

**A. Cession Reporting Requirements**

1. General Information

a. Ceding Business to Commonwealth Automobile Reinsurers

In order to cede business to Commonwealth Automobile Reinsurers (CAR), Servicing Carriers must submit a cession record to CAR. Servicing Carriers may submit cession records via FTP (File Transfer Protocol) transmission, or through the online cession reporting application which is available from CAR's Telecommunications System.

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

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

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

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

b. Determining the Effective Date of Cession

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

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

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

2. Automatic Cession Backdate

a. Electing a 100% Cede Option

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

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

Note that all reported Transaction Code 1 (New Business) cession records from producers assigned to the Servicing Carriers appointed to service residual market taxi, limousine and car service business are provided with automatic cession backdates.

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

b. Monitoring Servicing Carrier Compliance with 100% Cede Option

CAR monitors cession reporting for those ERPs for which a Servicing Carrier has elected the 100% cede option, and any problematic reporting patterns are brought to the attention of CAR's Compliance and Operations Committee. On a quarterly basis, the CR215 Summary Report of Backdated Producers is distributed to each Servicing Carrier. This report identifies the total number and percentage of late received cessions (received after 23 days from the policy effective date) from ERPs that have been reported for the latest three policy years. Refer to Exhibit IV-D-2.

After the second quarter, if CAR determines that more than 5% and 25 policies of a Servicing Carrier's new business cessions from ERPs for a

particular policy effective year have been automatically backdated, CAR will request the Servicing Carrier to provide CAR with a written description of the cause of their reporting problem, including an action plan for timely reporting in the future.

### 3. Submission Methods

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

#### a. Reporting Cession Records via CAR's Online Telecommunications System

Cession records may be reported using CAR's online Telecommunications System. On CAR's website, from the Reports tab, click on the Telecommunications link and then in the left navigation, click on Start Secure Session. After log-in, from CAR's Telecommunications Menu Selections screen (TE100), select the Cession System option (refer to Exhibit IV-A-1). From the TE130 Cession System screen, enter company number and select the CAR Cessions option (refer to Exhibit IV-A-2).

To add a cession record, select Add Cession Records from the CR100 Cession Menu screen (refer to Exhibit IV-A-3). Via the CR600 Cession Record – Add screen (refer to Exhibit IV-A-4), the following fields must be entered. Note that the system does not allow for blank fields. If a field is left blank, the system will provide a prompt to complete the field.

The following instructions apply:

- 1) Company Code – The three digit company code as entered by the Servicing Carrier on the TE130 screen is displayed. This code is also the three digit code used to report premium and loss accounting/statistical data.
- 2) CAR ID Code – Enter the code that reflects the type of relationship that exists between the Servicing Carrier and the producer writing the policy. Acceptable codes are as follows:

4 = Ceded Business from Voluntary Agents

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

5 = Ceded Business from ERPs (No voluntary contract)

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

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

1 = Taxicab, Limousine or Car Service Policy

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

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

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

- 7) Transaction Code – Enter the one digit numeric code. Acceptable codes are as follows:
  - 1 – New Business (to the company)
  - 2 – Renewal Business (to the company)
  - 4 – Policy Not Taken or Cancelled

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

#### 5 – Policy Not Ceded

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

- 8) Insured's Name – Enter the last name first, followed by the first name and middle initial. For partnerships, corporations, etc., enter the full name. The name must be at least one and no more than sixteen alphabetic and/or numeric characters.
- 9) Producer Code – Enter the unique producer code number as assigned by the Servicing Carrier. The Producer Code must consist of three to six alphabetic and/or numeric characters.

The system will not allow Servicing Carriers to add a cession record that contains a fatal error. The field containing the fatal error will be identified and the cession record will not be added unless the fatal error condition is corrected. If the Servicing Carrier creates a non-fatal error when adding a cession record, the field in error will be identified and the Servicing Carrier will be given the option to either correct the field in error or to add the error record to CAR's cession database. If the Servicing Carrier chooses to add a cession record that contains a non-fatal error, the record will reflect a pending status and once loaded to the cession database, will display on the CR157 Online Cession Error Listing (refer to Exhibit IV-D-7). For additional information relative to cession error correction procedures, refer to Section E of this Chapter.

The cession records entered in a single session are considered to be one batch. An entry session is considered closed when the Servicing Carrier completely exits the Cession System. A Servicing Carrier may submit a maximum of 25 batches of cession records per day.

For additional information relative to the Cession System, refer to Chapter IV – Cession System of the Telecommunications Manual which is available on the Manuals page of CAR's website.

b. Reporting Cession Records via FTP Transmission

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

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

CAR will assign a receipt date to a cession transmission submission according to the date and time that the transmission was started. All transmissions submitted to CAR on a weekend or holiday, or submitted on a CAR business day after 6:00 p.m. Eastern Standard Time will be assigned a receipt date equal to the following CAR business day. All transmissions submitted to CAR before 6:00 p.m. Eastern Standard Time on a CAR business day will be assigned a date received equal to the date of transmission.

