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PRESIDENT

## COMMONWEALTH AUTOMOBILE REINSURERS

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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, Data Analyst

DATE: June 10, 2021

RE: Operational Reports

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The 1st quarter 2021 Operational Reports follow this memorandum. This report includes data reported February 16, 2021 through May 17, 2021 for the accounting month period of January 2021 through March 2021. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

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

There have been no proposed or approved updates to the Private Passenger Statistical Plan since the last publication of the Operational Reports.

There have been no proposed or approved updates to the Commercial Statistical Plan since the last publication of the Operational Reports.

CAR assessed a total of \$26,250 in the Statistical Data Quality Penalty Program in the 1st Quarter 2021 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.

CAR ran the 2018 Cession/No Premium Write-Off in April, 2021. There were no policies eligible for penalty.

## **OPERATIONAL REPORTS 1ST QUARTER 2021**

### **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 25, 2021 using CAR's online system. The documentation was due on April 1, 2021 and all companies met the documentation requirement.

As of March 2021, the commercial residual market rate equaled 17.9%.

CAR posted the March 31, 2021 Quarterly Member Participation Reports to its website on June 4, 2021.

CAR ran the 1st Quarter 2021 Rule 29 credit edit download reports on May 18, 2021.

### **Section IV – Accounting System Processing:**

CAR produced 1st Quarter 2021 Critical Error Loss Write-Offs and 10% Loss of Investment Fees. **There were no policies eligible for write-off during the quarter.**

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2020 and 2021 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 2, 2021.

### **Section V - Statistical Agent Functions:**

Fourth Quarter 2020 Statutory Page 14 data was due at CAR on March 15, 2021. Reconciliation Responses for Fourth Quarter 2020 were run on April 1, 2021 and due back on May 3, 2021. Company assessments were included in 1st Quarter 2021 Settlement of Balances. First Quarter 2021 Statutory Page 14 data is due at CAR on June 15, 2021. First Quarter 2021 Reconciliation is anticipated to run July 1, 2021.

All companies that exceed the commercial rate edit tolerances are listed on page 26.

### **Section VI – Communications:**

A new application was added to CAR's website: ERP Commercial Written Premium which assists Servicing Carriers in evaluating their assigned ERPs relative to CAR Rule 14, C – Production Criteria. Also, CAR is nearing completion of a project to move the CAR Accounting error and informational reports and the Reinsurance Audit reports to its website. This project is anticipated to finish in late summer, 2021.

**OPERATIONAL REPORTS  
1ST QUARTER 2021**

**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 2021 as of the first quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

<b>2021 CALL SCHEDULE</b>		
<b>Submission</b>	<b>Due Date</b>	<b>Quarter</b>
January 2021	March 15, 2021	1 <sup>st</sup> Quarter
February 2021	April 15, 2021	
March 2021	May 17, 2021	
April 2021	June 15, 2021	2 <sup>nd</sup> Quarter
May 2021	July 15, 2021	
June 2021	August 16, 2021	
July 2021	September 15, 2021	3 <sup>rd</sup> Quarter
August 2021	October 15, 2021	
September 2021	November 15, 2021	
October 2021	December 15, 2021	4 <sup>th</sup> Quarter
November 2021	January 18, 2022	
December 2021	February 15, 2022	

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, 2021.

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**I. STATISTICAL SYSTEM (continued)**

2021 Timeliness Report

<i>CO NO</i>	<i>Jan 3/15</i>	<i>Feb 4/15</i>	<i>Mar 5/17</i>	<i>Apr 6/15</i>	<i>May 7/15</i>	<i>Jun 8/16</i>	<i>July 9/15</i>	<i>Aug 10/15</i>	<i>Sep 11/15</i>	<i>Oct 12/15</i>	<i>Nov 1/18</i>	<i>Dec 2/15</i>
030			PP									
096		COM										
103	COM											
144			COM									
163	COM											
347			COM									
349			COM									
399	COM											
429		COM	COM									
436		COM										
437		COM										
623	COM											
989	PP											

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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 2021, CAR assessed a total penalty amount of \$26,250. The table below shows the detail penalties for each company.

