



COMMONWEALTH AUTOMOBILE REINSURERS

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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: September 25, 2008

RE: Operational Reports

The 2nd quarter 2008 Operational Reports follow this memorandum. They include data reported May 16, 2008 through August 15, 2008 for the accounting month period of April 2008 through June 2008. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

Section I – Accounting/Statistical Shipments:

There have been no requests for changes to both the Private Passenger and Commercial Statistical Plans at this time.

CAR assessed a total of \$40,300 to the Statistical Penalty Programs in the 2nd Quarter 2008 Settlement of Balances report.

Section II – Cessions:

CAR recently mailed the Cancellation Audit report on August 8, 2008. This report is due back on October 24, 2008. CAR will post the results of any late, missing and invalid documentation within the next quarter's Settlement of Balances.

As of August 27, 2008 the Private Passenger cession rate equaled 3.4%; the commercial cession rate equaled 20.6%.

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Section III – Quarterly Participation Reports:

CAR posted the June 2008 Quarterly Member Participation Reports to the website on September 8, 2008.

CAR ran the 2nd Quarter 2008 Rule 12 credit edit download reports in early September.

Section IV – Accounting System Processing:

CAR produced 2nd quarter 2008 Critical Error Write-Offs and 10% Loss of Investment Fees totaling \$623,804 and \$1,176 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 mid-September 2008.

Section V - Statistical Agent Functions:

The Statutory Page 14 and Reconciliation Responses for 4th Quarter 2007 were due on March 17, 2008 and May 4, 2008 respectively. Penalties for late returns amounted to \$17,500 and \$3,650 and were assessed in the 2nd quarter 2008 Settlement of Balances. The Statutory Page 14 report for 1st Quarter 2008 was due at CAR on June 16, 2008 and the Reconciliation Responses were due on August 17, 2008.

The 2nd Quarter 2008 Statutory Page 14 entries were due at CAR on September 15, 2008. The Reconciliation Responses for 2nd Quarter 2008 will be due around November 3, 2008.

All companies that exceed the commercial and private passenger rate edit tolerances are listed on pages 26-27.

Section VI – Communications:

CAR released its re-designed website in July 2008 based upon feedback it had received as a result of an industry-wide survey.

**OPERATIONAL REPORTS
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I. STATISTICAL SYSTEM

A. Reporting of Company Shipments

The monthly submission of statistical data is due at CAR according to the Call Schedule contained in the table below. The timeliness exhibit on the following page reflects the timeliness status of all companies for 2008 as of the second 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 second 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	COM	COM	COM						
091			COM	COM	COM	COM						
163				COM								
237	COM											
238	COM											
262				PP								
283					COM							
309	COM			PP								
316			COM									
362		BOTH			PP							
451						COM						
474						BOTH						
476					COM	COM						
481		PP										
559		COM	COM	COM	COM	COM						
582			COM									
625						COM						
731			PP									
735			COM									
753					COM	COM						
828					COM							
829			COM									
835		PP										
908			PP									
963			COM									
971			COM	COM	COM	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 2nd quarter 2008, CAR assessed a total penalty amount of \$40,300. The table below shows the detail penalties for each company.

