



NATALIE A. HUBLEY
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

101 Arch Street, Suite 400 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, Sr. Data Analyst
DATE: December 19, 2019
RE: Operational Reports

The 3rd quarter 2019 Operational Reports follow this memorandum. This report includes data reported May 16, 2019 through August 15, 2019 for the accounting month period of July 2019 through September 2019. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

Section I – Accounting/Statistical Shipments:

On December 10, 2019, revisions to the Massachusetts Private Passenger and Commercial Statistical Plan were approved by the Division of Insurance, pursuant to the provisions of G.L. c. 175A, § 15 provided in Accounting and Statistical Notice No. 642. The summaries of the approved Statistical Plan modifications are included in Section I – Statistical System of the Operational Report.

On October 22, 2019, revisions to the Massachusetts Private Passenger Statistical Plan were approved by the Division of Insurance, pursuant to the provisions of G.L. c. 175A, § 15 provided in Accounting and Statistical Notice No. 638. The summaries of the approved Statistical Plan modifications are included in Section I – Statistical System of the Operational Report.

CAR assessed a total of \$96,800 Statistical Data Quality Penalties in the 3rd Quarter 2019 Settlement of Balances report.

Section II – Cession/MAIP Placement Record Reporting:

This section includes a 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 2017 annual Cession/No Premium Write-Off amounts have been calculated and CAR set the 2017 penalties at \$6,700 for Commercial and \$9,100 for Taxi/Limousine business. Please reference Bulletin Notice # 1068 distributed on December 4, 2018 for more information.

OPERATIONAL REPORTS 3RD QUARTER 2019

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 report on July 29, 2019 using the new online system. The Commercial Servicing Carriers responses were due October 1, 2019 and companies can respond using the new system.

As of September 2019 the Private Passenger – MAIP Residual Market rate equaled 1.0% and the Commercial Residual Market rate equaled 21.4%.

CAR posted the September 2019 Quarterly Member Participation Reports to its website on December 9, 2019.

CAR ran the 3rd Quarter 2019 Rule 29 credit edit download reports on November 19, 2019.

Section IV – Accounting System Processing:

CAR produced the 3rd Quarter 2019 Critical Error Loss Write-Offs and 10% Loss of Investment Fees reports. **There were no Critical Error Loss Write-Off records from the 3rd quarter reports.**

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2018 and 2019 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 was posted to CAR's website on December 6, 2019.

Section V - Statistical Agent Functions:

Second 2019 Statutory Page 14 data was due at CAR on September 16, 2019. The Reconciliation Responses for Second Quarter 2019 were due back on October 31, 2019. Second Quarter Page 14 and Reconciliation penalty assessments were included in the Third Quarter 2019 Settlement of Balances. Third Quarter 2019 Statutory Page 14 data were due on December 16, 2019. Third Quarter 2019 Reconciliation Report is anticipated to run on January 2, 2020.

Section VI – Communications:

Two new applications were added to CAR's website: ERP Commercial Written Premium which assists Servicing Carriers in evaluating their assigned ERPs relative to CAR Rule 14, C – Production Criteria and Large Loss Notification which enhances the information provided to companies relative to large residual market losses.

OPERATIONAL REPORTS 3RD QUARTER 2019

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 2019 as of the third quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

2019 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2019	March 15, 2019	1 st Quarter
February 2019	April 16, 2019	
March 2019	May 15, 2019	
April 2019	June 17, 2019	2 nd Quarter
May 2019	July 15, 2019	
June 2019	August 15, 2019	
July 2019	September 16, 2019	3 rd Quarter
August 2019	October 15, 2019	
September 2019	November 15, 2019	
October 2019	December 16, 2019	4 th Quarter
November 2019	January 15, 2020	
December 2019	February 18, 2020	

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 for third quarter, 2019.

