



NATALIE A. HUBLEY  
PRESIDENT

## COMMONWEALTH AUTOMOBILE REINSURERS

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### - MEMORANDUM -

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: March 26, 2019

RE: Operational Reports

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The 4th quarter 2018 Operational Reports follow this memorandum. This report includes data reported November 16, 2018 through February 15, 2019 for the accounting month period of October 2018 through December 2018. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

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

On November 16, 2018 the Governing Committee recommended to implement modifications to both the Private Passenger and Commercial Massachusetts Statistical Plans. The impact of these changes have been forwarded to the Division of Insurance for promulgation pursuant to the provisions of G.L. c. 175A, §15. The changes requested will affect the Out of Town Territory Code and the components and penalties associated with the Distributional Analysis Program to be incorporated into the Statistical Data Quality Program.

CAR assessed a total of \$64,700 in the Statistical Data Quality Penalty Program in the 4th Quarter 2018 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 on the MAIP website. Please contact your company's designated Security Administrator for access to these reports.

## **OPERATIONAL REPORTS 4TH QUARTER 2018**

### **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 29, 2019 using CAR's new online system. The documentation can now be uploaded into CAR and is due on April 1, 2019.

As of December 2018 the commercial residual market rate equaled 22.7%.

CAR posted the December 30, 2018 Quarterly Member Participation Reports to its website on March 15, 2019.

CAR ran the 4th Quarter 2019 Rule 29 credit edit download reports on February 16, 2019. Please be advised that two changes to the Rule 29 Credit Edit Systems have been implemented with the 12/2018 cycle recently run.

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

CAR produced 4th Quarter 2018 Critical Error Loss Write-Offs and 10% Loss of Investment Fees. **There were no companies listed for this quarter's report.**

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2017 and 2018 policy effective years for all companies with an error rate over the tolerance level of 1% and 10 policies in error.

The Penalty Forecasting exhibits was made available on CAR's website on March 20, 2019.

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

3rd Quarter 2018 Statutory Page 14 data was due at CAR on December 17, 2018. Penalties for late Page 14 reporting resulted at \$8,300. Reconciliation Responses for 3rd Quarter 2018 were run on January 2, 2019 and due back on February 2, 2019. Penalties for the late responses resulted at \$11,400. Company assessments were included in 4th Quarter 2018, Settlement of Balances. 4th Quarter 2018 Statutory Page 14 data was due at CAR on March 15, 2019. 4th Quarter Reconciliation is anticipated to run April 1, 2019.

All companies that exceed the commercial rate edit tolerances are listed on page 25.

### **Section VI – Communications:**

CAR is currently developing a new website application for cession reporting and cession correction. It is anticipated that the new system will be available by the end of March 2019 and will replace the current mainframe system.

**OPERATIONAL REPORTS  
4TH QUARTER 2018**

**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 2018 as of the third quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

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

<b>2019 CALL SCHEDULE</b>		
<b>Submission</b>	<b>Due Date</b>	<b>Quarter</b>
January 2019	March 15, 2019	1 <sup>st</sup> Quarter
February 2019	April 16, 2019	
March 2019	May 15, 2019	
April 2019	June 17, 2019	2 <sup>nd</sup> Quarter
May 2019	July 15, 2019	
June 2019	August 15, 2019	
July 2019	September 16, 2019	3 <sup>rd</sup> Quarter
August 2019	October 15, 2019	
September 2019	November 15, 2019	
October 2019	December 16, 2019	4 <sup>th</sup> Quarter
November 2019	January 15, 2020	
December 2019	February 18, 2020	

In instances where a company's ceded loss dollars are complete by quarter's end but its ceded premium dollars are not, CAR will assess "loss of investment income" penalties to reimburse the pool for the missing premium dollars. CAR did not assess any "loss of investment income" penalties in fourth quarter, 2018.

