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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: December 19, 2013

RE: Operational Reports

The 3rd quarter 2013 Operational Reports follow this memorandum. This report includes data reported August 16, 2013 through November 15, 2013 for the accounting month period of July 2013 through September 2013. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

Section I – Accounting/Statistical Shipments:

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

CAR assessed a total of \$37,750 Statistical Data Quality Penalties in the 3rd Quarter 2013 Settlement of Balances report.

Section II – Cession/MAIP Placement Record Reporting:

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

Section III – Residual Market Information:

This section includes various status reports related to residual market commercial and private passenger market share, participation ratios, and quota share.

CAR mailed the CA5010 - Flat Cancellation report on July 31, 2013 and the documentation was due back at CAR on October 1, 2013.

**OPERATIONAL REPORTS
3RD QUARTER 2013**

Section III – Residual Market Information (continued):

As of September 2013 the commercial residual market rate equaled 16.7%.

CAR posted the September 30, 2013 Quarterly Member Participation Reports to its website on December 6, 2013.

CAR ran the 3rd Quarter 2013 Rule 29 credit edit download reports on November 30, 2013.

Section IV – Accounting System Processing:

CAR produced 3rd Quarter 2013 Critical Error Loss Write-Offs and 10% Loss of Investment Fees totaling \$5,996 and \$600 respectively.

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2012 and 2013 policy effective years following the monthly accounting shipments due the 15th of every month for all companies remaining over the tolerance level of 1% and 10 policies in error.

The Penalty Forecasting exhibits were posted to CAR's website on December 11, 2013.

Section V - Statistical Agent Functions:

Second Quarter 2013 Statutory Page 14 data was due at CAR on September 16, 2013. Penalties amounted to \$10,100 for companies that submitted their Page 14 data after the due date. The Reconciliation Responses for Second Quarter 2013 were due back on October 31, 2013. Penalties amounted to \$4,900 for companies that responded their explanation after the due date. Penalties were included in Third Quarter 2013 Settlement of Balances.

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

Section VI – Communications:

CAR added functionality for Security Administrators to update the activity status, update the e-mail addresses, and process changes to a user's security profile. If you need access to the reports, please contact your company's Security Administrator to request access.

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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 2013 as of the third quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

2013 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2013	March 15, 2013	1 st Qtr.
February 2013	April 15, 2013	
March 2013	May 15, 20123	
April 2013	June 17, 2013	2 nd Qtr.
May 2013	July 15, 2013	
June 2013	August 15, 2013	
July 2013	September 16, 2013	3 rd Qtr.
August 2013	October 15, 2013	
September 2013	November 15, 2013	
October 2013	December 16, 2013	4 th Qtr.
November 2013	January 15, 2014	
December 2013	February 17, 2014	

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 third quarter, 2013.

**OPERATIONAL REPORTS
3RD QUARTER 2013**

I. STATISTICAL SYSTEM (continued)

2013 Timeliness Report

<i>CO NO</i>	<i>Jan 3/18</i>	<i>Feb 4/15</i>	<i>Mar 5/15</i>	<i>Apr 6/17</i>	<i>May 7/15</i>	<i>Jun 8/15</i>	<i>July 9/16</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>
155		COM	COM	COM	COM	COM	COM	COM	COM			
123	COM											
201						PP						
206			COM			COM						
229		COM	COM						COM			
230			COM									
313	PP											
323								PP				
443									COM			
530	PP											
561				PP								
620						COM			COM			
625			COM									
828	PP											
907		COM										
943		COM										

**OPERATIONAL REPORTS
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I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program

CAR assesses various statistical penalties as outlined in the Data Quality Penalty Section of the Private Passenger and Commercial Statistical Plans. These penalties include items such as incomplete monthly submissions, late submission of page 14 data, reconciliation responses, and failure to reduce a statistical shipment's error percent to below 5%.

For 3rd Quarter 2013, CAR assessed a total penalty amount of \$37,750. The table below shows the detail penalties for each company.

