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- MEMORANDUM -

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: March 22, 2013

RE: Operational Reports

The 4th quarter 2012 Operational Reports follow this memorandum. This report includes data reported November 16, 2012 through February 15, 2013 for the accounting month period of October 2012 through December 2012. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

Section I – Accounting/Statistical Shipments:

On November 21, 2012 the Division of Insurance approved the Massachusetts Private Passenger Statistical Plan revisions to accommodate companies that write miscellaneous rated as private passenger vehicles currently not specifically identified in the Private Passenger Statistical Plan. The Miscellaneous Rated as Private Passenger Classification Code table has been updated to include an All Other classification code (049900).

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

CAR assessed a total of \$10,850 in the Statistical Data Quality Penalty Program in the 4th Quarter 2012 Settlement of Balances report.

Section II – Cession/MAIP Placement Record Reporting:

This section has been renamed and will now include a new report – MAIP Placement Record Reporting Analysis, which highlights valid and invalid activity related to MAIP Placement Record reporting. CAR solicits responses from companies with excessive error counts and these responses are also included in this section.

OPERATIONAL REPORTS 4TH QUARTER 2012

Section III – Residual Market Information:

This section has also been renamed and now includes various status reports related to residual market commercial and private passenger market share, participation ratios, and quota share.

CAR mailed the CA5010 - Flat Cancellation report on February 1, 2013 and the documentation is due back at CAR on April 1, 2013. Documentation will be reviewed and any results will be posted within the next Quarterly Operational Reports.

As of December 2012 the commercial residual market rate equaled 15.7%.

CAR posted the December 30, 2012 Quarterly Member Participation Reports to its website on March 8, 2013.

CAR ran the 4th Quarter 2012 Rule 29 credit edit download reports late February 2013.

Section IV – Accounting System Processing:

CAR produced 4th Quarter 2012 Critical Error Loss Write-Offs and 10% Loss of Investment Fees totaling \$8,069 and \$777 respectively.

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2012 and 2013 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 were posted to CAR's website on March 22, 2013.

Section V - Statistical Agent Functions:

4th Quarter 2012 Statutory Page 14 data was due at CAR on March 15, 2012. The Reconciliation Responses for 4th Quarter 2012 are expected to run on April 1, 2013 and will be due back on May 1, 2013. Any late Page 14 data or late responses resulting in a penalty will be posted within next Quarters Operational Reports. Company assessments shall be included in 1st Quarter 2013, Settlement of Balances.

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

Section VI – Communications:

CAR added functionality for Security Administrators to update the activity status, update the e-mail addresses, and process changes to a user's security profile. If you need access to the reports, please contact your company's security administrator to request access.

**OPERATIONAL REPORTS
4TH QUARTER 2012**

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 2012 as of the fourth quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

2012 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2012	March 15, 2012	1 st Qtr
February 2012	April 16, 2012	
March 2012	May 15, 2012	
April 2012	June 15, 2012	2 nd Qtr
May 2012	July 16, 2012	
June 2012	August 15, 2012	
July 2012	September 17, 2012	3 rd Qtr
August 2012	October 15, 2012	
September 2012	November 15, 2012	
October 2012	December 17, 2012	4 th Qtr
November 2012	January 15, 2013	
December 2012	February 15, 2013	

2013 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2013	March 15, 2013	1 st Qtr
February 2013	April 16, 2013	
March 2013	May 15, 20123	
April 2013	June 17, 2013	2 nd Qtr
May 2013	July 15, 2013	
June 2013	August 15, 2013	
July 2013	September 16, 2013	3 rd Qtr
August 2013	October 15, 2013	
September 2013	November 15, 2013	
October 2013	December 16, 2013	4 th Qtr
November 2013	January 15, 2014	
December 2013	February 18, 2014	

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 fourth quarter, 2012.