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

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

Location	Field Length	Field Name	Contents
15 – 30	16	Policy Number	Alpha-Numeric: Three character minimum - any combination of alphabetic and/or numeric characters. Must be left justified with no embedded spaces.
31 – 36	6	Effective Date	Numeric: Effective date of the policy in month/day/year order: Month: two digits, 01 through 12 Day: two digits, 01 through 31 Year: two digits, valid effective year The policy effective date cannot be later than the current date plus 90 calendar days.
37 – 42	6	Expiration Date	Numeric: Expiration date of the policy in month/day/year order. Month: two digits, 01 through 12 Day: two digits, 01 through 31 Year: two digits, valid expiration year
43	1	Risk Indicator	Numeric: 1 – Taxi, Limousine or Car Service Policy 2 – All Other Commercial Policy
44	1	Transaction Code	Numeric: 1 – New Business 2 – Renewal Business 4 – Policy Not Taken or Cancelled 5 – Policy Not Ceded
45 – 49	5	Reserved for Future Use	
50 – 55	6	Producer Code	Alpha-Numeric: The unique company assigned code number for each producer, consisting of at least three, but no more than six, alphabetical and/or numeric characters. Must be left justified.
56 – 64	9	Reserved for Future Use	
65 – 80	16	Insured's Name	Alpha-Numeric: The last name first followed by the first name and middle initial, Must be left justified and consist of at least two characters. For partnerships, corporations, etc., enter a name that clearly identifies the insured.

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

(1) Begin Transmission Record

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

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

(2) Batch Control Record(s)

At the option of the Servicing Carrier, a transmission can be divided into several groups (or "batches") of detail cession records for control purposes. In such cases, one 80 character batch control record must follow the last detail cession record of each group. Note if the submission is not divided into batches, a single batch control record must follow the last detail cession record in the transmission.



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

(3) End-Of-Transmission Record

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

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

4. Cession Acknowledgment Procedures

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

a. FTP Transmissions Report

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

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

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

b. Online Cession Activity Acknowledgement

Cession activity occurring via CAR's online telecommunications system will be acknowledged upon exiting the system. The acknowledgement provides a batch number and identifies the number of cessions added, corrected and deleted for Servicing Carriers to use for balancing purposes once the cession records have been loaded to CAR's cession database file.

c. CR156 Online Cession Activity Report

The CR156 Online Cession Activity Listing (Exhibit IV-D-6) provides a detailed list of cession records processed during the week. Servicing Carriers should review this list weekly to verify cession reporting.

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

**EXHIBIT IV-A-1**  
**TELECOMMUNICATIONS MENU SCREEN (TE100)**

TE100SB	COMMONWEALTH AUTOMOBILE REINSURERS	01/29/2016
TEMENUSA	TELECOMMUNICATIONS	11:20:54
	C.A.R. ACCOUNTING .....	PF2 OR 02
	SESSION SYSTEM .....	PF3 OR 03
	STATISTICAL SYSTEM .....	PF4 OR 04
	PRODUCER CODE SYSTEM .....	PF5 OR 05
	... NO SELECTION ... ..	PF6 OR 06
	AUDIT & CLAIMS SYSTEM .....	PF7 OR 07
	TERMINATE C.A.R. SESSION .....	PF12 OR 12
	: :	
	DEPRESS PFKEY OR ENTER PROCESSING OPTION	

**EXHIBIT IV-A-2**  
**TELECOMMUNICATIONS MENU SELECTIONS SCREEN (TE130)**

TE130SA	COMMONWEALTH AUTOMOBILE REINSURERS CESSION/MAIP SYSTEM	01/29/16 11:21:09
COMPANY NUMBER _____		
C.A.R. CESSIONS           ..... PF2 OR 02		
ENTER COMPANY NUMBER - THEN SELECT CESSION OPTION :       :		
PF1/01 - HELP		PF12/12 - RETURN TO MENU

**EXHIBIT IV-A-3**  
**CESSION MENU SCREEN (CR100)**

CR100SA	COMMONWEALTH AUTOMOBILE REINSURERS	01/29/2016
COMPANY: 999	CESSION MENU	11:21:31
BROWSE		
- APPLIED CESSIONS W/LOAD DATE 01 28 2016	..... PF2	OR 02
	MM DD YYYY	
- ACTIVE CESSIONS	..... PF3	OR 03
- BROWSE BY PRODUCER	..... PF4	OR 04
- BROWSE PENDING	..... PF5	OR 05
CORRECT / ADD		
- ERRORS WITH LIST DATE 01 28 2016	..... PF6	OR 06
	MM DD YYYY	
- CORRECT CESSION BY KEY	..... PF8	OR 08
- ADD CESSION RECORDS	..... PF9	OR 09
- CESSION MESSAGE BOARD LAST UPDATED 09 08 2011	PF10	OR 10
- REVIEW/UPDATE POLICY MESSAGES	..... PF11	OR 11
: _ :		
PF01/01 HELP		PF12/12 EXIT

