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- MEMORANDUM -

TO: All Recipients of the CAR Operational Reports
FROM: Lisa Traynham
DATE: September 8, 2014
RE: Operational Reports

The 2nd quarter 2014 Operational Reports follow this memorandum. This report includes data reported May 16, 2014 through August 15, 2014 for the accounting month period of January 2014 through June 2014. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

Section I – Accounting/Statistical Shipments:

There have been no Private Passenger or Commercial Statistical Plan recommendations since the last publication of the Operational Reports.

CAR assessed a total of \$8,600 in the Statistical Data Quality Penalty Program posted in the 2nd Quarter 2014 Settlement of Balances report.

Section II – Cession/MAIP Placement Record Reporting:

This section has been renamed and now includes a new report – MAIP Placement Record Reporting Analysis, which highlights valid and invalid activity related to MAIP Placement Record reporting.

OPERATIONAL REPORTS 2ND QUARTER 2014

Section III – Residual Market Information:

This section has been renamed and now includes various status reports related to residual market commercial and private passenger market share, participation ratios, and quota share.

CAR mailed the CA5010 - Flat Cancellation report on July 21, 2014 and the documentation is due back at CAR on October 1, 2014.

As of June 2014 the commercial residual market rate equaled 18.4%.

CAR posted the June 30, 2014 Quarterly Member Participation Reports to its website on September 5, 2014.

CAR ran the 2nd Quarter 2014 Rule 29 credit edit download reports on August 21, 2014.

Section IV – Accounting System Processing:

CAR produced 2nd Quarter 2014 Critical Error Loss Write-Offs and 10% Loss of Investment Fees totaling \$9,561 and \$593 respectively.

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2013 and 2014 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 September 4, 2014.

Section V - Statistical Agent Functions:

1st Quarter 2014 Statutory Page 14 data was due at CAR on June 16, 2014. Penalties for late Page 14 reporting resulted at \$5,400. Reconciliation Responses for 1st Quarter 2014 were run on July 1, 2014 and due back on August 1, 2014. Penalties for the late responses resulted at \$700. Company assessments were included in 2nd Quarter 2014, Settlement of Balances. 2nd Quarter 2014 Statutory Page 14 data is due at CAR on September 15, 2014. 2nd Quarter Reconciliation Reporting is anticipated to run October 1, 2014.

All companies that exceed the commercial rate edit tolerances are listed on page 22.

Section VI – Communications:

CAR completed the Commercial Rate Edit system updates for new rules, rates and the Experience Rating Plan, effective September 1, 2014 and subsequent. If you need access to the reports, please contact your company's security administrator to request access.

**OPERATIONAL REPORTS
2ND QUARTER 2014**

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 2014 as of the second quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

2014 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2014	March 17, 2014	1 st Quarter
February 2014	April 15, 2014	
March 2014	May 15, 2014	
April 2014	June 16, 2014	2 nd Quarter
May 2014	July 15, 2014	
June 2014	August 15, 2014	
July 2014	September 15, 2014	3 rd Quarter
August 2014	October 15, 2014	
September 2014	November 17, 2014	
October 2014	December 15, 2014	4 th Quarter
November 2014	January 15, 2015	
December 2014	February 16, 2015	

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 second quarter, 2014.

**OPERATIONAL REPORTS
2ND QUARTER 2014**

I. STATISTICAL SYSTEM (continued)

2014 Timeliness Report

<i>CO NO</i>	<i>Jan 3/17</i>	<i>Feb 4/15</i>	<i>Mar 5/15</i>	<i>Apr 6/16</i>	<i>May 7/15</i>	<i>Jun 8/15</i>	<i>July 9/15</i>	<i>Aug 10/15</i>	<i>Sep 11/17</i>	<i>Oct 12/15</i>	<i>Nov 1/15</i>	<i>Dec 2/16</i>
101			Com									
110			Com									
123			Com									
155	Com	Com	Com	Com	Com	Com						
179	Com											
206			Com			Com						
261	Com											
325	Com											
331			PP									
333	Com											
381		Com										
715	Com											
797			Com									
985				Com	Com							

**OPERATIONAL REPORTS
2ND QUARTER 2014**

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 2nd Quarter 2014, CAR assessed a total penalty amount of \$8,600. The table below shows the detail penalties for each company.

