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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 20, 2019
RE: Operational Reports

The 1st quarter 2019 Operational Reports follow this memorandum. This report includes data reported February 16, 2019 through May 15, 2019 for the accounting month period of January 2019 through March 2019. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

Section I – Accounting/Statistical Shipments:

On May 8, 2019, 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, § 15 provided in Accounting and Statistical Notice No. 632. The summaries of the approved Statistical Plan modifications are included in Section I – Statistical System of the Operational Report.

CAR assessed a total of \$109,550 Statistical Data Quality Penalties in the 1st Quarter 2019 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 2016 occurred in April 2019. An exhibit is posted for those companies that incurred a final write-off for policy effective year 2016.

The 2017 annual Cession/No Premium Write-Off amounts have been calculated and CAR set the 2017 penalties at \$6,700 for Commercial and \$9,100 for Taxi/Limousine business. Please reference Bulletin Notice # 1068 distributed on December 4, 2018 for more information.

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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, participation ratios, and quota share.

CAR ran the CA5010 - Flat Cancellation report back on January 29, 2019 using the new online system. The Commercial Servicing Carriers were to respond April 1, 2019 using the new system.

As of March 2019 the Private Passenger – MAIP Residual Market rate equaled 1.2% and the Commercial Residual Market rate equaled 20.3%.

CAR posted the March 2019 Quarterly Member Participation Reports to its website on June 7, 2019.

CAR ran the 1st Quarter 2018 Rule 29 credit edit download reports on May 17, 2019.

Section IV – Accounting System Processing:

CAR produced the 1st Quarter 2019 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 2018 and 2019 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 12, 2019.

Section V - Statistical Agent Functions:

Fourth Quarter 2018 Statutory Page 14 data was due at CAR on March 15, 2019. The Reconciliation Responses for Fourth Quarter 2018 were due back on May 2, 2019. Fourth Quarter Page 14 and Reconciliation penalty assessments were included in the First Quarter 2019 Settlement of Balances. First Quarter 2019 Statutory Page 14 data were due on June 17, 2019. First Quarter 2019 Reconciliation are anticipated to run on July 1, 2019.

Section VI – Communications:

CAR moved to production the new website application for session reporting and correction in April 2019 and removed this function from CAR's mainframe.

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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 2019 as of the first quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

2019 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2019	March 15, 2019	1 st Quarter
February 2019	April 16, 2019	
March 2019	May 15, 2019	
April 2019	June 17, 2019	2 nd Quarter
May 2019	July 15, 2019	
June 2019	August 15, 2019	
July 2019	September 16, 2019	3 rd Quarter
August 2019	October 15, 2019	
September 2019	November 15, 2019	
October 2019	December 16, 2019	4 th Quarter
November 2019	January 15, 2020	
December 2019	February 18, 2020	

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, 2019.

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I. STATISTICAL SYSTEM (continued)

2019 Timeliness Report

<i>CO NO</i>	<i>Jan 3/15</i>	<i>Feb 4/16</i>	<i>Mar 5/15</i>	<i>Apr 6/17</i>	<i>May 7/15</i>	<i>Jun 8/15</i>	<i>July 9/16</i>	<i>Aug 10/15</i>	<i>Sep 11/15</i>	<i>Oct 12/16</i>	<i>Nov 1/15</i>	<i>Dec 2/18</i>
109	COM											
116			COM									
134	COM											
144			COM									
206			COM									
230			COM									
247			COM									
320			PP									
446			PP									
571			COM									
664	PP											
680	COM											
748			COM									
907			PP									
916			PP									
940			PP									
943			PP									

*Noted in last quarter's 2018 Timeliness Report was an inadvertent entry for late November 2018 reporting for the Acadia Companies (Company 100-344-402-420-910). Please note that the company was not late with filing their Monthly Accounting Submissions.

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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 2019, CAR assessed a total penalty amount of \$109,550. The table below shows the detail penalties for each company.

