



NATALIE A. HUBLEY
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

101 Arch Street, Suite 400 Boston, Massachusetts 02110

www.commauto.com

617-338-4000

- M E M O R A N D U M -

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham, Data Analyst

DATE: March 22, 2021

RE: Operational Reports

The 4th quarter 2020 Operational Reports follow this memorandum. This report includes data reported November 17, 2020 through February 15, 2021 for the accounting month period of October 2020 through December 2020. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

Section I – Accounting/Statistical Shipments:

On December 16, 2020 revisions to the Massachusetts Private Passenger Statistical Plans were approved by the Division of Insurance, pursuant to the provisions of G.L. c. 175A, § 15 as noted in Accounting and Statistical Notice No. 657. Modifications include an update to the description of Classification Codes 120, 122, 140 and 142 will be used to identify the non-binary gender designation (Gender X). Additionally, Miscellaneous Rated as Private Passenger classification code 048500 has been added to the Private Passenger Statistical Plan to indicate a new designation for Specialty and Classic Cars and Motorcycles. The summary of the approved Statistical Plan modifications is included in Section I – Statistical System of the Operational Report.

On December 16, 2020 revisions to the Massachusetts Commercial Statistical Plans were approved by the Division of Insurance, pursuant to the provisions of G.L. c. 175A, § 15 as noted in Accounting and Statistical Notice No. 657. Modifications include a new classification code 963000 to designate Specialty and Classic Cars and Motorcycles. The summary of the approved Statistical Plan modifications is included in Section I – Statistical System of the Operational Report

CAR assessed a total of \$38,750 in the Statistical Data Quality Penalty Program in the 4th Quarter 2020 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.

The 2019 annual Cession/No Premium Write-Off amounts have been calculated and CAR set the 2019 penalties at \$9,500 for Commercial and \$9,000 for Taxi/Limousine business. Please reference Bulletin Notice No. 1109 distributed on December 11, 2020 for more information.

OPERATIONAL REPORTS 4TH QUARTER 2020

Section III – Residual Market Information:

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

CAR ran the CA5010 - Flat Cancellation Audit report on January 25, 2021 using CAR's online system. The documentation can now be uploaded into CAR and is due on April 1, 2021.

As of December 2020, the commercial residual market rate equaled 18.6%.

CAR posted the December 30, 2020 Quarterly Member Participation Reports to its website on March 5, 2021.

CAR ran the 4th Quarter 2020 Rule 29 credit edit download reports on February 16, 2021.

Section IV – Accounting System Processing:

CAR produced 4th Quarter 2020 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 2019 and 2020 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 were made available on CAR's website on March 16, 2021.

Section V - Statistical Agent Functions:

Third Quarter 2020 Statutory Page 14 data was due at CAR on December 15, 2020. Reconciliation Responses for Third Quarter 2020 were run on January 4, 2021 and due back on February 3, 2021. Company assessments were included in 4th Quarter 2020 Settlement of Balances. Fourth Quarter 2020 Statutory Page 14 data were due at CAR on March 15, 2021. Fourth Quarter Reconciliation is anticipated to run April 1, 2021.

All companies that exceed the commercial rate edit tolerances are listed on page 24.

Section VI – Communications:

Two new applications were added to CAR's website: ERP Commercial Written Premium which assists Servicing Carriers in evaluating their assigned ERPs relative to CAR Rule 14, C – Production Criteria and Large Loss Notification which enhances the information provided to companies relative to large residual market losses.

