

A. Introduction

This Chapter describes the procedures for determining a Member's share in the Commonwealth Automobile Reinsurers' underwriting results and in all reinsurance and statistical agent related administrative expenses associated with operating CAR.

Section B. of this Chapter describes the quarterly cash flow procedures for distributing CAR's deficit to its Members, for collecting CAR's reinsurance operating expenses and statistical agent related administrative expenses, for collecting any necessary special assessments and for the disbursement of withdrawal settlements. This information is provided to Members via the quarterly Settlement of Balances report, the Statistical Agent Expense Assessment report, and if applicable, a Special Assessment report. Also, included in Section B. are the procedures for a company to use to verify its quarterly cash flow reports.

Section C. of this Chapter describes the Member's Participation Report, which documents each Member's assumed share of CAR's underwriting results. The Member's Participation Report results are displayed in Sections C and D of the Settlement of Balances report.

Section D. of this Chapter describes the formulas for determining a Member's participation ratios for sharing in CAR's underwriting results and administrative expenses.

B. Quarterly Cash Flow

1. Sharing in Commonwealth Automobile Reinsurers' Deficit and Administrative Expenses

To reduce the unnecessary cash flow of funds for each Member, CAR will accumulate the balance due each Servicing Carrier based on that Servicing Carrier's actual writings. CAR will net these balances with the balance due a Servicing Carrier (or due CAR) on an assumed basis. Each Member, in addition to the Servicing Carriers will generate an assumed share. The assumed basis is determined by multiplying the Member's underwriting results participation ratios, as calculated in Section D of this Chapter, by the total industry CAR experience of written premium, losses paid, and ceding expense allowances. The administrative expenses and miscellaneous income are determined by multiplying the Member's administrative expense participation ratios by the CAR reinsurance and statistical agent expenses and miscellaneous income.

a. Underwriting Results Calculations

In performing the underwriting calculations, CAR will only use a Servicing Carrier's acceptable data that is reported in accordance with the shipment due dates published in the annual Call Schedule for each accounting/statistical month. Accordingly, if a portion of a Servicing Carrier's data submission is unacceptable or missing, CAR will only use the timely and acceptable reported data for participation purposes.

The Servicing Carrier must provide CAR with accrual information for the unacceptable or missing portion of the submission. Accrual information includes written premium, written exposure, paid losses, and outstanding losses, broken down by line of business (i.e. bodily injury, property damage, no-fault, collision, and other-than-collision). Failure to provide this information within four business days of the published due date will result in the assessment of a \$50 per business day late accrual fee.

To discourage companies from submitting erroneous accrual data to avoid a penalty, CAR will verify the accuracy of the accrual information once the data has been statistically reported to CAR. If it is determined that erroneous accrual information had been provided, CAR will assess the Servicing Carrier the \$50 per business day late accrual fee up until the date that the statistical shipment was received at CAR.

If, after the shipment due date, CAR discovers that a submission is incomplete or incorrect, CAR will work with the Servicing Carrier to determine the extent of the problem. CAR will document the reporting problem, and will provide the Servicing Carrier with a deadline for responding to CAR's request for an explanation, the deadline for reporting corrections (if data correction is necessary), and the potential penalty for failure to comply with CAR's request.

If incomplete data results in a negative impact to the pool, loss of investment income will be billed to the Servicing Carrier. Refer to Section B.6. of this Chapter.

b. Administrative Expense and Miscellaneous Income Calculations

CAR will assess for its current fiscal year's administrative expenses in advance, on a quarterly basis. The calculations will be trued-up during the September quarter of each fiscal year, using final expenses and miscellaneous income. The portion of expenses and income related to CAR's reinsurance functions are collected through the Settlement of Balances report (refer to Section B.2. of this Chapter) and the portion related to CAR's statistical agent function are collected through the Statistical Agent Expense Assessment report (refer to Section B.3. of this Chapter).

2. Settlement of Balances Report

The Settlement of Balances (SB) Report summarizes a Servicing Carrier's ceded balances reported during the current quarter, a Member's current quarter assumed deficit share, a Member's share in CAR's reinsurance operating expenses, prior quarter payment activity and the Member's net share of the quarter's reinsurance participation.

The Settlement of Balances Report consists of the SB-5 report which displays prior policy year experience, the SB-4 report which displays current policy year experience and the SB-1 report which displays all policy years combined. Refer to Exhibit VII-B-1.