Penalty Assessments
3rd Quarter 2013

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
045	American Automobile Ins Co	Rescinded MAS - 05/2013	\$ (500)
101	American Alternative	Stat Error > 5% - 06/2013	\$ 150
155	Argonaut Insurance Company	Late MAS - 06/2013	\$ 500
155	Argonaut Insurance Company	Late MAS - 07/2013	\$ 500
155	Argonaut Insurance Company	Late MAS - 08/2013	\$ 500
155	Argonaut Insurance Company	Late MAS - 09.2013	\$ 500
201	AIG Property Casualty Co (runoff)	Late MAS - 06/2013	\$ 3,000
201	Chartis Property and Casualty Co	Late MAS - 06/2013	\$ 3,000
206	Nationwide Agribusiness Ins Co	Late MAS - 06/2013	\$ 500
206	Nationwide Agribusiness Ins Co	Late Explanation - 06/2013	\$ 300
209	Boston Old Colony	Stat Error > 5% - 05/2013	\$ 150
230	Praetorian Insurance Company	Late MAS - 03/2013	\$ 1,500
230	Praetorian Insurance Company	Stat Error > 5% - 03/2013	\$ 1,200
230	Praetorian Insurance Company	Late MAS - 06/2013	\$ 1,500
230	Praetorian Insurance Company	Stat Error >5% - 06/2013	\$ 450
230	Praetorian Insurance Company	Stat Error >5% - 06/2013	\$ 150
230	Praetorian Insurance Company	Late MAS - 09/2013	\$ 500
323	Essurance Insurance Company	Late MAS - 08/2013	\$ 500
331	Massachusetts Homeland Ins Co	Late Explanation - 06/2013	\$ 900
443	NOVA Casualty Company	Stat Error >5% - 06/2013	\$ 450
443	NOVA Casualty Company	Late MAS - 09/2013	\$ 500
446	American Modern Select Ins Co	Late Explanation - 06/2013	\$ 100
461	Sentinel Insurance Company	Stat Error > 5% - 04/2013	\$ 150
465	Harco National Ins Co	Stat Error >5% - 06/2013	\$ 300
561	Markel American Insurance Co	Stat Error > 5% - 04/2013	\$ 300
561	Markel American Insurance Co	Stat Error > 5% - 04/2013	\$ 600
578	Merchants Preferred Ins Co	Stat Error >5% - 05/2013	\$ 150
620	Nat'l Independent Truckers Ins	Stat Error >5% - 03/2013	\$ 600

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I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
3rd Quarter 2013

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
620	Nat'l Independent Truckers Ins.	Late MAS - 06/2013	\$ 1,500
620	Nat'l Independent Truckers Ins.	Late MAS - 09/2013	\$ 500
622	National Interstate Insurance Co	Stat Error > 5% - 06/2013	\$ 600
680	Ohio Security Insurance Co.	Stat Error >5% - 03/2013	\$ 150
680	Ohio Security Insurance Co.	Stat Error >5% - 05/2013	\$ 150
688	Ohio Casualty Insurance Co.	Stat Error >5% - 06/2013	\$ 600
737	Progressive Casualty Ins. Co.	Stat Error >5% - 07/2013	\$ 150
753	Redland Insurance Company	Stat Error >5% - 04/2013	\$ 150
797	Starr Indemnity & Liability Ins Co.	Late Explanation - 06/2013	\$ 1,600
842	Transguard Ins. Co. of America	Late Page 14 - 06/2013	\$ 4,900
845	Tower Insurance Co. of New York	Late Explanation - 06/2013	\$ 900
907	United Services Automobile Asso.	Late Explanation - 06/2013	\$ 100
943	USAA Casualty Insurance Co.	Late Explanation - 06/2013	\$ 100
951	Vanliner Insurance Company	Stat Error > 5% - 04/2013	\$ 1,800
954	Virginia Surety Insurance Co.	Late Page 14 - 06/2013	\$ 4,900
968	York Insurance Co. of Maine	Late Explanation - 06/2013	\$ 900
992	Motors Insurance Corp	Late Page 14 - 06/2013	\$ 300
		Total	\$ 37,750

**OPERATIONAL REPORTS
3RD QUARTER 2013**

I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
January 1, 2014	<p>To accommodate those companies that write miscellaneous rated as private passenger vehicles currently not specifically identified in the Private Passenger Statistical Plan, the Miscellaneous Rated as Private Passenger Classification Code table has been updated to include an All Other classification code (049900).</p> <p>The Classification Code Decision Table has been updated to include this classification. To assure consistency among the Miscellaneous Rated as Private Passenger classifications, table values have been updated as necessary.</p>	<p>Approved by the Division of Insurance on November 21, 2012</p>

**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 Security Administrator for your company 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 2011-2013.

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 September 19, 2013.

TX5 Cession Backdate Log

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

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II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

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 November 2013 monitoring policy years 2011, 2012 and 2013 for 3rd Quarter 2013.

