



NATALIE A. HUBLEY  
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

225 Franklin Street Boston, Massachusetts 02110

www.commauto.com

617-338-4000

- M E M O R A N D U M -

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: August 28, 2015

RE: Operational Reports

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The 2<sup>nd</sup> quarter 2015 Operational Reports follow this memorandum. This report includes data reported May 18, 2015 through August 17, 2015 for the accounting month period of April 2015 through June 2015. 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 \$96,250 in the Statistical Data Quality Penalty Program posted in the 2<sup>nd</sup> Quarter 2015 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 2015**

### **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 August 27, 2015 and the documentation is due back at CAR on November 2, 2015.

As of June 2015 the commercial residual market rate equaled 20.5%.

CAR will post the June 30, 2015 Quarterly Member Participation Reports to its website on September 4, 2015.

CAR ran the 2<sup>nd</sup> Quarter 2015 Rule 29 credit edit download reports on August 21, 2015.

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

CAR produced 2<sup>nd</sup> Quarter 2015 Critical Error Loss Write-Offs and 10% Loss of Investment Fees totaling \$16,454 and \$1,674 respectively.

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2014 and 2015 policy effective years following the monthly accounting shipments due the 15<sup>th</sup> of every month for all companies remaining over the tolerance level of 1% and 10 policies in error.

The Penalty Forecasting exhibits will be available on CAR's website approximately September 4, 2015.

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

1<sup>st</sup> Quarter 2015 Statutory Page 14 data was due at CAR on June 16, 2015. Penalties for late Page 14 reporting resulted at \$16,600. Reconciliation Responses for 1<sup>st</sup> Quarter 2015 were run on July 1, 2015 and due back on July 31, 2015. Penalties for the late responses resulted at \$200. Company assessments were included in 2<sup>nd</sup> Quarter 2015, Settlement of Balances. 2<sup>nd</sup> Quarter 2015 Statutory Page 14 data is due at CAR on September 15, 2015. 2<sup>nd</sup> Quarter Reconciliation Reporting is anticipated to run October 1, 2015.

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

### **Section VI – Communications:**

This section includes information regarding changes to the MAIP Placement Record Reporting system and the addition of a new Rule 29 error report. Please notify your company's designated Security Administrator for access to these reports.

**OPERATIONAL REPORTS  
2ND QUARTER 2015**

**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 2015 as of the second quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

<b>2015 CALL SCHEDULE</b>		
<b>Submission</b>	<b>Due Date</b>	<b>Quarter</b>
January 2015	March 15, 2015	1 <sup>st</sup> Quarter
February 2015	April 15, 2015	
March 2015	May 15, 2015	
April 2015	June 15, 2015	2 <sup>nd</sup> Quarter
May 2015	July 15, 2015	
June 2015	August 17, 2015	
July 2015	September 15, 2015	3 <sup>rd</sup> Quarter
August 2015	October 15, 2015	
September 2015	November 16, 2015	
October 2015	December 15, 2015	4 <sup>th</sup> Quarter
November 2015	January 15, 2016	
December 2015	February 16, 2016	

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, 2015.

**OPERATIONAL REPORTS  
2ND QUARTER 2015**

**I. STATISTICAL SYSTEM (continued)**

2015 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 11/16</i>	<i>Oct 12/15</i>	<i>Nov 1/15</i>	<i>Dec 2/16</i>
110		COM	COM			COM						
123	COM	COM	COM			COM						
155	COM	COM	COM	COM	COM	COM						
179						COM						
201		PP										
206			COM			COM						
219						COM						
230	COM		COM									
325			COM			COM						
331	PP	PP	PP	PP	PP	PP						
333			COM									
362	COM	BOTH										
366						COM						

**OPERATIONAL REPORTS  
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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 2<sup>nd</sup> Quarter 2015, CAR assessed a total penalty amount of \$96,250. The table below shows the detail penalties for each company.

