

Massachusetts Private Passenger 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 complete and 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 Section 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 Writing Reporting Companies

★ 1) Statistical Data Reporting

If a company or company group exceeds the established private passenger reporting thresholds of \$100,000 in written premiums or \$50,000 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.

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1. STATISTICAL SUBMISSIONS (continued)

Example: The ~~2000~~ calendar year 2009 Statutory Page 14 for Massachusetts 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.

2) Interim Summary Data Reporting

★ In accordance with Rule 29 of the CAR Rules of Operation, a newly writing company must report interim summary data to CAR no later than the 23-month anniversary of the calendar date on which the company's initial Private Passenger Motor Vehicle Insurance rates and manual became effective.

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 its Statutory Page 14 for Massachusetts, 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.

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1. STATISTICAL SUBMISSIONS (continued)

d. Turnaround Time Commitment (continued)

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.

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-V52). 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, including interim summary data submissions 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 of the Statistical Data Quality Program for specific penalty information.

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1. STATISTICAL SUBMISSIONS (continued)

f. Limits In Excess (LEX) Records

Any record with an extremely high exposure, premium dollar amount, or loss dollar amount (according to the chart below) 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 Commuter Discount records are excluded from the relevant exposure checks.

LEX Tolerance Levels	
Field	Tolerance
Exposure	-120 to +120 exposures
Premium Dollar Amount	-\$10,000 to +\$10,000
Loss Dollar Amount	-\$500,000 to +\$500,000

CAR Staff will review records that exceed the established LEX tolerance levels. If it is determined that the records will significantly distort CAR's database, CAR will reject the affected shipments(s) and instruct the company to correct the records and resubmit the data immediately (prior to the shipment due date). Otherwise, CAR will accept the data and instruct the company to offset the records in a future submission.

2. STATISTICAL ERRORS

a. Due Date

★ On a weekly basis, CAR updates its On-Line Telecommunications System, provides companies with statistical error files and establishes a due date for the necessary corrections to be completed. The established due date for the completion of on-line corrections is approximately 60 calendar days from the date the listings are available on-line.

b. Acceptability

★ Companies are responsible for assuring that statistical errors are corrected in a timely manner so that the number of uncorrected error records within an error file is reduced to no greater than 5%. Verification errors will be identified separately and will not be included in the determination of error percentages. If the submitted number of error corrections does not reduce the error content within the error file to the 5% tolerance by the due date, the error records will be re-listed on-line with a new due date. The company is required to make additional corrections to the error file until the 5% tolerance has been met.

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2. STATISTICAL ERRORS (continued)

b. Acceptability (continued)

Companies that are provided with statistical error files for several accounting months at the same time will be provided with additional time to correct these errors as long as the pertinent shipments were received at CAR in a timely and acceptable manner. Such cases will be handled on an individual basis. Taken into consideration will be the reason that several accounting months' files were provided at the same time, the volume of error records and any extenuating circumstances that may affect the timely correction of data.

c. Low Volume

A statistical error file is considered low volume if both the total number of error records contained within the file and the total exposures, premiums or losses in error fall within the ranges indicated below. Statistical error files that meet this criteria will not be considered in an overdue status and will not be required to be corrected to reduce the error content to the 5% tolerance level.

Statistical Error Tolerance Levels		
Private Passenger	Total Number Of Error Records	Total Exposures or Loss Dollars In Error
Liability, No-Fault and Physical Damage Premiums	1 to 25	-60 to +60 exposures
Liability Losses	1 to 20	-\$5,000 to +\$5,000 losses
No-Fault Losses	1 to 20	-\$2,000 to +\$2,000 losses
Physical Damage Losses	1 to 20	-\$2,000 to +\$2,000 losses



3. RATE EDIT

~~CAR will edit voluntary and ceded private passenger premium data for the latest two policy effective years to assure that it has been rated properly. Only data that has successfully passed CAR's statistical edits will be rate edited, and companies will be notified by CAR of the rate edit results of their data.~~

a. Tolerance

~~Companies are responsible for assuring that their cumulative percentage of rate errors, for each line of business and policy effective year, remains below the established rate edit error tolerance of 2%. Once a company exceeds the rate edit error tolerance, and provided that there is a minimum of two hundred error records per line of business, the company will be provided with six accounting months from the error listing cycle in which the tolerance was exceeded to reduce their cumulative rate edit error percentage, for that line of business and policy effective year, to within the established tolerance. In order to correct rate edit errors, companies are required to submit offset and re-enter adjustment records.~~

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3. ~~RATE EDIT (continued)~~

a. ~~Tolerance (continued)~~

★ Refer to the General Rules and Section A – Premiums of the General Reporting Requirements Sections of this Plan for information on reporting adjustment records.

~~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.

★ 34. 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 Statutory Page 14 data for Massachusetts from companies via CAR's online Annual Statement Reconciliation System. Note that for all quarters, Annual Statement data must be submitted for each individual company within a group. 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 (30) calendar days from the date that the reconciliation results were initially provided to the company.

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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, including interim summary data submissions for newly writing companies.

★ **a. Compliance for Newly ~~Reporting~~ Writing Companies**

★ **1) Statistical Data Reporting**

★ Companies that fail to report statistical submissions to CAR, after being identified as exceeding the established private passenger reporting thresholds for written premiums and/or paid losses, will be assessed a ~~\$10,000~~ \$12,500 Statistical Data Quality Penalty the first calendar year. If non-compliance continues, a ~~\$25,000~~ \$30,000 penalty will be assessed after the second calendar year, and a ~~\$50,000~~ \$60,000 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 writings 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 indicates that a company has exceeded the reporting thresholds. The company must begin reporting to CAR no later than the December ~~2002~~ 2011 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 ~~2003~~ 2012 submission, the company will be assessed a ~~\$25,000~~ \$30,000 penalty. If the company fails to report by December ~~2004~~ 2013 submission, the company will be assessed a ~~\$50,000~~ \$60,000 penalty, and the Division of Insurance will be notified of the company's non-compliance.

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1. STATISTICAL SUBMISSIONS (Continued)

★ 2) Interim Summary Data Reporting

If a newly writing company fails to report its initial filing of interim summary data, the company will be assessed a \$5,000 penalty. Each monthly report thereafter that is not reported according to the due dates noted in section 1.c below, will be subject to the specified penalty.

b. Low Volume Company

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

c. Late And Unacceptable Shipments (including Interim Summary Data Submissions)

★ 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>

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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%	\$100 <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	\$100 <u>\$150</u>	\$100 <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 \$1 per error record in excess of the tolerance level, with a minimum penalty of \$2,000 assessed. Additionally, a penalty of \$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 Private Passenger Statistical Plan. A penalty will be assessed based upon \$1 per error record for each error record over the established rate edit tolerance with a minimum penalty of \$2,000 being assessed. However, the \$2,000 per month penalty for each subsequent month will not be assessed in this situation.

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★ **34. MASSACHUSETTS ANNUAL STATEMENT AND QUARTERLY STATUTORY PAGE 14 FOR MASSACHUSETTS**

★ A Statistical Data Quality Penalty of ~~\$50~~ \$100 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 ~~\$50~~ \$100 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 \$100 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.

★ **45. 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.