



NATALIE A. HUBLEY
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

225 Franklin Street Boston, Massachusetts 02110

www.commauto.com

617-338-4000

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

TO: All Recipients of the CAR Operational Reports
FROM: Lisa Traynham
DATE: December 7, 2015
RE: Operational Reports

The 3rd quarter 2015 Operational Reports follow this memorandum. This report includes data reported August 18, 2015 through November 16, 2015 for the accounting month period of July 2015 through September 2015. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

Section I – Accounting/Statistical Shipments:

On September 24, 2015, the Division of Insurance promulgated changes to the Private Passenger Statistical Plan to add several new Classification Codes to the Private Passenger Plan identifying Electric Motorcycles Class Codes.

On September 24, 2015, the Division of Insurance approved Classification Codes 92400 to the Commercial Statistical Plan for Electric Motorcycles effective January 1, 2016 and consistent to the Private Passenger Plan. Modifications have been made to the Boston Zip Codes table contained in Appendix A of the Commercial Statistical Plan.

CAR assessed a total of \$189,400 Statistical Data Quality Penalties in the 3rd Quarter 2015 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 for the closing of policy effective year 2013 will occur in April 2016. CAR set the 2013 penalties at \$4,900 for Commercial and \$8,100 for Taxi/Limousine business.

The 2014 annual Cession/No Premium Write-Off amounts have been calculated and CAR set the 2014 penalties at \$5,200 for Commercial and \$8,300 for Taxi/Limousine business.

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Section III – Residual Market Information:

This section includes various status reports related to residual market Commercial and MAIP market share, participation ratios, and quota share.

CAR mailed the CA5010 - Flat Cancellation report on August 27, 2015 and the documentation was due back at CAR on November 2, 2015.

As of September 2015 the commercial residual market rate equaled 20.1%.

CAR posted the September 30, 2015 Quarterly Member Participation Reports to its website on December 4, 2015.

CAR ran the 3rd Quarter 2015 Rule 29 credit edit download reports on November 25, 2015.

Section IV – Accounting System Processing:

CAR did not produce any Critical Error Loss Write-Offs and 10% Loss of Investment Fees for the 3rd Quarter 2015.

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2014 and 2015 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 posted to CAR's website on December 7, 2015.

Section V - Statistical Agent Functions:

Second Quarter 2015 Statutory Page 14 data was due at CAR on September 15, 2015. Penalties amounted to \$10,000 for companies who submitted Page 14 data after the due date. The Reconciliation Responses for Second Quarter 2015 were due back on November 2, 2015. Penalties amounted to \$3,200 for companies who responded to their explanation after the due date. These penalties were included in Third Quarter 2015 Settlement of Balances. CAR is currently collecting Third Quarter 2015 Statutory Page 14's due at CAR on December 15, 2015.

Section VI – Communications:

This section includes information regarding new features. CAR added some additional "look-up" tables to the Statistical Edit Package landing page. Users are now able to view the Catastrophe Code table, the Zip Code table, and the POLK VIN database in addition to the tables that were available previously.

**OPERATIONAL REPORTS
3RD QUARTER 2015**

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 2015 as of the third quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

2015 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2015	March 15, 2015	1 st Quarter
February 2015	April 15, 2015	
March 2015	May 15, 2015	
April 2015	June 15, 2015	2 nd Quarter
May 2015	July 15, 2015	
June 2015	August 17, 2015	
July 2015	September 15, 2015	3 rd Quarter
August 2015	October 15, 2015	
September 2015	November 16, 2015	
October 2015	December 15, 2015	4 th Quarter
November 2015	January 15, 2016	
December 2015	February 16, 2016	

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, 2015.

