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- MEMORANDUM -

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: June 24, 2013

RE: Operational Reports

The 1st quarter 2013 Operational Reports follow this memorandum. This report includes data reported February 18, 2013 through May 15, 2013 for the accounting month period of January 2013 through March 2013. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

Section I – Accounting/Statistical Shipments:

There have been no Private Passenger or Commercial Statistical Plan recommendations since the last publication of the Operational Reports.

CAR assessed a total of \$18,200 in the Statistical Data Quality Penalty Program in the 1st Quarter 2013 Settlement of Balances report.

Section II – Cession/MAIP Placement Record Reporting:

This section has been renamed and now includes a new report – MAIP Placement Record Reporting Analysis, which highlights valid and invalid activity related to MAIP Placement Record reporting. CAR solicits responses from companies with excessive error counts. These responses will be included with the next quarterly Operational Report.

OPERATIONAL REPORTS 1ST QUARTER 2013

Section III – Residual Market Information:

This section has been renamed and now includes various status reports related to residual market commercial and private passenger market share, participation ratios, and quota share.

CAR mailed the CA5010 - Flat Cancellation report on February 29, 2013 and the documentation was due back at CAR on April 1, 2013.

As of March 2013 the commercial residual market rate equaled 16.6%.

CAR posted the March 31, 2013 Quarterly Member Participation Reports to its website on June 7, 2013.

CAR ran the 1st Quarter 2013 Rule 29 credit edit download reports on May 31, 2013.

Section IV – Accounting System Processing:

CAR produced 1st Quarter 2013 Critical Error Loss Write-Offs and 10% Loss of Investment Fees totaling \$1,397 and \$358 respectively.

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2012 and 2013 policy effective years following the monthly accounting shipments due the 15th of every month for all companies remaining over the tolerance level of 1% and 10 policies in error.

The Penalty Forecasting exhibits were posted to CAR's website on June 18, 2013.

Section V - Statistical Agent Functions:

4th Quarter 2012 Statutory Page 14 data was due at CAR on March 15, 2013. Penalties for late page 14 reporting amounted to \$1,500. Reconciliation Responses for 4th Quarter 2012 were run on April 1, 2013 and due back on May 1, 2013. Penalties for late responses resulted at \$4,000. Company assessments were included in 1st Quarter 2013, Settlement of Balances. 1st Quarter 2013 Statutory Page 14 data was due at CAR on June 17, 2013. 1st Quarter Reconciliation Reporting is anticipated to run July 1, 2013.

All companies that exceed the commercial rate edit tolerances are listed on page 22.

Section VI – Communications:

CAR added functionality for Security Administrators to update the activity status, update the e-mail addresses, and process changes to a user's security profile. If you need access to the reports, please contact your company's security administrator to request access.

**OPERATIONAL REPORTS
1ST QUARTER 2013**

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 2013 as of the first quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

2013 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2013	March 15, 2013	1 st Qtr
February 2013	April 16, 2013	
March 2013	May 15, 20123	
April 2013	June 17, 2013	2 nd Qtr
May 2013	July 15, 2013	
June 2013	August 15, 2013	
July 2013	September 16, 2013	3 rd Qtr
August 2013	October 15, 2013	
September 2013	November 15, 2013	
October 2013	December 16, 2013	4 th Qtr
November 2013	January 15, 2014	
December 2013	February 18, 2014	

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 first quarter, 2013.

**OPERATIONAL REPORTS
1ST QUARTER 2013**

I. STATISTICAL SYSTEM (continued)

2013 Timeliness Report

<i>CO NO</i>	<i>Jan 3/18</i>	<i>Feb 4/15</i>	<i>Mar 5/15</i>	<i>Apr 6/17</i>	<i>May 7/15</i>	<i>Jun 8/15</i>	<i>July 9/16</i>	<i>Aug 10/15</i>	<i>Sep 11/15</i>	<i>Oct 12/16</i>	<i>Nov 1/15</i>	<i>Dec 2/18</i>
155		COM	COM									
123	COM											
229		COM	COM									
230			COM									
313	PP											
530	PP											
625			COM									
828	PP											
907		COM										
943		COM										

OPERATIONAL REPORTS 1ST QUARTER 2013

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 1st Quarter 2013, CAR assessed a total penalty amount of \$18,200. The table below shows the detail penalties for each company.