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**I. STATISTICAL SYSTEM (continued)**

2018 Timeliness Report

<i>CO NO</i>	<i>Jan 3/15</i>	<i>Feb 4/17</i>	<i>Mar 5/15</i>	<i>Apr 6/15</i>	<i>May 7/16</i>	<i>Jun 8/15</i>	<i>July 9/17</i>	<i>Aug 10/15</i>	<i>Sep 11/15</i>	<i>Oct 12/17</i>	<i>Nov 1/15</i>	<i>Dec 2/15</i>
100									COM			
109	COM		COM			PP			COM			COM
116						COM			COM			COM
118	PP				PP							
134		COM			COM	COM	COM	COM	COM			COM
141			PP									
144						COM			COM			COM
155	COM		COM	COM								
206			COM			COM	COM		COM			COM
230			COM									
279	Both											
303												COM
323		PP	COM		PP				PP			
342					COM							
344									COM			
347					COM							
349					COM							
366						COM						COM
402									COM			
420									COM			
443						COM			COM			
498												COM
571						COM			COM			COM
578				COM	COM							
582				COM	COM			COM				
686						PP			PP	PP		
737									PP			
785									PP			
833						COM			COM			COM
907								PP			PP	
910									COM			
916								PP			PP	
940								PP			PP	
943								PP			PP	
979												PP

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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 15 data, reconciliation responses, and failure to reduce a statistical shipment's error percent to below 5%.

For 4th Quarter 2018, CAR assessed a total penalty amount of \$64,700. The table below shows the detail penalties for each company.

Penalty Assessments  
4th Quarter 2018

<b>Co #</b>	<b>Company Name</b>	<b>Assessment</b>	<b>Assessment Amount</b>
107	Pennsylvania Lumbers Mutual	Late Expln - 09/2018	\$ 1,900
109	Pennsylvania Lumbers Mutual	Late Page 14 Data - 09/2018	\$ 200
109	Pennsylvania Lumbers Mutual	Stat Err > 5% - 09/2018	\$ 300
109	Pennsylvania Lumbers Mutual	Late MAS - 12/2018	\$ 500
111	Admiral Indemnity Company	Late Page 14 Data - 09/2018	\$ 100
116	Security National Insurance Co	Late MAS - 09/2018	\$ 500
134	New York Marine and General Ins	Stat Err > 5% - 09/2018	\$ 450
134	New York Marine and General Ins	Stat Err > 5% - 10/2018	\$ 150
134	New York Marine and General Ins	Late MAS - 09/2018	\$ 500
141	Preferred Mutual Insurance Co	Late MAS - 09/2018	\$ 1,250
144	Wesco Insurance Company	Stat Err > 5% - 06/2018	\$ 150
144	Wesco Insurance Company	Stat Err > 5% - 09/2018	\$ 150
144	Wesco Insurance Company	Stat Err > 5% - 09/2018	\$ 150
144	Wesco Insurance Company	Late MAS - 09/2018	\$ 500
144	Wesco Insurance Company	Late Page 14 Data - 09/2018	\$ 100
149	Kingstone Insurance Company	Late Page 14 Data - 09/2018	\$ 100
201	AIG Property and Casualty Co.	Stat Err > 5% - 07/2018	\$ 1,250
201	AIG Property and Casualty Co.	Stat Err > 5% - 09/2018	\$ 300
206	Nationwide Agribusiness Ins Co	Late MAS - 06/2018	\$ 1,500
206	Nationwide Agribusiness Ins Co	Late MAS - 09/2018	\$ 1,500
206	Nationwide Agribusiness Ins Co	Late MAS - 12/2018	\$ 1,500
226	Great Divide Insurance Co.	Late Page 14 Data - 09/2018	\$ 100
256	Berkeley Regional Insurance Co.	Late Page 14 Data - 09/2018	\$ 100
265	Berkeley National Insurance Co.	Late Page 14 Data - 09/2018	\$ 100
307	Intrepid Insurance Company	Late Page 14 Data - 09/2018	\$ 100
347	Selective Insurance Co. of the SW	Stat Error > 5% - 11/2018	\$ 150
366	ARCH Insurance Company	Late Page 14 Data - 09/2018	\$ 100
397	Allmerica Financial Benefit	Stat Error > 5% - 05/2018	\$ 150

