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

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: September 14, 2018

RE: Operational Reports

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The 2<sup>nd</sup> quarter 2018 Operational Reports follow this memorandum. This report includes data reported May 16, 2018 through August 15, 2018 for the accounting month period of April 2018 through June 2018. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

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

On May 21, 2018, revisions to the Massachusetts Private Passenger and Commercial Statistical Plan were approved by the Division of Insurance, pursuant to the provisions of G.L. c. 175A (provided in Accounting and Statistical Notice No. 618). The summaries of the approved Statistical Plan modifications are included in Section I – Statistical System of the Operational Report.

CAR assessed a total of \$22,450 in the Statistical Data Quality Penalty Program in the 2<sup>nd</sup> Quarter 2018 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.

## **OPERATIONAL REPORTS 2ND QUARTER 2018**

### **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, 2018 using CAR's new online system. The documentation can now be uploaded into CAR and should be received by October 1, 2018.

As of June 2018 the MAIP residual market rate was equaled to 1.3% and the commercial residual market rate equaled 22.6%.

CAR posted the June 30, 2018 Quarterly Member Participation Reports to its website on September 7, 2018.

CAR ran the 2<sup>nd</sup> Quarter 2018 Rule 29 credit edit download reports on August 17, 2018.

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

CAR produced the 2nd Quarter 2018 Critical Error Loss Write-Offs and 10% Loss of Investment Fees reports. **There were no loss write-off records for the quarter.**

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2017 and 2018 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 10, 2018.

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

1<sup>st</sup> Quarter 2018 Statutory Page 14 data was due at CAR on June 15, 2018. Penalties for late Page 14 reporting resulted at \$3,500. Reconciliation Responses for 1<sup>st</sup> Quarter 2018 were run on July 2, 2018 and due back on August 2, 2018. Penalties for the late responses resulted at \$7,900. Company assessments were included in 2<sup>nd</sup> Quarter 2018, Settlement of Balances. 2<sup>nd</sup> Quarter 2018 Statutory Page 14 data is due at CAR on September 17, 2018. 2<sup>nd</sup> Quarter Reconciliation Reporting is anticipated to run October 3, 2018.

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

### **Section VI – Communications:**

CAR released the Distribution Analysis reports in early September, 2018. Responses to over tolerance conditions are due on November 4, 2018.

**OPERATIONAL REPORTS  
2ND QUARTER 2018**

**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 2018 as of the second quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

<b>2018 CALL SCHEDULE</b>		
<b>Submission</b>	<b>Due Date</b>	<b>Quarter</b>
January 2018	March 15, 2018	1 <sup>st</sup> Quarter
February 2018	April 17, 2018	
March 2018	May 15, 2018	
April 2018	June 15, 2018	2 <sup>nd</sup> Quarter
May 2018	July 16, 2018	
June 2018	August 15, 2018	
July 2018	September 17, 2018	3 <sup>rd</sup> Quarter
August 2018	October 15, 2018	
September 2018	November 15, 2018	
October 2018	December 17, 2018	4 <sup>th</sup> Quarter
November 2018	January 15, 2019	
December 2018	February 15, 2019	

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, 2018.

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**I. STATISTICAL SYSTEM (continued)**

2018 Timeliness Report

<i>CO NO</i>	<i>Jan 3/15</i>	<i>Feb 4/17</i>	<i>Mar 5/15</i>	<i>Apr 6/15</i>	<i>May 7/16</i>	<i>Jun 8/15</i>	<i>July 9/17</i>	<i>Aug 10/15</i>	<i>Sep 11/15</i>	<i>Oct 12/17</i>	<i>Nov 1/15</i>	<i>Dec 2/15</i>
109	COM		COM			PP						
116						COM						
118	PP				PP							
134		COM			COM	COM						
141			PP									
144						COM						
155	COM		COM	COM								
206			COM			COM						
230			COM									
279	Both											
323		PP	COM		PP							
342					COM							
347					COM							
349					COM							
366						COM						
443						COM						
571						COM						
578				COM	COM							
582				COM	COM							
686						PP						
833						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 14 data, reconciliation responses, and failure to reduce a statistical shipment's error percent to below 5%.