**OPERATIONAL REPORTS
3RD QUARTER 2019**

I. STATISTICAL SYSTEM (continued)

2019 Timeliness Report

<i>CO NO</i>	<i>Jan 3/15</i>	<i>Feb 4/16</i>	<i>Mar 5/15</i>	<i>Apr 6/17</i>	<i>May 7/15</i>	<i>Jun 8/15</i>	<i>July 9/16</i>	<i>Aug 10/15</i>	<i>Sep 11/15</i>	<i>Oct 12/16</i>	<i>Nov 1/15</i>	<i>Dec 2/18</i>
109	COM											
116			COM			COM			COM			
118					PP			PP				
134	COM											
141						COM						
144			COM			COM			COM			
158						COM						
206			COM			COM			COM			
230			COM									
247			COM									
259									COM			
283									COM			
320			PP									
323					PP							
354						PP						
362								PP				
446			PP									
498							COM					
571			COM			COM			COM			
582					COM	COM	COM	COM	COM			
664	PP											
680	COM											
748			COM									
797						COM			COM			
907			PP									
916			PP									
940			PP									
943			PP									

**OPERATIONAL REPORTS
3RD QUARTER 2019**

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 2019, CAR assessed a total penalty amount of \$96,800. The table below shows the detail penalties for each company.

Penalty Assessments
3rd Quarter 2019

Co #	Company Name	Assessment	Assessment Amount
109	Security National Insurance Co	Late Page 14 Data - 06/2019	\$ 100
116	Security National Insurance Co	Late MAS - 06/2019	\$ 500
118	Privilege Underwriter (PURE)	Late MAS - 08/2019	\$ 500
125	AmGUARD Insurance Company	Late Page 14 Data - 06/2019	\$ 100
134	New York Marine and General Ins	Stat Error > 5% - 05/2019	\$ 150
134	New York Marine and General Ins	Late Explanation - 06/2019	\$ 100
141	Preferred Mutual Insurance Co	Late MAS - 06/2019	\$ 500
144	Wesco Insurance Company	Late MAS - 06/2019	\$ 500
158	Technology Insurance Company	Late MAS - 06/2019	\$ 500
194	Bankers Standard Insurance Co.	Late Explanation - 06/2019	\$ 200
201	AIG Property & Casualty Co	Stat Error > 5% - 07/2019	\$ 150
206	Nationwide Agribusiness Ins Co	Late MAS - 06/2019	\$ 500
247	National Casualty Company	Stat Error > 5% - 06/2019	\$ 150
247	National Casualty Company	Late Page 14 Data - 06/2019	\$ 4,700
313	Essential Insurance Company	Stat Error > 5% - 06/2019	\$ 150
323	Esurance Insurance Company	Stat Error > 5% - 05/2019	\$ 750
323	Esurance Insurance Company	Late Explanation - 06/2019	\$ 100
337	Mid-Continental Casualty Ins	Late Page 14 Data - 06/2019	\$ 100
342	Selective Ins Co of America	Stat Error > 5% - 02/2019	\$ 1,200
342	Selective Ins Co of America	Stat Error > 5% - 03/2019	\$ 600
342	Selective Ins Co of America	Stat Error > 5% - 05/2019	\$ 150
342	Selective Ins Co of America	Stat Error > 5% - 06/2019	\$ 150
347	Selective Ins Company of the SW	Stat Error > 5% - 01/2019	\$ 600
347	Selective Ins Company of the SW	Stat Error > 5% - 02/2019	\$ 600
347	Selective Ins Company of the SW	Stat Error > 5% - 03/2019	\$ 1,800
347	Selective Ins Company of the SW	Stat Error > 5% - 05/2019	\$ 300
349	Selective Ins Co of the SouthEast	Stat Error > 5% - 01/2019	\$ 1,800
349	Selective Ins Co of the SouthEast	Stat Error > 5% - 02/2019	\$ 1,200
349	Selective Ins Co of the SouthEast	Stat Error > 5% - 03/2019	\$ 1,800
349	Selective Ins Co of the SouthEast	Stat Error > 5% - 05/2019	\$ 300

