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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 7, 2017 **POSTED: June 14, 2017**
RE: Operational Reports

The 1st quarter 2017 Operational Reports follow this memorandum. This report includes data reported February 16, 2017 through May 15, 2017 for the accounting month period of January 2017 through March 2017. 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 \$70,650 Statistical Data Quality Penalties in the 1st Quarter 2017 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 2014 occurred in April 2017. There were no companies that incurred a write-off for 2014.

The 2015 annual Cession/No Premium Write-Off amounts have been calculated and CAR set the 2015 penalties at \$5,500 for Commercial and \$8,300 for Taxi/Limousine business. Please reference Bulletin Notice # 1028 distributed on October 18, 2016 for these details.

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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 has recently updated the CA5010 - Flat Cancellation report using CAR's new online system. The report was sent out to the Commercial Servicing Carriers on January 30, 2017 and responses are now required to be uploaded using this new system. All January 30, 2017 – Flat Cancellation responses were due on April 1, 2017.

As of June 2017 the Commercial Residual Market rate equaled 21.2% and the Private Passenger – MAIP Residual Market rate equaled 1.5%.

Please review the revisions in the Residual Market Information with sections E, F and I implemented as of June 7, 2017.

CAR will post the March 2017 Quarterly Member Participation Reports to its website on June 9, 2017.

CAR ran the 1st Quarter 2017 Rule 29 credit edit download reports on February 17, 2017.

Section IV – Accounting System Processing:

CAR produced the 1st Quarter 2017 Critical Error Loss Write-Offs and 10% Loss of Investment Fees reports. There were no loss write-off records for the quarter.

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2016 and 2017 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 posted to CAR's website on June 2, 2017.

Section V - Statistical Agent Functions:

Fourth Quarter 2016 Statutory Page 14 data was due at CAR on March 15, 2017. Penalties amounted to \$20,000 for companies who submitted Page 14 data after the due date. The Reconciliation Responses for Fourth Quarter 2016 were due back on May 3, 2017. Penalties amounted to \$1,500. Page 14 and Reconciliation penalty assessments were included in the First Quarter 2017 Settlement of Balances.

Section VI – Communications:

CAR has completed the re-write of the statistical error correction application and the industry can now access it securely on CAR's website.

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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 2017 as of the first quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

2017 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2017	March 15, 2017	1 st Quarter
February 2017	April 17, 2017	
March 2017	May 15, 2017	
April 2017	June 15, 2017	2 nd Quarter
May 2017	July 17, 2017	
June 2017	August 15, 2017	
July 2017	September 15, 2017	3 rd Quarter
August 2017	October 16, 2017	
September 2017	November 15, 2017	
October 2017	December 15, 2017	4 th Quarter
November 2017	January 15, 2018	
December 2017	February 15, 2018	

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, 2017.

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I. STATISTICAL SYSTEM (continued)

2017 Timeliness Report

<i>CO</i>	<i>Jan</i>	<i>Feb</i>	<i>Mar</i>	<i>Apr</i>	<i>May</i>	<i>Jun</i>	<i>July</i>	<i>Aug</i>	<i>Sep</i>	<i>Oct</i>	<i>Nov</i>	<i>Dec</i>
<i>NO</i>	<i>3/15</i>	<i>4/18</i>	<i>5/15</i>	<i>6/15</i>	<i>7/17</i>	<i>8/15</i>	<i>9/15</i>	<i>10/16</i>	<i>11/15</i>	<i>12/15</i>	<i>1/16</i>	<i>2/15</i>
103	COM											
110	COM											
123			COM									
155			COM									
164	COM											
194			PP									
206			COM									
331	PP											
418	PP											
686		PP	PP									
708	COM											
711			PP									
785		PP										
833			COM									

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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 2017, CAR assessed a total penalty amount of \$70,650. The table below shows the detail penalties for each company.

