premium according to the underlying rate components in the latest approved CAR rate filing for the corresponding policy year.



2. Unallocated Loss Adjustment Expenses (ULAE), Underwriting/Policy Processing, Loss Control Services and Company/General Expenses

Servicing Carriers will be reimbursed for ULAE expenses, underwriting/policy processing expenses, loss control services expenses, and company/general expenses based upon the approved expense allowance for each policy year of appointment.

Servicing Carriers will be advised via bulletin of the established interim expense allowances. Ceding expenses, as initially calculated based on interim expense ratios, will be credited to the Servicing Carrier through CAR's quarterly settlement of balances procedure and are subject to final true-up as described in Section C. of this Chapter.

#### **C. Final Determination of Expenses**

A Servicing Carrier's ceding expenses, as initially determined based on interim expense ratios, are subject to final adjustment based upon the agreed upon expense allowance.

Final expenses are determined as follows:

1. Premium Tax and Commission Expenses

Servicing Carriers will be reimbursed for premium tax and commissions according to the approved CAR commercial rate filing for the corresponding policy year. For policy years where a CAR rate filing is not filed and/or approved, the premium tax and commission allowance will remain unchanged from the prior year.

2. Unallocated Loss Adjustment Expenses, Underwriting/Policy Processing, Loss Control Services and Company/General Expenses

At the close of each calendar year, the final expense allowances will be trueed up based on the approved expense allowance and the actual ceded statistically reported data for the corresponding policy years.

Interim ceding expenses previously provided to the Servicing Carrier are compared with final expense allowances calculated for each Servicing Carrier. Any necessary ceding expense adjustment will be processed as an adjustment to the Servicing Carrier's Settlement of Balances and Member Participation Reports.

## **A. Introduction**

This chapter describes the procedures for determining a Member's share in the Commonwealth Automobile Reinsurers' ceded underwriting results and in the administrative expenses associated with operating all CAR residual market and statistical agent functions.

Section B of this chapter describes the quarterly cash flow procedures for distributing CAR's ceded underwriting results to its Members, for collecting CAR's administrative expenses, and for collecting any necessary special assessments. This information is provided to Members via the quarterly Settlement of Balances report, the Statistical Agent Expense Assessment report, and if applicable, a Special Assessment report. Also, included in Section B are the procedures for a company to verify its quarterly cash flow reports.

Section C of this Chapter describes the Member's Participation Report, which documents each Member's assumed share of CAR's underwriting results. The Member's Participation Report net results are displayed in Section B of the Settlement of Balances report.

Section D of this Chapter describes the formulas for determining a Member's participation ratios for sharing in CAR's ceded underwriting results and administrative expenses.

## **B. Quarterly Cash Flow**

### **1. Sharing in Commonwealth Automobile Reinsurers' Ceded Underwriting Results and Administrative Expenses**

To reduce the unnecessary cash flow of funds for each Member, CAR will accumulate ceded balances due to Servicing Carriers and balances due CAR or company associated with each Member's assumed share in CAR's underwriting results, administrative expenses, and miscellaneous income. The net balances due CAR or company will be shared quarterly in accordance with the procedures described in this chapter.

Members are notified via email when the current quarter's reports are available. Additionally, at the beginning of each calendar year, a projected schedule of dates on which the quarterly cash flow reports will be available is included on the Schedules page of CAR's website under the Settlement of Balances link. The reports are generally released in accordance with the following schedule:

| Quarter Ending | Release Date |
|----------------|--------------|
| December 31    | March 5      |
| March 31       | June 5       |
| June 30        | September 5  |
| September 30   | December 5   |

a. Underwriting Results

Each policy year will be held open for sharing in CAR's underwriting results until it is determined that the volume of open claims and outstanding loss reserves for a particular policy year are sufficiently low to warrant the final close-out of that policy year. The close-out of a policy year will take place as of the September quarter for financial purposes and as of the following January accounting/statistical shipment for statistical reporting purposes.

A Member may request reimbursement for a ceded claim paid on a policy year that has been closed out. Reimbursement requests should be sent to CAR's Operations Services Department. Paid loss activity submitted in or subsequent to the quarter in which the close-out occurs will be shared using the participation ratios for the oldest policy year that remains open.

For cash sharing purposes, CAR will use a Servicing Carrier's acceptable data that is reported in accordance with the shipment due dates published in the annual Call Schedule for each accounting/statistical month. If a portion of a Servicing Carrier's data submission is unacceptable or missing it will not be included in that quarter's cash flow.. The Servicing Carrier must provide CAR with accrual information for the unacceptable or missing portion of the submission. Accrual information includes written premium, written exposure, paid losses, and outstanding losses, broken down by policy effective year, accident year and line of business (i.e. bodily injury, property damage, no-fault, collision, and other-than-collision). If incomplete data results in material impact to the pool, CAR will process a bulk adjustment based on the accrual information. CAR will verify the accrual information upon receipt of the statistically reported data. If it is determined that the accrual information is materially different from the statistically reported data, the Servicing Carrier will be assessed a late fee of \$50 per business day through the receipt date of the statistical submission. If, after the shipment due date, CAR discovers that a submission is incomplete or incorrect, CAR will work with the Servicing Carrier to determine the extent of the problem. CAR will document the reporting problem and will provide the Servicing Carrier with a deadline for responding to CAR's request for an explanation, the deadline for reporting corrections (if data correction is necessary), and the potential penalty for failure to comply with CAR's request.

b. Administrative Expense and Miscellaneous Income

CAR will assess for its current fiscal year's administrative expenses in advance. The calculations will be trued-up with each September quarter cash flow, using final expenses. The portion of expenses related to CAR's reinsurance functions, as well as any miscellaneous expenses and income, are collected through the Settlement of Balances report (refer to Section B.2. of this Chapter). The portion related to CAR's statistical agent function are collected through the Statistical Agent Expense

Assessment report (refer to Section B.3. of this Chapter). A single invoice is then generated to net balances due for the quarterly cash flow.

## 2. Settlement of Balances Report

The Settlement of Balances (SB) Report summarizes the Servicing Carrier's ceded balances reported during the current quarter, and the Member's current quarter assumed share in CAR's ceded underwriting results, reinsurance operating expenses, and miscellaneous expenses and income. The report also identifies the Member's prior quarter payment activity and the net settlement balance due CAR or company.

The Settlement of Balances Report consists of the SB-5 report which displays balances for all prior policy years, the SB-4 report which displays balances for the current policy year, and the SB-1 report which displays all policy years combined. Refer to Exhibit VII-B-1.

In accordance with Rule 11.C.1. – Assessments and Participation of CAR's Rules of Operation, cash shared in the quarters ending March 31 and June 30 is based on prior policy years' balances (SB-5 page). For the quarters ending September 30 and December 31, cash distribution is based on all policy years' balances (SB-1 page).

The SB reports are produced on a quarterly basis and Members with a valid user id and password may access the reports on the Reports page of CAR's website under the Settlement of Balances link. Members are notified via email when the current quarter's report is available.

The Settlement of Balances Reports consists of the following Sections:

### Section A – Servicing Carrier Commercial Ceded Experience

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

To verify Section A for all policy years combined, the figures displayed on each line of Section A should be compared to the total accounting/statistical data reported by the Servicing Carrier and accepted by CAR for that quarter as reflected on monthly confirmation reports. Additionally, these balances may include adjustments for net negative premium write-offs, paid loss write-offs, ceding expense true-ups, and other miscellaneous written premium and paid loss bulk adjustments applied for the current accounting quarter as identified in the Circular Letter to All Member Companies (Circular Letter).

### Section B - Member Commercial Assumed Share

Section B displays the Member's assumed share of the industry's paid ceded commercial underwriting results for the current accounting quarter as reflected on the company's Member's Participation Reports, described in Section C of this chapter.

#### Section C – Operating Expense Assessment

Section C displays a Member's assumed share of CAR's residual market-related operating expenses.

#### Section D – Miscellaneous Expense and Income

Section D displays a Member's assumed share of miscellaneous expenses not related to CAR operations, as well as the investment income and other miscellaneous income earned by CAR. Assumed shares are based on the company's administrative expense participation ratios, described in Section D.2.b of this chapter.

The Member's assumed share is calculated by (1) multiplying CAR's current quarter fiscal-year-to-date expenses, as identified by line of business in the Circular Letter, times the Member's administrative expense participation ratios described in Section D.2.b of this chapter, (2) multiplying CAR's prior quarter fiscal-year-to-date expenses times the Member's prior quarter administrative expense participation ratio, and (3) subtracting the result from (2) from (1).

#### Section E - Account Activity During Last Period

Section E identifies any outstanding balances owed to CAR or to the company. A Member Company's net balance from the prior quarter is netted with payments made by the company or by CAR in the prior quarter. Any residual market-related penalties and processing fees incurred by the company during the current quarter as documented in the Circular Letter are also identified.

#### Section F - Net Settlement Amount Due CAR (Company)

Section F displays the total amount due the Member or due CAR. This amount is carried forward to the Member's quarterly invoice.

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

### 3. Statistical Agent Assessment

The Statistical Agent Expense Assessment report identifies a Member's share of CAR's statistical agent-related operating expenses. This report is produced on a quarterly basis and may be accessed with a valid user ID and password on the Reports page of CAR's website under the Settlement of Balances link. Refer to Exhibit VII-B-2.

A portion of the CAR's operating expenses related to its statistical agent function is collected as the Statistical Agent Fee. The fee schedule below is approved by the Governing Committee and is based on CAR resources that are required to collect and process Members' Massachusetts private passenger and commercial automobile statistics and to provide other statistical agent services. The balance of CAR's

administrative expenses associated with its statistical agent function, representing overhead expenses that are shared according to market share, will be assessed based upon a Member's Administrative Expense Ratios.

| <u>Statistical Agent Fee Schedule</u>  |                   |                             |
|--|-------------------|-----------------------------|
| <u>Reporting Company Type</u>  | <u>Annual Fee</u> | <u>Quarterly Assessment</u> |
| Inactive Company Group <sup>(1)</sup>  | \$1,000           | N/A                         |
| PP NR Company <sup>(2)</sup> < Reporting Threshold   | \$7,000           | \$1,750                     |
| PP NR Company > Reporting Threshold  | \$35,000          | \$8,750                     |
| PP Quarterly Reporting Company   | \$35,000          | \$8,750                     |
| PP Monthly Reporting Company   | \$45,000          | \$11,250                    |
| CM NR Company < Reporting Threshold  | \$2,000           | \$500                       |
| CM NR Company > Reporting Threshold  | \$6,000           | \$1,500                     |
| CM Quarterly Reporting Company   | \$6,000           | \$1,500                     |
| CM Monthly Reporting Company   | \$8,000           | \$2,000                     |
| <sup>(1)</sup> A company that is not actively writing but is part of a group which includes at least one actively writing company eligible to be assessed a statistical agent fee will not be separately assessed a fee. |                   |                             |
| <sup>(2)</sup> NR Company means non-reporting company  |                   |                             |

The Statistical Agent Expense Assessment report consists of the following sections:

#### Section I – Determination of Industry Quarterly Market Share Based Assessment

Section I displays the derivation of the total industry amount due CAR to be assessed on a market share basis.

#### Section II – Company Quarterly Assessment

Section II displays the derivation of the Member's quarterly statistical agent expense assessment including its share of the industry statistical agent assessment identified in Section I and its Statistical Agent Fee

#### Section III – Prior Activity and Penalties

Section III identifies the Member's prior quarter balance, the payment received and any current quarter Statistical Plan Data Quality Penalties assessed the Member.

#### Section IV - Net Quarterly Assessment Due

Section IV displays the net balance due CAR or the Member for the quarter. This amount is included on the Member's quarterly invoice.

#### 4. Special Assessments Due

If CAR's cash flow is not sufficient to fund necessary operating costs, payment of a special operational cost is required, or if the balances owed to CAR by an insolvent

company are substantial enough to disrupt the quarterly cash distribution process, it may become necessary to secure cash funds in order to support CAR operations.

Assessments related to CAR expenses which are not properly chargeable to the profit or loss of risks ceded to CAR, will be shared by Members in the same proportion that each Member's Massachusetts direct written Motor Vehicle Insurance premiums, as reported on the Member's Statutory Page 14 for Massachusetts for the most recent calendar year, bear to the total of such premiums for all Members. Commercial ceded premium is excluded from this calculation.

Assessments related to profits and losses on risks ceded to CAR will be shared by Members according to each Member's underwriting results participation ratios for the policy years affected.

#### 5. Net Balance Due

If the net balance from all applicable cash flows as described above is due CAR, the payment must be electronically transferred and received by CAR by the due date specified on the invoice and in the Circular Letter.

If the net balance from all applicable cash flows as described above is due the Member, CAR will wire transfer the payment on the date specified in the Circular Letter.

Refer to Section B.7. for additional information relative to the wire transfer of funds.

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

Each Member agrees to pay late payment fees and compensate CAR for all damages and expenses incurred by the residual market as a result of the Member's failure to remit timely payment. A Member is entitled to appeal to CAR's Governing Committee, any assessment or late payment fees, damages or expenses which were levied. However, the Member will be required to pay the amount invoiced before such appeal will be considered. If the Governing Committee rules in favor of the Member, an adjustment, including interest, will be made by CAR to the Member's account.

If a Member fails to pay assessments, late payment fees, or compensatory damages or expenses on a timely basis the Division of Insurance may be notified.

For specific late payment details, refer to Rule 3.A.2. – Insurer Obligations of CAR's Rules of Operation.

#### 6. Interim Settlement to a Servicing Carrier

Interim settlements will normally not be granted. However, requests for interim settlements from a Servicing Carrier will be considered by CAR. Servicing Carriers are

permitted to apply for an interim settlement in the event that the Servicing Carrier is experiencing significant negative cash flow in its ceded book of business, specifically, if the Servicing Carrier is in a run-off position. In such cases, reimbursements will be limited to the loss of investment income on the funds, computed from the last day of the accounting month in which the negative cash flow occurred to the expected cash flow date of the quarterly cash flow reports for that quarter.

#### 7. Electronic Transfer of Funds

CAR will disburse all quarterly settlement funds due Members via wire transfer and each Member is required to pay all quarterly settlement invoices due CAR via wire or ACH transfer. Note that CAR will not accept check payments from Members. Invoice balances will be considered outstanding and subject to a loss of investment income penalty (refer to Rule 3 – Insurer Obligations of CAR’s Rules of Operation or Section B.6. of this Chapter) until they are wired or ACH transferred to CAR.

The Member Company Wire Transfer Instructions form should be submitted by each Member to CAR’s Financial Department via email. This form may be accessed by logging into CAR’s website from the Reports page and clicking on the Settlement of Balances link and then the Wire Transfer Bank Account Information link.

A separate agreement may be signed for any Member wishing to allow CAR to directly debit their bank account.

#### 8. Minimum Invoice Payment Procedures

Invoices and payments for CAR's quarterly cash flow will not be issued or required if the amount due CAR or the Member is less than \$1,000. However, a Member whose balances are below this minimum level will continue to receive its quarterly Member’s Participation and Settlement of Balances reports, and the cumulative amount due CAR or the Member will be reflected on the Settlement of Balances reports.

