



COMMONWEALTH AUTOMOBILE REINSURERS

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

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: September 28, 2011

RE: Operational Reports

The 2nd quarter 2011 Operational Reports follow this memorandum. This report includes data reported May 17, 2011 through August 15, 2011 for the accounting month period of April 2011 through June 2011. Please note that a number of small modifications have been incorporated into the reports, including some heading changes, moving reports into different sections, and the addition of a new report. 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 Private Passenger or Commercial Statistical Plans recommendations since the last publication of the Operational Reports.

CAR assessed a total of \$56,850 in the Statistical Data Quality Penalty Program in the 2nd Quarter 2011 Settlement of Balances report.

Section II – Cession/MAIP Placement Record Reporting:

This section has been renamed and includes a new report – MAIP Placement Record Reporting Analysis, which highlights valid and invalid activity related to MAIP Placement Record reporting. CAR solicits responses from companies with excessive error counts and these responses are also included in this section.

CAR mailed the CA5010 - Flat Cancellation report on July 21, 2011 and the documentation is due back at CAR on October 21, 2011. Results to these findings will be posted within the next Operational Report. There were no penalties for the listing run on January 22, 2011.

OPERATIONAL REPORTS 2ND QUARTER 2011

Section III – Residual Market Information:

This section has also been renamed and now includes various status reports related to residual market commercial and private passenger markets share, participation ratios, and quota share.

As of June 2011 the commercial residual market rate equaled 15.7%.

CAR posted the 2nd Quarter 2011 Quarterly Member Participation Reports to its website on September 9, 2011.

Rule 29 credit edit reports can be viewed on CAR's website showing the latest details of a company's monthly error results.

Section IV – Accounting System Processing:

CAR produced 2nd Quarter 2011 Critical Error Loss Write-Offs and 10% Loss of Investment Fees totaling \$218,223 and \$3,000 respectively.

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2010 and 2011 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 posted to CAR's website on September 19, 2011.

Section V - Statistical Agent Functions:

First Quarter 2011 Statutory Page 14 data was due back at CAR on June 15, 2011. Penalties amounted to \$400 for companies submitting late/missing data after the due date. The Reconciliation Responses for First Quarter 2011 were due back on August 8, 2011 and there were no late responses for this period. These penalties were included in with Second Quarter 2011 Settlement of Balances. CAR is currently collecting the Second Quarter Statutory Page 14 data due on September 15, 2011. The Reconciliation Reporting for Second Quarter will be processed approximately October 3, 2011.

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

Section VI – Communications:

CAR added functionality for Security Administrators to update the activity status, update the e-mail addresses, and process changes to a user's security profile. If you need access to the reports, please contact your company's security administrator to request access.

**OPERATIONAL REPORTS
2ND QUARTER 2011**

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 2011 as of the second quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

2011 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2011	March 15, 2011	1 st Qtr
February 2011	April 15, 2011	
March 2011	May 16, 2011	
April 2011	June 15, 2011	2 nd Qtr
May 2011	July 15, 2011	
June 2011	August 15, 2011	
July 2011	September 15, 2011	3 rd Qtr
August 2011	October 17, 2011	
September 2011	November 15, 2011	
October 2011	December 15, 2011	4 th Qtr
November 2011	January 16, 2012	
December 2011	February 15, 2012	

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, 2011.

**OPERATIONAL REPORTS
2ND QUARTER 2011**

I. STATISTICAL SYSTEM (continued)

2011 Timeliness Report

<i>CO NO</i>	<i>Jan 3/15</i>	<i>Feb 4/15</i>	<i>Mar 5/16</i>	<i>Apr 6/15</i>	<i>May 7/15</i>	<i>Jun 8/15</i>	<i>July 9/15</i>	<i>Aug 10/17</i>	<i>Sep 11/15</i>	<i>Oct 12/15</i>	<i>Nov 1/17</i>	<i>Dec 2/15</i>
089	COM	COM	COM	COM	COM	COM						
091	COM	COM	COM	COM	COM	COM						
101			COM									
107						COM						
154		COM										
156		COM										
293	COM											
465						COM						
559	COM	COM	COM	COM	COM	COM						
612						PP						
695						COM						
785	PP	PP										
792		COM										
907	PP	COM										
941	COM	COM	COM	COM	COM	COM						
943	PP	COM										
971	COM	COM	COM	COM	COM	COM						

OPERATIONAL REPORTS 2ND QUARTER 2011

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, reconciliation responses, and failure to reduce a statistical shipment's error percent to below 5%.

