



DANIEL R. JUDSON  
PRESIDENT

## COMMONWEALTH AUTOMOBILE REINSURERS

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### - MEMORANDUM -

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: December 15, 2014

RE: Operational Reports

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The 3<sup>rd</sup> quarter 2014 Operational Reports follow this memorandum. This report includes data reported August 18, 2014 through November 17, 2014 for the accounting month period of July 2014 through September 2014. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

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

On November 7, 2014, the Division of Insurance promulgated changes to the Private Passenger Statistical Plan to add or delete certain Zip Codes for the City of Boston for policies effective July 1, 2015 and subsequent.

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

CAR assessed a total of \$52,050 Statistical Data Quality Penalties in the 3<sup>rd</sup> Quarter 2014 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.

The annual Cession/No Premium Write-Off amounts have been calculated and CAR set the 2012 penalties at \$4,600 for Commercial and \$7,700 for Taxi/Limousine business. The 2012 Cession/No Premium Write-Off will occur in April 2015.

## **OPERATIONAL REPORTS 3RD QUARTER 2014**

### **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 21, 2014 and the documentation was due back at CAR on October 1, 2014.

As of September 2014 the commercial residual market rate equaled 18.1%.

CAR posted the September 30, 2014 Quarterly Member Participation Reports to its website on December 5, 2014.

CAR ran the 3<sup>rd</sup> Quarter 2014 Rule 29 credit edit download reports on November 25, 2014.

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

CAR produced 3rd Quarter 2014 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 2013 and 2014 policy effective years following the monthly accounting shipments due the 15<sup>th</sup> 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 9, 2014.

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

Second Quarter 2014 Statutory Page 14 data was due at CAR on September 15, 2014. Penalties amounted to \$500 for companies who submitted Page 14 data after the due date. The Reconciliation Responses for Second Quarter 2014 were due back on October 31, 2014. Penalties amounted to \$3,300 for companies who responded to their explanation after the due date. Penalties were included in Third Quarter 2014 Settlement of Balances.

### **Section VI – Communications:**

CAR recently completed the first phase system rewrite of CAR's Mainframe Applications to CAR's Website Applications regarding MAIP Placement Record reporting and correction systems. If you need access to the reports, please contact your company's Security Administrator to request access.

**OPERATIONAL REPORTS  
3RD QUARTER 2014**

**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 2014 as of the third quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

<b>2014 CALL SCHEDULE</b>		
<b>Submission</b>	<b>Due Date</b>	<b>Quarter</b>
January 2014	March 17, 2014	1 <sup>st</sup> Quarter
February 2014	April 15, 2014	
March 2014	May 15, 2014	
April 2014	June 16, 2014	2 <sup>nd</sup> Quarter
May 2014	July 15, 2014	
June 2014	August 15, 2014	
July 2014	September 15, 2014	3 <sup>rd</sup> Quarter
August 2014	October 15, 2014	
September 2014	November 17, 2014	
October 2014	December 15, 2014	4 <sup>th</sup> Quarter
November 2014	January 15, 2015	
December 2014	February 16, 2015	

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, 2014.

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**I. STATISTICAL SYSTEM (continued)**

2014 Timeliness Report

<i>CO NO</i>	<i>Jan 3/17</i>	<i>Feb 4/15</i>	<i>Mar 5/15</i>	<i>Apr 6/16</i>	<i>May 7/15</i>	<i>Jun 8/15</i>	<i>July 9/15</i>	<i>Aug 10/15</i>	<i>Sep 11/17</i>	<i>Oct 12/15</i>	<i>Nov 1/17</i>	<i>Dec 2/16</i>
101			Com									
110			Com						Com			
123			Com						Com			
155	Com	Com	Com									
179	Com											
206			Com			Com			Com			
261	Com											
325	Com											
331			PP				PP	PP	PP			
333	Com											
381		Com										
688							Com					
715	Com											
797			Com									
951								Com				
985				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 14 data, reconciliation responses, and failure to reduce a statistical shipment's error percent to below 5%.

