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- MEMORANDUM -

TO: All Recipients of the CAR Operational Reports  
FROM: Lisa Traynham, Data Analyst  
DATE: June 22, 2020  
RE: Operational Reports

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The 1st quarter 2020 Operational Reports follow this memorandum. This report includes data reported February 16, 2020 through May 15, 2020 for the accounting month period of January 2020 through March 2020. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

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

On December 10, 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. 642. The summaries of the approved Statistical Plan modifications are included in Section I – Statistical System of the Operational Report.

On October 22, 2019, revisions to the Massachusetts Private Passenger 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. 638. The summaries of the approved Statistical Plan modifications are included in Section I – Statistical System of the Operational Report.

CAR assessed a total of \$72,000 in the Statistical Data Quality Penalty Program in the 1st Quarter 2020 Settlement of Balances report.

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

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

The 2018 annual Cession/No Premium Write-Off amounts have been calculated and CAR set the 2018 penalties at \$7,700 for Commercial and \$8,600 for Taxi/Limousine business. Please reference Bulletin Notice No. 1094 distributed on February 10, 2020 for more information.

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**Section III – Residual Market Information:**

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

CAR ran the CA5010 - Flat Cancellation Audit report on January 27, 2020 using CAR's online system. The documentation can now be uploaded into CAR and was due on April 1, 2020.

As of March 2020, the private passenger and the commercial residual market rate equaled 0.9% and 18.6%, respectively.

CAR posted the March 30, 2020 Quarterly Member Participation Reports to its website on June 5, 2020.

CAR ran the 1st Quarter 2020 Rule 29 credit edit download reports on May 18, 2020.

**Section IV – Accounting System Processing:**

CAR produced 1st Quarter 2020 Critical Error Loss Write-Offs and 10% Loss of Investment Fees. **There were no companies listed for this quarter's report.**

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2019 and 2020 policy effective years for all companies with an error rate over the tolerance level of 1% and 10 policies in error.

The Penalty Forecasting exhibits were made available on CAR's website on June 11, 2020.

**Section V - Statistical Agent Functions:**

Fourth Quarter 2019 Statutory Page 14 data was due at CAR on March 15, 2020. Reconciliation Responses for 4th Quarter 2020 were run on April 2, 2020 and due back on May 1, 2020. Company assessments were included in 1st Quarter 2020, Settlement of Balances. First Quarter 2020 Statutory Page 14 data was due at CAR on June 15, 2020. First Quarter Reconciliation is anticipated to run July 1, 2020.

All companies that exceed the commercial rate edit tolerances are listed on page 25.

**Section VI – Communications:**

CAR has started the first phase of moving CAR Accounting Corrections to its website. The first phase involves proving access to the CAR Policy Histories via 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 2020 as of the first quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

<b>2020 CALL SCHEDULE</b>		
<b>Submission</b>	<b>Due Date</b>	<b>Quarter</b>
January 2020	March 16, 2020	1 <sup>st</sup> Quarter
February 2020	April 15, 2020	
March 2020	May 15, 2020	
April 2020	June 15, 2020	2 <sup>nd</sup> Quarter
May 2020	July 15, 2020	
June 2020	August 17, 2020	
July 2020	September 15, 2020	3 <sup>rd</sup> Quarter
August 2020	October 15, 2020	
September 2020	November 16, 2020	
October 2020	December 15, 2020	4 <sup>th</sup> Quarter
November 2020	January 15, 2021	
December 2020	February 16, 2021	

In instances where a company's ceded loss dollars are complete by quarter's end but its ceded premium dollars are not, CAR will assess "loss of investment income" penalties to reimburse the pool for the missing premium dollars. CAR did not assess any "loss of investment income" penalties in first quarter 2020.

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**I. STATISTICAL SYSTEM (continued)**

2020 Timeliness Report

<i>CO NO</i>	<i>Jan 3/16</i>	<i>Feb 4/15</i>	<i>Mar 5/15</i>	<i>Apr 6/15</i>	<i>May 7/15</i>	<i>Jun 8/17</i>	<i>July 9/15</i>	<i>Aug 10/15</i>	<i>Sep 11/15</i>	<i>Oct 12/16</i>	<i>Nov 1/15</i>	<i>Dec 2/18</i>
109			COM									
162			COM									
230			COM									
303			COM									
320												
323	PP											
577		PP	PP									
578			COM									
582	COM		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 15 data, reconciliation responses, and failure to reduce a statistical shipment's error percent to below 5%.

