



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, Sr. Data Analyst

DATE: September 18, 2019

RE: Operational Reports

---

The 2nd quarter 2019 Operational Reports follow this memorandum. This report includes data reported May 16, 2019 through August 15, 2019 for the accounting month period of April 2019 through June 2019. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

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

On May 8, 2019, revisions to the Massachusetts Private Passenger and Commercial Statistical Plan were approved by the Division of Insurance, pursuant to the provisions of G.L. c. 175A, § 15 provided in Accounting and Statistical Notice No. 632. The summaries of the approved Statistical Plan modifications are included in Section I – Statistical System of the Operational Report.

CAR assessed a total of \$28,400 Statistical Data Quality Penalties in the 2nd Quarter 2019 Settlement of Balances report.

**Section II – Cession/MAIP Placement Record Reporting:**

This section includes a report – MAIP Placement Record Reporting Analysis, which highlights valid and invalid activity related to MAIP Placement Record reporting. These reports can be found at the MAIP website. Please notify your company's designated Security Administrator for access to these reports.

The 2017 annual Cession/No Premium Write-Off amounts have been calculated and CAR set the 2017 penalties at \$6,700 for Commercial and \$9,100 for Taxi/Limousine business. Please reference Bulletin Notice # 1068 distributed on December 4, 2018 for more information.

## **OPERATIONAL REPORTS 2ND QUARTER 2019**

### **Section III – Residual Market Information:**

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

CAR ran the CA5010 - Flat Cancellation report on July 29, 2019 using the new online system. The Commercial Servicing Carriers responses are due October 1, 2019 and companies can respond using the new system.

As of June 2019 the Private Passenger – MAIP Residual Market rate equaled 1.1% and the Commercial Residual Market rate equaled 21.8%.

CAR posted the June 2019 Quarterly Member Participation Reports to its website on September 6, 2019.

CAR ran the 2nd Quarter 2019 Rule 29 credit edit download reports on August 20, 2019.

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

CAR produced the 2nd Quarter 2019 Critical Error Loss Write-Offs and 10% Loss of Investment Fees reports. **There were no Critical Error Loss Write-Off records for the 2<sup>nd</sup> quarter.**

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2018 and 2019 policy effective years following the monthly accounting shipments due the 15<sup>th</sup> of every month for all companies remaining over the tolerance level of 1% and 10 policies in error.

The Penalty Forecasting exhibits was posted to CAR's website on September 9, 2019.

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

First Quarter 2019 Statutory Page 14 data was due at CAR on June 17, 2019. The Reconciliation Responses for First Quarter 2019 were due back on August 1, 2019. First Quarter Page 14 and Reconciliation penalty assessments were included in the Second Quarter 2019 Settlement of Balances. Second Quarter 2019 Statutory Page 14 data were due on September 16, 2019. Second Quarter 2019 Reconciliation Report is anticipated to run on October 1, 2019.

### **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  
2ND QUARTER 2019**

**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 2019 as of the second quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

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

In instances where a company's ceded loss dollars are complete by quarter's end but its ceded premium dollars are not, CAR will assess "loss of investment income" penalties to reimburse the pool for the missing premium dollars. CAR did not assess any "loss of investment income" penalties for second quarter, 2019.

**OPERATIONAL REPORTS  
2ND QUARTER 2019**

**I. STATISTICAL SYSTEM (continued)**

2019 Timeliness Report

<i>CO NO</i>	<i>Jan 3/15</i>	<i>Feb 4/16</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>
109	COM											
116			COM			COM						
118					PP							
134	COM											
141						COM						
144			COM			COM						
158						COM						
206			COM			COM						
230			COM									
247			COM									
320			PP									
323					PP							
354						PP						
446			PP									
571			COM			COM						
582					COM	COM						
664	PP											
680	COM											
748			COM									
797						COM						
907			PP									
916			PP									
940			PP									
943			PP									

## OPERATIONAL REPORTS 2ND QUARTER 2019

### I. STATISTICAL SYSTEM (continued)

#### B. Statistical Plan Penalty Fee Program

CAR assesses various statistical penalties as outlined in the Data Quality Penalty Section of the Private Passenger and Commercial Statistical Plans. These penalties include items such as incomplete monthly submissions, late submission of page 14 data, reconciliation responses, and failure to reduce a statistical shipment's error percent to below 5%.

For 2nd Quarter 2019, CAR assessed a total penalty amount of \$28,400. The table below shows the detail penalties for each company.