Penalty Assessments  
2nd Quarter 2015

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
044	Great American Alliance Ins Co	Rescind Stat Err >5%- 01/2015	\$ (150)
110	KnightBrook Insurance Company	Late MAS - 03/2015	\$ 1,250
110	KnightBrook Insurance Company	Stat Error > 5% - 04/2015	\$ 150
110	KnightBrook Insurance Company	Late Page 14 Expln - 03/2015	\$ 200
115	Indiana Lumbermens Mutual	Late Page 14 - 03/2015	\$ 100
120	Crestbrook Insurance Company	Late Page 14 - 09/2014	\$ 4,800
123	HDI-Gerling American Ins Co	Stat Error > 5% - 01/2015	\$ 750
123	HDI-Gerling American Ins Co	Stat Error > 5% - 03/2015	\$ 300
123	HDI-Gerling American Ins Co	Stat Error > 5% - 04/2015	\$ 150
123	HDI-Gerling American Ins Co	Late MAS - 03/2015	\$ 500
123	HDI-Gerling American Ins Co	Late MAS - 06/2015	\$ 500
127	Great American Ins. Co of NY	Rescind Stat Err >5%- 01/2015	\$ (150)
155	Argonaut Insurance Company	Stat Error > 5% - 01/2015	\$ 3,000
155	Argonaut Insurance Company	Stat Error > 5% - 03/2015	\$ 750
155	Argonaut Insurance Company	Stat Error > 5% - 04/2015	\$ 600
155	Argonaut Insurance Company	Late MAS - 03/2015	\$ 500
155	Argonaut Insurance Company	Late MAS - 04/2015	\$ 500
155	Argonaut Insurance Company	Late MAS - 05/2015	\$ 500
155	Argonaut Insurance Company	Late MAS - 06/2015	\$ 500
156	Arbella Indemnity Insurance Co	Stat Error > 5% - 03/2015	\$ 150
162	Imperium Insurance Company	Late Page 14 - 03/2015	\$ 1,200
179	Atlantic Specialty Insurance Co	Late MAS - 06/2015	\$ 500
206	Nationwide Agribusiness Ins Co	Stat Error > 5% - 12/2014	\$ 600
206	Nationwide Agribusiness Ins Co	Late MAS - 03/2015	\$ 1,000
219	Safety National Casualty Corp	Late MAS - 06/2015	\$ 500
230	Praetorian Insurance Company	Late MAS - 03/2015	\$ 500
230	Praetorian Insurance Company	Late MAS - 06/2015	\$ 500
237	All America Insurance Company	Late Page 14 - 03/2015	\$ 200
238	Central Mutual Insurance Co	Stat Error > 5% - 03/2015	\$ 300

