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- MEMORANDUM -

TO: All Recipients of the CAR Operational Reports
FROM: Lisa Traynham
DATE: March 21, 2018
RE: Operational Reports

The 4th quarter 2017 Operational Reports follow this memorandum. This report includes data reported November 16, 2017 through February 15, 2018 for the accounting month period of October 2017 through December 2017. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

Section I – Accounting/Statistical Shipments:

On December 7, 2017, the Division of Insurance approved revisions to the Massachusetts Private Passenger and Commercial Automobile Statistical Plan. The Private Passenger Statistical Plan modifications were approved for January 1, 2019 to capture more detailed information relative to the Continuous Coverage and Low Frequency Discounts.

The Commercial Statistical Plan modifications were approved for January 1, 2018 where Classification Code 199800 has been deleted from the Commercial Statistical Plan for inactivity. Also, wording was updated to be consistent with the Commercial Rating Manual.

CAR assessed a total of \$17,650 Statistical Data Quality Penalties in the 4th Quarter 2017 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 2015 will occur in April 2018. CAR set the 2015 penalties at \$5,500 for Commercial and \$8,300 for Taxi/Limousine business.

The 2016 annual Cession/No Premium Write-Off amounts have been calculated and CAR set the 2016 Ceded Premium penalty amounts at \$5,700 for Commercial and \$8,200 for Taxi/Limousine business. Bulletin No. 1044 was distributed on November 21, 2017 with these details.

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Section III – Residual Market Information:

This section includes various status reports related to Commercial Residual Market and Private Passenger – MAIP Residual Market, participation ratios, and quota share.

CAR ran the CA5010 - Flat Cancellation Audit report on January 31, 2018 using CAR's new online system. The documentation can now be uploaded into CAR and is due on April 1, 2018.

As of December 2017 the commercial residual market rate equaled 22.2%.

CAR will post the December 31, 2017 Quarterly Member Participation Reports to its website on March 31, 2018.

CAR ran the 4th Quarter 2017 Rule 29 credit edit download reports on February 19, 2018.

Section IV – Accounting System Processing:

CAR produced the 4th Quarter 2017 Critical Error Loss Write-Offs and 10% Loss of Investment Fees totaling \$0 and \$0 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, 2018.

Section V - Statistical Agent Functions:

Third Quarter 2017 Statutory Page 14 data was due at CAR on December 15, 2017. Penalties amounted to \$3,200 for companies who submitted Page 14 data after the due date. The Reconciliation Responses for Third Quarter 2017 were due back on January 2, 2018. Penalties amounted to \$9,700 for companies who responded to their explanation after the due date. These penalties were included in Fourth Quarter 2017 Settlement of Balances. CAR is currently collecting Fourth Quarter 2017 Annual Statements which are due at CAR on March 15, 2018. The Reconciliation process will take place on or approximately April 2, 2018.

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 is still in the progress of moving the functionality of various applications from its mainframe and onto its website. The Cession System is currently under development.

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4TH QUARTER 2017**

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 2017 as of the fourth quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

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	

2018 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2018	March 15, 2018	1 st Quarter
February 2018	April 17, 2018	
March 2018	May 15, 2018	
April 2018	June 15, 2018	2 nd Quarter
May 2018	July 16, 2018	
June 2018	August 15, 2018	
July 2018	September 17, 2018	3 rd Quarter
August 2018	October 15, 2018	
September 2018	November 15, 2018	
October 2018	December 17, 2018	4 th Quarter
November 2018	January 15, 2019	
December 2018	February 15, 2019	

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, 2017.

