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- MEMORANDUM -

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: September 14, 2017

RE: Operational Reports

The 2nd quarter 2017 Operational Reports follow this memorandum. This report includes data reported May 16, 2017 through August 15, 2017 for the accounting month period of April 2017 through June 2017. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

Section I – Accounting/Statistical Shipments:

On July 18, 2017, the Division of Insurance approved a new Classification Code to the Private Passenger Statistical Plan to specifically identify statistical information relative to company endorsements that provide additional coverage to insureds that use their personal automobiles for ride-sharing, ride-hailing, on-demand delivery and other transportation network services. Accordingly, for policies effective July 1, 2018 and subsequent, Classification Code 900000 must be used to identify Transportation Network Company (TNC) Driver Coverage. For policies effective January 1, 2018 through June 30, 2018, this code may be reported at a company's option.

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

CAR assessed a total of \$57,400 in the Statistical Data Quality Penalty Program in the 2nd Quarter 2017 Settlement of Balances report.

Section II – Cession/MAIP Placement Record Reporting:

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

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Section III – Residual Market Information:

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

CAR ran the CA5010 - Flat Cancellation Audit report on August 24, 2017 using CAR's new online system. The documentation can now be uploaded into CAR and should be received by October 1, 2017.

As of June 2017 the commercial residual market rate equaled 22.1%.

CAR posted the June 30, 2017 Quarterly Member Participation Reports to its website on September 8, 2017.

CAR ran the 2nd Quarter 2017 Rule 29 credit edit download reports on August 18, 2017.

Section IV – Accounting System Processing:

CAR produced 2nd Quarter 2017 Critical Error Loss Write-Offs and 10% Loss of Investment Fees. Although the overall write-off totaled \$0, there is a 10% fee being assessed of \$2,175. This is due to the fact that the company had three loss write-off records that netted to \$0 but one record was reported eight months later, didn't correct the existing error records, and was not in error for the required amount of time to be included in the 10% fee calculation.

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2016 and 2017 policy effective years for all companies with an error rate over the tolerance level of 1% and 10 policies in error.

The Penalty Forecasting exhibits were made available on CAR's website on September 6, 2017.

Section V - Statistical Agent Functions:

1st Quarter 2017 Statutory Page 14 data was due at CAR on June 15, 2017. Penalties for late Page 14 reporting resulted at \$7,700. Reconciliation Responses for 1st Quarter 2017 were run on July 5, 2017 and due back on August 4, 2017. Penalties for the late responses resulted at \$2,300. Company assessments were included in 2nd Quarter 2017, Settlement of Balances. 2nd Quarter 2017 Statutory Page 14 data is due at CAR on September 15, 2017. 2nd Quarter Reconciliation Reporting is anticipated to run October 3, 2017.

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

Section VI – Communications:

CAR will release the Distribution Analysis reports in late September, 2017. With this release, CAR has added loss reports that measure various data reporting components and will also require a company response if any reports exceeds the established tolerance levels.

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2ND QUARTER 2017**

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 2017 as of the second quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

2017 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2017	March 15, 2017	1 st Quarter
February 2017	April 17, 2017	
March 2017	May 15, 2017	
April 2017	June 15, 2017	2 nd Quarter
May 2017	July 17, 2017	
June 2017	August 15, 2017	
July 2017	September 15, 2017	3 rd Quarter
August 2017	October 16, 2017	
September 2017	November 15, 2017	
October 2017	December 15, 2017	4 th Quarter
November 2017	January 15, 2018	
December 2017	February 15, 2018	

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, 2017.

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I. STATISTICAL SYSTEM (continued)

2017 Timeliness Report

<i>CO NO</i>	<i>Jan 3/15</i>	<i>Feb 4/18</i>	<i>Mar 5/15</i>	<i>Apr 6/15</i>	<i>May 7/17</i>	<i>Jun 8/15</i>	<i>July 9/15</i>	<i>Aug 10/16</i>	<i>Sep 11/15</i>	<i>Oct 12/15</i>	<i>Nov 1/16</i>	<i>Dec 2/15</i>
065						COM						
103		COM										
110			COM			COM						
123			COM			COM						
134				COM	COM							
155			COM	COM		COM						
164	Both											
194			PP									
206			COM			COM						
331	PP											
418	PP											
443						COM						
686		PP	PP	PP	PP	PP						
708	COM											
711			PP									
785		PP										
833			COM			COM						

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I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program

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

For 2nd Quarter 2017, CAR assessed a total penalty amount of \$57,400. The table below shows the detail penalties for each company.

