Commonwealth Automobile Reinsurers

POLICY EDIT PACKAGE

I. INTRODUCTION

THE PURPOSE OF THIS MANUAL IS TO:

- Provide companies with a better understanding of the Commonwealth Automobile Reinsurers' Accounting and Cession Systems.
- Explain the various policy-based edits performed on ceded CAR policies.

USE THIS MANUAL TO:

- Correct on-line Critical Accounting Errors.
- Forecast and view Critical Error Loss Write-Off Activity.
- Correct Non-Critical Accounting Errors.
- Forecast Audit Review Penalties.
- View Warning and Penalty Errors.
- View Net-Negative Premium Errors.

THIS MANUAL ALSO PROVIDES:

- Detailed descriptions of all penalty programs and write-off procedures associated with the above-mentioned on-line error lists.
- A complete and comprehensive overview of the on-line accounting correction system.

II. CESSION SYSTEM

The cession is a critical component to every ceded policy. Without it, a company will not receive CAR coverage on a ceded policy. If a CAR Servicing Carrier wishes to cede business to CAR, it must submit a cession notice to CAR. The cession is the first notification to CAR that the Servicing Carrier wants to cede the policy.

CESSION REPORTING:

There are three ways to submit cessions to CAR:

- by using the on-line cession reporting application
- by submitting a cession cartridge
- by transmitting cessions via FTP (File Transfer Protocol)

There are two cession transaction types that notify CAR of a company's intent to cede.

Transaction 1: Submit a TX1 cession for policies that are new business to the insurance company.

Transaction 2: Submit a TX2 cession for policies that are renewals to the insurance company.

The first active TX1 or TX2 cession becomes the "in-force" cession on a ceded policy. It is this cession record that is compared to all other ceded premium and loss records. If additional TX1 or TX2 cessions exist on a single policy, only the active, in-force cession is used in the accounting editing process.

For a complete description for using the on-line cession reporting application, please reference the CAR *Telecommunications Manual*.

For a complete description for submitting cessions via cartridge, direct online entry, or FTP transmissions, please reference Chapter II of the *Manual of Administrative Procedures*.

CAR'S CESSION PROCESSING:

Effective Years

CAR accepts cession records for the three most current policy effective years only. If CAR receives a cession record after reporting has ceased for an effective year, it will reject the cession and not load it to its permanent database file. Use the tables below to determine eligible cession reporting years.

II. CESSION SYSTEM (continued)

2005 effective year	2006 effective year	2007 effective year
Can report as of 10/1/04	Can report as of 10/1/05	Can report as of 10/1/06
Will discontinue on 02/15/2008	Will discontinue on 02/15/2009	Will discontinue on 02/15/2010

2008 effective year	2009 effective year	2010 effective year
Can report as of 10/1/07	Can report as of 10/1/08	Can report as of 10/1/09
Will discontinue on 02/15/2011	Will discontinue on 02/15/2012	Will discontinue on 02/15/2013

Pending File

Every night CAR loads cessions received that business day to a temporary suspense file. For a company to view a cession on the suspense file select the "Browse Pending" option from the on-line Cession area within CAR's Telecommunications System.

The Cession Load

CAR loads cessions to its permanent database files every Friday night. During this process, CAR edits all cessions submitted by cartridge or via FTP transmission for fatal and non-fatal errors. (CAR edits on-line cessions for fatal errors at the point of entry).

- If a cession records contains a fatal error, it will not be loaded to the database file. Rather, CAR rejects it from the system and mails the rejected report back to the company. The company then has 30 days to resubmit the cession notice to receive the original receipt date.

- If a cession record contains a non-fatal error, the cession is loaded to the CAR's database file and CAR coverage is not affected.

Determining the car coverage date:

- For **full** CAR coverage on a TX1 new business cession, CAR must receive the cession no later than the 23rd day after the effective date of the policy. For example, if a policy has an effective date of July 1st, the cession must arrive electronically at CAR by 6:00 p.m. and by mail/hand delivery by 4:30 p.m. on July 24th.

- For **full** CAR coverage on a TX2 renewal cession, CAR must receive the cession on or before the effective date of the policy.

- If a company submits a cession after the effective date of the policy (or after the 23rd day for new business), the CAR Coverage Date becomes the date CAR received the cession notification.

II. CESSION SYSTEM (continued)

- If CAR receives TX 11 premium records before it receives a cession, then the Coverage Date becomes the day in which CAR received the premium records. (**EXCEPTION:** No coverage will be given on a policy if there is premium and no cession or a cession and no premium. The premium records must be active new/renewal premium records and not washed out).

- Servicing Carriers can choose to cede 100% of the new business written by an Exclusive Representative Producer with whom they have no voluntary contract. Accordingly, all "new business" (TX1) cessions receive a CAR Coverage Date equal to the policy effective date, regardless of the date on which CAR received the cession. The Servicing Carrier, however, must notify CAR of this intention within the proper timeframes defined in Rule 13 of the *Rules of Operations*.

Cession Backdates (TX 1/TX 2):

Please note that a company can request to receive a cession backdate (a receipt date to the policy effective date) given the company can prove its failure to submit the cession on time was beyond its control. Cessions may be backdated by your CAR Data Analyst, if approved, for the following reasons:

- Ceded status requested in an untimely manner by Exclusive Representative Producer. (The company has 10 business days to request backdate).
- Failure to report cession was out of company's control (e.g. CAR's online system was down).
- Policy was flat cancelled in error.
- Documentation (as outlined in the *Manual of Administrative Procedures*) clearly shows the decision to cede the policy occurred prior to the effective date of the policy. A $25 processing fee would apply.

Terminating CAR Coverage:

There are two cession transactions that terminate CAR's coverage of a ceded policy.

Transaction Code 4: Submit a TX4 cession for policies not taken or not renewed. The policy must not contain active premium records. Be sure to maintain documentation supporting the valid use of a TX4 cession; CAR may request supporting documentation via the CA5010 Flat Cancellation program.

Transaction Code 5: Submit a TX5 cession for policies that were intended to be voluntary business. CAR must receive the TX5 cession *prior* to the policy's effective date or in accordance with special extensions the Governing Committee has granted. You may also request a TX5 backdate from your CAR Data Analyst after the effective date if proof of the company's intention to write voluntary is clearly documented prior to the effective date.

II. CESSION SYSTEM (continued)

OTHER CESSION REFERENCES

Manual	Chapter	Content
Manual of Administrative Procedures	II	Cession Rules & Procedures
Cession Edit Package	All	Cession Processing and Editing

III. CAR ACCOUNTING SYSTEM

The CAR Accounting System houses all ceded premium and loss records. Using the company number, policy number, and policy effective year as a key, CAR links the cession records with the corresponding premium and loss records.

Reporting Premium and Loss Records

Currently, there are three ways to submit premium and loss records to CAR:

- Via cartridge. Please reference the "Instructions for Reporting Accounting Data" in the back of the *Statistical Edit Package*.
- Via FTP transmission.
- Via CAR's statistical data entry system on its website. (This option is reserved for small volume companies only).

Similar to cession records, CAR accepts premium records for the three most current policy effective years only. If CAR receives a premium record after reporting has ceased for that effective year, it rejects the record from the shipment and does not load it to its permanent database file. Use the tables below to determine eligible premium reporting years.

2005 effective year	2006 effective year	2007 effective year
Can report as of Jan 2005 Monthly Accounting Shipment	Can report as of Jan 2006 Monthly Accounting Shipment	Can report as of Jan 2007 Monthly Accounting Shipment
Will discontinue with Dec 2007 MAS	Will discontinue with Dec 2008 MAS	Will discontinue with Dec 2009 MAS

2008 effective year	2009 effective year	2010 effective year
Can report as of Jan 2008 Monthly Accounting Shipment	Can report as of Jan 2009 Monthly Accounting Shipment	Can report as of Jan 2010 Monthly Accounting Shipment
Will discontinue with Dec 2010 MAS	Will discontinue with Dec 2011 MAS	Will discontinue with Dec 2012 MAS

CAR accepts ceded losses for a minimum of 10 years. Following the 10th year, CAR examines the amount of outstanding loss data. If the volume of outstanding activity falls below 50 records and $200,000, then CAR closes out the statistical reporting of that policy effective year. However, a company can always request reimbursement for a ceded loss after the "Final Close Out" of a policy effective year. Please reference the end of this section for additional information.

III. CAR ACCOUNTING SYSTEM (continued)

The Accounting Load

Every weekend, CAR loads the ceded records accepted that week to its Accounting System. (Exception: the processing schedule changes at each quarter end which could result in the accounting load occurring mid-week). During that process, CAR runs the data through twelve policy-based edits. Also, CAR processes corrections that were made on-line in the telecommunications application during the past week and performs a washout routine to "de-activate" all corrected records. Any record flagged in error is made available for viewing and correction on CAR's telecommunications system. Please reference Chapter VIII, "Making Corrections," of this manual.

Purge Policies

At the end of each quarter, CAR moves eligible accounting records to an off-line file. A policy becomes eligible to be purged from CAR's Accounting System if:

- The policy is free of Critical Accounting Errors.
- The policy is free of Non-Critical Accounting Errors AND its effective year is within the three most current years.
- The policy has positive premium dollars.
- The policy has no loss records.
- One of the following is true:
    - ⊙ The policy has been cancelled and no activity has been reported for 6 months.
    - ⊙ No activity has been reported on the policy for 1 year.
    - ⊙ The policy expired 6 months prior to the purge.

Once a policy has been purged, the "PED" field in the Common Area of the Policy History screen will read "PURGED." Only Accounting Records within the last 3 months can be viewed. To view prior records, request a hard copy of the policy history by hitting PF10.

```
COMPANY 999            CAR POLICY HISTORY FOR COMMON AREA           CA320SA
EFF YR  2003               XXXXXX INSURANCE COMPANY              07/01/2007
POLICY  2209845


POL EDT DATE   02/29/2005    PED      PURGED            COV DATE PTR  1
CAR COV DATE   06/13/2003    ERR CNT  NO ERROR          CAR ID CODE   5
POL EXP DATE   06/13/2004    STATUS   PREMIUM           PRODUCER CODE
W/O ELIGIBLE   00/0000       CRT DTE  00/00/0000         CESS REC CNT     1


CESSION POLICY NUMBER ....... OLD                 ...... NEW
ACCOUNTING POLICY NUMBER .... OLD                 ...... NEW


PREMIUM         TOTAL     LIABILITY        PIP      PHYS DAM
RECORD CNT        27           6            12          9
DOLLAR AMT      1330         687            95        548
LOSS            TOTAL        PAID     PAID ALLOC  OUTSTANDING    OUT ALLOC
RECORD CNT         0           0           0           0            0
DOLLAR AMT         0           0           0           0            0


                            : __ :                     POL/MESSAGE..PF9
POL/COMMON....PF1    POL/PREM......PF3   CLM/SUM......PF5  HARD COPY  ..PF10
POL/CESS......PF2    POL/LOSS......PF4   ERR/SUM......PF6  ESCAPE ......PF12
```

III. CAR ACCOUNTING SYSTEM (continued)

Once a company submits a ceded premium or loss record on a purged policy, CAR reactivates that policy in the next quarterly run.

Final close-out

After 10 years have passed, CAR reviews the open claims still being reported by the industry. When the volume and dollar amount of open claims for a policy effective year are low enough so that CAR can process a manual bulk adjustment for any claims yet to be settled, CAR performs a final close-out of that policy effective year. Any records reported after the close-out of an effective year will be deleted from the statistical submission and must be submitted manually. All records are stripped from the current database files and loaded to a tape file. To view a policy that has processed through a final close-out, please request a hard copy policy history via the telecommunications system.

If a company settles a claim for a policy whose effective year has had a final close-out, the company should submit a written request to CAR's Data Operations department requesting reimbursement for the claim. A reimbursement will be processed if the policy was validly ceded to CAR.

📑 CAR notifies the industry of a Final Close-Out via A&S Notice and Bulletin.

IV. ACCOUNTING EDITS

The Accounting Edit System analyzes all accounting *and* cession records linked to a policy by company number, policy number, and policy effective year. The edits are separated into two categories: critical and non-critical error. The tables below group and describe the 12 policy-based edits.

Critical Errors: Errors for which no CAR coverage exists.

Critical	Edit Name	Page
Error Code 1	No Valid, In-Force Cession	9
Error Code 6	No Positive Premium for Loss Records	13
Error Code 7	Date Discrepancies on Losses / Accident Date Outside Cession Bounds	14

Non-Critical Errors: Errors for which CAR coverage is not affected for a policy.

Non-Critical	Edit Name	Page
Error Code 2	CAR ID Code Inconsistency	9
Error Code 3	Effective and/or Expiration Date Inconsistency	10
Error Code 4	Premium Not Found / Premium Record Date Discrepancy	11
Error Code 5	Net Premium Not Positive	12
Error Code 8	Accident Date/Class Group Inconsistent within Loss Records	15
Error Code 9	Invalid Net Loss Amount	16
Error Code 10	No Matching Claim for Subrogation	17
Error Code 11	Invalid Expense Amounts	18
Error Code 12	Unmatched Reinstatement Premium Records	19

CAR edits all ceded premium and paid loss records. It does not process outstanding loss records through any of its editing routines. There is one application within the telecommunications system that does edit outstanding loss records so that a company can see if there will be an accounting error when the loss record becomesand is reported as a paid loss record. This applications is called 'Outstanding Loss Reserves' and it's listed under Informational Listings.

IV. ACCOUNTING EDITS (continued)

ERROR CODE 1

No Valid, In-Force Cession

Type of Edit		Line of Business	
Critical	✓	Premiums	✓
Non-Critical		Losses	✓

Edit:

1. An active TX1 or TX2 cession record must exist on every ceded policy.

2. The cession must have the identical company number, policy number, and policy effective year as the ceded premium and loss records.

IV. ACCOUNTING EDITS (continued)

ERROR CODE 2

CAR ID Code Inconsistency

Type of Edit		Line of Business	
Critical		Premiums	✓
Non-Critical	✓	Losses	✓

Edit:

1. The CAR ID Code must be the same on all ceded premium and loss records for a specific policy.

2. The CAR ID Code on all premium and loss records must match that of the active, in-force cession for the specific policy.

IV. ACCOUNTING EDITS (continued)

ERROR CODE 3

Effective and/or Expiration Date Inconsistency

Type of Edit		Line of Business	
Critical		Premiums	✓
Non-Critical	✓	Losses	✓

Edit:

1. All premium and loss records must have the same policy effective and expiration dates for a specific policy.

2. The policy effective and expiration dates of the premium and loss records must match that of the active, in-force cession for a specific policy.

IV. ACCOUNTING EDITS (continued)

ERROR CODE 4

Premium Not Found
and/or
Premium Record Date Discrepancy

Type of Edit	
Critical	
Non-Critical	✓

Line of Business	
Premiums	✓
Losses	

Edit:

Premium Not Found

1. Premium records must be TX11 - TX16.

2. Every policy must have at least one, active TX11 premium record.

3. The transaction date of a TX11 premium record must equal the policy effective date.

4. Every TX12 – TX16 premium record must have a transaction effective date equal to or after that of the TX11 premium record.

5. If a TX15 record exists, its transaction date must equal the policy effective date.

Premium Record Date Discrepancy

Policy Effective Date	Policy Expiration Date	Transaction Date	Accounting Date
Effective month must equal 0 – 12.	Effective month must equal 0 – 12.	Effective month must equal 0 – 12.	Can be no more than two months prior to the policy effective date.
Must be prior or equal to the transaction effective date.	Can be no more than 24 months after the policy effective date.	Effective and expiration years must be numeric.	
Must be prior or equal to the policy expiration date.		Effective date must be equal to or after the policy effective date.	
		Effective date must be prior or equal to the policy expiration date.	

IV. ACCOUNTING EDITS (continued)

ERROR CODE 5

Net Premium Not Positive

Type of Edit		Line of Business	
Critical		Premiums	✓
Non-Critical	✓	Losses	

Edit:

1. Within the same policy number and policy effective year, the net premium amount must be greater than or equal to $0 for every category described by the chart below. (The numbers in parentheses next to the line of business indicates the numerical definition of the line of business within the CAR accounting system).

	Class Group 1 (Private Passenger)	Class Group 2 (Taxi, Limo, Car Service)	Class Group 3 (Commercial)
PIP (01)	✓	✓	✓
Liability (41)	✓	✓	✓
Physical Damage (45)	✓	✓	✓

Example:

A policy has the following premium records:

```
COMPANY 999                 CAR POLICY HISTORY FOR PREMIUMS              CA340SA
EFF YR  2007             XXXXXXXXXXXXXX INSURANCE COMPANY             07/01/2007
POLICY  99999999999             TOTAL RECORDS    11   TOTAL AMOUNT        646

            ACTG TRNS
RC#  TX LN M  MMYY MMYY TWN CLASS  GCDE  AMOUNT-1   AMOUNT-2 **ERROR CODES**
  1 11 01 01 0107 0102 051 739100 3400        37          0
  2 11 41 01 0107 0102 000 660100 2400        32          5
  3 11 41 01 0107 0102 000 661900 2400        32          5
  4 11 41 01 0102 0102 051 739100 3400       562        162
  5 11 45 01 0102 0102 000 000000 2401       105          0         5
  6 13 01 01 1202 1102 051 739100 3400        -8          0
  7 13 41 01 1202 1102 000 661900 2400        -6         -1
  8 13 41 01 1202 1102 000 660100 2400        -6         -1
  9 13 41 01 1202 1102 051 739100 3400      -114        -33
 10 13 45 01 1202 1102 051 739100 3401       -34        -70         5
 11 13 45 01 1202 1102 000 000000 2401       -21          0         5
```

Even though the total policy premium is positive (+) $646, the Physical Damage premium records with class group total negative (-) $20, thus creating an Error 5 on all Physical Damage premium records.

IV. ACCOUNTING EDITS (continued)

ERROR CODE 6

No Positive Premium for Loss Records

Type of Edit		Line of Business	
Critical	✓	Premiums	
Non-Critical		Losses	✓

Edit:

Positive premium must exist on all policies containing loss records.

IV. ACCOUNTING EDITS (continued)

ERROR CODE 7

Loss Record Date Discrepancies
and/or
Accident Date outside Cession Bounds

Type of Edit			Line of Business	
Critical	✓		Premiums	
Non-Critical			Losses	✓

Edit:

Loss Record Date Discrepancies

1.

If the accident month equals:	Then the accident day must equal:
1, 3, 5, 7, 8, 10, or 12	01 - 31
4, 6, 9, or 11	01 - 30
2	01 - 28*

*01 – 29 during a leap year

2. The policy effective date must be prior or equal to the accident date.

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

Accident Date outside Cession Bounds

1. The accident date must be equal to or after the cession effective date (a/k/a CAR Coverage Date), and prior or equal to the cession expiration date.

2. If a policy is pro-rata cancelled via TX13 records, the accident date must be prior or equal to the last day of the transaction effective month on the TX13 record.

   Example: If the policy has an effective date of 1/01/07, and the TX13 records have a transaction effective date of 04/07, the accident date must be between 1/01/07 - 4/30/07.

3. If a policy is flat cancelled via TX4 cession or TX15 premium records, all loss records are invalid.

IV. ACCOUNTING EDITS (continued)

ERROR CODE 8

Accident Date and/or Class Group Inconsistent within Loss Records

Type of Edit		Line of Business	
Critical		Premiums	
Non-Critical	✓	Losses	✓

Edit:

1. Loss records that have the same claim number must also have the same accident date and class group.

2. The claim number must be at least three alpha-numeric characters in length and must be left-justified.

3. The claim number cannot contain internal spaces and unprintable characters.

IV. ACCOUNTING EDITS (continued)

ERROR CODE 9

Invalid Net Loss Amount

Type of Edit		Line of Business	
Critical		Premiums	
Non-Critical	✓	Losses	✓

Edit:

Net paid loss amounts for a specific line of business and claim number must be greater than or equal to $0.

IV. ACCOUNTING EDITS (continued)

ERROR CODE 10

No Matching Claim for Subrogation

Type of Edit		Line of Business	
Critical		Premiums	
Non-Critical	✓	Losses	✓

Edit:

1. If the company reported a subrogation record (TX26), it must correspond to a paid loss record (TX23) with the same line of business and claim number.

2. For PIP losses (line of business 01) only, if the company reported a subrogation record, the company may alternately report a corresponding paid allocated claim expense record (TX24, TX27, or TX29) with the same line of business and claim number.

3. The net paid loss amount must be greater than or equal to $0.

4. The net subrogation amount must be less than or equal to $0 for the same line of business and claim number.

5. The sum of the net paid loss amount, the net subrogation amount, and the net salvage amount must be greater than or equal to $0 for the same line of business and claim number.