**OPERATIONAL REPORTS  
2ND QUARTER 2015**

**I. STATISTICAL SYSTEM (continued)**

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

Penalty Assessments  
2nd Quarter 2015

<b>Co #</b>	<b>Company Name</b>	<b>Assessment</b>	<b>Assessment Amount</b>
238	Central Mutual Insurance Co	Stat Error > 5% - 04/2015	\$ 150
303	Cumis Insurance Society, Inc.	Late Page 14 - 03/2015	\$ 100
313	Essentia Insurance Company	Stat Error > 5% - 04/2015	\$ 150
325	Employer's Fire Insurance Co	Stat Error > 5% - 03/2015	\$ 150
325	Employer's Fire Insurance Co	Late MAS - 06/2015	\$ 500
331	Massachusetts Homeland Ins Co	Final - Late MAS - 05/2014	\$ 6,000
331	Massachusetts Homeland Ins Co	Final - Late MAS - 06/2014	\$ 6,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 07/2014	\$ 9,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 08/2014	\$ 9,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 09/2014	\$ 9,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 10/2014	\$ 9,000
238	Central Mutual Insurance Co	Stat Error > 5% - 04/2015	\$ 150
303	Cumis Insurance Society, Inc.	Late Page 14 - 03/2015	\$ 100
313	Essentia Insurance Company	Stat Error > 5% - 04/2015	\$ 150
325	Employer's Fire Insurance Co	Stat Error > 5% - 03/2015	\$ 150
325	Employer's Fire Insurance Co	Late MAS - 06/2015	\$ 500
331	Massachusetts Homeland Ins Co	Final - Late MAS - 05/2014	\$ 6,000
331	Massachusetts Homeland Ins Co	Final - Late MAS - 06/2014	\$ 6,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 11/2014	\$ 9,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 12/2014	\$ 9,000
366	Arch Insurance Company	Stat Error > 5% - 03/2015	\$ 600
397	Allmerica Benefit Insurance Co	Stat Error > 5% - 05/2015	\$ 150
441	Great West Casualty Company	Rescind Late Page 14-12/2014	\$ (400)
455	Hanover Insurance Company	Stat Error > 5% - 05/2015	\$ 150
465	Harco National Insurance Co	Stat Error > 5% - 03/2015	\$ 300
465	Harco National Insurance Co	Late Page 14 - 03/2015	\$ 100
626	National Continental Ins Co	Stat Error > 5% - 02/2015	\$ 300
626	National Continental Ins Co	Stat Error > 5% - 03/2015	\$ 900
626	National Continental Ins Co	Stat Error > 5% - 04/2015	\$ 750
686	Occidental Insurance Company	Late Page 14 - 03/2015	\$ 100
737	Progressive Casualty Ins Co	Stat Error > 5% - 11/2014	\$ 300
737	Progressive Casualty Ins Co	Stat Error > 5% - 12/2014	\$ 300
737	Progressive Casualty Ins Co	Stat Error > 5% - 01/2015	\$ 150
737	Progressive Casualty Ins Co	Stat Error > 5% - 02/2015	\$ 300
737	Progressive Casualty Ins Co	Stat Error > 5% - 03/2015	\$ 750
737	Progressive Casualty Ins Co	Stat Error > 5% - 04/2015	\$ 750

**OPERATIONAL REPORTS  
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**I. STATISTICAL SYSTEM (continued)**

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments  
2nd Quarter 2015

<b>Co #</b>	<b>Company Name</b>	<b>Assessment</b>	<b>Assessment Amount</b>
748	QBE Insurance Company	Stat Error > 5% - 03/2015	\$ 150
785	Progressive Direct Insurance Co	Stat Error > 5% - 08/2014	\$ 150
785	Progressive Direct Insurance Co	Stat Error > 5% - 11/2014	\$ 150
785	Progressive Direct Insurance Co	Stat Error > 5% - 12/2014	\$ 300
785	Progressive Direct Insurance Co	Stat Error > 5% - 01/2015	\$ 150
785	Progressive Direct Insurance Co	Stat Error > 5% - 02/2015	\$ 150
785	Progressive Direct Insurance Co	Stat Error > 5% - 03/2015	\$ 300
785	Progressive Direct Insurance Co	Stat Error > 5% - 04/2015	\$ 150
828	State Farm Mutual Automobile Ins	Late Page 14 - 03/2015	\$ 100
842	Transguard Ins Co of America	Late Page 14 - 03/2015	\$ 100
902	United Financial Casualty Co	Stat Error > 5% - 02/2015	\$ 450
902	United Financial Casualty Co	Stat Error > 5% - 03/2015	\$ 600
902	United Financial Casualty Co	Stat Error > 5% - 04/2015	\$ 600
940	USAA General Indemnity Co	Stat Error > 5% - 03/2015	\$ 150
		Total	<b>\$ 96,250</b>

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2ND QUARTER 2015**

**I. STATISTICAL SYSTEM (continued)**

Massachusetts Private Passenger Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
July 1, 2015	<p>Based upon ZIP Code changes implemented by the United States Postal Service, the Division of Insurance has promulgated modifications to the ZIP Codes that define the Territorial Statistical Code assignments for the City of Boston.</p> <p>For policies effective July 1, 2015 and subsequent, the following modifications have been made to the city of Boston table contained in Appendix B – Territory Codes:</p> <ul style="list-style-type: none"> <li>• ZIP Code 02222 has been added</li> <li>• Obsolete ZIP Codes (02101-02107, 02202) and those associated exclusively with P.O. Boxes and commercial businesses (02112, 02117, 02123, 02137, 02201, 02241) have been deleted.</li> </ul>	<p>Approved by the Division of Insurance on November 7, 2014</p>

**OPERATIONAL REPORTS  
2ND QUARTER 2015**

**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 2013-2015.

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 June 12, 2015.