Penalty Assessments  
1st Quarter 2021

<b>Co #</b>	<b>Company Name</b>	<b>Assessment</b>	<b>Assessment Amount</b>
017	ACE Prop & Casualty Ins Co	Late DA Response – 12/2020	\$ 150
096	Motorist Commercial Mutual Ins	Late MAS 02/2021	\$ 500
096	Motorist Commercial Mutual Ins	Late DA Response – 12/2020	\$ 300
101	American Alternative Ins Co	Late Page 14 Data – 12/2020	\$ 200
103	The American Insurance Co	Late DA Response – 12/2020	\$ 150
107	Old Republic General Ins Co	Late DA Response – 12/2020	\$ 150
109	Pennsylvania Lumbers Mutual	Stat Err > 5% - 11/2020	\$ 150
109	Pennsylvania Lumbers Mutual	Stat Err > 5% - 11/2020	\$ 600
109	Pennsylvania Lumbers Mutual	Late DA Response – 12/2020	\$ 300
114	Berkley Casualty Company	Late Page 14 Data – 12/2020	\$ 1300
116	Security National Insurance	Stat Err > 5% - 12/2020	\$ 450
116	Security National Insurance	Late DA Response – 12/2020	\$ 300
118	Privilege Underwriters (PURE)	Stat Err > 5% - 12/2020	\$ 600
121	Allied World Specialty Ins Co	Late DA Response – 12/2020	\$ 300
129	Ascot Insurance Company	Late Page 14 Data – 12/2020	\$ 700
134	New York Marine and General Co	Late Expln – 12/2020	\$ 100
144	Wesco Insurance Company	Stat Err > 5% - 09/2020	\$ 1200
144	Wesco Insurance Company	Stat Err > 5% - 12/2020	\$ 450
144	Wesco Insurance Company	Late DA Response – 12/2020	\$ 300
145	Allied World Insurance Co	Rescind Pg 14 Data - 09/2020	\$ -4500
155	Argonaut Insurance Company	Stat Err > 5% - 11/2020	\$ 300
162	Imperium Insurance Company	Late DA Response – 12/2020	\$ 150
163	Associated Indemnity Co	Late MAS 01/2021	\$ 500
163	Associated Indemnity Co	Late Expln – 12/2020	\$ 200
163	Associated Indemnity Co	Late DA Response – 12/2020	\$ 150
201	AIG Property & Casualty Co	Stat Err > 5% - 12/2020	\$ 600
201	AIG Property & Casualty Co	Stat Err > 5% - 01/2021	\$ 150
201	AIG Property & Casualty Co	Stat Err > 5% - 03/2021	\$ 150
203	Root Property & Casualty Co	Late Page 14 Data – 12/2020	\$ 700

