



# COMMONWEALTH AUTOMOBILE REINSURERS

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[www.commauto.com](http://www.commauto.com)

617-338-4000

## - MEMORANDUM -

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: June 12, 2015

RE: Operational Reports

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The 1<sup>st</sup> quarter 2015 Operational Reports follow this memorandum. This report includes data reported February 18, 2015 through May 15, 2015 for the accounting month period of January 2015 through March 2015. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

### **Section I – Accounting/Statistical Shipments:**

On November 7, 2014, the Division of Insurance promulgated changes to the Private Passenger Statistical Plan to add or delete certain Zip Codes for the City of Boston for policies effective July 1, 2015 and subsequent.

There have been no Commercial Statistical Plan recommendations since the last publication of the Operational Reports.

CAR assessed a total of \$99,300 Statistical Data Quality Penalties in the 1<sup>st</sup> Quarter 2015 Settlement of Balances report.

### **Section II – Cession/MAIP Placement Record Reporting:**

This section includes the MAIP Placement Record Reporting Analysis, which highlights valid and invalid activity related to MAIP Placement Record reporting. These reports can be found at the MAIP website. Please notify your company's designated Security Administrator for access to these reports.

The annual Cession/No Premium Write-Off amounts have been calculated and CAR set the 2012 penalties at \$4,600 for Commercial and \$7,700 for Taxi/Limousine business. The 2012 Cession/No Premium Write-Off occurred in April 2015. There were no penalties to list for the 2012 effective year Cession/No Premium Write-Offs.

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**Section III – Residual Market Information:**

This section includes various status reports related to residual market commercial and private passenger market share, participation ratios, and quota share.

CAR mailed the CA5010 - Flat Cancellation report on January 30, 2015 and the documentation was due back at CAR on April 1, 2015.

As of March 2015 the commercial residual market rate equaled 19.9%.

CAR posted the March 30, 2015 Quarterly Member Participation Reports to its website on June 5, 2015.

CAR ran the 1<sup>st</sup> Quarter 2015 Rule 29 credit edit download reports on May 21, 2015.

**Section IV – Accounting System Processing:**

CAR produced 1st Quarter 2015 Critical Error Loss Write-Offs and 10% Loss of Investment Fees totaling \$3,670 and \$72 respectively.

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2014 and 2015 policy effective years following the monthly accounting shipments due the 15<sup>th</sup> of every month for all companies remaining over the tolerance level of 1% and 10 policies in error.

The Penalty Forecasting exhibits were posted to CAR's website on June 8, 2015.

**Section V - Statistical Agent Functions:**

Fourth Quarter 2014 Statutory Page 14 data was due at CAR on March 16, 2015. Penalties amounted to \$8,300 for companies who submitted Page 14 data after the due date. The Reconciliation Responses for Fourth Quarter 2014 were due back on May 1, 2015. Penalties amounted to \$2,800 for the quarter. Both penalty assessments were included in the First Quarter 2015 Settlement of Balances.

**Section VI – Communications:**

CAR recently completed the first phase system rewrite of CAR's Mainframe Applications to CAR's Website Applications regarding MAIP Placement Record reporting and correction systems. If you need access to the reports, please contact your company's Security Administrator to request access.

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**I. STATISTICAL SYSTEM**

A. Reporting of Company Shipments

The monthly submission of statistical data is due at CAR according to the Call Schedule contained in the table below. The timeliness exhibit on the following page reflects the timeliness status of all companies for 2015 as of the first quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

<b>2015 CALL SCHEDULE</b>		
<b>Submission</b>	<b>Due Date</b>	<b>Quarter</b>
January 2015	March 15, 2015	1 <sup>st</sup> Quarter
February 2015	April 15, 2015	
March 2015	May 15, 2015	
April 2015	June 15, 2015	2 <sup>nd</sup> Quarter
May 2015	July 15, 2015	
June 2015	August 17, 2015	
July 2015	September 15, 2015	3 <sup>rd</sup> Quarter
August 2015	October 15, 2015	
September 2015	November 16, 2015	
October 2015	December 15, 2015	4 <sup>th</sup> Quarter
November 2015	January 15, 2016	
December 2015	February 16, 2016	

In instances where a company's ceded loss dollars are complete by quarter's end but its ceded premium dollars are not, CAR will assess "loss of investment income" penalties to reimburse the pool for the missing premium dollars. CAR did not assess any "loss of investment income" penalties in first quarter, 2015.

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**I. STATISTICAL SYSTEM (continued)**

2015 Timeliness Report

<i>CO NO</i>	<i>Jan 3/16</i>	<i>Feb 4/15</i>	<i>Mar 5/15</i>	<i>Apr 6/15</i>	<i>May 7/15</i>	<i>Jun 8/17</i>	<i>July 9/15</i>	<i>Aug 10/15</i>	<i>Sep 11/16</i>	<i>Oct 12/15</i>	<i>Nov 1/15</i>	<i>Dec 2/16</i>
110		COM	COM									
123	COM	COM	COM									
155	COM	COM	COM									
201		PP										
206			COM									
230	COM		COM									
325			COM									
331	PP	PP	PP									
333			COM									
362	COM	BOTH										

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**I. STATISTICAL SYSTEM (continued)**

**B. Statistical Plan Penalty Fee Program**

CAR assesses various statistical penalties as outlined in the Data Quality Penalty Section of the Private Passenger and Commercial Statistical Plans. These penalties include items such as incomplete monthly submissions, late submission of page 14 data, reconciliation responses, and failure to reduce a statistical shipment's error percent to below 5%.