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I. STATISTICAL SYSTEM (continued)

2015 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 11/16</i>	<i>Oct 12/15</i>	<i>Nov 1/15</i>	<i>Dec 2/16</i>
065									COM			
110		COM	COM			COM	COM		COM			
123	COM	COM	COM			COM	COM		COM			
155	COM	COM	COM									
179						COM	COM					
194							PP					
201		PP										
206			COM			COM			COM			
219						COM						
230	COM		COM									
247									COM			
325			COM			COM			COM			
331	PP	PP	PP									
333			COM									
362	COM	BOTH										
366						COM			COM			
443									COM			
828								BOTH				

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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 2015, CAR assessed a total penalty amount of \$189,400. The table below shows the detail penalties for each company.

Penalty Assessments
3rd Quarter 2015

Co #	Company Name	Assessment	Assessment Amount
103	The American Insurance Co	Stat Error > 5% - 06/2015	\$ 150
110	KnightBrook Insurance Company	Late MAS - 06/2015	\$ 500
110	KnightBrook Insurance Company	Stat Error > 5% - 04/2015	\$ 600
110	KnightBrook Insurance Company	Late Pg. 14 Expln - 06/2015	\$ 300
120	Crestbrook Insurance Company	Late Pg. 14 Data - 06/2015	\$ 4,600
121	Allied World Specialty Ins Co	Late Pg. 14 Data - 06/2015	\$ 200
123	HDI-Gerling American Ins Co	Late MAS - 07/2015	\$ 3,000
123	HDI-Gerling American Ins Co	Stat Error > 5% - 03/2015	\$ 1,200
141	Preferred Mutual Ins Co	Stat Error > 5% - 05/2015	\$ 150
141	Preferred Mutual Ins Co	Stat Error > 5% - 07/2015	\$ 150
155	Argonaut Insurance Company	Stat Error > 5% - 01/2015	\$ 5,000
155	Argonaut Insurance Company	Stat Error > 5% - 03/2015	\$ 3,000
155	Argonaut Insurance Company	Stat Error > 5% - 04/2015	\$ 750
155	Argonaut Insurance Company	Stat Error > 5% - 05/2015	\$ 750
155	Argonaut Insurance Company	Stat Error > 5% - 06/2015	\$ 450
155	Argonaut Insurance Company	Late MAS - 07/2015	\$ 500
155	Argonaut Insurance Company	Late MAS - 08/2015	\$ 500
179	Atlantic Specialty Insurance Co	Stat Error > 5% - 05/2015	\$ 150
179	Atlantic Specialty Insurance Co	Late MAS - 07/2015	\$ 500
194	Bankers Standard Insurance Co	Late MAS - 07/2015	\$ 500
201	AIG Property and Casualty Co	Stat Error > 5% - 07/2015	\$ 150
201	AIG Property and Casualty Co	Stat Error > 5% - 08/2015	\$ 300
201	AIG Property and Casualty Co	Stat Error > 5% - 09/2015	\$ 300
206	Nationwide Agribusiness Ins Co	Stat Error > 5% - 03/2015	\$ 300
206	Nationwide Agribusiness Ins Co	Late MAS - 06/2015	\$ 1,000
206	Nationwide Agribusiness Ins Co	Late Pg. 14 Expln - 06/2015	\$ 100
247	National Casualty Company	Late MAS - 06/2015	\$ 500
313	Essentia Insurance Company	Stat Error > 5% - 05/2015	\$ 300
325	Employers Fire Insurance Co	Stat Error >5% - 03/2015	\$ 1,850
331	Massachusetts Homeland Ins Co	Final - Late MAS - 07/2014	\$ 6,000
331	Massachusetts Homeland Ins Co	Final - Late MAS - 08/2014	\$ 6,000

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I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
3rd Quarter 2015