**OPERATIONAL REPORTS
3RD QUARTER 2019**

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program

Penalty Assessments
3rd Quarter 2019

Co #	Company Name	Assessment	Assessment Amount
349	Selective Ins Co of the SouthEast	Stat Error > 5% - 06/2019	\$ 300
352	Mid-Continental Casualty Ins	Late Page 14 Data - 06/2019	\$ 100
362	Farm Family Casualty Ins Co.	Stat Error > 5% - 04/2019	\$ 150
362	Farm Family Casualty Ins Co.	Late MAS - 08/2019	\$ 500
407	Bedivere Insurance Company	Late Explanation - 06/2019	\$ 1,500
414	State Automobile Mutual Ins Co	Stat Error > 5% - 08/2019	\$ 300
498	MAPFRE Insurance Company	Late MAS - 07/2019	\$ 500
512	Liberty Mutual Fire Insurance	Stat Error > 5% - 04/2019	\$ 600
571	Milwaukee Casualty Ins Co	Late MAS - 06/2019	\$ 1,250
578	Merchants Preferred Ins Co	Stat Error > 5% - 01/2019	\$ 2,500
578	Merchants Preferred Ins Co	Stat Error > 5% - 02/2019	\$ 1,850
578	Merchants Preferred Ins Co	Stat Error > 5% - 03/2019	\$ 3,700
578	Merchants Preferred Ins Co	Stat Error > 5% - 04/2019	\$ 3,700
578	Merchants Preferred Ins Co	Stat Error > 5% - 05/2019	\$ 1,200
578	Merchants Preferred Ins Co	Stat Error > 5% - 06/2019	\$ 750
578	Merchants Preferred Ins Co	Stat Error > 5% - 07/2019	\$ 450
582	Merchants Preferred Ins Co	Interim Late MAS - 05/2019	\$ 12,000
582	Merchants Preferred Ins Co	Interim Late MAS - 06/2019	\$ 9,000
582	Merchants Preferred Ins Co	Interim Late MAS - 07/2019	\$ 6,000
582	Merchants Preferred Ins Co	Interim Late MAS - 08/2019	\$ 3,000
582	Merchants Preferred Ins Co	Interim Late MAS - 09/2019	\$ 500
582	Merchants Mutual Ins Co	Stat Error > 5% - 01/2019	\$ 2,500
582	Merchants Mutual Ins Co	Stat Error > 5% - 02/2019	\$ 3,700
582	Merchants Mutual Ins Co	Stat Error > 5% - 03/2019	\$ 7,400
582	Merchants Mutual Ins Co	Stat Error > 5% - 04/2019	\$ 3,700
582	Merchants Mutual Ins Co	Stat Error > 5% - 05/2019	\$ 2,400
582	Merchants Mutual Ins Co	Stat Error > 5% - 06/2019	\$ 900
582	Merchants Mutual Ins Co	Stat Error > 5% - 07/2019	\$ 600
582	Merchants Mutual Ins Co	Late Explanation - 06/2019	\$ 1,500

**OPERATIONAL REPORTS
3RD QUARTER 2019**

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
3rd Quarter 2019

Co #	Company Name	Assessment	Assessment Amount
610	Ironshore Indemnity Insurance Co	Late Explanation - 06/2019	\$ 100
622	National Interstate Insurance Co	Late Explanation - 06/2019	\$ 1,500
756	RLI Insurance Company	Stat Error > 5% - 06/2019	\$ 150
797	Starr Indemnity and Liability Co	Late MAS - 06/2019	\$ 500
895	Lancer Insurance Company	Late Page 14 Data - 06/2019	\$ 100
951	Vanliner Insurance Company	Stat Error > 5% - 07/2019	\$ 150
958	Harleysville Insurance Company	Stat Error > 5% - 04/2019	\$ 1,200
963	Harleysville Worcester Ins Co	Stat Error > 5% - 08/2019	\$ 300
		Total	96,800

**OPERATIONAL REPORTS
3RD QUARTER 2019**

I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan

Approved Modifications

Proposed Effective Date	Description	Status
January 1, 2021	The Out-of-State Territory Codes have been expanded to include specific codes to identify New Jersey (997) and Pennsylvania (998).	Approved by the Division of Insurance on December 10, 2019
January 1, 2020	The components and penalties associated with the Distributional Analysis Program have been incorporated within the Statistical Data Quality Program.	

