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

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: December 18, 2012 (**REVISED 1/7/2013**)

RE: Operational Reports

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The 3<sup>rd</sup> quarter 2012 Operational Reports follow this memorandum. This report includes data reported August 16, 2012 through November 15, 2012 for the accounting month period of July 2012 through September 2012. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

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

On November 21, 2012 the Division of Insurance approved the Massachusetts Private Passenger Statistical Plan revisions to accommodate 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).

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

CAR assessed a total of \$14,350 in the Statistical Data Quality Penalty Program in the 3<sup>rd</sup> Quarter 2012 Settlement of Balances report.

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

This section has been renamed and will now include 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 and these responses are also included in this section.

## **OPERATIONAL REPORTS 3RD QUARTER 2012**

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

This section has also 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 July 21, 2012 and the documentation was due back at CAR on October 19, 2012. Documentation is currently being reviewed and results will be posted within the next Quarterly Operational Reports.

As of September 2012 the commercial residual market rate equaled 15.4%.

CAR posted the September 30, 2012 Quarterly Member Participation Reports to its website on December 7, 2012.

CAR ran the 3<sup>rd</sup> Quarter 2012 Rule 29 credit edit download reports on November 28, 2012.

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

CAR produced 3<sup>rd</sup> Quarter 2012 Critical Error Loss Write-Offs and 10% Loss of Investment Fees totaling \$60,913 and \$1,443 respectively.

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2011 and 2012 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 were posted to CAR's website on December 12, 2012.

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

Second Quarter 2012 Statutory Page 14 data was due at CAR on September 17, 2012. Penalties amounted to \$900 for companies whom submitted data after the due date. The Reconciliation Responses for Second Quarter 2012 were due back on November 2, 2012 and penalties for late responses amounted to \$1,200. These penalties were included in the Third Quarter 2012 Settlement of Balances.

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

### **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  
3RD QUARTER 2012**

**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 2012 as of the third quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

<b>2012 CALL SCHEDULE</b>		
<b>Submission</b>	<b>Due Date</b>	<b>Quarter</b>
January 2012	March 15, 2012	1 <sup>st</sup> Qtr
February 2012	April 16, 2012	
March 2012	May 15, 2012	
April 2012	June 15, 2012	2 <sup>nd</sup> Qtr
May 2012	July 16, 2012	
June 2012	August 15, 2012	
July 2012	September 17, 2012	3 <sup>rd</sup> Qtr
August 2012	October 15, 2012	
September 2012	November 15, 2012	
October 2012	December 17, 2012	4 <sup>th</sup> Qtr
November 2012	January 15, 2013	
December 2012	February 15, 2013	

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 third quarter, 2012.

**OPERATIONAL REPORTS  
3RD QUARTER 2012**

**I. STATISTICAL SYSTEM (continued)**

2012 Timeliness Report

<i>CO NO</i>	<i>Jan 3/15</i>	<i>Feb 4/17</i>	<i>Mar 5/16</i>	<i>Apr 6/15</i>	<i>May 7/16</i>	<i>Jun 8/15</i>	<i>July 9/17</i>	<i>Aug 10/15</i>	<i>Sep 11/15</i>	<i>Oct 12/17</i>	<i>Nov 1/15</i>	<i>Dec 2/15</i>
065	COM								COM			
096	COM											
110		COM	COM	COM	COM	COM						
155					COM				COM			
195		PP	PP		PP	PP						
201		PP	PP	PP	PP	PP	PP					
229					COM							
230					COM							
316			COM									
325									COM			
347								COM				
444							PP					
451						COM						
612	BOTH											
620									COM			
711									PP			
721	COM											
748	COM	COM	COM						COM			
753					COM							
951					COM							
971									COM			
985							COM					

## OPERATIONAL REPORTS 3RD QUARTER 2012

### 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 3<sup>rd</sup> Quarter 2012, CAR assessed a total penalty amount of \$14,350. The table below shows the detail penalties for each company.

