

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 CAR's online cession reporting application which may be accessed from the Reports page of CAR's website.

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

For those ERPs for which a Servicing Carrier has elected the 100% cede option, CAR monitors the latest three reporting years for cession activity. On a quarterly basis, information that identifies the industry volume, by company, of backdated cessions is published in CAR's Operational Reports which is available on Reports page of CAR's website under the Company Status Reports link. The information provided includes the number of each Servicing Carrier's policies that are eligible for backdate and the number and percentage of cessions backdated. If more than 5% of the Servicing Carrier's total new business cessions are backdated, or if more than 5% are backdated but fall within the 5% and 25 policies in error tolerance level, that information will also be identified.

After the second quarter of the calendar year, 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.

Any problematic reporting patterns will be brought to the attention of the Compliance and Operations Committee.

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 Cession Application

Cession records may be reported using CAR's online cession application. For additional information relative to the specific cession screens to be utilized by Servicing Carriers, refer to Section D. of this Chapter.

On CAR's website, from the Reports tab (Exhibit IV-A-1), log in and click on the CAR Accounting link (Exhibit IV-A-2) to access the cession data and reports screens.

From the CAR Accounting screen (Exhibit IV-A-3), click on the Cession Entry link to add a cession record. Enter the following fields on the Cession Entry screen (Exhibit IV-A-4). Note that the application does not allow for blank fields. If a field is left blank, the application will provide a prompt to complete the field.

The following instructions apply:

- 1) Company Code – The three digit company code associated with the user's log-on ID is displayed. This code is also the three digit code used to report premium and loss accounting/statistical data.
- 2) CAR ID Code – Select 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 Identification 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 – Select 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 – Select 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 application 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 continue and 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 be immediately loaded to the cession database, and will display on the Cession Correction screen (Exhibit IV-D-3). For additional information relative to cession error correction procedures, refer to Section E. of this Chapter.

Note that all cession records entered via the cession reporting application in a single day are considered one batch.

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 7:00 p.m. Eastern Standard Time will be assigned a receipt date equal to the following CAR business day. All transmissions submitted to CAR before 7:00 p.m. Eastern Standard Time on a CAR business day will be assigned a date received equal to the date of transmission. Cessions reported via FTP transmission are processed nightly for formatting verification and loaded to the permanent database file the following day.

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.
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

Location	Field Length	Field Name	Contents
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 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.

Additionally, 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.

b. Online Cession Activity Acknowledgement

All cession activity occurring via CAR's online cession reporting application is immediately loaded to CAR's cession database and may be acknowledged by viewing the Cession Records screen (Exhibit IV-D-1) to confirm the addition of specific cession records. Servicing Carriers may enter start and stop load dates to view cessions processed during a specific period of time.

Additionally, for balancing purposes, Servicing Carriers may obtain summary counts from the Batch Totals screen (Exhibit IV-D-7) of cessions added, corrected and deleted, immediately following the cession activity. Servicing Carriers may review these screens at any time 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
COMMAUTO.COM REPORTS SCREEN

The screenshot shows the 'Reports and Applications' page of the CAR website. At the top, there is a navigation menu with links: Home, About CAR, MAIP, Reports, Bulletins, Manuals, Committees, Calendar, Contact Us, Schedules, Training, FAQ, Site Map, Help, and Search. The CAR logo is on the left.

Reports and Applications

New Website Commercial Only Section - March 25, 2019
 CAR is pleased to announce that the Reports page of the CAR website has been reorganized to include a Commercial Only section for Commercial Servicing Carriers. For more detailed information about the changes, [click here](#).

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

Secure Access
 User ID:
 Password:

[Forgot Password](#)

Publications
[Update or Join Publications](#)

Recent Updates
 02/27 | 12 2018 Volume Analysis Cubes Updated
 02/27 | 12 2018 Residual Market Volume
 01/22 | 3Q 2018 Participation Ratios
 03/08 | 12 2018 Settlement of Balances

Commercial Only
[Forms, Manuals](#)
[CAR Accounting](#)
[Experience Rating](#)
[Rate Edit](#)
[Servicing Carrier Profile](#)

Compliance Audit
[Compliance Audit Reports](#)

Financial
[Ceding Expense](#)
[Claims Trend](#)
[Defect Projections](#)
[Loss Reserving Comm Exhibits](#)
[Participation Ratios](#)
[Settlement of Balances](#)

Market
[Producer Code Notification](#)
[Rate Information](#)
[Remaining ERPs](#)
[Residual Market Volume](#)
[Volume Analysis](#)