Penalty Assessments
2nd Quarter 2017

Co #	Company Name	Assessment	Assessment Amount
041	American Fire and Casualty Co	Stat Error > 5% - 02/2017	\$ 600
065	Sparta Insurance Company	Late MAS - 06/2017	\$ 500
110	KnightBrook Insurance Company	Late MAS - 03/2017	\$ 500
110	KnightBrook Insurance Company	Stat Error > 5% - 04/2017	\$ 150
110	KnightBrook Insurance Company	Late Explanation - 03/2017	\$ 1,500
119	Hiscox Insurance Company	Late Page 14 Data - 03/2017	\$ 200
123	HDI-Global Insurance Company	Late MAS - 03/2017	\$ 500
123	HDI-Global Insurance Company	Late MAS - 06/2017	\$ 500
125	AmGUARD Insurance Company	Late Page 14 Data - 03/2017	\$ 200
134	New York Marine and General Ins	Stat Error > 5% - 02/2017	\$ 450
134	New York Marine and General Ins	Late MAS - 04/2017	\$ 500
144	Wesco Insurance Company	Late Explanation - 03/2017	\$ 300
155	Argonaut Insurance Company	Stat Error > 5% - 01/2017	\$ 1,950
155	Argonaut Insurance Company	Stat Error > 5% - 03/2017	\$ 300
155	Argonaut Insurance Company	Stat Error > 5% - 04/2017	\$ 450
155	Argonaut Insurance Company	Late MAS - 03/2017	\$ 1,250
194	Bankers Standard Insurance Co	Late MAS - 03/2017	\$ 500
194	Bankers Standard Insurance Co	Stat Error > 5% - 03/2017	\$ 300
201	AIG Property and Casualty Co	Stat Error > 5% - 04/2017	\$ 150
206	Nationwide Agribusiness Ins.	Stat Error > 5% - 03/2017	\$ 300
206	Nationwide Agribusiness Ins.	Late MAS - 03/2017	\$ 1,500
226	Great Divide Insurance Company	Stat Error > 5% - 03/2017	\$ 300
247	National Casualty Company	Stat Error > 5% - 03/2017	\$ 150
265	Berkley National Insurance Co	Stat Error > 5% - 02/2017	\$ 150
313	Essential Insurance Company	Stat Error > 5% - 03/2017	\$ 450
313	Essential Insurance Company	Stat Error > 5% - 04/2017	\$ 150
347	Selective Insurance Co of SC	Late Explanation - 03/2017	\$ 100
349	Selective Insurance Co of the SW	Stat Error > 5% - 04/2017	\$ 450
443	NOVA Casualty Company	Late MAS - 06/2017	\$ 500

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I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
2nd Quarter 2017