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

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



**EXHIBIT VII-B-1**  
**SETTLEMENT OF BALANCES REPORT**

|                                   |                                    |         |           |
|-----------------------------------|------------------------------------|---------|-----------|
| Quarter Ending: December 31, 2021 | Commonwealth Automobile Reinsurers | Date:   | 3/15/2022 |
|                                   | Settlement Of Balances             | Report: | SB-1      |
|                                   | All Policy Years Combined          |         | Industry  |
|                                   | ALL COMPANIES COMBINED             |         |           |

| <u>Description</u>  | <u>Balance</u>        |
|---|-----------------------|
| <b>A. Servicing Carrier Commercial Ceded Experience</b>               |                       |
| 1. Premiums Written   | \$47,063,977.00       |
| 2. Ceding Expense Allowance   | \$9,905,052.00        |
| 3. Losses Paid  | \$36,311,170.00       |
| 4. Allocated Loss Adjustment Expense                                  | \$1,414,226.00        |
| 5. Balance Due CAR(Company) (1) - (2+3+4)                             | (\$566,471.00)        |
| <b>B. Member Commercial Assumed Share</b>                             |                       |
| 1. Premiums Written   | \$47,064,020.00       |
| 2. Ceding Expense Allowance   | \$9,905,044.00        |
| 3. Losses Paid  | \$36,311,162.00       |
| 4. Allocated Loss Adjustment Expense                                  | \$1,414,201.00        |
| 5. Balance Due CAR(Company) -(1) + (2+3+4)                            | \$566,387.00          |
| <b>C. Operating Expense Assessment</b>                                |                       |
| 1. Advance Operating Expense Assessment                               |                       |
| (a) MAIP  | \$514,048.00          |
| (b) Commercial  | \$637,740.00          |
| 2. True-Up of Prior Fiscal Year                                       |                       |
| (a) MAIP  | \$0.00                |
| (b) Commercial  | \$0.00                |
| 3. Balance Due CAR(Company) (1a + 1b + 2a + 2b)                       | \$1,151,788.00        |
| <b>D. Miscellaneous Expense and Income</b>                            |                       |
| 1. Miscellaneous Expense  | \$13,511.00           |
| 2. Miscellaneous Income   | (\$3,165.00)          |
| 3. Balance Due CAR(Company) (1 - 2)                                   | \$16,676.00           |
| <b>E. Account Activity During Last Period</b>                         |                       |
| 1. Net Settlement as of Last Period<br>(Line "H" From Last Statement) | \$1,690,904.00        |
| 2. Payments to CAR (Company) During Last Period                       | \$1,670,243.00        |
| 3. Penalties and Other Adjustments                                    | \$6,075.00            |
| 4. Balance Due CAR(Company) (1) - (2) + (3)                           | \$26,736.00           |
| <b>F. Net Settlement Amount Due CAR (Company)</b>                     | <b>\$1,195,116.00</b> |

**EXHIBIT VII-B-2**  
**STATISTICAL AGENT EXPENSE ASSESSMENT REPORT**

Commonwealth Automobile Reinsurers  
Statistical Agent Expense Assessment  
Advanced Fiscal Year 2016 Assessment - Second Quarter  
Quarter Ending September 30, 2015  
Industry Summary

Effective for FY 2010, CAR has adopted separate assessment procedures for administrative expenses relating to its statistical agent and residual market administrator functions. A detailed explanation of the modified procedures and implementation process is documented in CAR Bulletin No. 912. Additional information relative to the identification of expenses by function is referenced in the circular letter.

The following report illustrates the determination of your company's Statistical Agent Expense Assessment. The assessment includes the quarterly statistical agent fee, with the remaining expenses assessed on a market-share basis. Section I of the report identifies the derivation of the industry market-share-based assessment, and Section II identifies the determination of your company's assessment.

**The balance due CAR will be reflected as a separate line item on your company's invoice accompanying the Settlements of Balance for the quarter ending September 30, 2015. Questions may be directed to** [REDACTED]

**Section I**

Determination of Industry FY 2016 Market Share Based Assessment

|  |             |
|--|-------------|
| (1) Advanced Statistical Agent Assessment<br>(Based on FY2016 Administrative Budget) | \$1,057,568 |
| Less:  |             |
| (2) FY 2016 Statistical Agent Fees Assessed  | \$749,250   |
| (3) Statistical Plan Penalties   | \$0         |
| Equals:  |             |
| (4) Net Market Based Quarterly Assessment  | \$308,318   |

**Section II**

Determination of Your Company's Assessment

|   |             |
|---|-------------|
| (1) Final 2014 Administrative Expense Ratio (MPR-5)                 | 1.0000002   |
| (2) Company Market Share Based Assessment (1) x (Section 1, Line 4) | \$308,315   |
| (3) Company Statistical Agent Fee                                   | \$749,250   |
| (4) Total Quarterly Statistical Agent Assessment                    | \$1,057,565 |

**Section III**

Account Activity During Current Period

|  |             |
|--|-------------|
| (1) Balance Due Last Quarter                         | \$1,086,962 |
| (2) Balance Paid Last Quarter                        | \$1,077,457 |
| (3) Statistical Plan Penalties and Other Adjustments | \$0         |
| (4) Net Due C.A.R. (Company)                         | \$9,505     |

**Section IV**

|   |                    |
|---|--------------------|
| <b>Total balance due C.A.R. (Company)</b> | <b>\$1,067,070</b> |
|---|--------------------|

### **C. Member's Participation Reports**

The Member's Participation (MP) Reports display a Member's assumed share by policy year and participation pool of CAR's ceded premium, expenses, and losses associated with CAR's underwriting results. Refer to Exhibit VII-C-1. The inception-to-date commercial assumed share (MP3) is calculated by multiplying the Member's underwriting results participation ratios, as calculated in Section D. of this Chapter, by the total industry ceded premium, expenses and losses. The assumed commercial quarter activity (MP1) is derived by subtracting the prior quarter inception-to-date results (MP3) from the current quarter inception-to-date results (MP3). The MP4 report summarizes the cash balances from the MP1 report that are shared through Section B of the Settlement of Balances report, as described in Section B of this chapter. The MP1, MP2, and MP3 reports display, by policy year and pool, the current quarter activity, fiscal year-to-date activity, and inception-to-date results, respectively. The MP4, MP5, and MP6 reports display a summary by policy year of the cash balances reflected on the MP1, MP2, and MP3 reports, respectively.

The MP reports are produced on a quarterly basis and may be accessed by Members with a valid user id and password on the Reports page of CAR's website and clicking on the Settlement of Balances link. Members are notified via email when the current quarter's report is available.

Members may also request to receive Member's Participation Reports data via FTP transmission file. To establish an FTP account, log into CAR's website from the Reports page, click on the Settlement of Balances link and complete and submit the Financial FTP User Account Request form.

If a company that had previously shared in CAR's underwriting results is declared insolvent, the remaining Members must assume the insolvent company's unpaid balances. To accomplish this, CAR removes the company's underwriting results participation ratios from the industry's participation base and the industry inception to date ceded balances are then reduced by the frozen or "inactive" company's paid assumed balances. The remaining companies' assumed share in CAR's underwriting results is then calculated by applying Member participation ratios.

The industry MP reports distributed to Members each quarter include an "All Companies Combined" report, which reflects the total industry assumed shares, and the "All Active Companies Combined" report, which represents the sum of the active members' assumed shares. These reports will be needed for a company to verify its assumed share of CAR's underwriting results.

### EXHIBIT VII-C-1 MEMBER'S PARTICIPATION REPORT

QUARTER ENDING SEPTEMBER 30, 2015  
REPORT MP-1  
POLICY YEAR 2015  
OTHER THAN PRIVATE PASSENGER

COMMONWEALTH AUTOMOBILE REINSURERS  
MEMBERS PARTICIPATION REPORT  
ALL COMPANIES COMBINED

Data 1/27/2016

| ***** ACCOUNTS *****          | *****LIABILITY***** |           |             |             | ***** PHYSICAL DAMAGE ***** |           |             | ***ALL COV*** |
|-------------------------------|---------------------|-----------|-------------|-------------|-----------------------------|-----------|-------------|---------------|
|                               | BI                  | PIP       | PD          | TOTAL       | COLL                        | OTC       | TOTAL       | TOTAL         |
| PREMIUMS WRITTEN              | 18,233,352          | 1,258,408 | 9,060,989   | 28,552,749  | 6,612,189                   | 2,727,736 | 9,339,925   | 37,892,674    |
| UNEARNED PREMIUMS (PRIOR)     | 26,999,749          | 1,800,859 | 13,741,361  | 42,541,969  | 9,686,729                   | 3,795,218 | 13,481,947  | 56,023,916    |
| UNEARNED PREMIUMS (CURR)      | 33,729,118          | 2,292,867 | 17,022,129  | 53,044,114  | 12,161,935                  | 4,873,975 | 17,035,910  | 70,080,024    |
| PREMIUMS EARNED (1)           | 11,503,983          | 766,400   | 5,780,221   | 18,050,604  | 4,136,983                   | 1,648,979 | 5,785,962   | 23,836,566    |
| CEDING EXPENSE ALLOWANCE (2)  | 4,719,182           | 317,689   | 2,350,975   | 7,387,846   | 1,719,766                   | 712,222   | 2,431,988   | 9,819,834     |
| LOSSES PAID TOTAL             | 252,370             | 474,664   | 2,317,859   | 3,044,893   | 3,182,890                   | 1,126,415 | 4,309,305   | 7,354,198     |
| ACCIDENT YEAR 2015            | 252,370             | 474,664   | 2,317,859   | 3,044,893   | 3,182,890                   | 1,126,415 | 4,309,305   | 7,354,198     |
| LOSSES O/S (PRIOR) TOTAL      | 2,761,236           | 420,454   | 1,445,750   | 4,627,440   | 0                           | 0         | 0           | 4,627,440     |
| ACCIDENT YEAR 2015            | 2,761,236           | 420,454   | 1,445,750   | 4,627,440   | 0                           | 0         | 0           | 4,627,440     |
| LOSSES O/S (CURR) TOTAL       | 6,290,178           | 789,782   | 2,744,136   | 9,824,096   | 0                           | 0         | 0           | 9,824,796     |
| ACCIDENT YEAR 2015            | 6,290,178           | 789,782   | 2,744,136   | 9,824,096   | 0                           | 0         | 0           | 9,824,796     |
| LOSSES O/S IBNR (PRIOR) TOTAL | 4,358,002           | 25,996    | 1,065,005   | 5,449,003   | 282,998                     | 61,002    | 344,000     | 5,793,003     |
| ACCIDENT YEAR 2015            | 4,358,002           | 25,996    | 1,065,005   | 5,449,003   | 282,998                     | 61,002    | 344,000     | 5,793,003     |
| LOSSES O/S IBNR (CURR) TOTAL  | 9,306,001           | 238,001   | 2,158,998   | 11,703,000  | 306,000                     | 362,995   | 668,995     | 12,371,995    |
| ACCIDENT YEAR 2015            | 9,306,001           | 238,001   | 2,158,998   | 11,703,000  | 306,000                     | 362,995   | 668,995     | 12,371,995    |
| LOSSES INCURRED TOTAL (5)     | 8,729,311           | 1,055,997 | 4,710,238   | 14,495,546  | 3,205,892                   | 1,428,408 | 4,634,300   | 19,129,846    |
| ACCIDENT YEAR 2015            | 8,729,311           | 1,055,997 | 4,710,238   | 14,495,546  | 3,205,892                   | 1,428,408 | 4,634,300   | 19,129,846    |
| ALLOCATED LOSS ADJ EXP (6)    | 10,860              | 8,610     | 8,240       | 27,530      | 7,463                       | 2,505     | 9,968       | 37,498        |
| ACCIDENT YEAR 2015            | 10,860              | 8,610     | 8,240       | 27,530      | 7,463                       | 2,505     | 9,968       | 37,498        |
| NET UNDERWRITING RESULTS      | (1,955,190)         | (615,896) | (1,289,232) | (3,860,318) | (796,138)                   | (494,156) | (1,290,294) | (5,150,612)   |

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

**D. Basis for Distributing Commonwealth Automobile Reinsurers Experience to Participating Members**

**1. Experience Used in Participation Determination**

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

**2. Participation Determination**

**a. Underwriting Results**

A Member's statistical data, as required to be reported in accordance with CAR's Rules of Operation, will be used as a basis for calculating the participation ratios used to allocate industry ceded commercial premiums, losses and expenses. If a Member does not exceed CAR's established statistical reporting thresholds and therefore is not required to report statistical data to CAR, CAR will instead use the Member's Statutory Page 14 for Massachusetts data as a basis for determining underwriting results participation ratios. Note, however, if CAR determines that the Member's reported statistical data is invalid or incomplete and has the potential to significantly impact the Member's participation ratios, appropriate data adjustments may be made by CAR, as necessary.

Member participation shall be calculated on an annual basis in accordance with the procedures in Rule 11.B. – Assessments and Participation of CAR's Rules of Operation.

Refer to Exhibit VII-D-1 for an example of the All Other Liability and All Other Physical Damage underwriting results participation ratio calculation report.

**b. Administrative Expenses**

Expenses, including all costs of operating CAR, and all costs, charges, expenses and liabilities and all income, property and other assets which the Governing Committee determine not to be properly chargeable to the profit or loss of risks ceded to CAR by Servicing Carriers, shall be shared by Members. Sharing is based upon the proportion that each Member's Massachusetts direct written Motor Vehicle Insurance premiums, which are reported on its Statutory Page 14 for Massachusetts for the most recent calendar year, bear to the total of such premiums for all Members. For additional details regarding these calculations, refer to Rule 11.A. – Assessments and Participation of CAR's Rules of Operation.

Refer to Exhibit VII-D-2 for an example of the All Other Liability and All Other Physical Damage administrative expense participation ratio calculation report.