IV. ACCOUNTING EDITS (continued)

ERROR CODE 11

Invalid Expense Amounts

Type of Edit		Line of Business	
Critical		Premiums	
Non-Critical	✓	Losses	✓

Edit:

1. Net allocated expense amounts (TX24, TX27, and TX29 records) for a specific line of business and claim number must be greater than or equal to $0.

IV. ACCOUNTING EDITS (continued)

ERROR CODE 12

Unmatched Reinstatement Records

Type of Edit		Line of Business	
Critical		Premiums	✓
Non-Critical	✓	Losses	

Edit:

1. For *every* reinstatement record (TX 14), there must be a matching cancellation record (TX13 or TX15) with opposite premium dollars.

   - The cancellation records must match the reinstatement records on all of the following fields:

     - Policy effective date
     - Policy expiration date
     - Transaction date
     - Line of business
     - CAR ID Code
     - Class group

   - If both matching TX13 and TX15 records exist on a policy, the TX14 record matches to the TX13 records first.

   Note: Even though Error Code 12 is a Non-Critical Error, it can result in a Critical Error if cancellation and reinstatement transactions are reported incorrectly. For example, if a company submitted TX14 records, but TX15 records remain active on the policy, then the policy will have a flat cancel status and any loss records will be in Critical Error.

V. CRITICAL ERRORS

Error List

Through CAR's on-line telecommunications system, you can view all policies that contain a critical accounting error. The critical error list identifies every ceded policy that has one or more critical accounting error(s). CAR updates the error list every Friday night after the Accounting and Cession Loads are complete.***** Corrected policies are removed and newly identified policies with Critical Errors are added to the List. ON PAID LOSS RECORDS THAT CONTAIN A CRITICAL ERROR, NO CAR COVERAGE EXISTS.

The first time a policy has a record flagged with a critical error it is assigned a critical list date indicating the exact day that record was flagged. Subsequent records may come in that contain a critical error but this action will not change the original critical list date. Once a policy is free of all Critical Errors and has been removed from the critical list, it may appear again with a new critical list date if new critical errors occur.

* *The only exceptions are quarterly accounting month due dates (March, June, September & December). The Cession and Accounting Loads run one to two days after these accounting months' due dates, regardless of the day of the week (see CAR's Annual Call Schedule for exact due dates of these months).*

Loss Write-Off

When a policy is determined to have a critical error and receives a critical list date, it also is assigned a "Write-Off Eligible Date" which is one year from the critical list date. If a company fails to correct all the critical errors on a policy by the write-off eligible date, CAR writes-off *all* the loss records in error by creating an offsetting record, netting the amounts to $0. Additionally, a 10% lost interest fee is assessed *only* on the loss records that have been in error for the entire year.

The loss write-off runs the last Saturday of every month. It is imperative that any correction record is Stat Loaded and Accounting Loaded before the loss write-off program runs. If a record is received on the Thursday before the Saturday of the loss write-off, it will not be stat loaded (Wed) in time to be accounting loaded (Fri), and therefore removed from the Error List.

Example:

March 5, 2007	1st Critical List Date
March 2008	Write-Off Eligible Date
March 29, 2008	Loss-Write Off
March 25, 2008	Last day to submit corrections to have them included in the stat/accounting loads

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V. CRITICAL ERRORS (continued)

VIEWING THE CRITICAL ERROR LIST

☞ From the Telecommunications Main Menu select "C.A.R. ACCOUNTING" (PF2).

```
TE100SB              COMMONWEALTH AUTOMOBILE REINSURERS          07/01/2007
TEMENUSA                     TELECOMMUNICATIONS                    10:59:29


               C.A.R. ACCOUNTING          ........... PF2  OR 02

               CESSION SYSTEM             ........... PF3  OR 03

               STATISTICAL SYSTEM         ........... PF4  OR 04

               PRODUCER CODE SYSTEM       ........... PF5  OR 05

               TAXI INDEX SYSTEM          ........... PF6  OR 06

               AUDIT & CLAIMS SYSTEM      ........... PF7  OR 07

               EXPERIENCE RATING SYSTEM ............. PF8  OR 08

               TERMINATE C.A.R. SESSION ............. PF12 OR 12

                            :    :
                   DEPRESS PFKEY OR ENTER PROCESSING OPTION
```

☞ Type in your company number and select "ACCOUNTING CORRECTIONS" (PF5).

```
TE120               COMMONWEALTH AUTOMOBILE REINSURERS           07/01/2007
                         C.A.R. ACCOUNTING SYSTEM                  11:01:57




                    COMPANY NUMBER .....  999



               CAR POLICY HISTORIES      ..... PF2  OR 02
               PRODUCER INQUIRIES        ..... PF3  OR 03
               CESSION BROWSE OPTIONS    ..... PF4  OR 04
               ACCOUNTING CORRECTIONS    ..... PF5  OR 05






                            :       :


PF1/01 - HELP                               PF12/12 - RETURN TO MENU
```

V. CRITICAL ERRORS (continued)

VIEWING THE CRITICAL ERROR LIST (continued)

☞ Under Error Listings, select "CRITICAL ERROR POLICIES" (PF2).

```
COMPANY 999            COMMONWEALTH AUTOMOBILE REINSURERS         CO100SA
                        ACCOUNTING ONLINE ACCESS SYSTEM           07/01/2007
                             MENU SELECTIONS                      11:03 AM

     ERROR LISTINGS:
          CRITICAL ERROR POLICIES        (CA2400) .....  PF2  OR  02
          NON CRITICAL ERROR POLICIES    (CA2685) .....  PF3  OR  03
          WARNING AND PENALTY POLICIES   (CA2500) .....  PF4  OR  04

     INFORMATIONAL LISTINGS:
          NET NEGATIVE PREMIUMS          (CA4000) .....  PF5  OR  05
          OUTSTANDING LOSS RESERVES      (CA4100) .....  PF6  OR  06
          CRITICAL/NON CRITICAL ANALYSIS (CA2650) .....  PF7  OR  07
          PREMIUMS AND LOSSES WRITTEN-OFF (CA3200) .....  PF8  OR  08

     REVIEW MESSAGES:
          REVIEW/UPDATE POLICY MESSAGES           .....  PF9  OR  09
          REVIEW CAR NEWSLETTER                   .....  PF11 OR  11


                    SELECT FUNCTION KEY/ENTER NUMBER
   PF1/01 - HELP PANEL              :    :          PF12/12 - RETURN TO MENU
```

There are three options in which to view Critical Error policies:

```
COMPANY 999            COMMONWEALTH AUTOMOBILE REINSURERS         CO200SA
                        ACCOUNTING ONLINE ACCESS SYSTEM           07/01/2007
                          CRITICAL ERRORS (CA2400)               11:05:25


        (1) ERROR CODE  (1,6 OR 7)  AND  EFFECTIVE YEAR  (FORMAT=YYYY)
            ERROR CODE(S)  ( ALL )        EFFECTIVE YEAR  ( ALL )
                  SELECT POLICIES  .....  PF5  OR  05
                  COMPANY SUMMARY  .....  PF15 OR  15

        (2) ERROR LIST DATE (LATEST DATE IS SHOWN)      (FORMAT=MM/YYYY)
            ERROR LIST DATE    ( 06 / 2007 )
                  SELECT POLICIES  .....  PF6  OR  06
                  COMPANY SUMMARY  .....  PF16 OR  16

        (3) WRITE-OFF DATE (NEXT ELIGIBLE DATE IS SHOWN) (FORMAT=MM/YYYY)
            WRITE-OFF ELIGIBLE ( 04 / 2007 )
                  SELECT POLICIES  .....  PF7  OR  07
                  COMPANY SUMMARY  .....  PF17 OR  17

        TYPE OVER ( DEFAULTS ) - SELECT FUNCTION KEY/ENTER NUMBER
   PF1/01 - HELP PANEL              :    :          PF12/12 - RETURN TO MENU
```

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V. CRITICAL ERRORS (continued)

VIEWING THE CRITICAL ERROR LIST (continued)

(1) By Error Code and/or Effective Year (PF5)

This option is useful if you wish to view your complete Critical Error List. This is done by choosing (ALL) Error Codes and (ALL) Effective Years and hitting (PF5).

```
 COMPANY 999              COMMONWEALTH AUTOMOBILE REINSURERS          CO200SA
                          ACCOUNTING ONLINE ACCESS SYSTEM             07/01/2007
                             CRITICAL ERRORS (CA2400)                 11:05:25


            (1) ERROR CODE  (1,6 OR 7)  AND  EFFECTIVE YEAR  (FORMAT=YYYY)
                ERROR CODE(S)  ( ALL )        EFFECTIVE YEAR  ( ALL )
                    SELECT POLICIES  ..... PF5  OR  05
                    COMPANY SUMMARY  ..... PF15 OR  15

            (2) ERROR LIST DATE (LATEST DATE IS SHOWN)      (FORMAT=MM/YYYY)
                ERROR LIST DATE    ( 06 / 2007 )
                    SELECT POLICIES  ..... PF6  OR  06
                    COMPANY SUMMARY  ..... PF16 OR  16

            (3) WRITE-OFF DATE (NEXT ELIGIBLE DATE IS SHOWN) (FORMAT=MM/YYYY)
                WRITE-OFF ELIGIBLE ( 06 / 2007 )
                    SELECT POLICIES  ..... PF7  OR  07
                    COMPANY SUMMARY  ..... PF17 OR  17

          TYPE OVER ( DEFAULTS ) - SELECT FUNCTION KEY/ENTER NUMBER
       PF1/01 - HELP PANEL                :    :          PF12/12 - RETURN TO MENU
```

```
 COMPANY 999              COMMONWEALTH AUTOMOBILE REINSURERS          CO210SA
                          ACCOUNTING ONLINE ACCESS SYSTEM             07/01/2007
 NEXT WO 06/28/2007       CRITICAL- (ALL )EFF YR (ALL)ERRS           11:12 AM

 FROM 123F43519        POLICY 1ST LIST === PREMIUM === ==== LOSS ===== MSG DATE
   YR POLICY NUMBER    STATUS MM/DD/YY ERRORS  DOLLARS ERRORS  DOLLARS MM/DD/YY
 ==============================================================================
 _ 04 123F43519     F CANC 03/26/05    36      116     0        0
 _ 04 123G26435            03/26/05     3       42     0        0
 _ 04 123G05585            04/30/05    11       12     0        0
 _ 05 123D11579            04/30/05    30     2397     0        0  02/21/06
 _ 05 123B27330            06/24/05    16      -22     0        0
 _ 05 123B62572            06/24/05    19      -65     0        0
 _ 05 123C07051            06/24/05    20     -592     0        0
 _ 05 123D63154            06/24/05    17      745     0        0
 _ 05 123D64511            06/24/05    18     -264     0        0
 _ 05 123D98455            06/24/05    24    -1266     0        0
   TYPE STARTING POLICY NUMBER -OR- TYPE 'P'/'L' TO SELECT PREM/LOSS POLICY

 PF1/01 - HELP PANEL      SELECT FUNCTION :   :    PF2/02  - SELECT ALL REC
 PF3/03 - SELECT ERR REC  PF7/07 - PAGE BACKWARD   PF8/08  - PAGE FORWARD
 PF9/09 - POLICY MESSAGE  PF10/10 - POLICY HISTORY PF12/12 - RETURN TO MENU
```

V. CRITICAL ERRORS (continued)

VIEWING THE CRITICAL ERROR LIST (continued)

(2) By Error List Date (PF6)

This option is useful if you only wish to view policies that were first listed in Critical Error in a specific month. Type in the desired month and year and hit (PF6).

```
 COMPANY 999              COMMONWEALTH AUTOMOBILE REINSURERS           CO200SA
                          ACCOUNTING ONLINE ACCESS SYSTEM             07/01/2007
                            CRITICAL ERRORS (CA2400)                  11:05:25


           (1) ERROR CODE  (1,6 OR 7)  AND  EFFECTIVE YEAR  (FORMAT=YYYY)
               ERROR CODE(S)  ( ALL )        EFFECTIVE YEAR  ( ALL  )
                     SELECT POLICIES  ..... PF5  OR   05
                     COMPANY SUMMARY  ..... PF15 OR   15

           (2) ERROR LIST DATE (LATEST DATE IS SHOWN)      (FORMAT=MM/YYYY)
               ERROR LIST DATE    ( 05 / 2007 )
                     SELECT POLICIES  ..... PF6  OR   06
                     COMPANY SUMMARY  ..... PF16 OR   16

           (3) WRITE-OFF DATE (NEXT ELIGIBLE DATE IS SHOWN) (FORMAT=MM/YYYY)
               WRITE-OFF ELIGIBLE ( 06 / 2007 )
                     SELECT POLICIES  ..... PF7  OR   07
                     COMPANY SUMMARY  ..... PF17 OR   17

           TYPE OVER ( DEFAULTS )  - SELECT FUNCTION KEY/ENTER NUMBER
         PF1/01 - HELP PANEL              :    :          PF12/12 - RETURN TO MENU
```

```
 COMPANY 999              COMMONWEALTH AUTOMOBILE REINSURERS           CO210SA
                          ACCOUNTING ONLINE ACCESS SYSTEM             07/01/2007
 NEXT WO 06/28/2007       CRITICAL- (05/2007) LIST DATE              11:19 AM

 FROM 123A01231         POLICY 1ST LIST === PREMIUM === ==== LOSS ===== MSG DATE
   YR POLICY NUMBER     STATUS MM/DD/YY ERRORS  DOLLARS ERRORS  DOLLARS MM/DD/YY
 ==============================================================================
 _ 07 123A01231                05/25/07    9     2313     0        0
 _ 07 123A03846                05/25/07   13      713     0        0
 _ 07 123A98936                05/25/07    6      979     0        0
 _ 07 123C09924                05/25/07    7      683     0        0
 _ 07 123D15733                05/25/07   18     4290     0        0
 _ 07 123D20652                05/25/07   11     2119     0        0
 _ 07 123D22377                05/25/07    7     1400     0        0
 _ 07 123D72371                05/25/07    7      885     0        0
 _ 07 123D73162                05/25/07    7     1201     0        0
 _ 07 123E42394                05/25/07    6      977     0        0
   TYPE STARTING POLICY NUMBER -OR- TYPE 'P'/'L' TO SELECT PREM/LOSS POLICY

 PF1/01 - HELP PANEL      SELECT FUNCTION :    :     PF2/02  - SELECT ALL REC
 PF3/03 - SELECT ERR REC  PF7/07  - PAGE BACKWARD    PF8/08  - PAGE FORWARD
 PF9/09 - POLICY MESSAGE  PF10/10 - POLICY HISTORY   PF12/12 - RETURN TO MENU
```

Commonwealth Automobile Reinsurers

POLICY EDIT PACKAGE

V. CRITICAL ERRORS (continued)

VIEWING THE CRITICAL ERROR LIST (continued)

(3) By Write-Off Date (PF7)

This option is the most useful if you are trying to prevent write-offs month by month. Type in the next month in which write-offs will occur and hit (PF7). Continue in this manner to view a consecutive order in which policies are scheduled to be written-off.

```
COMPANY 999            COMMONWEALTH AUTOMOBILE REINSURERS         CO200SA
                        ACCOUNTING ONLINE ACCESS SYSTEM           07/01/2007
                          CRITICAL ERRORS (CA2400)                11:05:25


        (1) ERROR CODE  (1,6 OR 7)  AND  EFFECTIVE YEAR  (FORMAT=YYYY)
            ERROR CODE(S)  ( ALL )       EFFECTIVE YEAR  ( ALL  )
                    SELECT POLICIES  .... PF5  OR  05
                    COMPANY SUMMARY  .... PF15 OR  15

        (2) ERROR LIST DATE (LATEST DATE IS SHOWN)      (FORMAT=MM/YYYY)
            ERROR LIST DATE   ( 05 / 2007 )
                    SELECT POLICIES  .... PF6  OR  06
                    COMPANY SUMMARY  .... PF16 OR  16

        (3) WRITE-OFF DATE (NEXT ELIGIBLE DATE IS SHOWN) (FORMAT=MM/YYYY)
            WRITE-OFF ELIGIBLE ( 06 / 2007 )
                    SELECT POLICIES  .... PF7  OR  07
                    COMPANY SUMMARY  .... PF17 OR  17

          TYPE OVER ( DEFAULTS )  - SELECT FUNCTION KEY/ENTER NUMBER
        PF1/01 - HELP PANEL              :    :       PF12/12 - RETURN TO MENU
```

```
 COMPANY 999            COMMONWEALTH AUTOMOBILE REINSURERS         CO210SA
                         ACCOUNTING ONLINE ACCESS SYSTEM           07/01/2007
 NEXT WO 06/28/2007     CRITICAL- (06/2007) WRITE OFF DATE         11:25 AM

 FROM 123B70656         POLICY 1ST LIST === PREMIUM === ==== LOSS ===== MSG DATE
   YR POLICY NUMBER     STATUS MM/DD/YY ERRORS  DOLLARS ERRORS  DOLLARS MM/DD/YY
 ===============================================================================
 _ 05 123B70656                06/17/06    0        0      1     1619
 _ 05 123D19089                06/17/06    0        0      1      364
 _ 05 123F01201                06/17/06    0        0      1      183
 _ 05 123F51812                06/17/06    0        0     12      381
 _ 05 123F78154                06/17/06    0        0      2        0
 _ 05 123G27803                06/17/06    0        0      1      340
 _ 05 123G31877                06/17/06    0        0      1     1395
 _ 05 123G32504                06/17/06    0        0      1      317
 _ 05 123G33168                06/17/06    0        0      2       12
 _ 05 123G38944         F CANC 06/17/06    0        0      3     1271
   TYPE STARTING POLICY NUMBER -OR- TYPE 'P'/'L' TO SELECT PREM/LOSS POLICY

 PF1/01 - HELP PANEL       SELECT FUNCTION :    :     PF2/02  - SELECT ALL REC
 PF3/03 - SELECT ERR REC   PF7/07  - PAGE BACKWARD    PF8/08  - PAGE FORWARD
 PF9/09 - POLICY MESSAGE   PF10/10 - POLICY HISTORY   PF12/12 - RETURN TO MENU
```

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POLICY EDIT PACKAGE

V. CRITICAL ERRORS (continued)

VIEWING THE CRITICAL ERROR LIST (continued)

The summary function available within each option provides a larger picture of the volume of critical errors. Since a company's ultimate goal is to correct critical errors prior to CAR's writing them off, the summary under Option 3 is quite useful in prioritizing your efforts. The screens below show the usefulness of the write-off summary screen.

```
COMPANY 999              COMMONWEALTH AUTOMOBILE REINSURERS         CO200SA
                          ACCOUNTING ONLINE ACCESS SYSTEM           07/01/2007
                             CRITICAL ERRORS (CA2400)              09:40:07


            (1) ERROR CODE (1,6 OR 7)  AND  EFFECTIVE YEAR  (FORMAT=YYYY)
                ERROR CODE(S)  ( ALL )       EFFECTIVE YEAR  ( ALL )
                    SELECT POLICIES  ..... PF5  OR  05
                    COMPANY SUMMARY  ..... PF15 OR  15

            (2) ERROR LIST DATE (LATEST DATE IS SHOWN)     (FORMAT=MM/YYYY)
                ERROR LIST DATE   ( 06 / 2007 )
                    SELECT POLICIES  ..... PF6  OR  06
                    COMPANY SUMMARY  ..... PF16 OR  16

            (3) WRITE-OFF DATE (NEXT ELIGIBLE DATE IS SHOWN) (FORMAT=MM/YYYY)
                WRITE-OFF ELIGIBLE ( 06 / 2007 )
                    SELECT POLICIES  ..... PF7  OR  07
                    COMPANY SUMMARY  ..... PF17 OR  17

        TYPE OVER ( DEFAULTS ) - SELECT FUNCTION KEY/ENTER NUMBER
       PF1/01 - HELP PANEL             :     :          PF12/12 - RETURN TO MENU
```

```
COMPANY 999              COMMONWEALTH AUTOMOBILE REINSURERS         CO276SA
                          ACCOUNTING ONLINE ACCESS SYSTEM           07/01/2007
NEXT WO 06/28/2007    CRITICAL SUMMARY 06/2007 W/O ELIGIBLE        11:33:33

  ELIGIBLE        TOTAL     =  P R E M S  =     =  L O S S E S  =
  W/O DATE       POLICIES  RECORDS    DOLLARS      RECORDS    DOLLARS
=================================================================================
_  06/2007          50        28        666           90      56,025
_  08/2007          58        32      1,027          140      51,090-
_  09/2007          23         0          0           26       8,473
_  10/2007          11         0          0           11       3,705
_  12/2007          80       695    101,479          148      46,145
_  01/2008          48       327     40,440           59       1,222
_  02/2008          15         0          0           21       7,312
_  03/2008         322     3,055    446,497           80      66,313
_  04/2008          70       453     64,789           37       9,933
_  05/2008         246     1,830    381,327            1         478

   TYPE 'X' BESIDE LIST DATE ENTRY FOR ERROR CODE WITHIN YEAR SUMMARY

PF1/01 - HELP PANEL        SELECT FUNCTION :    :     PF3/03 - SELECT DATE
PF7/07 - PAGE BACKWARD     PF8/08  - PAGE FORWARD     PF12/12 - RETURN TO MENU
```

Latest Print Date: 07/01/2007   28

VI. NON CRITICAL ERRORS

NON-CRITICAL ERROR LIST

Through CAR's on-line telecommunications system, you can view all policies that contain a non-critical accounting error. The non-critical error list identifies every ceded policy that has one or more non-critical accounting error(s). The list is updated every Friday night after the accounting and cession loads are complete.***** Corrected policies are removed and newly identified policies with non-critical errors are added to the list. There is very little, if any, financial impact due to non-critical errors. CAR coverage is never affected by non-critical errors. If tolerance levels become too high, however, penalties will be assessed.