Penalty Assessments
2nd Quarter 2014

Co #	Company Name	Assessment	Assessment Amount
101	American Alternative Ins Co	Late MAS - 03/2014	\$ 500
109	Pennsylvania Lumbers Mutual	Late Page 14 Expl - 03/2014	\$ 100
110	KnightBrook Insurance Company	Late MAS - 03/2014	\$ 500
115	Indiana Lumbers Mutual Ins	Late Page 14 Expl - 03/2014	\$ 200
118	PURE Insurance Company	Late Page 14 - 03/2014	\$ 300
123	HDI-Gerling American Insurance	Late MAS - 03/2014	\$ 500
123	HDI-Gerling American Insurance	Late Page 14 Expl - 03/2014	\$ 100
138	Markel Insurance Company	Late Page 14 - 03/2014	\$ 100
155	Argonaut Insurance Company	Late MAS - 03/2014	\$ 500
155	Argonaut Insurance Company	Late MAS - 04/2014	\$ 500
155	Argonaut Insurance Company	Late MAS - 05/2014	\$ 500
206	Nationwide Agribusiness Ins Co	Late MAS - 03/2014	\$ 500
219	Safety National Casualty Corp	Late Page 14 Expl - 03/2014	\$ 200
230	Praetorian Insurance Company	Late MAS - 03/2014	\$ 500
266	Church Mutual Insurance Co	Stat Error > 5% - 03/2014	\$ 450
325	Employers Fire Insurance Co	Stat Error > 5% - 03/2014	\$ 150
326	Excelsior Insurance Company	Stat Error > 5% - 04/2014	\$ 150
443	NOVA Casualty Company	Stat Error > 5% - 03/2014	\$ 150
509	Sentry Select Insurance Company	Stat Error > 5% - 02/2014	\$ 150
626	National Continental Ins Co	Stat Error > 5% - 03/2014	\$ 150
633	The Netherlands Insurance Co	Stat Error > 5% - 03/2014	\$ 150
686	Occidental Fire & Casualty Co NC	Stat Error > 5% - 04/2014	\$ 150
711	Peerless Insurance Company	Stat Error > 5% - 04/2014	\$ 150
713	Stonewood National Insurance Co	Late Page 14 - 03/2014	\$ 200
714	CastlePoint National Ins Co	Late Page 14 - 03/2014	\$ 100
719	Pennsylvania Manufacture Assoc.	Stat Error > 5% - 04/2014	\$ 150
737	Progressive Casualty Ins Co	Stat Error > 5% - 03/2014	\$ 150
737	Progressive Casualty Ins Co	Stat Error > 5% - 04/2014	\$ 300

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2ND QUARTER 2014**

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
2nd Quarter 2014

Co #	Company Name	Assessment	Assessment Amount
748	QBE Insurance Company	Stat Error > 5% - 04/2014	\$ 150
797	Starr Indemnity & Liability Ins Co	Late MAS - 03/2014	\$ 500
845	Tower Insurance Company	Late Page 14 Expl - 03/2014	\$ 100
902	United Financial Casualty Co	Stat Error > 5% - 03/2014	\$ 150
951	Vanliner Insurance Company	Stat Error > 5% - 04/2014	\$ 150
		Total	\$ 8,600

**OPERATIONAL REPORTS
2ND QUARTER 2014**

I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
January 1, 2014	<p>To accommodate those companies that write miscellaneous rated as private passenger vehicles currently not specifically identified in the Private Passenger Statistical Plan, the Miscellaneous Rated as Private Passenger Classification Code table has been updated to include an All Other classification code (049900).</p> <p>The Classification Code Decision Table has been updated to include this classification. To assure consistency among the Miscellaneous Rated as Private Passenger classifications, table values have been updated as necessary.</p>	Approved by the Division of Insurance on November 21, 2012

**OPERATIONAL REPORTS
2ND QUARTER 2014**

II. CESSION/MAIP PLACEMENT RECORD REPORTING

A. Cession Submission

CAR accepts cession data via two different methods: on-line telecommunications and FTP transmission. Please contact your company's Data Analyst if you need assistance in gaining access to CAR's telecommunications system.

CAR accepts cession records and cession corrections on commercial business for policy years 2012-2014.

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 17, 2014.

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2ND QUARTER 2014**

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 mid-August 2014 monitoring policy years 2012, 2013 and 2014 for 2nd Quarter 2014.

