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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, Data Analyst
DATE: October 2, 2020
RE: Operational Reports

The 2nd quarter 2020 Operational Reports follow this memorandum. This report includes data reported May 16, 2020 through August 17, 2020 for the accounting month period of April 2020 through June 2020. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

Section I – Accounting/Statistical Shipments:

On December 10, 2019, 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, § 15 provided in Accounting and Statistical Notice No. 642. The summaries of the approved Statistical Plan modifications are included in Section I – Statistical System of the Operational Report.

On October 22, 2019, revisions to the Massachusetts Private Passenger Statistical Plan were approved by the Division of Insurance, pursuant to the provisions of G.L. c. 175A, § 15 provided in Accounting and Statistical Notice No. 638. The summaries of the approved Statistical Plan modifications are included in Section I – Statistical System of the Operational Report.

CAR assessed a total of \$34,350 in the Statistical Data Quality Penalty Program in the 2nd Quarter 2020 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.

The 2018 annual Cession/No Premium Write-Off amounts have been calculated and CAR set the 2018 penalties at \$7,700 for Commercial and \$8,600 for Taxi/Limousine business. Please reference Bulletin Notice No. 1094 distributed on February 10, 2020 for more information.

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Section III – Residual Market Information:

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

CAR ran the CA5010 - Flat Cancellation Audit report on July 28, 2020 using CAR's online system. The documentation can now be uploaded into CAR and is due on October 1, 2020.

As of June 2020, the private passenger and the commercial residual market rate equaled 0.8% and 18.5%, respectively.

CAR posted the June 30, 2020 Quarterly Member Participation Reports to its website on September 4, 2020.

CAR ran the 2nd Quarter 2020 Rule 29 credit edit download reports on August 18, 2020.

Section IV – Accounting System Processing:

CAR produced 2nd Quarter 2020 Critical Error Loss Write-Offs and 10% Loss of Investment Fees. **There were no companies listed for this quarter's report.**

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2019 and 2020 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 8, 2020.

Section V - Statistical Agent Functions:

First Quarter 2020 Statutory Page 14 data was due at CAR on June 15, 2020. Reconciliation Responses for First Quarter 2020 was run on July 2, 2020 and due back on August 1, 2020. Company assessments were included in 2nd Quarter 2020, Settlement of Balances. Second Quarter 2020 Statutory Page 14 data was due at CAR on September 15, 2020. Second Quarter 2020 Reconciliation is anticipated to run on or about October 1, 2020.

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

Section VI – Communications:

CAR Policy Histories within the Accounting System has been updated to CAR's website and is accessible for users. The next Accounting System application to be moved to the website is the CAR Accounting Corrections.

**OPERATIONAL REPORTS
2ND QUARTER 2020**

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 2020 as of the second quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

2020 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2020	March 16, 2020	1 st Quarter
February 2020	April 15, 2020	
March 2020	May 15, 2020	
April 2020	June 15, 2020	2 nd Quarter
May 2020	July 15, 2020	
June 2020	August 17, 2020	
July 2020	September 15, 2020	3 rd Quarter
August 2020	October 15, 2020	
September 2020	November 16, 2020	
October 2020	December 15, 2020	4 th Quarter
November 2020	January 15, 2021	
December 2020	February 16, 2021	

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 2020.

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I. STATISTICAL SYSTEM (continued)

2020 Timeliness Report

<i>CO NO</i>	<i>Jan 3/16</i>	<i>Feb 4/15</i>	<i>Mar 5/15</i>	<i>Apr 6/15</i>	<i>May 7/15</i>	<i>Jun 8/17</i>	<i>July 9/15</i>	<i>Aug 10/15</i>	<i>Sep 11/15</i>	<i>Oct 12/16</i>	<i>Nov 1/15</i>	<i>Dec 2/18</i>
109			COM									
162			COM			COM						
230			COM									
303			COM									
320						PP						
323	PP											
577		PP	PP			PP						
578			COM	COM								
582	COM		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 2020, CAR assessed a total penalty amount of \$34,350. The table below shows the detail penalties for each company.