Penalty Assessments
1st Quarter 2013

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
044	Great American Alliance Ins Co	State Error > 5% - 02/2013	\$ 150
110	KnightBrook Insurance Company	Stat Error > 5% - 12/2012	\$ 450
118	Privilege Underwriters Reciprocal	Late Page 14 - 12/2012	\$ 500
134	New York Marine and General Ins	Late Page 14 - 12/2012	\$ 200
155	Argonaut Insurance Company	Late MAS - 12/2012	\$ 500
155	Argonaut Insurance Company	Late MAS - 02/2013	\$ 500
197	Fair American Ins and Rein Co	Late Page 14 - 12/2012	\$ 200
203	Catlin Indemnity Company	Late Page 14 - 12/2012	\$ 200
206	Nationwide Agribusiness Ins Co	Late Page 14 Expl - 12/2012	\$ 1,500
209	Boston Old Colony Ins Co	Stat Error > 5% - 01/2013	\$ 150
226	Great Divide Insurance Company	Late MAS - 12/2012	\$ 500
229	Clarendon Insurance Company	Late MAS - 02/2013	\$ 500
229	Clarendon Insurance Company	Stat Error > 5% - 07/2012	\$ 1,250
229	Clarendon Insurance Company	Stat Error > 5% - 08/2012	\$ 600
230	Praetorian Insurance Company	Late Page 14 - 12/2012	\$ 100
303	Cumis Insurance Company	Stat Error > 5% - 12/2012	\$ 150
313	Essentia Insurance Company	Late MAS - 01/2013	\$ 500
331	Massachusetts Homeland Ins Co	Stat Error > 5% - 02/2013	\$ 450
331	Massachusetts Homeland Ins Co	Late Page 14 Expl - 12/2012	\$ 200
418	IDS Property and Casualty	Stat Error > 5% - 01/2013	\$ 150
439	Great American Insurance Co	Stat Error > 5% - 11/2012	\$ 150
443	NOVA Casualty Company	Late Page 14 - 12/2012	\$ 100
444	Green Mountain Insurance Co	Stat Error > 5% - 12/2012	\$ 450
451	Hudson Insurance Company	Stat Error > 5% - 12/2012	\$ 150
486	Harleysville Preferred Ins Co	Stat Error > 5% - 11/2012	\$ 300
530	Vermont Mutual Ins Company	Late MAS - 01/2013	\$ 500
559	Maryland Casualty Insurance Co	Late MAS - 12/2012	\$ 500
620	Nat'l Independent Truckers Ins	Late MAS - 12/2012	\$ 1,250
622	National Interstate Insurance Co	Stat Error > 5% - 12/2012	\$ 450

**OPERATIONAL REPORTS
1ST QUARTER 2013**

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
1st Quarter 2013

Co #	Company Name	Assessment	Assessment Amount
622	National Interstate Insurance Co	Late Page 14 Expl - 12/2012	\$ 100
630	Nationwide Insurance Company	Stat Error > 5% - 11/2012	\$ 150
630	Nationwide Insurance Company	Stat Error > 5% - 01/2013	\$ 300
723	Travelers Insurance Co of MA	Stat Error > 5% - 01/2013	\$ 300
735	Pilgrim Insurance Company	Late Page 14 - 12/2012	\$ 200
797	Starr Indemnity & Liability Ins Co	Late Page 14 Expl - 12/2012	\$ 1,500
845	Tower Insurance Co of New York	Late Page 14 Expl - 12/2012	\$ 200
907	United States Automobile Assoc.	Late MAS - 02/2013	\$ 500
943	USAA Casualty Insurance Co	Late MAS - 02/2013	\$ 500
951	Vanliner Insurance Company	Stat Error > 5% - 11/2012	\$ 750
958	Harleysville Insurance Company	Stat Error > 5% - 02/2013	\$ 150
960	West American Insurance Co	State Error > 5% - 01/2013	\$ 300
962	Mountain Valley Indemnity Ins Co	Late Page 14 Expl - 12/2012	\$ 200
963	Harleysville Worcester Insurance	Stat Error > 5% - 11/2012	\$ 150
968	York Insurance Co of Maine	Late Page 14 Expl - 12/2012	\$ 200
992	Motors Insurance Corporation	Late Page 14 Expl - 12/2012	\$ 100
		Total	\$ 18,200

**OPERATIONAL REPORTS
1ST QUARTER 2013**

I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
January 1, 2014	<p>To accommodate those companies that write miscellaneous rated as private passenger vehicles currently not specifically identified in the Private Passenger Statistical Plan, the Miscellaneous Rated as Private Passenger Classification Code table has been updated to include an All Other classification code (049900).</p> <p>The Classification Code Decision Table has been updated to include this classification. To assure consistency among the Miscellaneous Rated as Private Passenger classifications, table values have been updated as necessary.</p>	Approved by the Division of Insurance on November 21, 2012

OPERATIONAL REPORTS 1ST QUARTER 2013

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 2011-2013.