Penalty Assessments
1st Quarter 2019

Co #	Company Name	Assessment	Assessment Amount
109	Penn Lumbermens Mutual	Stat Err > 5% - 03-09/2018	\$ 2,100
109	Penn Lumbermens Mutual	Late MAS - 01/2019	\$ 500
109	Penn Lumbermens Mutual	Late Page 14 Data - 12/2018	\$ 100
115	Indiana Lumbermens Mutual Ins	Late Page 14 Data - 12/2018	\$ 100
116	Security National Insurance Co	Stat Err > 5% - 03-09/2018	\$ 1,050
116	Security National Insurance Co	Late MAS - 12/2018	\$ 500
122	Koopmin Best Ins Company, LTD.	Late Page 14 Data - 12/2018	\$ 4,500
134	New York Marine and General Ins	Stat Err > 5% - 03/2018	\$ 600
134	New York Marine and General Ins	Late MAS - 12/2018	\$ 500
134	New York Marine and General Ins	Late MAS - 01/2019	\$ 500
141	Preferred Mutual Insurance Co	Stat Err > 5% - 03/2018	\$ 750
141	Preferred Mutual Insurance Co	Late MAS - 12/2018	\$ 500
144	Wesco Insurance Company	Stat Err > 5% - 03/2018	\$ 1,350
144	Wesco Insurance Company	Late MAS - 09/2018	\$ 500
154	Arbella Protective Insurance Corp	Experience Rating System	\$ 350
206	Nationwide Agribusiness Ins Co	Stat Err > 5% - Multiple 2018	\$ 750
247	National Casualty Company	Stat Err > 5% - Multiple 2018	\$ 2,250
279	Commerce Insurance Company	Experience Rating System	\$ 325
303	Cumis Insurance Society	Late MAS - 12/2018	\$ 500
313	Essential Insurance Company	Stat Err > 5% - Multiple 2018	\$ 3,000
320	American Modern Property & Ca	Late Expln - 12/2018	\$ 1,300
323	Esurance Insurance Company	Stat Err > 5% - 01-10/2018	\$ 2,850
340	Employers Ins of Wausau Mutual	Stat Err > 5% - 01/2018	\$ 150
342	Selective Ins Co of America	Stat Err > 5% - Multiple 2018	\$ 3,150
342	Selective Ins Co of America	Stat Err > 5% - 01/2019	\$ 300
347	Selective Ins Company of the SW	Stat Err > 5% - Multiple 2018	\$ 19,650
347	Selective Ins Company of the SW	Stat Error > 5% - 01/2019	\$ 600
349	Selective Ins Co. of the SE	Stat Error > 5% - 01-12/2018	\$ 20,850
349	Selective Insurance Co. of the SE	Stat Error > 5% - 01/2019	\$ 450
366	ARCH Insurance Company	Stat Error > 5% - 06/2018	\$ 150

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I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program