For 1st Quarter 2020, CAR assessed a total penalty amount of \$72,000. The table below shows the detail penalties for each company.

Penalty Assessments  
1st Quarter 2020

<b>Co #</b>	<b>Company Name</b>	<b>Assessment</b>	<b>Assessment Amount</b>
109	Pennsylvania Lumbermens	Stat Err > 5% - 12/2019	\$ 300
114	Berkley Casualty Company	Late Page 14 Data - 12/2019	\$ 100
116	Security National Insurance Co	Stat Err > 5% - 12/2019	\$ 150
118	Privilege Underwriters (PURE)	Late Page 14 Data - 12/2019	\$ 600
119	Hiscox Insurance Company Inc	Late Expln – 12/2019	\$ 100
121	Allied World Specialty Ins Co	Stat Err > 5% - 09/2019	\$ 300
121	Allied World Specialty Ins Co	Stat Err > 5% - 12/2019	\$ 600
125	AmGUARD Insurance Company	Late Page 14 Data - 12/2019	\$ 1,100
144	Wesco Insurance Company	Late MAS - 12/2019	\$ 500
144	Wesco Insurance Company	Stat Err > 5% - 12/2019	\$ 150
144	Wesco Insurance Company	Late Expln – 12/2019	\$ 1,500
158	Technology Insurance Company	Late Page 14 Data - 12/2019	\$ 1,500
162	Imperium Insurance Company	Late MAS - 12/2019	\$ 500
162	Imperium Insurance Company	Late MAS - 03/2020	\$ 500
164	StarStone National Insurance Co	Stat Err > 5% - 12/2019	\$ 150
179	Atlantic Specialty Insurance	Stat Err > 5% - 02/2020	\$ 450
197	Fair American Insurance Co	Late Page 14 Data - 12/2019	\$ 800
201	AIG Property & Casualty Co	Stat Err > 5% - 01/2020	\$ 300
201	AIG Property & Casualty Co	Stat Err > 5% - 02/2020	\$ 150
201	AIG Property & Casualty Co	Stat Err > 5% - 12/2019	\$ 1,250
265	Berkley National Insurance Company	Late Page 14 Data - 12/2019	\$ 200
306	Dealers Insurance Company	Late Page 14 Data - 12/2019	\$ 900
323	Esurance Insurance Company	Stat Err > 5% - 12/2019	\$ 150
323	Esurance Insurance Company	Late MAS - 12/2019	\$ 500
323	Esurance Insurance Company	Late MAS - 01/2020	\$ 500
323	Esurance Insurance Company	Late Expln – 12/2019	\$ 100
332	Maiden Insurance Company	Late Page 14 Data - 12/2019	\$ 4,600
354	Amica Mutual Insurance Company	Late Expln – 12/2019	\$ 200

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**I. STATISTICAL SYSTEM (continued)**