Penalty Assessments  
3rd Quarter 2012

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
110	Knightbrook Insurance Company	Late MAS - 06/2012	\$ 1,250
110	Knightbrook Insurance Company	Late MAS - 08/2012	\$ 1,250
123	HDI-Gerling America Ins Co.	Late Page 14 - 06/2012	\$ 400
155	Argonaut Insurance Company	Stat Error > 5% - 03/2012	\$ 600
155	Argonaut Insurance Company	Stat Error > 5% - 06/2012	\$ 300
209	Boston Old Colony Ins Co.	Stat Error > 5% - 01/2012	\$ 150
209	Boston Old Colony Ins Co.	Stat Error > 5% - 02/2012	\$ 150
229	Clarendon Insurance Company	Stat Error > 5% - 06/2012	\$ 150
256	Berkley Regional Ins Co.	Late Page 14 - 06/2012	\$ 200
317	Empire Insurance Company	Stat Error > 5% - 06/2012	\$ 150
326	Excelsior Insurance Company	Stat Error > 5% - 07/2012	\$ 600
347	Selective Insurance Co. of SC	Late MAS - 08/2012	\$ 500
380	Federated Mutual Insurance Co.	Stat Error > 5% - 06/2012	\$ 150
444	Green Mountain Insurance Co.	Late MAS - 07/2012	\$ 500
451	Hudson Insurance Company	Late MAS - 06/2012	\$ 500
460	Harleysville Mutual Insurance Co.	Stat Error > 5% - 06/2012	\$ 300
465	Harco National Insurance Co.	Late Page 14 - 06/2012	\$ 100
467	Hartford Casualty Insurance Co.	Stat Error > 5% - 03/2012	\$ 600
486	Harleysville Preferred Ins Co.	Stat Error > 5% - 06/2012	\$ 600
486	Harleysville Preferred Ins Co.	Stat Error > 5% - 07/2012	\$ 300
622	National Interstate Insurance Co.	Stat Error > 5% - 06/2012	\$ 150
626	National Continental Ins Co.	Late Explanation - 06/2012	\$ 100
633	Netherlands Insurance Company	Stat Error > 5% - 07/2012	\$ 600
686	Occidental Fire & Casualty of NC	Late Page 14 - 06/2012	\$ 100
711	Peerless Insurance Company	Stat Error > 5% - 06/2012	\$ 150
711	Peerless Insurance Company	Stat Error > 5% - 07/2012	\$ 300
719	Penn Manufacturer's Assoc	Stat Error > 5% - 06/2012	\$ 150
737	Progressive Casualty Ins Co.	Stat Error > 5% - 04/2012	\$ 1,200
737	Progressive Casualty Ins Co.	Stat Error > 5% - 05/2012	\$ 450
737	Progressive Casualty Ins Co	Late Explanation - 06/2012	\$ 100
785	Progressive Direct Ins Co.	Stat Error > 5% - 07/2012	\$ 150

**OPERATIONAL REPORTS  
3RD QUARTER 2012**

**I. STATISTICAL SYSTEM (continued)**

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

Penalty Assessments  
3<sup>rd</sup> Quarter 2012

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
785	Progressive Direct Insurance Co.	Late Explanation - 06/2012	\$ 100
797	Starr Indemnity and Liability Co.	Late Explanation - 06/2012	\$ 900
828	State Farm Insurance Company	Stat Error > 5% - 04/2012	\$ 150
842	Transguard Ins. Co. of America	Late Page 14 - 06/2012	\$ 100
902	United Financial Casualty Ins Co	Stat Error > 5% - 04/2012	\$ 150
936	Universal Underwriters of TX Ins.	Stat Error > 5% - 07/2012	\$ 150
958	Harleysville Insurance Company	Stat Error > 5% - 06/2012	\$ 150
963	Harleysville Worcester Ins. Co	Stat Error > 5% - 06/2012	\$ 300
963	Harleysville Worcester Ins. Co	Stat Error > 5% - 07/2012	\$ 150
		Total	\$ 14,350

**OPERATIONAL REPORTS  
3RD QUARTER 2012**

**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  
3RD QUARTER 2012**

**I. STATISTICAL SYSTEM (continued)**

Massachusetts Commercial Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
January 1, 2012	The Owner Repairman classification (070700) has been renamed as Owner-Contractor to correspond to the Massachusetts Commercial Automobile Insurance Manual.	Approved by the Division of Insurance on December 1, 2011
	The Commercial Classification Code Decision Table has been updated to separately list classification code 9932 from the other Special Rating and Adjustment classifications, since it only applies to physical damage coverage.	



