



COMMONWEALTH AUTOMOBILE REINSURERS

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RALPH A. IANACO
PRESIDENT

- MEMORANDUM -

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: June 28, 2010

RE: Operational Reports

The 1st quarter 2010 Operational Reports follow this memorandum. This report includes data reported February 17, 2010 through May 17, 2010 for the accounting month period of January 2010 through March 2010. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

Section I – Accounting/Statistical Shipments:

CAR reported in Accounting and Statistical No. 519 the promulgated revisions to the Massachusetts Private Passenger Statistical Plan that serve to properly identify vehicles that are classified as Low Speed Vehicles. A new classification code has been added to the Private Passenger Statistical Plan. Appendix A – Classification Code Decision Table has been modified to identify those data elements that are required to be reported, not required to be reported or may be optionally reported on records coded with the Low Speed Vehicles Classification Code. These modifications were approved for polices with effective dates of August 1, 2010 and subsequent.

There are no proposed changes for the Commercial Statistical Plan at this time.

CAR assessed a total of \$138,650 in the Statistical Data Quality Penalty Program in the 1st Quarter 2010 Settlement of Balances report.

OPERATIONAL REPORTS 1ST QUARTER 2010

Section II – Cessions:

CAR mailed the CA5010 - Flat Cancellation report on January 25, 2010 and the documentation was due back on April 16, 2010. CAR will post the results of those listings in the next Operational Reports.

As of March 2010 the Private Passenger cession rates were not applicable; the Commercial cession rate equaled 17.3%. Final 2009 Participation Ratios will be posted to CAR's website by August 31, 2010.

Section III – Quarterly Participation Reports:

CAR posted the March 31, 2010 Quarterly Member Participation Reports to its website on June 4, 2010.

CAR ran the 1st Quarter 2010 Rule 12 credit edit download reports in early May. The Error percent for the Final 2009 Reporting for Liability was 1.69% and for Physical Damage was 1.81%.

Section IV – Accounting System Processing:

CAR produced 1st Quarter 2010 Critical Error Loss Write-Offs and 10% Loss of Investment Fees totaling \$512,150 and \$3,445 respectively. The Cession/No Premium Write-Off penalty for policy year 2007 totaled \$17,400 and the 2007 Net Negative Premium Write-Off penalty totaled -\$17,537.

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2009 and 2010 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 will become available on-line late June 2010.

Section V - Statistical Agent Functions:

The 4th Quarter 2009 Statutory Page 14 data was due at CAR on March 17, 2010. Penalties amounted to \$7,350 for those companies who submitted their data after the due date and were included in the first quarterly Settlement of Balances. The Reconciliation Responses for 4th Quarter 2009 were due on May 7, 2010. CAR will assess a statistical data quality penalty of \$50 per business day until it receives the completed annual statement and reconciliation filings. Companies who submitted late responses will be included within the next Settlement of Balances and Operational Reports.

As announced in Accounting & Statistical Notice No. 508, the Statistical Data Quality Penalty Program outlined in both the Private Passenger and Commercial Statistical Plans were revised to assure that complete and accurate statistical data is reported to CAR. Accordingly, the Annual Statement program has been expanded to monitor the receipt of Statutory Page 14s for Massachusetts on a quarterly basis including any corresponding out-of-balance explanations.

All companies that exceed the commercial rate edit tolerances are listed on pages 25-26.

Section VI – Communications:

**OPERATIONAL REPORTS
1ST QUARTER 2010**

CAR added a function for new entrants to the Private Passenger market to upload their interim summary data. Please reference Accounting & Statistical Notice 513 for more specific information. If you need access to the reports, please contact your company's security administrator to request access.

**OPERATIONAL REPORTS
1ST QUARTER 2010**

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 2010 as of the first quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

2010 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2010	March 15, 2010	1 st Qtr
February 2010	April 15, 2010	
March 2010	May 17, 2010	
April 2010	June 15, 2010	2 nd Qtr
May 2010	July 15, 2010	
June 2010	August 16, 2010	
July 2010	September 15, 2010	3 rd Qtr
August 2010	October 15, 2010	
September 2010	November 15, 2010	
October 2010	December 15, 2010	4 th Qtr
November 2010	January 15, 2011	
December 2010	February 15, 2011	

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, 2010.

