

Massachusetts Commercial Automobile Statistical Plan

Part VII - Statistical Data Quality Program

Section A - Statistical Data Quality Components

The Statistical Data Quality Program consists of the components noted below. Each component identifies a specific company requirement or responsibility relative to the reporting of statistics to CAR and is intended to assure that CAR receives accurate statistical data on a timely basis. This Section also describes the special edits or methods used by CAR to verify the quality of reported statistical data.

1. STATISTICAL SUBMISSIONS

Companies are responsible for assuring that all of the data for a particular accounting month is received at CAR on or before the submission due date, and that the data is in processable and statistically acceptable condition. For those companies affiliated with a group, data must be reported at the individual company number level, rather than at the group level, as described in Part II – General Rules of the Plan. If any portion of the submission does not meet these requirements, Statistical Data Quality Penalties will be assessed. The key date to be used for determining penalty amounts will be the date upon which the last portion of the particular accounting month's shipment is received at CAR in processable and statistically acceptable condition. Refer to Section B - Statistical Data Quality Penalties of the Statistical Data Quality Program for specific penalty information.

In order to assure that a company's submission of data for a particular accounting month is complete, all premium and paid loss data for each accounting month must be submitted to CAR in a single mailing. However, it is acceptable for quarterly outstanding loss data to be submitted separately.

If a company is not able to consolidate their shipments for mailing to CAR, a request for waiver from this requirement must be filed with CAR. If CAR grants a waiver to this requirement, it is necessary for the company to continue to submit their data shipments to CAR in the same manner for each subsequent accounting month.

Companies may request the ability to report a supplemental submission to CAR after their original shipment for the accounting month has been submitted. Such supplemental submissions will not be accepted unless CAR has agreed in advance to accept the shipment. If CAR agrees to accept the supplemental submission, but it is not received by CAR until after the shipment due date, the shipment will be subject to applicable Statistical Data Quality Penalties in the same manner as other statistical submissions. Refer to Section B - Statistical Data Quality Penalties of the Statistical Data Quality Program for specific penalty information.

a. Compliance For Newly Reporting Companies

If a company or company group exceeds the established commercial reporting thresholds of \$50,000 in written premiums or \$25,000 in paid losses, as identified through the Annual Statement Reconciliation Process, statistical reporting to CAR must commence. Although the determination of whether a company exceeds the established thresholds is based upon the writings of an affiliated company group, statistical data must be reported to CAR on an individual company basis. Companies identified as exceeding the reporting thresholds will be required to report detailed statistical data no later than the December shipment of the second following year.

Example: The ~~2000~~ calendar year 2009 Statutory Page 14 for Massachusetts ~~Annual Statement~~ ~~Page 15~~ indicates that a company has exceeded the reporting thresholds. This company will be instructed to begin reporting to CAR no later than the December, ~~2002~~ 2011 submission.



Massachusetts Commercial Automobile Statistical Plan Part VII - Statistical Data Quality Program

Section A - Statistical Data Quality Components

1. STATISTICAL SUBMISSIONS (Continued)

b. Low Volume Company

★ A company or company group that has written less than \$500,000 in premium and \$500,000 in paid losses for reportable coverages during the prior calendar year based on the information contained on ~~their~~ its Statutory Page 14 for Massachusetts Annual Statement Page 15 is referred to as a low volume company. A low volume company may request the option of reporting data to CAR on a quarterly, rather than monthly, basis.

c. Due Date

The due date is generally the first CAR business day 45 days after the close of each accounting month. CAR will notify the industry on a yearly basis of the specific submission due dates that will be in effect for the upcoming calendar year via the Call Schedule, which is issued as an Accounting and Statistical Notice. All premium, paid loss and outstanding loss submissions for a particular accounting month must be received in processable and statistically acceptable condition at the offices of CAR by the close of business on the established due date.

d. Turnaround Time Commitment

CAR provides companies with a turnaround time commitment relative to the receipt and processing of monthly submissions. The turnaround time commitment guarantees that all shipments received at CAR prior to the first business day of each month will be processed such that the company will be notified of any reporting problems or rejections no later than the fifth business day of that calendar month. In addition, if required by the company, these rejected tapes will be sent back to the company via Federal Express, no later than the fifth business day of the month, for the receipt by the company no later than the sixth business day of the month. The turnaround time commitment is subject to modification by CAR's Operations Committee.