For 3rd Quarter 2014, CAR assessed a total penalty amount of \$52,050. The table below shows the detail penalties for each company.

Penalty Assessments  
3rd Quarter 2014

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
025	Great American Assurance Co.	Stat Error > 5% - 06/2014	\$ 300
045	American Automobile Ins. Co.	Stat Error > 5% - 08/2014	\$ 150
103	The American Insurance Co.	Stat Error > 5% - 08/2014	\$ 150
110	KnightBrook Insurance Company	Stat Error > 5% - 07/2014	\$ 150
110	KnightBrook Insurance Company	Late Page 14 - 06/2014	\$ 200
110	KnightBrook Insurance Company	Late Pg.14 Expln - 06/2014	\$ 1,100
115	Indiana Lumbersmens Mutual Ins.	Late Pg.14 Expln - 06/2014	\$ 1,400
118	Privilege Underwriters (PURE)	Late Pg. 14 Expln - 06/2014	\$ 100
155	Argonaut Insurance Company	Stat Error > 5% - 05/2014	\$ 450
155	Argonaut Insurance Company	Late MAS - 06/2014	\$ 500
155	Argonaut Insurance Company	Stat Error > 5% - 06/2014	\$ 1,050
155	Argonaut Insurance Company	Late MAS - 07/2014	\$ 500
155	Argonaut Insurance Company	Late MAS - 08/2014	\$ 500
179	Atlantic Specialty Insurance Co	Stat Error > 5% - 06/2014	\$ 450
206	Nationwide Agribusiness Ins. Co.	Late MAS - 06/2014	\$ 500
219	Safety National Casualty Corp	Rescind Pg.14 Expln- 03/2014	\$ (200)
226	Great Divide Insurance Company	Stat Error > 5% - 05/2014	\$ 150
226	Great Divide Insurance Company	Late Pg.14 Expln - 06/2014	\$ 400
230	Praetorian Insurance Company	Late MAS - 06/2014	\$ 500
230	Praetorian Insurance Company	Stat Error > 5% - 06/2014	\$ 150
316	Empire Fire and Marine Ins. Co.	Late MAS - 06/2014	\$ 6,000
316	Empire Fire and Marine Ins. Co	Late MAS - 07/2014	\$ 1,250
325	Employers Fire Insurance Co.	Stat Error > 5% - 03/2014	\$ 150
331	Massachusetts Homeland Ins. Co	Interim Late MAS - 05/2014	\$ 12,000
331	Massachusetts Homeland Ins. Co	Interim Late MAS - 06/2014	\$ 9,000
331	Massachusetts Homeland Ins. Co	Interim Late MAS - 07/2014	\$ 6,000
331	Massachusetts Homeland Ins. Co	Interim Late MAS - 08/2014	\$ 3,000
331	Massachusetts Homeland Ins. Co	Interim Late MAS - 09/2014	\$ 500

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**I. STATISTICAL SYSTEM (continued)**

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments  
3rd Quarter 2014

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
400	AXIS Insurance Company	Stat Error > 5% - 06/2014	\$ 600
436	General Casualty of Wisconsin	Late Page 14 - 06/2014	\$ 100
437	Regent Insurance Company	Late Page 14 - 06/2014	\$ 100
446	American Modern Select Ins. Co	Late Pg. 14 Expln - 06/2014	\$ 200
451	Hudson Insurance Company	Late MAS - 12/2013	\$ 1,000
626	National Continental Ins. Co.	Stat Error > 5% - 06/2014	\$ 150
626	National Continental Ins. Co	Stat Error > 5% - 07/2014	\$ 150
630	Nationwide Mutual Insurance Co	Stat Error > 5% - 06/2014	\$ 150
680	Ohio Security Insurance Co.	Stat Error > 5% - 06/2014	\$ 300
686	Occidental Fire & Casualty of NC	Late Pg. 14 Expln - 06/2014	\$ 100
688	The Ohio Casualty Insurance Co.	Late MAS - 07/2014	\$ 500
737	Progressive Casualty Ins. Co.	Stat Error > 5% - 07/2014	\$ 600
902	United Financial Casualty Co.	Stat Error > 5% - 06/2014	\$ 150
951	Vanliner Insurance Company	Late MAS - 08/2014	\$ 500
963	Harleysville Worcester Ins. Co	Stat Error > 5% - 06/2014	\$ 450
963	Harleysville Worcester Ins. Co	Stat Error > 5% - 08/2014	\$ 300
985	CorePointe Insurance Company	Stat Error > 5% - 06/2014	\$ 150
985	CorePointe Insurance Company	Stat Error > 5% - 07/2014	\$ 150
		Total	<b>\$ 52,050</b>