## OPERATIONAL REPORTS 3RD QUARTER 2012

### 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 2010-2012.

#### 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 September 10, 2012.

**OPERATIONAL REPORTS  
3RD QUARTER 2012**

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

2. TX5 Cession Backdate Appeals (continued)

TX5 Cession Backdate Log

DATE SUBMITTED	CO NO	NUMBER OF CESSIONS	DATE REQUESTED	BACKDATE GRANTED?	REASON FOR APPROVAL/ DISAPPROVAL
9/20/12	245	1	8/18/12	yes	Decision to retain the policy as voluntary was made prior to the policy effective date.
11/14/12	154	7	11/13/12	yes	Decision to retain the policy as voluntary was made prior to the policy effective date.

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 November 29, 2012 monitoring policy years 2010, 2011 and 2012 for 3<sup>rd</sup> Quarter 2012.

Please note CAR will no longer be monitoring Private Passenger business in this system.

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*).

**OPERATIONAL REPORTS  
3RD QUARTER 2012**

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

Policy Year 2010  
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	551	13	2.4	0.0	0	0
279	29	1	3.4	0.0	0	0
455	260	9	3.5	0.0	1,131	0
717	236	0	0.0	0.0	0	0
734	226	23	10.2 #	0.0	0	0
735	8	1	12.5 #	0.0	0	0
773	3	0	0.0	0.0	0	0
Totals	1,313	47	3.6%	N/A	1,131	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 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	5,744	500
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	5,744	500

\* 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  
3RD QUARTER 2012**

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

Policy Year 2012  
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	996	62	6.2 *	1.0	4,135	0
279	27	0	0.0	0.0	0	0
717	158	0	0.0	0.0	0	0
734	126	7	5.6 #	-2.4	0	0
773	1	0	0.0	0.0	0	0
Totals	1,308	69	5.3%	N/A	4,135	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 July 27, 2012 and the documentation was due back on October 19, 2012. CAR is currently reviewing the documentation and any results will be posted within the next Quarterly Operational Reports.

## OPERATIONAL REPORTS 3RD QUARTER 2012

### 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 10/2011 to 09/2012  
Reflects MAIP Placement Record Reported Data as of November 21, 2012

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	10	4	0	0	7	8	386
153	54	38	2	318	3	7	13,632
192	1	0	0	0	1	1	105
202	1	0	0	0	0	0	199
262	0	0	1	10	2	11	2,299
279	0	1	267	74	7	12	42,356
308	5	0	0	0	1	4	599
312	0	1	3	8	0	0	1,977
331	1	0	2	0	1	9	2,349
354	1	0	2	0	3	62	5,812
363	2	0	0	0	1	2	699
422	0	0	0	0	0	0	279
514	0	0	0	0	0	0	262
531	2	0	0	0	1	1	970
585	0	0	1	0	6	11	3,716
612	0	3	0	51	0	18	3,795
664	6	24	0	17	0	6	1,494
723	12	38	3	8	3	26	12,880
731	0	0	3	11	0	0	866
773	0	0	0	153	0	0	18,699
826	0	0	0	0	0	0	1,543
908	13	1	3	0	15	5	6,966
959	0	0	0	0	0	0	276
988	0	37	3	115	0	1	4,446
Industry Average	5	6	12	32	2	8	5,275