In accordance with Rule 11.C.1. – Assessments and Participation of CAR's Rules of Operation, cash shared in the quarters ending March 31 and June 30 is based on prior policy year experience (SB-5 balances). For the quarters ending September 30 and December 31, cash distribution is based on all policy years' experience (SB-1 balances).

The SB reports are produced on a quarterly basis and may be accessed by logging into CAR's website from the Reports page and clicking on the Settlement of Balances link. Members are notified via email when the current quarter's report is available. Additionally, at the beginning of each calendar year, a projected schedule of dates on which the quarterly SB reports will be available will be posted to CAR's website. The schedule may be accessed by clicking on the Schedules tab and then the Settlement of Balances link.

Each Settlement of Balances Report consists of the following Sections:

a. Section A – Servicing Carrier Commercial Ceded Experience

Section A displays the commercial business that a Servicing Carrier ceded to CAR for the current accounting quarter.

b. Section B – Servicing Carrier Run-off Private Passenger Ceded Experience

Section B displays the run-off private passenger business that a Servicing Carrier ceded to CAR for the current accounting quarter.

To verify Sections A and B of the Settlement of Balances Report for all policy years combined, the figures displayed on each line of Sections A and B should be compared to the total accounting/statistical data reported by the Servicing Carrier and accepted by CAR for that quarter. Additionally, any adjustments, including net negative premium write-offs, insolvency fund reimbursements, paid loss write-offs, ceding expense true-ups, and other miscellaneous premium and paid loss bulk adjustments applied for the current accounting quarter, will be detailed in the "Circular Letter to All Member Companies". These adjustments should be used in the verification process.

c. Section C - Member Commercial Assumed Share

Section C displays a Member's assumed share of the industry's ceded commercial business for the current accounting quarter, based on the company's underwriting results participation ratios.

d. Section D - Member Run-Off Private Passenger Assumed Share

Section D displays a Member's assumed share of the industry's ceded run-off private passenger business for the current accounting quarter, based on the company's underwriting results participation ratios.

Sections C and D are derived by subtracting a Member's inception-to-date figures as of the prior quarter from the Member's inception-to-date figures as of the current quarter. This process also provides for the trueing-up of prior quarters' policy year results from current quarter changes in participation ratios.

To verify Sections C and D of the Settlement of Balances Reports, a Member should multiply its current underwriting results participation ratios (from the MPR-6 report), by policy year and by pool, by the industry inception-to-date ceded activity as of the current quarter less inactive companies' frozen assumed shares, if any, as indicated on the Frozen Balance Summary report. This report may be accessed by logging into CAR's website from the Reports page and then clicking on the Settlement of Balances link. A Member's prior quarter's underwriting results participation ratios, by policy year and by pool, should then be multiplied by the prior quarter's industry inception-

to-date ceded activity less inactive companies' frozen assumed shares, if any, as indicated on the Frozen Balance Summary report. The balances identified in Sections C and D of the Settlement of Balances reports reflect the difference between these two products. For additional information relative to the handling of insolvent companies' frozen balances, refer to Section C. of this Chapter.

Note that CAR performs the Sections C and D calculations each quarter and the results are reflected on each company's Member Participation (MP) reports, which are described in more detail in Section C. of this Chapter.

e. Section E – Operating Expense Assessment

Section E displays a Member's assumed reinsurance share of CAR's administrative expenses.

f. Section F – Miscellaneous Expense and Income

Section F displays a Member's assumed share of CAR's non-administrative expenses, the investment income earned by CAR, and other miscellaneous income earned by CAR, based on the company's administrative expense participation ratios.

Members may verify Sections E and F of the Settlement of Balances Reports in a manner similar to that described above for Sections C and D, except that Members should apply their administrative expense participation ratios (which are based on the Member's Massachusetts Annual Statement Page 15) from the MPR-5 report, to the current and prior quarters' industry fiscal-year-to-date miscellaneous expenses and income.

g. Section G - Account Activity During Last Period

Section G identifies any outstanding balances owed to CAR or to the company. A Member Company's net balance from the prior quarter is netted with payments made by the company or by CAR in the prior quarter. Additionally, any reinsurance penalties and processing fees incurred by the company during the current quarter are identified.

h. Section H - Net Settlement Amount Due CAR (Company)

Section H displays the total amount due the Member or due CAR. This amount is included on the Member's quarterly invoice.

To verify Section H, combine the net balances from Sections A through G.

