

A. Verification of Reported Data

Commonwealth Automobile Reinsurers (CAR) edits a Servicing Carrier's ceded data on a policy level basis to verify that the Servicing Carrier has accurately reported all cession, cession correction, premium, paid loss and outstanding loss data and that proper relationships exist between the cession, premium, and loss records reported for each ceded policy.

However, a Servicing Carrier is ultimately responsible for assuring the accuracy of its own data and CAR expects that prior to reporting data submissions to CAR, the Servicing Carrier will perform edits within its own systems to assure the validity and completeness of its reported data submissions.

1. Cession Edits

Cession and cession correction records are edited for fatal and non-fatal errors as described in Sections E., F. and G. of Chapter IV – Cession Rules and Procedures of this Manual.

2. Statistical Edits and Data Reporting Requirements

Premium, paid loss and outstanding loss submissions are edited for statistical errors and other data reporting requirements. For further information, refer to the Massachusetts Commercial Automobile Statistical Plan and CAR's Statistical Edit Package, which are both available on CAR's website under the Manuals tab.

3. Reporting Losses Which Exceed Cedeable Limits or Coverages

For a loss that exceeds the cedeable limits or coverages identified in Chapter V – Premium of this Manual, two separate statistical loss records must be reported. The portion of the loss within the cedeable limits or coverages must be reported on one record with a ceded CAR Identification Code, and in accordance with the statistical reporting requirements specified in the Commercial Statistical Plan. The portion of the loss amount in excess of the limit or coverage must be reported on another record using classification code 800000 (Non-Cedeable Limits) and a voluntary CAR Identification Code. Refer to the Decision Table of the Massachusetts Commercial Automobile Statistical Plan for additional coding requirements for this classification code. The Plan is available on CAR's website under the Manuals tab.

Note that if a Servicing Carrier does not conform to this reporting requirement and reports losses exceeding the cedeable limits or coverages, the Servicing Carrier will be required to offset the losses and reenter the records as specified.

B. Accounting Verification

1. General Information

All acceptable ceded premium and paid loss records are loaded to CAR's Accounting System on a weekly basis, and outstanding loss records are loaded on a quarterly basis, regardless of the completeness of the monthly submission. That is, if a Servicing Carrier submits its monthly accounting shipment and CAR rejects one or more lines of business due to reporting errors, CAR will still load the ceded data contained in the other acceptable lines of business to its accounting system. CAR will verify that the Servicing Carrier resubmits the rejected line(s) of business in a timely manner. To ensure that the pool is not adversely impacted by the missing data, CAR will assess loss of investment income as appropriate. For additional information relative to loss of investment income, refer to Section B.6. of Chapter VII – Participation of this Manual.

Using company number, policy number and policy effective year as a key, reported cession records are linked to the corresponding premium and loss records.

Each policy is run through a series of critical and non-critical edits which verify that proper relationships exist between the cession, premium and loss records reported on the policy. These edits are described in Sections B.2. and B.3. of this Chapter. CAR's Policy Edit Package, which is available on CAR's website under the Manuals tab, contains a complete description of each of the critical and non-critical accounting error edits.

Additionally, each policy with an active in-force cession is edited to ensure that positive policy premium has been reported. Likewise, each policy with ceded premium is edited to ensure that an active in-force cession exists. Also, each policy with a ceded loss is edited to ensure that an active in-force cession and positive policy premium exists. The Cession/No Premium process, including available reports and listings, penalty program and write-off procedures are described in Chapter V – Premium of this Manual and in the Policy Edit Package, which is available on CAR's website under the Manuals tab.

2. Critical Accounting Errors

Critical accounting errors are those errors that identify that CAR coverage does not exist on a policy. A Servicing Carrier is required to correct every critical error identified.

The critical errors are as follows:

a. Critical Error Code 1 – No Valid In-Force Cession

An active in-force Transaction Code 1 (New Business) or Transaction Code 2 (Renewal) cession record must exist on every ceded policy. The cession record must have the same company number, policy number and policy effective year as the ceded premium and loss records. Any premium or paid loss records reported on a policy which does not contain an active in-force cession will be flagged with Error Code 1.

b. Critical Error Code 6 – No Positive Premium for Loss Records

For any policy containing a loss record, net positive premium must exist. If the net premium for the policy is less than or equal to zero, CAR will flag the loss record(s) with Error Code 6. If the term of a policy was not sufficient to generate earned premium, and a loss occurred during this period, the Servicing Carrier must report a token premium record containing \$1 or \$2 to avoid an Error Code 6 condition.

c. Critical Error Code 7 – Loss Record Date Discrepancies/Accident Date Outside Cession Bounds

The accident date of every reported paid loss record must be a valid date. The policy effective date of the loss record must be prior or equal to the accident date. The accident date must be prior or equal to the accounting date.

The accident date must fall within the policy's cession effective date and policy expiration date or, if the policy is cancelled via Transaction Code 13 (Cancellation of Policy Pro Rata or Short Rate) premium records, the policy's cancellation date.

If a policy is flat cancelled with either a Transaction Code 4 (Policy Not Taken or Cancelled) cession record or Transaction Code 15 (Cancelled Flat) premium records, all reported loss records are invalid and will be flagged with Error Code 7.