#### Penalty Assessments 2nd Quarter 2019

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
116	Security National Insurance Co.	Late MAS - 03/2019	\$ 500
118	Kookmin Best Ins. Co., LTD.	Late MAS - 03/2019	\$ 500
134	New York Marine & General Ins.	Rescind Late MAS - 12/2018	\$ (500)
144	Wesco Insurance Company	Late MAS - 03/2019	\$ 500
149	Kingstone Insurance Company	Late Page 14 Data - 03/2019	\$ 4,400
158	Technology Insurance Company	Late Page 14 Data - 03/2019	\$ 200
158	Technology Insurance Company	Late Expln - 03/2019	\$ 700
201	National Casualty Company	Stat Err > 5% - 04/2019	\$ 150
206	Nationwide Agribusiness Ins Co.	Late MAS - 03/2019	\$ 500
206	Nationwide Agribusiness Ins. Co.	Late Page 14 Data - 03/2019	\$ 1,600
230	Praetorian Insurance Company	Stat Err > 5% - 03/2019	\$ 150
230	Praetorian Insurance Company	Interim Late MAS - 03/2018	\$ 1,500
230	Praetorian Insurance Company	Interim Late MAS - 06/2018	\$ 1,500
230	Praetorian Insurance Company	Interim Late MAS - 09/2018	\$ 1,500
230	Praetorian Insurance Company	Interim Late MAS - 12/2018	\$ 1,500
247	National Casualty Company	Stat Err > 5% - 03/2019	\$ 150
247	National Casualty Company	Late Page 14 Data - 03/2019	\$ 1,600
320	American Modern P&C Ins. Co.	Rescind Late MAS - 12/2018	\$ (1,300)
323	Esurance Insurance Company	Stat Err > 5% - 05/2019	\$ 150
323	Esurance Insurance Company	Late MAS - 03/2019	\$ 500
342	Selective Ins. Co. of America	Stat Err > 5% - 02/2019	\$ 150
342	Selective Ins. Co. of America	Stat Err > 5% - 03/2019	\$ 300
347	Selective Ins. Co. of the SW	Stat Error > 5% - 02/2019	\$ 1,050
347	Selective Ins. Co. of the SW	Stat Error > 5% - 03/2019	\$ 450
347	Selective Ins. Co. of the SW	Stat Error > 5% - 04/2019	\$ 750
349	Selective Insurance Co. of the SE	Stat Error > 5% - 01/2019	\$ 450
349	Selective Insurance Co. of the SE	Stat Error > 5% - 02/2019	\$ 750
349	Selective Insurance Co. of the SE	Stat Error > 5% - 04/2019	\$ 300
354	Amica Insurance Company	Late Expln - 03/2019	\$ 1,000
362	Farm Family Casualty Ins. Co.	Late Expln - 03/2019	\$ 100

**OPERATIONAL REPORTS  
2ND QUARTER 2019**

**I. STATISTICAL SYSTEM (continued)**

**B. Statistical Plan Penalty Fee Program**

Penalty Assessments  
2nd Quarter 2019

<b>Co #</b>	<b>Company Name</b>	<b>Assessment</b>	<b>Assessment</b>
			<b>Amount</b>
418	IDS Property Casualty Ins. Co.	Stat Error > 5% - 02/2019	\$ 450
446	American Modern Select Ins. Co.	Late MAS - 03/2019	\$ 500
512	Liberty Mutual Fire Insurance	Stat Error > 5% - 04/2019	\$ 150
561	Markel American Insurance	Late Page 14 Data - 03/2019	\$ 100
571	Milwaukee Casualty Insurance Co	Late MAS - 03/2019	\$ 500
578	Merchants Preferred Ins. Co.	Stat Error > 5% - 01/2019	\$ 600
578	Merchants Preferred Ins. Co.	Stat Error > 5% - 02/2019	\$ 150
578	Merchants Preferred Ins. Co.	Stat Error > 5% - 03/2019	\$ 300
578	Merchants Preferred Ins. Co.	Stat Error > 5% - 04/2019	\$ 300
578	Merchants Preferred Ins. Co.	Stat Error > 5% - 05/2019	\$ 300
582	Merchants Mutual Ins. Co.	Stat Error > 5% - 01/2019	\$ 600
582	Merchants Mutual Ins. Co.	Stat Error > 5% - 02/2019	\$ 300
582	Merchants Mutual Ins. Co.	Stat Error > 5% - 03/2019	\$ 600
582	Merchants Mutual Insurance Co.	Stat Error > 5% - 04/2019	\$ 300
582	Merchants Mutual Insurance Co.	Stat Error > 5% - 05/2019	\$ 600
626	National Continental Ins. Co.	Rescind Stat Err > 5% 12/2018	\$ (300)
627	National Union Fire Ins. Co. of PA	Stat Error > 5% - 03/2019	\$ 150
659	North American Elite Insurance	Late Page 14 Data - 03/2019	\$ 100
737	Progressive Casualty Insurance	Rescind Stat Err > 5% 12/2018	\$ (600)
748	QBE Insurance Corporation	Stat Err > 5% - 01/2019	\$ 600
748	QBE Insurance Corporation	Stat Error > 5% - 02/2019	\$ 150
748	QBE Insurance Corporation	Late MAS - 03/2019	\$ 500
748	QBE Insurance Corporation	Late Page 14 Data - 03/2019	\$ 100
748	QBE Insurance Corporation	Rescinded Stat Err >5% 11/2018 and 12/2018	\$ (1,800)
797	Starr Indemnity and Liability Co.	Late Page 14 Data - 03/2019	\$ 100
799	Starr Specialty Insurance Co.	Late Page 14 Data - 03/2019	\$ 100
828	Safety Insurance Company	Late Expln - 03/2019	\$ 100
902	United Financial Casualty Co.	Rescind Stat Err > 5% 12/2018	\$ (300)
907	United Services Auto Assoc.	Late MAS - 03/2019	\$ 500

