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- MEMORANDUM -

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: September 23, 2016

RE: Operational Reports

The 2nd quarter 2016 Operational Reports follow this memorandum. This report includes data reported May 17, 2016 through August 15, 2016 for the accounting month period of April 2016 through June 2016. 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 Statistical Plan recommendations since the last publication of the Operational Reports.

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

CAR assessed a total of \$120,700 in the Statistical Data Quality Penalty Program posted in the 2nd Quarter 2016 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.

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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 has recently updated the CA5010 - Flat Cancellation report and the report was sent on August 3, 2016 using CAR's new online system. The documentation can now be uploaded into CAR by October 1, 2016.

As of June 2016 the commercial residual market rate equaled 21.5%.

CAR will post the June 30, 2016 Quarterly Member Participation Reports to its website on September 30, 2016.

CAR ran the 2nd Quarter 2016 Rule 29 credit edit download reports on August 21, 2016.

Section IV – Accounting System Processing:

CAR produced 2nd Quarter 2016 Critical Error Loss Write-Offs and 10% Loss of Investment Fees totaling \$13,667 and \$1,682 respectively.

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2015 and 2016 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 were made available on CAR's website on September 13, 2016.

Section V - Statistical Agent Functions:

1st Quarter 2016 Statutory Page 14 data was due at CAR on June 16, 2016. Penalties for late Page 14 reporting resulted at \$21,500. Reconciliation Responses for 1st Quarter 2016 were run on July 1, 2016 and due back on August 1, 2016. Penalties for the late responses resulted at \$400. Company assessments were included in 2nd Quarter 2016, Settlement of Balances. 2nd Quarter 2016 Statutory Page 14 data was due at CAR on September 15, 2016. 2nd Quarter Reconciliation Reporting is anticipated to run October 3, 2016.

All companies that exceed the commercial rate edit tolerances are listed on page 24.

Section VI – Communications:

CAR recently updated the website for those using the Stat Data Entry feature. The application was moved from the "Data Transfer" area to its own Data Entry Report selection on the Reports page of the website. Users can now access the section once logged on using their user id account access. Contact your company's data analyst if you require access.

**OPERATIONAL REPORTS
2ND QUARTER 2016**

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 2016 as of the second quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

2016 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2016	March 15, 2016	1 st Quarter
February 2016	April 15, 2016	
March 2016	May 16, 2016	
April 2016	June 15, 2016	2 nd Quarter
May 2016	July 15, 2016	
June 2016	August 15, 2016	
July 2016	September 15, 2016	3 rd Quarter
August 2016	October 17, 2016	
September 2016	November 15, 2016	
October 2016	December 15, 2016	4 th Quarter
November 2016	January 16, 2017	
December 2016	February 15, 2017	

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, 2016.

**OPERATIONAL REPORTS
2ND QUARTER 2016**

I. STATISTICAL SYSTEM (continued)

2016 Timeliness Report

<i>CO NO</i>	<i>Jan 3/15</i>	<i>Feb 4/15</i>	<i>Mar 5/16</i>	<i>Apr 6/15</i>	<i>May 7/15</i>	<i>Jun 8/15</i>	<i>July 9/15</i>	<i>Aug 10/17</i>	<i>Sep 11/15</i>	<i>Oct 12/15</i>	<i>Nov 1/17</i>	<i>Dec 2/15</i>
118		PP	PP	PP								
121	COM											
134		COM										
155	COM	COM	COM	COM	COM	COM						
179	COM											
194						PP						
201				PP								
206			COM			COM						
313						PP						
331	PP	PP		PP								
354	BOTH											
377		COM										
427		COM										
436	COM					COM						
437	COM					COM						
446			PP									
622			COM									
626		COM										
737	COM	COM										
748						COM						
902		COM										

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I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program

CAR assesses various statistical penalties as outlined in the Data Quality Penalty Section of the Private Passenger and Commercial Statistical Plans. These penalties include items such as incomplete monthly submissions, late submission of page 15 data, reconciliation responses, and failure to reduce a statistical shipment's error percent to below 5%.

