



COMMONWEALTH AUTOMOBILE REINSURERS

225 Franklin Street Boston, Massachusetts 02110

www.commauto.com

617-338-4000

RALPH A. IANNACO
PRESIDENT

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

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: July 1, 2008

RE: Operational Reports

The 1st quarter 2008 Operational Reports follow this memorandum. They include data reported February 16, 2008 through May 15, 2008 for the accounting month period of January 2008 through March 2008. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

Section I – Accounting/Statistical Shipments:

CAR's Governing Committee, at its April 16, 2008 meeting, recommended modifications to the Massachusetts Private Passenger Plan. The recommended pages were forwarded to the Division of Insurance on April 16, 2008, for promulgation pursuant to the provisions of G.L. c. 175A, 15 for the proposed modifications to the Statistical Plan.

The Divisions of Insurance approved these revisions to the Massachusetts Private Passenger Statistical Plan on May 8, 2008, pursuant to the provisions. Accounting and Statistical Notice No. 484, dated May 13, 2008, initially announced these proposed revisions including the approved effective date, summarized below.

The Private Passenger Statistical Plan has been modified to include reporting requirements for those companies whose approved merit rating plans result in the inability to separately identify merit rating surcharge and credit premium amounts. Additionally, all references to the Safe Driver Insurance Plan (SDIP) have been modified to refer to merit rating.

The Commercial Statistical Plan has no request for changes at this time.

CAR assessed a total of \$60,100 to the Statistical Penalty Programs in the 1st Quarter 2008 Settlement of Balances report.

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Section II – Cessions:

CAR assessed penalties totaling \$431,400 for Final 2005 Cession/No Premium and -\$39,556 for the Net-Negative Premium Write Off penalties against the 2005 policy effective year in May 2008. These penalties were included in the 1st quarter 2008 Settlement of Balances.

CAR mailed the Flat Cancellation Audit report at the end of January 2008 and the documentation was due back April 21, 2008. Those results and any assessed penalties will be posted in the next Quarterly Operational Reports.

As of June 9, 2008 the Private Passenger cession rate equaled 3.8%; the commercial cession rate equaled 21.5%.

Section III – Quarterly Participation Reports:

CAR posted the March 2008 Quarterly Member Participation Reports to its website on June 6, 2008.

CAR ran the 1st Quarter 2008 Rule 12 credit edit download reports in mid-June. The tolerance levels for 2007 and 2008 reporting are and will remain at .15%.

Section IV – Accounting System Processing:

CAR produced 1st quarter 2008 Critical Error Write-Offs and 10% Loss of Investment Fees totaling \$525,535 and \$(10,365) respectively.

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2007 and 2008 policy effective years following the monthly accounting shipments due the 15th of every month for all companies remaining over the tolerance level of 1% and 10 policies in error.

The Penalty Forecasting exhibits were made available on-line late June 2008.

Section V - Statistical Agent Functions:

The Reconciliation Responses for 4th Quarter 2008 were due on May 11, 2008. The 1st Quarter 2008 Statutory Page 14 data was due at CAR on June 16, 2008. The Reconciliation Responses for the 1st Quarter 2008 are to be posted on or about July 2, 2008. CAR will assess a statistical data quality penalty of \$50 per business day until it receives the completed Annual Statement and Reconciliation Response filings. Any assessments will be listed in the next Quarterly Settlement of Balances.

All companies that exceed the commercial and private passenger rate edit tolerances are listed on pages 27-28.

Section VI – Communications:

CAR added reports and cubes relative to the Rule 12 Credit Edit. These reports will replace the paper copies that CAR mailed out and will provide additional comparison information.