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**I. STATISTICAL SYSTEM (continued)**

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments  
4th Quarter 2018

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
443	NOVA Insurance Company	Stat Error > 5% - 06/2018	\$ 150
443	NOVA Insurance Company	Late MAS - 09/2018	\$ 1,250
443	NOVA Insurance Company	Final Interim Late MAS-06/2018	\$ 3,000
443	NOVA Insurance Company	Late Page 14 Data - 09/2018	\$ 1,300
530	Vermont Insurance Company	Late Page 14 Data - 09/2018	\$ 100
571	Milwaukee Casualty Insurance Co	Stat Err > 5% - 09/2018	\$ 150
571	Milwaukee Casualty Insurance Co	Stat Err > 5% - 09/2018	\$ 150
571	Milwaukee Casualty Insurance Co	Late MAS - 09/2018	\$ 500
582	Merchants Insurance Company	Stat Err > 5% - 09/2018	\$ 150
582	Merchants Insurance Company	Late MAS - 09/2018	\$ 6,000
630	Nationwide Mutual Insurance Co.	Late Expln - 09/2018	\$ 400
638	Riverport Insurance Company	Late Page 14 Data - 09/2018	\$ 100
686	Occidental Insurance Company	Stat Err > 5% - 07/2018	\$ 300
686	Occidental Insurance Company	Late MAS - 09/2018	\$ 500
686	Occidental Insurance Company	Late MAS - 10/2018	\$ 1,250
695	Old Republic Insurance Company	Late Expln - 09/2018	\$ 1,900
708	StarNet Insurance Company	Late Page 14 Data - 09/2018	\$ 100
833	Berkshire Hathaway Insurance Co	Interim - 06/2018 MAS	\$ 18,000
833	Berkshire Hathaway Insurance Co	Interim 09/2018 MAS	\$ 12,000
833	Berkshire Hathaway Insurance Co	Interim 12/2018 MAS	\$ 500
907	USAA Insurance Company	Late 11/2018 M.A.S.	\$ 500
916	Garrison Property and Casualty	Late 11/2018 M.A.S.	\$ 500
940	USAA General Indemnity Ins. Co	Late 11/2018 M.A.S.	\$ 500
943	USAA Casualty Insurance Co	Late 11/2018 M.A.S.	\$ 500
958	Harleysville Insurance Company	Late Expln - 09/2018	\$ 400
960	West American Insurance Co	Stat Err > 5% - 09/2018	\$ 150
963	Harleysville Worcester Ins Co	Late Expln - 09/2018	\$ 400
979	American Bankers	Late Page 14 Data - 09/2018	\$ 100
		Total	<b>\$64,700</b>

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**I. STATISTICAL SYSTEM (continued)**

Massachusetts Private Passenger Statistical Plan

Proposed Modifications

<b>Proposed Effective Date</b>	<b>Description</b>	<b>Status</b>
January 1, 2020	The Out-of-State Territory Codes have been expanded to include specific codes to identify New Jersey (997) and Pennsylvania (998).	Forwarded to the Division of Insurance for approval on November 16, 2018
January 1, 2019	The components and penalties associated with the Distributional Analysis Program have been incorporated within the Statistical Data Quality Program.	

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**I. STATISTICAL SYSTEM (continued)**

Massachusetts Commercial Statistical Plan

Proposed Modifications

<b>Proposed Effective Date</b>	<b>Description</b>	<b>Status</b>
January 1, 2020	The Out-of-State Territory Codes have been expanded to include specific codes to identify New Jersey (997) and Pennsylvania (998).	Forwarded to the Division of Insurance for approval on November 16, 2018
January 1, 2019	The components and penalties associated with the Distributional Analysis Program have been incorporated within the Statistical Data Quality Program.	

