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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, Data Analyst

DATE: April 1, 2020

RE: Operational Reports

The 4th quarter 2019 Operational Reports follow this memorandum. This report includes data reported November 16, 2019 through February 15, 2020 for the accounting month period of October 2019 through December 2019. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

Section I – Accounting/Statistical Shipments:

On December 10, 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. 642. The summaries of the approved Statistical Plan modifications are included in Section I – Statistical System of the Operational Report.

On October 22, 2019, revisions to the Massachusetts Private Passenger 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. 638. The summaries of the approved Statistical Plan modifications are included in Section I – Statistical System of the Operational Report.

CAR assessed a total of \$94,650 in the Statistical Data Quality Penalty Program in the 4th Quarter 2019 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 4TH QUARTER 2019

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 January 27, 2020 using CAR's online system. The documentation can now be uploaded into CAR and is due on April 1, 2020.

As of December 2019 the commercial residual market rate equaled 21.7%.

CAR posted the December 30, 2019 Quarterly Member Participation Reports to its website on March 9, 2020.

CAR ran the 4th Quarter 2019 Rule 29 credit edit download reports on February 16, 2020.

Section IV – Accounting System Processing:

CAR produced 4th Quarter 2019 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 2018 and 2019 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 March 3, 2020.

Section V - Statistical Agent Functions:

Third Quarter 2019 Statutory Page 14 data was due at CAR on December 16, 2019. Reconciliation Responses for 3rd Quarter 2019 were run on January 2, 2020 and due back on February 3, 2020. Company assessments were included in 4th Quarter 2019, Settlement of Balances. Fourth Quarter 2019 Statutory Page 14 data was due at CAR on March 16, 2020. Fourth Quarter Reconciliation is anticipated to run April 1, 2020.

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

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.

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

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

2020 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2020	March 16, 2020	1 st Quarter
February 2020	April 15, 2020	
March 2020	May 15, 2020	
April 2020	June 15, 2020	2 nd Quarter
May 2020	July 15, 2020	
June 2020	August 17, 2020	
July 2020	September 15, 2020	3 rd Quarter
August 2020	October 15, 2020	
September 2020	November 16, 2020	
October 2020	December 15, 2020	4 th Quarter
November 2020	January 15, 2021	
December 2020	February 15, 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 fourth quarter, 2019.

**OPERATIONAL REPORTS
4TH 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			COM			
118					PP			PP				
134	COM											
141						COM						
144			COM			COM			COM			COM
158						COM						
162												COM
206			COM			COM			COM			
230			COM									
247			COM									
259									COM			
283									COM			
320			PP									
323					PP							PP
342											COM	
347										COM	COM	
349										COM	COM	
354						PP						
362								PP				
446			PP									
486												COM
498							COM					
569												PP
571			COM			COM			COM			
582					COM	COM	COM	COM	COM	COM	COM	COM
664	PP											
680	COM											
748			COM									
797						COM			COM			
828											BOTH	
907			PP									
916			PP									
940			PP									
943			PP									
951										COM		

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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 4th Quarter 2019, CAR assessed a total penalty amount of \$94,650. The table below shows the detail penalties for each company.

Penalty Assessments 4th Quarter 2019

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
116	Security National Insurance Co	Late MAS - 09/2019	\$ 500
119	Hiscox Insurance Company	Late Page 14 Data - 09/2019	\$ 100
119	Hiscox Insurance Company	Late Expln - 09/2019	\$ 100
121	Allied World Specialty Ins Co	Stat Err > 5% - 09/2019	\$ 150
134	New York Marine and General Ins	Stat Err > 5% - 09/2019	\$ 150
134	New York Marine and General Ins	Late Expln - 09/2019	\$ 300
144	Wesco Insurance Company	Late MAS - 09/2019	\$ 500
177	Cincinnati Indemnity Insurance	Late MAS - 09/2019	\$ 500
201	AIG Property & Casualty Co	Stat Err > 5% - 10/2019	\$ 750
206	Nationwide Agribusiness Ins Co	Late MAS - 09/2019	\$ 500
230	Praetorian Insurance Company	Stat Err > 5% - 09/2019	\$ 150
247	National Casualty Company	Stat Err > 5% - 03/2019	\$ 150
247	National Casualty Company	Stat Err > 5% - 09/2019	\$ 150
259	Cincinnati Indemnity Insurance	Late MAS - 09/2019	\$ 500
261	ACE American Insurance	Stat Err > 5% - 08/2019	\$ 150
313	Essential Insurance Company	Stat Err > 5% - 06/2019	\$ 600
329	AMICA Property & Casualty Ins Co	Stat Err > 5% - 07/2019	\$ 150
342	Selective Insurance Co of America	Late MAS - 10/2019	\$ 500
347	Selective Insurance Co of the SW	Late MAS - 10/2019	\$ 3,000
347	Selective Insurance Co of the SW	Late MAS - 11/2019	\$ 500
349	Selective Ins Co of the South East	Late MAS - 10/2019	\$ 3,000
349	Selective Ins Co of the South East	Late MAS - 11/2019	\$ 500
443	NOVA Insurance Company	Late Expln - 09/2019	\$ 100
512	Liberty Mutual Fire Insurance	Stat Error > 5% - 04/2019	\$ 1,250
569	MIDVALE Indemnity Company	Late Page 14 Data - 09/2019	\$ 100
571	Milwaukee Casualty Insurance Co	Late Expln - 09/2019	\$ 1,250
578	Merchants Preferred Insurance Co	Stat Error > 5% - 05/2019	\$ 2,500
578	Merchants Preferred Insurance Co	Stat Error > 5% - 06/2019	\$ 3,000
578	Merchants Preferred Insurance Co	Stat Error > 5% - 07/2019	\$ 600
578	Merchants Preferred Insurance Co	Stat Error > 5% - 08/2019	\$ 450

