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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 21, 2016

RE: Operational Reports

The 4th quarter 2015 Operational Reports follow this memorandum. This report includes data reported November 16, 2015 through February 15, 2016 for the accounting month period of October 2015 through December 2015. 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 Statistical Plan recommendations since the last publication of the Operational Reports.

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

CAR assessed a total of \$144,400 Statistical Data Quality Penalties in the 4th Quarter 2015 Settlement of Balances report.

Section II – Cession/MAIP Placement Record Reporting:

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

The annual Cession/No Premium Write-Off for the closing of policy effective year 2013 will occur in April 2016. CAR set the 2013 penalties at \$4,900 for Commercial and \$8,100 for Taxi/Limousine business.

The 2014 annual Cession/No Premium Write-Off amounts have been calculated and CAR set the 2014 penalties at \$5,200 for Commercial and \$8,300 for Taxi/Limousine business.

**OPERATIONAL REPORTS
4TH QUARTER 2015**

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, 2016 and the documentation is due back at CAR on April 1, 2016.

As of December 2015 the commercial residual market rate equaled 20.4%.

CAR posted the December 30, 2015 Quarterly Member Participation Reports to its website on March 4, 2016.

CAR ran the 4th Quarter 2015 Rule 29 credit edit download reports on February 19, 2016.

Section IV – Accounting System Processing:

CAR produced the 4th Quarter 2015 Critical Error Loss Write-Offs and 10% Loss of Investment Fees totaling \$-13,720 and \$-102 respectively.

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2015 and 2016 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 posted to CAR's website on March 8, 2016.

Section V - Statistical Agent Functions:

Third Quarter 2015 Statutory Page 14 data was due at CAR on December 15, 2015. Penalties amounted to \$4,700 for companies who submitted Page 14 data after the due date. The Reconciliation Responses for Third Quarter 2015 were due back on January 2, 2016. Penalties amounted to \$300 for companies who responded to their explanation after the due date. These penalties were included in Fourth Quarter 2015 Settlement of Balances. CAR is currently collecting Fourth Quarter 2015 Annual Statements which were due at CAR on March 15, 2016. The Reconciliation process will take place on or approximately April 1, 2016.

Section VI – Communications:

This section includes information regarding new features. CAR added some additional “look-up” tables to the Statistical Edit Package landing page. Users are now able to view the Catastrophe Code table, the Zip Code table, and the POLK VIN database in addition to the tables that were available previously.

**OPERATIONAL REPORTS
4TH QUARTER 2015**

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 2015 as of the fourth quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

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	

2016 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2016	March 15, 2016	1 st Quarter
February 2016	April 15, 2016	
March 2016	May 16, 2016	
April 2016	June 15, 2016	2 nd Quarter
May 2016	July 15, 2016	
June 2016	August 15, 2016	
July 2016	September 15, 2016	3 rd Quarter
August 2016	October 17, 2016	
September 2016	November 15, 2016	
October 2016	December 15, 2016	4 th Quarter
November 2016	January 16, 2017	
December 2016	February 15, 2017	

In instances where a company's ceded loss dollars are complete by quarter's end but its ceded premium dollars are not, CAR will assess "loss of investment income" penalties to reimburse the pool for the missing premium dollars. CAR did not assess any "loss of investment income" penalties for fourth quarter, 2015.

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I. STATISTICAL SYSTEM (continued)

2015 Timeliness Report

<i>CO NO</i>	<i>Jan 3/16</i>	<i>Feb 4/15</i>	<i>Mar 5/15</i>	<i>Apr 6/15</i>	<i>May 7/15</i>	<i>Jun 8/17</i>	<i>July 9/15</i>	<i>Aug 10/15</i>	<i>Sep 11/16</i>	<i>Oct 12/15</i>	<i>Nov 1/15</i>	<i>Dec 2/16</i>
065									COM			
110		COM	COM			COM	COM		COM			
123	COM	COM	COM			COM	COM		COM			COM
155	COM	COM	COM	COM	COM	COM	COM	COM	COM	COM	COM	COM
179						COM	COM					COM
194							PP					
201		PP										
206			COM			COM			COM			COM
219						COM						
230	COM		COM									
247									COM			COM
325			COM			COM			COM			COM
331	PP	PP	PP	PP	PP	PP	PP	PP	PP	PP	PP	PP
333			COM									
354												BOTH
362	COM	BOTH										
366						COM			COM			COM
443									COM			COM
785											PP	
828								BOTH				

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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 2015, CAR assessed a total penalty amount of \$144,400. The table below shows the detail penalties for each company.