**OPERATIONAL REPORTS  
1ST QUARTER 2021**

**I. STATISTICAL SYSTEM (continued)**

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments  
1st Quarter 2021

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
206	Nationwide Agribusiness Ins Co	Stat Err > 5% - 12/2020	\$ 450
207	Blackboard Insurance Company	Rescind Pg 14 Data - 09/2020	\$ -9300
219	Safety National Casualty Corp	Late DA Response – 12/2020	\$ 150
257	Berkley Insurance Company	Late Expln – 12/2020	\$ 100
261	ACE American Insurance Co	Late DA Response – 12/2020	\$ 150
301	Incline Insurance Company	Rescind Pg 14 Data - 09/2020	\$ -4500
306	Dealers Assurance Company	Late Page 14 Data – 12/2020	\$ 1300
313	Essentia Insurance Company	Final Stat Err > 5% - 12/2020	\$ 150
318	EmPro Insurance Company	Late Page 14 Data – 12/2020	\$ 4600
323	Esurance Insurance Company	Late DA Response – 12/2020	\$ 150
366	Arch Insurance Company	Late DA Response – 12/2020	\$ 150
399	Firemans Fund Insurance Co	Late MAS 01/2021	\$ 500
399	Firemans Fund Insurance Co	Late DA Response – 12/2020	\$ 150
407	Bedivere Insurance Company	Late Expln – 12/2020	\$ 1200
410	Jefferson Insurance Company	Late Page 14 Data – 12/2020	\$ 4600
412	Rampart Insurance Company	Late Page 14 Data – 12/2020	\$ 200
414	State Automobile Mutual Ins Co	Late DA Response – 12/2020	\$ 150
416	Patrons Mutual Ins Co of CT	Late DA Response – 12/2020	\$ 150
428	First American Prop & Cas Ins Co	Late Page 14 Data – 12/2020	\$ 4600
429	Government Employee's Ins Co	Late MAS 02/2021	\$ 500
429	Government Employee's Ins Co	Late DA Response – 12/2020	\$ 150
436	General Casualty Co of Wisconsin	Late MAS 01/2021	\$ 3000
436	General Casualty Co of Wisconsin	Late MAS 02/2021	\$ 500
437	Regent Insurance Co	Late MAS 01/2021	\$ 3000
437	Regent Insurance Co	Late MAS 02/2021	\$ 500
441	Great West Casualty Company	Late Page 14 Data – 12/2020	\$ 1100
549	Manufacturers Alliance Ins Co	Late DA Response – 12/2020	\$ 150
569	Midvale Insurance Company	Late Page 14 Data – 12/2020	\$ 100
569	Midvale Insurance Company	Late Expln – 12/2020	\$ 100
571	Milford Casualty Company	Stat Err > 5% - 12/2020	\$ 450
571	Milford Casualty Company	Late DA Response – 12/2020	\$ 150
577	Permanent General Casualty Co	Late DA Response – 12/2020	\$ 300
582	Merchants Mutual Ins Co	Stat Err > 5% - 01/2021	\$ 300
599	Navigators Insurance Company	Late Expln – 12/2020	\$ 100
622	National Interstate Insurance Co	Final Stat Err > 5% - 12/2020	\$ 900
622	National Interstate Insurance Co	Late DA Response – 12/2020	\$ 150
623	National Surety Corporation	Late Expln – 12/2020	\$ 100

**OPERATIONAL REPORTS  
1ST QUARTER 2021**

**I. STATISTICAL SYSTEM (continued)**

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments  
1st Quarter 2021

			<b>Assessment</b>
<b>Co #</b>	<b>Company Name</b>	<b>Assessment</b>	<b>Amount</b>
664	Norfolk & Dedham Mutual Fire Ins	Late Page 14 Data – 12/2020	\$ 100
686	Occidental Fire & Casualty of NC	Late DA Response – 12/2020	\$ 300
696	Sompo American Fire & Marine	Late Page 14 Data – 12/2020	\$ 100
752	Republic-Franklin Insurance	Late DA Response – 12/2020	\$ 150
756	RLI Insurance Company	Final Stat Err > 5% - 09/2020	\$ 600
756	RLI Insurance Company	Final Stat Err > 5% - 12/2020	\$ 450
784	Samsung Insurance Company	Late Page 14 Data – 12/2020	\$ 100
822	West Bend Mutual Ins Co	Late Page 14 Data – 12/2020	\$ 100
829	Mitsui Sumitomo Ins of America	Late DA Response – 12/2020	\$ 150
921	Watford Insurance Company	Late Page 14 Data – 12/2020	\$ 100
951	Vanliner Insurance Company	Final Stat Err > 5% - 12/2020	\$ 450
951	Vanliner Insurance Company	Late DA Response – 12/2020	\$ 150
970	Sompo America Insurance Co	Late Page 14 Data – 12/2020	\$ 100
996	Indemnity Ins Co of North America	Late DA Response – 12/2020	\$ 300
		Total	<b>\$26,250</b>

**OPERATIONAL REPORTS  
1ST QUARTER 2021**

**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 2019 - 2021.

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.

There have been no TX5 backdate requests made since the last publication of the Operational Reports.

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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 ran the latest report May 15, 2021 monitoring policy years 2019, 2020 and 2021 for 1st Quarter 2021.

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 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*).

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

Policy Year 2020  
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	261	0	0.0	0.0	0	0
279	3	0	0.0	0.0	0	0
717	89	2	2.2	0.0	0	0
732	108	1	0.9	0.0	0	0
734	67	2	3.0	0.0	0	0
773	1	0	0.0	0.0	0	0
Totals	529	5	0.9%	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 2021  
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	72	1	1.4	0.0	0	0
279	2	0	0.0	0.0	0	0
717	17	0	0.0	0.0	0	0
732	19	0	0.0	0.0	0	0
734	21	4	1.9	0.0	0	0
773	1	0	0.0	0.0	0	0
Totals	132	5	3.8%	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 25, 2021 and the documentation was due back on April 1, 2021. All policies sampled met the documentation requirement.