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I. STATISTICAL SYSTEM (continued)

2017 Timeliness Report

<i>CO NO</i>	<i>Jan 3/15</i>	<i>Feb 4/18</i>	<i>Mar 5/15</i>	<i>Apr 6/15</i>	<i>May 7/17</i>	<i>Jun 8/15</i>	<i>July 9/15</i>	<i>Aug 10/16</i>	<i>Sep 11/15</i>	<i>Oct 12/15</i>	<i>Nov 1/16</i>	<i>Dec 2/15</i>
065						COM						
103		COM										
110			COM			COM						COM
116												COM
121									COM			
123			COM			COM			COM			
134				COM	COM				COM			COM
144												COM
155			COM	COM		COM		COM	COM	COM	COM	
164	Both											
194			PP									
206			COM			COM			COM			COM
303												COM
323									PP		PP	PP
331	PP						COM		PP			
397												
418	PP											
443						COM						COM
455							Both					
567							COM					
571												COM
680							COM					
686		PP	PP	PP	PP	PP	PP					PP
708	COM											
711		PP	PP									
785		PP										
833			COM			COM			COM			
837												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 2017, CAR assessed a total penalty amount of \$17,650. The table below shows the detail penalties for each company.

Penalty Assessments
4th Quarter 2017

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
105	Crum & Foster Indemnity Co.	Late Page 14 Data - 09/2017	\$ 100
110	KnightBrook Insurance Company	Late Expl Response - 09/2017	\$ 100
110	KnightBrook Insurance Company	Late MAS 14 Data - 09/2017	\$ 500
118	PURE Insurance Company	Stat Error >5% - 10/2017	\$ 150
121	Allied World Specialty Ins Co.	Late Page 14 Data - 09/2017	\$ 100
121	Allied World Specialty Ins. Co.	Late MAS 14 Data - 09/2017	\$ 500
123	HDI-Gerling American Ins. Co	Late MAS - 09/2017	\$ 500
125	AmGUARD Insurance Company	Late Page 14 Data - 09/2017	\$ 100
134	New York and General Ins. Co.	Late MAS 14 Data - 12/2017	\$ 1,000
134	New York and General Ins. Co.	Stat Error >5% - 09/2017	\$ 150
144	Wesco Insurance Company	Late Page 14 Data - 09/2017	\$ 1,100
155	Argonaut Insurance Company	Stat Error > 5% - 07/2017	\$ 300
155	Argonaut Insurance Company	Stat Error > 5% - 09/2017	\$ 150
155	Argonaut Insurance Company	Late MAS 14 Data - 09/2017	\$ 500
155	Argonaut Insurance Company	Late MAS 14 Data - 10/2017	\$ 500
155	Argonaut Insurance Company	Late MAS 14 Data - 11/2017	\$ 500
158	Technology Insurance Co. (TIC)	Late Page 14 Data - 09/2017	\$ 1,100
201	AIG Property & Casualty Co.	Stat Error >5% - 10/2017	\$ 150
201	AIG Property & Casualty Co.	Stat Error >5% - 11/2017	\$ 150
201	AIG Property & Casualty Co.	Stat Error >5% - 12/2017	\$ 150
206	Nationwide Agribusiness Ins. Co.	Late Expl Response - 09/2017	\$ 300
206	Nationwide Agribusiness Ins. Co.	Late MAS 14 Data - 09/2017	\$ 1,500
206	Nationwide Agribusiness Ins. Co.	Late MAS 14 Data - 12/2017	\$ 1,500
230	Praetorian Insurance Company	Late Expl Response - 09/2017	\$ 1,600
323	Esurance Insurance Company	Late MAS 14 Data - 11/2017	\$ 500
323	Esurance Insurance Company	Late MAS 14 Data - 12/2017	\$ 500
347	Selective Ins. Of So. Carolina	Stat Error >5% - 10/2017	\$ 300

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4TH QUARTER 2017**

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
4th Quarter 2017

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
443	NOVA Insurance Company	Late Page 14 Data - 09/2017	\$ 200
443	NOVA Insurance Company	Late Expl Response- 9/2017	\$ 1,600
627	National Union Fire Insurance Co.	Stat Error > 5% - 07/2017	\$ 150
659	North American Elite Insurance Co.	Late Expl Response-9/2017	\$ 200
660	NORGUARD Insurance Company	Late Page 14 Data - 09/2017	\$ 100
667	North River Insurance Company	Late Page 14 Data - 09/2017	\$ 100
680	Ohio Security Insurance Co.	Stat Error > 5% - 07/2017	\$ 150
686	Occidental Fire & Casualty Co. of C	Stat Error > 5% - 05/2017	\$ 150
748	QBE Insurance Corporation	Late MAS 14 Data - 12/2017	\$ 500
833	Berkshire Hathaway Specialty Co.	Late MAS 14 Data - 09/2017	\$ 500
		Total	\$17,650