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 March 22, 2013.

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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 May 2013 monitoring policy years 2011, 2012 and 2013 for 1st Quarter 2013.

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*).

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II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

Policy Year 2011
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	799	37	4.6	0.0	0	0
279	18	1	5.6 #	0.0	0	0
455	114	0	0.0	0.0	0	0
717	177	0	0.0	0.0	0	0
734	232	66	28.4 *	0.0	5,835	0
735	4	1	25.0 #	0.0	0	0
773	3	0	0.0	0.0	0	0
Totals	1,347	105	7.8%	N/A	5,835	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 2012
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	1,186	93	7.8 *	4.7	310	0
279	29	0	0.0	0.0	0	0
717	190	0	1.9	0.0	0	0
734	161	9	5.6 #	-3.7	0	0
773	1	0	0.0	0.0	0	0
Totals	1,567	102	6.5%	N/A	310	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 2013
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	393	36	9.2 *	0.0	0	0
279	10	1	10.0 #	0.0	0	0
717	71	1	1.4	0.0	0	0
734	61	2	3.3	0.0	0	0
Totals	535	40	7.5%	N/A	0	0

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

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

C. CA5010 Flat Cancellation Audit

Twice per year CAR runs the CA5010 - Flat Cancellation Documentation Listing. Its purpose is to randomly sample flat-canceled policies to verify that the industry is using flat-cancellation transactions properly. CAR ran the CA5010 on January 29, 2013. The documentation was due back on April 1, 2013. Upon reviewing the documentation there were no outstanding issues to report from the results of this audit.

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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 04/2012 to 03/2013

Reflects MAIP Placement Record Reported Data as of May 21, 2013

Company	Missing MPRs	MPRs with Non-Fatal Errors	Fatal MPRs	Rejected Take-Out Credits	MPRs with No Premium	MAIP Premium with No MPR	Active MPRs
045	14	0	0	1	5	12	308
153	15	17	0	426	171	7	12,958
192	0	0	0	0	0	0	227
202	0	0	0	0	0	0	239
262	0	0	0	20	2	6	1,856
279	5	4	85	87	13	52	42,171
308	0	0	0	0	0	1	523
312	0	0	0	4	0	0	1,681
331	5	2	1	1	1	15	2,078
354	5	1	0	0	4	55	6,267
363	2	1	0	0	2	3	662
422	0	0	0	0	0	0	244
514	0	0	0	19	0	15	0
531	0	0	0	0	0	0	1,000
585	0	0	4	0	0	13	2,479
612	0	0	2	78	24	51	3,540
664	7	12	0	17	0	5	1,466
723	5	100	2	0	8	57	11,318
731	0	0	1	131	0	0	267
773	0	2	2	174	1	4	15,912
826	0	0	2	0	1	0	1,553
908	7	1	3	0	1	9	6,477
959	1	0	0	0	0	0	264
988	0	4	1	245	0	2	3,772
Industry Average	3	6	4	50	10	13	4886

* Most Rejected Take-Out Credit Requests are due to the voluntary policy cancelling within 90 days of the policy effective date.

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III. RESIDUAL MARKET INFORMATION

A. Residual Market Volumes

The private passenger 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	Private Passenger Cession %	Commercial Cession %	Time Period
2007	4.3%	22.3%	Final Result
2008	2.9%	19.0%	Final Result
2009	2.3%	16.5%	Final Result
2010		15.1%	Final Result
2011		14.9%	Final Result
2012		15.7%	Final Result
2013		16.6%	As of March 2013

Commercial residual market volume report is available on CAR's website (www.commauto.com). You can also view your company's residual market volume figures via CAR's telecommunications system. The On-line Telecommunications Manual provides the specific instructions for accessing the reports.