**OPERATIONAL REPORTS
4TH QUARTER 2019**

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
4th Quarter 2019

Co #	Company Name	Assessment	Assessment Amount
578	Merchants Preferred Insurance Co	Stat Error > 5% - 09/2019	\$ 750
578	Merchants Preferred Insurance Co	Stat Error > 5% - 10/2019	\$ 300
578	Merchants Preferred Insurance Co	Late Page 14 Data - 09/2019	\$ 100
582	Merchants Mutual Insurance Co	Interim Late MAS - 05/2019	\$ 9,000
582	Merchants Mutual Insurance Co	Interim Late MAS - 06/2019	\$ 9,000
582	Merchants Mutual Insurance Co	Interim Late MAS - 07/2019	\$ 9,000
582	Merchants Mutual Insurance Co	Interim Late MAS - 08/2019	\$ 9,000
582	Merchants Mutual Insurance Co	Interim Late MAS - 09/2019	\$ 8,500
582	Merchants Mutual Insurance Co	Interim Late MAS - 10/2019	\$ 6,000
582	Merchants Mutual Insurance Co	Interim Late MAS - 11/2019	\$ 3,000
582	Merchants Mutual Insurance Co	Interim Late MAS - 12/2019	\$ 500
582	Merchants Mutual Insurance Co	Stat Error > 5% - 05/2019	\$ 5,000
582	Merchants Mutual Insurance Co	Stat Error > 5% - 06/2019	\$ 3,600
582	Merchants Mutual Insurance Co	Stat Error > 5% - 08/2019	\$ 600
582	Merchants Mutual Insurance Co	Stat Error > 5% - 09/2019	\$ 1,800
582	Merchants Mutual Insurance Co	Stat Error > 5% - 11/2019	\$ 600
582	Merchants Mutual Insurance Co	Late Page 14 Data - 09/2019	\$ 100
599	Navigators Insurance Company	Late Expln - 09/2019	\$ 300
756	RLI Insurance Company	Stat Error > 5% - 06/2019	\$ 600
756	RLI Insurance Company	Stat Error > 5% - 09/2019	\$ 150
797	Starr Indemnity and Liability Co	Late MAS - 09/2019	\$ 500
828	State Farm Insurance Company	Late MAS - 11/2019	\$ 500
951	Vanliner Insurance Company	Late MAS - 10/2019	\$ 500
958	Harleysville Insurance Company	Stat Error > 5% - 04/2019	\$ 2,500
963	Harleysville Worcester Ins Co	Stat Error > 5% - 09/2019	\$ 450
970	Sompo American Insurance Co	Stat Error > 5% - 09/2019	\$ 150
		Total	\$94,650

**OPERATIONAL REPORTS
4TH QUARTER 2019**

I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger and Commercial Statistical Plans

Approved Modifications

Proposed Effective Date	Description	Status
January 1, 2020	The components and penalties associated with the Distributional Analysis Program have been incorporated within the Statistical Data Quality Program.	Approved by the Division of Insurance on December 10, 2019
January 1, 2021	The Out-of-State Territory Codes have been expanded to include specific codes to identify New Jersey (997) and Pennsylvania (998).	