Penalty Assessments
2nd Quarter 2008

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
032	Alea North American Ins. Co.	Late Return of Pg 15 Data	\$ 500
065	Sparta Insurance Company	Late Return of Pg 15 Data	\$ 2,050
089	AM Guaranty & Liability Ins. Co.	Late MAS 3/08	\$ 800
089	AM Guaranty & Liability Ins. Co.	Late MAS 4/08	\$ 800
089	AM Guaranty & Liability Ins. Co.	Late MAS 5/08	\$ 800
091	American Zurich Insurance Co.	Late MAS 3/08	\$ 800
091	American Zurich Insurance Co.	Late MAS 4/08	\$ 300
091	American Zurich Insurance Co.	Late MAS 5/08	\$ 800
151	Amerisure Insurance Company	Late Return of Pg 15 Data	\$ 100
155	Argonaut Insurance Company	Stat Err > 5% 3/08	\$ 500
173	Stonington Insurance Company	Late Annual Statement	\$ 50
183	Balboa Insurance Company	Late Return of Pg 15 Data	\$ 250
185	Automobile Ins. Co. of Hartford	Late Return of Pg 15 Data	\$ 100
225	Carolina Casualty Insurance Co.	Late Return of Pg 15 Data	\$ 150
229	Clarendon National Insurance Co.	Late Annual Statement	\$ 450
229	Clarendon National Insurance Co.	Stat Err > 5% 3/08	\$ 100
230	Praetorian Insurance Company	Late Annual Statement	\$ 400
230	Praetorian Insurance Company	Stat Err > 5% 3/08	\$ 100
245	Charter Oak Fire Insurance Co.	Late Annual Statement	\$ 100
259	Cincinnati Insurance Company	Late Annual Statement	\$ 150
259	Cincinnati Insurance Company	Late Return of Pg 15 Data	\$ 400
283	Commerce & Industry Ins. Co.	Late MAS 5/08	\$ 300
293	Valley Forge Insurance Company	Stat Err > 5% 4/08	\$ 200
295	Continental Casualty Company	Stat Err > 5% 2/08	\$ 100
295	Continental Casualty Company	Stat Err > 5% 3/08	\$ 200
295	Continental Casualty Company	Stat Err > 5% 4/08	\$ 200
309	Electric Insurance Company	Late MAS 4/08	\$ 300
312	Encompass Ins. Co. of Mass.	Late MAS 5/08	\$ 300
317	Empire Insurance Company	Stat Err > 5% 3/08	\$ 100
331	Massachusetts Homeland Ins.Co.	Stat Err > 5% 1/08	\$ 100

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I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
2nd Quarter 2008

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment</u>
			<u>Amount</u>
362	Farm Family Casualty Ins. Co.	Late MAS 5/08	\$ 300
363	Farm Family Casualty Ins. (B/O)	Late Return of Pg 15 Data	\$ 300
392	Fidelity & Guaranty Ins. Co.	Late Return of Pg 15 Data	\$ 100
393	Fidelity & Guaranty Ins. Under	Late Return of Pg 15 Data	\$ 100
417	General Ins. Co. of America	Late Annual Statement	\$ 350
451	Hudson Insurance Company	Late Annual Statement	\$ 100
465	Harco National Insurance Co.	Late Return of Pg 15 Data	\$ 50
559	Maryland Casualty Company	Late MAS 3/08	\$ 800
559	Maryland Casualty Company	Late MAS 5/08	\$ 800
559	Maryland Casualty Company	Late MAS 4/08	\$ 800
582	Merchants Mutual Insurance Co.	Late Return of Pg 15 Data	\$ 50
582	Merchants Mutual Insurance Co.	Late Annual Statement	\$ 700
582	Merchants Mutual Insurance Co.	Late MAS 3/08	\$ 300
598	Amerisure Mutual Insurance Co.	Late Return of Pg 15 Data	\$ 100
610	Mutual Service Casualty Ins. Co.	Late Return of Pg 15 Data	\$ 400
619	National Fire Insurance Hartford	Stat Err > 5% 4/08	\$ 300
622	National Interstate Insurance Co.	Late Annual Statement	\$ 50
625	American States Insurance Co.	Late Annual Statement	\$ 350
625	American States Insurance Co.	Stat Err > 5% 3/08	\$ 800
714	SUA Insurance Company	Late Return of Pg 15 Data	\$ 50
721	Philadelphia Indemnity Ins. Co.	Stat Err > 5% 1/08	\$ 100
721	Philadelphia Indemnity Ins. Co.	Stat Err > 5% 2/08	\$ 200
731	Plymouth Rock Assurance Corp.	Late Return of Pg 15 Data	\$ 100
753	Redland Insurance Company	Late Annual Statement	\$ 400
756	RLI Insurance Company	Late Return of Pg 15 Data	\$ 1,950
756	RLI Insurance Company	Late Annual Statement	\$ 50
756	RLI Insurance Company	Non-Compliance Stat Penalty	\$ 10,000
778	St. Paul Mercury Insurance Co.	Late Return of Pg 15 Data	\$ 100
779	St. Paul Guardian Insurance Co.	Late Return of Pg 15 Data	\$ 100
781	Seaboard Surety Company	Late Return of Pg 15 Data	\$ 100
828	State Farm Mutual Auto Ins. Co.	Late MAS 5/08	\$ 300