**OPERATIONAL REPORTS
1ST QUARTER 2008**

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 2008 as of the first quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

2008 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2008	March 17, 2008	1 st Qtr
February 2008	April 15, 2008	
March 2008	May 15, 2008	
April 2008	June 16, 2008	2 nd Qtr
May 2008	July 16, 2008	
June 2008	August 15, 2008	
July 2008	September 15, 2008	3 rd Qtr
August 2008	October 15, 2008	
September 2008	November 15, 2008	
October 2008	December 17, 2008	4 th Qtr
November 2008	January 15, 2009	
December 2008	February 15, 2009	

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 first quarter, 2008.

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I. STATISTICAL SYSTEM (continued)

2008 Timeliness Report

<i>CO NO</i>	<i>Jan 3/17</i>	<i>Feb 4/16</i>	<i>Mar 5/15</i>	<i>Apr 6/16</i>	<i>May 7/15</i>	<i>Jun 8/15</i>	<i>July 9/15</i>	<i>Aug 10/15</i>	<i>Sep 11/17</i>	<i>Oct 12/15</i>	<i>Nov 1/15</i>	<i>Dec 2/17</i>
089			COM									
091			COM									
237	COM											
238	COM											
309	COM											
316			COM									
362		BOTH										
468												
481		PP										
559		COM	COM									
582			COM									
625												
715												
721												
731			PP									
735			COM									
770												
777												
828												
829			COM									
835		PP										
837												
894												
895												
907												
908			PP									
943												
963			COM									
971			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, and failure to reduce a shipment's error percent to below 5%.

For 1st quarter 2008, CAR assessed a total penalty amount of \$60,100. The table below shows the detail penalties for each company.

Penalty Assessments
1st Quarter 2008

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
155	Argonaut Insurance Company	Stat Err >5% 10/07	\$ 300
155	Argonaut Insurance Company	Stat Err >5% 11/07	\$ 100
155	Argonaut Insurance Company	Stat Err > 5% 12/07	\$ 100
229	Clarendon National Ins. Co.	Stat Err > 5% 12/07	\$ 800
230	Praetorian Insurance Company	Stat Err > 5% 6/07	\$ 200
230	Praetorian Insurance Company	Stat Err > 5% 8/07	\$ 200
230	Praetorian Insurance Company	Stat Err > 5% 10/07	\$ 100
230	Praetorian Insurance Company	Stat Err > 5% 12/07	\$ 100
259	Cincinnati Insurance Company	Late MAS 12/07	\$ 300
309	Electric Insurance Company	Late MAS 1/08	\$ 300
316	Empire Fire & Marine Insurance	Stat Err > 5% 11/07	\$ 300
316	Empire Fire & Marine Insurance	Late MAS 3/08	\$ 300
331	Mass. Homeland Ins. Co.	Stat Err > 5% 6/07	\$ 1,600
331	Mass. Homeland Ins. Co.	Stat Err > 5% 11/07	\$ 1,000
331	Mass. Homeland Ins. Co.	Stat Err > 5% 12/07	\$ 200
362	Farm Family Casualty Ins. Co.	Late MAS 2/08	\$ 300
366	Arch Insurance Company	Late MAS 12/07	\$ 300
417	General Ins. Co. of America	Late MAS 12/07	\$ 300
451	Hudson Insurance Company	Stat Err > 5% 12/07	\$ 100
467	Hartford Casualty Insurance Co.	Stat Err > 5% 9/07	\$ 200
468	Hartford Fire Insurance Company	Stat Err > 5% 10/07	\$ 200
468	Hartford Fire Insurance Company	Stat Err > 5% 10/07	\$ 800
481	Horace Mann Insurance Co.	Late MAS 2/08	\$ 300
486	Harleysville Preferred Ins. Co.	Late MAS 7/07	\$ 10,000
486	Harleysville Preferred Ins. Co.	Late MAS 8/07	\$ 8,000
559	Maryland Casualty Company	Late MAS 2/08	\$ 300
582	Merchants Mutual Insurance Co.	Stat Err > 5% 12/07	\$ 100
625	American States Insurance Co.	Stat Err > 5% 6/07	\$ 800
625	American States Insurance Co.	Stat Err > 5% 9/07	\$ 2,400
625	American States Insurance Co.	Late MAS 9/07	\$ 6,000
625	American States Insurance Co.	Stat Err > 5% 12/07	\$ 600