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I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
January 1, 2019	In order to capture more detailed information relative to the Continuous Coverage and Low Frequency Discounts, additional coding has been added to these fields. Codes have been added to identify eligibility status and whether or not the discounts have been applied.	Approved by the Division of Insurance on December 7, 2017

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I. STATISTICAL SYSTEM (continued)

Massachusetts Commercial Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
January 1, 2018	Currently, Classification Codes 199800 and 739800 may both be used to identify private passenger type fleet vehicles that are used in business. A recent query of CAR's statistical files indicate that companies do not use class code 199800 and therefore this code has been deleted from the Commercial Statistical Plan.	Approved by the Division of Insurance on December 7, 2017
	For Garagekeepers Specified Causes of Loss Coverage, covered losses include fire, theft and vandalism. To maintain consistency with the Commercial Automobile Rating Manual, the wording in the Commercial Statistical Plan has been updated accordingly.	
	To maintain consistency with Rule 45 – Audio, Visual and Data Electronic Equipment of the Commercial Automobile Rating Manual, references to this coverage in the Commercial Statistical Plan have been updated accordingly.	

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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 2016-2018.

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 (un-cede) 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, 2017.

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 23, 2018 monitoring policy years 2015, 2016 and 2017 for 4th Quarter 2017.

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 2015
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	3,423	38	1.1	0.0	0	0
245	1,179	111	9.4 *	0.0	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	14,000
Totals	5,284	177	3.3%	N/A	21,806	14,000

* 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 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	934	53	5.7 *	-0.1	0	0
279	29	2	6.9 #	0.0	0	0
717	328	10	3.0	0.0	0	0
734	368	19	5.2 #	0.0	0	0
773	3	0	0.0	0.0	0	0
Totals	2,846	89	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*).

Policy Year 2017
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	660	1	0.2	0.0	10,470	0
279	5	0	0	0.0	0	0
717	479	10	2.3	-0.2	14,969	12,298
734	430	30	7.0	3.3	964	0
773	1	0	0	0.0	0	0
Totals	1,575	41	2.6%	N/A	26,403	12,298

* 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 updated the CA5010 - Flat Cancellation report using the new online system. The latest report was sent on January 30, 2018 and documentation can now be uploaded directly to CAR. The due date for responses is on April 1, 2018.

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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 1/2017 to 12/2017

Reflects MAIP Placement Record Reported Data as of February 17, 2018

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
113	0	114	208	0	1	0	356
153	65	5	3	182	6	23	6,405
192	2	0	2	0	1	2	528
193	0	0	46	1	0	1	59
202	2	1	0	0	0	0	235
262	0	0	0	18	0	0	0
279	13	0	867	62	12	8	23,366
308	0	6	0	0	0	0	346
312	0	7	7	0	0	0	474
354	16	1	9	0	5	63	5,889
363	2	0	3	0	0	2	417
422	1	0	1	0	1	0	323
521	2	0	0	0	204	118	215
531	4	0	0	0	1	5	1,666
585	0	0	0	0	2	0	75
612	18	10	13	11	2	1	2,522
664	25	0	1	1	7	17	1,881
724	4	6	8	0	4	14	3,357
731	0	2	0	74	0	0	0
773	1	0	201	92	3	3	12,432
826	0	0	1	3	0	0	18
827	2	1	0	0	0	1	617
908	8	1	7	0	0	6	4,855
959	0	0	0	0	0	0	182
988	0	17	4	5	0	1	2,548
Average	7	4	55	18	10	11	2751

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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
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%	Final Result
2016	1.4%	21.8%	Final Result
2017	1.3%	22.2%	As of Dec 2017

Commercial Residual Market volume report is available on CAR's website (www.commauto.com).