**OPERATIONAL REPORTS  
2ND QUARTER 2019**

**I. STATISTICAL SYSTEM (continued)**

**B. Statistical Plan Penalty Fee Program (continued)**

Penalty Assessments  
2nd Quarter 2019

			<b>Assessment</b>
<b><u>Co #</u></b>	<b><u>Company Name</u></b>	<b><u>Assessment</u></b>	<b><u>Amount</u></b>
913	Vault Reciprocal Exchange	Late Page 14 Data - 03/2019	\$ 200
916	Garrison P&C Insurance Co.	Late MAS - 03/2019	\$ 500
940	USAA General Insurance Co.	Late MAS - 03/2019	\$ 500
943	USAA Ge Insurance Company	Late MAS - 03/2019	\$ 500
958	Harleysville Insurance Company	Stat Error > 5% - 04/2019	\$ 300
963	Harleysville Worcester Ins. Co.	Stat Error > 5% - 03/2019	\$ 150
		<b>Total</b>	<b>28,400</b>

**OPERATIONAL REPORTS  
2ND QUARTER 2019**

**I. STATISTICAL SYSTEM (continued)**

Massachusetts Private Passenger Statistical Plan

Proposed Modifications

Proposed Effective Date	Description	Status
January 1, 2020	The Out-of-State Codes Territory Codes have been expanded to include specific codes to identify New Jersey (997) and Pennsylvania (998).	Proposed to the Division of Insurance on November 14, 2018
January 1, 2019	The components and penalty associated with the Distributional Analysis have been incorporated into the Statistical Data Quality Penalty Program.	

Approved Modifications

Approved Effective Date	Description	Status
July 1, 2020 (Optional for policies effective January 1, 2020 – June 30, 2020)	<p>The Anti-Theft Discount Code has been redefined and renamed as the Anti-Theft Device Identification Code. For policies effective July 1, 2020 and subsequent, this field will now identify the category of anti-theft device or vehicle recovery system that has been installed in the vehicle.</p> <p>Note that although this modification is applicable to policies effective July 1, 2020 and subsequent, it may be implemented for policies effective January 1, 2020 through June 30, 2020, at a company's option.</p>	Approved by the Division of Insurance on May 8, 2019



**OPERATIONAL REPORTS  
2ND QUARTER 2019**

**I. STATISTICAL SYSTEM (continued)**

Massachusetts Commercial Statistical Plan

Proposed Modifications

<b>Proposed Effective Date</b>	<b>Description</b>	<b>Status</b>
January 1, 2020	The Out-of-State Territory Codes have been expanded to include specific codes to identify New Jersey (997) and Pennsylvania (998).	Proposed to the Division of Insurance on November 14, 2018
January 1, 2019	The components and penalties associated with the Distributional Analysis Program have been incorporated within the Statistical Data Quality Program.	

Approved Modifications

<b>Approved Effective Date</b>	<b>Description</b>	<b>Status</b>
January 1, 2020	A new Classifications Code, 910000, has been added to the Commercial Statistical Plan. The Transportation Network Services Use code is only applicable to voluntary business and will be used to identify coverage provided for drivers using their personal automobiles for ride-sharing, ride-hailing, on-demand delivery and other transportation network services. The new code will require statistical coding similar to that of private passenger type vehicles.	Approved by the Division of Insurance on May 8, 2019
	Language on the Anti-Theft Device Discount Code page has been clarified to provide the proper manual reference.	