**OPERATIONAL REPORTS
1ST QUARTER 2010**

I. STATISTICAL SYSTEM (continued)

2010 Timeliness Report

<i>CO NO</i>	<i>Jan 3/15</i>	<i>Feb 4/15</i>	<i>Mar 5/17</i>	<i>Apr 6/15</i>	<i>May 7/15</i>	<i>Jun 8/16</i>	<i>July 9/15</i>	<i>Aug 10/15</i>	<i>Sep 11/15</i>	<i>Oct 12/15</i>	<i>Nov 1/18</i>	<i>Dec 2/15</i>
089	COM											
091	COM	COM										
155		COM										
312	PP											
325	COM											
486			COM									
559	COM											
620			COM									
837			COM									
963	BOTH	BOTH	COM									
971	COM	COM	COM									

**OPERATIONAL REPORTS
1ST QUARTER 2010**

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 2010, CAR assessed a total penalty amount of \$138,650. The table below shows the detail penalties for each company.

Penalty Assessments
1st Quarter 2010

Co #	Company Name	Assessment	Assessment Amount
043	Amex Assurance Company	Late 2009 Annual Statement	\$ 550
045	American Automobile Ins. Co.	Stat Err > 5% 12/09	\$ 100
089	AM Guaranty & Liability Ins. Co.	Stat Err > 5% 3/09	\$ 800
089	AM Guaranty & Liability Ins. Co.	Stat Err > 5% 3/09	\$ 800
089	AM Guaranty & Liability Ins. Co.	Stat Err > 5% 5/09	\$ 800
089	AM Guaranty & Liability Ins. Co.	Stat Err > 5% 5/09	\$ 800
089	AM Guaranty & Liability Ins. Co.	Stat Err > 5% 6/09	\$ 800
089	AM Guaranty & Liability Ins. Co.	Stat Err > 5% 6/09	\$ 800
089	AM Guaranty & Liability Ins. Co.	Stat Err > 5% 9/09	\$ 100
089	AM Guaranty & Liability Ins. Co.	Stat Err > 5% 12/09	\$ 100
089	AM Guaranty & Liability Ins. Co.	Final Late MAS Penalty 9/09	\$ 6,000
089	AM Guaranty & Liability Ins. Co.	Final Late MAS Penalty 10/09	\$ 4,000
089	AM Guaranty & Liability Ins. Co.	Final Late MAS Penalty 11/09	\$ 2,000
089	AM Guaranty & Liability Ins. Co.	Final Late MAS Penalty 12/09	\$ 300
089	AM Guaranty & Liability Ins. Co.	Late MAS 1/10	\$ 500
091	American Zurich Insurance Co.	Stat Err > 5% 6/09	\$ 100
091	American Zurich Insurance Co.	Stat Err > 5% 7/09	\$ 100
091	American Zurich Insurance Co.	Stat Err > 5% 12/09	\$ 100
091	American Zurich Insurance Co.	Late MAS 12/09	\$ 800
091	American Zurich Insurance Co.	Late MAS 1/10	\$ 500
091	American Zurich Insurance Co.	Late MAS 2/10	\$ 500
155	Argonaut Insurance Company	Late MAS 2/10	\$ 500
162	Delos Insurance Company	Late 2009 Annual Statement	\$ 100
230	Praetorian Insurance Company	Stat Err > 5% 6/09	\$ 800
230	Praetorian Insurance Company	Stat Err > 5% 9/09	\$ 400
230	Praetorian Insurance Company	Stat Err > 5% 12/09	\$ 100
230	Praetorian Insurance Company	Late MAS 12/09	\$ 300
238	Central Mutual Insurance Co.	Stat Err > 5% 1/10	\$ 150
244	Rider Insurance Company	Late 2009 Annual Statement	\$ 950