Co #	Company Name	Assessment	Assessment Amount
331	Massachusetts Homeland Ins Co	Final - Late MAS - 09/2014	\$ 6,000
331	Massachusetts Homeland Ins Co	Final - Late MAS - 10/2014	\$ 6,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 11/2014	\$ 9,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 12/2014	\$ 9,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 01/2015	\$ 24,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 02/2015	\$ 21,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 03/2015	\$ 18,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 04/2015	\$ 15,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 05/2015	\$ 12,000
331	Massachusetts Homeland Ins Co	Final - Late MAS - 08/2014	\$ 6,000
331	Massachusetts Homeland Ins Co	Final - Late MAS - 09/2014	\$ 6,000
331	Massachusetts Homeland Ins Co	Final - Late MAS - 10/2014	\$ 6,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 11/2014	\$ 9,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 12/2014	\$ 9,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 06/2015	\$ 9,000
333	Lamorak Insurance Company	Late Pg.14 Expln -06/2015	\$ 1,300
366	Arch Insurance Company	Late MAS - 06/2015	\$ 3,000
366	Arch Insurance Company	Stat Error >5% - 03/2015	\$ 7,400
366	Arch Insurance Company	Late Pg.14 Data - 06/2015	\$ 300
407	Bedivere Insurance Company	Late Pg.14 Expln-06/2015	\$ 1,300
443	NOVA Casualty Company	Late Pg.14 Data - 06/2015	\$ 300
451	Hudson Insurance Company	Late Pg.14 Expln-06/2015	\$ 100
626	National Continental Insurance Co	Stat Error > 5% - 05/2015	\$ 450
626	National Continental Insurance Co	Stat Error > 5% - 06/2015	\$ 450
626	National Continental Insurance Co	Stat Error > 5% - 07/2015	\$ 750
737	Progressive Casualty Insurance Co	Stat Error > 5% - 05/2015	\$ 450
737	Progressive Casualty Insurance Co	Stat Error > 5% - 06/2015	\$ 750
737	Progressive Casualty Insurance Co	Stat Error > 5% - 07/2015	\$ 750
748	QBE Insurance Company	Stat Error > 5% - 03/2015	\$ 600
785	Progressive Direct Insurance Co	Stat Error > 5% - 07/2015	\$ 150
828	State Farm Insurance Company	Late MAS - 08/2015	\$ 500
902	United Financial Casualty Co.	Stat Error > 5% - 05/2015	\$ 300
902	United Financial Casualty Co.	Stat Error > 5% - 06/2015	\$ 600
902	United Financial Casualty Co.	Stat Error > 5% - 07/2015	\$ 300
940	USAA General Indemnity Co.	Stat Error >5% - 03/2015	\$ 600
958	Harleysville Insurance Company	Stat Error >5% - 06/2015	\$ 150
963	Harleysville Worcester Ins Co	Stat Error >5% - 07/2015	\$ 150
		Total	\$189,400

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I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
January 1, 2017 (Optional for policies effective January 1, 2016 – December 31, 2016)	Several new Classification Codes have been added to the Private Passenger Statistical Plan to identify Electronic Motorcycles (Experienced Operator, Inexperienced Operator and Age 65 or more). Appendix A – Classification Codes Decision Table has been updated to include these codes.	Approved by the Division of Insurance on September 21, 2015

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I. STATISTICAL SYSTEM (continued)

Massachusetts Commercial Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
January 1, 2017 (Optional for policies effective January 1, 2016 – December 31, 2016)	Classification Code 924000 has been added to the Commercial Statistical Plan to identify Electronic Motorcycles.	Approved by the Division of Insurance on September 21, 2015
January 1, 2016	Consistent with the Private Passenger Statistical Plan Zip Code modifications that were promulgated by the Division of Insurance in October 2014, the following modifications have been made to the City of Boston table contained in Appendix B – Territory Codes of the Commercial Statistical Plan: <ul style="list-style-type: none"> ▪ Zip Code 02222 has been added. ▪ Obsolete Zip Codes (02101-02107, 02202) and those associated exclusively with P.O. Boxes (02112, 02117, 02123, 02137) have been deleted. ▪ 	
January 1, 2017 (Optional for policies effective January 1, 2016 – December 31, 2016)	Endorsement CA 99 05 02 14, Business Interruption Coverage, was approved for use in Massachusetts, effective January 1, 2015. To statistically identify this new coverage, new Classification and Coverage Codes have been added to the Commercial Statistical Plan, applicable to Physical Damage records only. Appendix A – Classification and Coverage Code Decision Tables and Exposure Basis Tables have also been updated to include these new codes. Note that the Limited of Insurance as written on the endorsement schedule is required to be reported in the Exposure field. The endorsement is only applicable to voluntary policies.	