Reporting & Data Quality
[Company Status Reports](#)
[Company Submission Reports](#)
[Data Transfers](#)
[Distributional Analysis](#)
[Reconciliation](#)
[Rule 29 Credit Edit](#)
[Statistical Data](#)

Telecommunications
[Telecommunications](#)

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EXHIBIT IV-A-2
LOG-IN SCREEN

CAR Home About CAR MAIP Reports Bulletins Manuals Committees Calendar Contact Us Schedules Training
 FAQ Site Map Help Search

Reports and Applications

New Website Commercial Only Section - March 25, 2019
 CAR is pleased to announce that the Reports page of the CAR website has been reorganized to include a Commercial Only section for Commercial Servicing Carriers. For more detailed information about the changes, [click here](#).

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

My CAR - Update Log-off
 Jane Doe

Publications
[Update or Join Publications](#)

Recent Updates
 02/27 | 12 2018 Volume Analysis Cubes Updated
 02/27 | 12 2018 Residual Market Volume
 01/22 | 3Q 2018 Participation Ratios
 03/08 | 12 2018 Settlement of Balances

Commercial Only
[Forms Manuals](#)
[CAR Accounting](#)
[Experience Rating](#)
[Rate Edit](#)
[Servicing Carrier Profile](#)

Financial
[Ceding Expense](#)
[Claims Trend](#)
[Deficit Projections](#)
[Loss Reserving Comm Exhibits](#)
[Participation Ratios](#)
[Settlement of Balances](#)

Market
[Producer Code Notification](#)
[Rate Information](#)
[Remaining ERPs](#)
[Residual Market Volume](#)
[Volume Analysis](#)

Reporting & Data Quality
[Company Status Reports](#)
[Company Submission Reports](#)
[Data Transfers](#)
[Distributional Analysis](#)
[Reconciliation](#)
[Rule 29 Credit Edit](#)
[Statistical Data](#)

Compliance Audit
[Compliance Audit Reports](#)

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EXHIBIT IV-A-3
CAR ACCOUNTING SCREEN

The screenshot displays the CAR Accounting screen. At the top, there is a navigation bar with the CAR logo and links for Home, About CAR, MAIP, Reports, Bulletins, Manuals, Committees, Calendar, Contact Us, Schedules, Training, FAQ, Site Map, Help, and Search. Below this, the breadcrumb trail reads 'Reports > CAR Accounting'. The main content area is titled 'CAR Accounting' and contains several sections:

- Cession Data:** The CAR Accounting system houses the components of a ceded policy cession record, ceded premium records, and ceded loss records. There are a number of programs that monitor and edit the successful submission of each component part. This Cession system allows users to add, correct, delete, and view cession notices to CAR.
- Flat Cancellation:** The Flat Cancellation Audit (CA5010) is a monitoring program where CAR requests documentation be uploaded to support TX4 and TX15 cancellation transactions. A company must provide valid documentation for at least 80% of the policies sampled per effective year and transaction type. For any year or transaction where less than 5 policies were sampled, the company must provide 100% valid documentation. Please contact [Data Operations](#) with any inquiries.

On the left side, there is a sidebar menu with the following links:

- Cession Data:** Cession Entry, Cession Correction, Cession Update, Company Notes
- Cession Reports:** Cession Records, Batch Totals, Fatal Cessions
- Flat Cancellation:** Flat Cancel Sample
- Additional Applications in Commercial Only:** Forms, Manuals, Experience Rating, Rate Edit, Servicing Carrier Profile

The main content area also includes detailed instructions for several functions:

- Cession Data:**
 - Cession Entry:** Use this function to submit a new cession record for processing.
 - Cession Correction:** Use this function to correct an existing cession record that has a non-fatal error.
 - Cession Update:** Use this function to change specific fields on the cession record such as Insured's Name, Producer Code, Effective Month or Day, Transaction Code, etc.
 - Company Notes:** Use this function to add or update notes for a specific policy (per policy effective year).
- Cession Reports:**
 - Cession Records:** Use this function to view all cession records for the three most current reporting years.
 - Batch Totals:** Summary total by date received and media type.
 - Fatal Cessions:** Use this function to view all fatal cessions.
- Flat Cancellation:**
 - Flat Cancel Sample:** Lists the three current effective years sampled along with the individual policies that require supporting documentation for valid flat cancellation.

At the bottom of the screen, there is a footer with a secondary navigation bar (Home, About CAR, MAIP, Reports, Bulletins, Manuals, Committees, Calendar, Contact Us, Schedules, Training, FAQ, Site Map, Help, Search) and a copyright notice: 'Copyright © 1999-2019 Commonwealth Automobile Reinsurers. All Rights Reserved.'