For 1st Quarter 2015, CAR assessed a total penalty amount of \$99,300. The table below shows the detail penalties for each company.

Penalty Assessments  
1st Quarter 2015

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
033	Allstate Insurance Company	Stat Error > 5% - 12/2014	\$ 450
033	Allstate Insurance Company	Stat Error > 5% - 01/2015	\$ 150
044	Great American Alliance Ins Co	Stat Error > 5% - 01/2015	\$ 150
109	Penn. Lumbermens Mutual	Late Page 14 - 12/2014	\$ 300
115	Indiana Lumbermens Mutual	Late Page 14 - 12/2014	\$ 600
118	Privilege Underwriter (PURE)	Late Page 14 - 12/2014	\$ 100
110	KnightBrook Insurance Company	Stat Error > 5% - 07/2014	\$ 1,250
110	KnightBrook Insurance Company	Stat Error > 5% - 01/2015	\$ 300
110	KnightBrook Insurance Company	Late MAS - 02/2015	\$ 500
110	KnightBrook Insurance Company	Late Page 14 Expln - 12/2014	\$ 400
120	Crestbrook Insurance Company	Rescinded Late Pg14 09/2014	\$ (300)
122	Leading Insurance Group	Late Page 14 - 12/2014	\$ 600
123	HDI-Gerling American Ins Co	Stat Error > 5% - 11/2014	\$ 300
123	HDI-Gerling American Ins Co	Stat Error > 5% - 12/2014	\$ 600
123	HDI-Gerling American Ins Co	Late MAS - 01/2015	\$ 1,250
123	HDI-Gerling American Ins Co	Late MAS - 02/2015	\$ 500
127	Great American Ins. Co of NY	Stat Error > 5% - 1/2015	\$ 150
155	Argonaut Insurance Company	Late MAS - 12/2014	\$ 500
155	Argonaut Insurance Company	Late MAS - 01/2015	\$ 500
155	Argonaut Insurance Company	Late MAS - 02/2015	\$ 500
162	Imperium Insurance Company	Late Page 14 - 12/2014	\$ 100
173	Stonington Insurance Company	Late Page 14 - 12/2014	\$ 100
177	Cincinnati Indemnity Ins Co.	Late Page 14 - 12/2014	\$ 200
180	Cincinnati Casualty Insurance Co.	Late Page 14 - 12/2014	\$ 200
194	Bankers Standard Insurance Co.	Stat Error > 5% - 06/2014	\$ 150
201	AIG Property Casualty Company	Late MAS - 02/2015	\$ 500
206	Nationwide Agribusiness Ins. Co.	Late MAS - 12/2014	\$ 1,000
206	Nationwide Agribusiness Ins. Co.	Stat Error > 5% - 09/2014	\$ 600

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**I. STATISTICAL SYSTEM (continued)**

**B. Statistical Plan Penalty Fee Program (continued)**

Penalty Assessments  
1<sup>st</sup> Quarter 2015

			<b>Assessment</b>
<b>Co #</b>	<b>Company Name</b>	<b>Assessment</b>	<b>Amount</b>
219	Safety National Casualty Corp	Stat Error > 5% - 11/2014	\$ 150
230	Praetorian Insurance Company	Stat Error > 5% - 09/2014	\$ 600
259	The Cincinnati Insurance Co.	Late Page 14 - 12/2014	\$ 200
313	Essentia Insurance Company	Stat Error > 5% - 01/2015	\$ 300
331	Massachusetts Homeland Ins. Co.	Interim Late MAS - 05/2014	\$ 9,000
331	Massachusetts Homeland Ins. Co.	Interim Late MAS - 06/2014	\$ 9,000
331	Massachusetts Homeland Ins. Co.	Interim Late MAS - 07/2014	\$ 9,000
331	Massachusetts Homeland Ins. Co.	Interim Late MAS - 08/2014	\$ 9,000
331	Massachusetts Homeland Ins. Co.	Interim Late MAS - 09/2014	\$ 9,000
331	Massachusetts Homeland Ins. Co.	Interim Late MAS - 10/2014	\$ 9,000
331	Massachusetts Homeland Ins. Co.	Interim Late MAS - 11/2014	\$ 9,000
331	Massachusetts Homeland Ins. Co.	Interim Late MAS - 12/2014	\$ 8,500
331	Massachusetts Homeland Ins. Co.	Late Page 14 - 12/2014	\$ 700
331	Massachusetts Homeland Ins. Co	Late Page14 Expln- 12/2014	\$ 800
344	Tri-State Insurance of Minnesota	Stat Error > 5% - 10/2014	\$ 150
344	Tri-State Insurance of Minnesota	Stat Error > 5% - 11/2014	\$ 150
344	Tri-State Insurance of Minnesota	Stat Error > 5% - 12/2014	\$ 150
347	Selective Insurance Co. of SC	Stat Error > 5% - 12/2014	\$ 150
349	Selective Ins. Co. of the Southeast	Stat Error > 5% - 12/2014	\$ 450
349	Selective Ins. Co. of the Southeast	Stat Error > 5% - 01/2015	\$ 150
362	Farm Family Casualty Ins Co	Late MAS - 01/2015	\$ 500
362	Farm Family Casualty Ins Co	Late MAS - 02/2015	\$ 500
441	Great West Casualty Company	Late Page 14 - 12/2014	\$ 400
443	NOVA Casualty Company	Stat Error > 5% - 12/2014	\$ 150
451	Hudson Insurance Company	Stat Error > 5% - 09/2014	\$ 600
512	Liberty Mutual Insurance Company	Stat Error > 5% - 01/2015	\$ 150
622	National Interstate Insurance Co	Stat Error > 5% - 12/2014	\$ 150
626	National Continental Insurance Co.	Stat Error > 5% - 12/2014	\$ 600
626	National Continental Insurance Co.	Stat Error > 5% - 01/2015	\$ 600
630	Nationwide Insurance Company	Stat Error > 5% - 11/2014	\$ 150
630	Nationwide Insurance Company	Stat Error > 5% - 01/2015	\$ 150