**OPERATIONAL REPORTS
1ST QUARTER 2010**

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
1st Quarter 2010

259	The Cincinnati Insurance Co.	Late 2009 Annual Statement	\$ 50
283	Commerce and Industry Ins Co	Late MAS 12/09	\$ 800
312	Encompass Insurance Company	Late MAS 1/10	\$ 1,250
325	Employers Fire Insurance Company	Late MAS 1/10	\$ 500
331	Massachusetts Homeland Ins Co	Late MAS 1/10	\$ 500
344	Tri-State Insurance Co of Minnesota	Late 2009 Annual Statement	\$ 950
362	Farm Family Casualty Ins. Co.	Stat Err > 5% 11/09	\$ 100
362	Farm Family Casualty Ins. Co.	Stat Err > 5% 11/09	\$ 400
362	Farm Family Casualty Ins. Co.	Stat Err > 5% 12/09	\$ 300
380	Federated Mutual Insurance Company	Stat Err > 5% 11/09	\$ 300
445	Guarantee Insurance Company	Late 2009 Annual Statement	\$ 1,950
465	Harco National Insurance Company	Stat Err > 5% 12/09	\$ 200
468	Harford Fire Insurance Co.	Stat Err > 5% 6/09	\$ 800
468	Harford Fire Insurance Co.	Stat Err > 5% 12/09	\$ 600
486	Harleysville Preferred Ins. Co.	Final Late MAS Penalty 9/09	\$ 10,000
486	Harleysville Preferred Ins. Co.	Final Late MAS Penalty 12/09	\$ 4,000
503	Insurance Co of the State of Pennsylvania	Late MAS 12/09	\$ 800
559	Maryland Casualty Company	Stat Err > 5% 3/09	\$ 9,600
559	Maryland Casualty Company	Stat Err > 5% 4/09	\$ 3,200
559	Maryland Casualty Company	Stat Err > 5% 5/09	\$ 4,800
559	Maryland Casualty Company	Stat Err > 5% 6/09	\$ 3,200
559	Maryland Casualty Company	Stat Err > 5% 9/09	\$ 300
559	Maryland Casualty Company	Stat Err > 5% 10/09	\$ 300
559	Maryland Casualty Company	Stat Err > 5% 11/09	\$ 400
559	Maryland Casualty Company	Stat Err > 5% 12/09	\$ 500
559	Maryland Casualty Company	Late MAS 12/09	\$ 800
559	Maryland Casualty Company	Late MAS 01/10	\$ 500
620	National Independent Truckers Ins Co	Late 2009 Annual Statement	\$ 200
627	National Union Fire Ins Co of PA	Late MAS 12/09	\$ 800
643	New Hampshire Insurance Company	Late MAS 12/09	\$ 800
664	Norfolk & Dedham Mutual Fire Ins. Co.	Stat Err > 5% 10/09	\$ 400
664	Norfolk & Dedham Mutual Fire Ins. Co.	Stat Err > 5% 01/10	\$ 450
711	Peerless Insurance Company	Late MAS 9/09	\$ 6,000
714	Castlepoint National Insurance Co	Late 2009 Annual Statement	\$ 2,400
753	Redland Insurance Company	Stat Err > 5% 2/09	\$ 1,600
753	Redland Insurance Company	Stat Err > 5% 9/09	\$ 1,600
753	Redland Insurance Company	Stat Err > 5% 10/09	\$ 100
753	Redland Insurance Company	Stat Err > 5% 12/09	\$ 200