**EXHIBIT VII-D-1**  
**UNDERWRITING RESULTS PARTICIPATION RATIO CALCULATION REPORT**

COMMONWEALTH AUTOMOBILE REINSURERS  
 PARTICIPATIONBASE DATA AND CALCULATION OF PARTICIPATION RATIOS  
 ALL OTHER THAN PRIVATE PASSENGER  
 UNDERWRITING RESULTS RATIOS  
 CALENDAR YEAR 2014 DATA - POLICY YEAR 2014 RATIOS  
 FINAL

GROUP: 999

PAGE: 2A

**SECTION I**  
 ACTUAL GROUP DATA

| <u>DESCRIPTION</u>                       | <u>COMPANY</u><br><u>LIABILITY</u> | <u>INDUSTRY</u><br><u>LIABILITY</u> | <u>COMPANY</u><br><u>PHYS DAM</u> | <u>INDUSTRY</u><br><u>PHYS DAM</u> |
|--|------------------------------------|-------------------------------------|-----------------------------------|------------------------------------|
| A) VOLUNTARY RETAINED PREMIUM (CAR ID 0) | \$52,404,581                       | \$434,725,096                       | \$19,364,387                      | \$143,116,563                      |
| B) ERP RETAINED PREMIUM (CAR ID 1)       | \$1,620,123                        | \$3,629,448                         | \$580,964                         | \$1,280,415                        |

**SECTION II**  
 REPORTING COMPANY DATA ANNUALIZED TO ESTIMATE CALENDAR YEAR

| <u>DESCRIPTION</u>                       | <u>COMPANY</u><br><u>LIABILITY</u> | <u>INDUSTRY</u><br><u>LIABILITY</u> | <u>COMPANY</u><br><u>PHYS DAM</u> | <u>INDUSTRY</u><br><u>PHYS DAM</u> |
|--|------------------------------------|-------------------------------------|-----------------------------------|------------------------------------|
| A) VOLUNTARY RETAINED PREMIUM (CAR ID 0) | \$52,404,581                       | \$434,725,096                       | \$19,364,387                      | \$143,116,563                      |
| B) ERP RETAINED PREMIUM (CAR ID 1)       | \$1,620,123                        | \$3,629,448                         | \$580,964                         | \$1,280,415                        |

COMPANY/GROUP: 999      ABC INSURANCE COMPANY

PAGE: 2B

**SECTION III**  
 CALCULATION OF PARTICIPATION RATIO

|                                     | <u>LIABILITY</u> | <u>PHYS DAM</u> | <u>SOURCE</u>                  |
|-------------------------------------|------------------|-----------------|--------------------------------|
| A) TOTAL RETAINED PREMIUMS          | \$54,024,704     | \$19,945,351    | SECTION II, ITEM (A)+(B)       |
| B) INDUSTRY FINAL RETAINED PREMIUMS | \$438,354,544    | \$144,409,328   | INDUSTRY TOT LESS NET NEGATIVE |
| C) PARTICIPATION RATIO              | 0.1232443        | 0.1381168       | (A) / (B)                      |

**EXHIBIT VII-D-2**  
**ADMINISTRATIVE EXPENSE PARTICIPATION RATIO CALCULATION REPORT**

COMMONWEALTH AUTOMOBILE REINSURERS  
PARTICIPATION BASE DATA AND CALCULATION OF PARTICIPATION RATIOS  
ADMINISTRATIVE EXPENSE RATIOS

CALENDAR YEAR 2014 DATA - POLICY YEAR 2014 RATIOS  
FINAL  
COMPANY/GROUP:-999

This report displays the base data used to determine your company's/group's participation ratios for sharing in the Commonwealth Automobile Reinsurers' Administrative Expenses, and also displays the calculation of these ratios. The data used to calculate these ratios consists of your company's direct written premium totals from the Statutory Page 14 for Massachusetts according to the lines listed below. Data for all the companies in your group have been combined to produce this report. Liability totals include no-fault.

The following companies have been included to calculate your group totals:

ABC      ABC Insurance Company  
XYZ      XYZ Insurance Company

BASE DATA AND PARTICIPATION RATIOS FOR SHARING IN C.A.R.'S ADMINISTRATIVE EXPENSES AND CONTINGENCY FUND

|   | COMPANY DIRECT  | INDUSTRY DIRECT | PARTICIPATION RATIO |
|---|-----------------|-----------------|---------------------|
|   | WRITTEN PREMIUM | WRITTEN PREMIUM | (RATIO TO INDUSTRY) |
| PRIVATE PASSENGER LIABILITY (LINES 19.1 AND 19.2) | \$648,110,819   | \$2,575,523,929 | 0.2516423           |
| ALL OTHER LIABILITY (LINES 19.3 AND 19.4)         | \$53,729,816    | \$438,295,174   | 0.1225882           |
| PRIVATE PASSENGER PHYSICAL DAMAGE (LINE 21.1)     | \$468,849,759   | \$1,893,961,208 | 0.2475498           |
| ALL OTHER PHYSICAL DAMAGE (LINE 21.2)             | \$19,950,563    | \$143,871,464   | 0.1386694           |

#### **A. Verification of Reported Data**

Commonwealth Automobile Reinsurers (CAR) edits a Servicing Carrier's ceded data on a policy level basis to verify that the Servicing Carrier has accurately reported all cession, cession correction, premium, paid loss and outstanding loss data and that proper relationships exist between the cession, premium, and loss records reported for each ceded policy.

However, a Servicing Carrier is ultimately responsible for assuring the accuracy of its own data and CAR expects that prior to reporting data submissions to CAR, the Servicing Carrier will perform edits within its own systems to assure the validity and completeness of its reported data submissions.

##### **1. Cession Edits**

Cession and cession correction records are edited for fatal and non-fatal errors as described in Sections E., F. and G. of Chapter IV – Cession Rules and Procedures of this Manual.

##### **2. Statistical Edits and Data Reporting Requirements**

Premium, paid loss and outstanding loss submissions are edited for statistical errors and other data reporting requirements. For further information, refer to the Massachusetts Commercial Automobile Statistical Plan and CAR's Statistical Edit Package, which are both available on CAR's website under the Manuals tab.

##### **3. Reporting Losses Which Exceed Cedeable Limits or Coverages**

For a loss that exceeds the cedeable limits or coverages identified in Chapter V – Premium of this Manual, two separate statistical loss records must be reported. The portion of the loss within the cedeable limits or coverages must be reported on one record with a ceded CAR Identification Code, and in accordance with the statistical reporting requirements specified in the Commercial Statistical Plan. The portion of the loss amount in excess of the limit or coverage must be reported on another record using 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 Plan is available on CAR's website under the Manuals tab.

Note that if a Servicing Carrier does not conform to this reporting requirement and reports losses exceeding the cedeable limits or coverages, the Servicing Carrier will be required to offset the losses and reenter the records as specified. For further information, refer to Section C – Accounting Error Screens of this



chapter and CAR's Policy Edit Package, which are both available on CAR's website under the Manuals tab.

## **B. Accounting Verification**

### **1. General Information**

All acceptable ceded premium and paid loss records are loaded to CAR's Accounting System on a weekly basis, and outstanding loss records are loaded on a quarterly basis, regardless of the completeness of the monthly submission. That is, if a Servicing Carrier submits its monthly accounting shipment and CAR rejects one or more lines of business due to reporting errors, CAR will load the ceded data contained in the other acceptable lines of business to its accounting system. CAR will verify that the Servicing Carrier resubmits the rejected line(s) of business in a timely manner. To ensure that the pool is not adversely impacted by the missing data, CAR may take further action as outlined in Chapter VII – Participation of this manual.

Using company number, policy number and policy effective year as a key, reported cession records are linked to the corresponding premium and loss records.

Each policy is run through four accounting edits which verify that proper relationships exist between the cession, premium and loss records reported on the policy. These edits are described in Section B.2. of this Chapter. CAR's Policy Edit Package, which is available on CAR's website under the Manuals tab, contains a complete description of each of the accounting error edits.

Additionally, each policy with an active in-force cession is edited to ensure that positive policy premium has been reported. Likewise, each policy with ceded premium is edited to ensure that an active in-force cession exists. Also, each policy with a ceded loss is edited to ensure that an active in-force cession and positive policy premium exists. The Cession/No Premium editing process, including available online screens, penalty program and write-off procedures are described in Chapter V – Premium of this Manual and in the Policy Edit Package, which is available on CAR's website under the Manuals tab.

### **2. Accounting Errors**

Accounting errors are those errors that identify that CAR coverage does not exist on a policy or that there is a problem with the reported premium relating to proper transactions codes and transaction dates or related to reinstatement premium transactions. A Servicing Carrier is required to correct every error identified.

The four accounting errors are as follows:

a. Error Code 1 – No Valid In-Force Cession

An active in-force Transaction Code 1 (New Business) or Transaction Code 2 (Renewal) cession record must exist on every ceded policy. The cession record must have the same company number, policy number and policy effective year as the ceded premium and loss records. Any premium or paid loss records reported on a policy which does not contain an active in-force cession will be flagged with Error Code 1.

b. Error Code 4 – Premium Not Found/Premium Record Date Discrepancy and/or Unmatched Reinstatement Records

Every premium record must be reported with a valid premium Transaction Code. Every policy must have at least one active Transaction Code 11 (New or Renewal Business) premium record. The transaction effective date of the Transaction Code 11 premium record must equal the policy effective date. If a Transaction Code 15 (Cancelled Flat) premium record exists, its transaction effective date must equal the policy effective date. Premium records not meeting these requirements will be flagged with Error Code 4.

If a policy contains Transaction Code 14 (Reinstatement) premium transactions, it must also contain matching Transaction Code 13 (Cancellation of Policy Pro Rata or Short Rate) or Transaction Code 15 (Cancelled Flat) premium transactions. Unmatched Reinstatement records will result in the overall policy cancellation status remaining active (rather than the policy being reinstated). Premium records not meeting these requirements will be flagged with Error Code 4.

c. Error Code 6 – No Positive Premium for Loss Records

For any policy containing a loss record, net positive premium must exist. If the net premium for the policy is less than or equal to zero, CAR will flag the loss record(s) with Error Code 6. If the term of a policy was not sufficient to generate earned premium, and a loss occurred during this period, the Servicing Carrier must report a token premium record containing \$1 or \$2 to avoid an Error Code 6 condition.

d. Error Code 7 – Loss Record Date Discrepancies/Accident Date Outside Cession Bounds

The accident date of every reported paid loss record must be a valid date. The policy effective date of the loss record must be prior or equal to the

accident date. The accident date must be prior or equal to the accounting date.

The accident date must fall within the policy's cession effective date and policy expiration date or, if the policy is cancelled via Transaction Code 13 (Cancellation of Policy Pro Rata or Short Rate) premium records, the policy's cancellation date.

If a policy is flat cancelled with either a Transaction Code 4 (Policy Not Taken or Cancelled) cession record or Transaction Code 15 (Cancelled Flat) premium records, all reported loss records are invalid and will be flagged with Error Code 7.

### **C. Accounting Error Screens**

#### **1. General Information**

Servicing Carriers can view policies containing accounting errors, and policies that are in a warning or penalty status using CAR's online accounting application. On CAR's website, from the Reports tab, (refer to Exhibit VIII-C-1), log in and click on the CAR Accounting link (refer to Exhibit VIII-C-2) to access the accounting error and informational screens.

#### **2. Data Included on the Accounting Error Screens**

Each policy that contains an accounting error will appear on the Error Policies screen and will include the following data:

- a. Ceded premium and paid loss data extracted from CAR's statistical database files and loaded to CAR's Accounting System on a weekly basis.
- b. Cession and cession correction records received since the prior load to the Accounting System.
- c. Statistical data reported for the current (and any prior) accounting months as defined in the Annual Call Schedule, published annually by CAR as an Accounting and Statistical Notice.

#### **3. Accounting Errors**

Servicing Carriers can review their accounting errors via CAR's online accounting application by clicking on the error policies link (refer to Exhibit VIII-C-3). By doing this, the list of policies that contains one or more of the four accounting error codes appears (refer to Exhibit VIII-C-4).

#### 4. Other Accounting and Informational Screens

Within the online CAR accounting application, Servicing Carriers are also able to access a series of informational screens as follows:

- a. The Policy Year Error Summary screen identifies a Servicing Carrier's percentage and volume of policies and records containing each of the error codes (refer to Exhibit VIII-C-5).
- b. The Cession/No Premium Warning and Penalty screen identifies those policies for which a cession has been reported but no corresponding positive ceded premium exists. For additional information relative to the warning and penalty program, including the cession/no premium write-off and associated penalties, refer to Chapter V – Premium of this Manual and CAR's Policy Edit Package which is available on CAR's website under the Manuals tab.
- c. The Net Negative Premium screen identifies those policies that have an overall premium value of less than \$0. For additional information relative to the net negative premium listing and write-off procedures, refer to Chapter V – Premium of this Manual and CAR's Policy Edit Package which is available on CAR's website under the Manuals tab.
- d. The High Loss Policies screen identifies policies that have a paid loss total above \$1M or the combination of paid loss dollars and outstanding reserves reported for the current quarter that exceed \$1M. It also identifies policies where a loss occurrence exceeds the liability limits on the policy. This informational listing may be used to assist Servicing Carriers in the verification of loss reporting on all policies with large dollar claims and to assist CAR in verifying the liability loss reporting relative to the liability limits written on the policy. Servicing Carriers may use this screen to identify loss records that exceed the cedeable limits on a policy that must be reported using classification code 800000 (Non Cedeable Limits) and a voluntary CAR Identification Code (refer to Exhibit VIII-C-6).
- e. The Premium and Losses Written-Off screen identifies premium and loss records that have been written-off in accordance with the accounting error and net negative premium write-off procedures. For additional information relative to the error loss write-off, refer to Section F.1. of this Chapter and relative to the net negative premium write-off, refer to Chapter V – Premium of this Manual.

From the online accounting application on CAR's website (refer to Exhibit VIII-C-3), Servicing Carriers may access the CAR Policy History screens to


assist in the error review process. Refer to Section D. of this Chapter for information relative to accounting error correction procedures.

5. Aging of Accounting Errors

When a policy is identified as having an accounting error, it is assigned an error list date equal to the date that the record was initially flagged in error. The policy will appear on the Error Policies screen and will remain on the Error Policies screen for 12 calendar months from the error list date unless the Servicing Carrier submits records such that the policy becomes free of accounting errors. The policy will then no longer appear on the Error Policies screen. However, if the policy is still in error after the 12-month time period, all loss records on the policy in error will become eligible for write-off. Note that if subsequent losses with errors are reported on the policy during the 12-month period, those losses will also be eligible for write-off at the end of the 12-month period, regardless of whether the losses have been in error for the full 12 months. The Accounting Error Loss Write-Off is described in further detail in Section F.1. of this Chapter.

If the Servicing Carrier submits records and the policy becomes free of accounting errors, the policy will no longer appear on the Error Policies screen. However, if the policy returns to an accounting error status, then the policy will be assigned a new error list date and will begin a new 12-month time period in which the accounting error condition must be corrected.

