

NORTH CAROLINA RATE BUREAU

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CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Statistical Data

During the preparations for and hearings on the 1995 and 1996 Private Passenger Motor Vehicle rate filings, several member companies reported to the Rate Bureau that portions of their data reported to their respective statistical agents were in error. The companies involved corrected and resubmitted their data. The Rate Bureau determined that it would conduct an independent review of the data reported by the five largest carriers writing private passenger automobile insurance in North Carolina to determine the extent to which any inconsistencies existed between the data as reported to the statistical agents and the data as contained in the individual company data collection systems. This review revealed that portions of the data reported to the statistical agents were incorrectly reported. While these errors did not materially affect the data base used by the Rate Bureau for ratemaking, the Automobile Committee of the Bureau has requested that the member companies be advised of the nature of these errors so that each company can review its own data to determine if similar errors exist. They were as follows:

1. The most frequently occurring errors appeared when the reporting company's data collection system maintained company data using codes different from North Carolina codes, thus requiring that company data be mapped to North Carolina codes for reporting purposes.. Errors of this type were:

(a) Mapping of company territory codes to North Carolina territory codes.

While the territories assigned to policies were correct, the mapping of company territory codes to North Carolina territory codes sometimes resulted in the reporting of exposures to incorrect territories. Many of these errors were traced to a failure to update computer logic to accommodate the change in territory definitions and the addition of new territories that occurred in 1989.

(b) Mapping of company symbol and model year codes to North Carolina codes.

It was determined that the computer logic at several companies for mapping company symbol and model year codes to North Carolina codes were in error. While the symbol and model year

codes assigned to policies were correct, the mapping from company codes to North Carolina codes was in error.

2. Reporting of 0 pointed risks.

Several companies had reporting errors with respect to the reporting of exposures in SDIP class codes 02 and 94. SDIP class code 02 applies to exposures having 0 driving record points that are either single or multi-car risks reinsured in the North Carolina Reinsurance Facility but written at the clean voluntary rates. SDIP class code 94 applies to exposures having 0 driving record points. The Bureau is advised that the similarity in definitions has caused some coding problems.

3. Claim Count Logic

One company determined that its computer logic was reporting a negative claim count when a reserve was closed with no payment or when there was a reduction in a reserve.

4. Reporting of Physical Damage Deductibles

One company determined that its computer logic was reporting all comprehensive and miscellaneous related exposures as full coverage exposures.

The above described errors are simply examples of problems discovered at other companies that the Automobile Committee thought might be of benefit to you in reviewing your own systems. While the Bureau is certain that companies are constantly monitoring and refining their data collection and transmittal systems, please review your systems used to report North Carolina data and work with your respective statistical agents to correct any problem areas you might discover. If you have any questions or wish further assistance from the Bureau, please contact us at your convenience.

Very truly yours,

John W. Watkins

General Manager

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