3. Non-Critical Accounting Errors

Non-critical accounting errors are those errors for which CAR coverage is not impacted and which create a minimal financial impact if maintained at reasonable levels. Correction of non-critical errors is required when the Servicing Carrier's percentage and volume of policies containing a particular non-critical error code exceed the established audit review tolerances. For additional information relative to CAR's Audit Review process, refer to

Section F.2. of this Chapter and CAR's Policy Edit Package which is available on CAR's website under the Manuals tab. The non-critical error codes are as follows:

- a. Non-Critical Error Code 2 – Reserved for Future Use
- b. Non-Critical Error Code 3 – Policy Effective and/or Expiration Date Inconsistency

All active in-force cession, premium, and paid loss records submitted for a specific policy must have the same policy effective and expiration dates. Records with policy effective and expiration date inconsistencies will be flagged with Error Code 3.

- c. Non-Critical Error Code 4 – Premium Not Found/Premium Record Date Discrepancy

Every premium record must be reported with a valid premium Transaction Code. Every policy must have at least one active Transaction Code 11 (New Business) premium record. The transaction effective date of the Transaction Code 11 premium record must equal the policy effective date. If a Transaction Code 15 (Cancelled Flat) premium record exists, its transaction effective date must equal the policy effective date. Premium records not meeting these requirements will be flagged with Error Code 4.

- d. Non-Critical Error Code 5 – Net Premium Not Positive

For every line of business (liability, no-fault and physical damage) within a policy, the net premium amount must be greater than or equal to zero. Premium records not meeting this requirement will be flagged with Error Code 5.

- e. Non-Critical Error Code 8 – Accident Date Inconsistent Within Loss Records

All paid loss records must have a valid claim number. Additionally, all paid loss records within a policy which contain the same claim number must also contain the same accident date. Paid loss records not meeting these requirements will be flagged with Error Code 8.

- f. Non-Critical Error Code 9 – Invalid Net Loss Amount

The net paid loss amount for a specific line of business and claim number must be greater than or equal to zero. Paid loss records not meeting this requirement will be flagged with Error Code 9.

g. Non-Critical Error Code 10 – No Matching Claim for Subrogation

For every subrogation record within a policy, a corresponding paid loss record having the same line of business and claim number must exist. The net paid loss amount and the net subrogation amount must be greater than or equal to zero, for the same line of business and claim number. The sum of the net paid loss amount, the net subrogation amount and the net salvage amount must be greater than or equal to zero for the same line of business and claim number. Loss records not meeting these requirements will be flagged with Error Code 10.

h. Non-Critical Error Code 11 – Invalid Expense Amounts

The net expense amount for all paid allocated loss adjustment expense records within a policy for the same line of business and claim number must be greater than or equal to zero. Paid allocated loss adjustment expense records not meeting this requirement will be flagged with Error Code 11.

i. Non-Critical Error Code 12 – Unmatched Reinstatement Records

If a policy contains Transaction Code 14 (Reinstatement) premium transactions, it must also contain matching Transaction Code 13 (Cancellation of Policy Pro Rata or Short Rate) or Transaction Code 15 (Cancelled Flat) premium transactions. Premium records not meeting these requirements will be flagged with Error Code 12.

C. Accounting Error Listings

1. General Information

Servicing Carriers can view policies containing critical and non-critical accounting errors, and policies that are in a warning or penalty status via CAR's online Telecommunications System. On CAR's website, from the Reports tab, click on the Telecommunications link and in the left navigation, click on Start Secure Session. After log-in from CAR's Telecommunications Menu Selections (TE100) screen, select the CAR Accounting System option (refer to Exhibit VIII-C-1).

2. Data Included on the Critical and Non-Critical Accounting Error Listings

Each policy that contains a critical or non-critical accounting error will appear on a Servicing Carrier's Accounting Error Listing and will include the following data:

- a. Ceded premium and paid loss data extracted from CAR's statistical database files and loaded to CAR's Accounting System on a weekly basis.
 - b. Cession and cession correction records received since the prior load to the Accounting System.
 - c. Statistical data reported for the current (and any prior) accounting months as defined in the Annual Call Schedule, published annually by CAR as an Accounting and Statistical Notice.
 - d. Error corrections made via CAR's online Accounting System application that have been applied since the prior error correction load to the Accounting System.
3. Critical and Non-Critical Accounting Errors

Servicing Carriers can review and correct their critical and non-critical accounting errors via CAR's online accounting corrections application by selecting the Accounting Corrections option from the CAR Accounting (TE120) screen. Refer to Exhibit VIII-C-2.

a. Critical Accounting Errors

To view policies which contain a critical accounting error, from the Accounting Online Access System – Menu Selections (CO100) screen (refer to Exhibit VIII-C-3), select the Critical Error Policies option. A Servicing Carrier will be able to view its critical errors by error code and/or effective year, by list date or by write-off date (refer to Exhibit VIII-C-4).

When a Servicing Carrier processes a correction which clears the critical error condition, the policy will no longer appear on the critical accounting error list. After becoming free of critical errors, if the policy returns to a critical error status, then the policy will once again be listed on the online critical error list.

b. Non-Critical Accounting Errors

To view policies which contain a non-critical accounting error, from the Accounting Online Access System – Menu Selections (CO100) screen (refer to Exhibit VIII-C-3), select the Non-Critical Error Policies option. A Servicing Carrier will be able to view its non-critical errors by error code and/or effective year or by error list date (refer to Exhibit VIII-C-5).

When a Servicing Carrier processes a correction which clears the non-critical error condition, the policy will no longer appear on the non-critical accounting error list. After becoming free of non-critical errors, if the

policy returns to a non-critical error status, then the policy will once again be listed on the online non-critical error list.