**OPERATIONAL REPORTS
1ST QUARTER 2010**

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
1st Quarter 2010

Co #	Company Name	Assessment	Assessment Amount
951	Vanliner Insurance Company	Stat Err > 5% 9/09	\$ 1,200
951	Vanliner Insurance Company	Stat Err > 5% 10/09	\$ 800
951	Vanliner Insurance Company	Stat Err > 5% 12/09	\$ 200
951	Vanliner Insurance Company	Stat Err > 5% 01/10	\$ 150
963	Harleysville Worcester Ins. Co.	Final Late MAS Penalty 1/09	\$ 2,000
963	Harleysville Worcester Ins. Co.	Final Late MAS Penalty 8/09	\$ 4,000
963	Harleysville Worcester Ins. Co.	Final Late MAS Penalty 10/09	\$ 4,000
963	Harleysville Worcester Ins. Co.	Final Late MAS Penalty 11/09	\$ 4,000
963	Harleysville Worcester Ins. Co.	Final Late MAS Penalty 12/09	\$ 3,700
963	Harleysville Worcester Ins. Co.	Interim Late MAS Penalty 1/10	\$ 6,000
963	Harleysville Worcester Ins. Co.	Interim Late MAS Penalty 2/10	\$ 3,000
963	Harleysville Worcester Ins. Co.	Interim Late MAS Penalty 3/10	\$ 500
971	Zurich Insurance Company	Final Late MAS Penalty 12/09	\$ 500
971	Zurich Insurance Company	Late MAS 01/10	\$ 500
971	Zurich Insurance Company	Late MAS 02/10	\$ 500
971	Zurich Insurance Company	Stat Err > 5% 3/09	\$ 6,500
971	Zurich Insurance Company	Stat Err > 5% 4/09	\$ 3,300
971	Zurich Insurance Company	Stat Err > 5% 5/09	\$ 6,400
971	Zurich Insurance Company	Stat Err > 5% 6/09	\$ 3,400
971	Zurich Insurance Company	Stat Err > 5% 8/09	\$ 200
971	Zurich Insurance Company	Stat Err > 5% 9/09	\$ 500
971	Zurich Insurance Company	Stat Err > 5% 10/09	\$ 500
971	Zurich Insurance Company	Stat Err > 5% 11/09	\$ 400
971	Zurich Insurance Company	Stat Err > 5% 12/09	\$ 600
975	Pawtucket Mutual Insurance Co.	Late 2009 Annual Statement	\$ 200
979	American Bankers Ins Co	Stat Err > 5% 12/09	\$ 100
		Total	\$ 138,650

**OPERATIONAL REPORTS
1ST QUARTER 2010**

I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
August 1, 2010	In order to properly identify vehicles that are classified as Low Speed Vehicles, a new classification code has been added to the Private Passenger Statistical Plan. Appendix A - Classification Code Decision Table has been modified to identify those data elements that are required to be reported, not required to be reported or may be optionally reported on records coded with the Low Speed Vehicles classification code.	Approved by the Division of Insurance on April 22, 2010

Proposed Modifications

Proposed Effective Date	Description	Status
January 1, 2011	For policies effective January 1, 2011 and subsequent, the Symbol Code field will be eliminated from the physical damage premium and loss record layouts. Companies will no longer be required to report vehicle symbol.	Proposed to Division of Insurance in June 2010

**OPERATIONAL REPORTS
1ST QUARTER 2010**

II. CESSION SYSTEM

A. Cession Submission

CAR accepts cession data via two different methods: 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 2010, CAR accepts cession records and cession corrections on commercial business for policy years 2008-2010. On private passenger business, CAR accepts cession records and cession corrections for policy dates 1/1/2008 – 3/31/2009. Beginning 4/1/2009, cessions no longer apply to private passenger business.

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 April 6, 2010.

**OPERATIONAL REPORTS
1ST QUARTER 2010**

II. CESSION SYSTEM (continued)

TX5 Cession Backdate Log

DATE SUBMITTED	CO NO	NUMBER OF CESSIONS	DATE REQUESTED	BACKDATE GRANTED?	REASON FOR APPROVAL/ DISAPPROVAL
5/12/10	154	27	5/10/10	yes	Decision to retain the policies as voluntary business was made prior to the policy effective dates.
5/17/10	245	1	5/14/10	yes	Decision to retain the policy as voluntary was made prior to the policy effective date.

**OPERATIONAL REPORTS
1ST QUARTER 2010**

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 May 2010 monitoring policy years 2008, 2009 and 2010 for the 1st quarter 2010. Please note CAR will no longer have to monitor Private Passenger business.

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.*)

**OPERATIONAL REPORTS
1ST QUARTER 2010**

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	525	1	0.2	0.2	0	0
585	55	2	3.6	1.7	0	0
612	6	1	16.7 #	0.0	0	0
723	293	0	0.0	0.0	0	0
908	205	5	2.4	0.9	4,615	0
Totals	1,084	9	0.8%	N/A	4,615	0

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	667	42	6.3 *	0.0	18,290	14,681
279	78	0	0.0	0.0	0	0
455	578	12	2.1	0.0	0	0
717	671	0	0.0	0.0	0	0
734	374	29	7.8 *	0.0	0	0
735	22	3	13.6 #	0.0	0	0
773	22	0	0.0	0.0	0	0
Totals	2,419	86	3.6% *	N/A	18,290	14,681