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

Penalty Assessments  
1st Quarter 2020

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
428	First American Property and Casualty	Late Page 14 Data - 12/2019	\$ 4,600
441	Great West Casualty Company	Late Page 14 Data - 12/2019	\$ 4,600
486	Harleysville Preferred Insurance Co.	Late MAS - 12/2019	\$ 500
561	Markel American Insurance Co	Stat Err > 5% - 01/2020	\$ 150
569	MIDVALE Indemnity Company	Late Page 14 Data - 12/2019	\$ 1,200
569	MIDVALE Indemnity Company	Late MAS - 12/2019	\$ 500
569	MIDVALE Indemnity Company	Late Expln - 12/2019	\$ 100
571	Milwaukee Casualty Ins Co	Stat Err > 5% - 12/2019	\$ 300
578	Merchants Insurance Co	Late Page 14 Data - 12/2019	\$ 100
582	Merchants Mutual Insurance Co	Interim Late MAS - 05/2019	\$ 3,000
582	Merchants Mutual Insurance Co	Interim Late MAS - 06/2019	\$ 3,000
582	Merchants Mutual Insurance Co	Interim Late MAS - 07/2019	\$ 3,000
582	Merchants Mutual Insurance Co	Interim Late MAS - 08/2019	\$ 3,000
582	Merchants Mutual Insurance Co	Interim Late MAS - 09/2019	\$ 3,000
582	Merchants Mutual Insurance Co	Interim Late MAS - 10/2019	\$ 3,000
582	Merchants Mutual Insurance Co	Interim Late MAS - 11/2019	\$ 3,000
582	Merchants Mutual Insurance Co	Interim Late MAS - 12/2019	\$ 2,500
582	Merchants Mutual Insurance Co	Late MAS - 01/2020	\$ 500
582	Merchants Mutual Insurance Co	Late Page 14 Data - 12/2019	\$ 100
622	National Interstate Insurance Co	Stat Error > 5% - 12/2019	\$ 600
659	North American Elite Insurance Co	Late Page 14 Data - 12/2019	\$ 100
660	NorGUARD Insurance Company	Late Page 14 Data - 12/2019	\$ 1,100
673	North American Specialty Ins Co	Late Page 14 Data - 12/2019	\$ 100
696	Sompo America Fire & Marine Ins Co	Late Page 14 Data - 12/2019	\$ 100
713	Lakeshore Insurance Company	Late Page 14 Data - 12/2019	\$ 1,100
716	Pennsylvania Nat'l Mutual Casualty	Late Page 14 Data - 12/2019	\$ 1,200
723	Premier Ins Co of Massachusetts	Stat Error > 5% - 12/2019	\$ 4,600
758	Plaza Insurance Company	Late Page 14 Data - 12/2019	\$ 1,300
828	State Farm Insurance Company	Late Page 14 Data - 12/2019	\$ 2,200
837	T.H.E. Insurance Company	Late Page 14 Data - 12/2019	\$ 600
856	TIG Insurance Company	Late Page 14 Data - 12/2019	\$ 1,000
857	Nationwide Insurance Co Of America	Late Page 14 Data - 12/2019	\$ 600
859	Transport Insurance Company	Late Page 14 Data - 12/2019	\$ 1,100

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**I. STATISTICAL SYSTEM (continued)**

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments  
1st Quarter 2020

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
951	Vanliner Insurance Company	Stat Error > 5% - 12/2019	\$ 300
951	Vanliner Insurance Company	Stat Error > 5% - 01/2020	\$ 450
970	Sompo American Insurance Co	Late Page 14 Data - 12/2019	\$ 100
973	Alterra American Insurance Co	Late Page 14 Data - 12/2019	\$ 100
979	Assurant Insurance Company	Stat Error > 5% - 12/2019	\$ 300
		Total	<b>\$72,000</b>

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**I. STATISTICAL SYSTEM (continued)**

Massachusetts Private Passenger and Commercial Statistical Plans

Approved Modifications

Proposed Effective Date	Description	Status
January 1, 2020	The components and penalties associated with the Distributional Analysis Program have been incorporated within the Statistical Data Quality Program.	Approved by the Division of Insurance on December 10, 2019
January 1, 2021	The Out-of-State Territory Codes have been expanded to include specific codes to identify New Jersey (997) and Pennsylvania (998).	

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**I. STATISTICAL SYSTEM (continued)**

Massachusetts Private Passenger Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
January 1, 2020	<p>Several data fields contained in the Private Passenger Statistical Plan are only required to be reported on policies assigned through the Massachusetts Automobile Insurance Plan (MAIP). These include the Anti-Theft Device Identification Code, the Continuous Coverage Discount Code, the Extra-Risk Rating Collision and Other than Collision Codes, the High-Theft Vehicle Code, and the Low Frequency Discount Code.</p> <p>In order to clarify this requirement, modifications have been made to Appendix A – Classification and Coverage Decision Tables. A new Decision Table value of “M” has been introduced to indicate that for the classification codes identified, the field is only required to be reported on business assigned through the MAIP. Additionally, a clarification has been added to Part III – General Reporting Requirements to reference that specific instructions relative to Extra Risk Rating may also be found in Appendix A.</p>	<p>Approved by the Division of Insurance on October 22, 2019</p>
January 1, 2021	<p>A classification code representing electric cars has been part of the Private Passenger Statistical Plan for many years, dating as far back as the late 1970s. Now that electric cars are mass produced and commonplace, the distinction of this type of vehicle is no longer relevant. Statistical classification code assignments for electric cars should be based upon the characteristics of the operator used to rate the vehicle and the private passenger defined classification codes in the Coding Section of the Private Passenger Statistical Plan should be used for reporting purposes. Accordingly, classification code 0400 (Electric Cars) has been eliminated from the Private Passenger Statistical Plan.</p>	