4. Other Accounting and Informational Listings

From the Accounting Online Access System – Menu Selections (CO100) screen (refer to Exhibit VIII-C-3), Servicing Carriers are also able to access a series of informational listings, applications and browse screens as follows:

- a. The critical error analysis listing identifies a Servicing Carrier's percentage and volume of policies and records containing each of the critical error codes (refer to Exhibit VIII-C-6).
- b. The non-critical error analysis identifies a Servicing Carrier's non-critical error codes (refer to Exhibit VIII-C-7). Note that a non-critical error code that exceeds the established Audit Review tolerance levels for the latest two policy effective years will be specifically identified on the listing. For additional information relative to the Audit Review monitoring and penalty process, refer to Section F.2. of this Chapter and CAR's Policy Edit Package which is available on CAR's website under the Manuals tab.
- c. The cession/no premium warning and penalty listings identify those policies for which a cession has been reported but no corresponding positive ceded premium exists. For additional information relative to the warning and penalty program, including the cession/no premium write-off and associated penalties, refer to Chapter V – Premium of this Manual and CAR's Policy Edit Package which is available on CAR's website under the Manuals tab.
- d. The net negative premium listing identifies those policies that have an overall premium value of less than \$0. For additional information relative to the net negative premium listing and write-off procedures, refer to Chapter V – Premium of this Manual and CAR's Policy Edit Package which is available on CAR's website under the Manuals tab.
- e. The outstanding loss reserve listing is a listing of outstanding loss reserve activity for all policy years. This informational listing may be used to assist Servicing Carriers in the verification of loss reporting on policies with open claims.
- f. The premium and losses written-off listing identifies premium and loss records that have been written-off in accordance with the critical error and net negative premium write-off procedures. For additional information relative to the critical error loss write-off, refer to Section F.1. of this Chapter and relative to the net negative premium write-off, refer to Chapter V – Premium of this Manual.

From the CAR Accounting System (TE120) screen (refer to Exhibit VIII-C-2), Servicing Carriers may access the CAR Policy Histories application to assist in the error correction process. Refer to Section D. of this Chapter for information relative to accounting error correction procedures.

4. Aging of Critical Accounting Errors

When a policy is identified as having a critical accounting error, it is assigned a critical list date equal to the date that the record was initially flagged in error. The policy will appear on CAR's online critical error list and will remain on the critical error list for 12 calendar months from the critical list date unless the Servicing Carrier submits records or processes corrections such that the policy becomes free of critical errors. The policy will then no longer appear on the critical error listing. However, if the policy is still in error after the 12 month time period, all loss records on the policy with a critical error will become eligible for write-off. Note that if subsequent losses with critical errors are reported on the policy during the 12 month period, those losses will be also be eligible for write-off at the end of the 12 month period, regardless of whether the losses have been in error for the full 12 months. The Critical Error Loss Write-Off is described in further detail in Section F.1. of this Chapter.

If the Servicing Carrier submits records or processes corrections and the policy becomes free of critical error, the policy will no longer appear on the critical error list. However, if the policy returns to a critical error status, then the policy will be assigned a new critical list date and will begin a new 12 month time period in which the critical error condition must be corrected.

EXHIBIT VIII-C-1
TELECOMMUNICATIONS MENU SCREEN (TE100)

TE100SB	COMMONWEALTH AUTOMOBILE REINSURERS	03/15/2016																																			
TEMENUSA	TELECOMMUNICATIONS	09:11:22																																			
<table style="width: 100%; border: none;"> <tr> <td style="width: 60%;">C.A.R. ACCOUNTING</td> <td style="width: 10%;">.....</td> <td style="width: 10%;">PF2</td> <td style="width: 10%;">OR</td> <td style="width: 10%;">02</td> </tr> <tr> <td>SESSION SYSTEM</td> <td>.....</td> <td>PF3</td> <td>OR</td> <td>03</td> </tr> <tr> <td>STATISTICAL SYSTEM</td> <td>.....</td> <td>PF4</td> <td>OR</td> <td>04</td> </tr> <tr> <td>PRODUCER CODE SYSTEM</td> <td>.....</td> <td>PF5</td> <td>OR</td> <td>05</td> </tr> <tr> <td>. . . NO SELECTION</td> <td>.....</td> <td>PF6</td> <td>OR</td> <td>06</td> </tr> <tr> <td>AUDIT & CLAIMS SYSTEM</td> <td>.....</td> <td>PF7</td> <td>OR</td> <td>07</td> </tr> <tr> <td>TERMINATE C.A.R. SESSION</td> <td>.....</td> <td>PF12</td> <td>OR</td> <td>12</td> </tr> </table>			C.A.R. ACCOUNTING	PF2	OR	02	SESSION SYSTEM	PF3	OR	03	STATISTICAL SYSTEM	PF4	OR	04	PRODUCER CODE SYSTEM	PF5	OR	05	. . . NO SELECTION	PF6	OR	06	AUDIT & CLAIMS SYSTEM	PF7	OR	07	TERMINATE C.A.R. SESSION	PF12	OR	12
C.A.R. ACCOUNTING	PF2	OR	02																																	
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AUDIT & CLAIMS SYSTEM	PF7	OR	07																																	
TERMINATE C.A.R. SESSION	PF12	OR	12																																	

EXHIBIT VIII-C-2
CAR ACCOUNTING SYSTEM MENU SCREEN (TE120)

