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- M E M O R A N D U M -

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: June 2, 2016

RE: Operational Reports

The 1st quarter 2016 Operational Reports follow this memorandum. This report includes data reported February 16, 2016 through May 16, 2016 for the accounting month period of January 2016 through March 2016. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

Section I – Accounting/Statistical Shipments:

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

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

CAR assessed a total of \$155,850 Statistical Data Quality Penalties in the 1st Quarter 2016 Settlement of Balances report.

Section II – Cession/MAIP Placement Record Reporting:

This section includes a new report – 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 for the closing of policy effective year 2013 occurred in April 2016. CAR set the 2013 penalties at \$4,900 for Commercial and \$8,100 for Taxi/Limousine business.

The 2014 annual Cession/No Premium Write-Off amounts have been calculated and CAR set the 2014 penalties at \$5,200 for Commercial and \$8,300 for Taxi/Limousine business.

**OPERATIONAL REPORTS
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Section III – Residual Market Information:

This section includes various status reports related to Commercial Residual Market and Private Passenger – MAIP Residual Market share, participation ratios, and quota share.

CAR mailed the CA5010 - Flat Cancellation report on January 30, 2016 and the documentation was due back at CAR on April 1, 2016.

As of March 2016 the Commercial Residual Market rate equaled 20.7% and the Private Passenger – MAIP Residual Market rate equaled 1.4%.

CAR will post the March 2016 Quarterly Member Participation Reports to its website on June 3, 2016.

CAR ran the 1st Quarter 2016 Rule 29 credit edit download reports on February 19, 2016.

Section IV – Accounting System Processing:

CAR produced the 1st Quarter 2016 Critical Error Loss Write-Offs and 10% Loss of Investment Fees totaling \$741 and \$74 respectively.

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2015 and 2016 policy effective years following the monthly accounting shipments due the 15th 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 1, 2016.

Section V - Statistical Agent Functions:

Fourth Quarter 2015 Statutory Page 14 data was due at CAR on March 15, 2016. Penalties amounted to \$1,000 for companies who submitted Page 14 data after the due date. The Reconciliation Responses for Fourth Quarter 2015 were due back on May 2, 2016. Penalties amounted to \$8,300 for the quarter. Both penalty assessments were included in the First Quarter 2016 Settlement of Balances.

Section VI – Communications:

CAR recently updated the website for those using the Stat Data Entry feature. The application was moved from the “Data Transfer” area to its own Data Entry Report selection on the Reports page of the website. Users can now access the section once logged on using their user id account access. Contact your company’s data analyst if you require 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 2016 as of the first quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

2016 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2016	March 15, 2016	1 st Quarter
February 2016	April 15, 2016	
March 2016	May 16, 2016	
April 2016	June 15, 2016	2 nd Quarter
May 2016	July 15, 2016	
June 2016	August 15, 2016	
July 2016	September 15, 2016	3 rd Quarter
August 2016	October 17, 2016	
September 2016	November 15, 2016	
October 2016	December 15, 2016	4 th Quarter
November 2016	January 16, 2017	
December 2016	February 15, 2017	

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 for first quarter, 2016.

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I. STATISTICAL SYSTEM (continued)

2016 Timeliness Report

<i>CO NO</i>	<i>Jan 3/15</i>	<i>Feb 4/15</i>	<i>Mar 5/16</i>	<i>Apr 6/15</i>	<i>May 7/15</i>	<i>Jun 8/15</i>	<i>July 9/15</i>	<i>Aug 10/17</i>	<i>Sep 11/15</i>	<i>Oct 12/15</i>	<i>Nov 1/17</i>	<i>Dec 2/15</i>
118		PP	PP									
121	COM											
134		COM										
155	COM	COM	COM									
179	COM											
206			COM									
331	PP	PP										
354	BOTH											
377		COM										
427		COM										
436	COM											
437	COM											
446			PP									
622			COM									
626		COM										
737	COM	COM										
902		COM										

**OPERATIONAL REPORTS
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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 2016, CAR assessed a total penalty amount of \$155,850. The table below shows the detail penalties for each company.