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

A. Cession Submission

CAR accepts cession data via two different methods: on-line entry through CAR's website and FTP transmission. Please contact your company's Data Analyst 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 2018-2020.

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 15, 2020.

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

2. TX5 Cession Backdate Appeals (continued)

TX5 Cession Backdate Log

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

3. CR215 Cessions Automatically Backdated

On a quarterly basis, CAR produces the CR215 report that shows the volume of cessions backdated for involuntary producer business. The program monitors the three current reporting years for cession activity. Accordingly, CAR recently sent the latest report to the industry in March 2020 monitoring policy years 2018, 2019 and 2020 for 1st Quarter 2020.

The following exhibits show the industry's volume 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 2018  
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	464	7	1.5	0.0	0	0
279	11	1	9.1 #	0.0	0	0
717	276	8	2.9	0.0	22,857	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	0
Totals	1,025	27	2.6%	N/A	22,857	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.*)

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

Policy Year 2019  
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	344	2	0.6	0.0	0	0
279	6	0	0.0	0.0	0	0
717	197	4	2.0	0.0	0	0
732	160	1	0.6	0.0	0	0
734	156	4	2.6	0.0	0	0
773	5	0	0.0	0.0	0	0
Totals	868	11	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*).

Policy Year 2020  
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	93	0	0.0	0.0	0	0
279	1	0	0.0	0.0	0	0
717	34	0	0.0	0.0	0	0
732	32	0	0.0	0.0	0	0
734	30	1	3.3	3.3	0	0
773	0	0	0.0	0.0	0	0
Totals	190	1	3.3%	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*).

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

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. The report was run on January 27, 2020 and the documentation was due back on April 1, 2020 which can now be uploaded into CAR using the new online upload function within the Accounting area on CAR's website. Questions on the use of this system should be directed to the Operations Services department or your company's Data Analyst.

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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.

**COMMONWEALTH AUTOMOBILE REINSURERS  
MAIP PLACEMENT RECORD REPORTING ANALYSIS**  
Reflects Statistically Reported Data for Policy Effective Months 04/2019 to 03/2020  
Reflects MAIP Placement Record Reported Data as of May 19, 2020

Company	Missing MPRs	Rejected MPRs	Fatal MPRs	Rejected Take-Out Credits	MPRs with No Premium	MAIP Premium with No MPR	Active MPRs
113	0	0	0	0	0	0	309
153	6	1	5	1	0	3	3,523
192	0	0	0	0	0	1	576
193	0	9	6	0	0	1	1
202	0	0	0	0	0	0	165
279	27	24	198	111	220	4	20,071
304	0	0	0	0	0	0	10
308	0	0	0	0	0	0	160
354	3	10	16	0	4	52	4,605
363	0	0	0	0	1	0	145
422	0	0	0	0	0	0	241
521	0	1	0	31	0	0	0
531	0	0	2	0	2	0	973
584	0	0	0	0	2	5	776
585	0	5	1	0	0	5	81
612	14	4	16	36	0	4	1,744
664	6	19	2	0	1	7	1,732
724	0	0	0	0	2	1	1,642
731	0	1	0	68	0	0	0
735	0	0	0	0	0	0	372
773	1	0	76	136	2	12	6,708
827	0	0	0	0	1	0	699
890	0	0	0	0	0	0	100
908	1	2	1	0	2	1	3,973
959	0	0	0	0	0	0	77
988	0	0	2	10	0	0	1,934
Average	2	3	13	16	9	4	1,947

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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.

