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- MEMORANDUM -

TO: All Recipients of the CAR Operational Reports
FROM: Lisa Traynham
DATE: June 20, 2018
RE: Operational Reports

The 1st quarter 2018 Operational Reports follow this memorandum. This report includes data reported February 16, 2018 through May 15, 2018 for the accounting month period of January 2018 through March 2018. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

Section I – Accounting/Statistical Shipments:

On May 21, 2018, revisions to the Massachusetts Private Passenger and Commercial Statistical Plan were approved by the Division of Insurance, pursuant to the provisions of G.L. c. 175A (provided in Accounting and Statistical Notice No. 618). The summaries of the approved Statistical Plan modifications are included in Section I – Statistical System of the Operational Report.

CAR assessed a total of \$15,400 Statistical Data Quality Penalties in the 1st Quarter 2018 Settlement of Balances report.

Section II – Cession/MAIP Placement Record Reporting:

This section includes a 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 2015 occurred in April 2018. There were no companies that incurred a final write-off for policy effective year 2015.

The 2016 annual Cession/No Premium Write-Off amounts have been calculated and CAR set the 2016 penalties at \$5,700 for Commercial and \$8,200 for Taxi/Limousine business. Please reference Bulletin Notice # 1044 distributed on November 21, 2017 for more information.

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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 ran the CA5010 - Flat Cancellation report back on January 30, 2018 using the new online system. The Commercial Servicing Carriers were to respond on April 1, 2018 using the new system.

As of June 2018 the Private Passenger – MAIP Residual Market rate equaled 1.3% and the Commercial Residual Market rate equaled 21.7%.

CAR posted the June 2018 Quarterly Member Participation Reports to its website on June 7, 2018.

CAR ran the 1st Quarter 2018 Rule 29 credit edit download reports on May 18, 2018.

Section IV – Accounting System Processing:

CAR produced the 1st Quarter 2018 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 2017 and 2018 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 4, 2018.

Section V - Statistical Agent Functions:

Fourth Quarter 2017 Statutory Page 14 data was due at CAR on March 15, 2018. Penalties amounted to \$6,200 for companies who submitted Page 14 data after the due date. The Reconciliation Responses for Fourth Quarter 2017 were due back on May 2, 2018. Penalties amounted to \$1,600. Page 14 and Reconciliation penalty assessments were included in the First Quarter 2018 Settlement of Balances. First Quarter 2018 Statutory Page 14 data was due on June 15, 2018. First Quarter 2018 Reconciliation will run on July 2, 2018.

Section VI – Communications:

CAR is in the process of re-writing the session add and correction system as a new application on its website. It is anticipated being complete in early 2019.

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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 2018 as of the first quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

2018 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2018	March 15, 2018	1 st Quarter
February 2018	April 17, 2018	
March 2018	May 15, 2018	
April 2018	June 15, 2018	2 nd Quarter
May 2018	July 16, 2018	
June 2018	August 15, 2018	
July 2018	September 17, 2018	3 rd Quarter
August 2018	October 15, 2018	
September 2018	November 15, 2018	
October 2018	December 17, 2018	4 th Quarter
November 2018	January 15, 2019	
December 2018	February 15, 2019	

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, 2018.

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I. STATISTICAL SYSTEM (continued)

2018 Timeliness Report

<i>CO NO</i>	<i>Jan 3/15</i>	<i>Feb 4/17</i>	<i>Mar 5/15</i>	<i>Apr 6/15</i>	<i>May 7/16</i>	<i>Jun 8/15</i>	<i>July 9/17</i>	<i>Aug 10/15</i>	<i>Sep 11/15</i>	<i>Oct 12/17</i>	<i>Nov 1/15</i>	<i>Dec 2/15</i>
100		COM										
109	COM		COM									
116												
118	PP											
134		COM										
141			PP									
155	COM		COM									
206			COM									
230			COM									
279	Both											
323		PP										
443			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 2018, CAR assessed a total penalty amount of \$15,400. The table below shows the detail penalties for each company.

