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- MEMORANDUM -

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: December 14, 2018

RE: Operational Reports

The 3rd quarter 2018 Operational Reports follow this memorandum. This report includes data reported August 16, 2018 through November 15, 2018 for the accounting month period of July 2018 through September 2018. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

Section I – Accounting/Statistical Shipments:

On November 16, 2018 the Governing Committee recommended to implement modifications to both the Private Passenger and Commercial Massachusetts Statistical Plans. The impact of these changes have been forwarded to the Division of Insurance for promulgation pursuant to the provisions of G.L. c. 175A, §15. The changes requested will affect the Out of Town Territory Code and the components and penalties associated with the Distributional Analysis Program to be incorporated into the Statistical Data Quality Program.

CAR assessed a total of \$37,250 in the Statistical Data Quality Penalty Program in the 3rd Quarter 2018 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 July 31, 2018 using CAR's new online system. The documentation can now be uploaded into CAR and was due on October 1, 2018.

As of September 2018 the commercial residual market rate equaled 22.1%.

CAR will post the September 30, 2018 Quarterly Member Participation Reports to its website on December 28, 2018.

CAR ran the 3rd Quarter 2018 Rule 29 credit edit download reports on November 15, 2018.

Section IV – Accounting System Processing:

CAR produced 3rd Quarter 2018 Critical Error Loss Write-Offs and 10% Loss of Investment Fees. **There were no companies listed for this quarter's report.**

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2017 and 2018 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 5, 2018.

Section V - Statistical Agent Functions:

2nd Quarter 2018 Statutory Page 14 data was due at CAR on September 15, 2018. Penalties for late Page 14 reporting resulted at \$4,100. Reconciliation Responses for 2nd Quarter 2018 were run on October 1, 2018 and due back on October 31, 2018. Penalties for the late responses resulted at \$300. Company assessments were included in 3rd Quarter 2018, Settlement of Balances. 3rd Quarter 2018 Statutory Page 14 data are due at CAR on December 17, 2018. 3rd Quarter Reconciliation is anticipated to run January 2, 2019.

All companies that exceed the commercial rate edit tolerances are listed on page 24.

Section VI – Communications:

CAR is currently developing a new website application for cession reporting and cession correction. It is anticipated that the new system will be available by the end of March 2019 and will replace the current mainframe system.

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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 2018 as of the third quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

2018 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2018	March 15, 2018	1 st Quarter
February 2018	April 17, 2018	
March 2018	May 15, 2018	
April 2018	June 15, 2018	2 nd Quarter
May 2018	July 16, 2018	
June 2018	August 15, 2018	
July 2018	September 17, 2018	3 rd Quarter
August 2018	October 15, 2018	
September 2018	November 15, 2018	
October 2018	December 17, 2018	4 th Quarter
November 2018	January 15, 2019	
December 2018	February 15, 2019	

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, 2018.

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I. STATISTICAL SYSTEM (continued)

2018 Timeliness Report

<i>CO NO</i>	<i>Jan 3/15</i>	<i>Feb 4/17</i>	<i>Mar 5/15</i>	<i>Apr 6/15</i>	<i>May 7/16</i>	<i>Jun 8/15</i>	<i>July 9/17</i>	<i>Aug 10/15</i>	<i>Sep 11/15</i>	<i>Oct 12/17</i>	<i>Nov 1/15</i>	<i>Dec 2/15</i>
100									COM			
109	COM		COM			PP			COM			
116						COM			COM			
118	PP				PP							
134		COM			COM	COM	COM	COM	COM			
141			PP									
144						COM			COM			
155	COM		COM	COM								
206			COM			COM	COM		COM			
230			COM									
279	Both											
323		PP	COM		PP				PP			
342					COM							
344									COM			
347					COM							
349					COM							
366						COM						
402									COM			
420									COM			
443						COM			COM			
571						COM			COM			
578				COM	COM							
582				COM	COM			COM				
686						PP			PP			
737									PP			
785									PP			
833						COM			COM			
907								PP				
910									COM			
916								PP				
940								PP				
943								PP				

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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 2018, CAR assessed a total penalty amount of \$37,250. The table below shows the detail penalties for each company.

