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- MEMORANDUM -

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: December 7, 2017

RE: Operational Reports

The 3rd quarter 2017 Operational Reports follow this memorandum. This report includes data reported August 16, 2017 through November 15, 2017 for the accounting month period of July 2017 through September 2017. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

Section I – Accounting/Statistical Shipments:

On July 18, 2017, the Division of Insurance approved a new Classification Code to the Private Passenger Statistical Plan to specifically identify statistical information relative to company endorsements that provide additional coverage to insureds that use their personal automobiles for ride-sharing, ride-hailing, on-demand delivery and other transportation network services. Accordingly, for policies effective July 1, 2018 and subsequent, Classification Code 900000 must be used to identify Transportation Network Company (TNC) Driver Coverage. For policies effective January 1, 2018 through June 30, 2018, this code may be reported at a company's option.

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

CAR assessed a total of \$20,500 in the Statistical Data Quality Penalty Program in the 3rd Quarter 2017 Settlement of Balances report.

Section II – Cession/MAIP Placement Record Reporting:

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

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Section III – Residual Market Information:

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

CAR ran the CA5010 - Flat Cancellation Audit report on August 24, 2017 using CAR's new online system. The documentation can now be uploaded into CAR and was due on October 1, 2017.

As of September 2017 the commercial residual market rate equaled 21.6%.

CAR will post the September 30, 2017 Quarterly Member Participation Reports to its website on December 29, 2017.

CAR ran the 3rd Quarter 2017 Rule 29 credit edit download reports on November 15, 2017.

Section IV – Accounting System Processing:

CAR produced 3rd Quarter 2017 Critical Error Loss Write-Offs and 10% Loss of Investment Fees. There were no companies listed for this quarters reports.

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2016 and 2017 policy effective years for all companies with an error rate over the tolerance level of 1% and 10 policies in error.

The Penalty Forecasting exhibits was made available on CAR's website on December 1, 2017.

Section V - Statistical Agent Functions:

2nd Quarter 2017 Statutory Page 14 data was due at CAR on September 15, 2017. Penalties for late Page 14 reporting resulted at \$10,100. Reconciliation Responses for 2nd Quarter 2017 were run on October 2, 2017 and due back on November 2, 2017. Penalties for the late responses resulted at \$200. Company assessments were included in 3rd Quarter 2017, Settlement of Balances. 3rd Quarter 2017 Statutory Page 14 data are due at CAR on December 15, 2017. 3rd Quarter Reconciliation is anticipated to run January 2, 2018.

All companies that exceed the commercial rate edit tolerances are listed on page 23.

Section VI – Communications:

CAR released the Distribution Analysis reports in late September, 2017. With this release, CAR has added loss reports that measure various data reporting components and required a company response if any reports exceeds the established tolerance levels.

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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 2017 as of the third quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

2017 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2017	March 15, 2017	1 st Quarter
February 2017	April 17, 2017	
March 2017	May 15, 2017	
April 2017	June 15, 2017	2 nd Quarter
May 2017	July 17, 2017	
June 2017	August 15, 2017	
July 2017	September 15, 2017	3 rd Quarter
August 2017	October 16, 2017	
September 2017	November 15, 2017	
October 2017	December 15, 2017	4 th Quarter
November 2017	January 15, 2018	
December 2017	February 15, 2018	

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, 2017.

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I. STATISTICAL SYSTEM (continued)

2017 Timeliness Report

<i>CO NO</i>	<i>Jan 3/15</i>	<i>Feb 4/18</i>	<i>Mar 5/15</i>	<i>Apr 6/15</i>	<i>May 7/17</i>	<i>Jun 8/15</i>	<i>July 9/15</i>	<i>Aug 10/16</i>	<i>Sep 11/15</i>	<i>Oct 12/15</i>	<i>Nov 1/16</i>	<i>Dec 2/15</i>
065						COM						
103		COM										
110			COM			COM						
121									COM			
123			COM			COM			COM			
134				COM	COM				COM			
155			COM	COM		COM		COM	COM			
164	Both											
194			PP									
206			COM			COM			COM			
323									PP			
331	PP								PP			
397							COM					
418	PP											
443						COM						
455							Both					
567							COM					
680							COM					
686		PP	PP	PP	PP	PP	PP					
708	COM											
711			PP									
785		PP										
833			COM			COM			COM			

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I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program

CAR assesses various statistical penalties as outlined in the Data Quality Penalty Section of the Private Passenger and Commercial Statistical Plans. These penalties include items such as incomplete monthly submissions, late submission of page 15 data, reconciliation responses, and failure to reduce a statistical shipment's error percent to below 5%.

