

#### **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

- (1) Bodily Injury – \$250,000/\$500,000
- (2) Medical Payments – \$5,000
- (3) Uninsured Motorist Coverage – \$250,000/\$500,000
- (4) Underinsured Motorist Coverage – \$250,000/\$500,000
- (5) Property Damage – \$50,000
- (6) Personal Injury Protection – \$8,000 per person, per accident

##### b. Physical Damage Coverages

- (1) Collision – \$500 Deductible
- (2) Limited Collision – \$500 Deductible
- (3) Comprehensive – \$500 Deductible
- (4) Fire and Theft – \$500 Deductible
- (5) 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. Commercial Motor Vehicles (Except as otherwise specified in Sections b, c, and d)

###### Liability Coverages

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

- (1) Bodily Injury – \$1,000,000/\$1,000,000
- (2) Medical Payments –
  - a. \$ 5,000 – Buses, Limousines, and Car Service
  - b. \$10,000 – Trucks, Tractors, and Trailers, and Van Pools
  - c. \$25,000 – Private Passenger Types
- (3) Uninsured Motorist Coverage – \$500,000/\$500,000
- (4) Underinsured Motorist Coverage – \$500,000/\$500,000
- (5) Property Damage – \$500,000
- (6) Combined Single Limit – \$1,000,000

Also available:

- (1) Drive Other Car coverage
- (2) Non-Ownership Liability and Hired Automobile liability coverages only, either as a separate policy or in conjunction with a statutory Massachusetts motor vehicle insurance policy.

Physical Damage Coverages

- (1) Collision – \$300 Deductible
- (2) Limited Collision
- (3) Comprehensive - \$300 Deductible
- (4) Fire, Theft and Combined Additional Coverage – \$300 Deductible

Also available:

- (1) Towing and Labor - \$100 per disablement (Private Passenger Types and Light Trucks only)
- (2) Rental Reimbursement
- (3) Stated Amount or Agreed Value coverages
- (4) Physical Damage coverage for damage to trailers under a trailer interchange contract but only when written in conjunction with motor vehicle liability coverage

b. Taxicabs

Liability Coverages

- (1) Bodily Injury – \$250,000/\$500,000
- (2) Medical Payments – \$5,000
- (3) Uninsured Motorist Coverage – \$250,000/\$500,000
- (4) Underinsured Motorist Coverage – \$250,000/\$500,000
- (5) Property Damage – \$50,000

Physical Damage Coverages

- (1) Collision – \$500 Deductible
- (2) Limited Collision
- (3) Comprehensive – \$500 Deductible
- (4) Fire and Theft – \$500 Deductible

c. Auto Dealers

Liability Coverages

- (1) Bodily Injury – \$1,000,000/\$1,000,000
- (2) Medical Payments – \$5,000
- (3) Uninsured Motorist Coverage – \$1,000,000/\$1,000,000
- (4) Underinsured Motorist Coverage – \$1,000,000/\$1,000,000
- (5) Property Damage – \$500,000
- (6) General Liability Coverage for Bodily Injury and Property Damage  
Liability is available when written in conjunction with Liability Limits for Covered Autos.

Physical Damage Coverages

- (1) Physical Damage Coverage - \$1,000,000 per location
- (2) Garagekeepers coverage is included in Auto Dealers Physical Damage coverage, but may be provided to certain risks written on a Business Auto Coverage form through endorsement.

Also available:

- (1) Dealers Collision Coverage
- (2) Dealers Drive-Away Collision Coverage

d. Other Limits

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 current policy forms and endorsements adopted for use with a commercial policy can be found in Appendix I of the Commercial Automobile Insurance Manual (available on CAR's website). The following certifications should be attached to a ceded policy when applicable:

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 Cession/No Premium Warning Screen	Policy First Lists on Cession/No Premium Penalty Screen	Policy Assessed \$60 Cession/No Premium Penalty	Policy is Eligible for Cession/No Premium 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**

[Home](#)[FAQ](#)[About CAR](#)[Site Map](#)[MAIP](#)[Help](#)[Reports](#)[Search](#)[Bulletins](#)[Manuals](#)[Committees](#)[Calendar](#)[Contact Us](#)[Schedules](#)[Training](#)

