



NATALIE A. HUBLEY  
PRESIDENT

## COMMONWEALTH AUTOMOBILE REINSURERS

101 Arch Street, Suite 400 Boston, Massachusetts 02110

[www.commauto.com](http://www.commauto.com)

617-338-4000

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

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham, Data Analyst

DATE: December 24, 2020

RE: Operational Reports

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The 3rd quarter 2020 Operational Reports follow this memorandum. This report includes data reported August 18, 2020 through November 16, 2020 for the accounting month period of July 2020 through September 2020. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

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

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

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

CAR assessed a total of \$49,850 in the Statistical Data Quality Penalty Program in the 3rd Quarter 2020 Settlement of Balances report.

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

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

The 2018 annual Cession/No Premium Write-Off amounts have been calculated and CAR set the 2018 penalties at \$7,700 for Commercial and \$8,600 for Taxi/Limousine business. Please reference Bulletin Notice No. 1094 distributed on February 10, 2020 for more information.

## **OPERATIONAL REPORTS 3RD QUARTER 2020**

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

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

CAR ran the CA5010 - Flat Cancellation Audit report on July 28, 2020 using CAR's online system. The documentation can now be uploaded into CAR and was due on October 1, 2020.

As of September 2020, the private passenger and the commercial residual market rate equaled 0.8% and 17.9%, respectively.

CAR posted the September 30, 2020 Quarterly Member Participation Reports to its website on December 4, 2020.

CAR ran the 3rd Quarter 2020 Rule 29 credit edit download reports on August 18, 2020.

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

CAR produced 3rd Quarter 2020 Critical Error Loss Write-Offs and 10% Loss of Investment Fees. **There were no companies listed for this quarter's report.**

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2019 and 2020 policy effective years for all companies with an error rate over the tolerance level of 1% and 10 policies in error.

The Penalty Forecasting exhibits were made available on CAR's website on December 9, 2020.

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

Second Quarter 2020 Statutory Page 14 data was due at CAR on September 15, 2020. Reconciliation Responses for Second Quarter 2020 was run on October 2, 2020 and due back on November 1, 2020. Company assessments were included in Third Quarter 2020 Settlement of Balances. Third Quarter 2020 Statutory Page 14 data was due at CAR on December 15, 2020. Third Quarter 2020 Reconciliation is anticipated to run on or about January 4, 2021.

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

### **Section VI – Communications:**

CAR Policy Histories have been added to CAR's website for Commercial Servicing Carriers and Taxi/Limo Servicing Carriers to use for their reference. The next phase of the Accounting System update has started and will provide website access to monitor those policies that fail one or more of the CAR Accounting edits.

**OPERATIONAL REPORTS  
3RD QUARTER 2020**

**I. STATISTICAL SYSTEM**

**A. Reporting of Company Shipments**

The monthly submission of statistical data is due at CAR according to the Call Schedule contained in the table below. The timeliness exhibit on the following page reflects the timeliness status of all companies for 2020 as of the third quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

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

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 2020.

**OPERATIONAL REPORTS  
3RD QUARTER 2020**

**I. STATISTICAL SYSTEM (continued)**

2020 Timeliness Report

<i>CO NO</i>	<i>Jan 3/16</i>	<i>Feb 4/15</i>	<i>Mar 5/15</i>	<i>Apr 6/15</i>	<i>May 7/15</i>	<i>Jun 8/17</i>	<i>July 9/15</i>	<i>Aug 10/15</i>	<i>Sep 11/15</i>	<i>Oct 12/16</i>	<i>Nov 1/15</i>	<i>Dec 2/18</i>
109			COM									
162			COM			COM						
230			COM									
303			COM									
320						PP						
323	PP											
362							PP					
414								COM				
577		PP	PP			PP						
578			COM	COM								
582	COM		COM	COM			COM		COM			
797			COM						COM			

## OPERATIONAL REPORTS 3RD QUARTER 2020

### I. STATISTICAL SYSTEM (continued)

#### B. Statistical Plan Penalty Fee Program

CAR assesses various statistical penalties as outlined in the Data Quality Penalty Section of the Private Passenger and Commercial Statistical Plans. These penalties include items such as incomplete monthly submissions, late submission of page 15 data, reconciliation responses, and failure to reduce a statistical shipment's error percent to below 5%.