If the established turnaround time commitment cannot be met by CAR, and as a result, a company's shipment is rejected and cannot be resubmitted by the shipment due date, the key dates used to calculate Statistical Data Quality Penalties for the affected shipments would be adjusted accordingly. However, the cut-off dates for monthly accounting/statistical shipments to be included in CAR's processing cycles would not be adjusted. For those companies that are financially impacted due to the exclusion of their monthly accounting/statistical shipment from a processing cycle because CAR did not meet its turnaround time commitment, CAR will reimburse the company for loss of investment income or provide another appropriate financial remedy.

Massachusetts Commercial Automobile Statistical Plan Part VII - Statistical Data Quality Program

Section A - Statistical Data Quality Components

1. STATISTICAL SUBMISSIONS (Continued)

e. Acceptable Shipments

For a shipment to be accepted by CAR, it must be received in processable condition as specified in the Accounting/Statistical Submission Reporting Instructions contained in the CAR Statistical Edit Package. In addition, the shipment must be in balance with its corresponding statistical and accounting summary control totals, and in statistically acceptable condition such that its statistical error content must be less than 15% of the shipment or less than 100 records. Note that the statistical error criteria will apply separately for premiums, paid losses, and outstanding losses, and on a subline basis. Additionally, for those companies affiliated with a group, statistical data must be reported at the individual company number level or the shipment will be considered incomplete and unacceptable.

★ A record is considered to be a statistical error record when it has one or more statistical errors (S01-S49 and S54). A record is considered to be a verification only error record when it has no statistical errors, but has one or more verification errors (V50-V523). Refer to CAR's Statistical Edit Package for a description of these error records. Verification errors are not included in the determination of error percentages or error record counts. The statistical error criteria will be waived for a particular shipment if the company confirms in writing to CAR that the shipment's error content exceeds the 15% tolerance because the submission contains offsets for previously reported error records, and consequently these offsets have caused the error percentage to exceed 15%.

Companies that have not reported complete and acceptable shipments to CAR by the shipment due date will be subject to Statistical Data Quality Penalties. Note that penalties are based on the receipt date at CAR of the last acceptable portion of the particular accounting month's shipment, and will therefore be the same if one portion of the shipment or the entire shipment is late or unacceptable. In addition, note that shipments received on weekends or holidays will be assigned the receipt date of the next CAR business day following the weekend or holiday. Refer to Section B - Statistical Data Quality Penalties Section of the Statistical Data Quality Program for specific penalty information.

f. Limits In Excess (LEX) Records

Any record with an extremely high exposure, premium dollar amount, or loss dollar amount (according to the following chart) will be identified for CAR Staff to review. Note that for the premium dollar tolerances, bodily injury and property damage premium amounts are checked separately for liability records and collision and other than collision premium amounts are checked separately for physical damage records. Also, note that the following classes are excluded from the relevant exposure checks: Garages Subject to Compulsory Law (physical damage only), Garages – Premises, Garages Not Subject to Compulsory Law, Non-Owned (Employees, P.P., Motorcycles, Hired), Non-Owned (Minimum Premium, Drive Other Car Coverage, Partnership – Non-Ownership, All Other), Special Rating and Adjustment, and Gross Receipts and Mileage.