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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 Data Analyst if you need assistance in gaining access to CAR's telecommunications system.

CAR accepts cession records and cession corrections on commercial business for policy years 2017-2019.

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 14, 2018.

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

2. TX5 Cession Backdate Appeals (continued)

TX5 Cession Backdate Log

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

3. CR215 Cessions Automatically Backdated

On a quarterly basis, CAR produces the CR215 report that shows the volume of cessions backdated for involuntary producer business. The program monitors the three current reporting years for cession activity. Accordingly, CAR recently sent the latest report to the industry in December 2018 monitoring policy years 2016, 2017 and 2018 for 4th Quarter 2018.

The following exhibits show the industry's volume 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 2016  
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	1,184	5	0.4	0.0	0	0
245	934	53	5.7 *	0.0	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*).

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

Policy Year 2017  
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	660	2	0.3	0.0	18,119	0
279	5	0	0.0	0.0	0	0
717	478	10	2.1	0.0	18,235	20,100
734	431	31	7.2 *	0.0	964	0
773	1	0	0.0	0.0	0	0
Totals	1,575	43	2.7%	N/A	37,318	20,100

\* 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 2018  
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	472	8	1.7	0.8	0	0
279	11	1	9.1 #	9.1	0	0
717	277	8	2.9	-0.4	21,976	13,117
732	28	1	3.6	3.6	0	0
734	245	10	4.1	0.5	0	0
773	1	0	0	0.0	0	0
Totals	1,034	28	2.7%	N/A	21,976	13,117

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

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

**OPERATIONAL REPORTS  
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**II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)**

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. The report was run on January 29, 2019 and the documentation is due back on April 1, 2019 which can now be uploaded into CAR using the new online upload function within the Accounting area on CAR's website. Questions on the use of this system should be directed to the Operations Services department or your company's Data Analyst.

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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.

**COMMONWEALTH AUTOMOBILE REINSURERS  
MAIP PLACEMENT RECORD REPORTING ANALYSIS**  
Reflects Statistically Reported Data for Policy Effective Months 1/2018 to 12/2018  
Reflects MAIP Placement Record Reported Data as of February 16, 2019

Company	Missing MPRs	Rejected MPRs	Fatal MPRs	Rejected Take-Out Credits	MPRs with No Premium	MAIP Premium with No MPR	Active MPRs
113	0	0	0	0	0	0	373
153	2	3	4	45	15	7	4,705
192	0	0	1	0	2	1	671
193	0	3	11	0	0	0	24
202	1	0	0	0	0	0	211
262	0	1	0	4	0	0	0
279	14	0	606	38	58	7	23,168
308	0	0	0	0	0	0	250
312	0	0	0	0	1	0	44
354	3	5	16	0	6	53	5,635
363	0	0	0	0	0	0	285
422	0	0	0	0	0	0	319
521	0	0	0	0	75	49	79
531	0	1	3	0	0	0	1,443
585	3	1	1	0	4	6	739
612	18	2	5	6	2	4	2,475
664	11	19	4	1	5	12	2,038
724	1	1	2	0	1	1	2,749
731	0	2	0	45	0	0	0
735	0	0	0	0	0	1	66
773	1	0	121	39	2	1	10,231
826	0	0	1	0	0	0	0
827	0	0	0	0	1	0	604
908	10	1	2	0	0	0	4,882
959	0	0	0	0	0	0	142
988	0	2	8	7	0	0	2,043
Average	2	2	30	7	7	5	2430

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**III. RESIDUAL MARKET INFORMATION**

A. Residual Market Volumes

The MAIP 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.

<b>Effective Year</b>	<b>MAIP Residual Market %</b>	<b>Commercial Cession %</b>	<b>Time Period</b>
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%	21.8%	Final Result
2017	1.3%	22.1%	Final Result
2018	1.2%	22.7%	As of Dec 2018

Commercial Residual Market volume report is available on CAR's website ([www.commauto.com](http://www.commauto.com)).