**OPERATIONAL REPORTS
3RD QUARTER 2019**

I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
January 1, 2020	<p>Several data fields contained in the Private Passenger Statistical Plan are only required to be reported on policies assigned through the Massachusetts Automobile Insurance Plan (MAIP). These include the Anti-Theft Device Identification Code, the Continuous Coverage Discount Code, the Extra-Risk Rating Collision and Other than Collision Codes, the High-Theft Vehicle Code, and the Low Frequency Discount Code.</p> <p>In order to clarify this requirement, modifications have been made to Appendix A – Classification and Coverage Decision Tables. A new Decision Table value of “M” has been introduced to indicate that for the classification codes identified, the field is only required to be reported on business assigned through the MAIP. Additionally, a clarification has been added to Part III – General Reporting Requirements to reference that specific instructions relative to Extra Risk Rating may also be found in Appendix A.</p>	<p>Approved by the Division of Insurance on October 22, 2019</p>
January 1, 2021	<p>A classification code representing electric cars has been part of the Private Passenger Statistical Plan for many years, dating as far back as the late 1970s. Now that electric cars are mass produced and commonplace, the distinction of this type of vehicle is no longer relevant. Statistical classification code assignments for electric cars should be based upon the characteristics of the operator used to rate the vehicle and the private passenger defined classification codes in the Coding Section of the Private Passenger Statistical Plan should be used for reporting purposes. Accordingly, classification code 0400 (Electric Cars) has been eliminated from the Private Passenger Statistical Plan.</p>	

**OPERATIONAL REPORTS
3RD QUARTER 2019**

I. STATISTICAL SYSTEM (continued)

Massachusetts Commercial Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
January 1, 2021	The Out-of-State Territory Codes have been expanded to include specific codes to identify New Jersey (997) and Pennsylvania (998).	Approved by the Division of Insurance on December 10, 2019
January 1, 2020	The components and penalties associated with the Distributional Analysis Program have been incorporated within the Statistical Data Quality Program.	

OPERATIONAL REPORTS 3RD QUARTER 2019

II. CESSION/MAIP PLACEMENT RECORD REPORTING

A. Cession Submission

CAR accepts cession records via two different methods: on-line through its website application and by submitting an FTP transmission. Please contact your company's Security Administrator for your company if you need assistance in gaining access to CAR's website application.

CAR accepts cession records and cession corrections on commercial business for policy years 2017-2019.

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 18, 2019.

TX5 Cession Backdate Log

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

**OPERATIONAL REPORTS
3RD QUARTER 2019**

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 sent the latest report to the industry on December 4, 2019 monitoring policy years 2017, 2018 and 2019 for 3rd Quarter 2019.

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 2017
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	659	2	0.3	0.0	18,119	0
279	5	0	0.0	0.0	0	0
717	478	10	2.1	0.0	18,523	20,100
734	431	31	7.2 *	0.0	964	0
773	1	0	0.0	0.0	0	0
Totals	1,574	43	2.7%	N/A	37,606	20,100

* 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*).