Penalty Assessments
3rd Quarter 2018

Co #	Company Name	Assessment	Assessment Amount
096	Motorist Commercial Mutual Ins	Stat Error > 5% - 05/2018	\$ 150
105	Crum and Foster Indemnity	Late Page 14 Data - 06/2018	\$ 200
109	Pennsylvania Lumbermens Mutual	Late MAS - 06/2018	\$ 500
109	Pennsylvania Lumbermens Mutual	Late MAS - 09/2018	\$ 500
116	Security National Insurance Co	Late MAS - 06/2018	\$ 1,250
125	AmGUARD Insurance Company	Late Page 14 Data - 06/2018	\$ 400
134	New York Marine and General Ins	Late MAS - 06/2018	\$ 500
134	New York Marine and General Ins	Late MAS - 07/2018	\$ 500
134	New York Marine and General Ins	Late MAS - 08/2018	\$ 500
141	Preferred Mutual Insurance Co	Late Page 14 Data - 06/2018	\$ 150
144	Wesco Insurance Company	Late MAS - 06/2018	\$ 1,250
149	Kingstone Insurance Company	Late Page 14 Data - 06/2018	\$ 200
201	AIG Property and Casualty Co	Stat Error > 5% - 07/2018	\$ 1,500
201	AIG Property and Casualty Co	Stat Error > 5% - 09/2018	\$ 300
206	Nationwide Agribusiness Ins	Late Page 14 Data - 06/2018	\$ 100
206	Nationwide Agribusiness Ins	Late Page 14 Expln - 06/2018	\$ 100
247	National Casualty Company	Late Page 14 Data - 06/2018	\$ 300
259	The Cincinnati Insurance CO	Late Page 14 Expln - 06/2018	\$ 100
323	Esurance Insurance Company	Late MAS - 09/2018	\$ 500
347	Selective Insurance Co of the SW	Stat Error > 5% - 03/2018	\$ 150
349	Selective Insurance Co of the SE	Stat Error > 5% - 05/2018	\$ 300
366	Arch Insurance Company	Late MAS - 06/2018	\$ 500
381	Federated Service Insurance Co	Stat Error > 5% - 06/2018	\$ 150
323	Esurance Insurance Company	Late MAS - 09/2018	\$ 500
347	Selective Insurance Co of the SW	Stat Error > 5% - 03/2018	\$ 150
349	Selective Insurance Co of the SE	Stat Error > 5% - 05/2018	\$ 300
443	NOVA Insurance Company	Interim Late MAS - 06/2018	\$ 9,000
443	NOVA Insurance Company	Late Page 14 Data - 06/2018	\$ 400
486	Harleysville Preferred Ins Co	Late Page 14 Data - 06/2018	\$ 300

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I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
3rd Quarter 2018

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
571	Milwaukee Casualty Insurance Co	Late MAS - 06/2018	\$ 1,250
578	Merchants Preferred Insurance Co	Stat Error > 5% - 06/2018	\$ 150
622	National Interstate Ins Co	Stat Error > 5% - 06/2018	\$ 1,200
630	Nationwide Mutual Insurance Co	Late Page 14 Data - 06/2018	\$ 300
630	Nationwide Mutual Insurance Co	Late Page 14 Expln - 06/2018	\$ 100
649	Scottsdale Indemnity Ins Co	Late Page 14 Data - 06/2018	\$ 300
660	NorGUARD Insurance Company	Late Page 14 Data - 06/2018	\$ 400
667	North River Insurance Company	Late Page 14 Data - 06/2018	\$ 200
686	Occidental Fire & Casualty Co NC	Late MAS - 06/2018	\$ 500
711	Peerless Insurance Company	Late MAS - 05/2018	\$ 9,000
737	Progressive Casualty Ins Co	Late MAS - 09/2018	\$ 500
757	Clear Blue Insurance Company	Rescinded Late Pg14-03/2018	\$ (100)
770	Safeco Insurance Company	Stat Error > 5% - 06/2018	\$ 150
785	Progressive Direct Ins Co	Late MAS - 09/2018	\$ 500
829	Mitsui Sumitomo Ins Co	Late Page 14 Data - 06/2018	\$ 200
830	Mitsui Sumitomo Insurance USA	Late Page 14 Data - 06/2018	\$ 200
907	United Services Automobile Assoc.	Late MAS - 08/2018	\$ 500
916	Garrison Property and Casualty	Late MAS - 08/2018	\$ 500
940	USAA General Indemnity Co	Late MAS - 08/2018	\$ 500
943	USAA Casualty Insurance Co	Late MAS - 08/2018	\$ 500
958	Harleysville Insurance Company	Late Page 14 Data - 06/2018	\$ 300
		Total	\$37,250