The first time a policy has a record flagged with a non-critical error, the policy is assigned a non-critical list date indicating the exact day that record was flagged. Subsequent records may come in with accounting errors but will not change the original non-critical list date. Once a policy is free of all non-critical errors and has been removed from the non-critical list, it may appear again with a new list date if new non-critical errors occur.

* *The only exceptions are quarterly accounting month due dates (March, June, September & December). The Cession and Accounting Loads run one to two days after these accounting months' due dates, regardless of the day of the week (see CAR's Annual Call Schedule for exact due dates of these months).*

NON-CRITICAL AUDIT REVIEW

CAR monitors the volume of non-critical errors for the two most current years by counting the number of non-critical errors per error code and per year for each Servicing Carrier. This audit review of non-critical errors is done once a month, the week after the due date for that monthly accounting submission.

For each non-critical error code, the acceptable error tolerance level is 1% and 10 policies in error. Companies must monitor their error levels via CAR's telecommunications system. Once a company exceeds the threshold, it has nine calendar months to bring that error code within tolerance levels. If, by the tenth calendar month, the company has not brought that error code within tolerance levels, a $50 penalty is assessed for every policy over the 1% tolerance level. This penalty cycle will repeat if that error code is not brought within tolerance.

> ⓘ Companies should monitor their non-critical error list levels via the Non-Critical Analysis Informational Listing in Telecommunications. This function will not only identify error codes over the tolerance levels, but will provide due dates and monthly accounting submission deadlines. Please reference Chapter IX of this manual for instructions on how to view this Informational Listing.
>
> Companies may also monitor the non-critical error list levels, quarterly, with the Penalty Forecast and the Operational Reports.

VI. NON CRITICAL ERRORS (continued)

NON-CRITICAL AUDIT REVIEW (continued)

A policy effective year is processed through the Audit Review for 24 months, beginning with the Audit Review run after the March due date for the January submission for that year. Once the 24th Audit Review is run, a final penalty is assessed for any Error Code over the tolerance levels, regardless of how many calendar months it has been over tolerance. This penalty is also $50 per policy over the 1% tolerance level.

Example:

March, 2007	1st Audit Review is run for the 2007 policy effective year.	Error Code 12 policies: 9 Total Policies: 130
October 2007	Company exceeds 1% tolerance level for Error Code 12. CAR notifies company via e-mail.	Error Code 12 Policies: 60 Total Policies: 5020
July 2008	Company has been over tolerance for Error Code 12 for 9 calendar months. Company receives $50 penalty per policy over 1% tolerance level for Error Code 12.	Error Code 12 Policies: 185 Total Policies: 11,040 1% of Total Policies: 110 Policies Over Tolerance: 75 75*$50 = **$3750**
August 2008	Company continues to exceed 1% tolerance level for Error Code 12. Begins a second penalty cycle.	Error Code 12 Policies: 200 Total Policies: 12,100
February 2009	Last Audit Review of 2007 Effective Policies is run. Company receives $50 penalty per policy over 1% tolerance level for Error Code 12.	Error Code 12 Policies: 230 Total Policies: 20,500 1% of Total Policies: 205 Policies Over Tolerance: 25 25*$50 = **$1250**

Total Non-Critical Error Penalties Incurred:
$3750 + $1250 = $5000

VI. NON CRITICAL ERRORS (continued)

VIEWING THE NON-CRITICAL ERROR LIST

☞ From the Telecommunications Main Menu select "C.A.R. ACCOUNTING" (PF2).

```
TE100SB              COMMONWEALTH AUTOMOBILE REINSURERS            07/01/2007
TEMENUSA                     TELECOMMUNICATIONS                    10:59:29


            C.A.R. ACCOUNTING          ........... PF2  OR 02

            CESSION SYSTEM             ........... PF3  OR 03

            STATISTICAL SYSTEM         ........... PF4  OR 04

            PRODUCER CODE SYSTEM       ........... PF5  OR 05

            TAXI INDEX SYSTEM          ........... PF6  OR 06

            AUDIT & CLAIMS SYSTEM      ........... PF7  OR 07

            EXPERIENCE RATING SYSTEM ............. PF8  OR 08

            TERMINATE C.A.R. SESSION ............. PF12 OR 12

                            :    :
                    DEPRESS PFKEY OR ENTER PROCESSING OPTION
```

☞ Type in your company number and select "Accounting Corrections" (PF5).

```
TE120              COMMONWEALTH AUTOMOBILE REINSURERS            07/01/2007
                          C.A.R. ACCOUNTING SYSTEM               11:01:57




                    COMPANY NUMBER .....  999



            CAR POLICY HISTORIES     ..... PF2  OR 02
            PRODUCER INQUIRIES       ..... PF3  OR 03
            CESSION BROWSE OPTIONS   ..... PF4  OR 04
            ACCOUNTING CORRECTIONS   ..... PF5  OR 05





                        :       :

PF1/01 - HELP                                    PF12/12 - RETURN TO MENU
```

VI. NON CRITICAL ERRORS (continued)

☞ Under Error Listings, select "NON-CRITICAL ERROR POLICIES" (PF3).

```
COMPANY 999            COMMONWEALTH AUTOMOBILE REINSURERS          CO100SA
                         ACCOUNTING ONLINE ACCESS SYSTEM           07/01/2007
                              MENU SELECTIONS                      11:03 AM

       ERROR LISTINGS:
             CRITICAL ERROR POLICIES      (CA2400) .....  PF2  OR  02
             NON CRITICAL ERROR POLICIES  (CA2685) .....  PF3  OR  03
             WARNING AND PENALTY POLICIES (CA2500) .....  PF4  OR  04

       INFORMATIONAL LISTINGS:
             NET NEGATIVE PREMIUMS        (CA4000) .....  PF5  OR  05
             OUTSTANDING LOSS RESERVES    (CA4100) .....  PF6  OR  06
             CRITICAL/NON CRITICAL ANALYSIS (CA2650) .....  PF7  OR  07
             PREMIUMS AND LOSSES WRITTEN-OFF (CA3200) .....  PF8  OR  08

       REVIEW MESSAGES:
             REVIEW/UPDATE POLICY MESSAGES          .....  PF9  OR  09
             REVIEW CAR NEWSLETTER                  .....  PF11 OR  11


                     SELECT FUNCTION KEY/ENTER NUMBER
     PF1/01 - HELP PANEL              :    :           PF12/12 - RETURN TO MENU
```

VI. NON CRITICAL ERRORS (continued)

There are two options by which to view Non-Critical Error policies:

```
 COMPANY 999              COMMONWEALTH AUTOMOBILE REINSURERS          CO300SA
                          ACCOUNTING ONLINE ACCESS SYSTEM             07/01/2007
                            NON CRITICAL ERRORS (CA2685)              02:19:43



           (1) ERROR CODE (1 THRU 12)  AND  EFFECTIVE YEAR (FORMAT=YYYY)
                ERROR CODE     ( ALL )        EFFECTIVE YEAR ( ALL  )
                     SELECT POLICIES  ..... PF5  OR  05
                     COMPANY SUMMARY  ..... PF15 OR  15


           (2) ERROR LIST DATE (LATEST DATE IS SHOWN)     (FORMAT=MM/YYYY)
                ERROR LIST DATE    ( 06 / 2007 )
                     SELECT POLICIES  ..... PF6  OR  06
                     COMPANY SUMMARY  ..... PF16 OR  16




              TYPE OVER ( DEFAULTS )  - SELECT FUNCTION KEY/ENTER NUMBER
            PF1/01 - HELP PANEL             :    :           PF12/12 - RETURN TO MENU
```

(1) By Error Code and/or Effective Year (PF5).

This option is useful if you wish to view your complete Non-Critical Error List. This is done by choosing (ALL) Error Codes and (ALL) Effective Years and hitting (PF5).

OR you may choose to view by a specific Error Code and/or Effective Year by typing in the desired criteria and hitting (PF5).

```
 COMPANY 999              COMMONWEALTH AUTOMOBILE REINSURERS          CO300SA
                          ACCOUNTING ONLINE ACCESS SYSTEM             07/01/2007
                            NON CRITICAL ERRORS (CA2685)              02:19:43



           (1) ERROR CODE (1 THRU 12)  AND  EFFECTIVE YEAR (FORMAT=YYYY)
                ERROR CODE     ( ALL )        EFFECTIVE YEAR ( ALL  )
                     SELECT POLICIES  ..... PF5  OR  05
                     COMPANY SUMMARY  ..... PF15 OR  15


           (2) ERROR LIST DATE (LATEST DATE IS SHOWN)     (FORMAT=MM/YYYY)
                ERROR LIST DATE    ( 06 / 2007 )
                     SELECT POLICIES  ..... PF6  OR  06
                     COMPANY SUMMARY  ..... PF16 OR  16




              TYPE OVER ( DEFAULTS )  - SELECT FUNCTION KEY/ENTER NUMBER
            PF1/01 - HELP PANEL             :    :           PF12/12 - RETURN TO MENU
```

Commonwealth Automobile Reinsurers

POLICY EDIT PACKAGE

VI. NON CRITICAL ERRORS (continued)

```
COMPANY 999            COMMONWEALTH AUTOMOBILE REINSURERS          CO310SA
NEXT WO 06/28/2007        ACCOUNTING ONLINE ACCESS SYSTEM          07/01/2007
                       NON CRITICAL- (ALL )EFF YR (ALL)ERRS        03:12 PM

FROM 123B08843        POLICY 1ST LIST === PREMIUM === ==== LOSS ===== MSG DATE
   YR POLICY NUMBER   STATUS MM/DD/YY ERRORS  DOLLARS ERRORS  DOLLARS MM/DD/YY
===============================================================================
_ 04 123B08843        PREM   08/26/05      0        0      5     2140
_ 04 123C28477        PREM   09/30/05      0        0      3     1721
_ 04 123C46839        PREM   03/26/05      8       56      0        0
_ 04 123C49698        PREM   01/07/05      0        0      2      945
_ 04 123C57784        PREM   05/17/06      0        0      2      142
_ 04 123C88443        R CANC 10/22/04     32      109      0        0
_ 04 123D20850        PREM   04/30/05      0        0     16       -5
_ 04 123D76807        R CANC 07/01/05      0        0      2      -84
_ 04 123D77157        PREM   10/28/05      0        0      6      -64
_ 04 123D84221        R CANC 12/02/05      0        0      6      150
   TYPE STARTING POLICY NUMBER -OR- TYPE 'P'/'L' TO SELECT PREM/LOSS POLICY


PF1/01 - HELP PANEL      SELECT FUNCTION :   :     PF2/02  - SELECT ALL REC
PF3/03 - SELECT ERR REC  PF7/07  - PAGE BACKWARD   PF8/08  - PAGE FORWARD
PF9/09 - POLICY MESSAGE  PF10/10 - POLICY HISTORY  PF12/12 - RETURN TO MENU
```

(2) By Error List Date (PF6).

This option is useful if you only wish to view policies that first listed in Non-Critical Error in a specific month. Type in the desired month and year and hit (PF6).

```
 COMPANY 999            COMMONWEALTH AUTOMOBILE REINSURERS          CO300SA
                          ACCOUNTING ONLINE ACCESS SYSTEM          07/01/2007
                          NON CRITICAL ERRORS (CA2685)             02:19:43



       (1) ERROR CODE (1 THRU 12)  AND  EFFECTIVE YEAR (FORMAT=YYYY)
           ERROR CODE    ( ALL )       EFFECTIVE YEAR ( ALL )
                SELECT POLICIES  ..... PF5  OR  05
                COMPANY SUMMARY  ..... PF15 OR  15


       (2) ERROR LIST DATE (LATEST DATE IS SHOWN)     (FORMAT=MM/YYYY)
           ERROR LIST DATE    ( 05 / 2007 )
                SELECT POLICIES  ..... PF6  OR  06
                COMPANY SUMMARY  ..... PF16 OR  16




       TYPE OVER ( DEFAULTS )  - SELECT FUNCTION KEY/ENTER NUMBER
     PF1/01 - HELP PANEL             :    :         PF12/12 - RETURN TO MENU
```

Commonwealth Automobile Reinsurers

POLICY EDIT PACKAGE

VI. NON CRITICAL ERRORS (continued)

```
 COMPANY 999             COMMONWEALTH AUTOMOBILE REINSURERS          CO310SA
 NEXT WO 04/28/2007        ACCOUNTING ONLINE ACCESS SYSTEM         07/01/2007
                         NON CRITICAL- (05/2007) LIST DATE          03:15 PM

 FROM 123H05026        POLICY 1ST LIST === PREMIUM === ==== LOSS ===== MSG DATE
   YR POLICY NUMBER    STATUS MM/DD/YY ERRORS  DOLLARS ERRORS  DOLLARS MM/DD/YY
 ==============================================================================
 _ 06 123H05026        R CANC 05/25/07    0        0      3     -2760
 _ 06 123H11875        PREM   05/25/07    0        0      4        1




   TYPE STARTING POLICY NUMBER -OR- TYPE 'P'/'L' TO SELECT PREM/LOSS POLICY

 PF1/01 - HELP PANEL      SELECT FUNCTION :   :    PF2/02  - SELECT ALL REC
 PF3/03 - SELECT ERR REC  PF7/07 - PAGE BACKWARD   PF8/08  - PAGE FORWARD
 PF9/09 - POLICY MESSAGE  PF10/10 - POLICY HISTORY PF12/12 - RETURN TO MENU
```

TURN TO CHAPTER VIII TO BEGIN RESEARCHING NON-CRITICAL ERROR LIST POLICIES AND MAKING CORRECTIONS.

VII. WARNING AND PENALTY LISTS

The warning list identifies all policies that have an active, in-force cession but have either no premium or negative premium dollars. The list is updated once per month on the 28th of every month. CAR requires premium for a policy within 45 days after the last day of a ceded policy's effective month. Another month's time is granted before a policy is placed on the warning list. Essentially, 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.

ⓘ When a cession is received at CAR it is immediately assigned a "1st Warned Date," 3 months from the policy effective month (always the 28th of the month). The policy will not *actually* be considered "Warned" unless no premium is received by that 1st Warned Date; however, it is still viewable in the warning list function.

A policy remains on the warning list for five months, beginning on the 1st Warned Date. If, after five months, premium has not been received at CAR, the policy is removed from the warning list and placed on the penalty list. The penalty list is also updated on the 28th of every month, when qualifying policies come off the warning list and are moved to the penalty list. A policy will remain on the penalty list until a) premium is received or b) the policy effective year is closed to premium reporting.

Policy Effective Month	1st Warned Date/ Appears on Warning List	Appears on Penalty List
January 2007	April 28, 2007	September 28, 2007
February 2007	May 28, 2007	October 28, 2007
March 2007	June 28, 2007	November 28, 2007
April 2007	July 28, 2007	December 28 2007
May 2007	August 28, 2007	January 28, 2008
June 2007	September 28, 2007	February 28, 2008
July 2007	October 28, 2007	March 28, 2008
August 2007	November 28, 2007	April 28, 2008
September 2007	December 28, 2007	May 28, 2008
October 2007	January 28, 2008	June 28, 2008
November 2007	February 28, 2008	July 28, 2008
December 2007	March 28, 2008	August 28, 2008

VII. WARNING AND PENALTY LISTS (continued)

$60 CESSION/NO PREMIUM PENALTY

A $60 Cession/No Premium penalty is assessed for each and every policy on the penalty list after the May 28th and November 28th updates to the warning and penalty lists. If a policy was moved from the warning list to the penalty list on December 28th, it will not receive a $60 Cession/No Premium penalty until May 28th. If, however, a policy is moved from the Warning List to the Penalty List on May 28th, it will immediately be assessed a $60 penalty. A policy will incur the $60 Cession/No Premium penalty every May 28th and November 28th as long as it remains on the penalty list.

CESSION/NO PREMIUM WRITE-OFF

When Premium reporting is closed out for a specific year (refer to Chapter X of this manual), the Cession/No Premium Write-Off is processed, generally in late April. Any policy on the Warning *and* Penalty Lists with an effective date in the closed out year is permanently removed from the lists and assessed a write-off penalty. CAR determines write-off penalties for Private Passenger and Commercial policies separately. Each penalty is based on the average statewide premium for the particular effective year and line of business.