**OPERATIONAL REPORTS
4TH QUARTER 2019**

I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
January 1, 2020	<p>Several data fields contained in the Private Passenger Statistical Plan are only required to be reported on policies assigned through the Massachusetts Automobile Insurance Plan (MAIP). These include the Anti-Theft Device Identification Code, the Continuous Coverage Discount Code, the Extra-Risk Rating Collision and Other than Collision Codes, the High-Theft Vehicle Code, and the Low Frequency Discount Code.</p> <p>In order to clarify this requirement, modifications have been made to Appendix A – Classification and Coverage Decision Tables. A new Decision Table value of “M” has been introduced to indicate that for the classification codes identified, the field is only required to be reported on business assigned through the MAIP. Additionally, a clarification has been added to Part III – General Reporting Requirements to reference that specific instructions relative to Extra Risk Rating may also be found in Appendix A.</p>	Approved by the Division of Insurance on October 22, 2019
January 1, 2021	A classification code representing electric cars has been part of the Private Passenger Statistical Plan for many years, dating as far back as the late 1970s. Now that electric cars are mass produced and commonplace, the distinction of this type of vehicle is no longer relevant. Statistical classification code assignments for electric cars should be based upon the characteristics of the operator used to rate the vehicle and the private passenger defined classification codes in the Coding Section of the Private Passenger Statistical Plan should be used for reporting purposes. Accordingly, classification code 0400 (Electric Cars) has been eliminated from the Private Passenger Statistical Plan.	

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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 December 19, 2019.

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II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

2. TX5 Cession Backdate Appeals (continued)

TX5 Cession Backdate Log

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

3. CR215 Cessions Automatically Backdated

On a quarterly basis, CAR produces the CR215 report that shows the volume of cessions backdated for involuntary producer business. The program monitors the three current reporting years for cession activity. Accordingly, CAR recently sent the latest report to the industry in December 2019 monitoring policy years 2017, 2018 and 2019 for 4th Quarter 2019.

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 2017 Commercial

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
154	659	2	0.3	0.0	18,119	0
279	5	0	0.0	0.0	0	0
717	478	10	2.1	0.0	20,765	20,100
734	431	31	7.2 *	0.0	964	0
773	1	0	0.0	0.0	0	0
Totals	1,574	43	2.7%	N/A	39,848	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*).

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II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

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	-0.2	0	0
279	11	1	9.1 #	0.0	0	0
717	276	8	2.9	0.0	22,857	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	1,025	27	2.6%	N/A	22,857	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	344	2	0.6	0.0	0	0
279	6	0	0.0	0.0	0	0
717	197	4	2.0	-0.2	0	0
732	160	1	0.6	-0.1	0	0
734	156	4	2.6	0.4	0	0
773	5	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*).

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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 January 27, 2020 and the documentation is due back on April 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.

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II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

D. MAIP Placement Record Reporting Analysis

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

**COMMONWEALTH AUTOMOBILE REINSURERS
MAIP PLACEMENT RECORD REPORTING ANALYSIS**
Reflects Statistically Reported Data for Policy Effective Months 1/2019 to 12/2019
Reflects MAIP Placement Record Reported Data as of February 15, 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	2	0	368
153	5	1	5	10	1	2	3,818
192	0	0	0	0	1	0	626
193	0	11	8	0	0	1	8
202	0	0	0	0	0	0	185
279	17	2	187	32	59	7	20,743
304	0	0	0	0	0	0	10
308	0	0	0	0	0	0	184
354	2	12	12	0	9	64	4,951
363	0	0	0	0	0	0	157
422	0	0	0	0	0	0	286
521	0	0	0	1	29	21	31
531	0	0	2	0	1	0	1,078
584	1	1	0	0	6	3	638
585	1	5	1	0	0	5	211
612	17	3	13	18	0	4	1,921
664	8	16	1	0	3	9	1,787
724	0	0	0	0	2	1	1,965
731	0	1	78	55	0	0	0
735	0	0	0	0	0	0	420
773	1	0	95	127	4	8	7,469
827	0	0	0	0	1	0	779
890	0	0	0	0	0	0	71
908	0	0	1	0	4	3	4,251
959	0	0	0	0	0	0	102
988	4	20	3	9	1	0	1,455
Average	2	3	16	10	5	5	2058

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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	1.0%	21.7%	As of Dec 2019

Commercial Residual Market volume reports are available on CAR's website (www.commauto.com).

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

Policy Year 2019 Results as of December 2019

	2019 @ 12 Months	% Total		2018 @ Final	% Total
MAIP Assigned (CAR-ID 9)	46,824	1.0%		56,505	1.2%
MAIP Retained (CAR-ID 8)	4,687,457	99.0%		4,640,099	98.8%
Total	4,734,281	100.0%		4,696,604	100.0%

C. Private Passenger MAIP Premium and Loss Reports

Private Passenger Premium and Loss reports have been updated through December, 2019 on February 28, 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.