For 2nd Quarter 2016, CAR assessed a total penalty amount of \$120,700. The table below shows the detail penalties for each company.

Penalty Assessments
2nd Quarter 2016

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
110	KnightBrook Insurance Company	Late Page 14 Data - 03/2016	\$ 300
110	KnightBrook Insurance Company	Late Page 14 Expln - 03/2016	\$ 200
118	Privilege Underwriters (PURE)	Late MAS - 03/2016	\$ 500
118	Privilege Underwriters (PURE)	Late MAS - 04/2016	\$ 500
141	Preferred Mutual Insurance Co	Stat Error > 5% - 03/2016	\$ 150
155	Argonaut Insurance Company	Stat Error > 5% - 01/2016	\$ 1,200
155	Argonaut Insurance Company	Stat Error > 5% - 02/2016	\$ 300
155	Argonaut Insurance Company	Stat Error > 5% - 03/2016	\$ 750
155	Argonaut Insurance Company	Stat Error > 5% - 04/2016	\$ 300
155	Argonaut Insurance Company	Late MAS - 03/2016	\$ 1,250
155	Argonaut Insurance Company	Late MAS - 04/2016	\$ 500
155	Argonaut Insurance Company	Late MAS - 05/2016	\$ 500
179	Atlantic Specialty Insurance Co	Stat Error > 5% - 01/2016	\$ 300
179	Atlantic Specialty Insurance Co	Late Page 14 Expln - 03/2016	\$ 200
194	Bankers Standard Insurance Co	Stat Error > 5% - 01/2016	\$ 600
194	Bankers Standard Insurance Co	Stat Error > 5% - 02/2016	\$ 150
194	Bankers Standard Insurance Co	Stat Error > 5% - 03/2016	\$ 150
201	AIG Property and Casualty Co	Late MAS - 04/2016	\$ 500
206	Nationwide Agribusiness Ins Co	Stat Error > 5% - 03/2016	\$ 450
206	Nationwide Agribusiness Ins Co	Late MAS - 03/2016	\$ 1,000
230	Praetorian Insurance Company	Late MAS - 03/2016	\$ 500
247	National Casualty Company	Stat Error > 5% - 03/2016	\$ 150
261	ACE American Insurance Co	Stat Error > 5% - 03/2016	\$ 150
313	Essentia Insurance Company	Stat Error > 5% - 04/2016	\$ 150
331	Massachusetts Homeland Ins Co	Late MAS - 04/2016	\$ 500
359	GEICO Indemnity Company	Stat Error > 5% - 04/2016	\$ 150
366	Arch Insurance Company	Stat Error > 5% - 03/2016	\$ 750
371	Colony Specialty Insurance Co	Rescinded Late Pg 14-12/2015	\$ (200)
419	Citation Insurance Company	Stat Error > 5% - 03/2016	\$ 150