Penalty Assessments
1st Quarter 2016

Co #	Company Name	Assessment	Assessment Amount
047	Berkshire Hathaway Direct Ins Co	Late Page 14 Data - 12/2015	\$ 300
089	American Guarantee Insurance	Late Page 14 Expln - 12/2015	\$ 100
091	American Zurich Insurance Co	Late Page 14 Expln - 12/2015	\$ 100
110	KnightBrook Insurance Company	Late Page 14 Expln - 12/2015	\$ 100
118	Privilege Underwriters Reciprocal	Late MAS - 12/2015	\$ 500
118	Privilege Underwriters Reciprocal	Late MAS - 02/2016	\$ 1,250
118	Privilege Underwriters Reciprocal	Late Page 14 Expln - 12/2015	\$ 100
118	Privilege Underwriters Reciprocal	Stat Error > 5% - 01/2016	\$ 450
123	HDI-Gerling American Ins Co	Late MAS - 12/2015	\$ 1,250
134	New York Marine & General Ins	Late MAS - 02/2016	\$ 500
155	Argonaut Insurance Company	Stat Error > 5% - 09/2015	\$ 3,700
155	Argonaut Insurance Company	Stat Error > 5% - 10/2015	\$ 1,800
155	Argonaut Insurance Company	Stat Error > 5% - 11/2015	\$ 750
155	Argonaut Insurance Company	Stat Error > 5% - 12/2015	\$ 600
155	Argonaut Insurance Company	Stat Error > 5% - 01/2016	\$ 300
155	Argonaut Insurance Company	Late MAS - 12/2015	\$ 3,000
155	Argonaut Insurance Company	Late MAS - 01/2016	\$ 500
155	Argonaut Insurance Company	Late MAS - 02/2016	\$ 500
155	Argonaut Insurance Company	Late Page 14 Expln - 12/2015	\$ 100
179	Atlantic Specialty Insurance Co	Late MAS - 12/2015	\$ 500
179	Atlantic Specialty Insurance Co	Late MAS - 01/2016	\$ 1,250
194	Bankers Standard Insurance Co	Stat Error > 5% - 01/2016	\$ 150
201	AIG Property and Casualty Co	Stat Error > 5% - 12/2015	\$ 300
206	Nationwide Agribusiness Ins Co	Stat Error > 5% - 09/2015	\$ 450
206	Nationwide Agribusiness Ins Co	Stat Error > 5% - 12/2015	\$ 450
206	Nationwide Agribusiness Ins Co	Late MAS - 12/2015	\$ 1,000