**OPERATIONAL REPORTS
4TH QUARTER 2020**

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 2020 as of the fourth quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

2020 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2020	March 16, 2020	1 st Quarter
February 2020	April 15, 2020	
March 2020	May 15, 2020	
April 2020	June 15, 2020	2 nd Quarter
May 2020	July 15, 2020	
June 2020	August 17, 2020	
July 2020	September 15, 2020	3 rd Quarter
August 2020	October 15, 2020	
September 2020	November 16, 2020	
October 2020	December 15, 2020	4 th Quarter
November 2020	January 15, 2021	
December 2020	February 15, 2021	

2021 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2021	March 15, 2021	1 st Quarter
February 2021	April 15, 2021	
March 2021	May 17, 2021	
April 2021	June 16, 2021	2 nd Quarter
May 2021	July 15, 2021	
June 2021	August 16, 2021	
July 2021	September 15, 2021	3 rd Quarter
August 2021	October 15, 2021	
September 2021	November 15, 2021	
October 2021	December 15, 2021	4 th Quarter
November 2021	January 18, 2022	
December 2021	February 15, 2022	

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, 2020.

**OPERATIONAL REPORTS
4TH QUARTER 2020**

I. STATISTICAL SYSTEM (continued)

2020 Timeliness Report

<i>CO NO</i>	<i>Jan 3/16</i>	<i>Feb 4/15</i>	<i>Mar 5/15</i>	<i>Apr 6/15</i>	<i>May 7/15</i>	<i>Jun 8/17</i>	<i>July 9/15</i>	<i>Aug 10/15</i>	<i>Sep 11/16</i>	<i>Oct 12/15</i>	<i>Nov 1/15</i>	<i>Dec 2/16</i>
045										PP		
103										COM	COM	COM
109			COM									
116												COM
118										PP		
144												COM
162			COM			COM						
163										COM	COM	COM
230			COM									
303			COM									
320						PP						
323	PP											
362							PP					
399										COM	COM	COM
414								COM				
571												COM
577		PP	PP			PP						
578			COM	COM								
582	COM		COM	COM			COM		COM			
585											PP	
623										COM	COM	COM
797			COM						COM			

**OPERATIONAL REPORTS
4TH QUARTER 2020**

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 2020, CAR assessed a total penalty amount of \$38,750. The table below shows the detail penalties for each company.

Penalty Assessments
4th Quarter 2020

Co #	Company Name	Assessment	Assessment Amount
044	Great American Alliance Ins	Late Page 14 Data - 09/2020	\$ 100
045	American Automobile Ins	Late MAS 10/2020	\$ 1,250
101	American Alternative Insurance Co	Stat Err > 5% - 09/2020	\$ 150
101	American Alternative Insurance Co	Late Page 14 Data - 09/2020	\$ 100
118	Privilege Underwriters Reciprocal Exchange (PURE)	Late MAS 10/2020	\$ 500
118	Privilege Underwriters Reciprocal Exchange (PURE)	Stat Err > 5% - 08/2020	\$ 450
125	AmGUARD Insurance Co	Late Page 14 Data - 09/2020	\$ 100
144	Wesco Insurance Company	Stat Err > 5% - 09/2020	\$ 300
145	Allied World Insurance Co	Late Page 14 Data - 09/2020	\$ 4,500
145	Allied World Insurance Co	Late Expln - 09/2020	\$ 100
193	Integon National Insurance Co	Stat Err > 5% - 09/2020	\$ 150
201	AIG Property & Casualty Co	Stat Err > 5% - 10/2020	\$ 150
207	Blackboard Insurance Co	Late Page 14 Data - 09/2020	\$ 4,500
247	National Casualty Ins	Stat Err > 5% - 09/2020	\$ 150
301	Incline Casualty Insurance Co	Late Page 14 Data - 09/2020	\$ 4,500
320	American Prop & Cas Ins Co	Stat Err > 5% - 09/2020	\$ 150
323	Esurance Insurance Co	Stat Err > 5% - 09/2020	\$ 300
324	Digital Affect Insurance Co	Late Page 14 Data - 09/2020	\$ 4,500
329	Amica Prop & Cas Insurance Co	Stat Err > 5% - 09/2020	\$ 150
343	GEICO General Ins. Co.	Late Expln - 09/2020	\$ 200
349	Select Insurance Co of the SE	Stat Err > 5% - 10/2020	\$ 150
362	Farm Family Casualty Ins Co	Stat Err > 5% - 09/2020	\$ 150
362	Farm Family Casualty Ins Co	Late Page 14 Data - 09/2020	\$ 200
439	Great American Ins Co	Late Page 14 Data - 09/2020	\$ 100
578	Merchants Preferred Insurance Co	Stat Err > 5% - 03/2020	\$ 150
578	Merchants Preferred Insurance Co	Stat Err > 5% - 04/2020	\$ 150
578	Merchants Preferred Insurance Co	Stat Err > 5% - 06/2020	\$ 150
582	Merchants Mutual Insurance	Late MAS 09/2020	\$ 1,250
582	Merchants Mutual Insurance	Stat Err > 5% - 03/2020	\$ 1,250