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

Policy Year 2018 Results as of September 2018

	<b>2018 @ 12 Months</b>	<b>% Total</b>		<b>2017 @ 12 Months</b>	<b>% Total</b>
MAIP Assigned (CAR-ID 9)	56,505	1.2%		61,625	1.3%
MAIP Retained (CAR-ID 8)	4,640,710	98.8		4,591,511	98.7
Clean-In-Three (CAR-ID 1)	114	0.0		595	0.0
Total	4,697,329	100.0%		4,653,731	100.0%

C. Private Passenger MAIP Premium and Loss Reports

Private Passenger Premium and Loss reports have been updated through December, 2018 on February 27, 2019 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.

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4TH QUARTER 2018**

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

D. Production of Quarterly Participation Reports

CAR posted the December 2018 Quarterly Member Participation Reports to its website on March 8, 2019. 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 2018 estimated Participation Ratios using data reported through the December 31, 2018 monthly accounting shipments will be posted to CAR's website by March 31, 2019.

F. CAR Financial Results – Latest Deficit Projections

The ultimate policy year deficit projections as of December, 2018 were posted to CAR's website on March 5, 2018 for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Commercial
2016	(48,728)
2017	(33,430)
2018	(35,658)

Deficit projections for policy years 2018 and prior can be found on CAR's website ([www.commauto.com](http://www.commauto.com)) in the Financial Reports area using the Deficit Projections link.

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4TH QUARTER 2018**

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

G. Quota Share

CAR posted the December 2018 Monthly Quota Share and Assignment Order Report to its website on February 27, 2019. The report has been updated to include statistical data for January 2018 to December 2018 effective month policies reported through February 15, 2019. 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. Interim Ceding Expenses Estimates – Calendar Year 2019

The Commercial Servicing Carrier interim expense allowance of 22.42% is detailed in Commercial Lines Bulletin #125.

The 2019 Interim Expense Allowances for Taxi, Limousine and Car Services Business are 27.59%, 17.19%, and 18.64% respectively. Commercial Lines Notice #126 details the calculation of these Interim Expenses.

I. CAR Commercial Rates Placed on File – Effective 3/1/2019

On December 4, 2018, the Division of Insurance placed on file the Commercial Automobile Insurance Manual Rates applicable to commercial policies with effective dates of March 1, 2019 and subsequent that are ceded to CAR. Additionally, CAR's Commercial Automobile Insurance Manual and Experience Rating Plan for policies effective March 1, 2019 and subsequent were placed on file. For additional information, please refer to Commercial Lines Notice No. 124.

J. Private Passenger Residual Market Rate Filing

On January 28, 2019, the Division of Insurance placed CAR's Private Passenger Residual Market rates and rating manual on file for policies effective May 1, 2019 and subsequent. Amendments were made to the base rates, along with other minor modifications detailed in the Implementation Instructions document. Please refer to Bulletin #1070 for additional details.

Approved Rate Pages, Rating factor tables, and implementation notes are now available on the MAIP Company and Producer pages of CAR's website, under Manuals (a valid user-id and password is required for access).

**OPERATIONAL REPORTS  
4TH QUARTER 2018**

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

**K. Rule 29 Voluntary Credits**

CAR ran the Rule 29 credit edit reports for effective date September 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, 2017 accounting date.