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III. RESIDUAL MARKET INFORMATION (continued)

D. Production of Quarterly Participation Reports

CAR posted the December 2019 Quarterly Member Participation Reports to its website on March 6, 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 4th Quarter 2019 estimated Participation Ratios using data reported through the December 31, 2019 monthly accounting shipments will be posted to CAR's website by March 31, 2020.

F. Interim Ceding Expenses Estimates – Calendar Year 2020

The 2020 Commercial Servicing Carrier interim expense allowance of 21.71% is detailed in Commercial Lines Bulletin No. 134.

The 2020 Interim Expense Allowances for Taxi, Limousine and Car Services Business are 27.90%, 17.54%, and 18.81% respectively. Commercial Lines Notice No. 135 details the calculation of these Interim Expenses.

G. Private Passenger Residual Market Rate Filing

On February 26, 2020, the Division of Insurance placed CAR's Private Passenger Residual Market rates and rating manual on file for policies effective June 1, 2020 and subsequent. Amendments were made to the base rates, along with other minor modifications detailed in the Implementation Instructions document. Please refer to Bulletin No. 1095 for additional details.

H. Commercial Residual Market Rate Filing

CAR filed a Massachusetts Commercial Residual Market rate change with the Division of Insurance on October 31, 2019, with an original proposed effective date of May 1, 2020. The final effective date will change to allow approximately 90 days after the date of approval for implementation of the rates by Servicing Carriers. This filing also includes updated versions of the Commercial Automobile Insurance Manual Rules and Rates, and the Commercial Experience Rating Plan. Refer to Commercial Lines Notice No. 133 for additional details. The filing is under review by the Division of Insurance and has not yet been approved.

For planning purposes, the filed rates and related implementation materials are available to Member Companies upon request. Requests should be directed to Shannon Chiu at schiu@commauto.com.

**OPERATIONAL REPORTS
4TH QUARTER 2019**

III. RESIDUAL MARKET INFORMATION (continued)

I. CAR Financial Results – Latest Deficit Projections

The ultimate policy year deficit projections as of December, 2019 were posted to CAR's website on March 6, 2020 for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Commercial
2017	(23,957)
2018	(43,708)
2019	(30,784)

Deficit projections for policy years 2016 and prior can be found on CAR's website (www.commauto.com) in the Financial Reports area using the Deficit Projections link.

J. Quota Share

CAR posted the December, 2019 Monthly Quota Share and Assignment Order Report to its website on February 28, 2020. The report has been updated to include statistical data from January 2019 to December 2019 effective month policies reported through February 17, 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
4TH QUARTER 2019**

III. RESIDUAL MARKET INFORMATION (continued)

K. Rule 29 Voluntary Credits

CAR ran the Rule 29 credit edit reports for effective date December data in mid-February. 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.

Accounting Date	Reported Credit Premium	Adjusted Credit Premium	Rule 29 Credit Impact	Error Percentage
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%

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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 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 nd 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 rd 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 th 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).

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 fourth quarter 2019.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for March 2020 through August 2020 are shown following the 4th Quarter Write-Off exhibit.

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IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Loss Write-Off – 4th Quarter 2019

Company	Nov 2019	Dec 2019	Jan 2020	Total
154				
245				
279				
717				
732				
734				
773				
Total				

4th Quarter 2019– 10% Loss of Investment Fees

Company	Nov 2019	Dec 2019	Jan 2020	Total
154				
245				
279				
717				
734				
773				
Total				

Potential Loss Write-Off March 2020 through August 2020

Company	March 2020	April 2020	May 2020	June 2020	July 2020	August 2020	Grand Total
154	0	0	0	0	0	0	0
245	0	0	0	0	0	0	0
279	0	0	0	0	0	0	0
331	0	0	0	0	0	0	0
732	910	0	0	0	0	0	910
773	0	0	0	0	0	0	0
908	0	0	0	0	0	0	0
Totals	910	0	0	0	0	0	910

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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
2018 & 2019
Policy Effective Years

Non-Critical Error - Penalties

There have been no companies in penalty to list this quarter for policy effective years 2018 or 2019.

