

# COMMONWEALTH AUTOMOBILE REINSURERS

## RULE 12 CREDIT EDIT PACKAGE

**OVERVIEW**

Rule 12 - Credit Provisions from the Rules of Operation states:

"The basic goal of credits is to enhance the prospects for a viable voluntary market in all territories and classifications... Each member shall receive credit for voluntarily writing private passenger business within those territories and those classifications that would otherwise be disproportionately represented in CAR. This credit is applied to the participation units applicable to the Member when determining its share of the under-writing experience of CAR as provided in Rule 11."

Within the Rule 12 Credit Edit system, classification credits pertain to policies written voluntarily and contain a driver less than 25 years old, as of the policy effective date.

The credit amount varies from year to year and depends on:

- the driver's sex
- driver training status
- operator status
- the number of years licensed.

(Other classifications of drivers that are credit eligible exist, but because youthful drivers comprise the bulk of the credits, the Rule 12 Credit System edits youthful drivers only).

CAR designed this system to ensure that the statistical reporting of classification credit data is correct. Because credit data reduces a company's share of the deficit, companies that erroneously report their credit data may not only benefit significantly but also may negatively impact the entire industry participation process.

In order to verify the validity of the classification codes, the Rule 12 Credit Edit System attempts to match, by policy number, the class code reported on the detail statistical record to similar data the MRB/Registry provides to CAR.

Those statistical records that do not match to the records created from the MRB data are considered a Rule 12 error. CAR forwards a listing of these errors to companies for review and correction. CAR then uses final error results at the close of a year to adjust participation ratios.

**PROCESSING SCHEDULE**

The Rule 12 Credit Edit System runs quarterly, after CAR processes the March, June, September, and December shipments. The system produces and CAR distributes the results from this system during these months. CAR encourages all companies to correct their errors before CAR calculates the participation ratios for the corresponding year.

**DATA FROM THE MERIT RATING BOARD**

The Merit Rating Board (MRB) sends CAR a tape weekly; the tape contains transactions for all SDIP inquiries your company made for drivers who are less than 25 years old as of the effective date of the policy. Each record contains the following data fields:

- |                              |                                   |
|------------------------------|-----------------------------------|
| - Company Code               | - Surname                         |
| - Policy Number              | - Deferred Driver Indicator       |
| - Policy Effective Date      | - Date of Birth                   |
| - Transaction Effective Date | - Number of Years Licensed        |
| - Transaction Inquiry Type   | - MA RMV Date First Licensed*     |
| - MRB Process Date           | - MA RMV Driver Training Status * |
| - Operator License Number    | - MA RMV Driver Sex *             |
| - License State              |                                   |

\* In most cases, these fields are blank for drivers licensed in a state other than Massachusetts.

For further information on these fields, please refer to the SDIP Policy Inquiry Manual.

Upon receiving each MRB tape, CAR processes it through the RM100 - Rule 12 Load Program. This program adds all processable records to the Policy Inquiry File (RMV). The program rejects unreadable records and records in which the driver(s) is 25 years old or greater, as of the policy effective date.

In addition to the original data elements on the MRB tape, the RM100 imputes and adds fields to each record. While most of these fields are processing switches, the program imputes the class code and corresponding credit factor fields from the MRB provided data. The program creates an RMV record regardless of whether the class is credit eligible. Please reference Page 8 for a complete description of the file.

**EXCEPTION**

The RM100 "plugs" the driver training status field with a "Y" if License State = "MA" and the operator was first licensed prior to age 17 (as this is required by law). These records show a "1" in the Drvr-Train-Upd-Sw field.

***IMPUTING OF CLASS CODES***

The RM100 - Load Program imputes a class code (first four positions) based upon the following fields contained on the MRB record:

- Driver sex
- Driver training status
- Number of Years Driving

This imputed class code is subsequently compared to the class code reported on the detail statistical records.

***PRINCIPAL/OCCASIONAL ISSUE***

Because the MRB does not collect principal/occasional driver information, the RM100 - Load Program creates two records for almost every MRB record. One record denotes a principal driver and the other denotes an occasional driver. Note that there are certain statistical classes which do not distinguish the operator status. In these cases, the RM100 creates only one RMV00 record.

