

ON-LINE WARNING/PENALTY APPLICATION

Information regarding the on-line detail and summary for the Warning & Penalty List.

Facts:

- Since premium is not due until approximately 45 days after the cession is due, there is a built-in delay within the application before a cession lists on the Warning list. Also, CAR provides one additional month to report the premium in the event of a reporting problem. For example, for January 1 policies, premium is not due until March 15, so the 1st date warned is set to 4/28.
- Cessions appear on the warning list based upon the Policy Effective Date and the 1st Warned Date. For example, if CAR receives a 9/97 effective date cession in November, then the 1st warned date becomes 12/28/97 even though the cession was two months late.
- CAR sets the 1st Warned Date as soon as it loads the cession to the accounting file. So, by using the list date function, you can view future cession to be warned.
- The 1st Warned Date is always the 28th of the month.
- Cessions move to the penalty list based upon the 1st Warned Date.
- CAR assesses the \$60 penalties following November 28 and May 28 so that every cession appearing on the penalty list is assessed the \$60 penalty.
- The on-line summary function does not use the day in its "bucketing", only the month and year. Because the detail lists do use the day, on the 15th of any month, the detail and summary will not match because the summary is including those cessions which will appear on the 28th. See page two for an example.

The chart below describes the cession movement to the Warning and Penalty List.

Policy Effective Date	1 st Warned Date & Appears on Warning List	Appears on Penalty List
January Eff Date	4/28/98	9/28/98
February Eff Date	5/28/98	10/28/98
March Eff Date	6/28/98	11/28/98
April Eff Date	7/28/98	12/28/98
May Eff Date	8/28/98	1/28/99
June Eff Date	9/28/98	2/28/99
July Eff Date	10/28/98	3/28/99
August Eff Date	11/28/98	4/28/99
September Eff Date	12/28/98	5/28/99
October Eff Date	1/28/99	6/28/99
November Eff Date	2/28/99	7/28/99
December Eff Date	3/28/99	8/28/99

To further illustrate cession movement to the warning list and then to the penalty list, a variety of examples appear on the following pages.

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Examples:

1) CAR received the cession on time and the Servicing Carrier has taken no further activity

Policy Effective Date: March 1, 1998

Cession Receipt Date: March 1, 1998

March 6, 1998 (approximately): CAR loads the cession to its database file within one week. Upon loading the cession, CAR sets the 1st Warned Date to June 28, 1998.

March 1, 1998 - June 27, 1998: The window of time the cession does not appear on the on-line warning or penalty list.

June 28, 1998: the cession appears for the first time on the on-line warning list.

June 28, 1998 to Nov. 27, 1998: The window of time the cession appears on the warning list.

November 28, 1998: the cession moves from the warning list to the penalty list and is assessed a \$60 penalty for appearing on the penalty list as of November 28.

The cession will remain on the penalty list (and will incur additional \$60 penalties) until the Servicing Carrier submits positive premium dollars or deactivates the cession or until CAR closes out cession processing for that effective year.

The on-line summary function does not use the day in its "bucketing" so there has been some confusion about the summary function. Using the above example:

The cession is eligible to appear on the warning list on June 28, 1998. Since the summary only looks at month and year, the cession appears in the warning summary screen as of June 1, 1998, even though it doesn't appear on the warning detail screen. Similarly, the same cession is eligible to appear on the penalty list on November 28, 1998. Again, since the summary looks at month and year only, the cession appears in the penalty summary as of November 1, 1998, even though it doesn't appear on the penalty detail screen. Accordingly, if the penalty summary indicates 100 cessions and the detail shows none, then the cessions will move to the detail penalty list the 28th of the month.

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2) CAR received the cession late and the Servicing Carrier has taken no further activity.

Policy Effective Date: March 1, 1998
Cession Receipt Date: December 1, 1998

December 4, 1998 (approximately): CAR loads the cession to its database file. Upon loading the cession, CAR sets the 1st Warned Date to December 28, 1998.

December 28, 1998: The cession appears for the first time on the on-line warning list.

Dec. 28, 1998 to May 27, 1998: The window of time the cession appears on the warning list.

May 28, 1998: The cession moves from the warning list to the penalty list and is assessed a \$60 penalty for appearing on the penalty list as of May 28.

The cession will remain on the penalty list (and will incur additional \$60 penalties) until the Servicing Carrier submits positive premium dollars or deactivates the cession or until CAR closes out cession processing for that effective year.

Prior to the on-line system, older year policies (that is, policies with effective dates prior to the current year) would list one time on the warning and list and then move immediately to the penalty list the following month. This caused CAR to develop the automatic appeal program which stipulated that a cession had to list on a warning/penalty list at least three months prior to receiving a penalty. With the on-line system, policies appear on the warning list five times before moving to the penalty list regardless of the effective year.

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- 3) **CAR received the cession and premium on time, but the company later washed out the premium dollars leaving the active cession on the policy.**

Policy Effective Date: March 1, 1998
Cession Receipt Date: March 1, 1998
Premium Receipt Date: May 15, 1998

In the 9/98 submission (due at CAR on December 15, 1998), the company offset the positive premium bringing the total premium amount to \$0 and created a cession/no premium error.

March 1, 1998 - December 27, 1998: No error on policy and therefore does not appear within the accounting correction application.

December 20, 1998 (approx.) The company submitted washout premium in its 10/98 monthly submission. CAR loaded the washout premium to its accounting file bringing the policy premium to \$0. Upon editing the policy, the policy sets the 1st warned date to December 28.

December 28, 1998: The cession appears for the first time on the on-line warning list.

December 28, 1998 to May 27, 1998: The window of time the cession appears on the warning list.