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1ST QUARTER 2016**

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
1st Quarter 2016

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
219	Safety National Casualty Ins Co	Late MAS - 01/2016	\$ 1,000
230	Praetorian Insurance Company	Late MAS - 12/2015	\$ 3,000
247	National Casualty Company	Missing 2015 Data	\$ 1,000
316	Empire Fire & Marine Insurance	Late Page 14 Expln	\$ 100
331	Massachusetts Homeland Ins Co	Final Late MAS - 11/2014	\$ 3,000
331	Massachusetts Homeland Ins Co	Final Late MAS - 12/2014	\$ 3,000
331	Massachusetts Homeland Ins Co	Final Late MAS - 01/2015	\$ 3,000
331	Massachusetts Homeland Ins Co	Final Late MAS - 02/2015	\$ 6,000
331	Massachusetts Homeland Ins Co	Final Late MAS - 03/2015	\$ 6,000
331	Massachusetts Homeland Ins Co	Final Late MAS - 04/2015	\$ 6,000
331	Massachusetts Homeland Ins Co	Final Late MAS - 05/2015	\$ 6,000
331	Massachusetts Homeland Ins Co	Final Late MAS - 06/2015	\$ 6,000
331	Massachusetts Homeland Ins Co	Final Late MAS - 07/2015	\$ 6,000
331	Massachusetts Homeland Ins Co	Final Late MAS - 08/2015	\$ 6,000
331	Massachusetts Homeland Ins Co	Final Late MAS - 09/2015	\$ 6,000
331	Massachusetts Homeland Ins Co	Final Late MAS - 10/2015	\$ 6,000
331	Massachusetts Homeland Ins Co	Final Late MAS - 11/2015	\$ 6,000
331	Massachusetts Homeland Ins Co	Final Late MAS - 12/2015	\$ 5,500
331	Massachusetts Homeland Ins Co	Late MAS - 01/2016	\$ 6,000
331	Massachusetts Homeland Ins Co	Late MAS - 02/2016	\$ 1,250
331	Massachusetts Homeland Ins Co	Late Page 14 Data - 12/2015	\$ 4,800
331	Massachusetts Homeland Ins Co	Late Page 14 Expln-12/2015	\$ 1,200
354	Amica Mutual Insurance Company	Late MAS - 01/2016	\$ 500
366	Arch Insurance Company	Stat Error > 5% - 03/2015	\$ 5,000
366	Arch Insurance Company	Stat Error > 5% - 09/2015	\$ 300
366	Arch Insurance Company	Stat Error > 5% - 12/2015	\$ 150
371	Colony Specialty Insurance Co	Late Page 14 Data - 12/2015	\$ 200
377	Federal Insurance Company	Late MAS - 02/2016	\$ 500
427	Great Northern Insurance Company	Late MAS - 02/2016	\$ 500
436	General Casualty Co of Wisconsin	Late MAS - 02/2016	\$ 500
437	Regent Insurance Company	Late MAS - 02/2016	\$ 500
437	Regent Insurance Company	Stat Error > 5% - 01/2016	\$ 300
443	NOVA Casualty Company	Late MAS - 12/2015	\$ 500
443	NOVA Casualty Company	Late Page 14 Expln-12/2015	\$ 100

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I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
1st Quarter 2016

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
559	Maryland Casualty Company	Late Page 14 Expln-12/2015	\$ 100
561	Markel American Insurance Co	Stat Error > 5% - 06/2015	\$ 600
622	National Interstate Insurance Co	Stat Error > 5% - 09/2015	\$ 3,000
622	National Interstate Insurance Co	Stat Error > 5% - 12/2015	\$ 1,050
625	American States Insurance Co	Stat Error > 5% - 12/2015	\$ 150
626	National Continental Insurance Co	Stat Error > 5% - 12/2015	\$ 450
626	National Continental Insurance Co	Stat Error > 5% - 01/2016	\$ 750
626	National Continental Insurance Co	Late MAS - 02/2016	\$ 500
664	Norfolk & Dedham Mutual Fire Ins	Stat Error > 5% - 12/2015	\$ 150
737	Progressive Casualty Insurance Co	Late MAS - 01/2016	\$ 6,000
737	Progressive Casualty Insurance Co	Late MAS - 02/2016	\$ 500
737	Progressive Casualty Insurance Co	Stat Error > 5% - 01/2016	\$ 150
845	Tower Insurance Company of NY	Late Page 14 Data - 12/2015	\$ 4,800
845	Tower Insurance Company of NY	Late Page 14 Expln-12/2015	\$ 1,200
902	United Financial Casualty Company	Late MAS - 02/2016	\$ 500
902	United Financial Casualty Company	Stat Error > 5% - 01/2016	\$ 450
936	Universal Underwriters of Tx Ins Co	Late Page 14 Expln-12/2015	\$ 100
941	Universal Underwriters Ins Co	Late Page 14 Expln-12/2015	\$ 100
962	Mountain Valley Indemnity Ins Co	Late Page 14 Data - 12/2015	\$ 4,800
962	Mountain Valley Indemnity Ins Co	Late Page 14 Expln-12/2015	\$ 1,200
963	Harleysville Worcester Ins Co	Late Page 14 Expln-12/2015	\$ 1,300
968	York Insurance Company of Maine	Late Page 14 Data - 12/2015	\$ 4,800
968	York Insurance Company of Maine	Late Page 14 Expln-12/2015	\$ 1,200
971	Zurich American Insurance Co	Late Page 14 Expln-12/2015	\$ 100
		Total	\$155,850