One company exceeded the tolerance for the 3policy effective years with commercial reporting in the 2nd Quarter 2014 reports and has been notified to respond by the November 1, 2014 due date. A response is required and will be presented to the Operational Committee upon request.

Policy Year	Company
2012	245 – Charter Oak Fire Insurance
2013	245 – Charter Oak Fire Insurance
2014	245 – Charter Oak Fire Insurance

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.*)

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II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

Policy Year 2012
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	1,187	94	7.9 *	0.0	4,344	0
279	29	0	0.0	0.0	0	0
717	190	0	0.0	0.0	0	0
734	161	9	5.6 #	0.0	0	0
773	1	0	0.0	0.0	0	0
Totals	1,568	103	6.6%	N/A	4,344	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 2013
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	228	4	1.8	0.5	0	0
245	1,039	122	11.7 *	0.0	4,013	0
279	25	5	20.0 #	10.0	0	0
717	330	14	4.2	0.0	10,339	0
734	216	6	2.8	0.0	0	0
773	1	0	0.0	0.0	0	0
Totals	1,839	151	8.2%	N/A	14,352	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 2014
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	891	17	1.9	0.4	893	0
245	588	48	8.2 *	2.6	0	0
279	17	1	5.9 #	-4.1	0	0
717	181	7	3.9	0.8	0	0
734	195	4	2.1	-1.0	0	0
773	1	0	0	0.0	0	0
Totals	1,873	77	4.1%	N/A	893	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 ran the CA5010 on July 21, 2014 and the documentation is due back on October 1, 2014. Any outstanding issues from the results of this audit will be posted within next quarters Operational Reports.

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2ND QUARTER 2014**

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 07/2013 to 06/2014

Reflects MAIP Placement Record Reported Data as of August 19, 2014

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
45	13	0	0	0	7	12	250
153	63	33	1	1,195	89	23	7,368
192	0	0	0	0	0	0	140
202	1	0	0	0	0	0	221
262	0	2	0	4	0	3	465
279	0	4	16	742	2	24	34,428
308	0	0	0	0	0	0	413
312	0	0	0	0	0	0	1,504
331	3	0	0	0	1	13	1,620
354	6	0	8	2	3	68	5,828
363	0	0	0	0	2	0	542
422	0	0	0	0	0	0	230
514	0	0	0	0	0	1	0
531	4	2	0	0	1	3	1,300
585	0	0	1	0	1	1	877
612	1	1	0	4	0	2	2,820
664	7	0	0	0	1	0	1,356
686	0	0	0	5	0	0	0
723	0	3	0	6	0	10	7,755
731	0	1	0	64	0	0	43
773	3	3	3	230	0	2	10,413
826	0	0	0	0	0	0	1,042
908	6	2	1	0	10	3	5,409
959	0	0	0	0	0	0	311
988	0	29	0	54	0	0	2,974
Average	4	3	1	92	5	7	3,492

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III. RESIDUAL MARKET INFORMATION

A. Residual Market Volumes

The private passenger 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	Private Passenger Cession %	Commercial Cession %	Time Period
2008	2.9%	19.0%	Final Result
2009	2.3%	16.5%	Final Result
2010	N/A	15.1%	Final Result
2011	N/A	14.9%	Final Result
2012	N/A	15.6%	Final Result
2013	N/A	17.0%	Final Result
2014	N/A	18.4%	As of June 2014

Commercial Residual Market volume report is available on CAR's website (www.commauto.com). You can also view your company's residual market volume figures via CAR's telecommunications system. The On-line Telecommunications Manual provides the specific instructions for accessing the reports.

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

Policy Year 2014 Results as of June 2014

	2014 @ 3 Months	% Total		2013 @ Final	% Total
MAIP Assigned (CAR-ID 9)	41,062	1.7		91,791	2.1
MAIP Retained (CAR-ID 8)	2,337,930	98.2		4,296,588	97.6
Clean-In-Three (CAR-ID 1)	2,517	.1		11,717	.3
Total	2,381,509	100%		4,400,097	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 June, 2014, 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 June 2014 Quarterly Member Participation Reports to its website on September 5, 2014. 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 2nd Quarter 2014 estimated Participation Ratios using data reported through June 30, 2014 will be posted to CAR's website by September 30, 2014. The Final 2013 Participation Ratios have been calculated and individual company reports have been posted on CAR's website.