For 3rd Quarter 2020, CAR assessed a total penalty amount of \$49,850. The table below shows the detail penalties for each company.

#### Penalty Assessments 3rd Quarter 2020

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
017	ACE Property & Casualty Ins	Distributional Analysis 06/2020	\$ 150
045	American Automobile Ins	Distributional Analysis 06/2020	\$ 150
103	The American Insurance Co	Distributional Analysis 06/2020	\$ 150
109	Pennsylvania Lumbermen's	Stat Err > 5% - 06/2020	\$ 450
109	Pennsylvania Lumbermen's	Stat Err > 5% - 07/2020	\$ 300
163	Associated Indemnity Corp	Distributional Analysis 06/2020	\$ 150
144	Wesco Insurance Company	Stat Err > 5% - 03/2020	\$ 600
144	Wesco Insurance Company	Stat Err > 5% - 06/2020	\$ 150
206	Nationwide Agribusiness Ins	Late Page 14 Data - 06/2020	\$ 100
207	Blackboard Insurance Company	Late Page 14 Data - 06/2020	\$ 4,500
261	ACE American Insurance	Distributional Analysis 06/2020	\$ 150
263	ACE Fire Underwriters Insurance	Distributional Analysis 06/2020	\$ 150
320	Esurance Insurance Company	Late MAS - 06/2020	\$ 500
323	Esurance Insurance Company	Distributional Analysis 06/2020	\$ 150
354	AMICA Mutual Insurance Co	Late Expln - 06/2020	\$ 200
362	Farm Family Casualty Ins	Stat Err > 5% - 06/2020	\$ 600
362	Farm Family Casualty Ins	Late MAS - 07/2020	\$ 1,250
399	Fireman's Fund Insurance Co	Distributional Analysis 06/2020	\$ 150
411	State Auto Property & Casualty Ins	Distributional Analysis 06/2020	\$ 150
414	State Automobile Mutual Ins	Distributional Analysis 06/2020	\$ 300
414	State Automobile Mutual Ins	Late MAS - 08/2020	\$ 500
416	Patrons Mutual Insurance	Distributional Analysis 06/2020	\$ 300
418	American Family Connect P&C	Late Expln - 06/2020	\$ 700
418	American Family Connect P&C	Stat Err > 5% - 06/2020	\$ 150
443	NOVA Casualty Company	Distributional Analysis 06/2020	\$ 150
446	American Modern Select Ins	Distributional Analysis 06/2020	\$ 150
447	Digital Advantage Insurance Co	Rescind Late Pg. 14 - 03/2020	\$ (4,800)
486	Harleysville Preferred Ins. Co	Stat Err > 5% - 01/2020	\$ 7,500
569	Midvale Indemnity Company	Distributional Analysis 06/2020	\$ 150
577	Permanent General Insurance Co	Stat Err > 5% - 01/2020	\$ 600