**OPERATIONAL REPORTS
4TH QUARTER 2020**

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
4th Quarter 2020

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
585	Metropolitan Property & Casualty	Late MAS 11/2020	\$ 500
626	National Continental Insurance Co	Stat Err > 5% - 09/2020	\$ 300
713	Falls Lake National Insurance Co	Late Page 14 Data - 09/2020	\$ 100
756	RLI Insurance Company	Stat Err > 5% - 03/2020	\$ 9,000
756	RLI Insurance Company	Stat Err > 5% - 06/2020	\$ 600
756	RLI Insurance Company	Stat Err > 5% - 09/2020	\$ 150
797	Starr Indemnity & Liability Co	Late MAS 09/2020	\$ 1,250
822	West Bend Mutual Insurance Co	Late Page 14 Data - 09/2020	\$ 600
981	American Rode Insurance Co	Late Page 14 Data - 09/2020	\$ 100
989	Foremost Insurance Company	Stat Err > 5% - 06/2020	\$ 300
		Total	\$38,750

**OPERATIONAL REPORTS
4TH QUARTER 2020**

I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
<p>January 1, 2022 (Optional January 1, 2021)</p>	<p>Modifications have been made to the descriptions for classification codes 120, 122, 140 and 142 in the Private Passenger Definition – Classification Code table to indicate that the existing class codes for the inexperienced youthful male gender designations will also be used to identify the non-binary gender designation (Gender X).</p> <p>Note that for consistency in the wording of the classification descriptions, modifications have also been made to the female gender designation description for codes 124 and 126.</p>	<p>Approved by the Division of Insurance on December 16, 2020</p>
<p>January 1, 2022 (Optional January 1, 2021)</p>	<p>CAR has recently become aware of antique automobile programs written in the voluntary market that include coverage for some vehicles described as “classic cars”, but which do not fully meet the statutory definition of an antique automobile. These vehicles are those that have similar usage restrictions as Antique Cars and Antique Motorcycles, but do not meet the age and registration requirements set forth in the statute.</p> <p>In order to identify this data for use in the MAIP Quota Share process, Miscellaneous Rated as Private Passenger classification code 048500 has been added to the Private Passenger Statistical Plan. This code will be used to statistically report Specialty and Classic Cars and Specialty and Classic Motorcycles.</p>	

**OPERATIONAL REPORTS
4TH QUARTER 2020**

I. STATISTICAL SYSTEM (continued)

Massachusetts Commercial Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
<p>January 1, 2022 (Optional January 1, 2021)</p>	<p>CAR has recently become aware of antique automobile programs written in the voluntary market that include coverage for some vehicles described as “classic cars” but which do not fully meet the statutory definition of an antique automobile. These vehicles are those that have similar usage restrictions as Antique Cars and Antique Motorcycles, but do not meet the age and registration requirements set forth in the statute.</p> <p>In order to identify this data, Special Types classification code 963000 has been added to the Commercial Statistical Plan. This code will be used to statistically report Specialty and Classic Cars and Specialty and Classic Motorcycles.</p>	<p>Approved by the Division of Insurance on December 16, 2020</p>

**OPERATIONAL REPORTS
4TH QUARTER 2020**

II. CESSION/MAIP PLACEMENT RECORD REPORTING

A. Cession Submission

CAR accepts cession data via two different methods: on-line entry through CAR's website and FTP transmission. Please contact your company's Data Analyst if you need assistance in gaining access to CAR's website application.