For 3rd Quarter 2017, CAR assessed a total penalty amount of \$20,500. The table below shows the detail penalties for each company.

Penalty Assessments
3rd Quarter 2017

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
110	KnightBrook Insurance Company	Late MAS - 06/2017	\$ 500
110	KnightBrook Insurance Company	Stat Error > 5% - 04/2017	\$ 600
119	Hiscox Insurance Company	Rescinded Late Pg14-03/2017	\$ (200)
121	Allied World Specialty	Late Explanation - 06/2017	\$ 100
141	Preferred Mutual Insurance Co.	Late Page 14 Data - 06/2017	\$ 100
155	Argonaut Insurance Company	Stat Error > 5% - 05/2017	\$ 300
155	Argonaut Insurance Company	Stat Error > 5% - 06/2017	\$ 150
155	Argonaut Insurance Company	Late MAS - 06/2017	\$ 500
155	Argonaut Insurance Company	Late MAS - 08/2017	\$ 500
206	Nationwide Agribusiness Ins.	Late MAS - 06/2017	\$ 1,500
256	Berkley Regional Insurance Co.	Late Explanation - 06/2017	\$ 100
259	The Cincinnati Insurance Co.	Late Page 14 Data - 06/2017	\$ 100
313	Essential Insurance Company	Stat Error > 5% - 05/2017	\$ 150
443	NOVA Casualty Company	Late Page 14 Data - 06/2017	\$ 600
571	Milford Casualty Insurance Co.	Stat Error > 5% - 06/2017	\$ 150
680	Ohio Security Insurance Company	Late MAS - 07/2017	\$ 500
686	Occidental Fire & Casualty of SC	Final Late MAS - 02/2017	\$ 3,000
686	Occidental Fire & Casualty of SC	Final Late MAS - 03/2017	\$ 3,000
686	Occidental Fire & Casualty of SC	Final Late MAS - 04/2017	\$ 3,000
686	Occidental Fire & Casualty of SC	Final Late MAS - 05/2017	\$ 3,000
686	Occidental Fire & Casualty of SC	Final Late MAS - 06/2017	\$ 500
686	Occidental Fire & Casualty of SC	Late MAS - 07/2017	\$ 1,250
696	SOMPO American Fire and Marine	Rescinded Late Pg14-03/2017	\$ (4,900)
702	United Wisconsin Insurance Co.	Late Page 14 Data - 06/2017	\$ 4,600
719	Pennsylvania Manufacturers Asso.	Stat Error > 5% - 12/2016	\$ 150
833	Berkshire Hathaway Specialty Ins	Rescinded Late MAS-03/2017	\$ (1,250)
833	Berkshire Hathaway Specialty Ins	Late MAS - 06/2017	\$ 500
		Total	\$20,500

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I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
<p>July 1, 2018</p> <p>(Optional for policies effective January 1, 2018 – June 30, 2018).</p>	<p>In order to specifically identify statistical information relative to company endorsements that provide additional coverage to insureds that use their personal automobiles for ride-sharing, ride-hailing, on-demand delivery and other transportation network services, a new Classification Code has been added to the Private Passenger Statistical Plan.</p> <p>For policies effective July 1, 2018 and subsequent, Classification Code 900000 must be used to identify Transportation Network Company (TNC) Driver Coverage. For policies effective January 1, 2018 through June 30, 2018, this code may be reported at a company’s option. Note that this code is only applicable to voluntary business.</p>	<p>Approved by the Division of Insurance on July 18, 2017</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 Data Analyst if you need assistance in gaining access to CAR's telecommunications system.

CAR accepts cession records and cession corrections on commercial business for policy years 2015-2017.

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 (un-cede) 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 14, 2017.

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II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

2. TX5 Cession Backdate Appeals (continued)

TX5 Cession Backdate Log

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

3. CR215 Cessions Automatically Backdated

On a quarterly basis, CAR produces the CR215 report that shows the volume of cessions backdated for involuntary producer business. The program monitors the three current reporting years for cession activity. Accordingly, CAR recently sent the latest report to the industry in mid-November 2017 monitoring policy years 2015, 2016 and 2017 for 3rd Quarter 2017.