**EXHIBIT IV-A-4**  
**ONLINE CESSION ADD SCREEN (CR600)**

CR600SA	COMMONWEALTH AUTOMOBILE REINSURERS	01/29/2016
COMPANY: 999	CESSION RECORD - ADD	11:12:42
	ANY INSURANCE COMPANY	
	REC NO	RCPT DTE 01/29/2016
CAR	POL EFF DT    POL EXP DT	PROD
ID POLICY NUMBER	MM/DD/YYYY    MM/DD/YYYY    RSK TX    INSURED'S NAME	CODE
( . . . . . )		
ERROR		
CODE	DESCRIPTION	
PF01/01	HELP	: _ :
PF3/03	APPLY ADD	PF09/09 PRODUCER INQUIRY
PF11/11	POLICY MESSAGE	PF10/10 POLICY HISTORY
		PF12/12 EXIT

## **B. Extending a Policy**

### **1. General Information**

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

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

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

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

### **2. Reporting Options**

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

#### **a. Extension By Endorsement**

1) Submit Transaction 12 (Endorsement or Policy Extension) premium records under the original policy number to inform CAR of the extension. CAR must receive these records no later than the accounting month following the effective date of the extension. The premium records will be coded as follows:

(a) The policy expiration date reported on the premium records must reflect the new, extended policy expiration date. The new policy expiration date cannot be more than 24 months later than the original policy effective date.

(b) Report the additional premium and exposure for the period between the original policy expiration date and the new extended policy expiration date.

(c) The policy effective date reported on the premium records must be the original policy effective date.

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

2) Any transactions occurring subsequent to the extended policy expiration date must be reported with a Transaction Code 12 (Endorsement or Policy Extension), the original policy effective date and the new, extended policy expiration date.

3) A cession correction that updates the cession record to reflect the new, extended policy expiration date must be processed either via CAR's online telecommunications system or by FTP transmission for policies extended using this option. This correction must be processed prior to the original policy expiration date. Refer to Section E. of this Chapter for additional information relative to the reporting of cession corrections.

b. Extension By Cancellation and Rewrite

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



### **C. Cession Termination Procedures**

Cession of a risk automatically terminates on the expiration date of the policy, unless the policy has been terminated or removed from CAR at an earlier date. It is also permissible for a Servicing Carrier to terminate the cession of a policy mid-term and rewrite the policy as voluntary business. Refer to Section C.3. of this Chapter for additional information.

#### **1. Policy Not Taken - Cession Flat Cancellation**

When a Servicing Carrier cedes a policy and the policyholder fails to furnish a renewal application on a form as prescribed by the Commissioner, or fails to pay renewal premiums, estimated renewal premiums, or deposit premiums as required, a flat cancellation of cession will be allowed provided that the policy is canceled by legal notice which takes effect within 65 days of the policy's effective date. This shall be done in one of two ways depending on the accounting practices of the Servicing Carrier.

##### **a. Report a Transaction Code 4 Cession Record**

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

##### **b. Report Transaction Code 15 Premium Records**

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

#### **2. Flat Cancellation Audit**

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

Semiannually, in February and August, CAR will randomly sample ceded policies that have been flat canceled by Servicing Carriers via Transaction Code 4 (Policy Not Taken or Cancelled) cession records and Transaction Code 15 (Cancelled Flat) premium records. Sampling of flat cancellations will be performed separately by policy effective year and by transaction code for the

three most recent policy effective years. No more than 10 policies will be selected for each policy effective year.

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

The CA5010 Randomly Requested Flat Cancellation Documentation Listing (Exhibit IV-C-1) will be distributed to each Servicing Carrier in February and August. The Servicing Carrier will be required to provide CAR, within 60 days, proper documentation to validate the flat cancellation for at least 80% of each category of sampled policies. For samples of less than five canceled policies, the Servicing Carrier must provide valid documentation for all policies in the sample in order to avoid a penalty.

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

- Statutory Notice of Cancellation
- Plate Return Receipt
- Notice of Transfer of Insurer
- Registry of Motor Vehicle System Printouts for Plate Return
- Registry of Motor Vehicle System Printouts for Transfer of Insurer
- Cancellation Request/Policy Release Form
- Evidence that the policy was ceded under another policy
- Evidence that the policy was canceled prior to renewal
- Notification for request for Cancellation from the Agent or Insured (this documentation must be signed and clearly display the effective date of the policy)

When a Servicing Carrier cannot provide proper documentation for the required percentage of sampled policies, a penalty equal to either the established cession/no premium write-off penalty amount for the particular policy effective year and risk indicator (taxi, limousine or car service policy or other commercial policy) of the policy for which documentation cannot be provided, or the cession/no premium write-off penalty amount established for the latest policy effective year and risk indicator, will be assessed for each policy until the limit has been met. Penalties will be applied in each of the following cases:

- a. The Servicing Carrier cannot supply CAR, by the established due date, with acceptable documentation of the flat cancellation.
- b. The documentation provided by the Servicing Carrier reveals that the policy should not have been flat canceled. For example, the policy was actually in-force for a period of time and the decision to retain the policy as voluntary business was made after the policy's effective date.
- c. For flat cancellations occurring as a result of failure to furnish a rating statement and/or failure to pay renewal or deposit premiums, the flat cancellation was reported after the established time limitations.