Example:

Date	Action	Penalty
February 7, 2007	Policy Effective Date	**n/a**
April 15, 2007	Premium Due	**n/a**
May 28, 2007	Policy Placed on Warning List	**n/a**
October 28, 2007	Policy Moved to the Penalty List	**n/a**
November 28, 2007	Cession/No Premium Penalty	**$60**
May 28, 2008	Cession/No Premium Penalty	**$60**
November 28, 2008	Cession/No Premium Penalty	**$60**
May 28, 2009	Cession/No Premium Penalty	**$60**
November 28, 2009	Cession/No Premium Penalty	**$60**
April, 2010	Cession/No Premium Write-Off for 2007 Policies	**$1600** if PP* **$6200** if Comm*

* subject to change each year

VII. WARNING AND PENALTY LISTS (continued)

Viewing the Warning and Penalty Lists

☞ From the Telecommunications Main Menu select "C.A.R. ACCOUNTING" (PF2).

```
TE100SB              COMMONWEALTH AUTOMOBILE REINSURERS              07/01/2007
TEMENUSA                     TELECOMMUNICATIONS                       10:59:29


              C.A.R. ACCOUNTING          .......... PF2  OR 02

              CESSION SYSTEM             .......... PF3  OR 03

              STATISTICAL SYSTEM         .......... PF4  OR 04

              PRODUCER CODE SYSTEM       .......... PF5  OR 05

              TAXI INDEX SYSTEM          .......... PF6  OR 06

              AUDIT & CLAIMS SYSTEM      .......... PF7  OR 07

              EXPERIENCE RATING SYSTEM ............ PF8  OR 08

              TERMINATE C.A.R. SESSION ............ PF12 OR 12

                            :     :
                  DEPRESS PFKEY OR ENTER PROCESSING OPTION
```

☞ Type in your company number and select "ACCOUNTING CORRECTIONS" (PF5).

```
TE120              COMMONWEALTH AUTOMOBILE REINSURERS              07/01/2007
                       C.A.R. ACCOUNTING SYSTEM                     11:01:57



                   COMPANY NUMBER .....  999



              CAR POLICY HISTORIES     ..... PF2  OR 02
              PRODUCER INQUIRIES       ..... PF3  OR 03
              CESSION BROWSE OPTIONS   ..... PF4  OR 04
              ACCOUNTING CORRECTIONS   ..... PF5  OR 05






                            :       :

PF1/01 - HELP                                    PF12/12 - RETURN TO MENU
```

Commonwealth Automobile Reinsurers

POLICY EDIT PACKAGE

VII. WARNING AND PENALTY LISTS (continued)

Viewing the Warning and Penalty Lists (continued)

☞ Under error listings, select "WARNING AND PENALTY POLICIES" (PF4).

```
COMPANY 999            COMMONWEALTH AUTOMOBILE REINSURERS        CO100SA
                       ACCOUNTING ONLINE ACCESS SYSTEM           07/01/2007
                            MENU SELECTIONS                      11:03 AM

      ERROR LISTINGS:
           CRITICAL ERROR POLICIES      (CA2400) .....  PF2  OR  02
           NON CRITICAL ERROR POLICIES  (CA2685) .....  PF3  OR  03
           WARNING AND PENALTY POLICIES (CA2500) .....  PF4  OR  04

      INFORMATIONAL LISTINGS:
           NET NEGATIVE PREMIUMS        (CA4000) .....  PF5  OR  05
           OUTSTANDING LOSS RESERVES    (CA4100) .....  PF6  OR  06
           CRITICAL/NON CRITICAL ANALYSIS (CA2650) .....  PF7  OR  07
           PREMIUMS AND LOSSES WRITTEN-OFF (CA3200) .....  PF8  OR  08

      REVIEW MESSAGES:
           REVIEW/UPDATE POLICY MESSAGES          .....  PF9  OR  09
           REVIEW CAR NEWSLETTER                  .....  PF11 OR  11


                    SELECT FUNCTION KEY/ENTER NUMBER
      PF1/01 - HELP PANEL               :    :        PF12/12 - RETURN TO MENU
```

There are four options by which to view warning and penalty policies:

```
COMPANY 999            COMMONWEALTH AUTOMOBILE REINSURERS        CO400SA
                       ACCOUNTING ONLINE ACCESS SYSTEM           07/01/2007
                         WARNING & PENALTY (CA2500)             03:52:34

      (1) PENALTY POLICIES - BY RISK TYPE (0, 1, 2 OR ALL) ( ALL )
                  SELECT POLICIES ....... PF5  OR  05
                  COMPANY SUMMARY ....... PF15 OR  15

      (2) WARNING POLICIES - BY RISK TYPE (0, 1, 2 OR ALL)  ( ALL )
                  SELECT POLICIES ....... PF6  OR  06
                  COMPANY SUMMARY ....... PF16 OR  16

      (3) WARNING & PENALTY POLICIES BY LIST DATE (MM/YYYY) ( 06 / 2007 )
                  SELECT POLICIES ....... PF7  OR  07
                  COMPANY SUMMARY ....... PF17 OR  17

      (4) WARNING POLICIES APPEARING ON LATEST LIST DATE    ( 05/2007 )
                  SELECT POLICIES ....... PF8  OR  08


          TYPE OVER ( DEFAULTS )  - SELECT FUNCTION KEY/ENTER NUMBER
      PF1/01 - HELP PANEL              :    :        PF12/12 - RETURN TO MENU
```

VII. WARNING AND PENALTY LISTS (continued)

Viewing the Warning and Penalty Lists (continued)

(4) Penalty Policies by Risk Type (PF5)

This option is useful if you wish to view only those policies that are already eligible for the $60 Cession/No-Premium penalty program. Choose the default (ALL) risk types or type in a specific risk type and hit (PF5).

```
 COMPANY 999            COMMONWEALTH AUTOMOBILE REINSURERS          CO400SA
                          ACCOUNTING ONLINE ACCESS SYSTEM           07/01/2007
                            WARNING & PENALTY (CA2500)              03:52:34

          (1) PENALTY POLICIES - BY RISK TYPE (0, 1, 2 OR ALL)  ( ALL )
                     SELECT POLICIES ....... PF5  OR   05
                     COMPANY SUMMARY ....... PF15 OR   15

          (2) WARNING POLICIES - BY RISK TYPE (0, 1, 2 OR ALL)  ( ALL )
                     SELECT POLICIES ....... PF6  OR   06
                     COMPANY SUMMARY ....... PF16 OR   16

          (3) WARNING & PENALTY POLICIES BY LIST DATE (MM/YYYY)  ( 06 / 2007 )
                     SELECT POLICIES ....... PF7  OR   07
                     COMPANY SUMMARY ....... PF17 OR   17

          (4) WARNING POLICIES APPEARING ON LATEST LIST DATE    ( 05/2007 )
                     SELECT POLICIES ....... PF8  OR   08


          TYPE OVER ( DEFAULTS )  - SELECT FUNCTION KEY/ENTER NUMBER
     PF1/01 - HELP PANEL                   :    :              PF12/12 - RETURN TO MENU
```

```
 COMPANY 999             COMMONWEALTH AUTOMOBILE REINSURERS         CO410SA
                           ACCOUNTING ONLINE ACCESS SYSTEM          07/01/2007
                          PENALTY POLICIES - RISK TYPE (ALL)        03:56 PM

 FROM 123C40749           CAR 1ST LIST COVERAGE POL EXP    POLICY
   YR POLICY NUMBER   RSK  ID MM/DD/YY MM/DD/YY MM/DD/YY PREM DOLL  MSG DATE
 ==============================================================================
 _ 05 123C40749        0   4  04/28/05 03/14/05 01/01/06        0
 _ 05 123F97899        0   4  04/28/05 01/22/05 01/22/06     -933
 _ 05 123G25546        0   5  04/28/05 01/22/05 01/22/06        0
 _ 05 123G26220        0   5  04/28/05 01/27/05 01/27/06        0
 _ 05 123G44640        0   5  04/28/05 01/07/05 01/07/06        0
 _ 05 123G45698        0   5  04/28/05 01/05/05 01/05/06        0
 _ 05 123G45701        0   5  04/28/05 01/05/05 01/05/06        0
 _ 05 123G45864        0   5  04/28/05 01/04/05 01/04/06        0
 _ 05 123G46039        0   5  04/28/05 01/07/05 01/07/06        0
 _ 05 123G46043        0   5  04/28/05 01/06/05 01/06/06        0
         TYPE STARTING POLICY NUMBER -OR- TYPE 'X' TO SELECT A POLICY

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

VII. WARNING AND PENALTY LISTS (continued)

Viewing the Warning and Penalty Lists (continued)

(5) Warning Policies by Risk Type (PF6)

This option is useful if you wish to view only those policies that have only had a Cession/No-Premium Error for less than 6 months. Choose the default (ALL) or type in the desired risk type and hit (PF6).

```
COMPANY 999            COMMONWEALTH AUTOMOBILE REINSURERS         CO400SA
                         ACCOUNTING ONLINE ACCESS SYSTEM          07/01/2007
                           WARNING & PENALTY (CA2500)             03:52:34

          (1) PENALTY POLICIES - BY RISK TYPE (0, 1, 2 OR ALL)  ( ALL )
                  SELECT POLICIES ....... PF5  OR   05
                  COMPANY SUMMARY ....... PF15 OR   15

          (2) WARNING POLICIES - BY RISK TYPE (0, 1, 2 OR ALL)  ( ALL )
                  SELECT POLICIES ....... PF6  OR   06
                  COMPANY SUMMARY ....... PF16 OR   16

          (3) WARNING & PENALTY POLICIES BY LIST DATE (MM/YYYY) ( 06 / 2007 )
                  SELECT POLICIES ....... PF7  OR   07
                  COMPANY SUMMARY ....... PF17 OR   17

          (4) WARNING POLICIES APPEARING ON LATEST LIST DATE   ( 05/2007 )
                  SELECT POLICIES ....... PF8  OR   08


          TYPE OVER ( DEFAULTS )  - SELECT FUNCTION KEY/ENTER NUMBER
       PF1/01 - HELP PANEL                 :    :            PF12/12 - RETURN TO MENU
```

```
 COMPANY 999              COMMONWEALTH AUTOMOBILE REINSURERS       CO410SA
                            ACCOUNTING ONLINE ACCESS SYSTEM        07/01/2007
                          WARNING POLICIES - RISK TYPE (ALL)       03:59 PM

FROM 123C31998            CAR 1ST LIST COVERAGE POL EXP    POLICY
   YR POLICY NUMBER   RSK  ID MM/DD/YY MM/DD/YY MM/DD/YY  PREM DOLL  MSG DATE
==============================================================================
_ 06 123C31998         0    4  01/28/07 10/29/06 10/29/07            0
_ 06 123H01003         0    4  02/28/07 11/08/06 11/08/07            0
_ 06 123G46255         0    4  03/28/07 12/10/06 12/10/07            0
_ 06 123H17906         0    5  03/28/07 12/07/06 12/07/07            0
_ 07 123F43919         0    5  04/28/07 01/21/07 01/21/08            0
_ 07 123F44615         0    4  04/28/07 01/30/07 01/30/08            0
_ 07 123F70714         0    5  04/28/07 01/10/07 01/10/08            0
_ 07 123H19121         0    5  04/28/07 01/08/07 01/08/08            0
_ 07 123H19236         0    5  04/28/07 01/11/07 01/11/08            0
_ 07 123D66080         0    4  05/28/07 02/14/07 02/14/08            0
        TYPE STARTING POLICY NUMBER -OR- TYPE 'X' TO SELECT A POLICY

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

Commonwealth Automobile Reinsurers

POLICY EDIT PACKAGE

VII. WARNING AND PENALTY LISTS (continued)

Viewing the Warning and Penalty Lists (continued)

(6) Warning and Penalty Policies by List Date (PF7)

This option is the most useful if you are trying to correct cession no premium errors by list date. Type in the next month in which the warning list is updated hit (PF7). Continue in this manner to view the cession/no premium errors that are upcoming.

```
 COMPANY 999              COMMONWEALTH AUTOMOBILE REINSURERS          CO400SA
                            ACCOUNTING ONLINE ACCESS SYSTEM           07/01/2007
                              WARNING & PENALTY (CA2500)              03:52:34

            (1) PENALTY POLICIES - BY RISK TYPE (0, 1, 2 OR ALL) ( ALL )
                    SELECT POLICIES ....... PF5  OR   05
                    COMPANY SUMMARY ....... PF15 OR   15

            (2) WARNING POLICIES - BY RISK TYPE (0, 1, 2 OR ALL)  ( ALL )
                    SELECT POLICIES ....... PF6  OR   06
                    COMPANY SUMMARY ....... PF16 OR   16

            (3) WARNING & PENALTY POLICIES BY LIST DATE (MM/YYYY) ( 06 / 2007 )
                    SELECT POLICIES ....... PF7  OR   07
                    COMPANY SUMMARY ....... PF17 OR   17

            (4) WARNING POLICIES APPEARING ON LATEST LIST DATE    ( 05/2007 )
                    SELECT POLICIES ....... PF8  OR   08


            TYPE OVER ( DEFAULTS )  - SELECT FUNCTION KEY/ENTER NUMBER
      PF1/01 - HELP PANEL                  :    :          PF12/12 - RETURN TO MENU
```

```
 COMPANY 999              COMMONWEALTH AUTOMOBILE REINSURERS          CO410SA
                            ACCOUNTING ONLINE ACCESS SYSTEM           07/01/2007
                            WARNING POLICIES - LIST DATE (06/07)      04:01 PM

 FROM 123B66671              CAR 1ST LIST COVERAGE POL EXP    POLICY
   YR POLICY NUMBER  RSK  ID MM/DD/YY MM/DD/YY MM/DD/YY PREM DOLL  MSG DATE
 ==============================================================================
 _ 07 123B66671       0    4  06/28/07 03/29/07 03/29/08         0
 _ 07 123E96199       0    5  06/28/07 03/29/07 03/29/08         0
 _ 07 123F74225       0    5  06/28/07 03/05/07 03/05/08         0
 _ 07 123G05272       0    4  06/28/07 03/24/07 03/24/08         0
 _ 07 123G05302       0    5  06/28/07 03/07/07 03/07/08         0
 _ 07 123G07395       0    4  06/28/07 03/30/07 03/30/08         0
 _ 07 123G08032       0    5  06/28/07 03/31/07 03/31/08         0
 _ 07 123G51264       0    5  06/28/07 03/16/07 03/16/08         0
 _ 07 123G51816       0    5  06/28/07 03/29/07 03/29/08         0
 _ 07 123G51896       0    5  06/28/07 03/30/07 03/30/08         0
       TYPE STARTING POLICY NUMBER -OR- TYPE 'X' TO SELECT A POLICY

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

VII. WARNING AND PENALTY LISTS (continued)

Viewing the Warning and Penalty Lists (continued)

(7) Warning Policies Appearing on Latest List Date (PF8)

This option is the most useful if you wish to view the policies newly identified with a Cession/No Premium Error. Hit (PF8).

```
COMPANY 999            COMMONWEALTH AUTOMOBILE REINSURERS         CO400SA
                        ACCOUNTING ONLINE ACCESS SYSTEM           07/01/2007
                         WARNING & PENALTY (CA2500)               03:52:34

          (1) PENALTY POLICIES - BY RISK TYPE (0, 1, 2 OR ALL) ( ALL )
                    SELECT POLICIES ....... PF5  OR   05
                    COMPANY SUMMARY ....... PF15 OR   15

          (2) WARNING POLICIES - BY RISK TYPE (0, 1, 2 OR ALL) ( ALL )
                    SELECT POLICIES ....... PF6  OR   06
                    COMPANY SUMMARY ....... PF16 OR   16

          (3) WARNING & PENALTY POLICIES BY LIST DATE (MM/YYYY) ( 06 / 2007 )
                    SELECT POLICIES ....... PF7  OR   07
                    COMPANY SUMMARY ....... PF17 OR   17

          (4) WARNING POLICIES APPEARING ON LATEST LIST DATE   ( 05/2007 )
                    SELECT POLICIES ....... PF8  OR   08


          TYPE OVER ( DEFAULTS )  - SELECT FUNCTION KEY/ENTER NUMBER
     PF1/01 - HELP PANEL                :    :           PF12/12 - RETURN TO MENU
```

```
COMPANY 999            COMMONWEALTH AUTOMOBILE REINSURERS         CO410SA
                        ACCOUNTING ONLINE ACCESS SYSTEM           07/01/2007
                        WARNING POLICIES - LIST DATE (05/07)      04:04 PM

FROM 123D66080          CAR 1ST LIST COVERAGE POL EXP    POLICY
  YR POLICY NUMBER   RSK  ID MM/DD/YY MM/DD/YY MM/DD/YY  PREM DOLL  MSG DATE
================================================================================
_ 07 123D66080        0    4  05/28/07 02/14/07 02/14/08          0
_ 07 123D99951        0    4  05/28/07 02/13/07 02/13/08          0
_ 07 123E34548        0    4  05/28/07 02/20/07 02/20/08          0
_ 07 123F72931        0    5  05/28/07 02/13/07 02/13/08          0
_ 07 123G27453        0    4  05/28/07 02/27/07 02/27/08          0
_ 07 123G27562        0    5  05/28/07 02/20/07 02/20/08          0
_ 07 123G27653        0    5  05/28/07 02/27/07 02/27/08          0
_ 07 123G27670        0    5  05/28/07 02/26/07 02/26/08          0
_ 07 123G49620        0    5  05/28/07 02/18/07 02/18/08          0
_ 07 123H04633        0    5  05/28/07 02/21/07 02/21/08          0
       TYPE STARTING POLICY NUMBER -OR- TYPE 'X' TO SELECT A POLICY

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

Commonwealth Automobile Reinsurers

POLICY EDIT PACKAGE

VIII. MAKING CORRECTIONS

Before accounting errors can be corrected, it must be determined why a policy is in error. By viewing the accounting policy history screens, you are able to view a policy's cession records, CAR coverage date, list dates, premium records, and loss records. This will help identify the cause of any error(s), and how to correct it (them).

☞ From an error list screen (viewed by error type, list date, or write-off date), type a "P" or "L" in front of the policy you wish to review. Hit (PF10).

```
COMPANY 999              COMMONWEALTH AUTOMOBILE REINSURERS         CO210SA
                          ACCOUNTING ONLINE ACCESS SYSTEM           07/01/2007
 NEXT WO 06/28/2007      CRITICAL- (ALL )EFF YR (ALL)ERRS           02:54 PM

 FROM 792540648          POLICY 1ST LIST === PREMIUM === ==== LOSS ===== MSG DATE
   YR POLICY NUMBER      STATUS MM/DD/YY ERRORS  DOLLARS ERRORS   DOLLARS MM/DD/YY
 ================================================================================
 _ 04 792540648                 10/14/05    12     -192      0         0
 P 05 664742603         PREM    05/06/05     0        0      1       361
 _ 05 665336604         PREM    05/06/05     0        0      2       429
 _ 05 609215306                 06/10/05     5     1739      0         0
 _ 05 628637604                 06/10/05    13     1855      0         0
 _ 05 630653704                 06/10/05     6      603      0         0
 _ 05 633424504                 06/10/05     6      137      0         0
 _ 05 668238903                 06/10/05     9     1658      0         0 07/26/05
 _ 05 668525203                 06/10/05    44      422      2      1764 07/26/05
 _ 05 718522501                 06/10/05    38      915      1       664 07/26/05
   TYPE STARTING POLICY NUMBER -OR- TYPE 'P'/'L' TO SELECT PREM/LOSS POLICY

 PF1/01 - HELP PANEL      SELECT FUNCTION :    :     PF2/02  - SELECT ALL REC
 PF3/03 - SELECT ERR REC  PF7/07  - PAGE BACKWARD    PF8/08  - PAGE FORWARD
 PF9/09 - POLICY MESSAGE  PF10/10 - POLICY HISTORY   PF12/12 - RETURN TO MENU
```

The policy history screens appear where you can choose to look at the common area, cession record, premium records, and loss records. Please see the various screens below. Please reference the Telecommunications Manual for additional information on all fields, codes, values, and column heading definitions.

Commonwealth Automobile Reinsurers

POLICY EDIT PACKAGE

VIII. MAKING CORRECTIONS (continued)

Common Area Screen

```
COMPANY 999          CAR POLICY HISTORY FOR COMMON AREA          CA320SA
EFF YR  2005               ANY INSURANCE COMPANY                 07/01/2007
POLICY  664742603

POL EDT DATE  06/10/2005    PED    NO EDIT          COV DATE PTR  2
CAR COV DATE  02/07/2005    ERR CNT CRITICAL        CAR ID CODE   5
POL EXP DATE  01/21/2006    STATUS  PREMIUM         PRODUCER CODE 818123
W/O ELIGIBLE  05/2006       CRT DTE 05/06/2005      CESS REC CNT      1

CESSION POLICY NUMBER ....... OLD                   ...... NEW
ACCOUNTING POLICY NUMBER .... OLD                   ...... NEW

 PREMIUM        TOTAL      LIABILITY        PIP       PHYS DAM
RECORD CNT        25          10             5          10
DOLLAR AMT      2264        1487           179         598
 LOSS           TOTAL        PAID      PAID ALLOC  OUTSTANDING    OUT ALLOC
RECORD CNT         1           1             0          0            0
DOLLAR AMT       361         361             0          0            0

                              : __ :                   POL/MESSAGE..PF9
POL/COMMON....PF1    POL/PREM......PF3    CLM/SUM......PF5   HARD COPY ..PF10
POL/CESS......PF2    POL/LOSS......PF4    ERR/SUM......PF6   ESCAPE .....PF12
```

Cession Screen

```
COMPANY 999          CAR POLICY HISTORY FOR CESSIONS          CA330SA
EFF YR  2005               ANY INSURANCE COMPANY              07/01/2007
POLICY  664742603                               TOTAL RECORDS  1

REC   EFF    RECEIPT    EXPIRE    LOAD      DEACT
NO  T MM/DD MM/DD/YY P MM/DD/YY MM/DD/YY MM/DD/YY BD C PROD   RK A INF MED RT
 1  2 01/21 02/07/05 2 01/21/06 02/11/05 00/00/00 0  5 818123 0  0  1  85   0

                 CESSION RECORDS   1    THRU    1
                              : __ :
POL/COMMON....PF1    POL/PREM......PF3   CLM/SUMM......PF5   SCROLL FORW...PF8
POL/CESS......PF2    POL/LOSS......PF4   SCROLL BACK...PF7   HARD COPY.....PF10
FOR ADDITIONAL FIELDS, SCROLL RIGHT..PF6                    ESCAPE........PF12
```

Commonwealth Automobile Reinsurers

POLICY EDIT PACKAGE

VIII. MAKING CORRECTIONS (continued)

Premium Screen

```
COMPANY 999              CAR POLICY HISTORY FOR PREMIUMS            CA340SA
EFF YR  2005                  ANY INSURANCE COMPANY              07/01/2007
POLICY  664742603            TOTAL RECORDS    25   TOTAL AMOUNT       2264
             ACTG TRNS
 RC#  TX LN M MMYY MMYY TWN CLASS  GCDE   AMOUNT-1    AMOUNT-2 **ERROR CODES**
    1 11 01 01 0305 0105 915 110100 1500        83           0
    2 11 01 01 0305 0105 915 110100 1500        83           0
    3 11 01 01 0305 0105 915 110100 1500        83           0
    4 11 41 01 0305 0105 915 110100 1500         0         331
    5 11 41 01 0305 0105 915 110100 1500         0         331
    6 11 41 01 0305 0105 915 110100 1500       334           0
    7 11 41 01 0305 0105 915 110100 1500       334           0
    8 11 41 01 0305 0105 915 110100 1500       334           0
    9 11 41 01 0305 0105 915 110100 1500         0         331
   10 11 45 01 0305 0105 915 110100 1500         0         375

                  PREMIUM RECORDS     1  THRU     10

                               : __ :
POL/COMMON....PF1    POL/PREM......PF3   CLM/SUMM......PF5    SCROLL FORW..PF8
POL/CESS......PF2    POL/LOSS......PF4   SCROLL BACK...PF7    HARD COPY....PF10
                                                             ESCAPE.......PF12
```

Loss Screen

```
COMPANY 999              CAR POLICY HISTORY FOR LOSSES             CA350SA
EFF YR  2005                  ANY INSURANCE COMPANY             07/01/2007
POLICY  664742603            TOTAL RECORDS     1   TOTAL AMOUNT      361
          ACDT ACCDNT
 RC# TXLN MMYY MMDDYY TWN CLASS  GC LT    AMOUNT CLAIM NUMBER     ERROR CODES
   1 2345 0305 020205 915 110100 15 03       361 6652072801       7

                  LOSS RECORDS      1  THRU      1

                           :     :
POL/COMMON....PF1    POL/PREM......PF3   CLM/SUMM......PF5    SCROLL FORW..PF8
POL/CESS......PF2    POL/LOSS......PF4   SCROLL BACK ..PF7    HARD COPY....PF10
                                                             ESCAPE.......PF12
```

☞ Use the appropriate (PF) keys to view the different aspects of the policy. If you cannot determine what is causing the critical error(s), contact your Data Analyst for assistance.