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

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

**OPERATIONAL REPORTS
1ST QUARTER 2010**

II. CESSION SYSTEM (continued)

Policy Year 2009
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
279	37	0	0.0	0.0	0	0
585	8	3	37.5 #	0.0	0	0
612	2	1	50.0 #	0.0	0	0
Totals	47	4	8.5%	N/A	0	0

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	572	21	3.7	0.7	1,070	0
279	34	0	0.0	0.0	0	0
455	458	11	2.4	0.0	0	0
717	260	0	0.0	0.0	0	0
734	280	20	7.1 #	0.0	0	0
735	19	2	10.5 #	0.0	0	0
773	5	0	0.0	0.0	0	0
Totals	1,626	54	3.3%	N/A	1,070	0

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

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

**OPERATIONAL REPORTS
1ST QUARTER 2010**

II. CESSION SYSTEM (continued)

Policy Year 2010
Private Passenger

No longer monitoring companies for Private Passenger Business

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	232	4	1.7	0.0	0	0
279	12	0	0.0	0.0	0	0
455	151	6	4.0	0.0	0	0
717	93	0	0.0	0.0	0	0
734	70	6	8.6 #	0.0	0	0
735	5	0	0.0	0.0	0	0
773	1	0	0.0	0.0	0	0
Totals	564	16	2.8%	N/A	0	0

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

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

**OPERATIONAL REPORTS
1ST QUARTER 2010**

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 latest CA5010 on January 26, 2010 and the documentation was due back on April 24, 2010. Upon reviewing the documentation, CAR will post those results in the next quarter's Operational Reports.

D. Cession Volumes

The private passenger and commercial cession volume results for the past seven 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
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	2.9%	19.0%	Final Result
2009	2.3%	16.5%	Final Result
2010	N/A	17.3%	As of March 2010

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.

**OPERATIONAL REPORTS
1ST QUARTER 2010**

II. CESSION SYSTEM (continued)

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

Policy Year 2010 Results as of March 2010

	<u>Exposures</u>	<u>Percentage</u>
MAIP Assigned (CAR-ID 9)	31,102	2.4%
MAIP Retained (CAR-ID 8)	1,122,219	93.4%
Clean-in-Three (CAR-ID 1)	55,394	4.2%
Total	1,306,715	100%

*Includes reported Interim Exposure Data from Progressive Casualty Insurance

**OPERATIONAL REPORTS
1ST QUARTER 2010**

III. QUARTERLY PARTICIPATION

A. Production of Quarterly Participation Reports

CAR posted the March 2010 Quarterly Member Participation Reports to its website on June 4, 2010. 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.

B. Participation Base Data

The 1st Quarter 2010 estimated Participation Ratios using data reported through March 31, 2010, will be posted to CAR's website by June 30, 2010. Final 2009 Participation Ratios will be posted to CAR's website by August 31, 2010.

C. Rule 12 Participation Credits

CAR ran the final Rule 12 credit edit reports to be published for the last time early May of 2010. 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 both rating years 2008 and 2009, 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.

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	0.15%	1.56%	1.56%
2008	0.15%	1.67%	1.74%
2009 (FINAL)	0.15%	1.69%	1.81%

D. Rule 29 Voluntary Credits

CAR ran the Rule 29 credit edit reports for December effective date data in early March. 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 May accounting date.

**OPERATIONAL REPORTS
1ST QUARTER 2010**

III. QUARTERLY PARTICIPATION (continued)

D. Rule 29 Voluntary Credits (continued)

Accounting Date	Reported Credit Premium	Adjusted Credit Premium	Rule 29 Credit Impact	Error Percentage
May 2009	170,335,058	169,516,205	-818,853	0.48%
June 2009	213,041,261	211,962,240	-1,079,021	0.51%
July 2009	252,399,682	251,137,600	-1,262,082	0.50%
August 2009	297,693,535	296,224,943	-1,468,592	0.49%
Sept. 2009	333,257,129	331,646,173	-1,610,956	0.48%
Oct. 2009	365,712,770	363,973,739	-1,739,031	0.48%
Nov. 2009	392,727,358	390,930,787	-1,796,571	0.46%
Dec. 2009	421,452,666	419,584,786	-1,867,880	0.44%
Jan. 2010	457,982,525	456,053,273	-1,929,252	0.42%
Feb. 2010	492,413,410	490,472,355	-1,941,055	0.39%
March 2010	530,741,150	528,623,200	-2,117,950	0.40%

E. CAR Financial Results

The ultimate policy year deficit projections, as of March 2010, for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Private Passenger	Commercial
2007	(82,009)	17,300
2008	(52,708)	1,357
2009	(9,820)	(5,399)

These criteria of data can be found on CAR's website under Financial Deficit Projections.