**OPERATIONAL REPORTS
3RD QUARTER 2019**

II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

2. CR215 Cessions Automatically Backdated (continued)

Policy Year 2018
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	472	8	1.7	0.0	0	0
279	11	1	9.1 #	0.0	0	0
717	277	8	2.9	0.0	21,976	13,117
732	28	1	3.6	0.0	0	0
734	245	10	4.1	0.0	0	0
773	1	0	0	0.0	0	0
Totals	1,034	28	2.7%	N/A	21,976	13,117

* 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 2019
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	321	2	0.6	0.6	0	0
279	5	0	0.0	0.0	0	0
717	179	4	2.2	-0.3	0	0
732	141	1	0.7	0.7	0	0
734	136	2	2.2	1.4	0	0
773	5	0	0	0.0	0	0
Totals	787	7	1.3%	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*).

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 for companies to use its new online system. The latest report was sent on July 29, 2019 and documentation can be uploaded directly into CAR. The due date for responses was due on October 1, 2019.

**OPERATIONAL REPORTS
3RD QUARTER 2019**

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 10/2018 to 8/2019
Reflects MAIP Placement Record Reported Data as of November 19, 2019**

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
113	0	0	0	0	0	0	339
153	2	2	5	9	0	1	3,926
192	0	0	0	0	1	0	659
193	0	10	8	0	0	1	8
202	0	0	0	0	0	0	199
279	32	0	237	41	83	5	21,727
304	0	0	0	0	0	0	9
308	0	0	0	0	0	0	195
354	2	14	13	0	5	108	5,047
363	0	0	0	0	0	0	182
422	0	0	0	0	0	0	314
521	0	0	0	1	29	24	31
531	0	0	2	0	2	1	1,213
584	1	0	0	0	0	3	400
585	2	1	2	0	0	5	424
612	18	3	15	15	3	7	2,027
664	9	17	1	1	5	9	2,083
724	0	0	0	0	0	1	2,119
731	0	2	78	44	0	0	0
735	0	0	0	0	0	0	415
773	3	0	98	136	3	6	8,201
827	0	0	0	0	1	0	824
890	0	0	0	0	0	0	44
908	0	0	1	0	1	2	4,387
959	0	0	0	0	0	0	108
988	0	0	1	9	0	0	1,247
192	0	0	0	0	1	0	3,926
193	0	10	8	0	0	1	659
Average	3	2	18	10	5	7	2159

**OPERATIONAL REPORTS
3RD QUARTER 2019**

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
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	1.2%	22.7%	Final Result
2019	1.0%	21.4%	As of Sep. 2019

Commercial Residual Market volume reports are available on CAR’s website (www.commauto.com).

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

Policy Year 2019 Results as of September 2019

	2019 @ 3 Months	% Total		2018 @ Final	% Total
MAIP Assigned (CAR-ID 9)	38,397	1.0%		56,505	1.2%
MAIP Retained (CAR-ID 8)	3,671,547	99.0%		4,640,099	98.8%
Total	3,709,944	100%		4,696,604	100%

C. Private Passenger MAIP Premium and Loss Reports

Private Passenger Premium and Loss reports have been updated through September 2019 on November 25, 2019 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.

OPERATIONAL REPORTS 3RD QUARTER 2019

III. RESIDUAL MARKET INFORMATION (continued)

D. Production of Quarterly Participation Reports

CAR posted the September 2019 Quarterly Member Participation Reports to its website on December 6, 2019. 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 2019 estimated Participation Ratios using data reported through the September 30, 2019 monthly accounting shipments will be posted to CAR's website by December 31, 2019.

F. Expenses

The Commercial Servicing Carrier True-Up of the Ceding Expenses for Calendar Year 2018 was processed with the September, 2019 Settlement of Balances, posted to CAR's website in December. Similarly, the True-Up of Ceding Expenses for Taxi, Limousine, and Car Service business for Policy Year 2017 at 30 months and 2018 at 18 months was also included. Company Reports were mailed to the designated Servicing Carrier contacts at that time.

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

CAR filed a Massachusetts Private Passenger Residual Market rate change with the Division of Insurance on November 8, 2019 with a proposed effective date of May 1, 2020. Refer to Bulletin No. 1091 for additional details. The filing is under review by the Division of Insurance and has not yet been approved.

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.