Penalty Assessments
1st Quarter 2018

Co #	Company Name	Assessment	Assessment Amount
109	Pennsylvania Lumbermen's	Late MAS - 12/2017	\$ 1,250
118	Privilege Underwriters Reciprocal	Late MAS - 01/2018	\$ 500
134	New York Marine and General Ins	Late MAS - 02/2018	\$ 500
136	Hospitality Insurance Company	Late Page 14 Data - 12/2017	\$ 100
144	Wesco Insurance Company	Late Page 14 Data - 12/2017	\$ 200
148	Hospitality Mutual Insurance Co	Late Page 14 Data - 12/2017	\$ 100
155	Argonaut Insurance Company	Late MAS - 01/2018	\$ 500
158	Technology Insurance Company	Late Page 14 Data - 12/2017	\$ 200
206	Nationwide Agribusiness Ins Co	Late MAS - 03/2018	\$ 500
279	Commerce Insurance Company	Late MAS - 01/2018	\$ 500
303	Cumis Society Insurance Co	Late MAS - 12/2017	\$ 500
323	Esurance Insurance Company	Late MAS - 02/2018	\$ 500
349	Selective Ins Company of the SW	Stat Error > 5% - 11/2017	\$ 300
388	Stillwater Insurance Company	Late Page 14 Data - 12/2017	\$ 200
412	Rampart Insurance Company	Late Page 14 Data - 12/2017	\$ 4,900
424	Graphics Art Mutual Ins Co	Stat Error > 5% - 12/2017	\$ 150
443	NOVA Insurance Company	Late MAS - 12/2017	\$ 500
569	Midvale Indemnity Company	Late Page 14 Data - 12/2017	\$ 200
583	WRM American Indemnity Co	Late Page 14 Data - 12/2017	\$ 100
686	Occidental Insurance Company	Late MAS - 12/2017	\$ 1,250
695	Old Republic Insurance Company	Late Page 14 Expln - 12/2017	\$ 1,600
719	Pennsylvania Manufacture Assoc.	Late MAS - 01/2018	\$ 500
784	Samsung Fire & Marine Ins. Co	Late Page 14 Data - 12/2017	\$ 200
958	Harleysville Insurance Company	Stat Error > 5% - 01/2018	\$ 150
		Total	\$ 15,400

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I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
April 1, 2018	<p>On December 19, 2017, modifications to Rule 21 of the CAR Rules of Operations were deemed approved by the Division of Insurance. The approved modifications confirmed a March 31, 2018 end date for the restrictions on the non-renewal of Clean-in-Three risks written by qualifying former Exclusive Representative Producers (ERPs).</p> <p>Accordingly, the CAR Identification Code table in the Private Passenger Statistical Plan has been modified such that CAR ID Code 1, used to identify direct business written voluntarily that meets the Clean-in-Three definition noted in Rule 22, is no longer applicable and may no longer be statistically reported on policies effective April 1, 2018 and subsequent.</p>	<p>Approved by the Division of Insurance on May 21, 2018</p>

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I. STATISTICAL SYSTEM (continued)

Massachusetts Commercial Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
January 1, 2019	Language contained in the Rating Identification Code table has been modified in order to alleviate potential confusion relative to the reporting of this data element. Note that this modifications is for clarification only and aims to strengthen the description of each code by removing the word “basis” from the coding descriptions. The Rating Identification Code reported must indicate whether the policy has been experienced rated (Code 1), all other rated (Code 9), both experience and all other rated (Code 7) or not experience or all other rated (Code 0).	Approved by the Division of Insurance on May 21, 2018

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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 2016-2018.

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 20, 2018.

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 25, 2018 monitoring policy years 2016, 2017 and 2018 for 1st Quarter 2018.

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 2016
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	1,184	5	0.4	0.0	0	0
245	934	53	5.3 *	-0.4	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	2,846	89	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*).

