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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 27, 2017

RE: Operational Reports

The 4th quarter 2016 Operational Reports follow this memorandum. This report includes data reported November 16, 2016 through February 15, 2017 for the accounting month period of October 2016 through December 2016. 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 \$88,450 Statistical Data Quality Penalties in the 4th Quarter 2016 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 for the closing of policy effective year 2014 will occur in April 2017. CAR set the 2014 penalties at \$5,200 for Commercial and \$8,300 for Taxi/Limousine business.

The 2015 annual Cession/No Premium Write-Off amounts have been calculated and CAR set the 2015 Ceded Premium penalty amounts at \$5,500 for Commercial and \$8,300 for Taxi/Limousine business. Bulletin No. 1028 was distributed on October 18, 2016 with these details.

OPERATIONAL REPORTS 4TH QUARTER 2016

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 has recently updated the CA5010 - Flat Cancellation report using CAR's new online system. The report was sent out to the Commercial Servicing Carriers on January 30, 2017 and responses are now required to be uploaded using this new system. The January 30, 2017 – Flat Cancellation responses are due on April 1, 2017.

As of December 2016 the commercial residual market rate equaled 21.9%.

CAR posted the December 30, 2016 Quarterly Member Participation Reports to its website on March 3, 2017.

CAR ran the 4th Quarter 2016 Rule 29 credit edit download reports on February 22, 2017.

Section IV – Accounting System Processing:

CAR produced the 4th Quarter 2016 Critical Error Loss Write-Offs and 10% Loss of Investment Fees totaling \$111,207 and \$142 respectively.

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2016 and 2017 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 6, 2017.

Section V - Statistical Agent Functions:

Third Quarter 2016 Statutory Page 14 data was due at CAR on December 15, 2016. Penalties amounted to \$8,100 for companies who submitted Page 14 data after the due date. The Reconciliation Responses for Third Quarter 2016 were due back on January 2, 2017. Penalties amounted to \$100 for companies who responded to their explanation after the due date. These penalties were included in Fourth Quarter 2016 Settlement of Balances. CAR recently collected Fourth Quarter 2016 Annual Statements which was due at CAR on March 15, 2017. The Reconciliation process will take place on or approximately April 3, 2017.

Companies who exceed the commercial rate edit tolerances can view these details on CAR's website. Industry results by line of business and policy effective year for the current two years are listed on page 23.

Section VI – Communications:

CAR has progressed in moving the statistical error correction functionality off of its mainframe and onto its website as a new correction application. The project is expected to finish early April.

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4TH QUARTER 2016**

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 2016 as of the fourth quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

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	

2017 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2017	March 15, 2017	1 st Quarter
February 2017	April 17, 2017	
March 2017	May 15, 2017	
April 2017	June 15, 2017	2 nd Quarter
May 2017	July 17, 2017	
June 2017	August 15, 2017	
July 2017	September 15, 2017	3 rd Quarter
August 2017	October 16, 2017	
September 2017	November 15, 2017	
October 2017	December 15, 2017	4 th Quarter
November 2017	January 15, 2018	
December 2017	February 15, 2018	

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, 2016.

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I. STATISTICAL SYSTEM (continued)

2016 Timeliness Report

<i>CO NO</i>	<i>Jan 3/15</i>	<i>Feb 4/15</i>	<i>Mar 5/16</i>	<i>Apr 6/15</i>	<i>May 7/15</i>	<i>Jun 8/15</i>	<i>July 9/15</i>	<i>Aug 10/17</i>	<i>Sep 11/15</i>	<i>Oct 12/15</i>	<i>Nov 1/17</i>	<i>Dec 2/15</i>
099	COM											
110								COM	COM			COM
118		PP	PP	PP								
121	COM											
123									COM			
134		COM					COM					
141												PP
155	COM		COM		COM	COM						
164												COM
175												COM
179	COM								COM	COM	COM	COM
194						PP				PP		
201				PP								
206			COM			COM			COM			COM
303												COM
313						PP						
331	PP	PP		PP								
354	BOTH						BOTH					
366									COM			
377		COM										
427		COM										
436	COM					COM						
437	COM					COM						
446			PP									
622			COM									
626		COM										COM
737									PP	PP	PP	BOTH
785									PP	PP	PP	PP
902												COM
907									PP			
916									PP			
940									PP			
943									PP			
985								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 2016, CAR assessed a total penalty amount of \$88,450. The table below shows the detail penalties for each company.