**OPERATIONAL REPORTS
1ST QUARTER 2008**

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
625	American States Insurance Co.	Late MAS 12/07	\$ 300
721	Philadelphia Insurance Company	Late MAS 12/07	\$ 300
731	Plymouth Rock Assurance Corp.	Stat Err > 5% 8/07	\$ 1,200
731	Plymouth Rock Assurance Corp.	Late MAS 3/08	\$ 300
735	Plymouth Rock Assurance Corp.	Late MAS 3/08	\$ 300
753	Redland Insurance Company	Stat Err > 5% 10/07	\$ 100
777	Seaco Insurance Company	Late MAS 12/07	\$ 300
835	Teachers Insurance Company	Late MAS 2/08	\$ 300
837	T.H.E. Insurance Company	Stat Err > 5% 6/07	\$ 2,400
837	T.H.E. Insurance Company	Stat Err > 5% 12/07	\$ 100
894	Twin City Fire Insurance Co.	Stat Err > 5% 9/07	\$ 300
894	Twin City Fire Insurance Co.	Stat Err > 5% 11/07	\$ 200
895	Lancer Insurance Company	Stat Err > 5% 11/07	\$ 200
895	Lancer Insurance Company	Late MAS 12/07	\$ 300
908	Pilgrim Insurance Co. (USAA)	Late MAS 3/08	\$ 300
927	United States Fire Insurance Co.	Stat Err > 5% 11/07	\$ 600
963	Harleysville Worcester Ins. Co.	Late MAS 9/07	\$ 6,000
985	Daimler Chrysler Insurance Co.	Late MAS 11/07	\$ 6,000
985	Daimler Chrysler Insurance Co.	Late MAS 12/07	\$ 4,000
			\$ 60,100

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I. STATISTICAL SYSTEM (continued)

Massachusetts Commercial Statistical Plan
Approved Modifications

There are no requests for changes to The Commercial Statistical Plan

Revisions to Proposal	Description	Status
January 30, 2008	<p>The Statistical Data Quality Program language has been disapproved for both the Private Passenger and Commercial Statistical Plan on the following:</p> <ul style="list-style-type: none">• Once identified as exceeding the established reporting thresholds, the company must commence statistical reporting to CAR no later than one year from the quarter in which the company first exceeded the thresholds. Companies failing to report statistical data to CAR within the prescribed timeframes will be assessed Statistical Data Quality Penalties.• The existing penalty schedule for newly reporting company compliance has been modified.• The penalties assessed for the late submission of statutory Page 14 or a late annual statement reconciliation response will now be assessed on a quarterly as well as an annual basis. <p>In several sections, wording clarifications have been made.</p>	Disapproval of the proposed amend-ments by the Commissioner of Insurance on February 6, 2008.

**OPERATIONAL REPORTS
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I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan
Approved Modifications

Approved Effective Date	Description	Status
April 1, 2008	<p>The Private Passenger Statistical Plan has been modified to include reporting requirements for those companies whose approved merit rating plans result in the inability to separately identify merit rating surcharge and credit premium amounts.</p> <p>Additionally, all references to the Safe Driver Insurance Plan (SDIP) have been modified to refer to merit rating.</p>	Approval by the Division of Insurance on May 8, 2008

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II. CESSION SYSTEM

A. Cession Submission

CAR accepts cession data via three different methods: cartridge, on-line telecommunications, and FTP transmission. Please contact your company's Data Analyst if you need assistance in gaining access to CAR's telecommunications system. In 2008, CAR accepts cession records and cession corrections for policy years 2006-2008.

For more information regarding cession reporting via FTP, please reference Bulletin Number 380.

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 March 25, 2008.