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2ND QUARTER 2016**

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
2nd Quarter 2016

Co #	Company Name	Assessment	Assessment Amount
446	American Modern Select Ins Co	Late MAS - 03/2016	\$ 500
610	Ironshore Indemnity, Inc.	Late Page 14 Data - 03/2016	\$ 900
622	National Interstate Insurance Co	Late MAS - 03/2016	\$ 500
622	National Interstate Insurance Co	Stat Error > 5% - 03/2016	\$ 300
626	National Continental Ins Co	Stat Error > 5% - 01/2016	\$ 600
664	Norfolk & Dedham Mutual Fire Ins	Late Page 14 Data - 03/2016	\$ 100
719	Pennsylvania Manufactures Assoc.	Stat Error > 5% - 03/2016	\$ 150
719	Pennsylvania Manufactures Assoc.	Stat Error > 5% - 04/2016	\$ 150
737	Progressive Casualty Ins Co	Late MAS - 12/2015	\$ 6,000
737	Progressive Casualty Ins Co	Late MAS - 01/2016	\$ 15,000
737	Progressive Casualty Ins Co	Late MAS - 02/2016	\$ 12,000
737	Progressive Casualty Ins Co	Late MAS - 03/2016	\$ 9,000
737	Progressive Casualty Ins Co	Late MAS - 04/2016	\$ 6,000
737	Progressive Casualty Ins Co	Late MAS - 05/2016	\$ 3,000
737	Progressive Casualty Ins Co	Stat Error > 5% - 01/2016	\$ 750
756	RLI Insurance Company	Stat Error > 5% - 03/2016	\$ 300
785	Progressive Direct Ins Co	Late MAS - 12/2015	\$ 6,000
785	Progressive Direct Ins Co	Late MAS - 01/2016	\$ 15,000
785	Progressive Direct Ins Co	Late MAS - 02/2016	\$ 12,000
785	Progressive Direct Ins Co	Late MAS - 03/2016	\$ 9,000
785	Progressive Direct Ins Co	Late MAS - 04/2016	\$ 6,000
785	Progressive Direct Ins Co	Late MAS - 05/2016	\$ 3,000
833	Berkshire Hathaway Specialty Ins	Late Page 14 Data - 03/2016	\$ 1,300
867	American Casualty Co. Reading	Stat Error > 5% - 04/2016	\$ 150
902	United Financial Casualty Co	Stat Error > 5% - 01/2016	\$ 600
902	United Financial Casualty Co	Stat Error > 5% - 03/2016	\$ 150
963	Harleysville Worcester Ins Co	Stat Error > 5% - 03/2016	\$ 150
		Total	\$ 120,700

**OPERATIONAL REPORTS
2ND QUARTER 2016**

I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
January 1, 2017 (Optional for policies effective January 1, 2016 – December 31, 2016)	Several new Classification Codes have been added to the Private Passenger Statistical Plan to identify Electronic Motorcycles (Experienced Operator, Inexperienced Operator and Age 65 or more). Appendix A – Classification Codes Decision Table has been updated to include these codes.	Approved by the Division of Insurance on September 21, 2015

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2ND QUARTER 2016**

I. STATISTICAL SYSTEM (continued)

Massachusetts Commercial Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
<p>January 1, 2017 (Optional for policies effective January 1, 2016 – December 31, 2016)</p>	<p>Classification Code 924000 has been added to the Commercial Statistical Plan to identify Electronic Motorcycles.</p>	
<p>January 1, 2017 (Optional for policies effective January 1, 2016 – December 31, 2016)</p>	<p>Endorsement CA 99 05 02 14, Business Interruption Coverage, was approved for use in Massachusetts, effective January 1, 2015. To statistically identify this new coverage, new Classification and Coverage Codes have been added to the Commercial Statistical Plan, applicable to Physical Damage records only.</p> <p>Appendix A – Classification and Coverage Code Decision Tables and Exposure Basis Tables have also been updated to include these new codes.</p> <p>Note that the Limited of Insurance as written on the endorsement schedule is required to be reported in the Exposure field. The endorsement is only applicable to voluntary policies.</p>	<p style="text-align: center;">Approved by the Division of Insurance on September 21, 2015</p>

**OPERATIONAL REPORTS
2ND QUARTER 2016**

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 2014-2016.

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 2, 2016.

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II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

2. TX5 Cession Backdate Appeals (continued)

TX5 Cession Backdate Log

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

3. CR215 Cessions Automatically Backdated

On a quarterly basis, CAR produces the CR215 report that shows the volume of cessions backdated for involuntary producer business. The program monitors the three current reporting years for cession activity. Accordingly, CAR recently sent the latest report to the industry in mid-August 2016 monitoring policy years 2014, 2015 and 2016 for 2nd Quarter 2016.

One company exceeded the tolerance for the 2 policy effective years with commercial reporting in the 2nd Quarter 2016 reports and has been notified to respond by the November 1, 2016 due date. A response is required and will be presented to the Operational Committee upon request.