**OPERATIONAL REPORTS
1ST QUARTER 2010**

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.

Month	MAS Due Date	Accounting System Update	Quarter
January 2010	March 15, 2010	March 18, 2010	1st Quarter 2010
February 2010	April 15, 2010	April 20, 2010	
March 2010	May 17, 2010	May 19, 2010	
April 2010	June 15, 2010	June 17, 2010	2 nd Quarter 2010
May 2010	July 15, 2010	July 19, 2010	
June 2010	August 16, 2010	August 18, 2010	
July 2010	September 15, 2010	September 17, 2010	3 rd Quarter 2010
August 2010	October 15, 2010	October 19, 2010	
September 2010	November 15, 2010	November 16, 2010	
October 2010	December 15, 2010	December 17, 2010	4 th Quarter 2010
November 2010	January 18, 2011	January 20, 2011	
December 2010	February 15, 2011	February 16, 2011	

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 2010.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for July 2010 through December 2010 are shown following the 1st Quarter Write-Off exhibit.

**OPERATIONAL REPORTS
1ST QUARTER 2010**

IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Write-Off – 1st Quarter 2010

Company	Feb 2010	Mar 2010	Apr 2010	Total
154	0	0	10	10
209	0	5,258	878	6,136
245	0	-800	0	-800
312	0	0	1,030	1,030
331	67,046	239,292	101,252	407,590
333	0	0	68,836	68,836
455	49	0	0	49
720	0	0	961	961
731	19,363	0	8,975	28,338
Total	86,458	243,750	181,942	512,150

1st Quarter 2010 – 10% Loss of Investment Fees

Company	Feb 2010	Mar 2010	Apr 2010	Total
153	939	0	0	939
154	0	0	-443	-443
209	0	227	88	315
245	0	100	0	100
312	0	0	103	103
331	0	0	370	370
333	0	0	24	24
455	5	0	0	5
720	0	0	96	96
731	1936	0	0	1,936
Total	2,880	327	238	3,445

**OPERATIONAL REPORTS
1ST QUARTER 2010**

IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Potential Loss Write-Off July 2010 through December 2010

Company	July 2010	August 2010	Septembe r 2010	October 2010	November 2010	December 2010	Grand Total
045	0	0	-4,874	0	0	0	-4,874
154	0	22,046	4,021	0	4,855	8,846	39,768
209	4,385	0	325	0	1,970	0	6,680
262	0	5,408	0	0	8,193	732	14,333
312	-1,398	0	0	0	0	0	-1,398
331	-12,096	19,478	-2,720	5,278	0	-3,830	6,110
354	0	0	0	0	0	0	0
455	5,160	0	0	0	329	0	5,489
585	0	0	0	785	0	0	785
664	0	0	0	0	0	2,924	2,924
731	0	0	0	0	0	20	20
773	3,459	0	0	0	0	0	3,459
Totals	-490	46,932	-3,248	6,063	15,347	8,692	73,296

**OPERATIONAL REPORTS
1ST QUARTER 2010**

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
2009 & 2010 Policy Effective Years

Non-Critical Error - Penalties

Final 2008 Penalties

2008 Effective Year Non-Critical Errors Over Tolerance – Final Penalty

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Penalty
4	664	10	1.25	64	\$650

2009 Effective Year Non-Critical Errors Over Tolerance - Potential Penalty

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Penalty
3	585	02	6.39	14	\$600

2010 Effective Year Non-Critical Errors Over Tolerance – Potential Penalty

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Penalty
1	154	02	1.37	28	\$400

**OPERATIONAL REPORTS
1ST QUARTER 2010**

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, going forward, will produce the company profile reports for the Commercial Limited Servicing Carrier and Taxi Carrier companies only. This began with the twelve-month profile for 2009. Those reports will be produced shortly and 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 will post the 1st Quarter 2010 forecasting reports June 2010.