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**I. STATISTICAL SYSTEM (continued)**

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments  
1<sup>st</sup> Quarter 2015

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
714	CastlePoint Insurance Company	Late Page 14 - 12/2014	\$ 700
737	Progressive Casualty Insurance Co.	Stat Error > 5% - 12/2014	\$ 1,050
737	Progressive Casualty Insurance Co.	Stat Error > 5% - 01/2015	\$ 750
797	Starr Indemnity Insurance Company	Late Page 14 - 12/2014	\$ 100
845	Tower Insurance Company	Late Page 14 - 12/2014	\$ 700
845	Tower Insurance Company	Late Page 14 Expln-12/2014	\$ 800
859	Transport Insurance Company	Late Page 14 - 12/2014	\$ 100
902	United Financial Casualty Company	Stat Error > 5% - 12/2014	\$ 300
902	United Financial Casualty Company	Stat Error > 5% - 01/2015	\$ 600
951	Vanliner Insurance Company	Stat Error > 5% - 11/2014	\$ 450
962	Mountain Valley Indemnity Co.	Late Page 14 - 12/2014	\$ 800
968	York Insurance Company	Late Page 14 - 12/2014	\$ 700
968	York Insurance Company	Late Page 14 Expln-12/2014	\$ 800
		Total	<b>\$ 99,300</b>

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**I. STATISTICAL SYSTEM (continued)**

Massachusetts Private Passenger Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
July 1, 2015	<p>Based upon ZIP Code changes implemented by the United States Postal Service, the Division of Insurance has promulgated modifications to the ZIP Codes that define the Territorial Statistical Code assignments for the City of Boston.</p> <p>For policies effective July 1, 2015 and subsequent, the following modifications have been made to the city of Boston table contained in Appendix B – Territory Codes:</p> <ul style="list-style-type: none"> <li>• ZIP Code 02222 has been added</li> <li>• Obsolete ZIP Codes (02101-02107, 02202) and those associated exclusively with P.O. Boxes and commercial businesses (02112, 02117, 02123, 02137, 02201, 02241) have been deleted.</li> </ul>	Approved by the Division of Insurance on November 7, 2014

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**II. CESSION/MAIP PLACEMENT RECORD REPORTING**

A. Cession Submission

CAR accepts cession data via two different methods: on-line telecommunications and FTP transmission. Please contact your company's Security Administrator for your company if you need assistance in gaining access to CAR's telecommunications system.

CAR accepts cession records and cession corrections on commercial business for policy years 2013-2015.

B. Cession Backdates

1. TX1/TX2 Cession Backdate Appeals based on Intent to Cede

In instances where a company provides documentation showing its intent to cede a specific policy, CAR maintains the authority to act upon those appeals provided the backdate request does not exceed 25 policies. Furthermore, the appeal and associated documentation must meet the criteria outlined in Chapter 2 of the Manual of Administrative Procedures. For any policy that does not meet the criteria, CAR does not have the authority to grant the appeal; the company then can present the appeal before the Operations Committee.

There have been no "intent-to-cede" appeals since the last publication of the Operational Reports.

2. TX5 Cession Backdate Appeals

In instances where a company intended to write a policy voluntary, it can appeal for a transaction 5 (uncede) backdate. CAR maintains the authority to approve these types of appeals when the documentation provided clearly shows the company made the decision to write the policy voluntary prior to the policy effective date.

The table on the following page reflects the log of cession backdate requests CAR Staff processed since the last publication of the Operational Reports on March 16, 2015.

TX5 Cession Backdate Log

**There have been no requests made since the last Operational Reports publication.**

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**II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)**

3. CR215 Cessions Automatically Backdated

On a quarterly basis, CAR produces the CR215 report that shows the volume of cessions backdated for involuntary producer business. The program monitors the three current reporting years for cession activity. Accordingly, CAR recently sent the latest report to the industry in late-May 2015 monitoring policy years 2013, 2014 and 2015 for 1st Quarter 2015.