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2ND QUARTER 2015**

**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 2015 monitoring policy years 2013, 2014 and 2015 for 2nd Quarter 2015.

**One company exceeded the tolerance for the 3 policy effective years with commercial reporting in the 2nd Quarter 2015 reports and has been notified to respond by the November 1, 2015 due date.** A response is required and will be presented to the Operational Committee upon request.

<b>Policy Year</b>	<b>Company</b>
<b>2013</b>	<b>245 – Charter Oak Fire Insurance</b>
<b>2014</b>	<b>245 – Charter Oak Fire Insurance</b>
<b>2015</b>	<b>245 – Charter Oak Fire Insurance</b>

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.*)

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

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	0.0	0	0
245	1,040	123	11.8	*	4,013	0
279	25	5	20.0	#	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	1,840	152	8.3%	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*).

Policy Year 2014  
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	1,344	22	1.6	-0.1	330	0
245	1,019	101	9.9	*	12,711	0
279	26	2	7.7	#	0	0
717	302	15	5.0	#	0	0
734	336	9	2.7	0.0	0	0
773	1	0	0	0.0	0	0
Totals	3,028	149	4.9%	N/A	13,041	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*).

**OPERATIONAL REPORTS  
2ND QUARTER 2015**

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

Policy Year 2015  
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	1,676	7	0.4	0.4	0	0
245	718	63	8.8 *	0.2	0	0
279	7	0	0.0	0.0	0	0
717	169	13	7.7 #	1.3	0	0
734	179	1	0.6	0.6	0	0
Totals	2,749	84	3.1%	N/A	0	0

\* indicates that more than 5% of the total new business cessions for the company are backdated.

# indicates more than 5% are backdated but fall within the tolerance level. (*The tolerance level is 5% and 25 policies in error*).

**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 August 27, 2015 and the documentation is due back on November 2, 2015. Any outstanding issues from the results of this audit will be posted within next quarters Operational Reports.

**OPERATIONAL REPORTS  
2ND QUARTER 2015**

**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 07/2014 to 06/2015

Reflects MAIP Placement Record Reported Data as of August 19, 2015

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	1	9	0	3	17	12	185
153	31	2	5	56	3	4	5,486
192	0	0	0	0	0	1	88
202	0	0	0	0	0	0	163
262	0	0	3	0	0	0	112
279	28	1	605	43	11	3	27,142
308	0	0	0	0	0	0	338
312	0	0	3	0	0	0	1,185
331	0	0	4	0	0	6	726
354	0	6	17	0	2	59	4,750
363	0	0	1	0	0	4	426
422	0	1	0	0	0	1	213
531	2	0	0	0	1	2	1,030
585	0	0	1	0	0	1	77
612	5	0	8	12	0	4	2,038
664	9	6	0	0	1	2	1,166
686	0	0	0	9	0	0	0
723	0	3	32	1	1	4	3,031
724	4	5	0	0	0	9	2,429
731	0	1	0	108	0	0	17
773	12	0	177	191	4	1	10,011
826	0	0	5	40	2	0	526
827	2	0	0	0	0	0	79
908	9	3	1	0	0	8	4,319
959	0	0	0	0	0	0	212
988	0	3	1	20	1	1	1,566
Average	4	2	33	19	2	5	2589

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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.