F. CAR Financial Results

The ultimate policy year deficit projections, as of June 2014, for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Commercial
2011	(-12,683)
2012	(-13,384)
2013	(-7,734)

This data can be found on CAR's website (www.commauto.com) in the Financial Reports area using the Deficit Projections link.

G. Quota Share

CAR posted the June 2014 Monthly Quota Share and Assignment Order Report to its website on August 27, 2014. The report has been updated to include statistical data for July 2013 to June 2014 effective month policies reported through August 15, 2014. 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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2ND QUARTER 2014**

III. RESIDUAL MARKET INFORMATION (continued)

H. Rule 29 Voluntary Credits

CAR ran the Rule 29 credit edit reports for March effective date data in late-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, 2012 accounting date.

Accounting Date	Reported Credit Premium	Adjusted Credit Premium	Rule 29 Credit Impact	Error Percentage
Jan. 2012	525,093,859	518,615,258	-6,478,601	1.23%
Feb. 2012	529,553,516	523,377,938	-6,175,578	1.15%
March 2012	534,145,941	528,008,161	-6,137,780	1.15%
April 2012	529,553,516	523,377,938	-6,175,578	1.17%
May 2012	534,145,941	528,008,161	-6,137,780	1.15%
June 2012	593,197,911	586,593,564	-6,604,347	1.11%
July 2012	610,959,933	604,308,413	-6,651,520	1.09%
August 2012	631,978,617	625,218,911	-6,759,706	1.07%
Sept. 2012	647,999,650	641,196,275	-6,803,375	1.05%
Oct. 2012	666,752,898	660,105,249	-6,647,649	1.00%
Nov. 2012	681,672,635	675,162,379	-6,510,256	0.96%
Dec. 2012	698,347,628	691,633,088	-6,714,540	0.96%
Jan. 2013	713,364,572	706,270,045	-7,094,527	0.99%
Feb. 2013	730,150,173	723,513,143	-6,637,030	0.91%
March 2013	755,912,036	749,110,258	-6,801,778	0.90%
April 2013	755,274,541	747,517,992	-7,756,549	1.03%
May 2013	758,867,695	751,168,605	-7,699,090	1.01%
June 2013	759,754,834	752,301,775	-7,453,059	0.98%
July 2013	745,930,026	738,517,637	-7,412,389	0.99%
August 2013	762,432,454	755,247,566	-7,184,888	0.94%
Sept. 2013	764,021,035	755,928,909	-8,092,126	1.06%
Oct. 2013	764,239,930	755,680,951	-8,558,979	1.12%
Nov. 2013	761,938,516	753,773,710	-8,164,806	1.07%
Dec. 2013	764,794,392	756,926,510	-7,867,882	1.03%
Jan. 2014	762,850,249	753,904,186	-8,946,063	1.17%
Feb. 2014	770,232,032	759,893,142	-10,338,890	1.34%
March 2014	774,436,209	763,628,574	-10,807,635	1.40%
April 2014	777,855,861	766,376,709	-11,479,152	1.48%
May 2014	779,564,062	767,341,619	-12,222,443	1.57%
June 2014	778,433,250	765,519,108	-12,914,142	1.33%

**OPERATIONAL REPORTS
2ND QUARTER 2014**

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	Accounting System Update	Quarter
January 2014	March 17, 2014	March 18, 2014	1st Quarter 2014
February 2014	April 15, 2014	April 16, 2014	
March 2014	May 15, 2014	May 16, 2014	
April 2014	June 16, 2014	June 17, 2014	2 nd Quarter 2014
May 2014	July 15, 2014	July 16, 2014	
June 2014	August 15, 2014	August 16, 2014	
July 2014	September 15, 2014	September 16, 2014	3 rd Quarter 2014
August 2014	October 15, 2014	October 16, 2014	
September 2014	November 17, 2014	November 18, 2014	
October 2014	December 15, 2014	December 16, 2014	4 th Quarter 2014
November 2014	January 15, 2015	January 16, 2015	
December 2014	February 16, 2015	February 17, 2015	

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 second quarter 2014.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for September 2014 through February 2015 are shown following the 2nd Quarter Write-Off exhibit.