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

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

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

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

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

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

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

#### b. Mid-Term Removal

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

- 1) Policies may be removed from CAR as of the date the decision is made to retain the policy as voluntary or as of a future date during the ceded policy's term.
- 2) Transaction Code 13 (Cancellation of Policy Pro Rata or Short Rate) premium must be reported for the ceded policy, under the original ceded policy number, no later than two accounting months after the effective month and year that the policy was removed as ceded. The Transaction Effective Date reported on the premium must reflect the effective month and year of the removal.
- 3) Transaction Code 11 (New or Renewal) premium records must be reported under the new voluntary policy number no later than two accounting months after the effective month and year of the removal as a ceded policy. The Transaction Effective Date reported on the premium record must reflect the effective month and year of the removal.
- 4) Reinstatement, for any reason, of a policy that had been previously removed as ceded from CAR and then retained as voluntary business is prohibited. The policy may be re-ceded to CAR midterm during the policy period, however, loss coverage would commence only as of the re-cede date, but the full policy premium would be due CAR. The policy may also be ceded to CAR upon expiration of the voluntary policy's term.
- 5) Any attempt by a Servicing Carrier to circumvent these procedures, including the reporting of a loss that occurred after the removal date as CAR business, will be brought to the attention of CAR's Governing Committee.

**EXHIBIT IV-C-1**  
**RANDOMLY REQUESTED FLAT CANCELLATION**  
**DOCUMENTATION LISTING (CA5010)**

CA5010R				C O M M O N W E A L T H   A U T O M O B I L E   R E I N S U R E R S			
RANDOMLY REQUESTED FLAT CANCELLATION DOCUMENTATION LISTING							
COMPANY 999		POLICY YEAR 2015					
ANY INSURANCE COMPANY							
TX 4 CESSIONS RECEIVED FROM 07/02/15 THROUGH 01/01/16							
TX 15 PREMIUM ACCOUNTING DATES FROM 06/15 THROUGH 11/15							
POLICY NUMBER	POLICY EFFECTIVE DATE	TYPE OF FLAT CANCELLATION	TYPE OF DOCUMENTATION SUBMITTED				
999999310	11/01/15	TX 15					
NEW TX 4 FLAT CANCELLED POLICIES		0	TOTAL FLAT CANCELLED POLICIES		1		
NEW TX 15 FLAT CANCELLED POLICIES		1	TOTAL POLICIES		2,250		
			PERCENT OF FLAT CANCELLED POLICIES		0.04%		
* THE MONTH AND YEAR ON THIS DATE ARE CORRECT. YOU SHOULD CONTACT YOUR DATA ANALYST TO PROVIDE THE ACTUAL EFFECTIVE DATE FOR THIS POLICY.							

#### **D. Cession Listings and Online Functions**

##### **1. Paper Listings and Reports**

CAR produces the following paper listings and reports:

###### **a. CR140 REJECTED CESSIONS REPORT (Exhibit IV-D-1)**

This report is produced each time CAR loads cession records to its cession database file. It displays any cessions contained in that week's cession load which incurred a fatal error. Only those cessions submitted via FTP transmission will appear on this report. Cessions that are added through the online cession reporting application and which contain a fatal error are not accepted at point of entry and will not appear on the CR140 report. Refer to Sections A.3.a. and F. of this Chapter for additional information.

###### **b. CR215 SUMMARY OF BACKDATED PRODUCERS REPORT (Exhibit IV-D-2)**

This report is produced quarterly and identifies the total number and percentage of cessions backdated for each ERP that the Servicing Carrier has set up with the automatic cession backdate option. At the end of the second calendar quarter Servicing Carriers that exceed 5% and 25 new business policies automatically backdated are required to explain the problem in writing. Any problematic reporting patterns are brought to the attention of CAR's Compliance and Operations Committee.

###### **c. CR220 DETAIL OF BACKDATED PRODUCERS REPORT (Exhibit IV-D-3)**

This report is produced upon request and lists detailed cession records that were backdated in accordance with the automatic cession backdate option. The CR220 report provides further detail on the summary information provided on the CR215 report.

##### **2. Online Listings and Functions**

CAR's online telecommunications system provides the following browse listings and correct/add functions:

###### **a. CR140 ONLINE BROWSE BY PRODUCER (Exhibit IV-D-4)**

This online function allows Servicing Carriers to browse cession records for a particular producer, car id code and policy effective year.

- b. CR150/CR151 ONLINE BROWSE PENDING ADDS, CORRECTIONS AND DELETES/NULLS (Exhibit IV-D-5)

This online function allows Servicing Carriers to browse cession record adds, corrections and deletes/nullifications.

- c. CR156 ONLINE CESSION ACTIVITY REPORT – APPLIED ADDS, CORRECTIONS AND DELETES/NULLS (Exhibit IV-D-6)

This online browse listing is updated each time CAR loads cession records to its cession database file. It consists of three parts; cessions added which lists new cession activity, cession correction activity which displays both the original cession record and the cession correction record, and cession deletions and nullifications (via either Transaction 4 or Transaction 5 cession records) of previously reported cessions. Servicing Carriers may request to view cession records by specific load date and may access batch totals for balancing purposes. Exhibit IV-D-6 only provides an example of the cession add screen as the cession correction and delete/null screens are similarly formatted.

The CR156 listing serves as a Servicing Carrier's cession acknowledgment and should be reviewed carefully.