Penalty Assessments
2nd Quarter 2020

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
107	Old Republic General Ins. Corp.	Stat Err > 5% - 03/2020	\$ 300
109	Pennsylvania Lumbermen's	Stat Err > 5% - 02/2020	\$ 300
109	Pennsylvania Lumbermen's	Late MAS – 03/2020	\$ 500
118	Privilege Underwriters (PURE)	Stat Err > 5% - 03/2020	\$ 750
134	New York Marine & General Ins.	Stat Err > 5% - 03/2020	\$ 150
134	New York Marine & General Ins.	Late Page 14 Data - 03/2020	\$ 800
134	New York Marine & General Ins.	Late Expln – 03/2020	\$ 800
144	Wesco Insurance Company	Stat Err > 5% - 03/2020	\$ 150
162	Imperium Insurance Company	Late MAS – 06/2020	\$ 500
201	AIG Property & Casualty Co	Stat Err > 5% - 04/2020	\$ 150
201	AIG Property & Casualty Co	Stat Err > 5% - 04/2020	\$ 600
201	AIG Property & Casualty Co	Stat Err > 5% - 05/2020	\$ 150
207	Blackboard Insurance Company	Late Page 14 Data - 03/2020	\$ 300
303	CUMIS Insurance Company	Late MAS – 03/2020	\$ 500
323	Esurance Insurance Company	Stat Err > 5% - 01/2020	\$ 150
323	Esurance Insurance Company	Stat Err > 5% - 02/2020	\$ 150
323	Esurance Insurance Company	Stat Err > 5% - 06/2020	\$ 150
329	AMICA Property & Casualty Co	Stat Err > 5% - 03/2020	\$ 300
329	AMICA Property & Casualty Co	Late Page 14 Data - 03/2020	\$ 100
354	AMICA Mutual Insurance Co	Stat Err > 5% - 03/2020	\$ 150
354	AMICA Mutual Insurance Co	Late Page 14 Data - 03/2020	\$ 200
364	Prime Property & Casualty Ins. Co	Late Page 14 Data - 03/2020	\$ 4,800
447	Digital Advantage Insurance Co	Late Page 14 Data - 03/2020	\$ 4,800
486	Harleysville Preferred Ins. Co	Stat Err > 5% - 01/2020	\$ 1,200
494	AmTrust Insurance Co. of Kansas	Late Expln – 03/2020	\$ 1,500
525	Liberty Mutual Personal Ins. Co	Late Page 14 Data - 03/2020	\$ 600
569	Midvale Indemnity Company	Late Expln – 03/2020	\$ 100
577	Permanent General Insurance Co	Late MAS – 03/2020	\$ 1,250
577	Permanent General Insurance Co	Late MAS – 06/2020	\$ 500

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I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
2nd Quarter 2020

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
578	Merchant Preferred Insurance Co	Stat Err > 5% - 03/2020	\$ 150
578	Merchant Preferred Insurance Co	Late MAS – 03/2020	\$ 9,000
578	Merchant Preferred Insurance Co	Late MAS – 04/2020	\$ 1,250
578	Merchant Preferred Insurance Co	Late Page 14 Data - 03/2020	\$ 100
582	Merchants Mutual Insurance Co	Stat Err > 5% - 03/2020	\$ 150
582	Merchants Mutual Insurance Co	Late Page 14 Data - 03/2020	\$ 100
695	Old Republic Insurance Company	Stat Err > 5% - 03/2020	\$ 150
731	Plymouth Rock Assurance Co	Late MAS – 04/2020	\$ 500
756	RLI Insurance Company	Stat Err > 5% - 03/2020	\$ 450
893	Trumbull Insurance Company	Stat Err > 5% - 03/2020	\$ 300
951	Vanliner Insurance Company	Stat Err > 5% - 04/2020	\$ 150
958	Harleysville Insurance Company	Stat Err > 5% - 03/2020	\$ 750
991	MIC Property & Casualty Ins. Corp.	Late Page 14 Data - 03/2020	\$ 100
992	Motors Insurance Corporation	Late Page 14 Data - 03/2020	\$ 100
		Total	\$ 34,350

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I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger and Commercial Statistical Plans

Approved Modifications

Proposed Effective Date	Description	Status
January 1, 2020	The components and penalties associated with the Distributional Analysis Program have been incorporated within the Statistical Data Quality Program.	Approved by the Division of Insurance on December 10, 2019
January 1, 2021	The Out-of-State Territory Codes have been expanded to include specific codes to identify New Jersey (997) and Pennsylvania (998).	

