



COMMONWEALTH AUTOMOBILE REINSURERS

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DANIEL R. JUDSON
PRESIDENT

- MEMORANDUM -

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: March 16, 2015

RE: Operational Reports

The 4th quarter 2014 Operational Reports follow this memorandum. This report includes data reported November 18, 2014 through February 17, 2015 for the accounting month period of October 2014 through December 2014. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

Section I – Accounting/Statistical Shipments:

On November 7, 2014, the Division of Insurance promulgated changes to the Private Passenger Statistical Plan to add or delete certain Zip Codes for the City of Boston for policies effective July 1, 2015 and subsequent.

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

CAR assessed a total of \$92,650 Statistical Data Quality Penalties in the 4th Quarter 2014 Settlement of Balances report.

Section II – Cession/MAIP Placement Record Reporting:

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

The annual Cession/No Premium Write-Off amounts have been calculated and CAR set the 2012 penalties at \$4,600 for Commercial and \$7,700 for Taxi/Limousine business. The 2012 Cession/No Premium Write-Off will occur in April 2015.

**OPERATIONAL REPORTS
4TH QUARTER 2014**

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 January 30, 2015 and the documentation is due back at CAR on April 1, 2015.

As of December 2014 the commercial residual market rate equaled 18.7%.

CAR posted the December 30, 2014 Quarterly Member Participation Reports to its website on March 6, 2015.

CAR ran the 4th Quarter 2014 Rule 29 credit edit download reports on February 19, 2015.

Section IV – Accounting System Processing:

CAR produced 3rd Quarter 2014 Critical Error Loss Write-Offs and 10% Loss of Investment Fees totaling \$13,089 and \$970 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 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 6, 2015.

Section V - Statistical Agent Functions:

Third Quarter 2014 Statutory Page 14 data was due at CAR on December 15, 2014. Penalties amounted to \$5,800 for companies who submitted Page 14 data after the due date. The Reconciliation Responses for Third Quarter 2014 were due back on February 4, 2015. There were no late Responses therefore any penalties for assessment for the quarter. Penalties were included in Third Quarter 2014 Settlement of Balances.

Section VI – Communications:

CAR recently completed the first phase system rewrite of CAR's Mainframe Applications to CAR's Website Applications regarding MAIP Placement Record reporting and correction systems. If you need access to the reports, please contact your company's Security Administrator to request access.

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I. STATISTICAL SYSTEM

A. Reporting of Company Shipments

The monthly submission of statistical data is due at CAR according to the Call Schedule contained in the table below. The timeliness exhibit on the following page reflects the timeliness status of all companies for 2014 as of the third quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

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

2015 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2015	March 15, 2015	1 st Quarter
February 2015	April 15, 2015	
March 2015	May 15, 2015	
April 2015	June 15, 2015	2 nd Quarter
May 2015	July 15, 2015	
June 2015	August 17, 2015	
July 2015	September 15, 2015	3 rd Quarter
August 2015	October 15, 2015	
September 2015	November 16, 2015	
October 2015	December 15, 2015	4 th Quarter
November 2015	January 15, 2016	
December 2015	February 16, 2016	

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, 2014.

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I. STATISTICAL SYSTEM (continued)

2014 Timeliness Report

<i>CO NO</i>	<i>Jan 3/17</i>	<i>Feb 4/15</i>	<i>Mar 5/15</i>	<i>Apr 6/16</i>	<i>May 7/15</i>	<i>Jun 8/15</i>	<i>July 9/15</i>	<i>Aug 10/15</i>	<i>Sep 11/17</i>	<i>Oct 12/15</i>	<i>Nov 1/15</i>	<i>Dec 2/16</i>
101			Com									
110			Com						Com			
123			Com						Com	Com		
155	Com	Com	Com	Com	Com	Com						
179	Com										Com	
206			Com			Com			Com			Com
230												Com
261	Com											
313										PP		
325	Com										Com	
331			PP				PP	PP	PP	PP	PP	PP
333	Com										Com	
381		Com										
620												Com
688							Com					
715	Com										Com	
797			Com									
916												PP
940												PP
951								Com				
985				Com	Com				Com			

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I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program

CAR assesses various statistical penalties as outlined in the Data Quality Penalty Section of the Private Passenger and Commercial Statistical Plans. These penalties include items such as incomplete monthly submissions, late submission of page 14 data, reconciliation responses, and failure to reduce a statistical shipment's error percent to below 5%.