The following exhibits show the industry's volumes 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 2011
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED		% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	799	37	4.6		0.0	0	0
279	18	1	5.6	#	0.0	0	0
455	114	0	0.0		0.0	0	0
717	177	0	0.0		0.0	0	0
734	232	66	28.4	*	0.0	5,835	5,700
735	4	1	25.0	#	0.0	0	0
773	3	0	0.0		0.0	0	0
Totals	1,347	105	7.8%		N/A	5,835	5,700

* 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)

2. CR215 Cessions Automatically Backdated (continued)

Policy Year 2012
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	1,187	94	7.9 *	0.1	4,344	0
279	29	0	0.0	0.0	0	0
717	190	0	1.9	0.0	0	0
734	161	9	5.6 #	0.0	0	0
773	1	0	0.0	0.0	0	0
Totals	1,568	103	6.6%	N/A	4,344	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 2013
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	22	0	0.0	0.0	0	0
245	890	93	10.4 *	1.2	3,617	1,000
279	19	3	15.8 #	5.8	0	0
717	274	10	3.6	2.2	11,951	0
734	61	2	3.3	0.0	0	0
773	1	0	0.0	0.0	0	0
Totals	1,267	108	8.0%	N/A	15,568	1,000

* 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*).

C. CA5010 Flat Cancellation Audit

Twice per year CAR runs the CA5010 - Flat Cancellation Documentation Listing. Its purpose is to randomly sample flat-canceled policies to verify that the industry is using flat-cancellation transactions properly. CAR ran the CA5010 on July 1, 2013 and the documentation was due back October 1, 2013. There were no outstanding issues to report.

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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. This report is now on the MAIP Website for up to date activity.

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

Reflects Statistically Reported Data for Policy Effective Months 10/2012 to 9/2013

Reflects MAIP Placement Record Reported Data as of November 19, 2013

Company	Missing MPRs	MPRs with Non-Fatal Errors	Fatal MPRs	Rejected Take-Out Credits	MPRs with No Premium	MAIP Premium with No MPR	MAIP Premium with No MPR 9/13	Active MPRs
045	7	0	0	4	1	1	9	291
153	22	16	0	468	50	44	32	10,569
192	0	0	0	0	0	0	0	198
202	1	0	0	0	0	0	0	196
262	0	1	0	22	0	1	3	746
279	2	6	47	295	70	44	5	42,710
308	0	0	0	0	0	1	0	495
312	0	0	11	0	0	2	0	1,696
331	5	1	0	2	0	2	14	2,184
354	9	1	0	0	5	66	9	6,306
363	0	0	1	0	0	0	0	612
422	0	0	0	0	1	0	0	262
514	0	0	0	19	0	13	0	0
531	0	1	0	0	0	0	0	1,218
585	0	0	0	0	0	12	1	1,516
612	0	0	0	19	0	3	4	3,376
664	2	0	1	0	0	0	0	1,055
723	0	90	1	0	5	33	4	10,152
731	0	0	0	130	0	0	0	79
773	0	0	1	188	0	2	2	12,800
826	0	1	1	0	1	0	1	1,519
908	2	2	2	0	6	7	0	6,190
959	0	0	0	0	0	0	0	260
988	0	22	2	182	0	0	0	3,508
Average	2	6	3	55	6	10	4	4,497

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III. RESIDUAL MARKET INFORMATION

A. Residual Market Volumes

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

Effective Year	Private Passenger Cession %	Commercial Cession %	Time Period
2007	4.3%	22.3%	Final Result
2008	2.9%	19.0%	Final Result
2009	2.3%	16.5%	Final Result
2010		15.1%	Final Result
2011		14.9%	Final Result
2012		15.6%	Final Result
2013		16.7%	As of Sept. 2013

Private Passenger and Commercial Residual Market volume reports are available on CAR's website (www.commauto.com). You can also view your company's residual market volume figures via CAR's telecommunications system. The On-line Telecommunications Manual provides the specific instructions for accessing the reports.

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

Policy Year 2013 Results as of September 2013

	2013 @ 9 Months	% Total	2012 @ FINAL	% Total
MAIP Assigned (CAR-ID 9)	76,997	2.2%	112,198	2.6%
MAIP Retained (CAR-ID 8)	3,392,858	97.5%	4,151,095	95.5%
Clean-In-Three (CAR-ID 1)	10,420	.3%	82,379	1.9%
Total	3,480,275	100.0%	4,345,672	100.0%

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III. RESIDUAL MARKET INFORMATION (continued)

C. Private Passenger MAIP Premium and Loss Reports

Private Passenger Premium and Loss reports have been updated through September, 2013, 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.