**OPERATIONAL REPORTS
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I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
2nd Quarter 2008

Co #	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
829	Mitsui Sumitomo Ins. Co.	Late MAS 3/08	\$ 800
833	Stonewall Insurance Company	Late Return of Pg 15 Data	\$ 700
845	Tower Ins. Co. of New York	Late Return of Pg 15 Data	\$ 100
882	Travco Insurance Company	Late Return of Pg 15 Data	\$ 100
883	Travelers Home & Marine Ins.	Late Return of Pg 15 Data	\$ 100
894	Twin City Fire Insurance Co.	Stat Err > 5% 3/08	\$ 400
898	Seaton Insurance Company	Late Return of Pg 15 Data	\$ 700
941	Universal Underwriters Ins. Co.	Late Annual Statement	\$ 50
951	Vanliner Insurance Company	Stat Err > 5% 3/08	\$ 300
951	Vanliner Insurance Company	Late Annual Statement	\$ 150
962	Mountain Valley Indemnity Co.	Late Return of Pg 15 Data	\$ 100
962	Mountain Valley Indemnity Co.	Late Annual Statement	\$ 50
971	Zurich Insurance Company	Stat Err > 5% 2/08	\$ 100
971	Zurich Insurance Company	Late MAS 3/08	\$ 800
971	Zurich Insurance Company	Late MAS 4/08	\$ 300
971	Zurich Insurance Company	Late MAS 5/08	\$ 800
973	Commercial Guaranty Casualty	Late Return of Pg 15 Data	\$ 100
979	American Bankers Insurance Co.	Late Return of Pg 15 Data	\$ 2,050
979	American Bankers Insurance Co.	Stat Err > 5% 3/08	\$ 100
980	Westport Insurance Corporation	Late Return of Pg 15 Data	\$ 100
985	Daimlerchrysler Insurance Co.	Late Annual Statement	\$ 150
992	Motors Insurance Corporation	Late Return of Pg 15 Data	\$ 50
996	Indemnity Ins. Co. of N. America	Late Return of Pg 15 Data	\$ 500
		Total	\$ 40,300

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I. STATISTICAL SYSTEM (continued)

Massachusetts Commercial Statistical Plan
Approved Modifications

No request for changes to the Commercial Statistical Plan were made at this time

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
<p>Mandatory January 1, 2009</p> <p>Optional April 1, 2008 – December 31, 2008</p>	<p>In conjunction with the implementation of the Massachusetts Automobile Insurance Plan (MAIP), the following modifications have been made to the Private Passenger Statistical Plan:</p> <p>The Type of Risk Code table has been modified as follows:</p> <ul style="list-style-type: none"> ▪ The description pertaining to business written at a rate discount and approved under Section 193R of Chapter 175 of the General Laws has been modified. ▪ The description of Type of Risk 9 that pertains to company specific coverage has been modified. ▪ The codes that pertain to business approved under Section 113B of Chapter 175 of the General Laws no longer apply and have been eliminated. <p>New Discount Code values have been added to indicate the application of an "all other" discount or that an "all other" discount has been applied in addition to other existing discount(s).</p> <p>An "all other" Type of Loss value of 09 has been added to the Liability, No Fault, and Collision Type of Loss tables.</p> <p>Wording has been added to the General Reporting Requirements – Premiums relative to the requirements for reporting additional company specific coverage and limits/deductibles for which statistical codes are not currently available.</p> <p>Wording has been added to the General Reporting Requirements – Losses to clarify that losses relating to a company specific coverage that is provided by a company either at an additional premium charge or at no additional premium charge are required to be statistically reported.</p>	Approval by the Division of Insurance on March 10, 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 July 1, 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
5/29/08	279	1	12/28/07	Yes	Decision to retain policy as voluntary business was made prior to the policy effective date.
6/5/08	279	3	Various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
6/5/08	279	2	Various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
7/2/08	731	1	11/19/07	Yes	Decision to retain policy as voluntary business was made prior to the policy effective date.
9/3/08	612	1	3/28/08	Yes	Decision to retain policy as voluntary business was made prior to the policy effective date.
9/9/08	262	2	9/2/08	yes	Policies were MAIP eligible should not have been ceded. Hanover retained as voluntary

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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 monitored policy years 2006, 2007 and 2008.