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II. CESSION SYSTEM (continued)

TX5 Cession Backdate Log

DATE SUBMITTED	CO NO	NUMBER OF CESSIONS	DATE REQUESTED	BACKDATE GRANTED?	REASON FOR APPROVAL/ DISAPPROVAL
2/13/08	279	1	1/3/08	Yes	Decision to retain policy as voluntary business was made prior to the policy effective date.
2/18/08	312	1	2/20/08	Yes	Decision to retain policy as voluntary business was made prior to the policy effective date.
2/28/08	279	1	1/22/08	Yes	Decision to retain policy as voluntary business was made prior to the policy effective date.
5/12/08	154	56	5/6/08	Yes	Decision to retain policy as voluntary business was made prior to the policy effective date.
5/12/08	152	22	5/6/08	Yes	Decision to retain policy as voluntary business was made prior to the policy effective date.
5/15/08	731	6	various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.

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II. CESSION SYSTEM (continued)

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 February 2008 monitoring policy years 2006, 2007 and 2008 for the 1st quarter 2008.

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

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

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II. CESSION SYSTEM (continued)

Policy Year 2006
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
045	141	0	0.0	0.0	0	0
279	3,928	15	0.4	0.0	0	0
514	14	0	0.0	0.0	0	0
585	105	3	2.9	0.0	0	0
612	28	1	3.6	0.0	0	0
723	1,684	8	0.5	0.0	0	0
773	14	0	0.0	0.0	0	0
908	5,742	61	1.1	0.0	5,558	5,000
Totals	11,656	88	0.8%	N/A	5,558	5,000

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
152	231	13	5.6 #	0.0	0	0
245	619	47	7.6 *	0.8	0	0
279	121	5	4.1	0.0	0	0
455	1,916	218	11.4 *	0.0	10,509	17,850
734	465	19	4.1	0.0	0	0
735	29	3	10.3 #	0.0	0	0
773	126	0	0.0	0.0	0	0
887	673	51	7.6 *	0.0	0	0
Totals	4,180	356	8.4% *	N/A	10,509	17,850

* 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 SYSTEM (continued)

Policy Year 2007
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED		% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
153	6	1	16.7	#	-8.3	0	0
279	2,203	9	0.4		0.0	0	0
514	16	1	6.3	#	6.3	0	0
585	69	11	15.9	#	-8.5	0	0
612	21	0	0.0		0.0	0	0
723	1,911	5	0.3		0.2	0	0
908	1,538	29	1.9		0.6	5,275	8,600
Totals	5,764	56	1.0%		N/A	5,275	8,600

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED		% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
152	288	12	4.2		2.2	0	0
245	941	55	5.9	*	0.8	0	0
279	84	1	1.2		1.2	0	0
455	889	35	3.9		-0.6	1,825	0
734	350	32	9.1	*	-0.7	0	0
735	22	3	13.6	#	7.3	0	0
773	68	0	0.0		0.0	0	0
Totals	2,641	138	5.2%	*	N/A	1,825	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 SYSTEM (continued)

Policy Year 2008
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
279	440	0	0.0	0.0	0	0
585	23	0	0.0	0.0	0	0
612	4	0	0.0	0.0	0	0
723	293	0	0.0	0.0	0	0
908	216	2	0.9	0.0	0	0
Totals	976	2	0.2%	N/A	0	0

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	274	18	6.6 #	0.0	7,064	0
279	34	0	0.0	0.0	0	0
455	254	3	1.2	0.0	0	0
717	249	0	0.0	0.0	0	0
734	143	10	7.0 #	0.0	0	0
735	7	0	0.0	0.0	0	0
773	10	0	0.0	0.0	0	0
Totals	971	31	3.2%	N/A	7,064	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 SYSTEM (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. CAR ran the CA5010 on January 28, 2008 and the documentation was due back at CAR by April 28, 2008. Upon reviewing the documentation, CAR will assess any penalties to those companies in the next quarterly Settlement of Balances Reports.