***MID-TERM RATE/STAT CLASS CHANGES***

"Exception" processing occurs for records in which the rate/stat class changes mid-term. While SDIP inquiries are not required until renewal, companies may report data with the new class code once the change has occurred.

Accordingly, special processing occurs for those drivers who, at renewal, have been licensed for 2 or 5 years, but mid-term, become licensed for 3 or 6 years, respectively. As a statistical and rate class change reflects the change in the number of years driving, the RM100 - Load Program creates additional records with class codes that represent the new rate/stat class. These records show a '1' in the Car-Gen-Rec-Sw field.

The new class codes are valid only as of the anniversary date of the Date First Licensed (i.e. once the driver actually becomes licensed for 3 or 6 years). The original class code is valid for the entire policy term. This processing allows for both circumstances in which the rate class change is processed mid-term and those in which the rate change does not occur until renewal. The example on the following page illustrates this.

Policy Effective Date	Date First Licensed	Sex	Driver Training
01/01/95	04/01/92	Male	No

The RM100 creates the following records:

Classes	Valid Effective Dates
1226	01/01/95-12/31/95
1207	01/01/95-12/31/95
1223	04/01/95-12/31/95
1204	04/01/95-12/31/95

### ***DEFERRED OPERATORS***

A deferred operator is defined as "a listed operator whose operator SDIP step is not assigned to any vehicle on the inquiring policy because this operator is the principal operator of a vehicle covered by another policy".

A company cannot report credit eligible class codes for a policy where the driver has been designated as deferred. That operator will be reported with a credit eligible class code on the policy in which he/she is the principal operator.

The RM100 - Load program creates records for deferred operators. If a driver is deferred, the 10th position of the name shows an "\*" and the Defrd-Op-Sw = '1'. Statistical records matching to deferred operator records will be flagged in error. (Refer to section III - Editing the Data for more information).

### ***OUT-OF-STATE DRIVERS***

For out-of-state drivers (state code other than "MA"), most records from the MRB contain blanks in the Driver Sex, Driver Training Status, and Number of Years Licensed fields. Accordingly, CAR creates class codes for all possible options using 0 - 3 years of driving experience. That is, CAR creates not just the principal/ occasional class codes, but also both sets of sexes and driver training status.

If, at the least, the Number of Years Driving field contains information, CAR creates the appropriate records (based upon the driving experience) for all the possible options. Note that in both cases, the credit factors for these records are plugged as "0.00". Thus if a statistical record validly matches to the RMV file, no error will occur. However, if no match occurs, an unfair credit value will not be assigned.

Note: companies have the ability, via the SDIP Inquiry System, to update the MRB's Inquiry File so that CAR receives prior driving history information (i.e. information in the Number of Years Driving field). Please refer to Section VII - Correcting Data (Page 20) for further information.

### ***PREVIOUS OUT-OF-STATE DRIVERS/PRIOR HISTORY***

Unless the company indicates to the MRB, via the inquiry process (similar to an out-of-state driver), that prior driving history exists, the Number of Years Driving field contains only the driving history for Massachusetts. Errors occur if the MRB record shows less driving experience than the class code the company reported with the previous out-of-state driving experience.

For example, the company reports the class code corresponding to 3 - 6 years of driving based upon prior, out-of-state driving history plus Massachusetts driving history, but the MRB reflects only 1 year of driving based solely on the Massachusetts driving history.

Note that in some circumstances, the prior history cannot be carried over to the MRB system (e.g. when the operator has out-of-state incidents). In these instances, the company reported class code will be correct even though the record will be flagged in error. The Rule 12 Credit System has incorporated an error tolerance to address these issues.

### ***PERMIT DRIVERS***

Some companies may inquire when an operator having only a permit has been added to a policy. Please note that such operators may not be used for rating purposes, and thus, cannot be used when reporting statistical data to CAR. Records for permit drivers can be identified by the following:

State	Number of Years Driving	Date First Licensed	Prmt-Only-Sw
MA	0 or Blank	Blank	1

Records matched to Permit Only Drivers are invalid.