EXHIBIT IV-A-4
CESSION ENTRY SCREEN

The screenshot displays the CAR Cession Entry screen. At the top, there is a navigation menu with links: Home, About CAR, MAIP, Reports, Bulletins, Manuals, Committees, Calendar, Contact Us, Schedules, Training, and a search bar. Below the menu is the CAR logo. The main content area is titled "Cession Entry" and includes the instruction: "Use this function to submit a new cession record for processing." The form contains the following fields and controls:

- Company:** Text input field with "999" entered.
- CAR ID:** Dropdown menu with "4 - Voluntary Agent" selected.
- Policy ID:** Text input field.
- Eff Date:** Date picker field.
- Exp Date:** Date picker field.
- Recv Date:** Date picker field with "04/05/2019" entered.
- Risk Type:** Dropdown menu with "2 - All Other Commercial" selected.
- Trans Code:** Dropdown menu with "1 - New Business" selected.
- Insured Name:** Text input field.
- Producer Code:** Text input field.

At the bottom of the form are two buttons: "Add" and "Reset". A secondary navigation menu is located at the bottom of the page, mirroring the top menu. The footer text reads: "Copyright © 1999-2014 Commonwealth Automobile Reinsurers, All Rights Reserved."

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 via CAR's online cession reporting application. 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.

Upon notification, Servicing Carriers may view the February and August samples by clicking on the Flat Cancel Sample link from the CAR Accounting screen (Exhibit IV-A-3). From the Flat Cancel Sample screen (Exhibit IV-C-1) and the Flat Cancel Sample Details screen (Exhibit IV-C-2), Servicing Carriers may view the individual policies that require supporting

documentation. 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.

Supporting documentation must be uploaded to CAR through the online cession application. 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 Section X. of the Policy Edit Package, which is available on the Manuals page of CAR’s website.

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
FLAT CANCEL SAMPLE SCREEN

Flat Cancel Sample
Please select a year to view the list of policies sampled. For each policy listed, input any additional comments to validate the flat cancel transaction.

Company: 999 - Any Insurance Company **Run Date:** 8/3/2016

Due Date: TX 4 cessions received from 1/2/2016 through 7/1/2016.
10/1/2016 TX 15 premium accounting dates from 12/2015 through 5/2016.

Sample Summary

Eff Yr	TX 4 Sampled	TX 4 Cancelled	TX 15 Sampled	TX 15 Cancelled	Total Policies	Total Cancelled	% Flat Cancelled
2015	5	16	5	101	5418	117	2.16
2016	5	58	5	138	3619	196	5.42

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EXHIBIT IV-C-2
FLAT CANCEL SAMPLE DETAILS SCREEN

Flat Cancel Sample Details
Please select a policy to provide comments and/or upload supporting documentation. Upon selecting upload, the next screen provides a list of valid cancellation reasons and the option to choose a file from your library.

Company: 999 - Any Insurance Company **Run Date:** 8/3/2016

Due Date: TX 4 cessions received from 1/2/2016 through 7/1/2016.
10/1/2016 TX 15 premium accounting dates from 12/2015 through 5/2016.

Sample Detail for Policy Year 2016

Policy ID	Effective Date	Flat Cancel Type	Documentation Comment	Upload Count
ZZZZZZZZZZ	4/13/2016	TX 4	Cancelled flat for Underwriting Reasons.	1
ZZZZZZZZZZ	4/16/2016	TX 4	Cancelled flat for Plate Return Receipt prior term.	1
ZZZZZZZZZZ	5/2/2016	TX 4	Cancelled not wanted by insured prior term.	1
ZZZZZZZZZZ	1/1/2016	TX 4	Cancelled flat policy voided.	1
ZZZZZZZZZZ	1/15/2016	TX 4	Cancelled flat policy rewritten ceded ZZZZZZZZZZZ	1
ZZZZZZZZZZ	3/22/2016	TX 15	Cancelled flat not wanted by insured.	1
ZZZZZZZZZZ	1/10/2016	TX 15	Policy cancelled flat 2/A change of carrier.	1
ZZZZZZZZZZ	3/5/2016	TX 15	Cancelled within 65 days, Failure to Pay Deposit.	1
ZZZZZZZZZZ	3/11/2016	TX 15	Cancelled within 65 days, Failure to Pay Deposit.	1
ZZZZZZZZZZ	4/9/2016	TX 15	Cancelled flat rewritten voluntary	1

Selected policy from above:

D. Online Cession Application Screens

1. **CESSION RECORDS SCREEN (Exhibit IV-D-1)**

The Cession Records screen displays all cession records loaded to CAR's database file for the three most current cession reporting years. Servicing Carriers may browse cession records by producer code, error code and status (active, deleted, nulled (by Transaction 4 cession)/unceded (by Transaction 5 cession), or corrected) or by specific policy identification number. Note that for cession corrections, both the original cession record and the cession correction record are displayed. Servicing Carriers may also view cession records by specific load date or effective date.