D. Cession Volumes

The private passenger and commercial cession volume results for the past six years are highlighted in the chart below. The cession rate for the current year is based on statistically reported data only and does not include estimates for missing data.

Effective Year	Private Passenger Cession %	Commercial Cession %	Time Period
2002	7.5%	28.0%	Final Result
2003	6.9%	27.9%	Final Result
2004	6.7%	26.9%	Final Result
2005	6.2%	26.2%	Final Result
2006	4.9%	25.4%	Final Result
2007	4.3%	22.3%	Final Result
2008	3.8%	21.5%	As of March 2008

You can view your company's cession volume figures via CAR's telecommunications system. This information is available on CAR's website (www.commauto.com). The On-line Telecommunications Manual provides the specific instructions for accessing the reports.

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III. QUARTERLY PARTICIPATION

A. Production of Quarterly Participation Reports

CAR posted the March 2008 Quarterly Member Participation Reports to its website on June 6, 2008. From CAR's home page, click Reports, Financial, and then Settlement of Balances. These are secure reports that require a user id and password to view. Please contact your company's security administrator to request access.

B. Participation Base Data

The 1st Quarter 2008 estimated Participation Ratios using data reported through March 31, 2008, was posted to CAR's website on June 30, 2008.

C. Rule 12 Participation Credits

CAR ran the Rule 12 credit edit reports for 1st Quarter 2008 in mid-June. These reports are available on CAR's website under the Data Reporting and Quality Reports page.

The Rule 12 tolerance level is set on an annual basis. For rating year 2008, the Governing Committee approved a tolerance level of 0.15%. The table below shows a nine-year history of the Rule 12 tolerance level and the industry's error percent. Please note that one company is experiencing a problem and this has contributed to a higher industry error percentage than normal.

Accounting Year	Tolerance Level	Industry Error %	
		LIAB	PHYS
2000	0.50%	1.65%	1.76%
2001	0.25%	1.45%	1.54%
2002	0.25%	1.49%	1.57%
2003	0.25%	1.45%	1.62%
2004	0.25%	1.14%	1.30%
2005	0.15%	0.43%	0.52%
2006	0.15%	1.54%	1.57%
2007 (4th Qtr)	0.15%	1.56%	1.56%
2008	0.15%	1.97%	2.11%

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III. QUARTERLY PARTICIPATION (continued)

D. CAR Financial Results

The ultimate policy year deficit projections, as of March 2008, for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Private Passenger	Commercial
2005	(94,007)	23,013
2006	(88,680)	13,321
2007	(106,363)	11,462

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IV. ACCOUNTING SYSTEM

A. Update of the Online Accounting System

CAR updates the online accounting system every Friday night. Accordingly, all new premiums and loss activity and all correction activity are posted to the system on Friday evenings and viewable to the industry on Monday mornings. This schedule deviates four times per year following the end of a quarter. The table below shows the quarter ending schedule for updates to the CAR accounting system.

Quarter	MAS Due Date	Statistical System Update
1st Quarter 2008	May 15, 2008	May 16, 2008
2nd Quarter 2008	August 15, 2008	August 16, 2008
3rd Quarter 2008	November 17, 2008	November 18, 2008
4th Quarter 2008	February 16, 2009	February 17, 2009

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 first quarter 2008.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for June 2008 through November 2008 are shown following the 1st quarter write-off exhibit.

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IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Write-Off – 1st Quarter 2008

Company	Feb 2008	March 2008	April 2008	Total
049	61	0	0	61
153	0	1,222	30,983	32,205
154	0	0	421	421
194	2,084	0	668	2,752
209	0	84,162	0	84,162
312	0	5,122	5,525	10,647
331	-423	258,224	99,249	357,050
333	1,020	18,499	2,728	22,247
723	0	-1,640	178	-1,462
734	252	0	0	252
894	0	11,871	4,996	16,867
963	0	333	0	333
INDUSTRY	2,994	377,793	144,748	525,535

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IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