Penalty Assessments
4th Quarter 2016

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
065	Sparta Insurance Company	Late Page 14 Data - 09/2016	\$ 100
110	KnightBrook Insurance Company	Late MAS - 09/2016	\$ 500
110	KnightBrook Insurance Company	Late Page 14 Data - 09/2016	\$ 1,500
118	Privilege Underwriters Reciprocal	Stat Error >5% - 10/2016	\$ 150
123	HDI-Gerling American Ins. Co.	Late MAS - 09/2016	\$ 1,250
141	Preferred Mutual Insurance Co.	Stat Error > 5% - 08/2016	\$ 150
141	Preferred Mutual Insurance Co.	Stat Error > 5% - 09/2016	\$ 300
141	Preferred Mutual Insurance Co.	Stat Error > 5% - 10/2016	\$ 150
141	Preferred Mutual Insurance Co.	Stat Error > 5% - 11/2016	\$ 150
155	Argonaut Insurance Company	Stat Error > 5% - 01/2016	\$ 6,250
155	Argonaut Insurance Company	Stat Error > 5% - 02/2016	\$ 2,500
155	Argonaut Insurance Company	Stat Error > 5% - 03/2016	\$ 6,250
155	Argonaut Insurance Company	Stat Error > 5% - 04/2016	\$ 5,000
155	Argonaut Insurance Company	Stat Error > 5% - 05/2016	\$ 3,700
155	Argonaut Insurance Company	Stat Error > 5% - 06/2016	\$ 4,900
155	Argonaut Insurance Company	Stat Error > 5% - 07/2016	\$ 3,750
155	Argonaut Insurance Company	Stat Error > 5% - 08/2016	\$ 1,650
155	Argonaut Insurance Company	Stat Error > 5% - 09/2016	\$ 750
155	Argonaut Insurance Company	Stat Error > 5% - 10/2016	\$ 750
155	Argonaut Insurance Company	Late MAS - 09/2016	\$ 1,250
155	Argonaut Insurance Company	Late MAS - 11/2016	\$ 500
155	Argonaut Insurance Company	Late MAS - 12/2016	\$ 500
179	Atlantic Specialty Insurance Co.	Stat Error > 5% - 08/2016	\$ 150
179	Atlantic Specialty Insurance Co.	Stat Error > 5% - 09/2016	\$ 300
179	Atlantic Specialty Insurance Co.	Interim Late MAS - 09/2016	\$ 9,000
179	Atlantic Specialty Insurance Co.	Interim Late MAS - 10/2016	\$ 6,000
179	Atlantic Specialty Insurance Co.	Interim Late MAS - 11/2016	\$ 3,000
179	Atlantic Specialty Insurance Co.	Interim Late MAS - 12/2016	\$ 500
194	Bankers Standard Insurance Co.	Stat Error > 5% - 01/2016	\$ 2,500
194	Bankers Standard Insurance Co.	Stat Error > 5% - 03/2016	\$ 1,250