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
443	NOVA Casualty Company	Late Page 14 Data - 03/2017	\$ 1,300
561	Markel American Insurance Co	Stat Error > 5% - 03/2017	\$ 150
633	The Netherlands Insurance Co	Stat Error > 5% - 04/2017	\$ 150
659	North American Elite Insurance Co	Late Page 14 Data - 3/2017	\$ 400
686	Occidental Fire & Casualty Co. SC	Late MAS - 02/2017	\$ 9,000
686	Occidental Fire & Casualty Co. SC	Interim Late MAS - 03/2017	\$ 9,000
686	Occidental Fire & Casualty Co. SC	Interim Late MAS - 04/2017	\$ 6,000
686	Occidental Fire & Casualty Co. SC	Interim Late MAS - 05/2017	\$ 3,000
686	Occidental Fire & Casualty Co. SC	Interim Late MAS - 06/2017	\$ 500
688	Ohio Casualty Insurance Company	Stat Error > 5% - 01/2017	\$ 600
696	SOMPO American Fire and Marine	Late Page 14 Data - 3/2017	\$ 4,900
711	Peerless Insurance Company	Late MAS - 03/2017	\$ 500
711	Peerless Insurance Company	Stat Error > 5% - 03/2017	\$ 300
731	Plymouth Rock Assurance Co	Stat Error > 5% - 04/2017	\$ 150
752	Republic Franklin Insurance Co	Stat Error > 5% - 04/2017	\$ 750
828	State Farm Insurance Company	Late Page 14 Data - 3/2017	\$ 200
833	Berkshire Hathaway Specialty Ins	Late MAS - 03/2017	\$ 1,250
895	Lancer Insurance Company	Stat Error > 5% - 03/2017	\$ 300
895	Lancer Insurance Company	Stat Error > 5% - 04/2017	\$ 900
902	United Financial Casualty Company	Stat Error > 5% - 04/2017	\$ 150
934	Utica National Insurance Co. of TX	Stat Error > 5% - 04/2017	\$ 300
948	Utica Mutual Insurance Company	Stat Error > 5% - 04/2017	\$ 600
951	Vanliner Insurance Company	Late Explanation - 03/2017	\$ 200
981	American Road Insurance Co.	Late Page 14 Data - 3/2017	\$ 300
985	CorePointe Insurance Company	Stat Error > 5% - 02/2017	\$ 600
985	CorePointe Insurance Company	Stat Error > 5% - 03/2017	\$ 150
991	MIC Property and Casualty Ins Corp	Late Page 14 Data - 3/2017	\$ 200
992	Motors Insurance Corporation	Late Explanation - 03/2017	\$ 200
		Total	\$57,400

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2ND QUARTER 2017**

I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
<p>July 1, 2018</p> <p>(Optional for policies effective January 1, 2018 – June 30, 2018).</p>	<p>In order to specifically identify statistical information relative to company endorsements that provide additional coverage to insureds that use their personal automobiles for ride-sharing, ride-hailing, on-demand delivery and other transportation network services, a new Classification Code has been added to the Private Passenger Statistical Plan.</p> <p>For policies effective July 1, 2018 and subsequent, Classification Code 900000 must be used to identify Transportation Network Company (TNC) Driver Coverage. For policies effective January 1, 2018 through June 30, 2018, this code may be reported at a company’s option. Note that this code is only applicable to voluntary business.</p>	<p>Approved by the Division of Insurance on July 18, 2017</p>

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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 2015-2017.

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 (un-cede) 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 14, 2017.

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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 early-August 2017 monitoring policy years 2015, 2016 and 2017 for 2nd Quarter 2017.

One company exceeded the tolerance for policy effective years 2015 and 2016 as of the 2nd Quarter 2017. The company has been notified and must submit a response by November 1, 2017. A response is required and will be presented to the Operational Committee upon request.

Policy Year	Company
2015	245 – Charter Oak Fire Insurance
2016	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 2015
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	3,423	38	1.1	0.0	0	0
245	1,179	111	9.4 *	0.0	0	0
279	14	1	7.1 #	0.0	0	0
717	356	22	6.2 #	0.0	11,592	0
734	312	5	1.6	0.0	10,214	14,000
Totals	5,284	177	3.3%	N/A	21,806	14,000

* 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 2016
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	1,184	5	0.4	0.0	0	0
245	934	53	5.7 *	0.1	0	0
279	29	2	6.9 #	0.0	0	0
717	328	10	3.0	0.0	0	0
734	368	19	5.2 #	0.0	0	0
773	3	0	0.0	0.0	0	0
Totals	2,846	89	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.*)

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II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

Policy Year 2017
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	368	1	0.3	0.3	0	3,000
279	4	0	0	0.0	0	0
717	258	9	3.5	0.7	673	5,712
734	237	10	4.2	1.2	0	2,100
773	1	0	0	0.0	0	0
Totals	868	20	2.3%	N/A	673	10,812

* 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 run on August 24, 2017 and the documentation can now be uploaded into CAR located on the CAR Accounting area on the website by October 1, 2017 due date. 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 07/2016 to 06/2017