1st Quarter 2008 – 10% Loss of Investment Fees

Co No	Feb 2008	Mar 2008	Apr 2008	Total
049	6	0	0	6
209	0	8,416	0	8,416
312	0	-168	0	-168
331	-130	861	143	874
333	53	0	0	53
734	25	0	0	25
894	0	1,008	118	1,126
963	0	33	0	33
Total	-46	10,150	261	10,365

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IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Potential Loss Write-Off June 2008 through November 2008

Company	June 2008	July 2008	August 2008	Septembe r 2008	October 2008	November 2008	Grand Total
045	0	0	351	0	5,199	0	5,550
049	0	0	0	1,335	0	0	1,335
152	0	0	0	0	0	7,037	7,037
153	1,353	50,985	30,508	214,218	209,490	397,092	903,646
154	0	17,395	34,136	5,278	8,986	4,250	70,045
209	1,576	0	7,267	0	0	-9,585	-742
279	0	0	0	0	68	0	68
312	0	0	665,162	-80,006	-8,597	0	576,559
331	184,493	62,160	160,279	104,734	121,389	-4,883	628,172
333	0	120	0	0	0	85	205
363	0	0	0	0	3,504	0	3,504
455	0	0	932	7,069	0	10,520	18,521
481	598	0	0	0	0	0	598
585	0	0	0	0	0	192	192
664	0	0	0	-43,744	0	0	-43,744
723	4,996	1,773	0	24,254	10,100	0	41,123
731	1,004	0	0	3,965	4,644	2,472	12,085
735	13,557	0	11,084	14,350	8,269	2,943	50,203
767	0	0	235,557	0	0	0	235,557
773	0	0	0	10	0	125	135
887	0	0	0	0	-281	0	-281
908	0	0	1,147	642	16,255	573	18,617
963	0	0	0	0	0	-998,861	-998,861
Totals	207,577	132,433	1,146,423	252,105	379,026	-588,040	1,529,524

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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 2007 & 2008 Policy Effective Years Monitored

Final Reporting Year 2006 – Penalties

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Penalty
10	331	09	1.48	86	\$1,400

2007 Non-Critical Errors Over Tolerance - Potential Penalty

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Penalty
4	363	04	3.81	17	\$650
1	585	04	1.56	201	\$3,600
1	585	05	1.09	140	\$550
7	731	04	28.38	2,212	\$106,700
12	735	02	2.44	139	\$4,100
4	908	04	1.98	134	\$3,300

2008 Non-Critical Error Over Tolerance - Potential Penalty

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Penalty
1	585	04	1.04	53	\$100
2	731	04	33.09	851	\$41,250
2	908	04	3.75	76	\$2,800

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IV. ACCOUNTING SYSTEM (continued)

D. Company Reporting Profiles

The company reporting profile provides an overview of each company's reporting during a six-month and twelve-month period per accounting year. It highlights the areas to which a company must devote more resources in order to improve its data reporting.

CAR produced the twelve-month 2007 company profile reports to its website late-June 2008. The reports are located under the Data Reporting and Quality tab on the reports page and then under company status reports.

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 1st quarter 2008 forecasting reports in late-June 2008.

F. 2005 Cession/No Premium Write-Off

The annual Cession/No Premium Write-Off amounts are based on a policy count (excluding flat cancelled and cession/no premium policies) divided by the corresponding full premium (rather than deviated), at 15 months. Please reference the table below for the write-off penalty amount for 2006 effective date policies and for historical information.

The 2005 final cession/no premium write-offs ran in May, 2008. Listed below are those companies who were assessed.