Penalty Assessments
1st Quarter 2019

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
366	ARCH Insurance Company	Late MAS - 12/2018	\$ 500
418	IDS Property Casualty Ins Co	Stat Error > 5% - Multiple 2018	\$ 750
443	NOVA Insurance Company	Stat Error > 5% - 03/2018	\$ 750
443	NOVA Insurance Company	Stat Error > 5% - 06/2018	\$ 450
512	Liberty Mutual Fire Insurance	Stat Error > 5% - 01/2018	\$ 150
561	Markel American Insurance	Stat Error > 5% - 12/2018	\$ 150
569	Midvale Indemnity Company	Late Expln - 12/2018	\$ 100
571	Milwaukee Casualty Insurance Co	Stat Err > 5% - 03-06-09/2018	\$ 1,500
571	Milwaukee Casualty Insurance Co	Late MAS - 12/2018	\$ 500
578	Merchants Preferred Ins Co	Stat Error > 5% - Multiple 2018	\$ 16,850
578	Merchants Preferred Ins Co	Stat Error > 5% - 01/2019	\$ 150
578	Merchants Preferred Ins Co	Late Page 14 Data - 12/2018	\$ 500
582	Merchants Mutual Ins Co	Stat Error > 5% - Multiple 2018	\$ 22,450
582	Merchants Mutual Ins Co	Stat Error > 5% - 01/2019	\$ 150
582	Merchants Mutual Ins Co	Late Page 14 Data - 12/2018	\$ 500
622	National Interstate Insurance	Stat Err > 5% - 03/2018	\$ 900
622	National Interstate Insurance	Stat Err > 5% - 12/2018	\$ 1,050
622	National Interstate Insurance	Late Expln - 12/2018	\$ 1,300
626	National Continental Ins Co	Stat Err > 5% - 12/2018	\$ 300
664	Norfolk & Dedham Mutual Fire Ins	Late MAS - 01/2019	\$ 500
680	Ohio Security Insurance Co	Late MAS - 01/2019	\$ 500
686	Occidental Insurance Company	Stat Err > 5% - 07/2018	\$ 1,200
686	Occidental Insurance Company	Stat Err > 5% - 12/2018	\$ 300
686	Occidental Insurance Company	Stat Err > 5% - 01/2019	\$ 150
689	Ohio Indemnity Insurance Co	Late Page 14 Data - 12/2018	\$ 100
732	Pilgrim Ins Co (Comm Business)	Experience Rating System	\$ 250
734	Pilgrim Ins Company (TAXI)	Experience Rating System	\$ 75
737	Progressive Casualty Insurance	Stat Err > 5% - 12/2018	\$ 600
748	QBE Insurance Corporation	Stat Error > 5% - Multiple 2018	\$ 6,150
748	QBE Insurance Corporation	Stat Err > 5% - 01/2019	\$ 150
758	Plaza Insurance Company	Late Expln - 12/2018	\$ 100
770	SAFECO Ins Co of America	Stat Err > 5% - 01/2019	\$ 150
773	Safety Insurance Company	Experience Rating System	\$ 100

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I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program

Penalty Assessments
1st Quarter 2019

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
828	State Farm Insurance Company	Late Page 14 Data - 12/2018	\$ 200
833	Berkshire Hathaway Specialty Ins	Rescinded 06 & 09/2018 MAS	\$ (26,000)
844	Tokio Marine American Ins Co	Stat Err > 5% - 03/2018	\$ 750
891	Travelers Indemnity Insurance Co	Stat Err > 5% - 09/2018	\$ 150
902	United Financial Casualty Co	Stat Err > 5% - 12/2018	\$ 300
951	Vanliner Insurance Company	Stat Error > 5% - Multiple 2018	\$ 1,650
958	Harleysville Insurance Company	Stat Error > 5% - 01/2018	\$ 2,000
963	Harleysville Worcester Ins Co	Stat Error > 5% - 01/2018	\$ 750
979	American Bankers	Stat Err > 5% - 03/2018	\$ 150
979	American Bankers	Late Expln - 12/2018	\$ 100
		Total	109,550

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I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan

Proposed Modifications

Proposed Effective Date	Description	Status
January 1, 2020	The Out-of-State Codes Territory Codes have been expanded to include specific codes to identify New Jersey (997) and Pennsylvania (998).	Proposed to the Division of Insurance on November 18, 2018
January 1, 2019	The components and penalty associated with the Distributional Analysis have been incorporated into the Statistical Data Quality Penalty Program.	

Approved Modifications

Approved Effective Date	Description	Status
July 1, 2020 (Optional for policies effective January 1, 2020 – June 30, 2020)	The Anti-Theft Discount Code has been redefined and renamed as the Anti-Theft Device Identification Code.	Approved by the Division of Insurance on May 8, 2019

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I. STATISTICAL SYSTEM (continued)

Massachusetts Commercial Statistical Plan

Proposed Modifications

Proposed Effective Date	Description	Status
January 1, 2020	The Out-of-State Territory Codes have been expanded to include specific codes to identify New Jersey (997) and Pennsylvania (998).	Forwarded to the Division of Insurance for approval on November 16, 2018
January 1, 2019	The components and penalties associated with the Distributional Analysis Program have been incorporated within the Statistical Data Quality Program.	

