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PRESIDENT

## COMMONWEALTH AUTOMOBILE REINSURERS

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

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: March 18, 2014

RE: Operational Reports

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The 4th quarter 2013 Operational Reports follow this memorandum. This report includes data reported November 18, 2013 through February 17, 2014 for the accounting month period of October 2013 through December 2013. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

#### **Section I – Accounting/Statistical Shipments:**

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

CAR assessed a total of \$16,750 in the Statistical Data Quality Penalty Program reported in the 4<sup>th</sup> Quarter 2013 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 2013**

### **Section III – Residual Market Information:**

This section 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, 2014 and the documentation is due back at CAR on April 1, 2014. Documentation will be reviewed and any results will be posted within the next Quarterly Operational Reports.

As of December 2013 the commercial residual market rate equaled 17.2%.

CAR posted the December 31, 2013 Quarterly Member Participation Reports to its website on March 7, 2014.

CAR ran the 4<sup>th</sup> Quarter 2013 Rule 29 credit edit download reports late February 2014.

### **Section IV – Accounting System Processing:**

CAR produced 4<sup>th</sup> Quarter 2013 Critical Error Loss Write-Offs and 10% Loss of Investment Fees totaling \$6 and \$20 respectively.

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2013 and 2014 policy effective years following the monthly accounting shipments due the 15<sup>th</sup> 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 13, 2014.

### **Section V - Statistical Agent Functions:**

4th Quarter 2013 Statutory Page 14 data is due at CAR on March 17, 2014. The Reconciliation Responses for 4th Quarter 2013 are expected to run on April 1, 2014 and will be due back on May 1, 2014. 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 2014, Settlement of Balances.

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

### **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 2013

### 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 2013 as of the fourth quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

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

<b>2014 CALL SCHEDULE</b>		
<b>Submission</b>	<b>Due Date</b>	<b>Quarter</b>
January 2014	March 17, 2014	1 <sup>st</sup> Quarter
February 2014	April 15, 2014	
March 2014	May 15, 2014	
April 2014	June 16, 2014	2 <sup>nd</sup> Quarter
May 2014	July 15, 2014	
June 2014	August 15, 2014	
July 2014	September 15, 2014	3 <sup>rd</sup> Quarter
August 2014	October 15, 2014	
September 2014	November 17, 2014	
October 2014	December 15, 2014	4 <sup>th</sup> Quarter
November 2014	January 15, 2015	
December 2014	February 16, 2015	

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, 2013.

**OPERATIONAL REPORTS  
4TH QUARTER 2013**

**I. STATISTICAL SYSTEM (continued)**

2013 Timeliness Report

<i>CO NO</i>	<i>Jan 3/18</i>	<i>Feb 4/15</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>
110												COM
123		COM										
155		COM	COM	COM	COM	COM	COM	COM	COM		COM	COM
179												COM
201						PP						
206			COM			COM						COM
229		COM	COM						COM			
230			COM									COM
313	PP											
323								PP				
325												COM
343											PP	
400												COM
429											PP	
443									COM			
451												COM
530	PP											
561				PP								
620						COM			COM			
622												COM
625			COM									
737											PP	
785											PP	
797												COM
828	PP											
907		COM										
943		COM										

\*No missing or rejected companies for the October 2013 MAS.

**OPERATIONAL REPORTS  
4TH QUARTER 2013**

**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 4th Quarter 2013, CAR assessed a total penalty amount of \$16,750. The table below shows the detail penalties for each company.