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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 2013-2015.

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 August 28, 2015.

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 2015 monitoring policy years 2013, 2014 and 2015 for 3rd Quarter 2015.

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 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	1,040	123	11.8	*	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	1,840	152	8.3%		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.*)

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II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

2. CR215 Cessions Automatically Backdated (continued)

Policy Year 2014
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	1,344	22	1.6	0.0	330	0
245	1,016	101	9.9 *	1.0	12,711	0
279	26	2	7.7 #	-1.8	0	0
717	302	15	5.0 #	0.0	0	0
734	336	9	2.7	0.6	0	0
773	1	0	0	0.0	0	0
Totals	3,025	149	4.9%	N/A	13,041	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 2015
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	2,936	40	0.4	1.0	0	0
245	1,060	95	9.0 *	0.2	470	9,530
279	14	1	7.1 #	0.0	0	0
717	292	18	6.2 #	-1.5	0	0
734	262	1	0.4	-0.2	0	0
773	0	0	0.0	0.0	0	0
Totals	4,564	155	3.4%	N/A	470	9,530

* 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 August 27, 2015 and the documentation was due back on November 2, 2015. Any outstanding issues from the results of this audit will be posted within next quarters Operational Reports.

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II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

D. MAIP Placement Record Reporting Analysis

On a monthly basis, CAR reviews the quality of MAIP Placement Record reporting and produces a report which highlights the error counts for various types of errors. Companies with excessive error counts are contacted and requested to research the cause of its reporting problem and if appropriate provide a corrective action plan. 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 10/2014 to 9/2015
Reflects MAIP Placement Record Reported Data as of November 18, 2015

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	1	8	0	6	15	13	152
153	12	3	9	251	8	3	4,778
192	0	0	0	0	0	0	102
202	0	0	0	0	0	0	166
262	0	0	3	0	0	0	7
279	14	7	892	50	12	9	26,000
308	0	0	0	0	0	0	324
312	0	3	3	0	0	0	1,154
331	0	2	5	0	0	4	570
354	0	4	13	0	2	50	4,545
363	0	0	1	0	0	0	410
422	1	0	0	0	1	0	242
531	3	0	0	0	0	0	1,023
585	0	0	2	0	0	1	18
612	8	3	11	19	0	1	2,014
664	16	12	0	0	1	4	1,206
686	0	0	0	12	0	0	0
723	0	3	32	0	1	1	1,480
724	10	6	0	0	1	23	3,826
731	0	0	0	25	0	0	12
773	7	0	245	136	3	4	10,429
826	0	0	6	46	1	0	432
827	0	0	0	0	0	0	184
908	7	2	2	0	0	1	4,351
959	0	0	0	0	0	0	201
988	0	6	3	25	1	2	1,365
Average	3	2	47	22	2	4	2,500

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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
2009	2.8%	19.0%	Final Result
2010	2.6%	15.1%	Final Result
2011	2.7%	14.9%	Final Result
2012	2.6%	15.6%	Final Result
2013	2.1%	17.0%	Final Result
2014	1.5%	18.7%	Final Result
2015	1.3%	20.1%	As of Sept 2015

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 2015 Results as of September 2015

	2015 @ 9 Months	% Total	2014 @ 12 Months	% Total
MAIP Assigned (CAR-ID 9)	46,340	1.3	68,011	1.5
MAIP Retained (CAR-ID 8)	3,507,342	98.7	4,382,753	98.4
Clean-In-Three (CAR-ID 1)	1,059	0.0	3,115	.1
Total	3,554,741	100.0%	4,453,879	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, 2015, 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 2015 Quarterly Member Participation Reports to its website on December 4, 2015. 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 2015 estimated Participation Ratios using data reported through September 30, 2015 will be posted to CAR's website by December 31, 2015.