Penalty Assessments
4th Quarter 2015

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
110	KnightBrook Insurance Company	Late MAS - 9/2015	\$ 500
110	KnightBrook Insurance Company	Late Page 14 Expln - 03/2015	\$ 100
123	HDI-Gerling American Ins Co	Late MAS - 09/2015	\$ 500
155	Argonaut Insurance Company	Stat Error > 5% - 01/2015	\$ 1,250
155	Argonaut Insurance Company	Stat Error > 5% - 03/2015	\$ 3,750
155	Argonaut Insurance Company	Stat Error > 5% - 06/2015	\$ 600
155	Argonaut Insurance Company	Stat Error > 5% - 07/2015	\$ 300
155	Argonaut Insurance Company	Stat Error > 5% - 09/2015	\$ 750
155	Argonaut Insurance Company	Late MAS - 09/2015	\$ 500
155	Argonaut Insurance Company	Late MAS - 10/2015	\$ 500
155	Argonaut Insurance Company	Late MAS - 11/2015	\$ 500
201	AIG Property and Casualty Co	Stat Error > 5% - 11/2015	\$ 150
206	Nationwide Agribusiness Ins Co	Stat Error > 5% - 06/2015	\$ 450
206	Nationwide Agribusiness Ins Co	Late MAS - 09/2015	\$ 1,000
226	Great Divide Insurance Company	Late Page 14 Expln - 09/2015	\$ 100
264	Westchester Fire Insurance Co	Late Page 14 Data - 09/2015	\$ 100
303	Cumis Insurance Society, Inc.	Stat Error > 5% - 09/2015	\$ 150
313	Essentia Insurance Company	Stat Error > 5% - 08/2015	\$ 150
325	Employers Fire Insurance Co	Late MAS - 09/2015	\$ 500
325	Employers Fire Insurance Co	Late MAS - 12/2015	\$ 500
331	Massachusetts Homeland Ins Co	Interim Late MAS - 11/2014	\$ 9,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 12/2014	\$ 9,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 01/2015	\$ 9,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 02/2015	\$ 9,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 03/2015	\$ 9,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 04/2015	\$ 9,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 05/2015	\$ 9,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 06/2015	\$ 9,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 07/2015	\$ 15,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 08/2015	\$ 12,000

**OPERATIONAL REPORTS
4TH QUARTER 2015**

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
4th Quarter 2015

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
331	Massachusetts Homeland Ins Co	Interim Late MAS - 09/2015	\$ 9,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 10/2015	\$ 6,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 11/2015	\$ 3,000
331	Massachusetts Homeland Ins Co	Interim Late MAS - 12/2015	\$ 500
347	Selective Insurance Company	Stat Error > 5% - 08/2015	\$ 150
347	Selective Insurance Company	Stat Error > 5% - 10/2015	\$ 150
354	Amica Mutual Insurance Company	Late MAS - 12/2015	\$ 500
366	Arch Insurance Company	Late MAS - 09/2015	\$ 500
366	Arch Insurance Company	Late MAS - 12/2015	\$ 500
366	Arch Insurance Company	Stat Error > 5% - 03/2015	\$ 5,000
366	Arch Insurance Company	Stat Error > 5% - 09/2015	\$ 150
443	NOVA Casualty Company	Late MAS - 09/2015	\$ 500
561	Markel American Insurance Co	Stat Error > 5% - 04/2015	\$ 300
561	Markel American Insurance Co	Stat Error > 5% - 05/2015	\$ 150
561	Markel American Insurance Co	Stat Error > 5% - 06/2015	\$ 150
622	National Interstate Insurance Co	Stat Error > 5% - 09/2015	\$ 750
625	American States Insurance Co	Stat Error > 5% - 09/2015	\$ 150
626	National Continental Insurance Co	Stat Error > 5% - 08/2015	\$ 150
626	National Continental Insurance Co	Stat Error > 5% - 09/2015	\$ 300
626	National Continental Insurance Co	Stat Error > 5% - 10/2015	\$ 450
708	StarNet Insurance Company	Late Pg. 14 Expln - 09/2015	\$ 100
737	Progressive Casualty Insurance Co	Stat Error > 5% - 08/2015	\$ 750
737	Progressive Casualty Insurance Co	Stat Error > 5% - 09/2015	\$ 150
737	Progressive Casualty Insurance Co	Stat Error > 5% - 10/2015	\$ 150
785	Progressive Direct Insurance Co	Late MAS - 11/2015	\$ 500
785	Progressive Direct Insurance Co	Stat Error > 5% - 08/2015	\$ 150
785	Progressive Direct Insurance Co	Stat Error > 5% - 09/2015	\$ 300
902	United Financial Casualty Company	Stat Error > 5% - 09/2015	\$ 450
902	United Financial Casualty Company	Stat Error > 5% - 10/2015	\$ 750
940	USAA General Indemnity Company	Stat Error >5% - 03/2015	\$ 1,250
963	Harleysville Worcester Ins Co	Stat Error >5% - 11/2015	\$ 150
		Total	\$144,400