**OPERATIONAL REPORTS
4TH QUARTER 2012**

I. STATISTICAL SYSTEM (continued)

2012 Timeliness Report

<i>CO NO</i>	<i>Jan 3/15</i>	<i>Feb 4/17</i>	<i>Mar 5/16</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>
065	COM								COM			
091												COM
096	COM											
110		COM	COM	COM	COM	COM						
155					COM				COM			COM
195		PP	PP		PP	PP						
201		PP	PP	PP	PP	PP	PP					
226												COM
229					COM					COM		COM
230					COM					COM		
316			COM									
325									COM			
347								COM				
444							PP					
451						COM						
559												COM
612	BOTH											
620									COM			COM
711									PP			
721	COM											
748	COM	COM	COM						COM			
753					COM							COM
951					COM							
971									COM			
985							COM					

*There were no late or rejected November 2012 submissions.

**OPERATIONAL REPORTS
4TH QUARTER 2012**

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 4th Quarter 2012, CAR assessed a total penalty amount of \$10,850. The table below shows the detail penalties for each company.

Penalty Assessments
4th Quarter 2012

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
065	Sparta Insurance Company	Late MAS - 09/2012	\$ 500
137	Amerisure Partners Insurance Co	Late Page 14 - 09/2012	\$ 200
162	Imperium Insurance Company	Late Page 14 - 09/2012	\$ 100
226	Great Divide Insurance Company	Late Page 14 - 09/2012	\$ 100
229	Clarendon Insurance Company	Stat Error > 5% - 07/2012	\$ 750
229	Clarendon Insurance Company	Stat Error > 5% - 08/2012	\$ 150
230	Praetorian Insurance Company	Late MAS - 09/2012	\$ 500
146	American Southern Home Ins Co	Late Page 14 - 09/2012	\$ 100
262	Citizens Insurance Company	Stat Error > 5% - 10/2012	\$ 150
331	Massachusetts Homeland Ins Co	Stat Error > 5% - 07/2012	\$ 900
397	Allmerica Financial Benefit Ins Co	Stat Error > 5% - 09/2012	\$ 150
397	Allmerica Financial Benefit Ins Co	Stat Error > 5% - 10/2012	\$ 150
451	Hudson Insurance Company	Stat Error > 5% - 09/2012	\$ 150
467	Hartford Casualty Insurance Co	Stat Error > 5% - 03/2012	\$ 2,500
468	Hartford Fire Insurance Company	Stat Error > 5% - 07/2012	\$ 150
708	StarNet Insurance Company	Stat Error > 5% - 08/2012	\$ 750
748	QBE Insurance Company	Late MAS - 09/2012	\$ 500
753	Redland Insurance Company	Stat Error > 5% - 09/2012	\$ 450
756	RLI Insurance Company	Late Explanation - 09/2012	\$ 100
797	Starr Indemnity Insurance Co	Late Explanation - 09/2012	\$ 1,600
828	State Farm Insurance Company	Late Explanation - 09/2012	\$ 100
936	Universal Underwriters of TX Ins	Stat Error > 5% - 07/2012	\$ 150
971	Zurich Insurance Company	Late MAS - 09/2012	\$ 500
989	Foremost Insurance Company	Stat Error > 5% - 09/2012	\$ 150
		Total	\$ 10,850

**OPERATIONAL REPORTS
4TH QUARTER 2012**

I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
January 1, 2014	<p>To accommodate those companies that write miscellaneous rated as private passenger vehicles currently not specifically identified in the Private Passenger Statistical Plan, the Miscellaneous Rated as Private Passenger Classification Code table has been updated to include an All Other classification code (049900).</p> <p>The Classification Code Decision Table has been updated to include this classification. To assure consistency among the Miscellaneous Rated as Private Passenger classifications, table values have been updated as necessary.</p>	Approved by the Division of Insurance on November 21, 2012

**OPERATIONAL REPORTS
4TH QUARTER 2012**

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 2011-2013.

B. Cession Backdates

1. TX1/TX2 Cession Backdate Appeals based on Intent to Cede

In instances where a company provides documentation showing its intent to cede a specific policy, CAR maintains the authority to act upon those appeals provided the backdate request does not exceed 25 policies. Furthermore, the appeal and associated documentation must meet the criteria outlined in Chapter 2 of the Manual of Administrative Procedures. For any policy that does not meet the criteria, CAR does not have the authority to grant the appeal; the company then can present the appeal before the Operations Committee.

There have been no "intent-to-cede" appeals since the last publication of the Operational Reports.