Penalty Assessments
1st Quarter 2017

Co #	Company Name	Assessment	Assessment Amount
040	American Country Insurance Co.	Late Page 14 Data - 12/2016	\$ 100
041	American Fire and Casualty Co.	Stat Error > 5% - 01/2017	\$ 150
103	American Insurance Company	Late MAS - 02/2017	\$ 500
103	American Insurance Company	Stat Error > 5% - 01/2017	\$ 150
110	KnightBrook Insurance Company	Late MAS - 12/2016	\$ 500
134	New York Marine and General Ins	Stat Error > 5% - 12/2016	\$ 600
141	Preferred Mutual Insurance Co.	Stat Error > 5% - 12/2016	\$ 150
141	Preferred Mutual Insurance Co.	Stat Error > 5% - 01/2017	\$ 150
155	Argonaut Insurance Company	Stat Error > 5% - 01/2016	\$ 2,500
155	Argonaut Insurance Company	Stat Error > 5% - 02/2016	\$ 5,000
155	Argonaut Insurance Company	Stat Error > 5% - 03/2016	\$ 1,250
155	Argonaut Insurance Company	Stat Error > 5% - 04/2016	\$ 2,500
155	Argonaut Insurance Company	Stat Error > 5% - 05/2016	\$ 2,500
155	Argonaut Insurance Company	Stat Error > 5% - 06/2016	\$ 11,250
155	Argonaut Insurance Company	Stat Error > 5% - 07/2016	\$ 2,500
155	Argonaut Insurance Company	Stat Error > 5% - 08/2016	\$ 2,500
155	Argonaut Insurance Company	Stat Error > 5% - 09/2016	\$ 3,000
155	Argonaut Insurance Company	Stat Error > 5% - 10/2016	\$ 4,200
155	Argonaut Insurance Company	Stat Error > 5% - 11/2016	\$ 3,450
155	Argonaut Insurance Company	Stat Error > 5% - 12/2016	\$ 300
155	Argonaut Insurance Company	Stat Error > 5% - 01/2017	\$ 450
155	Argonaut Insurance Company	Late Page 14 Expln - 12/2016	\$ 100
179	Atlantic Specialty Insurance Co.	Late MAS - 09/2016	\$ 3,000
179	Atlantic Specialty Insurance Co.	Late MAS - 10/2016	\$ 3,000
179	Atlantic Specialty Insurance Co.	Late MAS - 11/2016	\$ 3,000
201	AIG Property and Casualty Co.	Stat Error > 5% - 12/2016	\$ 150
201	AIG Property and Casualty Co.	Stat Error > 5% - 01/2017	\$ 150
201	AIG Property and Casualty Co.	Stat Error > 5% - 02/2017	\$ 150

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I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
1st Quarter 2017

Co #	Company Name	Assessment	Assessment Amount
206	Nationwide Agribusiness Ins. Co.	Stat Error > 5% - 06/2016	\$ 300
206	Nationwide Agribusiness Ins. Co.	Stat Error > 5% - 09/2016	\$ 300
206	Nationwide Agribusiness Ins. Co.	Stat Error > 5% - 12/2016	\$ 600
206	Nationwide Agribusiness Ins. Co.	Late MAS - 12/2016	\$ 1,500
303	CUMIS Society Insurance Company	Stat Error > 5% - 12/2016	\$ 150
303	CUMIS Society Insurance Company	Late MAS - 12/2016	\$ 500
313	Essential Insurance Company	Stat Error > 5% - 12/2016	\$ 150
412	Rampart Insurance Company	Late Page 14 Data - 12/2016	\$ 4,800
415	Allianz Global Risk US Ins. Co.	Late Page 14 Data - 12/2016	\$ 100
418	IDS Property & Casualty Ins. Co.	Stat Error > 5% - 12/2016	\$ 150
418	IDS Property & Casualty Ins u. Co.	Late MAS - 12/2016	\$ 500
466	Hartford Underwriters Ins. Co.	Rescind-Late Pg.14 09/2016	\$ (1,200)
474	Holyoke Mutual Insurance Co.	Stat Error > 5% - 01/2017	\$ 150
507	Response Insurance Company	Late Page 14 Data - 12/2016	\$ 100
561	National Continental Insurance Co.	Stat Error > 5% - 12/2016	\$ 150
626	National Continental Insurance Co.	Stat Error > 5% - 12/2016	\$ 150
626	National Continental Insurance Co.	Late MAS - 12/2016	\$ 500
627	National Union Fire Insurance Co.	Rescind - Stat Error Penalty	\$ (150)
643	New Hampshire Insurance Co.	Rescind - Stat Error Penalty	\$ (600)
688	Ohio Casualty Insurance Company	Stat Error > 5% - 01/2017	\$ 150
689	Ohio Indemnity Insurance Company	Late Page 14 Data - 12/2016	\$ 4,800
737	Progressive Casualty Insurance Co.	Late MAS - 12/2016	\$ 500
746	Public Service Insurance Company	Late Page 14 Data - 12/2016	\$ 100
756	RLI Insurance Company	Stat Error > 5% - 12/2016	\$ 150
785	Progressive Direct Insurance Co.	Late MAS - 12/2016	\$ 500
785	Progressive Direct Insurance Co.	Late MAS - 01/2017	\$ 500
902	United Financial Casualty Company	Late MAS - 12/2016	\$ 500
907	United Services Automobile Assoc.	Late Page 14 Data - 12/2016	\$ 100
943	USAA Casualty Insurance Co.	Late Page 14 Data - 12/2016	\$ 100
948	Utica Mutual Insurance Company	Stat Error > 5% - 01/2017	\$ 150
958	Harleysville Insurance Company	Late MAS - 02/2017	\$ 500
		Total	\$70,650