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I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
January 1, 2017 (Optional for policies effective January 1, 2016 – December 31, 2016)	Several new Classification Codes have been added to the Private Passenger Statistical Plan to identify Electronic Motorcycles (Experienced Operator, Inexperienced Operator and Age 65 or more). Appendix A – Classification Codes Decision Table has been updated to include these codes.	Approved by the Division of Insurance on September 21, 2015

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I. STATISTICAL SYSTEM (continued)

Massachusetts Commercial Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
<p>January 1, 2017 (Optional for policies effective January 1, 2016 – December 31, 2016)</p>	<p>Classification Code 924000 has been added to the Commercial Statistical Plan to identify Electronic Motorcycles.</p>	<p>Approved by the Division of Insurance on September 21, 2015</p>
<p>January 1, 2017 (Optional for policies effective January 1, 2016 – December 31, 2016)</p>	<p>Endorsement CA 99 05 02 14, Business Interruption Coverage, was approved for use in Massachusetts, effective January 1, 2015. To statistically identify this new coverage, new Classification and Coverage Codes have been added to the Commercial Statistical Plan, applicable to Physical Damage records only.</p> <p>Appendix A – Classification and Coverage Code Decision Tables and Exposure Basis Tables have also been updated to include these new codes.</p> <p>Note that the Limited of Insurance as written on the endorsement schedule is required to be reported in the Exposure field. The endorsement is only applicable to voluntary policies.</p>	

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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 2014-2016.

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 21, 2016.

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 on May 19, 2016 monitoring policy years 2014, 2015 and 2016 for 1st Quarter 2016.

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 2014
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED		% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	1,348	21	1.6		0.0	330	0
245	1,018	100	9.8	*	0.0	14,818	0
279	26	2	7.7	#	0.0	0	0
717	302	15	5.0	#	0.0	0	0
734	336	9	2.7		0.0	0	0
773	1	0	0		0.0	0	0
Totals	3,031	147	4.8%		N/A	15,148	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 2015
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	3,423	39	1.1	0.1	0	0
245	1,186	112	9.4 *	0.2	3,389	361
279	14	1	7.1 #	0.0	0	0
717	356	22	6.2 #	0.0	0	0
734	312	5	1.6	0.0	10,187	7,500
Totals	5,291	179	3.4%	N/A	13,576	7,861

* 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 2016
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	935	4	0.4	0.0	0	0
245	355	20	5.6 #	0.0	0	0
279	12	0	0.0	0.0	0	0
717	126	6	4.8	0.0	0	0
734	122	3	2.5	0.0	0	0
773	1	0	0.0	0.0	0	0
Totals	1,551	33	2.1%	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, 2016 and the documentation was due back on April 1, 2016. There have not been any results to report after the audit.

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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 04/2015 to 3/2016

Reflects MAIP Placement Record Reported Data as of May 18, 2016

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	0	1	0	7	3	2	76
153	22	1	3	454	31	0	4,659
192	1	0	0	0	0	0	186
202	0	0	0	0	1	0	165
279	23	1	1,418	78	10	9	24,114
308	0	0	0	0	0	0	274
312	0	1	10	0	0	0	1,175
331	0	2	1	2	0	3	296
354	6	14	14	0	4	49	5,242
363	0	0	1	0	0	1	396
422	0	0	0	0	0	0	343
521	0	0	0	0	0	0	5
531	1	2	1	0	0	0	1,162
585	0	0	1	0	0	1	8
612	17	3	17	9	1	5	2,202
664	4	4	0	1	2	1	1,232
686	0	0	0	11	0	0	0
723	0	3	0	0	0	0	0
724	9	7	2	0	5	12	4,879
731	0	2	0	57	0	0	1
773	2	0	278	99	3	9	11,350
826	0	0	5	55	1	0	188
827	1	0	0	0	0	0	371
908	7	0	1	0	5	1	4,465
959	0	0	0	0	0	0	210
988	2	0	0	12	1	1	1,366
Average	4	2	67	30	3	4	2476