Massachusetts Commercial Automobile Statistical Plan Part VII - Statistical Data Quality Program

Section A - Statistical Data Quality Components

3. RATE EDIT (Continued)

b. Appeal Process For Exceeding Established Tolerance

Companies with errors in excess of the established tolerance may appeal to CAR for a reduction of the Statistical Data Quality Penalty if it can be clearly demonstrated that the rate error condition does not impact the ratemaking database. The granting of an appeal will be allowed for one policy year only, and companies will be required to correct their reporting systems for the next reporting year in order to prevent the assessment of rate edit penalties in the subsequent reporting year.

4. MASSACHUSETTS ANNUAL STATEMENT

★ For each calendar year, all companies licensed to write automobile insurance in Massachusetts are required to submit an electronic copy of their NAIC Annual Statement filings to CAR by approximately March 15th of the following year. CAR also requires that companies submit a hard copy of their Annual Statement. For each of the other three calendar quarters, CAR collects ~~Massachusetts's~~ Statutory Page 14 data for Massachusetts (also known as Page 15 or Page 24 data) from companies. Note that for all quarters, Annual Statement data must be submitted for each individual company within a group via CAR's on-line Annual Statement Reconciliation System. CAR will inform the industry on an annual basis, via the Annual Call Schedule, of the exact quarterly and final Annual Statement due dates on a calendar year basis.

On a quarterly basis, CAR reconciles each company's Massachusetts Annual Statement data to the statistical data reported by the company through the particular quarter. The reconciliation is performed at the individual company level, not on a group company basis. The reconciliation is performed each quarter in an effort to identify, as soon as possible, reporting problems that may impact the quality of CAR's statistical database. Companies are provided with the results of their reconciliation. If it is determined that a company's statistically reported totals for a given quarter and their quarterly Annual Statement totals vary by more than 5% for any premium or loss line of business, CAR requests that the company provide a satisfactory written response explaining the difference(s). Additionally, if the difference is due to missing statistical data, then the company will be expected to provide an action plan that details when the missing data will be reported to CAR and how the situation that created the missing data will be rectified. Company responses must be provided to CAR within thirty (30) calendar days from the date that the reconciliation results were initially provided to the company.

★ 5. MASSACHUSETTS AUTOMOBILE INSURANCE EXPENSE CALL

~~The Massachusetts Automobile Insurance Expense Call pertaining to a particular calendar year will be due at CAR by approximately June 1 of the following year. CAR will notify the industry each year via an Accounting and Statistical Notice of the exact due date of the Massachusetts Automobile Insurance Expense Call for the particular calendar year.~~

Massachusetts Commercial Automobile Statistical Plan

Part VII - Statistical Data Quality Program

Section B - Statistical Data Quality Penalties

In order to encourage companies to report complete and accurate statistical data on a timely basis, CAR has established the Statistical Data Quality Penalties described below. The Statistical Data Quality Program only establishes those penalties that will apply for statistical purposes. Additional penalties may result due to accounting errors on ceded data, and these penalty provisions are contained in the CAR Manual of Administrative Procedures.

Mandated legislative changes and other contingencies that would delay the reporting or processing of data or require substantial operational changes will be reviewed as to their impact on the Statistical Data Quality Program. If sufficient lead time is not available to the companies to submit any of the required reportings to CAR, the Operations Committee will consider the potential need for temporary revisions or suspensions to the provisions of the Statistical Data Quality Program and its associated penalties.

1. STATISTICAL SUBMISSIONS

This section details the Statistical Data Quality Penalty amounts assessed for late or unreported statistical submissions.

a. Compliance For Newly Reporting Companies

Companies that have not complied with reporting statistical submissions to CAR, after being identified as exceeding the established commercial reporting thresholds of written premiums and/or paid losses, will be assessed a \$10,000 Statistical Data Quality Penalty the first calendar year. If non-compliance continues, a \$25,000 penalty will be assessed after the second calendar year, and a \$50,000 penalty will be assessed each calendar year thereafter until statistical data reporting begins. Although the determination of whether a company exceeds the established thresholds is based upon the writing of the entire group, this penalty will be assessed on an individual company basis. It will be applied to each company within the identified group, regardless of whether the company on an individual basis has exceeded the reporting thresholds. In addition, the Division of Insurance will be notified of the company's non-compliance.