**OPERATIONAL REPORTS
2ND QUARTER 2014**

IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Loss Write-Off – 2nd Quarter 2014

Company	May 2014	June 2014	July 2014	Total
312	0	0	1,497	1,497
331	6,382	1,682	0	8,064
Total	6,382	1,682	1,497	9,561

2nd Quarter 2014 – 10% Loss of Investment Fees

Company	May 2014	June 2014	July 2014	Total
312	0	0	150	150
331	279	164	0	443
Total	279	164	150	593

Potential Loss Write-Off September 2014 through February 2015

Company	September 2014	October 2014	November 2014	December 2014	January 2015	February 2015	Grand Total
154		200	2,031		0	0	2,231
209		0	15,837		0	0	15,837
245		0	0		0	1,470	1,470
331		-7,109	12,700		0	0	5,591
723		0	0		174	0	174
731		22,150	0		0	0	22,150
988		-192	0		0	0	-192
Totals		15,049	30,568		174	1,470	47,261

**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
2013 & 2014 Policy Effective Years

Non-Critical Error - Penalties

There have been no companies in penalty to list this quarter for policy effective years 2013 or 2014.

2013 Effective Year Non-Critical Errors Over Tolerance - Potential Penalty

2013 Effective Year Non-Critical Errors show no Potential Penalties to report

2014 Effective Year Non-Critical Errors Over Tolerance – Potential Penalty

2014 Effective Year Non-Critical Errors show no Potential Penalties to report

**OPERATIONAL REPORTS
2ND QUARTER 2014**

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	2012	0	0.00
154	2013	4,562	0.02
154	2014	67,888	0.49
245	2012	0	0.00
245	2013	0	0.00
245	2014	14,576	0.10
279	2012	0	0.00
279	2013	0	0.00
279	2014	0	0.00
717	2012	0	0.00
717	2013	0	0.00
717	2014	0	0.00
734	2012	0	0.00
734	2013	0	0.00
734	2014	0	0.00
735	2012	0	0.00
735	2013	0	0.00
735	2014	0	0.00
773	2012	0	0.00
773	2013	0	0.00
773	2014	0	0.00
Total Ind		87,026	0.03

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 2nd Quarter 2014 forecasting reports on or about September 4, 2014.

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IV. ACCOUNTING SYSTEM (continued)

F. 2012 Cession/No Premium Write-Off

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 amount for 2012 effective date policies and for historical information.

Year	PP Penalty	Commercial Penalty	Taxi/Limo/CAR Service Penalty
2012	N/A	\$4,600	\$7,700
2011	N/A	\$4,400	\$8,100
2010	N/A	\$4,500	\$7,300
2009	\$1,400	\$4,900	\$7,700
2008	\$1,400	\$5,300	\$7,600
2007	\$1,500	\$5,700	\$8,600
2006	\$1,500	\$6,300	\$10,100
2005	\$1,600	\$6,200	\$10,800
2004	\$1,600	\$6,200	\$11,100
2003	\$1,500	\$6,500	\$9,900
2002	\$1,400	\$6,300	\$9,600

G. \$60 Cession/No Premiums

Co. No.	Penalty Amount
245	\$60
Total	\$60

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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 2014	March 17, 2014	March 18, 2014	1st Quarter 2014
February 2014	April 15, 2014	April 16, 2014	
March 2014	May 15, 2014	May 16, 2014	
April 2014	June 16, 2014	June 17, 2014	2 nd Quarter 2014
May 2014	July 15, 2014	July 16, 2014	
June 2014	August 15, 2014	August 18, 2014	
July 2014	September 15, 2014	September 16, 2014	3 rd Quarter 2014
August 2014	October 15, 2014	October 16, 2014	
September 2014	November 17, 2014	November 18, 2014	
October 2014	December 15, 2014	December 16, 2014	4 th Quarter 2014
November 2014	January 15, 2015	January 16, 2015	
December 2014	February 16, 2015	February 17, 2015	

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 2014	June 16, 2014	July 1, 2014	Approx. August 1, 2014
2nd 2014	September 15, 2014	October 1, 2014	Approx. November 1, 2014
3rd 2014	December 15, 2014	January 2, 2015	Approx. February 2, 2015
4th 2014	March 16, 2015	April 1, 2015	Approx. May 1, 2015

The Annual Statement collection of Page 14's for 1st Quarter 2014 was due on June 16, 2014. Penalties for any late Page 14 amounted to \$5,400. Reconciliation 1st Quarter 2014 responses were due August 5, 2014. Penalties amounted to \$700. Page 14 and Reconciliation penalties were included 2nd Quarter 2014 - Settlement of Balances. CAR is currently collecting 2nd Quarter 2014 Annual Statement Statutory Page 14 data which is due at CAR on September 15, 2014. 2nd Quarter 2014 Reconciliation Reports are to run on or about October 1, 2014.