For 4th Quarter 2014, CAR assessed a total penalty amount of \$92,650. The table below shows the detail penalties for each company.

Penalty Assessments
4th Quarter 2014

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
045	American Automobile Ins Co	Stat Error > 5% - 11/2014	\$ 150
096	Motorist Commercial Mutual Ins	Stat Error > 5% - 08/2014	\$ 150
110	KnightBrook Insurance Company	Stat Error > 5% - 07/2014	\$ 600
110	KnightBrook Insurance Company	Late MAS - 09/2014	\$ 1,250
110	KnightBrook Insurance Company	Late Page 14 - 09/2014	\$ 100
115	Indiana Lumbermen's Mutual Ins	Late Page 14 - 09/2014	\$ 5,200
120	Crestbrook Insurance Company	Late Page 14 - 09/2014	\$ 300
123	HDI-Gerling American Ins Co	Late MAS - 09/2014	\$ 1,250
123	HDI-Gerling American Ins Co	Late MAS - 10/2014	\$ 1,250
155	Argonaut Insurance Company	Stat Error > 5% - 05/2014	\$ 5,550
155	Argonaut Insurance Company	Stat Error > 5% - 06/2014	\$ 4,200
155	Argonaut Insurance Company	Stat Error > 5% - 07/2014	\$ 3,300
155	Argonaut Insurance Company	Stat Error > 5% - 08/2014	\$ 600
155	Argonaut Insurance Company	Stat Error > 5% - 09/2014	\$ 750
155	Argonaut Insurance Company	Late MAS - 09/2014	\$ 1,250
155	Argonaut Insurance Company	Late MAS - 10/2014	\$ 500
155	Argonaut Insurance Company	Late MAS - 11/2014	\$ 500
179	Atlantic Specialty Insurance Co	Late MAS - 11/2014	\$ 500
206	Nationwide Agribusiness Ins Co	Late MAS - 09/2014	\$ 1,000
206	Nationwide Agribusiness Ins Co	Stat Error > 5% - 03/2014	\$ 750
206	Nationwide Agribusiness Ins Co	Stat Error > 5% - 06/2014	\$ 600
226	Great Divide Insurance Company	Stat Error > 5% - 08/2014	\$ 150
230	Praetorian Insurance Company	Late MAS - 09/2014	\$ 500
230	Praetorian Insurance Company	Stat Error > 5% - 09/2014	\$ 150
246	American Southern Home Ins Co	Late Page 14 - 09/2014	\$ 200
265	Berkley National Insurance Co	Stat Error > 5% - 06/2014	\$ 150
283	Commerce & Industry Ins Co	Stat Error > 5% - 08/2014	\$ 150
312	Encompass Insurance Co of MA	Stat Error > 5% - 09/2014	\$ 150
312	Encompass Insurance Coy of MA	Stat Error > 5% - 10/2014	\$ 300
313	Essentia Insurance Company	Late MAS - 10/2014	\$ 500