<b>Accounting Date</b>	<b>Reported Credit Premium</b>	<b>Adjusted Credit Premium</b>	<b>Rule 29 Credit Impact</b>	<b>Error Percentage</b>
Jan. 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%
Jan 2018	805,480,406	796,061,499	-9,418,907	1.17%
Feb 2018	827,039,648	817,460,372	-9,579,276	1.16%
March 2018	855,091,525	844,042,848	-11,048,677	1.29%
April 2018	850,186,887	837,099,945	-13,086,942	1.54%
May 2018	858,534,789	842,244,604	-16,290,185	1.90%
June 2018	865,347,021	851,288,337	-14,058,684	1.62%
July 2018	871,788,651	859,685,479	-12,103,172	1.39%
August 2018	875,285,864	862,868,220	-12,417,644	1.42%
Sept 2018	874,902,947	862,460,094	-12,442,853	1.42%
Oct 2018	886,196,067	873,492,729	-12,703,339	1.43%
Nov 2018	886,893,951	874,583,530	-12,310,421	1.39%
Dec 2018	891,305,290	878,642,257	-12,663,033	1.42%

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

K. Rule 29 Voluntary Credits (continued)

Regarding the Rule 29 Credit Edit, due to reporting problems associated with the conversion of the Registry ALARS system to the new ATLAS system, the February 2018 credit edit error percentages have been held constant and applied to the reported credit premium since the March 2018 cycle. The majority of reporting problems have been corrected except for one issue - the Registry is unable to provide to CAR, records associated with out-of-state operators that have no other policy record. This has resulted in an increased volume of Error Code 1 for those companies that process inquiries for out-of-state operators. Accordingly, the Governing Committee, at its February 2019 meeting, approved the recommendation to return to using actual credit edit results, but exclude any adjustments associated with data flagged with Error Code 1 for effective date data April 2018 and subsequent (this adjustment impact applies only to those companies processing Inquiries at the Merit Rating Board). This change to the adjustment process was implemented with the December 2018 cycle and will remain in place until the Registry is able to update its systems and provide the data to CAR.

Any questions regarding this reporting should be directed to Wendy Browne at [wbrowne@commauto.com](mailto:wbrowne@commauto.com).

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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 throughout the year following the Monthly Accounting Submission's due date schedule. The table below shows the schedule for updates to the CAR accounting system.

<b>Month</b>	<b>MAS Due Date</b>	<b>Statistical System Update</b>	<b>Quarter</b>
January 2019	March 15, 2019	March 16, 2019	1st Quarter 2019
February 2019	April 16, 2019	April 17, 2019	
March 2019	May 15, 2019	May 16, 2019	
April 2019	June 17, 2019	June 18, 2019	2 <sup>nd</sup> Quarter 2019
May 2019	July 15, 2019	July 16, 2019	
June 2019	August 15, 2019	August 16, 2019	
July 2019	September 16, 2019	September 17, 2019	3 <sup>rd</sup> Quarter 2019
August 2019	October 15, 2019	October 16, 2019	
September 2019	November 15, 2019	November 16, 2019	
October 2019	December 16, 2019	December 17, 2019	4 <sup>th</sup> Quarter 2019
November 2019	January 15, 2020	January 16, 2020	
December 2019	February 18, 2020	February 19, 2020	

**B. Critical Error Write-Off**

To ensure that each company's cession, premium, and loss reporting is accurate and timely, CAR edits all ceded data through three edits that are deemed "critical" to sound reporting procedures. If any ceded record fails critical error code 1, 6, or 7 it lists on the critical error list. (You can find a description of these error codes in the Policy Edit Package).

For losses specifically, CAR requires every record to be fixed within one year of falling into critical error. If a loss record has not been fixed after a year of remaining in critical error, CAR writes-off that loss record and assesses an interest fee of 10%. This write-off process occurs the last Saturday of every month. The table on the following page shows the write-off amounts and associated 10% fees for fourth quarter 2018.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for March 2019 through August 2019 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 2018

<b>Company</b>	<b>Nov 2018</b>	<b>Dec 2018</b>	<b>Jan 2019</b>	<b>Total</b>
154				
245				
279				
717				
732				
734				
773				
<b>Total</b>				

4th Quarter 2018– 10% Loss of Investment Fees

<b>Company</b>	<b>Nov 2018</b>	<b>Dec 2018</b>	<b>Jan 2019</b>	<b>Total</b>
154				
245				
279				
717				
734				
773				
<b>Total</b>				