CAR accepts cession records and cession corrections on commercial business for policy years 2018-2020.

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 26, 2020.

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4TH QUARTER 2020**

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 2020 monitoring policy years 2018, 2019 and 2020 for 4th Quarter 2020.

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 2018
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	464	7	1.5	0.0	0	0
279	11	1	9.1 #	0.0	0	0
717	276	8	2.9	0.0	22,857	22,617
732	28	1	3.6	0.0	0	0
734	245	10	4.1	0.0	0	0
773	1	0	0.0	0.0	0	0
Totals	1,025	27	2.6%	N/A	22,857	22,617

* 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)

Policy Year 2019
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	344	2	0.6	0.0	0	0
279	6	0	0.0	0.0	0	0
717	197	4	2.0	0.0	0	0
732	160	1	0.6	0.0	0	0
734	156	4	2.6	0.0	0	0
773	5	0	0.0	0.0	0	0
Totals	868	11	1.3%	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 2020
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	261	0	0.0	0.0	0	0
279	2	0	0.0	0.0	0	0
717	89	2	2.2	2.2	0	0
732	108	1	0.9	0.9	0	0
734	67	2	3.0	-0.9	0	0
773	1	0	0.0	0.0	0	0
Totals	529	5	0.9%	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*).

**OPERATIONAL REPORTS
4TH QUARTER 2020**

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 25, 2021 and the documentation is due back on April 1, 2021 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.

**OPERATIONAL REPORTS
4TH QUARTER 2020**

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 1/2020 to 12/2020
Reflects MAIP Placement Record Reported Data as of February 16, 2021

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	283
153	4	1	2	67	21	7	2,706
192	0	0	0	0	0	0	459
193	0	1	1	0	0	8	37
202	0	0	0	0	0	0	133
279	5	150	870	167	200	285	14,879
304	0	0	0	0	0	0	5
308	0	0	0	0	0	0	106
315	0	0	0	0	0	0	41
354	0	10	0	1	0	49	3,634
363	0	0	0	0	0	0	140
422	0	0	0	0	0	0	138
521	0	0	0	31	0	0	0
531	0	0	0	0	0	0	828
584	0	1	0	0	2	0	713
612	2	1	14	53	0	4	1,016
664	3	3	1	1	1	11	1,313
724	0	1	0	0	0	0	836
731	0	0	0	66	0	0	0
735	0	0	0	0	0	0	355
773	3	0	28	40	2	7	4,284
827	0	0	0	0	0	0	593
890	0	0	0	0	0	0	166
908	0	3	0	0	1	0	3,017
959	0	0	0	0	0	0	50
988	0	0	3	7	0	0	1,127
Average	1	7	35	17	9	14	1418

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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
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%	Final Result
2019	1.0%	20.8%	Final Result
2020	0.7%	18.6%	As of Dec. 2020

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

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

Policy Year 2020 Results as of December 2020

	2020 @ 12 Months	% Total		2019 @ Final	% Total
MAIP Assigned (CAR-ID 9)	33,206	0.7%		46,827	1.0%
MAIP Retained (CAR-ID 8)	4,728,954	99.3%		4,684,069	99.0%
Total	4,762,160	100.0%		4,730,896	100.0%

C. Private Passenger MAIP Premium and Loss Reports

Private Passenger Premium and Loss reports have been updated through December 2020 on March 1, 2021 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.

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

D. Production of Quarterly Participation Reports

CAR posted the December 2020 Quarterly Member Participation Reports to its website on March 5, 2021. 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 2020 estimated Participation Ratios using data reported through the December, 2020 monthly accounting shipments will be posted to CAR's website by March 31, 2021.

F. Interim Ceding Expenses Estimates – Calendar Year 2021

The 2021 Commercial Servicing Carrier interim expense allowance of 20.94% is detailed in Commercial Lines Bulletin No. 144, distributed on February 12, 2021.