**OPERATIONAL REPORTS  
3RD QUARTER 2020**

**I. STATISTICAL SYSTEM (continued)**

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

Penalty Assessments  
3rd Quarter 2020

			<b>Assessment</b>
<b>Co #</b>	<b>Company Name</b>	<b>Assessment</b>	<b>Amount</b>
577	Permanent General Insurance Co	Late MAS – 06/2020	\$ 500
578	Merchant Preferred Insurance Co	Distributional Analysis 06/2020	\$ 150
578	Merchant Preferred Insurance Co	Stat Err > 5% - 04/2020	\$ 150
578	Merchant Preferred Insurance Co	Stat Err > 5% - 06/2020	\$ 300
578	Merchant Preferred Insurance Co	Stat Err > 5% - 07/2020	\$ 450
578	Merchant Preferred Insurance Co	Stat Err > 5% - 08/2020	\$ 300
582	Merchants Mutual Insurance Co	Distributional Analysis 06/2020	\$ 300
582	Merchants Mutual Insurance Co	Stat Err > 5% - 03/2020	\$ 600
582	Merchants Mutual Insurance Co	Stat Err > 5% - 04/2020	\$ 150
582	Merchants Mutual Insurance Co	Stat Err > 5% - 05/2020	\$ 150
582	Merchants Mutual Insurance Co	Stat Err > 5% - 06/2020	\$ 600
582	Merchants Mutual Insurance Co	Stat Err > 5% - 07/2020	\$ 150
582	Merchants Mutual Insurance Co	Stat Err > 5% - 08/2020	\$ 300
582	Merchants Mutual Insurance Co	Late MAS – 03/2020	\$ 12,000
582	Merchants Mutual Insurance Co	Late MAS – 04/2020	\$ 9,000
582	Merchants Mutual Insurance Co	Late MAS – 07/2020	\$ 500
622	National Interstate Insurance Co	Distributional Analysis 06/2020	\$ 150
623	National Surety Corporation	Distributional Analysis 06/2020	\$ 150
638	Riverport Insurance Company	Late Page 14 Data - 06/2020	\$ 200
659	North American Elite Ins Co	Late MAS – 04/2020	\$ 500
686	Occidental Fire & Casualty	Stat Err > 5% - 07/2020	\$ 300
756	RLI Insurance Company	Stat Err > 5% - 03/2020	\$ 5,550
756	RLI Insurance Company	Stat Err > 5% - 06/2020	\$ 300
797	Starr Indemnity Liability Company	Late MAS – 06/2020	\$ 500
829	Mitsui Sumitomo Ins. Co	Distributional Analysis 06/2020	\$ 150
951	Vanliner Insurance Company	Distributional Analysis 06/2020	\$ 150
963	Harleysville Worcester Ins Co	Stat Err > 5% - 06/2020	\$ 300
979	American Bankers Ins. Co. of Fl.	Distributional Analysis 06/2020	\$ 150
996	Indemnity Ins. Co. of N. America	Distributional Analysis 06/2020	\$ 150
		Total	<b>\$ 49,850</b>

**OPERATIONAL REPORTS  
3RD QUARTER 2020**

**I. STATISTICAL SYSTEM (continued)**

Massachusetts Private Passenger Statistical Plans

Approved Modifications

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

**OPERATIONAL REPORTS  
3RD QUARTER 2020**

**I. STATISTICAL SYSTEM (continued)**

Massachusetts Commercial Statistical Plan

Approved Modifications

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



## OPERATIONAL REPORTS 3RD QUARTER 2020

### II. CESSION/MAIP PLACEMENT RECORD REPORTING

#### A. Cession Submission

CAR accepts cession data via two different methods:

on-line entry through CAR's website and FTP transmission. Please contact your company's Data Analyst if you need assistance in gaining access to CAR's website application.

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

#### B. Cession Backdates

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

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

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

##### 2. TX5 Cession Backdate Appeals

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

The table on the following page reflects the log of cession backdate requests CAR Staff processed since the last publication of the Operational Reports on October 2, 2020.

## OPERATIONAL REPORTS 3RD QUARTER 2020

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

#### 2. TX5 Cession Backdate Appeals (continued)

##### TX5 Cession Backdate Log

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

#### 3. CR215 Cessions Automatically Backdated

On a quarterly basis, CAR produces the CR215 report that shows the volume of cessions backdated for involuntary producer business. CAR ran the latest report to the industry in early December 2020 monitoring policy years 2018, 2019 and 2020 for 3rd Quarter 2020.

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

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

##### Policy Year 2018 Commercial

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

\* 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 2020**

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

Policy Year 2019  
Commercial

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

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

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

Policy Year 2020  
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	164	0	0.0	0.0	0	0
279	1	0	0.0	0.0	0	0
717	54	0	0.0	0.0	0	0
732	64	0	0.0	0.0	0	0
734	51	2	3.9	0.6	0	0
773	0	0	0.0	0.0	0	0
Totals	334	2	3.9%	N/A	0	0

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

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

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

C. CA5010 Flat Cancellation Audit

Twice per year CAR runs the CA5010 - Flat Cancellation Documentation Listing. Its purpose is to randomly sample flat-canceled policies to verify that the industry is using flat-cancellation transactions properly. The report was run on July 28, 2020 and the documentation was due back on October 1, 2020 which can now be uploaded into CAR using the new online upload function within the Accounting area on CAR's website. Questions on the use of this system should be directed to the Operations Services department or your company's Data Analyst.