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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
January 1, 2017 (Optional for policies effective January 1, 2016 – December 31, 2016)	Classification Code 924000 has been added to the Commercial Statistical Plan to identify Electronic Motorcycles.	Approved by the Division of Insurance on September 21, 2015
January 1, 2017 (Optional for policies effective January 1, 2016 – December 31, 2016)	<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 2015-2017.

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 27, 2017.

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 sent the latest report to the industry on May 17, 2017 monitoring policy years 2015, 2016 and 2017 for 1st Quarter 2017.

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 2015
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	3,423	38	1.1	0.0	0	0
245	1,180	111	9.4 *	0.0	0	0
279	14	1	7.1 #	0.0	0	0
717	356	22	6.2 #	0.0	11,592	0
734	312	5	1.6	0.0	10,214	14,000
Totals	5,285	177	3.3%	N/A	21,806	14,000

* 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 2016
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	1,185	5	0.4	0.0	0	0
245	934	52	5.6 *	0.0	0	0
279	29	2	6.9 #	0.0	0	0
717	328	10	3.0	0.0	0	0
734	368	19	5.2 #	0.0	0	0
773	3	0	0.0	0.0	0	0
Totals	2,847	88	3.1%	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*).

Policy Year 2017
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	268	0	0	0.0	0	0
279	1	0	0	0.0	0	0
717	141	4	2.8	2.8	1,748	3,425
734	134	4	3.0	3.0	0	0
773	1	0	0	0.0	0	0
Totals	545	8	1.5%	N/A	1,748	3,425

* 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 has recently updated the CA5010 - Flat Cancellation report using the new online system. The latest report was sent on January 30, 2017 and documentation can now be uploaded directly to CAR. The due date for responses was on April 1, 2017 and only one company resulted in a penalty after reviewing the documentation.

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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 04/2016 to 3/2017
Reflects MAIP Placement Record Reported Data as of May 17, 2017

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
113	0	0	0	0	0	0	227
153	37	1	157	157	9	30	7,235
192	0	5	0	0	0	3	366
193	29	44	0	0	0	5	0
202	0	0	0	0	0	0	212
279	81	1	71	71	3	54	23,454
308	1	0	0	0	0	0	409
312	0	0	0	0	0	0	1,091
331	1	5	6	6	0	1	75
354	24	22	0	0	6	75	5,758
363	2	2	0	0	0	2	478
422	1	1	0	0	0	0	338
521	2	0	0	0	54	41	230
531	5	1	0	0	0	2	1,323
585	0	0	0	0	0	0	124
612	27	1	19	19	3	3	2,491
664	21	7	0	0	3	9	2,413
686	0	0	5	5	0	0	0
724	8	8	0	0	2	19	4,065
731	0	1	56	56	0	0	0
773	3	0	86	86	0	10	13,168
826	0	0	28	28	0	0	18
827	3	1	0	0	1	1	583
908	18	1	0	0	1	16	4,729
959	1	1	0	0	0	0	198
988	4	15	13	13	0	4	1,597
Average	10	5	60	17	3	11	2715

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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
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	2.6%	20.4%	Final Result
2016	1.4%	21.8%	Final Result
2017	1.5%	21.2%	As of March 2017

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

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

Policy Year 2017 Results as of March 2017

	2017 @ 3 Months	% Total	2016 @ 12 Months	% Total
MAIP Assigned (CAR-ID 9)	18,171	1.5%	63,277	1.4%
MAIP Retained (CAR-ID 8)	1,220,527	98.5%	4,529,997	98.6%
Clean-In-Three (CAR-ID 1)	194	0.0	790	0.0%
Total	1,238,892	100%	4,594,064	100%

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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, 2017, 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 March 2017 Quarterly Member Participation Reports to its website on June 9, 2017. 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 2017 estimated Participation Ratios using data reported through the March 31, 2017 monthly accounting shipments will be posted to CAR's website by June 30, 2017.