### ***ACCESS TO CAR's RMV FILE***

Companies can access CAR's RMV File - Policy Inquiry File to assist in correction efforts. In some instances, this file contains more data than is available via the SDIP Inquiry System. You can access this file in two ways:

***RM150 - EXTRACT TAPE***

Upon request, CAR provides the RM150 - Extract Tape containing each company's RMV data with the quarterly reports. The data contained on the tape is cumulative. CAR provides the detailed specifications and record layout with the tape. **Please note that this tape is provided free of charge; however, those companies that fail to return their tapes will not receive updated tapes in the future.**

***ON-LINE ACCESS***

Those companies with access to CAR's On-line Telecommunications System have browsing access to the RMV file. You browse the file by company number, policy effective year, and policy number. Section IV (Pages 9-12) describes this inquiry system.

Data Element	Field Length	Possible Values
Company Number	3	
Policy Number	16	
Policy Effective Year	4	YYYY format
License Number	25	
RMV Trans Effec Date	8	YYYY/MM/DD format
MRB Process Date	8	YYYY/MM/DD format
RMV Serial Number	9	
Class Code (Imputed)	4	
Credit Factor	2.2	0X.XX format
RMV Policy Effective Date	8	YYYY/MM/DD format
Inquiry Transaction Type	1	1 = New Business 2 = Renewal Business 3 = Add/Change Operator 4 = Add Collision Coverage 5 = Add Prop Dam Coverage 6 = Reinstatement
State Code	2	
Last Name	10	
Date of Birth	8	YYYY/MM/DD format
Number of Years Licensed	1	Never greater tha 6
Date First Licensed	8	YYYY/MM/DD
Driver Training Status	1	Y = Yes N = No U = Unknown
Driver Sex	1	F = Female M = Male U = Unknown
Principal/Occasional Switch	1	P = Principal O = Occasional B = Both
Driver Training Update Switch	1	0 = Not Updated 1 = Updated
CAR Generated Record Switch	1	0 = Not Generated 1 = Generated
Deferred Operator Switch	1	0 = Not Deferred 1 = Deferred
Permit Only Switch	1	0 = Licensed Driver 1 = Permit Driver
TX-DT Less than Lic-Dt Switch	1	0 = TX Greater 1 = TX Less Than
Filler	13	

To access CAR's on-line Rule 12 inquiry system (RMV File) from TE100-TELECOMMUNICATIONS MENU,

**Select PF4 or tab to the option field, type "04" and hit ENTER**

The RM050 - RULE 12 RMV FILE BROWSE screen appears.

TE100MN TEMENUSA	COMMONWEALTH AUTOMOBILE REINSURERS TELECOMMUNICATIONS	07/16/96 09:31:41
<p>C.A.R. ACCOUNTING SYSTEM..... PF1 OR 01          PRODUCER CODE INQUIRIES ..... PF2 OR 02          SESSION BROWSE ..... PF3 OR 03</p> <p>STATISTICAL SYSTEM</p> <p><b>RULE 12 RMV FILE INQUIRY..... PF4 OR 04</b>          POLICY HISTORIES ..... PF5 OR 05          STATISTICAL CORRECTIONS ..... PF6 OR 06</p> <p>SPECIAL INVESTIGATIVE UNIT SYSTEM .... PF7 OR 07          TAXI INDEX SYSTEM ..... PF8 OR 08          SESSION VOLUME ANALYSIS..... PF9 OR 09</p> <p>TERMINATE C.A.R. SESSION ..... PF12 OR 12</p> <p style="text-align: center;">:       :</p> <p style="text-align: center;">DEPRESS PFKEY OR ENTER PROCESSING OPTION</p>		

**Tab to the COMPANY CODE field and enter your three-digit code.**

RM050MN RM050SA	COMMONWEALTH AUTOMOBILE REINSURERS RULE 12 RMV FILE BROWSE	07/16/96 09:27:08
<p>COMPANY CODE _____</p> <p>ENTER COMPANY CODE FOR PROCESSING          OR          DEPRESS PF12 OR ENTER 12 FOR END OF SESSION</p> <p style="text-align: center;">:       :</p>		