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

Policy Year 2017 Results as of December 2017

	2017 @ 12 Months	% Total		2016 @ 12 Months	% Total
MAIP Assigned (CAR-ID 9)	61,625	1.3%		63,277	1.3%
MAIP Retained (CAR-ID 8)	4,589,421	98.7%		4,529,997	98.7%
Clean-In-Three (CAR-ID 1)	595	0.0%		790	0.0%
Total	4,651,641	100.0%		4,594,064	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, 2017 on March 5, 2018 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 2017 Quarterly Member Participation Reports to its website on March 12, 2018. 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 2017 estimated Participation Ratios using data reported through December 31, 2017 will be posted to CAR's website by March 31, 2018.

F. CAR Financial Results

The ultimate policy year deficit projections, as of December 2017, for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Commercial
2015	(13,939)
2016	(41,605)
2017	(31,434)

Deficit projections for policy years 2017 and prior 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 2017 Monthly Quota Share and Assignment Order Report to its website on February 27, 2018. The report has been updated to include statistical data for January 2017 to December 2017 effective month policies reported through February 15, 2018. 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 – Calendar Year 2018

The Commercial Servicing Carrier interim expense allowance of 24.03% is detailed in Commercial Lines Bulletin #115.

The 2018 Interim Expense Allowances for Taxi, Limousine and Car Services Business are 26.61%, 18.69%, and 17.46% respectively. Commercial Lines Notice #116 details the calculation of these Interim Expenses.

I. CAR Commercial Rate Filing – Effective January 1, 2018

The CAR Commercial Residual Market Rates have been placed on file by the Division of Insurance on October 27, 2017 and documented in the Commercial Lines Notice #114. In order to allow companies appropriate lead time to implement the rates, the effective date was amended to February 1, 2018.

The approved Rates, Rate Pages, Implementation Instructions and Experience Rating Plan are available to Commercial Servicing Carriers upon request. Requests should be directed to Timothy Galligan, Actuarial and Financial Services, at tgalligan@commauto.com or (617) 880-7286.

J. CAR Private Passenger Rate Filing – Effective January 1, 2018

The Private Passenger Residual Market amended rates were approved by the Division of Insurance on October 27, 2017. This filing's effective date has been changed to February 1, 2018 to allow companies appropriate lead time to implement the rates. Refer to Bulletin No. 1040 for additional details.

The approved Rates, Rate Pages, Implementation Instructions and Experience Rating Plan are available to Commercial Servicing Carriers upon request. Requests should be directed to Timothy Galligan, Actuarial and Financial Services, at tgalligan@commauto.com or (617)880-7286.

Also, on February 15, 2018, CAR filed to adopt the 2016 edition of the Massachusetts Automobile Insurance Policy, including related forms and endorsements effective July 1, 2018 and subsequent. Please reference Bulletin No. 1046 for additional details related to this filing.

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III. RESIDUAL MARKET INFORMATION (continued)

I. Rule 29 Voluntary Credits

CAR ran the Rule 29 credit edit reports for December effective date data in mid-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, 2016 accounting date.

Accounting Date	Reported Credit Premium	Adjusted Credit Premium	Rule 29 Credit Impact	Error Percentage
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%
Jan. 2017	733,988,565	726,368,804	-7,619,761	1.04%
Feb. 2017	735,742,314	728,187,390	-7,554,924	1.03%
March 2017	754,103,428	746,089,180	-8,014,248	1.06%
April 2017	763,067,553	754,981,675	-8,085,878	1.06%
May 2017	772,897,972	764,532,752	-8,347,220	1.08%
June 2017	782,390,955	773,899,173	-8,491,782	1.09%
July 2017	791,249,048	782,313,850	-8,935,198	1.13%
August 2017	804,498,501	795,116,288	-9,382,213	1.17%
Sept 2017	812,978,203	803,611,634	-9,366,569	1.15%
Oct 2017	813,871,268	804,468,064	-9,403,204	1.16%
Nov 2017	814,493,688	805,056,124	-9,437,564	1.16%
Dec 2017	815,178,541	805,810,431	-9,368,110	1.15%