The Final 2016 Participation Ratios using data reported through the December, 2016 monthly accounting shipment will be calculated and posted to CAR's website by August 31, 2017.

These Ratios will be used in the June Quarter Cash Flow, posted to CAR's website in early September. The Final Ratios are included in the calculations of deficit sharing, administrative expenses, and the advanced statistical assessment.

F. CAR Financial Results – Latest Deficit Projections

The ultimate policy year deficit projections as of March, 2017 were posted to CAR's website on June 7, 2017 for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Commercial
2014	(9,635)
2015	(13,635)
2016	(30,232)

Deficit projections for policy years 2016 and prior 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, 2017 Monthly Quota Share and Assignment Order Report to its website on May 26, 2017. The report has been updated to include statistical data from April 2016 to March 2017 effective month policies reported through May 15, 2017. 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 25.95% for Calendar Year 2017 is detailed in Commercial Lines Bulletin #112.

The 2017 Interim Expense Allowances for Taxi, Limousine and Car Service Business are 22.63%, 21.40% and 18.64%, respectively. Commercial Lines Notice #113 details the calculation of these Interim Expenses

I. **CAR Commercial Rate Filing – Effective October 1, 2017 (Revised as of 6/7/2017)**

CAR filed a Commercial Residual Market rate change of 8.6% with the Division of Insurance, with a proposed effective date of October 1, 2017. CAR also filed related updates to the Commercial Experience Rating Plan, reflecting the filed rates.

The filed Rates, Rate Pages, Implementation Instructions and Experience Rating Plan are available to Commercial Servicing Carriers upon request. Requests should be directed to Timothy Galligan, Actuarial and Financial Services, at tgalligan@commauto.com or (617)880-7286.

Upon approval, the Servicing Carriers will be notified via Commercial Lines Notice and an e-mail to the designated company contact.

J. **CAR Private Passenger Rate Filing – Effective October 1, 2017**

CAR filed a Private Passenger Residual Market rate change of 9.9% with the Division of Insurance on April 14, 2017, with a proposed effective date of October 1, 2017. Refer to Bulletin No. 1035 for additional details.

The filed Rates, Rate Pages and Implementation Factors (Schedule 107) are available to Member Companies upon request. Requests should be directed to Timothy Galligan, Actuarial and Financial Services, at tgalligan@commauto.com or (617)880-7286.

Upon approval, the Servicing Carriers will be notified with a CAR bulletin, and final rates will be posted to CAR's website.

**OPERATIONAL REPORTS
1ST QUARTER 2017**

III. RESIDUAL MARKET INFORMATION (continued)

K. Rule 29 Voluntary Credits

CAR ran the Rule 29 credit edit reports for September effective date data in May 19, 2017 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, 2015 accounting date.

Accounting Date	Reported Credit Premium	Adjusted Credit Premium	Rule 29 Credit Impact	Error Percentage
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%
April 2016	707,295,155	699,539,163	-7,755,992	1.10%
May 2016	707,293,296	699,711,761	-7,581,535	1.07%
June 2016	707,501,084	699,874,035	-7,627,049	1.08%
July 2016	705,777,638	698,493,570	-7,284,068	1.03%
August 2016	706,998,980	699,745,115	-7,253,865	1.03%
Sept 2016	704,318,491	697,077,224	-7,241,367	1.03%
Oct 2016	708,382,427	701,290,443	-7,091,984	1.00%
Nov 2016	718,039,090	710,805,951	-7,233,139	1.01%
Dec 2016	725,076,401	717,758,173	-7,318,228	1.01%
Jan. 2017	733,988,565	726,368,804	-7,619,761	1.04%
Feb. 2017	735,742,314	728,187,390	-7,554,924	1.03%
March 2017	754,103,428	746,089,180	-8,014,248	1.06%

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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 2017	March 15, 2017	March 16, 2017	1st Quarter 2017
February 2017	April 17, 2017	April 18, 2017	
March 2017	May 15, 2017	May 16, 2017	
April 2017	June 15, 2017	June 16, 2017	2 nd Quarter 2017
May 2017	July 17, 2017	July 18, 2017	
June 2017	August 15, 2017	August 16, 2017	
July 2017	September 15, 2017	September 18, 2017	3 rd Quarter 2017
August 2017	October 16, 2017	October 17, 2017	
September 2017	November 15, 2017	November 16, 2017	
October 2017	December 15, 2017	December 18, 2017	4 th Quarter 2017
November 2017	January 15, 2018	January 16, 2018	
December 2017	February 15, 2018	February 16, 2018	