Approved Modifications

Approved Effective Date	Description	Status
January 1, 2020	A new Classifications Code, 910000, has been added to the Commercial Statistical Plan. The Transportation Network Services Use code is only applicable to voluntary business and will be used to identify coverage provided for drivers using their personal automobiles for ride-sharing, ride-hailing, on-demand delivery and other transportation network services. The new code will require statistical coding similar to that of private passenger type vehicles.	Approved by the Division of Insurance on May 8, 2019
	Language on the Anti-Theft Device Discount Code page has been clarified to provide the proper manual reference.	

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II. CESSION/MAIP PLACEMENT RECORD REPORTING

A. Cession Submission

CAR accepts cession records via two different methods: on-line through its website application and by submitting an FTP transmission. Please contact your company's Security Administrator for your company if you need assistance in gaining access to CAR's website application.

CAR accepts cession records and cession corrections on commercial business for policy years 2017-2019.

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 (un-cede) 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 26, 2019.

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, 2019 monitoring policy years 2017, 2018 and 2019 for 1st Quarter 2019.

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 2017
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	660	2	0.3	0.0	18,119	0
279	5	0	0.0	0.0	0	0
717	478	10	2.1	0.0	18,235	20,100
734	431	31	7.2 *	0.0	964	0
773	1	0	0.0	0.0	0	0
Totals	1,575	43	2.7%	N/A	37,318	20,100

* 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 2018
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	472	8	1.7	0.0	0	0
279	11	1	9.1 #	0.0	0	0
717	277	8	2.9	0.0	21,976	13,117
732	28	1	3.6	0.0	0	0
734	245	10	4.1	0.0	0	0
773	1	0	0	0.0	0	0
Totals	1,034	28	2.7%	N/A	21,976	13,117

* 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 2019
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	160	0	0.0	0.0	0	0
279	3	0	0.0	0.0	0	0
717	79	2	2.5	2.5	0	0
734	55	2	3.6	3.6	0	0
773	5	0	0	0.0	0	0
Totals	370	5	1.4%	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 29, 2019 and documentation can be uploaded directly into CAR. The due date for responses was on April 1, 2019. 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 04/2018 to 3/2019
Reflects MAIP Placement Record Reported Data as of May 17, 2019**

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	1	0	0	0	0	0	312
153	3	4	6	53	7	5	4,323
192	0	0	2	0	2	1	714
193	0	2	6	0	0	0	19
202	0	0	0	0	0	0	206
279	17	1	531	25	3	8	22,998
308	0	0	0	0	0	0	262
312	0	0	0	0	1	0	12
354	2	9	12	0	5	53	5,235
363	0	0	0	0	0	0	254
422	0	0	0	0	0	0	334
521	0	0	0	1	16	14	51
531	0	1	2	0	1	0	1,390
585	3	0	3	0	2	4	867
612	20	3	9	11	0	1	2,342
664	11	15	4	1	4	12	2,047
724	4	1	2	0	2	1	2,512
731	0	2	0	34	0	0	0
773	2	0	121	64	2	3	9,567
826	0	0	1	0	0	0	0
827	0	0	1	0	21	0	838
908	1	0	5	0	6	1	4,823
959	0	0	0	0	0	0	133
988	0	0	4	12	0	0	1,869
Average	3	2	28	8	2	4	2451

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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
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	1.2%	22.7%	Final Result
2019	1.2%	20.3%	As of March 2019

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

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

Policy Year 2019 Results as of March 2019

	2019 @ 3 Months	% Total	2018 @ Final	% Total
MAIP Assigned (CAR-ID 9)	14,777	1.2%	56,505	1.2%
MAIP Retained (CAR-ID 8)	1,226,154	98.8%	4,640,099	98.8%
Clean-In-Three (CAR-ID 1)	0	0.0	114	0.0%
Total	1,240,931	100%	4,696,718	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 2019 on June 4, 2019 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 2019 Quarterly Member Participation Reports to its website on June 7, 2019. 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 2019 estimated Participation Ratios using data reported through the March 31, 2019 monthly accounting shipments will be posted to CAR's website by June 30, 2019.