Reflects MAIP Placement Record Reported Data as of August 17, 2017

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
113	0	0	208	0	0	0	256
153	65	33	2	340	31	34	7,651
192	1	6	2	0	1	3	438
193	0	19	79	0	0	1	51
202	2	0	0	0	0	0	209
279	22	2	831	69	5	2	23,378
308	1	1	0	0	0	0	357
312	0	2	1	0	0	0	928
331	0	1	0	2	0	0	16
354	19	6	18	0	7	81	5,720
363	0	1	3	0	0	2	482
422	0	0	1	0	0	0	353
521	2	1	0	0	200	175	216
531	13	3	0	0	1	4	1,501
585	0	0	0	0	0	0	125
612	25	0	14	16	2	2	2,549
664	22	4	1	0	3	19	2,397
686	0	0	0	3	0	0	0
724	3	7	15	0	2	23	3,668
731	0	0	0	64	0	0	0
773	3	0	221	93	2	6	13,033
826	0	0	18	11	0	0	17
827	2	1	0	0	0	1	573
908	4	1	8	0	4	5	4,906
959	0	0	0	0	0	0	202
988	7	9	6	14	0	4	1,788
Average	7	4	15	24	10	14	2724

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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
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%	21.8%	Final Result
2017	1.4%	22.1%	As of June 2017

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

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

Policy Year 2017 Results as of June 2017

	2017 @ 6 Months	% Total		2016 @ 12 Months	% Total
MAIP Assigned (CAR-ID 9)	35,507	1.4%		63,277	1.4%
MAIP Retained (CAR-ID 8)	2,421,467	98.6		4,529,997	98.6
Clean-In-Three (CAR-ID 1)	350	0.0		790	0.0
Total	2,457,324	100.0%		4,594,064	100.0%

C. Private Passenger MAIP Premium and Loss Reports

Private Passenger Premium and Loss reports have been updated through June, 2017 on August 29, 2017 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 2017 Quarterly Member Participation Reports to its website on September 8, 2017. 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 2017 estimated Participation Ratios using data reported through the June 30, 2017 monthly accounting shipments will be posted to CAR's website by September 30, 2017.

The Final 2016 Participation Ratios using data reported through the December, 2016 monthly accounting shipment were calculated and posted to CAR's website on September 6, 2017.

These Ratios are used in the June Quarter Cash Flow, and are included in the calculations of deficit sharing, administrative expenses, and the advanced statistical assessment.

F. CAR Financial Results – Latest Deficit Projections

The ultimate policy year deficit projections as of June, 2017 were posted to CAR's website on September 6, 2017 for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Commercial
2014	(11,064)
2015	(13,484)
2016	(33,096)

Deficit projections for policy years 2016 and prior can be found on CAR's website (www.commauto.com) in the Financial Reports area using the Deficit Projections link.

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III. RESIDUAL MARKET INFORMATION (continued)

G. Quota Share

CAR posted the June 2017 Monthly Quota Share and Assignment Order Report to its website on August 29, 2017. The report has been updated to include statistical data for July 2016 to June 2017 effective month policies reported through August 15, 2017. 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.

H. Ceding Expenses

The Commercial Servicing Carrier interim expense allowance of 25.95% for Calendar Year 2017 is detailed in Commercial Lines Bulletin #112.

The 2017 Interim Expense Allowances for Taxi, Limousine and Car Service Business are 22.63%, 21.40% and 18.64%, respectively. Commercial Lines Notice #113 details the calculation of these Interim Expenses

The Commercial Servicing Carrier True-Up of the Ceding Expenses for Calendar Year 2016 will be processed with the September, 2017 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 2015 at 30 months and 2016 at 18 months will also be included. Company Reports will be mailed to the designated Servicing Carrier contacts at that time.

I. **CAR Commercial Rate Filing – Effective January 1, 2018**

CAR Commercial Residual Market filing remains under review by the Division of Insurance. In order to allow companies appropriate lead time to implement the rates, the proposed effective date has been amended to January 1, 2018.

The filed Rates, Rate Pages, Implementation Instructions and Experience Rating Plan are available to Commercial Servicing Carriers upon request. Requests should be directed to Timothy Galligan, Actuarial and Financial Services, at tgalligan@commauto.com or (617)880-7286.