Penalty Assessments  
4th Quarter 2013

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment</u>
			<u>Amount</u>
065	Sparta Insurance Company	Stat Error > 5% - 09/2013	\$ 300
089	American Guarantee Ins Co.	Stat Error > 5% - 09/2013	\$ 450
118	Privilege Underwriters Reciprocal	Late Explanation - 09/2013	\$ 100
155	Argonaut Insurance Company	Late MAS - 11/2013	\$ 500
155	Argonaut Insurance Company	Late MAS - 12/2013	\$ 500
201	AIG Property Casualty Co.(runoff)	Stat Error > 5% - 07/2013	\$ 150
201	Chartis Property and Casualty Co	Stat Error > 5% - 09/2013	\$ 600
201	Chartis Property and Casualty Co.	Stat Error > 5% - 11/2013	\$ 150
201	Chartis Property and Casualty Co.	Stat Error > 5% - 12/2013	\$ 450
206	Nationwide Agribusiness Ins Co.	Late MAS - 12/2013	\$ 500
230	Praetorian Insurance Company	Stat Error > 5% - 03/2013	\$ 2,500
230	Praetorian Insurance Company	Stat Error > 5% - 06/2013	\$ 2,400
230	Praetorian Insurance Company	Late MAS - 12/2013	\$ 500
316	Empire Fire and Marine Ins Co.	Stat Error > 5% - 08/2013	\$ 150
316	Empire Fire and Marine Ins Co.	Stat Error > 5% - 09/2013	\$ 300
343	GEICO General Insurance Co.	Late MAS - 11/2013	\$ 500
354	AMICA Mutual Insurance Co.	Stat Error > 5% - 09/2013	\$ 150
400	AXIS Insurance Company	Late MAS - 12/2013	\$ 500
429	Government Employees Ins. Co	Late MAS - 11/2013	\$ 500
451	Hudson Insurance Company	Stat Error > 5% - 09/2013	\$ 600
619	National Fire Ins. Co. of Hartford	Stat Error > 5% - 09/2013	\$ 150
620	Nat'l Independent Truckers Ins.	Stat Error >5% - 03/2013	\$ 1,250
620	Nat'l Independent Truckers Ins.	Stat Error > 5% - 06/2013	\$ 150
622	National Interstate Insurance Co	Stat Error > 5% - 06/2013	\$ 2,400
622	National Interstate Insurance Co	Late MAS - 12/2013	\$ 500
633	Netherlands Insurance Company	Stat Error >5% - 08/2013	\$ 150

**OPERATIONAL REPORTS  
4TH QUARTER 2013**

**I. STATISTICAL SYSTEM (continued)**

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments  
4th Quarter 2013

			<b>Assessment Amount</b>
<b>Co #</b>	<b>Company Name</b>	<b>Assessment</b>	
737	Progressive Casualty Ins. Co.	Stat Error >5% - 08/2013	\$ 300
737	Progressive Casualty Ins. Co.	Late MAS - 11/2013	\$ 500
785	Progressive Direct Insurance Co	Late MAS - 11/2013	\$ 500
797	Starr Indemnity and Liability Ins.	Late Explanation - 09/2013	\$ 1,700
927	United States Fire Insurance Co.	Stat Error > 5% - 09/2013	\$ 300
941	Universal Underwriters Ins. Co.	Stat Error > 5% - 08/2013	\$ 150
941	Universal Underwriters Ins. Co.	Stat Error > 5% - 09/2013	\$ 750
954	Virginia Surety Insurance Co.	Rescinded Late Pg. 14 - 06/2013	\$ (4,900)
971	Zurich American Insurance Co.	Stat Error > 5% - 08/2013	\$ 300
971	Zurich American Insurance Co.	Stat Error > 5% - 09/2013	\$ 750
		Total	<b>\$ 16,750</b>

**OPERATIONAL REPORTS  
4TH QUARTER 2013**

**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 2013**

### **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 as of December 2013.

Beginning in January 2014 cession records and cession corrections on commercial business is applicable for policy effective years 2012-2014.

#### **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 19, 2013.



## OPERATIONAL REPORTS 4TH QUARTER 2013

### 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 19, 2014 monitoring policy years 2011, 2012 and 2013 for 4<sup>th</sup> Quarter 2013.

\* 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*).