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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 04/2020 to 03/2021

Reflects MAIP Placement Record Reported Data as of May 19, 2021

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	1	1	302
153	1	0	1	3	1	4	2,516
192	0	0	0	0	0	0	407
193	0	1	1	0	0	16	32
202	0	0	0	0	0	0	111
279	14	6	1,111	56	75	157	11,996
304	0	0	0	0	0	0	5
308	0	0	0	0	0	0	101
315	0	0	0	0	0	0	50
354	1	44	0	0	0	37	3,208
363	0	0	0	0	0	0	118
422	0	0	0	0	0	0	95
531	0	0	0	0	0	0	748
584	0	3	0	0	1	2	727
612	1	0	8	45	0	0	803
664	2	5	0	1	2	7	1,256
724	0	0	0	0	0	0	650
731	0	0	0	45	0	0	0
735	0	0	0	0	0	0	340
773	0	0	28	28	3	2	3,826
827	0	0	0	0	0	0	461
890	0	0	0	0	0	0	182
908	0	0	0	0	1	0	2,800
959	0	0	0	0	0	0	44
988	0	0	3	11	0	1	879
Average	1	2	46	8	3	9	1,267

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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>
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%	21.6%	Final Result
2020	0.7%	18.6%	Final Result
2021	0.6%	17.9%	As of March, 2021

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 2021 Results as of March, 2021

	<b>2021 @ 03 Months</b>	<b>% Total</b>		<b>2020 @ Final</b>	<b>% Total</b>
MAIP Assigned (CAR-ID 9)	7,243	0.6%		33,206	0.7%
MAIP Retained (CAR-ID 8)	1,244,303	99.4%		4,728,954	99.3%
Total	1,251,546	100.0%		4,762,160	100.0%

C. Private Passenger MAIP Premium and Loss Reports

Private Passenger Premium and Loss reports have been updated through March, 2021 on May 25, 2021 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 2021 Quarterly Member Participation Reports to its website on June 4, 2021. 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 2021 estimated Participation Ratios using data reported through the March 31, 2021 monthly accounting shipments will be posted to CAR's website by June 30, 2021.

The Final 2020 Participation Ratios using data reported through the December 2020 monthly accounting shipment will be calculated and included in the June Quarter Settlement of Balances, processed in September 2021. These Ratios are included in the calculations of deficit sharing, administrative expenses, and the advanced statistical assessment.

F. Interim Ceding Expenses Estimates – Calendar Year 2021

The 2021 Commercial Servicing Carrier interim expense allowance of 20.94% is detailed in Commercial Lines Bulletin No. 144, distributed on February 12, 2021.

The 2021 Interim Expense Allowances for Taxi, Limousine and Car Services Business of 27.85%, 21.60%, and 19.81% respectively, are detailed in Commercial Lines Notice No. 145, distributed on February 12, 2021.

G. Ceding Expense True-Up for Calendar Year 2020

Ceding expenses for Calendar Year 2020 will be trued-up and processed with the September, 2021 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 2019 at 30 months and 2020 at 18 months will also be included. Company Reports will be mailed to the designated Servicing Carrier contacts at that time.

H. Quota Share

CAR posted the March 2021 Monthly Quota Share and Assignment Order Report to its website on May 27, 2021. The report has been updated to include statistical data from April 2020 to March 2021 effective month policies reported through May 17, 2021.

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.

**OPERATIONAL REPORTS  
1ST QUARTER 2021**

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

I. CAR Financial Results – Latest Deficit Projections

The latest valuation of ultimate policy year deficit projections as of March 2021 was posted to CAR’s website on June 2, 2021 for the latest three policy years are as follows:

(Numbers are in \$000s)

Commercial Deficit as of March, 2021 (000) (Valuation: + Surplus, - Deficit)		
Policy Year	Current Qtr	Prior Qtr
2018	(\$35.5)	(\$36.3)
2019	\$3.0	\$.1
2020	\$30.2	\$30.3

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.

