



COMMONWEALTH AUTOMOBILE REINSURERS

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ACCOUNTING AND STATISTICAL NOTICE NO. 386

Reporting Requirements for New Annual Statement/Page 15 Reconciliation System

CAR is pleased to announce the implementation of its new Annual Statement/Page 15 Reconciliation System. Rather than submitting the Page 15 data via the quarterly forms, companies will now be able to submit a copy of their NAIC Annual Statement filings to CAR (either on diskette, CD-Rom or Internet filing), and CAR will extract the Massachusetts Page 15 automobile insurance data from the submission. While CAR will still perform a reconciliation of the Page 15 data to the statistical data received in the monthly accounting and statistical submissions, the reconciliation and feedback process will occur on-line through CAR's website and e-mail. It is CAR's expectation that this new system will eliminate a number of manual processes, provide a faster turnaround of information, be easier to use, and finally, improve data quality. The remainder of this notice will describe the new reporting requirements, provide an overview of the new system, and explain the implementation process.

Reporting Requirements

In accordance with the Call Schedule (published every year), a copy of each company's Massachusetts Automobile Statement totals must be reported to CAR on a quarterly basis, by the published due date. **This information must be submitted to CAR via one of the following media types:**

- Submission of Annual Statement/Page 15 Data via Diskette or CD-Rom

Companies may submit a copy of their NAIC diskette or CD-Rom to CAR. Note that the diskette or CD-Rom should indicate the NAIC number and the name of the company being submitted. Multiple diskettes/CD-Roms should be contained in the same package. Note that in addition to individual company filings, "group" companies should submit a combined filing for the entire group (the diskette/CD-Rom should indicate the group name and NAIC number). However, a diskette/CD-Rom for a company that is not licensed in Massachusetts for automobile insurance should not be submitted. Furthermore, a hard copy of the Annual Statement for each company must be submitted as well. Coding instructions for the Annual Statement filing can be obtained from the NAIC. Submissions should be directed to:

Commonwealth Automobile Reinsurers
100 Summer Street – 21st Floor
Boston, MA 02110
Attn: Computer Operations

- Submission of Annual Statement/Page 15 Data via Internet Filing

Companies may submit their data to CAR via Internet filing, which involves the submission of an electronic file. You must have a valid user-id and password to utilize this methodology. Note that “group” companies will need to perform this process for each company in their group. A hard copy of the Annual Statement for each company must be submitted as well. Coding instructions for the Annual Statement filing can be obtained from the NAIC.

- Submission of Annual Statement/Page 15 Data via CAR’s Website

Though not encouraged, companies may submit their Page 15 data to CAR via CAR’s website via a data-entry application (Page 15 data only). You must have a valid user-id and password to utilize this option. Note that “group” companies will need to perform this process for each company in their group. A hard copy of the Annual Statement for each company must be submitted as well.

Furthermore, if applicable, the following supplemental information must also be submitted to CAR:

- Submission of Non-Reportable Data via CAR’s Website

Companies are still responsible for reporting their non-reportable coverages to CAR (these are coverages not specified in the Massachusetts Statistical Plans, such as umbrella/excess premium or lenders collateral protection). This information is subtracted from your Page 15 totals prior to the comparison to statistical data. Again, you must have a valid user-id and password to perform this function (which is a data-entry application).

- Submission of Group Adjustment Data via CAR’s Website

Effective in 2002, companies affiliated within a group were required to report statistical data at the individual company level. Because this change was implemented for policies with January 1, 2002 and subsequent policy effective dates, statistical data for policies prior to January 1, 2002 are still reported under the group code. Therefore, group companies are required to provide CAR with supplemental data that details the volume of prior-years’ business still being reported under the group company code. This information is used for adjustments prior to reconciling the Page 15 data to the statistical data. Again, you must have a valid user-id and password to perform this function (which is a data-entry application).