Once you enter a valid company code, the RM100PR - SEARCH RMV DATABASE screen appears.

```

RM100PR                SEARCH RMV DATABASE                07/16/96
RM100SA                09:27:15

PLEASE ENTER THE FOLLOWING INFORMATION

COMPANY NUMBER:      999
POLICY NUMBER:      _____
POLICY EFFECTIVE YEAR:  __

:      :

PF1 = HELP          PF3 = VIEW          PF12 = EXIT
    
```

At this point, the company code is "protected"; if you attempt to change it, you will disable your password. To access your data on the RMV file -

- a) Input the policy number and effective year
- b) Select PF3

The RM100PR - RM100 DISPLAY SCREEN 1 appears.

```

RM100PR                RM100PR DISPLAY SCREEN 1          07/16/96
RM100SB                10:58:08

CO-NO  999    POL-ID  993486                POL-EFF-YR  94    PAGE: 01
          I S      DATE # D DATE
          N E FIRST Y D T OF CLAS CRED
          SRL      NAME LICENSE NUMBER ST Q X LICENSED L T U BIRTH CODE FCTR

003989774 CONNOLLY 022608090 MA 2 F 19940711 0 N 0 19750823 1246 1.00
003989775 CONNOLLY 022608090 MA 2 F 19940711 0 N 0 19750823 1247 0.00
003989776 CONNOLLY 022609521 MA 3 M 19900625 4 Y 1 19730914 1423 3.00
003989777 CONNOLLY 022609521 MA 3 M 19900625 4 Y 1 19730914 1404 0.00
003989778 CONNOLLY 022609521 MA 2 M 19900625 4 Y 1 19730914 1423 3.00
003989779 CONNOLLY 022609521 MA 2 M 19900625 4 Y 1 19730914 1404 0.00
006496952 CONNOLLY 022608090 MA 3 F 19940711 0 N 0 19750823 1246 1.00
006496953 CONNOLLY 022608090 MA 3 F 19940711 0 N 0 19750823 1247 0.00
007076893 CONNOLLY 022608090 MA 3 F 19940711 0 N 0 19750823 1246 1.00
007076894 CONNOLLY 022608090 MA 3 F 19940711 0 N 0 19750823 1247 0.00

:      :
CANNOT SCROLL BACKWARD
BEGINNING OF RMV FILE
PF1=HELP          PF7=PAGE BACKWARD          PF10=HARD COPY
PF5=PAGE RIGHT    PF8=PAGE FORWARD          PF12=EXIT
    
```

The following table gives the field definitions.

Field Heading	Definition
RMV SRL	RMV Serial Number - CAR imputes to separately identify each RMV record
LAST NAME	The operator's last name (a "*" in the 10th position indicates a deferred operator)
LICENSE NUMBER	The operator's license number
ST	State
INQ	Inquiry
SEX	Male (M), Female (F), Unknown (U)
DATE FIRST LICENSED	Date in Massachusetts
# Y L	Number of years licensed
DT	Driver Training Status (Y, N, U)
DATE OF BIRTH	
CLAS CODE	Class code imputed by CAR
CRED FCTR	Credit Factor for that class and policy effective year

Use the PF5 (PAGE RIGHT) and PF6 (PAGE LEFT) functions to view an entire record.

Use the PF7 (PAGE BACKWARD) and PF8 (PAGE FORWARD) functions if a policy contains more than 10 records.

Use the PF10 (HARD COPY) function to request a hard copy policy history which CAR mails to the individual user.