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III. RESIDUAL MARKET INFORMATION

A. Residual Market Volumes

The MAIP residual market 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.

Effective Year	MAIP Residual Market %	Commercial Cession %	Time Period
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	1.3%	20.4%	Final Result
2016	1.4%	20.7%	As of March 2016

Commercial Residual Market volume reports are available on CAR's website www.commauto.com.

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

Policy Year 2016 Results as of March 2016

	2016 @ 3 Months	% Total	2015 @ 12 Months	% Total
MAIP Assigned (CAR-ID 9)	17,340	1.4	57,382	1.3
MAIP Retained (CAR-ID 8)	1,213,884	98.6	4,443,686	98.7
Clean-In-Three (CAR-ID 1)	266	0.0	1,280	0.0
Total	1,231,490	100.0%	4,450,348	100.0%

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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, 2016, 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 will post the March 2016 Quarterly Member Participation Reports to its website on June 3, 2016. 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 1st Quarter 2016 estimated Participation Ratios using data reported through March 31, 2016 will be posted to CAR's website by June 30, 2016.

F. CAR Financial Results

The ultimate policy year deficit projections, as of March 2016, for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Commercial
2013	(3,015)
2014	(12,088)
2015	(7,898)

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

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III. RESIDUAL MARKET INFORMATION (continued)

G. Quota Share

CAR posted the March, 2016 Monthly Quota Share and Assignment Order Report to its website on May 26, 2016. The report has been updated to include statistical data from April 2015 to March 2017 effective month policies reported through May 16, 2016. 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.

H. Ceding Expense Interim Estimates

The Commercial Servicing Carrier interim expense allowance of 26.19% is detailed in Commercial Lines Bulletin #104.

The 2016 Interim Expense Allowances for Taxi, Limousine and Car Service Business are 24.00%, 24.85% and 18.96%, respectively. Commercial Lines Notice #105 details the calculation of these Interim Expenses.

The Interim Expense Allowances will be updated to reflect the approved June, 2016 rate components for premium tax and commission, and will be included in the June – December 2016 monthly accounting shipments.

CAR will inform the industry of the updated Expense Allowances prior to the June 2016 monthly statistical shipment submission due date.

**OPERATIONAL REPORTS
1ST QUARTER 2016**

III. RESIDUAL MARKET INFORMATION (continued)

I. Rule 29 Voluntary Credits

CAR ran the Rule 29 credit edit reports for September effective date data in Mid-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, 2014 accounting date.

Accounting Date	Reported Credit Premium	Adjusted Credit Premium	Rule 29 Credit Impact	Error Percentage
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%
April 2015	762,014,995	752,276,699	-9,738,296	1.28%
May 2015	757,581,312	748,573,230	-9,008,085	1.19%
June 2015	751,935,195	743,642,422	-8,292,773	1.10%
July 2015	746,250,784	737,849,902	-8,400,882	1.13%
August 2015	738,203,582	729,721,088	-8,482,494	1.15%
Sept 2015	735,574,174	724,123,379	-8,450,795	1.15%
Oct 2015	725,351,616	717,019,260	-8,332,356	1.15%
Nov 2015	720,960,164	712,449,648	-8,510,516	1.18%
Dec 2015	715,200,019	707,430,539	-7,769,480	1.09%
Jan 2016	707,850,432	700,048,794	-7,801,638	1.10%
Feb 2016	706,287,984	698,652,586	-7,635,398	1.08%
March 2016	705,892,327	698,262,086	-7,630,241	1.08%

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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 based upon the due date and accordingly following the end of a quarter. The table below shows the quarter ending schedule for updates to the CAR accounting system.