The 2021 Interim Expense Allowances for Taxi, Limousine and Car Services Business of 27.85%, 21.60%, and 19.81% respectively, are detailed in Commercial Lines Notice No. 145, distributed on February 12, 2021.

G. Ceding Expense True-Up for Calendar Year 2019

Ceding expenses for Calendar Year 2019 were trued-up and processed with the September 2020 Settlement of Balances, posted to CAR's website on December 4, 2020. The True-Up is calculated using actual reported exposures and will reflect premium tax and commission provisions included in the underlying rates. Similarly, the True-Up of Ceding Expenses for Taxi, Limousine, and Car Service business for Policy Year 2018 at 30 months and 2019 at 18 months was also included. Company Reports were mailed to the designated Servicing Carrier contacts at that time.

H. Quota Share

CAR posted the December 2020 Monthly Quota Share and Assignment Order Report to its website on February 26, 2021. The report has been updated to include statistical data from January 2020 to December 2020 effective month policies reported through February 15, 2021.

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.

**OPERATIONAL REPORTS
4TH QUARTER 2020**

III. RESIDUAL MARKET INFORMATION (continued)

I. CAR Financial Results – Latest Deficit Projections

The latest valuation of ultimate policy year deficit projections as of December 2020 was posted to CAR’s website on March 3, 2021 for the latest three policy years are as follows:

(Numbers are in \$000s)

Commercial Deficit as of December, 2020 (000) (Valuation: + Surplus, - Deficit)		
Policy Year	Current Qtr	Prior Qtr
2018	(\$36.1)	(\$36.3)
2019	(\$2.4)	\$.1
2020	\$27.9	\$30.3

Deficit projections for all policy years can be found on CAR’s website (www.commauto.com) in the Financial Reports area using the Deficit Projections link.

J. Commercial Manual Rule 37 – Additional Insured – Endorsement Amendment Approved

On December 10, 2020, the Division of Insurance placed on file an amendment to Rule 37 – Additional Insured – Massachusetts Endorsement in Section II – Common Coverages and Rating Procedures of the Commercial Automobile Insurance Manual. As this is a clarification to the Rule, the effective date of the amendment will remain as July 1, 2020. Please refer to Commercial Lines Notice No. 140 for additional information regarding this form.

K. PPT-NF Certification Form Filing Approved

On December 14, 2020, the Division of Insurance placed on file modifications to the Non-Fleet Private Passenger Types Certification Form related to changes in language that addresses the concern for each operator to hold a valid license. Recognizing that limitations on the availability of information specific to foreign license status exist, modifications to the Non-Fleet PPT certification Form are to collect the expiration date of the foreign licenses. Please refer to Commercial Lines Notice No. 141 for additional information regarding this form.

**OPERATIONAL REPORTS
4TH QUARTER 2020**

III. RESIDUAL MARKET INFORMATION (continued)

L. Specialty and Classic Automobile Filings

In mid-December, CAR filed proposing rule, rate and endorsement forms related to “Specialty and Classic Auto” classifications for both Commercial and Private Passenger automobile business. These changes were approved and detailed in detailed in Bulletin No. 1114 and Commercial Lines Notice No. 142. Additionally, new classifications codes have been added to CAR’s Statistical Plans as detailed in Bulletin No. 1108.

M. Rule 29 Modifications related to Specialty and Classic Automobile

Bulletin 1116, distributed on February 10, 2021, details proposed modifications to Rule 29 that were filed with the Division of Insurance. The changes clarify the intention to apply the 0.33 factor to all specialty and classic car and motorcycle exposures counted in the Quota Share determination on April 1, 2021, regardless of policy effective date.

A proposed Rule shall become effective upon the written approval of the Commissioner or upon the expiration of 30 days after filing, provided the Commissioner has not previously disapproved the Rule in writing.