TE120	COMMONWEALTH AUTOMOBILE REINSURERS	03/15/2016
	C.A.R. ACCOUNTING SYSTEM	08:41:21
	COMPANY NUMBER	999
	CAR POLICY HISTORIES	..... PF2 OR 02
	PRODUCER INQUIRIES	..... PF3 OR 03
	CESSION BROWSE OPTIONS	..... PF4 OR 04
	ACCOUNTING CORRECTIONS	..... PF5 OR 05

EXHIBIT VIII-C-3
ACCOUNTING ONLINE ACCESS SYSTEM –
MENU SELECTIONS SCREEN (CO100)

COMPANY 999	COMMONWEALTH AUTOMOBILE REINSURERS	C0100SA
	ACCOUNTING ONLINE ACCESS SYSTEM	03/15/2016
	MENU SELECTIONS	08:42 AM
ERROR LISTINGS:		
CRITICAL ERROR POLICIES	(CA2400)	PF2 OR 02
NON CRITICAL ERROR POLICIES	(CA2685)	PF3 OR 03
WARNING AND PENALTY POLICIES	(CA2500)	PF4 OR 04
INFORMATIONAL LISTINGS:		
NET NEGATIVE PREMIUMS	(CA4000)	PF5 OR 05
OUTSTANDING LOSS RESERVES	(CA4100)	PF6 OR 06
CRITICAL/NON CRITICAL ANALYSIS	(CA2650)	PF7 OR 07
PREMIUMS AND LOSSES WRITTEN-OFF	(CA3200)	PF8 OR 08
REVIEW MESSAGES:		
REVIEW/UPDATE POLICY MESSAGES	. . . . .	PF9 OR 09
REVIEW CAR NEWSLETTER	. . . . .	PF11 OR 11
SELECT FUNCTION KEY/ENTER NUMBER		
PF1/01 - HELP PANEL	: :	PF12/12 - RETURN TO MENU

EXHIBIT VIII-C-4
ACCOUNTING ONLINE ACCESS SYSTEM –
CRITICAL ERRORS SCREEN (CO200)

COMPANY 999	COMMONWEALTH AUTOMOBILE REINSURERS	CO200SA
	ACCOUNTING ONLINE ACCESS SYSTEM	03/15/2016
	CRITICAL ERRORS (CA2400)	08:54:55
(1)	ERROR CODE (1,6 OR 7) AND	EFFECTIVE YEAR (FORMAT=YYYY)
	ERROR CODE(S) (ALL)	EFFECTIVE YEAR (ALL)
	SELECT POLICIES	..... PF5 OR 05
	COMPANY SUMMARY	..... PF15 OR 15
(2)	ERROR LIST DATE (LATEST DATE IS SHOWN)	(FORMAT=MM/YYYY)
	ERROR LIST DATE (03 / 2016)	
	SELECT POLICIES	..... PF6 OR 06
	COMPANY SUMMARY	..... PF16 OR 16
(3)	WRITE-OFF DATE (NEXT ELIGIBLE DATE IS SHOWN)	(FORMAT=MM/YYYY)
	WRITE-OFF ELIGIBLE (03 / 2016)	
	SELECT POLICIES	..... PF7 OR 07
	COMPANY SUMMARY	..... PF17 OR 17
TYPE OVER (DEFAULTS) - SELECT FUNCTION KEY/ENTER NUMBER		
PF1/01 - HELP PANEL	: :	PF12/12 - RETURN TO MENU

EXHIBIT VIII-C-6
ACCOUNTING ONLINE ACCESS SYSTEM –
CRITICAL ERRORS ANALYSIS SCREEN (CO710)

COMPANY 999		COMMONWEALTH AUTOMOBILE REINSURERS				C0710SA		
		ACCOUNTING ONLINE ACCESS SYSTEM				08/25/2015		
		CRITICAL ANALYSIS ALL EFFEC YEAR(S)				14:50:24		
YEAR	TOTAL POLICIES	CRITICAL PLUS	W/P	CRITICAL MINUS	W/P	ERROR PCT	PAID LOSS & PREM RECORDS	PAID LOSS & PREM ERRORS
=====								
_ 2006	2,949	3		1		.03	73,462	8
_ 2007	5,829	2		0		.00	139,818	0
_ 2008	4,075	0		0		.00	97,921	0
_ 2009	3,388	2		0		.00	78,686	0
_ 2010	3,025	1		0		.00	72,245	0
_ 2011	3,608	0		0		.00	83,812	0
_ 2012	4,634	1		0		.00	112,771	0
_ 2013	4,770	0		0		.00	121,744	0
_ 2014	4,668	9		5		.11	117,475	929
_ 2015	3,494	46		13		.37	43,250	93
=====								
TYPE 'X' BESIDE YEAR ENTRY FOR ERROR CODE WITHIN YEAR SUMMARY								
PF1/01 - HELP PANEL		SELECT FUNCTION :			:	PF3/03 - SELECT YEAR		
PF7/07 - PAGE BACKWARD		PF8/08 - PAGE FORWARD			PF12/12 - RETURN TO MENU			

EXHIBIT VIII-C-7
ACCOUNTING ONLINE ACCESS SYSTEM –
NON-CRITICAL ERRORS ANALYSIS SCREEN (CO720)