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I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
January 1, 2017 (Optional for policies effective January 1, 2016 – December 31, 2016)	Several new Classification Codes have been added to the Private Passenger Statistical Plan to identify Electronic Motorcycles (Experienced Operator, Inexperienced Operator and Age 65 or more). Appendix A – Classification Codes Decision Table has been updated to include these codes.	Approved by the Division of Insurance on September 21, 2015

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I. STATISTICAL SYSTEM (continued)

Massachusetts Commercial Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
<p>January 1, 2017 (Optional for policies effective January 1, 2016 – December 31, 2016)</p>	<p>Classification Code 924000 has been added to the Commercial Statistical Plan to identify Electronic Motorcycles.</p>	<p>Approved by the Division of Insurance on September 21, 2015</p>
<p>January 1, 2017 (Optional for policies effective January 1, 2016 – December 31, 2016)</p>	<p>Endorsement CA 99 05 02 14, Business Interruption Coverage, was approved for use in Massachusetts, effective January 1, 2015. To statistically identify this new coverage, new Classification and Coverage Codes have been added to the Commercial Statistical Plan, applicable to Physical Damage records only.</p> <p>Appendix A – Classification and Coverage Code Decision Tables and Exposure Basis Tables have also been updated to include these new codes.</p> <p>Note that the Limited of Insurance as written on the endorsement schedule is required to be reported in the Exposure field. The endorsement is only applicable to voluntary policies.</p>	

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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 2014-2016.

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 7, 2015.

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 22, 2016 monitoring policy years 2013, 2014 and 2015 for 4th Quarter 2015.

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 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	*	0.0	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.*)

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II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

2. CR215 Cessions Automatically Backdated (continued)

Policy Year 2014
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	1,348	21	1.6	0.0	330	0
245	1,018	100	9.8 *	-1.0	14,818	0
279	26	2	7.7 #	0.0	0	0
717	302	15	5.0 #	0.0	0	0
734	336	9	2.7	0.0	0	0
773	1	0	0	0.0	0	0
Totals	3,031	147	4.7%	N/A	15,148	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 2015
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	3,444	39	1.0	0.7	0	0
245	1,186	109	9.2 *	0.2	9,133	362
279	14	1	7.1 #	0.0	0	0
717	357	22	6.2 #	0.0	0	0
734	312	5	1.6	1.2	0	10,897
Totals	4,564	155	3.4%	N/A	470	9,530

* 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, 2016 and the documentation is due back on April 1, 2016. Any outstanding issues from the results of this audit will be posted within next quarters 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 10/2014 to 9/2015
Reflects MAIP Placement Record Reported Data as of November 18, 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	1	3	0	8	12	11	123
153	21	11	8	472	36	7	4,471
192	0	0	0	0	0	0	130
202	1	0	0	0	0	0	146
279	19	4	1,068	67	18	12	25,246
308	0	0	0	0	0	0	287
312	1	3	2	0	0	1	1,150
331	0	1	5	1	0	3	421
354	0	2	17	0	226	59	4,829
363	0	0	1	0	0	1	376
422	2	0	0	0	0	0	301
531	3	0	1	0	1	0	1,095
585	0	0	2	0	0	1	12
612	15	1	9	15	0	1	2,033
664	4	4	0	1	1	1	1,161
686	0	0	0	13	0	0	0
723	0	3	6	0	1	1	250
724	8	7	0	0	1	15	4,835
731	0	1	0	40	0	0	9
773	3	0	264	121	4	5	10,698
826	0	0	7	48	0	0	322
827	0	0	0	0	1	1	269
908	3	0	2	0	4	2	4,227
959	0	0	0	0	0	0	197
988	1	2	0	30	1	1	1,386
Average	3	2	56	33	12	5	2,559

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III. RESIDUAL MARKET INFORMATION

A. Residual Market Volumes

The MAIP residual market and commercial residual market volume results for the past seven years are highlighted in the chart below. The residual market rate for the current year is based on statistically reported data only and does not include estimates for missing data.