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I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan

Proposed Modifications

Proposed Effective Date	Description	Status
January 1, 2020	The Out-of-State Territory Codes have been expanded to include specific codes to identify New Jersey (997) and Pennsylvania (998).	Forwarded to the Division of Insurance for approval on November 16, 2018
January 1, 2019	The components and penalties associated with the Distributional Analysis Program have been incorporated within the Statistical Data Quality Program.	

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I. STATISTICAL SYSTEM (continued)

Massachusetts Commercial Statistical Plan

Proposed Modifications

Proposed Effective Date	Description	Status
January 1, 2020	The Out-of-State Territory Codes have been expanded to include specific codes to identify New Jersey (997) and Pennsylvania (998).	Forwarded to the Division of Insurance for approval on November 16, 2018
January 1, 2019	The components and penalties associated with the Distributional Analysis Program have been incorporated within the Statistical Data Quality Program.	

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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 2016-2019.

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, 2018.

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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 December 2018 monitoring policy years 2016, 2018 and 2018 for 3rd Quarter 2018.

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 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*).

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II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

Policy Year 2017
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	660	2	0.3	0.1	18,119	0
279	5	0	0.0	0.0	0	0
717	478	10	2.1	-0.2	18,235	22,950
734	431	31	7.2 *	0.2	964	0
773	1	0	0.0	0.0	0	0
Totals	1,575	43	2.7%	N/A	37,318	22,950

* 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 2018
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	435	4	0.9	0.2	0	0
279	10	0	0	0.0	0	0
717	239	8	3.3	-1.0	0	0
732	9	0	0.0	0.0	0	0
734	221	8	3.6	1.6	0	0
773	1	0	0	0.0	0	0
Totals	915	20	2.2%	N/A	20,817	13,322

* 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 July 31, 2018 and the documentation was due back on October 1, 2018 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 10/2017 to 09/2018
Reflects MAIP Placement Record Reported Data as of November 17, 2018

Company	Missing MPRs	Rejected MPRs	Fatal MPRs	Rejected Take-Out Credits	MPRs with No Premium	MAIP Premium with No MPR	Active MPRs
113	0	0	0	0	0	0	368
153	3	2	6	31	17	7	4,918
192	0	0	1	0	1	0	628
193	0	5	7	0	0	0	24
202	0	0	0	0	0	0	205
262	0	1	0	12	0	0	0
279	21	0	809	35	7	14	22,774
308	0	0	0	0	0	0	272
312	0	0	0	0	0	0	84
354	2	8	15	0	6	53	5,881
363	0	0	0	0	0	0	314
422	0	0	0	0	0	0	337
521	0	0	0	0	75	55	79
531	0	1	1	0	0	0	1,524
585	3	1	1	0	11	10	529
612	16	10	6	3	0	2	2,517
664	17	15	4	0	4	18	2,230
724	0	0	3	0	0	4	2,940
731	0	2	0	46	0	0	0
735	0	0	0	0	0	1	51
773	2	0	148	8	2	2	10,919
826	0	0	1	0	0	0	0
827	1	0	0	0	0	0	575
908	1	1	1	0	4	0	4,720
959	0	0	0	0	0	0	146
988	0	2	6	5	0	0	2,214
Average	3	2	39	5	5	6	2471