COMPANY 999		COMMONWEALTH AUTOMOBILE REINSURERS			C0720SA	
		ACCOUNTING ONLINE ACCESS SYSTEM			04/01/2016	
		NON CRITICAL ERRORS			09:53:22	
YEAR	TOTAL POLICIES	NON CRIT POLICIES	PREMIUM RECORDS	NON CRIT PREM REC	LOSS RECORDS	NON CRIT LOSS REC
=====						
_ 2014	7,618	25	115,514	132	12,647	107
X 2015	10,632	6	107,349	20	7,765	20
_ 2016	3,521	3	14,238	10	63	0
<p align="center">TYPE 'X' BESIDE YEAR ENTRY FOR ERROR CODE WITHIN YEAR SUMMARY SELECT FUNCTION</p> <p>PF1/01 - HELP PANEL : : PF3/03 - SELECT YEAR PF7/07 - PAGE BACKWARD PF8/08 - PAGE FORWARD PF12/12 - RETURN TO MENU</p>						
COMPANY 999		COMMONWEALTH AUTOMOBILE REINSURERS			C0720SB	
		ACCOUNTING ONLINE ACCESS SYSTEM			04/01/2016	
		NON CRITICAL ANALYSIS			EFFEC YEAR(S) 09:54:33	
YEAR	TOTAL POLICIES	NON CRIT POLICIES	PREMIUM RECORDS	NON CRIT PREM REC	LOSS RECORDS	NON CRIT LOSS REC
=====						
2015	10,632	6	107,349	20	7,765	20
ERROR CODES	NON CRIT POLICIES	ERROR PERCNT	= 1ST DATE	OVER TOLERANCE DEADLINE	=	LAST MAS TO BE PROCESSED - 03
-	3	.03				
- 04 -	0	.00				
- 05 -	0	.00				
- 08 -	0	.00				
- 09 -	0	.00				
- 10 -	3	.03				
- 11 -	1	.01				
- 12 -	0	.00				
<p>PF1/01 - HELP PANEL SELECT FUNCTION</p> <p>PF4/04 - DELETE MESSAGE : : PF12/12 - RETURN TO MENU</p>						

D. Accounting Error Correction Procedures

From CAR's Telecommunications Menu Selections screen, select the CAR Accounting System option (refer to Exhibit VIII-C-1) and then select the Accounting Corrections option (refer to Exhibit VIII-C-2). From the Accounting Online Access System – Menu Selections screen (refer to Exhibit VIII-C-3), error listings for both critical and non-critical error policies may be selected for viewing (refer to Exhibits VIII-C-4 and VIII-C-5). The Accounting Online Access System – Menu Selectins screen also provides access to various error and informational listings that may be helpful for correction and browse purposes. A Servicing Carrier may also use the CAR Policy History application which is available from the CAR Accounting System screen to assist with its error correction process.

A Servicing Carrier is able to correct records with critical accounting errors until the effective year of the policy that is in error has been closed-out. Servicing Carriers are notified of the close-out of a particular policy effective year via a published CAR Bulletin and Accounting and Statistical Notice, which are available on CAR's website under the Bulletins tab. However, note that cession and ceded premium records are only reportable for the latest three policy effective years and this may impact available correction methods. Ceded loss data may be reported for a policy until the policy effective year is closed-out for statistical reporting purposes. Refer to Section F. of this Chapter for additional information relative to the close-out of older policy years for ceded loss reporting.

The correction of records with non-critical errors is only required when the Servicing Carrier's percentage and volume of policies containing a particular non-critical error code exceed the established audit review tolerances. The audit review of non-critical accounting errors is performed on a monthly basis for the two most current policy effective years. For further information relative to the audit review process, refer to Section F.2. of this Chapter and CAR's Policy Edit Package which is available on CAR's website under the Manuals tab.

The Accounting Online Access System – Menu Selections screen (refer to Exhibit VIII-C-3) provides access to an analysis of a Servicing Carrier's critical and non-critical accounting error records and a summary function for monitoring the error percent of each non-critical error code (refer to Exhibit VIII-C-7).

1. Correcting Critical Accounting Errors

If a policy is flagged with a critical error (refer to Exhibit VIII-D-1) as a result of an error on the premium or loss record, the policy may be corrected as follows:

- a. Process Premium and Loss Corrections via the Online Accounting Application

A Servicing Carrier may make correction(s) to the record(s) in error via the correction grids that are provided on the online Accounting Premium and Loss critical error listings (refer to Exhibit VIII-D-2). On a weekly basis, CAR will process the corrections made and will load the correction records to CAR's Accounting System. For detailed premium and loss correction instructions, refer to CAR's Policy Edit Package which is available on CAR's website under the Manuals tab.

- b. Submit Offset/Re-Enter Records

If a correction must be made to a field for which a correction grid is not provided, or if this correction method is preferred, a Servicing Carrier may offset the premium or loss record(s) in error and re-enter the corrected record(s) in a subsequent monthly accounting/statistical submission. For detailed instructions relative to the reporting of offset and re-enter records, refer to CAR's Policy Edit Package and the Massachusetts Commercial Automobile Statistical Plan which are available on CAR's website under the Manuals tab.

If the policy is in error as a result of a missing cession record or there exists an error on the reported cession record, the policy may be corrected as follows:

- c. Submit a Cession Record

If the policy is in error due to a missing cession record, a Servicing Carrier should correct the policy by submitting a cession record. For instructions relative to reporting cession records, refer to Chapter IV – Cession Rules and Procedures of this Manual and CAR's Cession Edit Package which is available on CAR's website under the Manuals tab.

- d. Process Cession Corrections via the Online Cession Application

If the policy is in error due to an error on the reported cession record, a Servicing Carrier may make any necessary correction(s) to the cession record via the correction grids provided on the cession correction listing. On a weekly basis, CAR will process the corrections made and will load the correction records to CAR's cession database file. For detailed cession correction instructions, refer to Chapter IV – Cession Rules and Procedures of this Manual and CAR's Cession Edit Package which is available on CAR's website under the Manuals tab.