Potential Loss Write-Off March 2019 through August 2019

<b>Company</b>	<b>March 2019</b>	<b>April 2019</b>	<b>May 2019</b>	<b>June 2019</b>	<b>July 2019</b>	<b>August 2019</b>	<b>Grand Total</b>
154	0	0	0	0	0	0	0
245	0	0	0	0	0	0	0
279	0	0	0	0	0	0	0
331	0	0	0	0	0	0	0
732	910	0	0	0	0	0	910
773	0	0	0	0	0	0	0
908	0	0	0	0	0	0	0
<b>Totals</b>	<b>910</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>910</b>

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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 in penalty to list this quarter for policy effective years 2017 or 2018.**

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

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

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

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

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**IV. ACCOUNTING SYSTEM (continued)**

**D. Ceded Premiums 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	2016	0	0.00
154	2017	0	0.00
154	2018	327	1.51
245	2016	0	0.00
245	2017	0	0.00
245	2018	0	0.00
279	2016	0	0.00
279	2017	0	0.00
279	2018	0	0.00
717	2016	0	0.00
717	2017	0	0.00
717	2018	0	0.00
732	2016	0	0.00
732	2017	0	0.00
732	2018	0	0.00
734	2016	0	0.00
734	2017	0	0.00
734	2018	0	0.00
773	2016	0	0.00
773	2017	0	0.00
773	2018	0	0.00
<b>Total Ind</b>		<b>327</b>	<b>1.51</b>

**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 2018 forecasting reports on March 20, 2019.

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**IV. ACCOUNTING SYSTEM (continued)**

**F. 2017 Cession/No Premium Write-Off**

The annual Cession/No Premium Write-Off amounts are based on a policy count (excluding flat cancelled and cession/no premium policies) divided by the corresponding full premium (rather than deviated), at 15 months. Please reference the table below for the write-off penalty amount for 2017 effective date policies and for historical information.

<b>Year</b>	<b>PP Penalty</b>	<b>Commercial Penalty</b>	<b>Taxi/Limo/CAR Service Penalty</b>
2017	N/A	\$6,700	\$9,100
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

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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 throughout the year following the end of every Monthly Accounting Submission period. The table below shows this schedule for updates to the statistical system.

<b>Month</b>	<b>MAS Due Date</b>	<b>Statistical System Update</b>	<b>Quarter</b>
January 2019	March 15, 2019	May 16, 2019	1st Quarter 2019
February 2019	April 16, 2019	April 17, 2019	
March 2019	May 15, 2019	May 16, 2019	
April 2019	June 17, 2019	June 18, 2019	2nd Quarter 2019
May 2019	July 15, 2019	July 17, 2019	
June 2019	August 15, 2019	August 16, 2019	
July 2019	September 16, 2019	September 18, 2019	3rd Quarter 2019
August 2019	October 15, 2019	October 16, 2019	
September 2019	November 15, 2019	November 16, 2019	
October 2019	December 16, 2019	December 18, 2019	4th Quarter 2019
November 2019	January 15, 2020	January 16, 2020	
December 2019	February 18, 2020	February 19, 2020	

**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.

<b>Quarter</b>	<b>Due Date Quarterly Annual Statement</b>	<b>Run Date of the Reconciliation Program</b>	<b>Due Date Reconciliation Response</b>
1st 2018	June 15, 2018	July 2, 2018	Approx. August 2, 2018
2nd 2018	September 17, 2018	October 1, 2018	Approx. November 1, 2018
3rd 2018	December 17, 2018	January 2, 2019	Approx. February 2, 2019
4th 2018	March 15, 2019	April 1, 2018	Approx. May 1, 2019

The Annual Statement collection of Page 14's for 3rd Quarter 2018 was due on December 16, 2018. Penalties for late Page 14 amounted to \$8,300. Reconciliation 3rd Quarter 2018 responses were due February 2, 2019 and penalties amounted to \$11,400. All penalties were included 4th Quarter 2018 - Settlement of Balances. CAR is currently collecting 4th Quarter 2018 Annual Statement Statutory Page 14 data which was due at CAR on March 15, 2019. The 4th Quarter 2018 Reconciliation is due to run on or about April 1, 2019.