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

**OPERATIONAL REPORTS  
3RD QUARTER 2012**

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

**E. MAIP Placement Record Reporting Analysis (continued)**

**COMMONWEALTH AUTOMOBILE REINSURERS  
MAIP PLACEMENT RECORD REPORTING ANALYSIS  
COMPANY RESPONSES**

<b>Company</b>	<b>Date Identified</b>	<b>Response</b>
153	Ongoing	The MPR's with No Premium is a statistical timing issue. The premiums for these policies will be sent in the October MAS. The remainder of these policies are unpaid renewals for which a TX4 backdate document will be sent. A majority of the non-fatal errors are duplicate MPR's that are in the process of being corrected. The Missing MPR's are policies that were not taken and are in the process of being reported.
279	3 <sup>rd</sup> Qtr 2012	Company is in the process of developing new procedures to prohibit 3 <sup>rd</sup> Year MPR Renewals from being submitted.
354	Ongoing	Company splits motorcycle/auto MAIP policies. Since they can not submit two MPRs for one certification number, motorcycle policies will only be statistically reported and will not have a corresponding MPR.
612	3 <sup>rd</sup> Qtr 2012	Company is currently in the process of submitting offset records from their MAIP Premium with No MPR policies.
723	3 <sup>rd</sup> Qtr 2012	Company was recently contacted and is researching the reporting issue.
988	3 <sup>rd</sup> Qtr 2012	Company was recently contacted and is researching the reporting issue.

## OPERATIONAL REPORTS 3RD QUARTER 2012

### 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
2006	4.9%	25.4%	Final Result
2007	4.3%	22.3%	Final Result
2008	2.9%	19.0%	Final Result
2009	2.3%	16.5%	Final Result
2010	N/A	15.1%	Final Result
2011	N/A	14.9%	Final Result
2012	N/A	15.4%	As of Sept. 2012

Private passenger and commercial residual market volume reports are available on CAR's website ([www.commauto.com](http://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 2012 Results as of September, 2012

	2012 @ 09 Months	% Total		2011 @ 12 Months	% Total
MAIP Assigned (CAR-ID 9)	91,353	2.7%		117,872	2.7%
MAIP Retained (CAR-ID 8)	3,271,438	95.0%		4,011,520	93.2%
Clean-In-Three (CAR-ID 1)	79,197	2.3%		176,110	4.1%
Total	3,441,988	100.0%		4,305,501	100.0%

## OPERATIONAL REPORTS 3RD QUARTER 2012

### III. RESIDUAL MARKET INFORMATION (continued)

#### C. Production of Quarterly Participation Reports

CAR posted the September 2012 Quarterly Member Participation Reports to its website on December 7, 2012. 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 3<sup>rd</sup> Quarter 2012 estimated Participation Ratios using data reported through September 30, 2012 will be posted to CAR's website by December 31, 2012.

#### E. CAR Financial Results

The ultimate policy year deficit projections, as of September 2012, for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Commercial
2010	(6,426)
2011	(11,818)
2012	(4,242)

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

#### F. Quota Share

CAR posted the September, 2012 Monthly Quota Share and Assignment Order Report to its website on November 29, 2012. The report has been updated to include statistical data for October 2011 to September 2012 effective month policies reported through November 15, 2012. This report was updated December 1, 2012 for the addition of the Green Mountain Insurance Company. 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.

#### G. Ceding Expense True-Up Results

A calendar year 2011 true-up of ceding expense allowances for commercial servicing carriers was included in the September, 2012 Settlement of Balances, posted to CAR's website on December 7, 2012.

A true-up of expense allowances to Servicing Carriers for ceded taxi, limousine, and car service business for policy years 2010-2011 was also included in the September, 2012 Settlement of Balances.



## OPERATIONAL REPORTS 3RD QUARTER 2012

### III. RESIDUAL MARKET INFORMATION (continued)

#### H. Rule 29 Voluntary Credits

CAR ran the Rule 29 credit edit reports for September effective date data in mid-November. 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 October, 2010 accounting date.