## OPERATIONAL REPORTS 2ND QUARTER 2019

### **II. CESSION/MAIP PLACEMENT RECORD REPORTING**

#### **A. Cession Submission**

CAR accepts cession records via two different methods: on-line through its website application and by submitting an FTP transmission. Please contact your company's Security Administrator for your company 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 2017-2019.

#### **B. Cession Backdates**

##### **1. TX1/TX2 Cession Backdate Appeals based on Intent to Cede**

In instances where a company provides documentation showing its intent to cede a specific policy, CAR maintains the authority to act upon those appeals provided the backdate request does not exceed 25 policies. Furthermore, the appeal and associated documentation must meet the criteria outlined in Chapter 2 of the Manual of Administrative Procedures. For any policy that does not meet the criteria, CAR does not have the authority to grant the appeal; the company then can present the appeal before the Operations Committee.

There have been no "intent-to-cede" appeals since the last publication of the Operational Reports.

##### **2. TX5 Cession Backdate Appeals**

In instances where a company intended to write a policy voluntary, it can appeal for a transaction 5 (un-cede) backdate. CAR maintains the authority to approve these types of appeals when the documentation provided clearly shows the company made the decision to write the policy voluntary prior to the policy effective date.

The table on the following page reflects the log of cession backdate requests CAR Staff processed since the last publication of the Operational Reports on June 20, 2019.

TX5 Cession Backdate Log

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

## OPERATIONAL REPORTS 2ND QUARTER 2019

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

#### 3. CR215 Cessions Automatically Backdated

On a quarterly basis, CAR produces the CR215 report that shows the volume of cessions backdated for involuntary producer business. The program monitors the three current reporting years for cession activity. Accordingly, CAR sent the latest report to the industry on August 6, 2019 monitoring policy years 2017, 2018 and 2019 for 2nd Quarter 2019.

**One company exceeded the tolerance for policy effective year 2017 as of the 2nd Quarter 2019 report. The company has been notified and must submit a response by November 1, 2019.** A response is required and will be presented to the Operational Committee upon request.

Policy Year	Company
2017	734 (TAXI)–Pilgrim Insurance Co

The following exhibits show the industry's volumes of backdated cessions. On the report itself, the column to the right of percent backdated indicates if the volume of backdated producers exceeds the tolerance level. Accordingly:

- an asterisk (\*) indicates that more than 5% of the total new business cessions for the company are backdated.
- a pound symbol (#) indicates more than 5% are backdated but fall within the tolerance level. (*The tolerance level is 5% and 25 policies in error*).

#### Policy Year 2017 Commercial

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

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

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

**OPERATIONAL REPORTS  
2ND QUARTER 2019**

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

2. CR215 Cessions Automatically Backdated (continued)

Policy Year 2018  
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	472	8	1.7	0.0	0	0
279	11	1	9.1 #	0.0	0	0
717	277	8	2.9	0.0	21,976	13,117
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
Totals	1,034	28	2.7%	N/A	21,976	13,117

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

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

Policy Year 2019  
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	160	0	0.0	0.0	0	0
279	3	0	0.0	0.0	0	0
717	79	2	2.5	2.5	0	0
734	55	2	3.6	3.6	0	0
773	5	0	0	0.0	0	0
Totals	370	5	1.4%	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-cancelled policies to verify that the industry is using flat-cancellation transactions properly. CAR has recently updated the CA5010 - Flat Cancellation report for companies to use its new online system. The latest report was sent on July 29, 2019 and documentation can be uploaded directly into CAR. The due date for responses is due on October 1, 2019.

**OPERATIONAL REPORTS  
2ND QUARTER 2019**

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

**D. MAIP Placement Record Reporting Analysis**

On a monthly basis, CAR reviews the quality of MAIP Placement Record reporting and produces a report which highlights the error counts for various types of errors. Companies with excessive error counts are contacted and requested to research the cause of its reporting problem and if appropriate provide a corrective action plan. This report is now on the MAIP Website for up to date activity.