D. Production of Quarterly Participation Reports

CAR posted the September 2013 Quarterly Member Participation Reports to its website on December 6, 2013. 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 3rd Quarter 2013 estimated Commercial Participation Ratios using data reported through September 30, 2013 will be posted to CAR's website by December 31, 2013.

F. CAR Financial Results

The ultimate policy year deficit projections, as of September 2013, for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Commercial
2011	(13,267)
2012	(15,007)
2013	(9,459)

This data 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 September, 2013 Monthly Quota Share and Assignment Order Report to its website on November 26, 2013. The report has been updated to include statistical data from October 2012 to September 2013 effective month policies reported through November 15, 2013. 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 Expense True-up Results

A calendar year 2012 true-up of ceding expense allowances for commercial servicing carriers was included in the September, 2013 Settlement of Balances, posted to CAR's website on December 6, 2013.

A true-up of expense allowances to Servicing Carriers for ceded taxi, limousine and car service business for policy years 2011-2012 was also included in the September, 2013 Settlement of Balances. Individual company reports with detail calculations were emailed to each company contact of the Servicing Carrier.

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III. RESIDUAL MARKET INFORMATION (continued)

I. Rule 29 Voluntary Credits

CAR ran the Rule 29 credit edit reports for September effective date data in late-November. 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, 2012 accounting date.

Accounting Date	Reported Credit Premium	Adjusted Credit Premium	Rule 29 Credit Impact	Error Percentage
Jan. 2012	525,093,859	518,615,258	-6,478,601	1.23%
Feb. 2012	529,553,516	523,377,938	-6,175,578	1.15%
March 2012	534,145,941	528,008,161	-6,137,780	1.15%
April 2012	529,553,516	523,377,938	-6,175,578	1.17%
May 2012	534,145,941	528,008,161	-6,137,780	1.15%
June 2012	593,197,911	586,593,564	-6,604,347	1.11%
July 2012	610,959,933	604,308,413	-6,651,520	1.09%
August 2012	631,978,617	625,218,911	-6,759,706	1.07%
Sept. 2012	647,999,650	641,196,275	-6,803,375	1.05%
Oct. 2012	666,752,898	660,105,249	-6,647,649	1.00%
Nov. 2012	681,672,635	675,162,379	-6,510,256	0.96%
Dec. 2012	698,347,628	691,633,088	-6,714,540	0.96%
Jan. 2013	713,364,572	706,270,045	-7,094,527	0.99%
Feb. 2013	730,150,173	723,513,143	-6,637,030	0.91%
March 2013	755,912,036	749,110,258	-6,801,778	0.90%
April 2013	755,274,541	747,517,992	-7,756,549	1.03%
May 2013	758,867,695	751,168,605	-7,699,090	1.01%
June 2013	759,754,834	752,301,775	-7,453,059	0.98%
July 2013	745,930,026	738,517,637	-7,412,389	0.99%
August 2013	762,432,454	755,247,566	-7,184,888	0.94%
Sept. 2013	764,021,035	755,928,909	-8,092,126	1.06%

**OPERATIONAL REPORTS
3RD QUARTER 2013**

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 four times per year following the end of a quarter. The table below shows the quarter ending schedule for updates to the CAR accounting system.

Month	MAS Due Date	Accounting System Update	Quarter
January 2013	March 15, 2013	March 15, 2013	1st Quarter 2013
February 2013	April 15, 2013	April 16, 2013	
March 2013	May 15, 2013	May 16, 2013	
April 2013	June 17, 2013	June 18, 2013	2 nd Quarter 2013
May 2013	July 15, 2013	July 16, 2013	
June 2013	August 15, 2013	August 16, 2013	
July 2013	September 16, 2013	September 17, 2013	3 rd Quarter 2013
August 2013	October 15, 2013	October 16, 2013	
September 2013	November 15, 2013	November 15, 2013	
October 2013	December 16, 2013	December 17, 2013	4 th Quarter 2013
November 2013	January 15, 2014	January 15, 2014	
December 2013	February 17, 2014	February 18, 2014	

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 and Telecommunication Manual).

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 third quarter 2013.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for December 2013 through May 2014 are shown following the 3rd Quarter Write-Off exhibit.