The following exhibits show the industry's volume of backdated cessions. On the report itself, the column to the right of percent backdated indicates if the volume of backdated producers exceeds the tolerance level. Accordingly:

- an asterisk (*) indicates that more than 5% of the total new business cessions for the company are backdated.
- a pound symbol (#) indicates more than 5% are backdated but fall within the tolerance level. (*The tolerance level is 5% and 25 policies in error*).

Policy Year 2015
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED		% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	3,423	38	1.1		0.0	0	0
245	1,179	111	9.4	*	0.0	0	0
279	14	1	7.1	#	0.0	0	0
717	356	22	6.2	#	0.0	11,592	0
734	312	5	1.6		0.0	10,214	14,000
Totals	5,284	177	3.3%		N/A	21,806	14,000

* 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*).

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II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

Policy Year 2016
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	1,184	5	0.4	0.0	0	0
245	934	53	5.7 *	0.0	0	0
279	29	2	6.9 #	0.0	0	0
717	328	10	3.0	0.0	0	0
734	368	19	5.2 #	0.0	0	0
773	3	0	0.0	0.0	0	0
Totals	2,846	89	3.1%	N/A	0	0

* indicates that more than 5% of the total new business cessions for the company are backdated.

indicates more than 5% are backdated but fall within the tolerance level. (*The tolerance level is 5% and 25 policies in error.*)

Policy Year 2017
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	454	1	0.2	-0.1	8,351	3,000
279	5	0	0	0.0	0	0
717	396	9	2.3	-1.2	12,466	18,424
734	348	13	3.7	-0.5	0	2,100
773	1	0	0	0.0	0	0
Totals	1,204	23	1.9%	N/A	20,817	23,524

* indicates that more than 5% of the total new business cessions for the company are backdated.

indicates more than 5% are backdated but fall within the tolerance level. (*The tolerance level is 5% and 25 policies in error.*)

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II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

C. CA5010 Flat Cancellation Audit

Twice per year CAR runs the CA5010 - Flat Cancellation Documentation Listing. Its purpose is to randomly sample flat-canceled policies to verify that the industry is using flat-cancellation transactions properly. CAR has recently updated the CA5010 - Flat Cancellation report using CAR's new online system. The report was run on August 24, 2017 and the documentation was due back on October 1, 2017 which can now be uploaded into CAR using an upload function within the Accounting area on CAR's website. Questions on the use of this system should be directed to the Operations Services department or your company's Data Analyst.

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II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

D. MAIP Placement Record Reporting Analysis

On a monthly basis, CAR reviews the quality of MAIP Placement Record reporting and produces a report which highlights the error counts for various types of errors. Companies with excessive error counts are contacted and requested to research the cause of its reporting problem and if appropriate provide a corrective action plan.

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

Reflects Statistically Reported Data for Policy Effective Months 10/2016 to 09/2017
Reflects MAIP Placement Record Reported Data as of November 17, 2017

Company	Missing MPRs	Rejected MPRs	Fatal MPRs	Rejected Take-Out Credits	MPRs with No Premium	MAIP Premium with No MPR	Active MPRs
113	2	0	208	0	0	0	318
153	57	11	2	158	1	22	7,112
192	0	5	2	0	1	4	489
193	0	32	87	1	0	1	29
202	0	0	0	0	1	0	226
262	0	0	0	9	0	0	0
279	25	3	741	80	13	4	23,169
308	3	0	0	0	1	0	345
312	0	0	7	0	0	1	675
354	16	12	10	0	7	76	5,804
363	0	1	3	0	0	2	458
422	2	0	1	0	0	0	338
521	2	10	0	0	204	137	215
531	6	0	0	0	2	4	1,611
585	0	1	0	0	1	0	78
612	22	2	14	17	1	2	2,573
664	24	5	1	0	6	17	2,379
724	3	4	12	0	4	17	3,374
731	0	0	0	71	0	0	0
773	6	0	200	88	2	3	12,546
826	0	0	7	6	0	0	18
827	5	0	0	0	1	1	592
908	12	2	8	0	4	5	4,819
959	0	0	0	0	0	0	194
988	0	12	4	11	2	1	2,360
Average	7	4	52	18	10	12	2,790

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III. RESIDUAL MARKET INFORMATION