Also note that if requested by a Servicing Carrier, CAR is able to provide a spreadsheet version of active cessions for the most recent policy effective year that has been closed-out for cession reporting. Refer to Section G. of Chapter VIII – Data Reporting, Accounting Edit and Correction Procedures of this Manual for further information relative to CAR's close-out of older policy effective years for reporting purposes.

2. **CESSION ENTRY SCREEN (Exhibit IV-D-2)**

The Cession Entry screen is used to add cession records to CAR's cession database file. Adding a cession record that has a fatal error will not be allowed. Refer to Section A.3.a. of this Chapter for additional information.

3. **CESSION CORRECTION SCREEN (Exhibits IV-D-3 and IV-D-4)**

The Cession Correction screens display cession records that have been loaded to CAR's cession database file, but contain a non-fatal cession error. The three most current cession reporting years are displayed. Servicing Carriers may view cessions in error by specific receipt date or effective date to assist in the coordination of 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 and procedures. Refer to Section F. of this Chapter for a description of the non-fatal cession errors.

4. **CESSION UPDATE SCREEN (Exhibit IV-D-5)**

The Cession Update screen provides Servicing Carriers with a means to correct or change an error-free cession record. Servicing Carriers may locate a cession record by entering search criteria consisting of company number, policy effective year, policy identification number, and record number.

5. FATAL CESSIONS SCREEN (Exhibit IV-D-6)

Only those cessions submitted via FTP transmission that contained a fatal error will appear on this screen. Cessions added through the online cession reporting application that contain a fatal error are not accepted at point of entry and will not appear on the Fatal Cessions screen. This screen is populated each time CAR loads cession records to its cession database file. Refer to Sections A.3.a. and F. of this Chapter for additional information.

6. BATCH TOTALS SCREEN (Exhibit IV-D-7)

The Batch Totals screen provides Servicing Carriers with a summary report that identifies, by batch, total cessions received, type of submission (add or correction), type of media used for submission (online or FTP), batch receipt date and load date.

7. COMPANY NOTES SCREEN (Exhibit IV-D-8)

The Company Notes screen is for internal company use and may be used by Servicing Carriers to add informational notes on a specific policy.

**EXHIBIT IV-D-1
 CESSIONS RECORDS SCREEN**

The screenshot displays the 'Cession Records' screen within the CAR system. At the top, there is a navigation menu with links for Home, About CAR, MAIP, Reports, Bulletins, Manuals, Committees, Calendar, Contact Us, Schedules, and Training. Below this is a sub-menu with Home, FAQ, Site Map, Help, and Search.

The main content area is titled 'Cession Records' and includes a brief instruction: 'Use this function to view all cession records for the three most current reporting years. For Active cessions and Correction Pairs you can select a Load-Date range, whereas for Deleted or Nulled/Unceded cessions you can select a Deactivate-Date range.'

Search criteria include:

- Company: 999
- Policy ID: [Empty]
- Status: Active
- Cession Load/Deact Start: [Empty]
- Cession Load/Deact Stop: [Empty]
- Eff Date Start: [Empty]
- Eff Date Stop: [Empty]
- Producer Code: [Empty]
- Media Type: All
- Insured Name: [Empty]
- Recv Date Start: [Empty]
- Recv Date Stop: [Empty]

A 'Retrieve' button is present, with a note: 'Results limited to first 1000 records. Use criteria or sorting to narrow results.'

There is an 'Export to Excel' option.

The main data table has the following columns: Co No, L A T E, C I D, Policy ID, R E C, Eff Date, Exp Date, I X, Insured Name, Recv Date, Prod Code, I Y E, S O T E, and Error Codes. The table contains 15 rows of data, all with '999' as the company number and '5' as the policy ID.