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	5,700
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	5,700

\* 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 2013

### II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

#### 3. CR215 Cessions Automatically Backdated (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	94	7.9 *	0.0	4,344	0
279	29	0	0.0	0.0	0	0
717	190	0	1.9	0.0	0	0
734	161	9	5.6 #	0.0	0	0
773	1	0	0.0	0.0	0	0
Totals	1,568	103	6.6%	N/A	4,344	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 2013  
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	228	3	1.3	1.3	0	0
245	1,041	123	11.8 *	1.4	4,013	0
279	24	4	16.7 #	0.9	0	0
717	330	14	4.2	0.6	10,339	0
734	216	6	2.8	-0.5	0	0
773	1	0	0.0	0.0	0	0
Totals	1,840	150	8.2%	N/A	14,502	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-cancelled policies to verify that the industry is using flat-cancellation transactions properly. CAR ran its latest CA5010 Report on February 1, 2014 and the documentation is due back on April 1, 2014. CAR will be reviewing the documentation and any results will be posted within the next Quarterly Operational Reports.

## OPERATIONAL REPORTS 4TH QUARTER 2013

### 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 1/2013 to 12/2013 Reflects MAIP Placement Record Reported Data as of February 20, 2014

Company	Missing MPRs	Rejected MPR'S	Fatal MPRs	Rejected Take-Out Credits	MPRs with No Premium	MAIP Premium with No MPR	Active MPRs
45	7	0	0	4	7	3	312
153	66	16	2	452	89	81	9,713
192	0	0	0	0	1	0	169
202	1	0	0	0	0	0	210
262	0	1	2	20	6	7	654
279	3	20	81	482	13	24	39,942
308	2	0	3	0	0	0	478
312	1	2	12	0	0	3	1,747
331	7	1	0	1	1	15	2,159
354	9	0	8	0	2	70	6,443
363	3	0	0	0	0	1	607
422	0	1	0	0	0	0	308
514	0	0	0	16	0	8	0
531	0	0	0	0	0	2	1,218
585	0	0	0	0	1	11	1,260
612	0	0	1	8	2	4	3,321
664	4	0	0	0	0	0	1,193
686	0	0	0	2	0	0	0
723	0	76	2	0	2	20	9,640
731	0	0	0	76	0	0	64
773	0	2	15	243	0	0	11,595
826	0	0	1	0	0	0	1,414
908	8	3	0	0	4	5	6,155
959	1	0	0	0	0	0	292
988	0	67	0	14	0	0	3,233
Industry Average	4	8	5	53	5	10	4,085

\* 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 2013

### 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
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%	Final Result
2013	N/A	17.2%	As of Dec. 2013

Commercial residual market volume report is available on CAR's website ([www.commauto.com](http://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 2013 Results as of December, 2013

	2013 @ 9 Months	% Total		2012 @ Finals	% Total
MAIP Assigned (CAR-ID 9)	91,787	2.1%		112,198	2.6%
MAIP Retained (CAR-ID 8)	4,291,701	97.6%		4,151,095	95.5%
Clean-In-Three (CAR-ID 1)	11,717	0.3%		82,379	1.9%
Total	4,395,205	100.0%		4,345,672	100.0%

## OPERATIONAL REPORTS 4TH QUARTER 2013

### III. RESIDUAL MARKET INFORMATION (continued)

#### C. Private Passenger MAIP Premium and Loss Reports

Private Passenger Premium and Loss reports have been updated through December, 2013, and are available on CAR's website in the MAIP section under Company. These reports provide summary policy year information for statistically reported MAIP assignments (CAR ID Code 9), including premiums, losses, loss ratio, and data for frequency/severity displayed historically by accounting quarter. Member companies will have access to both their own company reports, as well as the Industry.

#### D. Production of Quarterly Participation Reports

CAR posted the December 2013 Quarterly Member Participation Reports to its website on March 7, 2014. 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 4th Quarter 2013 estimated Participation Ratios using data reported through December 31, 2013 will be posted to CAR's website by March 31, 2014.

#### F. CAR Financial Results

The ultimate policy year deficit projections, as of December 2013, for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Commercial
2011	(13,802)
2012	(14,988)
2013	(8,847)

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

## OPERATIONAL REPORTS 4TH QUARTER 2013

### III. RESIDUAL MARKET INFORMATION (continued)

#### G. Quota Share

CAR posted the December 2013 Monthly Quota Share and Assignment Order Report to its website on February 27, 2014. The report has been updated to include statistical data for January 2013 to December 2013 effective month policies reported through February 19, 2014. Member Companies can also view additional reports that provide detailed information about the data used in the Quota Share calculation on CAR's website in the MAIP section under Company.