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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.

	<b>Line of Business</b>	<b>Eligible Records</b>	<b>Records in Error</b>	<b>Error %</b>
<b>COMM 2017 EFF YEAR</b>	Liability	63,174	706	1.12%
	No Fault	60,559	448	0.74%
	Physical Damage	42,843	434	1.01%
	Total	166,576	1,588	0.95%
<b>COMM 2018 EFF YEAR</b>	Liability	56,820	969	1.71%
	No Fault	53,643	399	0.74%
	Physical Damage	37,454	714	1.91%
	Total	147,917	2,082	1.41%

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 apply to Current and Previous Effective Years. Current Effective Year includes policies effective January 2018 – December 2018. Previous Effective Year includes policies effective January 2017 – December 2017. 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 12/2018

<b>COMPANY NUMBER</b>	<b>RECORD COUNT</b>	<b>WASHOUT COUNT</b>	<b>WASHOUT PERCENT</b>
017	196	879	22.30
033	937,538	2,097,294	44.70
045	80	308	25.97
105	2,032	5,786	35.12
118	78,194	170,840	45.77
141	704,474	1,155,325	60.98
153	2,786,903	8,549,835	32.60
154	215,548	563,587	38.25
156	22,834	58,732	38.88
256	3,328	3,859	86.24
261	4,462	7,463	59.79
265	258	879	29.35
283	6,868	10,149	67.67
327	1,482	7,222	20.52
362	258,342	383,632	67.34
418	57,691	208,912	27.61
443	59,659	93,728	63.65
486	4,914	10,936	44.93
503	114	355	32.11
626	30,646	90,156	33.99
627	11,852	13,940	85.02
708	502	1,402	35.81
752	5,701	25,304	22.53
770	301,953	978,063	30.87
823	4,075,316	8,594,785	47.42
881	2,084	4,903	42.50

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

D. Deleted Washout Records (continued)

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
902	32,166	86,181	37.32
927	12,034	31,636	38.04
958	2,488	11,663	21.33
963	21,716	65,122	33.35
989	5,720	23,793	24.04

Total Industry	12,426,326	89,417,054	13.90%
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The 2017 washout total following the 12/2017 shipments was 12.67%

E. Distributional Edits Systems

The Distributional Analysis Edit System is a web report 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.

CAR ran the report in early March for the December 2018 period. Companies are to respond to any over tolerances by May 10, 2019.

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 is currently developing a new website application for cession reporting and cession correction. It is anticipated that the new system will be available by the end of March/Early April 2019 and will replace the current mainframe system. The Compliance and Operations Committee approved changes to the Manual of Administrative Procedures relative to the update to the Cession System at its meeting on January 31, 2019 and the Governing Committee approved the changes at its February 13, 2019 meeting.

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.

As mentioned above, the Cession System will be coming off of the mainframe and moving to CAR's website in March/April 2019.

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**VII. PROJECT STATUS REPORTS**

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

<b>Project</b>	<b>Status</b>	<b>Description</b>
Rewrite Company Mainframe Applications	In progress	CAR is continuing to work on the rewrite of the Cession Reporting and the Correction System and anticipates implementing the system in late March.
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. CAR is continuing to work with the industry to ensure a smooth transition to the new system.
Registry Conversion	In progress	CAR has updated its systems to accept data from the new Registry system. CAR is continuing to evaluate impacts to company reported statistical data as a result of these changes at the Registry.
Annual Statement Reconciliation Rewrite	Just Starting	Modernization of the application to enhance usability and maintenance. Enhancements will be incorporated during the rewrite.