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

Policy Year 2013 Results as of March 2013

	2013 @ 3 Months	% Total		2012 @ 12 Months	% Total
MAIP Assigned (CAR-ID 9)	30,337	2.5%		112,198	2.6%
MAIP Retained (CAR-ID 8)	1,173,351	97.1%		4,150,174	95.5%
Clean-In-Three (CAR-ID 1)	5,201	0.4%		82,394	1.9%
Total	1,208,889	100.0%		4,344,766	100.0%

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III. RESIDUAL MARKET INFORMATION (continued)

C. Production of Quarterly Participation Reports

CAR posted the March 2013 Quarterly Member Participation Reports to its website on June 7, 2013. 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.

D. Participation Base Data

The 1st Quarter 2013 estimated Participation Ratios using data reported through March 31, 2013 will be posted to CAR's website by June 30, 2013.

E. Rule 12 Participation Credits

Final Rule 12 credit edit reports listed its last time in May 2010. These reports are still available on CAR's website under the Data Reporting and Quality Reports page.

F. CAR Financial Results

The ultimate policy year deficit projections, as of March 2013, for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Commercial
2010	(7,772)
2011	(13,336)
2012	(9,065)

This data can be found on CAR's website (www.commauto.com) in the Financial Reports area using the Deficit Projections link.

G. Quota Share

CAR posted the March 2013 Monthly Quota Share and Assignment Order Report to its website on May 29, 2013. The report has been updated to include statistical data for April 2012 to March 2013 effective month policies reported through May 15, 2013. 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.

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III. RESIDUAL MARKET INFORMATION (continued)

H. Rule 29 Voluntary Credits

CAR ran the Rule 29 credit edit reports for March effective date data in late-May. 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, 2012 accounting date.

Accounting Date	Reported Credit Premium	Adjusted Credit Premium	Rule 29 Credit Impact	Error Percentage
Jan. 2012	525,093,859	518,615,258	-6,478,601	1.23%
Feb. 2012	529,553,516	523,377,938	-6,175,578	1.15%
March 2012	534,145,941	528,008,161	-6,137,780	1.15%
April 2012	529,553,516	523,377,938	-6,175,578	1.17%
May 2012	534,145,941	528,008,161	-6,137,780	1.15%
June 2012	593,197,911	586,593,564	-6,604,347	1.11%
July 2012	610,959,933	604,308,413	-6,651,520	1.09%
August 2012	631,978,617	625,218,911	-6,759,706	1.07%
Sept. 2012	647,999,650	641,196,275	-6,803,375	1.05%
Oct. 2012	666,752,898	660,105,249	-6,647,649	1.00%
Nov. 2012	681,672,635	675,162,379	-6,510,256	0.96%
Dec. 2012	698,347,628	691,633,088	-6,714,540	0.96%
Jan. 2013	713,364,572	706,270,045	-7,094,527	0.99%
Feb. 2013	730,150,173	723,513,143	-6,637,030	0.91%
March 2013	755,912,036	749,110,258	-6,801,778	0.90%

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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	Accounting System Update	Quarter
January 2013	March 15, 2013	March 15, 2013	1st Quarter 2013
February 2013	April 15, 2013	April 16, 2013	
March 2013	May 15, 2013	May 16, 2013	
April 2013	June 17, 2013	June 18, 2013	2 nd Quarter 2013
May 2013	July 15, 2013	July 16, 2013	
June 2013	August 15, 2013	August 16, 2013	
July 2013	September 16, 2013	September 16, 2013	3 rd Quarter 2013
August 2013	October 15, 2013	October 16, 2013	
September 2013	November 15, 2013	November 18, 2013	
October 2013	December 16, 2013	December 17, 2013	4 th Quarter 2013
November 2013	January 15, 2014	January 15, 2014	
December 2013	February 17, 2014	February 18, 2014	

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 first quarter 2013.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for June 2013 through November 2013 are shown following the 1st Quarter Write-Off exhibit.

**OPERATIONAL REPORTS
1ST QUARTER 2013**

IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Loss Write-Off – 1st Quarter 2013

Company	Feb 2013	Mar 2013	Apr 2013	Total
331	-901	-2,624		-3,525
773	0	4,922		4,922
Total	-901	2,298		1,397

1st Quarter 2013 – 10% Loss of Investment Fees

Company	Feb 2013	Mar 2013	Apr 2013	Total
331	-96	-38		-134
773	0	492		492
Total	-96	454		358

Potential Loss Write-Off June 2013 through November 2013

Company	June 2013	July 2013	August 2013	September 2013	October 2013	November 2013	Grand Total
154	0	0		0	20	0	20
245	0	0		0	0	2,056	2,056
317	1,610	0		0	0	0	1,610
331	0	-2,201		0	2,250	200	249
990	0	0		5,996	0	0	5,996
Totals	1,610	-2,201		5,996	2,270	2,256	9,931

**OPERATIONAL REPORTS
1ST QUARTER 2013**

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
2012 & 2013 Policy Effective Years

Non-Critical Error - Penalties

There have been no companies listed this quarter for policy effective years 2012 or 2013.