N. Commercial Residual Market Rate Filing Effective 7/1/2021

CAR filed a Massachusetts Commercial Residual Market rate change with the Division of Insurance on January 12, 2021, with an original proposed effective date of July 1, 2021. The final effective date will change to allow approximately 90 days after the date of approval for implementation of the rates by Servicing Carriers. This filing also includes updated versions of the Commercial Automobile Insurance Manual Rules and Rates, and the Commercial Experience Rating Plan. Refer to Commercial Lines Notice No. 143 for additional details. The filing is under review by the Division of Insurance and has not yet been approved.

**OPERATIONAL REPORTS
4TH QUARTER 2020**

III. RESIDUAL MARKET INFORMATION (continued)

O. Rule 29 Voluntary Credits

CAR ran the Rule 29 credit edit reports for effective date December 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 2019 accounting date.

Accounting Date	Reported Credit Premium	Adjusted Credit Premium	Rule 29 Credit Impact	Error Percentage
Jan. 2019	893,890,063	881,140,060	-12,750,003	1.43%
Feb. 2019	892,007,624	879,454,384	-12,553,240	1.41%
March 2019	894,491,592	881,727,999	-12,763,593	1.43%
April 2019	899,332,721	886,459,002	-12,873,719	1.43%
May 2019	899,769,870	887,084,103	-12,685,767	1.41%
June 2019	899,552,945	887,013,884	-12,539,061	1.39%
July 2019	913,273,955	900,343,902	-12,930,053	1.42%
August 2019	920,564,625	907,799,394	-12,765,231	1.39%
Sept 2019	908,403,551	895,834,183	-12,569,368	1.38%
Oct 2019	902,467,157	889,838,670	-12,628,488	1.40%
Nov 2019	900,582,755	887,96,774	-12,675,981	1.41%
Dec 2019	901,020,807	888,234,335	-12,786,472	1.42%
Jan. 2020	899,475,299	886,602,550	-12,872,749	1.43%
Feb. 2020	901,917,821	888,567,423	-12,950,398	1.44%
March 2020	901,038,771	888,062,566	-12,976,205	1.44 %
April 2020	900,812,758	887,531,268	-13,281,490	1.47%
May 2020	907,184,560	893,418,454	-13,766,106	1.52%
June 2020	919,180,430	904,970,834	-14,209,596	1.55%
July 2020	931,241,344	917,546,045	-13,395,299	1.47%
August 2020	938,852,853	924,595,775	-14,257,078	1.52%
Sept 2020	946,929,284	931,843,069	-15,086,215	1.59%
Oct 2020	949,968,358	934,666,747	-15,301,611	1.61 %
Nov 2020	951,581,426	936,115,688	-15,465,738	1.63 %
Dec 2020	955,915,728	939,750,307	-16,165,421	1.69 %

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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.

Month	MAS Due Date	Statistical System Update	Quarter
January 2020	March 16, 2020	March 17, 2020	1st Quarter 2020
February 2020	April 15, 2020	April 16, 2020	
March 2020	May 15, 2020	May 18, 2020	
April 2020	June 15, 2020	June 16, 2020	2 nd Quarter 2020
May 2020	July 15, 2020	July 16, 2020	
June 2020	August 17, 2020	August 18, 2020	
July 2020	September 15, 2020	September 16, 2020	3 rd Quarter 2020
August 2020	October 15, 2020	October 16, 2020	
September 2020	November 16, 2020	November 17, 2020	
October 2020	December 15, 2020	December 16, 2020	4 th Quarter 2020
November 2020	January 15, 2021	January 18, 2021	
December 2020	February 16, 2021	February 17, 2021	

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 2020.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for March 2021 through August 2021 are shown following the 4th Quarter Write-Off exhibit.

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IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

4th Quarter 2021 – Loss Write-Off

Company	Nov 2020	Dec 2020	Jan 2021	Total
154				
245				
279				
717				
732				
734				
773				
Total				

4th Quarter 2021 – 10% Loss of Investment Fees

Company	Nov 2020	Dec 2020	Jan 2021	Total
154				
245				
279				
717				
734				
773				
Total				

Potential Loss Write-Off March 2021 through August 2021

Company	March 2021	April 2021	May 2021	June 2021	July 2021	August 2021	Grand Total
154							
279							
717							
732							
734							
773							
Totals							

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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
2019 & 2020
Policy Effective Years

Non-Critical Error - Penalties

There have been no companies in penalty to list this quarter for policy effective years 2019 or 2020.