VIII. MAKING CORRECTIONS (continued)

Once the cause of the accounting error has been determined, corrections will have to be done in one of two ways depending on the cause of the error and/or what must be changed. However, if an existing cession must be altered to correct the accounting error, please reference the *Cession Edit Package* for instructions.

Online Corrections

An accounting record can be corrected online only if one (or more) of the following fields needs to be changed:

Premium Record	Loss Record
• Policy Number*	• Policy Number*
• Effective Month	• Effective Month
• Transaction Effective Date	• Class Group
• Transaction Type	• Transaction Type
• Expiration Date	• Accident Date
	• Claim ID Number

 * **When a policy number is changed on one premium *or* loss record, ALL premium *and* loss records will be transferred to that new policy number. To correct the policy number on just one record, submit offset/onset records as described in section (II) below.**

VIII. MAKING CORRECTIONS (continued)

CAR does not allow online corrections to outstanding loss records (TX 21 and TX 22). If an outstanding loss is reported incorrectly, please resubmit it correctly in the subsequent quarter.

From the error list screen (viewed by error type, list date, or write-off date)

```
   COMPANY 999            COMMONWEALTH AUTOMOBILE REINSURERS         CO200SA
                          ACCOUNTING ONLINE ACCESS SYSTEM          07/01/2007
                            CRITICAL ERRORS (CA2400)               04:03:11

        (1) ERROR CODE  (1,6 OR 7)  AND  EFFECTIVE YEAR  (FORMAT=YYYY)
            ERROR CODE(S)  ( ALL )       EFFECTIVE YEAR  ( ALL  )
                         SELECT POLICIES  ..... PF5  OR  05
                         COMPANY SUMMARY  ..... PF15 OR  15

        (2) ERROR LIST DATE (LATEST DATE IS SHOWN)      (FORMAT=MM/YYYY)
                         ERROR LIST DATE   ( 06 / 2007 )
                         SELECT POLICIES  ..... PF6  OR  06
                         COMPANY SUMMARY  ..... PF16 OR  16

        (3) WRITE-OFF DATE (NEXT ELIGIBLE DATE IS SHOWN) (FORMAT=MM/YYYY)
                         WRITE-OFF ELIGIBLE ( 06 / 2007 )
                         SELECT POLICIES  ..... PF7  OR  07
                         COMPANY SUMMARY  ..... PF17 OR  17

            TYPE OVER (DEFAULTS)  - SELECT FUNCTION KEY/ENTER NUMBER
    PF1/01 - HELP PANEL              :    :             PF12/12 - RETURN TO MENU
```

Type a "P" or "L" in front of the policy you wish to correct determined by the type of record it is you intend to correct.

```
COMPANY 999            COMMONWEALTH AUTOMOBILE REINSURERS         CO210SA
                       ACCOUNTING ONLINE ACCESS SYSTEM          07/01/2007
NEXT WO 06/28/2007      CRITICAL- (ALL )EFF YR (ALL)ERRS        04:06 PM

FROM 123084287          POLICY 1ST LIST === PREMIUM === ==== LOSS ===== MSG DATE
  YR POLICY NUMBER      STATUS MM/DD/YY ERRORS   DOLLARS ERRORS   DOLLARS MM/DD/YY
=======================================================================
_ 04 123084287                 07/23/04    6        4      0        0
_ 04 123084374                 12/03/04    4        3      0        0
_ 05 123084641                 09/30/05   12     8539      0        0
_ 05 123084623                 10/28/05    5     5132      0        0
_ 05 123080185         F CANC 12/02/05     0        0      1      360
_ 05 123084651                 12/02/05    2     1643      0        0
_ 05 123084668                 12/02/05    1      594      0        0
_ 05 123084224                 12/30/05    3      246      0        0
_ 05 123083827                 12/30/05    6      555      0        0
P 05 123083027                 01/27/06   21    26321      1      600

  TYPE STARTING POLICY NUMBER -OR- TYPE 'P'/'L' TO SELECT PREM/LOSS POLICY
```

VIII. MAKING CORRECTIONS (continued)

Hit (PF2) to view only those records with errors, or (PF3) to view all premium or loss records on the specific policy.

```
CO225SA              COMMONWEALTH AUTOMOBILE REINSURERS          07/01/2007
COMPANY 999        ACCOUNTING PREMIUM LISTING -  ALL              04:12 PM


                 EFF DATE                COV EFF  COV EXP  CRITICAL MSG DATE
  POLICY NUMBER  MM/DD/YY C TX  PROD RSK MM/DD/YY MM/DD/YY MM/DD/YY MM/DD/YY
  123083027      00/00/05 5              99/99/99 00/00/00 01/27/06
( ............... )                      INSUREDS NAME
PREMIUMS          ACTG    EXPIR      TRANS
  TX LNE EFF SEQ  MM/YY   MM/YY TWN G MM/YY CLASS  C  DOLL 1  DOLL 2 -ERRORS--
  11 01  12 000005 12/05  12/06 945 2 12/05 681290 5      3           1
( 1. ) ( .. )           ( .. .. )  ( .. .. )
  11 01  12 000006 12/05  12/06 945 2 12/05 011990 5     10           1
( 1. ) ( .. )           ( .. .. )  ( .. .. )
  11 01  12 000007 12/05  12/06 945 2 12/05 681290 5      3           1
( 1. ) ( .. )           ( .. .. )  ( .. .. )
  11 41  12 000008 12/05  12/06 945 2 12/05 011990 5    602     368 1
( 1. ) ( .. )           ( .. .. )  ( .. .. )
TOT PREM RECS    21                      CRITICAL ERR RECS    21
START W/SEQ #     5                      NON CRIT ERR RECS     0
PF1/01 - HELP PANEL    SELECT FUNCTION/ENTER NUMBER PF3/03  - APPLY CORRECT
PF7/07 - PAGE BACKWARD              :    :          PF8/08  - PAGE FORWARD
PF9/09 - POLICY MESSAGE   PF10/10 - POLICY HISTORY  PF12/12 - RETURN TO MENU
```

Type the correct information into the correction grid below the corresponding field(s) on a screen. **Hit PF3 to apply all corrections made to the current page before scrolling to another page. CAR only applies corrections one page at a time!**

CAR sends all online accounting corrections to a temporary file. The corrected error record remains on the error list, however, so a correction may be changed/deleted before the correction load using the same steps noted above. When changing or deleting an existing correction, never use spaces to change a field. Always type in what you want the field to read. CAR runs the correction load to the permanent files every Friday night.

VIII. MAKING CORRECTIONS (continued)

Offset/Onset Corrections

If an accounting error cannot be corrected using the online correction process described above, offset records may be required to "washout" the records causing the policy to be in error. When two accounting records "washout" each other, they are no longer eligible for CAR accounting edits, error lists, or penalty programs. If needed, an "onset" record should be sent in with the correct data.

📢 It is recommended that offset/onset correction records are sent in as a separate statistical submission, coded as such in the Control Record (see *Statistical Edit Package* for coding details). If correction records are included in an original monthly accounting shipment, they may cause the shipment to be over tolerance and consequently rejected.

Since CAR only accepts cession and premium records for the three most recent policy effective years, all premium offset/onset records must be received in a timely fashion for the corrections to occur. If any errors remain on a policy after premium activity is prohibited, the policy is eligible for penalties such as the Cession/No Premium Write-off and Net-Negative Premium Write-off.

To create successful offsetting accounting records, follow the rules below:

① Match the following fields exactly between the original record and the offsetting record:

Premium Records	Loss Records
• Company Number	• Company Number
• Policy Number	• Policy Number
• Policy Effective Date	• Policy Effective Date
• Subline	• Subline
• Transaction Type	• Transaction Type
• Transaction Effective Date	• Accident Date
• Policy Expiration Date	• Claim ID Number
• Class Group	• Class Group
• CAR ID Code	

Note: To wash out records for both statistical and accounting purposes, all fields must match, rather than just those mentioned above).

② Net the following fields to zero between the original record and the offsetting record.

Premium Records	Loss Records
• Premium Dollars	• Loss Dollars
• Exposure	• Claim Count

VIII. MAKING CORRECTIONS (continued)

③ **Do not "net" dollar amounts in one offsetting record to washout several accounting records. For every existing record to be washed-out, one matching offset record must be submitted.**

④ Always use the current reportable accounting date for the correction submission.

IX. INFORMATIONAL LISTINGS

There are four informational listings available through CAR's accounting system. Some are purely informative in nature while others may serve to avoid future penalties.

1. Net Negative Premiums

All ceded policies are required to have positive premium dollars. The online net negative premium list is updated weekly and allows companies to view those ceded policies having a negative premium total.

> Every policy on the net negative premium list will also be on one of two error lists as well, depending on the cession status:
>
> - If a policy has an active TX1 or TX2 cession, that policy will also appear on the warning & penalty list.
>
> - If a policy has no active TX1 or TX2 cession, that policy will also appear on the critical error list (Error Codes 1 & 5).

Once a policy effective year is closed out to premium reporting (see Chapter III of this manual), CAR runs the net-negative premium write-off in April of each year. This program creates offsetting premium records for every policy on the list having an effective year closed to premium reporting bringing the net premium amounts to zero. In essence, CAR collects back the premium for each policy that contained a negative dollar total.

To view the Net-Negative Premium List:

☞ From the Telecommunications Main Menu select "C.A.R. ACCOUNTING" (PF2).

```
TE100SB              COMMONWEALTH AUTOMOBILE REINSURERS          07/01/2007
TEMENUSA                    TELECOMMUNICATIONS                    10:59:29


              C.A.R. ACCOUNTING          .......... PF2  OR 02

              CESSION SYSTEM             .......... PF3  OR 03

              STATISTICAL SYSTEM         .......... PF4  OR 04

              PRODUCER CODE SYSTEM       .......... PF5  OR 05

              TAXI INDEX SYSTEM          .......... PF6  OR 06

              AUDIT & CLAIMS SYSTEM      .......... PF7  OR 07

              EXPERIENCE RATING SYSTEM ............ PF8  OR 08

              TERMINATE C.A.R. SESSION ............ PF12 OR 12

                             :    :
                   DEPRESS PFKEY OR ENTER PROCESSING OPTION
```

IX. INFORMATIONAL LISTINGS (continued)

1. Net Negative Premiums (continued)

☞ Type in your company number and select "ACCOUNTING CORRECTIONS" (PF5).

```
TE120              COMMONWEALTH AUTOMOBILE REINSURERS           07/01/2007
                         C.A.R. ACCOUNTING SYSTEM                 11:01:57




                         COMPANY NUMBER .....  999




                   CAR POLICY HISTORIES      ..... PF2  OR 02
                   PRODUCER INQUIRIES        ..... PF3  OR 03
                   CESSION BROWSE OPTIONS    ..... PF4  OR 04
                   ACCOUNTING CORRECTIONS    ..... PF5  OR 05






                              :        :

   PF1/01 - HELP                              PF12/12 - RETURN TO MENU
```

☞ Under Informational Listings, select "NET NEGATIVE PREMIUMS" (PF5).

```
 COMPANY 999            COMMONWEALTH AUTOMOBILE REINSURERS         CO100SA
                        ACCOUNTING ONLINE ACCESS SYSTEM          07/01/2007
                              MENU SELECTIONS                     11:03 AM

     ERROR LISTINGS:
          CRITICAL ERROR POLICIES      (CA2400) ..... PF2  OR  02
          NON CRITICAL ERROR POLICIES  (CA2685) ..... PF3  OR  03
          WARNING AND PENALTY POLICIES (CA2500) ..... PF4  OR  04

     INFORMATIONAL LISTINGS:
          NET NEGATIVE PREMIUMS        (CA4000) ..... PF5  OR  05
          OUTSTANDING LOSS RESERVES    (CA4100) ..... PF6  OR  06
          CRITICAL/NON CRITICAL ANALYSIS (CA2650) ..... PF7  OR  07
          PREMIUMS AND LOSSES WRITTEN-OFF (CA3200) ..... PF8  OR  08

     REVIEW MESSAGES:
          REVIEW/UPDATE POLICY MESSAGES          ..... PF9  OR  09
          REVIEW CAR NEWSLETTER                  ..... PF11 OR  11


               SELECT FUNCTION KEY/ENTER NUMBER
    PF1/01 - HELP PANEL            :    :        PF12/12 - RETURN TO MENU
```

IX. INFORMATIONAL LISTINGS (continued)

1. Net Negative Premiums (continued)

☞ Type in the policy effective year of the policies you wish to view or choose "ALL" and hit (PF5).

```
 COMPANY 999              COMMONWEALTH AUTOMOBILE REINSURERS        CO500SA
                          ACCOUNTING ONLINE ACCESS SYSTEM           07/01/2007
                          NET NEGATIVE PREMIUM (CA4000)             10:44:11



                   (1) EFFECTIVE YEAR (FORMAT=YYYY)
                                ( ALL  )
                       SELECT POLICIES ....... PF5  OR  05
                       COMPANY SUMMARY ....... PF15 OR  15








            TYPE OVER ( DEFAULTS ) - SELECT FUNCTION KEY/ENTER NUMBER
 PF1/01 - HELP PANEL                   :    :          PF12/12 - RETURN TO MENU
```

```
 COMPANY 999              COMMONWEALTH AUTOMOBILE REINSURERS        CO510SA
                          ACCOUNTING ONLINE ACCESS SYSTEM           07/01/2007
                 NET NEGATIVE PREMIUM POLICIES - EFFECTIVE YEAR (ALL) 10:46 AM

                         POL  POL EDIT COV EFF  COV EXP   POLICY   MSG DATE
   YR POLICY NUMBER  RSK STATUS MM/DD/YY MM/DD/YY MM/DD/YY PREM DOLL MM/DD/YY
 ==============================================================================
 _ 05 123B27330       0        06/24/06 99/99/99 00/00/00      -22
 _ 05 123B62572       0        06/24/06 99/99/99 00/00/00      -65
 _ 05 123C07051       0        06/24/06 99/99/99 00/00/00     -592
 _ 05 123D64511       0        06/24/06 99/99/99 00/00/00     -264
 _ 05 123D98455       0        06/24/06 99/99/99 00/00/00   -1,266
 _ 05 123E33059       0        04/28/07 99/99/99 00/00/00     -145
 _ 05 123F97899       0  WARND 01/18/07 01/22/05 01/22/06    -933
 _ 05 123G02829       0        01/31/07 99/99/99 00/00/00     -72
 _ 05 123G09808       0  WARND 09/30/05 06/23/05 06/23/06    -861
 _ 05 123G18576       0  WARND 12/02/05 09/06/05 09/06/06   -3,600
                 TYPE 'X' NEXT TO YR TO SELECT A POLICY

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

You can view the premium records of any individual policy on the list by marking it with an "X" and hitting (PF2).

IX. INFORMATIONAL LISTINGS (continued)

2. Outstanding Loss Reserves

Outstanding Losses are statistically reported to CAR on a quarterly basis. CAR creates a policy based Outstanding Loss Reserves report. The report is cumulative within an effective year and is updated after each quarterly accounting month's due date.

To view the Outstanding Loss Reserves:

☞ From the Telecommunications Main Menu select "C.A.R. ACCOUNTING" (PF2).

```
TE100SB              COMMONWEALTH AUTOMOBILE REINSURERS          07/01/2007
TEMENUSA                    TELECOMMUNICATIONS                     10:59:29


                    C.A.R. ACCOUNTING          ........... PF2  OR 02

                    CESSION SYSTEM             ........... PF3  OR 03

                    STATISTICAL SYSTEM         ........... PF4  OR 04

                    PRODUCER CODE SYSTEM       ........... PF5  OR 05

                    TAXI INDEX SYSTEM          ........... PF6  OR 06

                    AUDIT & CLAIMS SYSTEM      ........... PF7  OR 07

                    EXPERIENCE RATING SYSTEM ............. PF8  OR 08

                    TERMINATE C.A.R. SESSION ............. PF12 OR 12

                               :    :
                    DEPRESS PFKEY OR ENTER PROCESSING OPTION
```

☞ Type in your company number and select "ACCOUNTING CORRECTIONS" (PF5).

```
TE120              COMMONWEALTH AUTOMOBILE REINSURERS          07/01/2007
                        C.A.R. ACCOUNTING SYSTEM                 11:01:57



                    COMPANY NUMBER .....  999




                 CAR POLICY HISTORIES      ..... PF2  OR 02
                 PRODUCER INQUIRIES        ..... PF3  OR 03
                 CESSION BROWSE OPTIONS    ..... PF4  OR 04
                 ACCOUNTING CORRECTIONS    ..... PF5  OR 05



                               :        :

PF1/01 - HELP                                  PF12/12 - RETURN TO MENU
```

Commonwealth Automobile Reinsurers

POLICY EDIT PACKAGE

IX. INFORMATIONAL LISTINGS (continued)

2. Outstanding Loss Reserves

☞ Under Informational Listings, select "OUTSTANDING LOSS RESERVES" (PF6).

```
COMPANY 999           COMMONWEALTH AUTOMOBILE REINSURERS        CO100SA
                      ACCOUNTING ONLINE ACCESS SYSTEM           07/01/2007
                           MENU SELECTIONS                      11:03 AM

     ERROR LISTINGS:
          CRITICAL ERROR POLICIES       (CA2400) ..... PF2  OR  02
          NON CRITICAL ERROR POLICIES   (CA2685) ..... PF3  OR  03
          WARNING AND PENALTY POLICIES  (CA2500) ..... PF4  OR  04

     INFORMATIONAL LISTINGS:
          NET NEGATIVE PREMIUMS         (CA4000) ..... PF5  OR  05
          OUTSTANDING LOSS RESERVES     (CA4100) ..... PF6  OR  06
          CRITICAL/NON CRITICAL ANALYSIS (CA2650) ..... PF7  OR  07
          PREMIUMS AND LOSSES WRITTEN-OFF (CA3200) ..... PF8  OR  08

     REVIEW MESSAGES:
          REVIEW/UPDATE POLICY MESSAGES         ..... PF9  OR  09
          REVIEW CAR NEWSLETTER                 ..... PF11 OR  11


                 SELECT FUNCTION KEY/ENTER NUMBER
   PF1/01 - HELP PANEL              :    :        PF12/12 - RETURN TO MENU
```

☞ Type in the policy effective year of the policies you wish to view or choose "ALL" and hit (PF5).