**OPERATIONAL REPORTS
3RD QUARTER 2013**

IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Loss Write-Off – 3rd Quarter 2013

Company	Aug 2013	Sept 2013	Nov 2013	Total
990	0	5,996	0	5,996
Total	0	5,996	0	5,996

3rd Quarter 2013 – 10% Loss of Investment Fees

Company	Aug 2013	Sept 2013	Nov 2013	Total
990	0	600	0	600
Total	0	600	0	600

Potential Loss Write-Off December 2013 through May 2014

Company	December 2013	January 2014	February 2014	March 2014	April 2014	May 2014	Grand Total
153	0	0	0	9,182		0	9,182
154	0	1,572	0	0		13,856	15,428
279	374	0	0	0		0	374
331	9,203	0	50	0		106,382	115,635
723	-194	0	0	0		0	-194
Totals	9,383	1,572	50	9,182		120,238	140,425

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3RD QUARTER 2013**

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
2012 & 2013 Policy Effective Years**

Non-Critical Error - Penalties

There have been no companies listed to receive a penalty for policy effective years 2012 and 2013.

2012 Effective Year Non-Critical Errors Over Tolerance - Potential Penalty

2012 Effective Year Non-Critical Errors show no Potential Penalties to report

2013 Effective Year Non-Critical Errors Over Tolerance – Potential Penalty

2013 Effective Year Non-Critical Errors show no Potential Penalties to report

**OPERATIONAL REPORTS
3RD QUARTER 2013**

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	2011	6,092	0.03
154	2012	0	0.00
154	2013	58,847	0.29
245	2011	0	0.00
245	2012	0	0.00
245	2013	28,331	0.14
279	2011	0	0.00
279	2012	0	0.00
279	2013	0	0.00
455	2011	0	0.00
455	2012	0	0.00
455	2013	0	0.00
717	2011	0	0.00
717	2012	0	0.00
717	2013	0	0.00
734	2011	0	0.00
734	2012	0	0.00
734	2013	0	0.00
735	2011	0	0.00
735	2012	0	0.00
735	2013	0	0.00
773	2011	0	0.00
773	2012	0	0.00
773	2013	0	0.00
Total Ind		93,270	0.04

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 3rd Quarter 2013 Penalty Forecasting reports on December 11, 2013.

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IV. ACCOUNTING SYSTEM (continued)

F. 2012 Cession/No Premium Write-Off

The annual Cession/No Premium Write-Off amounts are based on a policy count (excluding flat cancelled and cession/no premium policies) divided by the corresponding full premium (rather than deviated), at 15 months. Please reference the table below for the write-off penalty amount for 2012 effective date policies and for historical information.

Year	PP Penalty	Commercial Penalty	Taxi/Limo/CAR Service Penalty
2012	N/A	\$4,600	\$7,700
2011	N/A	\$4,400	\$8,100
2010	N/A	\$4,500	\$7,300
2009	\$1,400	\$4,900	\$7,700
2008	\$1,400	\$5,300	\$7,600
2007	\$1,500	\$5,700	\$8,600
2006	\$1,500	\$6,300	\$10,100
2005	\$1,600	\$6,200	\$10,800
2004	\$1,600	\$6,200	\$11,100
2003	\$1,500	\$6,500	\$9,900
2002	\$1,400	\$6,300	\$9,600

G. \$60 Cession/No Premiums

Co. No.	Penalty Amount
245	\$600
Total	\$600

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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 four times per year following the end of a quarter. The table below shows the quarter ending schedule for updates to the statistical system.

Month	MAS Due Date	Statistical System Update	Quarter
January 2013	March 15, 2013	March 15, 2013	1st Quarter 2013
February 2013	April 15, 2013	April 16, 2013	
March 2013	May 15, 2013	May 16, 2013	
April 2013	June 17, 2013	June 18, 2013	2 nd Quarter 2013
May 2013	July 15, 2013	July 16, 2013	
June 2013	August 15, 2013	August 16, 2013	
July 2013	September 16, 2013	September 17, 2013	3 rd Quarter 2013
August 2013	October 15, 2013	October 16, 2013	
September 2013	November 15, 2013	November 18, 2013	
October 2013	December 16, 2013	December 17, 2013	4 th Quarter 2013
November 2013	January 15, 2014	January 16, 2014	
December 2013	February 17, 2014	February 18, 2014	

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 2013	June 17, 2013	July 1, 2013	Approx. August 1, 2013
2nd 2013	September 16, 2013	October 1, 2013	Approx. November 1, 2013
3rd 2013	December 16, 2013	January 2, 2014	Approx. February 3, 2014
4th 2013	March 17, 2014	April 1, 2014	Approx. May 1, 2014

The Annual Statement collection of Page 14 for Second Quarter 2013 was due September 16, 2013. Penalties for late Page 14 amounted to \$10,100. Reconciliation Second Quarter 2013 responses were due October 31, 2013 and penalties were assessed at \$4,900. Page 14 penalties were included Third Quarter 2013 Settlement of Balances Report. CAR is currently collecting Third Quarter 2013 Annual Statement Statutory Page 14 data which was due at CAR on December 16, 2013. Third Quarter 2013 Reconciliation Reports are anticipated to run on January 2, 2014.