<b>Effective Year</b>	<b>MAIP Residual Market %</b>	<b>Commercial Cession %</b>	<b>Time Period</b>
2009	2.8%	19.0%	Final Result
2010	2.6%	15.1%	Final Result
2011	2.7%	14.9%	Final Result
2012	2.6%	15.6%	Final Result
2013	2.1%	17.0%	Final Result
2014	1.5%	18.7%	Final Result
2015	1.4%	20.5%	As of June 2015

Commercial Residual Market volume report is available on CAR’s website ([www.commauto.com](http://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 2015 Results as of June 2015

	<b>2015 @ 6 Months</b>	<b>% Total</b>	<b>2014 @ 12 Months</b>	<b>% Total</b>
MAIP Assigned (CAR-ID 9)	32,833	1.4	68,011	1.5
MAIP Retained (CAR-ID 8)	2,363,772	98.6	4,382,753	98.4
Clean-In-Three (CAR-ID 1)	741	0.0	3,115	.1
<b>Total</b>	<b>2,397,346</b>	<b>100.0%</b>	<b>4,453,879</b>	<b>100.0%</b>

C. Private Passenger MAIP Premium and Loss Reports

Private Passenger Premium and Loss reports have been updated through June, 2015, 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.

**OPERATIONAL REPORTS  
2ND QUARTER 2015**

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

D. Production of Quarterly Participation Reports

CAR will post the June 2015 Quarterly Member Participation Reports to its website on September 4, 2015. 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 2<sup>nd</sup> Quarter 2015 estimated Participation Ratios using data reported through June 30, 2015 will be posted to CAR's website by September 30, 2015. The Final 2014 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 March 2015, for the latest three policy years are as follows:

(Numbers are in \$000s)

<b>Policy Year</b>	<b>Commercial</b>
2012	(10,816)
2013	(6,470)
2014	(10,352)

The updated results through June, 2015 will be available by September 3, 2015. This data can be found on CAR's website ([www.commauto.com](http://www.commauto.com)) in the Financial Reports area using the Deficit Projections link.

G. Quota Share

CAR posted the June 2015 Monthly Quota Share and Assignment Order Report to its website on August 27, 2015. The report has been updated to include statistical data for July 2014 to June 2015 effective month policies reported through August 17, 2015. 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  
2ND QUARTER 2015**

**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-August. 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, 2013 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. 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%
July 2014	776,941,089	764,191,532	-12,749,557	1.64%
August 2014	774,744,020	761,990,528	-12,753,492	1.65%
Sept. 2014	773,277,842	760,560,650	-12,717,192	1.64%
Oct. 2014	773,410,338	761,196,403	-12,213,935	1.58%
Nov. 2014	770,674,623	758,422,022	-12,252,601	1.59%
Dec. 2014	770,402,779	758,123,233	-12,279,546	1.59%
Jan. 2015	768,041,708	755,845,777	-12,195,931	1.59%
Feb. 2015	765,672,469	754,083,462	-11,589,007	1.51%
March 2015	766,612,449	756,026,775	-10,585,674	1.38%
April 2015	762,014,995	752,276,699	-9,738,296	1.28%
May 2015	757,581,312	748,573,230	-9,008,085	1.19%
June 2015	751,935,195	743,642,422	-8,292,773	1.10%

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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>Accounting System Update</b>	<b>Quarter</b>
January 2015	March 16, 2015	March 17, 2015	1st Quarter 2015
February 2015	April 15, 2015	April 16, 2015	
March 2015	May 15, 2015	May 16, 2015	
April 2015	June 15, 2015	June 16, 2015	2 <sup>nd</sup> Quarter 2015
May 2015	July 15, 2015	July 16, 2015	
June 2015	August 17, 2015	August 18, 2015	
July 2015	September 15, 2015	September 16, 2015	3 <sup>rd</sup> Quarter 2015
August 2015	October 15, 2015	October 16, 2015	
September 2015	November 16, 2015	November 17, 2015	
October 2015	December 15, 2015	December 16, 2015	4 <sup>th</sup> Quarter 2015
November 2015	January 15, 2016	January 16, 2016	
December 2015	February 15, 2016	February 16, 2016	

**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 2015.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for September 2015 through February 2016 are shown following the 2<sup>nd</sup> Quarter Write-Off exhibit.