If the policy is in error as a result of missing or negative ceded premium, the policy may be corrected by submitting the appropriate premium records.

A policy that has a paid loss with a critical error will remain on the critical error list until it becomes free of critical error or until the loss record in error becomes eligible for critical error write-off. Refer to Section F.1. of this Chapter for further critical error write-off information.

e. Submission of Loss Records on a Policy after the Critical Error Write-Off

After a loss record with a critical accounting error has been written off, a Servicing Carrier is still able to report paid loss records on the policy. However, the Servicing Carrier must assure that the situation that initially caused the critical error condition has been rectified prior to the submission of the new loss record. If not, the new record may also be subject to write-off.

2. Correcting Non-Critical Accounting Errors

Non-critical errors (refer to Exhibit VIII-D-3) may be corrected as follows:

a. Process Premium and Loss Corrections via the Online Accounting Application

A Servicing Carrier may make correction(s) to the record(s) in error via the correction grids that are provided on the online Accounting Premium and Loss non-critical error listings (refer to Exhibit VIII-D-4). On a weekly basis, CAR will process the corrections made and will load the correction records to CAR's Accounting System.

A policy with a non-critical error will remain on the online non-critical error list until it becomes free of non-critical errors.

b. Submit Offset/Re-Enter Records

If a correction must be made to a field for which a correction grid is not provided, or if this correction method is preferred, a Servicing Carrier may offset the incorrect premium or loss record(s) and re-enter the corrected record(s) in a subsequent monthly accounting/statistical submission. For detailed instructions relative to the reporting of offset and re-enter records, refer to CAR's Policy Edit Package and the Massachusetts Automobile Commercial Statistical Plan which are available on CAR's website under the Manuals tab.

Although reporting may have been discontinued for a policy effective year, Servicing Carriers may continue to report loss data until the policy effective year is closed for statistical reporting.

EXHIBIT VIII-D-1
ACCOUNTING ONLINE ACCESS SYSTEM –
CRITICAL ERRORS SCREEN (CO210)

COMPANY 999	COMMONWEALTH AUTOMOBILE REINSURERS	CO210SA
	ACCOUNTING ONLINE ACCESS SYSTEM	03/30/2016
NEXT WO 03/26/2016	CRITICAL- (ALL)EFF YR (ALL)ERRS	09:47 AM
FROM 113456	POLICY 1ST LIST===PREMIUM ===	LOSS ===== MSG DATE
YR POLICY NUMBER	STATUS MM/DD/YY ERRORS DOLLARS	ERRORS DOLLARS MM/DD/YY
=====		
X 15 113456	NOPREM 03/03/16	0 0 1 10
_ 16 123456	03/03/16	24 27046 0 0
TYPE STARTING POLICY NUMBER -OR- TYPE 'P'/'L' TO SELECT PREM/LOSS POLICY		
PF1/01 - HELP PANEL	SELECT FUNCTION :	PF2/02 - SELECT ALL REC
PF3/03 - SELECT ERR REC	PF7/07 - PAGE BACKWARD	PF8/08 - PAGE FORWARD
PF9/09 - POLICY MESSAGE	PF10/10 - POLICY HISTORY	PF12/12 - RETURN TO MENU

EXHIBIT VIII-D-2
ACCOUNTING LOSS LISTING CRITICAL ERRORS SCREEN (CO250)

CO250SA	COMMONWEALTH AUTOMOBILE REINSURERS		03/30/2016	
COMPANY 999	ACCOUNTING LOSS LISTING - ONLY ERRORS		10:00 AM	
	EFF DATE	COV EFF	COV EXP	CRITICAL MSG DATE
POLICY NUMBER	MM/DD/YY C TXPROD RSK	MM/DD/YY	MM/DD/YY	MM/DD/YY MM/DD/YY
123456	09/28/15 5 1 83K 2	09/28/15	12/31/15	03/03/16
(.....)				INSUREDS NAME ABC INC
LOSSES	ACTG	ACCIDENT		
TX LB EFF SEQ	MM/YY	MM/DD/YY	TWN	CLAIM ID C TP LOSS AMT
24 41 09 000005	12/15	12/12/15		ABC123456 5 03 10
(2.)(..)		(.. ..)		(.....) ERRORS= 6
TOT LOSS RECS	5			CRITICAL ERR RECS 1
START W/SEQ #	5			NON CRIT ERR RECS 0
PF1/01 - HELP PANEL	SELECT FUNCTION/ENTER NUMBER	PF3/03 - APPLY CORRECT		
PF7/07 - PAGE BACKWARD	:	:	PF8/08 - PAGE FORWARD	
PF9/09 - POLICY MESSAGE	PF10/10 - POLICY HISTORY	PF12/12 - RETURN TO MENU		

EXHIBIT VIII-D-3
ACCOUNTING ONLINE ACCESS SYSTEM –
NON-CRITICAL ERRORS SCREEN (CO310)