F. CAR Financial Results

The ultimate policy year deficit projections, as of September 2015, for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Commercial
2013	(3,143)
2014	(8,380)
2015	(10,391)

This data can be found on CAR's website (www.commauto.com) in the Financial Reports area using the Deficit Projections link.

**OPERATIONAL REPORTS
3RD QUARTER 2015**

III. RESIDUAL MARKET INFORMATION (continued)

G. Quota Share

CAR posted the September, 2015 Monthly Quota Share and Assignment Order Report to its website on November 25, 2015. The report has been updated to include statistical data from October 2014 to September 2015 effective month policies reported through November 16, 2015. 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 2014 true-up of ceding expense allowances for commercial servicing carriers was included in the September, 2015 Settlement of Balances, posted to CAR's website on December 4, 2015.

A true-up of expense allowances to Servicing Carriers for ceded taxi, limousine and car service business for policy years 2013-2014 was also included in the September, 2015 Settlement of Balances. Individual company reports with detail calculations were emailed to each company contact of the Servicing Carrier.

**OPERATIONAL REPORTS
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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, 2013 accounting date.

Accounting Date	Reported Credit Premium	Adjusted Credit Premium	Rule 29 Credit Impact	Error Percentage
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%
Oct. 2014	773,410,338	761,196,403	-12,213,935	1.58%
Nov. 2014	770,674,623	758,422,022	-12,252,601	1.59%
Dec. 2014	770,402,779	758,123,233	-12,279,546	1.59%
Jan. 2015	768,041,708	755,845,777	-12,195,931	1.59%
Feb. 2015	765,672,469	754,083,462	-11,589,007	1.51%
March 2015	766,612,449	756,026,775	-10,585,674	1.38%
April 2015	762,014,995	752,276,699	-9,738,296	1.28%
May 2015	757,581,312	748,573,230	-9,008,085	1.19%
June 2015	751,935,195	743,642,422	-8,292,773	1.10%
July 2015	746,250,784	737,849,902	-8,400,882	1.13%
August 2015	738,203,582	729,721,088	-8,482,494	1.15%
Sept 2015	735,574,174	724,123,379	-8,450,795	1.15%

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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 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	Statistical System Update	Quarter
January 2015	March 16, 2015	March 17, 2015	1st Quarter 2015
February 2015	April 15, 2015	April 16, 2015	
March 2015	May 15, 2015	May 18, 2015	
April 2015	June 15, 2015	June 16, 2015	2 nd Quarter 2015
May 2015	July 15, 2015	July 16, 2015	
June 2015	August 17, 2015	August 18, 2015	
July 2015	September 15, 2015	September 16, 2015	3 rd Quarter 2015
August 2015	October 15, 2015	October 16, 2015	
September 2015	November 16, 2015	November 17, 2015	
October 2015	December 15, 2015	December 16, 2015	4 th Quarter 2015
November 2015	January 15, 2016	January 18, 2016	
December 2015	February 15, 2016	February 16, 2016	

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 2015.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for December 2015 through May 2016 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 2015

Company	Aug 2015	Sept 2015	Oct 2015	Total
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
Total	N/A	N/A	N/A	N/A

3rd Quarter 2015 – 10% Loss of Investment Fees

Company	Aug 2015	Sept 2015	Oct 2015	Total
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
Total	N/A	N/A	N/A	N/A

Potential Loss Write-Off December 2015 through May 2016

Company	December 2015	January 2016	February 2016	March 2016	April 2016	May 2016	Grand Total
245	-1,020		0			127,940	126,920
723	0		741			0	741
Totals	-1,020		741			127,940	127,661

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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
2014 & 2015 Policy Effective Years**

Non-Critical Error - Penalties

There have been no companies listed to receive a penalty for policy effective years 2014 and 2015.