Upon approval, the Servicing Carriers will be notified via Commercial Lines Notice and an e-mail to the designated company contact.

**OPERATIONAL REPORTS
2ND QUARTER 2017**

III. RESIDUAL MARKET INFORMATION (continued)

J. CAR Private Passenger Rate Filing – Effective January 1, 2018

CAR filed a Private Passenger Residual Market rate change of 9.9% with the Division of Insurance on April 14, 2017. This filing's effective date has been changed to January 1, 2018 to allow companies appropriate lead time to implement the rates upon approval. Refer to Bulletin No. 1038 for additional details.

The filed Rates, Rate Pages and Implementation Factors (Schedule 107) are available to Member Companies upon request. Requests should be directed to Timothy Galligan, Actuarial and Financial Services, at tgalligan@commauto.com or (617)880-7286.

Upon approval, the Servicing Carriers will be notified with a CAR bulletin, and final rates will be posted to CAR's website.

**OPERATIONAL REPORTS
2ND QUARTER 2017**

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, 2015 accounting date.

Accounting Date	Reported Credit Premium	Adjusted Credit Premium	Rule 29 Credit Impact	Error Percentage
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%
July 2016	705,777,638	698,493,570	-7,284,068	1.03%
August 2016	706,998,980	699,745,115	-7,253,865	1.03%
Sept 2016	704,318,491	697,077,224	-7,241,367	1.03%
Oct 2016	708,382,427	701,290,443	-7,091,984	1.00%
Nov 2016	718,039,090	710,805,951	-7,233,139	1.01%
Dec 2016	725,076,401	717,758,173	-7,318,228	1.01%
Jan. 2017	733,988,565	726,368,804	-7,619,761	1.04%
Feb. 2017	735,742,314	728,187,390	-7,554,924	1.03%
March 2017	754,103,428	746,089,180	-8,014,248	1.06%
April 2017	763,067,553	754,981,675	-8,085,878	1.06%
May 2017	772,897,972	764,532,752	-8,347,220	1.08%
June 2017	782,390,955	773,899,173	-8,491,782	1.09%

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IV. ACCOUNTING SYSTEM

A. Update of the Online Accounting System

CAR updates the online accounting system every Thursday night. Accordingly, all new premiums and loss activity and all correction activity are posted to the system on Thursday evenings and viewable to the industry on Friday mornings. This schedule deviates throughout the year following the Monthly Accounting Submission's due date schedule. The table below shows the schedule for updates to the CAR accounting system.

Month	MAS Due Date	Statistical System Update	Quarter
January 2017	March 15, 2017	March 16, 2017	1st Quarter 2017
February 2017	April 17, 2017	April 18, 2017	
March 2017	May 15, 2017	May 16, 2017	
April 2017	June 15, 2017	June 16, 2017	2 nd Quarter 2017
May 2017	July 17, 2017	July 18, 2017	
June 2017	August 15, 2017	August 16, 2017	
July 2017	September 15, 2017	September 18, 2017	3 rd Quarter 2017
August 2017	October 16, 2017	October 17, 2017	
September 2017	November 15, 2017	November 16, 2017	
October 2017	December 15, 2017	December 18, 2017	4 th Quarter 2017
November 2017	January 15, 2018	January 16, 2018	
December 2017	February 15, 2018	February 16, 2018	

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 2017.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for September 2017 through February 2018 are shown following the 2nd Quarter Write-Off exhibit.

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IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Loss Write-Off – 2nd Quarter 2017

Company	May 2017	June 2017	July 2017	Total
154				
245				
279				
717				
732				
734				
773				
Total				

2nd Quarter 2017– 10% Loss of Investment Fees

Company	May 2017	June 2017	July 2017	Total
154		\$2,715		\$2,175
245		0		0
279		0		0
717		0		0
734		0		0
773		0		0
Total		\$2,175		\$2,175

Potential Loss Write-Off September 2017 through February 2018

Company	September 2017	October 2017	November 2017	December 2017	January 2018	February 2018	Grand Total
154	0		0		206	0	206
245	12,304		7,743		199	39,096	59,342
279	0		0		0	0	0
331	0		0		0	0	0
717	0		0		0	0	0
734	0		0		0	0	0
773	0		0		0	0	0
Totals	12,304		7,743		405	39,096	59,548

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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
2016 & 2017 Policy Effective Years

Non-Critical Error - Penalties

There have been no companies in penalty to list this quarter for policy effective years 2016 or 2017.