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II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

2. CR215 Cessions Automatically Backdated (continued)

Policy Year 2017
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	660	2	0.3	0.1	10,470	0
279	5	0	0.0	0.0	0	0
717	479	11	2.3	0.0	17,875	11,197
734	431	31	7.2 *	0.2	964	0
773	1	0	0.0	0.0	0	0
Totals	1,576	44	2.8%	N/A	29,309	11,197

* 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 2018
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	181	1	0.6	0.6	0	0
279	4	0	0	0.0	0	0
717	98	3	3.1	3.1	0	0
734	98	1	1.0	1.0	0	0
773	1	0	0	0.0	0	0
Totals	382	5	1.3%	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 has recently updated the CA5010 - Flat Cancellation report for companies to use its new online system. The latest report was sent on January 30, 2018 and documentation can be uploaded directly into CAR. The due date for responses was on April 1, 2018. No penalties were assessed after reviewing 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 04/2017 to 3/2018

Reflects MAIP Placement Record Reported Data as of May 17, 2018

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	311
153	15	28	3	244	0	3	5,863
192	1	0	2	0	1	2	580
193	0	20	25	1	0	0	39
202	1	0	0	0	0	0	229
262	0	1	0	22	0	0	0
279	21	2	784	63	19	9	23,403
308	1	0	0	0	0	0	332
312	0	0	7	0	0	0	260
354	1	13	16	0	4	53	5,770
363	2	0	0	0	0	0	385
422	0	0	0	0	0	0	311
521	0	1	0	0	43	19	109
531	0	0	0	0	1	1	1,724
585	0	0	3	0	2	2	76
612	15	1	12	7	0	2	2,582
664	17	12	1	1	5	16	2,212
724	3	4	6	0	1	11	3,282
731	0	1	0	64	0	0	0
773	3	0	192	82	2	4	11,860
826	0	0	0	0	0	0	2
827	0	0	0	0	0	0	584
908	2	3	3	0	2	3	4,844
959	0	0	0	0	0	0	166
988	2	0	10	6	0	1	2,311
Average	3	3	43	20	3	5	2689

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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
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	1.3%	22.1%	Final Result
2018	1.3%	21.7%	As of March 2018

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

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

Policy Year 2018 Results as of March 2018

	2018 @ 18 Months	% Total	2017 @ 12 Months	% Total
MAIP Assigned (CAR-ID 9)	16,488	1.3%	61,625	1.3%
MAIP Retained (CAR-ID 8)	1,225,959	98.7%	4,591,511	98.7%
Clean-In-Three (CAR-ID 1)	120	0.0	595	0.0%
Total	1,242,567	100%	4,653,731	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 2018 on May 30, 2018 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 2018 Quarterly Member Participation Reports to its website on June 7, 2018. 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 2018 estimated Participation Ratios using data reported through the March 31, 2018 monthly accounting shipments will be posted to CAR's website by June 30, 2018.

F. CAR Financial Results – Latest Deficit Projections

The ultimate policy year deficit projections as of March, 2018 for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Commercial
2015	(17,867)
2016	(42,814)
2017	(34,618)

Deficit projections for policy years 2017 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, 2018 Monthly Quota Share and Assignment Order Report to its website on May 30, 2018. The report has been updated to include statistical data from April 2017 to March 2018 effective month policies reported through May 15, 2018. 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 24.03% is detailed in Commercial Lines Bulletin #115.

The 2018 Interim Expense Allowances for Taxi, Limousine and Car Service Business are 26.61%, 18.69% and 17.46%, respectively. Commercial Lines Notice #116 details the calculation of these Interim Expenses.

I. MAIP Automobile Policy, Forms and Endorsement – Effective July 1, 2018

On April 13, 2018, the Division of Insurance placed on file CAR's adoption of the 2016 Edition of the Automobile Insurers Bureau's Massachusetts Automobile Insurance Policy including corresponding updates to related Forms and Endorsements for use in the private passenger residual market (MAIP) for new and renewal policies effective July 1, 2018 and subsequent. Please reference Bulletin No. 1050 for additional details.