**OPERATIONAL REPORTS
4TH QUARTER 2014**

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
4th Quarter 2014

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
325	Employers Fire Insurance Company	Late MAS - 11/2014	\$ 500
331	Massachusetts Homeland Ins Co	Interim Late MAS - 05/2014	\$ 9,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 06/2014	\$ 9,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 07/2014	\$ 9,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 08/2014	\$ 9,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 09/2014	\$ 8,500
331	Massachusetts Homeland Ins Co	Interim Late MAS - 10/2014	\$ 6,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 11/2014	\$ 3,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 12/2014	\$ 500
333	OneBeacon American Insurance Co	Late MAS - 11/2014	\$ 500
436	General Casualty Co of Wisconsin	Stat Error > 5% - 10/2014	\$ 600
436	General Casualty Co of Wisconsin	Stat Error > 5% - 11/2014	\$ 150
439	Regent Insurance Company	Stat Error > 5% - 10/2014	\$ 150
451	Hudson Insurance Company	Stat Error > 5% - 09/2014	\$ 150
514	Liberty Mutual Insurance Company	Stat Error > 5% - 10/2014	\$ 150
620	National Independent Truckers Ins	Late MAS - 12/2014	\$ 500
620	National Independent Truckers Ins	Stat Error > 5% - 09/2014	\$ 150
626	National Continental Insurance Co	Stat Error > 5% - 08/2014	\$ 150
626	National Continental Insurance Co	Stat Error > 5% - 09/2014	\$ 150
626	National Continental Insurance Co	Stat Error > 5% - 10/2014	\$ 300
633	The Netherlands Insurance Co	Stat Error > 5% - 09/2014	\$ 150
737	Progressive Casualty Insurance Co	Stat Error > 5% - 10/2014	\$ 600
737	Progressive Casualty Insurance Co	Stat Error > 5% - 11/2014	\$ 150
902	United Financial Casualty Company	Stat Error > 5% - 08/2014	\$ 150
902	United Financial Casualty Company	Stat Error > 5% - 09/2014	\$ 300
902	United Financial Casualty Company	Stat Error > 5% - 10/2014	\$ 600
902	United Financial Casualty Company	Stat Error > 5% - 11/2014	\$ 300
985	CorePointe Insurance Company	Late MAS - 09/2014	\$ 500
985	CorePointe Insurance Company	Stat Error > 5% - 09/2014	\$ 150
985	CorePointe Insurance Company	Stat Error > 5% - 10/2014	\$ 150
988	Quincy Mutual Fire Insurance Co	Stat Error > 5% - 10/2014	\$ 150
		Total	\$ 92,650

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4TH QUARTER 2014**

I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
July 1, 2015	<p>Based upon ZIP Code changes implemented by the United States Postal Service, the Division of Insurance has promulgated modifications to the ZIP Codes that define the Territorial Statistical Code assignments for the City of Boston.</p> <p>For policies effective July 1, 2015 and subsequent, the following modifications have been made to the city of Boston table contained in Appendix B – Territory Codes:</p> <ul style="list-style-type: none"> • ZIP Code 02222 has been added • Obsolete ZIP Codes (02101-02107, 02202) and those associated exclusively with P.O. Boxes and commercial businesses (02112, 02117, 02123, 02137, 02201, 02241) have been deleted. 	<p>Approved by the Division of Insurance on November 7, 2014</p>

**OPERATIONAL REPORTS
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II. CESSION/MAIP PLACEMENT RECORD REPORTING

A. Cession Submission

CAR accepts cession data via two different methods: on-line telecommunications and FTP transmission. Please contact your company's Security Administrator for your company 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 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 15, 2014.

TX5 Cession Backdate Log

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

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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 recently sent the latest report to the industry in February 2015 monitoring policy years 2012, 2013 and 2014 for 4th Quarter 2014.

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 2012
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED 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	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	1,568	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.*)

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II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

2. CR215 Cessions Automatically Backdated (continued)

Policy Year 2013
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	228	4	1.8	0.0	0	0
245	1,040	123	11.8 *	0.1	4,013	0
279	25	5	20.0 #	0.0	0	0
717	330	14	4.2	0.0	10,339	0
734	216	6	2.8	0.0	0	0
773	1	0	0.0	0.0	0	0
Totals	1,840	152	8.3%	N/A	14,352	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 2014
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	1,343	21	2.1	0.5	330	0
245	1,026	101	9.8 *	0.9	1,949	13,110
279	26	2	7.7 #	-1.8	0	0
717	305	15	4.9	-0.1	0	0
734	336	9	2.7	0.6	0	0
773	1	0	0	0.0	0	0
Totals	3,037	148	4.9%	N/A	2,279	13,110

* 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 the CA5010 on January 30, 2015 and the documentation is due back April 1, 2015. Any outstanding issues to report will be posted in the next Operational Reports.