Policy Year	Company
2014	245 – Charter Oak Fire Insurance
2015	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 2014
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	1,348	21	1.6	0.0	330	0
245	1,018	100	9.8 *	0.0	14,818	0
279	26	2	7.7 #	0.0	0	0
717	302	15	5.0 #	0.0	0	0
734	336	9	2.7	0.0	0	0
773	1	0	0	0.0	0	0
Totals	3,031	147	4.8%	N/A	15,148	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 2015
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	3,423	39	1.1	0.1	0	0
245	1,186	112	9.4 *	0.2	3,389	361
279	14	1	7.1 #	0.0	0	0
717	356	22	6.2 #	0.0	0	0
734	312	5	1.6	0.0	10,187	7,500
Totals	5,291	179	3.4%	N/A	13,576	7,861

* 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 2016**

II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

Policy Year 2016
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	935	4	0.4	0.0	0	0
245	355	20	5.6 #	0.0	0	0
279	12	0	0.0	0.0	0	0
717	126	6	4.8	0.0	0	0
734	122	3	2.5	0.0	0	0
773	1	0	0.0	0.0	0	0
Totals	1,551	33	2.1%	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 has recently updated the CA5010 - Flat Cancellation report using CAR's new online system. The report was sent on August 3, 2016 and the documentation can now be uploaded into CAR by October 1, 2016. Questions on the use of this system should be directed to the Operations Services department or your company's Data Analyst.

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II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

D. MAIP Placement Record Reporting Analysis

On a monthly basis, CAR reviews the quality of MAIP Placement Record reporting and produces a report which highlights the error counts for various types of errors. Companies with excessive error counts are contacted and requested to research the cause of its reporting problem and if appropriate provide a corrective action plan.

**COMMONWEALTH AUTOMOBILE REINSURERS
MAIP PLACEMENT RECORD REPORTING ANALYSIS**

Reflects Statistically Reported Data for Policy Effective Months 07/2015 to 06/2016

Reflects MAIP Placement Record Reported Data as of August 17, 2016

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	0	0	0	5	3	1	43
153	27	25	3	572	53	4	5,038
192	3	0	0	0	0	0	232
202	1	0	0	0	0	0	198
279	25	2	1,407	88	5	5	23,998
308	0	0	0	0	0	0	328
312	0	0	12	0	0	0	1,180
331	1	6	1	5	0	1	210
354	2	4	15	0	4	57	5,607
363	1	0	0	0	0	1	417
422	0	0	0	0	0	0	370
521	0	0	0	0	55	55	63
531	3	0	1	0	0	1	1,184
585	0	0	1	0	0	1	4
612	14	0	23	15	0	6	2,212
664	4	6	0	1	2	0	1,330
686	0	0	0	11	0	0	0
724	11	4	6	0	0	14	4,655
731	0	3	0	73	0	0	0
773	4	0	274	92	2	10	11,954
826	0	0	5	56	0	0	113
827	5	0	0	0	0	0	490
908	16	1	0	0	1	5	4,467
959	0	0	0	0	0	0	201
988	0	0	0	17	0	0	1,283
Average	5	2	70	37	5	6	2623

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III. RESIDUAL MARKET INFORMATION

A. Residual Market Volumes

The MAIP and Commercial Residual Market volume results for the past seven years are highlighted in the chart below. The residual market rate for the current year is based on statistically reported data only and does not include estimates for missing data.

Effective Year	MAIP Residual Market %	Commercial Cession %	Time Period
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	1.3%	20.4%	Final Result
2016	1.4%	21.5%	As of June 2016

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

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

Policy Year 2016 Results as of June 2016

	2016 @ 6 Months	% Total	2015 @ 12 Months	% Total
MAIP Assigned (CAR-ID 9)	34,698	1.4	57,877	1.3
MAIP Retained (CAR-ID 8)	2,399,858	98.6	4,456,523	98.7
Clean-In-Three (CAR-ID 1)	455	0.0	1,284	0.0
Total	2,435,011	100.0%	4,515,684	100.0%

C. Private Passenger MAIP Premium and Loss Reports

Private Passenger Premium and Loss reports have been updated through June, 2016, 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 June 2016 Quarterly Member Participation Reports to its website on September 8, 2016. 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 2016 estimated Participation Ratios using data reported through June 30, 2016 will be posted to CAR's website by September 30, 2016.