2. TX5 Cession Backdate Appeals

In instances where a company intended to write a policy voluntary, it can appeal for a transaction 5 (uncede) backdate. CAR maintains the authority to approve these types of appeals when the documentation provided clearly shows the company made the decision to write the policy voluntary prior to the policy effective date.

The table on the following page reflects the log of cession backdate requests CAR Staff processed since the last publication of the Operational Reports on December 18, 2012.

**OPERATIONAL REPORTS
4TH QUARTER 2012**

II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

2. TX5 Cession Backdate Appeals (continued)

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 February 21, 2013 monitoring policy years 2010, 2011 and 2012 for 4th Quarter 2012.

Please note CAR will no longer be monitoring Private Passenger business in this system.

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*).

**OPERATIONAL REPORTS
4TH QUARTER 2012**

II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

Policy Year 2010
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	551	13	2.4	0.0	0	0
279	29	1	3.4	0.0	0	0
455	260	9	3.5	0.0	1,131	0
717	236	0	0.0	0.0	0	0
734	226	23	10.2 #	0.0	0	0
735	8	1	12.5 #	0.0	0	0
773	3	0	0.0	0.0	0	0
Totals	1,313	47	3.6%	N/A	1,131	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 2011
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	799	37	4.6	0.0	0	0
279	18	1	5.6 #	0.0	0	0
455	114	0	0.0	0.0	0	0
717	177	0	0.0	0.0	0	0
734	232	66	28.4 *	0.0	5,835	500
735	4	1	25.0 #	0.0	0	0
773	3	0	0.0	0.0	0	0
Totals	1,347	105	7.8%	N/A	5,835	500

* 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
4TH QUARTER 2012**

II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

Policy Year 2012
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	1,187	93	7.8 *	1.6	4,135	0
279	29	0	0.0	0.0	0	0
717	191	0	0.0	0.0	0	0
734	161	9	5.6 #	0.0	0	0
773	1	0	0.0	0.0	0	0
Totals	1,569	102	6.5%	N/A	4,135	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 ran its latest CA5010 Report on February 1, 2013 and the documentation is due back on April 1, 2013. CAR will be reviewing the documentation and any results will be posted within the next Quarterly Operational Reports.

**OPERATIONAL REPORTS
4TH QUARTER 2012**

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 1/2012 to 12/2012

Reflects MAIP Placement Record Reported Data as of February 21, 2013

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
045	9	2	0	0	7	11	385
153	49	9	1	394	311	9	13293
192	0	0	0	0	45	0	200
202	0	0	0	0	9	0	216
262	0	1	1	10	7	4	2092
279	0	11	56	76	493	48	42755
308	2	0	0	0	2	1	544
312	0	0	2	7	20	0	1848
331	2	0	2	1	34	20	2232
354	3	0	2	0	51	61	5871
363	2	0	0	0	29	2	670
422	0	0	0	0	0	0	256
514	0	0	0	3	0	0	115
531	3	0	0	0	7	0	1038
585	0	0	9	0	12	14	2985
612	1	2	2	81	31	44	3748
664	7	28	0	17	3	8	1550
723	18	58	2	5	171	59	12024
731	0	0	3	84	0	0	473
773	0	0	4	140	99	5	17813
826	0	0	0	0	19	2	1555
908	3	0	4	0	54	12	6817
959	0	0	0	0	3	0	280
988	0	1	2	178	16	3	4041
Industry Average	4	5	4	42	59	13	5117

* Most Rejected Take-Out Credit Requests are due to the voluntary policy canceling within 90 days of the policy effective date.

**OPERATIONAL REPORTS
4TH QUARTER 2012**

II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

E. MAIP Placement Record Reporting Analysis (continued)

COMMONWEALTH AUTOMOBILE REINSURERS
MAIP PLACEMENT RECORD REPORTING ANALYSIS
COMPANY RESPONSES

Company	Date Identified	Response
153	Ongoing	The MPR's with No Premium is a statistical timing issue. The premiums for these policies will be sent in the October MAS. The remainder of these policies are unpaid renewals for which a TX4 backdate document will be sent. A majority of the non-fatal errors are duplicate MPR's that are in the process of being corrected. The Missing MPR's are policies that were not taken and are in the process of being reported.
279	Ongoing	Company is in the process of developing new procedures to prohibit 3 rd Year MPR Renewals from being submitted.
354	Ongoing	Company splits motorcycle/auto MAIP policies. Since they can not submit two MPRs for one certification number, motorcycle policies will only be statistically reported and will not have a corresponding MPR.
612	Ongoing	Company is currently in the process of submitting offset records from their MAIP Premium with No MPR policies.
723	3 rd Qtr 2012	Company is in the process of correcting its errors
988	3 rd Qtr 2012	Company is researching the reporting issue and potential correction options.