COMPANY 999	COMMONWEALTH AUTOMOBILE REINSURERS	C0310SA
NEXT WO 03/26/2016	ACCOUNTING ONLINE ACCESS SYSTEM	04/01/2016
	NON CRITICAL- (ALL)EFF YR (ALL)ERRS	11:03 AM
FROM 111111111 POLICY 1ST LIST === PREMIUM === ===== LOSS ===== MSG DATE		
YR POLICY NUMBER	STATUS MM/DD/YY ERRORS	DOLLARS ERRORS DOLLARS MM/DD/YY
=====		
_ 14 111111111	PREM 02/26/16 0 0	5 -35
_ 14 122222222	PREM 01/28/16 0 0	3 -1
X 14 133333333	PREM 01/28/16 0 0	9 855
_ 14 144444444	PREM 01/28/16 0 0	4 -8531
_ 14 155555555	PREM 02/26/15 0 0	3 331
_ 14 166666666	F CANC 01/08/15 28 0	0 0
_ 14 177777777	PREM 05/01/14 0 0	3 0
_ 14 188888888	R CANC 05/01/14 0 0	4 9075
_ 14 199999999	PREM 06/25/15 0 0	12 -1
_ 14 1020014761	PREM 02/26/16 0 0	1 -1388
TYPE STARTING POLICY NUMBER -OR- TYPE 'P'/'L' TO SELECT PREM/LOSS POLICY		
PF1/01 - HELP PANEL SELECT FUNCTION : : PF2/02 - SELECT ALL REC		
PF3/03 - SELECT ERR REC PF7/07 - PAGE BACKWARD PF8/08 - PAGE FORWARD		
PF9/09 - POLICY MESSAGE PF10/10 - POLICY HISTORY PF12/12 - RETURN TO MENU		

EXHIBIT VIII-D-4
ACCOUNTING ONLINE ACCESS SYSTEM –
ACCOUNTING LOSS LISTING NON-CRITICAL ERRORS SCREEN (CO250)

CO250SA	COMMONWEALTH AUTOMOBILE REINSURERS	04/01/2016
COMPANY 999	ACCOUNTING LOSS LISTING - ALL	11:04 AM
	EFF DATE	COV EFF COV EXP NON CRIT MSG DATE
POLICY NUMBER	MM/DD/YY C TX PROD RSK	MM/DD/YY MM/DD/YY MM/DD/YY MM/DD/YY
1333333333	08/04/14 5 2 123456 2	08/04/14 08/04/15 01/28/16
(.....)		INSUREDS NAME CHRISTIAN RODRIG
LOSSES	ACTG ACCIDENT	
TX LB EFF SEQ	MM/YY MM/DD/YY TWN CLAIM ID	C TP LOSS AMT
23 45 08 000001	11/14 11/15/14 602 123456351411001	5 12 1009
(2.)(..)	(.. ..)	(.....)ERRORS=
23 45 08 000002	11/14 11/15/14 602 123456351411001	5 12 3925
(2.)(..)	(.. ..)	(.....)ERRORS=
29 01 08 000003	11/14 11/15/14 602 123456351411002	5 24 10
(2.)(..)	(.. ..)	(.....)ERRORS=
23 45 08 000004	12/14 11/15/14 602 123456351411001	5 09 570
(2.)(..)	(.. ..)	(.....)ERRORS=
TOT LOSS RECS	67	CRITICAL ERR RECS 0
START W/SEQ #	1	NON CRIT ERR RECS 9
PF1/01 - HELP PANEL	SELECT FUNCTION/ENTER NUMBER	PF3/03 - APPLY CORRECT
PF7/07 - PAGE BACKWARD	:	PF8/08 - PAGE FORWARD
PF9/09 - POLICY MESSAGE	PF10/10 - POLICY HISTORY	PF12/12 - RETURN TO MENU

E. Request for Loss Reimbursement on Ceded Policies for which Cession and Premium Reporting has been Discontinued

For cession and premium records, only the latest three policy effective years may be reported to CAR.

After the discontinuation of reporting for a particular policy effective year, if a Servicing Carrier becomes aware of a situation where cession and/or premium records should have been reported to CAR, only in the following instances may the Servicing Carrier request reimbursement for losses paid on that policy:

1. The Servicing Carrier can document that its failure to report the original cession and/or premium records prior to the discontinuation of reporting was clearly outside of its control.
2. The Servicing Carrier can document that its failure to reinstate a previously flat-cancelled policy prior to the discontinuation of reporting was clearly outside of its control.

If CAR agrees that the failure to report cession and premium records was outside the control of the Servicing Carrier, then CAR will process bulk adjustments (both premium and losses) to the Servicing Carrier's Settlement of Balances and Member's Participation reports to reimburse the Servicing Carrier.

F. Penalty Procedures for Uncorrected Accounting Errors

1. Critical Accounting Errors

a. Eligibility Criteria

A paid loss record with an uncorrected critical error will be considered eligible for write-off if both of the following criteria are met:

- (1) Twelve calendar months have elapsed since the policy was first flagged with a critical accounting error.
- (2) The Servicing Carrier fails to correct the critical error condition by the assigned write-off eligible date. The write-off eligible date is equal to the assigned critical list date (the date that the record was first flagged in error) plus twelve months.

b. Critical Error Loss Write-Off – Penalty and Procedures

The Critical Error Loss Write-Off takes place on a monthly basis following the load of ceded premium and loss data reported in the current accounting/statistical shipment to CAR's Accounting System.

A paid loss record that meets the eligibility criteria noted in Section F.1.a. will be written-off. CAR will create an offset to the paid loss record to net the dollar amount to \$0. From the Accounting Online Access System – Menu Selections screen (refer to Exhibit VIII-C-3), select the Premiums and Losses Written-Off option. Servicing Carriers are able to select losses by write-off year (refer to Exhibit VIII-F-1) to view a summary of loss records and loss dollars written-off (refer to Exhibit VIII-F-2) as well as the detail for a particular loss record.