- d. CR157 ONLINE CESSION ERROR LISTING (Exhibit IV-D-7)

This online list is updated each time CAR loads cession records to its cession database file. Cessions with non-fatal errors, for the three most current cession reporting years, are displayed. Servicing Carriers may view cessions in error by specific load date to help coordinate cession correction efforts. A correction that creates a fatal error will not be allowed. Refer to Section E of this Chapter for cession correction information.

- e. CR170 ONLINE ACTIVE CESSIONS LISTING (Exhibit IV-D-8)

This online browse listing displays a cumulative list of all active cession records contained on CAR's database file for the three most current cession reporting years.

If requested by a Servicing Carrier, CAR is able to provide a spreadsheet version of the data contained in the CR170 report for the most recent policy effective year that has been closed-out for cession reporting.

f. CR180 ONLINE CESSION CORRECTION BY KEY LISTING (Exhibit IV-D-9)

This online function allows Servicing Carriers to correct a cession record with a specific key. The key is comprised of company number, policy effective year, policy number, and record number. Cessions containing a non-fatal cession error can be accessed using the CR157 or CR165 functions, however, the CR180 provides Servicing Carriers with a means to correct or change an error-free cession record.

g. CR600 ONLINE CESSION RECORD – ADD FUNCTION (Exhibit IV-A-4)

Servicing Carriers may add cession records to CAR's cession database file via the CR600 screen. Servicing Carriers will not be allowed to add a cession record that has a fatal error. However, a cession record with a non-fatal error will be added but it will display on the CR157 Cession Error Listing. Refer to Section A.3. of this Chapter for additional information.

3. FTP Transmission of Cession Acknowledgment

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

For record layout information, contact CAR's Operations Services Department.



**EXHIBIT IV-D-1**  
**CR140 REJECTED CESSIONS REPORT**

DATE REC	SUSPENSE LOADED	POLICY NUMBER	EFF DATE	EXP DATE	STATE	TX	TYPE RISK	CAR ID	PROD CODE	INSUREDS NAME	MEDIA TYPE	ERROR
01/25/15 CODE INVALID	01/29/15	12345678901212	02/16/15	02/16/16		2	2	4	5433	BLUE	1	STATE
01/25/15 CODE INVALID	01/29/15	12345678901222	02/12/15	02/12/16		2	2	4	5433	BLACK DAN	1	STATE
01/25/15 CODE INVALID	01/29/15	12345678901231	02/16/15	02/16/16		2	2	4	5433	YELLOW	1	STATE
01/25/15 CODE INVALID	01/29/15	12345678901242	02/01/15	02/01/16		2	2	4	5477	SMITH JOHN P	1	STATE
01/25/15 CODE INVALID	01/29/15	12345678901243	02/04/15	02/04/16		2	2	4	5437	WHITE IND	1	STATE
01/25/15 CODE INVALID	01/29/15	12345678901251	02/16/15	02/16/16		2	2	4	5433	GREEN CO	1	STATE
01/25/15 CODE INVALID	01/29/15	12345678901262	02/11/15	02/11/16		2	2	4	5433	RED TREE	1	STATE
TOTAL UNPROCESSABLE CESSION RECORDS: 7												

**EXHIBIT IV-D-2**  
**SUMMARY OF BACKDATED PRODUCERS REPORT (CR215)**

CR215R	COMMONWEALTH AUTOMOBILE REINSURERS							RUN DATE	02/11/16
							PAGE:	1	
SUMMARY REPORT OF BACKDATE PRODUCERS									
4TH QUARTER 2015									
COMPANY NUMBER: 999									
						***** B A C K D A T E D C O V E R A G E *****			
PROD			BACKDATE	NEW OR	TOTAL	TOTAL	PERCENT	TOTAL	TOTAL
CODE	PRODUCER NAME	YEAR	OPTIONS	RENEWAL	POLICIES	BACKDATED	BACK-	OUTSTANDING	PAID
			JFMAMJJASOND	BUSINESS		POLICIES	DATED	LOSSES	LOSSES
CC11	AGENCY	2015	AO 111111111111	NEW	4	1	25.0*	0	0
C112	AGENCY	2015	AO 111111111111	NEW	17	12	70.6*	0	0
C199	AGENCY	2015	AO 111111111111	NEW	10	4	40.0	0	0
D101	AGENCY	2015	AO 111111111111	NEW	24	2	8.3*	0	0
* MORE THAN 5% OF THE TOTAL NEW BUSINESS CESSIONS FOR THIS POLICY YEAR ARE BACKDATED									
BACKDATE OPTIONS: AO = ALL OTHERS; 0 = NONE; 1 = ALL;									