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

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

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

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

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IV. ACCOUNTING SYSTEM (continued)

D. Ceded Premiums 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	382	0.00
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	0	0.00
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	39,283	0.06
Total Ind.		39,665	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 4th Quarter 2019 forecasting reports on March 3, 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 2017 premium reporting year closed 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 2018 effective date policies and for historical information

Year	PP Penalty	Commercial Penalty	Taxi/Limo/CAR Service Penalty
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
2008	\$1,400	\$5,300	\$7,600

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V. STATISTICAL AGENT FUNCTION

A. Update of the Online Statistical System

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

Month	MAS Due Date	Statistical System Update	Quarter
January 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 nd 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 rd 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 th 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 Annual Statement collection of Page 14's for 3rd Quarter 2019 was due on December 16, 2019. Penalties for late Page 14 amounted to \$300. Reconciliation 3rd Quarter 2019 responses were due February 2, 2020 and penalties amounted to \$1,500. All penalties were included 4th Quarter 2019 - Settlement of Balances. CAR is currently collecting 4th Quarter 2019 Annual Statement Statutory Page 14 data which was due at CAR on March 16, 2020. 4th Quarter 2019 Reconciliation is due to run on or about April 1, 2020.

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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.

	Line of Business	Eligible Records	Records in Error	Error %
COMM 2018 EFF YEAR	Liability	65,789	730	1.11%
	No Fault	61,769	465	0.75%
	Physical Damage	42,950	447	1.04%
	Total	170,508	1,642	0.96%
COMM 2019 EFF YEAR	Liability	54,631	451	0.83%
	No Fault	52,904	154	0.29%
	Physical Damage	34,699	348	1.00%
	Total	142,234	953	0.67%

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.

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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 12/2019

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
017	702	1,587	44.23
030	8	36	22.22
033	992,248	2,231,528	44.46
045	98	292	33.56
100	68,512	163,827	41.82
103	318	1,500	21.20
105	1,914	6,855	27.92
118	73,936	180,882	40.88
141	680,301	1,343,958	50.62
153	2,788,994	8,690,945	32.09
154	222,133	579,026	38.36
156	23,602	57,464	41.07
158	2	9	22.22
226	2,554	4,958	51.51
246	32	117	27.35
261	3,758	7,429	50.59
263	52	147	35.37
265	432	1,029	41.98
327	3,278	12,191	26.89
334	42	81	51.85
362	243,083	363,770	66.82
402	38,094	70,505	54.03
418	51,054	192,893	26.47
420	13,226	32,332	40.91
443	48,046	105,664	45.47
486	1,002	3,197	31.34
503	76	338	22.49

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V. STATISTICAL AGENT FUNCTION (continued)

D. Deleted Washout Records (continued)

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
626	44,104	114,066	38.67
627	9,386	11,894	78.91
686	116,542	397,311	29.33
737	394,620	1,860,141	21.21
770	243,658	842,908	28.91
823	4,117,196	8,850,819	46.52
881	1,704	4,141	41.15
902	52,934	124,154	42.64
910	65,760	136,195	48.28
927	15,590	39,008	39.97
963	26,996	64,503	41.85
989	7,666	29,790	25.73

Total Industry	14,317,065	94,878,527	15.09%
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The 2018 washout total following the 12/2018 shipments was 13.90%

E. Distributional Edits Systems

The Distributional Analysis Edit System 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 March for the December 2019 period. Companies are to respond to any over tolerances by May 1, 2020.

The Private Passenger and Commercial Statistical Plan revisions were approved on December 10, 2019 included an update to the Distributional Analysis Reporting where the components and penalties associated with the Distributional Analysis beginning with the 2020 Distributional Analysis Program have been incorporated with the Statistical Data Quality Penalties. A response is now required by the specified due date or companies will receive a penalty assessment. These details can be found within the Data Quality Program on the Private Passenger and Commercial Massachusetts Statistical Plan Manuals.

Any questions regarding this reporting should be directed to your companies Data Analyst or a CAR Staff member of the Operational Services Department.

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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).

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VII. PROJECT STATUS REPORTS

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

Project	Status	Description
Registry Conversion	Complete	CAR has completed updating its systems to access the new vehicle data and screens. A future project will target automating the flow of data into the audit systems.
Enhance MAIP Policy Application	In progress	Enhance the MAIP Policy application to prefill certain operator fields with data from the Registry.
Annual Statement Reconciliation Rewrite	In progress	Modernization of the application to enhance usability and maintenance. Enhancements will be incorporated during the rewrite.
Commercial Forms Enhancement	In progress	Enhance existing forms to allow for online entry. Create new forms as directed by the Commercial Auto Committee.
CAR Accounting System	To begin in early 2020	Create a web-based correction application to replace the mainframe based CAR Accounting system.
Re-Write Company Mainframe Applications	Analysis	The rewrite of the CAR mainframe will effect the Rule 29, CAR Accounting and Statistical Policy History and Claims/Audit functions.