**OPERATIONAL REPORTS  
3RD QUARTER 2020**

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

**D. MAIP Placement Record Reporting Analysis**

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

**COMMONWEALTH AUTOMOBILE REINSURERS  
MAIP PLACEMENT RECORD REPORTING ANALYSIS**  
Reflects Statistically Reported Data for Policy Effective Months 10/2019 to 09/2020  
Reflects MAIP Placement Record Reported Data as of October 19, 2020

Company	Missing MPRs	Rejected MPRs	Fatal MPRs	Rejected Take-Out Credits	MPRs with No Premium	MAIP Premium with No MPR	Active MPRs
113	0	0	0	0	0	0	323
153	4	2	2	51	5	6	2,992
192	0	0	0	0	0	0	545
193	0	3	0	0	0	0	0
202	0	0	0	0	0	0	148
279	14	69	432	146	304	42	18,683
304	0	0	0	0	0	0	6
308	0	0	0	0	0	0	154
315	0	0	0	0	0	0	28
354	1	28	19	1	1	46	4,089
363	0	0	0	0	0	0	133
422	0	0	0	0	0	0	181
521	0	1	0	31	0	0	0
531	0	0	1	1	1	0	868
584	0	2	0	0	1	2	698
585	0	5	0	0	0	1	1
612	6	0	12	49	1	4	1,382
664	5	43	1	0	1	6	1,589
724	0	0	0	0	0	0	1,256
731	0	0	0	71	0	0	0
735	0	0	0	0	0	0	287
773	4	0	54	82	1	10	5,609
827	0	0	0	0	0	0	674
890	0	0	0	0	0	0	133
908	0	1	0	0	4	1	3,613
959	0	0	0	0	0	0	69
988	0	0	2	8	0	0	1,626
Average	1	6	19	17	12	4	1670

## OPERATIONAL REPORTS 3RD QUARTER 2020

### III. RESIDUAL MARKET INFORMATION

#### A. Residual Market Volumes

The MAIP Residual Market and Commercial Residual Market volume results for the past seven years are highlighted in the chart below. The residual market rate for the current year is based on statistically reported data only and does not include estimates for missing data.

Effective Year	MAIP Residual Market %	Commercial Cession %	Time Period
2014	1.5%	18.7%	Final Result
2015	2.6%	20.4%	Final Result
2016	1.4%	21.8%	Final Result
2017	1.3%	22.1%	Final Result
2018	1.2%	22.7%	Final Result
2019	1.0%	20.8%	Final Result
2020	0.8%	17.9%	As of Sept 2020

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 2020 Results as of September 2020

	2020 @ 09 Months	% Total		2019 @ Final	% Total
MAIP Assigned (CAR-ID 9)	28,119	0.8%		46,827	1.0%
MAIP Retained (CAR-ID 8)	3,708,836	99.2%		4,684,069	99.0%
Total	3,736,955	100.0%		4,730,896	100.0%

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

Private Passenger Premium and Loss reports have been updated through September 2020 on December 9, 2020 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 3RD QUARTER 2020

### III. RESIDUAL MARKET INFORMATION (continued)

#### D. Production of Quarterly Participation Reports

CAR posted the September 2020 Quarterly Member Participation Reports to its website on December 4, 2020. 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 3rd Quarter 2020 estimated Participation Ratios using data reported through the September 30, 2020 monthly accounting shipments will be posted to CAR's website by December 31, 2020.

#### F. Interim Ceding Expenses Estimates – Calendar Year 2020 Updated

The interim expense allowances were updated to reflect the rate components for premium tax and commission as approved in the July 2020 CAR Rates. The updated interim expense allowances apply to the July – December 2020 monthly accounting shipments

The updated 2020 Commercial Servicing Carrier interim expense allowance of 20.58% is detailed in Commercial Lines Bulletin No. 138, distributed on August 21, 2020. The updated 2020 Interim Expense Allowances for Taxi, Limousine and Car Services Business are 26.20%, 20.72%, and 17.581% respectively. Commercial Lines Notice No. 139, distributed on August 21, 2020, details the calculation of these updated Interim Expenses.

#### G. Ceding Expense True-Up for Calendar Year 2019

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

#### H. Quota Share

CAR posted the September 2020 Monthly Quota Share and Assignment Order Report to its website on December 1, 2020. The report has been updated to include statistical data from October 2019 to September 2020 effective month policies reported through November 16, 2020.