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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 2012 EFF YEAR	Liability	30,179	515	1.71%
	No Fault	26,787	181	0.68%
	Physical Damage	17,482	416	2.38%
	Total	74,448	1,112	1.49%
COMM 2013 EFF YEAR	Liability	76,360	899	1.18%
	No Fault	59,763	196	0.33%
	Physical Damage	49,664	542	1.09%
	Total	185,787	1,637	0.88%

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, CAR notifies the company via its website of the over tolerance status and the company then has six months to reduce its volume of rate edit errors. The table listed below lists those companies that are currently over tolerance and their corresponding due dates to avoid rate edit penalties.

Rate Edit - Over Tolerance Exhibit

There were no companies over the tolerance to report

*Only policy year 2013 is subject to Commercial Rate Edit penalties.

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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 6/2014

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
017	155	44	28.39
033	781,317	312,386	39.98
065	22,715	13,986	61.57
099	370	342	92.43
100	51,114	14,462	28.29
105	2,677	1,526	57.00
153	4,479,581	1,533,594	34.24
154	832,810	623,013	74.81
156	153,977	121,084	78.64
261	7,967	5,942	74.58
263	174	48	27.59
283	1,730	930	53.76
343	990,493	557,868	56.32
366	3,077	2,272	73.84
418	112,668	27,926	24.79
429	4,452,371	2,167,485	48.68
463	1,052	568	53.99
474	2,260	1,144	50.62
486	16,234	4,266	26.28
503	2,045	1,220	59.66
625	10	2	20.00
626	124,088	58,896	47.46
627	12,426	8,466	68.13
643	13,806	3,074	22.27
667	1,450	1,132	78.07
737	135,475	57,099	42.15
752	13,254	2,874	21.68
770	100,037	26,985	26.98
828	126,830	38,763	30.56
881	2,228	520	23.34

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V. STATISTICAL AGENT FUNCTION (continued)

D. Deleted Washout Records (continued):

Deleted Washout Totals
For All Shipments Received Through 6/2014

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
902	84,705	47,850	56.49
927	10,312	4,618	44.78
950	148	56	37.84
963	57,587	19,372	33.64
989	25,378	8,478	33.41

Total Industry	38,514,840	6,562,662	17.04%
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The 2013 washout total following the 6/2013 shipments was 12.68%.

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V. STATISTICAL AGENT FUNCTION (continued)

E. Distributional Analysis

Distributional Analysis reports are produced three times a year starting with the close of the June quarter. The program was developed to ensure the quality of rate making data is appropriated with quota share data. The next mailing of the Distributional Analysis Report is due to run mid-September and anticipated to be distributed in October 2014. Companies may contact the Compliance Audit Department for any correspondences.

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VI. COMMUNICATIONS

A. CAR's Website

CAR regularly updates its website when there are updates to existing reports, new accounting and statistical notices, or meeting announcements among many other things. Please reference the change board on the website for the latest updates.

CAR added functionality for Security Administrators to update the activity status, update the e-mail addresses, and process changes to a user's security profile. If you need access to the reports, please contact your company's security administrator to request access.

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 and producer code information.

CAR implemented changes to its MAIP Placement Record system to allow certain corrections on existing MAIP Placement record such as policy number and producer code.

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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
Implement POLK/ Vintelligence	In Progress	Update Statistical and MAIP Policy Application Systems to utilize new POLK software for VIN Data
Rewrite Company Mainframe Applications	In Progress	Rewrite current "green screen" applications using "gui" software so that they can be accessed from the website. The first system currently in development is the MAIP Placement Record reporting and correction system. Many mainframe reports have been rewritten and moved into production. Testing of "add" and "correction" functions are currently in progress.
Cash Flow System Rewrite	Complete	Rewrite the current Cash Flow System, including the Settlement of Balances reports to a more current software package so that it is compatible with Windows "7".
Commercial Rate Filing	Complete	Update the system for new rules, rates and Experience Rating Plan, effective September 1, 2014 and subsequent.