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4TH QUARTER 2016**

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
4th Quarter 2016

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
194	Bankers Standard Insurance Co.	Late MAS - 10/2016	\$ 500
206	Nationwide Agribusiness Ins. Co.	Stat Error > 5% - 06/2016	\$ 300
206	Nationwide Agribusiness Ins. Co.	Stat Error > 5% - 09/2016	\$ 300
206	Nationwide Agribusiness Ins. Co.	Late MAS - 06/2016	\$ 1,500
206	Nationwide Agribusiness Ins. Co.	Late MAS - 09/2016	\$ 1,500
206	Nationwide Agribusiness Ins. Co.	Late Pg. 14 Expln - 09/2016	\$ 100
230	Praetorian Insurance Company	Late MAS - 09/2016	\$ 3,000
247	National Casualty Company	Stat Error > 5% - 09/2016	\$ 150
265	Berkley National Insurance Co.	Stat Error > 5% - 10/2016	\$ 150
303	Cumis Insurance Society, Inc.	Stat Error > 5% - 09/2016	\$ 150
366	Arch Insurance Company	Late MAS - 09/2016	\$ 500
466	Hartford Underwriters Insurance Co	Late Page 14 Data - 09/2016	\$ 1,200
538	Seneca Insurance Company, Inc.	Late Page 14 Data - 09/2016	\$ 200
627	National Union Fire Insurance Co.	Stat Error > 5% - 10/2016	\$ 150
643	New Hampshire Insurance Co.	Stat Error > 5% - 10/2016	\$ 600
686	Occidental Fire & Casualty Co. NC	Stat Error > 5% - 11/2016	\$ 150
737	Progressive Casualty Insurance Co.	Late MAS - 09/2016	\$ 3,000
737	Progressive Casualty Insurance Co.	Late MAS - 10/2016	\$ 1,250
737	Progressive Casualty Insurance Co.	Late MAS - 11/2016	\$ 1,250
756	RLI Insurance Company	Stat Error > 5% - 09/2016	\$ 150
785	Progressive Direct Insurance Co.	Late MAS - 09/2016	\$ 3,000
785	Progressive Direct Insurance Co.	Late MAS - 10/2016	\$ 1,250
785	Progressive Direct Insurance Co.	Late MAS - 11/2016	\$ 1,250
756	RLI Insurance Company	Stat Error > 5% - 09/2016	\$ 150
785	Progressive Direct Insurance Co.	Late MAS - 09/2016	\$ 3,000
907	United Services Automobile Assoc.	Late MAS - 09/2016	\$ 500
916	Garrison Property & Casualty Ins.	Late MAS - 09/2016	\$ 500
940	USAA General Indemnity Company	Late MAS - 09/2016	\$ 500
943	USAA Casualty Insurance Co.	Late MAS - 09/2016	\$ 500
985	CorePointe Insurance Company	Late MAS - 08/2016	\$ 150
907	United Services Automobile Assoc.	Late MAS - 09/2016	\$ 500
916	Garrison Property & Casualty Ins	Late MAS - 09/2016	\$ 500
940	USAA General Indemnity Company	Late MAS - 09/2016	\$ 500
943	USAA Casualty Insurance Co.	Late MAS - 09/2016	\$ 500
985	CorePointe Insurance Company	Late MAS - 08/2016	\$ 150
		Total	\$88,450

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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
January 1, 2017 (Optional for policies effective January 1, 2016 – December 31, 2016)	Classification Code 924000 has been added to the Commercial Statistical Plan to identify Electronic Motorcycles.	
January 1, 2017 (Optional for policies effective January 1, 2016 – December 31, 2016)	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. Appendix A – Classification and Coverage Code Decision Tables and Exposure Basis Tables have also been updated to include these new codes. 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.	Approved by the Division of Insurance on September 21, 2015

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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 2015-2017.

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 13, 2016.

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 March 14, 2017 monitoring policy years 2014, 2015 and 2016 for 4th Quarter 2016.

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 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	1,016	101	9.9 *	0.1	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	3,029	148	4.8%	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.*)

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II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

2. CR215 Cessions Automatically Backdated (continued)

Policy Year 2015
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED		% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	3,423	39	1.1		0.0	0	0
245	1,182	111	9.4	*	-0.1	0	0
279	14	1	7.1	#	0.0	0	0
717	356	22	6.2	#	0.0	11,592	0
734	312	5	1.6		0.0	10,214	7,500
Totals	5,287	178	3.4%		N/A	21,806	7,500

* indicates that more than 5% of the total new business cessions for the company are backdated.

indicates more than 5% are backdated but fall within the tolerance level. (*The tolerance level is 5% and 25 policies in error*).

Policy Year 2016
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED		% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	1,185	5	0.4		0.0	0	0
245	933	52	5.6	*	1.1	0	0
279	29	2	6.9	#	1.9	0	0
717	358	10	3.0		0.4	0	0
734	368	19	5.2	#	-0.2	0	0
773	3	2	0.0		0.0	0	0
Totals	2,846	88	3.1%		N/A	0	0

* indicates that more than 5% of the total new business cessions for the company are backdated.

indicates more than 5% are backdated but fall within the tolerance level. (*The tolerance level is 5% and 25 policies in error*).