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 3RD QUARTER 2020

### III. RESIDUAL MARKET INFORMATION (continued)

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

The latest valuation of ultimate policy year deficit projections as of September 2020 was posted to CAR's website on December 2, 2020 for the latest three policy years are as follows:

(Numbers are in \$000s)

Commercial Deficit as of September, 2020 (000) (Valuation: + Surplus, - Deficit)		
Policy Year	Current Qtr	Prior Qtr
2018	(\$36.1)	(\$36.1)
2019	(\$12.7)	(\$2.4)
2020	N/A	\$27.9

Deficit projections for all policy years 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. Commercial Manual Rule 37 – Additional Insured – Endorsement Amendment Approved

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

#### K. PPT-NF Certification Form Filing Approved

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

#### L. Specialty and Classic Automobile Filings

In mid-December, CAR filed proposing rule, rate and endorsement forms related to "Specialty and Classic Auto" classifications for both Commercial and Private Passenger automobile business. These changes are detailed in Bulletin No. 1111 and Commercial Lines Notice No. 142. Additionally, new classifications codes have been added to CAR's Statistical Plans as detailed in Bulletin No. 1108.



**OPERATIONAL REPORTS  
3RD QUARTER 2020**

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

**M. Rule 29 Voluntary Credits**

CAR ran the Rule 29 credit edit reports for effective date June data in mid-August. 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 2018 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 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%
July 2019	913,273,955	900,343,902	-12,930,053	1.42%
August 2019	920,564,625	907,799,394	-12,765,231	1.39%
Sept 2019	908,403,551	895,834,183	-12,569,368	1.38%
Oct 2019	902,467,157	889,838,670	-12,628,488	1.40%
Nov 2019	900,582,755	887,96,774	-12,675,981	1.41%
Dec 2019	901,020,807	888,234,335	-12,786,472	1.42%
Jan. 2020	899,475,299	886,602,550	-12,872,749	1.43%
Feb. 2020	901,917,821	888,567,423	-12,950,398	1.44%
March 2020	901,038,771	888,062,566	-12,976,205	1.44 %
April 2020	900,812,758	887,531,268	-13,281,490	1.47%
May 2020	907,184,560	893,418,454	-13,766,106	1.52%
June 2020	919,180,430	904,970,834	-14,209,596	1.55%
July 2020	931,241,344	917,546,045	-13,395,299	1.47%
August 2020	938,852,853	924,595,775	-14,257,078	1.52%
Sept 2020	946,929,284	931,843,069	-15,086,215	1.59%

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### IV. ACCOUNTING SYSTEM

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

CAR updates the online accounting system every Thursday night. Accordingly, all new premiums and loss activity and all correction activity are posted to the system on Thursday evenings and viewable to the industry on Friday mornings. This schedule deviates throughout the year following the Monthly Accounting Submission's due date schedule. The table below shows the schedule for updates to the CAR accounting system.

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

#### B. Critical Error Write-Off

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

For losses specifically, CAR requires every record to be fixed within one year of falling into critical error. If a loss record has not been fixed after a year of remaining in critical error, CAR writes-off that loss record and assesses an interest fee of 10%. This write-off process occurs the last Saturday of every month. The table on the following page shows the write-off amounts and associated 10% fees for third quarter 2020.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for December 2020 through May 2021 are shown following the 3rd Quarter Write-Off exhibit.

**OPERATIONAL REPORTS  
3RD QUARTER 2020**

**IV. ACCOUNTING SYSTEM (continued)**

**B. Critical Error Write-Off (continued)**

Loss Write-Off – 3rd Quarter 2020

<b>Company</b>	<b>Aug 2020</b>	<b>Sept 2020</b>	<b>Oct 2020</b>	<b>Total</b>
154				
245				
279				
717				
732				
734				
773				
<b>Total</b>				

3rd Quarter 2020 – 10% Loss of Investment Fees

<b>Company</b>	<b>Aug 2020</b>	<b>Sept 2020</b>	<b>Oct 2020</b>	<b>Total</b>
154				
245				
279				
717				
734				
773				
<b>Total</b>				

Potential Loss Write-Off December 2020 through May 2021

<b>Company</b>	<b>December 2020</b>	<b>January 2021</b>	<b>February 2021</b>	<b>March 2021</b>	<b>April 2021</b>	<b>May 2021</b>	<b>Grand Total</b>
154	0	0	0	0	0	0	0
245	0	0	0	0	0	0	0
279	0	0	0	0	0	48,068	48,068
732	0	0	0	0	0	0	0
773	0	0	0	0	0	0	0
908	0	0	0	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>48,068</b>