For 2<sup>nd</sup> Quarter 2018, CAR assessed a total penalty amount of \$22,450. The table below shows the detail penalties for each company.

Penalty Assessments  
2nd Quarter 2018

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
105	Crum and Forster Indemnity Ins.	Late Page 14 Data - 03/2018	\$ 100
109	Pennsylvania Lumbers Mutual	Late MAS - 03/2018	\$ 3,000
109	Pennsylvania Lumbers Mutual	Late Page 14 Data - 03/2018	\$ 1,400
110	KnightBrook Insurance Company	Stat Error > 5% - 01/2018	\$ 150
116	Security National Insurance Co.	Late MAS - 03/2018	\$ 500
116	Security National Insurance Co.	Late Page 14 Expln - 03/2018	\$ 1,100
118	Privilege Underwriters (PURE)	Late MAS - 05/2018	\$ 500
134	New York Marine and General Ins.	Late MAS - 05/2018	\$ 500
134	New York Marine and General Ins.	Stat Error > 5% - 03/2018	\$ 150
141	Preferred Mutual Insurance Co.	Late MAS - 03/2018	\$ 500
144	Wesco Insurance Company	Late MAS - 03/2018	\$ 500
144	Wesco Insurance Company	Late Page 14 Expln - 03/2018	\$ 600
155	Argonaut Insurance Company	Late MAS - 03/2018	\$ 500
158	Technology Insurance Company	Late Page 14 Expln - 03/2018	\$ 600
206	Nationwide Agribusiness Ins. Co.	Late MAS - 03/2018	\$ 1,500
230	Praetorian Insurance Company	Late MAS - 03/2018	\$ 500
230	Praetorian Insurance Company	Late Page 14 Expln - 03/2018	\$ 200
262	Citizens Insurance Company	Stat Error > 5% - 05/2018	\$ 150
323	Esurance Insurance Company	Late MAS - 05/2018	\$ 500
342	Selective Insurance Co. America	Late MAS - 05/2018	\$ 500
347	Selective Insurance Co. of the SW	Late MAS - 05/2018	\$ 500
347	Selective Insurance Co. of the SW	Stat Error > 5% - 02/2018	\$ 300
349	Selective Insurance Co. of the SE	Late MAS - 05/2018	\$ 500
349	Selective Insurance Co. of the SE	Stat Error > 5% - 02/2018	\$ 600
366	Arch Insurance Company	Stat Error > 5% - 03/2018	\$ 150
399	Fireman's Fund Insurance Co.	Stat Error > 5% - 02/2018	\$ 150

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2ND QUARTER 2018**

**I. STATISTICAL SYSTEM (continued)**

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments  
2nd Quarter 2018

<b>Co #</b>	<b>Company Name</b>	<b>Assessment</b>	<b>Assessment Amount</b>
412	Rampart Insurance Co.	Rescind Pg.14 -12/2016	\$ (4,800)
412	Rampart Insurance Co.	Rescind Pg.14 -12/2017	\$ (4,900)
443	NOVA Insurance Company	Late MAS - 03/2018	\$ 500
443	NOVA Insurance Company	Late Page 14 - 03/2018	\$ 300
461	Sentinel Insurance Company	Late Page 14 - 03/2018	\$ 100
464	Hartford Ins. Co of the Midwest	Late Page 14 - 03/2018	\$ 100
466	Hartford Underwriters Ins. Co.	Late Pg.14 - 03/2018	\$ 100
467	Harford Casualty Insurance Co.	Late Pg.14 - 03/2018	\$ 100
468	Hartford Fire Insurance Company	Late Pg.14 - 03/2018	\$ 100
469	Harford Accident and Indemnity Ins	Late Pg.14 - 03/2018	\$ 100
571	Milwaukee Casualty Ins. Co.	Late MAS - 03/2018	\$ 500
571	Milwaukee Casualty Ins. Co.	Late Pg.14 Expln-03/2018	\$ 1,600
578	Merchants Preferred Ins. Co.	Late MAS - 04/2018	\$ 500
578	Merchants Preferred Ins. Co.	Late MAS - 05/2018	\$ 1,250
578	Merchants Preferred Ins. Co.	Late Pg. 14 - 03/2018	\$ 200
582	Merchants Mutual Ins Co.	Late MAS - 04/2018	\$ 500
582	Merchants Mutual Ins Co.	Late MAS - 05/2018	\$ 1,250
582	Merchants Mutual Ins Co.	Stat Error > 5% - 03/2018	\$ 150
582	Merchants Mutual Ins Co.	Late Pg. 14 - 03/2018	\$ 200
610	Ironshore Indemnity Inc.	Late MAS - 03/2018	\$ 1,500
610	Ironshore Indemnity Inc.	Late MAS - 06/2018	\$ 1,500
630	Nationwide Mutual Insurance Co.	Late Pg.14 Expln-03/2018	\$ 100
643	New Hampshire Insurance Co.	Stat Error > 5% - 04/2018	\$ 150
667	North River Insurance Company	Late Page 14 - 03/2018	\$ 100
686	Occidental Fire & Casualty Co. NC	Stat Error > 5% - 04/2018	\$ 150
695	Old Republic Insurance Company	Late Pg.14 Expl-03/2018	\$ 1,600