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

2014 Effective Year Non-Critical Errors results show no Potential Penalties to report

2015 Effective Year Non-Critical Errors Over Tolerance – Potential Penalty

2015 Effective Year Non-Critical Errors results 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	2013	0	0.00
154	2014	0	0.00
154	2015	245	0.00
245	2013	0	0.00
245	2014	177,777	0.57
245	2015	32,095	0.12
279	2013	0	0.00
279	2014	0	0.00
279	2015	0	0.00
717	2013	0	0.00
717	2014	0	0.00
717	2015	0	0.00
734	2013	0	0.00
734	2014	0	0.00
734	2015	0	0.00
773	2013	0	0.00
773	2014	0	0.00
773	2015	1,343	0.00
Total Ind		211,460	0.06

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 2015 Penalty Forecasting reports on December 7, 2015.

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IV. ACCOUNTING SYSTEM (continued)

F. 2013 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 2013 premium reporting year will close on February 15, 2016. Accordingly, CAR will no longer accept cession activity for the 2013 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 amounts for 2013 effective date policies and for historical information.

Year	PP Penalty	Commercial Penalty	Taxi/Limo/CAR Service Penalty
2013	N/A	\$4,900	\$8,100
2012	N/A	\$4,600	\$7,700
2011	N/A	\$4,400	\$8,100
2010	N/A	\$4,500	\$7,300
2009	\$1,400	\$4,900	\$7,700
2008	\$1,400	\$5,300	\$7,600
2007	\$1,500	\$5,700	\$8,600
2006	\$1,500	\$6,300	\$10,100
2005	\$1,600	\$6,200	\$10,800
2004	\$1,600	\$6,200	\$11,100
2003	\$1,500	\$6,500	\$9,900

G. \$60 Cession/No Premiums

On November 19, 2015 CAR assessed \$60 Cession/No Premium penalties against all cessions that listed on the penalty list. A cession qualifies for the penalty list when the premium amount on the policy totals to less than or equal to \$0 for five or more months.

Co. No.	Penalty Amount
245	Pol Effective Year 2014 = \$240
245	Pol Effective Year 2015 = \$600
Total	\$840

**OPERATIONAL REPORTS
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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 2015	March 16, 2015	March 17, 2015	1st Quarter 2015
February 2015	April 15, 2015	April 16, 2015	
March 2015	May 15, 2015	May 18, 2015	
April 2015	June 15, 2015	June 16, 2015	2 nd Quarter 2015
May 2015	July 15, 2015	July 16, 2015	
June 2015	August 17, 2015	August 18, 2015	
July 2015	September 15, 2015	September 16, 2015	3 rd Quarter 2015
August 2015	October 15, 2015	October 16, 2015	
September 2015	November 16, 2015	November 17, 2015	
October 2015	December 15, 2015	December 16, 2015	4 th Quarter 2015
November 2015	January 15, 2016	January 18, 2016	
December 2015	February 15, 2016	February 16, 2016	

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 2015	June 15, 2015	July 1, 2015	Approx. August 3, 2015
2nd 2015	September 15, 2015	October 1, 2015	Approx. November 2, 2015
3rd 2015	December 15, 2015	January 4, 2016	Approx. February 4, 2016
4th 2015	March 15, 2016	April 1, 2016	Approx. May 2, 2016

The Annual Statement collection of Page 14 for Second Quarter 2015 was due September 15, 2015. Penalties for late Page 14 amounted to \$10,000. Reconciliation Second Quarter 2015 responses were due on November 3, 2015 and penalties were assessed at \$3,200. Page 14 and late explanation penalties were included Third Quarter 2015 Settlement of Balances Report. CAR is currently collecting Third Quarter 2015 Annual Statement Statutory Page 14 data which is due at CAR on December 15, 2015. Third Quarter 2015 Reconciliation Reports are anticipated to run on January 4, 2015.