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 2017.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for June 2017 through November 2017 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 2017

Company	Feb 2017	Mar 2017	Apr 2017	Total
154				
245				
279				
734				
773				
Total				

1st Quarter 2017 – 10% Loss of Investment Fees

Company	Feb 2017	Mar 2017	Apr 2017	Total
154				
245				
279				
734				
773				
Total				

Potential Loss Write-Off June 2017 through November 2017

Company	June 2017	July 2017	August 2017	September 2017	October 2017	November 2017	Grand Total
154				0			0
245				37,632			37,632
279				0			0
734				0			0
773				0			0
Totals				37,632			37,632

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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
2016 & 2017 Policy Effective Years**

Non-Critical Error - Penalties

There have been no companies listed to receive a penalty for policy effective years 2016 and 2017.

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

2016 Effective Year Non-Critical Errors results show no Potential Penalties to report

2017 Effective Year Non-Critical Errors Over Tolerance – Potential Penalty

2017 Effective Year Non-Critical Errors results show no Potential Penalties to report

**OPERATIONAL REPORTS
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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	2015	0	0.00
154	2016	1,928	0.00
154	2017	86,738	1.11
245	2015	93,174	0.25
245	2016	32,523	0.07
245	2017	0	0.00
279	2015	0	0.00
279	2016	0	0.00
279	2017	0	0.00
717	2015	0	0.00
717	2016	0	0.00
717	2017	0	0.00
734	2015	0	0.00
734	2016	0	0.00
734	2017	0	0.00
773	2015	0	0.00
773	2016	0	0.00
773	2017	0	0.00
Total Ind		214,363	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 2017 Penalty Forecasting reports on June 2, 2017.

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IV. ACCOUNTING SYSTEM (continued)

F. 2014 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 2014 premium reporting year closed on February 15, 2017. Accordingly, CAR will no longer accept cession activity for the 2014 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 2014 effective date policies and for historical information.

Year	PP Penalty	Commercial Penalty	Taxi/Limo/CAR Service Penalty
2015	N/A	\$5,500	\$8,300
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

G. 2014 Cession/No Premium Write-Off

The 2014 Cession/No Premium Write-Off did not produce any company activity therefore there are no penalties to report.

H. 2014 Net Negative Write-Off

The 2014 Net Negative Write-Off did not produce any company activity therefore there are no penalties to report.

**OPERATIONAL REPORTS
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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 2017	March 15, 2017	May 16, 2017	1st Quarter 2017
February 2017	April 17, 2017	April 18, 2017	
March 2017	May 15, 2017	May 16, 2017	
April 2017	June 15, 2017	June 16, 2017	2 nd Quarter 2017
May 2017	July 17, 2017	July 18, 2017	
June 2017	August 15, 2017	August 16, 2017	
July 2017	September 15, 2017	September 18, 2017	3 rd Quarter 2017
August 2017	October 16, 2017	October 17, 2017	
September 2017	November 15, 2017	November 16, 2017	
October 2017	December 15, 2017	December 18, 2017	4 th Quarter 2017
November 2017	January 15, 2018	January 16, 2018	
December 2017	February 15, 2018	February 16, 2018	

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 2017	June 15, 2017	July 5, 2017	Approx. August 4, 2017
2nd 2017	September 15, 2017	October 2, 2017	Approx. November 2, 2017
3rd 2017	December 15, 2017	January 2, 2018	Approx. February 2, 2018
4th 2017	March 15, 2018	April 2, 2018	Approx. May 2, 2018

The Fourth Quarter 2017 collection of Page 14's was due on March 15, 2017. Penalties for late Page 14 amounted to \$20,000. Reconciliation Fourth Quarter 2016 responses were due on May 3, 2017 and penalties were assessed at \$1,500. Page 14 and late explanation penalties were included First Quarter 2017 Settlement of Balances Report. CAR is currently collecting First Quarter 2017 Annual Statement Statutory Page 14 data which is due at CAR on June 15, 2017. First Quarter 2017 Reconciliation Reports are anticipated to run on July 5, 2017.

**OPERATIONAL REPORTS
1ST QUARTER 2017**

V. STATISTICAL AGENT FUNCTION (continued)

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.