The following exhibits show the industry's volumes of backdated cessions. On the report itself, the column to the right of percent backdated indicates if the volume of backdated producers exceeds the tolerance level. Accordingly:

- an asterisk (\*) indicates that more than 5% of the total new business cessions for the company are backdated.
- a pound symbol (#) indicates more than 5% are backdated but fall within the tolerance level. (*The tolerance level is 5% and 25 policies in error.*)

Policy Year 2013  
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED		% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	228	4	1.8		0.0	0	0
245	1,040	123	11.8	*	0.1	4,013	0
279	25	5	20.0	#	0.0	0	0
717	330	14	4.2		0.0	10,339	0
734	216	6	2.8		0.0	0	0
773	1	0	0.0		0.0	0	0
Totals	1,840	152	8.3%		N/A	14,352	0

\* indicates that more than 5% of the total new business cessions for the company are backdated.

# indicates more than 5% are backdated but fall within the tolerance level. (*The tolerance level is 5% and 25 policies in error.*)

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**II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)**

2. CR215 Cessions Automatically Backdated (continued)

Policy Year 2014  
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	1,342	23	1.7	-0.4	330	0
245	1,019	101	9.9 *	0.1	12,711	0
279	26	2	7.7 #	0.0	0	0
717	302	15	5.0 #	0.1	0	0
734	336	9	2.7	0.0	0	0
773	1	0	0	0.0	0	0
Totals	3,026	150	5.0%	N/A	13,041	0

\* indicates that more than 5% of the total new business cessions for the company are backdated.

# indicates more than 5% are backdated but fall within the tolerance level. (*The tolerance level is 5% and 25 policies in error*).

Policy Year 2015  
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	374	32	8.6 *	0.0	0	0
279	2	0	0.0	0.0	0	0
717	94	6	6.4 #	0.0	0	0
734	101	0	0.0	0.0	0	0
Totals	1,346	39	2.9%	N/A	0	0

\* indicates that more than 5% of the total new business cessions for the company are backdated.

# indicates more than 5% are backdated but fall within the tolerance level. (*The tolerance level is 5% and 25 policies in error*).

**C. CA5010 Flat Cancellation Audit**

Twice per year CAR runs the CA5010 - Flat Cancellation Documentation Listing. Its purpose is to randomly sample flat-canceled policies to verify that the industry is using flat-cancellation transactions properly. CAR ran the CA5010 on January 30, 2015 and the documentation is due back April 1, 2015. Any outstanding issues to report will be posted in the next Operational Reports.

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**II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)**

**D. MAIP Placement Record Reporting Analysis**

On a monthly basis, CAR reviews the quality of MAIP Placement Record reporting and produces a report which highlights the error counts for various types of errors. Companies with excessive error counts are contacted and requested to research the cause of its reporting problem and if appropriate provide a corrective action plan. This report is now on the MAIP Website for up to date activity.

**COMMONWEALTH AUTOMOBILE REINSURERS  
MAIP PLACEMENT RECORD REPORTING ANALYSIS  
Reflects Statistically Reported Data for Policy Effective Months 4/2014 to 03/2015  
Reflects MAIP Placement Record Reported Data as of May 19, 2015**

Company	Missing MPRs	MPRs with Non-Fatal Errors	Fatal MPRs	Rejected Take-Out Credits	MPRs with No Premium	MAIP Premium with No MPR	Active MPRs
45	3	8	0	1	12	10	198
153	24	50	11	221	51	7	6,346
192	0	0	0	0	0	1	104
202	0	0	0	0	0	0	195
262	0	1	0	0	0	3	232
279	17	0	322	240	9	11	27,739
308	0	0	0	0	0	0	369
312	0	0	2	0	0	0	1,235
331	0	0	4	0	0	7	951
354	4	5	14	0	4	67	5,059
363	1	1	0	0	0	4	458
422	0	1	0	0	0	2	198
531	0	0	0	0	0	2	1,050
585	0	0	1	0	0	1	230
612	2	0	8	12	0	4	2,141
664	8	4	0	0	1	3	1,198
686	0	0	0	9	0	0	0
723	0	0	32	2	1	10	4,817
731	2	2	0	0	0	3	1,055
724	1	1	0	88	0	0	22
773	9	0	96	216	4	0	9,348
826	0	0	3	24	2	0	632
908	2	1	1	0	1	10	4,349
959	0	0	0	0	0	0	230
988	0	0	1	24	0	1	2,351
Average	3	3	20	33	3	6	2820

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**III. RESIDUAL MARKET INFORMATION**

A. Residual Market Volumes

The private passenger and commercial residual market volume results for the past seven years are highlighted in the chart below. The residual market rate for the current year is based on statistically reported data only and does not include estimates for missing data.