May 28, 1998: The cession moves from the warning list to the penalty list and is assessed a \$60 penalty for appearing on the penalty list as of May 28.

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Helpful Hints:

Within the on-line warning/penalty function, you can view warned policies by list date. Since the list date represents the 1st Warned Date, it does not change until the policy becomes free of a cession/no premium error. So, using the chart on the first page, you can track potential \$60 penalties by using the list date function.

For example: the chart states that all policies with a 1st Warned Date of December 28, 1997 will move to the penalty list on May 28, 1998. All policies on the penalty list as of May 28, 1998 will be assessed a \$60 cession/no premium penalty. Let's say in February, 1998 you want to review policies which will be penalized in May, 1998 to include any necessary premium in your March 1998 monthly shipment. Use the PF7 key from the CO400 screen (see example) to view all policies with a 1st Warned Date of 12/97. Upon entering PF7, the detail list of cessions appears (CO425 – see example)

CO400 Screen to select list date:

COMPANY 999	COMMONWEALTH AUTOMOBILE REINSURERS	CO400SA
	ACCOUNTING ONLINE ACCESS SYSTEM	12/10/97
	WARNING & PENALTY (CA2500)	12:07:52
(1) PENALTY POLICIES - BY RISK TYPE (0, 1, 2 OR ALL) (ALL)		
	SELECT POLICIES	PF5 OR 05
	COMPANY SUMMARY	PF15 OR 15
(2) WARNING POLICIES - BY RISK TYPE (0, 1, 2 OR ALL) (ALL)		
	SELECT POLICIES	PF6 OR 06
	COMPANY SUMMARY	PF16 OR 16
(3) WARNING POLICIES - BY LIST DATE (FORMAT=MM/YY) (12 / 97)		
	SELECT POLICIES	PF7 OR 07
	COMPANY SUMMARY	PF17 OR 17
(4) WARNING & PENALTY POLICIES - FOR LATEST LIST DATE 11/97		
	SELECT POLICIES	PF8 OR 08
TYPE OVER (DEFAULTS) - SELECT FUNCTION KEY/ENTER NUMBER		
PF1/01 - HELP PANEL	:	PF12/12 - RETURN TO MENU

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CO425 Screen to view detail cession records for the 12/97 list date:

COMPANY 999		COMMONWEALTH AUTOMOBILE REINSURERS					CO410SA	
		ACCOUNTING ONLINE ACCESS SYSTEM					12/10/97	
		WARNING POLICIES - LIST DATE (12/97)					12:17 PM	
FROM 402082		CAR	DATE 1ST	COVERAGE	POLICY	POLICY		
YR POLICY NUMBER	RSK ID		LISTED	DATE	EXP DATE	PREM DOLL	MSG DATE	
=====								
_ 97 402082	0 4		12/28/97	09/17/97	09/17/98	0		
_ 97 2268573	0 4		12/28/97	09/27/97	09/27/98	0		
_ 97 2637556	0 5		12/28/97	09/26/97	09/26/98	0		
_ 97 2638051	0 5		12/28/97	09/29/97	09/29/98	0		
_ 97 2971140	0 4		12/28/97	09/29/97	09/29/98	0		
=====								
TYPE STARTING POLICY NUMBER -OR- TYPE 'X' TO SELECT A POLICY								
PF1/01 - HELP PANEL	SELECT FUNCTION/ENTER NUMBER	PF2/02 - SELECT ALL REC						
PF7/07 - PAGE BACKWARD	: :	PF8/08 - PAGE FORWARD						
PF9/09 - POLICY MESSAGE	PF10/10 - POLICY HISTORY	PF12/12 - RETURN TO MENU						

Please be aware that using just the list date function does not give you an inclusive list of potential \$60 penalties. You would also be assessed a penalty for every policy appearing on the penalty list already and any other earlier list dates (e.g. 11/97 1st Warned Date policies would also be penalized). In this example, any policies 1st Warned after 12/97 would not receive a penalty in May, 1998.

Also using the list date function, you can look at future warned policies. This is possible because CAR sets the Date 1st Warned as soon as the cession is loaded, as highlighted in the example below:

COMPANY 999		COMMONWEALTH AUTOMOBILE REINSURERS					CO410SA	
		ACCOUNTING ONLINE ACCESS SYSTEM					12/02/97	
		WARNING POLICIES - LIST DATE (01/98)					03:00 PM	
FROM Q3G00006000		CAR	DATE 1ST	COVERAGE	POLICY	POLICY		
YR POLICY NUMBER	RSK ID		LISTED	DATE	EXP DATE	PREM DOLL	MSG DATE	
=====								
_ 97 12300006000	2 4		01/28/98	10/08/97	10/08/98	0		
_ 97 12408372505	2 4		01/28/98	10/30/97	10/30/98	0		
_ 97 12988419904	2 5		01/28/98	10/28/97	10/28/98	0		
_ 97 13008420904	2 4		01/28/98	10/18/97	10/18/98	0		
_ 97 14508457203	2 4		01/28/98	10/09/97	10/09/98	0		
_ 97 19808457303	2 4		01/28/98	10/16/97	10/16/98	0		
=====								

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On December 2, 1997, you can look at policies which will receive a 1st Warned Date of 1/28/98.

Also, because the 1st Warned Date is set immediately, the summaries shows future totals. So, on 4/1/1997, the warning summary included the cession even though it won't appear on the warning list until 4/28/97.

With the Date 1st Warned of 4/28/97, the system knows the penalty date of 9/28/97. So on September 1, 1997, this cession appears in the summary totals for the penalty list but it does not appear on the detail penalty list until 9/28/97, per the system calculation. This is confusing with the detail and summary showing different things. It is because the detail looks at day and the summary looks at month only.