**OPERATIONAL REPORTS
4TH QUARTER 2012**

III. RESIDUAL MARKET INFORMATION

A. Residual Market Volumes

The 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	Private Passenger Cession %	Commercial Cession %	Time Period
2006	4.9%	25.4%	Final Result
2007	4.3%	22.3%	Final Result
2008	2.9%	19.0%	Final Result
2009	2.3%	16.5%	Final Result
2010	N/A	15.1%	Final Result
2011	N/A	14.9%	Final Result
2012	N/A	15.7%	As of Dec. 2012

Commercial residual market volume report is available on CAR's website (www.commauto.com). You can also view your company's residual market volume figures via CAR's telecommunications system. The On-line Telecommunications Manual provides the specific instructions for accessing the reports.

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

Policy Year 2012 Results as of December, 2012

	2012 @ 12 Months	% Total		2011 @ 12 Months	% Total
MAIP Assigned (CAR-ID 9)	112,198	2.6%		117,872	2.7%
MAIP Retained (CAR-ID 8)	4,150,174	95.5%		4,011,520	93.2%
Clean-In-Three (CAR-ID 1)	82,394	1.9%		176,110	4.1%
Total	4,344,766	100.0%		4,305,501	100.0%

**OPERATIONAL REPORTS
4TH QUARTER 2012**

III. RESIDUAL MARKET INFORMATION (continued)

C. Production of Quarterly Participation Reports

CAR posted the December 2012 Quarterly Member Participation Reports to its website on March 8, 2013. 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.

D. Participation Base Data

The 4th Quarter 2012 estimated Participation Ratios using data reported through December 31, 2012 will be posted to CAR's website by March 31, 2013.

E. CAR Financial Results

The ultimate policy year deficit projections, as of December 2012, for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Commercial
2010	(6,407)
2011	(12,704)
2012	(5,048)

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

F. Quota Share

CAR posted the December 2012 Monthly Quota Share and Assignment Order Report to its website on February 27, 2013. The report has been updated to include statistical data for January 2012 to December 2012 effective month policies reported through February 15, 2013. 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
4TH QUARTER 2012**

III. RESIDUAL MARKET INFORMATION (continued)

G. Rule 29 Voluntary Credits

CAR ran the Rule 29 credit edit reports for December effective date data in late-November. These reports are available on CAR's website under the Data Reporting and Quality Reports page.

There is no tolerance level for the Rule 29 credits. If a record is incorrect, the credit is not applied. The table below shows the industry's error percent starting with the January 2012 accounting date.

Accounting Date	Reported Credit Premium	Adjusted Credit Premium	Rule 29 Credit Impact	Error Percentage
Jan. 2012	525,093,859	518,615,258	-6,478,601	1.23%
Feb. 2012	529,553,516	523,377,938	-6,175,578	1.15%
March 2012	534,145,941	528,008,161	-6,137,780	1.15%
April 2012	529,553,516	523,377,938	-6,175,578	1.17%
May 2012	534,145,941	528,008,161	-6,137,780	1.15%
June 2012	593,197,911	586,593,564	-6,604,347	1.11%
July 2012	610,959,933	604,308,413	-6,651,520	1.09%
August 2012	631,978,617	625,218,911	-6,759,706	1.07%
Sept. 2012	647,999,650	641,196,275	-6,803,375	1.05%
Oct. 2012	666,752,898	660,105,249	-6,647,649	1.00%
Nov. 2012	681,672,635	675,162,379	-6,510,256	0.96%
Dec. 2012	698,347,628	691,633,088	-6,714,540	0.96%

**OPERATIONAL REPORTS
4TH QUARTER 2012**

IV. ACCOUNTING SYSTEM

A. Update of the Online Accounting System

CAR updates the online accounting system every Thursday night. Accordingly, all new premiums and loss activity and all correction activity are posted to the system on Thursday evenings and viewable to the industry on Friday mornings. This schedule deviates four times per year following the end of a quarter. The table below shows the quarter ending schedule for updates to the CAR accounting system.