3. Statistical Agent Assessment

The Statistical Agent Expense Assessment report identifies a Member's share of CAR's statistical agent related administrative expenses. This report is produced on a quarterly basis and may be accessed by logging into CAR's website from the Reports page and clicking on the Settlement of Balances link and then the Statistical Assessment link. Refer to Exhibit VII-B-2.

A portion of the expenses related to performing CAR's statistical agent function is collected as a Statistical Agent Fee. In accordance with an established fee schedule, each Member is assessed a Statistical Agent Fee on a quarterly basis. This fee is assessed according to the level of CAR resources that are required to collect and process the Member's Massachusetts private passenger run-off and commercial automobile statistics and to provide other statistical agent services. The balance of CAR's administrative expenses associated with its statistical agent function, representing overhead expenses that are shared according to company size, will be assessed based upon a Member's Administrative Expense Ratios.

The Statistical Agent Expense Assessment report consists of the following sections:

a. Section I – Total Industry Quarterly Assessment

Section I displays the total industry amount due CAR for the quarterly Statistical Agent Assessment, including the total industry Statistical Agent Fees, Statistical Plan Data Quality Penalties and the remaining total market based statistical agent expenses.

b. Section II – Company Quarterly Assessment

Section II displays the Member's share of the industry statistical agent assessment identified in Section I. The Member's quarterly market share based assessment displayed on Line (2), is determined by multiplying the Member's administrative expense ratio from Line (1) by the total industry market share based assessment from Section I, Line (4). The Member's Statistical Agent Fee is included on Line (3). Line (4) displays the total quarterly assessment due from the Member.

c. Section III – Prior Activity and Penalties

Section III identifies the Member's prior quarter balance, the payment received and any current quarter Statistical Plan Data Quality Penalties assessed the Member.

d. Section IV - Net Quarterly Assessment Due

Section IV displays the net balance due CAR or the Member for the quarter. This amount is included on the Member's quarterly invoice.

4. Special Assessments Due

If CAR's cash flow is not sufficient to fund necessary operating costs, payment of a special operational cost is required, or if the balances owed to CAR by an insolvent company are substantial enough to disrupt the quarterly cash distribution process, it may become necessary to secure cash funds in order to support CAR operations.

Assessments related to CAR expenses which are not properly chargeable to the profit or loss of risks ceded to CAR, will be shared by Members in the same proportion that each Member's Massachusetts direct written Motor Vehicle Insurance premiums, as reported on the Member's Massachusetts Annual Statement Page 15 for the most recent calendar year, bear to the total of such premiums for all Members. Commercial ceded premium is excluded from this calculation.

Assessments related to profits and losses on risks ceded to CAR will be shared by Members according to each Member's underwriting results participation ratios for the policy years affected.

5. Net Balance Due

If the net balance from Section H of the Settlement of Balances Report, the net quarterly assessment amount due from Section IV of the Statistical Agent Expense Assessment report, and, if applicable, the amount due from special assessments represent a balance due CAR, the payment must be electronically transferred and received by CAR by the due date specified on the invoice and in the "Circular Letter to All Member Companies".

If the net balance from Section H of the Settlement of Balances Report, the total amount due CAR from the Statistical Agent Report, and, if applicable, the total amount due CAR or due the company from special assessments represent a balance due to a Member, CAR will wire transfer the payment on the date specified in the "Circular Letter to All Member Companies."

Refer to Section B.8. for additional information relative to the wire transfer of funds.

Groups of affiliated companies may elect to net the amounts receivable and/or payable for all of the companies within the group, so that only one payment is due either the group or CAR.

Each Member agrees to pay late payment fees and compensate CAR for all damages and expenses incurred by the residual market as a result of the Member's failure to remit timely payment. A Member is entitled to appeal to CAR's Governing Committee, any assessment or late payment fees, damages or expenses which were levied. However, the Member will be required to pay the amount invoiced before such appeal will be considered. If the Governing Committee rules in favor of the Member, an adjustment, including interest, will be made by CAR to the Member's account.

If a Member fails to pay assessments, late payment fees, or compensatory damages or expenses on a timely basis the Division of Insurance may be notified.

For specific late payment details, refer to Rule 3.A.2. – Insurer Obligations of CAR’s Rules of Operation.