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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 2013 EFF YEAR	Liability	56,710	813	1.43%
	No Fault	46,386	135	0.29%
	Physical Damage	35,932	371	1.03%
	Total	139,028	1,319	0.95%
COMM 2014 EFF YEAR	Liability	69,415	979	1.41%
	No Fault	52,431	169	0.32%
	Physical Damage	46,614	455	0.98%
	Total	168,460	1,603	0.95%

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.

**OPERATIONAL REPORTS
3RD QUARTER 2015**

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 9/2015

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
033	1,965,072	878,716	44.72
099	158	150	94.94
100	56,783	13,250	23.33
105	3,466	990	28.56
153	7,207,193	2,490,185	34.55
154	987,279	708,849	71.80
156	158,403	120,818	76.27
226	2,212	559	25.27
256	245	60	24.49
261	6,363	4,004	62.93
283	3,547	1,776	50.07
323	188,888	38,602	20.44
362	211,095	126,396	59.88
366	4,430	3,510	79.23
418	182,868	45,522	24.89
463	2,201	922	41.89
474	199	126	63.32
486	45,550	17,703	38.86
503	1,128	422	37.41
625	11	3	27.27
626	170,770	81,992	48.01
627	21,555	14,496	67.25
630	4,974	1,356	27.26
667	1,390	536	38.56
737	369,066	118,887	32.21
770	583,977	145,826	24.97
823	98,826	54,490	55.14
881	4,096	934	22.80

**OPERATIONAL REPORTS
3RD QUARTER 2015**

V. STATISTICAL AGENT FUNCTION (continued)

D. Deleted Washout Records (continued):

Deleted Washout Totals
For All Shipments Received Through 9/2015

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
902	113,477	59,166	52.14
927	18,881	7,602	40.26
950	1,077	670	62.21
963	86,635	32,820	37.88
989	35,628	10,228	28.71

Total Industry	56,788,072	6,710,614	11.82%
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The 2014 washout total following the 9/2014 shipments was 16.58%.

E. Distributional Analysis

Distributional Analysis reports are produced three times a year starting with the close of the June quarter. The Distributional Analysis reports are currently on hold as CAR will be updating the system to be more current and relevant.

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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 some additional “look-up” tables to the Statistical Edit Package landing page. Users are now able to view the Catastrophe Code table, the Zip Code table, and the POLK VIN database in addition to the tables that were available previously.

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 has started a project to move the statistical error correction functionality off of its mainframe and onto its website as a new correction application. The project is in its initial stages so no end date has been scheduled but CAR is hoping the new application will be available in the summer of 2016.

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VII. PROJECT STATUS REPORTS

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

Project	Status	Description
Rewrite Company Mainframe Applications	In progress	Various reports and applications within the new online statistical correction system are either in the analysis, specification, coding or testing phase. It is anticipated that this project will extend well into 2016.
Rewrite Distributional Edits	In progress	The Distribution Edit System is being rewritten to focus on Key data elements used for quota share and ratemaking. Paper reports will be replaced by online reports, including a new summary report identifying potential reporting problems. Different reports within the new system are either in the specification, coding or testing phase
Statistical System Update	Complete	Update the statistical system for zip code changes as well as new classification and coverage code additions related to Elective Motorcycles or Business Interruption coverage.
Merit Rating Verification Program	Complete	The Compliance Audit Department will conduct a focus audit of those companies with excessive error rates. Additionally, Staff will continue to monitor error data to ensure that there are no impacts to the quota share process. No additional changes to the system are anticipated at this time.