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II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

D. MAIP Placement Record Reporting Analysis

On a monthly basis, CAR reviews the quality of MAIP Placement Record reporting and produces a report which highlights the error counts for various types of errors. Companies with excessive error counts are contacted and requested to research the cause of its reporting problem and if appropriate provide a corrective action plan. 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 1/2014 to 12/2014
Reflects MAIP Placement Record Reported Data as of February 19, 2015**

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
45	4	6	0	0	7	1	201
153	47	54	13	66	32	28	7,003
192	0	0	0	0	0	0	93
202	1	0	0	0	0	0	194
262	0	0	0	0	0	4	262
279	17	2	98	467	10	24	29,939
308	0	0	0	0	0	0	402
312	1	3	1	0	0	0	1,343
331	0	0	0	0	0	6	1,173
354	4	3	15	0	3	68	4,751
363	1	1	0	0	0	0	510
422	0	1	0	0	0	0	173
531	3	0	0	0	0	0	1,173
585	0	0	0	0	0	1	320
612	5	2	3	5	2	3	2,402
664	10	2	0	0	0	1	1,187
686	0	0	0	7	0	0	0
723	0	0	26	3	0	11	6,465
731	0	1	0	82	0	0	30
773	22	0	34	235	3	4	10,052
826	0	0	1	14	2	2	697
908	9	5	1	0	3	2	4,756
959	0	0	0	0	2	0	256
988	0	5	1	18	0	0	2,539
Average	5	4	8	37	3	6	3163

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III. RESIDUAL MARKET INFORMATION

A. Residual Market Volumes

The private passenger 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	Private Passenger Cession %	Commercial Cession %	Time Period
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	15.6%	Final Result
2013	N/A	17.0%	Final Result
2014	N/A	18.7%	As of Dec. 2014

Commercial Residual Market volume reports are 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 2014 Results as of December 2014

	2014 @ 12 Months	% Total	2013 @ FINAL	% Total
MAIP Assigned (CAR-ID 9)	68,011	1.5	91,791	2.1
MAIP Retained (CAR-ID 8)	4,382,087	98.4	4,296,588	97.6
Clean-In-Three (CAR-ID 1)	3,114	.1	11,717	.3
Total	4,453,212	100.0%	4,345,672	100.0%

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III. RESIDUAL MARKET INFORMATION (continued)

C. Private Passenger MAIP Premium and Loss Reports

Private Passenger Premium and Loss reports have been updated through December, 2014, 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 2014 Quarterly Member Participation Reports to its website on March 6, 2015. 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 2014 estimated Participation Ratios using data reported through December 31, 2014 will be posted to CAR's website by March 31, 2015.

F. CAR Financial Results

The ultimate policy year deficit projections, as of December 2014, for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Commercial
2012	(11,484)
2013	(6,269)
2014	(7,674)

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

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III. RESIDUAL MARKET INFORMATION (continued)

G. Quota Share

CAR posted the December, 2014 Monthly Quota Share and Assignment Order Report to its website on February 27, 2015. The report has been updated to include statistical data from January 2014 to December 2014 effective month policies reported through February 17, 2015. 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

Interim 2015 ceding expense allowances were calculated for commercial, taxi, limousine, and car service business for policy year 2015. Individual company reports with detail calculations were emailed to each company contact of the Servicing Carrier.

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4TH QUARTER 2014**

III. RESIDUAL MARKET INFORMATION (continued)

I. Rule 29 Voluntary Credits

CAR ran the Rule 29 credit edit reports for September 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, 2013 accounting date.

Accounting Date	Reported Credit Premium	Adjusted Credit Premium	Rule 29 Credit Impact	Error Percentage
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%
Jan. 2014	762,850,249	753,904,186	-8,946,063	1.17%
Feb. 2014	770,232,032	759,893,142	-10,338,890	1.34%
March 2014	774,436,209	763,628,574	-10,807,635	1.40%
April 2014	777,855,861	766,376,709	-11,479,152	1.48%
May 2014	779,564,062	767,341,619	-12,222,443	1.57%
June 2014	778,433,250	765,519,108	-12,914,142	1.33%
July 2014	776,941,089	764,191,532	-12,749,557	1.64%
August 2014	774,744,020	761,990,528	-12,753,492	1.65%
Sept. 2014	773,277,842	760,560,650	-12,717,192	1.64%
Oct. 2014	773,410,338	761,196,403	-12,213,935	1.58%
Nov. 2014	770,674,623	758,422,022	-12,252,601	1.59%
Dec. 2014	770,402,779	758,123,233	-12,279,546	1.59%

**OPERATIONAL REPORTS
4TH QUARTER 2014**

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 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 nd Quarter 2014
May 2014	July 15, 2014	July 16, 2014	
June 2014	August 15, 2014	August 16, 2014	
July 2014	September 15, 2014	September 16, 2014	3 rd 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 th Quarter 2014
November 2014	January 15, 2015	January 16, 2015	
December 2014	February 16, 2015	February 17, 2015	

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 fourth quarter 2014.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for March 2015 through September 2015 are shown following the 4th Quarter Write-Off exhibit.