Month	MAS Due Date	Accounting System Update	Quarter
January 2013	March 15, 2013	March 19, 2013	1st Quarter 2012
February 2013	April 16, 2013	April 18, 2013	
March 2013	May 15, 2013	May 17, 2013	
April 2013	June 17, 2013	June 19, 2013	2 nd Quarter 2012
May 2013	July 15, 2013	July 17, 2013	
June 2013	August 15, 2013	August 17, 2013	
July 2013	September 16, 2013	September 18, 2013	3 rd Quarter 2012
August 2013	October 15, 2013	October 17, 2013	
September 2013	November 15, 2013	November 18, 2013	
October 2013	December 16, 2013	December 18, 2013	4 th Quarter 2012
November 201	January 15, 2014	January 17, 2014	
December 201	February 18, 2014	February 19, 2014	

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 fourth quarter 2012.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for March 2013 through September 2013 are shown following the 4th Quarter Write-Off exhibit.

**OPERATIONAL REPORTS
4TH QUARTER 2012**

IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Loss Write-Off – 4th Quarter 2012

Company	Nov 2012	Dec 2012	Jan 2013	Total
045	0	0	636	636
209	2,060	5,200	0	7,260
331	206	-38	0	168
773	0	5	0	5
Total	2,266	5,167	636	8,069

4th Quarter 2012 – 10% Loss of Investment Fees

Company	Nov 2012	Dec 2012	Jan 2013	Total
045	0	0	62	62
154	0	-25	0	-25
209	206	520	0	726
331	8	5	0	13
773	0	1	0	1
Total	214	501	62	777

Potential Loss Write-Off March 2013 through September 2013

Company	March 2013	April 2013	May 2013	June 2013	July 2013	August 2013	September 2013	Grand Total
317	0	0	0	1,610	0	0	0	1,610
331	-124	0	19,822	0	-2,201	0	0	17,497
773	4,922	0	0	0	0	0	0	4,922
990	0	0	0	0	0	0	5,996	5,996
Totals	4,798	0	19,822	1,610	-2,201	0	5,996	30,025

**OPERATIONAL REPORTS
4TH QUARTER 2012**

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
2012 & 2013 Policy Effective Years**

Non-Critical Error - Penalties

There have been no companies listed this quarter for policy effective years 2012 or 2013.

2012 Effective Year Non-Critical Errors Over Tolerance - Potential Penalty

2012 Effective Year Non-Critical Errors show no Potential Penalties to report

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

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

**OPERATIONAL REPORTS
4TH QUARTER 2012**

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	2010	0	0.00
154	2011	5,755	0.03
154	2012	578,833	2.47
245	2010	0	0.00
245	2011	0	0.00
245	2012	32,802	013
279	2010	0	0.00
279	2011	0	0.00
279	2012	2,890	0.01
455	2010	0	0.00
455	2011	0	0.00
455	2012	0	0.00
717	2010	0	0.00
717	2011	0	0.00
717	2012	0	0.00
734	2010	0	0.00
734	2011	0	0.00
734	2012	0	0.00
735	2010	0	0.00
735	2011	0	0.00
735	2012	0	0.00
773	2010	0	0.00
773	2011	0	0.00
773	2012	0	0.00
Total Ind		620,280	0.22

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 4th Quarter 2012 forecasting reports on March 22, 2013.

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IV. ACCOUNTING SYSTEM (continued)

F. \$60 Cession/No Premium Penalties

CAR ran the \$60 Cession/No Premium penalty program November 30, 2012. 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. The table below shows those penalty results. The penalty assessments will be in the Fourth Quarter 2012 Settlement of Balances report.

Company Number	Penalty Amount
245	\$60
Total	\$60

G. 2010 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 2010 effective date policies and for historical information.