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I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
January 1, 2020	<p>Several data fields contained in the Private Passenger Statistical Plan are only required to be reported on policies assigned through the Massachusetts Automobile Insurance Plan (MAIP). These include the Anti-Theft Device Identification Code, the Continuous Coverage Discount Code, the Extra-Risk Rating Collision and Other than Collision Codes, the High-Theft Vehicle Code, and the Low Frequency Discount Code.</p> <p>In order to clarify this requirement, modifications have been made to Appendix A – Classification and Coverage Decision Tables. A new Decision Table value of “M” has been introduced to indicate that for the classification codes identified, the field is only required to be reported on business assigned through the MAIP. Additionally, a clarification has been added to Part III – General Reporting Requirements to reference that specific instructions relative to Extra Risk Rating may also be found in Appendix A.</p>	<p>Approved by the Division of Insurance on October 22, 2019</p>
January 1, 2021	<p>A classification code representing electric cars has been part of the Private Passenger Statistical Plan for many years, dating as far back as the late 1970s. Now that electric cars are mass produced and commonplace, the distinction of this type of vehicle is no longer relevant. Statistical classification code assignments for electric cars should be based upon the characteristics of the operator used to rate the vehicle and the private passenger defined classification codes in the Coding Section of the Private Passenger Statistical Plan should be used for reporting purposes. Accordingly, classification code 0400 (Electric Cars) has been eliminated from the Private Passenger Statistical Plan.</p>	

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II. CESSION/MAIP PLACEMENT RECORD REPORTING

A. Cession Submission

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

CAR accepts cession records and cession corrections on commercial business for policy years 2018-2020.

B. Cession Backdates

1. TX1/TX2 Cession Backdate Appeals based on Intent to Cede

In instances where a company provides documentation showing its intent to cede a specific policy, CAR maintains the authority to act upon those appeals provided the backdate request does not exceed 25 policies. Furthermore, the appeal and associated documentation must meet the criteria outlined in Chapter 2 of the Manual of Administrative Procedures. For any policy that does not meet the criteria, CAR does not have the authority to grant the appeal; the company then can present the appeal before the Operations Committee.

There have been no "intent-to-cede" appeals since the last publication of the Operational Reports.

2. TX5 Cession Backdate Appeals

In instances where a company intended to write a policy voluntary, it can appeal for a transaction 5 (uncede) backdate. CAR maintains the authority to approve these types of appeals when the documentation provided clearly shows the company made the decision to write the policy voluntary prior to the policy effective date.

The table on the following page reflects the log of cession backdate requests CAR Staff processed since the last publication of the Operational Reports on March 15, 2020.

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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. CAR sent the latest report to the industry in June 2020 monitoring policy years 2018, 2019 and 2020 for 2nd Quarter 2020.

No company exceeded the tolerances for policy effective years 2018, 2019 and 2020 as of the 2nd Quarter 2020 report.

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*).

Policy Year 2018
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	464	7	1.5	0.0	0	0
279	11	1	9.1 #	0.0	0	0
717	276	8	2.9	0.0	22,617	22,857
732	28	1	3.6	0.0	0	0
734	245	10	4.1	0.0	0	0
773	1	0	0.0	0.0	0	0
Totals	1,025	27	2.6%	N/A	22,617	22,857

* 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 2019
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	344	2	0.6	0.0	0	0
279	6	0	0.0	0.0	0	0
717	197	4	2.0	0.0	0	0
732	160	1	0.6	0.0	0	0
734	156	4	2.6	0.0	0	0
773	5	0	0.0	0.0	0	0
Totals	868	11	1.3%	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 2020
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	164	0	0.0	0.0	0	0
279	1	0	0.0	0.0	0	0
717	54	0	0.0	0.0	0	0
732	64	0	0.0	0.0	0	0
734	51	2	3.9	0.6	0	0
773	0	0	0.0	0.0	0	0
Totals	334	2	3.9%	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)

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. The report was run on July 28, 2020 and the documentation was due back on October 1, 2020 which can now be uploaded into CAR using the new online upload function within the Accounting area on CAR's website. 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 07/2019 to 06/2020
Reflects MAIP Placement Record Reported Data as of August 19, 2020