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4TH QUARTER 2014**

IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Loss Write-Off – 4th Quarter 2014

Company	Nov 2014	Dec 2014	Jan 2015	Total
331	12,700		0	12,700
723	0		389	389
Total	12,700		389	13,089

4th Quarter 2014 – 10% Loss of Investment Fees

Company	Nov 2014	Dec 2014	Jan 2015	Total
331	970			970
Total	970			970

Potential Loss Write-Off March 2015 through September 2015

Company	March 2015	April 2015	May 2015	June 2015	July 2015	August 2015	September 2015	Grand Total
153	-9,182		0	0			0	-9,182
154	0		0	0			888	888
331	0		-5,847	-1,425			0	-7,272
Totals	-9,182		-5,847	-1,425			888	-15,566

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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 to receive a penalty for policy effective years 2013 and 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	2012	3,152	0.01
154	2013	0	0.00
154	2014	104,774	0.35
245	2012	0	0.00
245	2013	0	0.00
245	2014	8,634	0.03
279	2012	0	0.00
279	2013	0	0.00
279	2014	0	0.00
717	2012	0	0.00
717	2013	0	0.00
717	2014	9,209	0.22
734	2012	0	0.00
734	2013	0	0.00
734	2014	0	0.00
773	2012	0	0.00
773	2013	0	0.00
773	2014	2,184	0.01
Total Ind		127,953	0.04

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 2014 Penalty Forecasting reports on March 6, 2015.

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IV. ACCOUNTING SYSTEM (continued)

F. 2012 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 2012 reporting year will close on February 16, 2015. Accordingly, CAR will no longer accept cession activity for the 2012 policy effective year and all policies that contain an active cession 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 amount for 2012 effective date policies and for historical information.

Year	PP Penalty	Commercial Penalty	Taxi/Limo/CAR Service Penalty
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 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.

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 nd 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 rd 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 th Quarter 2014
November 2014	January 15, 2015	January 16, 2015	
December 2014	February 16, 2015	February 17, 2015	

2015 Reporting Year Schedule

Month	MAS Due Date	Statistical System Update	Quarter
January 2015	March 16, 2015	March 17, 2015	1st Quarter 2015
February 2015	April 15, 2015	April 16, 2015	
March 2015	May 15, 2015	May 18, 2015	
April 2015	June 15, 2015	June 16, 2015	2 nd Quarter 2015
May 2015	July 15, 2015	July 16, 2015	
June 2015	August 17, 2015	August 18, 2015	
July 2015	September 15, 2015	September 16, 2015	3 rd Quarter 2015
August 2015	October 15, 2015	October 16, 2015	
September 2015	November 16, 2015	November 17, 2015	
October 2015	December 15, 2015	December 16, 2015	4 th Quarter 2015
November 2015	January 15, 2016	January 18, 2016	
December 2015	February 15, 2016	February 16, 2016	

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V. STATISTICAL AGENT FUNCTION

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.

2014 Reconciliation Schedule

Quarter	Due Date Quarterly Annual Statement	Run Date of the Reconciliation Program	Due Date Reconciliation Response
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

The Annual Statement collection of Page 14 for Third Quarter 2014 was due December 15, 2014. Penalties for late Page 14 amounted to \$5,800. Reconciliation Third Quarter 2014 responses were due on February 4, 2015 and there were no penalties assessed. Page 14 penalties were included in Third Quarter 2014 Settlement of Balances Report. CAR is currently collecting Fourth Quarter 2014 Annual Statement Statutory Page 14 data which is due at CAR on March 16, 2015. Fourth Quarter 2014 Reconciliation Reports are anticipated to run on April 1, 2015.