C. CA5010 Flat Cancellation Audit

Twice per year CAR runs the CA5010 - Flat Cancellation Documentation Listing. Its purpose is to randomly sample flat-canceled policies to verify that the industry is using flat-cancellation transactions properly. CAR has recently updated the CA5010 - Flat Cancellation report using the new online system. The latest report was sent on January 30, 2017 and documentation can now be uploaded directly to CAR. The due date for responses is on April 1, 2017 and only one company resulted in a penalty after reviewing the documentation.

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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 1/2016 to 12/2016
Reflects MAIP Placement Record Reported Data as of February 17, 2017

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
153	58	114	3	408	74	28	6,530
192	0	5	0	0	0	4	335
193	0	0	0	0	0	6	0
202	0	0	0	0	0	0	212
279	20	1	1,289	76	10	7	23,981
308	2	0	0	0	0	0	401
312	0	0	13	0	0	2	1,109
331	1	6	0	7	0	2	114
354	6	7	18	0	5	63	5,862
363	0	1	0	0	2	1	480
422	0	0	0	0	0	0	306
521	0	0	0	0	58	49	64
531	2	0	0	0	0	0	1,227
585	0	0	0	0	0	1	122
612	22	0	21	13	1	2	2,403
664	12	10	0	0	0	2	2,486
686	0	0	0	6	0	0	0
724	2	6	13	0	4	10	4,252
731	0	2	0	58	0	0	0
773	2	0	279	92	0	8	13,139
826	0	0	19	40	0	0	54
827	0	1	0	0	0	0	537
908	2	1	3	0	5	1	4,642
959	0	0	0	0	0	0	183
988	3	17	0	6	0	0	1,273
Average	5	7	66	28	6	7	2788

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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
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	2.6%	20.4%	Final Result
2016	1.4%	21.9%	As of Dec 2016

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 2016 Results as of December 2016

	2016 @ 12Months	% Total	2015 @ 12 Months	% Total
MAIP Assigned (CAR-ID 9)	63,275	1.4	57,877	1.3
MAIP Retained (CAR-ID 8)	4,520,511	98.6	4,456,522	98.7
Clean-In-Three (CAR-ID 1)	791	0.0	1,284	0.0
Total	4,584,477	100.0%	4,515,683	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, 2016, 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 2016 Quarterly Member Participation Reports to its website on March 3, 2017. 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 2016 estimated Participation Ratios using data reported through December 31, 2016 will be posted to CAR's website by March 31, 2017.

F. CAR Financial Results

The ultimate policy year deficit projections, as of December 2016, for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Commercial
2014	(10,415)
2015	(11,817)
2016	(29,868)

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, 2016 Monthly Quota Share and Assignment Order Report to its website on March 1, 2017. The report has been updated to include statistical data from January 2016 to December 2016 effective month policies reported through February 15, 2017. 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 25.95% is detailed in Commercial Lines Bulletin #112.

The 2016 Interim Expense Allowances for Taxi, Limousine and Car Service Business are 22.63%, 21.40% and 18.64%, respectively. Commercial Lines Notice #113 details the calculation of these Interim Expenses.

**OPERATIONAL REPORTS
4TH QUARTER 2016**

III. RESIDUAL MARKET INFORMATION (continued)

I. Rule 29 Voluntary Credits

CAR ran the Rule 29 credit edit reports for December effective date data in late-February. 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, 2015 accounting date.

Accounting Date	Reported Credit Premium	Adjusted Credit Premium	Rule 29 Credit Impact	Error Percentage
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%
Jan 2016	707,850,432	700,048,794	-7,801,638	1.10%
Feb 2016	706,287,984	698,652,586	-7,635,398	1.08%
March 2016	705,892,327	698,262,086	-7,630,241	1.08%
April 2016	707,295,155	699,539,163	-7,755,992	1.10%
May 2016	707,293,296	699,711,761	-7,581,535	1.07%
June 2016	707,501,084	699,874,035	-7,627,049	1.08%
July 2016	705,777,638	698,493,570	-7,284,068	1.03%
August 2016	706,998,980	699,745,115	-7,253,865	1.03%
Sept 2016	704,318,491	697,077,224	-7,241,367	1.03%
Oct 2016	708,382,427	701,290,443	-7,091,984	1.00%
Nov 2016	718,039,090	710,805,951	-7,233,139	1.01%
Dec 2016	725,076,401	717,758,173	-7,318,228	1.01%