Company	Missing MPRs	Rejected MPRs	Fatal MPRs	Rejected Take-Out Credits	MPRs with No Premium	MAIP Premium with No MPR	Active MPRs
113	0	0	0	0	0	0	330
153	7	0	2	28	0	3	3,209
192	0	0	0	0	0	1	533
193	0	5	1	0	0	0	0
202	0	0	0	0	0	0	0
279	20	52	273	125	248	21	19,052
304	0	0	0	0	0	0	8
308	0	0	0	0	0	0	153
315	0	0	0	0	0	0	27
354	0	15	19	1	3	38	4,119
363	0	0	0	0	0	0	123
422	0	0	0	0	0	0	194
521	0	1	0	31	0	0	0
531	0	1	1	0	0	0	868
584	0	2	0	0	2	2	721
585	0	5	0	0	0	2	0
612	8	1	14	48	0	2	1,453
664	4	42	1	0	1	5	1,603
724	0	0	0	0	0	0	1,366
731	0	0	0	59	0	0	0
735	0	0	0	0	0	0	321
773	0	0	60	98	1	11	5,808
827	0	0	0	0	0	0	697
890	0	0	0	0	0	0	136
908	1	1	0	0	1	0	3,723
959	0	0	0	0	0	0	70
988	0	0	2	11	0	0	1,741
Average	2	5	14	15	9	3	1,713

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III. RESIDUAL MARKET INFORMATION

A. Residual Market Volumes

The MAIP Residual Market 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
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	1.2%	22.7%	Final Result
2019	1.0%	20.8%	Final Result
2020	0.8%	18.5%	As of June 2020

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

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

Policy Year 2020 Results as of June 2020

	2020 @ 06 Months	% Total		2019 @ Final	% Total
MAIP Assigned (CAR-ID 9)	20,923	0.8%		46,827	1.0%
MAIP Retained (CAR-ID 8)	2,468,227	99.2%		4,684,069	99.0%
Total	2,489,150	100.0%		4,730,896	100.0%

C. Private Passenger MAIP Premium and Loss Reports

Private Passenger Premium and Loss reports have been updated through June 2020 on August 25, 2020 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 2020 Quarterly Member Participation Reports to its website on September 4, 2020. 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 2020 estimated Participation Ratios using data reported through the June 30, 2020 monthly accounting shipments will be posted to CAR's website by September 30, 2020.

The Final 2019 Participation Ratios using data reported through the June, 2020 monthly accounting shipment were calculated and included in the June Quarter Settlement of Balances, processed in September, 2020. These Ratios are included in the calculations of deficit sharing, administrative expenses, and the advanced statistical assessment.

F. **Interim Ceding Expenses Estimates – Calendar Year 2020 Updated**

The interim expense allowances were updated to reflect the rate components for premium tax and commission as approved in the July, 2020 CAR Rates. The updated interim expense allowances apply to the July – December 2020 monthly accounting shipments

The updated 2020 Commercial Servicing Carrier interim expense allowance of 20.58% is detailed in Commercial Lines Bulletin No. 138, distributed on August 21, 2020. The updated 2020 Interim Expense Allowances for Taxi, Limousine and Car Services Business are 26.20%, 20.72%, and 17.581% respectively. Commercial Lines Notice No. 139, distributed on August 21, 2020, details the calculation of these updated Interim Expenses.

G. Ceding Expense True-Up for Calendar Year 2019

Ceding expenses for Calendar Year 2019 will be trueed-up and processed with the September, 2020 Settlement of Balances, posted to CAR's website in December. The True-Up is calculated using actual reported exposures and will reflect premium tax and commission provisions included in the underlying rates. Similarly, the True-Up of Ceding Expenses for Taxi, Limousine, and Car Service business for Policy Year 2018 at 30 months and 2019 at 18 months will also be included. Company Reports will be mailed to the designated Servicing Carrier contacts at that time.

H. Private Passenger Residual Market Rate Filing Placed on File

On February 26, 2020, the Division of Insurance placed CAR's Private Passenger Residual Market rates and rating manual on file for policies effective June 1, 2020 and subsequent. Amendments were made to the base rates, along with other minor modifications detailed in the Implementation Instructions document. Please refer to Bulletin No. 1095 for additional details.

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2ND QUARTER 2020**

III. RESIDUAL MARKET INFORMATION (continued)

I. Commercial Residual Market Rate Filing Placed on File

On March 17, 2020, the Division of Insurance placed on file the Commercial Automobile Insurance Manual Rates applicable to commercial policies with effective dates of July 1, 2020 and subsequent that are ceded to CAR, as well as CAR's Commercial Automobile Manual and Experience Rating Plan. Please refer to Commercial Lines Notice No. 136 for additional information regarding these rates.