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III. RESIDUAL MARKET INFORMATION (continued)

J. 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, 2016 accounting date.

Accounting Date	Reported Credit Premium	Adjusted Credit Premium	Rule 29 Credit Impact	Error Percentage
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%
April 2017	763,067,553	754,981,675	-8,085,878	1.06%
May 2017	772,897,972	764,532,752	-8,347,220	1.08%
June 2017	782,390,955	773,899,173	-8,491,782	1.09%
July 2017	791,249,048	782,313,850	-8,935,198	1.13%
August 2017	804,498,501	795,116,288	-9,382,213	1.17%
Sept 2017	812,978,203	803,611,634	-9,366,569	1.15%
Oct 2017	813,871,268	804,468,064	-9,403,204	1.16%
Nov 2017	814,493,688	805,056,124	-9,437,564	1.16%
Dec 2017	815,178,541	805,810,431	-9,368,110	1.15%
Jan 2018	805,480,406	796,061,499	-9,418,907	1.17%
Feb 2018	827,039,648	817,460,372	-9,579,276	1.16%
March 2018	855,091,525	844,042,848	-11,048,677	1.29%

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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 2018	March 15, 2018	May 16, 2018	1st Quarter 2018
February 2018	April 16, 2018	April 17, 2018	
March 2018	May 15, 2018	May 16, 2018	
April 2018	June 15, 2018	June 18, 2018	2 nd Quarter 2018
May 2018	July 16, 2018	July 17, 2018	
June 2018	August 15, 2018	August 16, 2018	
July 2018	September 15, 2018	September 18, 2018	3 rd Quarter 2018
August 2018	October 15, 2018	October 16, 2018	
September 2018	November 15, 2018	November 16, 2018	
October 2018	December 17, 2018	December 18, 2018	4 th Quarter 2018
November 2018	January 15, 2019	January 16, 2019	
December 2018	February 15, 2019	February 18, 2019	

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 2018.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for June 2018 through November 2018 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 2018

Company	Feb 2018	Mar 2018	Apr 2018	Total
154				
245				
279				
717				
734				
773				
Total				

1st Quarter 2018 – 10% Loss of Investment Fees

Company	Feb 2018	Mar 2018	Apr 2018	Total
154				
245				
279				
734				
773				
Total				

Potential Loss Write-Off June 2018 through November 2018

Company	June 2018	July 2018	August 2018	September 2018	October 2018	November 2018	Grand Total
154							
245							
279							
717							
734							
773							
Totals							

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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
2017 & 2018 Policy Effective Years**

Non-Critical Error - Penalties

There have been no companies listed to receive a penalty for policy effective years 2017 and 2018.

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

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

2018 Effective Year Non-Critical Errors Over Tolerance – Potential Penalty

2018 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	2016	0	0.00
154	2017	0	0.00
154	2018	37,030	0.31
245	2016	0	0.00
245	2017	0	0.00
245	2018	0	0.00
279	2016	0	0.00
279	2017	0	0.00
279	2018	0	0.00
717	2016	0	0.00
717	2017	0	0.00
717	2018	15,414	0.82
732	2016	0	0.00
732	2017	0	0.00
732	2018	-4,149	0.00
734	2016	0	0.00
734	2017	0	0.00
734	2018	0	0.00
773	2016	0	0.00
773	2017	4,539	0.01
773	2018	6,669	0.03
Total Ind		59,503	0.01

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 2018 Penalty Forecasting reports on June 4, 2018.

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IV. ACCOUNTING SYSTEM (continued)

F. 2015 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 2015 premium reporting year closed on February 15, 2018. Accordingly, CAR will no longer accept cession activity for the 2015 policy effective year and all policies that contain an active cessions 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 2015 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

G. 2015 Cession/No Premium Write-Off

The 2015 Cession/No Premium Write-Off did not produce any company activity therefore there are no penalties to report.