For a loss record that has been in a critical error status for the entire 12 month period, CAR will also assess the Servicing Carrier a penalty fee equal to 10% of the dollar value of the loss record being written-off. The penalty fee is intended to encourage timely correction of losses with critical errors prior to the write-off, and to reimburse the pool for investment income lost as a result of the invalid loss reporting. The fee will be processed as a bulk adjustment to the Servicing Carrier's Settlement of Balances and Member's Participation Reports. However, for a loss record that was reported during the 12-month period, but after the critical list date was established, CAR will not assess the 10% penalty fee.

2. Non-Critical Accounting Errors

a. Eligibility Criteria

On a monthly basis, via the Audit Review process, CAR monitors the volume of a Servicing Carrier's non-critical errors for the two most current policy years. When a record is initially flagged with a non-critical error, the policy is assigned a corresponding non-critical list date. If the Servicing Carrier's percentage and volume of policies for a particular policy effective year and non-critical error code exceeds the established tolerance level of 1% and 10 policies in error, the error policies will be eligible for an audit review penalty if either of the following conditions exists:

- (1) the percentage and volume of non-critical error policies has exceeded the established non-critical error code tolerance for nine months after the month in which the error condition was first identified as exceeding the tolerance, and/or
- (2) the percentage and volume of non-critical error policies exceeds the established non-critical error code tolerance as of the last month in

which CAR is monitoring the particular policy effective year for non-critical errors, regardless of when the tolerance had initially been exceeded.

b. Audit Review of Non-Critical Errors – Penalty Procedures

A policy that meets the eligibility criteria noted in Section F.2.a. are subject to the following penalties:

- (1) If the non-critical error condition is not corrected by the ninth month after the month in which the Servicing Carrier first exceeded the established tolerance level for a particular non-critical error code, CAR will assess a flat charge of \$50 per policy for each policy with the non-critical error code that exceeds the established non-critical error code tolerance. If a Servicing Carrier continues to exceed the tolerance for a particular error code for another nine months, additional penalties of \$50 per policy for each policy with the non-critical error code that exceeds the established tolerance will be assessed.

If the nine month penalty for a particular error code exceeding the tolerance coincides with the last month of CAR's review of a policy effective year, only the last month penalty will be assessed.

- (2) Audit Review of Non-Critical Errors – Last Month Penalty

If an excessive non-critical error condition exists as of the last month in which CAR monitors a particular policy effective year for non-critical errors, the Servicing Carrier will be assessed a flat charge of \$50 for each policy with a non-critical error code exceeding the established non-critical error code tolerances, previous assessments notwithstanding.

CAR notifies Servicing Carriers of all non-critical error code penalties, including the calculation for determining the penalty amount. Audit Review penalties will be processed as bulk adjustments to a Servicing Carrier's Settlement of Balances and Member's Participation Reports.

EXHIBIT VIII-F-1
RECORDS WRITTEN OFF SCREEN (CO800)

COMPANY 999	COMMONWEALTH AUTOMOBILE REINSURERS	C0800SA
NEXT LOSS WO 08/29/2015	ACCOUNTING ONLINE ACCESS SYSTEM	08/25/2015
NEXT PREM WO 04/22/2016	RECORDS WRITTEN OFF (CA3200)	03:08:48

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

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

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

EXHIBIT VIII-F-2
POLICIES WRITTEN OFF – LOSS SCREEN (CO810)

COMPANY 999	COMMONWEALTH AUTOMOBILE REINSURERS	C0810SA
NEXT WO 08/29/2015	ACCOUNTING ONLINE ACCESS SYSTEM	08/25/2015
WO YEAR ALL	POLICIES WRITTEN OFF - LOSS	03:09 PM
WO MONTH ALL		

YR	POLICY NUMBER	COV EFF MM/DD/YY	COV EXP MM/DD/YY	PREM WO RECORDS	DOLLARS	LOSS WO RECORDS	DOLLARS	MSG DT MMDDYY
_ 05	12345655555	01/01/05	01/01/06	0	0	2	0	
_ 05	12345666666	99/99/99	00/00/00	0	0	1	-322	
_ 05	12345677777	05/10/05	03/01/06	0	0	2	0	
_ 06	12345688888	06/26/06	06/01/07	0	0	3	45	
_ 06	12345699999	01/10/06	01/10/07	0	0	3	-6628	
_ 06	12345600000	99/99/99	00/00/00	0	0	1	-1615	
_ 07	23456788888	99/99/99	00/00/00	0	0	5	0	
_ 07	23456799999	03/14/07	02/06/08	0	0	1	-421	
_ 08	23456700000	99/99/99	00/00/00	0	0	10	0	
_ 08	23456711111	11/26/08	10/29/09	0	0	3	0	

TYPE 'X' BESIDE YR OF CHOSEN POLICY

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

G. Close-Out of Older Policy Effective Years

When the volume of open claims for a particular policy effective year has decreased to \$100,000 or less, CAR will perform a final close-out of the policy effective year for financial and statistical reporting purposes. Any paid loss record reported to CAR for an effective year that has been closed-out will be considered a fatal error, and the record will be deleted from the submission.

Correction activity on a policy with an effective year that has been closed-out is not allowed. However, if a Servicing Carrier pays a claim on a policy whose policy effective year has been closed-out, the company may contact CAR to request reimbursement for the claim. If the policy was validly ceded, CAR will reimburse the Servicing Carrier for the loss via a bulk adjustment that will be reflected on the Servicing Carrier's Settlement of Balances and Member's Participation reports.