Accounting Date	Reported Credit Premium	Adjusted Credit Premium	Rule 29 Credit Impact	Error Percentage
Oct. 2010	487,767,726	484,431,955	-3,335,771	0.68%
Nov. 2010	485,195,191	481,860,909	-3,334,282	0.69%
Dec. 2010*	502,637,208	493,960,401	-8,676,807	1.73%
Jan. 2011*	499,424,037	493,594,337	-5,829,700	1.17%
Feb. 2011*	520,558,403	512,722,811	-7,835,592	1.51%
March 2011*	520,012,380	512,141,580	-7,870,800	1.51%
April 2011*	521,886,203	513,545,620	-8,340,583	1.60%
May 2011*	523,143,948	514,912,551	-8,231,397	1.57%
June 2011*	523,665,189	515,848,901	-7,816,288	1.49%
July 2011	520,894,143	513,467,648	-7,426,495	1.43%
August 2011	522,165,725	514,628,476	-7,537,249	1.44%
Sept. 2011	521,520,576	514,273,679	-7,246,897	1.39%
Oct. 2011	522,571,084	515,302,025	-7,269,059	1.39%
Nov 2011	523,094,504	515,901,5598	-7,192,906	1.38%
Dec 2011	525,805,853	519,178,448	-6,627,405	1.26%
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%

## OPERATIONAL REPORTS 3RD QUARTER 2012

### 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 four times per year following the end of a quarter. The table below shows the quarter ending schedule for updates to the CAR accounting system.

Month	MAS Due Date	Accounting System Update	Quarter
January 2012	March 15, 2012	March 16, 2012	1st Quarter 2012
February 2012	April 16, 2012	April 17, 2012	
March 2012	May 15, 2012	May 16, 2012	
April 2012	June 15, 2012	June 19, 2012	2 <sup>nd</sup> Quarter 2012
May 2012	July 16, 2012	July 18, 2012	
June 2012	August 15, 2012	August 17, 2012	
July 2012	September 17, 2012	September 19, 2012	3 <sup>rd</sup> Quarter 2012
August 2012	October 15, 2012	October 17, 2012	
September 2012	November 15, 2012	November 16, 2012	
October 2012	December 17, 2012	December 19, 2012	4 <sup>th</sup> Quarter 2012
November 2012	January 15, 2013	January 17, 2013	
December 2012	February 15, 2013	February 19, 2013	

#### 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 third quarter 2012.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for December 2012 through May 2013 are shown following the 3<sup>rd</sup> Quarter Write-Off exhibit.

**OPERATIONAL REPORTS  
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**IV. ACCOUNTING SYSTEM (continued)**

B. Critical Error Write-Off (continued)

Loss Write-Off – 3<sup>rd</sup> Quarter 2012

Company	Aug 2012	Sept 2012	Oct 2012	Total
331	1,316	867	840	3,023
481	0	-161	0	-161
664	0	46,469	0	46,469
723	0	2,582	0	2,582
773	0	9,000	0	9,000
<b>Total</b>	<b>1,316</b>	<b>58,757</b>	<b>840</b>	<b>60,913</b>

3<sup>rd</sup> Quarter 2012 – 10% Loss of Investment Fees

Company	Aug 2012	Sept 2012	Oct 2011	Total
331	145	128	24	297
481	0	-4	0	-4
723	0	250	0	250
773	0	900	0	900
<b>Total</b>	<b>145</b>	<b>1,274</b>	<b>24</b>	<b>1,443</b>

Potential Loss Write-Off December 2012 through May 2013

Company	December 2012	January 2013	February 2013	March 2013	April 2013	May 2013	Grand Total
045	0	636	0	0		0	636
154	0	0	0	0		0	0
209	5,200	0	0	0		0	5,200
317	0	0	0	1,610		0	1,610
331	-38	6,348	-901	2,876		19,343	27,628
773	5	0	0	4,922		0	4,927
<b>Totals</b>	<b>5,167</b>	<b>6,984</b>	<b>-901</b>	<b>9,408</b>		<b>19,343</b>	<b>40,001</b>

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**IV. ACCOUNTING SYSTEM (continued)**

C. Non-Critical Error "Audit Review" Program

Unlike critical errors, non-critical errors do not prevent loss coverage on a policy. However, they could cause a financial impact if the volume of non-critical errors exceeds the established tolerance levels. The tolerance level is 1% and 10 policies in error for each error code per effective year. If the volume of errors for a specific error code exceeds the tolerance level, the company has up to nine months to reduce the volume of errors before facing a penalty. Please reference the Policy Edit Package for more specific information. The exhibits below show year-to-date penalties and potential penalties.