**EXHIBIT IV-D-3**  
**DETAIL OF BACKDATED PRODUCERS REPORT (CR220)**

CR220R	COMMONWEALTH AUTOMOBILE REINSURERS	RUN DATE 02/11/2016
DETAIL REPORT OF POLICIES REPORTED UNDER BACKDATED PRODUCERS		
COMPANY NUMBER: 999 YEAR: 2015	CAR ID: 5 PRODUCER CODE: CC115	MARKET: AO TYPE OF BUSINESS: NEW
BD SWITCH POLICY NUMBER REC NO	EFFEC DATE	EXPIR DATE
T R X S	DATE RECEIVED	CESSION DATE
	INSUREDS NAME	REC TYP
		MED TYP
		CESSION LD DATE
1 98754123 00001	05/22/2015	05/22/2016
1 00001	11/21/2015	11/21/2016
2 00002	12/01/2015	12/01/2016
1 00001	09/01/2015	09/01/2016
		1 2
		04/25/2015
		05/22/2015
		SMITH
		0
		01
		04/29/2015
		1 2
		10/01/2015
		11/21/2015
		JONES
		0
		01
		10/15/2015
		1 2
		01/15/2016
		12/01/2015
		WATER
		0
		01
		01/20/2016
		1 2
		09/01/2015
		09/01/2015
		STREET
		0
		60
		09/07/2015
TOTAL POLICIES: 4	TOTAL BACKDATED POLICIES: 1	PERCENT BACKDATED: 25.0

**EXHIBIT IV-D-4**  
**ONLINE BROWSE BY PRODUCER (CR140)**

```

CR140SA                COMMONWEALTH AUTOMOBILE REINSURERS                01/29/2016
                        PRODUCER CODE BROWSE                               11:06:43

COMPANY: 999
      ANY INSURANCE COMPANY

      ENTER SPECIFIC INFORMATION BELOW

      PRODUCER CODE: _____

      CAR ID CODE:  _

      EFFECTIVE YEAR: _____

      AUTO BACK DATE SW:  _

                                :  _  :

PF1/01 HELP                PF3/03 PROCESS                PF12/12 EXIT
  
```

```

CR140SB                COMMONWEALTH AUTOMOBILE REINSURERS                01/29/2016
COMPANY: 999                PRODUCER CODE BROWSE                               11:07:21
      ANY INSURANCE COMPANY                PAGE: 01

      R                C                A E
      MED REC I PROD B R
POLICY NUMBER  EFF DT EXP DT DT RCV DT S T      TYP NO D CODE D R
1000000002    130402 140402 130306 1 2 2 EAST      85 001 5 110127 0 0
1000000003    130401 140401 130306 1 2 2 WEST      85 001 5 110127 0 0
1000000006    130404 140404 130306 1 2 2 NORTH     85 001 5 110127 0 0
1000000007    130401 140401 130305 1 2 2 SOUTH     85 001 5 110127 0 0
1000000010    130404 140404 130306 1 2 2 RED       85 001 5 110127 0 0
1000000019    130405 140405 130306 1 2 2 GREEN     85 001 5 110127 0 0
1000000020    130405 140405 130306 1 2 2 BLUE     85 001 5 110127 0 0
1000000023    130402 140402 130306 1 2 2 PURPLE    85 001 5 110127 0 0
1000000025    130405 140405 130306 1 2 2 ORANGE    85 001 5 110127 0 0
1000000026    130405 140405 130306 1 2 2 BLACK    85 001 5 110127 0 0
1000000028    130406 140406 130306 1 2 2 YELLOW   85 001 5 110127 0 0
1000000029    130406 140406 130306 1 2 2 AQUA     85 001 5 110127 0 0

                                :  _  :

PF1/01 HELP                PF7/07 BACKWARD                PF8/08 FORWARD                PF12/12 EXIT
  
```

**EXHIBIT IV-D-5**  
**ONLINE BROWSE PENDING (CR150)**  
**AND ONLINE BROWSE PENDING CESSION ADDS (CR151)**

```

CR150SA                COMMONWEALTH AUTOMOBILE REINSURERS                02/01/2016
                        BROWSE PENDING CESSIONS                        09:39:41

COMPANY: 999

        ANY INSURANCE COMPANY

        HELP ..... PF1 OR 01

        ADDS ..... PF2 OR 02

        CORRECTIONS ..... PF3 OR 03

        DELETES AND NULLS ..... PF4 OR 04

        EXIT ..... PF12 OR 12
  
```

```

CR151SA                COMMONWEALTH AUTOMOBILE REINSURERS                01/29/2016
COMPANY: 999                PENDING CESSION ADDS                11:08:10
                        ANY INSURANCE COMPANY                POL NO 1000005213

CAR
ID  POLICY NUMBER      DTE RCV      POL EFF      POL EXP      MED      PROD
   MM/DD/YYYY      MM/DD/YYYY      MM/DD/YYYY      RSK TX TYP      CODE
5  1000005213        01/28/2016  09/25/2015  09/25/2016  2  4  85  110092
   INSURED NAME LEASING
5  1000000048        01/28/2016  04/07/2016  04/07/2017  2  2  85  110127
   INSURED NAME COMPUTER
5  1000000053        01/28/2016  04/11/2016  04/11/2017  2  2  85  110127
   INSURED NAME RIVER
4  1000001749        01/28/2016  04/11/2016  04/11/2017  2  2  85  112103
   INSURED NAME ALLARD
5  1000015977        01/28/2016  03/23/2016  03/23/2017  2  2  85  110127
   INSURED NAME WANDERS
4  1000016958        01/28/2016  04/05/2016  04/05/2017  2  2  85  113841
   INSURED NAME PACKAGING C
5  1000017026        01/28/2016  04/08/2016  04/08/2017  2  2  85  110619
   INSURED NAME SERVICE I

: _ :
PF1/01 HELP          PF7/07 PAGE BACK          PF8/08 PAGE FORWARD          PF12/12 EXIT
  