J. Commercial Manual Rule 37 – Additional Insured – Endorsement Amendment Approved

On December 10, 2020, the Division of Insurance placed on file an amendment to Rule 37 – Additional Insured – Massachusetts Endorsement in Section II – Common Coverages and Rating Procedures of the Commercial Automobile Insurance Manual. As this is a clarification to the Rule, the effective date of the amendment will remain as July 1, 2020. Please refer to Commercial Lines Notice No. 140 for additional information regarding this form.

K. PPT-NF Certification Form Filing Approved

On December 14, 2020, the Division of Insurance placed on file modifications to the Non-Fleet Private Passenger Types Certification Form related to changes in language that addresses the concern for each operator to hold a valid license. Recognizing that limitations on the availability of information specific to foreign license status exist, modifications to the Non-Fleet PPT certification Form are to collect the expiration date of the foreign licenses. Please refer to Commercial Lines Notice No. 141 for additional information regarding this form.

**OPERATIONAL REPORTS  
1ST QUARTER 2021**

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

L. Specialty and Classic Automobile Filings

In mid-December, CAR filed proposing rule, rate and endorsement forms related to “Specialty and Classic Auto” classifications for both Commercial and Private Passenger automobile business. These changes were approved and detailed in detailed in Bulletin No. 1114 and Commercial Lines Notice No. 142. Additionally, new classifications codes have been added to CAR’s Statistical Plans as detailed in Bulletin No. 1108.

M. Rule 29 Modifications related to Specialty and Classic Automobile

Bulletin 1116, distributed on February 10, 2021, details proposed modifications to Rule 29 that were filed with the Division of Insurance. The changes clarify the intention to apply the 0.33 factor to all specialty and classic car and motorcycle exposures counted in the Quota Share determination on April 1, 2021, regardless of policy effective date.

Bulletin 1117, distributed on March 15, 2021, provided Industry notification that the proposed Rule was deemed approved.

N. Commercial Residual Market Rate Filing Withdrawn – April 27, 2021

In light of Filing Guidance Notice 2021-A issued by the Division of Insurance on March 11, 2021, CAR has withdrawn its commercial rate filing applicable to commercial policies with effective dates of July 1, 2021. This withdrawal includes the Commercial Automobile Insurance Manual Rules and Rates, and the Commercial Experience Rating Plan, originally filed on January 12, 2021.

Please refer to Commercial Lines Notice No. 146 for additional information.

**OPERATIONAL REPORTS  
1ST QUARTER 2021**

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

O. Rule 29 Voluntary Credits

CAR ran the Rule 29 credit edit reports for effective date March 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 2019 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. 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 %
April 2020	900,812,758	887,531,268	-13,281,490	1.47%
May 2020	907,184,560	893,418,454	-13,766,106	1.52%
June 2020	919,180,430	904,970,834	-14,209,596	1.55%
July 2020	931,241,344	917,546,045	-13,395,299	1.47%
August 2020	938,852,853	924,595,775	-14,257,078	1.52%
Sept 2020	946,929,284	931,843,069	-15,086,215	1.59%
Oct 2020	949,968,358	934,666,747	-15,301,611	1.61 %
Nov 2020	951,581,426	936,115,688	-15,465,738	1.63 %
Dec 2020	955,915,728	939,750,307	-16,165,421	1.69 %
Jan 2021	958,147,692	942,815,188	-15,332,504	1.60%
Feb 2021	962,401,368	945,977,784	-16,423,584	1.71%
March 2021	971,383,545	954,168,192	-17,215,363	1.77%

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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.

Month	MAS Due Date	Statistical System Update	Quarter
January 2021	March 15, 2021	March 17, 2021	1st Quarter 2021
February 2021	April 15, 2021	April 16, 2021	
March 2021	May 17, 2021	May 18, 2021	
April 2021	June 15, 2021	June 16, 2021	2 <sup>nd</sup> Quarter 2021
May 2021	July 15, 2021	July 16, 2021	
June 2021	August 16, 2021	August 17, 2021	
July 2021	September 15, 2021	September 16, 2021	3 <sup>rd</sup> Quarter 2021
August 2021	October 15, 2021	October 16, 2021	
September 2021	November 15, 2021	November 16, 2021	
October 2021	December 15, 2021	December 16, 2021	4 <sup>th</sup> Quarter 2021
November 2021	January 18, 2022	January 19, 2022	
December 2021	February 15, 2022	February 16, 2022	

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 2021.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for June 2021 through November 2021 are shown following the 1st Quarter Write-Off exhibit.