#### H. Ceding Expense True-up Results

A calendar year 2012 true-up of ceding expense allowances for commercial servicing carriers was included in the September, 2013 Settlement of Balances posted to CAR's website on December 6, 2013.

A true-up of expense allowances to Servicing Carriers for ceded taxi, limousine and car service business for policy years 2011-2012 was also included in the September, 2013 Settlement of Balances. Individual company reports with detail calculations were emailed to each company contact of the Servicing Carrier.

#### I. Interim Ceding Expense Allowances

The Interim Commercial Servicing Carrier Ceding Expense Allowances have been updated for 2014, and reflected in CAR's S016 Confirmation Reports beginning with the January, 2014 monthly accounting shipments. The interim expense allowances are as follows:

<u>Commercial</u>	<u>Taxi</u>	<u>Limousine</u>	<u>Car Service</u>
27.16%	24.52%	22.57%	19.54%

Ceding expenses will be true-up after the close of each calendar year, based on actual reported exposures and reflecting premium tax and commission provisions included in the underlying rates.

**OPERATIONAL REPORTS  
4TH QUARTER 2013**

**III. RESIDUAL MARKET INFORMATION (continued)**

**J. 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.

<b>Accounting Date</b>	<b>Reported Credit Premium</b>	<b>Adjusted Credit Premium</b>	<b>Rule 29 Credit Impact</b>	<b>Error Percentage</b>
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%
Jan. 2013	713,364,572	706,270,045	-7,094,527	0.99%
Feb. 2013	730,150,173	723,513,143	-6,637,030	0.91%
March 2013	755,912,036	749,110,258	-6,801,778	0.90%
April 2013	755,274,541	747,517,992	-7,756,549	1.03%
May 2013	758,867,695	751,168,605	-7,699,090	1.01%
June 2013	759,754,834	752,301,775	-7,453,059	0.98%
July 2013	745,930,026	738,517,637	-7,412,389	0.99%
August 2013	762,432,454	755,247,566	-7,184,888	0.94%
Sept. 2013	764,021,035	755,928,909	-8,092,126	1.06%
Oct. 2013	764,239,930	755,680,951	-8,558,979	1.12%
Nov. 2013	761,938,516	753,773,710	-8,164,806	1.07%
Dec. 2013	764,794,392	756,926,510	-7,867,882	1.03%

## OPERATIONAL REPORTS 4TH QUARTER 2013

### 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 15, 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 <sup>nd</sup> 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 <sup>rd</sup> Quarter 2013
August 2013	October 15, 2013	October 16, 2013	
September 2013	November 15, 2013	November 15, 2013	
October 2013	December 16, 2013	December 17, 2013	4 <sup>th</sup> Quarter 2013
November 2013	January 15, 2014	January 15, 2014	
December 2013	February 17, 2014	February 18, 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 2013.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for March 2014 through September 2014 are shown following the 4th Quarter Write-Off exhibit.



**OPERATIONAL REPORTS  
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**IV. ACCOUNTING SYSTEM (continued)**

B. Critical Error Write-Off (continued)

Loss Write-Off – 4th Quarter 2013

Company	Nov 2013	Dec 2013	Jan 2014	Total
331	200	0		200
723	0	-194		-194
<b>Total</b>	200	-194		6

4th Quarter 2013 – 10% Loss of Investment Fees

Company	Nov 2013	Dec 2013	Jan 2014	Total
331	20			20
<b>Total</b>	20			20

Potential Loss Write-Off March 2014 through September 2014

Company	March 2014	April 2014	May 2014	June 2014	July 2014	August 2014	September 2014	Grand Total
153	9,182		0	0	0	0		9,182
154	0		13,147	0	0	0		13,147
312	0		0	0	1,497	0		1,497
331	0		106,382	1,682	0	15		108,079
773	0		0	0	1	0		1
<b>Totals</b>	9,182		119,529	1,682	1,498	15		131,906