**EXHIBIT VIII-C-1**  
**COMMAUTO.COM REPORTS SCREEN**

|   |                             |                                       |                              |                                   |                           |                         |                            |                          |                            |                           |                          |
|---|-----------------------------|---------------------------------------|------------------------------|-----------------------------------|---------------------------|-------------------------|----------------------------|--------------------------|----------------------------|---------------------------|--------------------------|
|  | <a href="#">Home</a><br>FAQ | <a href="#">About CAR</a><br>Site Map | <a href="#">MAIP</a><br>Help | <a href="#">Reports</a><br>Search | <a href="#">Bulletins</a> | <a href="#">Manuals</a> | <a href="#">Committees</a> | <a href="#">Calendar</a> | <a href="#">Contact Us</a> | <a href="#">Schedules</a> | <a href="#">Training</a> |
|---|-----------------------------|---------------------------------------|------------------------------|-----------------------------------|---------------------------|-------------------------|----------------------------|--------------------------|----------------------------|---------------------------|--------------------------|

**Reports and Applications**

|  |  |   |
|--|--|---|
| <b>Recent Updates</b><br>11/27   09 2019 Residual Market Volume<br>11/25   09 2019 Volume Analysis Cubes Updated<br>09/30   2Q 2019 Participation Ratios<br>09/06   06 2019 Settlement of Balances | <b>Using Reports &amp; Applications</b><br><a href="#">Security Administration</a><br><a href="#">Access Information</a><br><a href="#">Help</a><br><br><b>Publications</b><br><a href="#">Update or Join Publications</a> | <b>Secure Access</b><br>User ID<br><input type="text"/><br>Password<br><input type="password"/><br><input type="button" value="Log-on"/><br><br><a href="#">Forgot Password</a> |
|--|--|---|

|  |  |  |  |
|--|--|--|--|
| <b>Commercial Only</b><br><a href="#">Forms, Manuals</a><br><a href="#">CAR Accounting</a><br><a href="#">Cessions</a><br><a href="#">Experience Rating</a><br><a href="#">Rate Edit</a><br><a href="#">Servicing Carrier Profile</a><br><br><b>Compliance Audit</b><br><a href="#">Compliance Audit Reports</a> | <b>Financial</b><br><a href="#">Ceding Expense</a><br><a href="#">Claims Trend</a><br><a href="#">Deficit and Large Loss</a><br><a href="#">Loss Reserving Comm Exhibits</a><br><a href="#">Participation Ratios</a><br><a href="#">Settlement of Balances</a> | <b>Market</b><br><a href="#">Producer Code Notification</a><br><a href="#">Rate Information</a><br><a href="#">Residual Market Volume</a><br><a href="#">Volume Analysis</a> | <b>Reporting &amp; Data Quality</b><br><a href="#">Company Status Reports</a><br><a href="#">Company Submission Reports</a><br><a href="#">Data Transfers</a><br><a href="#">Distributional Analysis</a><br><a href="#">Reconciliation</a><br><a href="#">Rule 29 Credit Edit</a><br><a href="#">Statistical Data</a><br><br><b>Telecommunications</b><br><a href="#">Telecommunications</a> |
|--|--|--|--|

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**EXHIBIT VIII-C-2**  
**LOG-IN SCREEN**

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09/30 | 2Q 2019 Participation Ratios  
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### EXHIBIT VIII-C-3 CAR ACCOUNTING SCREEN

|  |   |
|--|---|
| <div style="display: flex; justify-content: space-between; padding: 0 10px;"> <a href="#">Home</a> <a href="#">About CAR</a> <a href="#">MAIP</a> <a href="#">Reports</a> <a href="#">Bulletins</a> <a href="#">Manuals</a> <a href="#">Committees</a> <a href="#">Calendar</a> <a href="#">Contact Us</a> <a href="#">Schedules</a> <a href="#">Training</a> </div> <div style="display: flex; justify-content: space-between; padding: 0 10px;"> <a href="#">FAQ</a> <a href="#">Site Map</a> <a href="#">Help</a> <a href="#">Search</a> </div>   |   |
| <p><a href="#">Reports &gt; CAR Accounting</a></p> <p><b>Error Notifications</b></p> <p><a href="#">Error Policies</a></p> <p><a href="#">High Loss Policies</a></p> <p><a href="#">Net Negative Premiums</a></p> <p><a href="#">Policy Year Error Summary</a></p> <p><a href="#">Prem and Loss Written-Off</a></p> <p><a href="#">Warnings and Penalties</a></p> <p><b>Flat Cancellation</b></p> <p><a href="#">Flat Cancel Sample</a></p> <p><b>Policy History</b></p> <p><a href="#">Cession</a></p> <p><a href="#">Claim Summary</a></p> <p><a href="#">Common</a></p> <p><a href="#">Loss</a></p> <p><a href="#">Premium</a></p> <p><b>Additional Applications in Commercial Only</b></p> <p><a href="#">Forms, Manuals</a></p> <p><a href="#">Cessions</a></p> <p><a href="#">Experience Rating</a></p> <p><a href="#">Rate Edit</a></p> | <p><b>CAR Accounting</b></p> <p>The CAR Accounting system houses the components of a ceded policy cession record, ceded premium records, and ceded loss records. There are a number of programs that monitor and edit the successful submission of each component part.</p> <p>The Error Notifications application provides different views of ceded policies that have an error or have been written off. It also allows the user to view summary level error information and allows the user to monitor policies with losses over \$1M.</p> <p>The Flat Cancellation Audit is a monitoring program where CAR requests documentation be uploaded to support TX4 and TX15 cancellation transactions.</p> <p>The Policy History function allows a user to view every ceded policy reported during the last 10 years.</p> <p>Please contact <a href="#">Data Operations</a> with any inquiries.</p> <div style="display: flex; justify-content: space-between;"> <div style="width: 48%;"> <p><b>Error Notifications</b></p> <p>CAR performs policy-based editing on all ceded policies. Using company number, policy number, and policy effective year; the edits link the cession record with the premium and loss records. Any policy that fails an accounting edit will list in the correction application.</p> <p> <a href="#">Error Policies</a> <a href="#">High Loss Policies</a> <a href="#">Net Negative Premiums</a> <a href="#">Policy Year Error Summary</a> <a href="#">Prem and Loss Written-Off</a> <a href="#">Warnings and Penalties</a> </p> </div> <div style="width: 48%;"> <p><b>Flat Cancellation</b></p> <p><a href="#">Flat Cancel Sample</a></p> <p>Lists the three current effective years sampled along with the individual policies that require supporting documentation for valid flat cancellation.</p> <p><b>Policy History</b></p> <p>Functions to review the common, premium and loss policy history data</p> <p> <a href="#">Cession</a> <a href="#">Claim Summary</a> <a href="#">Common</a> <a href="#">Loss</a> <a href="#">Premium</a> </p> </div> </div> |



### EXHIBIT VIII-C-4 ERROR POLICIES SCREEN

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**Error Notifications - Error Policies**

The grid below lists all policies that have failed one or more of the accounting edits. To avoid a loss write-off penalty, please process the necessary corrections prior to the write-off date on each policy. To process corrections, you must submit offset and reenter records through the monthly statistical submission or by using the online statistical data entry function.

Company: 999 - Any Insurance Company

Eff Year

Policy ID

Error Code

- Any -

[Retrieve](#)

Total Policies: 5

| Co No | Pol Eff Yr | Policy ID  | Cov Eff Date | Error List Date | Write-Off Date | Prem Errors | Prem Dollars | Loss Errors | Loss Dollars | Error Codes |
|-------|------------|------------|--------------|-----------------|----------------|-------------|--------------|-------------|--------------|-------------|
| 999   | 2020       | 1020099995 | 99/99/9999   | 06/10/2021      | 06/2022        | 160         | 724          | 0           | 0            | 1           |
| 999   | 2021       | 1020099999 | 99/99/9999   | 06/10/2021      | 06/2022        | 35          | 58477        | 0           | 0            | 1           |
| 999   | 2021       | 1020099998 | 99/99/9999   | 06/17/2021      | 06/2022        | 7           | 10929        | 0           | 0            | 1           |
| 999   | 2021       | 1020099997 | 99/99/9999   | 05/27/2021      | 05/2022        | 2           | 1282         | 0           | 0            | 1           |
| 999   | 2021       | 1020099996 | 99/99/9999   | 06/10/2021      | 06/2022        | 23          | 57067        | 0           | 0            | 1           |

**EXHIBIT VIII-C-5**

**POLICY YEAR ERROR SUMMARY SCREEN**

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**Error Notifications - Policy Year Error Summary**

The table below provides summary information for all open, ceded policy effective years including the number of error policies and error premium and loss dollars. To see more detailed information about the error for each year, click on a year in a row. The error information will populate at the bottom of the screen.

**Company:** 999 - Any Insurance Company

Total Years: 10

| Year | Total Policies | Error Policies | Error Percent | Total Premium | Premium Error Amt | Premium Error Recs | Total Loss Amount | Paid Loss Error Amt | Paid Loss Err Recs |
|------|----------------|----------------|---------------|---------------|-------------------|--------------------|-------------------|---------------------|--------------------|
| 2012 | 5,958          | 12             | 0.20          | 22,643,151    | -79,671           | 2,031              | 17,112,261        | 0                   | 0                  |
| 2013 | 6,574          | 0              | 0.00          | 26,353,604    | 0                 | 0                  | 22,185,644        | 0                   | 0                  |
| 2014 | 7,618          | 0              | 0.00          | 29,065,302    | 0                 | 0                  | 20,371,997        | 0                   | 0                  |
| 2015 | 10,633         | 0              | 0.00          | 36,168,678    | 0                 | 0                  | 35,715,311        | 0                   | 0                  |
| 2016 | 10,486         | 0              | 0.00          | 35,737,463    | 0                 | 0                  | 35,375,210        | 0                   | 0                  |
| 2017 | 6,436          | 2              | 0.03          | 33,300,733    | -8,710            | 103                | 18,497,569        | 0                   | 0                  |
| 2018 | 5,913          | 1              | 0.02          | 38,087,437    | 0                 | 9                  | 22,047,731        | 0                   | 0                  |
| 2019 | 5,068          | 1              | 0.02          | 40,771,770    | 4,731             | 3                  | 13,992,345        | 0                   | 0                  |
| 2020 | 4,420          | 1              | 0.02          | 40,162,665    | 724               | 160                | 6,443,301         | 0                   | 0                  |
| 2021 | 2,250          | 4              | 0.18          | 16,222,648    | 127,755           | 67                 | 184,214           | 0                   | 0                  |

**Errors for 2012**

| Error Codes  | Error Policies | Error Percent | Premium Error Amt | Premium Error Recs | Paid Loss Error Amt | Paid Loss Err Recs |
|--------------|----------------|---------------|-------------------|--------------------|---------------------|--------------------|
| -01-         | 2              | 0.03          | 3,971             | 438                | 0                   | 0                  |
| -04-         | 11             | 0.18          | -83,642           | 1,593              | 0                   | 0                  |
| -06-         | 0              | 0.00          | 0                 | 0                  | 0                   | 0                  |
| -07-         | 0              | 0.00          | 0                 | 0                  | 0                   | 0                  |
| <b>Total</b> | <b>12</b>      | <b>0.20</b>   | <b>-79,671</b>    | <b>2,031</b>       | <b>0</b>            | <b>0</b>           |

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**EXHIBIT VIII-C-6**  
**HIGH LOSS POLICY DETAIL SCREEN**

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**Error Notifications - High Loss Policy Losses**

The first table below provides detailed loss records for the policy selected. The accident date drop down box shows the total amount of paid losses plus any outstanding losses reported in the current quarter per accident date. Once a date is selected, the paid and outstanding loss detail grid populates with all losses reported with that accident date. The bottom table provides a sum of loss dollars by CAR subline code and separates them between paid and outstanding losses. (The outstanding loss total pertains just to those losses reported in the current quarter). Lastly, the table also shows the liability limit written on the policy and whether the accumulated BI and/or PD loss dollars exceed that limit.

999 - Any Insurance Company

| Co No | Pol Eff Yr | Policy ID | Cov Eff Date | Cov Expir Date | CAR ID Code | Prod Code | Insured's Name |
|-------|------------|-----------|--------------|----------------|-------------|-----------|----------------|
| 999   | 2016       | 999999    | 07/01/2016   | 07/01/2017     | 4           | 462269    | Joes Bus Line  |

Accident Date - Loss Amount  
08/24/2016 - 5,081,855 ▼

Total Records: 47 Total Losses Amount: 5,081,855 [Export To Excel](#)

Losses (for date selected above)

| Rec No | Tx Type | Line Of Bus | Actg Date | CAR ID | Accdt Date | Class Code | Class Type | Loss Type | Liab Lim ID | Liab Lim | Claim ID   | Loss Dollars |
|--------|---------|-------------|-----------|--------|------------|------------|------------|-----------|-------------|----------|------------|--------------|
| 000549 | 23      | 41          | 11/2018   | 4      | 08/24/2016 | 539300     | 37         | 02        | 2           | 23       | 9999999999 | 23,500       |
| 000550 | 27      | 41          | 11/2018   | 4      | 08/24/2016 | 539300     | 37         | 02        | 2           | 23       | 9999999999 | 1,377        |
| 000552 | 27      | 41          | 11/2018   | 4      | 08/24/2016 | 539300     | 37         | 02        | 2           | 23       | 9999999999 | 2,052        |
| 000577 | 23      | 41          | 12/2018   | 4      | 08/24/2016 | 539300     | 37         | 02        | 2           | 23       | 9999999999 | 2,600,000    |
| 000579 | 27      | 41          | 12/2018   | 4      | 08/24/2016 | 539300     | 37         | 02        | 2           | 23       | 9999999999 | 2,489        |
| 000580 | 23      | 41          | 01/2019   | 4      | 08/24/2016 | 539300     | 37         | 02        | 2           | 23       | 9999999999 | 1,600,000    |
| 000582 | 27      | 41          | 01/2019   | 4      | 08/24/2016 | 539300     | 37         | 02        | 2           | 23       | 9999999999 | 446          |
| 000583 | 27      | 41          | 01/2019   | 4      | 08/24/2016 | 539300     | 37         | 02        | 2           | 23       | 9999999999 | 1,640        |
| 000587 | 27      | 41          | 02/2019   | 4      | 08/24/2016 | 539300     | 37         | 02        | 2           | 23       | 9999999999 | 648          |
| 000603 | 23      | 41          | 03/2019   | 4      | 08/24/2016 | 539300     | 37         | 02        | 2           | 23       | 9999999999 | 800,000      |

Paid Loss Totals by Line of Business and Outstanding Loss Totals for Current Quarter

| Line Of Business          | Type Of Loss | Loss Total | Liability Limit | Limit Exceeded |
|---------------------------|--------------|------------|-----------------|----------------|
| Liability (TX23)          | 01,02,03     | 5,023,500  | 5,000,000       | Yes            |
| Liability (TX23)          | > 03         | 0          |                 |                |
| Liability (TX > 23)       | All          | 58,355     |                 |                |
| No Fault (All TXs)        | All          | 0          |                 |                |
| Physical Damage (All TXs) | All          | 0          |                 |                |
| Liability (TX21)          | 01,02,03     | 0          |                 |                |
| Liability (TX21)          | > 03         | 0          |                 |                |
| Liability (TX22)          | All          | 0          |                 |                |
| No Fault (All TXs)        | All          | 0          |                 |                |

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#### **D. Correcting Accounting Errors**

From the Reports page of CAR's website (refer to Exhibit VIII-C-1), Servicing Carriers should use the online accounting application to access the Error Policies screen (refer to Exhibit VIII-C-4) to view its accounting errors. The application also provides links to various error and informational screens that may be helpful for review and correction purposes. A Servicing Carrier may also use the Policy History screens within the online accounting application to assist in its error correction process.

A Servicing Carrier is able to correct records with accounting errors until the effective year of the policy that is in error has been closed-out. Servicing Carriers are notified of the close-out of a particular policy effective year via a published CAR Bulletin and Accounting and Statistical Notice, which are available on CAR's website under the Bulletins tab. However, note that cession and ceded premium records are only reportable for the latest three policy effective years and this may impact available correction methods. Ceded loss data may be reported for a policy until the policy effective year is closed-out for statistical reporting purposes. Refer to Section G. of this Chapter for additional information relative to the close-out of older policy years for ceded loss reporting.

The online accounting application (refer to Exhibit VIII-C-3) provides an error summary by policy effective year of a Servicing Carrier's accounting error records for monitoring the volume of errors (refer to Exhibit VIII-C-5).

If a policy is flagged with an accounting error (refer to Exhibits VIII-D-1 and VIII-D-2) as a result of an error on the premium or loss record, the policy may be corrected as follows:

##### **1. Submit Offset/Re-Enter Records**

A Servicing Carrier must offset the premium or loss record(s) in error and re-enter the corrected record(s) in a subsequent monthly accounting/statistical submission. For detailed instructions relative to the reporting of offset and 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.