6. Loss of Investment Income

When a Servicing Carrier successfully appeals the exclusion of monthly accounting/statistical data from the Settlement of Balances Report for a given quarter, CAR will reimburse the Servicing Carrier for loss of investment income. The rate of interest to be used will be the prime rate as established by the Federal Reserve Bank of Boston on the date that CAR disburses payments to its Members for balances owed them in the quarter. The term of investment will be 90 days for each quarter from which the data was excluded.

Correspondingly, a Servicing Carrier may be billed for investment income when the pool experiences a significant adverse impact due to the Servicing Carrier's incorrect reporting. For example, when a Servicing Carrier's accounting/statistical data is either not received or rejected as of the end of the quarter, and is therefore excluded from the Settlement of Balances Report for the given quarter, and the exclusion results in a significant loss of investment income to Members, the Servicing Carrier may be billed for the interest income due CAR. The interest rate to be used will be the prime rate as established by the Federal Reserve Bank of Boston on the date that CAR disburses payments to its Members for balances owed them in the quarter. The principal amount on which the interest calculation is made will be the balance due the Servicing Carrier resulting from the net of ceded written premiums less the sum of ceding expense allowances, losses paid, and allocated expenses.

A Servicing Carrier may also be assessed for investment income lost by the pool due to the incorrect reporting of data by the Servicing Carrier which the Servicing Carrier does not correct on a timely basis. When CAR initially identifies a reporting problem and notifies the Servicing Carrier, the Servicing Carrier has until the next full reporting quarter to correct the problem. If the reporting problem remains uncorrected at the close of the next quarter, CAR may assess the Servicing Carrier for loss of investment income retroactive to the first day of the calendar quarter after the problem was first identified until the date that cash on the quarterly distribution containing the correction shipment is settled.

These procedures have been developed as an incentive to assure that Servicing Carriers resolve reporting problems in a timely manner, rather than as a means to penalize companies for incorrect reporting.

7. Interim Settlement to a Servicing Carrier

Interim settlements will normally not be granted. However, requests for interim settlements from a Servicing Carrier will be considered by CAR. Servicing Carriers are permitted to apply for an interim settlement in the event that the Servicing Carrier is experiencing significant negative cash flow in its ceded book of business, specifically, if the Servicing Carrier is in a run-off position. In such cases, reimbursements will be limited to the loss of investment income on the funds, computed from the last day of the accounting month in which the negative cash flow occurred to the expected cash flow date of the quarterly cash flow reports for that quarter.

8. Electronic Transfer of Funds

CAR will disburse all quarterly settlement funds due Members via wire transfer and each Member is required to pay all quarterly settlement invoices due CAR via wire or ACH transfer. Note that CAR will not accept check payments from Members. Invoice balances will be considered outstanding and subject to a loss of investment income penalty (refer to Rule 3 – Insurer Obligations of CAR’s Rules of Operation or Section B.6. of this Chapter) until they are wired or ACH transferred to CAR.

The Member Company Wire Transfer Instructions form should be submitted by each Member to CAR’s Financial Department via email. This form may be accessed by logging into CAR’s website from the Reports page and clicking on the Settlement of Balances link and then the Wire Transfer Bank Account Information link.

A separate agreement may be signed for any Member wishing to allow CAR to directly debit their bank account.

9. Minimum Invoice Payment Procedures

Invoices and payments for CAR's quarterly cash flow will not be issued or required if the amount due CAR or the Member is less than \$1,000. However, a Member whose balances are below this minimum level will continue to receive its quarterly Member’s Participation and Settlement of Balances reports, and the cumulative amount due CAR or the Member will be reflected on the Settlement of Balances reports.

Additionally, CAR has the authority to not pursue collection or disbursement of balances which remain below \$1,000 at the time of the close-out of participation reporting for the policy year(s) for which the balance is owed.

CAR is also authorized to waive late payment penalty fees which amount to \$25 or less.