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**IV. ACCOUNTING SYSTEM (continued)**

B. Critical Error Write-Off (continued)

Loss Write-Off – 2nd Quarter 2015

Company	May 2015	June 2015	July 2015	Total
153	-9,182	0		-9,182
154	0	0		0
331	-5,847	-1,425		-7,272
<b>Total</b>	<b>-15,029</b>	<b>-1,425</b>		<b>-16,454</b>

2nd Quarter 2015 – 10% Loss of Investment Fees

Company	May 2015	June 2015	July 2015	Total
153	-918	0		-918
154	-28	0		-28
331	-585	-143		-728
<b>Total</b>	<b>-1,531</b>	<b>-143</b>		<b>-1,674</b>

Potential Loss Write-Off September 2015 through February 2016

Company	September 2015	October 2015	November 2015	December 2015	January 2016	February 2016	Grand Total
245			0	-1,020		0	-1,020
331			-12,700	0		0	-12,700
723			0	0		741	741
<b>Totals</b>			<b>-12,700</b>	<b>-1,020</b>		<b>741</b>	<b>-12,979</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  
2014 & 2015 Policy Effective Years

Non-Critical Error - Penalties

**There have been no companies in penalty to list this quarter for policy effective years 2014 or 2015.**

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

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

2015 Effective Year Non-Critical Errors Over Tolerance – Potential Penalty

**2015 Effective Year Non-Critical Errors show no Potential Penalties to report**

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**IV. ACCOUNTING SYSTEM (continued)**

D. Ceded Premium In Error – Limited Commercial Servicing Carriers

The exhibit below shows a summary of ceded premium in critical error. Companies can view their critical error policies via CAR's telecommunications system within the accounting corrections application. CAR is providing this information as a way for Limited Commercial Servicing Carriers to monitor both their ceded premium and ceded loss reporting to correct any errors prior to a write-off or close of a policy effective reporting year.

Company	Policy Effective Year	Critical Premium Dollars	Error Percent
154	2013	0	0.00
154	2014	0	0.00
154	2015	5,492	0.03
245	2013	0	0.00
245	2014	154,233	0.49
245	2015	40,736	0.23
279	2013	0	0.00
279	2014	0	0.00
279	2015	0	0.00
717	2013	0	0.00
717	2014	0	0.00
717	2015	0	0.00
734	2013	0	0.00
734	2014	0	0.00
734	2015	0	0.00
773	2013	0	0.00
773	2014	0	0.00
773	2015	19,251	0.10
Total Ind		219,712	0.07

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 will post the 2nd Quarter 2015 forecasting reports on or about September 4, 2015.

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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.

<b>Year</b>	<b>PP Penalty</b>	<b>Commercial Penalty</b>	<b>Taxi/Limo/CAR Service Penalty</b>
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

**G. \$60 Cession/No Premiums**

<b>Co. No.</b>	<b>Penalty Amount</b>
245	\$60
<b>Total</b>	<b>\$60</b>

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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 2015	March 16, 2015	March 17, 2015	1st Quarter 2015
February 2015	April 15, 2015	April 16, 2015	
March 2015	May 15, 2015	May 18, 2015	
April 2015	June 15, 2015	June 16, 2015	2 <sup>nd</sup> Quarter 2015
May 2015	July 15, 2015	July 16, 2015	
June 2015	August 17, 2015	August 18, 2015	
July 2015	September 15, 2015	September 16, 2015	3 <sup>rd</sup> Quarter 2015
August 2015	October 15, 2015	October 16, 2015	
September 2015	November 16, 2015	November 17, 2015	
October 2015	December 15, 2015	December 16, 2015	4 <sup>th</sup> Quarter 2015
November 2015	January 15, 2016	January 18, 2016	
December 2015	February 15, 2016	February 16, 2016	

**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 2015	June 15, 2015	July 1, 2015	Approx. August 3, 2015
2nd 2015	September 15, 2015	October 1, 2015	Approx. November 2, 2015
3rd 2015	December 15, 2015	January 4, 2016	Approx. February 4, 2016
4th 2015	March 15, 2016	April 1, 2016	Approx. May 2, 2016

The Annual Statement collection of Page 14's for 1st Quarter 2015 was due on June 15, 2015. Penalties for any late Page 14 amounted to \$16,600. Reconciliation 1st Quarter 2015 responses were due July 31, 2015 and penalties amounted to \$200 all were included 2nd Quarter 2015 - Settlement of Balances. CAR is currently collecting 2nd Quarter 2015 Annual Statement Statutory Page 14 data which is due at CAR on September 15, 2015. 2nd Quarter 2015 Reconciliation Reports are to run on or about October 1, 2015.

