

#### **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**



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**Reports and Applications**

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- 11/25 | 09 2019 Volume Analysis Cubes Updated
- 09/30 | 2Q 2019 Participation Ratios
- 09/06 | 06 2019 Settlement of Balances

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

The screenshot displays the CAR website interface. At the top, there is a navigation menu with links: Home, About CAR, MAIP, Reports, Bulletins, Manuals, Committees, Calendar, Contact Us, Schedules, and Training. Below this is a secondary menu with links: Home, FAQ, Site Map, Help, and Search. The CAR logo is positioned on the left side of the header.

The main content area is titled "Reports and Applications". It features a "Recent Updates" section with the following entries:

- 11/27 | 09 2019 Residual Market Volume
- 11/25 | 09 2019 Volume Analysis Cubes Updated
- 09/30 | 2Q 2019 Participation Ratios
- 09/06 | 06 2019 Settlement of Balances

To the right of the updates, there is a "Using Reports & Applications" section with links for [Security Administration](#), [Access Information](#), and [Help](#). Below this is a "Publications" section with a link for [Update or Join Publications](#).

On the far right, a user profile box displays "My CAR - Update Log-off" and the name "John Smith".

The bottom section of the page is organized into four columns of links:


- Commercial Only:** [Forms](#), [Manuals](#), [CAR Accounting](#), [Cessions](#), [Experience Rating](#), [Rate Edit](#), [Servicing Carrier Profile](#)
- Financial:** [Ceding Expense](#), [Claims Trend](#), [Deficit and Large Loss](#), [Loss Reserving Comm Exhibits](#), [Participation Ratios](#), [Settlement of Balances](#)
- Market:** [Producer Code Notification](#), [Rate Information](#), [Residual Market Volume](#), [Volume Analysis](#)
- Reporting & Data Quality:** [Company Status Reports](#), [Company Submission Reports](#), [Data Transfers](#), [Distributional Analysis](#), [Reconciliation](#), [Rule 29 Credit Edit](#), [Statistical Data](#)

Below these columns, there are additional sections for **Compliance Audit** (with a link to [Compliance Audit Reports](#)) and **Telecommunications** (with a link to [Telecommunications](#)).

The footer contains a secondary navigation menu with links: [Home](#), [About CAR](#), [MAIP](#), [Reports](#), [Bulletins](#), [Manuals](#), [Committees](#), [Calendar](#), [Contact Us](#), [Schedules](#), [Training](#), [FAQ](#), [Site Map](#), [Help](#), and [Search](#). Below the menu is the copyright notice: "Copyright © 1999-2020 Commonwealth Automobile Reinsurers, All Rights Reserved."



**EXHIBIT VIII-C-3**  
**CAR ACCOUNTING SCREEN**

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<p><b>Error Notifications</b></p> <ul style="list-style-type: none"> <li><a href="#">Error Policies</a></li> <li><a href="#">High Loss Policies</a></li> <li><a href="#">Net Negative Premiums</a></li> <li><a href="#">Policy Year Error Summary</a></li> <li><a href="#">Prem and Loss Written-Off</a></li> <li><a href="#">Warnings and Penalties</a></li> </ul> <p><b>Flat Cancellation</b></p> <ul style="list-style-type: none"> <li><a href="#">Flat Cancel Sample</a></li> </ul> <p><b>Policy History</b></p> <ul style="list-style-type: none"> <li><a href="#">Cession</a></li> <li><a href="#">Claim Summary</a></li> <li><a href="#">Common</a></li> <li><a href="#">Loss</a></li> <li><a href="#">Premium</a></li> </ul> <p><b>Additional Applications in Commercial Only</b></p> <ul style="list-style-type: none"> <li><a href="#">Forms, Manuals</a></li> <li><a href="#">Cessions</a></li> <li><a href="#">Experience Rating</a></li> <li><a href="#">Rate Edit</a></li> </ul>	<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> <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> <ul style="list-style-type: none"> <li><a href="#">Error Policies</a></li> <li><a href="#">High Loss Policies</a></li> <li><a href="#">Net Negative Premiums</a></li> <li><a href="#">Policy Year Error Summary</a></li> <li><a href="#">Prem and Loss Written-Off</a></li> <li><a href="#">Warnings and Penalties</a></li> </ul> <p><b>Flat Cancellation</b></p> <ul style="list-style-type: none"> <li><a href="#">Flat Cancel Sample</a></li> </ul> <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> <ul style="list-style-type: none"> <li><a href="#">Cession</a></li> <li><a href="#">Claim Summary</a></li> <li><a href="#">Common</a></li> <li><a href="#">Loss</a></li> <li><a href="#">Premium</a></li> </ul>
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**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:

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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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	9999999	07/01/2016	07/01/2017	4	462269	Joess 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	Accrd 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:

[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**  
**ERROR POLICY PREMIUM/LOSS**

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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

**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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Rec 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.