EXHIBIT VII-B-1
SETTLEMENT OF BALANCES REPORT

Quarter Ending: September 30, 2015

Commonwealth Automobile Reinsurers

Date: 2/1/2016

Settlement Of Balances
All Policy Years Combined
ALL COMPANIES COMBINED

Report: SB-1
Industry

<u>Description</u>	<u>Balance</u>
A. Servicing Carrier Commercial Ceded Experience	
1. Premiums Written	\$37,959,693.00
2. Ceding Expense Allowance	\$8,903,040.00
3. Losses Paid	\$22,641,169.00
4. Allocated Loss Adjustment Expense	\$890,956.00
5. Balance Due CAR (Company) (1) - (2+3+4)	\$5,524,528.00
B. Servicing Carrier Run-Off Private Passenger Ceded Experience	
1. Losses Paid	\$21,134.00
2. Allocated Loss Adjustment Expense	\$122,204.00
3. Balance Due CAR (Company) -(1+2)	(\$143,338.00)
C. Member Commercial Assumed Share	
1. Premiums Written	\$37,959,663.00
2. Ceding Expense Allowance	\$8,903,022.00
3. Losses Paid	\$22,641,157.00
4. Allocated Loss Adjustment Expense	\$890,947.00
5. Balance Due CAR (Company) -(1) + (2+3+4)	(\$5,524,537.00)
D. Member Run-Off Private Passenger Assumed Share	
1. Losses Paid	\$21,132.00
2. Allocated Loss Adjustment Expense	\$122,201.00
3. Balance Due CAR (Company) (1+2)	\$143,333.00
E. Operating Expense Assessment	
1. Advance Operating Expense Assessment	
(a) MAIP and Private Passenger Run-Off	\$1,116,347.00
(b) Commercial	\$583,028.00
2. True-Up of Prior Fiscal Year	
(a) MAIP and Private Passenger Run-Off	\$27,838.00
(b) Commercial	(\$27,833.00)
3. Balance Due CAR (Company) (1a + 1b + 2a + 2b)	\$1,699,380.00
F. Miscellaneous Expense and Income	
1. Miscellaneous Expense	\$13,438.00
2. Miscellaneous Income	(\$4,023.00)
3. Balance Due CAR (Company) (1 - 2)	\$17,461.00
G. Account Activity During Last Period	
1. Net Settlement as of Last Period	
(Line "H" From Last Statement)	\$1,884,911.00
2. Payments to CAR (Company) During Last Period	\$1,883,119.00
3. Penalties and Other Adjustments	\$17,941.00
4. Balance Due CAR (Company) (1) - (2) + (3)	\$19,733.00
H. Net Settlement Amount Due CAR (Company)	\$1,736,560.00

EXHIBIT VII-B-2
STATISTICAL AGENT EXPENSE ASSESSMENT REPORT

Commonwealth Automobile Reinsurers
Statistical Agent Expense Assessment
Advanced Fiscal Year 2016 Assessment - Second Quarter
Quarter Ending September 30, 2015
Industry Summary

Effective for FY 2010, CAR has adopted separate assessment procedures for administrative expenses relating to its statistical agent and residual market administrator functions. A detailed explanation of the modified procedures and implementation process is documented in CAR Bulletin No. 912. Additional information relative to the identification of expenses by function is referenced in the circular letter.

The following report illustrates the determination of your company's Statistical Agent Expense Assessment. The assessment includes the quarterly statistical agent fee, with the remaining expenses assessed on a market-share basis. Section I of the report identifies the derivation of the industry market-share-based assessment, and Section II identifies the determination of your company's assessment.

The balance due CAR will be reflected as a separate line item on your company's invoice accompanying the Settlements of Balance for the quarter ending September 30, 2015. Questions may be directed to Katy Robbins at krobbins@commauto.com or 617.880.2329.

Section I

Determination of Industry FY 2016 Market Share Based Assessment

(1) Advanced Statistical Agent Assessment (Based on FY2016 Administrative Budget)	\$1,057,568
Less:	
(2) FY 2016 Statistical Agent Fees Assessed	\$749,250
(3) Statistical Plan Penalties	\$0
Equals:	
(4) Net Market Based Quarterly Assessment	\$308,318

Section II

Determination of Your Company's Assessment

(1) Final 2014 Administrative Expense Ratio (MPR-5)	1.0000002
(2) Company Market Share Based Assessment (1) x (Section 1, Line 4)	\$308,315
(3) Company Statistical Agent Fee	\$749,250
(4) Total Quarterly Statistical Agent Assessment	\$1,057,565

Section III

Account Activity During Current Period

(1) Balance Due Last Quarter	\$1,086,962
(2) Balance Paid Last Quarter	\$1,077,457
(3) Statistical Plan Penalties and Other Adjustments	\$0
(4) Net Due C.A.R. (Company)	\$9,505

Section IV

Total balance due C.A.R. (Company)	\$1,067,070
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C. Member's Participation Reports

The Member's Participation (MP) Reports display a Member's assumed share of CAR's ceded premium, expenses, losses and net underwriting results, by policy year and participation pool. Refer to Exhibit VII-C-1. The assumed share is calculated by multiplying the Member's underwriting results participation ratios, as calculated in Section D. of this Chapter, by the total industry ceded premium, expenses and losses. The MP reports are produced on a quarterly basis and may be accessed by logging into CAR's website from the Reports page and clicking on the Settlement of Balances link. Members are notified via email when the current quarter's report is available. Additionally, at the beginning of each calendar year, a projected schedule of dates on which the quarterly MP reports will be available will be posted to CAR's website. The schedule may be accessed by clicking on the Schedules tab and then the Settlement of Balances link.

