

Commonwealth Automobile Reinsurers

Manual of Administrative Procedures

Chapter I - Overview

A. Introduction

The purpose of the Manual of Administrative Procedures is to provide the detailed instructions needed to operate the Commonwealth Automobile Reinsurers (CAR) successfully. It supplements the Plan and Rules of Operation but does not add any new policy requirements beyond those contained in the Plan and Rules. The Manual contains instructions to Servicing Carriers, Members, and, to a limited extent, to producers concerning the processing of policies which are ceded to the Commonwealth Automobile Reinsurers. It also contains specific material designed to regulate the conduct of Representative Producers and Servicing Carriers for Representative Producers' business. The Manual should provide for a better understanding and more consistency by the Servicing Carriers in performing the various operations required in connection with policies ceded to the Commonwealth Automobile Reinsurers. It also provides information concerning the responsibilities of all Members, including Servicing Carriers, and their participation in the results of the Commonwealth Automobile Reinsurers' business.

To achieve the goals set for the Manual, it has been organized into Chapters which deal with a subject in its entirety. For example, the Chapter on cessions contains all the information needed to carry out the intent of the Rules applicable to ceding policies to the Commonwealth Automobile Reinsurers. It assigns necessary responsibilities to both Servicing Carriers and Commonwealth Automobile Reinsurers' Staff and defines their duties. By referring to this one Chapter, the user of the Manual is able to learn all requirements applicable to ceding policies to the Commonwealth Automobile Reinsurers. Other Chapters which deal with other subjects have been similarly organized.

The Manual makes reference to other matters which are important to the total insurance transaction, such as policy rating and reporting of statistics. However, the Massachusetts Automobile Insurance Manual and Statistical Plans which cover these subjects are not included in this Manual. This was done to avoid duplication of subject matter. It also reduces the need to revise this Manual when changes to the other documents occur.

The Manual is prepared by the Commonwealth Automobile Reinsurers' Staff working with advisory committees under the authority of the Governing Committee. Revisions will be made as needs dictate, and suggestions for improvement are solicited. Suggestions should be sent to the Commonwealth Automobile Reinsurers, attention of the Administrative Vice President and Secretary.

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B. Description of Responsibility

1. Servicing Carriers' Responsibility

The ceding Servicing Carrier shall:

- a. Give the same type of service to ceded business that it provides for its voluntary market including the same premium payment plans available to non-Commonwealth Automobile Reinsurers' insureds.
- b. Bill, collect, and refund premiums when due according to its usual marketing procedures.
- c. Record premium and loss transactions as direct written business and pay taxes and all assessments thereon.
 - 1) Record ceded transactions first as direct business of the company and then make a subsequent entry for reinsurance to the Commonwealth Automobile Reinsurers. Detail records shall be kept available to support all transactions involving the Commonwealth Automobile Reinsurers.
 - 2) Report monthly, as required by the Massachusetts Automobile Statistical Plans, a record for all transactions which involve a premium amount or a loss amount.
- d. Provide for the lawful and timely processing of claims in a manner consistent with generally accepted industry standards.
- e. Pay the insurance producers in accordance with the Rules of Operation of the Commonwealth Automobile Reinsurers.
- f. Code and prepare data processing input for all required transactions.
- g. Prepare and promptly file all required accounting and statistical reports. Report this information to the Commonwealth Automobile Reinsurers or its designated statistical agent in the manner prescribed by the Massachusetts Automobile Statistical Plans.
- h. Use forms in the performance of accounting billing services to Commonwealth Automobile Reinsurers' insureds which are the same as forms used for non-ceded insureds. This applies to forms used for billing, nonpayment of premium, cancellation, checks, drafts, and claim forms.

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B. Description of Responsibility

1. Servicing Carriers' Responsibility (continued)

- i. Maintain all controls, books, ledgers, and data sets necessary to accomplish the above responsibilities.

NOTE: Any matters concerning exceptions to these requirements, or clarification of any requirement, should be submitted to the Commonwealth Automobile Reinsurers' President, in writing, for consideration.

2. Commonwealth Automobile Reinsurers' Responsibility

The Commonwealth Automobile Reinsurers shall:

- a. Receive and process all accounting statistical reports from writing Servicing Carriers.
- b. Bill and collect assessments when due from participating Members.
- c. Receive and disburse funds in settlement of balances with participating Members.
- d. Calculate premiums in force, premiums unearned, IBNR, and any other reserves required for reports.
- e. Prepare consolidated reports for participating Members, the Governing Committee, and regulatory authorities.
- f. Allocate participation experience and report shares to the Members.
- g. Prepare and distribute an annual report to all Members.
- h. Verify the acceptability of accounting statistical reports through the use of computer edits, audits, etc.
- i. Maintain all controls, books, ledgers, and data sets necessary to accomplish the above responsibilities.

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B. Description of Responsibility

3. Members' Responsibility

Participating Members shall:

- a. Prepare and promptly file all required accounting and statistical reports. Report this information to the Commonwealth Automobile Reinsurers or its designated statistical agent in the manner prescribed by the Massachusetts Automobile Statistical Plans.
- b. Record on their books their share of participation experience as assumed reinsurance.
- c. Remit assessments and payments of balances when due.

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C. Definition of Fiscal Year

The fiscal year for the Commonwealth Automobile Reinsurers will be from October 1 through September 30. This enables the Commonwealth Automobile Reinsurers to distribute fiscal year end results to its Members prior to the end of the calendar year. Thus, the report distribution to participating Members will allow time for the participating Members to include the various experience elements (i.e., written premium, earned premium, in force premium, claims paid, claims reserves, salvage/subrogation recoveries, various Commonwealth Automobile Reinsurers' expenses, etc.) in their respective Annual Statements.

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