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3RD QUARTER 2013**

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 2012 EFF YEAR	Liability	74,188	1,057	1.42%
	No Fault	60,505	406	0.67%
	Physical Damage	42,885	759	1.77%
	Total	177,578	2,222	1.25%
COMM 2013 EFF YEAR	Liability	28,684	371	1.29%
	No Fault	22,425	100	0.45%
	Physical Damage	19,384	411	2.12%
	Total	70,493	882	1.25%

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, CAR notifies the company via its website of the over tolerance status and the company then has six months to reduce its volume of rate edit errors. The table on the following page shows those companies that are currently over tolerance and the corresponding due dates to avoid rate edit penalties.

Rate Edit - Over Tolerance Exhibit

Co No	PP/Comm	Policy Year	Subline	Due Date	Err %	# Records in Error
154	Comm	2013	Phys Dam	02/14/2014	4.70%	194
279	Comm	2013	Phys Dam	01/15/2014	2.55%	251
773	Comm	2013	Phys Dam	06/15/2014	2.07%	60

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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 9/2013

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
033	874,047	358,518	41.02
065	23,487	18,093	77.03
099	1,481	1,364	92.10
105	5,336	2,320	43.48
153	6,722,188	2,380,139	35.41
154	946,250	660,406	69.79
156	345,122	193,223	55.99
204	642	290	45.17
261	4,985	3,006	60.30
283	5,050	2,908	57.58
343	700,296	264,018	37.70
418	159,041	39,286	24.70
420	2,960	708	23.92
429	4,046,106	1,240,058	30.65
474	7,890	4,756	60.28
486	22,243	8,874	39.90
503	4,260	2,724	63.94
626	254,815	124,576	48.89
627	13,089	9,012	68.85
643	16,148	9,876	61.16
667	9,824	4,716	48.00
737	178,926	79,844	44.62
828	201,964	58,832	29.13
881	3,926	1,066	27.15
902	132,314	69,650	52.64
927	13,616	6,000	44.07
942	1,900	446	23.47
958	7,586	2,260	29.79
963	150,212	59,232	39.43
989	41,392	14,406	34.80
Total Industry	53,921,926	6,912,404	12.82%

The 2012 washout total following the 9/2012 shipments was 9.07%.

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V. STATISTICAL AGENT FUNCTION (continued)

E. Distributional Analysis

Distributional Analysis reports are produced three times a year starting with the close of the June quarter. The next Distributional Analysis report is scheduled to run mid-late December 2013. Any companies with discrepancies will be emailed for a response. Companies may contact the Compliance Audit Department for any correspondences.

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VI. COMMUNICATIONS

A. CAR's Website

CAR regularly updates its website when there are updates to existing reports, new accounting and statistical notices, or meeting announcements among many other things. Please reference the change board on the website for the latest updates.

CAR added functionality for Security Administrators to update the activity status, update the e-mail addresses, and process changes to a user's security profile. If you need access to the reports, please contact your company's security administrator to request access.

B. Telecommunications

The telecommunications system is available to the industry from 7:00 am to 6:00 pm Monday through Friday. It allows users to access data housed on CAR's mainframe such as policy history information and producer code information.

CAR implemented changes to its MAIP Placement Record system to allow certain corrections on existing MAIP Placement record such as policy number and producer code.

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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
Immediate Transfer of MAIP Data	Completed	Using Web Services, develop a data transfer process to allow for the immediate transfer of MAIP policy applications data.
Implement POLK/ Vintelligence	In Progress	Update Statistical and MAIP Policy Application Systems to utilize new POLK software for VIN Data
Rewrite Company Mainframe Applications	In progress	Rewrite current “green screen” applications using “gui” software so that they can be accessed from the website. The first system currently in development is the MAIP Placement Record reporting and correction system. Many mainframe reports have been rewritten and moved into production. Testing of “add” and “correction” functions are currently in progress.
2014 Statistical System Update	In progress	Update the Statistical system for the 2014 Accounting Year.