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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 2013 EFF YEAR</b>	Liability	56,583	900	1.59%
	No Fault	46,322	172	0.37%
	Physical Damage	35,840	412	1.15%
	Total	138,745	1,484	1.07%
<b>COMM 2014 EFF YEAR</b>	Liability	51,311	608	1.18%
	No Fault	39,345	126	0.32%
	Physical Damage	35,037	402	1.15%
	Total	125,693	1,136	0.90%

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 then has six months to reduce its volume of rate edit 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 no longer apply to Rate Year 2013. Commercial Rate Edit penalties now apply to Rate Year 2014 only. Rate Year 2014 includes policies effective September 2014 – December 2015. Rate Year 2013 includes policies effective April 2013 – August 2014. 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 6/2015

<b>COMPANY NUMBER</b>	<b>RECORD COUNT</b>	<b>WASHOUT COUNT</b>	<b>WASHOUT PERCENT</b>
033	1,242,526	544,656	43.83
099	158	150	94.94
100	41,931	11,018	26.28
105	1,596	438	27.44
153	4,657,498	1,567,937	33.66
154	689,122	501,362	72.75
156	114,792	91,098	79.36
256	205	60	29.27
261	5,127	3,442	67.13
283	1,311	666	50.80
362	121,307	64,102	52.84
366	1,787	1,324	74.09
418	117,340	29,385	25.04
443	3,953	1,276	32.28
463	2,119	922	43.51
474	193	124	64.25
486	18,558	7,173	38.65
503	724	300	41.44
625	6	2	33.33
626	111,940	54,022	48.26
627	15,760	10,356	65.71
630	4,535	1,300	28.67
667	1,127	428	37.98
737	228,133	76,373	33.48
770	358,324	86,940	24.26
823	9,876	2,920	29.57
902	75,958	40,060	52.74
927	12,150	5,610	46.17
950	1,030	670	65.05
958	5,954	1,292	21.70
963	59,298	23,048	38.87
989	22,701	6,208	27.35

<b>Total Industry</b>	<b>36,969,197</b>	<b>4,259,140</b>	<b>11.02%</b>
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The 2014 washout total following the 6/2014 shipments was 17.04%.

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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 Distributional Analysis reports are currently on hold as CAR will be updating the system to be more current and relevant.

**OPERATIONAL REPORTS  
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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 moved the entire MAIP Placement Record system to the MAIP section of its website. This enables users to stay on one platform when adding, correcting, verifying, and monitoring its MPR reporting instead of crossing platforms between the website and CAR's mainframe. If you need access to the reports, please contact your company's security administrator to request access.

CAR also added a new monitoring program to its Rule 29 reports. In addition to monitoring the classification code of inexperienced operators between the statistically reported record and the MRB inquiry record, CAR is now monitoring the merit rating status of inexperienced operators. This new report can be found under the Rule 29 reports of CAR's website.

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 removed all functionality of the MAIP Placement Record system and moved it to the MAIP sections of CAR's 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>
Rewrite Company Mainframe Applications	In progress	Analysis is currently underway for the re-write of the on-line Statistical correction system. It is anticipated that this project will extend well into 2016.
Rewrite Distributional Edits	In progress	The Distribution Edit System is being rewritten to focus on Key data elements used for quota share and ratemaking. Paper reports will be replaced by online reports, including a new summary report identifying potential reporting problems.
Statistical System Update	Complete	Update the statistical system for zip code changes promulgated by the Division of Insurance.
Merit Rating Verification Program	Complete	The Operations Committee will be provided with a status report and possible options for consideration at its meeting in early September.