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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
2012	2.6%	15.6%	Final Result
2013	2.1%	17.0%	Final Result
2014	1.5%	18.7%	Final Result
2015	2.6%	20.4%	Final Result
2016	1.4%	21.8%	Final Result
2017	1.3%	22.1%	Final Result
2018	1.3%	22.1%	As of Sept. 2018

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

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

Policy Year 2018 Results as of September 2018

	2018 @ 9 Months	% Total		2017 @ 12 Months	% Total
MAIP Assigned (CAR-ID 9)	45,729	1.3%		61,625	1.3%
MAIP Retained (CAR-ID 8)	3,626,632	98.7		4,591,511	98.7
Clean-In-Three (CAR-ID 1)	116	0.0		595	0.0
Total	3,672,477	100.0%		4,653,731	100.0%

C. Private Passenger MAIP Premium and Loss Reports

Private Passenger Premium and Loss reports have been updated through September, 2018 on November 27, 2018 and are available on CAR's website in the MAIP section under Company. These reports provide summary policy year information for statistically reported MAIP assignments (CAR ID Code 9), including premiums, losses, loss ratio, and data for frequency/severity displayed historically by accounting quarter. Member companies will have access to both their own company reports, as well as the Industry.

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III. RESIDUAL MARKET INFORMATION (continued)

D. Production of Quarterly Participation Reports

CAR posted the September 2018 Quarterly Member Participation Reports to its website on December 7, 2018. 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 2018 estimated Participation Ratios using data reported through the September 30, 2018 monthly accounting shipments will be posted to CAR's website by December 28, 2018.

F. CAR Financial Results – Latest Deficit Projections

The ultimate policy year deficit projections as of September, 2018 were posted to CAR's website on December 5, 2018 for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Commercial
2016	(49,055)
2017	(33,410)
2018	(39,316)

Deficit projections for policy years 2018 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 2018 Monthly Quota Share and Assignment Order Report to its website on November 28, 2018. The report has been updated to include statistical data for October 2018 to September 2018 effective month policies reported through November 15, 2018. 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 2017 was processed with the September, 2018 Settlement of Balances, posted to CAR's website on December 7, 2018. Similarly, the True-Up of Ceding Expenses for Taxi, Limousine, and Car Service business for Policy Year 2016 at 30 months and 2017 at 18 months was also included. Company Reports were mailed to the designated Servicing Carrier contacts at that time

I. **CAR Commercial Rates Placed on File – Effective 3/1/2019**

On December 4, 2018, the Division of Insurance placed on file the Commercial Automobile Insurance Manual Rates applicable to commercial policies with effective dates of March 1, 2019 and subsequent that are ceded to CAR. Additionally, CAR's Commercial Automobile Insurance Manual and Experience Rating Plan for policies effective March 1, 2019 and subsequent were placed on file. For additional information, please refer to Commercial Lines Notice No. 124.

J. **Private Passenger Residual Market Rate Filing**

CAR filed a Massachusetts Private Passenger Residual Market rate change with the Division of Insurance on October 1, 2018 with a proposed effective date of March 1, 2019. Refer to Bulletin No. 1064 for additional details. The filing is under review by the Division of Insurance and has not yet been approved.

Upon approval, the final effective date will be modified if necessary to allow companies 90 days to implement the new rates.

For planning purposes, the filed rates and related implementation materials are available to Member Companies upon request. Requests should be directed to Shannon Chiu at schiu@commauto.com.

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III. RESIDUAL MARKET INFORMATION (continued)

I. Rule 29 Voluntary Credits

CAR ran the Rule 29 credit edit reports for effective date September data in mid-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, 2017 accounting date.

Accounting Date	Reported Credit Premium	Adjusted Credit Premium	Rule 29 Credit Impact	Error Percentage
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%
Oct 2017	813,871,268	804,468,064	-9,403,204	1.16%
Nov 2017	814,493,688	805,056,124	-9,437,564	1.16%
Dec 2017	815,178,541	805,810,431	-9,368,110	1.15%
Jan 2018	805,480,406	796,061,499	-9,418,907	1.17%
Feb 2018	827,039,648	817,460,372	-9,579,276	1.16%
March 2018	855,091,525	844,042,848	-11,048,677	1.29%
April 2018	850,186,887	837,099,945	-13,086,942	1.54%
May 2018	858,534,789	842,244,604	-16,290,185	1.90%
June 2018	865,347,021	851,288,337	-14,058,684	1.62%
July 2018	871,788,651	859,685,479	-12,103,172	1.39%
August 2018	875,285,864	862,868,220	-12,417,644	1.42%
Sept 2018	874,902,947	862,460,094	-12,442,853	1.42%