F. CAR Financial Results – Latest Deficit Projections

The ultimate policy year deficit projections as of March, 2019 were posted to CAR's website on June 5, 2019 for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Commercial
2016	(48,928)
2017	(33,085)
2018	(37,335)

Deficit projections for policy years 2018 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, 2019 Monthly Quota Share and Assignment Order Report to its website on May 30, 2019. The report has been updated to include statistical data from April 2018 to March 2019 effective month policies reported through May 15, 2019. 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. **Interim Ceding Expenses Estimates – Calendar Year 2019**

The Commercial Servicing Carrier interim expense allowance of 22.42% is detailed in Commercial Lines Bulletin #125.

The 2019 Interim Expense Allowances for Taxi, Limousine and Car Services Business are 27.59%, 17.19%, and 18.64% respectively. Commercial Lines Notice #126 details the calculation of these Interim Expenses.

I. **CAR Commercial Rates Placed on File – Effective 3/1/2019**

On December 4, 2018, the Division of Insurance placed on file the Commercial Automobile Insurance Manual Rates applicable to commercial policies with effective dates of March 1, 2019 and subsequent that are ceded to CAR. Additionally, CAR's Commercial Automobile Insurance Manual and Experience Rating Plan for policies effective March 1, 2019 and subsequent were placed on file. For additional information, please refer to Commercial Lines Notice No. 124.

J. **Private Passenger Residual Market Rate Filing**

On January 28, 2019, the Division of Insurance placed CAR's Private Passenger Residual Market rates and rating manual on file for policies effective May 1, 2019 and subsequent. Amendments were made to the base rates, along with other minor modifications detailed in the Implementation Instructions document. Please refer to Bulletin #1070 for additional details.

Approved Rate Pages, Rating factor tables, and implementation notes are now available on the MAIP Company and Producer pages of CAR's website, under Manuals (a valid user-id and password is required for access).

**OPERATIONAL REPORTS
1ST QUARTER 2019**

III. RESIDUAL MARKET INFORMATION (continued)

K. 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, 2017 accounting date.

Accounting Date	Reported Credit Premium	Adjusted Credit Premium	Rule 29 Credit Impact	Error Percentage
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%
April 2018	850,186,887	837,099,945	-13,086,942	1.54%
May 2018	858,534,789	842,244,604	-16,290,185	1.90%
June 2018	865,347,021	851,288,337	-14,058,684	1.62%
July 2018	871,788,651	859,685,479	-12,103,172	1.39%
August 2018	875,285,864	862,868,220	-12,417,644	1.42%
Sept 2018	874,902,947	862,460,094	-12,442,853	1.42%
Oct 2018	886,196,067	873,492,729	-12,703,339	1.43%
Nov 2018	886,893,951	874,583,530	-12,310,421	1.39%
Dec 2018	891,305,290	878,642,257	-12,663,033	1.42%
Jan. 2019	893,890,063	881,140,060	-12,750,003	1.43%
Feb. 2019	892,007,624	879,454,384	-12,553,240	1.41%
March 2019	894,491,592	881,727,999	-12,763,593	1.43%

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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 2019	March 15, 2019	March 16, 2019	1st Quarter 2019
February 2019	April 16, 2019	April 17, 2019	
March 2019	May 15, 2019	May 16, 2019	
April 2019	June 17, 2019	June 18, 2019	2 nd Quarter 2019
May 2019	July 15, 2019	July 16, 2019	
June 2019	August 15, 2019	August 16, 2019	
July 2019	September 16, 2019	September 17, 2019	3 rd Quarter 2019
August 2019	October 15, 2019	October 16, 2019	
September 2019	November 15, 2019	November 16, 2019	
October 2019	December 16, 2019	December 17, 2019	4 th Quarter 2019
November 2019	January 15, 2020	January 16, 2020	
December 2019	February 18, 2020	February 19, 2020	