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**IV. ACCOUNTING SYSTEM (continued)**

**B. Critical Error Write-Off (continued)**

1st Quarter 2021 – Loss Write-Off

Company	Feb 2021	March 2020	April 2021	Total
154				
245				
279				
717				
732				
734				
773				
<b>Total</b>				

1st Quarter 2021 – 10% Loss of Investment Fees

Company	Feb 2021	March 2021	April 2021	Total
154				
245				
279				
717				
734				
773				
<b>Total</b>				

Potential Loss Write-Off June 2021 through November 2021

Company	June 2021	July 2021	August 2021	September 2021	October 2021	November 2021	Grand Total
154							
279							
717							
732							
734							
773							
<b>Totals</b>							

**OPERATIONAL REPORTS  
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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  
2020 & 2021  
Policy Effective Years

Non-Critical Error - Penalties

**There have been no companies in penalty to list this quarter for policy effective years 2020 or 2021.**

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

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

2021 Effective Year Non-Critical Errors Over Tolerance – Potential Penalty

**2021 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	2019	0	0.00
154	2020	0	0.00
154	2021	36,225	0.22
279	2019	0	0.00
279	2020	0	0.00
279	2021	0	0.00
717	2019	0	0.00
717	2020	0	0.00
717	2021	0	0.00
732	2019	0	0.00
732	2020	0	0.00
732	2021	0	0.00
734	2019	0	0.00
734	2020	0	0.00
734	2021	0	0.00
773	2019	0	0.00
773	2020	0	0.00
773	2021	-5,024	-0.03
Total Ind.		31,201	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 2021 forecasting reports on June 2, 2021.

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**IV. ACCOUNTING SYSTEM (continued)**

**F. 2018 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 2018 premium reporting year closed on February 16, 2021. Accordingly, CAR will no longer accept cession activity for the 2018 policy effective year and all policies that contain an active cession with no positive premium will be subject to the cession/no premium write-off penalty. The annual Cession/No Premium Write-Off amounts are based on a policy count (excluding flat cancelled and cession/no premium policies) divided by the corresponding full premium (rather than deviated), at 15 months. Please reference the table below for the write-off penalty amounts for 2018 effective date policies and for historical information.

<b>Year</b>	<b>PP Penalty</b>	<b>Commercial Penalty</b>	<b>Taxi/Limo/CAR Service Penalty</b>
2019	N/A	\$9,500	\$9,000
2018	N/A	\$7,700	\$8,600
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

There were no policies eligible for a 2018 Cession/No Premium write-off penalty.

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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 2021	March 15, 2021	March 17, 2021	1st Quarter 2021
February 2021	April 15, 2021	April 16, 2021	
March 2021	May 17, 2021	May 18, 2021	
April 2021	June 15, 2021	June 16, 2021	2 <sup>nd</sup> Quarter 2021
May 2021	July 15, 2021	July 16, 2021	
June 2021	August 16, 2021	August 17, 2021	
July 2021	September 15, 2021	September 16, 2021	3 <sup>rd</sup> Quarter 2021
August 2021	October 15, 2021	October 16, 2021	
September 2021	November 15, 2021	November 16, 2021	
October 2021	December 15, 2021	December 16, 2021	4 <sup>th</sup> Quarter 2021
November 2021	January 18, 2022	January 19, 2022	
December 2021	February 15, 2022	February 16, 2022	

**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 2021	June 15, 2021	July 1, 2021	Approx. August 1, 2021
2nd 2021	September 15, 2021	October 1, 2021	Approx. November 1, 2021
3rd 2021	December 15, 2021	January 3, 2022	Approx. February 3, 2022
4th 2021	March 15, 2022	April 1, 2022	Approx. May 3, 2022

The Annual Statement collection of Page 14's for 4th Quarter 2020 was due on March 15, 2021. Penalties for late Page 14 amounted to \$20,000. Reconciliation 4th Quarter 2020 responses were due May 3, 2021 and penalties amounted to \$1,900. All penalties were included 1st Quarter 2021 Settlement of Balances. CAR is currently collecting 1st Quarter 2021 Annual Statement Statutory Page 14 data due at CAR on June 15, 2021. 1st Quarter 2021 Reconciliation is due to run on or about July 1, 2021.