Effective Year	MAIP Residual Market %	Commercial Cession %	Time Period
2009	2.8%	19.0%	Final Result
2010	2.6%	15.1%	Final Result
2011	2.7%	14.9%	Final Result
2012	2.6%	15.6%	Final Result
2013	2.1%	17.0%	Final Result
2014	1.5%	18.7%	Final Result
2015	1.3%	20.4%	As of Dec 2015

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 2015 Results as of December 2015

	2015 @ 12Months	% Total	2014 @ 12 Months	% Total
MAIP Assigned (CAR-ID 9)	57,382	1.3	68,011	1.5
MAIP Retained (CAR-ID 8)	4,443,686	98.7	4,382,753	98.4
Clean-In-Three (CAR-ID 1)	1,280	0.0	3,115	.1
Total	4,502,348	100.0%	4,453,879	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, 2015, 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 2015 Quarterly Member Participation Reports to its website on March 4, 2016. 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 2015 estimated Participation Ratios using data reported through December 31, 2015 will be posted to CAR's website by March 31, 2016.

F. CAR Financial Results

The ultimate policy year deficit projections, as of December 2015, for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Commercial
2013	(2,817)
2014	(11,459)
2015	(7,695)

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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4TH QUARTER 2015**

III. RESIDUAL MARKET INFORMATION (continued)

G. Quota Share

CAR posted the December, 2015 Monthly Quota Share and Assignment Order Report to its website on February 26, 2016. The report has been updated to include statistical data from January 2015 to December 2015 effective month policies reported through February 15, 2016. 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 Interim Estimates

The Commercial Servicing Carrier interim expense allowance of 26.19% is detailed in Commercial Lines Bulletin #104.

The 2016 Interim Expense Allowances for Taxi, Limousine and Car Service Business are 24.00%, 24.85% and 18.96%, respectively. Commercial Lines Notice #105 details the calculation of these Interim Expenses.

**OPERATIONAL REPORTS
4TH QUARTER 2015**

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, 2014 accounting date.

Accounting Date	Reported Credit Premium	Adjusted Credit Premium	Rule 29 Credit Impact	Error Percentage
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%
Jan. 2015	768,041,708	755,845,777	-12,195,931	1.59%
Feb. 2015	765,672,469	754,083,462	-11,589,007	1.51%
March 2015	766,612,449	756,026,775	-10,585,674	1.38%
April 2015	762,014,995	752,276,699	-9,738,296	1.28%
May 2015	757,581,312	748,573,230	-9,008,085	1.19%
June 2015	751,935,195	743,642,422	-8,292,773	1.10%
July 2015	746,250,784	737,849,902	-8,400,882	1.13%
August 2015	738,203,582	729,721,088	-8,482,494	1.15%
Sept 2015	735,574,174	724,123,379	-8,450,795	1.15%
Oct 2015	725,351,616	717,019,260	-8,332,356	1.15%
Nov 2015	720,960,164	712,449,648	-8,510,516	1.18%
Dec 2015	715,200,019	707,430,539	-7,769,480	1.09%

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4TH QUARTER 2015**

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	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	

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 2015.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for March 2016 through September 2016 are shown following the 4th Quarter Write-Off exhibit.

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IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Loss Write-Off – 4th Quarter 2015

Company	Nov 2015	Dec 2015	Jan 2016	Total
331	-12,700	0		-12,700
245	0	-1,020		-1,020
Total	-12,700	-1,020		-13,720

4th Quarter 2015 – 10% Loss of Investment Fees

Company	Nov 2015	Dec 2015	Jan 2016	Total
245	0	-102	0	-102
Total	0	-102	0	-102

Potential Loss Write-Off March 2016 through September 2016

Company	March 2016	April 2016	May 2016	June 2016	July 2016	August 2016	September 2016	Grand Total
154	0			0	9,380	870		10,250
279	10			0	0	0		10
331	0			13,152	15	142		13,309
734	0			0	7,219	0		7,219
Totals	10			13,152	16,614	1,012		30,788

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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
2015 & 2016 Policy Effective Years**

Non-Critical Error - Penalties

There have been no companies listed to receive a penalty for policy effective years 2015 and 2016.

2015 Effective Year Non-Critical Errors Over Tolerance - Potential Penalty

2015 Effective Year Non-Critical Errors results show no Potential Penalties to report

2016 Effective Year Non-Critical Errors Over Tolerance – Potential Penalty

2016 Effective Year Non-Critical Errors results show no Potential Penalties to report

**OPERATIONAL REPORTS
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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	2014	0	0.00
154	2015	38,432	0.10
154	2016	90,892	2.74
245	2014	0	0.00
245	2015	2,442,986	6.41
245	2016	13,208	0.42
279	2014	0	0.00
279	2015	0	0.00
279	2016	27,046	0.96
717	2014	0	0.00
717	2015	0	0.00
717	2016	0	0.00
734	2014	0	0.00
734	2015	0	0.00
734	2016	0	0.00
773	2014	220	0.00
773	2015	11,389	0.03
773	2016	7,417	0.25
Total Ind		2,631,590	0.89

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 2015 Penalty Forecasting reports on March 8, 2016.