F. CAR Financial Results

The ultimate policy year deficit projections, as of June 2016, for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Commercial
2013	(3,573)
2014	(10,935)
2015	(4,849)

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 2016 Monthly Quota Share and Assignment Order Report to its website on August 26, 2016. The report has been updated to include statistical data for July 2015 to June 2016 effective month policies reported through August 15, 2016. 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 2016**

III. RESIDUAL MARKET INFORMATION (continued)

H. Ceding Expense Interim Estimates

The Commercial Servicing Carrier Interim expense allowance of 25.82% has been updated to reflect the approved June, 2016 rate components for premium tax and commission, and will be included in the June – December 2016 monthly accounting shipments. Please reference Commercial Lines Bulletin #108 for additional details concerning the calculations of the interim expense allowance.

The 2016 Interim Expense Allowances for Taxi, Limousine and Car Service business have also been updated to reflect the approved June, 2016 rate components for premium tax and commission, and will also be included in the June – December 2016 monthly accounting shipments. The interim expense allowances for Taxi, Limousine, and Car Service business are 22.89%, 20.86% and 17.90%, respectively. Commercial Lines Notice #109 details the calculation of these Interim Expenses.

The Commercial Servicing Carrier True-Up of the Ceding Expenses for Calendar Year 2015 will be processed with the September, 2016 Settlement of Balances, posted to CAR's website in December. Similarly, the True-Up of Ceding Expenses for Taxi, Limousine, and Car Service business for Policy Year 2014 at 30 months and 2015 at 18 months will also be included. Company Reports will be mailed to the designated Servicing Carrier contacts at that time.

**OPERATIONAL REPORTS
2ND QUARTER 2016**

III. RESIDUAL MARKET INFORMATION (continued)

I. 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, 2014 accounting date.

Accounting Date	Reported Credit Premium	Adjusted Credit Premium	Rule 29 Credit Impact	Error Percentage
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%
July 2015	746,250,784	737,849,902	-8,400,882	1.13%
August 2015	738,203,582	729,721,088	-8,482,494	1.15%
Sept 2015	735,574,174	724,123,379	-8,450,795	1.15%
Oct 2015	725,351,616	717,019,260	-8,332,356	1.15%
Nov 2015	720,960,164	712,449,648	-8,510,516	1.18%
Dec 2015	715,200,019	707,430,539	-7,769,480	1.09%
Jan 2016	707,850,432	700,048,794	-7,801,638	1.10%
Feb 2016	706,287,984	698,652,586	-7,635,398	1.08%
March 2016	705,892,327	698,262,086	-7,630,241	1.08%
April 2016	707,295,155	699,539,163	-7,755,992	1.10%
May 2016	707,293,296	699,711,761	-7,581,535	1.07%
June 2016	707,501,084	699,874,035	-7,627,049	1.08%

**OPERATIONAL REPORTS
2ND QUARTER 2016**

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 2016	March 15, 2016	March 16, 2016	1st Quarter 2016
February 2016	April 15, 2016	April 16, 2016	
March 2016	May 16, 2016	May 17, 2016	
April 2016	June 15, 2016	June 16, 2016	2 nd Quarter 2016
May 2016	July 15, 2016	July 16, 2016	
June 2016	August 15, 2016	August 16, 2016	
July 2016	September 15, 2016	September 16, 2016	3 rd Quarter 2016
August 2016	October 17, 2016	October 18, 2016	
September 2016	November 15, 2016	November 16, 2016	
October 2016	December 15, 2016	December 16, 2016	4 th Quarter 2016
November 2016	January 16, 2017	January 17, 2017	
December 2016	February 15, 2017	February 16, 2017	

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 2016.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for September 2016 through February 2017 are shown following the 2nd Quarter Write-Off exhibit.