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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 2020 EFF YEAR</b>	Liability	54,886	478	0.87%
	No Fault	50,273	193	0.38%
	Physical Damage	34,472	364	1.06%
	Total	139,631	1,035	0.74%
<b>COMM 2021 EFF YEAR</b>	Liability	11,150	51	0.46%
	No Fault	11,251	15	0.13%
	Physical Damage	8,509	87	1.02%
	Total	30,910	153	0.49%

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 2021 – December 2021. Previous Effective Year includes policies effective January 2020 – December 2020. 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 03/2021

<b>COMPANY NUMBER</b>	<b>RECORD COUNT</b>	<b>WASHOUT COUNT</b>	<b>WASHOUT PERCENT</b>
033	317,068	766,319	41.38
100	9,731	29,929	32.51
118	19,761	64,634	30.57
134	316	1,570	20.13
141	77,591	149,953	51.74
153	603,745	2,069,137	29.18
154	97,782	188,738	51.81
156	3,134	10,060	31.15
201	2,474	8,178	30.25
226	544	1,186	45.87
261	1,946	2,763	70.43
315	24	105	22.86
327	326	1,605	20.31
334	14	21	66.67
362	193,898	254,986	76.04
363	72	311	23.15
402	2,384	6,222	38.32
418	8,852	37,210	23.79
420	1,632	5,597	29.16
443	1,312	1,994	65.80
503	36	171	21.05
577	8,860	40,318	21.98
626	27,516	53,108	51.81
627	1,970	8,387	23.49
664	101,710	319,064	31.88
737	199,660	673,633	29.64
770	79,157	278,647	28.41
785	529,412	1,989,122	26.62
823	1,000,152	2,187,494	45.72
881	334	964	34.65

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

D. Deleted Washout Records (continued)

<b>COMPANY NUMBER</b>	<b>RECORD COUNT</b>	<b>WASHOUT COUNT</b>	<b>WASHOUT PERCENT</b>
902	32,008	61,268	52.24
910	7,938	17,686	44.88
958	494	2,090	23.64
963	2,304	7,578	30.40
996	274	507	54.04
<b>Total Industry</b>	<b>4,242,529</b>	<b>25,627,389</b>	<b>16.55%</b>

The 2020 washout total following the 03/2020 shipments was 14.99%

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 2020 period. Companies were to respond to any over tolerances by May 7, 2021. The total penalty assessment for the number of missing and incomplete responses amounted to \$5,250 assessed within 1Q 2021 – Settlement of Balances.

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

To assist Servicing Carriers in evaluating their assigned ERPs relative to CAR Rule 14, C – Production Criteria, CAR developed an application that provides commercial automobile written premium totals for each agency assigned to each Servicing Carrier. The written premiums reflected are the total of both ceded and voluntary commercial auto premiums for all reporting companies for each assigned agency. The data is updated monthly and reflects the most recent 12 months of reported data.

CAR is in the process of moving the CAR Accounting error and informational reports to the website along with the Reinsurance Audit reports. These reports currently reside on CAR's mainframe and are anticipated moving to the website by the end of summer 2021.

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, Statistical Policy Histories, 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.

<b>Project</b>	<b>Status</b>	<b>Description</b>
Enhance MAIP Policy Application	Complete	Enhance the MAIP Policy application to prefill certain operator fields with data from the Registry. Update the FTP feeds to include the new fields as well as feedback from Producers.
Annual Statement Reconciliation Rewrite	In progress	Modernization of the application to enhance usability and maintenance. Enhancements will be incorporated during the rewrite.
CAR Accounting System	Near completion	Create a web-based correction application to replace the mainframe-based CAR Accounting system. Phase I – Policy Histories has been completed and work on Phase II – Corrections is in progress.
Re-Write Company Mainframe Applications	Analysis	The rewrite of the CAR mainframe will effect the Rule 29, Statistical Policy History and Claims/Audit functions.