**OPERATIONAL REPORTS  
2ND QUARTER 2018**

**I. STATISTICAL SYSTEM (continued)**

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments  
2nd Quarter 2018

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
737	Progressive Casualty Ins Co.	Late MAS - 03/2018	\$ 500
748	QBE Insurance Corp	Late Page 14 - 03/2018	\$ 100
748	QBE Insurance Corp	Late Pg.14 Expln-03/2018	\$ 200
757	Clear Blue Insurance Company	Late Page 14 - 03/2018	\$ 100
785	Progressive Direct Ins Co	Late MAS - 03/2018	\$ 500
797	Starr Indemnity and Liability Ins Co.	Late Pg.14 Expln-03/2018	\$ 300
828	State Farm Mutual Auto Ins Co.	Late Page 14 - 03/2018	\$ 100
893	Trumbull Insurance Company	Late Page 14 - 03/2018	\$ 100
894	Twin City Insurance Company	Late Page 14 - 03/2018	\$ 100
927	US Fire Insurance Company	Late Page 14 - 03/2018	\$ 100
951	Vanliner Insurance Company	Stat Error > 5% - 02/2018	\$ 150
958	Harleysville Insurance Company	Late Pg. 14 Expln-03/2018	\$ 1,600
		Total	<b>\$22,450</b>

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2ND QUARTER 2018**

**I. STATISTICAL SYSTEM (continued)**

Massachusetts Private Passenger Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
April 1, 2018	<p>On December 19, 2017, modifications to Rule 21 of the CAR Rules of Operations were deemed approved by the Division of Insurance. The approved modifications confirmed a March 31, 2018 end date for the restrictions on the non-renewal of Clean-in-Three risks written by qualifying former Exclusive Representative Producers (ERPs).</p> <p>Accordingly, the CAR Identification Code table in the Private Passenger Statistical Plan has been modified such that CAR ID Code 1, used to identify direct business written voluntarily that meets the Clean-in-Three definition noted in Rule 22, is no longer applicable and may no longer be statistically reported on policies effective April 1, 2018 and subsequent.</p>	<p>Approved by the Division of Insurance on May 21, 2018</p>



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2ND QUARTER 2018**

**I. STATISTICAL SYSTEM (continued)**

Massachusetts Commercial Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
January 1, 2019	Language contained in the Rating Identification Code table has been modified in order to alleviate potential confusion relative to the reporting of this data element. Note that this modifications is for clarification only and aims to strengthen the description of each code by removing the word “basis” from the coding descriptions. The Rating Identification Code reported must indicate whether the policy has been experienced rated (Code 1), all other rated (Code 9), both experience and all other rated (Code 7) or not experience or all other rated (Code 0).	Approved by the Division of Insurance on May 21, 2018

**OPERATIONAL REPORTS  
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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 2016-2018.

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 20, 2018.

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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 2018 monitoring policy years 2016, 2017 and 2018 for 2nd Quarter 2018.

**Two companies exceeded the tolerance for policy effective years 2016 and 2018 as of the 2nd Quarter 2018. These companies have been notified and must submit a response by November 1, 2018.** A response is required and will be presented to the Operational Committee upon request.

<b>Policy Year</b>	<b>Company</b>
<b>2016</b>	<b>245 – Charter Oak Fire Insurance</b>
<b>2018</b>	<b>279 – Commerce 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 2016  
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D 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 *	0.0	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*).