2019 Effective Year Non-Critical Errors Over Tolerance - Potential Penalty

2019 Effective Year Non-Critical Errors show no Potential Penalties to report

2020 Effective Year Non-Critical Errors Over Tolerance – Potential Penalty

2020 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	2018	0	0.00
154	2019	0	0.00
154	2020	11,668	0.03
279	2018	0	0.00
279	2019	0	0.00
279	2020	0	0.00
717	2018	0	0.00
717	2019	0	0.00
717	2020	0	0.00
732	2018	0	0.00
732	2019	0	0.00
732	2020	0	0.00
734	2018	0	0.00
734	2019	0	0.00
734	2020	0	0.00
773	2018	0	0.00
773	2019	0	0.00
773	2020	35,505	0.09
Total Ind.		47,173	0.01

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 2020 forecasting reports on March 16, 2021.

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IV. ACCOUNTING SYSTEM (continued)

F. 2018 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 2018 premium reporting year closed on February 16, 2021. Accordingly, CAR will no longer accept cession activity for the 2018 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 2018 effective date policies and for historical information.

Year	PP Penalty	Commercial Penalty	Taxi/Limo/CAR Service Penalty
2019	N/A	\$9,500	\$9,000
2018	N/A	\$7,700	\$8,600
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

There were no 2018 Cession/No Premium Write-Off Records for this closing year.

G. 60 Cession/No Premium Penalties

The November 2020 \$60 Cession/No Premium penalties ran on November 28, 2020. These penalties were assessed with 4th Quarter 2020 Settlement of Balances Report.

Co No	Policy Eff Yr.	Policy Count	Assessed Penalty
154	2019	47	\$2,820
154	2020	14	\$840
Total		61	\$3,660

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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.

Month	MAS Due Date	Statistical System Update	Quarter
January 2020	March 15, 2020	March 16, 2020	1st Quarter 2020
February 2020	April 16, 2020	April 17, 2020	
March 2020	May 15, 2020	May 16, 2020	
April 2020	June 17, 2020	June 18, 2020	2nd Quarter 2020
May 2020	July 15, 2020	July 17, 2020	
June 2020	August 15, 2020	August 16, 2020	
July 2020	September 16, 2020	September 18, 2020	3rd Quarter 2020
August 2020	October 15, 2002	October 16, 2020	
September 2020	November 15, 2020	November 16, 2020	
October 2020	December 15, 2020	December 18, 2020	4th Quarter 2020
November 2020	January 15, 2021	January 16, 2021	
December 2020	February 15, 2021	February 18, 2021	

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 2020	June 15, 2020	July 1, 2020	Approx. August 3, 2020
2nd 2020	September 16, 2020	October 1, 2020	Approx. November 2, 2020
3rd 2020	December 15, 2020	January 4, 2021	Approx. February 4, 2021
4th 2020	March 15, 2021	April 1, 2021	Approx. May 3, 2021

The Annual Statement collection of Page 14's for 3rd Quarter 2020 was due on December 16, 2020. Penalties for late Page 14 amounted to \$19,400. Reconciliation 3rd Quarter 2020 responses were due February 2, 2021 and penalties amounted to \$300. All penalties were included 4th Quarter 2020 - Settlement of Balances. CAR is currently collecting 4th Quarter 2020 Annual Statement Statutory Page 14 data which was due at CAR on March 15, 2021. 4th Quarter 2020 Reconciliation is due to run on or about April 1, 2021.