**Audit Review  
2011 & 2012 Policy Effective Years**

Non-Critical Error - Penalties

**There have been no companies listed this quarter for policy effective years 2011 or 2012.**

2011 Effective Year Non-Critical Errors Over Tolerance - Potential Penalty

**2011 Effective Year Non-Critical Errors show no Potential Penalties to report**

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

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

## OPERATIONAL REPORTS 3RD QUARTER 2012

### 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	2010	0	0.00
154	2011	5,755	0.03
154	2012	87,679	0.48
245	2010	0	0.00
245	2011	0	0.00
245	2012	7,119	0.04
279	2010	0	0.00
279	2011	0	0.00
279	2012	859	0.01
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		101,412	0.04

#### 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 3<sup>rd</sup> Quarter 2012 forecasting reports on December 12, 2012.

**OPERATIONAL REPORTS  
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**IV. ACCOUNTING SYSTEM (continued)**

**F. \$60 Cession/No Premium Penalties**

CAR ran the \$60 Cession/No Premium penalty program November 30, 2012. A cession qualifies for the penalty list when the premium amount on the policy totals to less than or equal to \$0 for five or more months. The table below shows those penalty results. The penalty assessments will be in the Fourth Quarter 2012 Settlement of Balances report.

<b>Company Number</b>	<b>Penalty Amount</b>
245	\$60
<b>Total</b>	<b>\$60</b>

**G. 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.

The 2010 Cession/No Premium Write-Off is scheduled for April, 2013.

<b>Year</b>	<b>PP Penalty</b>	<b>Commercial Penalty</b>	<b>Taxi/Limo/CAR Service Penalty</b>
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
2001	\$1,300	\$5,300	\$8,800

## OPERATIONAL REPORTS 3RD QUARTER 2012

### 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 2012	March 15, 2012	March 16, 2012	1st Quarter 2012
February 2012	April 16, 2012	April 17, 2012	
March 2012	May 15, 2012	May 16, 2012	
April 2012	June 15, 2012	June 18, 2012	2 <sup>nd</sup> Quarter 2012
May 2012	July 16, 2012	July 17, 2012	
June 2012	August 15, 2012	August 16, 2012	
July 2012	September 17, 2012	September 18, 2012	3 <sup>rd</sup> Quarter 2012
August 2012	October 15, 2012	October 16, 2012	
September 2012	November 15, 2012	November 16, 2012	
October 2012	December 17, 2012	December 18, 2012	4 <sup>th</sup> Quarter 2012
November 2012	January 15, 2013	January 16, 2013	
December 2012	February 15, 2013	February 18, 2013	

#### 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 2012	June 15, 2012	July 2, 2012	Approx. August 1, 2012
2nd 2012	September 17, 2012	October 1, 2012	Approx. November 1 2012
3rd 2012	December 17 2012	January 2, 2013	Approx. February 1 2013
4th 2012	March 15, 2013	April 1, 2013	Approx. May 1 2013

The Annual Statement collection of Page 14 for Second Quarter 2012 was due September 17, 2012. Penalties for late Page 14 amounted to \$900. Reconciliation Second Quarter 2012 responses were due November 2, 2012. Penalties amounted to \$2,100. The Page 14 and Reconciliation penalties were included in the 3rd Quarter Settlement of Balances Reports. CAR is currently collecting Third Quarter 2012 Annual Statement Statutory Page 14 data which was due at CAR on December 17, 2012. Third Quarter 2012 Reconciliation Reports are anticipated to run January 2, 2013.