If the policy is in error as a result of a missing cession record or there exists an error on the reported cession record, the policy may be corrected as follows:

##### **2. Submit a Cession Record**

If the policy is in error due to a missing cession record, a Servicing Carrier should correct the policy by submitting a cession record. For instructions

relative to reporting cession records, refer to Chapter IV – Cession Rules and Procedures of this Manual and CAR's Cession Edit Package which is available on CAR's website under the Manuals tab.

### 3. Process Cession Corrections via the Online Cession Application

If the policy is in error due to an error on the reported cession record, a Servicing Carrier may make any necessary correction(s) to the cession record via the correction grids provided on the cession correction listing. On a weekly basis, CAR will process the corrections made and will load the correction records to CAR's cession database file. For detailed cession correction instructions, refer to Chapter IV – Cession Rules and Procedures of this Manual and CAR's Cession Edit Package which is available on CAR's website under the Manuals tab.

If the policy is in error as a result of missing or negative ceded premium, the policy may be corrected by submitting the appropriate premium records.

A policy that has a paid loss with an accounting error will remain on the Error Policies screen until it becomes free of error or until the loss record in error becomes eligible for accounting error write-off. Refer to Section F.1. of this Chapter for further accounting error write-off information.

### 4. Submission of Loss Records on a Policy after the Accounting Error Write-Off

After a loss record with an accounting error has been written off, a Servicing Carrier is still able to report paid loss records on the policy. However, the Servicing Carrier must assure that the situation that initially caused the error condition has been rectified prior to the submission of the new loss record. If not, the new record may also be subject to write-off.

Although reporting may have been discontinued for a policy effective year, Servicing Carriers may continue to report loss data until the policy effective year is closed for statistical reporting.

**EXHIBIT VIII-D-1**

**ERROR POLICIES SCREEN**

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**Error Notifications - Error Policies**

The grid below lists all policies that have failed one or more of the accounting edits. To avoid a loss write-off penalty, please process the necessary corrections prior to the write-off date on each policy. To process corrections, you must submit offset and reenter records through the monthly statistical submission or by using the online statistical data entry function.

**Company:** 999 - Any Insurance Company

Eff Year

Policy ID

Error Code

- Any -

**Retrieve**

Total Policies: 5

| Co No | Pol Eff Yr | Policy ID  | Cov Eff Date | Error List Date | Write-Off Date | Prem Errors | Prem Dollars | Loss Errors | Loss Dollars | Error Codes |
|-------|------------|------------|--------------|-----------------|----------------|-------------|--------------|-------------|--------------|-------------|
| 999   | 2020       | 1020069999 | 99/99/9999   | 06/10/2021      | 06/2022        | 160         | 724          | 0           | 0            | 1           |
| 999   | 2021       | 1020079998 | 99/99/9999   | 06/10/2021      | 06/2022        | 35          | 58477        | 0           | 0            | 1           |
| 999   | 2021       | 1020089997 | 99/99/9999   | 06/17/2021      | 06/2022        | 7           | 10929        | 0           | 0            | 1           |
| 999   | 2021       | 1020089996 | 99/99/9999   | 05/27/2021      | 05/2022        | 2           | 1282         | 0           | 0            | 1           |
| 999   | 2021       | 1020099995 | 99/99/9999   | 06/10/2021      | 06/2022        | 23          | 57067        | 0           | 0            | 1           |

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**EXHIBIT VIII-D-2**

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**Error Notifications - Error Policy Premiums**

The grid below shows the detail records for the policy in error. It shows both valid and invalid records. To see the records in error listed first, please sort on the error codes column.

999 - Any Insurance Company

| Co No | Pol Eff Yr | Policy ID  | Eff Date   | CAR ID | Cov Eff Date | Cov Exp Date | Crit List Date |
|-------|------------|------------|------------|--------|--------------|--------------|----------------|
| 999   | 2020       | 1020069999 | 09/27/2020 | 5      | 99/99/9999   | 00/00/0000   | 06/10/2021     |

Total Error Records: 160    Total Error Amount: 724

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| Rec No | Tx Type | Line Of Bus | Eff Mo | Expir Date | Actg Date | Tx Eff Date | Class Code | Dollar 1 | Dollar 2 | Error Codes |
|--------|---------|-------------|--------|------------|-----------|-------------|------------|----------|----------|-------------|
| 000001 | 11      | 01          | 09     | 09/2021    | 09/2020   | 09/2020     | 404999     | 55       | 0        | 1           |
| 000002 | 11      | 01          | 09     | 09/2021    | 09/2020   | 09/2020     | 404999     | 55       | 0        | 1           |
| 000003 | 11      | 01          | 09     | 09/2021    | 09/2020   | 09/2020     | 404999     | 55       | 0        | 1           |
| 000004 | 11      | 01          | 09     | 09/2021    | 09/2020   | 09/2020     | 404999     | 55       | 0        | 1           |
| 000005 | 11      | 01          | 09     | 09/2021    | 09/2020   | 09/2020     | 404999     | 55       | 0        | 1           |
| 000006 | 11      | 01          | 09     | 09/2021    | 09/2020   | 09/2020     | 404999     | 55       | 0        | 1           |
| 000007 | 11      | 01          | 09     | 09/2021    | 09/2020   | 09/2020     | 404999     | 55       | 0        | 1           |
| 000008 | 11      | 01          | 09     | 09/2021    | 09/2020   | 09/2020     | 404999     | 55       | 0        | 1           |
| 000009 | 11      | 01          | 09     | 09/2021    | 09/2020   | 09/2020     | 404999     | 55       | 0        | 1           |
| 000010 | 11      | 41          | 09     | 09/2021    | 09/2020   | 09/2020     | 404999     | 4000     | 2217     | 1           |
| 000011 | 11      | 41          | 09     | 09/2021    | 09/2020   | 09/2020     | 404999     | 4000     | 2217     | 1           |
| 000012 | 11      | 41          | 09     | 09/2021    | 09/2020   | 09/2020     | 404999     | 4000     | 2217     | 1           |

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**E. Request for Loss Reimbursement on Ceded Policies for which Cession and Premium Reporting has been Discontinued**

For cession and premium records, only the latest three policy effective years may be reported to CAR.

After the discontinuation of reporting for a particular policy effective year, if a Servicing Carrier becomes aware of a situation where cession and/or premium records should have been reported to CAR, only in the following instances may the Servicing Carrier request reimbursement for losses paid on that policy:

1. The Servicing Carrier can document that its failure to report the original cession and/or premium records prior to the discontinuation of reporting was clearly outside of its control.
2. The Servicing Carrier can document that its failure to reinstate a previously flat-cancelled policy prior to the discontinuation of reporting was clearly outside of its control.

If CAR agrees that the failure to report cession and premium records was outside the control of the Servicing Carrier, then CAR will process bulk adjustments (both premium and losses) to the Servicing Carrier's Settlement of Balances and Member's Participation reports to reimburse the Servicing Carrier.

**F. Penalty Procedures for Uncorrected Accounting Errors**

**1. Eligibility Criteria**

A paid loss record with an uncorrected accounting error will be considered eligible for write-off if both of the following criteria are met:

- a. Twelve calendar months have elapsed since the policy was first flagged with an accounting error.
- b. The Servicing Carrier fails to correct the accounting error condition by the assigned write-off eligible date. The write-off eligible date is equal to the assigned error list date (the date that the record was first flagged in error) plus twelve months.

**2. Accounting Error Loss Write-Off – Penalty and Procedures**

The Accounting Error Loss Write-Off takes place on a monthly basis following the load of ceded premium and loss data reported in the current accounting/statistical shipment to CAR's Accounting System.



A paid loss record that meets the eligibility criteria noted in Section F.1. will be written-off. CAR will create an offset to the paid loss record to net the dollar amount to \$0. From the online accounting application (refer to Exhibit VIII-C-3), select Premium and Loss Written-Off. Servicing Carriers are able to view a list of policies that have been written off (refer to Exhibit VIII-F-1). Servicing Carriers are also able to view the detail loss records and loss dollars written-off (refer to Exhibit VIII-F-2) for each policy.

For a loss record that has been in error for the entire 12-month period, CAR will also assess the Servicing Carrier a penalty fee equal to 10% of the dollar value of the loss record being written-off. The penalty fee is intended to encourage timely correction of losses with accounting errors prior to the write-off, and to reimburse the pool for investment income lost as a result of the invalid loss reporting. The fee will be processed as a bulk adjustment to the Servicing Carrier's Settlement of Balances and Member's Participation Reports. However, for a loss record that was reported during the 12-month period, but after the error list date was established, CAR will not assess the 10% penalty fee.

## EXHIBIT VIII-F-1 PREMIUM AND LOSS WRITTEN OFF

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**Error Notifications - Prem and Loss Written-Off**

The premium and loss write-off grid below identifies policies where premium and/or loss records have been written-off in accordance with the loss error and net negative premium write-off procedures outlined in the Manual of Administrative Procedures. In both programs, CAR adds offsetting records to the policy to bring the error dollars to \$0. The Loss Write-Off program runs monthly and the Net Negative Premium Write-Off runs annually.


Company: 999 - Any Insurance Company

Total Policies: 4

| Co No | Pol Eff Yr | Policy ID  | Cov Eff Date | Cov Expir Date | Write Off Prem Cnt | Write Off Prem Doll | Write Off Loss Cnt | Write Off Loss Doll |
|-------|------------|------------|--------------|----------------|--------------------|---------------------|--------------------|---------------------|
| 999   | 2012       | 1020009999 | 99/99/9999   | 00/00/0000     | 0                  | 0                   | 2                  | 0                   |
| 999   | 2014       | 1020019999 | 99/99/9999   | 00/00/0000     | 0                  | 0                   | 6                  | 0                   |
| 999   | 2015       | 1020029999 | 99/99/9999   | 00/00/0000     | 0                  | 0                   | 1                  | -10                 |
| 999   | 2016       | 1020029989 | 99/99/9999   | 00/00/0000     | 0                  | 0                   | 3                  | 0                   |

Premiums
Losses

## EXHIBIT VIII-F-2 WRITTEN OFF – LOSSES



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**Error Notifications - Written Off Losses**

The grid below shows the detail loss records that CAR wrote-off as a result of the Loss Write-Off program. It lists only those records that were written off and not every record on the policy.

**999 - Any Insurance Company**

| Co No | Pol Eff Yr | Policy ID  | Cov Eff Date | Cov Expir Date | Write Off Loss Cnt | Write Off Loss Doll |
|-------|------------|------------|--------------|----------------|--------------------|---------------------|
| 999   | 2015       | 1020022999 | 99/99/9999   | 00/00/0000     | 1                  | -10                 |

Total Loss Records: 1    Total Loss Dollars: 10

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| Reg No | Tx Type | Line Of Bus | Actg Date | Acctd Date | Eff Mo | Class Code | Class Type | CAR ID | Loss Type | Amount | Claim ID       | Error Codes |
|--------|---------|-------------|-----------|------------|--------|------------|------------|--------|-----------|--------|----------------|-------------|
| 000003 | 24      | 41          | 12/2015   | 09/17/2015 | 08     | 628999     | 39         | 4      | 01        | 10     | 66100336409999 | 6 7         |

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#### **G. Close-Out of Older Policy Effective Years**

When the volume of open claims for a particular policy effective year has decreased to \$100,000 or less, CAR will perform a final close-out of the policy effective year for financial and statistical reporting purposes. Any paid loss record reported to CAR for an effective year that has been closed-out will be considered a fatal error, and the record will be deleted from the submission.

Correction activity on a policy with an effective year that has been closed-out is not allowed. However, if a Servicing Carrier pays a claim on a policy whose policy effective year has been closed-out, the company may contact CAR to request reimbursement for the claim. If the policy was validly ceded, CAR will reimburse the Servicing Carrier for the loss via a bulk adjustment that will be reflected on the Servicing Carrier's Settlement of Balances and Member's Participation reports.

**A. Member Company, Servicing Carrier and Exclusive Representative Producer Responsibilities**

1. Each Member, Servicing Carrier and Exclusive Representative Producer (ERP) must ensure that its own internal control and review procedures are sufficient to detect irregularities in the handling of Massachusetts commercial business. These procedures include, but are not limited to, the following:
  - a. Ensuring that all cessions, premiums, and claims are accurately and promptly reported to Commonwealth Automobile Reinsurers (CAR);
  - b. Ensuring that all reports, including those requested by special call, are completed accurately and promptly;
  - c. Ensuring that all policies retained as voluntary or ceded to CAR are rated accurately, consistent with reported statistical coding, and that voluntary or ceded claims are properly reported to CAR;
  - d. Ensuring full compliance with CAR's Plan and Rules of Operation.

Any internal irregularities identified must be immediately corrected.
2. Each Member, Servicing Carrier or ERP is subject to audit by CAR. For additional information relative to the audits performed in accordance with CAR's Compliance Audit Program, refer to Sections C. and D. of this Chapter.
3. All motor vehicle insurance policies are subject to review and audit in a manner and time approved by the Governing Committee. Statistical data subject to audit will include but shall not be limited to commercial business retained as voluntary and commercial business ceded to CAR through the Commercial Servicing Carrier Program, including premium and claim statistical data. Servicing Carriers are required to maintain all records for ceded policies for at least three calendar years following the last calendar year in which activity has occurred.
4. In accordance with Rule 9 – Audit Review of CAR's Rules of Operation, each Member or Servicing Carrier authorizes CAR to audit any portion of its commercial motor vehicle insurance business that has a bearing on participation in CAR's underwriting results, expenses, penalties, payment of claims or any other matter attributable to such member or Servicing Carrier.

**B. Commonwealth Automobile Reinsurers' Procedures**

1. Internal Procedures

CAR shall maintain records of all identified errors or violations of CAR's Plan or Rules of Operation. Any significant errors or violations will be reported to CAR's Compliance and Operations Committee.

2. Audits of the Commonwealth Automobile Reinsurers

a. Internal Audits

Internal quality control reviews may be conducted by CAR's Compliance Audit Department. These audits may include reviews of operational, financial, and information technology transactions, procedures and controls. CAR's Compliance Audit Department may also oversee or assist external auditors or consultants retained by CAR for CAR-specific projects.

b. Independent Audits

An independent audit of CAR will be conducted annually by a public accounting firm recommended by CAR's Financial Audit Committee and approved by CAR's Governing Committee. At the conclusion of the audit, an audit report and certified financial statements will be presented to the Financial Audit Committee. Upon request, copies of the financial statements will be made available.

**C. Audits of Member Companies and Servicing Carriers**

To fulfill its industry responsibilities as the Residual Market Administrator and Statistical Agent for motor vehicle insurance in the Commonwealth of Massachusetts, CAR conducts audits of reported statistical data as prescribed by the Compliance Audit Program approved by CAR's Governing Committee. The Commercial Audit is CAR's primary scheduled examination of commercial data.

Audited Members and Servicing Carriers that write or service commercial automobile insurance policies in Massachusetts and report statistical data to CAR, must make available to CAR all documentation needed to verify the accuracy of reported data.

1. Commercial Audit

The Commercial Audit reviews and tests the accuracy of reported premium and loss data and evaluates the audited company's compliance with statutory requirements and CAR's Rules of Operation. Premium and claim data is selected by policy year, accounting year, and classification code using a policy-level and claim-level sampling process. This data includes both voluntary and ceded records for premium and loss transactions.