The 2010 Cession/No Premium Write-Off is scheduled for April, 2013.

Year	PP Penalty	Commercial Penalty	Taxi/Limo/CAR Service Penalty
2010	N/A	\$4,500	\$7,300
2009	\$1,400	\$4,900	\$7,700
2008	\$1,400	\$5,300	\$7,600
2007	\$1,500	\$5,700	\$8,600
2006	\$1,500	\$6,300	\$10,100
2005	\$1,600	\$6,200	\$10,800
2004	\$1,600	\$6,200	\$11,100
2003	\$1,500	\$6,500	\$9,900
2002	\$1,400	\$6,300	\$9,600
2001	\$1,300	\$5,300	\$8,800

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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 most Wednesday evenings and viewable to the industry on Thursday mornings. This schedule deviates accordingly following the end of a quarter and/or the closing of a monthly reporting scheduling. The table below shows the quarter ending schedule for updates to the statistical system.

2013 Reporting Year Schedule

Month	MAS Due Date	Statistical System Update	Quarter
January 2013	March 15, 2013	March 16, 2013	1st Quarter 2013
February 2013	April 15, 2013	April 16, 2013	
March 2013	May 15, 2013	May 16, 2013	
April 2013	June 17, 2013	June 18, 2013	2 nd Quarter 2013
May 2013	July 15, 2013	July 16, 2013	
June 2013	August 15, 2013	August 16, 2013	
July 2013	September 16, 2013	September 17, 2013	3 rd Quarter 2013
August 2013	October 15, 2013	October 16, 2013	
September 2013	November 15, 2013	November 18, 2013	
October 2013	December 16, 2013	December 17, 2013	4 th Quarter 2013
November 2013	January 15, 2014	January 16, 2014	
December 2013	February 17, 2014	February 18, 2014	

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V. STATISTICAL AGENT FUNCTION (continued)

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.

2012 Reporting Year Schedule

Quarter	Due Date Quarterly Annual Statement	Run Date of the Reconciliation Program	Due Date Reconciliation Response
1st 2012	June 15, 2012	July 2, 2012	Approx. August 1, 2012
2nd 2012	September 17, 2012	October 1, 2012	Approx. November 1 2012
3rd 2012	December 17 2012	January 2, 2013	Approx. February 1 2013
4th 2012	March 15, 2013	April 1,2013	Approx. May 1 2013

The Annual Statement collection of Page 14 for 4th Quarter 2012 was due on March 15, 2013. Reconciliation 4th Quarter 2012 Reports are anticipated to run May 1, 2013 and responses will be due May 1, 2013. Any late Page 14 and/or late response to these reports will be posted in the next Operational Reports. The Page 14 and Reconciliation penalties will be included with 1st Quarter 2013, Settlement of Balance Reports.

2013 Reporting Year Schedule

Quarter	Due Date Quarterly Annual Statement	Run Date of the Reconciliation Program	Due Date Reconciliation Response
1st 2013	June 17, 2013	July 1, 2013	Approx. August 1, 2013
2nd 2013	September 16, 2013	October 1, 2013	Approx. November 1, 2013
3rd 2013	December 16, 2013	January 2, 2014	Approx. February 3, 2014
4th 2013	March 17, 2014	April 1, 2014	Approx. May 1, 2014

**OPERATIONAL REPORTS
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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 2011 EFF YEAR	Liability	56,179	999	1.78%
	No Fault	40,812	205	0.50%
	Physical Damage	30,245	401	1.33%
	Total	127,236	1,605	1.26%
COMM 2012 EFF YEAR	Liability	51,266	781	1.52%
	No Fault	39,202	303	0.77%
	Physical Damage	29,760	648	2.18%
	Total	120,228	1,732	1.44%

The Commercial Rate Edit program incorporates a tolerance level to ensure the quality of the data the industry reports to CAR. The tolerance level is 2% and 50 records in error. If a company exceeds the rate edit tolerance levels on any one line of business, CAR notifies the company via its website of the over tolerance status and the company then has six months to reduce its volume of rate edit errors. The table shows those companies that are currently over tolerance and the corresponding due dates to avoid rate edit penalties.