<b>Effective Year</b>	<b>MAIP Residual Market %</b>	<b>Commercial Cession %</b>	<b>Time Period</b>
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	1.0%	20.8%	Final Result
2020	.9%	18.6%	As of Mar 2020

Commercial Residual Market volume reports are available on CAR's website ([www.commauto.com](http://www.commauto.com)).

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

Policy Year 2020 Results as of March 2020

	<b>2020 @ 03 Months</b>	<b>% Total</b>		<b>2019 @ Final</b>	<b>% Total</b>
MAIP Assigned (CAR-ID 9)	11,627	0.9%		46,827	1.0%
MAIP Retained (CAR-ID 8)	1,231,333	99.1%		4,684,069	99.0%
<b>Total</b>	<b>1,242,960</b>	<b>100.0%</b>		<b>4,730,896</b>	<b>100.0%</b>

C. Private Passenger MAIP Premium and Loss Reports

Private Passenger Premium and Loss reports have been updated through March 2020 on May 27, 2020 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.

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

D. Production of Quarterly Participation Reports

CAR posted the March 2020 Quarterly Member Participation Reports to its website on June 5, 2020. 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 2020 estimated Participation Ratios using data reported through the March 31, 2020 monthly accounting shipments will be posted to CAR's website by June 30, 2020.

The Final 2019 Participation Ratios using data reported through the December, 2019 monthly accounting shipment will be calculated and included in the June Quarter Settlement of Balances, processed in September, 2020. These Ratios are included in the calculations of deficit sharing, administrative expenses, and the advanced statistical assessment.

F. Interim Ceding Expenses Estimates – Calendar Year 2020

The 2020 Commercial Servicing Carrier interim expense allowance of 21.71% is detailed in Commercial Lines Bulletin No. 134. The 2020 Interim Expense Allowances for Taxi, Limousine and Car Services Business are 27.90%, 17.54%, and 18.81% respectively. Commercial Lines Notice No. 135 details the calculation of these Interim Expenses.

The interim expense allowance will be updated to reflect the rate components for premium tax and commission as approved in the July, 2020 CAR Rates. The updated interim expense allowance will apply to the July – December 2020 monthly accounting shipments

G. Ceding Expense True-Up for Calendar Year 2019

Ceding expenses for Calendar Year 2019 will be trued-up and processed with the September, 2020 Settlement of Balances, posted to CAR's website in December. The True-Up is calculated using actual reported exposures and will reflect premium tax and commission provisions included in the underlying rates. Similarly, the True-Up of Ceding Expenses for Taxi, Limousine, and Car Service business for Policy Year 2018 at 30 months and 2019 at 18 months will also be included. Company Reports will be mailed to the designated Servicing Carrier contacts at that time.

H. Private Passenger Residual Market Rate Filing Placed on File

On February 26, 2020, the Division of Insurance placed CAR's Private Passenger Residual Market rates and rating manual on file for policies effective June 1, 2020 and subsequent. Amendments were made to the base rates, along with other minor modifications detailed in the Implementation Instructions document. Please refer to Bulletin No. 1095 for additional details.

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

I. Commercial Residual Market Rate Filing Placed on File

On March 17, 2020, the Division of Insurance placed on file the Commercial Automobile Insurance Manual Rates applicable to commercial policies with effective dates of July 1, 2020 and subsequent that are ceded to CAR, as well as CAR's Commercial Automobile Manual and Experience Rating Plan. Please refer to Commercial Lines Notice No. 136 for additional information regarding these rates.

J. Additional Insured Endorsement Form Placed On File

On March 25, 2020, the Division of Insurance placed on file Additional Insured – Massachusetts endorsement form (CR 99 02 07 20) with an effective date of July 1, 2020. The Division of Insurance also approved the addition of Rule 37 – Additional Insured – Massachusetts Endorsement to Section II – Common Coverages and Rating Procedures of the Commercial Automobile Insurance Manual to provide direction for use of the form. Please refer to Commercial Lines Notice No. 137 for additional information regarding this form.