Policy Year 2017  
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	660	2	0.3	0.1	10,470	0
279	5	0	0.0	0.0	0	0
717	479	11	2.3	0.0	17,875	11,197
734	431	31	7.2 *	0.2	964	0
773	1	0	0.0	0.0	0	0
Totals	1,576	44	2.8%	N/A	29,309	11,197

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

Policy Year 2018  
Commercial

<b>CO NO</b>	<b>POLICIES ELIGIBLE</b>	<b>BACKDATE D POLICIES</b>	<b>PERCENT BACKDATED</b>	<b>% CHANGE</b>	<b>PD LOSSES COVERED</b>	<b>O/S LOSSES COVERED</b>
154	287	2	0.7	0.1	0	0
279	9	0	0	0.0	0	0
717	163	7	4.3	1.2	0	0
734	148	3	2.0	1.0	0	0
773	1	0	0	0.0	0	0
Totals	608	12	2.0%	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 run on July 30, 2018 and the documentation can now be uploaded into CAR located on the CAR Accounting area on the website by October 1, 2018 due date. Questions on the use of this system should be directed to the Operations Services department or your company's Data Analyst.

**OPERATIONAL REPORTS  
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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 07/2017 to 06/2018

Reflects MAIP Placement Record Reported Data as of August 19, 2018

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	0	0	0	0	366
153	1	15	4	89	13	0	5,230
192	0	0	0	0	0	1	604
193	0	10	5	1	0	0	26
202	0	0	1	0	0	0	218
279	19	0	824	69	10	11	22,794
308	0	0	0	0	0	0	286
312	0	0	7	0	0	0	150
354	0	7	10	0	0	0	5,861
363	0	0	0	0	0	0	335
422	0	0	1	0	0	0	316
521	0	0	0	0	74	61	79
531	2	1	1	0	0	0	1,706
585	7	3	3	0	3	6	319
612	17	3	6	4	0	1	2,605
664	18	15	2	1	7	19	2,399
724	1	3	5	0	0	7	3,172
731	0	2	0	50	0	0	0
773	3	1	169	71	2	4	11,184
826	0	0	0	1	0	0	0
827	1	0	0	0	0	0	578
908	6	1	1	0	0	0	4,689
959	0	0	0	0	0	0	161
988	1	18	8	1	0	1	2,271
<b>Average</b>	3	3	40	12	4	6	2,515

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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.

<b>Effective Year</b>	<b>MAIP Residual Market %</b>	<b>Commercial Cession %</b>	<b>Time Period</b>
2012	2.6%	15.6%	Final Result
2013	2.1%	17.0%	Final Result
2014	1.5%	18.7%	Final Result
2015	2.6%	20.4%	Final Result
2016	1.4%	21.8%	Final Result
2017	1.3%	22.1%	Final Result
2018	1.3%	22.6%	As of June 2018

Commercial Residual Market volume report is available on CAR's website ([www.commauto.com](http://www.commauto.com)).

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

Policy Year 2018 Results as of June 2018

	<b>2018 @ 6 Months</b>	<b>% Total</b>	<b>2017 @ 12 Months</b>	<b>% Total</b>
MAIP Assigned (CAR-ID 9)	32,024	1.3%	61,625	1.3%
MAIP Retained (CAR-ID 8)	2,445,948	98.7	4,591,511	98.7
Clean-In-Three (CAR-ID 1)	115	0.0	595	0.0
<b>Total</b>	<b>2,478,088</b>	<b>100.0%</b>	<b>4,653,731</b>	<b>100.0%</b>

C. Private Passenger MAIP Premium and Loss Reports

Private Passenger Premium and Loss reports have been updated through June, 2018 on August 24, 2018 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 2018 Quarterly Member Participation Reports to its website on September 7, 2018. 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 2018 estimated Participation Ratios using data reported through the June 30, 2018 monthly accounting shipments will be posted to CAR's website by September 30, 2018.