A. Residual Market Volumes

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

Effective Year	MAIP Residual Market %	Commercial Cession %	Time Period
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%	20.4%	Final Result
2016	1.4%	21.8%	Final Result
2017	1.4%	21.6%	As of Sept 2017

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

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

Policy Year 2017 Results as of September 2017

	2017 @ 6 Months	% Total		2016 @ 12 Months	% Total
MAIP Assigned (CAR-ID 9)	49,776	1.4%		63,277	1.4%
MAIP Retained (CAR-ID 8)	3,608,895	98.6		4,529,997	98.6
Clean-In-Three (CAR-ID 1)	491	0.0		790	0.0
Total	3,659,162	100.0%		4,594,064	100.0%

C. Private Passenger MAIP Premium and Loss Reports

Private Passenger Premium and Loss reports have been updated through September, 2017 on December 1, 2017 and are available on CAR's website in the MAIP section under Company. These reports provide summary policy year information for statistically reported MAIP assignments (CAR ID Code 9), including premiums, losses, loss ratio, and data for frequency/severity displayed historically by accounting quarter. Member companies will have access to both their own company reports, as well as the Industry.

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III. RESIDUAL MARKET INFORMATION (continued)

D. Production of Quarterly Participation Reports

CAR will post the September 2017 Quarterly Member Participation Reports to its website on December 8, 2017. 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 2017 estimated Participation Ratios using data reported through the September 30, 2017 monthly accounting shipments will be posted to CAR's website by December 29, 2017.

F. CAR Financial Results – Latest Deficit Projections

The ultimate policy year deficit projections as of September, 2017 were posted to CAR's website on December 6, 2017 for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Commercial
2015	(13,636)
2016	(35,066)
2017	(27,678)

Deficit projections for policy years 2017 and prior 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 2017 Monthly Quota Share and Assignment Order Report to its website on November 28, 2017. The report has been updated to include statistical data for October 2016 to September 2017 effective month policies reported through November 15, 2017. Member Companies can also view additional reports that provide detailed information about the data used in the Quota Share calculation on CAR's website in the MAIP section under Company.

H. Ceding Expenses

The Commercial Servicing Carrier True-Up of the Ceding Expenses for Calendar Year 2016 will be processed with the September, 2017 Settlement of Balances, posted to CAR's website on December 8, 2017. Similarly, the True-Up of Ceding Expenses for Taxi, Limousine, and Car Service business for Policy Year 2015 at 30 months and 2016 at 18 months will also be included. Company Reports have been mailed to the designated Servicing Carrier contacts.

I. CAR Commercial Rate Filing – Effective January 1, 2018

The CAR Commercial Residual Market Rates have been placed on file by the Division of Insurance on October 27, 2017 and documented in the Commercial Lines Notice #114. In order to allow companies appropriate lead time to implement the rates, the effective date was amended to February 1, 2018.

The approved Rates, Rate Pages, Implementation Instructions and Experience Rating Plan are available to Commercial Servicing Carriers upon request. Requests should be directed to Timothy Galligan, Actuarial and Financial Services, at tgalligan@commauto.com or (617)880-7286.

**OPERATIONAL REPORTS
3RD QUARTER 2017**

III. RESIDUAL MARKET INFORMATION (continued)

J. CAR Private Passenger Rate Filing – Effective January 1, 2018

The Private Passenger Residual Market amended rates were approved by the Division of Insurance on October 27, 2017. This filing's effective date has been changed to February 1, 2018 to allow companies appropriate lead time to implement the rates. Refer to Bulletin No. 1040 for additional details.

The approved Rates, Rate Pages and Implementation Factors (Schedule 107) are available to Member Companies upon request. Requests should be directed to Timothy Galligan, Actuarial and Financial Services, at tgalligan@commauto.com or (617)880-7286.

**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 March effective date data in late-August. These reports are available on CAR's website under the Data Reporting and Quality Reports page.

There is no tolerance level for the Rule 29 credits. If a record is incorrect, the credit is not applied. The table below shows the industry's error percent starting with the January, 2015 accounting date.