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

**C. Non-Critical Error "Audit Review" Program**

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

Audit Review  
2019 & 2020  
Policy Effective Years

Non-Critical Error - Penalties

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

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

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

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

**2020 Effective Year Non-Critical Errors show no Potential Penalties to report**

**OPERATIONAL REPORTS  
3RD QUARTER 2020**

**IV. ACCOUNTING SYSTEM (continued)**

**D. Ceded Premium Dollars In Error – Limited Commercial Servicing Carriers**

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

Company	Policy Effective Year	Critical Premium Dollars	Error Percent
154	2018	0	0.00
154	2019	0	0.00
154	2020	263,994	0.76
279	2018	0	0.00
279	2019	0	0.00
279	2020	0	0.00
717	2018	0	0.00
717	2019	0	0.00
717	2020	14,699	0.64
732	2018	0	0.00
732	2019	0	0.00
732	2020	0	0.00
734	2018	0	0.00
734	2019	0	0.00
734	2020	0	0.00
773	2018	0	0.00
773	2019	2,464	0.00
773	2020	24,538	0.07
Total Ind.		305,695	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 3rd Quarter 2020 forecasting reports on December 9, 2020.

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**IV. ACCOUNTING SYSTEM (continued)**

**F. 2018 Cession/No Premium Write-Off**

When CAR closes a cession reporting year, it assesses a final penalty against policies that have an active cession record but no corresponding positive premium. The 2018 premium reporting year will close on February 15, 2021. Accordingly, CAR will no longer accept cession activity for the 2018 policy effective year and all policies that contain an active cession with no positive premium will be subject to the cession/no premium write-off penalty. The annual Cession/No Premium Write-Off amounts are based on a policy count (excluding flat cancelled and cession/no premium policies) divided by the corresponding full premium (rather than deviated), at 15 months. Please reference the table below for the write-off penalty amounts for 2018 effective date policies and for historical information

<b>Year</b>	<b>PP Penalty</b>	<b>Commercial Penalty</b>	<b>Taxi/Limo/CAR Service Penalty</b>
2018	N/A	\$7,700	\$8,600
2017	N/A	\$6,700	\$9,100
2016	N/A	\$5,700	\$8,200
2015	N/A	\$5,500	\$8,300
2014	N/A	\$5,200	\$8,300
2013	N/A	\$4,900	\$8,100
2012	N/A	\$4,600	\$7,700
2011	N/A	\$4,400	\$8,100
2010	N/A	\$4,500	\$7,300
2009	\$1,400	\$4,900	\$7,700

## OPERATIONAL REPORTS 3RD QUARTER 2020

### V. STATISTICAL AGENT FUNCTION

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

CAR loads statistical data to its permanent database files and updates the online statistical system every Wednesday night. Accordingly, all new premiums and loss activity and all correction activity are posted to the system on Wednesday evenings and viewable to the industry on Thursday mornings. This schedule deviates throughout the year following the end of every Monthly Accounting Submission period. The table below shows this schedule for updates to the statistical system.

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

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

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

Quarter	Due Date Quarterly Annual Statement	Run Date of the Reconciliation Program	Due Date Reconciliation Response
1st 2020	June 15, 2020	July 1, 2020	Approx. August 3, 2020
2nd 2020	September 16, 2020	October 1, 2020	Approx. November 2, 2020
3rd 2020	December 16, 2020	January 4, 2021	Approx. February 4, 2021
4th 2020	March 16, 2021	April 1, 2021	Approx. May 3, 2021

The Annual Statement collection of Page 14's for 2nd Quarter 2020 was due on September 16, 2020. Penalties for late Page 14 amounted to \$9,400. Reconciliation 2nd Quarter 2020 responses were due October 1, 2020 and penalties amounted to \$900. Penalties were included 3rd Quarter 2020 Settlement of Balances. CAR collected 3rd Quarter 2020 Annual Statement Statutory Page 14 data which was due at CAR on December 15, 2020. 3rd Quarter 2020 Reconciliation is anticipated to run on or about January 4, 2021.