**OPERATIONAL REPORTS
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IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Loss Write-Off – 2nd Quarter 2016

Company	May 2016	June 2016	July 2016	Total
154		0	0	0
245		0	0	0
331		13,652	15	13,667
734		0	0	0
773		0	0	0
Total		13,652	15	13,667

2nd Quarter 2016 – 10% Loss of Investment Fees

Company	May 2016	June 2016	July 2016	Total
153		0	0	0
154		0	0	0
331		1,068	2	1,070
734		0	612	612
Total		1,068	614	1,682

Potential Loss Write-Off September 2016 through February 2017

Company	September 2016	October 2016	November 2016	December 2016	January 2017	February 2017	Grand Total
154		0		0	10		10
245		0		0	5,503		5,503
331		1,873		1,258	0		3,131
Totals		1,873		1,258	5,513		8,644

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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
2015 & 2016 Policy Effective Years

Non-Critical Error - Penalties

There have been no companies in penalty to list this quarter for policy effective years 2015 or 2016.

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

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

2016 Effective Year Non-Critical Errors Over Tolerance – Potential Penalty

2016 Effective Year Non-Critical Errors show no Potential Penalties to report

**OPERATIONAL REPORTS
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IV. ACCOUNTING SYSTEM (continued)

D. Ceded Premium In Error – Limited Commercial Servicing Carriers

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

Company	Policy Effective Year	Critical Premium Dollars	Error Percent
154	2014	0	0.00
154	2015	991	0.00
154	2016	97,375	0.42
245	2014	0	0.00
245	2015	6,372	0.02
245	2016	11,731	0.05
279	2014	0	0.00
279	2015	0	0.00
279	2016	0	0.00
717	2014	0	0.00
717	2015	0	0.00
717	2016	0	0.00
734	2014	0	0.00
734	2015	0	0.00
734	2016	0	0.00
773	2014	0	0.00
773	2015	0	0.00
773	2016	588	0.00
Total Ind		117,057	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 2016 forecasting reports on September 13, 2016.

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IV. ACCOUNTING SYSTEM (continued)

F. 2014 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 2014 effective date policies and for historical information.

Year	PP Penalty	Commercial Penalty	Taxi/Limo/CAR Service Penalty
2014	N/A	\$5,200	\$8,300
2013	N/A	\$4,900	\$8,100
2012	N/A	\$4,600	\$7,700
2011	N/A	\$4,400	\$8,100
2010	N/A	\$4,500	\$7,300
2009	\$1,400	\$4,900	\$7,700
2008	\$1,400	\$5,300	\$7,600
2007	\$1,500	\$5,700	\$8,600
2006	\$1,500	\$6,300	\$10,100
2005	\$1,600	\$6,200	\$10,800

G. \$60 Cession/No Premiums

On May 28, 2016 CAR assesses \$60 Cession/No Premium penalties against all cessions that lists on the penalty listing. A cession qualifies for the penalty list when the premium amount on the policy totals to less than or equal to \$0 for five or more months. The table below shows those penalty results.

The \$60 Cession/No Premium reporting did not produce company activity therefore no penalties resulted.

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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 2016	March 15, 2016	May 16, 2016	1st Quarter 2016
February 2016	April 15, 2016	April 18, 2016	
March 2016	May 16, 2016	May 17, 2016	
April 2016	June 15, 2016	June 17, 2016	2 nd Quarter 2016
May 2016	July 15, 2016	July 18, 2016	
June 2016	August 15, 2016	August 16, 2016	
July 2016	September 15, 2016	September 16, 2016	3 rd Quarter 2016
August 2016	October 17, 2016	October 18, 2016	
September 2016	November 16, 2016	November 17, 2016	
October 2016	December 15, 2016	December 16, 2016	4 th Quarter 2016
November 2016	January 16, 2017	January 17, 2017	
December 2016	February 15, 2017	February 16, 2017	

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 2016	June 15, 2016	July 1, 2016	Approx. August 1, 2016
2nd 2016	September 15, 2016	October 3, 2016	Approx. November 3, 2016
3rd 2016	December 15, 2016	January 3, 2017	Approx. February 3, 2017
4th 2016	March 15, 2017	April 3, 2017	Approx. May 3, 2017