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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  
2013 & 2014 Policy Effective Years**

Non-Critical Error - Penalties

**There have been no companies listed this quarter for policy effective years 2013 or 2014.**

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

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

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

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

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### IV. ACCOUNTING SYSTEM (continued)

#### D. Ceded Premium In Error – Limited Commercial Servicing Carriers

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

Company	Policy Effective Year	Critical Premium Dollars	Error Percent
154	2011	0	0.00
154	2012	0	0.00
154	2013	77,168	0.29
245	2011	0	0.00
245	2012	0	0.00
245	2013	8,657	0.03
279	2011	0	0.00
279	2012	0	0.00
279	2013	0	0.00
455	2011	0	0.00
455	2012	0	0.00
455	2013	0	0.00
717	2011	0	0.00
717	2012	0	0.00
717	2013	0	0.00
734	2011	0	0.00
734	2012	0	0.00
734	2013	0	0.00
735	2011	0	0.00
735	2012	0	0.00
735	2013	0	0.00
773	2011	0	0.00
773	2012	0	0.00
773	2013	0	0.00
Total Ind		85,285	0.03

#### 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 2013 forecasting reports on March 13, 2014.

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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, 2013. 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 were included in the Fourth Quarter 2013 Settlement of Balances report.

<b>Company Number</b>	<b>Penalty Amount</b>
245	\$60
<b>Total</b>	<b>\$60</b>

**G. 2011 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 2011 effective date policies and for historical information.

The 2011 Cession/No Premium Write-Off is scheduled for April, 2014.

<b>Year</b>	<b>PP Penalty</b>	<b>Commercial Penalty</b>	<b>Taxi/Limo/CAR Service Penalty</b>
2012	N/A	\$4,600	\$7,700
2011	N/A	\$4,400	\$8,100
2010	N/A	\$4,500	\$7,300
2009	\$1,400	\$4,900	\$7,700
2008	\$1,400	\$5,300	\$7,600
2007	\$1,500	\$5,700	\$8,600
2006	\$1,500	\$6,300	\$10,100
2005	\$1,600	\$6,200	\$10,800
2004	\$1,600	\$6,200	\$11,100
2003	\$1,500	\$6,500	\$9,900
2002	\$1,400	\$6,300	\$9,600

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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 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 for policy years 2013 and 2014.

#### 2013 Reporting Year Schedule

Month	MAS Due Date	Statistical System Update	Quarter
January 2013	March 15, 2013	March 15, 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 <sup>nd</sup> 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 <sup>rd</sup> 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 <sup>th</sup> Quarter 2013
November 2013	January 15, 2014	January 16, 2014	
December 2013	February 17, 2014	February 18, 2014	

#### 2014 Reporting Year Schedule

Month	MAS Due Date	Statistical System Update	Quarter
January 2014	March 17, 2014	March 18, 2014	1st Quarter 2014
February 2014	April 15, 2014	April 16, 2014	
March 2014	May 15, 2014	May 16, 2014	
April 2014	June 16, 2014	June 17, 2014	2 <sup>nd</sup> Quarter 2014
May 2014	July 15, 2014	July 16, 2014	
June 2014	August 15, 2014	August 18, 2014	
July 2014	September 15, 2014	September 16, 2014	3 <sup>rd</sup> Quarter 2014
August 2014	October 15, 2014	October 16, 2014	
September 2014	November 17, 2014	November 18, 2014	
October 2014	December 15, 2014	December 16, 2014	4 <sup>th</sup> Quarter 2014
November 2014	January 15, 2015	January 16, 2015	
December 2014	February 16, 2015	February 17, 2015	

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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.

**2013 Reporting Year Schedule**

<b>Quarter</b>	<b>Due Date Quarterly Annual Statement</b>	<b>Run Date of the Reconciliation Program</b>	<b>Due Date Reconciliation Response</b>
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

CAR collected 3rd Quarter 2013 Annual Statement Statutory Page 14 data which was due at CAR on December 16, 2013 and ran Reconciliation Reports on January 2, 2014. There were no late Page 14 penalties as a result. Reconciliation late Response penalties amounted to \$1,800 after the due date and were included with 4th Quarter 2013, Settlement of Balance Reports.