Month	MAS Due Date	Statistical System Update	Quarter
January 2016	March 15, 2016	March 16, 2016	1st Quarter 2016
February 2016	April 15, 2016	April 16, 2016	
March 2016	May 16, 2016	May 17, 2016	
April 2016	June 15, 2016	June 16, 2016	2 nd Quarter 2016
May 2016	July 15, 2016	July 16, 2016	
June 2016	August 15, 2016	August 16, 2016	
July 2016	September 15, 2016	September 16, 2016	3 rd Quarter 2016
August 2016	October 17, 2016	October 18, 2016	
September 2016	November 15, 2016	November 16, 2016	
October 2016	December 15, 2016	December 16, 2016	4 th Quarter 2016
November 2016	January 16, 2017	January 17, 2017	
December 2016	February 15, 2017	February 16, 2017	

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 2016.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for June 2016 through November 2016 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 2016

Company	Feb 2016	Mar 2016	Apr 2016	Total
723	741			741
Total	741			741

1st Quarter 2016 – 10% Loss of Investment Fees

Company	Feb 2016	Mar 2016	Apr 2016	Total
723	74			74
Total	74			74

Potential Loss Write-Off June 2016 through November 2016

Company	June 2016	July 2016	August 2016	September 2016	October 2016	November 2016	Grand Total
245	0	0	0		0		0
279	0	0	0		0		0
331	13,652	15	142		1,873		15,682
734	0	1,144	0		0		1,144
773	0	0	0		0		0
Totals	13,652	1,159	142		1,873		16,826

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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
2015 & 2016 Policy Effective Years**

Non-Critical Error - Penalties

There have been no companies listed to receive a penalty for policy effective years 2015 and 2016.

2015 Effective Year Non-Critical Errors Over Tolerance - Potential Penalty

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

2016 Effective Year Non-Critical Errors Over Tolerance – Potential Penalty

2016 Effective Year Non-Critical Errors results 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	2014	0	0.00
154	2015	0	0.00
154	2016	156,085	1.76
245	2014	0	0.00
245	2015	0	0.00
245	2016	0	0.00
279	2014	0	0.00
279	2015	0	0.00
279	2016	0	0.00
717	2014	0	0.00
717	2015	0	0.00
717	2016	0	0.00
734	2014	0	0.00
734	2015	0	0.00
734	2016	0	0.00
773	2014	0	0.00
773	2015	0	0.00
773	2016	48,256	0.47
Total Ind		204,341	0.06

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 2016 Penalty Forecasting reports on June 1, 2016.

**OPERATIONAL REPORTS
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IV. ACCOUNTING SYSTEM (continued)

F. 2013 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 2013 premium reporting year closed on February 15, 2016. Accordingly, CAR will no longer accept cession activity for the 2013 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 2013 effective date policies and for historical information.

Year	PP Penalty	Commercial Penalty	Taxi/Limo/CAR Service Penalty
2014	N/A	\$5,200	\$8,300
2013	N/A	\$4,900	\$8,100
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

The 2013 Cession/No Premium Write-Offs did not produce any company activity therefore no penalties to report.

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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.

Month	MAS Due Date	Statistical System Update	Quarter
January 2016	March 15, 2016	May 16, 2016	1st Quarter 2016
February 2016	April 15, 2016	April 18, 2016	
March 2016	May 16, 2016	May 17, 2016	
April 2016	June 15, 2016	June 17, 2016	2 nd Quarter 2016
May 2016	July 15, 2016	July 18, 2016	
June 2016	August 15, 2016	August 16, 2016	
July 2016	September 15, 2016	September 16, 2016	3 rd Quarter 2016
August 2016	October 17, 2016	October 18, 2016	
September 2016	November 16, 2016	November 17, 2016	
October 2016	December 15, 2016	December 16, 2016	4 th Quarter 2016
November 2016	January 16, 2017	January 17, 2017	
December 2016	February 15, 2017	February 16, 2017	

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.