H. **Commercial Residual Market Rate Filing**

CAR filed a Massachusetts Commercial Residual Market rate change with the Division of Insurance on October 31, 2019, with a proposed effective date of May 1, 2020. This filing also includes updated versions of the Commercial Automobile Insurance Manual Rules and Rates, and the Commercial Experience Rating Plan. Refer to Commercial Lines Notice No. 133 for additional details. The filing is under review by the Division of Insurance and has not yet been approved.

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.

**OPERATIONAL REPORTS
3RD QUARTER 2019**

III. RESIDUAL MARKET INFORMATION (continued)

I. CAR Financial Results – Latest Deficit Projections

The ultimate policy year deficit projections as of September, 2019 were posted to CAR's website on December 4, 2019 for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Commercial
2017	(26,715)
2018	(42,315)
2019	(41,164)

Deficit projections for policy years 2019 and prior can be found on CAR's website (www.commauto.com) in the Financial Reports area using the Deficit Projections link.

J. Quota Share

CAR posted the September, 2019 Monthly Quota Share and Assignment Order Report to its website on November 27, 2019. The report has been updated to include statistical data from October 2018 to September 2019 effective month policies reported through November 15, 2019. 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.

**OPERATIONAL REPORTS
3RD QUARTER 2019**

III. RESIDUAL MARKET INFORMATION (continued)

K. Rule 29 Voluntary Credits

CAR ran the Rule 29 credit edit reports for September effective date data in mid-May. 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%
Oct 2018	886,196,067	873,492,729	-12,703,339	1.43%
Nov 2018	886,893,951	874,583,530	-12,310,421	1.39%
Dec 2018	891,305,290	878,642,257	-12,663,033	1.42%
Jan. 2019	893,890,063	881,140,060	-12,750,003	1.43%
Feb. 2019	892,007,624	879,454,384	-12,553,240	1.41%
March 2019	894,491,592	881,727,999	-12,763,593	1.43%
April 2019	899,332,721	886,459,002	-12,873,719	1.43%
May 2019	899,769,870	887,084,103	-12,685,767	1.41%
June 2019	899,552,945	887,013,884	-12,539,061	1.39%
July 2019	913,273,955	900,343,902	-12,930,053	1.42%
August 2019	920,564,625	907,799,394	-12,765,231	1.39%
Sept 2019	908,403,551	895,834,183	-12,569,368	1.38%

**OPERATIONAL REPORTS
3RD QUARTER 2019**

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 based upon the due date and accordingly 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 2019	March 15, 2019	March 16, 2019	1st Quarter 2019
February 2019	April 16, 2019	April 17, 2019	
March 2019	May 15, 2019	May 16, 2019	
April 2019	June 17, 2019	June 18, 2019	2 nd Quarter 2019
May 2019	July 15, 2019	July 16, 2019	
June 2019	August 15, 2019	August 16, 2019	
July 2019	September 16, 2019	September 17, 2019	3 rd Quarter 2019
August 2019	October 15, 2019	October 16, 2019	
September 2019	November 15, 2019	November 16, 2019	
October 2019	December 16, 2019	December 17, 2019	4 th Quarter 2019
November 2019	January 15, 2020	January 16, 2020	
December 2019	February 18, 2020	February 19, 2020	

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 2019.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for December 2019 through May 2020 are shown following the 3rd Quarter Write-Off exhibit.

**OPERATIONAL REPORTS
3RD QUARTER 2019**

IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Loss Write-Off – 3rd Quarter 2019

Company	Aug 2019	Sept 2019	Oct 2019	Total
154				
279				
717				
732				
734				
773				
Total				

3rd Quarter 2019 – 10% Loss of Investment Fees

Company	Aug 2019	Sept 2019	Oct 2019	Total
154				
279				
717				
732				
734				
773				
Total				

Potential Loss Write-Off December 2019 through May 2020

Company	December 2019	January 2020	February 2020	March 2020	April 2020	June 2020	Grand Total
154							
279							
717							
732							
734							
773							
Totals							

**OPERATIONAL REPORTS
3RD QUARTER 2019**

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
2018 & 2019 Policy Effective Years**

Non-Critical Error - Penalties

There have been no companies listed to receive a penalty for policy effective years 2018 and 2019.