Year	PP Penalty	Commercial Penalty	Taxi/Limo/CAR Service Penalty
2006	\$1,500	\$6,300	\$10,100
2005	\$1,600	\$6,200	\$10,800
2004	\$1,600	\$6,200	\$11,100
2003	\$1,500	\$6,500	\$9,900
2002	\$1,400	\$6,300	\$9,600
2001	\$1,300	\$5,300	\$8,800

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IV. ACCOUNTING SYSTEM (continued)

F. 2005 Cession/No Premium Write-Off (continued)

FINAL 2005 – CESSION/NO PREMIUM WRITE-OFFS

Co. No.	Penalty Amount
045	\$3,200
194	\$49,600
331	\$110,400
333	\$62,000
723	\$1,600
751	\$12,400
887	\$124,000
894	\$12,400
963	\$55,800
Total	\$431,400

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IV. ACCOUNTING SYSTEM (continued)

G. 2005 Net Negative Premium Write-Off

Following the close of premium and cession reporting for a specific year, CAR assesses a net-negative premium write-off against each policy that contains an overall premium amount of less than \$0. To correct the negative condition, CAR adds offsetting records to each policy to bring the total premium amount up to \$0 – in essence correcting the policy. The amount that CAR adds to each policy and collects back from the industry is reflected in the first quarter, 2008 Settlement of Balances reports.

Co. No.	Penalty Amount
194	(\$4,556)
331	(\$19,786)
333	(\$7,239)
585	(\$2,575)
664	(\$75)
723	(\$75)
751	(\$90)
887	(\$48)
894	(\$494)
963	(\$4,620)
Total	(\$39,558)

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

Quarter	MAS Due Date	Statistical System Update
1st Quarter 2008	May 15, 2008	May 16, 2008
2nd Quarter 2008	August 15, 2008	August 16, 2008
3rd Quarter 2008	November 17, 2008	November 18, 2008
4th Quarter 2008	February 16, 2009	February 17, 2009

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 2008	June 16, 2008	July 1, 2008	Approx. August 1, 2008
2nd 2008	September 15, 2008	October 1, 2008	Approx. November 3, 2008
3rd 2008	December 15, 2008	January 2, 2009	Approx. February 2, 2009
4th 2008	March 16, 2009	April 1, 2009	Approx. May 1, 2009

The Reconciliation response for the 4th quarter was due by May 4, 2008. CAR will assess a statistical data quality penalty of \$50 per business day until it receives the completed annual statement and reconciliation filings. Companies with late filings will be assessed in the next Quarterly Settlement of Balances Reports.

CAR is currently collecting the first quarter 2008 Annual Statement Reconciliation page 14 data due June 16, 2008. The Reconciliation Responses are due to run July 1, 2008.

C. Annual Call for Expense

The Automobile Insurers Bureau uses this data to determine the final ceding expense allowance for each calendar year. The Commissioner of Insurance has not issued an order relative to the Massachusetts Expense Call for 2007 at this time. Please refer to the AIB's website for additional information.

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V. STATISTICAL AGENT FUNCTION (continued)

D. Rate Edit Processing

CAR processes both private passenger and ceded commercial data through separate rate editing routines 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 %
PP 2006 EFF YEAR	Liability	6,625,763	33,737	0.51%
	No Fault	5,356,249	13,062	0.24%
	Physical Damage	5,267,228	39,550	0.75%
	Total	17,249,240	86,349	0.50%
PP 2007 EFF YEAR	Liability	13,738,447	30,907	0.22%
	No Fault	11,261,322	9,974	0.09%
	Physical Damage	10,993,026	55,505	0.50%
	Total	35,992,795	96,386	0.27%
COMM 2007 EFF YEAR	Liability	76,497	1,481	1.94%
	No Fault	69,508	1,853	2.67%
	Physical Damage	57,263	1,368	2.39%
	Total	203,268	4,702	2.31%
COMM 2008 EFF YEAR	Liability	41,300	1,294	3.13%
	No Fault	31,212	1,061	3.40%
	Physical Damage	30,451	1,319	4.33%
	Total	102,963	3,674	3.57%

Both the private passenger and commercial rate edit programs incorporate a tolerance level to ensure the quality of the data the industry reports to CAR. For private passenger business, the tolerance level is 2% and 200 records in error. For commercial business, the tolerance level is 2% and 50 records in error. If a company exceeds either of the rate edit tolerance levels on any one line of business, CAR notifies the company via its website of the over tolerance status and the company then has six months to reduce its volume of rate edit errors. The table on the following page shows those companies that are currently over tolerance and the corresponding due dates to avoid rate edit penalties.