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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 2018	March 15, 2018	May 16, 2018	1st Quarter 2018
February 2018	April 16, 2018	April 17, 2018	
March 2018	May 15, 2018	May 16, 2018	
April 2018	June 15, 2018	June 18, 2018	2 nd Quarter 2018
May 2018	July 16, 2018	July 17, 2018	
June 2018	August 15, 2018	August 16, 2018	
July 2018	September 15, 2018	September 18, 2018	3 rd Quarter 2018
August 2018	October 15, 2018	October 16, 2018	
September 2018	November 15, 2018	November 16, 2018	
October 2018	December 17, 2018	December 18, 2018	4 th Quarter 2018
November 2018	January 15, 2019	January 16, 2019	
December 2018	February 15, 2019	February 18, 2019	

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 2018.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for December 2018 through May 2019 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 2018

Company	Aug 2018	Sept 2018	Oct 2018	Total
154				
245				
279				
717				
732				
734				
773				
Total				

3rd Quarter 2018– 10% Loss of Investment Fees

Company	Aug 2018	Sept 2018	Oct 2018	Total
154				
245				
279				
717				
734				
773				
Total				

Potential Loss Write-Off December 2018 through May 2019

Company	December 2018	January 2019	February 2019	March 2019	April 2019	May 2019	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
2017 & 2018
Policy Effective Years

Non-Critical Error - Penalties

There have been no companies in penalty to list this quarter for policy effective years 2017 or 2018.

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

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

2018 Effective Year Non-Critical Errors Over Tolerance – Potential Penalty

2018 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	2016	0	0.00
154	2017	0	0.00
154	2018	56,505	0.17
245	2016	0	0.00
245	2017	0	0.00
245	2018	0	0.00
279	2016	0	0.00
279	2017	0	0.00
279	2018	0	0.00
717	2016	0	0.00
717	2017	0	0.00
717	2018	0	0.00
732	2016	0	0.00
732	2017	0	0.00
732	2018	0	0.00
734	2016	0	0.00
734	2017	0	0.00
734	2018	0	0.00
773	2016	0	0.00
773	2017	0	0.00
773	2018	0	0.00
Total Ind		56,505	1.51

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 2018 forecasting reports on December 5, 2018.

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IV. ACCOUNTING SYSTEM (continued)

F. 2017 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 2017 effective date policies and for historical information.

Year	PP Penalty	Commercial Penalty	Taxi/Limo/CAR Service Penalty
2017	N/A	\$6,700	\$9,100
2016	N/A	\$5,700	\$8,200
2015	N/A	\$5,500	\$8,300
2014	N/A	\$5,200	\$8,300
2013	N/A	\$4,900	\$8,100
2012	N/A	\$4,600	\$7,700
2011	N/A	\$4,400	\$8,100
2010	N/A	\$4,500	\$7,300
2009	\$1,400	\$4,900	\$7,700
2008	\$1,400	\$5,300	\$7,600

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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 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 2018	March 15, 2018	May 16, 2018	1st Quarter 2018
February 2018	April 16, 2018	April 17, 2018	
March 2018	May 15, 2018	May 16, 2018	
April 2018	June 15, 2018	June 18, 2018	2nd Quarter 2018
May 2018	July 16, 2018	July 17, 2018	
June 2018	August 15, 2018	August 16, 2018	
July 2018	September 15, 2018	September 18, 2018	3rd Quarter 2018
August 2018	October 15, 2018	October 16, 2018	
September 2018	November 15, 2018	November 16, 2018	
October 2018	December 17, 2018	December 18, 2018	4th Quarter 2018
November 2018	January 15, 2019	January 16, 2019	
December 2018	February 15, 2019	February 18, 2019	