J. Additional Insured Endorsement Form Placed On File

On March 25, 2020, the Division of Insurance placed on file Additional Insured – Massachusetts endorsement form (CR 99 02 07 20) with an effective date of July 1, 2020. The Division of Insurance also approved the addition of Rule 37 – Additional Insured – Massachusetts Endorsement to Section II – Common Coverages and Rating Procedures of the Commercial Automobile Insurance Manual to provide direction for use of the form. Please refer to Commercial Lines Notice No. 137 for additional information regarding this form.

K. CAR Financial Results – Latest Deficit Projections

The latest valuation of ultimate policy year deficit projections as of June, 2020 was posted to CAR's website on September 2, 2020 for the latest three policy years are as follows:

(Numbers are in \$000s)

Commercial Deficit as of June, 2020 (Numbers are in Millions)		
Policy Year	Current Qtr	Prior Qtr
2017	\$14.6	\$18.1
2018	\$36.1	\$40.4
2019	\$12.7	\$25.0

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

L. Quota Share

CAR posted the June, 2020 Monthly Quota Share and Assignment Order Report to its website on August 26, 2020. The report has been updated to include statistical data from July, 2019 to June, 2020 effective month policies reported through August 17, 2020.

Member Companies can also view additional reports that provide detailed information about the data used in the Quota Share calculation on CAR's website in the MAIP section under Company.

**OPERATIONAL REPORTS
2ND QUARTER 2020**

III. RESIDUAL MARKET INFORMATION (continued)

M. Rule 29 Voluntary Credits

CAR ran the Rule 29 credit edit reports for effective date June data in mid-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, 2018 accounting date.

Accounting Date	Reported Credit Premium	Adjusted Credit Premium	Rule 29 Credit Impact	Error Percentage
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%
July 2018	871,788,651	859,685,479	-12,103,172	1.39%
August 2018	875,285,864	862,868,220	-12,417,644	1.42%
Sept 2018	874,902,947	862,460,094	-12,442,853	1.42%
Oct 2018	886,196,067	873,492,729	-12,703,339	1.43%
Nov 2018	886,893,951	874,583,530	-12,310,421	1.39%
Dec 2018	891,305,290	878,642,257	-12,663,033	1.42%
Jan. 2019	893,890,063	881,140,060	-12,750,003	1.43%
Feb. 2019	892,007,624	879,454,384	-12,553,240	1.41%
March 2019	894,491,592	881,727,999	-12,763,593	1.43%
April 2019	899,332,721	886,459,002	-12,873,719	1.43%
May 2019	899,769,870	887,084,103	-12,685,767	1.41%
June 2019	899,552,945	887,013,884	-12,539,061	1.39%
July 2019	913,273,955	900,343,902	-12,930,053	1.42%
August 2019	920,564,625	907,799,394	-12,765,231	1.39%
Sept 2019	908,403,551	895,834,183	-12,569,368	1.38%
Oct 2019	902,467,157	889,838,670	-12,628,488	1.40%
Nov 2019	900,582,755	887,96,774	-12,675,981	1.41%
Dec 2019	901,020,807	888,234,335	-12,786,472	1.42%
Jan. 2020	899,475,299	886,602,550	-12,872,749	1.43%
Feb. 2020	901,917,821	888,567,423	-12,950,398	1.44%
March 2020	901,038,771	888,062,566	-12,976,205	1.44 %
April 2020	900,812,758	887,531,268	-13,281,490	1.47%
May 2020	907,184,560	893,418,454	-13,766,106	1.52%
June 2020	919,180,430	904,970,834	-14,209,596	1.55%

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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 2020	March 16, 2020	March 17, 2020	1st Quarter 2020
February 2020	April 15, 2020	April 16, 2020	
March 2020	May 15, 2020	May 18, 2020	
April 2020	June 15, 2020	June 16, 2020	2 nd Quarter 2020
May 2020	July 15, 2020	July 16, 2020	
June 2020	August 17, 2020	August 18, 2020	
July 2020	September 15, 2020	September 16, 2020	3 rd Quarter 2020
August 2020	October 15, 2020	October 16, 2020	
September 2020	November 16, 2020	November 17, 2020	
October 2020	December 15, 2020	December 16, 2020	4 th Quarter 2020
November 2020	January 15, 2021	January 18, 2021	
December 2020	February 16, 2021	February 17, 2021	