Co No	L A T E	C I D	Policy ID	R E C	Eff Date	Exp Date	I X	Insured Name	Recv Date	Prod Code	I Y E	S O T E	Error Codes
999	5	9999999999	1	04/02/2017	04/02/2018	2	ZZZZZZZZZZ		03/24/2017	460127	0	A	000000000000000000
999	5	9999999999	1	04/01/2017	04/01/2018	2	ZZZZZZZZZZ		03/03/2017	460127	0	A	000000000000000000
999	4	9999999999	2	04/04/2017	04/04/2018	4	ZZZZZZZZZZ		03/16/2017	469439	0	A	000000000000000000
999	5	9999999999	1	04/06/2017	04/06/2018	2	ZZZZZZZZZZ		03/30/2017	460127	0	A	000000000000000000
999	5	9999999999	2	04/06/2017	04/06/2018	1	ZZZZZZZZZZ		04/07/2017	460127	3	A	000000000000000000
999	4	9999999999	1	04/01/2017	04/01/2018	2	ZZZZZZZZZZ		02/28/2017	463438	0	A	000000000000000000
999	5	9999999999	1	04/11/2017	04/11/2018	2	ZZZZZZZZZZ		03/10/2017	460127	0	A	000000000000000000
999	5	9999999999	1	04/09/2017	04/09/2018	2	ZZZZZZZZZZ		04/08/2017	460127	0	A	000000000000000000
999	5	9999999999	1	04/07/2017	04/07/2018	2	ZZZZZZZZZZ		01/18/2017	460127	0	A	000000000000000000
999	5	9999999999	1	04/15/2017	04/15/2018	2	ZZZZZZZZZZ		03/28/2017	460127	0	A	000000000000000000
999	5	9999999999	1	04/12/2017	04/12/2018	2	ZZZZZZZZZZ		03/13/2017	460127	0	A	000000000000000000
999	4	9999999999	1	04/01/2017	04/01/2018	2	ZZZZZZZZZZ		02/28/2017	462293	0	A	000000000000000000
999	5	9999999999	1	04/21/2017	04/21/2018	2	ZZZZZZZZZZ		03/23/2017	460127	0	A	000000000000000000

A 'Details' button is located below the table.

At the bottom of the screen, there is a footer with navigation links: Home, About CAR, MAIP, Reports, Bulletins, Manuals, Committees, Calendar, Contact Us, Schedules, Training, FAQ, Site Map, Help, Search. Below the links is the copyright notice: 'Copyright © 1999-2014 Commonwealth Automobile Reinsurers, All Rights Reserved.'

EXHIBIT IV-D-2
CESSION ENTRY SCREEN

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Reports > CAR Accounting

Cession Entry
 Use this function to submit a new cession record for processing.

Company


CAR ID Policy ID Eff Date Exp Date Recv Date

Risk Type Trans Code Insured Name Producer Code

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**EXHIBIT IV-D-3
 CESSION CORRECTION SCREEN**



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Cession Data

[Cession Entry](#)

[Cession Correction](#)

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Cession Reports

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Flat Cancellation

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Additional Applications in Commercial Only

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Cession Correction

Use this function to correct an existing cession record that has a non-fatal error. Please select a cession from the grid for correcting. Place your mouse cursor over the grid headings to see a description of each column.

Company Policy ID Eff Date Start Eff Date Stop Producer Code

Error Code Recv Date Start Recv Date Stop

Results limited to first 1000 records. Use criteria or sorting to narrow results.

Error Code Totals

O1	O2	O3	O4	O5	O6	O7	O8	O9	10	11	12	13	14	15	16	17	18
0	0	0	7	514	49	926	1233	3	0	0	0	0	19	35	0	0	0

Co No	Prod Code	C I D	Policy ID	B E C	Eff Date	Exp Date	I X	Insured Name	Receipt Date	I N F	Error Codes
999	463648	4	9999999999	3	07/01/2017	07/01/2018	4	????????????	11/05/2017		00000000000000000000
999	464575	5	9999999999	1	09/20/2017	09/20/2018	2	????????????	08/21/2017	Y	00001000000000000000
999	464883	4	9999999999	1	11/21/2017	11/21/2018	2	????????????	10/20/2017	Y	00001000000000000000
999	463971	4	9999999999	1	12/19/2017	12/19/2018	2	????????????	11/17/2017	Y	00001000000000000000
999	463648	4	9999999999	1	12/16/2017	12/16/2018	2	????????????	11/14/2017	Y	00000110000000000000
999	463971	4	9999999999	1	11/07/2017	11/07/2018	2	????????????	10/06/2017	Y	00001000000000000000
999	463648	4	9999999999	1	12/06/2017	12/06/2018	2	????????????	11/06/2017	Y	00000110000000000000
999	463648	4	9999999999	1	11/17/2017	11/17/2018	2	????????????	10/17/2017	Y	00000110000000000000
999	463648	4	9999999999	1	11/01/2017	11/01/2018	2	????????????	10/02/2017	Y	00000110000000000000
999	467077	4	9999999999	1	02/11/2017	02/11/2018	2	????????????	01/10/2017	Y	00001000000000000000
999	464883	4	9999999999	1	11/01/2017	11/01/2018	2	????????????	10/02/2017	Y	00001000000000000000
999	462658	4	9999999999	1	01/13/2017	01/13/2018	1	????????????	01/18/2017	Y	00001000000000000000
999	468446	4	9999999999	1	04/03/2017	04/03/2018	4	????????????	04/19/2017		000000000000000010000
999	462333	4	9999999999	1	06/06/2017	06/06/2018	1	????????????	05/19/2017	Y	00001000000000000000
999	462333	4	9999999999	1	06/04/2017	06/04/2018	1	????????????	06/14/2017	Y	00001000000000000000
999	463337	4	9999999999	3	06/21/2017	06/21/2018	4	????????????	07/10/2017		00000000000000001000