2012 Effective Year Non-Critical Errors Over Tolerance - Potential Penalty

2012 Effective Year Non-Critical Errors show no Potential Penalties to report

2013 Effective Year Non-Critical Errors Over Tolerance – Potential Penalty

2013 Effective Year Non-Critical Errors show no Potential Penalties to report

**OPERATIONAL REPORTS
1ST QUARTER 2013**

IV. ACCOUNTING SYSTEM (continued)

D. Ceded Premium In Error – Limited Commercial Servicing Carriers

The exhibit below shows a summary of ceded premium in critical error. Companies can view their critical error policies via CAR's telecommunications system within the accounting corrections application. CAR is providing this information as a way for Limited Commercial Servicing Carriers to monitor both their ceded premium and ceded loss reporting to correct any errors prior to a write-off or close of a policy effective reporting year.

Company	Policy Effective Year	Critical Premium Dollars	Error Percent
154	2011	6,092	0.03
154	2012	19,111	0.08
154	2013	56,830	0.59
245	2011	0	0.00
245	2012	0	0.00
245	2013	58,748	0.60
279	2010	0	0.00
279	2011	0	0.00
279	2012	0	0.00
455	2010	0	0.00
455	2011	0	0.00
455	2012	0	0.00
717	2010	0	0.00
717	2011	0	0.00
717	2012	0	0.00
734	2010	0	0.00
734	2011	0	0.00
734	2012	0	0.00
735	2010	0	0.00
735	2011	0	0.00
735	2012	0	0.00
773	2010	0	0.00
773	2011	0	0.00
773	2012	0	0.00
Total Ind		140,781	0.06

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 1st Quarter 2012 forecasting reports on June 18, 2013.

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IV. ACCOUNTING SYSTEM (continued)

F. 2010 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 2010 effective date policies and for historical information.

Year	PP Penalty	Commercial Penalty	Taxi/Limo/CAR Service Penalty
2010	N/A	\$4,500	\$7,300
2009	\$1,400	\$4,900	\$7,700
2008	\$1,400	\$5,300	\$7,600
2007	\$1,500	\$5,700	\$8,600
2006	\$1,500	\$6,300	\$10,100
2005	\$1,600	\$6,200	\$10,800
2004	\$1,600	\$6,200	\$11,100
2003	\$1,500	\$6,500	\$9,900
2002	\$1,400	\$6,300	\$9,600

The 2010 Premium Write-Offs ran in early May, 2013. The following exhibit shows those companies who received Cession/No Premium Write-Offs posted in 1st Quarter 2013 - Settlement of Balances.

Final 2010 – Cession/No Premium Write-Offs
1st Quarter 2013

Co. No.	Penalty Amount
245	\$4,500
Total	\$4,500

G. 2010 Net-Negative Write-Offs

The 2010 Net Negative Write-Offs ran early May, 2013. There were no 2010 Net Negative Write-Offs as a result.

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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 2013	March 15, 2013	March 15, 2013	1st Quarter 2013
February 2013	April 15, 2013	April 16, 2013	
March 2013	May 15, 2013	May 16, 2013	
April 2013	June 17, 2013	June 18, 2013	2 nd Quarter 2013
May 2013	July 15, 2013	July 16, 2013	
June 2013	August 15, 2013	August 16, 2013	
July 2013	September 16, 2013	September 17, 2013	3 rd Quarter 2013
August 2013	October 15, 2013	October 16, 2013	
September 2013	November 15, 2013	November 18, 2013	
October 2013	December 16, 2013	December 17, 2013	4 th Quarter 2013
November 2013	January 15, 2014	January 16, 2014	
December 2013	February 17, 2014	February 18, 2014	

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 2013	June 17, 2013	July 1, 2013	Approx. August 1, 2013
2nd 2013	September 16, 2013	October 1, 2013	Approx. November 1, 2013
3rd 2013	December 16, 2013	January 2, 2014	Approx. February 3, 2014
4th 2013	March 17, 2014	April 1, 2014	Approx. May 1, 2014

The Annual Statement collection of Page 14's for 4th Quarter 2012 was due March 15, 2013. Penalties for late Page 14 amounted to \$1,500. Reconciliation 4th Quarter 2012 responses were due May 1, 2013. Penalties amounted to \$4,000. Page 14 and Reconciliation penalties were included 1st Quarter 2013 - Settlement of Balances. CAR is currently collecting 1st Quarter 2013 Annual Statement Statutory Page 14 data which was due at CAR on June 17, 2013. 1st Quarter 2013 Reconciliation Reports are anticipated to run July 1, 2013.