Quarter	Due Date Quarterly Annual Statement	Run Date of the Reconciliation Program	Due Date Reconciliation Response
1st 2016	June 15, 2016	July 1, 2016	Approx. August 1, 2016
2nd 2016	September 15, 2016	October 3, 2016	Approx. November 3, 2016
3rd 2016	December 15, 2016	January 3, 2017	Approx. February 3, 2017
4th 2016	March 15, 2017	April 3, 2017	Approx. May 3, 2017

The Fourth Quarter 2015 collection of Page 14's was due on March 15, 2016. Penalties for late Page 14 amounted to \$1,000. Reconciliation Fourth Quarter 2015 responses were due on May 2, 3, 2016 and penalties were assessed at \$8,500. Page 14 and late explanation penalties were included First Quarter 2016 Settlement of Balances Report. CAR is currently collecting First Quarter 2016 Annual Statement Statutory Page 14 data which is due at CAR on June 15, 2016. First Quarter 2016 Reconciliation Reports are anticipated to run on July 1, 2016.

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1ST QUARTER 2016**

V. STATISTICAL AGENT FUNCTION (continued)

C. 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 12/2015

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
033	98	20	20.41
100	18,379	3,751	20.41
105	4,903	1,094	22.31
118	52,309	12,056	23.05
153	7,268	1,714	23.58
154	11,750	2,773	23.60
156	12,926	3,416	26.43
201	211,160	58,015	27.47
205	160,805	46,280	28.78
256	26,022	8,360	32.13
261	6	2	33.33
283	2,602,109	873,441	33.57
362	1,119,252	381,194	34.06
402	1,521	574	37.74
418	2,289	920	40.19
443	6,591	2,726	41.36
474	581,139	252,352	43.42
486	1,432	628	43.85
503	222	104	46.85
626	64,613	30,812	47.69
627	40,600	20,272	49.93
630	62	32	51.61
708	59	32	54.24
737	50,796	31,024	61.08
770	240	158	65.83
775	313,877	208,113	66.30
823	2,396	1,622	67.70
881	91,700	64,056	69.85
902	890	624	70.11
927	5,725	4,050	70.74
963	7,215	5,330	73.87
989	5,785	1,500	25.93

Total Industry	20,525,632	2,657,379	12.95%
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The 2014 washout total following the 12/2014 shipments was 10.73%.

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

D. Rate Edit Processing

This report is currently in the process of being updated. Results should be available for the next quarterly report. Companies should contact the Residual Market Services Department regarding Rate Edit reporting.

E. Distributional Analysis

The Distributional Analysis reports are currently on hold as CAR will be updating the system to be more current and relevant.

**OPERATIONAL REPORTS
1ST QUARTER 2016**

VI. COMMUNICATIONS

A. CAR's Website

CAR recently updated the website for those using the Stat Data Entry feature. The application was moved from the "Data Transfer" application to its own Data Entry Report selection on the Reports page of the website. Users can now access the section once logged on using their user id account access.

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.

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 has started a project to move the statistical error correction functionality off of its mainframe and onto its website as a new correction application. The project is in its initial stages so no end date has been scheduled but CAR is hoping the new application will be available in the start of 2017.

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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.

Project	Status	Description
Rewrite Company Mainframe Applications	In progress	Various reports and applications within the new online statistical correction system are in coding or testing. It is anticipated that this project will be completed in 2016.
Rewrite Distributional Edits	In progress	The Distribution Edit System is being rewritten to focus on Key data elements used for quota share and ratemaking. Paper reports will be replaced by online reports, including a new summary report identifying potential reporting problems. Different reports within the new system are either in the specification, coding or testing phase. It is anticipated that the premium reports will be released to the industry after the June 2016 monthly submissions have been processed.