The Annual Statement collection of Page 14's for 1st Quarter 2016 was due on June 15, 2016. Penalties for late Page 14 amounted to \$21,500. Reconciliation 1st Quarter 2016 responses were due August 1, 2016 and penalties amounted to \$400 all were included 2nd Quarter 2016 - Settlement of Balances. CAR is currently collecting 2nd Quarter 2016 Annual Statement Statutory Page 14 data which was due at CAR on September 15, 2016. 2nd Quarter 2016 Reconciliation Reports are due to run on or about October 3, 2016.

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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 2015 EFF YEAR	Liability	65,226	959	1.47%
	No Fault	48,828	201	0.41%
	Physical Damage	41,936	377	0.90%
	Total	155,990	1,537	0.99%
COMM 2016 EFF YEAR	Liability	33,812	322	0.95%
	No Fault	25,881	81	0.31%
	Physical Damage	23,201	376	1.62%
	Total	82,894	779	0.94%

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 now apply to Current and Previous Effective Years. Current Effective Year includes policies effective January 2016 – December 2016. Previous Effective Year includes policies effective January 2015 – December 2015. Companies should contact the Residual Market Services Department regarding Rate Edit reporting.

**OPERATIONAL REPORTS
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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 6/2016

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
033	1,146,255	491,500	42.88
099	87	46	52.87
101	5,756	1,549	26.91
105	2,386	1,078	45.18
118	31,929	11,258	35.26
153	5,369,027	1,817,710	33.86
154	519,963	309,688	59.56
156	70,588	40,544	57.44
201	16,345	4,100	25.08
205	404	178	44.06
226	1,713	430	25.10
256	100	36	36.00
261	3,381	1,476	43.66
283	4,092	2,652	64.81
362	170,288	117,920	69.25
402	19,598	5,157	26.31
418	112,921	27,408	24.27
443	10,868	7,794	71.72
468	5,164	1,799	34.84
474	15	4	26.67
486	16,228	5,810	35.80
503	1,078	726	67.35
626	127,145	61,336	48.24
627	9,125	6,674	73.14
708	405	104	25.68
737	377,362	103,993	27.56
770	462,174	127,835	27.66
775	63	32	50.79

**OPERATIONAL REPORTS
2ND QUARTER 2016**

V. STATISTICAL AGENT FUNCTION (continued)

D. Deleted Washout Records (continued)

Deleted Washout Totals
For All Shipments Received Through 6/2016

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
823	2,197,021	748,366	34.06
881	4,179	1,716	41.06
902	84,943	43,356	51.04
927	12,360	4,616	37.35
963	53,313	18,983	35.61

Total Industry	41,167,400	5,258,553	12.77%
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The 2015 washout total following the 6/2015 shipments was 11.02%.

E. Distributional Edits Systems

The Distributional Edits Systems is a newly rewritten report produced to focus on the key data elements used for quota share and ratemaking. The Paper reports will be replaced by the online reports and will include a new summary report identifying potential reporting problems. It is anticipated that the premium reports will be released to the industry in late September.

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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 has recently added the New Zip Code, Polk VIN and Catastrophe Code Lookups now available within the Statistical Edit Package for direct access when editing statistical data and online correction activity.

CAR added a new section to the website, CAR Accounting, and currently in use is the new CA5010Q – Flat Cancellation Document system now being utilized to replace the mailing/paper method. Commercial Ceded Companies can now use the website to upload their response for this reporting.

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 is currently in the process of moving the online Statistical Correction system off of the Mainframe and into a new application on the website. The writing of this application is taken place at this time and the expected completion is set for February 2017.

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VII. PROJECT STATUS REPORTS

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

Project	Status	Description
Rewrite Company Mainframe Applications	In progress	Various reports and applications within the new online statistical correction system are in coding or testing. It is anticipated that this project will be completed in late 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. Different reports within the new system are either in the specification, coding or testing phase. It is anticipated that the premium reports will be released to the industry in late September.