<b>Effective Year</b>	<b>MAIP Residual Market %</b>	<b>Commercial Cession %</b>	<b>Time Period</b>
2009	2.8%	19.0%	Final Result
2010	2.6%	15.1%	Final Result
2011	2.7%	14.9%	Final Result
2012	2.6%	15.6%	Final Result
2013	2.1%	17.0%	Final Result
2014	1.5%	18.7%	Final Result
2015	1.4%	19.9%	As of March 2015

Commercial Residual Market volume reports are available on CAR's website ([www.commauto.com](http://www.commauto.com)). You can also view your company's residual market volume figures via CAR's telecommunications system. The On-line Telecommunications Manual provides the specific instructions for accessing the reports.

B. Private Passenger – Massachusetts Automobile Insurance Plan (MAIP)

Policy Year 2015 Results as of March 2015

	<b>2015 @ 3 Months</b>	<b>% Total</b>	<b>2014 @ 12 Months</b>	<b>% Total</b>
MAIP Assigned (CAR-ID 9)	16,823	1.4	68,011	1.5
MAIP Retained (CAR-ID 8)	1,193,176	98.6	4,382,753	98.4
Clean-In-Three (CAR-ID 1)	437	0.0	3,115	.1
<b>Total</b>	<b>1,210,436</b>	<b>100.0%</b>	<b>4,453,879</b>	<b>100.0%</b>

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**III. RESIDUAL MARKET INFORMATION (continued)**

C. Private Passenger MAIP Premium and Loss Reports

Private Passenger Premium and Loss reports have been updated through March, 2015, and are available on CAR's website in the MAIP section under Company. These reports provide summary policy year information for statistically reported MAIP assignments (CAR ID Code 9), including premiums, losses, loss ratio, and data for frequency/severity displayed historically by accounting quarter. Member companies will have access to both their own company reports, as well as the Industry.

D. Production of Quarterly Participation Reports

CAR posted the December 2014 Quarterly Member Participation Reports to its website on June 5, 2015. From CAR's home page, click Reports, sign-on and then select Settlement of Balances. These are secure reports that require a CAR website user id and password to view. Please contact your company's security administrator to request access.

E. Participation Base Data

The 1<sup>st</sup> Quarter 2015 estimated Participation Ratios using data reported through March 31, 2015 will be posted to CAR's website by June 30, 2015.

F. CAR Financial Results

The ultimate policy year deficit projections, as of March 2015, for the latest three policy years are as follows:

(Numbers are in \$000s)

<b>Policy Year</b>	<b>Commercial</b>
2012	(10,816)
2013	(6,470)
2014	(10,352)

This data can be found on CAR's website ([www.commauto.com](http://www.commauto.com)) in the Financial Reports area using the Deficit Projections link.

G. Quota Share

CAR posted the March, 2015 Monthly Quota Share and Assignment Order Report to its website on May 28, 2015. The report has been updated to include statistical data from April 2014 to March 2015 effective month policies reported through May 15, 2015. Member Companies can also view additional reports that provide detailed information about the data used in the Quota Share calculation on CAR's website in the MAIP section under Company.

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**III. RESIDUAL MARKET INFORMATION (continued)**

**I. Rule 29 Voluntary Credits**

CAR ran the Rule 29 credit edit reports for March effective date data in late-May. These reports are available on CAR's website under the Data Reporting and Quality Reports page.

There is no tolerance level for the Rule 29 credits. If a record is incorrect, the credit is not applied. The table below shows the industry's error percent starting with the January, 2013 accounting date.

<b>Accounting Date</b>	<b>Reported Credit Premium</b>	<b>Adjusted Credit Premium</b>	<b>Rule 29 Credit Impact</b>	<b>Error Percentage</b>
Jan. 2013	713,364,572	706,270,045	-7,094,527	0.99%
Feb. 2013	730,150,173	723,513,143	-6,637,030	0.91%
March 2013	755,912,036	749,110,258	-6,801,778	0.90%
April 2013	755,274,541	747,517,992	-7,756,549	1.03%
May 2013	758,867,695	751,168,605	-7,699,090	1.01%
June 2013	759,754,834	752,301,775	-7,453,059	0.98%
July 2013	745,930,026	738,517,637	-7,412,389	0.99%
August 2013	762,432,454	755,247,566	-7,184,888	0.94%
Sept. 2013	764,021,035	755,928,909	-8,092,126	1.06%
Oct. 2013	764,239,930	755,680,951	-8,558,979	1.12%
Nov. 2013	761,938,516	753,773,710	-8,164,806	1.07%
Dec. 2013	764,794,392	756,926,510	-7,867,882	1.03%
Jan. 2014	762,850,249	753,904,186	-8,946,063	1.17%
Feb. 2014	770,232,032	759,893,142	-10,338,890	1.34%
March 2014	774,436,209	763,628,574	-10,807,635	1.40%
April 2014	777,855,861	766,376,709	-11,479,152	1.48%
May 2014	779,564,062	767,341,619	-12,222,443	1.57%
June 2014	778,433,250	765,519,108	-12,914,142	1.33%
July 2014	776,941,089	764,191,532	-12,749,557	1.64%
August 2014	774,744,020	761,990,528	-12,753,492	1.65%
Sept. 2014	773,277,842	760,560,650	-12,717,192	1.64%
Oct. 2014	773,410,338	761,196,403	-12,213,935	1.58%
Nov. 2014	770,674,623	758,422,022	-12,252,601	1.59%
Dec. 2014	770,402,779	758,123,233	-12,279,546	1.59%
Jan. 2015	768,041,708	755,845,777	-12,195,931	1.59%
Feb. 2015	765,672,469	754,083,462	-11,589,007	1.51%
March 2015	766,612,449	756,026,775	-10,585,674	1.38%