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

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

2017 Effective Year Non-Critical Errors Over Tolerance – Potential Penalty

2017 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	2015	0	0.00
154	2016	0	0.00
154	2017	48,365	0.28
245	2015	96,062	0.25
245	2016	32,388	0.07
245	2017	0	0.00
279	2015	0	0.00
279	2016	0	0.00
279	2017	0	0.00
717	2015	0	0.00
717	2016	0	0.00
717	2017	7,655	0.26
732	2015	0	0.00
732	2016	0	0.00
732	2017	226,253	0.85
734	2015	0	0.00
734	2016	0	0.00
734	2017	0	0.00
773	2015	0	0.00
773	2016	0	0.00
773	2017	8,550	0.03
Total Ind		419,273	0.10

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 2017 forecasting reports on September 6, 2017.

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IV. ACCOUNTING SYSTEM (continued)

F. 2015 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 2015 effective date policies and for historical information.

Year	PP Penalty	Commercial Penalty	Taxi/Limo/CAR Service Penalty
2015	N/A	\$5,500	\$8,300
2014	N/A	\$5,200	\$8,300
2013	N/A	\$4,900	\$8,100
2012	N/A	\$4,600	\$7,700
2011	N/A	\$4,400	\$8,100
2010	N/A	\$4,500	\$7,300
2009	\$1,400	\$4,900	\$7,700
2008	\$1,400	\$5,300	\$7,600
2007	\$1,500	\$5,700	\$8,600
2006	\$1,500	\$6,300	\$10,100

G. \$60 Cession/No Premium Penalties

On November 28, 2017 CAR will assess \$60 Cession/No Premium penalties against all cessions that listed on the penalty list. The next set of Operational Reports will contain the penalty results. 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.

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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 2017	March 15, 2017	May 16, 2017	1st Quarter 2017
February 2017	April 17, 2017	April 18, 2017	
March 2017	May 15, 2017	May 16, 2017	
April 2017	June 15, 2017	June 16, 2017	2 nd Quarter 2017
May 2017	July 17, 2017	July 18, 2017	
June 2017	August 15, 2017	August 16, 2017	
July 2017	September 15, 2017	September 18, 2017	3 rd Quarter 2017
August 2017	October 16, 2017	October 17, 2017	
September 2017	November 15, 2017	November 16, 2017	
October 2017	December 15, 2017	December 18, 2017	4 th Quarter 2017
November 2017	January 15, 2018	January 16, 2018	
December 2017	February 15, 2018	February 16, 2018	

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 2017	June 15, 2017	July 5, 2017	Approx. August 4, 2017
2nd 2017	September 15, 2017	October 2, 2017	Approx. November 2, 2017
3rd 2017	December 15, 2017	January 2, 2018	Approx. February 2, 2018
4th 2017	March 15, 2018	April 2, 2018	Approx. May 2, 2018

The Annual Statement collection of Page 14's for 1st Quarter 2017 was due on June 15, 2017. Penalties for late Page 14 amounted to \$7,700. Reconciliation 1st Quarter 2017 responses were due August 4, 2017 and penalties amounted to \$2,300. All were included 2nd Quarter 2017 - Settlement of Balances. CAR is currently collecting 2nd Quarter 2017 Annual Statement Statutory Page 14 data which is due at CAR on September 15, 2017. The 2nd Quarter 2017 Reconciliation Reports are due to run on or about October 2, 2017.