The MP1, MP2, and MP3 reports display, by policy year and pool, current quarter activity (MP1), fiscal year-to-date activity (MP2), and inception to date results (MP3). The MP4, MP5, and MP6 reports display a summary by policy year of the cash balances reflected on the MP1, MP2, and MP3 reports.

The Member's Participation Reports are released to Members on a quarterly basis, in accordance with the approximate distribution dates listed in the following schedule:

Quarter Ending	Approximate Distribution Date	Reports Produced	
		Individual Member Company	Industry Totals
December 31	March 5	MP-1,4	MP-1,3,4,6
March 31	June 5	MP-1,4	MP-1,2,3,4,5,6
June 30	September 5	MP-1,4	MP-1,2,3,4,5,6
September 30	December 5	MP-1,2,3,4,5,6	MP-1,2,3,4,5,6

Members may also request to receive Member's Participation Reports data via FTP transmission file. To establish an FTP account, log into CAR's website from the Reports page, click on the Settlement of Balances link and complete and submit the Financial FTP User Account Request form.

If a company that had previously shared in CAR's underwriting results is declared insolvent, the remaining Members must assume the insolvent company's balances. To accomplish this, CAR removes the company's underwriting results participation ratios from the industry's participation base and the industry inception to date ceded balances are then reduced by the frozen or "inactive" company's paid assumed balances. The remaining companies' assumed share in CAR's underwriting results is then calculated by applying Member participation ratios.

The industry MP reports distributed to Members each quarter include an "All Companies Combined" report, which reflects the total industry assumed shares, and the "All Active Companies Combined" report, which represents the sum of the active members' assumed shares. These reports will be needed for a company to verify its assumed share of CAR's underwriting results.

Each policy year will be held open until all claims are settled and final distribution has been made, or until it is determined by CAR's Governing Committee that the volume of open claims and outstanding loss reserves for a particular policy year are sufficiently low enough to warrant the final close-out of that policy year. Paid loss activity submitted in, or subsequent to, the quarter in which the close-out occurs will be shared using the participation ratios for the oldest policy year that remains open. The close-out of a policy year will take place as of the September quarter for financial purposes and as of the following January's accounting/statistical shipment for statistical reporting purposes. A Member may request reimbursement for a ceded claim paid on a policy year that has been closed-out. Reimbursement requests should be sent to CAR's Operations Services Department.