**COMMONWEALTH AUTOMOBILE REINSURERS  
MAIP PLACEMENT RECORD REPORTING ANALYSIS**  
Reflects Statistically Reported Data for Policy Effective Months 07/2018 to 6/2019  
Reflects MAIP Placement Record Reported Data as of August 20, 2019

Company	Missing MPRs	MPRs with Non-Fatal Errors	Fatal MPRs	Rejected Take-Out Credits	MPRs with No Premium	MAIP Premium with No MPR	Active MPRs
113	1	0	0	0	0	0	320
153	6	3	7	36	2	3	4,126
192	0	0	1	0	1	1	742
193	0	4	9	0	0	3	11
202	0	0	0	0	1	0	193
279	23	0	351	17	9	6	22,690
304	0	0	0	0	0	0	4
308	0	0	0	0	0	0	249
312	0	0	0	0	1	0	4
354	4	8	14	0	6	197	5,194
363	0	0	0	0	0	0	233
422	0	0	0	0	0	0	349
521	0	0	0	1	30	26	33
531	0	0	1	0	2	1	1,182
584	1	0	0	0	1	0	170
585	3	0	4	0	1	3	699
612	19	11	11	11	0	4	2,223
664	10	17	3	1	7	10	2,067
724	0	1	1	0	1	1	2,459
731	0	2	78	47	0	0	0
735	1	0	0	0	0	0	205
773	0	0	110	119	3	4	8,833
826	0	0	1	0	0	0	0
827	0	0	0	0	2	0	826
908	1	0	0	0	2	1	4,594
959	0	0	0	0	0	0	124
988	0	3	1	21	0	0	1,569
Average	3	2	22	9	3	10	2189

## OPERATIONAL REPORTS 2ND QUARTER 2019

### 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
2013	2.1%	17.0%	Final Result
2014	1.5%	18.7%	Final Result
2015	2.6%	20.4%	Final Result
2016	1.4%	21.8%	Final Result
2017	1.3%	22.1%	Final Result
2018	1.2%	22.7%	Final Result
2019	1.1%	21.8%	As of June 2019

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

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

Policy Year 2019 Results as of June 2019

	2019 @ 3 Months	% Total		2018 @ Final	% Total
MAIP Assigned (CAR-ID 9)	28,171	1.1%		56,505	1.2%
MAIP Retained (CAR-ID 8)	2,465,584	98.9%		4,640,099	98.8%
Total	2,493,755	100%		4,696,604	100%

#### C. Private Passenger MAIP Premium and Loss Reports

Private Passenger Premium and Loss reports have been updated through June 2019 on August 29, 2019 and are available on CAR's website in the MAIP section under Company. These reports provide summary policy year information for statistically reported MAIP assignments (CAR ID Code 9), including premiums, losses, loss ratio, and data for frequency/severity displayed historically by accounting quarter. Member companies will have access to both their own company reports, as well as the Industry.

## OPERATIONAL REPORTS 2ND QUARTER 2019

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

#### **D. Production of Quarterly Participation Reports**

CAR posted the June 2019 Quarterly Member Participation Reports to its website on September 6, 2019. From CAR's home page, click Reports, sign-on and then select Settlement of Balances. These are secure reports that require a CAR website user id and password to view. Please contact your company's security administrator to request access.

#### **E. Participation Base Data**

The 2nd Quarter 2019 estimated Participation Ratios using data reported through the June 30, 2019 monthly accounting shipments will be posted to CAR's website by September 30, 2019.

The Final 2018 Participation Ratios using data reported through the December, 2018 monthly accounting shipment were calculated and posted to CAR's website on September 4, 2019. These Ratios are used in the June Quarter Cash Flow, and are included in the calculations of deficit sharing, administrative expenses, and the advanced statistical assessment.

#### **F. Expenses**

The Commercial Servicing Carrier True-Up of the Ceding Expenses for Calendar Year 2018 will be processed with the September, 2019 Settlement of Balances, posted to CAR's website in December. Similarly, the True-Up of Ceding Expenses for Taxi, Limousine, and Car Service business for Policy Year 2017 at 30 months and 2018 at 18 months will also be included. Company Reports will be mailed to the designated Servicing Carrier contacts at that time.

#### **G. Rule 31 - Operator Exclusion Form – Operator Eligibility Revision – Approved**

On August 7, 2019, the Division of Insurance placed on file an amendment to CAR's Commercial Automobile Insurance Manual Rules (SERFF filing CARI-132023125). In light of the recent amendment to Rule 2 – Definitions in CAR's Rules of Operations that modified the definition of an Eligible Risk, CAR has amended Rule 31 - Operator Exclusion Form. The change requires that Servicing Carriers should use the Operator Exclusion Form for any listed operator on the application "who does not hold or is not eligible to obtain a valid license." Servicing Carriers will be required to implement the Manual Rule amendment as of September 1, 2019. Please refer to Commercial Lines Notice No. 131 for additional details.