Overview of the Annual Statement Reconciliation System

There are three major functions within the Annual Statement Reconciliation System – submitting data, the reconciliation of data, and browsing reports. Within these functions, there are different programs and feedback features. Note that all of these functions are secure, in that they require a valid user-id and password to access them. Furthermore, data for only the companies that are associated with the user-id

will be accessible. A brief explanation of each facet of this system is contained below; however, for a more detailed explanation of each function/program, CAR will be distributing a technical user guide to the Annual Statement Liaisons in the near future.

- Submitting Data
 - File Submission – This function allows the user to electronically submit their Annual Statement data to CAR.
 - Page 15 Data (Commercial and Private Passenger) – This function allows the user to manually enter Page 15 premium and loss data for each line of business. Note that this function will not allow for data entry if the due date of the quarter has already passed. Furthermore, this function does not allow for update capability.
 - Non-Reportable (Commercial and Private Passenger) – This function allows the user to manually enter the premium and loss data, for each line of business, for statistically non-reportable coverages.
 - Group Adjustment (Commercial and Private Passenger) – This function allows the user to manually enter the premium and loss adjustments for prior-years' business that is still reported under a group code.
- Reconciling Page 15 Data to Statistically Reported Data
 - Reconciliation Report – This function allows the user to view the Reconciliation Report which displays a company's Page 15 data, Statistical Data, the difference between the two figures, the percentage that difference represents, and whether an explanation is due from the company that will explain that difference. Note that an e-mail is automatically sent to the Annual Statement Liaison when the data is first made reconciled for a specific quarter.
 - Explanation Notes – This function allows the user to provide explanatory information about over-tolerance differences. Response comments from CAR Staff are maintained in this function as well as information about pending and assessed penalties.
- Browsing Reports
 - Browse Stat Summary Data – This function allows the user to view the premium and loss totals for each line of business accumulated from the data reported in the monthly statistical submissions.
 - Browse Statistical Adjustments – This function allows the user to view the group adjustments for premium and loss data that were previously entered into the system.
 - Browse Page 15 Data – This function allows the user to view the Page 15 premium and loss totals that were either previously entered into the system or reported via diskette, CD-Rom, or Internet filing.
 - Browse Non-Reportable Data – This function allows the use to view the premiums and losses for non-reportable coverages that were previously entered into the system.

Implementation Process

The new Annual Statement Reconciliation System will be implemented and available for 4th Quarter 2002 data submission on February 24, 2003. Because this is a major procedural and systems change for both CAR and the industry, CAR will perform a parallel run of the new and existing Annual Statement Reconciliation Systems. **Accordingly, companies are requested to complete and submit the existing, traditional forms in addition to providing an electronic submission (either diskette, CD-Rom, or Internet filing) by March 17, 2003.** CAR will use the results from the existing system to ensure that the new system is functioning correctly. Thereafter, companies will no longer be required to complete and submit the paper form. Note that failure to provide Page 15 data for both systems may result in the assessment of penalties. Failure to provide any data (either via the new system or via the existing form) by the established due date of March 17, 2003 will result in the assessment of penalties (\$50/day for every business day past the due date).

Beginning with 1st Quarter 2003, CAR will no longer be distributing the paper AS675 – Reconciliation Report. Instead, companies will be required to access CAR's secure Annual Statement Reconciliation System on CAR's website in order to receive this information. Furthermore, the submission of the Annual Statement by Internet filing, as well as providing non-reportable coverage information and group adjustment information will occur through this system as well, which are also secure applications. Accordingly, Annual Statement Liaisons will need to obtain a user-id and password to perform these functions. Information about obtaining a user-id can be found on CAR's website (select Reports, and then select Request Access).

Because CAR will be utilizing e-mail to notify companies of their reconciliation process, missing data or explanations, and penalty assessments, it is imperative that Annual Statement Liaisons provide CAR with their e-mail addresses. CAR will be contacting our current Annual Statement Liaisons to confirm or obtain this information, as well as to remind them about obtaining a user-id and password. Additionally, CAR will be distributing a technical user guide that will describe how to access and use all the functions in the Annual Statement Reconciliation System.

Questions regarding the new Annual Statement Reconciliation System should be directed to either Tori Buck at (617) 880-2363 or Richard Dalton at (617) 880-2319.

WENDY BROWNE
Director of Operations Services