K. CAR Financial Results – Latest Deficit Projections

The latest valuation of ultimate policy year deficit projections as of March, 2020 was posted to CAR's website on June 3, 2020 for the latest three policy years are as follows:

(Numbers are in \$000s)

Commercial Deficit as of March, 2020 (Numbers are in Millions)		
Policy Year	Current Qtr	Prior Qtr
2017	\$18.1	\$24.0
2018	\$40.4	\$43.7
2019	\$25.0	\$30.8

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

L. Quota Share

CAR posted the March, 2020 Monthly Quota Share and Assignment Order Report to its website on May 27, 2020. The report has been updated to include statistical data from April, 2019 to March, 2020 effective month policies reported through May 15, 2020. The reports were reprocessed to include Essentia Insurance Company on 6/1/2020.

Member Companies can also view additional reports that provide detailed information about the data used in the Quota Share calculation on CAR's website in the MAIP section under Company.

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

M. Rule 29 Voluntary Credits

CAR ran the Rule 29 credit edit reports for effective date December data in mid-February. 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, 2018 accounting date.

<b>Accounting Date</b>	<b>Reported Credit Premium</b>	<b>Adjusted Credit Premium</b>	<b>Rule 29 Credit Impact</b>	<b>Error Percentage</b>
Jan 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%
April 2019	899,332,721	886,459,002	-12,873,719	1.43%
May 2019	899,769,870	887,084,103	-12,685,767	1.41%
June 2019	899,552,945	887,013,884	-12,539,061	1.39%
July 2019	913,273,955	900,343,902	-12,930,053	1.42%
August 2019	920,564,625	907,799,394	-12,765,231	1.39%
Sept 2019	908,403,551	895,834,183	-12,569,368	1.38%
Oct 2019	902,467,157	889,838,670	-12,628,488	1.40%
Nov 2019	900,582,755	887,96,774	-12,675,981	1.41%
Dec 2019	901,020,807	888,234,335	-12,786,472	1.42%
Jan. 2020	899,475,299	886,602,550	-12,872,749	1.43%
Feb. 2020	901,917,821	888,567,423	-12,950,398	1.44%
March 2020	901,038,771	888,062,566	-12,976,205	1.44 %

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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 throughout the year following the Monthly Accounting Submission's due date schedule. The table below shows the schedule for updates to the CAR accounting system.

<b>Month</b>	<b>MAS Due Date</b>	<b>Statistical System Update</b>	<b>Quarter</b>
January 2020	March 16, 2020	March 17, 2020	1st Quarter 2020
February 2020	April 15, 2020	April 16, 2020	
March 2020	May 15, 2020	May 18, 2020	
April 2020	June 15, 2020	June 16, 2020	2 <sup>nd</sup> Quarter 2020
May 2020	July 15, 2020	July 16, 2020	
June 2020	August 17, 2020	August 18, 2020	
July 2020	September 15, 2020	September 16, 2020	3 <sup>rd</sup> Quarter 2020
August 2020	October 15, 2020	October 16, 2020	
September 2020	November 16, 2020	November 17, 2020	
October 2020	December 15, 2020	December 16, 2020	4 <sup>th</sup> Quarter 2020
November 2020	January 15, 2021	January 18, 2021	
December 2020	February 16, 2021	February 17, 2021	

**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).

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 2020.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for June 2020 through November 2020 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 2020

<b>Company</b>	<b>Feb 2020</b>	<b>Mar 2020</b>	<b>April 2020</b>	<b>Total</b>
154				
245				
279				
717				
732				
734				
773				
<b>Total</b>				

1st Quarter 2020 – 10% Loss of Investment Fees

<b>Company</b>	<b>Feb 2020</b>	<b>Mar 2020</b>	<b>April 2020</b>	<b>Total</b>
154				
245				
279				
717				
734				
773				
<b>Total</b>				

Potential Loss Write-Off June 2020 through November 2020

<b>Company</b>	<b>June 2020</b>	<b>July 2020</b>	<b>August 2020</b>	<b>September 2020</b>	<b>October 2020</b>	<b>November 2020</b>	<b>Grand Total</b>
154	0	0	0	0	0	0	0
245	0	0	0	-3,556	0	0	-3,356
279	0	0	0	0	0	0	0
331	0	0	0	0	0	0	0
732	0	0	0	0	0	0	0
773	0	0	0	0	1,368	0	1,368
908	0	0	0	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-3,556</b>	<b>1,368</b>	<b>0</b>	<b>-2,188</b>