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

2018 Effective Year Non-Critical Errors results show no Potential Penalties to report

2019 Effective Year Non-Critical Errors Over Tolerance – Potential Penalty

2019 Effective Year Non-Critical Errors results show no Potential Penalties to report

**OPERATIONAL REPORTS
3RD QUARTER 2019**

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	2017	0	0.00
154	2018	-1	0.00
154	2019	19,307	0.06
279	2017	0	0.00
279	2018	0	0.00
279	2019	0	0.00
717	2017	0	0.00
717	2018	0	0.00
717	2019	4,414	0.12
732	2017	0	0.00
732	2018	0	0.00
732	2019	0	0.00
734	2017	0	0.00
734	2018	0	0.00
734	2019	0	0.00
773	2017	0	0.00
773	2018	0	0.00
773	2019	3,274	0.01
Total Ind.		26,994	0.01

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 2019 Penalty Forecasting reports on December 6, 2019.

**OPERATIONAL REPORTS
3RD QUARTER 2019**

IV. ACCOUNTING SYSTEM (continued)

F. 2017 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 2017 premium reporting year will close on February 18, 2020. Accordingly, CAR will no longer accept cession activity for the 2017 policy effective year and all policies that contain an active cessions 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 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	\$8,300
2015	N/A	\$5,500	\$8,200
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

**OPERATIONAL REPORTS
3RD QUARTER 2019**

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 2019	March 15, 2019	May 16, 2019	1st Quarter 2019
February 2019	April 16, 2019	April 17, 2019	
March 2019	May 15, 2019	May 16, 2019	
April 2019	June 17, 2019	June 18, 2019	2nd Quarter 2019
May 2019	July 15, 2019	July 16, 2019	
June 2019	August 15, 2019	August 16, 2019	
July 2019	September 16, 2019	September 17, 2019	3rd Quarter 2019
August 2019	October 15, 2019	October 16, 2019	
September 2019	November 15, 2019	November 18, 2019	
October 2019	December 16, 2019	December 17, 2019	4th Quarter 2019
November 2019	January 15, 2020	January 16, 2020	
December 2019	February 18, 2020	February 19, 2020	

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 2019	June 17, 2019	July 1, 2019	Approx. August 1, 2019
2nd 2019	September 16, 2019	October 1, 2019	Approx. November 1, 2019
3rd 2019	December 16, 2019	January 2, 2020	Approx. February 3, 2020
4th 2019	March 16, 2020	April 1, 2020	Approx. May 1, 2020

The Second Quarter 2019 collection of Page 14's was due at CAR on September 16, 2019. Penalties for late Page 14 were assessed at \$24,700. Reconciliation Second Quarter 2019 responses were due at CAR on November 1, 2019 and penalties were assessed at \$5,000. Second Quarter 2019 Page 14 and late explanation penalties were included Third Quarter 2019 Settlement of Balances Report. CAR is currently collecting Third Quarter 2019 Annual Statement Statutory Page 14 data which was due on December 16, 2019. Third Quarter 2019 Reconciliation Reports are anticipated to run on or about January 2, 2020.

**OPERATIONAL REPORTS
3RD QUARTER 2019**

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 2018 EFF YEAR	Liability	65,752	725	1.10%
	No Fault	61,743	467	0.76%
	Physical Damage	42,926	444	1.03%
	Total	170,421	1,636	0.96%
COMM 2019 EFF YEAR	Liability	43,285	387	0.89%
	No Fault	41,987	158	0.38%
	Physical Damage	27,816	292	1.05%
	Total	113,088	837	0.74%

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 2019 – December 2019. Previous Effective Year includes policies effective January 2018 – December 2018. Companies should contact the Residual Market Services Department regarding Rate Edit reporting.