#### **H. Zone and Zone Combination Commercial Manual Rule Filing – Approved**

On August 7, 2019, the Division of Insurance placed on file amendments to CAR's Commercial Automobile Insurance Manual Rules (SERFF filing CARI-131991705). Updates to Section III – Trucks, Tractors and Trailers, and Section V – Public Transportation clarify the definition of zone and assignment of zone combination for zone rated risks. In addition, modifications to the Zone Rating Tables in the Rate Section of the Commercial Manual will assure that an appropriate rate is selected based upon whether the automobile's principal place of garaging is in a metropolitan or regional zone, and the correct combination of those zones. Please refer to Commercial Lines Notice No. 132 for additional details.

**OPERATIONAL REPORTS  
2ND QUARTER 2019**

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

**I. CAR Financial Results – Latest Deficit Projections**

The ultimate policy year deficit projections as of June, 2019 were posted to CAR's website on September 4, 2019 for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Commercial
2016	(45,288)
2017	(26,694)
2018	(35,530)

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

**J. Quota Share**

CAR posted the June, 2019 Monthly Quota Share and Assignment Order Report to its website on August 28, 2019. The report has been updated to include statistical data from July 2018 to June 2019 effective month policies reported through August 15, 2019. Member Companies can also view additional reports that provide detailed information about the data used in the Quota Share calculation on CAR's website in the MAIP section under Company.



**OPERATIONAL REPORTS  
2ND QUARTER 2019**

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

**K. Rule 29 Voluntary Credits**

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

<b>Accounting Date</b>	<b>Reported Credit Premium</b>	<b>Adjusted Credit Premium</b>	<b>Rule 29 Credit Impact</b>	<b>Error Percentage</b>
Jan. 2017	733,988,565	726,368,804	-7,619,761	1.04%
Feb. 2017	735,742,314	728,187,390	-7,554,924	1.03%
March 2017	754,103,428	746,089,180	-8,014,248	1.06%
April 2017	763,067,553	754,981,675	-8,085,878	1.06%
May 2017	772,897,972	764,532,752	-8,347,220	1.08%
June 2017	782,390,955	773,899,173	-8,491,782	1.09%
July 2017	791,249,048	782,313,850	-8,935,198	1.13%
August 2017	804,498,501	795,116,288	-9,382,213	1.17%
Sept 2017	812,978,203	803,611,634	-9,366,569	1.15%
Oct 2017	813,871,268	804,468,064	-9,403,204	1.16%
Nov 2017	814,493,688	805,056,124	-9,437,564	1.16%
Dec 2017	815,178,541	805,810,431	-9,368,110	1.15%
Jan 2018	805,480,406	796,061,499	-9,418,907	1.17%
Feb 2018	827,039,648	817,460,372	-9,579,276	1.16%
March 2018	855,091,525	844,042,848	-11,048,677	1.29%
April 2018	850,186,887	837,099,945	-13,086,942	1.54%
May 2018	858,534,789	842,244,604	-16,290,185	1.90%
June 2018	865,347,021	851,288,337	-14,058,684	1.62%
July 2018	871,788,651	859,685,479	-12,103,172	1.39%
August 2018	875,285,864	862,868,220	-12,417,644	1.42%
Sept 2018	874,902,947	862,460,094	-12,442,853	1.42%
Oct 2018	886,196,067	873,492,729	-12,703,339	1.43%
Nov 2018	886,893,951	874,583,530	-12,310,421	1.39%
Dec 2018	891,305,290	878,642,257	-12,663,033	1.42%
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%

## OPERATIONAL REPORTS 2ND QUARTER 2019

### **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 based upon the due date and accordingly following the end of a quarter. The table below shows the quarter ending schedule for updates to the CAR accounting system.

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

#### **B. Critical Error Write-Off**

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

For losses specifically, CAR requires every record to be fixed within one year of falling into critical error. If a loss record has not been fixed after a year of remaining in critical error, CAR writes-off that loss record and assesses an interest fee of 10%. This write-off process occurs the last Saturday of every month. The table on the following page shows the write-off amounts and associated 10% fees for second quarter 2019.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for September 2019 through February 2020 are shown following the 2nd Quarter Write-Off exhibit.