**Reports and Applications**

**Recent Updates**  
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

**Using Reports & Applications**  
[Security Administration](#)  
[Access Information](#)  
[Help](#)

**Secure Access**  
User ID  
  
Password  
  
  
[Forgot Password](#)

**Publications**  
[Update or Join Publications](#)

**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](#)


**Compliance Audit**  
[Compliance Audit Reports](#)

**Telecommunications**  
[Telecommunications](#)

[Home](#) [About CAR](#) [MAIP](#) [Reports](#) [Bulletins](#) [Manuals](#) [Committees](#) [Calendar](#) [Contact Us](#) [Schedules](#) [Training](#) [FAQ](#) [Site Map](#) [Help](#) [Search](#)

Copyright © 1999-2020 Commonwealth Automobile Insurance. All Rights Reserved.

**EXHIBIT V-C-2**  
**LOG-IN 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>
	<a href="#">FAQ</a>	<a href="#">Site Map</a>	<a href="#">Help</a>	<a href="#">Search</a>							

**Reports and Applications**

**Recent Updates**

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

**Using Reports & Applications**

[Security Administration](#)

[Access Information](#)

[Help](#)

**My CAR - Update Log-off**

John Smith

**Publications**

[Update or Join Publications](#)

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

[Home](#) [About CAR](#) [MAIP](#) [Reports](#) [Bulletins](#) [Manuals](#) [Committees](#) [Calendar](#) [Contact Us](#) [Schedules](#) [Training](#) [FAQ](#) [Site Map](#) [Help](#) [Search](#)

Copyright © 1999-2020 Commonwealth Automobile Reinsurers, All Rights Reserved.

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

[Home](#)
[About CAR](#)
[MAIP](#)
[Reports](#)
[Bulletins](#)
[Manuals](#)
[Committees](#)
[Calendar](#)
[Contact Us](#)
[Schedules](#)
[Training](#)

[FAQ](#)
[Site Map](#)
[Help](#)
[Search](#)

[Reports > CAR Accounting](#)

**Error Notifications**

[Error Policies](#)

[High Loss Policies](#)

[Net Negative Premiums](#)

[Policy Year Error Summary](#)

[Prem and Loss Written-Off](#)

[Warnings and Penalties](#)

**Flat Cancellation**

[Flat Cancel Sample](#)

**Policy History**

[Cession](#)

[Claim Summary](#)

[Common](#)

[Loss](#)

[Premium](#)

**Additional Applications in Commercial Only**

[Forms, Manuals](#)

[Cessions](#)

[Experience Rating](#)

[Rate Edit](#)

**CAR Accounting**

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.

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.

The Flat Cancellation Audit is a monitoring program where CAR requests documentation be uploaded to support TX4 and TX15 cancellation transactions.

The Policy History function allows a user to view every ceded policy reported during the last 10 years.

Please contact [Data Operations](#) with any inquiries.

**Error Notifications**

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.

[Error Policies](#)   [High Loss Policies](#)

[Net Negative Premiums](#)

[Policy Year Error Summary](#)

[Prem and Loss Written-Off](#)

[Warnings and Penalties](#)

**Flat Cancellation**

[Flat Cancel Sample](#)

Lists the three current effective years sampled along with the individual policies that require supporting documentation for valid flat cancellation.

**Policy History**

Functions to review the common, premium and loss policy history data

[Cession](#)   [Claim Summary](#)   [Common](#)

[Loss](#)   [Premium](#)

**EXHIBIT V-C-4**  
**WARNING AND PENALTY SCREEN**

[Home](#)
[About CAR](#)
[MAIP](#)
[Reports](#)
[Bulletins](#)
[Manuals](#)
[Committees](#)
[Calendar](#)
[Contact Us](#)
[Schedules](#)
[Training](#)

[Reports > CAR Accounting](#)

**Error Notifications**

[Error Policies](#)

[High Loss Policies](#)

[Net Negative Premiums](#)

[Policy Year Error Summary](#)

[Prem and Loss Written-Off](#)

[Warnings and Penalties](#)

**Flat Cancellation**

[Flat Cancel Sample](#)

**Policy History**

[Cession](#)

[Claim Summary](#)

[Common](#)

[Loss](#)

[Premium](#)

**Additional Applications in Commercial Only**

[Forms, Manuals](#)

[Cessions](#)

[Experience Rating](#)

[Rate Edit](#)

[Reinsurance Audit](#)

[Servicing Carrier Profile](#)

**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


[Home](#)
[About CAR](#)
[MAIP](#)
[Reports](#)
[Bulletins](#)
[Manuals](#)
[Committees](#)
[Calendar](#)
[Contact Us](#)
[Schedules](#)
[Training](#)

[FAQ](#)
[Site Map](#)
[Help](#)
[Search](#)

Copyright © 1999-2014 Commonwealth Automobile Reinsurers, All Rights Reserved.