**OPERATIONAL REPORTS
3RD QUARTER 2019**

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 09/2019

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
017	138	591	23.35
030	8	34	23.53
033	755,732	1,684,309	44.87
045	72	203	35.47
100	66,746	150,865	44.24
103	257	1,097	23.43
105	1,284	4,349	29.52
118	58,274	141,910	41.06
141	518,658	1,031,791	50.27
153	2,135,039	6,687,430	31.93
154	179,062	450,698	39.73
156	15,337	41,232	37.20
158	2	8	25.00
226	2,438	4,514	54.01
246	32	105	30.48
261	2,974	5,754	51.69
263	48	142	33.80
265	432	922	46.85
304	12	56	21.43
327	2,954	10,261	28.79
362	199,985	296,326	67.49
402	38,016	66,323	57.32
418	39,380	148,095	26.59
420	13,178	29,378	44.86
443	38,608	95,282	40.52
503	52	163	31.90
626	31,226	81,601	38.27
627	7,234	9,035	80.07
686	83,770	299,413	27.98
770	188,684	649,266	29.06
823	3,079,330	6,771,253	45.48

**OPERATIONAL REPORTS
3RD QUARTER 2019**

V. STATISTICAL AGENT FUNCTION (continued)

D. Deleted Washout Records (continued)

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
881	1,434	3,389	42.31
890	52	221	23.53
902	36,612	87,327	41.93
910	65,410	125,716	52.03
927	10,566	29,067	36.35
963	23,008	53,719	42.83
989	4,964	22,611	21.95
Total Industry	10,718,955	72,295,761	14.83%

The 2019 washout total following the 09/2019 shipments was 13.91%.

E. Distributional Analysis

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 2019 period. Companies were to respond to any over tolerances by November 8, 2019.

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

OPERATIONAL REPORTS 3RD QUARTER 2019

VI. COMMUNICATIONS

A. CAR's Website

To assist Servicing Carriers in evaluating their assigned ERPs relative to CAR Rule 14, C – Production Criteria, CAR developed an application that provides commercial automobile written premium totals for each agency assigned to each Servicing Carrier. The written premiums reflected are the total of both ceded and voluntary commercial auto premiums for all reporting companies for each assigned agency. The data is updated monthly and reflects the most recent 12 months of reported data.

In mid-September, CAR implemented a new application to enhance the information provided to companies relative to large, residual market losses. The application includes a Large Loss Notification Form as well as several Large Loss Reports to better communicate the significant losses impacting the commercial residual market pool. Please reference Bulletin No. 1086 for additional information.

B. Telecommunications

CAR replaced the java-based applet previously used for Telecommunications applications with a new html-based solution. This new solution is supported by all web browsers and uses standard SSL ports for secure communication. This should provide easier access to CAR's mainframe applications.

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.

The remaining systems on CAR's mainframe include: the CAR Accounting System, Policy Histories (both CAR and Statistical), and Claims functions (Allocated Expense, Reinsurance Audit, Average Cost per Claim).

**OPERATIONAL REPORTS
3RD QUARTER 2019**

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
Registry Conversion	Complete	CAR has completed updating its systems to access the new vehicle data and screens. A future project will target automating the flow of data into the audit systems.
Annual Statement Reconciliation Rewrite	In progress	Modernization of the application to enhance usability and maintenance. Enhancements will be incorporated during the rewrite.
Large Loss Pre-Notification Application	Complete	A web-based application is available for Commercial Servicing Carriers to modify CAR of a potentially significant claim.
CAR Accounting System	To begin in early 2020	Create a web-based correction application to replace the mainframe based CAR Accounting system.
Re-Write Company Mainframe Applications	Analysis	The rewrite of the CAR mainframe will affect the Rule 29, CAR Accounting and Statistical Policy History and Claims/Audit functions.