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EXHIBIT IV-D-4
CESSION CORRECTION DETAIL SCREEN

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CAR

Reports > CAR Accounting

Cession Correction
 Use this function to correct an existing cession record that has a non-fatal error.

Non-fatal 15 - Matching Record Not Active for Transaction 4.

Co No	Pol Eff Year	Policy ID	Rec No
999	2017	999999999	3

CAR ID: 4 - Voluntary Agent
 Policy ID: 999999999
 Eff Date: 07/01/2017
 Exp Date: 07/01/2018
 Recv Date: 11/05/2017

Risk Type: 2 - All Other Commercial
 Trans Code: 4 - Cancellation
 Insured Name: ZZZZZZZZZZZZZZ
 Producer Code: 463648

Correct Delete Cancel Notes

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EXHIBIT IV-D-5
CESSION UPDATE SCREEN

The screenshot displays the CAR website's 'Cession Update' interface. At the top, a navigation bar includes links for Home, About CAR, MAIP, Reports, Bulletins, Manuals, Committees, Calendar, Contact Us, Schedules, and Training. Below this, a secondary bar contains Home, About CAR, MAIP, Reports, Bulletins, Manuals, Committees, Calendar, Contact Us, Schedules, Training, FAQ, Site Map, Help, and Search.

The main content area is titled 'Cession Update' and includes a sub-header 'Cession Data'. A sidebar on the left lists various menu items under categories like 'Cession Data', 'Cession Reports', 'Flat Cancellation', and 'Additional Applications in Commercial Only'. The main form area contains several input fields and buttons:

- Search Criteria:**
 - Company: 999
 - Pol Eff Year: []
 - Policy ID: []
 - Rec No: []
 - Retrieve button
- Advanced Search:**
 - CAR ID: 4 - Voluntary Agent
 - Policy ID: []
 - Eff Date: []
 - Exp Date: []
 - Recv Date: []
 - Risk Type: 1 - Taxi/Limo/CAR Service
 - Trans Code: 1 - New Business
 - Insured Name: []
 - Producer Code: []
 - Update, Delete, and Notes buttons

At the bottom of the page, there is a footer with the same navigation links as the top bar and a copyright notice: 'Copyright © 1999-2014 Commonwealth Automobile Reinsurers. All Rights Reserved.'

**EXHIBIT IV-D-6
 FATAL CESSIONS SCREEN**

The screenshot displays the 'Fatal Cessions' screen within the CAR system. At the top, there is a navigation menu with links for Home, About CAR, MAIP, Reports, Bulletins, Manuals, Committees, Calendar, Contact Us, Schedules, and Training. Below this, a sidebar on the left contains various menu items such as 'Cession Data', 'Cession Reports', 'Flat Cancellation', and 'Additional Applications in Commercial Only'. The main content area is titled 'Fatal Cessions' and includes a search form with fields for Company (999), Policy ID, Eff Date Start, Eff Date Stop, Producer Code, Error Code (- Any -), Recv Date Start, and Recv Date Stop. A 'Retrieve' button is present, and a message indicates '19 records found'. Below the search form is an 'Error Code Count' table and an 'Export to Excel' button. The primary data is presented in a table with columns for Co No, Policy ID, RISK, CLASS, Eff Date, Exp Date, Insured Name, State Code, Recv Date, and Error Codes. The table contains 19 rows of data, all with a State Code of 20 and various error codes.