F. \$60 Cession/No Premium Penalties

CAR ran the \$60 Cession/No Premium penalty program. A cession qualifies for the penalty list when the premium amount on the policy totals to less than or equal to \$0 for five or more months. The table below shows those penalty results. The penalty assessments were posted in with the 1st Quarter 2010 Settlement of Balances report.

Company Number	Penalty Amount
262	\$420
331	\$1,200
455	\$660
585	\$7,320
664	\$120
731	\$1,620
773	\$60
Total	\$11,400

**OPERATIONAL REPORTS
1ST QUARTER 2010**

IV. ACCOUNTING SYSTEM (continued)

G. 2007 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 2008 effective date policies and for historical information.

Year	PP Penalty	Commercial Penalty	Taxi/Limo/CAR Service Penalty
2008	\$1,400	\$5,300	\$7,600
2007	\$1,500	\$5,700	\$8,600
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

The 2007 Premium Write-Offs and Net Negative Write-Offs ran late-April, 2010. The following exhibit shows those companies who received assessments posted within the 1st Quarter Settlement of Balances.

Final 2007 – Cession/No Premium Write-Offs

Co. No.	Penalty Amount
245	\$11,400
331	\$4,500
455	\$1,500
Total	\$17,400

H. 2007 Net Negative Write-Off

Co. No.	Penalty Amount
331	\$(15,345)
455	\$(1,409)
664	\$(783)
Total	\$(17,537)

**OPERATIONAL REPORTS
1ST QUARTER 2010**

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.

Month	MAS Due Date	Statistical System Update	Quarter
January 2010	March 15, 2010	March 16, 2010	1st Quarter 2010
February 2010	April 15, 2010	April 16, 2010	
March 2010	May 17, 2010	May 18, 2010	
April 2010	June 15, 2010	June 16, 2010	2 nd Quarter 2010
May 2010	July 15, 2010	July 16, 2010	
June 2010	August 16, 2010	August 17, 2010	
July 2010	September 15, 2010	September 16, 2010	3 rd Quarter 2010
August 2010	October 15, 2010	October 18, 2010	
September 2010	November 15, 2010	November 16, 2010	
October 2010	December 15, 2010	December 16, 2010	4 th Quarter 2010
November 2010	January 18, 2011	January 19, 2011	
December 2010	February 15, 2011	February 16, 2011	

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 2010	June 15, 2010	July 1, 2010	Approx. August 6, 2010
2nd 2010	September 15, 2010	October 1, 2010	Approx. November 5, 2010
3rd 2010	December 15, 2010	January 3, 2011	Approx. February 4, 2011
4th 2010	March 15, 2010	April 1, 2011	Approx. May 1, 2011

The Annual Statement collection of Page 14's for the 4th Quarter 2009 was due by March 17, 2010. CAR will assess a statistical data quality penalty of \$50 per business day until it receives the completed annual statement and reconciliation filings. Penalties for late pg 14's totaled \$7,350 and were assessed in the First Quarter 2010 Settlement of Balance report. Reconciliation 2009 responses were due May 7, 2010 and those penalties will list in the Second Quarterly Settlement of Balances. CAR is currently collecting 1st Quarter 2010 Annual Statement Statutory Page 14 data due at CAR by June 15, 2010. The 1st Quarter 2010 Reconciliation Reports are due to run July 1, 2010.

**OPERATIONAL REPORTS
1ST QUARTER 2010**

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. With the implementation of MAIP, CAR no longer processes ceded private passenger business through a rate editing routine. Policy year 2007 data represents the last year CAR processed private passenger business through the rate edit routine.

	Line of Business	Eligible Records	Records in Error	Error %
COMM 2009 EFF YEAR	Liability	56,720	765	1.35%
	No Fault	40,382	305	0.76%
	Physical Damage	40,412	464	1.15%
	Total	137,514	1,534	1.12%
COMM 2010 EFF YEAR	Liability	10,720	237	2.21%
	No Fault	8,150	71	0.87%
	Physical Damage	6,406	95	1.48%
	Total	25,276	403	1.59%

The Commercial Rate Edit program incorporates a tolerance level to ensure the quality of the data the industry reports to CAR. The tolerance level is 2% and 50 records in error. If a company exceeds the rate edit tolerance levels on any one line of business, 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.