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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  
2019 & 2020  
Policy Effective Years

Non-Critical Error - Penalties

**There have been no companies in penalty to list this quarter for policy effective years 2019 or 2020.**

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

**2019 Effective Year Non-Critical Errors show no Potential Penalties to report**

2020 Effective Year Non-Critical Errors Over Tolerance – Potential Penalty

**2020 Effective Year Non-Critical Errors show no Potential Penalties to report**

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**IV. ACCOUNTING SYSTEM (continued)**

**D. Ceded Premiums 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	2018	0	0.00
154	2019	0	0.00
154	2020	51,316	0.38
279	2018	0	0.00
279	2019	0	0.00
279	2020	0	0.00
717	2018	0	0.00
717	2019	0	0.00
717	2020	6,640	0.64
732	2018	0	0.00
732	2019	-25,381	-0.06
732	2020	0	0.00
734	2018	0	0.00
734	2019	0	0.00
734	2020	0	0.00
773	2018	0	0.00
773	2019	9,678	0.02
773	2020	571,822	3.21
Total Ind.		614,075	0.14

**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 2020 forecasting reports on June 11, 2020.

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**IV. ACCOUNTING SYSTEM (continued)**

**F. 2017 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 2017 premium reporting year closed on February 18, 2020. Accordingly, CAR will no longer accept cession activity for the 2017 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 2017 effective date policies and for historical information

Year	PP Penalty	Commercial Penalty	Taxi/Limo/CAR Service Penalty
2017	N/A	\$6,700	\$9,100
2016	N/A	\$5,700	\$8,200
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

**G. 2017 Cession/No Premium Write-off**

The 2017 Cession/No Premium Write-off did not produce any company activity therefore there are no penalties to report this quarter.

**H. 2017 Net-Negative Write-off**

The 2017 Net-Negative Write-off did not produce any company activity therefore there were no penalties to report this quarter.

**I. 60 Cession/No Premium Penalties**

The May 2020 \$60 Cession/No Premium penalties ran on May 28, 2020. These penalties will be assessed with 2nd Quarter 2020 Settlement of Balances Report.

Co No	Policy Eff Yr.	Policy Count	Assessed Penalty
154	2019	18	\$1,080
773	2019	1	\$60
Total		19	\$1,140

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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 throughout the year following the end of every Monthly Accounting Submission period. The table below shows this schedule for updates to the statistical system.

Month	MAS Due Date	Statistical System Update	Quarter
January 2020	March 15, 2020	March 16, 2020	1st Quarter 2020
February 2020	April 16, 2020	April 17, 2020	
March 2020	May 15, 2020	May 16, 2020	
April 2020	June 17, 2020	June 18, 2020	2 <sup>nd</sup> Quarter 2020
May 2020	July 15, 2020	July 17, 2020	
June 2020	August 15, 2020	August 16, 2020	
July 2020	September 16, 2020	September 18, 2020	3 <sup>rd</sup> Quarter 2020
August 2020	October 15, 2002	October 16, 2020	
September 2020	November 15, 2020	November 16, 2020	
October 2020	December 16, 2020	December 18, 2020	4 <sup>th</sup> Quarter 2020
November 2020	January 15, 2021	January 16, 2021	
December 2020	February 15, 2021	February 18, 2021	

**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 2020	June 15, 2020	July 1, 2020	Approx. August 3, 2020
2nd 2020	September 16, 2020	October 1, 2020	Approx. November 2, 2020
3rd 2020	December 16, 2020	January 4, 2021	Approx. February 4, 2021
4th 2020	March 16, 2021	April 1, 2021	Approx. May 3, 2021

The Annual Statement collection of Page 14's for 4th Quarter 2019 was due on March 15, 2020. Penalties for late Page 14 amounted to \$35,700. Reconciliation 4th Quarter 2019 responses were due April 1, 2020 and penalties amounted to \$2,000. All penalties were included 1st Quarter 2020 - Settlement of Balances. CAR is currently collecting 1st Quarter 2020 Annual Statement Statutory Page 14 data which was due at CAR on June 15, 2020. 1st Quarter 2020 Reconciliation is anticipated to run on July 1, 2020.