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**I. STATISTICAL SYSTEM (continued)**

Massachusetts Private Passenger Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
July 1, 2015	<p>Based upon ZIP Code changes implemented by the United States Postal Service, the Division of Insurance has promulgated modifications to the ZIP Codes that define the Territorial Statistical Code assignments for the City of Boston.</p> <p>For policies effective July 1, 2015 and subsequent, the following modifications have been made to the city of Boston table contained in Appendix B – Territory Codes:</p> <ul style="list-style-type: none"> <li>• ZIP Code 02222 has been added</li> <li>• Obsolete ZIP Codes (02101-02107, 02202) and those associated exclusively with P.O. Boxes and commercial businesses (02112, 02117, 02123, 02137, 02201, 02241) have been deleted.</li> </ul>	Approved by the Division of Insurance on November 7, 2014

**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 2012-2014.

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 8, 2014.

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 2014 monitoring policy years 2012, 2013 and 2014 for 3rd Quarter 2014.

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 2012  
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	1,187	94	7.9 *	0.0	4,344	0
279	29	0	0.0	0.0	0	0
717	190	0	0.0	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.*)

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

2. CR215 Cessions Automatically Backdated (continued)

Policy Year 2013  
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	228	4	1.8	0.0	0	0
245	1,039	122	11.7 *	0.0	4,013	0
279	25	5	20.0 #	0.0	0	0
717	330	14	4.2	0.0	10,339	0
734	216	6	2.8	0.0	0	0
773	1	0	0.0	0.0	0	0
Totals	1,839	151	8.2%	N/A	14,352	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 2014  
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	1,205	19	1.6	-0.3	0	0
245	880	78	8.9 *	0.7	1,949	7,650
279	21	2	9.5 #	3.6	0	0
717	261	13	5.0 #	1.1	0	0
734	283	6	2.1	0.0	0	0
773	1	0	0	0.0	0	0
Totals	2,651	118	4.5%	N/A	1,949	7,650

\* 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 21, 2014 and the documentation was due back October 1, 2014. 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 10/2013 to 9/2014  
Reflects MAIP Placement Record Reported Data as of November 19, 2014

Company	Missing MPRs	MPRs with Non-Fatal Errors	Fatal MPRs	Rejected Take-Out Credits	MPRs with No Premium	MAIP Premium with No MPR	Active MPRs
45	3	0	0	0	5	2	221
153	15	30	13	100	9	22	7,216
192	0	0	0	0	0	0	124
202	0	0	0	0	1	0	222
262	0	0	4	0	0	0	322
279	4	8	27	746	8	31	31,541
308	1	0	0	0	0	0	385
312	0	0	1	0	0	1	1,356
331	3	0	0	0	0	4	1,366
354	6	0	7	2	3	63	5,396
363	0	0	0	0	0	0	518
422	1	0	0	0	0	0	174
514	0	0	0	0	0	1	0
531	4	0	0	0	1	3	1,235
585	0	0	0	0	3	1	533
612	0	0	2	2	0	2	2,447
664	6	0	0	0	1	0	1,228
686	0	0	0	6	0	0	0
723	0	0	1	5	0	8	6,964
731	0	0	0	75	0	0	34
773	18	5	1	219	2	9	10,278
826	0	1	1	1	0	0	862
908	2	0	0	0	5	3	4,860
959	2	0	0	0	0	0	266
988	0	12	1	33	0	0	2,694
Average	3	2	2	48	2	6	3,210

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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.