```
 COMPANY 999           COMMONWEALTH AUTOMOBILE REINSURERS        CO600SA
                       ACCOUNTING ONLINE ACCESS SYSTEM           07/01/2007
                       OUTSTANDING LOSS RESERVES (CA4100)        11:24:57



            (1) EFFECTIVE YEAR (FORMAT=YYYY)
                         ( ALL  )
                  SELECT QUARTER POLICIES  ....... PF5  OR  05
                  COMPANY SUMMARY          ....... PF15 OR  15








         TYPE OVER ( DEFAULTS )  - SELECT FUNCTION KEY/ENTER NUMBER
                              :    :
  PF1/01 - HELP PANEL                           PF12/12 - RETURN TO MENU
```

IX. INFORMATIONAL LISTINGS (continued)

2. Outstanding Loss Reserves

```
COMPANY  999        COMMONWEALTH AUTOMOBILE REINSURERS          CO610SA
CURR QTR 03/2007       ACCOUNTING ONLINE ACCESS SYSTEM          07/01/2007
                   OS LOSS RESERVES POLICIES - EFFECTIVE YEAR (ALL) 12:11 PM

                   POLICY COV EFF  COV EXP  PREMIUM   QTR RESERVE   MSG DATE
  YR POLICY NUMBER  STATUS MM/DD/YY MM/DD/YY DOLLARS RECORDS DOLLARS MM/DD/YY
 ============================================================================
 _ 01 3637257       PREM  04/02/01 04/02/02   14151      2   26250
 _ 01 5252601       PREM  09/22/01 09/22/02   10795      4  105000
 _ 01 5514658       R CAN 12/19/01 08/31/02    2659      2    5250
 _ 01 5957432       R CAN 06/04/01 01/31/02    1616      4    7350
 _ 01 5974425       PREM  06/30/01 06/30/02    6253      2    4725
 _ 01 6357745       R CAN 05/03/01 01/31/02    1155      2    1470
 _ 01 6364260       PREM  05/15/01 05/15/02    2934      4   10500
 _ 01 6522786       PREM  06/01/01 06/01/02    2060      2    1680
 _ 01 6611542       PREM  11/08/01 11/08/02     717      4   55545
 _ 01 6617546       PREM  11/19/01 11/19/02    1726      2   15750
                   TYPE 'X' TO SELECT A POLICY


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

You can view the outstanding loss records of any individual policy on the list by marking it with an "X" and hitting (PF2).

IX. INFORMATIONAL LISTINGS (continued)

3. Critical/Non-Critical Analysis

The Critical/Non-Critical Analysis function allows companies to view a breakdown of Accounting Errors by effective year and error code.

☞ From the Telecommunications Main Menu select "C.A.R. ACCOUNTING" (PF2).

```
TE100SB              COMMONWEALTH AUTOMOBILE REINSURERS             07/01/2007
TEMENUSA                     TELECOMMUNICATIONS                     10:59:29


             C.A.R. ACCOUNTING          .......... PF2  OR 02

             CESSION SYSTEM             .......... PF3  OR 03

             STATISTICAL SYSTEM         .......... PF4  OR 04

             PRODUCER CODE SYSTEM       .......... PF5  OR 05

             TAXI INDEX SYSTEM          .......... PF6  OR 06

             AUDIT & CLAIMS SYSTEM      .......... PF7  OR 07

             EXPERIENCE RATING SYSTEM ............ PF8  OR 08

             TERMINATE C.A.R. SESSION ............ PF12 OR 12

                            :    :
                 DEPRESS PFKEY OR ENTER PROCESSING OPTION
```

☞ Type in your company number and select "ACCOUNTING CORRECTIONS" (PF5).

```
TE120            COMMONWEALTH AUTOMOBILE REINSURERS             07/01/2007
                     C.A.R. ACCOUNTING SYSTEM                   11:01:57



                  COMPANY NUMBER ..... 999



             CAR POLICY HISTORIES      ..... PF2  OR 02
             PRODUCER INQUIRIES        ..... PF3  OR 03
             CESSION BROWSE OPTIONS    ..... PF4  OR 04
             ACCOUNTING CORRECTIONS    ..... PF5  OR 05




                         :       :

PF1/01 - HELP                                 PF12/12 - RETURN TO MENU
```

IX. INFORMATIONAL LISTINGS (continued)

3. Critical/Non-Critical Analysis (continued)

☞ Under Error Listings, select "CRITICAL/NON CRITICAL ANALYSIS" (PF7).

```
COMPANY 999           COMMONWEALTH AUTOMOBILE REINSURERS        CO100SA
                       ACCOUNTING ONLINE ACCESS SYSTEM          07/01/2007
                           MENU SELECTIONS                      11:03 AM

     ERROR LISTINGS:
          CRITICAL ERROR POLICIES       (CA2400) ..... PF2  OR  02
          NON CRITICAL ERROR POLICIES   (CA2685) ..... PF3  OR  03
          WARNING AND PENALTY POLICIES  (CA2500) ..... PF4  OR  04

     INFORMATIONAL LISTINGS:
          NET NEGATIVE PREMIUMS         (CA4000) ..... PF5  OR  05
          OUTSTANDING LOSS RESERVES     (CA4100) ..... PF6  OR  06
          CRITICAL/NON CRITICAL ANALYSIS (CA2650) ..... PF7  OR  07
          PREMIUMS AND LOSSES WRITTEN-OFF (CA3200) ..... PF8  OR  08

     REVIEW MESSAGES:
          REVIEW/UPDATE POLICY MESSAGES          ..... PF9  OR  09
          REVIEW CAR NEWSLETTER                  ..... PF11 OR  11


                  SELECT FUNCTION KEY/ENTER NUMBER
     PF1/01 - HELP PANEL               :    :       PF12/12 - RETURN TO MENU
```

There are four options by which to analyze accounting errors:

```
CO700SB            COMMONWEALTH AUTOMOBILE REINSURERS        07/01/2007
COMPANY  999         ACCOUNTING ONLINE ACCESS SYSTEM         12:17:52


     (1) CRITICAL   ANALYSIS    .....  EFFECTIVE YEAR (FORMAT = YYYY )
        ( ALL ERROR CODES )            EFFECTIVE YEAR ( ALL  )
                     SELECT  .....  PF5 OR  05

     (2) CRITICAL   ANALYSIS    .....  DATE ERROR LISTED (FORMAT=MM/YYYY)
        ( EARLIEST DATE SHOWN )        DATE ERROR LISTED ( 06 / 2007 )
                     SELECT  .....  PF6 OR  06

     (3) NON CRITICAL POLICIES  .....  EFFECTIVE YEAR (FORMAT=YYYY)
        ( ALL ERROR CODES   )          EFFECTIVE YEAR ( 2005 )
                     SELECT  .....  PF7 OR  07

     (4) NON CRITICAL DOLLARS   .....  EFFECTIVE YEAR (FORMAT=YYYY)
        ( ALL ERROR CODES   )          EFFECTIVE YEAR ( 2005 )
                     SELECT  .....  PF8 OR  08

     TYPE OVER ( DEFAULTS ) - SELECT FUNCTION KEY/ENTER NUMBER
  PF1/01 - HELP PANEL               :    :         PF12/12 - RETURN TO MENU
```

Commonwealth Automobile Reinsurers

POLICY EDIT PACKAGE

IX. INFORMATIONAL LISTINGS (continued)

3. Critical/Non-Critical Analysis (continued)

By Critical Error Code and Effective Year Policies (PF5)

This option is useful to view a yearly summary of all records currently on file with accounting errors. Type in the desired Effective Year and hit (PF5).

```
CO700SB              COMMONWEALTH AUTOMOBILE REINSURERS           07/01/2007
COMPANY  999              ACCOUNTING ONLINE ACCESS SYSTEM         12:17:52


        (1) CRITICAL  ANALYSIS    .....   EFFECTIVE YEAR (FORMAT = YYYY )
            ( ALL ERROR CODES )           EFFECTIVE YEAR ( ALL  )
                        SELECT  .....  PF5 OR  05

        (2) CRITICAL  ANALYSIS    .....   DATE ERROR LISTED (FORMAT=MM/YYYY)
            ( EARLIEST DATE SHOWN )        DATE ERROR LISTED ( 06 / 2007 )
                        SELECT  .....  PF6 OR  06

        (3) NON CRITICAL POLICIES  .....  EFFECTIVE YEAR (FORMAT=YYYY)
           ( ALL ERROR CODES   )          EFFECTIVE YEAR ( 2005 )
                        SELECT  .....  PF7 OR  07

        (4) NON CRITICAL DOLLARS   .....  EFFECTIVE YEAR (FORMAT=YYYY)
           ( ALL ERROR CODES   )          EFFECTIVE YEAR ( 2005 )
                        SELECT  .....  PF8 OR  08

       TYPE OVER ( DEFAULTS ) - SELECT FUNCTION KEY/ENTER NUMBER
  PF1/01 - HELP PANEL               :    :           PF12/12 - RETURN TO MENU
```

```
COMPANY 999            COMMONWEALTH AUTOMOBILE REINSURERS          CO710SA
                        ACCOUNTING ONLINE ACCESS SYSTEM           07/01/2007
                        CRITICAL ANALYSIS  ALL  EFFEC YEAR(S)      12:20:47


         TOTAL     CRITICAL     CRITICAL    ERROR  PAID LOSS &   PAID LOSS &
   YEAR  POLICIES  PLUS  W/P    MINUS W/P    PCT   PREM RECORDS  PREM ERRORS
 ===============================================================================
 _ 1997    25,569         3            1    .00      613,860             3
 _ 1998    33,962        14            2    .01      887,033            14
 _ 1999    36,276         8            0    .00      917,934             0
 _ 2000    26,145         3            0    .00      679,905             0
 _ 2001    32,284         2            1    .00      864,350            20
 _ 2002    30,529         0            0    .00      860,310             0
 _ 2003    19,428         2            1    .01      563,981             8
 _ 2004    28,995         1            1    .00      800,671             3
 _ 2005    24,521         4            4    .02      680,516           139
 _ 2006    13,896        42           35    .25      319,673           642


       TYPE 'X' BESIDE YEAR ENTRY FOR ERROR CODE WITHIN YEAR SUMMARY

  PF1/01 - HELP PANEL        SELECT FUNCTION :    :     PF3/03 - SELECT YEAR
  PF7/07 - PAGE BACKWARD     PF8/08  - PAGE FORWARD    PF12/12 - RETURN TO MENU
```

IX. INFORMATIONAL LISTINGS (continued)

3. Critical/Non-Critical Analysis (continued)

You may then choose to view the breakdown of specific Error Codes by placing an "X" next to the desired Effective Year and hitting (PF3).

You can view by Critical Error Code and Error List Date Policies (PF6).

This option is useful if you wish to view a summary of Critical Errors by their List Date. Type in the earliest List Date you wish to view and hit (PF6).

```
CO700SB                COMMONWEALTH AUTOMOBILE REINSURERS           07/01/2007
COMPANY  999              ACCOUNTING ONLINE ACCESS SYSTEM            12:17:52


          (1) CRITICAL  ANALYSIS     .....  EFFECTIVE YEAR (FORMAT = YYYY )
               ( ALL ERROR CODES )          EFFECTIVE YEAR ( ALL  )
                          SELECT  .....  PF5 OR   05

          (2) CRITICAL  ANALYSIS     .....  DATE ERROR LISTED (FORMAT=MM/YYYY)
               ( EARLIEST DATE SHOWN )      DATE ERROR LISTED ( 04 / 2007 )
                          SELECT  .....  PF6 OR   06

          (3) NON CRITICAL POLICIES  .....  EFFECTIVE YEAR (FORMAT=YYYY)
               ( ALL ERROR CODES   )        EFFECTIVE YEAR ( 2005 )
                          SELECT  .....  PF7 OR   07

          (4) NON CRITICAL DOLLARS   .....  EFFECTIVE YEAR (FORMAT=YYYY)
               ( ALL ERROR CODES   )        EFFECTIVE YEAR ( 2005 )
                          SELECT  .....  PF8 OR   08

          TYPE OVER ( DEFAULTS ) - SELECT FUNCTION KEY/ENTER NUMBER
PF1/01 - HELP PANEL                 :    :          PF12/12 - RETURN TO MENU
```

```
 COMPANY 999             COMMONWEALTH AUTOMOBILE REINSURERS         CO276SA
                          ACCOUNTING ONLINE ACCESS SYSTEM           07/01/2007
 NEXT WO 06/30/2007      CRITICAL SUMMARY 04/2007 LIST DATE(S)      10:40:23

     LIST          TOTAL     =  P R E M S  =     =  L O S S E S  =
     DATE         POLICIES   RECORDS    DOLLARS      RECORDS    DOLLARS
 ============================================================================
 _  04/06/2007        4         93       33,803          5      10,384
 _  05/05/2007        7        197       14,227         18      11,452
 _  05/11/2007       21        592      218,303          5       4,525
 _  06/09/2007       33        532      251,681          1         353



    TYPE 'X' BESIDE LIST DATE ENTRY FOR ERROR CODE WITHIN YEAR SUMMARY

 PF1/01 - HELP PANEL         SELECT FUNCTION :    :     PF3/03 - SELECT DATE
 PF7/07 - PAGE BACKWARD    PF8/08 - PAGE FORWARD       PF12/12 - RETURN TO MENU
```

IX. INFORMATIONAL LISTINGS (continued)

3. Critical/Non-Critical Analysis (continued)

You may then choose to view the breakdown of specific Error Codes by placing an "X" next to the desired Effective Year and hitting (PF3).

You can view by Non Critical Error Code and Effective Year Policies (PF7)

! This option is essential in preventing penalties through the Non Critical Audit Review!
(Please reference Chapter VI for an explanation of the Audit Review Penalty Program)

This option allows you to view Non Critical Error summaries by Effective Year and Error Code. Type in the desired Effective Year and hit (PF7).

```
 CO700SB                COMMONWEALTH AUTOMOBILE REINSURERS          07/01/2007
 COMPANY  999               ACCOUNTING ONLINE ACCESS SYSTEM            12:17:52


          (1) CRITICAL  ANALYSIS    .....  EFFECTIVE YEAR (FORMAT = YYYY )
              ( ALL ERROR CODES )           EFFECTIVE YEAR ( ALL  )
                         SELECT  .....  PF5 OR  05

          (2) CRITICAL  ANALYSIS    .....  DATE ERROR LISTED (FORMAT=MM/YYYY)
              ( EARLIEST DATE SHOWN )       DATE ERROR LISTED ( 04 / 2007 )
                         SELECT  .....  PF6 OR  06

          (3) NON CRITICAL POLICIES  .....  EFFECTIVE YEAR (FORMAT=YYYY)
              ( ALL ERROR CODES   )         EFFECTIVE YEAR ( 2005 )
                         SELECT  .....  PF7 OR  07

          (4) NON CRITICAL DOLLARS   .....  EFFECTIVE YEAR (FORMAT=YYYY)
              ( ALL ERROR CODES   )         EFFECTIVE YEAR ( 2005 )
                         SELECT  .....  PF8 OR  08

          TYPE OVER ( DEFAULTS )  - SELECT FUNCTION KEY/ENTER NUMBER
 PF1/01 - HELP PANEL                  :    :          PF12/12 - RETURN TO MENU
```

To view the current tolerance level of Non Critical Errors, type an "X" next to the desired Effective Year and hit (PF3). This screen will indicate any Error Codes over tolerance and the information relevant to the Audit Review.

Commonwealth Automobile Reinsurers

POLICY EDIT PACKAGE

IX. INFORMATIONAL LISTINGS (continued)

3. Critical/Non-Critical Analysis (continued)

```
COMPANY 999              COMMONWEALTH AUTOMOBILE REINSURERS           CO720SA
                         ACCOUNTING ONLINE ACCESS SYSTEM              07/01/2007
                              NON CRITICAL ERRORS                     14:20:42

                TOTAL      NON CRIT     PREMIUM    NON CRIT    LOSS      NON CRIT
      YEAR     POLICIES    POLICIES     RECORDS    PREM REC   RECORDS    LOSS REC
===============================================================================
_     2005     24,521        135        645,693       438     34,823     1,292
X     2006     13,896         39        308,227       865     11,446       108
_     2007      5,837          0         39,091         0        228         0






           TYPE 'X' BESIDE YEAR ENTRY FOR ERROR CODE WITHIN YEAR SUMMARY
                            SELECT FUNCTION
PF1/01 - HELP PANEL           :   :                  PF3/03  - SELECT YEAR
    PF7/07 - PAGE BACKWARD    PF8/08 - PAGE FORWARD      PF12/12 - RETURN TO MENU
```

```
 COMPANY 999              COMMONWEALTH AUTOMOBILE REINSURERS           CO720SB
                          ACCOUNTING ONLINE ACCESS SYSTEM              07/01/2007
                        NON CRITICAL ANALYSIS     EFFEC YEAR(S)        14:37:50

                TOTAL      NON CRIT     PREMIUM    NON CRIT    LOSS      NON CRIT
      YEAR     POLICIES    POLICIES     RECORDS    PREM REC   RECORDS    LOSS REC
===============================================================================
      2006     13,896         39        308,227       865     11,446       108

 ERROR    NON CRIT    ERROR    =   OVER TOLERANCE    =
 CODES    POLICIES    PERCNT  1ST DATE       DEADLINE    LAST MAS TO BE PROCESSED
 - 02 -        4       .03
 - 03 -        6       .04
 - 04 -        1       .01
 - 05 -        8       .06
 - 08 -        0       .00
 - 09 -        1       .01
 - 10 -       16       .12
 - 11 -        5       .04
 - 12 -        2       .01
 PF1/01 - HELP PANEL         SELECT FUNCTION           PF3/03  - UPDATE MESSAGE
 PF4/04 - DELETE MESSAGE          :   :                PF12/12 - RETURN TO MENU
```

IX. INFORMATIONAL LISTINGS (continued)

3. Critical/Non-Critical Analysis (continued)

You can view by Non Critical Error Code and Effective Year Dollars (PF8).

This option is useful if you wish to view a summary of the policy *dollars* on the Non Critical Error List in a specific month. Type in the desired month and year and hit (PF8).

```
CO700SB               COMMONWEALTH AUTOMOBILE REINSURERS           07/01/2007
COMPANY  999               ACCOUNTING ONLINE ACCESS SYSTEM         12:17:52


          (1) CRITICAL  ANALYSIS     .....   EFFECTIVE YEAR (FORMAT = YYYY )
              ( ALL ERROR CODES )             EFFECTIVE YEAR ( ALL  )
                          SELECT  .....  PF5 OR  05

          (2) CRITICAL  ANALYSIS     .....   DATE ERROR LISTED (FORMAT=MM/YYYY)
              ( EARLIEST DATE SHOWN )         DATE ERROR LISTED ( 04 / 2007 )
                          SELECT  .....  PF6 OR  06

          (3) NON CRITICAL POLICIES  .....   EFFECTIVE YEAR (FORMAT=YYYY)
              ( ALL ERROR CODES   )           EFFECTIVE YEAR ( 2005 )
                          SELECT  .....  PF7 OR  07

          (4) NON CRITICAL DOLLARS   .....   EFFECTIVE YEAR (FORMAT=YYYY)
              ( ALL ERROR CODES   )           EFFECTIVE YEAR ( 2005 )
                          SELECT  .....  PF8 OR  08

          TYPE OVER ( DEFAULTS ) - SELECT FUNCTION KEY/ENTER NUMBER
PF1/01 - HELP PANEL                  :    :              PF12/12 - RETURN TO MENU
```

```
COMPANY 999              COMMONWEALTH AUTOMOBILE REINSURERS           CO730SA
                          ACCOUNTING ONLINE ACCESS SYSTEM            07/01/2007
                            NON CRITICAL ANALYSIS                    14:42:42

          TOTAL     NON CRIT    PREMIUM    NON CRIT     LOSS        NON CRIT
  YEAR   POLICIES   POLICIES    DOLLARS    PREM DOLL   DOLLARS      LOSS DOLL
================================================================================
_ 2005   24,521        135 46,861,568      9,470 27,478,031         31,918-
_ 2006   13,896         39 46,643,651     24,951- 11,245,145         12,086
_ 2007    5,837          0 12,160,028          0    254,630              0







PF1/01 - HELP PANEL          SELECT FUNCTION :    :      PF3/03  - SELECT YEAR
PF7/07 - PAGE BACKWARD       PF8/08 - PAGE FORWARD       PF12/12 - RETURN TO MENU
```

You may then choose to view the dollar breakdown by Error Codes by placing an "X" next to the desired List Date and hitting (PF3).

Commonwealth Automobile Reinsurers

POLICY EDIT PACKAGE

IX. INFORMATIONAL LISTINGS (continued)

4. Premiums/Losses Written Off

Once Premium and Loss records are written off in accordance with the critical error penalty programs CAR creates summary reports respectively.