Co No	Policy ID	RISK	CLASS	Eff Date	Exp Date	Insured Name	State Code	Recv Date	Error Codes
999	9999999999	2	4	2	22/13/2019	22/13/2020	20	01/24/2019	0101010100
999	9999999999	3	4	2	02/27/2019	02/27/2020	20	01/24/2019	0001011000
999	9999999999	2	8	2	02/08/2019	02/08/2020	20	01/24/2019	0001010100
999	9999999999	2	4	4	02/08/2019	02/08/2020	20	01/24/2019	0001010100
999	9999999999	2	5	1	01/13/2019	01/13/2020	20	01/24/2019	0001010100
999	9999999999	2	4	1	01/11/2019	01/11/2020	20	01/24/2019	0001010100
999	9999999999	2	5	1	01/11/2019	01/11/2020	20	01/24/2019	0001010100
999	9999999999	2	4	1	01/10/2019	01/10/2020	20	01/24/2019	0001010100
999	9999999999	1	4	1	01/09/2019	01/09/2020	20	01/24/2019	0001010100
999	9999999999	2	5	1	12/31/2018	12/31/2019	20	01/24/2019	0001010100
999	9999999999	2	4	1	12/31/2018	12/31/2019	20	01/24/2019	0001010100
999	9999999999	2	4	1	12/20/2018	12/20/2019	20	01/24/2019	0001010100
999	9999999999	2	5	3	12/17/2018	12/17/2019	20	01/24/2019	0001010110
999	9999999999	2	4	2	02/27/2017	02/27/2018	20	01/24/2019	0001010100
999	9999999999	2	4	2	02/13/2015	02/13/2016	20	01/24/2019	1000000000
999	9999999999	0	5	2	04/07/2019	04/07/2020	20	03/18/2019	0000001000
999	9999999999	0	5	2	03/26/2019	03/26/2020	20	02/19/2019	0000001000

**EXHIBIT IV-D-7
 BATCH TOTALS SCREEN**

The screenshot displays the CAR website interface. At the top, there is a navigation menu with links: Home, About CAR, MAIP, Reports, Bulletins, Manuals, Committees, Calendar, Contact Us, Schedules, Training, and a search bar. Below the menu, the breadcrumb trail reads "Reports > CAR Accounting".

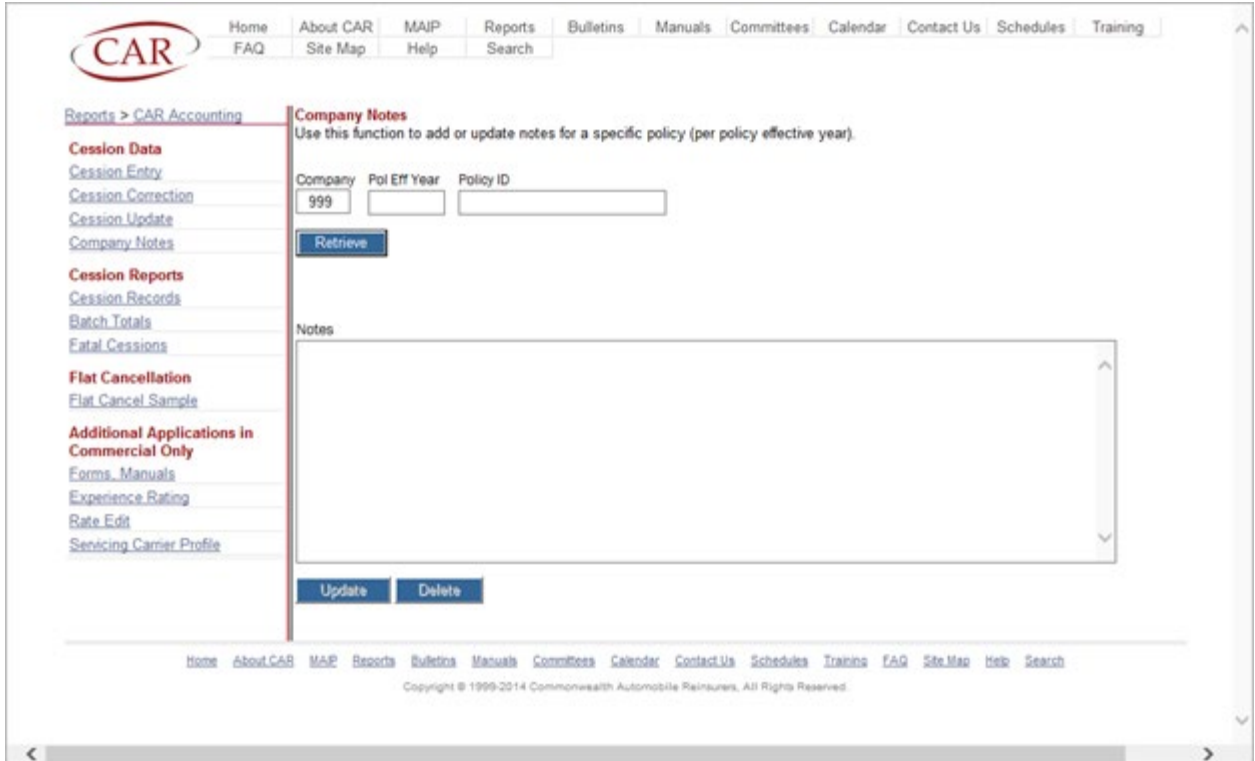
The main content area is titled "Batch Totals" and includes a sub-header "Summary total by date received and media type." Below this, there are search filters for "Company" (set to 999), "Batch Load Date Start", and "Batch Load Date Stop". A "Retrieve" button is present, along with a note: "Results limited to first 1000 records. Use criteria or sorting to narrow results." There is also an "Export to Excel" link.