Example: The ~~2000~~ calendar year ~~2009~~ Statutory Page 14 for Massachusetts ~~Annual Statement Page 45~~ indicates that a company has exceeded the reporting thresholds. The company must begin reporting to CAR no later than the December ~~2011~~ ~~2002~~ submission. If a submission is not reported to CAR on or before this deadline, the company will be assessed a ~~\$10,000~~ \$12,500 Statistical Data Quality Penalty. If the company again fails to report by the December ~~2012~~ ~~2003~~ submission, the company will be assessed a ~~\$25,000~~ \$30,000 penalty. If the company fails to report by December ~~2013~~ ~~2004~~ submission, the company will be assessed a ~~\$60,000~~ \$50,000 penalty, and the Division of Insurance will be notified of the company's non-compliance.



Massachusetts Commercial Automobile Statistical Plan Part VII - Statistical Data Quality Program

Section B - Statistical Data Quality Penalties

1. STATISTICAL SUBMISSION (Continued)

b. Low Volume Company

Low volume companies have a maximum penalty amount of ~~\$1,000~~ \$1,500 for any one submission. Accordingly, companies reporting on a quarterly basis will never be assessed more than ~~\$6,000~~ \$4,000 in a calendar year, and companies reporting on a monthly basis will never be assessed more than ~~\$18,000~~ \$12,000 in a calendar year.

c. Late And Unacceptable Shipments

The Statistical Data Quality Penalty amounts accumulate based on the receipt date of the shipment. Statistical Data Quality penalty amounts accrue up to ~~\$2,000~~ \$3,000 for a particular range of shipment receipt dates as shown in the chart below. An additional ~~\$2,000~~ \$3,000 penalty is incurred for each additional calendar month that passes until the shipment is received. Since each company that is affiliated with a group is required to report their statistical data on an individual company basis, these penalties are also assessed on an individual company basis. For the shipment in the example below, a penalty of ~~\$2,000~~ \$3,000/month would be added to the ~~\$2,000~~ \$3,000 amount previously accrued on the shipment since the displayed receipt date had passed.

Receipt Date at CAR of Last Acceptable Portion	Penalty Amount
After the shipment due date, but before the end of the month in which the shipment due date occurs	\$300 <u>\$500</u>
After the end of the month in which the shipment due date occurs, but on or before the due date of the next month's shipment	\$800 <u>\$1,250</u>
After the due date of the next accounting month's shipment, but before the end of the month in which this due date occurs	\$2,000 <u>\$3,000</u>
Each additional calendar month	\$2,000 <u>\$3,000/month</u>

Example: January Monthly Accounting Shipment Due 3/15		
Receipt Date of Shipment	Calculation of Penalty	Penalty Dollars
3/16 – 3/31	\$300 <u>\$500</u>	\$300 <u>\$500</u>
4/1 – 4/15	\$800 <u>\$1,250</u>	\$800 <u>\$1,250</u>
4/16 – 4/30	\$2,000 <u>\$3,000</u>	\$2,000 <u>\$3,000</u>
5/1	\$2,000 + \$2,000 <u>\$3,000</u> + <u>\$3,000</u>	\$4,000 <u>\$6,000</u>
6/1	\$4,000 + \$2,000 <u>\$6,000</u> + <u>\$3,000</u>	\$6,000 <u>\$9,000</u>

Massachusetts Commercial Automobile Statistical Plan Part VII - Statistical Data Quality Program

Section B - Statistical Data Quality Penalties

2. STATISTICAL ERRORS

This section details the Statistical Data Quality Penalty amounts that companies will be assessed if an insufficient volume of statistical error corrections are applied.