**OPERATIONAL REPORTS
1ST QUARTER 2010**

V. STATISTICAL AGENT FUNCTION (continued)

C. Rate Edit Processing (continued)

Rate Edit - Over Tolerance Exhibit

Co No	PP/Comm	Policy Year	Subline	Due Date	Err %	# Records in Error
154	Comm	2009	Liability	4/15/2010	4.26%	302
154	Comm	2010	Phys Dam	11/15/2010	2.11%	112
154	Comm	2009	Liability	8/15/2010	7.86%	196
154	Comm	2010	No Fault	12/15/2010	2.16%	50
245	Comm	2010	Phys Dam	12/15/2010	2.18%	84
455	Comm	2010	Phys Dam	12/15/2010	2.18%	52
734	Comm	2010	Liability	12/15/2010	8.22%	54
734	Comm	2010	No Fault	12/15/2010	8.53%	54
773	Comm	2009	Liability	8/15/2010	5.72%	50

**OPERATIONAL REPORTS
1ST QUARTER 2010**

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 03/2010

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
041	1,367	470	34.38
045	99,987	35,546	35.55
099	1,539	1,228	79.79
106	30	8	26.67
261	7,154	6,026	84.23
263	856	422	49.30
474	5,863	4,284	73.07
626	103,152	45,164	43.78
627	2,780	1,872	67.34
643	1,012	654	64.62
701	1,604	1,064	66.33
734	4,834	1,588	32.85
735	63,723	28,306	44.42
737	29,971	15,968	53.28
828	82,986	25,183	30.35
902	39,357	19,336	49.13
919	18	6	33.33
962	599	318	53.09
963	20,067	5,099	25.41
989	9,269	2,932	31.63
Total Industry	22,482,757	890,431	3.96

The 2010 washout total following the 03/2009 shipments was 4.02%.

**OPERATIONAL REPORTS
1ST QUARTER 2010**

V. STATISTICAL AGENT FUNCTION (continued)

E. Distributional Analysis

Distributional analysis reports are produced three times a year starting with the close of the June quarter. The next distribution of these reports to the industry will be for period ending June 30, 2010 term and will be mailed to the industry on/or about the end of August 2010.

**OPERATIONAL REPORTS
1ST QUARTER 2010**

VI. COMMUNICATIONS

A. CAR's Website

CAR regularly updates its website when there are updates to existing reports, new accounting and statistical notices, or meeting announcements among many other things. Please reference the change board on the website for the latest updates.

CAR added a function for new entrants to the Private Passenger market to upload their interim summary data. Please reference Accounting & Statistical Notice 513 for more specific information. If you need access to the reports, please contact your company's security administrator to request access.

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.

As a result of 201 CMR 17.00, CAR eliminated its unsecured access to its telecommunications system. Accordingly, CAR now allows only secure access to the Telecommunications System through secure telnet (port 992).

**OPERATIONAL REPORTS
1ST QUARTER 2010**

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
Distributional Analysis	In progress	Automate the Distributional Analysis process and move the reports onto CAR's website.
Experience Rating	Near Completion	Move the mainframe pieces of the Experience Rating application to CAR's website so that companies don't need to toggle between systems.
Website Security	Completed	Enhance the security function on CAR's website so that security administrators at each company can view and reset user ids.
Statistical 2010	Completed	Update CAR's processing systems to accept 2010 effective year data and update all programs to process the combined base premium and merit rating records.
Quota Share	Completed	Modifications necessary to include interim summary data collected from those companies not yet statistical reporting to CAR.
PP Auto Audit Hybrid Plan	Near Completion	Development of a new method for performing the private passenger statistical audits.
Producer Management	In progress	In-house application to effectively manage producer information and licensing.
MAIP Placement Correction	In progress	Allow certain corrections to accepted MAIP Placement records such as producer code and policy id.
MAIP Enhancement for Youthful Credit Data Acquisition	In progress	Develop a new input process for the verification of youthful classification codes for those companies not utilizing the Merit Rating Board for merit rating status. The data collected through this new input process will be used to verify quota share credits for youthful operators.