CAR produced the second quarter 2008 CR215R and notified those companies who had exceeded the over 5% and 25 policies tolerance. Companies contacted must respond in writing with an explanation and corrective actions as to why the volume of backdated business is high. The due date for the response is October 31, 2008. This exhibit identifies those companies exceeded those established thresholds.

Policy Year	Company
2006 – 2007 – 2008	245 – The Charter Oak Insurance
2006	455 – Hanover Insurance
2007	734 – Pilgrims Insurance
2006	887 – The Travelers Insurance

The following exhibits show the industry's volumes of automatically 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	11,910	0
Totals	11,656	88	0.8%	N/A	11,910	0

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
152	232	14	6.0 #	0.4	0	0
245	618	46	7.4 *	0.6	3,914	0
279	121	5	4.1	0.0	0	0
455	1,914	218	11.4 *	0.0	12,509	11,550
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	4,178	356	8.5% *	N/A	16,423	11,550

* 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	2,398	17	0.7		0.3	0	0
514	16	1	6.3	#	6.3	0	0
585	78	11	14.1	#	-10.3	0	0
612	25	0	0.0		0.0	0	0
723	2,205	14	0.6		0.5	0	0
908	1,726	38	2.2		0.9	10,999	0
Totals	6,454	82	1.3%		N/A	10,999	0

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED		% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
152	315	16	2.1		0.1	0	0
245	1,081	85	7.9	*	2.8	0	0
279	94	4	4.3		4.3	0	0
455	970	34	3.5		-1.0	0	0
734	413	42	10.2	*	0.4	28	26,141
735	24	3	12.5	#	6.2	0	0
773	71	0	0.0		0.0	0	0
Totals	2,968	184	6.2%	*	N/A	28	26,141

* 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	487	0	0.0		0.0	0	0
585	37	0	0.0		0.0	0	0
612	5	1	20.0	#	20.0	0	0
723	293	0	0.0		0.0	0	0
908	217	2	0.9		0.0	853	2,600
Totals	1,039	3	0.3%		N/A	853	2,600

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED		% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	452	28	6.2	*	6.2	7,064	0
279	54	0	0.0		0.0	0	0
455	395	6	0.0		0.0	0	0
717	427	0	0.0		0.0	0	0
734	241	16	6.6	#	6.6	0	0
735	17	3	17.6	#	17.6	0	0
773	16	0	0.0		0.0	0	0
Totals	1,602	53	3.3%	*	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-cancelled 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 21, 2008. After reviewing the documentation CAR will be assessing penalties to those companies in the third quarter Settlement of Balances Reports.

CAR ran the next CA5010 on August 1, 2008 and the documentation is due back at CAR on October 24, 2008. Any results after reviewing the documentation will be posted within the fourth quarter Operational 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	4.2%	24.1%	Final Result
2008	3.4%	20.6%	As of June 2008

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

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III. QUARTERLY PARTICIPATION

A. Production of Quarterly Participation Reports

CAR posted the June 2008 Quarterly Member Participation Reports to its website on September 8, 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 2nd Quarter 2008 estimated Participation Ratios using data reported through June 30, 2008, will be posted to CAR's website by September 30, 2008.

C. Rule 12 Participation Credits

CAR did not run the Rule 12 credit edit reports for 2nd Quarter 2008 in early-September due to a program problem. The program was inadvertently including CAR ID Code 8 records. CAR expects to have this problem resolved in late September and will run the reports at that time.

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 six-year history of the Rule 12 tolerance level and the industry's error percent.

Accounting Year	Tolerance Level	Industry Error %	
		LIAB	PHYS
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%	1.51%	1.46%
2008 (as of 1 st Qtr)	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 June 2008, for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Private Passenger	Commercial
2005	(91,539)	22,747
2006	(86,913)	12,083
2007	(93,217)	12,285

E. CAR Commercial Rates

CAR has no changes for ceded rates at this time; therefore, the October 1, 2003 Commercial Rates will continue to remain in effect. The schedule of commissions for ceded commercial policies effective on October 1, 2007 and subsequent is as follows:

Taxis	5.86%
Limousine/Car Service	3.72%
All Other Classifications	9.52%

CAR's Experience Rating Plan is available on CAR's website at www.commauto.com under the "Manuals".