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 2019.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for June 2019 through November 2019 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 2019

Company	Feb 2019	Mar 2019	Apr 2019	Total
154				
245				
279				
717				
734				
773				
Total				

1st Quarter 2019 – 10% Loss of Investment Fees

Company	Feb 2019	Mar 2019	Apr 2019	Total
154				
245				
279				
734				
773				
Total				

Potential Loss Write-Off June 2019 through November 2019

Company	June 2019	July 2019	August 2019	September 2019	October 2019	November 2019	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
2018 & 2019 Policy Effective Years**

Non-Critical Error - Penalties

There have been no companies listed to receive a penalty for policy effective years 2018 and 2019.

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

2018 Effective Year Non-Critical Errors results show no Potential Penalties to report

2019 Effective Year Non-Critical Errors Over Tolerance – Potential Penalty

2019 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	2017	0	0.00
154	2018	28,777	0.00
154	2019	30,587	1.51
279	2017	0	0.00
279	2018	0	0.00
279	2019	54,928	0.49
717	2017	0	0.00
717	2018	0	0.00
717	2019	13,959	1.08
732	2017	0	0.00
732	2018	0	0.00
732	2019	0	0.00
734	2017	0	0.00
734	2018	0	0.00
734	2019	0	0.00
773	2017	0	0.00
773	2018	9,758	0.02
773	2019	27,220	0.19
Total Ind		165,229	3.28

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 2019 Penalty Forecasting reports on June 12, 2019.

**OPERATIONAL REPORTS
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IV. ACCOUNTING SYSTEM (continued)

F. 2016 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 2016 premium reporting year closed on February 15, 2019. Accordingly, CAR will no longer accept cession activity for the 2016 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 2016 effective date policies and for historical information.

Year	PP Penalty	Commercial Penalty	Taxi/Limo/CAR Service Penalty
2016	N/A	\$5,700	\$8,300
2015	N/A	\$5,500	\$8,200
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

G. 2016 Cession/No Premium Write-Off

The 2016 Cession/No Premium Write-Off did not produce any company activity therefore there are no penalties to report.

H. 2016 Net Negative Write-Off

The 2016 Net Negative Write-Off did not produce any company activity therefore there are no penalties to report.

I. \$60 – Cession/No Premium Penalties

The May 2019 \$60 Cession/No Premium penalties ran on May 28, 2019. These penalties will be assessed in the 2nd quarter 2019 Settlement of Balances.

Co No	Policy Eff Yr.	Policy Count	Assessed Penalty
154	2017	17	\$1,020
154	2018	110	\$6,600
717	2018	1	\$60
773	2018	1	\$60
Total		129	\$7,740

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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 2019	March 15, 2019	May 16, 2019	1st Quarter 2019
February 2019	April 16, 2019	April 17, 2019	
March 2019	May 15, 2019	May 16, 2019	
April 2019	June 17, 2019	June 18, 2019	2 nd Quarter 2019
May 2019	July 15, 2019	July 17, 2019	
June 2019	August 15, 2019	August 16, 2019	
July 2019	September 16, 2019	September 18, 2019	3 rd Quarter 2019
August 2019	October 15, 2019	October 16, 2019	
September 2019	November 15, 2019	November 16, 2019	
October 2019	December 16, 2019	December 18, 2019	4 th Quarter 2019
November 2019	January 15, 2020	January 16, 2020	
December 2019	February 18, 2020	February 19, 2020	

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 2019	June 17, 2019	July 1, 2019	Approx. August 1, 2019
2nd 2019	September 16, 2019	October 1, 2019	Approx. November 1, 2019
3rd 2019	December 16, 2019	January 2, 2020	Approx. February 3, 2020
4th 2019	March 16, 2020	April 1, 2020	Approx. May 1, 2020