Statistical Error Files Meeting the Following Criteria	Penalty Amount
The initial due date has expired and the error percentage has not been reduced to less than or equal to 5%	\$ 400 <u>\$ 150</u>
The error file has been re-listed, the second due date has expired, and the error percentage has not been reduced to less than or equal to 5%	\$ 400 <u>\$ 600</u>
Each additional re-listing with error percentages not less than or equal to 5%	\$ 800 <u>\$ 1,250</u>

Example: Statistical Error Percentage Not Reduced To Less Than or Equal to 5%: Error Corrections Due 4/30		
Due Date	Calculation of Penalty	Penalty Dollars
4/30	\$400 <u>\$150</u>	\$400 <u>\$ 150</u>
6/30	\$400 <u>\$ 600</u>	\$400 <u>\$ 600</u>
8/30	\$800 <u>\$ 1,250</u>	\$800 <u>\$ 1,250</u>
10/30	\$800 + \$800 <u>\$ 1,250 + \$ 1,250</u>	\$1,600 <u>\$ 2,500</u>

3. RATE EDIT

This section details the Statistical Data Quality Penalties assessed for Rate Edit errors.

a. Error Penalties

Any company that does not reduce their error percentage to no greater than established rate edit tolerance within the six month timeframe will be assessed a Statistical Data Quality Penalty of ~~\$3,000~~ \$2,000. Additionally, a penalty of ~~\$3,000~~ \$2,000 per month will be assessed for each subsequent month that the error percentage remains uncorrected and a company remains over the rate edit tolerance.

b. Penalty Reduction

A penalty reduction will be granted only if it can be verified that the reported premiums and exposures are correct on a policy or summary level and are not in violation of the Massachusetts Commercial Statistical Plan. A penalty of ~~\$3,000~~ \$2,000 will be assessed. However, the ~~\$3,000~~ \$2,000 per month penalty for each subsequent month will not be assessed in this situation.

Massachusetts Commercial Automobile Statistical Plan

Part VII - Statistical Data Quality Program

Section B - Statistical Data Quality Penalties

4. MASSACHUSETTS ANNUAL STATEMENT

★ A Statistical Data Quality Penalty of ~~\$100~~ \$50 per CAR business day will be assessed for the late submission of Fourth Quarter NAIC Annual Statement filings and corresponding copy of the Massachusetts Annual Statement. Also, a Statistical Data Quality Penalty of ~~\$100~~ \$50 per CAR business day will be assessed for a late Fourth Quarter Massachusetts Annual Statement Reconciliation response until CAR receives the response.

★ A Statistical Data Quality Penalty of \$100 per CAR business day will be assessed for the late submission of quarterly Statutory Page 14 data for Massachusetts. Also, a Statistical Data Quality Penalty of \$50 per CAR business day will be assessed for a late response to the reconciliation of the quarterly Statutory Page 14 for Massachusetts until CAR receives the response.

★ Since each company that is affiliated with a group is required to report its statistical data on an individual company number level and is required to report separate Massachusetts Annual Statement data and quarterly Statutory Page 14 for Massachusetts data, the Annual Statement penalties will also be assessed on an individual company basis.

★ ~~5. MASSACHUSETTS AUTOMOBILE INSURANCE EXPENSE CALL~~

~~A Statistical Data Quality Penalty of \$50 per CAR business day will be assessed for the late submission of the Massachusetts Automobile Insurance Expense Call.~~

★ 56. DISPUTED PENALTY FEES

CAR shall maintain its own records for the purpose of determining whether or not a company has submitted all required data. In case of a disagreement regarding whether a company is delinquent in submitting data, the records of CAR shall become the deciding factor. Statistical Data Quality Penalties may be appealed to CAR's Operations Committee. However, it is necessary for the company to pay the penalty amount before such an appeal can be considered. Any company aggrieved by the findings of the Operations Committee may appeal the decision to CAR's Governing Committee. All decisions of the Governing Committee shall be final.