**OPERATIONAL REPORTS
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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 2016 EFF YEAR	Liability	79,253	931	1.17%
	No Fault	59,520	204	0.34%
	Physical Damage	52,939	530	1.00%
	Total	191,712	1,665	0.87%
COMM 2017 EFF YEAR	Liability	28,696	530	1.85%
	No Fault	27,783	185	0.67%
	Physical Damage	19,779	274	1.39%
	Total	76,258	989	1.30%

The Commercial Rate Edit program incorporates a tolerance level to ensure the quality of the data the industry reports to CAR. The tolerance level is 2% and 50 records in error. If a company exceeds the rate edit tolerance levels on any one line of business, the company has six months to reduce its volume of rate errors on that line of business to below 2% or less than 50 records in error. Companies are responsible for monitoring whether they exceed the error tolerance by viewing the Commercial Rate Edit reports on CAR's website.

Commercial Rate Edit penalties now apply to Current and Previous Effective Years. Current Effective Year includes policies effective January 2017 – December 2017. Previous Effective Year includes policies effective January 2016 – December 2016. 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 6/2017

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
033	934,955	395,860	42.34
045	278	160	57.55
100	30,669	6,475	21.11
105	664	186	28.01
110	9,768	1,987	20.34
118	59,330	24,802	41.80
153	4,597,747	1,467,615	31.92
154	288,491	97,455	33.78
156	39,881	17,508	43.90
201	17,233	3,530	20.48
205	345	186	53.91
246	1,650	442	26.79
256	234	102	43.59
261	5,594	3,748	67.00
283	1,585	428	27.00
362	166,828	112,498	67.43
402	14,594	4,122	28.24
418	115,975	33,286	28.70
443	21,950	16,516	75.24
468	3,657	745	20.37
486	23,128	14,594	63.10
503	1,063	736	69.24
504	482	196	40.66
626	46,613	15,944	34.21
627	6,295	5,038	80.03
723	29,456	13,530	45.93
752	12,389	2,546	20.55
770	506,838	146,032	28.81
775	28	8	28.57
823	3,142,743	1,143,816	36.40
881	3,202	1,358	42.41
902	38,822	13,950	35.93

**OPERATIONAL REPORTS
2ND QUARTER 2017**

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
927	13,898	5,312	38.22
936	404	84	20.79
958	8,841	2,576	29.14
963	53,487	21,712	40.59
989	13,532	3,444	25.45

Total Industry	41,827,791	4,929,056	11.78%
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The 2016 washout total following the 6/2016 shipments was 12.77%.

E. Distributional Edits Systems

The Distributional Analysis Edit System is a new set of reports CAR developed to help determine whether companies are experiencing reporting issues relating to Data Quality. The reports are segmented into three sections by type of business: Private Passenger Total Market, Commercial – Voluntary and Commercial – Servicing Carrier business.

The first phase of this report focused on premium data only and was placed on CAR’s website back in September 2016. The report collects 6 months’ worth of each company’s premium data and companies were expected to respond to any out of balance tolerances by November 28, 2016. The December 2016 report was run and posted to the website on February 28, 2017 with responses due back on May 7, 2017. The next Distributional Analysis Edit System release will be posted late September 2017 which includes both the premium and loss reporting.

Any questions regarding this reporting should be directed to your companies Data Analyst or a CAR Staff member of the Operational Services Department.

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VI. COMMUNICATIONS

A. CAR's Website

In late September, CAR will release the six-month 2017 Distributional Analysis reports. With this release, the reports will now include loss data. There are a number of separate loss reports that will require a response if the volume of data in a particular category exceeds the tolerance level.

CAR will distribute an Accounting & Statistical Notice with the implementation of the loss reports and the Help screens within the Distributional Analysis system will include specific information to the new reports.

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.

With the move of statistical corrections and all of the "lookup" functions to CAR's website, there are just a small number of applications remaining on the mainframe. These include the CAR Accounting System, Cession System, Policy Histories (both CAR and Statistical), and Claims functions (Allocated Expense, Reinsurance Audit, Average Cost per Claim). CAR is planning to start a project of moving the Cession System to the website in June 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	The new online statistical correctional system was successfully implemented in April 2017. CAR will begin working on the next system re-write this fall.
Rewrite Distributional Edits	In progress	The Distributional 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. The premium reports were implemented September 2016. The loss reports are currently in the final stages of testing, with implementation scheduled for the June 2017 reports (which will be released in late-September).
SIU Compliance Audit	In progress	Create SIU web system featuring an upload for the SIU Quarterly Activity Log and providing a number of additional industry reports.