**OPERATIONAL REPORTS  
2ND QUARTER 2019**

**IV. ACCOUNTING SYSTEM (continued)**

B. Critical Error Write-Off (continued)

Loss Write-Off – 2nd Quarter 2019

Company	May 2019	June 2019	July 2019	Total
154				
245				
279				
717				
734				
773				
<b>Total</b>				

2nd Quarter 2019 – 10% Loss of Investment Fees

Company	May 2019	June 2019	July 2019	Total
154				
245				
279				
734				
773				
<b>Total</b>				

Potential Loss Write-Off September 2019 through February 2020

Company	September 2019	October 2019	November 2019	December 2019	January 2020	February 2020	Grand Total
154							
245							
279							
717							
734							
773							
<b>Totals</b>							

**OPERATIONAL REPORTS  
2ND QUARTER 2019**

**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  
2018 & 2019 Policy Effective Years**

Non-Critical Error - Penalties

**There have been no companies listed to receive a penalty for policy effective years 2018 and 2019.**

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

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

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

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

**OPERATIONAL REPORTS  
2ND QUARTER 2019**

**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	2017	0	0.00
154	2018	0	0.00
154	2019	1,704	0.01
279	2017	0	0.00
279	2018	0	0.00
279	2019	0	0.00
717	2017	0	0.00
717	2018	0	0.00
717	2019	0	0.00
732	2017	0	0.00
732	2018	0	0.00
732	2019	11,168	0.06
734	2017	0	0.00
734	2018	0	0.00
734	2019	0	0.00
773	2017	0	0.00
773	2018	0	0.00
773	2019	25,004	0.08
Total Ind		37,876	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 2nd Quarter 2019 Penalty Forecasting reports on September 6, 2019.

**OPERATIONAL REPORTS  
2ND QUARTER 2019**

**IV. ACCOUNTING SYSTEM (continued)**

**F. 2017 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 2017 premium reporting year will close on February 18, 2020. Accordingly, CAR will no longer accept cession activity for the 2017 policy effective year and all policies that contain an active cessions with no positive premium will be subject to the cession/no premium write-off penalty. The annual Cession/No Premium Write-Off amounts are based on a policy count (excluding flat cancelled and cession/no premium policies) divided by the corresponding full premium (rather than deviated), at 15 months. Please reference the table below for the write-off penalty amounts for 2017 effective date policies and for historical information.

<b>Year</b>	<b>PP Penalty</b>	<b>Commercial Penalty</b>	<b>Taxi/Limo/CAR Service Penalty</b>
2017	N/A	\$6,700	\$9,100
2016	N/A	\$5,700	\$8,300
2015	N/A	\$5,500	\$8,200
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

**G. FINAL 2016 Cession/No Premium Write-Off**

**The closing of the 2016 Cession/No Premium Write-Off report did not produce any company activity therefore there were no penalties to report.**

**H. FINAL 2016 Final Net Negative Write-Off**

**The closing of the 2016 Net Negative Write-Off report did not produce any company activity therefore there were no penalties to report.**

**I. \$60 – Cession/No Premium Penalties**

The May 2019 \$60 Cession/No Premium penalties ran on May 28, 2019. These penalties were assessed in the 2<sup>nd</sup> quarter 2019 Settlement of Balances.

<b>Co No</b>	<b>Policy Eff Yr.</b>	<b>Policy Count</b>	<b>Assessed Penalty</b>
<b>154</b>	<b>2017</b>	<b>17</b>	<b>\$1,020</b>
<b>154</b>	<b>2018</b>	<b>110</b>	<b>\$6,600</b>
<b>717</b>	<b>2018</b>	<b>1</b>	<b>\$60</b>
<b>773</b>	<b>2018</b>	<b>1</b>	<b>\$60</b>
<b>Total</b>		<b>129</b>	<b>\$7,740</b>

## OPERATIONAL REPORTS 2ND QUARTER 2019

### V. STATISTICAL AGENT FUNCTION

#### A. Update of the Online Statistical System

CAR loads statistical data to its permanent database files and updates the online statistical system every Wednesday night. Accordingly, all new premiums and loss activity and all correction activity are posted to the system on Wednesday evenings and viewable to the industry on Thursday mornings. This schedule deviates four times per year following the end of a quarter. The table below shows the quarter ending schedule for updates to the statistical system.

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

#### B. Annual Statement and Annual Statement Reconciliation

CAR collects the quarterly annual statement figures from the industry according to the schedule below. Those companies that have greater than a 5% dollar difference between the data statistically reported and the financial data entered on the Page 14 must respond to this difference according to the schedule below.