<b>Effective Year</b>	<b>Private Passenger Cession %</b>	<b>Commercial Cession %</b>	<b>Time Period</b>
2008	2.9%	19.0%	Final Result
2009	2.3%	16.5%	Final Result
2010	N/A	15.1%	Final Result
2011	N/A	14.9%	Final Result
2012	N/A	15.6%	Final Result
2013	N/A	17.0%	Final Result
2014	N/A	18.1%	As of Sept. 2014

Commercial Residual Market volume reports are available on CAR's website ([www.commauto.com](http://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 2014 Results as of September 2014

	<b>2014 @ 6 Months</b>	<b>% Total</b>		<b>2013 @ FINAL</b>	<b>% Total</b>
MAIP Assigned (CAR-ID 9)	56,499	1.6		91,791	2.1
MAIP Retained (CAR-ID 8)	3,459,537	98.3		4,296,588	97.6
Clean-In-Three (CAR-ID 1)	2,797	.1		11,717	.3
<b>Total</b>	<b>3,518,833</b>	<b>100.0%</b>		<b>4,345,672</b>	<b>100.0%</b>

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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, 2014, 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 2014 Quarterly Member Participation Reports to its website on December 5, 2014. 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 2014 estimated Participation Ratios using data reported through September 30, 2014 will be posted to CAR's website by December 31, 2014.

F. CAR Financial Results

The ultimate policy year deficit projections, as of September 2014, for the latest three policy years are as follows:

(Numbers are in \$000s)

<b>Policy Year</b>	<b>Commercial</b>
2012	(12,010)
2013	(6,937)
2014	(4,026)

This data 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 September, 2014 Monthly Quota Share and Assignment Order Report to its website on November 26, 2014. The report has been updated to include statistical data from October 2013 to September 2014 effective month policies reported through November 17, 2014. 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 2013 true-up of ceding expense allowances for commercial servicing carriers was included in the September, 2014 Settlement of Balances, posted to CAR's website on December 5, 2014.

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, 2014 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.

<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. 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%
Oct. 2013	764,239,930	755,680,951	-8,558,979	1.12%
Nov. 2013	761,938,516	753,773,710	-8,164,806	1.07%
Dec. 2013	764,794,392	756,926,510	-7,867,882	1.03%
Jan. 2014	762,850,249	753,904,186	-8,946,063	1.17%
Feb. 2014	770,232,032	759,893,142	-10,338,890	1.34%
March 2014	774,436,209	763,628,574	-10,807,635	1.40%
April 2014	777,855,861	766,376,709	-11,479,152	1.48%
May 2014	779,564,062	767,341,619	-12,222,443	1.57%
June 2014	778,433,250	765,519,108	-12,914,142	1.33%
July 2014	776,941,089	764,191,532	-12,749,557	1.64%
August 2014	774,744,020	761,990,528	-12,753,492	1.65%
Sept. 2014	773,277,842	760,560,650	-12,717,192	1.64%

**OPERATIONAL REPORTS  
3RD QUARTER 2014**

**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.

<b>Month</b>	<b>MAS Due Date</b>	<b>Accounting System Update</b>	<b>Quarter</b>
January 2014	March 17, 2014	March 18, 2014	1st Quarter 2014
February 2014	April 15, 2014	April 16, 2014	
March 2014	May 15, 2014	May 16, 2014	
April 2014	June 16, 2014	June 17, 2014	2 <sup>nd</sup> Quarter 2014
May 2014	July 15, 2014	July 16, 2014	
June 2014	August 15, 2014	August 16, 2014	
July 2014	September 15, 2014	September 16, 2014	3 <sup>rd</sup> Quarter 2014
August 2014	October 15, 2014	October 16, 2014	
September 2014	November 17, 2014	November 18, 2014	
October 2014	December 15, 2014	December 16, 2014	4 <sup>th</sup> Quarter 2014
November 2014	January 15, 2015	January 16, 2015	
December 2014	February 16, 2015	February 17, 2015	

**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 2014.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for December 2014 through May 2015 are shown following the 3rd Quarter Write-Off exhibit.