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 2018	June 15, 2018	July 2, 2018	Approx. August 2, 2018
2nd 2018	September 17, 2018	October 1, 2018	Approx. November 1, 2018
3rd 2018	December 17, 2018	January 2, 2019	Approx. February 2, 2019
4th 2018	March 15, 2019	April 1, 2019	Approx. May 1, 2019

The Annual Statement collection of Page 14's for 2nd Quarter 2018 was due on September 17, 2018. Penalties for late Page 14 amounted to \$4,100. Reconciliation 2nd Quarter 2018 responses were due October 31, 2018 and penalties amounted to \$300. All penalties were included 3rd Quarter 2018 - Settlement of Balances. CAR is currently collecting 3rd Quarter 2018 Annual Statement Statutory Page 14 data which is due at CAR on December 17, 2018. The 3rd Quarter 2018 Reconciliation is due to run on or about January 2, 2019.

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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 2017 EFF YEAR	Liability	62,947	710	1.13%
	No Fault	60,339	449	0.74%
	Physical Damage	42,765	518	1.21%
	Total	166,051	1,677	1.01%
COMM 2018 EFF YEAR	Liability	43,155	768	1.78%
	No Fault	40,991	372	0.91%
	Physical Damage	29,373	659	2.24%
	Total	113,519	1,799	1.58%

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

Commercial Rate Edit penalties apply to Current and Previous Effective Years. Current Effective Year includes policies effective January 2018 – December 2018. Previous Effective Year includes policies effective January 2017 – December 2017. 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 9/2018

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
033	696,436	1,566,738	44.45
045	58	245	23.67
100	9,386	45,372	20.69
105	1,674	4,763	35.15
118	64,714	139,744	46.31
141	548,211	883,740	62.03
153	2,113,923	6,557,409	32.24
154	158,712	421,470	37.66
156	18,514	46,187	40.08
256	3,328	3,813	87.28
261	3,692	5,749	64.22
283	6,046	9,034	66.92
362	212,122	309,294	68.58
402	3,756	17,689	21.23
418	43,139	158,026	27.30
443	41,215	65,567	62.86
486	4,660	9,803	47.54
503	108	228	47.37
626	22,616	67,556	33.48
627	9,398	11,106	84.62
708	502	1,327	37.83
752	4,374	18,317	23.88
770	231,535	747,664	30.97
823	3,082,878	6,572,398	46.91
881	1,462	3,569	40.96
902	23,454	62,770	37.36
927	9,570	25,847	37.03

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V. STATISTICAL AGENT FUNCTION (continued)

D. Deleted Washout Records (continued)

Deleted Washout Totals
For All Shipments Received Through 9/2018

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
958	2,142	9,704	22.07
963	18,215	52,908	34.43
989	4,054	18,948	21.40
Total Industry	67,983,083	9,484,063	13.96%

The 2017 washout total following the 9/2017 shipments was 12.27%.

E. Distributional Edits Systems

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

CAR ran the report in early September for the June 2018 period. Companies were to respond to any over tolerances by November 4, 2018.

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

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VI. COMMUNICATIONS

A. CAR's Website

CAR is currently developing a new website application for cession reporting and cession correction. It is anticipated that the new system will be available by the end of March 2019 and will replace the current mainframe system. With this update, there will be changes to the Manual of Administrative Procedures which will require Committee approval. These should be presented in the beginning of 2019.

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.

As mentioned above, the Cession System will be coming off of the mainframe and moving to CAR's website in early 2019.

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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 is continuing to work on the rewrite of the Cession Reporting and the Correction System.
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. CAR is continuing to work with the industry to ensure a smooth transition to the new system.
Registry Conversion	In progress	CAR has updated its systems to accept data from the new Registry system. CAR is continuing to evaluate impacts to company reported statistical data as a result of these changes at the Registry.
Annual Statement Reconciliation Rewrite	Just Starting	Modernization of the application to enhance usability and maintenance. Enhancements will be incorporated during the rewrite.
Ineligible Risk Database	Completed	Create a new application to capture information about risks that have been determined to be ineligible for coverage in the Commercial Residual Market.