In accordance with the Compliance Audit Program, the Commercial Audit of all Servicing Carriers must be completed once every two years and must sample both voluntary and ceded premium and loss records.

The Commercial Audit of a Member company's voluntary premium and loss records may be completed once every two years. A Member company's audit selection criteria shall be determined by CAR staff, and may include known data quality issues, or upon request by the Division of Insurance or a CAR committee.

Prior to the start of a Commercial Audit, the Member or Servicing Carrier to be audited must complete a Compliance Audit Claim Questionnaire that provides background information on its claims handling programs. Submission of the Compliance Audit Claim Questionnaire will certify that the company's claims handling practices comply at a minimum with the approved Commercial Claims Performance Standards. For additional information relative to the Compliance Audit Claim Questionnaire, refer to Appendix K – Compliance Audit Claim Questionnaire of the Commercial Claims Performance Standards which is available on CAR's website under the Manuals tab.

Refer to Section C.4. of this Chapter for specific details relative to the Commercial Audit components performed.

2. Documentation and System Access Requirements

Upon request, a company must make documentation and system access available to CAR. Documentation may include original documents, copies of scanned documents, or other reasonable facsimiles as required for audit completion. System access provides direct access to company computer systems on a read-only basis, to view information necessary to complete the audit. CAR will respect the level of supervision, confidentiality, and security that each Member or Servicing Carrier is willing to provide relative to the access of company documents and its computer systems.

Documentation and system access requirements for the Commercial Audit shall include but are not limited to the following:

- a) Access to the premium underwriting system which shows all necessary information involved in declarations and endorsements for premium determination, including coverages, limits, deductibles, classification and territory, etc.

However, if the company only provides or allows CAR partial or no system access, the following documentation should be substituted:

- (1) Access to an imaging system which shows all declarations and endorsements.
- (2) Hardcopies of declarations and endorsements.
- (3) A print-out of data stored in a computer, provided it includes all information found on the declaration page.
- (4) Primary commercial underwriting documentation, including new business applications, renewals, anti-theft documentation, pre-insurance inspection forms, cancellation forms, underwriter's notes, business type, size, weight and radius of operation for Truck, Tractor and Trailers, Private Passenger Types and Public Autos information, documentation relative to the number of and types of plates for Garage policies, and Hired Autos and Special Types information. Documentation also includes supporting experience rating calculations for ceded policies and all other rating modification calculations for voluntary policies.

This documentation may be provided through access to an imaging system or as an original hardcopy or a photocopy of the original document.

- (5) Printouts from the Registry of Motor Vehicles or access to the Registry of Motor Vehicles.
- b) Documentation and system access necessary to perform the claim statistical, Claims Performance Standards and SIU evaluation portions of the Commercial Audit, includes but is not limited to the following:
    - (1) Access to all source documentation within the claim system including check and payee information.
    - (2) Access to the claim file details including police reports, ACORD forms, appraisals and adjuster's running notes.
    - (3) Access to all source documentation related to legal, medical and all other expense details including explanation of expenses and costs.



- (4) Salvage/subrogation recovery records.
  - (5) Access to all total loss source documentation including salvage facility invoices, actual cash value figures, and title of vehicle.
- c) The audited Member or Servicing Carrier is required to supply its voluntary rates on file with the Division of Insurance within the accounting dates of the audit scope, including all applicable rules and discounts. If necessary, the Member or Servicing Carrier shall timely populate a data request developed by CAR that identifies each of the rating attributes noted in the applicable rate filings. Rate reperformance is then completed using the rating attributes as provided by the audited company as of the new business or renewal.

### 3. Compliance Audit Fees

#### a) System Access Fee

If the Member or Servicing Carrier determines that system access will not be made available to CAR, a fee will be assessed in consideration of the additional time and resources to be incurred by CAR in obtaining the documentation necessary to conduct the audit. The level of the fee is commensurate with the level of system access provided or allowed by the company.

Partial system access is defined as the company granting access to only the premium or claim, or any adjunct systems used to access source documents. The fee assessed will be \$12,000.

No system access is defined as the company not granting any direct access to the premium, claim, or any adjunct systems used to access source documents. The fee assessed will be \$24,000.

#### b) Late Access Fees

CAR will provide a minimum of 30 days between the Notice of Audit and the planned audit start date. If system access is not established timely, thus delaying the audit, a fee will be assessed in consideration of the additional time needed to complete testing. Delayed or late system access is defined as access that is not fully established and functioning as of the scheduled start date included in the Notice of Audit. The fee assessed will be \$1,000 per week.

#### c) Late Rate Data Fees

If completion of the data request is necessary to rate the voluntary policies, CAR will provide a minimum of 30 days between the date of distribution of the data request to the Member or Servicing Carrier and the due date for

receipt of the populated data request. If the data request is not returned by the due date thus delaying the ability to rate the sampled policies, a fee of \$1,000 per week will be assessed in consideration of the additional time needed to complete testing.

Assessed fees will be processed as bulk adjustments to a Member's or Servicing Carrier's Settlement of Balances and Member Participation Reports in the quarter subsequent to audit completion. Refer to Chapter VIII – Participation of this Manual for further information.

#### 4. Components of the Commercial Audit

The Commercial Audit consists of six separate components:

##### (a) Premium and Claim Statistical Audit

A sample of commercial voluntary and ceded premium and claim data is selected from CAR's statistical files. The sample is verified at a 90% confidence level with a standard error rate of +/- 5% and consists of 270 unique policy numbers reported to CAR by the audited company and does not limit the number of selected policies with at least one claim. Depending on the reported classifications, a structured cross section of business vehicle classifications is sampled, including Trucks, Tractors, and Trailers, Private Passenger Types, Public Autos and Special Types. In addition, a cross section of classifications for Garages, non-Hired Auto, Hired Auto, and Drive Other Car coverage policies may be sampled.

The Premium and Claim Statistical Audit is designed to test the accuracy of statistical reporting by the audited company, in accordance with the Massachusetts Commercial Automobile Statistical Plan, and the consistency of the reported statistical data with the audited company's source documents. For each of the business vehicles or other classification types found on a selected policy, the reported statistical data, broken down by garaging territory, radius of operation, size, weight, type, dollar value, age, number of plates, exposure bases and CAR ID is compared to related information found on the source documentation. Examples of audited documents are new business applications, renewals, endorsements, underwriting notes (including experience rating calculation notes and all other rating modification calculation notes) and RMV data. All reported statistical premium and loss fields are audited. The Massachusetts Commercial Automobile Statistical Plan is available on CAR's website under the Manuals tab.

##### (b) Commercial Underwriting Audit

Using the same audit sample, the Commercial Underwriting Audit tests Member and Servicing Carrier's compliance with the rules, rates and

rating procedures detailed in the Massachusetts Commercial Automobile Insurance Manual.

Using the audited company's source documentation and premium underwriting reporting system, CAR calculates the appropriate policy premium. All reported premium dollar amounts are audited and all ceded policies in error require mandatory correction.

(c) Commercial Claims Performance Standards

G.L. c. 175, § 113H requires CAR to develop performance standards for the handling and payment of claims. As required by Rule 10 – Claim Practices of CAR's Rules of Operation, CAR conducts periodic audits of voluntary and ceded claims to evaluate a Member or Servicing Carrier's claim handling effectiveness, measure compliance with the Claims Performance Standards and identify potential differences in the claims handling of policies insured voluntarily and those ceded to CAR.

For additional details relative to the scope of the Commercial Claims Performance Standards compliance audit, including sample selection criteria and CAR audit procedures, refer to Appendix I – CAR Compliance Audit Claim Review Process of the Commercial Claims Performance Standards which is available on CAR's website under the Manuals tab.

(d) Special Investigative Unit (SIU) Evaluation

In accordance with G.L. c. 175, § 113H, every Member or Servicing Carrier is required to maintain a SIU to investigate suspicious claims on both voluntary and ceded policies. CAR, under the authority of Article III – Special Investigative Unit of CAR's Plan of Operation, monitors a Servicing Carrier's fraud control efforts and adherence to the established SIU Claims Performance Standards and provides assistance to Members and Servicing Carriers upon request. The SIU standards include requirements that encourage each Servicing Carrier to strongly support the activities of its own SIU department so as to resist the payment of fraudulent claims, establish fraud deterrents and reduce losses.

CAR's SIU evaluation provides measured audit results of suspected fraudulent claims, as outlined in G.L. c. 175, § 113H and identifies differences in claim handling of voluntary policies and those ceded to CAR.

For additional information relative to SIU standards, refer to Appendix A – CAR Special Investigative Standards of the Commercial Claims Performance Standards which is available on CAR's website under the Manuals tab.

For additional information relative to the scope of the SIU evaluation, sample selection criteria and CAR audit procedures, refer to Appendix J – CAR SIU File Review Process of the Commercial Claims Performance Standards which is available on CAR’s website under the Manuals tab.

(e) Duplicate Ceded Payment Identification (Servicing Carriers only)

CAR identifies potential ceded duplicate payments and produces listings, grouped as follows:

- Allocated Expenses
- Indemnity Subrogation Analysis
- Payments for PIP
- Payments Other Than PIP
- Negative Claim Balances

CAR uses payment history information and claim file documentation to research each payment identified on the listings. CAR will determine whether each ceded payment was incorrectly reported to CAR and whether any of the loss amounts are duplicate payments, are a duplicate reporting or have been statistically reported incorrectly. The Servicing Carrier is required to offset all incorrectly paid losses.

(f) Enhanced Procedures (Servicing Carriers only)

A minimum of ten policies are selected for Enhanced Procedures to evaluate the Servicing Carrier’s determination of commercial residual market eligibility. Audit procedures include documenting and cataloguing the supports used by the Servicing Carrier in its eligibility determination. Audit considerations include but not limited to:

- Documentation pertaining to Principal Place of Business and the nerve center of the risk, Non-Fleet Private Passenger Type vehicles, use of the Massachusetts Registry, the use of exclusion forms, and the required use of the Ineligible Risk Database.

The Commercial Audit Enhanced Procedures is dynamic allowing for consideration of any known company specific issues as well as any future developments that may require audit consideration.

5. Audit Conclusion Procedures

At various intervals during the Commercial Audit process, CAR provides the Member or Servicing Carrier with a Status Report that details the audit exceptions identified. Once the audit is complete, the audited company and CAR will review the issues identified and when possible, reach agreement on the results. The Status Report is modified as needed, based upon additional

source documentation provided and communication between the company and CAR. All unresolved issues will be clearly identified. Every error identified will be included in the company's final Status Report.

#### 6. Commercial Audit Report

A report detailing the Commercial Audit findings will be provided to the audited Member or Servicing Carrier. Remedial action required will be identified. CAR will provide the audited company with a period of time to review the report and provide a response letter. In order to improve future reporting or claim handling practices, the response letter must outline the company's prospective plan of action to correct any identified irregularities. In addition, the response letter should address recurring errors resulting from a corporate decision not in agreement with the Massachusetts Commercial Automobile Statistical Plan, or the company filed voluntary rates, rules, and discounts.

The Compliance and Operations Committee will review and consider the results of the Commercial Audit report including any applicable remedial action required by CAR and the response provided by the audited company. The Committee will determine whether to accept the audit findings, direct CAR to develop a Corrective Action Plan for the audited company (refer to Section C.7. of this Chapter) or recommend potential punitive considerations to the Governing Committee.

The Commercial Audit report, including the company response letter, will be provided to the Division of Insurance.

#### 7. Corrective Action Plan

If recommended by the Compliance and Operations Committee, CAR will develop and conduct further focus audits of a company specific to the areas of concern identified in the Commercial Audit Report. Results of the additional audits will be provided to the Compliance and Operations Committee.

#### 8. Traffic Light Assessment Rating System

Audit results will be considered using a tiered approach:

A green light evaluation is assigned if no significant data issues are identified, and the Member or Servicing Carrier is compliant with all measured statutory requirements and CAR Rules. No further auditing is required, and the Member or Servicing Carrier remains in the audit schedule as previously defined.

A yellow light evaluation may be assigned if recurring statistical reporting and/or rating issues are identified, or any statutory requirement or CAR Rule measured during the audit is determined as noncompliant. Further focus

auditing within 12 to 18 months of the Commercial Audit completion may be recommended to the Compliance and Operations Committee. Potential future penalties would also be included in the recommendation.

A red-light evaluation is assigned if continued noncompliance with the Statistical Plan and/or statutory requirements exists after the follow-up focus audit. The Member or Servicing Carrier is then subject to future monthly accounting statistical data penalties in accordance with the Commercial Statistical Plan (VII: 7) until a monthly submission with accurate data is reported.

#### 9. Focus Audits and Data Quality Reviews

Operational or statistical focus audits and data quality reviews specifically target Member or Servicing Carrier data quality issues that have an impact on ratemaking or equitability within the ceded commercial pool. The audits and reviews may apply to both voluntary and ceded business and focus on identified areas of concern which have a bearing on participation in CAR's underwriting results, expenses, penalties, payment of claims or any other matter attributable to such Member or Servicing Carrier.

CAR may design and implement focus audits or data quality reviews in accordance with a Division of Insurance or CAR Committee directive, or as determined necessary by CAR.

The same documentation and system access requirements as described in Section C.2. of this Chapter apply.

#### **D. Audits of Exclusive Representative Producers**

To ensure the integrity of the residual market mechanism and reported statistical data, additional audits or data quality summary reviews of ERPs will be conducted as determined necessary by CAR or as directed by the Division of Insurance or CAR committee.

The same documentation and system access requirements as described in Section C.2. of this Chapter apply.

#### **A. Standards for Validating the “Nerve Center” Principal Place of Business**

##### **1. Determination of Eligibility**

In determining whether a risk is eligible for placement in the commercial automobile residual market, Servicing Carriers and Exclusive Representative Producers (ERPs) are required to validate whether or not the risk’s declared principal place of business meets the “nerve center” test.

Operations taking place in the corporation’s “nerve center” may include, but are not limited to:

- a. Computer/monitoring systems that track the location of the vehicles
- b. Scheduling systems for vehicle operations and corresponding routes
- c. Systems for responding to vehicles requiring roadside or emergency assistance
- d. Payroll systems
- e. Depending upon the business operation, commensurate hours of operation
- f. Telephone systems to handle customer service, driver assistance, maintenance and repair, vendor and/or employee communications
- g. Treasury management systems for disbursing and collecting funds
- h. Administrative activities to support business operations

Note that a mail drop box, a bare office with a computer, or a location where executives only occasionally meet, does not qualify as Principal Place of Business for the purpose of determining a risk’s eligibility for cession to the Massachusetts commercial automobile residual market.

##### **2. Principal Place of Business Certification Form**

###### **a. Servicing Carrier Responsibilities**

Servicing Carriers will require their ERPs to submit a signed Principal Place of Business Certification Form attesting to the information submitted on the application on all risks for insurance pursuant to the insured’s principal place of business.

b. Exclusive Representative Producer Responsibilities

ERPs must provide a signed Principal Place of Business Certification Form on all risks to their Servicing Carrier attesting to the information submitted on the application for insurance. The certification must be signed and dated by the insured and writing producer to confirm that the risk meets the definition of Principal Place of Business as specified in Rule 2 – Definitions of CAR’s Rules of Operation.