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3RD QUARTER 2012**

**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 %
<b>COMM 2011 EFF YEAR</b>	Liability	56,083	979	1.75%
	No Fault	40,776	204	0.50%
	Physical Damage	30,216	397	1.24%
	Total	125,768	1,553	1.23%
<b>COMM 2012 EFF YEAR</b>	Liability	34,823	436	1.25%
	No Fault	26,431	230	0.75%
	Physical Damage	19,997	341	1.71%
	Total	81,251	1,007	1.24%

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 (REVISED 1/7/2013)**

Co No	Comm	Policy Year	Subline	Due Date	Err %	# Records in Error
154	Comm	2012	Liability	6/15/2013	2.01%	128
154	Comm	2012	No Fault	6/15/2013	2.65%	167
154	Comm	2012	Phys Dam	3/15/2013	4.01%	153

**\* Company details were updated to reflect only policy year 2012 is subject to penalty at this time.**



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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 09/2012

<b>COMPANY NUMBER</b>	<b>RECORD COUNT</b>	<b>WASHOUT COUNT</b>	<b>WASHOUT PERCENT</b>
017	162	44	27.16
033	588,908	257,012	43.64
065	29,675	23,150	78.01
099	1,492	1,336	89.54
100	57,628	11,621	20.17
153	6,829,069	2,363,904	34.62
154	312,284	95,867	30.70
156	50,711	19,885	39.21
204	535	164	30.65
205	172	88	51.16
261	5,516	3,682	66.75
283	8,170	4,246	51.97
343	502,164	197,322	39.29
418	150,402	46,014	30.59
420	11,935	3,656	30.63
424	21,270	4,807	22.60
429	3,175,852	1,032,808	32.52
460	10,180	2,200	21.61
474	10,363	5,956	57.47
486	30,666	13,488	43.98
503	3,483	1,940	55.70
504	1,712	868	50.70
622	5,794	1,192	20.57
626	333,581	173,608	52.04
627	10,893	6,772	62.17
643	8,408	3,692	43.91
667	10,765	5,238	48.66
734	10,745	2,876	26.77
735	77,477	31,552	40.72
737	221,149	110,916	50.15

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

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

Deleted Washout Totals  
For All Shipments Received Through 09/2012

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
828	267,298	90,321	33.79
881	4,654	1,190	25.57
902	179,215	100,058	55.83
927	5,897	2,052	34.80
948	11,296	2,800	24.79
958	4,430	1,088	24.56
963	121,626	42,118	34.63
989	49,611	22,294	44.94
828	267,298	90,321	33.79
881	4,654	1,190	25.57
902	179,215	100,058	55.83
927	5,897	2,052	34.80
948	11,296	2,800	24.79
958	4,430	1,088	24.56
963	121,626	42,118	34.63
989	49,611	22,294	44.94
Total Industry	52,613,474	5,798,098	9.07%

The 2011 washout total following the 09/2011 shipments was 9.74%.

**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 Distributional Analysis report is scheduled to run mid-late December 2012. Companies with discrepancies will be emailed for a response. Companies may contact the Compliance Audit Department for any correspondences.

## **OPERATIONAL REPORTS 3RD QUARTER 2012**

### **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.

**OPERATIONAL REPORTS  
3RD QUARTER 2012**

**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>
Conversion of all Remaining Internet Reports	In progress as resources allow	Converting internet company reports from Crystal to Reporting Services.
2013 Statistical Project	To begin December 2012	Update CAR's processing system to accept 2013 effective year data.
MAIP Loss Ratio Reports	In process	New reports providing summary information for MAIP Assigned loss ratios are expected to be available to member companies in early 2013. The quarterly reports will detail CAR ID Code 9 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.
Immediate Transfer of MAIP Assignment data	In process	Enhance the data transfer process so that an Assigned Risk Carrier receives MAIP assignment data via FTP immediately in addition to the nightly batch feed.