CAR is currently collecting Page 14's for 4th Quarter 2014 which is due on March 17, 2014. Reconciliation Reports for 4th Quarter 2013 are anticipated to run April 1, 2014 and responses are anticipated to be due on May 1, 2014. Any late Page 14 and/or late responses to these reports will be posted in the next Operational Reports. The Page 14 and Reconciliation penalties will be included with 1st Quarter 2014, Settlement of Balance Reports.

**2014 Reporting Year Schedule**

<b>Quarter</b>	<b>Due Date Quarterly Annual Statement</b>	<b>Run Date of the Reconciliation Program</b>	<b>Due Date Reconciliation Response</b>
1st 2014	June 16, 2014	July 1, 2014	Approx. August 1, 2014
2nd 2014	September 15, 2014	October 1, 2014	Approx. November 1, 2014
3rd 2014	December 15, 2014	January 2, 2015	Approx. February 2, 2015
4th 2014	March 16, 2015	April 1, 2015	Approx. May 1, 2015

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

**C. Rate Edit Processing**

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

	Line of Business	Eligible Records	Records in Error	Error %
<b>COMM 2012 EFF YEAR</b>	Liability	74,650	1,098	1.47%
	No Fault	60,797	421	0.69%
	Physical Damage	43,110	700	1.62%
	Total	178,557	2,219	1.24%
<b>COMM 2013 EFF YEAR</b>	Liability	42,000	523	1.25%
	No Fault	32,190	165	0.51%
	Physical Damage	27,892	336	1.20%
	Total	102,082	1,024	1.00%

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
773	Comm	2014	Phys Dam	09/15/2014	2.11%	97

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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 12/2013

<b>COMPANY NUMBER</b>	<b>RECORD COUNT</b>	<b>WASHOUT COUNT</b>	<b>WASHOUT PERCENT</b>
033	1,196,067	492,870	41.21
065	33,418	26,815	80.24
099	4,404	4,228	96.00
105	6,127	2,668	43.54
153	8,713,983	3,118,100	35.78
154	1,317,511	939,438	71.30
156	478,590	265,602	55.50
204	647	290	44.82
261	12,935	3,780	29.22
283	5,811	3,278	56.41
343	961,295	363,814	37.85
418	207,976	51,640	24.83
420	3,509	710	20.23
429	5,477,527	1,681,400	30.70
474	11,421	7,554	66.14
486	30,265	9,868	32.61
503	4,818	2,904	60.27
626	333,749	163,884	49.10
627	17,090	11,779	68.92
643	29,588	11,102	37.52
667	12,722	6,126	48.15
737	227,197	102,206	44.99
828	273,189	83,204	30.46
881	4,625	1,192	25.77
902	173,065	91,272	52.74
927	24,366	14,324	58.79
942	2,918	624	21.38
950	645	134	20.78
958	9,354	2,402	25.68
963	179,403	69,510	38.75
989	52,520	19,638	37.39
<b>Total Industry</b>	<b>70,737,041</b>	<b>9,251,972</b>	<b>13.08%</b>

The 2012 washout total following the 12/2012 shipments was 14.31%.



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

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.

<b>Project</b>	<b>Status</b>	<b>Description</b>
Implement POLK/ Vintelligence	In Progress	Update Statistical and MAIP Policy Application Systems to utilize new POLK software for VIN Data
Rewrite Company Mainframe Applications	In Progress	Rewrite current “green screen” applications using “gui” software so that they can be accessed from the website. The first system currently in development is the MAIP Placement Record reporting and correction system. Many mainframe reports have been rewritten and moved into production. Testing of “add” and “correction” functions are currently in progress.
2014 Statistical System Update	In Progress	Update the Statistical system for the 2014 Accounting Year.
Cash Flow System Rewrite	In Progress	Rewrite the current Cash Flow System, including the Settlement of Balances reports to a more current software package so that it is compatible with Windows “7”.