The form is located on the Reports page of CAR’s website under the Commercial Only Forms, Manuals link. Refer to Exhibit X-A-1.

3. Underwriting Tools and Opportunities

a. Servicing Carrier Underwriting Tools and Opportunities

1) Proof of Principal Place of Business

Servicing Carriers should take advantage of, but are not limited to, the following options in determining risk eligibility relative to the principal place of business and “nerve center”:

a) The Secretary of Commonwealth’s Corporations Division website should be used to determine:

- i. If the risk and/or the risk’s Federal Employer Identification Number (FEIN) is registered with the Corporations Division
- ii. The date of origination
- iii. The identity of the risk’s officers, directors, partners and/or managers
- iv. The location of the risk’s principal office in Massachusetts;
- v. The state in which the risk was organized
- vi. The individual(s) who signed the organizational documents for the risk

b) An Internet search engine should be used to determine if the risk has a website for Massachusetts and/or other state operations and to verify office location(s) or if information is available relative to any of the corporate officers.



- c) The Registry of Motor Vehicles (RMV) systems should be used to determine if the risk's officers, directors, partners and/or managers have a Massachusetts address/operator's license and to determine if the risk previously was insured with a Massachusetts carrier.
  - d) Loss runs, if available, should be reviewed to determine if the risk's operations are in Massachusetts.
  - e) Federal Motor Carrier Safety Administration (FMCSA) filings, if applicable, should be reviewed to verify address on the risk's new business application.
- 2) Additional Information that May be Requested by the Servicing Carrier to Validate Principal Place of Business

The Servicing Carrier may request the risk and/or ERP to provide additional information, including, but not limited to, those items listed in Section A.3.b. of this Chapter. An SIU investigation may also be requested. As part of the underwriting process and/or SIU investigation, the risk's principal/owner will be required to corroborate information collected by the writing ERP.

3) Principal Place of Business Audits

Pursuant to Rule 10 – Claims of CAR's Rules of Operation, Servicing Carriers are required to conduct audits on representative samples of policies to verify garaging and policy facts.

However, market conditions may warrant increased awareness and focus on specific classifications of business due to suspected fraud, increased loss experience, or other negative impacts on the commercial automobile residual market during the Servicing Carrier contract period. If such occasions occur, the specific classifications will be identified through CAR's committee process, and Servicing Carriers will be required to engage their SIUs to conduct mandatory investigations involving the principal place of business.

The industry will be notified, via a CAR Bulletin, of those classifications for which enhanced focus on validating principal place of business is required.

b. Exclusive Representative Producer Underwriting Tools and Responsibilities

1) Proof of Principal Place of Business

ERPs should ascertain the following in determining risk eligibility relative to the principal place of business and "nerve center" prior to

submitting a risk to their Servicing Carrier for placement in the commercial auto residual market:

- a) Whether the company is headquartered in Massachusetts and meets the definition of Principal Place of Business as specified in Rule 2 – Definitions of CAR’s Rules of Operation
- b) Whether company reports, documentation and financial records originate in the Massachusetts office
- c) How long the company has been at the Massachusetts location
- d) Whether the company has officers, directors, partners and/or managers residing in other states, and, if so, where
- e) Whether business/corporate decisions and orders solely emanate from the Massachusetts principal place of business of the company, and if not, describe corporate communications
- f) Whether the principal owner, officers, directors, partners and/or managers all reside in Massachusetts and if not, describe the residency of each
- g) The number of employees working out of the Massachusetts principal place of business and how many are in Massachusetts versus out of state
- h) Identify the registration of all vehicles and if they are registered in Massachusetts versus other states
- i) Identify the operators/drivers for the company that are licensed/hired in Massachusetts
- j) How often the principal/owner of the company is in the company’s Massachusetts headquarter office
- k) Whether the payroll for the company is handled through the Massachusetts principal place of business location
- l) The business hours of the Massachusetts principal place of business location of the company

2) Additional Information that ERPs Will be Required to Provide to the Servicing Carrier

At the Servicing Carrier's request, the ERP/risk will also be required to provide information including, but not limited to, the following:

- a) Pictures of the Massachusetts location and garaging locations if different from a Massachusetts mailing address
- b) Name and location of shop providing repair and maintenance on the vehicles
- c) Percentage of revenue derived from Massachusetts operations versus other states
- d) Tax returns
- e) A copy of the risk's lease and/or other documents pursuant to the establishment of an operational office location in Massachusetts (utility bills, bank statements, tax documents, payroll records, workers comp. policy, etc.)
- f) A list of any other address locations from which the business operates and what type of activities occur at those locations

EXHIBIT X-A-1

CR 00 01 08 18

PRINCIPAL PLACE OF BUSINESS CERTIFICATION FORM

\*\*\* TO BE CERTIFIED BY ALL APPLICANTS PRIOR TO PLACEMENT IN THE COMMERCIAL  
AUTOMOBILE INSURANCE RESIDUAL MARKET (CAR) \*\*\*

By submitting this application, I represent that the applicant's principal place of business is located in Massachusetts. Principal Place of Business, as it applies to the definition of an Eligible Risk, is defined as the chief or usual place of business. It is the corporation's nerve center, its center of direction, control, and coordination, the place where the principal officers generally transact business and the place to which reports are made and from which orders emanate. It is the place where the majority of executive and administrative functions are performed\*. I understand that I am required to cooperate with and notify the insuring carrier of any change to information presented in the application, including information pertinent to the identified principal place of business, during the policy period. **I also understand that, if found responsible for fraud or material misrepresentation in the application or any extension or renewal of the policy, the insurance company can cancel or rescind all or part of the insurance and/or deny coverage of a claim pursuant to the provisions of the policy and applicable law.** By signing below, I hereby certify that all information provided herein and all other information submitted with the company's application is true and accurate.

Name of Business: \_\_\_\_\_

Address of Principal Place of Business: \_\_\_\_\_

Printed Name of Applicant's Authorized Representative: \_\_\_\_\_

Signature of Applicant's Authorized Representative: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

-----  
Witness to the Signator and Signing above:

Signature of Producer: \_\_\_\_\_

Printed Name of Producer: \_\_\_\_\_

Agency Name: \_\_\_\_\_

Date: \_\_\_\_\_

-----  
**MA Fraud Warning: "Any person who knowingly and with the intent to defraud any insurance company or another person files an application for insurance or statement of claim containing any material false information, or conceals for the purpose of misleading information concerning any fact material thereto, may be committing a fraudulent insurance act, which may be a crime and may subject the person to criminal and civil penalties."**

---Documentation to be submitted to the insuring Servicing Carrier, copy to be retained by Producer---

\* Commonwealth Automobile Reinsurers Rules of Operation, Chapter 2 – Definitions  
(ed. 08-18)

## **B. Standards for Validating Non-Fleet Private Passenger Type Classifications**

### **1. Determination of Eligibility**

In determining whether a non-fleet private passenger type risk is eligible for placement in the commercial automobile residual market, Servicing Carriers are required to validate the information provided by the risk and writing producer. If the application asserts/suggests a business entity/operation, the Servicing Carrier must validate that a commercial automobile business entity/operation exists. Risks not meeting the defined eligibility criteria are not eligible to be placed in the commercial automobile residual market.

### **2. Non-Fleet Private Passenger Type Certification Form**

#### **a. Servicing Carrier Responsibilities**

Servicing Carriers will require their Exclusive Representative Producers (ERPs) to submit a Non-Fleet Private Passenger Type Certification Form attesting to the information submitted on the application for insurance pursuant to the insured's business entity. The certification must be signed and dated by the insured and writing producer.

#### **b. Exclusive Representative Producer Responsibilities**

ERPs must obtain a completed, signed and dated Non-Fleet Private Passenger Type Certification Form for each non-fleet private passenger type risk and submit it to their Servicing Carrier for placement of the risk in the commercial automobile residual market. The ERP must advise the insured that the Non-Fleet Private Passenger Type Certification Form requires the insured's cooperation in notifying the insuring carrier of any change to information presented in the application, including information pertinent to the ownership and permissive operators of the vehicle(s) during the policy period.

The certification form may also be required for renewal business at the discretion of the Servicing Carrier.

The Non-Fleet Private Passenger Type Certification Form is located on the Reports page of CAR's website under the Commercial Only Forms, Manuals link. Refer to Exhibit X-B-1.

3. Underwriting Tools and Opportunities

a. Servicing Carrier Underwriting Tools and Opportunities

1) Proof of Business Entity

Servicing Carriers should take advantage of, but are not limited to, the following options for determining whether the business entity is eligible for placement in the commercial automobile residual market:

- a) The Secretary of Commonwealth's Corporations Division website should be used to determine:
  - i. If the risk and/or the risk's Federal Employer Identification Number (FEIN) is registered with the Corporations Division
  - ii. The date of origination and current status
  - iii. The identity of the risk's officers, directors, partners and/or managers, including ownership and address information
  - iv. The individual(s) who signed the organizational documents for the risk
- b) An Internet search engine should be used to determine if the risk has a website for its stated business entity/operation.
- c) An internet mapping site should be used to assess business address, public and street presence.
- d) The RMV systems should be used to verify whether the risk's officers, directors, partners and/or managers have a Massachusetts address/operator's license and to determine if the risk previously was insured with a Massachusetts carrier. The RMV systems should also be used to verify that the vehicle registration(s) is in the name of the business entity/operation and confirm all operator information listed on the application and Non-Fleet Private Passenger Type Certification Form.
- e) Assess whether prior insurance coverage was provided for the business entity/operation and the history of that coverage (i.e. cancellation/non-renewal reason, etc.).
- f) One or more of the following should be obtained:
  - i. Contract for services with a customer relative to the listed business entity/operation

- ii. Tax filing information for the business (Schedule C if filing an individual return)
  - iii. Workers Compensation Insurance Policy
  - iv. General Liability Insurance Policy
  - v. If there was prior insurance coverage, a copy of the declarations page
  - vi. Copies of leases and utility bills
- g) An SIU investigation should be requested, when necessary, to determine if the risk is a business entity.

2) Business Entity/Operation Eligibility Audits

Pursuant to Rule 10 – Claims of CAR’s Rules of Operation, Servicing Carriers are required to conduct audits on representative samples of policies to verify garaging and policy facts.

However, market conditions may warrant increased awareness and focus on specific classifications of business due to suspected fraud, increased loss experience, or other negative impacts on the commercial automobile residual market during the Servicing Carrier contract period. If such occasions occur, the specific classifications will be identified through CAR’s committee process, and Servicing Carriers will be required to engage their SIUs to conduct mandatory investigations involving the eligibility of the business entity/operation.

The industry will be notified, via a CAR Bulletin, of the specific classifications for which enhanced focus on validating the eligibility of the business entity/operation is required.

b. Exclusive Representative Producer Responsibilities

1) Proof of Business Entity

The ERP will also be responsible for assisting in the verification and confirmation of information regarding the risk’s eligibility for commercial automobile residual market coverage including, but not limited to:

- a) Corporate Documentation: From the Secretary of Commonwealth’s Corporations Division website, obtain validation of the risk and/or the risk’s Federal Employer Identification Number (FEIN) being registered with the Corporations Division and includes, the Date of Origination, Current Status, the identity of the risk’s officers,

directors, partners and/or managers – ownership and address information and who signed the organizational documents for the risk.

- b) An Internet search engine should be used to reflect that the risk has a website for its stated business entity/operation.
- c) Vehicle Usage: The Registry of Motor Vehicles systems should be used to determine if the registration of the vehicle(s) is consistent with the name of the business entity/operation.
- d) Vehicle Operators: All permissive operators of the vehicle(s) and associated license information should be listed on the application for insurance. If an operator listed on the application has a valid license from a country or territory approved by the Massachusetts RMV, list that information on the Non-Fleet Private Passenger Type Certification Form.

If the owner(s) of the business entity/operation does/do not have a valid driver's license and is/are not listed on the application as an operator(s), obtain a signed Operator Exclusion Form from the owner(s). The Operator Exclusion Form is located on the Reports Page of CAR's website under the Commercial Only Form, Manuals link. Refer to Exhibit X-B-2.

- e) Prior insurance coverage information for the business entity/operation and the history of that coverage (i.e. cancellation/non-renewal reason, etc.) should be obtained.
- 3) Additional Information that ERPs are Required to Provide to the Servicing Carrier

The ERP/risk will be required to provide at least one, or at the request of the Servicing Carrier, more of the following documentation with the application:

- a) Contract for services with a customer relative to the listed business entity/operation
- b) Tax filing information for the business (Schedule C if filing an individual return)
- c) Workers Compensation Insurance Policy
- d) General Liability Insurance Policy
- e) If there was prior insurance coverage, a copy of the declarations page
- f) Copies of leases and utility bills



**EXHIBIT X-B-1**  
(page 1 of 2)

CR 00 02 01 21

**NON-FLEET PRIVATE PASSENGER TYPE (NF-PPT) CERTIFICATION FORM**

**\*\*\*TO BE CERTIFIED BY ALL NF-PPT APPLICANTS PRIOR TO PLACEMENT IN THE COMMERCIAL AUTOMOBILE INSURANCE RESIDUAL MARKET (CAR)\*\*\***

**NAME OF BUSINESS:** \_\_\_\_\_

**DESCRIPTION OF BUSINESS:** \_\_\_\_\_

Submit a copy of **at least one** or, at the request of the Servicing Carrier, more of the following documentation with the application:

1. Contract for services with a customer relative to the listed business entity/operation
2. Tax filing information for the business (Schedule C if filing an individual return)
3. Workers Compensation Insurance Policy
4. General Liability Insurance Policy
5. If prior insurance coverage, copy of declarations page
6. Copies of leases and utility bills

If documents are not available, please explain: \_\_\_\_\_

**VEHICLE USAGE:**

How are vehicles used in your business? \_\_\_\_\_

**VEHICLE OPERATORS:**

Number of employees: Full Time: \_\_\_\_\_ Part Time: \_\_\_\_\_

**ALL EMPLOYEES, FAMILY MEMBERS AND ANY OTHERS WHO HAVE PERMISSION TO DRIVE ONE OR MORE OF THE VEHICLES MUST BE LISTED ON, OR INCLUDED WITH THE APPLICATION FOR INSURANCE (A LICENSE NUMBER, STATE OR COUNTRY OF ISSUANCE MUST BE INCLUDED FOR EACH).**

**\*FOR ANY OPERATOR LISTED ON THE APPLICATION *WITH A VALID LICENSE FROM A COUNTRY OR TERRITORY APPROVED BY THE MASSACHUSETTS RMV, THE EXPIRATION DATE OF THE FOREIGN DRIVER'S LICENSE MUST ALSO BE COMPLETED:***

1.) OPERATOR NAME: \_\_\_\_\_

LICENSE #: \_\_\_\_\_ STATE/COUNTRY: \_\_\_\_\_

\*EXPIRATION DATE OF FOREIGN DRIVER'S LICENSE: \_\_\_\_\_

2.) OPERATOR NAME: \_\_\_\_\_

LICENSE #: \_\_\_\_\_ STATE/COUNTRY: \_\_\_\_\_

\*EXPIRATION DATE OF FOREIGN DRIVER'S LICENSE: \_\_\_\_\_

For additional operators that meet this criteria, attach information listing the above information  
(ed.01-21)

**EXHIBIT X-B-1**  
(page 2 of 2)

CR 00 02 01 21

**NON-FLEET PRIVATE PASSENGER TYPE (NF-PPT) CERTIFICATION FORM**

**OWNER(S) NOT LISTED AS AN OPERATOR(S) OR NOT LICENSED**

If the owner(s) of the business does not have a valid driver's license and is/are not listed on the application as an operator(s), a Driver Exclusion Form must be signed and submitted with the application. In addition, the/those owner(s) will sign the following:

I have voluntarily chosen not to list myself as a driver on the application. I understand and agree that if an unlisted owner is involved in a claim, there may be no coverage under my policy because of the Material Misrepresentation provision of the policy. Owner(s) Signature(s): \_\_\_\_\_

**SIGNED CERTIFICATION OF BUSINESS ENTITY AND VEHICLE USAGE**

The application I submitted herewith represents that my vehicles are used to further my business objectives. I understand and agree that the Company is entitled to examine books and records as they relate to the premium for this policy at any time during the policy period. This may include verification of actual business use of the vehicles. I certify that I have listed on the application all my employees, family members and others who have permission to drive one or more of the vehicles listed in my application. I understand that I am required to cooperate with and notify the insuring carrier of any change to information presented in the application, including information pertinent to the ownership and permissive operators of the vehicle(s), during the policy period. **I understand that, if found responsible for fraud or material misrepresentation in the application or any extension or renewal of the policy, the insurance company can cancel or rescind all or part of the insurance and/or deny coverage of a claim pursuant to the provisions of the policy and applicable law.** By signing below, I hereby certify that all information provided herein and all other information submitted with the company's application is true and accurate.