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**IV. ACCOUNTING SYSTEM (continued)**

B. Critical Error Write-Off (continued)

Loss Write-Off – 3rd Quarter 2014

Company	Aug 2014	Sept 2014	Nov 2014	Total
331	15		-7,109	-7,094
731	0		22,150	22,150
988	0		-192	-192
<b>Total</b>	15		14,849	14,864

3rd Quarter 2014 – 10% Loss of Investment Fees

Company	Aug 2014	Sept 2014	Nov 2014	Total
331	2		300	302
731	0		2215	2,215
988	0		-19	-19
<b>Total</b>	2		2,496	2,498

Potential Loss Write-Off December 2014 through May 2015

Company	December 2014	January 2015	February 2015	March 2015	April 2015	May 2015	Grand Total
153		0	0			-9,182	-9,182
245		0	2,152			-975	1,177
331		0	0			-5,847	-5,847
723		389	0			0	389
<b>Totals</b>		389	2,152			-16,004	-13,463

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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  
2013 & 2014 Policy Effective Years**

Non-Critical Error - Penalties

**There have been no companies listed to receive a penalty for policy effective years 2013 and 2014.**

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

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

2014 Effective Year Non-Critical Errors Over Tolerance – Potential Penalty

**2014 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	2012	0	0.00
154	2013	0	0.00
154	2014	0	0.00
245	2012	0	0.00
245	2013	0	0.00
245	2014	37,714	0.17
279	2012	0	0.00
279	2013	0	0.00
279	2014	0	0.00
455	2012	0	0.00
455	2013	0	0.00
455	2014	0	0.00
717	2012	0	0.00
717	2013	0	0.00
717	2014	0	0.00
734	2012	0	0.00
734	2013	0	0.00
734	2014	0	0.00
735	2012	0	0.00
735	2013	0	0.00
735	2014	0	0.00
773	2012	0	0.00
773	2013	0	0.00
773	2014	289	0.00
<b>Total Ind</b>		<b>38,003</b>	<b>0.01</b>

**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 2014 Penalty Forecasting reports on December 9, 2014.

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**IV. ACCOUNTING SYSTEM (continued)**

F. 2012 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 2012 reporting year will close on February 16, 2015. Accordingly, CAR will no longer accept cession activity for the 2012 policy effective year and all policies that contain an active cession 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 amount for 2012 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>
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

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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.

<b>Month</b>	<b>MAS Due Date</b>	<b>Statistical System Update</b>	<b>Quarter</b>
January 2014	March 17, 2014	March 18, 2014	1st Quarter 2014
February 2014	April 15, 2014	April 16, 2014	
March 2014	May 15, 2014	May 16, 2014	
April 2014	June 16, 2014	June 17, 2014	2 <sup>nd</sup> Quarter 2014
May 2014	July 15, 2014	July 16, 2014	
June 2014	August 15, 2014	August 18, 2014	
July 2014	September 15, 2014	September 16, 2014	3 <sup>rd</sup> Quarter 2014
August 2014	October 15, 2014	October 16, 2014	
September 2014	November 17, 2014	November 18, 2014	
October 2014	December 15, 2014	December 16, 2014	4 <sup>th</sup> Quarter 2014
November 2014	January 15, 2015	January 16, 2015	
December 2014	February 16, 2015	February 17, 2015	

**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.

<b>Quarter</b>	<b>Due Date Quarterly Annual Statement</b>	<b>Run Date of the Reconciliation Program</b>	<b>Due Date Reconciliation Response</b>
1st 2014	June 16, 2014	July 1, 2014	Approx. August 1, 2014
2nd 2014	September 15, 2014	October 1, 2014	Approx. November 1, 2014
3rd 2014	December 15, 2014	January 2, 2015	Approx. February 2, 2015
4th 2014	March 16, 2015	April 1, 2015	Approx. May 1, 2015