EXHIBIT V-C-5

NET NEGATIVE PREMIUMS



Home

About CAR

MAIP

Reports

Bulletins

Manuals

Committees

Calendar

Contact Us

Schedules

Training

FAQ

Site Map

Help

Search

Reports > CAR Accounting

Error Notifications

Error Policies

High Loss Policies

Net Negative Premiums

Policy Year Error Summary

Prem and Loss Written-Off

Warnings and Penalties

Flat Cancellation

Flat Cancel Sample

Policy History

Cession

Claim Summary

Common

Loss

Premium

Additional Applications in Commercial Only

Forms, Manuals

Cessions

Experience Rating

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



[Home](#)
[About CAR](#)
[MAIP](#)
[Reports](#)
[Bulletins](#)
[Manuals](#)
[Committees](#)
[Calendar](#)
[Contact Us](#)
[Schedules](#)
[Training](#)

[FAQ](#)
[Site Map](#)
[Help](#)
[Search](#)

[Reports > CAR Accounting](#)

Error Notifications

[Error Policies](#)
[High Loss Policies](#)
[Net Negative Premiums](#)
[Policy Year Error Summary](#)
[Prem and Loss Written-Off](#)
[Warnings and Penalties](#)

Flat Cancellation

[Flat Cancel Sample](#)

Policy History

[Cession](#)
[Claim Summary](#)
[Common](#)
[Loss](#)
[Premium](#)

Additional Applications in Commercial Only

[Forms, Manuals](#)
[Cessions](#)
[Experience Rating](#)
[Rate Edit](#)


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 – Date Submitted	Penalty Amount
121 - 150 days from the policy effective date	\$ 25
151 - 180 days from the policy effective date	\$ 50
181 - 210 days from the policy effective date	\$ 75
211 or more days from the policy effective date	\$100

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

## 3. Experience Rating Compliance Reports

### a. Discrepancy Report

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

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

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

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

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

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

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

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

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

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

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

Examples of possible corrective action are as follows:

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

4. Exchange of Experience Rating Information

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

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

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

**Notifications - Add/New**

**Company:** 999 - Any Insurance Company

Eff Year

Policy ID

Tax ID

2011

A03852856

063538926

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

**Discrepancy Totals**

Liability only: 3

Physical Damage only: 5

Both Liab & Phys Dam: 4



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

Eligible Notification Forms, Not Reported				
Company: 999 Any Insurance Company			Quarter: 5/2010	
Policies Effective: 0/2010 through 0/2010				
Policy ID	Effective Year	Eligible Code	Corrective Action Taken	CAR Accept
BQAGVZT	2010	3	NOT ELIGIBLE AS OF POLICY EFFECTIVE.	
BQAXWHT	2010	8	NOT ELIGIBLE PHYSICAL DAMAGE PREMIUM \$1408	
BVAXPQT	2010	8	NOT ELIGIBLE PHYSICAL DAMAGE PREMIUM \$1407	
BWBQHTT	2010	2	NOT ELIGIBLE AS OF POLICY EFFECTIVE.	
BYBSJVT	2010	8	NOT ELIGIBLE AS OF POLICY EFFECTIVE.	
S99012T	2010	2	NOT ELIGIBLE AS OF POLICY EFFECTIVE.	
BCCMPBT	2010	8		
BSAPNHT	2010	9		
BVBSCWT	2010	4		
BWATWLT	2010	8		
RNO027T	2010	9		
S81878T	2010	2		
BBCTNST	2010	8	Updated Comment	
<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 (MM/DD/YYYY)	Tax ID	Primary Co -Year -Policy ID
BCCRTPT	12/31/2010	053335674	
X4Y685T	12/31/2010	053645317	
BCCXJHT	12/30/2010	309311234	
RSG014T	12/27/2010	083339984	
BCCDTT	12/26/2010	S02444265	
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			