2015 Reconciliation Schedule

Quarter	Due Date Quarterly Annual Statement	Run Date of the Reconciliation Program	Due Date Reconciliation Response
1st 2015	June 15, 2015	July 1, 2015	Approx. August 3, 2015
2nd 2015	September 15, 2015	October 1, 2015	Approx. November 2, 2015
3rd 2015	December 15, 2015	January 4, 2016	Approx. February 4, 2016
4th 2015	March 15, 2016	April 1, 2016	Approx. May 2, 2016

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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 2013 EFF YEAR	Liability	91,319	1,254	1.37%
	No Fault	72,053	270	0.37%
	Physical Damage	59,386	636	1.07%
	Total	222,758	2,160	0.97%
COMM 2014 EFF YEAR	Liability	20,284	244	1.20%
	No Fault	16,230	46	0.28%
	Physical Damage	14,397	163	1.13%
	Total	50,911	453	0.89%

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.

Commercial Rate Edit penalties now apply to Rating years 2014 and 2013. Rating year 2014 includes policies effective September 2014 – December 2015. Rating year 2013 includes policies effective April 2013 – April 2014. Companies should contact the Residual Market Services Department regarding Rate Edit reporting.

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V. STATISTICAL AGENT FUNCTION (continued)

D. Deleted Washout Records

During the weekly statistical load, CAR deletes those records that washout within the same file. The table below shows those companies whose volume of deleted washout records exceeds 20% and it shows the overall industry total for all companies combined. If you would like to know your own company's washout total, please contact your Data Analyst. Periodically, CAR contacts those companies that have an excessive volume of washout activity to encourage them to reduce their volume.

Deleted Washout Totals
For All Shipments Received Through 12/2014

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
017	174	44	25.29
033	1,720,492	683,580	39.73
065	28,674	19,062	66.48
099	719	668	92.91
100	102,837	26,018	25.30
105	4,240	2,376	56.04
153	8,866,118	3,070,128	34.63
154	1,671,781	1,212,923	72.55
156	452,240	243,742	53.90
256	638	266	41.69
261	11,906	8,366	70.27
263	203	52	25.62
265	368	88	23.91
283	8,822	5,552	62.93
343	1,663,846	795,175	47.79
362	122,558	25,764	21.02
366	9,312	6,604	70.92
402	28,331	6,271	22.13
418	235,989	58,500	24.79
420	3,889	870	22.37
429	7,560,199	3,104,764	41.07
463	1,529	658	43.03
474	2,789	1,402	50.27
486	32,492	10,968	33.76
503	3,474	2,160	62.18
625	16	4	25.00
626	247,441	121,148	48.96
627	21,865	14,864	67.98
667	2,176	1,446	66.45
737	308,071	131,697	42.75
770	403,682	98,837	24.48

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

D. Deleted Washout Records (continued):

Deleted Washout Totals
For All Shipments Received Through 12/2014

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
828	280,239	86,738	30.95
881	4,156	838	20.16
902	169,105	92,608	54.76
927	16,093	6,196	38.50
950	436	136	31.19
963	117,107	43,105	36.81
989	48,328	16,472	34.08

Total Industry	74,980,519	11,653,720	15.54%
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The 2013 washout total following the 12/2013 shipments was 13.08%.

E. Distributional Analysis

Distributional Analysis reports are produced three times a year starting with the close of the June quarter. The Distributional Analysis reports are currently on hold as CAR will be updating the system to be more current and relevant.

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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
Implement POLK/ VINtelligence	Completed	Update Statistical and MAIP Policy Application Systems to utilize new POLK software for VIN Data
Rewrite Company Mainframe Applications	In progress	The first system recently completed is the MAIP Placement Record Reporting and correction system. The next system scheduled for re-write is the statistical correction system, which will not begin until the Polk VINtelligence file has been successfully integrated into the current statistical edits.
Cash Flow System Rewrite	Complete	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".
Statistical System Update	In progress	Update the statistical system for zip code changes promulgated by the Division of Insurance.
Merit Rating Verification Program	Complete	The Governing Committee recently approved a new verification program for the reporting of merit rating status. The new error listing will be available in CAR's website in mid-December.