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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 second quarter 2008.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for September 2008 through February 2009 are shown following the 2nd quarter write-off exhibit.

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IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Write-Off – 2nd Quarter 2008

Company	May 2008	June 2008	July 2008	Total
045	2,381	0	0	2,381
153	-5,321	1,353	727	-3,241
194	6,500	0	61,230	67,730
209	0	1,576	0	1,576
312	6,291	0	0	6,291
331	186,292	228,620	110,197	525,109
333	642	540	353	1,535
455	-1,192	0	0	-1,192
481	0	598	0	598
723	61	4,996	1,773	6,830
731	0	1,004	0	1,004
735	0	13,557	0	13,557
908	1,626	0	0	1,626
INDUSTRY	197,280	252,244	174,280	623,804

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IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

2nd Quarter 2008 – 10% Loss of Investment Fees

Co No	May 2008	June 2008	July 2008	Total
049	0	0	0	0
209	0	35	0	35
312	0	0	0	0
331	0	302	0	302
333	0	0	12	12
481	0	60	0	60
723	0	500	0	500
731	0	0	0	0
735	0	104	0	104
908	163	0	0	163
Total	163	1,001	12	1,176

**OPERATIONAL REPORTS
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IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Potential Loss Write-Off September 2008 through February 2009

Company	September 2008	October 2008	November 2008	December 2009	January 2009	February 2009	Grand Total
045	0	5,199	0	0	0	0	5,199
049	1,335	0	0	193	0	0	1,528
153	10,945	9,006	62,181	11,430	9,927	0	103,489
154	0	13,768	3,906	20,187	1,643	0	39,504
194	0	0	0	11,696	0	0	11,696
209	0	0	-9,585	3,094	816	0	-5,675
312	-80,006	-8,597	0	2,683	4,869	0	-81,051
317	0	0	0	0	0	-2,000	-2,000
331	151,531	167,304	35,568	106,952	77,909	0	539,264
333	0	0	126	0	0	0	126
363	0	3,504	0	0	0	0	3,504
455	6,409	0	-1,706	-3,435	-101	0	1,167
585	0	0	192	0	0	0	192
664	-43,744	0	0	3,228	0	0	-40,516
723	5,956	0	0	0	0	0	5,956
731	3,965	7,974	0	0	704	0	12,643
735	14,350	13,642	1,238	656	0	5,486	35,372
887	0	-281	0	-215	-329	0	-825
894	0	0	0	0	98,835	6,927	105,762
908	642	39,562	1,592	38	13	0	41,847
963	0	0	-998,861	0	0	0	-998,861
Totals	71,383	251,081	-905,349	156,507	194,286	10,413	-221,679

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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

2007 Non-Critical Errors Over Tolerance Potential Penalty

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Penalty
2	612	08	1.17	51	\$350
15	735	02	2.24	128	\$3,550

2008 Non-Critical Error Over Tolerance Potential Penalty

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Penalty
4	612	02	1.48	27	\$450
1	731	04	3.84	142	\$5,250
4	735	02	1.40	53	\$750

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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 and posted the 12-month 2007 company profile reports to its website in April 2008. The reports are located under the Data Reporting and Quality tab on the reports page and then under company status reports. The six-month 2008 company profiles will get posted late-October, 2008

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 2nd quarter 2008 forecasting reports in mid-September 2008.

F. Cession/No Premium Penalties

On May 28, 2008 CAR assessed \$60 Cession/No Premium penalties against all cessions that listed on the penalty list. 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.

Co. No.	Penalty Amount
045	\$300
245	\$300
331	\$4,800
455	\$60
514	\$1,140
585	\$420
664	\$120
723	\$60
731	\$60
887	\$60
Total	\$7,320

**OPERATIONAL REPORTS
2ND QUARTER 2008**

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 2007 effective date policies and for historical information.

The 2007 write-off is scheduled for April, 2009.