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 2020.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for September 2020 through February 2021 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 2020

Company	May 2020	June 2020	July 2020	Total
154				
245				
279				
717				
732				
734				
773				
Total				

2nd Quarter 2020 – 10% Loss of Investment Fees

Company	May 2020	June 2020	July 2020	Total
154				
245				
279				
717				
734				
773				
Total				

Potential Loss Write-Off September 2020 through February 2021

Company	September 2020	October 2020	November 2020	December 2020	January 2020	February 2020	Grand Total
154	0	0	0	0	0	0	0
245	0	0	0	0	0	0	0
279	0	0	0	0	0	0	0
331	0	0	0	0	0	0	0
732	0	0	0	0	0	0	0
773	12,059	1,368	0	0	0	0	13,427
908	0	0	0	0	0	0	0
Totals	12,059	1,368	0	0	0	0	13,427

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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
2019 & 2020
Policy Effective Years

Non-Critical Error - Penalties

There have been no companies in penalty to list this quarter for policy effective years 2019 or 2020.

2019 Effective Year Non-Critical Errors Over Tolerance - Potential Penalty

2019 Effective Year Non-Critical Errors show no Potential Penalties to report

2020 Effective Year Non-Critical Errors Over Tolerance – Potential Penalty

2020 Effective Year Non-Critical Errors show no Potential Penalties to report

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IV. ACCOUNTING SYSTEM (continued)

D. Ceded Premiums 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	2018	0	0.00
154	2019	0	0.00
154	2020	96,406	0.56
279	2018	0	0.00
279	2019	0	0.00
279	2020	0	0.00
717	2018	0	0.00
717	2019	0	0.00
717	2020	20,962	1.31
732	2018	0	0.00
732	2019	0	0.00
732	2020	0	0.00
734	2018	0	0.00
734	2019	0	0.00
734	2020	0	0.00
773	2018	0	0.00
773	2019	2,464	0.00
773	2020	17,666	0.08
Total Ind.		137,498	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 2020 forecasting reports on September 9, 2020.

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IV. ACCOUNTING SYSTEM (continued)

F. 2018 Cession/No Premium Write-Off

When CAR closes a cession reporting year, it assesses a final penalty against policies that have an active cession record but no corresponding positive premium. The 2018 premium reporting year closed on February 15, 2021. Accordingly, CAR will no longer accept cession activity for the 2018 policy effective year and all policies that contain an active cessions with no positive premium will be subject to the cession/no premium write-off penalty. 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 amounts for 2018 effective date policies and for historical information

Year	PP Penalty	Commercial Penalty	Taxi/Limo/CAR Service Penalty
2018	N/A	\$7,700	\$8,600
2017	N/A	\$6,700	\$9,100
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

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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 2020	March 15, 2020	March 16, 2020	1st Quarter 2020
February 2020	April 16, 2020	April 17, 2020	
March 2020	May 15, 2020	May 16, 2020	
April 2020	June 17, 2020	June 18, 2020	2nd Quarter 2020
May 2020	July 15, 2020	July 17, 2020	
June 2020	August 15, 2020	August 16, 2020	
July 2020	September 16, 2020	September 18, 2020	3rd Quarter 2020
August 2020	October 15, 2002	October 16, 2020	
September 2020	November 15, 2020	November 16, 2020	
October 2020	December 16, 2020	December 18, 2020	4th Quarter 2020
November 2020	January 15, 2021	January 16, 2021	
December 2020	February 15, 2021	February 18, 2021	

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 2020	June 15, 2020	July 1, 2020	Approx. August 3, 2020
2nd 2020	September 16, 2020	October 1, 2020	Approx. November 2, 2020
3rd 2020	December 16, 2020	January 4, 2021	Approx. February 4, 2021
4th 2020	March 16, 2021	April 1, 2021	Approx. May 3, 2021

The Annual Statement collection of Page 14's for 1st Quarter 2020 was due on June 15, 2020. Penalties for late Page 14 amounted to \$55,600. Reconciliation 1st Quarter 2020 responses were due August 1, 2020 and penalties amounted to \$2,600. All penalties were included 2nd Quarter 2020 - Settlement of Balances. CAR collected 2nd Quarter 2020 Annual Statement Statutory Page 14 data which was due at CAR on September 15, 2020. 2nd Quarter 2020 Reconciliation is anticipated to run on or about October 1, 2020.