The Annual Statement collection of Page 14 for Second Quarter 2014 was due September 15, 2014. Penalties for late Page 14 amounted to \$500. Reconciliation Second Quarter 2014 responses were due on October 31, 2014 and penalties were assessed at \$3,300. Page 14 penalties were included Third Quarter 2014 Settlement of Balances Report. CAR is currently collecting Third Quarter 2014 Annual Statement Statutory Page 14 data which is due at CAR on December 15, 2014. Third Quarter 2014 Reconciliation Reports are anticipated to run on January 5, 2014.

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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 2013 EFF YEAR</b>	Liability	86,506	1,637	1.89%
	No Fault	66,933	716	1.07%
	Physical Damage	55,532	602	1.08%
	Total	208,971	2,955	1.41%
<b>COMM 2014 EFF YEAR</b>	Liability	6,467	96	1.48%
	No Fault	5,204	16	0.31%
	Physical Damage	4,427	100	1.32%
	Total	16,098	212	1.32%

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.

Commercial Rate Edit penalties now apply to Rating years 2014 and 2013. Rating year 2014 includes policies effective September 2014 – December 2015. Rating year 2013 includes policies effective April 2013 – April 2014. 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 9/2014

<b>COMPANY NUMBER</b>	<b>RECORD COUNT</b>	<b>WASHOUT COUNT</b>	<b>WASHOUT PERCENT</b>
017	169	44	26.04
033	1,250,888	495,392	39.60
065	26,406	17,016	64.44
099	601	560	93.18
100	80,778	19,924	24.67
105	3,260	1,970	60.43
153	6,802,999	2,338,738	34.38
154	1,257,663	920,525	73.19
156	296,902	193,225	65.08
256	241	54	22.41
261	9,533	6,712	70.41
263	195	52	26.67
265	243	72	29.63
283	3,152	1,752	55.58
343	1,454,629	777,274	53.43
418	178,685	43,924	24.58
420	2,753	763	27.72
429	6,547,881	3,032,423	46.31
463	1,343	644	47.95
474	2,683	1,380	51.43
486	22,726	6,973	30.68
503	2,497	1,516	60.71
625	13	3	23.08
626	180,302	86,354	47.89
627	16,926	11,374	67.20
667	1,874	1,316	70.22
737	219,345	93,151	42.47
770	244,339	59,058	24.17

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

**D. Deleted Washout Records (continued):**

Deleted Washout Totals  
For All Shipments Received Through 9/2014

<b>COMPANY NUMBER</b>	<b>RECORD COUNT</b>	<b>WASHOUT COUNT</b>	<b>WASHOUT PERCENT</b>
828	205,290	60,411	29.43
902	124,116	68,966	55.57
927	13,093	5,506	42.05
950	301	100	33.22
963	87,865	31,303	35.63
989	39,149	12,820	32.75

Total Industry	58,237,242	9,656,754	16.58%
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The 2013 washout total following the 9/2013 shipments was 12.82%.

**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 2014. 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.

<b>Project</b>	<b>Status</b>	<b>Description</b>
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	The first system recently completed is the MAIP Placement Record Reporting and correction system. The next system scheduled for re-write is the statistical correction system, which will not begin until the Polk VINtelligence file has been successfully integrated into the current statistical edits.
Cash Flow System Rewrite	Complete	Rewrite the current Cash Flow System, including the Settlement of Balances reports to a more current software package so that it is compatible with Windows "7".
Commercial Rate Filing	Complete	Update the system for new rules, rate and Experience Rating Plan, effective September 1, 2014 and subsequent.
Merit Rating Verification Program	Complete	The Governing Committee recently approved a new verification program for the reporting of merit rating status. The new error listing will be available in CAR's website in mid-December.