The Fourth Quarter 2018 collection of Page 14's was due at CAR on March 15, 2019. Penalties for late Page 14 were assessed at \$10,900. Reconciliation Fourth Quarter 2018 responses were due at CAR on May 1, 2019 and penalties were assessed at \$5,400. Fourth Quarter 2018 Page 14 and late explanation penalties were included First Quarter 2019 Settlement of Balances Report. CAR is currently collecting First Quarter 2019 Annual Statement Statutory Page 14 data which was due at CAR on June 17, 2019. First Quarter 2019 Reconciliation Reports are anticipated to run on or about July 1, 2019.

**OPERATIONAL REPORTS
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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 2018 EFF YEAR	Liability	61,449	765	1.24%
	No Fault	57,807	429	0.74%
	Physical Damage	40,364	593	1.47%
	Total	159,620	1,787	1.12%
COMM 2019 EFF YEAR	Liability	6,188	39	0.63%
	No Fault	6,171	30	0.49%
	Physical Damage	4,465	22	0.49%
	Total	16,824	91	0.54%

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 2019 – December 2019. Previous Effective Year includes policies effective January 2018 – December 2018. Companies should contact the Residual Market Services Department regarding Rate Edit reporting.

**OPERATIONAL REPORTS
1ST QUARTER 2019**

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 03/2019

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
017	28	105	26.67
030	8	29	27.59
033	261,052	549,361	47.52
045	24	67	35.82
100	3,424	16,219	21.11
103	208	407	51.11
105	276	989	27.91
118	15,076	36,218	41.63
141	182,339	311,143	58.60
153	675,702	2,147,168	31.47
154	55,356	146,308	37.84
156	6,254	16,929	36.94
226	1,684	2,552	65.99
261	760	1,360	55.88
327	1,254	2,658	47.18
330	96	410	23.41
362	65,606	99,732	65.78
418	12,482	45,739	27.29
443	21,782	73,645	29.58
503	20	51	39.22
626	8,516	23,015	37.00
627	2,624	3,248	80.79
643	258	861	29.97
686	23,956	97,696	24.52
748	5	25	20.00
770	62,670	201,294	31.13
823	1,044,178	2,562,245	40.75
881	560	1,160	48.28
902	9,028	23,961	37.68
927	2,922	8,255	35.40
963	15,160	28,138	53.88
989	854	4,114	20.76

Total Industry	3,214,031	23,500,898	13.68%
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The 2018 washout total following the 03/2018 shipments was 13.03%.

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

E. Distributional Analysis

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 completed the development of its new website application for cession reporting and cession correction. It moved to production in mid-April 2019 and replaces the mainframe system previously used for cession reporting and correction. The Compliance and Operations Committee approved changes to the Manual of Administrative Procedures relative to the update to the Cession System at its meeting on January 31, 2019 and the Governing Committee approved the changes at its February 13, 2019 meeting.

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.

The remaining systems on CAR's mainframe include: the CAR Accounting System, Policy Histories (both CAR and Statistical), and Claims functions (Allocated Expense, Reinsurance Audit, Average Cost per Claim).

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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	Completed	CAR has completed the rewrite of the Cession Reporting and the Correction System and is currently assisting companies with its usage.
SIU Compliance Audit	Completed	Create SIU web system featuring an upload for the SIU Quarterly Activity Log and providing a number of additional industry reports. CAR is continuing to work with those companies experiencing problems with compliance.
Registry Conversion	In progress	CAR has updated its systems to accept data from the new Registry system. CAR is continuing to work with companies in resolving data reporting issues related to the conversion. CAR will be working the Registry during its upcoming testing period for Phase II.
Annual Statement Reconciliation Rewrite	Just Beginning	Modernization of the application to enhance usability and maintenance. Enhancements will be incorporated during the rewrite.
Large Loss Pre-Notification Application	Just Beginning	Develop a web based application to allow Servicing Carries to notify CAR of a potentially significant claim.