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IV. ACCOUNTING SYSTEM (continued)

F. 2013 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 2013 premium reporting year will close on February 15, 2016. Accordingly, CAR will no longer accept cession activity for the 2013 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 amounts for 2013 effective date policies and for historical information.

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

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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.

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	

B. Annual Statement and Annual Statement Reconciliation

CAR collects the quarterly annual statement figures from the industry according to the schedule below. Those companies that have greater than a 5% dollar difference between the data statistically reported and the financial data entered on the Page 14 must respond to this difference according to the schedule below.

Quarter	Due Date Quarterly Annual Statement	Run Date of the Reconciliation Program	Due Date Reconciliation Response
1st 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

The Third Quarter 2015 collection of Page 14's was due on December 15, 2015. Penalties for late Page 14 amounted to \$4,700. Reconciliation Third Quarter 2015 responses were due on February 3, 2016 and penalties were assessed at \$300. Page 14 and late explanation penalties were included Third Quarter 2015 Settlement of Balances Report. CAR is currently collecting Fourth Quarter 2015 Annual Statement Statutory Page 14 data which is due at CAR on March 15, 2016. Fourth Quarter 2015 Reconciliation Reports are anticipated to run on April 1, 2016.

**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 2014 EFF YEAR	Liability	56,741	797	1.40%
	No Fault	46,402	125	0.27%
	Physical Damage	35,945	360	1.00%
	Total	139,088	1,282	0.92%
COMM 2015 EFF YEAR	Liability	83,256	1,176	1.41%
	No Fault	63,210	234	0.37%
	Physical Damage	56,342	572	1.02%
	Total	202,808	1,982	0.98%

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

Commercial Rate Edit penalties no longer apply to Prior Rating Period which includes policies effective April 2013 – August 2014. Commercial Rate Edit penalties now apply to Current Rating Period only which includes policies effective September 2014 – December 2015. 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 12/2015

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
033	2,587,231	1,150,162	44.46
099	158	150	94.94
100	84,289	23,972	28.44
105	3,993	1,096	27.45
118	50,178	21,164	42.18
153	9,554,032	3,336,139	34.92
154	1,299,816	925,514	71.20
156	192,889	145,974	75.68
226	2,958	719	24.31
261	7,909	4,762	60.21
265	557	160	28.73
283	7,482	4,250	56.80
362	278,765	171,529	61.53
366	7,761	3,772	48.60
418	237,852	59,186	24.88
443	13,512	7,960	58.91
463	2,589	952	36.77
474	208	128	61.54
486	50,987	19,932	39.09
503	1,537	662	43.07
625	14	4	28.57
626	234,170	110,490	47.18
627	27,290	18,700	68.52
630	5,197	1,392	26.78
667	1,504	540	35.90
737	519,795	167,073	32.14
770	799,634	205,423	25.69
823	683,687	272,968	39.93
881	5,943	2,028	34.12
902	153,887	80,466	52.29
927	22,655	8,430	37.21
950	1,182	670	56.68

**OPERATIONAL REPORTS
4TH QUARTER 2015**

V. STATISTICAL AGENT FUNCTION (continued)

D. Deleted Washout Records (continued):

Deleted Washout Totals
For All Shipments Received Through 12/2015

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
958	10,973	2,202	20.07
963	112,342	41,918	37.31
989	40,936	12,286	30.01

Total Industry	75,226,416	9,191,825	12.22%
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The 2014 washout total following the 12/2014 shipments was 15.54%.

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 some additional “look-up” tables to the Statistical Edit Package landing page. Users are now able to view the Catastrophe Code table, the Zip Code table, and the POLK VIN database in addition to the tables that were available previously.

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 has started a project to move the statistical error correction functionality off of its mainframe and onto its website as a new correction application. The project is in its initial stages so no end date has been scheduled but CAR is hoping the new application will be available in the start of 2017.

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VII. PROJECT STATUS REPORTS

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

Project	Status	Description
Rewrite Company Mainframe Applications	In progress	Various reports and applications within the new online statistical correction system are in coding or testing. It is anticipated that this project will be completed in 2016.
Rewrite Distributional Edits	In progress	The Distribution Edit System is being rewritten to focus on Key data elements used for quota share and ratemaking. Paper reports will be replaced by online reports, including a new summary report identifying potential reporting problems. Different reports within the new system are either in the specification, coding or testing phase