Signature of Owner/Applicant's Authorized Representative: \_\_\_\_\_

Printed Name of Owner/Applicant's Authorized Representative: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

-----  
Witness to the Signator and Signing above:

Signature of Producer: \_\_\_\_\_

Printed Name of Producer: \_\_\_\_\_

Agency Name: \_\_\_\_\_

Date: \_\_\_\_\_

-----  
***MA Fraud Warning: "Any person who knowingly and with the intent to defraud any insurance company or another person files an application for insurance or statement of claim containing any material false information, or conceals for the purpose of misleading information concerning any fact material thereto, may be committing a fraudulent insurance act, which may be a crime and may subject the person to criminal and civil penalties."***

---Documentation to be submitted to the insuring Servicing Carrier, copy to be retained by Producer---  
(ed. 01-21)

**EXHIBIT X-B-2**

**MASSACHUSETTS ENDORSEMENT – CR 99 01 08 18**

**Operator Exclusion Form**

It is agreed by the insurance company, the policyholder and the person named below (the Excluded Operator), that the Excluded Operator will not operate the vehicle(s) described below, or any replacement thereof, under any circumstances whatsoever.

Named Insured: \_\_\_\_\_

Excluded Operator: \_\_\_\_\_

Vehicles (Complete Section A **OR** Section B):

A. \_\_\_\_\_(Check if applicable) Any and All Vehicles Listed or Covered on the policy during the policy term

**OR**

B. Specific Vehicle(s)

Vehicle Description: \_\_\_\_\_

Vehicle Description: \_\_\_\_\_

Vehicle Description: \_\_\_\_\_

Vehicle Description: \_\_\_\_\_

The policyholder and Excluded Operator understand and agree that the insurance company will not pay under the optional insurance parts of the policy for any injury or damage arising out of the operation or use of the vehicle(s) described above, by the Excluded Operator.

The policyholder and Excluded Operator understand and agree that this Operator Exclusion Form will continue in full force and effect in any subsequent renewal or replacement of the policy until the policyholder and the insurance company withdraw this form in writing.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Policyholder/Authorized Representative Signature

\_\_\_\_\_  
Date  
(ed. 08-18)

\_\_\_\_\_  
Excluded Operator's Signature

**C. Standards for Determining and Validating Classification of Trucks, Tractors and Trailers and Public Automobiles**

**1. Use Classification**

**Public Buses**

In instances where an applicant is unable to provide credible records prior to policy inception to validate the use of the bus, the Servicing Carrier will assign the bus NOC class.

However, if the risk has been in operation for less than one year and provides credible documentation to validate a different use class within 60 days of the effective date of the policy, the Servicing Carrier will reclassify the vehicle and apply the rating change as of the effective date of the policy.

**2. Radius and Geographic Classification**

To properly classify trucks, tractors and trailers and public automobiles, CAR's Commercial Automobile Insurance Manual directs that principal garaging and principal operation are factors used to determine radius and geographic classification as follows:

|                       | <u>Principal Garaging</u>   | <u>Principal Operation</u>  |
|-----------------------|-----------------------------|-----------------------------|
| Radius Classification | TTTs and Publics            | TTTs and Publics            |
| Zone Combination      | Zone Rated TTTs and Publics | Zone Rated TTTs and Publics |
| Rating Territory      | Non-Zone Rated TTTs         | Non-Zone Rated Publics      |

Pursuant to Rule 20 – How to Classify Automobiles of CAR's Commercial Automobile Insurance Manual, upon request of the Servicing Carrier, the applicant shall be required to substantiate with permanent records that the automobile is being used as set forth in the application or renewal questionnaire.

Servicing Carriers and Exclusive Representative Producers (ERPs) will validate an automobile's principal place of garaging and principal geographic area of operation to determine radius and geographic classification as follows:

**a. Determining and Validating Principal Garaging**

Principal garaging is the location at which the automobile is garaged the majority of the time that the automobile is not in regular use. Servicing Carriers and ERPs may use, but are not limited to, the following tools to verify principal garaging:

- 1) Google Maps
- 2) Registry of Motor Vehicles
- 3) Secretary of the Commonwealth Corporations Division website
- 4) The risk's website
- 5) Federal Motor Carrier Services Administration (FMCSA) website

In the event that inconsistencies are identified during the course of the underwriting and/or SIU review, the applicant must provide credible documentation, such as lease agreements or property owner certification, to validate garaging as represented on the application.

b. Determining and Validating Principal Operation

To properly classify Trucks, Tractors and Trailers and public automobiles, Servicing Carriers and ERPs shall take advantage of, but not be limited to, the following options to validate an automobile's principal geographic area of operation:

- 1) Form IFTA-101 – IFTA Quarterly Fuel Use Tax Schedule
- 2) Individual Vehicle Mileage Reports
- 3) Trip Logs
- 4) Central Analysis Bureau (CAB) reports
- 5) Safety and Fitness Electronic Records (SAFER)
- 6) SafeStat Systems
- 7) Executed service provider contracts

Based on the documentation indicating automobile operations furnished by the applicant, rating territory for the local and intermediate radius public classes will be determined using the rating territories as defined in CAR's Commercial Automobile Insurance Manual with common rate relativities.

In particular, the Boston territory is defined by the combined territories 1-10, which are combined for rating purposes, while identified in the manual individually for statistical purposes.

c. Determining Radius and Geographic Class in the Absence of Credible Verifiable Documentation

The Servicing Carrier may also request the risk and/or ERP to provide additional information to validate garaging and/or operations. An SIU investigation may also be requested. As part of the underwriting process and/or SIU investigation, the risk's principal/owner will be required to corroborate information collected by the writing ERP.

In instances where an applicant is unable to provide credible permanent records to validate an automobile's principal garaging and/or principal radius of operation, the Servicing Carrier will determine radius and geographic class that generates the higher resulting premium of the two options below as follows:

|                  |                                |
|------------------|--------------------------------|
|                  | <u>Option 1</u>                |
| Radius Class     | Intermediate Radius            |
| Rating Territory | Assign Highest Rated Territory |

|                  |                             |
|------------------|-----------------------------|
|                  | <u>Option 2</u>             |
| Radius Class     | Long Distance Radius        |
| Zone Combination | Boston to Los Angeles (218) |

However, if the risk has been in operation for more than one year and provides credible documentation to validate a different radius class and/or geographic classification during the policy term, apply the rating change prospectively from the date the documentation is provided.

If the risk has been in operation for less than one year and provides credible documentation to validate a different radius class and/or geographic classification at least 90 days prior to policy expiration, apply the rating change as of the effective date of the policy. However, if the documentation is provided within 90 days of the policy's expiration date, the rating change would be applied as of the effective date of the renewal policy.

d. Exceptions

Businesses engaged in certain operations have inherent difficulty in securing documentation to substantiate an automobile's radius and/or

geographic classification. Such operations include farmers, contractors, van pools, and school and church buses. For these vehicles, Servicing Carriers may use their discretion to evaluate and determine radius and geographic classification.

e. Principal Garaging and Operation Audits

Pursuant to Rule 10 – Claims of CAR’s Rules of Operation, Servicing Carriers are required to conduct audits on representative samples of policies to verify garaging and policy facts.

However, market conditions may warrant increased awareness and focus on specific classifications of business due to suspected fraud, increased loss experience, or other negative impacts on the commercial automobile residual market during the Servicing Carrier contract period. If such occasions occur, the specific classifications will be identified, through CAR’s committee process, for mandatory Servicing Carrier SIU investigations involving principal garaging and operations.

The industry will be notified, via a CAR Bulletin, of the specific classifications for which enhanced focus on validating the eligibility of principal garaging and operation is required.

**D. Standards for the Verification of Applicant Drivers’ Licenses**

In determining whether an applicant is eligible for placement in the commercial automobile residual market, Servicing Carriers and Exclusive Representative Producers are required for all new business to verify that the applicant establishes that any person who usually drives the motor vehicle(s) holds or is eligible to obtain a valid driver’s license.

However, with respect to non-fleet private passenger type business, Servicing Carriers and Exclusive Representative Producers are required to verify for all new and renewal business, that the applicant establishes that any person who usually drives the motor vehicle(s) holds or is eligible to obtain a valid driver’s license.

1. Driver Eligibility

a. Foreign Licensed Drivers

A person who holds a valid foreign driver’s license is eligible for placement in the commercial automobile residual market and, if the foreign driver’s license is not in English, he/she must either provide a valid International Driving Permit or an alternative translation document, such as a completed Registry of Motor Vehicles Translation into English of a Foreign Driver License form, as set forth in Appendix A of the Massachusetts Driver’s Manual published by the Registry of Motor Vehicles.

Note that an International Driver's License is not considered a valid driver's license and will not be accepted as a valid form of license.

b. Domestic Licensed Drivers

Any person who holds a valid driver's license from a state other than Massachusetts must obtain a Massachusetts license in accordance with the standards of the Massachusetts Registry of Motor Vehicles. This requirement does not apply to anyone who usually drives a motor vehicle owned by a named insured if the applicant can establish that said person is employed by a named insured whose Principal Place of Business is located in Massachusetts but resides in another state which has issued him or her a valid license.

2. Required Documentation

Servicing Carriers will require that the driver's license number and state of any licensed member of the named insured's household as well as any other licensed individuals who usually drive the insured vehicle(s) and who hold a valid Massachusetts or domestic driver's license, be listed on the application for insurance.

In addition, Servicing Carriers shall require, for any licensed member of the named insured's household and/or any other licensed individuals who usually drive the insured vehicle(s), and who lack a valid Massachusetts or domestic driver's license, that the following documentation be provided with the application:

- a. A copy of a valid foreign driver's license,
- b. If the foreign driver's license is not in English, either a corresponding International Driving Permit or an alternative translation document, such as a completed Registry of Motor Vehicles Translation into English of a Foreign Driver License form, as set forth in Appendix A of the Massachusetts Driver's Manual published by the Registry of Motor Vehicles, and
- c. A copy of one of the following documents:
  - 1) A valid passport from the country of origin
  - 2) A valid alien registration receipt card (green card)
  - 3) A valid employment authorization card issued by the United States Department of Homeland Security
  - 4) Valid proof of nonimmigrant classification provided by the United States Department of Homeland Security



An application submitted without the above information and documents shall be considered incomplete and will result in cancellation or nonrenewal of the policy based on the procedures set forth in Rule 4 – Standard Procedures of CAR’s Commercial Automobile Insurance Manual. The cancellation/nonrenewal notice must contain the following statement: “If the insured furnishes the necessary item(s) prior to the effective date of the cancellation, the cancellation shall be rescinded.”

3. Exclusion of Listed Operators Not Holding or Not Eligible to Obtain a Valid License

Pursuant to Rule 31 – Operator Exclusion Form of CAR’s Commercial Automobile Insurance Manual, Servicing Carriers will attach the Operator Exclusion Form, CR 99 01 08 18, to the policy for each operator listed on the application who does not hold or is not eligible to obtain a valid license.

The Operator Exclusion Form is available on the Reports page of CAR’s website, under the Commercial Only, Forms, Manuals link. Refer to Exhibit X-B-2.

4. Servicing Carrier/Exclusive Representative Producer Validation Tools

For renewal business, the Servicing Carrier will rely on the information provided on the insured’s new business application unless the insured or the Exclusive Representative Producer provides documentation updating the licensing.

Servicing Carriers and Exclusive Representative Producers will utilize the appropriate resources (i.e. Massachusetts Registry of Motor Vehicles system, Non-Massachusetts driver’s license reporting systems, etc.) to verify information regarding registration and/or insured/driver information to ascertain a presence in Massachusetts relative to the operation of a motor vehicle with a foreign or out-of-state driver’s license.

Servicing Carriers should utilize the CAR Ineligible Risk Database for review of previous actions taken pursuant to the cancellation of an insured’s and/or operator’s driver’s license and/or non-renewal actions by other Servicing Carriers. Refer to Section B.4. of Chapter III – Servicing Carrier Responsibilities of this Manual for additional information relative to the Ineligible Risk Database.

5. Definition of Terms

For purposes of this standard, the following definitions shall apply:

“Foreign driver’s license” is a valid driver’s license obtained in a foreign country. Validity of a foreign driver’s license is to be determined according to Appendix A of the Massachusetts Driver’s Manual published by the Registry of Motor Vehicles.

“Domestic driver’s license” is a driver’s license issued by any state of the United States, the District of Columbia, Puerto Rico, the United States Virgin Islands, Guam, American Samoa, the Commonwealth of the Mariana Islands or any other territory or possession of the United States.

“Foreign driver” is an individual who holds a foreign driver’s license but does not hold a valid Massachusetts or domestic driver’s license.

“International Driving Permit” is a document, described in Appendix A of the Massachusetts Driver’s Manual published by the Registry of Motor Vehicles, to be used in conjunction with a valid foreign driver’s license obtained in the driver’s home country. It is a translation of the foreign driver’s license into various languages, including English.

“Alternative translation document” is a document, described in Appendix A of the Massachusetts Driver’s Manual published by the Registry of Motor Vehicles, to be used in conjunction with a valid foreign driver’s license to properly identify the license holder and translate relevant license information into English, if an International Driving Permit cannot be obtained in the country that issued the driver’s license.

“International Driver’s License” is an unofficial document purporting to be a valid driver’s license. It is usually sold on the internet or through storefronts with claims that it: 1) authorizes consumers to drive legally in the United states, even if they don’t have state-issued licenses or if their state-issued licenses have been suspended or revoked; 2) can be used to avoid points or fines affecting state-issued driver’s licenses; and 3) can be used as a photo identification in the United States.