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1ST QUARTER 2013**

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 2012 EFF YEAR	Liability	67,693	914	1.35%
	No Fault	54,733	326	0.60%
	Physical Damage	39,728	690	1.74%
	Total	162,154	1,930	1.19%
COMM 2012 EFF YEAR	Liability	5,336	244	4.57%
	No Fault	4,872	175	3.59%
	Physical Damage	4,142	296	7.15%
	Total	14,350	715	4.89%

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, CAR notifies the company via its website of the over tolerance status and the company then has six months to reduce its volume of rate edit errors. The table on the following page shows those companies that are currently over tolerance and the corresponding due dates to avoid rate edit penalties.

Rate Edit - Over Tolerance Exhibit

Co No	PP/Comm	Policy Year	Subline	Due Date	Err %	# Records in Error
279	Comm	2012	Phys Dam	12/15/2013	2.68%	187
279	Comm	2013	Liability	12/15/2013	13.75%	198
279	Comm	2013	No Fault	12/15/2013	10.45%	160
279	Comm	2013	Phys Dam	12/15/2013	17.25%	226
773	Comm	2013	Liability	12/15/2013	2.10%	230

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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 3/2013

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
033	257,054	104,388	40.61
065	8,778	7,257	82.67
099	731	644	88.10
105	1,097	240	21.88
153	2,148,257	748,891	34.86
154	257,813	170,763	66.24
156	65,332	42,865	65.61
204	98	24	24.49
261	2,335	1,732	74.18
283	3,135	1,824	58.18
343	202,335	77,714	38.41
418	45,988	11,974	26.04
429	1,241,045	387,745	31.24
474	2,752	1,634	59.38
486	11,488	6,276	54.63
503	1,300	592	45.54
622	2,105	620	29.45
626	87,883	41,248	46.94
627	5,186	3,590	69.22
630	5,809	1,774	30.54
643	3,914	1,980	50.59
737	55,663	26,458	47.53
752	6,701	1,480	22.09
828	53,306	15,941	29.90
881	1,140	300	26.32
902	45,289	22,946	50.67
503	1,300	592	45.54
622	2,105	620	29.45
927	4,472	1,188	26.57
958	3,625	1,702	46.95
963	37,907	17,272	45.56
989	10,398	3,836	36.89
Total Industry	17,388,776	2,132,002	12.26

The 2012 washout total following the 3/2012 shipments was 10.22%.

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V. STATISTICAL AGENT FUNCTION (continued)

E. Distributional Analysis

Distributional Analysis reports are produced three times a year starting with the close of the June quarter. The program was developed to ensure the quality of rate making data is appropriated with quota share data. The next mailing of the Distributional Analysis Report is currently being analyzed and is intended to be distributed early August 2013. Companies may contact the Compliance Audit Department for any correspondences.

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VI. COMMUNICATIONS

A. CAR's Website

CAR regularly updates its website when there are updates to existing reports, new accounting and statistical notices, or meeting announcements among many other things. Please reference the change board on the website for the latest updates.

CAR added functionality for Security Administrators to update the activity status, update the e-mail addresses, and process changes to a user's security profile. If you need access to the reports, please contact your company's security administrator to request access.

B. Telecommunications

The telecommunications system is available to the industry from 7:00 am to 6:00 pm Monday through Friday. It allows users to access data housed on CAR's mainframe such as policy history information and producer code information.

CAR implemented changes to its MAIP Placement Record system to allow certain corrections on existing MAIP Placement record such as policy number and producer code.

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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
Immediate Transfer of MAIP Data	In progress	Using Web Services, develop a data transfer process to allow for the immediate transfer of MAIP policy applications data.
Polk Analysis	In progress	Research and review options to replace the current Polk Software used to edit VIN data.
Rewrite Company Mainframe Applications	In progress	Rewrite current “green screen” applications using “gui” software so that they can be accessed from the website. The first system currently in development is the MAIP Placement Record reporting and correction system.