The data table below has the following columns: Co No, Media Type, Batch Type, Susp Total, Cess Total, Valid, Invalid, Fatal, Deleted, Corrected, Recv Date, and Load Date. The table contains 18 rows of data for company 999.

Co No	Media Type	Batch Type	Susp Total	Cess Total	Valid	Invalid	Fatal	Deleted	Corrected	Recv Date	Load Date
999	85	01	24	0	0	0	0	0	0	04/04/2019	04/04/2019
999	85	01	0	19	18	1	0	0	0	04/03/2019	04/03/2019
999	85	01	0	44	42	2	0	0	0	04/02/2019	04/02/2019
999	60	03	0	0	0	0	0	0	3	01/09/2019	04/01/2019
999	85	01	0	31	27	4	0	0	0	04/01/2019	04/01/2019
999	60	01	0	1	1	0	0	0	0	03/28/2019	03/29/2019
999	85	01	0	17	16	1	0	0	0	03/29/2019	03/29/2019
999	85	01	0	19	19	0	0	0	0	03/28/2019	03/28/2019
999	60	03	0	0	0	0	0	74	0	03/21/2019	03/27/2019
999	85	01	0	11	11	0	0	0	0	03/27/2019	03/27/2019
999	85	01	0	45	45	0	0	0	0	03/26/2019	03/26/2019
999	85	01	0	15	15	0	0	0	0	03/25/2019	03/25/2019
999	60	03	0	0	0	0	0	0	1	03/11/2019	03/22/2019
999	85	01	0	30	30	0	0	0	0	03/22/2019	03/22/2019
999	86	01	0	30	0	30	0	0	0	03/22/2019	03/22/2019
999	87	01	0	30	0	30	0	0	0	03/22/2019	03/22/2019
999	85	01	0	14	13	1	0	0	0	03/21/2019	03/21/2019

At the bottom of the page, there is a footer with the same navigation menu and a copyright notice: "Copyright © 1999-2014 Commonwealth Automobile Reinsurers, All Rights Reserved."

EXHIBIT IV-D-8
COMPANY NOTES SCREEN



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[Reports > CAR Accounting](#)

Cession Data
[Cession Entry](#)
[Cession Correction](#)
[Cession Update](#)
[Company Notes](#)

Cession Reports
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Flat Cancellation
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Additional Applications in Commercial Only
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Company Notes
Use this function to add or update notes for a specific policy (per policy effective year).

Company: Pol Eff Year: Policy ID:

Notes

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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. of this Chapter), 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 Cession Entry screen 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. of this Chapter) 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 Cession Correction screen (Exhibit IV-D-4). 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 Fatal Error Code 14 in Section F. of this Chapter), 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 verify cession correction activity, a Servicing Carrier should reference the online Cession Records screen (Exhibit IV-D-1) on a regular basis. Additionally, the online Batch Totals screen (Exhibit IV-D-7) provides a summary of the manner by which the cession record was reported and the type of action taken and may be used by the Servicing Carrier for balancing purposes.

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 Cession Entry screen (Exhibit IV-D-2) 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 Cession Correction (Exhibit IV-D-4) or Cession Update (Exhibit IV-D-5) screens 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 displayed on the Fatal Cessions screen (Exhibit IV-D-6).

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 immediately 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 Cession Correction screen (Exhibit IV-D-3) 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 cession reporting application 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 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 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.