The Final 2017 Participation Ratios using data reported through the December, 2017 monthly accounting shipment were calculated and posted to CAR's website on July 25, 2018. 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, 2018 were posted to CAR's website on September 5, 2018 for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Commercial
2015	(25,362)
2016	(47,040)
2017	(39,945)

Deficit projections for policy years 2018 and prior can be found on CAR's website ([www.commauto.com](http://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 2018 Monthly Quota Share and Assignment Order Report to its website on August 28, 2018. The report has been updated to include statistical data for July 2017 to June 2018 effective month policies reported through August 15, 2018. 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 True-Up of the Ceding Expenses for Calendar Year 2017 will be processed with the September, 2018 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 2016 at 30 months and 2017 at 18 months will also be included. Company Reports will be mailed to the designated Servicing Carrier contacts at that time.

I. **Proposed CAR Commercial Rate Change– Effective February 1, 2019**

CAR filed a Massachusetts Commercial Residual Market rate change with the Division of Insurance on August 2, 2018, with a proposed effective date of February 1, 2019. Industry notification was made in Commercial Lines Notice No.123. The filing is under review by the Division of Insurance and has not yet been approved.

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

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

J. **Principal Place of Business Certification Form Approval**

On June 28, 2018, the Division of Insurance placed on file the Principal Place of Business Certification Form (CR 00 01 08 18) with an effective date of August 1, 2018. Please refer to Commercial Lines Notice No. 119 for details about this Form. Additionally, Bulletin No. 1055 details the Principal Place of Business Standards that identify items that are intended to be used as underwriting opportunities and to serve as evaluation tools to assist Servicing Carriers in ascertaining a risk's eligibility in the commercial residual market and in validating the risk's declared principal place of business.

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

**K. Non-Fleet Private Passenger Type Standards and Forms**

On July 18, 2018, the Division of Insurance placed on file the Non-Fleet Private Passenger Type (NF-PPT) Certification Form (CR 00 02 08 18) and Operator Exclusion Form (CR 99 01 08 18). Please refer to Commercial Lines Notice No. 120 for details about this Form.

The Non-Fleet Private Passenger Type Certification Form will be used in conjunction with procedures that instruct Servicing Carriers to require, and Exclusive Representative Producers (ERPs) to provide, a signed Non-Fleet Private Passenger Type Certification Form from all NF-PPT new business applicants submitted for placement in the commercial automobile residual market.

The Operator Exclusion Form will be used in conjunction with procedures that instruct Servicing Carriers to require, and ERPs to obtain, a completed Operator Exclusion Form if the business owner(s) does not have a valid driver's license and is not listed on the application as an operator(s).

Further information relative to the established procedures and use of the Certification Form and the Operator Exclusion Form were published in CAR Bulletin No. 1058.

**L. Covered Automobile Commercial Manual Rule Filing Approval**

On July 26, 2018, the Division of Insurance placed on file amendments to CAR's Commercial Automobile Insurance Manual Rules 3, 55, 75, and 126. These Rules were updated to reflect recently approved changes to Rule 6 of CAR's Rules of Operation detailed in Bulletin No. 1056, dated July 24, 2018.

These amendments restrict coverage to only those vehicles that are specifically described on the policy declarations and designated with an ISO Covered Auto Designation Symbol of 7 (specifically described autos), 8 (hired autos) or 9 (non-owned autos). Policies written on the Business Auto Coverage Form with designated ISO symbol codes of 1 (any auto) would no longer be cedeable to CAR. Accordingly, Servicing Carriers will no longer be able to employ composite, gross receipts, or mileage based rating options for ceded policies written on the Business Auto Policy.

For a detailed description of the amendments, please refer to Commercial Lines Notice 121, dated July 26, 2018.

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**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, 2016 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 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%
July 2017	791,249,048	782,313,850	-8,935,198	1.13%
August 2017	804,498,501	795,116,288	-9,382,213	1.17%
Sept 2017	812,978,203	803,611,634	-9,366,569	1.15%
Oct 2017	813,871,268	804,468,064	-9,403,204	1.16%
Nov 2017	814,493,688	805,056,124	-9,437,564	1.16%
Dec 2017	815,178,541	805,810,431	-9,368,110	1.15%
Jan 2018	805,480,406	796,061,499	-9,418,907	1.17%
Feb 2018	827,039,648	817,460,372	-9,579,276	1.16%
March 2018	855,091,525	844,042,848	-11,048,677	1.29%
April 2018	850,186,887	837,099,945	-13,086,942	1.54%
May 2018	858,534,789	842,244,604	-16,290,185	1.90%
June 2018	865,347,021	851,288,337	-14,058,684	1.62%