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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 2016	March 15, 2016	March 16, 2016	1st Quarter 2016
February 2016	April 15, 2016	April 16, 2016	
March 2016	May 16, 2016	May 17, 2016	
April 2016	June 15, 2016	June 16, 2016	2 nd Quarter 2016
May 2016	July 15, 2016	July 16, 2016	
June 2016	August 15, 2016	August 16, 2016	
July 2016	September 15, 2016	September 16, 2016	3 rd Quarter 2016
August 2016	October 17, 2016	October 18, 2016	
September 2016	November 15, 2016	November 16, 2016	
October 2016	December 15, 2016	December 16, 2016	4 th Quarter 2016
November 2016	January 16, 2017	January 17, 2017	
December 2016	February 15, 2017	February 16, 2017	

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 2016.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for March 2017 through September 2017 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 2016

Company	Nov 2016	Dec 2016	Jan 2017	Total
154		0	10	10
245		0	109,939	109,939
331		1,258	0	1,258
Total		1,258	109,949	111,207

4th Quarter 2016 – 10% Loss of Investment Fees

Company	Nov 2016	Dec 2016	Jan 2017	Total
154		0	1	1
245		0	15	15
331		126	0	126
Total		126	16	141

Potential Loss Write-Off March 2017 through September 2017

Company	March 2017	April 2017	May 2017	June 2017	July 2017	August 2017	September 2017	Grand Total
154	1,495			10		27,058	0	28,563
245	19,842			0		0	37,472	57,314
279	0			0		0	0	0
331	0			0		0	0	0
734	0			0		0	0	0
773	0			0		0	0	0
Totals	21,337			10		27,058	37,472	85,877

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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
2016 & 2017 Policy Effective Years**

Non-Critical Error - Penalties

There have been no companies listed to receive a penalty for policy effective years 2016 and 2017.

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

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

2017 Effective Year Non-Critical Errors Over Tolerance – Potential Penalty

2017 Effective Year Non-Critical Errors results 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	2014	0	0.00
154	2015	0	0.00
154	2016	11,621	0.03
245	2014	2,231	0.01
245	2015	46,986	0.12
245	2016	24,773	0.06
279	2014	0	0.00
279	2015	0	0.00
279	2016	116	0.00
717	2014	0	0.00
717	2015	0	0.00
717	2016	50,495	0.99
734	2014	0	0.00
734	2015	0	0.00
734	2016	0	0.00
773	2014	0	0.00
773	2015	0	0.00
773	2016	2,351	0.01
Total Ind		138,573	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 2016 Penalty Forecasting reports on March 6, 2017.

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IV. ACCOUNTING SYSTEM (continued)

F. 2014 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 2014 premium reporting year will close on February 15, 2017. Accordingly, CAR will no longer accept cession activity for the 2014 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 2014 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 2016	March 15, 2016	May 16, 2016	1st Quarter 2016
February 2016	April 15, 2016	April 18, 2016	
March 2016	May 16, 2016	May 17, 2016	
April 2016	June 15, 2016	June 17, 2016	2 nd Quarter 2016
May 2016	July 15, 2016	July 18, 2016	
June 2016	August 15, 2016	August 16, 2016	
July 2016	September 15, 2016	September 16, 2016	3 rd Quarter 2016
August 2016	October 17, 2016	October 18, 2016	
September 2016	November 16, 2016	November 17, 2016	
October 2016	December 15, 2016	December 16, 2016	4 th Quarter 2016
November 2016	January 16, 2017	January 17, 2017	
December 2016	February 15, 2017	February 16, 2017	

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 2016	June 15, 2016	July 1, 2016	Approx. August 1, 2016
2nd 2016	September 15, 2016	October 3, 2016	Approx. November 3, 2016
3rd 2016	December 15, 2016	January 3, 2017	Approx. February 3, 2017
4th 2016	March 15, 2017	April 3, 2017	Approx. May 3, 2017