Accounting Date	Reported Credit Premium	Adjusted Credit Premium	Rule 29 Credit Impact	Error Percentage
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%
Oct 2015	725,351,616	717,019,260	-8,332,356	1.15%
Nov 2015	720,960,164	712,449,648	-8,510,516	1.18%
Dec 2015	715,200,019	707,430,539	-7,769,480	1.09%
Jan 2016	707,850,432	700,048,794	-7,801,638	1.10%
Feb 2016	706,287,984	698,652,586	-7,635,398	1.08%
March 2016	705,892,327	698,262,086	-7,630,241	1.08%
April 2016	707,295,155	699,539,163	-7,755,992	1.10%
May 2016	707,293,296	699,711,761	-7,581,535	1.07%
June 2016	707,501,084	699,874,035	-7,627,049	1.08%
July 2016	705,777,638	698,493,570	-7,284,068	1.03%
August 2016	706,998,980	699,745,115	-7,253,865	1.03%
Sept 2016	704,318,491	697,077,224	-7,241,367	1.03%
Oct 2016	708,382,427	701,290,443	-7,091,984	1.00%
Nov 2016	718,039,090	710,805,951	-7,233,139	1.01%
Dec 2016	725,076,401	717,758,173	-7,318,228	1.01%
Jan. 2017	733,988,565	726,368,804	-7,619,761	1.04%
Feb. 2017	735,742,314	728,187,390	-7,554,924	1.03%
March 2017	754,103,428	746,089,180	-8,014,248	1.06%
April 2017	763,067,553	754,981,675	-8,085,878	1.06%
May 2017	772,897,972	764,532,752	-8,347,220	1.08%
June 2017	782,390,955	773,899,173	-8,491,782	1.09%
July 2017	791,249,048	782,313,850	-8,935,198	1.13%
August 2017	804,498,501	795,116,288	-9,382,213	1.17%
Sept 2017	812,978,203	803,611,634	-9,366,569	1.15%

**OPERATIONAL REPORTS
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IV. ACCOUNTING SYSTEM

A. Update of the Online Accounting System

CAR updates the online accounting system every Thursday night. Accordingly, all new premiums and loss activity and all correction activity are posted to the system on Thursday evenings and viewable to the industry on Friday mornings. This schedule deviates throughout the year following the Monthly Accounting Submission's due date schedule. The table below shows the schedule for updates to the CAR accounting system.

Month	MAS Due Date	Statistical System Update	Quarter
January 2017	March 15, 2017	March 16, 2017	1st Quarter 2017
February 2017	April 17, 2017	April 18, 2017	
March 2017	May 15, 2017	May 16, 2017	
April 2017	June 15, 2017	June 16, 2017	2 nd Quarter 2017
May 2017	July 17, 2017	July 18, 2017	
June 2017	August 15, 2017	August 16, 2017	
July 2017	September 15, 2017	September 18, 2017	3 rd Quarter 2017
August 2017	October 16, 2017	October 17, 2017	
September 2017	November 15, 2017	November 16, 2017	
October 2017	December 15, 2017	December 18, 2017	4 th Quarter 2017
November 2017	January 15, 2018	January 16, 2018	
December 2017	February 15, 2018	February 16, 2018	

B. Critical Error Write-Off

To ensure that each company's cession, premium, and loss reporting is accurate and timely, CAR edits all ceded data through three edits that are deemed "critical" to sound reporting procedures. If any ceded record fails critical error code 1, 6, or 7 it lists on the critical error list. (You can find a description of these error codes in the Policy Edit Package).

For losses specifically, CAR requires every record to be fixed within one year of falling into critical error. If a loss record has not been fixed after a year of remaining in critical error, CAR writes-off that loss record and assesses an interest fee of 10%. This write-off process occurs the last Saturday of every month. The table on the following page shows the write-off amounts and associated 10% fees for third quarter 2017.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for December 2017 through May 2018 are shown following the 3rd Quarter Write-Off exhibit.

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3RD QUARTER 2017**

IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Loss Write-Off – 3rd Quarter 2017

Company	Aug 2017	Sept 2017	Oct 2017	Total
154				
245				
279				
717				
732				
734				
773				
Total				

3rd Quarter 2017– 10% Loss of Investment Fees

Company	Aug 2017	Sept 2017	Oct 2017	Total
154				
245				
279				
717				
734				
773				
Total				

Potential Loss Write-Off December 2017 through May 2018

Company	December 2017	January 2018	February 2018	March 2018	April 2018	May 2018	Grand Total
154			0	0		0	0
245			36,202	77,427		3,363	116,992
279			0	0		0	0
331			0	0		0	0
773			0	0		0	0
908			0	0		0	0
Totals			36,202	77,727		3,363	116,992

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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
2016 & 2017 Policy Effective Years

Non-Critical Error - Penalties

There have been no companies in penalty to list this quarter for policy effective years 2016 or 2017.