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V. STATISTICAL AGENT FUNCTION (continued)

D. Rate Edit Processing (continued)

Rate Edit - Over Tolerance Exhibit

Co No	PP/Comm	Policy Year	Subline	Due Date	Err %	# Records in Error
154	Comm	2008	Liability	12/15/2008	3.51%	186
455	Comm	2007	Liability	11/15/2008	2.18%	341
585	PP	2008	Physical Dam	10/15/2008	2.25%	16,227
734	Comm	2007	Liability	9/15/2008	2.45%	92
734	Comm	2008	Liability	9/15/2008	15.31%	253
734	Comm	2008	No Fault	9/15/2008	15.38%	261
734	Comm	2008	Physical Dam	10/15/2008	15.61%	54
773	Comm	2008	Liability	12/15/2008	2.03%	154

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V. STATISTICAL AGENT FUNCTION (continued)

E. 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 03/08

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
099	5,204	8,558	60.81
127	26	109	23.85
194	64	193	33.16
201	16	75	21.33
261	818	1,507	54.28
283	834	2,062	40.45
625	712	2,796	25.46
627	134	262	51.15
643	140	387	36.18
752	500	2,057	24.31
828	27,935	86,839	32.17
885	1,880	7,264	25.88
919	64	133	48.12
927	702	2,941	23.87
962	344	1,563	22.01
989	3,526	9,116	38.68

Total Industry	654,706	21,203,441	3.09
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The 2007 washout total following the 03/2007 shipments was 3.57%.

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V. STATISTICAL AGENT FUNCTION (continued)

F. Distributional Analysis

The Distributional Analysis Reports are currently being automated into CAR's website system and will allow companies update functions for the use of this report. At this time the automation to this report has been placed on hold until further notice.

The next intended Distributional Analysis Reports are anticipated to be circulated sometime August of 2008.

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VI. COMMUNICATIONS

A. CAR's Website

CAR will be launching its redesigned website in early July, 2008. The new website incorporates feedback CAR received when it conducted an industry user survey back in February of 2007. Also, CAR is implementing enhanced security that will allow users to reset their web passwords by answering security questions and will allow company security administrators to reset user ids. Any questions or comments regarding the redesigned website should be directed to the Data Operations Department at dataoperations@commauto.com or (617) 338-4000.

B. Telecommunications

The telecommunications system is available to the industry from 7:00 am to 6:00 pm Monday through Friday. It allows users to access data housed on CAR's mainframe such as policy history information and producer code information.

CAR added a new application to collect the policy number on policies assigned through MAIP. For each policy assigned, the assigned risk carrier must submit a MAIP Placement Record. This can be done via FTP or online data entry. The online data entry option is available through CAR's telecommunications system. For access to this application, please contact your company's security administrator.

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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
Cession Volume	On Hold	Automate the cession volume process for efficiency. The reports will remain on-line but will open as Crystal Reports rather than PDF documents.
Distributional Analysis	On Hold	Automate the Distributional Analysis process and move the reports onto CAR's website.
Experience Rating	In progress	Move the mainframe pieces of the Experience Rating application to CAR's website so that companies don't need to toggle between systems.
MAIP Placement Record	Near completion	Create a method for collecting MAIP Placement Records. These records are necessary to match the policy number on premium and loss statistical records to the assignment records in MAIP. CAR will modify its existing cession programs to collect this data.
MAIP Front-End	Completed 2/29/08	CAR is creating the assignment application for agents to use when needing to place an insured in the assigned risk plan.
MAIP Enhancements	Began 6/1/08	CAR is investigating possible enhancements to the MAIP Application now that the system is in production and used regularly.