Rate Edit - Over Tolerance Exhibit

Co No	Comm	Policy Year	Subline	Due Date	Err %	# Records in Error
154	Comm	2012	Liability	7/15/2013	2.23%	225
154	Comm	2012	Phys Dam	5/15/2013	3.40%	211
279	Comm	2012	Phys Dam	8/15/2013	2.81%	192
773	Comm	2012	Liability	8/15/2013	2.60%	231

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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 12/2012

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
017	162	44	27.16
033	773,065	338,676	43.81
065	29,675	23,150	78.01
099	2,395	1,950	81.42
153	7,853,995	2,775,237	35.34
154	374,392	135,631	36.23
156	62,468	28,077	44.95
204	631	206	32.65
205	172	88	51.16
261	6,672	4,672	70.02
283	70,453	17,940	25.46
343	552,866	218,543	39.53
417	7	6	85.71
418	164,875	50,400	30.57
420	12,238	3,714	30.35
424	23,586	6,063	25.71
429	3,708,893	1,219,608	32.88
460	10,673	2,322	21.76
474	11,384	6,652	58.43
486	36,781	15,566	42.32
503	20,742	9,900	47.73
504	1,953	868	44.44
622	5,794	1,192	20.57
626	369,207	191,974	52.00
627	15,290	9,414	61.57
643	13,338	6,688	50.14
667	12,524	5,318	42.46
731	4,552,066	2,299,127	50.51
734	11,522	3,058	26.54
735	83,293	34,028	40.85

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

D. Deleted Washout Records (continued)

Deleted Washout Totals
For All Shipments Received Through 12/2012

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
737	245,609	123,740	50.38
828	289,291	97,715	33.78
881	5,472	1,316	24.05
902	199,155	111,142	55.81
927	7,202	2,180	30.27
948	12,677	2,876	22.69
958	4,901	1,102	22.49
963	144,489	50,971	35.28
989	49,611	22,294	44.94
Total Industry	62,954,897	9,010,445	14.31%

The 2011 washout total following the 12/2011 shipments was 9.78%.

E. Distributional Analysis

Distributional Analysis reports are produced three times a year starting with the close of the June quarter. The program was developed to ensure the quality of rate making data is appropriated with quota share data. The next Distributional Analysis report is scheduled to run mid-March and will be distributed to the industry mid-April. Companies with discrepancies will be emailed for a response. Companies may contact the Compliance Audit Department for any correspondences.

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VI. COMMUNICATIONS

A. CAR's Website

CAR regularly updates its website when there are updates to existing reports, new accounting and statistical notices, or meeting announcements among many other things. Please reference the change board on the website for the latest updates.

CAR added functionality for Security Administrators to update the activity status, update the e-mail addresses, and process changes to a user's security profile. If you need access to the reports, please contact your company's security administrator to request access.

B. Telecommunications

The telecommunications system is available to the industry from 7:00 am to 6:00 pm Monday through Friday. It allows users to access data housed on CAR's mainframe such as policy history information and producer code information.

CAR implemented changes to its MAIP Placement Record system to allow certain corrections on existing MAIP Placement record such as policy number and producer code.

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VII. PROJECT STATUS REPORTS

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

Project	Status	Description
Conversion of all Remaining Internet Reports	In progress as resources allow	Converting internet company reports from Crystal to Reporting Services.
2013 Statistical Project	In progress	Update CAR's processing system to accept 2013 effective year data, including the new Private Passenger Limits Identifier code (completed). New reports detailing error records from CAR's suspense file are scheduled to be completed by the end of March.
MAIP Loss Ratio Reports	Completed	New reports providing summary information for MAIP Assigned loss ratios were made available to member companies in early 2013. The quarterly reports detail CAR ID Code 9 premiums, losses, loss ratio, and data for frequency/severity displayed historically by accounting quarter. Member companies have access to both their own company reports, as well as the Industry.
Immediate Transfer of MAIP Assignment data	In progress	Enhance the data transfer process so that an Assigned Risk Carrier receives MAIP assignment data via web services immediately in addition to the nightly batch feed.
Rewrite Company Mainframe Applications	In progress	Rewrite correction applications currently available to companies through CAR's Telecommunications System to CAR's Website. The first system scheduled for rewrite is the MAIP Placement Record system.