H. 2015 Net Negative Write-Off

The 2015 Net Negative Write-Off did not produce any company activity therefore there are 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 2018	March 15, 2018	May 16, 2018	1st Quarter 2018
February 2018	April 16, 2018	April 17, 2018	
March 2018	May 15, 2018	May 16, 2018	
April 2018	June 15, 2018	June 18, 2018	2 nd Quarter 2018
May 2018	July 16, 2018	July 17, 2018	
June 2018	August 15, 2018	August 16, 2018	
July 2018	September 15, 2018	September 18, 2018	3 rd Quarter 2018
August 2018	October 15, 2018	October 16, 2018	
September 2018	November 15, 2018	November 16, 2018	
October 2018	December 17, 2018	December 18, 2018	4 th Quarter 2018
November 2018	January 15, 2019	January 16, 2019	
December 2018	February 15, 2019	February 18, 2019	

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 2018	June 15, 2018	July 2, 2018	Approx. August 2, 2018
2nd 2018	September 17, 2018	October 1, 2018	Approx. November 1, 2018
3rd 2018	December 17, 2018	January 2, 2019	Approx. February 2, 2019
4th 2018	March 15, 2019	April 1, 2019	Approx. May 1, 2019

The Fourth Quarter 2017 collection of Page 14's was due on March 15, 2018. Penalties for late Page 14 amounted to \$11,800. Reconciliation Fourth Quarter 2017 responses were due on May 2, 2018 and penalties were assessed at \$1,600. Page 14 and late explanation penalties were included First Quarter 2017 Settlement of Balances Report. CAR is currently collecting First Quarter 2018 Annual Statement Statutory Page 14 data which was due at CAR on June 15, 2018. First Quarter 2018 Reconciliation Reports are anticipated to run on July 2, 2018.

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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 2017 EFF YEAR	Liability	61,485	677	1.10%
	No Fault	59,357	449	0.76%
	Physical Damage	42,056	486	1.16%
	Total	162,898	1,612	0.99%
COMM 2018 EFF YEAR	Liability	14,954	412	2.76%
	No Fault	14,843	196	1.32%
	Physical Damage	11,316	488	4.31%
	Total	41,113	1,096	2.67%

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 apply to Current and Previous Effective Years. Current Effective Year includes policies effective January 2018 – December 2018. Previous Effective Year includes policies effective January 2017 – December 2017. Companies should contact the Residual Market Services Department regarding Rate Edit reporting.

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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 03/2018

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
017	26	6	23.08
033	459,963	195,980	42.61
045	72	18	25.00
105	721	194	26.91
118	33,197	13,586	40.93
134	1,498	486	32.44
141	274,950	162,690	59.17
153	2,054,723	626,676	30.50
154	134,639	45,093	33.49
156	19,829	7,990	40.29
204	18	4	22.22
261	1,569	968	61.70
265	157	44	28.03
283	943	572	60.66
362	96,700	64,234	66.43
418	49,191	13,628	27.70
443	8,832	7,540	85.37
486	7,061	3,928	55.63
503	106	48	45.28
626	22,069	7,190	32.58
627	4,490	3,804	84.72
708	815	462	56.69
752	6,742	2,855	42.35
770	221,326	67,475	30.49
823	2,134,785	985,426	46.16
881	1,453	678	46.66
902	20,537	7,350	35.79
910	18,410	3,894	21.15
927	6,473	2,258	34.88
958	4,194	1,538	36.67
963	17,522	5,917	33.77
989	4,142	880	21.25

Total Industry	21,794,421	2,840,487	13.03%
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The 2017 washout total following the 03/2017 shipments was 11.84%.

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V. STATISTICAL AGENT FUNCTION (continued)

E. Distributional Analysis

The Distributional Analysis Edit System is a web report 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.

CAR ran the report in early April of 2018 for the December 2017 period. Companies were to respond to any over tolerances by June 11, 2018.

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

CAR has started developing a new website application to add and correct cession data. Currently, cession activity is performed using the telecommunications system. It is anticipated that CAR will move this application to its website in early 2019.

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.

After the cession system moves to CAR's website, the remaining systems on CAR's mainframe will include: the CAR Accounting System, Policy Histories (both CAR and Statistical), and Claims functions (Allocated Expense, Reinsurance Audit, Average Cost per Claim). CAR is hoping to complete the cession system in early 2019.

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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	CAR has begun working on the rewrite of the Cession Reporting and the Correction System.
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.
Registry Conversion	In progress	CAR has updated its systems to accept data from the new Registry system. CAR is also evaluating impacts to company reported statistical data as a result of these changes at the Registry.