**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 2019 EFF YEAR	Liability	67,388	525	0.78%
	No Fault	60,205	193	0.32%
	Physical Damage	41,987	386	0.92%
	Total	169,580	1,104	0.65%
COMM 2020 EFF YEAR	Liability	19,732	131	0.66%
	No Fault	18,318	43	0.23%
	Physical Damage	13,838	159	1.15%
	Total	51,888	333	0.64%

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 2020 – December 2020. Previous Effective Year includes policies effective January 2019 – December 2019. Companies should contact the Residual Market Services Department regarding Rate Edit reporting.

**OPERATIONAL REPORTS
2ND QUARTER 2020**

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 06/2020

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
17	254	509	49.90
33	484,532	1,101,942	43.97
45	53	158	33.54
118	27,191	82,477	32.97
141	234,825	446,934	52.54
153	1,139,079	4,238,367	26.88
154	116,912	294,162	39.74
156	8,347	22,492	37.11
261	3,964	7,324	54.12
266	951	4,555	20.88
315	74	182	40.66
334	12	33	36.36
362	106,104	160,023	66.31
418	18,682	77,976	23.96
424	9,430	30,789	30.63
443	9,656	11,022	87.61
463	68	295	23.05
503	96	137	70.07
518	76	342	22.22
626	31,120	71,622	43.45
627	4,352	7,600	57.26
667	28	55	50.91
686	26,033	91,789	28.36
737	306,690	1,128,775	27.17
752	3,471	14,010	24.78
770	101,693	413,213	24.61
785	910,544	3,524,822	25.83
823	1,805,986	3,946,159	45.77

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V. STATISTICAL AGENT FUNCTION (continued)

D. Deleted Washout Records (continued)

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
881	752	1,859	40.45
890	136	623	21.83
902	34,148	73,554	46.43
942	871	3,693	23.59
963	4,906	16,745	29.30
989	3,528	14,157	24.92

Total Industry	45,300,192	6,517,841	14.39%
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The 2019 washout total following the 06/2019 shipments was 13.91%

E. Distributional Edits Systems

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 2020 period. Companies were to respond to any over tolerances by October 1, 2020.

The Private Passenger and Commercial Statistical Plan revisions were approved on December 10, 2019 included an update to the Distributional Analysis Reporting where the components and penalties associated with the Distributional Analysis beginning with the 2020 Distributional Analysis Program have been incorporated with the Statistical Data Quality Penalties. **A response is now required by the specified due date or companies will receive a penalty assessment.** These details can be found within the Data Quality Program on the Private Passenger and Commercial Massachusetts Statistical Plan Manuals.

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

CAR completed moving the CAR Accounting policy histories to its website in August, 2020. To view the accounting policy histories, click on CAR Accounting from the Reports page where you can input a policy number and policy effective year to view common area information, cessions information, and ceded premium and loss records. CAR will continue to work on the next phase of this project which is to move the Accounting Correction application to the website. As this phase is just starting, an end date if not yet projected but is expected in the second half of 2021.

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.

The remaining systems on CAR's mainframe include: Policy Histories (Statistical), and Claims functions (Allocated Expense, Reinsurance Audit, Average Cost per Claim). CAR has completed the project of moving the CAR Accounting System, CAR Policy Histories, and Reinsurance Audit to its website. Please note that although the CAR Accounting policy histories have been moved to the website, they will remain in the mainframe until the correction application is also moved to the website.

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VII. PROJECT STATUS REPORTS

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

Project	Status	Description
Enhance MAIP Policy Application	In progress	Enhance the MAIP Policy application to prefill certain operator fields with data from the Registry. Update the FTP feeds to include the new fields as well as feedback from Producers.
Annual Statement Reconciliation Rewrite	In progress	Modernization of the application to enhance usability and maintenance. Enhancements will be incorporated during the rewrite.
Commercial Forms Enhancement	Complete	Enhance existing forms to allow for online entry. Create new forms as directed by the Commercial Auto Committee.
CAR Accounting System	In progress	Create a web-based correction application to replace the mainframe based CAR Accounting system. Phase I – Policy Histories has been completed and work on Phase II – Corrections is in progress.
Re-Write Company Mainframe Applications	Analysis	The rewrite of the CAR mainframe will effect the Rule 29, Statistical Policy History and Claims/Audit functions.