**Select PF5 to view RM100PR - RM100 DISPLAY SCREEN 2.**

```

RM100PR                      RM100PR DISPLAY SCREEN 2                      06/01/96
RM100SC                                                                10:58:12

CO-NO  999      POL-ID  993486                      POL-EFF-YR  94                      PAGE:  1
RMV      LAST                      RMV      RMV      MRB      P G D P TX
RMV      LAST                      TX-EFF   POL-EFF   PROC     R E E E LES
SRL      NAME      LICENSE NUMBER      DATE      DATE      DATE     I N F R LIC

003989774 CONNOLLY  022608090      19940712 19940712 19940722 P 0 0 0  0
003989775 CONNOLLY  022608090      19940712 19940712 19940722 O 0 0 0  0
003989776 CONNOLLY  022609521      19940712 19940712 19940627 P 0 0 0  0
003989777 CONNOLLY  022609521      19940712 19940712 19940627 O 0 0 0  0
003989778 CONNOLLY  022609521      19940712 19940712 19940722 P 0 0 0  0
003989779 CONNOLLY  022609521      19940712 19940712 19940722 O 0 0 0  0
006496952 CONNOLLY  022608090      19950401 19940712 19950407 P 0 0 0  0
006496953 CONNOLLY  022608090      19950401 19940712 19950407 O 0 0 0  0
007076893 CONNOLLY  022608090      19950401 19940712 19950421 P 0 0 0  0
007076894 CONNOLLY  022608090      19950401 19940712 19950421 O 0 0 0  0

: _ :
CANNOT SCROLL BACKWARD
BEGINNING OF RMV FILE
PF1=HELP          PF7=PAGE BACKWARD          PF10=HARD COPY
PF6=PAGE LEFT    PF8=PAGE FORWARD          PF12=EXIT
    
```

The following table gives the remaining field definitions.

Field Heading	Definition
RMV TX-EFF DATE	The inquiry transaction date at the MRB/Registry
RMV POL-EFF DATE	The policy effective date at the MRB/Registry
MRB PROC DATE	The date the MRB/Registry processed the inquiry
PRI	Principal/Occasional operator Switch (P, O, B)
GEN	CAR generated record switch
DEF	Deferred operator switch
PER	Permit driver switch
TX LES LIC	RMV transaction effective date is less than date first licensed switch

For more information, please reference CAR's On-line Telecommunications Manual. Those companies that would like access to CAR's On-line Telecommunication System should contact their Data Analyst.

After loading the MRB data via the RM100 - Rule 12 Load Program, CAR runs the RM175 - Washout Program.

The following 13 fields must match exactly on the statistical records for a washout to occur:

Company Number	Transaction Effective Month
Policy Number	Transaction Effective Year
Policy Effective Year	BI Limit
Subline	PD Limit
Policy Effective Month	OTC Coverage
CAR ID Code	Collision Coverage
Class Code (first four positions)	

The Exposure, Premium Dollar1 and Premium Dollar2 amounts must net to zero (i.e. the dollar/exposure amounts are the same, but the signs are opposite).

For purposes of the Rule 12 Credit System only, the washout routine does not use the transaction code in the comparison process. Thus, a TX11 - new/renewal will washout with a TX15 - flat cancellation if every other field noted above fits the washout criteria.

CAR runs this washout routine prior to the Rule 12 edit, so these records are excluded from the edit.

***RM200 - EDIT PROGRAM***

The RM200 - Edit Program reads CAR's voluntary, private passenger premium statistical file. Using the class code and the effective year from the statistical records, the edit selects those credit eligible records (for youthful drivers) for Rule 12 verification.

The program edits the following types of records only:

- voluntary (CAR ID Code = 0 and 1)
- property damage liability
- comprehensive and other-than-collision physical damage

*Washout records are not selected.*

The edit uses the policy number and effective year to compare the company reported class code to the corresponding imputed class codes on the RMV file. The edit compares them by policy number.

If the reported class code matches to one of the RMV imputed class codes, the record is valid. However, if the reported class code does not match to any of the imputed class codes, then the record is invalid and considered to have a Rule 12 error. In most cases, the RMV file will contain multiple records for each policy - not only because of multiple operators on a policy, but also because of the generated records for the principal/occasional issue.

In performing the matching process, the edit uses transaction dates to eliminate ineligible RMV records. That is, for matching purposes, the edit selects only those RMV records where the RMV Transaction Date is the same as or earlier than the the company-reported statistical record.

If all the RMV records contain the same RMV Transaction Date, the edit then uses the most recent MRB-Process-Date to select the most recent record. Thus, if a company corrects an inquiry, the edit uses the corrected record to perform the verification because it now has the latest MRB-Process-Date.

***EDIT DESCRIPTIONS***

The edits are divided into two categories: Error Codes and Informational Codes.

An invalid record can have only one error code; however, it can have multiple informational codes. The error code identifies why the record failed the Rule 12 verification process. Based upon that error code, the edit selects one record from the RMV file to be the "Match" record (except in an error code 1 situation). The informational error codes describe the other types of records that exist for that policy.