To view the Premiums/Losses Written Off:

☞ From the Telecommunications Main Menu select "C.A.R. ACCOUNTING" (PF2).

```
TE100SB            COMMONWEALTH AUTOMOBILE REINSURERS          07/01/2007
TEMENUSA                     TELECOMMUNICATIONS                  10:59:29


               C.A.R. ACCOUNTING          ........... PF2  OR 02

               CESSION SYSTEM             ........... PF3  OR 03

               STATISTICAL SYSTEM         ........... PF4  OR 04

               PRODUCER CODE SYSTEM       ........... PF5  OR 05

               TAXI INDEX SYSTEM          ........... PF6  OR 06

               AUDIT & CLAIMS SYSTEM      ........... PF7  OR 07

               EXPERIENCE RATING SYSTEM ............. PF8  OR 08

               TERMINATE C.A.R. SESSION ............. PF12 OR 12

                              :    :
                   DEPRESS PFKEY OR ENTER PROCESSING OPTION
```

☞ Type in your company number and select "ACCOUNTING CORRECTIONS" (PF5).

```
 TE120             COMMONWEALTH AUTOMOBILE REINSURERS          07/01/2007
                        C.A.R. ACCOUNTING SYSTEM                11:01:57



                   COMPANY NUMBER ..... 999



             CAR POLICY HISTORIES      ..... PF2  OR 02
             PRODUCER INQUIRIES        ..... PF3  OR 03
             CESSION BROWSE OPTIONS    ..... PF4  OR 04
             ACCOUNTING CORRECTIONS    ..... PF5  OR 05




                         :       :

 PF1/01 - HELP                             PF12/12 - RETURN TO MENU
```

Commonwealth Automobile Reinsurers

POLICY EDIT PACKAGE

IX. INFORMATIONAL LISTINGS (continued)

4. Premiums/Losses Written Off (continued)

☞ Under Informational Listings, select "PREMIUMS AND LOSSES WRITTEN-OFF" (PF8).

```
COMPANY 999            COMMONWEALTH AUTOMOBILE REINSURERS         CO100SA
                       ACCOUNTING ONLINE ACCESS SYSTEM           07/01/2007
                           MENU SELECTIONS                       11:03 AM

        ERROR LISTINGS:
            CRITICAL ERROR POLICIES      (CA2400) ..... PF2  OR  02
            NON CRITICAL ERROR POLICIES  (CA2685) ..... PF3  OR  03
            WARNING AND PENALTY POLICIES (CA2500) ..... PF4  OR  04

        INFORMATIONAL LISTINGS:
            NET NEGATIVE PREMIUMS         (CA4000) ..... PF5  OR  05
            OUTSTANDING LOSS RESERVES     (CA4100) ..... PF6  OR  06
            CRITICAL/NON CRITICAL ANALYSIS (CA2650) ..... PF7  OR  07
            PREMIUMS AND LOSSES WRITTEN-OFF (CA3200) ..... PF8  OR  08

        REVIEW MESSAGES:
            REVIEW/UPDATE POLICY MESSAGES          ..... PF9  OR  09
            REVIEW CAR NEWSLETTER                  ..... PF11 OR  11


                   SELECT FUNCTION KEY/ENTER NUMBER
   PF1/01 - HELP PANEL               :    :          PF12/12 - RETURN TO MENU
```

```
 COMPANY 999            COMMONWEALTH AUTOMOBILE REINSURERS         CO800SA
 NEXT LOSS WO 06/30/2007   ACCOUNTING ONLINE ACCESS SYSTEM        07/01/2007
 NEXT PREM WO 04/25/2008    RECORDS WRITTEN OFF (CA3200)          02:49:26




              (1) EFFECTIVE YEAR  - (FORMAT=YYYY) ( ALL )
                     PREMIUM POLICIES ....... PF5  OR  05
                     COMPANY SUMMARY  ....... PF15 OR  15


              (2) WRITE OFF YEAR  - (FORMAT=YYYY)  ( ALL )
                  WRITE OFF MONTH - (FORMAT=MM)    ( ALL )  OPTIONAL
                     LOSS POLICIES    ....... PF6  OR  06
                     COMPANY SUMMARY  ....... PF16 OR  16




          TYPE OVER ( DEFAULTS ) - SELECT FUNCTION KEY/ENTER NUMBER
    PF1/01 - HELP PANEL               :    :          PF12/12 - RETURN TO MENU
```

IX. INFORMATIONAL LISTINGS (continued)

4. Premiums/Losses Written Off (continued)

To view Premium Policies written off, type in the effective year of the policies you wish to view (or choose ALL) and hit (PF5).

```
COMPANY  999            COMMONWEALTH AUTOMOBILE REINSURERS          CO810SA
NEXT WO  04/25/2008        ACCOUNTING ONLINE ACCESS SYSTEM         07/01/2007
EFF YR   ALL             POLICIES WRITTEN OFF - PREMIUM            02:50 PM


                        COV EFF  COV EXP  === PREM WO === === LOSS WO === MSG DT
   YR POLICY NUMBER     MM/DD/YY MM/DD/YY RECORDS DOLLARS RECORDS DOLLARS MMDDYY
_  98 4231994           11/17/98 11/17/99    19      5       0      0
_  98 4656787           02/28/98 02/28/99   103      5       0      0
_  98 4832834           12/16/98 12/16/99    35      5       0      0
_  98 5260559           11/20/98 11/20/99    11      5       0      0
_  98 5579698           99/99/99 00/00/00     7      5       0      0
_  98 5582841           04/09/98 04/09/99    79      4       0      0
_  98 5766903           06/10/98 06/10/99    54      5       0      0
_  99 5424852           07/25/99 07/25/00    32    920       0      0 022702
_  99 5869782           01/01/99 01/01/00    64   1164       0      0
_  00 4246238           99/99/99 00/00/00    39      5       0      0
                  TYPE 'X' BESIDE YR OF CHOSEN POLICY

PF1/01 - HELP PANEL    SELECT FUNCTION/ENTER NUMBER   PF3/03  - SELECT POLICY
PF7/07 - PAGE BACKWARD            :    :             PF8/08  - PAGE FORWARD
PF9/09 - POLICY MESSAGE   PF10/10 - POLICY HISTORY    PF12/12 -
RETURN TO MENU
```

You may then choose to view the specific records for Premiums Written-Off by placing an "X" next to the policy and hitting (PF3).

IX. INFORMATIONAL LISTINGS (continued)

4. Premiums/Losses Written Off (continued)

To view Loss Policies written off, type in the effective year of the policies you wish to view (or choose ALL) and hit (PF6).

```
COMPANY 999            COMMONWEALTH AUTOMOBILE REINSURERS            CO800SA
NEXT LOSS WO 06/30/2007     ACCOUNTING ONLINE ACCESS SYSTEM        07/01/2007
NEXT PREM WO 04/25/2008      RECORDS WRITTEN OFF (CA3200)            02:49:26




           (1) EFFECTIVE YEAR  - (FORMAT=YYYY)  ( ALL  )
                   PREMIUM POLICIES ....... PF5  OR  05
                   COMPANY SUMMARY  ....... PF15 OR  15


           (2) WRITE OFF YEAR  - (FORMAT=YYYY)  ( ALL  )
                 WRITE OFF MONTH - (FORMAT=MM)    ( ALL )  OPTIONAL
                   LOSS POLICIES   ....... PF6  OR  06
                   COMPANY SUMMARY  ....... PF16 OR  16




         TYPE OVER ( DEFAULTS ) - SELECT FUNCTION KEY/ENTER NUMBER
PF1/01 - HELP PANEL                 :    :          PF12/12 - RETURN TO MENU

```

```
COMPANY  999           COMMONWEALTH AUTOMOBILE REINSURERS            CO810SA
NEXT WO  06/30/2007        ACCOUNTING ONLINE ACCESS SYSTEM         07/01/2007
WO YEAR  ALL          POLICIES WRITTEN OFF - LOSS                   02:55 PM
WO MONTH ALL


                     COV EFF  COV EXP  === PREM WO === === LOSS WO === MSG DT
  YR POLICY NUMBER   MM/DD/YY MM/DD/YY RECORDS DOLLARS RECORDS DOLLARS MMDDYY
_ 97 5318880         03/03/97 02/01/98       0       0       1     -35
_ 97 5348895         04/14/97 03/17/98       0       0       1    -522
_ 97 5368444         05/12/97 02/24/98       0       0       1    -273
_ 97 5411123         07/16/97 09/30/97       0       0       1    -465
_ 97 5454019         09/17/97 08/26/98       0       0       4       0
_ 97 5455247         07/11/97 07/31/97       0       0       2       0
_ 97 5464260         09/12/97 05/31/98       0       0       7   -1714 100799
_ 97 5505047         11/18/97 11/30/97       0       0       6   -3956
_ 97 9662232         08/14/97 01/01/98       0       0       2       0
_ 98 4268529         07/09/98 05/01/99       0       0       2     -10
                 TYPE 'X' BESIDE YR OF CHOSEN POLICY

 PF1/01 - HELP PANEL    SELECT FUNCTION/ENTER NUMBER   PF3/03  - SELECT POLICY
 PF7/07 - PAGE BACKWARD            :    :              PF8/08  - PAGE FORWARD
 PF9/09 - POLICY MESSAGE   PF10/10 - POLICY HISTORY    PF12/12 - RETURN
TO MENU

```

IX. INFORMATIONAL LISTINGS (continued)

4. Premiums/Losses Written Off (continued)

You may then choose to view the specific records for Losses Written-Off by placing an "X" next to the policy and hitting (PF3).

X. FLAT CANCELLATION AUDIT

CAR monitors for proper use of transaction 4 cessions and transaction 15 accounting records by Servicing Carriers. In February and August of each year, CAR performs a Flat Cancellation Audit.

Please reference the Manual of Administrative Procedures, Chapter II, for more detailed information regarding proper policy cancellation procedures.

1. WHAT IS THE FLAT CANCELLATION AUDIT?

In order to insure that companies are not improperly flat canceling policies that have, in fact, been renewed or written voluntary, CAR produces a list of flat cancelled policies for each Servicing Carrier in February and August of each year. CAR then requires each company to submit valid documentation for at least 80% of the policies sample for both TX4 and TX15 cancellation transactions showing each policy was not written or not renewed. Penalties may be assessed for companies not able to provide at least 80% of such documentation or for incorrect flat cancellations.

2. WHAT IS SAMPLED?

CAR samples flat cancelled policies cancelled via TX4 cession and/or TX15 premium transaction and meeting the criteria below:

- Having policy effective dates within the three most current years.
- Which have been flat cancelled within the previous six month period.

The sample separates the policies first by policy effective year and then by transaction type.

3.   HOW MANY ARE SAMPLED

- For less than 1,000 flat cancelled policies, CAR samples 5 policies.
- For more than 1,000 flat cancelled policies, CAR samples 10 policies.
- For less than 5 cancelled policies, CAR samples all policies.

4. PROPER DOCUMENTATION

The following is a list of acceptable documentation that may be submitted to validate the flat cancellation of a policy:

- Statutory Notice of Cancellation.
- Plate Return Receipt.
- Change of Carrier Notice (Form 2A).
- Registry of Motor Vehicle Printouts indicating any of the above.
- Evidence that the policy was cancelled prior to renewal.
- Evidence that the policy was ceded under another policy.

X. FLAT CANCELLATION AUDIT (continued)

! Other circumstances may occur that require the flat cancellation of a policy. Check with your Data Analyst to see if the situation and documentation are acceptable.

5. PENALTY ASSESSMENT

CAR requires each Servicing Carrier who receives a Flat Cancellation Audit to provide proper documentation results to their Data Analyst by the due date indicated on the Audit, usually around 60 calendar days from the mailing date.

Additionally, the Servicing Carrier must provide acceptable documentation to validate the flat cancellation for 80% of each category of policies sampled. For example, if five transaction 15 policies were sampled for the 2004 effective year, the Servicing Carrier must provide proper documentation for at least four of those five policies sampled in that category.

Failure to comply with the above requirements will result in the following penalties:

Late Audit Response: **$250** for a response received within 14 calendar past the due date.
$500 for a response received after 14 calendar past the due date.

Improper *or* Missing Documentation   CAR assesses a penalty equal to the average premium for commercial and private passenger policies for the previous policy effective year. The respective penalty amount applies to each undocumented policy exceeding the 80% tolerance minimum.

XI. CAR215 LISTING

Quarterly, CAR distributes the CR215 – Summary Report of Backdate Producers to Servicing Carriers. This report displays, by producer:

*ceded policy totals
*automatically backdated policy totals
*dollar totals for paid and outstanding losses that are valid due to the backdate

The report lists only those producers which are designated for automatic backdating; that is, those with which the Servicing Carrier has no voluntary contract and has elected a particular market segment for 100% cede/100% autobackdating. There are two backdating options available to Servicing Carriers relative to Exclusive Representative Producers.

0 = No autobackdating
2 = Only new business autobackdating

Both options can be broken down between private passenger and commercial business. So that for example, a Servicing Carrier could have an Exclusive Representative Producer's private passenger new business set up for 100% autobackdating only, while commercial new business is not.

CAR produces the listing on approximately the first day of March, June, September, and December. It includes cessions received through the first day of the previous month. Servicing Carriers may request a detail listing (CR220) of those policies automatically backdated.

Monitoring of New Business Autobackdating –

CAR monitors the percentage of business Servicing Carriers autobackdated on new business (transaction 1) policies. Private passenger and commercial business are monitored separately. Servicing Carriers can autobackdate only 5% of their private passenger and commercial new business. If more than 5% of involuntary new business cessions are automatically backdated, for either private passenger or commercial business, CAR contacts the Servicing Carrier in writing to request that they notify CAR of an action plan. The action plan should be designed to insure that their future reportings become timely.

CAR gives an industry summary of the CAR215 and Servicing Carrier responses to the Operations Committee. Based upon individual review of the circumstances causing a Servicing Carrier's involuntary producer cessions to be untimely, the Operations Committee considers whether to recommend to the Governing Committee penalties to insure that the timeliness of the producer's cession reporting

XII. PENALTY PROGRAMS AND PENALTY FORECASTING REPORT

SUMMARY OF PENALTY PROGRAMS

The list of penalty programs below is associated with CAR's accounting system only. Other systems may employ a separate penalty program such as the Rate Edit, Annual Statement Reconciliation, Rule 12, etc.

- **Critical Error Loss Write-Off & 10% Loss of Investment Fee**

  Once a policy has been in critical error status for one year, all paid losses in critical error are eligible to be written of and assessed a 10% fee. The write-off date is one year from the assigned 1st critical list date. The write-off program runs on the last Saturday of every month.

- **Audit Review of Non-Critical Policies**

  CAR monitors non critical policies for the two current effective years. Each non-critical error code has a tolerance of 1% and 10 policies in error. If for any one effective year and error code, the number of non critical records exceeds the tolerance, the company has nine months to reduce the number of errors. If, after nine months, the number of errors continues to exceed the 1% tolerance, the company is subject to a penalty of $50 per policy over the tolerance. The penalty cycle then repeats for another nine-month period or until the last listing cycle penalty, whichever occurs first.

- **$60 Cession/No Premium Policies**

  CAR assesses a $60 penalty against each policy that appears on the penalty list on May 28 and November 28 of each year. This penalty is assessed against the three most current reporting years and those cessions for which no positive premium exists.

- **Cession/No Premium Write-Off**

  Following the close of a cession reporting year, CAR assesses a penalty against each policy that appears on both the warning and the penalty list. This is a final penalty for those policies and is equal to the average statewide premium per policy.

- **Net Negative Premium Write-Off**

  Following the close of premium reporting for an effective year, CAR identifies those policies that have an overall premium amount of less than $0. For each policy that contains a premium dollar amount of less than $0, CAR creates offsetting records to net that policy to $0. The offsetting records are processed through the quarterly Settlement of Balances process in the 1st quarter of each year.

XII. PENALTY PROGRAMS AND PENALTY FORECASTING REPORT

■ **Flat Cancellation Documentation Listing**

Two times per year, in February and August, CAR runs the CA5010 listing. This listing grabs a sample of flat cancelled policies for the previous six months. The Servicing Carrier must supply valid documentation by the due date for at least 80% of the policies sampled. CAR assesses a penalty if it receives the documentation late and/or if the documentation that was provided is not valid for 80% of the policies.

PENALTY FORECASTING REPORT

CAR produces a penalty forecasting report four times per year so that Servicing Carriers can project any future potential penalties. It produces the report in March, June, September, and December which lists potential $60 cession/no premium penalties, cession/no premium write-off penalties, net negative write-off records, critical error loss write-off amount, audit review penalties, rate edit records, and rule 12 error percentages. It is a great way of tracking potential penalties and identifying corrective actions to avoid them.

This secure report is available on CAR's website under the reports tab. To gain access, please contact your company's security administrator to request a user id and password. For any other questions, please contact your company's Data Analyst or e-mail the Data Operations Department at dataoperations@commauto.com.

RECOMMENDATIONS TO MONITOR PENDING PENALTY ACTIVITY

Critical Error Loss Write-Off: Use the summary function within the critical errors functions in the telecommunications application to see the upcoming write-off activity. The screens below show an example:

```
 COMPANY 999              COMMONWEALTH AUTOMOBILE REINSURERS           CO100SA
                          ACCOUNTING ONLINE ACCESS SYSTEM              07/01/2007
                                 MENU SELECTIONS                       03:32 PM


       ERROR LISTINGS:
            CRITICAL ERROR POLICIES      (CA2400) .....  PF2  OR  02
            NON CRITICAL ERROR POLICIES  (CA2685) .....  PF3  OR  03
            WARNING AND PENALTY POLICIES (CA2500) .....  PF4  OR  04

       INFORMATIONAL LISTINGS:
            NET NEGATIVE PREMIUMS        (CA4000) .....  PF5  OR  05
            OUTSTANDING LOSS RESERVES    (CA4100) .....  PF6  OR  06
            CRITICAL/NON CRITICAL ANALYSIS (CA2650) .....  PF7  OR  07
            PREMIUMS AND LOSSES WRITTEN-OFF (CA3200) .....  PF8  OR  08

       REVIEW MESSAGES:
            REVIEW/UPDATE POLICY MESSAGES        .....  PF9  OR  09
            REVIEW CAR NEWSLETTER                .....  PF11 OR  11



                    SELECT FUNCTION KEY/ENTER NUMBER
 PF1/01 - HELP PANEL            :    :            PF12/12 - RETURN TO MENU
```

Commonwealth Automobile Reinsurers

POLICY EDIT PACKAGE

XII. PENALTY PROGRAMS AND PENALTY FORECASTING REPORT (continued)

```
 COMPANY 999              COMMONWEALTH AUTOMOBILE REINSURERS        CO200SA
                          ACCOUNTING ONLINE ACCESS SYSTEM          07/01/2007
                            CRITICAL ERRORS (CA2400)               03:34:45


            (1) ERROR CODE  (1,6 OR 7)  AND  EFFECTIVE YEAR  (FORMAT=YYYY)
                ERROR CODE(S)  ( ALL )       EFFECTIVE YEAR  ( ALL  )
                    SELECT POLICIES  ..... PF5  OR  05
                    COMPANY SUMMARY  ..... PF15 OR  15

            (2) ERROR LIST DATE (LATEST DATE IS SHOWN)      (FORMAT=MM/YYYY)
                ERROR LIST DATE    ( 06 / 2007 )
                    SELECT POLICIES  ..... PF6  OR  06
                    COMPANY SUMMARY  ..... PF16 OR  16

            (3) WRITE-OFF DATE (NEXT ELIGIBLE DATE IS SHOWN) (FORMAT=MM/YYYY)
                WRITE-OFF ELIGIBLE ( 06 / 2007 )
                    SELECT POLICIES  ..... PF7  OR  07
                    COMPANY SUMMARY  ..... PF17 OR  17

          TYPE OVER ( DEFAULTS ) - SELECT FUNCTION KEY/ENTER NUMBER
     PF1/01 - HELP PANEL                :    :          PF12/12 - RETURN TO MENU
```

```
 COMPANY 999              COMMONWEALTH AUTOMOBILE REINSURERS        CO276SA
                          ACCOUNTING ONLINE ACCESS SYSTEM          07/01/2007
 NEXT WO 06/30/2007    CRITICAL SUMMARY 06/2007 W/O ELIGIBLE       15:36:40

   ELIGIBLE        TOTAL     =  P R E M S   =     =  L O S S E S  =
   W/O DATE      POLICIES  RECORDS    DOLLARS     RECORDS    DOLLARS
 ==========================================================================
 _ 10/2007           3        0          0           10      3,537
 _ 11/2007           4       119         0           21      1,849-
 _ 12/2007           5        0          0            7      4,382
 _ 01/2008           2        0          0            2     10,310
 _ 02/2008           3        0          0            6      4,686
 _ 03/2008           3       38       25,666          8     41,981
 _ 04/2008           4       93       33,803          5     10,384
 _ 05/2008          27      785      232,428         23     15,977
 _ 06/2008          34      538      254,920          1        353


    TYPE 'X' BESIDE LIST DATE ENTRY FOR ERROR CODE WITHIN YEAR SUMMARY

 PF1/01 - HELP PANEL        SELECT FUNCTION :    :     PF3/03  - SELECT DATE
 PF7/07 - PAGE BACKWARD    PF8/08  - PAGE FORWARD      PF12/12 - RETURN TO MENU
```

Audit Review of Non-Critical Policies: Follow the following sequence of screens/PF keys to monitor the volume of non-critical errors. If the percentage of errors is near 1% on the final screen, you should begin investigating the problem and fixing the errors. Also, the final screen below shows the deadline date if an error code exceeds the tolerance.