**OPERATIONAL REPORTS
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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 2018	March 15, 2018	May 16, 2018	1st Quarter 2018
February 2018	April 16, 2018	April 17, 2018	
March 2018	May 15, 2018	May 16, 2018	
April 2018	June 15, 2018	June 18, 2018	2 nd Quarter 2018
May 2018	July 16, 2018	July 17, 2018	
June 2018	August 15, 2018	August 16, 2018	
July 2018	September 15, 2018	September 18, 2018	3 rd Quarter 2018
August 2018	October 15, 2018	October 16, 2018	
September 2018	November 15, 2018	November 16, 2018	
October 2018	December 17, 2018	December 18, 2018	4 th Quarter 2018
November 2018	January 15, 2019	January 16, 2019	
December 2018	February 15, 2019	February 18, 2019	

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 2017.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for March 2018 through September 2018 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 2017

Company	Nov 2017	Dec 2017	Jan 2018	Total
154				
245				
279				
717				
734				
773				
Total				

4th Quarter 2017 – 10% Loss of Investment Fees

Company	Nov 2017	Dec 2017	Jan 2018	Total
154				
245				
279				
717				
734				
773				
Total				

Potential Loss Write-Off March 2018 through September 2018

Company	March 2018	April 2018	May 2018	June 2018	July 2018	August 2018	September 2018	Grand Total
154	2,837		0	0			263	3,100
245	166		3,363	893			0	4,422
279	0		0	0			0	0
732	7,854		0	0			0	7,854
734	0		0	0			0	0
773	15,722		0	0			0	15,722
Totals	26,579		3,363	893			263	31,098

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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
2017 & 2018 Policy Effective Years**

Non-Critical Error - Penalties

There have been no companies listed to receive a penalty for policy effective years 2017 and 2018.

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

2017 Effective Year Non-Critical Errors results show no Potential Penalties to report

2018 Effective Year Non-Critical Errors Over Tolerance – Potential Penalty

2018 Effective Year Non-Critical Errors results show no Potential Penalties to report

**OPERATIONAL REPORTS
4TH QUARTER 2017**

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	2015	0	0.00
154	2016	0	0.00
154	2017	1,444	0.00
245	2015	91,812	0.24
245	2016	7,750	0.02
245	2017	0	0.00
279	2015	0	0.00
279	2016	0	0.00
279	2017	0	0.00
717	2015	0	0.00
717	2016	0	0.00
717	2017	0	0.00
732	2015	0	0.00
732	2016	0	0.00
732	2017	0	0.00
734	2015	0	0.00
734	2016	0	0.00
734	2017	0	0.00
773	2015	0	0.00
773	2016	0	0.00
773	2017	152,065	0.28
Total Ind		253,071	0.05

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 2017 Penalty Forecasting reports on March 6, 2018.

**OPERATIONAL REPORTS
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IV. ACCOUNTING SYSTEM (continued)

F. 2016 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 2016 premium reporting year will close on February 15, 2019. Accordingly, CAR will no longer accept cession activity for the 2016 policy effective year and all policies that contain an active cessions 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 2016 effective date policies and for historical information.

Year	PP Penalty	Commercial Penalty	Taxi/Limo/CAR Service Penalty
2016	N/A	\$5,700	\$8,200
2015	N/A	\$5,500	\$8,300
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

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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 2018	March 15, 2018	May 16, 2018	1st Quarter 2018
February 2018	April 16, 2018	April 17, 2018	
March 2018	May 15, 2018	May 16, 2018	
April 2018	June 15, 2018	June 18, 2018	2 nd Quarter 2018
May 2018	July 16, 2018	July 17, 2018	
June 2018	August 15, 2018	August 16, 2018	
July 2018	September 15, 2018	September 18, 2018	3 rd Quarter 2018
August 2018	October 15, 2018	October 16, 2018	
September 2018	November 15, 2018	November 16, 2018	
October 2018	December 17, 2018	December 18, 2018	4 th Quarter 2018
November 2018	January 15, 2019	January 16, 2019	
December 2018	February 15, 2019	February 18, 2019	