The error codes are numbered in priority order so that error code 1 has a more severe financial impact than error code 8.

**ERROR CODE 01:**

No CO-YR-POL match on the RMV file

No RMV record exists with the same Company Number, Effective Year, and Policy Number as reported on the company's statistical tape.

**ERROR CODE 02:**

Only RMV Record is an Out-of-State Driver

The only RMV records that exist for this Company Number, Effective Year and Policy Number combination are out-of-state drivers with no valid information.

**ERROR CODE 03:**

Only RMV Record is a Deferred Operator

The only RMV records that exist for this Company Number, Effective Year and Policy Number combination are deferred operators. Credit class codes cannot be reported for deferred operators.

**ERROR CODE 04:**

Only RMV Record is for a Permit Driver

The only RMV records that exist for this Company Number, Effective Year and Policy Number combination are permit drivers. Credit class codes can not be reported for permit drivers.

**ERROR CODE 05:**

Only RMV Record is a Trans 4 or 5

The only RMV records that exist for this Company Number, Effective Year, and Policy Number combination are transaction 4/5s (changes in coverage). A transaction 1, 2, 3, or 6 must exist for a valid match since a change in coverage is unrelated to a driver's attributes.

**ERROR CODE 06:**

Stat Trans Date Earlier than First RMV Trans Date

The transaction date on the statistical record is earlier than the transaction date on the RMV record. For example, if an operator was added to a policy as of June, the statistical transaction date for that record/driver must be 06 or greater.

**ERROR CODE 07:**

Diff Class on record with most recent Trans Date

Because the edit uses transaction dates to eliminate ineligible records, it matches the statistical record to the most recent RMV record or the record with the most recent RMV transaction effective date.

This error denotes the situation in which the most recent transaction date has a different class code than the reported class code. Note that the transaction date from the statistical record must still be greater than or equal to the transaction date of the RMV record.

**ERROR CODE 08:**

Diff Class on record with most recent MRB Proc Date

This edit uses the MRB-Process-Date to eliminate ineligible records. This error denotes the situation in which the most recent MRB process date, within a specific transaction month, has a different class code than the reported class code.

**Informational Code 01:**

An RMV Record with Same Class Exists

In addition to the RMV "Match" record, another RMV record exists for the Company Number, Effective Year and Policy Number combination with the same class code as the reported class code. In most instances, the same class record is not eligible to match because of date discrepancies.

**Informational Code 02:**

An Out-Of-State Driver Exists for this Policy

In addition to the RMV "Match" record, an out-of-state driver also exists for this Company Number, Effective Year, and Policy Number combination.

**Informational Code 03:**

A Deferred Operator Exists for this Policy

In addition to the RMV "Match" record, a deferred Operator also exists for this Company Number, Effective Year, and Policy Number combination.

**Informational Code 04:**

A Permit Driver Exists for this Policy

In addition to the RMV "Match" record, a permit driver also exists for this Company Number, Effective Year, and Policy Number combination.

**Informational Code 05:**

A Trans 4 or 5 record Exists for this Policy

In addition to the RMV "Match" record, a transaction 4 or 5 RMV record also exists for this Company Number, Effective Year, and Policy Number combination.

**Informational Code 06:**

Stat Trans Date Earlier than First RMV Trans Date

In addition to the RMV "Match" record, another record exists where the transaction date on the statistical record is earlier than the transaction date on the RMV record.

**Informational Code 07:**

The Trans Date is within 120 Days of Expiration

The statistically reported Transaction Date is within 120 days of the Policy Expiration date.

**Informational Code 08:**

Tables Exceeded

The RM400 listing has space for only 12 possible class codes. Accordingly, if there are more than 12, this error will appear. Companies should access the RMV file (via the tape extracts or the on-line system) in order to view all possibilities.

**EXCEPTION EDITING****MID-TERM RATE/STAT CLASS CHANGES**

As previously noted, the RM100 - Load Program creates records for mid-term rate/stat class changes as of the anniversary date of the Date-First-Licensed. The RM200 - Edit Program validly accepts the original class (with fewer years of driving experience) for the entire policy term, but the CAR generated class (with greater years driving experience) is valid for the time period after the anniversary date of the rate/stat class change only (refer to Page 3 for more information).