Quarter	Due Date Quarterly Annual Statement	Run Date of the Reconciliation Program	Due Date Reconciliation Response
1st 2019	June 17, 2019	July 1, 2019	Approx. August 1, 2019
2nd 2019	September 16, 2019	October 1, 2019	Approx. November 1, 2019
3rd 2019	December 16, 2019	January 2, 2020	Approx. February 3, 2020
4th 2019	March 16, 2020	April 1, 2020	Approx. May 1, 2020

The First Quarter 2019 collection of Page 14's was due at CAR on June 17, 2019. Penalties for late Page 14 were assessed at \$13,300. Reconciliation First Quarter 2019 responses were due at CAR on May 1, 2019 and penalties were assessed at \$3,100. First Quarter 2019 Page 14 and late explanation penalties were included Second Quarter 2019 Settlement of Balances Report. CAR is currently collecting Second Quarter 2019 Annual Statement Statutory Page 14 data which is due on September 16, 2019. Second Quarter 2019 Reconciliation Reports are anticipated to run on or about October 1, 2019.

**OPERATIONAL REPORTS  
2ND QUARTER 2019**

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

**C. Rate Edit Processing**

CAR processes ceded commercial data through a rate editing routine for the latest two policy effective years. The table below shows the industry results by line of business and policy effective year.

	<b>Line of Business</b>	<b>Eligible Records</b>	<b>Records in Error</b>	<b>Error %</b>
<b>COMM 2018 EFF YEAR</b>	Liability	65,213	825	1.27%
	No Fault	61,136	456	0.75%
	Physical Damage	42,719	441	1.03%
	Total	169,068	1,722	1.02%
<b>COMM 2019 EFF YEAR</b>	Liability	25,511	339	1.33%
	No Fault	24,521	114	0.46%
	Physical Damage	17,707	194	1.10%
	Total	67,739	647	0.96%

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 2019 – December 2019. Previous Effective Year includes policies effective January 2018 – December 2018. Companies should contact the Residual Market Services Department regarding Rate Edit reporting.



**OPERATIONAL REPORTS  
2ND QUARTER 2019**

**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 06/2019

<b>COMPANY NUMBER</b>	<b>RECORD COUNT</b>	<b>WASHOUT COUNT</b>	<b>WASHOUT PERCENT</b>
017	86	281	30.60
030	8	30	26.67
033	494,742	1,092,216	45.30
045	49	145	33.79
103	240	754	31.83
105	906	2,204	41.11
118	37,444	91,690	40.84
141	352,174	702,184	50.15
153	1,408,794	4,401,041	32.01
154	128,363	313,635	40.93
156	11,398	29,950	38.06
158	2	4	50.00
226	2,370	3,827	61.93
246	32	93	34.41
261	1,932	3,982	48.52
263	46	126	36.51
265	432	667	64.77
327	2,006	6,657	30.13
330	222	910	24.40
362	122,464	186,544	65.65
418	26,680	96,890	27.54
443	24,624	78,316	31.44
503	40	117	34.19
584	354	1,488	23.79
626	18,810	50,303	37.39
627	4,910	6,071	80.88
643	378	1,467	25.77
686	55,792	199,486	27.97
770	126,813	425,242	29.82
823	2,053,590	4,521,531	45.42
881	1,264	2,629	48.08

**OPERATIONAL REPORTS  
2ND QUARTER 2019**

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

**D. Deleted Washout Records (continued)**

<b>COMPANY NUMBER</b>	<b>RECORD COUNT</b>	<b>WASHOUT COUNT</b>	<b>WASHOUT PERCENT</b>
902	19,260	50,577	38.08
927	6,670	18,300	36.45
963	19,358	42,251	45.82
989	3,136	14,109	22.23

Total Industry	6,523,257	46,897,294	13.91%
----------------	-----------	------------	--------

The 2018 washout total following the 06/2018 shipments was 13.69%.

**E. Distributional Analysis**

CAR posted the 06/2019 Distributional Analysis for your review on September 9, 2019. Any questions regarding this reporting should be directed to your companies Data Analyst or a CAR Staff member of the Operational Services Department.

## OPERATIONAL REPORTS 2ND QUARTER 2019

### **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, Policy Histories (both CAR and Statistical), and Claims functions (Allocated Expense, Reinsurance Audit, Average Cost per Claim).

**OPERATIONAL REPORTS  
2ND QUARTER 2019**

**VII. PROJECT STATUS REPORTS**

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

<b>Project</b>	<b>Status</b>	<b>Description</b>
Registry Conversion	In progress	CAR has begun testing how it will access the new vehicle data and screens that are being developed in Phase II.
Annual Statement Reconciliation Rewrite	In progress	Modernization of the application to enhance usability and maintenance. Enhancements will be incorporated during the rewrite.
Large Loss Pre-Notification Application	In progress	Develop a web based application to allow Servicing Carriers to notify CAR of a potentially significant claim.