EXHIBIT VII-C-1
MEMBER'S PARTICIPATION REPORT

QUARTER ENDING: SEPTEMBER 30, 2015
 REPORT: MP-1
 POLICY YEAR 2015
 OTHER THAN PRIVATE PASSENGER

COMMONWEALTH AUTOMOBILE REINSURERS
 MEMBERS PARTICIPATION REPORT
 ALL COMPANIES COMBINED

Data: 1/27/2016

***** ACCOUNTS *****	*****LIABILITY*****				***** PHYSICAL DAMAGE *****			***ALL COV***
	BI	PIP	PD	TOTAL	COLL	OTC	TOTAL	TOTAL
PREMIUMS WRITTEN	18,233,352	1,258,408	9,060,989	28,552,749	6,612,189	2,727,736	9,339,925	37,892,674
UNEARNED PREMIUMS (PRIOR)	26,999,749	1,800,859	13,741,361	42,541,969	9,686,729	3,795,218	13,481,947	56,023,916
UNEARNED PREMIUMS (CURR)	33,729,118	2,292,867	17,022,129	53,044,114	12,161,935	4,873,975	17,035,910	70,080,024
PREMIUMS EARNED (1)	11,503,983	766,400	5,780,221	18,050,604	4,136,983	1,648,979	5,785,962	23,836,566
CEDING EXPENSE ALLOWANCE (2)	4,719,182	317,689	2,350,975	7,387,846	1,719,766	712,222	2,431,988	9,819,834
LOSSES PAID TOTAL	252,370	474,664	2,317,859	3,044,893	3,182,890	1,126,415	4,309,305	7,354,198
ACCIDENT YEAR 2015	252,370	474,664	2,317,859	3,044,893	3,182,890	1,126,415	4,309,305	7,354,198
LOSSES O/S (PRIOR) TOTAL	2,761,236	420,454	1,445,750	4,627,440	0	0	0	4,627,440
ACCIDENT YEAR 2015	2,761,236	420,454	1,445,750	4,627,440	0	0	0	4,627,440
LOSSES O/S (CURR) TOTAL	6,290,178	789,782	2,744,136	9,824,096	0	0	0	9,824,796
ACCIDENT YEAR 2015	6,290,178	789,782	2,744,136	9,824,096	0	0	0	9,824,796
LOSSES O/S IBNR (PRIOR) TOTAL	4,358,002	25,996	1,065,005	5,449,003	282,998	61,002	344,000	5,793,003
ACCIDENT YEAR 2015	4,358,002	25,996	1,065,005	5,449,003	282,998	61,002	344,000	5,793,003
LOSSES O/S IBNR (CURR) TOTAL	9,306,001	238,001	2,158,998	11,703,000	306,000	362,995	668,995	12,371,995
ACCIDENT YEAR 2015	9,306,001	238,001	2,158,998	11,703,000	306,000	362,995	668,995	12,371,995
LOSSES INCURRED TOTAL (5)	8,729,311	1,055,997	4,710,238	14,495,546	3,205,892	1,428,408	4,634,300	19,129,846
ACCIDENT YEAR 2015	8,729,311	1,055,997	4,710,238	14,495,546	3,205,892	1,428,408	4,634,300	19,129,846
ALLOCATED LOSS ADJ EXP (6)	10,860	8,610	8,240	27,530	7,463	2,505	9,968	37,498
ACCIDENT YEAR 2015	10,860	8,610	8,240	27,530	7,463	2,505	9,968	37,498
NET UNDERWRITING RESULTS	(1,955,190)	(615,896)	(1,289,232)	(3,860,318)	(796,138)	(494,156)	(1,290,294)	(5,150,612)

* NET UNDERWRITING RESULTS = (1) - (2) + (3) - (4) - (5) - (6)

D. Basis for Distributing Commonwealth Automobile Reinsurers Experience to Participating Members

1. Experience Used in Participation Determination

The ratios used for distribution will be based on reported statistical data for the most current full calendar year of data available, until the calendar year data relative to a specific policy year is available in its entirety. At that point, retroactive adjustments to each Member's inception-to-date share will be made so that the current policy year distribution is based on the calendar year writings for that year.

2. Participation Determination

a. Underwriting Results

A Member's statistical data, as required to be reported in accordance with CAR's Rules of Operation, will be used as a basis for calculating the participation ratios used to allocate industry ceded commercial premiums, losses and expenses. If a Member does not exceed CAR's established statistical reporting thresholds and therefore is not required to report statistical data to CAR, CAR will instead use the Member's Massachusetts Annual Statement data as a basis for determining underwriting results participation ratios. Note, however, if CAR determines that the Member's reported statistical data is invalid or incomplete and has the potential to significantly impact the Member's participation ratios, appropriate data adjustments may be made by CAR, as necessary.

Member participation shall be calculated on an annual basis in accordance with the procedures in Rule 11.B. – Assessments and Participation of CAR's Rules of Operation.

Refer to Exhibit VII-D-1 for an example of the All Other Liability and All Other Physical Damage underwriting results participation ratio calculation report.

b. Administrative Expenses

Expenses, including all costs of operating CAR, and all costs, charges, expenses and liabilities and all income, property and other assets which the Governing Committee determine not to be properly chargeable to the profit or loss of risks ceded to CAR by Servicing Carriers, shall be shared by Members. Sharing is based upon the proportion that each Member's Massachusetts direct written direct written Motor Vehicle Insurance premiums, which are reported on its Annual Statement for the most recent calendar year, bear to the total of such premiums for all Members. For additional details regarding these calculations, refer to Rule 11.A. – Assessments and Participation of CAR's Rules of Operation.

Refer to Exhibit VII-D-2 for an example of the All Other Liability and All Other Physical Damage administrative expense participation ratio calculation report.

