

INCENTIVE ASSESSMENT PROGRAM

I. APPLICABILITY

All insurers affiliated to report statistics under the Calls for Statistics issued by the SFAA are subject to this Program. If an insurer utilizes a Service Agent to file data, the Insurer is ultimately responsible for the timeliness and accuracy of the data.

II. ASSESSABLE ITEMS AND ASSESSMENT AMOUNTS

Saturdays, Sundays and holidays are not counted as “working days” in calculating assessments. Submissions are considered delinquent if not received at SFAA receiving locations on or before the due dates stated below and stated in the annual “Call for Statistics”, annual filing schedules, and cover letters which accompany error listings. Assessment amounts shall be calculated as follows:

A. Delinquent Original Data Submissions

1. Receipt Due Dates

The following is a list of due dates for SFAA data submissions:

<u>Description</u>	<u>Due Date</u>
Premiums	March 1, 2018
Paid Losses	March 1, 2018
Outstanding Losses (as of 12/31/2017)	March 1, 2018

These due dates reflect dates by which data is to be received by SFAA.

2. Calculation of Fines

Fines for each data submission received by SFAA after the due dates shall be calculated as follows:

<u># Days Late</u>	<u>Fine</u>
1 through 10	\$100
11 through 20	\$350
21 days or more	\$350 + \$25/add’l day

B. Incomplete Filing After April 16, 2018

Insurers shall submit all filings, satisfying the error tolerances, by April 16, 2018. Any further requirement of error correction or resubmission of each submission after this date will be assessed as follows:

\$250 Flat Charge, plus \$25 per working day beginning on April 16, 2018, until the date of receipt of the final error correction or resubmission that satisfies the error tolerances.

NOTE: SFAA will return all errors even if below tolerance. There is no charge for error corrections returned when original submissions meet tolerance (even if returned after the turnaround period).

INCENTIVE ASSESSMENT PROGRAM

C. Other Cases

All costs incurred by the SFAA associated with errors that are not detected by basic SFAA Edits, and missing data that is submitted after normal due dates shall be assessed to the company responsible up to a maximum of \$25,000 for each occurrence.

Examples include:

- data is reported under a valid, but obviously erroneous, class code;
- massive error corrections are imputed with a few valid codes;
- reconciliation review reveals data not reported which creates additional work to correct data files or reports.

III. EXTENSIONS

A. Conditional Extensions

Insurers may request a Conditional Extension for original submissions of up to 30 days by contacting the SFAA in writing prior to the due date. If the original submission is not received within the extension period then a fine shall be assessed retroactive to the original due date in accordance with section II, A.

Insurers with submissions that exceed error tolerances after April 16, 2018, shall be assessed retroactive to the original due date in accordance with section II, B. No “Assessment free” time is provided for return of errors.

If submissions consistently exceed error tolerances, then this type of extension may be revoked for a one-year period.

This conditional extension applies only to original data submissions submitted on magnetic tape or personal diskette; it does not apply to error corrections.

The purpose of Conditional Extensions is to provide additional time to companies to report more accurate statistics by researching source documents prior to submission of statistics to SFAA. Specifically, it is arranged for companies that adopt a regular screening program (i.e., “front end” edits) soon after the creation of the statistical record, rather than awaiting the results of SFAA edits. This extension does not apply to extemporaneous problem situations that may be reviewed under the Major Problem Extensions section that follows.

B. Major Problems Extensions

If a company encounters a major problem whereby it cannot file a report or group of reports, an extension may be granted and assessments will be limited to initial flat charges providing:

- The missing data will not delay industry ratemaking or Regulatory reports.
- A schedule for new due dates is submitted which, if approved, must be met or assessments may be applied retroactive to original due dates.
- A very limited number of these extensions can be granted in a single 12-month period, and more than one request by a company within a 12-month period will be subject to review.

The purpose of this extension is to not unduly penalize companies who experience major problems.

INCENTIVE ASSESSMENT PROGRAM

IV. WAIVER OF ASSESSMENTS

The SFAA will review waiver of assessments only for the following circumstances and only if a request is submitted in writing.

A. SFAA at Fault

If the SFAA is at fault for any reason, as indicated by signed receipt or an SFAA edit package error, then the assessment shall be waived, or adjusted, or the due date shall be adjusted.

B. Reasonable Doubt

If upon investigation at the request of a company, a reasonable doubt exists or no definitive information can be found concerning the assessment, the benefit of the doubt will be given to the company on any one such occasion during a 12-month period. If subsequent situations should arise, then the assessment is subject to review.

C. “None to Report” (or “Nil” Filings)

Companies who fail to file “None to Report” and who usually have no data to report for Fidelity and Surety may be granted a waiver of assessment. If this consistently occurs then the assessment shall stand. If a company is affiliated to report statistics for Fidelity and Surety, but does not immediately intend to write any business or report statistics, a letter should be sent to the SFAA so that statistical reporting will not be expected.

D. Financial Problems

Any company who because of its financial conditions goes into receivership, bankruptcy, or rehabilitation may be granted waivers.

E. New Reporting Companies

If new reporting companies have initial difficulty in adjusting to the SFAA’s reporting requirements, the new reporting company should establish a mutually agreeable schedule for the reporting of statistics under SFAA stat plans, rules and regulations. If the schedule is not met, assessments may be applicable retroactive to the original due date.

F. Group Reporting Companies

SFAA considers each reporting company number a separate entity. If a major problem arises for group reporting companies who utilize more than one reporting company number but process and submit their data through a central processing location, assessments shall be limited to one per group.

This waiver only applies in situations where the same problem (such as a system error) delays reporting beyond initial flat assessment amounts and is intended to avoid excessive duplicate costs. This request should be in writing and does not apply to Service Agents or Servicing Carriers. It does not apply to supplements or in situations where all of the costs incurred by SFAA are assessed back to a company.

G. Implementation of New Statistical Plans

No assessments for errors will be issued for the initial (first) reporting period of any Statistical Plan having major changes provided that the errors are corrected within 60 calendar days from the date of the error notification letter. In addition, each major change will be considered on its own merit.