```

**EXHIBIT IV-D-6**  
**ONLINE CESSION ACTIVITY REPORT - CESSIONS ADDED (CR156)**

CR156SC	COMMONWEALTH AUTOMOBILE REINSURERS	01/29/2016
COMPANY: 999	APPLIED ADDS	11:55:50
ANY INSURANCE COMPANY		
CESSN LOAD DATE: 01/28/2016	START WITH DATE RECEIVED =	YMMDD: 140423
	R	A A C E
POLICY NUMBER	EFF DT EXP DT DT RCV DT S T	B MED C REC I PROD R
*15678902002	140525 150525 150527 1 2 2 TIR21	60 0 003 5 113566 0
15789010701	140613 150613 150618 1 2 1 OAK2	61 0 002 4 113695 2
15812348903	140612 150612 150618 1 2 1 DONALD	61 0 002 4 113441 0
12345622400	141124 151124 151205 1 2 1 ROBERT 2	61 0 002 5 110813 0
123455983	141216 151216 151218 1 2 1 WOODS	61 0 002 4 115045 0
122334478	141220 151220 151222 1 2 1 IMPRO	61 0 002 5 110821 0
100000022	141224 151224 151229 1 2 1 RENT	61 0 002 4 113662 0
100000056	150207 160207 150209 1 2 1 BANNING	61 0 002 5 119442 2
223344248	140823 150823 150714 1 2 1 MCTAVISH	61 0 002 4 119442 0
* THIS CESSION HAS BEEN AWARDED A CESSION DATE OTHER THAN THE EFFECTIVE DATE		

**EXHIBIT IV-D-7**  
**ONLINE CESSION ERROR LISTING (CR157)**

CR157SA	C.A.R. CESSION ERROR LISTING	01/29/2016
COMPANY: 999	STARTING LIST DTE: 01/28/2016	11:09:39
	ANY INSURANCE COMPANY (MM/DD/YYYY) POL NO 1000051221	
	R	
CAR	POL EFF POL EXP S T	PROD RECEIPT REC POL
ID POLICY NUMBER	MM/DD/YY MM/DD/YY K X INS'S NAME	CODE MM/DD/YY NO MSG
- 4 1000051221	12/01/15 12/01/16 2 2 JULIO	119003 01/22/16 001
ERRORS	08	
- 4 1000051221	12/01/15 12/01/16 2 2 JULIO	119003 01/22/16 002
ERRORS	08	
- 4 1000051221	12/01/15 12/01/16 2 1 JULIO	119003 12/18/15 003
ERRORS	08	
- 4 1000051221	12/01/15 12/01/16 2 1 JULIO	119003 12/18/15 004
ERRORS	08	
- 4 3330047479	07/03/15 07/03/16 2 1 MOTORS	112107 07/07/15 001
ERRORS	08	
- 4 3330047479	07/03/15 07/03/16 2 1 MOTORS	112107 11/12/15 003
ERRORS	08	
X - MARK THE CESSION TO BE CORRECTED		
	: _ :	
	PF3/03 CORRECT REC	PF7/07 PAGE BCK PF11/11 POLICY MESSAGE
PF1/01 HELP	PF4/04 DELETE REC	PF8/08 PAGE FWD PF12/12 EXIT

**EXHIBIT IV-D-8**  
**ONLINE ACTIVE CESSIONS LISTING (CR170)**

CRI70SA	COMMONWEALTH AUTOMOBILE REINSURERS	01/29/2016
COMPANY: 999	CR170 - ACTIVE CESSIONS	11:06:20
ANY INSURANCE COMPANY		START W/EFF YR 13

  

I	R	POL NO	1000000002	REC NO	001
N	EFF DT EXP DT S T	CAR	PROD DT DT RCV	REC	ER
F	POLICY NUMBER	YMMMDD YMMMDD K X	INSURED NM ID	CODE PT	YMMMDD PREM NO R
1	1000000002	130402 140402 2 2	NOV	5	110127 1 130306 Y 001 0
1	1000000003	130401 140401 2 2	DEC	5	110127 1 130306 Y 001 0
1	1000000006	130404 140404 2 2	CHRIS	5	110127 1 130306 Y 001 0
1	1000000007	130401 140401 2 2	EDISO	5	110127 1 130305 Y 001 0
1	1000000010	130404 140404 2 2	MICHELE	5	110127 1 130306 S 001 0
1	1000000017	130404 140404 2 2	THE	4	119439 1 130306 Y 001 0
1	1000000019	130405 140405 2 2	FLAVPR	5	110127 1 130306 Y 001 0
1	1000000020	130405 140405 2 2	ISAAC	5	110127 1 130306 Y 001 0
1	1000000023	130402 140402 2 2	DENIES	5	110127 1 130306 Y 001 0
1	1000000025	130405 140405 2 2	LEVINT	5	110127 1 130306 Y 001 0
1	1000000026	130405 140405 2 2	OLIVIA	5	110127 1 130306 Y 001 0
1	1000000028	130406 140406 2 2	ADONIS	5	110127 1 130306 S 001 0