EXHIBIT VII-D-1
UNDERWRITING RESULTS PARTICIPATION RATIO CALCULATION REPORT

COMMONWEALTH AUTOMOBILE REINSURERS
PARTICIPATIONBASE DATA AND CALCULATION OF PARTICIPATION RATIOS
ALL OTHER THAN PRIVATE PASSENGER
UNDERWRITING RESULTS RATIOS
CALENDAR YEAR 2014 DATA - POLICY YEAR 2014 RATIOS
FINAL

GROUP: 999

PAGE: 2A

SECTION I
ACTUAL GROUP DATA

<u>DESCRIPTION</u>	<u>COMPANY</u>	<u>INDUSTRY</u>	<u>COMPANY</u>	<u>INDUSTRY</u>
	<u>LIABILITY</u>	<u>LIABILITY</u>	<u>PHYS DAM</u>	<u>PHYS DAM</u>
A) VOLUNTARY RETAINED PREMIUM (CAR ID 0)	\$52,404,581	\$434,725,096	\$19,364,387	\$143,116,563
B) ERP RETAINED PREMIUM (CAR ID 1)	\$1,620,123	\$3,629,448	\$580,964	\$1,280,415

SECTION II

REPORTING COMPANY DATA ANNUALIZED TO ESTIMATE CALENDAR YEAR

<u>DESCRIPTION</u>	<u>COMPANY</u>	<u>INDUSTRY</u>	<u>COMPANY</u>	<u>INDUSTRY</u>
	<u>LIABILITY</u>	<u>LIABILITY</u>	<u>PHYS DAM</u>	<u>PHYS DAM</u>
A) VOLUNTARY RETAINED PREMIUM (CAR ID 0)	\$52,404,581	\$434,725,096	\$19,364,387	\$143,116,563
B) ERP RETAINED PREMIUM (CAR ID 1)	\$1,620,123	\$3,629,448	\$580,964	\$1,280,415

PAGE: 2B

COMPANY/GROUP: 999 ABC INSURANCE COMPANY

SECTION III
CALCULATION OF PARTICIPATION RATIO

	<u>LIABILITY</u>	<u>PHYS DAM</u>	<u>SOURCE</u>
A) TOTAL RETAINED PREMIUMS	\$54,024,704	\$19,945,351	SECTION II, ITEM (A)+(B)
B) INDUSTRY FINAL RETAINED PREMIUMS	\$438,354,544	\$144,409,328	INDUSTRY TOT LESS NET NEGATIVE
C) PARTICIPATION RATIO	0.1232443	0.1381168	(A) / (B)

EXHIBIT VII-D-2
ADMINISTRATIVE EXPENSE PARTICIPATION RATIO CALCULATION REPORT

COMMONWEALTH AUTOMOBILE REINSURERS
PARTICIPATION BASE DATA AND CALCULATION OF PARTICIPATION RATIOS
ADMINISTRATIVE EXPENSE RATIOS

CALENDAR YEAR 2014 DATA - POLICY YEAR 2014 RATIOS
FINAL
COMPANY/GROUP:-999

This report displays the base data used to determine your company's/group's participation ratios for sharing in the Commonwealth Automobile Reinsurers' Administrative Expenses, and also displays the calculation of these ratios. The data used to calculate these ratios consists of your company's direct written premium totals from the Massachusetts Annual Statement Page 15 according to the lines listed below. Data for all the companies in your group have been combined to produce this report. Liability totals include no-fault.

The following companies have been included to calculate your group totals:

ABC ABC Insurance Company
XYZ XYZ Insurance Company

BASE DATA AND PARTICIPATION RATIOS FOR SHARING IN C.A.R.'S ADMINISTRATIVE EXPENSES AND CONTINGENCY FUND

	COMPANY DIRECT WRITTEN PREMIUM	INDUSTRY DIRECT WRITTEN PREMIUM	PARTICIPATION RATIO (RATIO TO INDUSTRY)
PRIVATE PASSENGER LIABILITY (LINES 19.1 AND 19.2)	\$648,110,819	\$2,575,523,929	0.2516423
ALL OTHER LIABILITY (LINES 19.3 AND 19.4)	\$53,729,816	\$438,295,174	0.1225882
PRIVATE PASSENGER PHYSICAL DAMAGE (LINE 21.1)	\$468,849,759	\$1,893,961,208	0.2475498
ALL OTHER PHYSICAL DAMAGE (LINE 21.2)	\$19,950,563	\$143,871,464	0.1386694