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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>Statistical System Update</b>	<b>Quarter</b>
January 2018	March 15, 2018	May 16, 2018	1st Quarter 2018
February 2018	April 16, 2018	April 17, 2018	
March 2018	May 15, 2018	May 16, 2018	
April 2018	June 15, 2018	June 18, 2018	2 <sup>nd</sup> Quarter 2018
May 2018	July 16, 2018	July 17, 2018	
June 2018	August 15, 2018	August 16, 2018	
July 2018	September 15, 2018	September 18, 2018	3 <sup>rd</sup> Quarter 2018
August 2018	October 15, 2018	October 16, 2018	
September 2018	November 15, 2018	November 16, 2018	
October 2018	December 17, 2018	December 18, 2018	4 <sup>th</sup> Quarter 2018
November 2018	January 15, 2019	January 16, 2019	
December 2018	February 15, 2019	February 18, 2019	

**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 2018.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for September 2018 through February 2019 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 2018

Company	May 2018	June 2018	July 2018	Total
154				
245				
279				
717				
732				
734				
773				
<b>Total</b>				

2nd Quarter 2018– 10% Loss of Investment Fees

Company	May 2018	June 2018	July 2018	Total
154				
245				
279				
717				
734				
773				
<b>Total</b>				

Potential Loss Write-Off September 2018 through February 2019

Company	September 2018	October 2018	November 2018	December 2018	January 2019	February 2019	Grand Total
154				0			0
245				0			0
279				0			0
717				0			0
732				447			447
734				0			0
773				0			0
<b>Totals</b>				447			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  
2017 & 2018 Policy Effective Years

Non-Critical Error - Penalties

**There have been no companies in penalty to list this quarter for policy effective years 2017 or 2018.**

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

**2017 Effective Year Non-Critical Errors show no Potential Penalties to report**

2018 Effective Year Non-Critical Errors Over Tolerance – Potential Penalty

**2018 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	2016	0	0.00
154	2017	0	0.00
154	2018	335,351	1.48
245	2016	0	0.00
245	2017	0	0.00
245	2018	0	0.00
279	2016	0	0.00
279	2017	0	0.00
279	2018	0	0.00
717	2016	0	0.00
717	2017	0	0.00
717	2018	0	0.00
732	2016	0	0.00
732	2017	0	0.00
732	2018	0	0.00
734	2016	0	0.00
734	2017	0	0.00
734	2018	0	0.00
773	2016	0	0.00
773	2017	0	0.00
773	2018	11,985	0.03
Total Ind		347,516	1.51

**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 2018 forecasting reports on September 10, 2018.

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**IV. ACCOUNTING SYSTEM (continued)**

**F. 2016 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 2016 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>
2016	N/A	\$5,700	\$8,200
2015	N/A	\$5,500	\$8,300
2014	N/A	\$5,200	\$8,300
2013	N/A	\$4,900	\$8,100
2012	N/A	\$4,600	\$7,700
2011	N/A	\$4,400	\$8,100
2010	N/A	\$4,500	\$7,300
2009	\$1,400	\$4,900	\$7,700
2008	\$1,400	\$5,300	\$7,600
2007	\$1,500	\$5,700	\$8,600

**G. \$60 Cession/No Premium Penalties**

On November 28, 2018 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 2018	March 15, 2018	May 16, 2018	1st Quarter 2018
February 2018	April 16, 2018	April 17, 2018	
March 2018	May 15, 2018	May 16, 2018	
April 2018	June 15, 2018	June 18, 2018	2 <sup>nd</sup> Quarter 2018
May 2018	July 16, 2018	July 17, 2018	
June 2018	August 15, 2018	August 16, 2018	
July 2018	September 15, 2018	September 18, 2018	3 <sup>rd</sup> Quarter 2018
August 2018	October 15, 2018	October 16, 2018	
September 2018	November 15, 2018	November 16, 2018	
October 2018	December 17, 2018	December 18, 2018	4 <sup>th</sup> Quarter 2018
November 2018	January 15, 2019	January 16, 2019	
December 2018	February 15, 2019	February 18, 2019	