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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.

	<b>Line of Business</b>	<b>Eligible Records</b>	<b>Records in Error</b>	<b>Error %</b>
<b>COMM 2019 EFF YEAR</b>	Liability	62,738	452	0.72%
	No Fault	58,720	177	0.30%
	Physical Damage	40,781	336	0.82%
	Total	162,239	965	0.59%
<b>COMM 2020 EFF YEAR</b>	Liability	12,568	108	0.86%
	No Fault	11,841	29	0.24%
	Physical Damage	9,221	95	1.03%
	Total	33,630	232	0.69%

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 2020 – December 2020. Previous Effective Year includes policies effective January 2019 – December 2019. 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 03/2020

<b>COMPANY NUMBER</b>	<b>RECORD COUNT</b>	<b>WASHOUT COUNT</b>	<b>WASHOUT PERCENT</b>
017	116	236	49.15
033	240,752	554,254	43.44
045	28	99	28.28
105	938	2,957	31.72
118	13,702	39,455	34.73
141	137,774	250,608	54.98
153	669,739	2,158,281	31.03
154	56,396	148,522	37.97
156	4,783	13,001	36.79
261	2,162	4,503	48.01
263	2	8	25.00
362	53,190	82,762	64.27
418	11,048	41,076	26.90
443	7,728	8,642	89.42
463	46	166	27.71
503	54	77	70.13
518	62	145	42.76
626	16,436	37,330	44.03
627	2,590	2,998	86.39
667	28	43	65.12
686	19,239	61,880	31.09
737	164,748	578,613	28.47
752	923	4,616	20.00
770	50,587	186,368	27.14
785	471,558	1,818,113	25.94
823	997,200	2,181,147	45.72
881	438	961	45.58
890	68	321	21.18

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

D. Deleted Washout Records (continued)

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
902	18,118	37,816	47.91
927	1,312	5,248	25.00
942	589	1,544	38.15
963	2,740	9,216	29.73
989	1,590	5,551	28.64
<hr/>			
Total Industry	3,544,075	23,649,289	14.99%

The 2019 washout total following the 03/2019 shipments was 13.68%

E. Distributional Edits Systems

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 March for the December 2019 period. Companies were to respond to any over tolerances by May 1, 2020.

The Private Passenger and Commercial Statistical Plan revisions were approved on December 10, 2019 included an update to the Distributional Analysis Reporting where the components and penalties associated with the Distributional Analysis beginning with the 2020 Distributional Analysis Program have been incorporated with the Statistical Data Quality Penalties. **A response is now required by the specified due date or companies will receive a penalty assessment.** These details can be found within the Data Quality Program on the Private Passenger and Commercial Massachusetts Statistical Plan Manuals.

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 working on adding CAR Accounting policy histories to its website in anticipation of moving the Accounting Corrections application onto the website and off of the mainframe. CAR is hoping that the policy history application will be available for use in late summer/early fall and will distribute a Bulletin when that part of the project is complete.

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). CAR has begun a project of moving the CAR Accounting System, CAR Policy Histories, and Reinsurance Audit to its website.

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**VII. PROJECT STATUS REPORTS**

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

<b>Project</b>	<b>Status</b>	<b>Description</b>
Registry Conversion	Complete	CAR has completed updating its systems to access the new vehicle data and screens. A future project will target automating the flow of data into the audit systems.
Enhance MAIP Policy Application	In progress	Enhance the MAIP Policy application to prefill certain operator fields with data from the Registry.
Annual Statement Reconciliation Rewrite	In progress	Modernization of the application to enhance usability and maintenance. Enhancements will be incorporated during the rewrite.
Commercial Forms Enhancement	In progress	Enhance existing forms to allow for online entry. Create new forms as directed by the Commercial Auto Committee.
CAR Accounting System	In progress	Create a web-based correction application to replace the mainframe based CAR Accounting system. Phase I is focused on the re-write of the CAR Accounting Policy Histories.
Re-Write Company Mainframe Applications	Analysis	The rewrite of the CAR mainframe will effect the Rule 29, CAR Accounting and Statistical Policy History and Claims/Audit functions.