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 2017	June 15, 2017	July 5, 2017	Approx. August 4, 2017
2nd 2017	September 15, 2017	October 2, 2017	Approx. November 2, 2017
3rd 2017	December 15, 2017	January 2, 2018	Approx. February 2, 2018
4th 2017	March 15, 2018	April 2, 2018	Approx. May 2, 2018

The Third Quarter 2017 collection of Page 14's was due on December 15, 2017. Penalties for late Page 14 amounted to \$2,900. Reconciliation Third Quarter 2017 responses were due on February 2, 2018 and penalties were assessed at \$3,800. Page 14 and late explanation penalties were included in Fourth Quarter 2017 Settlement of Balances Report. CAR is currently collecting Fourth Quarter 2017 Annual Statement Statutory Page 14 data with a due date of March 15, 2018. Fourth Quarter 2017 Reconciliation Reports are anticipated to run on April 2, 2018.

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4TH QUARTER 2017**

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	80,211	954	1.19%
	No Fault	60,183	201	0.33%
	Physical Damage	53,481	547	1.02%
	Total	193,875	1,702	0.88%
COMM 2017 EFF YEAR	Liability	58,957	569	0.97%
	No Fault	57,224	353	0.62%
	Physical Damage	40,644	435	1.07%
	Total	156,825	1,357	0.87%

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 12/2017

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
030	733	158	21.56
033	1,885,663	791,200	41.96
045	425	191	44.94
105	2,097	842	40.15
118	125,249	56,398	45.03
141	459,113	191,228	41.65
153	8,756,250	2,851,133	32.56
154	530,057	176,112	33.23
156	71,779	31,056	43.27
201	37,453	8,288	22.13
205	418	230	55.02
226	2,877	600	20.86
256	828	314	37.92
261	11,944	8,608	72.07
283	4,760	1,866	39.20
362	329,861	224,210	67.97
402	25,737	5,395	20.96
418	230,002	65,966	28.68
443	35,948	28,408	79.03
486	68,382	29,772	43.54
503	1,581	1,024	64.77
626	90,977	31,280	34.38
627	12,367	9,908	80.12
667	1,294	616	47.60
708	1,691	586	34.65
723	47,236	25,368	53.70
752	21,916	5,554	25.34
770	1,018,655	294,952	28.96
775	36	8	22.22
823	7,002,852	2,963,546	42.32
881	6,499	2,786	42.87
902	82,335	30,238	36.73

**OPERATIONAL REPORTS
4TH QUARTER 2017**

V. STATISTICAL AGENT FUNCTION (continued)

D. Deleted Washout Records (continued):

Deleted Washout Totals
For All Shipments Received Through 12/2017

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
927	34,362	18,718	54.47
958	16,401	6,020	36.71
963	92,716	36,190	39.03
989	26,880	7,770	28.91

Total Industry	84,074,116	10,648,653	12.67%
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The 2016 washout total following the 12/2016 shipments was 12.44%.

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.

In mid-September, CAR released the six-month Distributional Analysis Reports. This latest run was the first time both the premiums and losses were processed. Companies were to correspond to the reporting should they go over the tolerance when compared to the industry's reporting or to their own premium reported. Any over tolerance results required companies to correspond with an explanation which was due on November 24, 2017.

The next Distributional Analysis Edit System release will be for the 12 month (December 2017) and will run late March 2018 for both the premium and loss reporting.

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 has started the development of moving the Cession System onto its website. This will replace the Telecommunications application which is expected to be complete in early 2019.

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.

With the move of statistical corrections and all of the "lookup" functions to CAR's website, there are just a small number of applications remaining on the mainframe. These include the CAR Accounting System, Cession System, Policy Histories (both CAR and Statistical), and Claims functions (Allocated Expense, Reinsurance Audit, Average Cost per Claim). CAR has started designing the new Cession application for the website but no production date has been determined at this time.

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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	CAR has begun working on the rewrite of the Cession Reporting and the Correction System.
SIU Compliance Audit	In progress	Create SIU web system featuring an upload for the SIU Quarterly Activity Log and providing a number of additional industry reports.