**ENDORSEMENT RECORDS**

Most endorsement activity (statistical transaction code = '12') resulting in class code changes creates statistical records for both classes (old and new) for the same transaction date. In order to accommodate this situation, the RM200 - Edit Program validly matches endorsement records to both classes for the change month.

Note that only the original class codes (those with negative exposure) are valid for transaction dates equal to or earlier than the change month and only the new class codes will be valid for transaction dates equal to or greater than the change month.

**"ASSIGNED" CLASS CODES**

Once a record has been flagged in error, the RM200 - Load Program assigns a class code to that record. This becomes known as the "assigned" class code.

(For clarification: the "reported" class code is reported by the company on the statistical record.

the "imputed" class code is created by the RM100 based upon the information from the MRB.)

Assigned class code = '9997'

These records are identified with a transaction date greater than all the corresponding RMV records (error code = 06). The credit factor value = 0.0.

Assigned class code = '9998'

These records matched to out-of-state drivers . The credit factor value = 0.0.

Assigned class code = '9999'

These are records considered to have no match. The credit factor value = 0.0.

Assigned class code Not Equal to '9999'

Records flagged with error code = 07 or 08, indicating that the class code of the "match" record is not the same as the reported class code, are assigned the class code of the match record.

Principal/Occasional Match

When there are valid Principal/Occasional Match records to match to, the edit always matches a statistically reported principal class code to an RMV record with a principal class code. Likewise, it matches a statistically reported occasional class code to an RMV record with an occasional class code. In all cases, the transaction date criteria must also be met.

For example:

If the reported class = 1409 (Male/Occ. Driver/with Driver Train./Licensed 0-3 yrs)

The RMV imputed classes = 1207 (M/Occasional/no DT/0-3 yrs)  
= 1226 (M/Principal/no DT/0-3 yrs)

The possible class = 1207 because of the occasional status.

Therefore, the assigned class = 1207.

Once the edit eliminates possible class codes due to matching on principal/occasional characteristics, it will always match against the RMV record with the lowest non-zero credit factor. Note that if all the possible class codes have a credit factor of 0.0, then the assigned class code will equal '9999'.

For example (using 1994 credit values):

Reported class = 1409 (M/Occasional/with DT/0-3 yrs)

RMV imputed classes = 1204 (M/Occasional/3-6 yrs/0.0 Credit)  
= 1207 (M/Occasional/<3 yrs/1.0 Credit)  
= 1223 (M/Principal/3-6 yrs/3.0 Credit)  
= 1226 (M/Principal/<3 yrs/4.0 Credit)

Possible classes = 1204, 1207

Assigned class = 1207

**However,** if the Reported class = 1428 (M/Principal/with DT/0-3 yrs)

Possible classes = 1223, 1226

Assigned class = 1223

***THE ERROR LISTING FORMAT***

All records that the RM200 flags in error are written to an error file. The RM400 - Error Listing reads this error file and produces an error listing. The error listing is broken into three sections:

- RM400-0 - Errors where the credit factor of the assigned class is zero.
- RM400-1 - Errors where the credit factor of the assigned class is different than the reported class
- RM400-2 - Errors where the credit factor of the assigned class is the equal to the reported class.

The three sections allow a company to prioritize its correction efforts.

It then displays error records by error code.

Thus, all errors related to out-of-state-drivers are found together, as are deferred errors, permit driver errors, etc. Informational codes that also apply to a specific record show as well.

The RM400 - Error Listing does not display every record in error but rather a sample. Accordingly, in most cases, only one record for each error policy will appear. However, the listing displays a record for each different, invalid class code. Thus, if two different operators on the same policy with different class codes are found to be in error, two records appear on the listing. However, the two records may be found in different sections of the listing, depending upon the credit factor and error code.

Based upon the RMV file, all the possible valid class codes and licenses appear on the RM400 - Error Listing, as well as the assigned class code. A class code/license is valid only if it passes the date criteria as well as matches to the driver operator status.