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**IV. ACCOUNTING SYSTEM**

A. Update of the Online Accounting System

CAR updates the online accounting system every Thursday night. Accordingly, all new premiums and loss activity and all correction activity are posted to the system on Thursday evenings and viewable to the industry on Friday mornings. This schedule deviates four times per year following the end of a quarter. The table below shows the quarter ending schedule for updates to the CAR accounting system.

<b>Month</b>	<b>MAS Due Date</b>	<b>Accounting System Update</b>	<b>Quarter</b>
January 2015	March 16, 2015	March 17, 2015	1st Quarter 2015
February 2015	April 15, 2015	April 16, 2015	
March 2015	May 15, 2015	May 16, 2015	
April 2015	June 15, 2015	June 16, 2015	2 <sup>nd</sup> Quarter 2015
May 2015	July 15, 2015	July 16, 2015	
June 2015	August 17, 2015	August 18, 2015	
July 2015	September 15, 2015	September 16, 2015	3 <sup>rd</sup> Quarter 2015
August 2015	October 15, 2015	October 16, 2015	
September 2015	November 16, 2015	November 17, 2015	
October 2015	December 15, 2015	December 16, 2015	4 <sup>th</sup> Quarter 2015
November 2015	January 15, 2016	January 16, 2016	
December 2015	February 15, 2016	February 16, 2016	

B. Critical Error Write-Off

To ensure that each company's cession, premium, and loss reporting is accurate and timely, CAR edits all ceded data through three edits that are deemed "critical" to sound reporting procedures. If any ceded record fails critical error code 1, 6, or 7 it lists on the critical error list. (You can find a description of these error codes in the Policy Edit Package and Telecommunication Manual).

For losses specifically, CAR requires every record to be fixed within one year of falling into critical error. If a loss record has not been fixed after a year of remaining in critical error, CAR writes-off that loss record and assesses an interest fee of 10%. This write-off process occurs the last Saturday of every month. The table on the following page shows the write-off amounts and associated 10% fees for first quarter 2015.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for June 2015 through November 2015 are shown following the 1st Quarter Write-Off exhibit.

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**IV. ACCOUNTING SYSTEM (continued)**

B. Critical Error Write-Off (continued)

Loss Write-Off – 1st Quarter 2015

Company	Feb 2015	March 2015	April 2015	Total
154	0			0
245	3,670			3,670
279	0			0
773	0			0
<b>Total</b>	3,670			3,670

1st Quarter 2015 – 10% Loss of Investment Fees

Company	Feb 2015	Mar 2015	Apr 2015	Total
245	72			72
279	0			0
331	0			0
773	0			0
<b>Total</b>	72			72

Potential Loss Write-Off June 2015 through November 2015

Company	June 2015	July 2015	August 2015	September 2015	October 2015	November 2015	Grand Total
154	0			888		1,027	1,915
331	-1,425			0		-12,700	-14,125
894	0			0		0	0
<b>Totals</b>	-1,425			888		-11,673	-12,210

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**IV. ACCOUNTING SYSTEM (continued)**

C. Non-Critical Error "Audit Review" Program

Unlike critical errors, non-critical errors do not prevent loss coverage on a policy. However, they could cause a financial impact if the volume of non-critical errors exceeds the established tolerance levels. The tolerance level is 1% and 10 policies in error for each error code per effective year. If the volume of errors for a specific error code exceeds the tolerance level, the company has up to nine months to reduce the volume of errors before facing a penalty. Please reference the Policy Edit Package for more specific information. The exhibits below show year-to-date penalties and potential penalties.

**Audit Review  
2014 & 2015 Policy Effective Years**

Non-Critical Error - Penalties

**CAR assessed no penalties for policy effective years 2014 and 2015 this quarter.**

2014 Effective Year Non-Critical Errors Over Tolerance – Potential Penalty

**2014 Effective Year Non-Critical Errors show no Potential Penalties to report**

\* 2015 Effective Year Non-Critical Errors Over Tolerance – Potential Penalty

**2015 Effective Year Non-Critical Errors show no Potential Penalties to report**

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**IV. ACCOUNTING SYSTEM (continued)**

**D. Ceded Premium In Error – Limited Commercial Servicing Carriers**

The exhibit below shows a summary of ceded premium in critical error. Companies can view their critical error policies via CAR's telecommunications system within the accounting corrections application. CAR is providing this information as a way for Limited Commercial Servicing Carriers to monitor both their ceded premium and ceded loss reporting to correct any errors prior to a write-off or close of a policy effective reporting year.