The Third Quarter 2016 collection of Page 14's was due on December 15, 2016. Penalties for late Page 14 amounted to \$8,100. Reconciliation Third Quarter 2016 responses were due on February 2, 2017 and penalties were assessed at \$100. Page 14 and late explanation penalties were included in Fourth Quarter 2016 Settlement of Balances Report. CAR recently collected Fourth Quarter 2016 Annual Statement Statutory Page 14 data with a due date of March 15, 2017. Fourth Quarter 2016 Reconciliation Reports are anticipated to run on April 3, 2017.

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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 2016 EFF YEAR	Liability	71,294	877	1.23%
	No Fault	54,002	168	0.31%
	Physical Damage	48,160	497	1.03%
	Total	173,456	1,542	0.89%
COMM 2017 EFF YEAR	Liability	3,838	148	3.86%
	No Fault	3,875	10	0.26%
	Physical Damage	2,926	95	3.25%
	Total	10,639	253	2.38%

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 now apply to Current and Previous Effective Years. Current Effective Year includes policies effective January 2017 – December 2017. Previous Effective Year includes policies effective January 2016 – December 2016. 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 12/2016

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
033	2,262,743	1,013,554	44.79
099	108	52	48.15
100	73,024	15,240	20.87
105	3,380	1,298	38.40
118	80,026	33,380	41.71
153	10,367,934	3,496,363	33.72
154	794,871	399,168	50.22
156	98,725	51,030	51.69
201	32,497	7,522	23.15
205	409	178	43.52
226	2,828	718	25.39
261	6,953	3,628	52.18
283	6,586	3,994	60.64
362	326,226	222,593	68.23
402	34,673	9,082	26.19
418	243,186	64,690	26.60
420	13,462	3,112	23.12
443	30,398	23,054	75.84
468	8,535	2,360	27.65
474	35	8	22.86
486	56,891	32,410	56.97
503	1,299	840	64.67
626	221,641	101,532	45.81
627	17,441	13,176	75.55
737	807,860	212,808	26.34
770	1,015,027	284,620	28.04
775	72	32	44.44
823	5,020,230	1,687,258	33.61
881	10,117	5,304	52.43

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V. STATISTICAL AGENT FUNCTION (continued)

D. Deleted Washout Records (continued):

Deleted Washout Totals
For All Shipments Received Through 12/2016

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
902	157,073	78,436	49.94
927	21,823	7,348	33.67
963	102,032	37,675	36.92
989	27,047	7,396	27.34

Total Industry	82,860,494	10,308,761	12.44%
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The 2015 washout total following the 12/2015 shipments was 12.22%.

E. Distributional Analysis

The Distributional Analysis Edit System is a new set of reports CAR developed to help determine whether companies are experiencing reporting issues relating to Data Quality. The reports are segmented into three sections by type of business: Private Passenger Total Market, Commercial – Voluntary and Commercial – Servicing Carrier business.

The first phase of these reports focused on premium data only and were placed on CAR's website in September 2016. The report collected 6 months' worth of each company's premium data and companies were to respond to any out of balance tolerances by November 28, 2016. The December 2016 report was run on February 28, 2017 and posted to the website with responses due back on May 1, 2017. The second phase of these reports will focus on loss reporting and is still in development.

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

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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.

Beginning in early April 2017, companies will now access the statistical correction application directly on CAR's website to process correction to records in statistical error. Accessing CAR's mainframe will be necessary only to review or request statistical policy histories.

In addition to the statistical correction application moving to CAR's website, the producer code "look-up" function and the non-POLK browse/add/update function are also moving to CAR's website. This information will be contained in an Accounting & Statistical Notice being distributed in late March 2017.

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.

As indicated above, statistical corrections, producer code, and non-POLK VIN are moving to the website in early April. Statistical policy histories will remain on the mainframe while CAR explores alternatives for presenting that information on its website.

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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 its final stages of testing. It is anticipated that this project will be implemented either by the time these reports are released or shortly thereafter.
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. The premium reports were implemented September 2016. The loss reports are currently in the specification and coding stage.