There are three methods for correcting Rule 12 Credit Errors:

#### INVALID STATISTICAL DATA

If a company has determined that its data is incorrect (i.e. the statistically reported class code is wrong), then submit offset/ reenter records to correct the invalid data. Create an offset record, containing the same invalid class code, to washout the original record. Then report the reenter record with the correct class code.

Contact CAR Staff prior to submitting correction data. If at all possible, submit correction data in the same accounting year as the original invalid data. If a company is unable to do this, then submit correction data no later than the next accounting year from the original accounting year (i.e. if you submitted the original invalid data in the 10/95 submission, then CAR should receive correction data no later than 12/96). In all cases, submit correction data in separate files from the regular submission.

#### INVALID/MISSING MRB/REGISTRY DATA

If a company has determined that the SDIP Inquiry System is incomplete (i.e. the company failed to process an inquiry for a driver and thus, CAR failed to receive a record from the MRB for that driver), then process an inquiry. Once CAR receives an MRB record for that driver, the program creates new RMV records and the error should be eliminated with the next quarter's processing.

Reference the Safe Driver Insurance Plan Policy Inquiries Manual, Appendix N: Requirements for Transferring Out-Of-State Driving Records to correct errors related to prior history for out-of-state drivers.

If a company is experiencing problems related to incorrect Driver Training Status, please be aware that CAR is working with the Registry to resolve this problem. The financial impact from invalid records due to the Driver Training field is limited, as the credit factors are the same for classes that differ just by the Driver Training Status.

#### ADJUSTMENTS BY CAR

If a company determines that due to unusual circumstances, it is unable to process corrections on a timely basis, the company can request that CAR process adjustments for its Rule 12 Credit Errors. This is essentially the same process that occurs when CAR processes adjustments for the entire industry based upon each company's remaining errors. Please reference Section IX - Financial Process for a complete description of this process.

**OVERVIEW**

Upon completion of the quarterly processing, CAR summarizes the results of the RM200 editing to determine the credit impact for each company and the industry. The RM450Q report provides this summary information for each company and the industry.

**REPORT DESCRIPTION - RM450Q - CREDIT IMPACT**

In order to identify errors which impact a company's class credits, the RM450Q selects errors where the credit factor of the assigned class code is different than the credit factor of the reported class code. The program excludes errors resulting from out-of-state drivers (error code 2). Since this system edits current year records only, it likewise impacts only the current year's class credits.

The report is broken down in the following manner:

- 1) voluntary vs ERP business
- 2) liability and physical damage

For each category, the program compares the exposures reported for credit eligible class codes to those assigned by the system when an error was found. For each class category, the exposure difference between the reported class code and assigned class code is multiplied by the applicable credit factor to calculate the total credit impact per category.

CAR calculates an error percentage by comparing the total credit impact the RM450Q determined to the total classification credits the company reported (as reflected on the company's BD400Q report). CAR provides this error rate information as part of the documentation that accompanies each listing.

**PROCESSING OF FINANCIAL RESULTS**

The Operations Committee sets an error tolerance level at the beginning of each year. The tolerance level allows for errors that are beyond the control of the company to correct, such as 4th quarter errors that companies do not have time to correct and policy changes within the last 120 days of the policy. The tolerance also allows for a certain margin of error in class code reporting.

To determine the final impact to a company's reported class credits, CAR applies the error percentage less the tolerance to the reported class credits. For example,

The company's liability error percent	=	4.17%
Less the 2% tolerance		<u>-2.00%</u>
Equals total liability error %		2.17%

CAR then multiplies the company's reported class credits by the 2.17% to calculate a revised credit impact and subtract that result from the reported class credits to obtain the revised class credits.

$$\begin{array}{r} \text{Policy Year 1995 reported class credits} = 3,972 \\ \text{Error Percent} \qquad \qquad \qquad \qquad \qquad \times 2.17\% \\ \hline \text{Revised Credit Impact} \qquad \qquad \qquad \qquad \qquad 86 \end{array}$$

The revised class credits are  $3,972 - 86 = 3,886$

CAR distributes these results quarterly to each company's financial liaison; they are included in the calculation of the participation ratios. These participation reports include a section which illustrates this calculation and another section which reflects the resulting financial impact.