**OPERATIONAL REPORTS
4TH QUARTER 2020**

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 2019 EFF YEAR	Liability	71,143	564	0.79%
	No Fault	61,146	193	0.32%
	Physical Damage	42,513	419	0.99%
	Total	174,802	1,176	0.67%
COMM 2020 EFF YEAR	Liability	49,580	332	0.67%
	No Fault	45,687	101	0.22%
	Physical Damage	31,171	284	0.91%
	Total	126,438	717	0.57%

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 2020 – December 2020. Previous Effective Year includes policies effective January 2019 – December 2019. Companies should contact the Residual Market Services Department regarding Rate Edit reporting.

**OPERATIONAL REPORTS
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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 12/2020

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
017	732	1,642	44.58
033	1,466,498	2,880,624	50.91
045	78	245	31.84
118	220,950	526,440	41.97
141	447,534	852,216	52.51
153	2,401,539	8,402,481	28.58
154	290,623	646,232	44.97
156	21,244	47,472	44.75
201	7,990	35,931	22.24
261	5,176	9,883	52.37
315	120	394	30.46
327	2,924	13,672	21.39
334	12	33	36.36
362	206,666	340,540	60.69
418	38,184	163,803	23.31
424	10,661	41,665	25.59
443	17,426	20,621	84.51
503	152	327	46.48
626	78,746	168,368	46.77
627	7,380	29,518	25.00
664	244,682	1,011,379	24.19
686	33,155	121,594	27.27
737	710,048	2,433,973	29.17
770	246,188	956,537	25.74
785	1,932,104	7,283,497	26.53
823	3,746,582	8,082,491	46.35
881	1,376	3,380	40.71

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V. STATISTICAL AGENT FUNCTION (continued)

D. Deleted Washout Records (continued)

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
902	89,528	181,008	49.46
942	982	4,711	20.84
958	3,102	10,028	30.93
963	9,678	32,497	29.78
989	8,322	29,499	28.21
Total Industry	14,735,313	94,556,536	15.58%

The 2019 washout total following the 12/2019 shipments was 15.09%

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 2020 period. Companies are to respond to any over tolerances by May 7, 2021.

The Private Passenger and Commercial Statistical Plan revisions were approved on December 10, 2019 included an update to the Distributional Analysis Reporting where the components and penalties associated with the Distributional Analysis beginning with the 2020 Distributional Analysis Program have been incorporated with the Statistical Data Quality Penalties. A response is now required by the specified due date or companies will receive a penalty assessment. These details can be found within the Data Quality Program on the Private Passenger and Commercial Massachusetts Statistical Plan Manuals.

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

To assist Servicing Carriers in evaluating their assigned ERPs relative to CAR Rule 14, C – Production Criteria, CAR developed an application that provides commercial automobile written premium totals for each agency assigned to each Servicing Carrier. The written premiums reflected are the total of both ceded and voluntary commercial auto premiums for all reporting companies for each assigned agency. The data is updated monthly and reflects the most recent 12 months of reported data.

In mid-September, CAR implemented a new application to enhance the information provided to companies relative to large, residual market losses. The application includes a Large Loss Notification Form as well as several Large Loss Reports to better communicate the significant losses impacting the commercial residual market pool. Please reference Bulletin No. 1086 for additional information.

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.

The remaining systems on CAR's mainframe include: the CAR Accounting System, Statistical Policy Histories, and Claims functions (Allocated Expense, Reinsurance Audit, Average Cost per Claim).

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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
Enhance MAIP Policy Application	Complete	Enhance the MAIP Policy application to prefill certain operator fields with data from the Registry. Update the FTP feeds to include the new fields as well as feedback from Producers.
Annual Statement Reconciliation Rewrite	In progress	Modernization of the application to enhance usability and maintenance. Enhancements will be incorporated during the rewrite.
CAR Accounting System	In progress	Create a web-based correction application to replace the mainframe-based CAR Accounting system. Phase I – Policy Histories has been completed and work on Phase II – Corrections is in progress.
Re-Write Company Mainframe Applications	Analysis	The rewrite of the CAR mainframe will effect the Rule 29, Statistical Policy History and Claims/Audit functions.