2016 Effective Year Non-Critical Errors Over Tolerance - Potential Penalty

2016 Effective Year Non-Critical Errors show no Potential Penalties to report

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

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

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IV. ACCOUNTING SYSTEM (continued)

D. Ceded Premiums In Error – Limited Commercial Servicing Carriers

The exhibit below shows a summary of ceded premium in critical error. Companies can view their critical error policies via CAR's telecommunications system within the accounting corrections application. CAR is providing this information as a way for Limited Commercial Servicing Carriers to monitor both their ceded premium and ceded loss reporting to correct any errors prior to a write-off or close of a policy effective reporting year.

Company	Policy Effective Year	Critical Premium Dollars	Error Percent
154	2015	0	0.00
154	2016	423	0.00
154	2017	31,395	0.11
245	2015	91,812	0.24
245	2016	32,229	0.07
245	2017	0	0.00
279	2015	0	0.00
279	2016	0	0.00
279	2017	212	0.00
717	2015	0	0.00
717	2016	0	0.00
717	2017	0	0.00
732	2015	0	0.00
732	2016	0	0.00
732	2017	0	0.00
734	2015	0	0.00
734	2016	0	0.00
734	2017	0	0.00
773	2015	0	0.00
773	2016	0	0.00
773	2017	151,226	0.34
Total Ind		307,297	0.07

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 2017 forecasting reports on December 1, 2017.

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IV. ACCOUNTING SYSTEM (continued)

F. 2015 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 2015 effective date policies and for historical information.

Year	PP Penalty	Commercial Penalty	Taxi/Limo/CAR Service Penalty
2015	N/A	\$5,500	\$8,300
2014	N/A	\$5,200	\$8,300
2013	N/A	\$4,900	\$8,100
2012	N/A	\$4,600	\$7,700
2011	N/A	\$4,400	\$8,100
2010	N/A	\$4,500	\$7,300
2009	\$1,400	\$4,900	\$7,700
2008	\$1,400	\$5,300	\$7,600
2007	\$1,500	\$5,700	\$8,600
2006	\$1,500	\$6,300	\$10,100

G. \$60 Cession/No Premium Penalties

On November 28, 2017 CAR processed the \$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. No companies listed as a result of the run of this program.

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V. STATISTICAL AGENT FUNCTION

A. Update of the Online Statistical System

CAR loads statistical data to its permanent database files and updates the online statistical system every Wednesday night. Accordingly, all new premiums and loss activity and all correction activity are posted to the system on Wednesday evenings and viewable to the industry on Thursday mornings. This schedule deviates throughout the year following the end of every Monthly Accounting Submission period. The table below shows this schedule for updates to the statistical system.

Month	MAS Due Date	Statistical System Update	Quarter
January 2017	March 15, 2017	May 16, 2017	1st Quarter 2017
February 2017	April 17, 2017	April 18, 2017	
March 2017	May 15, 2017	May 16, 2017	
April 2017	June 15, 2017	June 16, 2017	2 nd Quarter 2017
May 2017	July 17, 2017	July 18, 2017	
June 2017	August 15, 2017	August 16, 2017	
July 2017	September 15, 2017	September 18, 2017	3 rd Quarter 2017
August 2017	October 16, 2017	October 17, 2017	
September 2017	November 15, 2017	November 16, 2017	
October 2017	December 15, 2017	December 18, 2017	4 th Quarter 2017
November 2017	January 15, 2018	January 16, 2018	
December 2017	February 15, 2018	February 16, 2018	

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 2017	June 15, 2017	July 5, 2017	Approx. August 4, 2017
2nd 2017	September 15, 2017	October 2, 2017	Approx. November 2, 2017
3rd 2017	December 15, 2017	January 2, 2018	Approx. February 2, 2018
4th 2017	March 15, 2018	April 2, 2018	Approx. May 2, 2018

The Annual Statement collection of Page 14's for 2nd Quarter 2017 was due on September 15, 2017. Penalties for late Page 14 amounted to \$10,100. Reconciliation 2nd Quarter 2017 responses were due November 2, 2017 and penalties amounted to \$200. All were included 3rd Quarter 2017 - Settlement of Balances. CAR is currently collecting 3rd Quarter 2017 Annual Statement Statutory Page 14 data which is due at CAR on December 15, 2017. The 3rd Quarter 2017 Reconciliation is due to run on or about January 2, 2018.