Year	PP Penalty	Commercial Penalty	Taxi/Limo/CAR Service Penalty
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

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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 2, 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 1, 2009
4th 2008	March 16, 2009	April 1, 2009	Approx. May 1, 2008

CAR balances the reported electronic page 14 data to the statistically reported data and corresponds to any company above the 5% tolerance in which to submit a response to reconcile. The due date of those responses was on May 4, 2008. CAR assessed penalties totaling \$17,500 and \$3,650 respectively to the Final Call of late reported Page 14's and late reported reconciliation responses in the second quarter Settlement of Balances. Two companies' penalties have since been rescinded totaling \$5,800.

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V. STATISTICAL AGENT FUNCTION (continued)

C. 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 2007 EFF YEAR	Liability	14,730,697	36,678	0.25%
	No Fault	12,034,785	11,409	0.09%
	Physical Damage	11,783,420	52,148	0.44%
	Total	38,548,902	100,235	0.26%
COMM 2007 EFF YEAR	Liability	77,254	1,226	1.59%
	No Fault	69,330	752	1.08%
	Physical Damage	57,850	1,156	2.00%
	Total	204,434	3,134	1.53%
COMM 2008 EFF YEAR	Liability	57,400	934	1.63%
	No Fault	42,390	529	1.25%
	Physical Damage	41,358	596	1.44%
	Total	141,148	2,059	1.46%

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	4.92%	372
154	Comm	2008	No Fault	1/15/2009	2.39%	165
734	Comm	2007	Liability	15/15/2008	2.28%	89
734	Comm	2007	No Fault	4/15/2008	2.61%	78
734	Comm	2007	Physical Dam	3/15/2008	11.54%	104
735	Comm	2007	Liability	10/15/2008	2.94%	342
735	Comm	2007	Physical Dam	10/15/2008	3.83%	365
735	Comm	2008	Physical Dam	10/15/2008	2.08%	130

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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 6/08

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
096	40	46	86.96
099	11,362	17,721	64.12
194	3,330	6,318	52.71
201	3,590	7,032	51.05
261	494	1,037	47.64
283	1,024	2,157	47.47
476	88	209	42.11
503	106,526	256,344	41.56
625	408	1,056	38.64
627	114	310	36.77
643	8,840	24,042	36.77
667	5,156	14,218	36.26
701	1,966	5,875	33.46
734	58,149	192,691	30.18
735	100	383	26.11
752	942	3,913	24.07
828	78	7,160	22.30
885	1,070	4,535	23.59
919	3,096	13,713	22.58
927	66	296	22.30
962	1,074	5,176	20.75
979	174	846	20.57

Total Industry	42,827,977	1,566,455	3.66
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The 2007 washout total following the 6/2007 shipments was 3.75%.

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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. Currently, this process is still under configuration. CAR will provide the paper reports for circulation until the process is near completion and notification is sent. Recently, CAR processed the paper copy report intended to be distributed to the industry on or about September 30, 2008.

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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 launched 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 implemented enhanced security that allows users to reset their web passwords by answering security questions and allows company security administrators to reset user ids.

As part of the new website functionality, users can select specific reports to appear on the Reports landing page once they are logged in. This makes it easier to access the user's most utilized reports. To add reports to the reports landing page, log in and click "update" next to the "My CAR" heading. Select the reports to appear on the front screen by clicking in the check box and clicking update at the bottom of the page.

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.

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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
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	Initial project completed. Enhancements underway.	Enhancements will allow for differences in policy effective date between the MAIP assignment data and the MPR and statistical premium and loss data. Also, will allow for the backdate of cancellation MPRs.
MAIP Enhancements	Began 8/2008	Enhancements will include implementing MAIP rating into the policy application function and providing information on specific ARC supplemental application forms for ARPs.
Ceded Premium True-up	Began 8/1/08	CAR is modifying its Private Passenger Rate Edit to calculate the ceded premium amount (based on the CAR/MAIP rate) on all policies and compare it to the reported premium. The difference will be part of the true-up of ceded premium process.
Rule 29	Began 7/1/08	Update the Rule 12 program to calculate youthful credits written on a voluntary basis as stated in Rule 29.