**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 2018	June 15, 2018	July 2, 2018	Approx. August 2, 2018
2nd 2018	September 17, 2018	October 1, 2018	Approx. November 1, 2018
3rd 2018	December 17, 2018	January 2, 2019	Approx. February 2, 2019
4th 2018	March 15, 2019	April 1, 2019	Approx. May 1, 2019

The Annual Statement collection of Page 14's for 1st Quarter 2018 was due on June 15, 2018. Penalties for late Page 14 amounted to \$3,500. Reconciliation 1st Quarter 2018 responses were due August 2, 2018 and penalties amounted to \$7,900. All assessments were included 2nd Quarter 2018 - Settlement of Balances. CAR is currently collecting 2nd Quarter 2018 Annual Statement Statutory Page 14 data which is due at CAR on September 17, 2018. The 2nd Quarter 2018 Reconciliation Reports are due to run on or about October 1, 2018.

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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 2017 EFF YEAR</b>	Liability	64,137	716	1.12%
	No Fault	61,628	472	0.77%
	Physical Damage	43,651	507	1.16%
	Total	169,416	1,695	1.00%
<b>COMM 2018 EFF YEAR</b>	Liability	30,930	506	1.64%
	No Fault	30,315	258	0.85%
	Physical Damage	22,390	542	2.42%
	Total	83,635	1,306	1.56%

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

Commercial Rate Edit penalties apply to Current and Previous Effective Years. Current Effective Year includes policies effective January 2018 – December 2018. Previous Effective Year includes policies effective January 2017 – December 2017. 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 6/2018

<b>COMPANY NUMBER</b>	<b>RECORD COUNT</b>	<b>WASHOUT COUNT</b>	<b>WASHOUT PERCENT</b>
033	424,674	979,473	43.36
045	37	150	24.67
105	400	1,568	25.51
118	47,992	99,537	48.22
134	494	1,980	24.95
141	353,630	571,613	61.87
153	1,374,652	4,328,209	31.76
154	112,446	295,478	38.06
156	13,314	33,386	39.88
256	1,326	1,557	85.16
261	3,170	4,668	67.91
283	1,462	2,382	61.38
362	140,676	208,404	67.50
402	2,554	11,828	21.59
418	27,691	101,657	27.24
443	7,540	8,832	85.37
486	4,560	8,659	52.66
503	86	179	48.04
626	14,916	44,814	33.28
627	6,752	7,828	86.25
708	502	1,098	45.72
752	3,654	12,607	28.98
770	150,875	480,912	31.37
823	2,023,218	4,305,577	46.99
881	958	2,487	38.52
902	16,374	42,888	38.18
927	6,062	16,224	37.36

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

D. Deleted Washout Records (continued)

Deleted Washout Totals  
For All Shipments Received Through 6/2018

<b>COMPANY NUMBER</b>	<b>RECORD COUNT</b>	<b>WASHOUT COUNT</b>	<b>WASHOUT PERCENT</b>
958	1,856	7,220	25.71
963	12,583	36,462	34.51
989	2,674	12,395	21.57
<b>Total Industry</b>	<b>44,526,256</b>	<b>6,096,684</b>	<b>13.69%</b>

The 2017 washout total following the 6/2017 shipments was 11.78%.

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 June 2018 reports were posted to CAR’s website on September 5, 2018 for both premium and loss data. Companies are required to provide an explanation for all over tolerance conditions by November 4, 2018.

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

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

CAR ran the report in early September for the June 2018 period. Companies are to respond to any over tolerances by November 4, 2018.

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

B. Telecommunications

CAR has started a project to move the existing session mainframe application to its website which should allow for easier access and a streamlined correction process. CAR is expecting to complete this project in early 2019.

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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	CAR has begun working on the rewrite of the Cession Reporting and the Correction System.
SIU Compliance Audit	Completed	Create SIU web system featuring an upload for the SIU Quarterly Activity Log and providing a number of additional industry reports. CAR is currently working with the industry to ensure a smooth transition to the new system.
Registry Conversion	In progress	CAR has updated its systems to accept data from the new Registry system. CAR is continuing to evaluate impacts to company reported statistical data as a result of these changes at the Registry.