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V. STATISTICAL AGENT FUNCTION (continued)

C. Rate Edit Processing

CAR processes ceded commercial data through a rate editing routine for the latest two policy effective years. The table below shows the industry results by line of business and policy effective year.

	Line of Business	Eligible Records	Records in Error	Error %
COMM 2016 EFF YEAR	Liability	79,779	933	1.17%
	No Fault	59,878	188	0.31%
	Physical Damage	53,262	528	0.99%
	Total	192,919	1,649	0.85%
COMM 2017 EFF YEAR	Liability	43,533	543	1.25%
	No Fault	41,919	331	0.79%
	Physical Damage	30,041	418	1.39%
	Total	115,493	1,292	1.12%

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

Commercial Rate Edit penalties now apply to Current and Previous Effective Years. Current Effective Year includes policies effective January 2017 – December 2017. Previous Effective Year includes policies effective January 2016 – December 2016. 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 9/2017

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
017	473	118	24.95
030	728	158	21.70
033	1,429,902	601,544	42.07
045	358	173	48.32
110	15,058	3,018	20.04
118	97,757	42,058	43.02
141	254,063	67,454	26.55
153	6,819,750	2,196,093	32.20
154	406,906	136,436	33.53
156	57,311	25,276	44.10
201	28,139	6,662	23.68
205	418	230	55.02
256	303	124	40.92
261	10,109	7,700	76.17
283	4,410	1,718	38.96
362	254,295	171,890	67.59
402	20,415	4,747	23.25
418	177,133	50,130	28.30
443	28,678	21,618	75.38
486	32,742	21,362	65.24
503	1,434	998	69.60
626	68,673	23,604	34.37
627	9,505	7,726	81.28
723	44,417	25,368	57.11
752	18,348	5,283	28.79
770	777,564	221,925	28.54
775	32	8	25.00
823	5,069,034	1,998,620	39.43
881	4,768	1,924	40.35
902	58,314	20,954	35.93
927	21,483	9,506	44.25
958	13,269	5,038	37.97

The 2016 washout total following the 9/2016 shipments was 12.77%.

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V. STATISTICAL AGENT FUNCTION (continued)

D. Deleted Washout Records (continued)

Deleted Washout Totals
For All Shipments Received Through 6/2016

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
963	74,324	29,834	40.14
988	765,093	9,756	26.82
989	21,393	5,738	26.82

Total Industry	63,922,537	7,841,974	12.27%
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The 2016 washout total following the 9/2016 shipments was 12.77%.

E. Distributional Edits Systems

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

In mid-September, CAR released the six-month Distributional Analysis Reports. This latest run was the first time both the premiums and losses were processed. Companies were to correspond to the reporting should they go over the tolerance when compared to the industry's reporting or to their own premium reported. Any over tolerance results required companies to correspond with an explanation which was due on November 24, 2017.

The next Distributional Analysis Edit System release will be for the 12 month (December 2017) and will run late February 2018 for both the premium and loss reporting.

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

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VI. COMMUNICATIONS

A. CAR's Website

In mid-September, CAR released the six-month 2017 Distributional Analysis reports. This latest run includes both the premium and loss data for review. Responses were due to any over tolerance conditions on November 24, 2017. The next scheduled run of the reports for all of Accounting Date 2017 will be in late February 2018.

CAR will distribute an Accounting & Statistical Notice with the implementation of the loss reports and the Help screens within the Distributional Analysis system will include specific information to the new reports.

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.

With the move of statistical corrections and all of the "lookup" functions to CAR's website, there are just a small number of applications remaining on the mainframe. These include the CAR Accounting System, Cession System, Policy Histories (both CAR and Statistical), and Claims functions (Allocated Expense, Reinsurance Audit, Average Cost per Claim). CAR has started designing the new Cession application for the website but no production date has been determined at this time.

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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	CAR has begun working on the rewrite of the Cession Reporting and the Correction System.
Rewrite Distributional Edits	In progress	The Distributional 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. The Loss Reports were distributed in early September and CAR is currently reviewing the company explanations.
SIU Compliance Audit	In progress	Create SIU web system featuring an upload for the SIU Quarterly Activity Log and providing a number of additional industry reports.