Company	Policy Effective Year	Critical Premium Dollars	Error Percent
154	2013	274	0.00
154	2014	31,570	0.11
154	2015	94,849	1.14
245	2013	0	0.00
245	2014	154,233	0.50
245	2015	0	0.00
279	2013	0	0.00
279	2014	0	0.00
279	2015	0	0.00
717	2013	0	0.00
717	2014	0	0.00
717	2015	0	0.00
734	2013	0	0.00
734	2014	0	0.00
734	2015	0	0.00
773	2013	0	0.00
773	2014	0	0.00
773	2015	6,111	0.07
Total Ind		287,037	0.10

**E. Penalty Forecasting Program**

CAR produces the Penalty Forecasting exhibits in March, June, September, and December. The program helps companies in their correction efforts and helps Servicing Carriers track potential future penalties if corrective actions are not taken by the companies. If you do not have access to the reports, please contact your company's Security Administrator to request access. CAR posted the 1st Quarter 2015 Penalty Forecasting reports on June 8, 2015.

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**IV. ACCOUNTING SYSTEM (continued)**

F. 2012 Cession/No Premium Write-Off

When CAR closes a cession reporting year, it assesses a final penalty against policies that have an active cession record but no corresponding positive premium. The 2012 reporting year closed on February 16, 2015. Accordingly, CAR will no longer accept cession activity for the 2012 policy effective year and all policies that contain an active cession with no positive premium will be subject to the cession/no premium write-off penalty. The annual Cession/No Premium Write-Off amounts are based on a policy count (excluding flat cancelled and cession/no premium policies) divided by the corresponding full premium (rather than deviated), at 15 months. Please reference the table below for the write-off penalty amounts for 2012 effective date policies and for historical information.

<b>Year</b>	<b>PP Penalty</b>	<b>Commercial Penalty</b>	<b>Taxi/Limo/CAR Service Penalty</b>
2012	N/A	\$4,600	\$7,700
2011	N/A	\$4,400	\$8,100
2010	N/A	\$4,500	\$7,300
2009	\$1,400	\$4,900	\$7,700
2008	\$1,400	\$5,300	\$7,600
2007	\$1,500	\$5,700	\$8,600
2006	\$1,500	\$6,300	\$10,100
2005	\$1,600	\$6,200	\$10,800
2004	\$1,600	\$6,200	\$11,100
2003	\$1,500	\$6,500	\$9,900
2002	\$1,400	\$6,300	\$9,600

**CAR assessed no Cession/No Premium Write-Offs for the 2012 policy effective year.**

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**V. STATISTICAL AGENT FUNCTION**

**A. Update of the Online Statistical System**

CAR loads statistical data to its permanent database files and updates the online statistical system every Wednesday night. Accordingly, all new premiums and loss activity and all correction activity are posted to the system on Wednesday evenings and viewable to the industry on Thursday mornings. This schedule deviates four times per year following the end of a quarter. The table below shows the quarter ending schedule for updates to the statistical system.

**2015 Reporting Year Schedule**

<b>Month</b>	<b>MAS Due Date</b>	<b>Statistical System Update</b>	<b>Quarter</b>
January 2015	March 16, 2015	March 17, 2015	1st Quarter 2015
February 2015	April 15, 2015	April 16, 2015	
March 2015	May 15, 2015	May 18, 2015	
April 2015	June 15, 2015	June 16, 2015	2 <sup>nd</sup> Quarter 2015
May 2015	July 15, 2015	July 16, 2015	
June 2015	August 17, 2015	August 18, 2015	
July 2015	September 15, 2015	September 16, 2015	3 <sup>rd</sup> Quarter 2015
August 2015	October 15, 2015	October 16, 2015	
September 2015	November 16, 2015	November 17, 2015	
October 2015	December 15, 2015	December 16, 2015	4 <sup>th</sup> Quarter 2015
November 2015	January 15, 2016	January 18, 2016	
December 2015	February 15, 2016	February 16, 2016	

**B. Annual Statement and Annual Statement Reconciliation**

CAR collects the quarterly annual statement figures from the industry according to the schedule below. Those companies that have greater than a 5% dollar difference between the data statistically reported and the financial data entered on the Page 14 must respond to this difference according to the schedule below.

<b>Quarter</b>	<b>Due Date Quarterly Annual Statement</b>	<b>Run Date of the Reconciliation Program</b>	<b>Due Date Reconciliation Response</b>
1st 2015	June 15, 2015	July 1, 2015	Approx. August 3, 2015
2nd 2015	September 15, 2015	October 1, 2015	Approx. November 2, 2015
3rd 2015	December 15, 2015	January 4, 2016	Approx. February 4, 2016
4th 2015	March 15, 2016	April 1, 2016	Approx. May 2, 2016

The Annual Statement collection of Page 14 for Fourth Quarter 2014 was due March 16, 2015. Penalties for late Page 14 amounted to \$8,300. Reconciliation Fourth Quarter 2014 responses were due on May 1, 2015. Penalties amounted to \$2,800. Penalties were included in First Quarter 2015 Settlement of Balances Report. CAR is currently collecting First Quarter 2015 Annual Statement Statutory Page 14 data which is due at CAR on June 15, 2015. First Quarter 2015 Reconciliation Reports are anticipated to run on July 1, 2015.