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**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 2019 EFF YEAR</b>	Liability	71,102	560	0.79%
	No Fault	61,097	181	0.30%
	Physical Damage	42,491	423	1.00%
	Total	174,690	1,164	0.67%
<b>COMM 2020 EFF YEAR</b>	Liability	39,333	234	0.59%
	No Fault	35,813	80	0.22%
	Physical Damage	25,017	274	1.10%
	Total	100,163	588	0.59%

The Commercial Rate Edit program incorporates a tolerance level to ensure the quality of the data the industry reports to CAR. The tolerance level is 2% and 50 records in error. If a company exceeds the rate edit tolerance levels on any one line of business, the company has six months to reduce its volume of rate errors on that line of business to below 2% or less than 50 records in error. Companies are responsible for monitoring whether they exceed the error tolerance by viewing the Commercial Rate Edit reports on CAR's website.

Commercial Rate Edit penalties apply to Current and Previous Effective Years. Current Effective Year includes policies effective January 2020 – December 2020. Previous Effective Year includes policies effective January 2019 – December 2019. Companies should contact the Residual Market Services Department regarding Rate Edit reporting.



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

**D. Deleted Washout Records**

During the weekly statistical load, CAR deletes those records that washout within the same file. The table below shows those companies whose volume of deleted washout records exceeds 20% and it shows the overall industry total for all companies combined. If you would like to know your own company's washout total, please contact your Data Analyst. Periodically, CAR contacts those companies that have an excessive volume of washout activity to encourage them to reduce their volume.

Deleted Washout Totals  
For All Shipments Received Through 09/2020

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
017	278	1,052	26.43
033	766,670	1,763,593	43.47
045	78	221	35.29
118	41,738	136,600	30.55
141	352,939	663,969	53.16
153	1,814,361	6,479,727	28.00
154	193,890	461,882	41.98
156	17,874	38,584	46.32
179	1,546	7,418	20.84
201	5,626	26,471	21.25
261	4,786	8,942	53.52
315	102	286	35.66
334	12	33	36.36
362	147,116	244,208	60.24
418	28,182	123,617	22.80
424	9,801	36,042	27.19
443	16,114	18,745	85.96
503	122	183	66.67
626	49,240	113,529	43.37
627	5,760	21,933	26.26
667	28	133	21.05
686	31,625	113,559	27.85
737	486,934	1,773,985	27.45
752	3,742	18,339	20.40
770	175,206	696,149	25.17
785	1,451,328	5,503,733	26.37
823	2,754,766	6,057,442	45.48
881	1,160	2,817	41.18

**OPERATIONAL REPORTS  
3RD QUARTER 2020**

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

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

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
902	54,826	119,145	46.02
942	953	4,240	22.48
958	2,896	8,471	34.19
963	7,516	25,084	29.96
989	5,834	22,839	25.54
902	54,826	119,145	46.02

Total Industry	70,534,915	10,288,353	14.59%
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The 2019 washout total following the 09/2019 shipments was 14.83%

**E. Distributional Analysis Program**

The Distributional Analysis Program is a web report CAR developed to help determine whether companies are experiencing reporting issues relating to Data Quality. The reports are segmented into three sections by type of business: Private Passenger Total Market, Commercial Voluntary and Commercial Servicing Carrier business.

CAR ran the report in early September for the June 2020 period. The due date for companies to respond to any over tolerances was November 9, 2020.

The Private Passenger and Commercial Statistical Plan revisions that were approved on December 10, 2019 outline new Statistical Data Quality Penalties relative to the Distributional Analysis program. **A response is now required by the specified due date or companies will receive a penalty assessment.** Please reference the Private Passenger and Commercial Massachusetts Statistical Plan Manuals for the full description of the penalty program.

Any questions regarding the Distributional Analysis reports should be directed to your companies Data Analyst.

## OPERATIONAL REPORTS 3RD QUARTER 2020

### VI. COMMUNICATIONS

#### A. CAR's Website

CAR completed moving the CAR Accounting policy histories to its website in August 2020. To view the accounting policy histories, click on CAR Accounting from the Reports page where you can input a policy number and policy effective year to view common area information, cessions information, and ceded premium and loss records. CAR will continue to work on the next phase of this project which is to move the Accounting Correction application to the website. As this phase is just starting, an end date if not yet projected but is expected in the second half of 2021.

#### 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: Policy Histories (Statistical), and Claims functions (Allocated Expense, Reinsurance Audit, Average Cost per Claim). CAR has completed the project of moving the CAR Accounting System, CAR Policy Histories, and Reinsurance Audit to its website. Please note that although the CAR Accounting policy histories have been moved to the website, they will remain in the mainframe until the correction application is also moved to the website.

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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.

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