\* THIS CESSION HAS BEEN AWARDED A CESSION DATE OTHER THAN THE POL EFF DATE.  
: \_ :

PF1/01 HELP      PF7/07 PAGE BACK      PF8/08 PAGE FORWARD      PF12/12 EXIT



**EXHIBIT IV-D-9**  
**ONLINE CESSION CORRECTION BY KEY LISTING (CR180)**

CR180SA	COMMONWEALTH AUTOMOBILE REINSURERS	01/29/2016
COMPANY: 999	CESSION CORRECTION BY KEY	11:10:11
	ANY INSURANCE COMPANY	
PLEASE ENTER THE KEY FOR THE CESSION TO BE CORRECTED / DELETED		
POLICY NUMBER	_____	
EFFECTIVE YEAR	_____	
RECORD NUMBER	_____	
TRANSACTION TYPE	C	C=CORRECTION / D=DELETE
: _ :		
F1/01 HELP	PF3/03 CESSION DETAIL	PF12/12 EXIT

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

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

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

A cession record with a non-fatal cession error may be corrected via CAR's online telecommunications system using the Errors with List Date or Correct Cession By Key function from the CR100 Cession Menu screen. Servicing Carriers should change only those field(s) which they are correcting, and do not need to enter all the fields of the cession record. If a Servicing Carrier attempts to change a field for which a correction is not allowed (refer to Section F.14.), an error message will be displayed. The cession receipt date of the corrected cession record will remain equal to the cession receipt date assigned to the original cession record.

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

To acknowledge that a cession correction has been made, a Servicing Carrier should reference either of the following reports:

###### **a. Online Cession Correction Activity Acknowledgement**

Cession correction activity occurring via CAR's online telecommunications system will be acknowledged upon exiting the system. The acknowledgement provides a batch number and identifies the number of cession corrections made for Servicing Carriers to use for balancing purposes once the cession correction records have been applied to CAR's cession database file.

###### **b. CR156 Online Cession Activity Report**

The CR156 Online Cession Activity Listing (Exhibit IV-D-6) provides a detailed list of cession correction records processed during the week. Servicing Carriers should review this list weekly to verify cession correction activity.

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

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

If a Servicing Carrier attempts to add, via CAR's online telecommunications cession reporting application, or via FTP transmission, a cession record containing one of the following fatal cession errors, the records will not be accepted or added to CAR's cession database. If a Servicing Carrier attempts to correct a cession record via CAR's online telecommunications system, and creates one of the following fatal cession errors, the system will display the error created and will not allow the correction to be made.

Those cession records added via FTP transmission that were rejected and therefore not loaded to CAR's cession database file because the cession records contained a fatal cession error, will be identified on the CR140 Rejected Cessions report.

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

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

1. Fatal Error Code 1 – Effective Year Invalid

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

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

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

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

3. Fatal Error Code 3 – Reserved for Future Use

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

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

5. Fatal Error Code 5 – Date Received Invalid

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

6. Fatal Error Code 6 – CAR ID Code Invalid

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

7. Fatal Error Code 7 – Risk Indicator Code Invalid

The reported risk indicator must be 1 (Taxicab, Limousine, or Car Service), or 2 (Other Commercial (Not Taxicab, Limousine, or CAR Service)).

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

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

9. Fatal Error Code 9 – Transaction Code Invalid

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

10. Fatal Error Code 10 – State Code Invalid

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

This edit is performed on cession adds only.

11. Fatal Error Code 11 – Reserved for Future Use

12. Fatal Error Code 12 – Reserved for Future Use

13. Fatal Error Code 13 – Reserved for Future Use

14. Fatal Error Code 14 – Correction Not Allowed

The following cession corrections are not allowed:

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

4. Transaction 4 cession records may not be changed to Transaction 5 cession records. Transaction 5 cession records may not be changed to Transaction 4 cession records.

This edit is performed for cession corrections only.

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

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

### G. Non-Fatal Cession Errors

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

The online CR157 Cession Error Listing is updated each time CAR loads cession records to its cession database file. It displays all cession records for the three most current cession reporting years that have a non-fatal cession error.

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

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

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

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

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

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

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

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

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

- apostrophes (')
- ampersands (&)
- dashes (-)
- commas (,)
- periods (.)

- spaces ( )
- pound signs (#)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

## H. Cession Backdate Criteria

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

### 1. Eligibility for Cession Backdates

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

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

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

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

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

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

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

2. Cession Backdate Requests for CAR Committee Review

Cession backdate requests not meeting the conditions specified in Section H.1. will be denied by CAR. The Servicing Carrier may appeal CAR's decision to CAR's Compliance and Operations Committee within 45 days of the policy being listed on the online CA2400 Critical Accounting Error Listing, or sooner, if the company discovers the error earlier. The appeal letter should be sent to CAR's Operations Services Department and must provide documentation to substantiate the Servicing Carrier's intent to cede the policy for which the cession backdate has been requested. All information received by CAR will be reviewed to assure that the company has met all of the necessary conditions. For each cession backdate approved, the Servicing Carrier will be assessed a \$25 processing fee in CAR's next quarterly cash flow. The appeal letter should include the following:

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