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**V. STATISTICAL AGENT FUNCTION**

**C. Rate Edit Processing**

CAR processes ceded commercial data through a rate editing routine for the latest two policy effective years. The table below shows the industry results by line of business and policy effective year.

	<b>Line of Business</b>	<b>Eligible Records</b>	<b>Records in Error</b>	<b>Error %</b>
<b>COMM 2013 EFF YEAR</b>	Liability	56,310	900	1.60%
	No Fault	46,127	170	0.37%
	Physical Damage	35,640	412	1.16%
	Total	138,077	1,482	1.07%
<b>COMM 2014 EFF YEAR</b>	Liability	34,892	410	1.18%
	No Fault	27,109	78	0.29%
	Physical Damage	24,169	278	1.15%
	Total	86,170	766	0.89%

The Commercial Rate Edit program incorporates a tolerance level to ensure the quality of the data the industry reports to CAR. The tolerance level is 2% and 50 records in error. If a company exceeds the rate edit tolerance levels on any one line of business, CAR notifies the company via its website of the over tolerance status and the company then has six months to reduce its volume of rate edit errors.

Commercial Rate Edit penalties no longer apply to Rate Year 2013. Commercial Rate Edit penalties now apply to Rate Year 2014 only. Rate Year 2014 includes policies effective September 2014 – December 2015. Rate Year 2013 includes policies effective April 2013 – August 2014. Companies should contact the Residual Market Services Department regarding Rate Edit reporting.

**D. Distributional Analysis**

Distributional Analysis reports are produced three times a year starting with the close of the June quarter. The Distributional Analysis reports are currently on hold as CAR will be updating the system to be more current and relevant.

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**V. STATISTICAL AGENT FUNCTION (continued)**

**E. Deleted Washout Records**

During the weekly statistical load, CAR deletes those records that washout within the same file. The table below shows those companies whose volume of deleted washout records exceeds 20% and it shows the overall industry total for all companies combined. If you would like to know your own company's washout total, please contact your Data Analyst. Periodically, CAR contacts those companies that have an excessive volume of washout activity to encourage them to reduce their volume.

Deleted Washout Totals  
For All Shipments Received Through 3/2015

<b>COMPANY NUMBER</b>	<b>RECORD COUNT</b>	<b>WASHOUT COUNT</b>	<b>WASHOUT PERCENT</b>
033	571,543	246,692	43.16
099	121	116	95.87
100	16,422	4,450	27.10
105	920	438	47.61
153	2,169,870	690,815	31.84
154	319,678	232,450	72.71
156	66,108	52,760	79.81
256	140	40	28.57
261	2,899	2,092	72.16
283	337	162	48.07
362	51,557	25,147	48.78
366	1,787	1,324	74.09
418	54,873	13,820	25.19
443	2,173	854	39.30
463	1,829	900	49.21
474	167	122	73.05
486	9,616	5,118	53.22
503	278	86	30.94
625	3	1	33.33
626	52,029	25,216	48.47
627	10,098	6,174	61.14
630	3,642	1,152	31.63
737	92,656	32,235	34.79
770	157,683	38,411	24.36
902	38,600	20,510	53.13
927	7,667	3,418	44.58
950	937	668	71.29
958	3,581	1,134	31.67
963	29,155	12,316	42.24
971	6,342	1,762	27.78
989	7,536	1,698	22.53
<b>Total Industry</b>	<b>17,743,217</b>	<b>1,904,170</b>	<b>10.73%</b>

The 2014 washout total following the 03/2014 shipments was 16.43%.

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**VI. COMMUNICATIONS**

A. CAR's Website

CAR regularly updates its website when there are updates to existing reports, new accounting and statistical notices, or meeting announcements among many other things. Please reference the change board on the website for the latest updates.

CAR added functionality for Security Administrators to update the activity status, update the e-mail addresses, and process changes to a user's security profile. If you need access to the reports, please contact your company's security administrator to request access.

B. Telecommunications

The telecommunications system is available to the industry from 7:00 am to 6:00 pm Monday through Friday. It allows users to access data housed on CAR's mainframe such as policy history information and producer code information.

CAR implemented changes to its MAIP Placement Record system to allow certain corrections on existing MAIP Placement record such as policy number and producer code.

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**VII. PROJECT STATUS REPORTS**

CAR works on a variety of projects throughout the year. The table below shows the current projects CAR is working on and their current status.

<b>Project</b>	<b>Status</b>	<b>Description</b>
Rewrite Company Mainframe Applications	In progress	The first system recently completed is the MAIP Placement Record Reporting and correction system. The next system scheduled for re-write is the statistical correction system. Now that the Polk VIntelligence File has been integrated into the statistical edits and correction programs, the re-write effort can begin. This effort is scheduled to start in August 2015.
Statistical System Update	In progress	Update the statistical system for zip code changes promulgated by the Division of Insurance.
Merit Rating Verification Program	Complete	The Governing Committee recently approved a new verification program for the reporting of merit rating status. The new error listing has been available on CAR's website since December. CAR will be soliciting feedback from the companies relative to this verification program in June and July.