Commonwealth Automobile Reinsurers

POLICY EDIT PACKAGE

XII. PENALTY PROGRAMS AND PENALTY FORECASTING REPORT (continued)

```
 COMPANY 999              COMMONWEALTH AUTOMOBILE REINSURERS          CO100SA
                          ACCOUNTING ONLINE ACCESS SYSTEM             07/01/2007
                                MENU SELECTIONS                       03:43 PM


          ERROR LISTINGS:
               CRITICAL ERROR POLICIES        (CA2400) ..... PF2  OR  02
               NON CRITICAL ERROR POLICIES    (CA2685) ..... PF3  OR  03
               WARNING AND PENALTY POLICIES   (CA2500) ..... PF4  OR  04

          INFORMATIONAL LISTINGS:
               NET NEGATIVE PREMIUMS          (CA4000) ..... PF5  OR  05
               OUTSTANDING LOSS RESERVES      (CA4100) ..... PF6  OR  06
               CRITICAL/NON CRITICAL ANALYSIS (CA2650) ..... PF7  OR  07
               PREMIUMS AND LOSSES WRITTEN-OFF (CA3200) ..... PF8  OR  08

          REVIEW MESSAGES:
               REVIEW/UPDATE POLICY MESSAGES          ..... PF9  OR  09
               REVIEW CAR NEWSLETTER                  ..... PF11 OR  11



                       SELECT FUNCTION KEY/ENTER NUMBER
     PF1/01 - HELP PANEL              :   :           PF12/12 - RETURN TO MENU
```

```
 CO700SB               COMMONWEALTH AUTOMOBILE REINSURERS          07/01/2007
 COMPANY  999              ACCOUNTING ONLINE ACCESS SYSTEM         03:44:33


          (1) CRITICAL  ANALYSIS      .....   EFFECTIVE YEAR (FORMAT = YYYY )
              ( ALL ERROR CODES )             EFFECTIVE YEAR ( ALL  )
                            SELECT ..... PF5 OR  05

          (2) CRITICAL  ANALYSIS      .....   DATE ERROR LISTED (FORMAT=MM/YYYY)
              ( EARLIEST DATE SHOWN )         DATE ERROR LISTED ( 06 / 2007 )
                            SELECT ..... PF6 OR  06

          (3) NON CRITICAL POLICIES   .....   EFFECTIVE YEAR (FORMAT=YYYY)
              ( ALL ERROR CODES   )           EFFECTIVE YEAR ( 2005 )
                            SELECT ..... PF7 OR  07

          (4) NON CRITICAL DOLLARS    .....   EFFECTIVE YEAR (FORMAT=YYYY)
              ( ALL ERROR CODES   )           EFFECTIVE YEAR ( 2005 )
                            SELECT ..... PF8 OR  08

          TYPE OVER ( DEFAULTS ) - SELECT FUNCTION KEY/ENTER NUMBER
     PF1/01 - HELP PANEL              :   :           PF12/12 - RETURN TO MENU
```

Commonwealth Automobile Reinsurers

POLICY EDIT PACKAGE

XII. PENALTY PROGRAMS AND PENALTY FORECASTING REPORT (continued)

```
COMPANY 999            COMMONWEALTH AUTOMOBILE REINSURERS        CO720SA
                       ACCOUNTING ONLINE ACCESS SYSTEM           07/01/2007
                           NON CRITICAL ERRORS                   15:48:00

                TOTAL      NON CRIT    PREMIUM    NON CRIT    LOSS      NON CRIT
     YEAR     POLICIES     POLICIES    RECORDS    PREM REC   RECORDS    LOSS REC
=================================================================================
X   2006      21,327         542       527,814     8,743     23,067       459
_   2007       9,353         107        40,117     1,052        771         0




           TYPE 'X' BESIDE YEAR ENTRY FOR ERROR CODE WITHIN YEAR SUMMARY
                           SELECT FUNCTION
PF1/01 - HELP PANEL            :    :              PF3/03  - SELECT YEAR
PF7/07 - PAGE BACKWARD    PF8/08 - PAGE FORWARD    PF12/12 - RETURN TO MENU
```

```
COMPANY 999            COMMONWEALTH AUTOMOBILE REINSURERS        CO720SB
                       ACCOUNTING ONLINE ACCESS SYSTEM           07/01/2007
                       NON CRITICAL ANALYSIS    EFFEC YEAR(S)    15:49:26

                TOTAL      NON CRIT    PREMIUM    NON CRIT    LOSS      NON CRIT
     YEAR     POLICIES     POLICIES    RECORDS    PREM REC   RECORDS    LOSS REC
=================================================================================
    2006       21,327        542       527,814     8,743     23,067       459

ERROR     NON CRIT    ERROR   =   OVER TOLERANCE    =
CODES     POLICIES    PERCNT  1ST DATE      DEADLINE    LAST MAS TO BE PROCESSED
- 02 -         41       .19
- 03 -         11       .05
- 04 -        100       .47
- 05 -        324      1.52 * 200611       200708      200706
- 08 -          0       .00
- 09 -          0       .00
- 10 -         52       .24
- 11 -         43       .20
- 12 -         49       .23
PF1/01 - HELP PANEL         SELECT FUNCTION         PF3/03  - UPDATE MESSAGE
PF4/04 - DELETE MESSAGE          :    :             PF12/12 - RETURN TO MENU
```

$60 Cession/No Premium Policies: To monitor the potential assessment of a $60 fee, you need to use a combination of screens in conjunction with the table below to determine a potential penalty.

XII. PENALTY PROGRAMS AND PENALTY FORECASTING REPORT (continued)

CAR assesses the $60 fee twice per year against cessions that list on the penalty list on 5/28 and 11/28. The following table shows the movement of a cession to the warning list and then to the penalty list. It is possible for a cession to move to the penalty list on either 5/28 or 11/28 for the first time and be assessed a penalty immediately based upon the schedule below.

Policy Effective Date	1st Warned Date & Appears on Warning List	Appears on Penalty List
January Eff Date	4/28/07	9/28/07
February Eff Date	5/28/07	10/28/07
March Eff Date	6/28/07	11/28/07
April Eff Date	7/28/07	12/28/07
May Eff Date	8/28/07	1/28/08
June Eff Date	9/28/07	2/28/08
July Eff Date	10/28/07	3/28/08
August Eff Date	11/28/07	4/28/08
September Eff Date	12/28/07	5/28/08
October Eff Date	1/28/08	6/28/08
November Eff Date	2/28/08	7/28/08
December Eff Date	3/28/08	8/28/08

Example: A January policy that contains no active, ceded premium appears on the warning list on 4/28. On September 28, it moves to the penalty and is eligible for a penalty on 11/28.

Follow the screens below to determine the potential penalty on 11/28/07.

```
COMPANY 999              COMMONWEALTH AUTOMOBILE REINSURERS          CO100SA
                           ACCOUNTING ONLINE ACCESS SYSTEM           07/01/2007
                                 MENU SELECTIONS                     10:40 AM

        ERROR LISTINGS:
             CRITICAL ERROR POLICIES      (CA2400) .....  PF2  OR  02
             NON CRITICAL ERROR POLICIES  (CA2685) .....  PF3  OR  03
             WARNING AND PENALTY POLICIES (CA2500) .....  PF4  OR  04

        INFORMATIONAL LISTINGS:
             NET NEGATIVE PREMIUMS        (CA4000) .....  PF5  OR  05
             OUTSTANDING LOSS RESERVES    (CA4100) .....  PF6  OR  06
             CRITICAL/NON CRITICAL ANALYSIS (CA2650) .....  PF7  OR  07
             PREMIUMS AND LOSSES WRITTEN-OFF (CA3200) .....  PF8  OR  08

        REVIEW MESSAGES:
             REVIEW/UPDATE POLICY MESSAGES         .....  PF9  OR  09
             REVIEW CAR NEWSLETTER                 .....  PF11 OR  11


                     SELECT FUNCTION KEY/ENTER NUMBER
        PF1/01 - HELP PANEL              :    :          PF12/12 - RETURN TO MENU
```

XII. PENALTY PROGRAMS AND PENALTY FORECASTING REPORT (continued)

To determine the number of cessions eligible for a penalty on 11/28, first hit PF15. (Using the PF5 key provides a detail list of all cessions currently on the penalty list all of which are eligible for a penalty on 11/28).

```
COMPANY 999            COMMONWEALTH AUTOMOBILE REINSURERS           CO400SA
                         ACCOUNTING ONLINE ACCESS SYSTEM            07/01/2007
                          WARNING & PENALTY (CA2500)                10:41:27


         (1) PENALTY POLICIES - BY RISK TYPE (0, 1, 2 OR ALL)  ( ALL )
                     SELECT POLICIES ....... PF5  OR  05
                     COMPANY SUMMARY ....... PF15 OR  15

         (2) WARNING POLICIES - BY RISK TYPE (0, 1, 2 OR ALL)  ( ALL )
                     SELECT POLICIES ....... PF6  OR  06
                     COMPANY SUMMARY ....... PF16 OR  16

         (3) WARNING & PENALTY POLICIES BY LIST DATE (MM/YYYY) ( 06 / 2007 )
                     SELECT POLICIES ....... PF7  OR  07
                     COMPANY SUMMARY ....... PF17 OR  17

         (4) WARNING POLICIES APPEARING ON LATEST LIST DATE   ( 05/2007 )
                     SELECT POLICIES ....... PF8  OR  08



         TYPE OVER ( DEFAULTS )  - SELECT FUNCTION KEY/ENTER NUMBER
   PF1/01 - HELP PANEL               :    :         PF12/12 - RETURN TO MENU
```

```
 COMPANY 999            COMMONWEALTH AUTOMOBILE REINSURERS           CO475SA
                          ACCOUNTING ONLINE ACCESS SYSTEM            07/01/2007
                          PENALTY SUMMARY ALL RISK TYPE(S)           10:46:18

               WARNING               PENALTY              WRITE-OFF
    YEAR   CESSIONS      DOLLARS   CESSIONS      DOLLARS  CESSIONS        DOLLARS
   ============================================================================
 _ 2006       138        8,280        169       10,140      307               0







      TYPE 'X' BESIDE YEAR ENTRY FOR RISK TYPE WITHIN YEAR SUMMARY

  PF1/01 - HELP PANEL          SELECT FUNCTION :    :    PF3/03  - SELECT YEAR
  PF7/07 - PAGE BACKWARD    PF8/08  - PAGE FORWARD    PF12/12 - RETURN TO MENU
```

XII. PENALTY PROGRAMS AND PENALTY FORECASTING REPORT (continued)

Secondly, because we know that any cession with a first warned list date of 06/28 or prior is also eligible for a penalty on 11/28, you should also use the list date function to view cessions on the warning list currently that will move to the penalty list.

```
COMPANY 999            COMMONWEALTH AUTOMOBILE REINSURERS           CO400SA
                         ACCOUNTING ONLINE ACCESS SYSTEM            07/01/2007
                           WARNING & PENALTY (CA2500)               10:51:40

         (1) PENALTY POLICIES - BY RISK TYPE (0, 1, 2 OR ALL) ( ALL )
                     SELECT POLICIES ....... PF5  OR   05
                     COMPANY SUMMARY ....... PF15 OR   15

         (2) WARNING POLICIES - BY RISK TYPE (0, 1, 2 OR ALL)  ( ALL )
                     SELECT POLICIES ....... PF6  OR   06
                     COMPANY SUMMARY ....... PF16 OR   16

         (3) WARNING & PENALTY POLICIES BY LIST DATE (MM/YYYY) ( 02 / 2007 )
                     SELECT POLICIES ....... PF7  OR   07
                     COMPANY SUMMARY ....... PF17 OR   17

         (4) WARNING POLICIES APPEARING ON LATEST LIST DATE   ( 05/2007 )
                     SELECT POLICIES ....... PF8  OR   08


         TYPE OVER ( DEFAULTS )  - SELECT FUNCTION KEY/ENTER NUMBER
PF1/01 - HELP PANEL                   :    :           PF12/12 - RETURN TO MENU
```

```
COMPANY 999            COMMONWEALTH AUTOMOBILE REINSURERS           CO476SA
                         ACCOUNTING ONLINE ACCESS SYSTEM            07/01/2007
                        WARNING SUMMARY 02/2007 LIST DATE           10:56:06

              LIST        WARNING              PENALTY
              DATE    CESSION  DOLLARS     CESSION  DOLLARS
           =================================================
           _ 02/28/2007      24    1,440        0        0
           _ 03/28/2007      79    4,740        0        0
           _ 04/28/2007      45    2,700        0        0
           _ 05/28/2007      61    3,660        0        0
           _ 06/28/2007      55    3,300        0        0




              TOTALS SHOWN REFLECT ALL ACTIVITY FOR THE MONTH

PF1/01 - HELP PANEL        SELECT FUNCTION :    :     PF3/03  - SELECT DATE
PF7/07 - PAGE BACKWARD     PF8/08 - PAGE FORWARD       PF12/12 - RETURN TO MENU
```

XII. PENALTY PROGRAMS AND PENALTY FORECASTING REPORT (continued)

Cession/No Premium Write-Off: This program runs once per year following the close of cession reporting. A penalty is assessed against every cession appearing on both the warning and penalty list regardless of when it first listed. To see the potential penalty, use the following screens.

```
COMPANY 999          COMMONWEALTH AUTOMOBILE REINSURERS          CO400SA
                     ACCOUNTING ONLINE ACCESS SYSTEM             07/01/2007
                     WARNING & PENALTY (CA2500)                  11:48:44

        (1) PENALTY POLICIES - BY RISK TYPE (0, 1, 2 OR ALL) ( ALL )
                     SELECT POLICIES ....... PF5  OR  05
                     COMPANY SUMMARY ....... PF15 OR  15

        (2) WARNING POLICIES - BY RISK TYPE (0, 1, 2 OR ALL) ( ALL )
                     SELECT POLICIES ....... PF6  OR  06
                     COMPANY SUMMARY ....... PF16 OR  16

        (3) WARNING & PENALTY POLICIES BY LIST DATE (MM/YYYY) ( 06 / 2007 )
                     SELECT POLICIES ....... PF7  OR  07
                     COMPANY SUMMARY ....... PF17 OR  17

        (4) WARNING POLICIES APPEARING ON LATEST LIST DATE   ( 05/2007 )
                     SELECT POLICIES ....... PF8  OR  08



        TYPE OVER ( DEFAULTS ) - SELECT FUNCTION KEY/ENTER NUMBER
PF1/01 - HELP PANEL                   :    :          PF12/12 - RETURN TO MENU
```

```
COMPANY 999          COMMONWEALTH AUTOMOBILE REINSURERS          CO475SA
                     ACCOUNTING ONLINE ACCESS SYSTEM             07/01/2007
                     PENALTY SUMMARY ALL RISK TYPE(S)            11:50:59

              WARNING              PENALTY              WRITE-OFF
  YEAR    CESSIONS    DOLLARS   CESSIONS    DOLLARS   CESSIONS     DOLLARS
 =============================================================================
 _ 2005       1         60         1          60         2        12,400









     TYPE 'X' BESIDE YEAR ENTRY FOR RISK TYPE WITHIN YEAR SUMMARY

PF1/01 - HELP PANEL         SELECT FUNCTION :    :    PF3/03  - SELECT YEAR
PF7/07 - PAGE BACKWARD    PF8/08  - PAGE FORWARD    PF12/12 - RETURN TO MENU
```

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XII. PENALTY PROGRAMS AND PENALTY FORECASTING REPORT (continued)

Net Negative Premium Write-Off: This program runs once per year following the close of premium reporting. CAR processes offsetting records against every negative premium record whose overall premium total is less than $0. To see the potential write-off amount, use the following screens.

```
COMPANY 999             COMMONWEALTH AUTOMOBILE REINSURERS          CO100SA
                        ACCOUNTING ONLINE ACCESS SYSTEM             07/01/2007
                             MENU SELECTIONS                        12:16 PM

        ERROR LISTINGS:
              CRITICAL ERROR POLICIES      (CA2400) ..... PF2  OR  02
              NON CRITICAL ERROR POLICIES  (CA2685) ..... PF3  OR  03
              WARNING AND PENALTY POLICIES (CA2500) ..... PF4  OR  04

        INFORMATIONAL LISTINGS:
              NET NEGATIVE PREMIUMS        (CA4000) ..... PF5  OR  05
              OUTSTANDING LOSS RESERVES    (CA4100) ..... PF6  OR  06
              CRITICAL/NON CRITICAL ANALYSIS (CA2650) ... PF7  OR  07
              PREMIUMS AND LOSSES WRITTEN-OFF (CA3200) .. PF8  OR  08

        REVIEW MESSAGES:
              REVIEW/UPDATE POLICY MESSAGES         ..... PF9  OR  09
              REVIEW CAR NEWSLETTER                 ..... PF11 OR  11


                    SELECT FUNCTION KEY/ENTER NUMBER
PF1/01 - HELP PANEL              :     :           PF12/12 - RETURN TO MENU
```

```
COMPANY 999             COMMONWEALTH AUTOMOBILE REINSURERS          CO500SA
                        ACCOUNTING ONLINE ACCESS SYSTEM             07/01/2007
                         NET NEGATIVE PREMIUM (CA4000)              12:17:02




          (1) EFFECTIVE YEAR (FORMAT=YYYY)
                         ( ALL )
                  SELECT POLICIES ....... PF5  OR  05
                  COMPANY SUMMARY ....... PF15 OR  15









          TYPE OVER ( DEFAULTS ) - SELECT FUNCTION KEY/ENTER NUMBER
PF1/01 - HELP PANEL              :     :           PF12/12 - RETURN TO MENU
```

Commonwealth Automobile Reinsurers

POLICY EDIT PACKAGE

XII. PENALTY PROGRAMS AND PENALTY FORECASTING REPORT (continued)

```
COMPANY 999              COMMONWEALTH AUTOMOBILE REINSURERS        CO575SA
                         ACCOUNTING ONLINE ACCESS SYSTEM           07/01/2007
                  NET NEGATIVE PREMIUM SUMMARY ALL  EFFEC YEAR(S)  12:18:30

           TOTAL      RISK TYPE = 0      RISK TYPE = 1      RISK TYPE = 2
YEAR     POLICIES  POLICIES    DOLLARS POLICIES   DOLLARS POLICIES   DOLLARS
=============================================================================
2005        124       124    127,096-       0         0        0         0
2006        195       195    227,899-       0         0        0         0
2007         53        53     54,291-       0         0        0         0




PF1/01 - HELP PANEL        SELECT FUNCTION :    :    PF7/07  - PAGE BACKWARD
      PF7/08 - PAGE FORWARD                            PF12/12 - RETURN TO MENU
```

CA5010 – Flat Cancellation Documentation Listing: There is no way to determine a potential penalty for this program since it is a manual audit program. To be sure to avoid a penalty, maintain all documentation showing that a policy was validly flat-cancelled. Also, be sure to submit all documentation by the due date printed on the green bar report.

XIII. APPEAL PROCESS

Use the following procedures to make a formal appeal to CAR:

1. Bring all problems to the attention of CAR as soon as you become aware of them.

2. Make all appeals in writing to your company's Data Analyst. Specify the policy number, effective year, type of error, and the reason you are disputing the error.

3. CAR Staff reviews the appeal and notifies the company whether the appeal can be granted or not. By rule, CAR may grant appeals in instances where the problem was outside the company's control or if CAR contributed to the problem in some way.

4. If CAR Staff cannot grant an appeal, the Servicing Carrier may present its appeal to the Operations Committee for further consideration.

XIII. TRAINING SERVICES

Upon request, CAR will provide training on any of its accounting or statistical programs. This includes general processing flows, telecommunications or website applications, penalty programs, and corrective actions, among other things. The training can be conducted in the company offices or at CAR.

To request training, please go to CAR's website and click on the Training tab. Then, click on the Customized Training Tab and then Enrollment Form. A representative from CAR will contact you to arrange the training session. If you would prefer to speak to someone directly, please contact your company's Data Analyst.