	Line of Business	Eligible Records	Records in Error	Error %
COMM 2016 EFF YEAR	Liability	76,204	910	1.19%
	No Fault	57,376	203	0.35%
	Physical Damage	51,025	521	1.02%
	Total	184,605	1,634	0.89%
COMM 2017 EFF YEAR	Liability	13,207	320	2.42%
	No Fault	12,899	66	0.51%
	Physical Damage	9,215	230	2.50%
	Total	35,321	616	1.74%

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, the company has six months to reduce its volume of rate errors on that line of business to below 2% or less than 50 records in error. Companies are responsible for monitoring whether they exceed the error tolerance by viewing the Commercial Rate Edit reports on CAR's website.

Commercial Rate Edit penalties now apply to Current and Previous Effective Years. Current Effective Year includes policies effective January 2017 – December 2017. Previous Effective Year includes policies effective January 2016 – December 2016. Companies should contact the Residual Market Services Department regarding Rate Edit reporting.

**OPERATIONAL REPORTS
1ST QUARTER 2017**

V. STATISTICAL AGENT FUNCTION (continued)

D. 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 03/2017

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
033	451,545	187,972	41.63
045	226	156	69.03
105	551	172	31.22
118	26,118	11,168	42.76
153	2,298,240	713,218	31.03
154	149,801	54,518	36.39
156	23,271	10,284	44.19
246	678	330	48.67
256	42	12	28.57
261	1,804	1,132	62.75
283	577	280	48.53
362	88,144	59,582	67.60
418	57,695	17,270	29.93
443	12,220	9,356	76.56
486	8,878	4,536	51.09
503	465	264	56.77
626	23,316	7,884	33.81
627	3,120	2,306	73.91
770	247,757	72,627	29.31
823	1,678,203	647,988	38.61
881	1,695	774	45.66
902	19,412	6,660	34.31
927	6,729	2,266	33.68
958	4,493	956	21.28
963	24,210	8,922	36.85
989	4,607	1,016	21.28

Total Industry	20,633,365	2,443,170	11.84%
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The 2016 washout total following the 03/2016 shipments was 12.95%.

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

E. Distributional Analysis

The Distributional Analysis Edit System is a new set of reports CAR developed to help determine whether companies are experiencing reporting issues relating to Data Quality. The reports are segmented into three sections by type of business: Private Passenger Total Market, Commercial – Voluntary and Commercial – Servicing Carrier business.

The first phase of this report focused on premium data only and was placed on CAR's website back in September 2016. The report collects 6 months' worth of each company's premium data and companies were expected to respond to any out of balance tolerances by November 28, 2016. The December 2016 report was run and posted to the website on February 28, 2017 with responses due back on May 7, 2017. The second phase of these reports will focus on loss reporting and is still in development.

Any questions regarding this reporting should be directed to your companies Data Analyst or a CAR Staff member of the Operational Services Department.

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VI. COMMUNICATIONS

A. CAR's Website

In mid-April, CAR moved its statistical correction application from the mainframe to its website. The new application allows users to access statistical corrections directly on the website instead of needing to access CAR's telecommunications system. There were a number of enhancements with the website application including: the ability to correct records in a pending correction status, a daily (instead of weekly) upload of the correction data, and an automatic re-edit of producer code errors (S46) when the producer code database has been modified.

In addition to moving the statistical corrections to the website, companies will now browse, add, and update non-POLK VINs and can also browse the producer code and POLK VIN databases.

As an added feature to statistical data entry records, companies can now validate a record through the 54 edits prior to submission to assist in the data entry process.

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.

With the move of statistical corrections and all of the "lookup" functions to CAR's website, there are just a small number of applications remaining on the mainframe. These include the CAR Accounting System, Cession System, Policy Histories (both CAR and Statistical), and Claims functions (Allocated Expense, Reinsurance Audit, Average Cost per Claim). CAR is planning to start a project of moving the Cession System to the website in June 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	The new online statistical correctional system was successfully implemented in April 2017. CAR will begin working on the next system re-write this summer.
Rewrite Distributional Edits	In progress	The Distributional 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. The premium reports were implemented September 2016. The loss reports are currently in the coding and testing phase, with implementation scheduled for the June 2017 reports (which will be released in early September).
SIU Compliance Audit	In progress	Create SIU web system featuring an upload for the SIU Quarterly Activity Log and providing a number of additional industry reports.