For 2nd Quarter 2011, CAR assessed a total penalty amount of \$56,850. The table below shows the detail penalties for each company.

Penalty Assessments 2nd Quarter 2011

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
089	AM Guaranty & Liability Ins Co	Late MAS - 02/2011	\$ 6,000
089	AM Guaranty & Liability Ins Co	Late MAS - 03/2011	\$ 3,000
089	AM Guaranty & Liability Ins Co	Late MAS - 04/2011	\$ 3,000
091	American Zurich Insurance Co	Late MAS - 03/2011	\$ 3,000
103	American Insurance Co	Stat Error > 5% - 03/2011	\$ 150
107	Old Republic General Ins Co	Late MAS - 06/2011	\$ 500
110	Knightbrook Insurance Co	Late Page 14 - 1Q 2011	\$ 200
154	Arbella Protection Insurance Co	Stat Error > 5% - 02/2011	\$ 150
155	Argonaut Insurance Co	Stat Error > 5% - 03/2011	\$ 300
201	Chartis Property Casualty Ins Co	Stat Error > 5% - 05/2011	\$ 150
201	Chartis Property Casualty Ins Co	Stat Error > 5% - 06/2011	\$ 450
229	Clarendon National Insurance Co	Stat Error > 5% - 01/2011	\$ 150
230	Praetorian Insurance Co	Stat Error > 5% - 03/2011	\$ 300
362	Farm Family Casualty Ins Co	Stat Error > 5% - 04/2011	\$ 600
439	Great American Insurance Co	Stat Error > 5% - 03/2011	\$ 150
559	Maryland Casualty Insurance Co	Late MAS - 02/2011	\$ 6,000
559	Maryland Casualty Insurance Co	Late MAS - 03/2011	\$ 3,000
559	Maryland Casualty Insurance Co	Late MAS - 04/2011	\$ 3,000
561	Markel Insurance Co	Stat Error > 5% - 03/2011	\$ 150
612	NGM Insurance Co	Late MAS - 06/2011	\$ 500
620	Nat'l Independent Truckers Ins Co	Late MAS - 03/2011	\$ 500
620	Nat'l Independent Truckers Ins Co	Stat Error > 5% - 03/2011	\$ 150
623	National Surety Corp	Stat Error > 5% - 03/2011	\$ 150
686	Occidental Fire & Casualty Co.	Stat Error > 5% - 03/2011	\$ 150
695	Old Republic Insurance Co	Late MAS - 06/2011	\$ 500
756	RLI Insurance Co	Stat Error > 5% - 03/2011	\$ 150
837	T.H.E Insurance Co	Stat Error > 5% - 03/2011	\$ 150
894	Twin City Fire Insurance Co	Stat Error > 5% - 02/2011	\$ 150

**OPERATIONAL REPORTS
2ND QUARTER 2011**

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
2nd Quarter 2011

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
941	Universal Underwriters Ins Co	Late MAS - 02/2011	\$ 6,000
941	Universal Underwriters Ins Co	Late MAS - 03/2011	\$ 3,000
941	Universal Underwriters Ins Co	Late MAS - 04/2011	\$ 3,000
971	Zurich Insurance Co	Late MAS - 02/2011	\$ 6,000
971	Zurich Insurance Co	Late MAS - 03/2011	\$ 3,000
971	Zurich Insurance Co	Late MAS - 04/2011	\$ 3,000
985	Core Pointe Insurance Co	Late Page 14 - 1Q 2011	\$ 200
		Total	\$ 56,850

**OPERATIONAL REPORTS
2ND QUARTER 2011**

I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
January 1, 2011	<p>The following modification has been made to Part VII – Statistical Data Quality Program:</p> <p>To eliminate the need to update error code references upon the addition or deletion of new/obsolete statistical edits, all references to specific statistical and verification errors have been removed from the Statistical Data Quality Program. Companies are referred to CAR's Statistical Edit Package for a description of all statistical and verification errors.</p>	Approved by the Division of Insurance on February 23, 2011

**OPERATIONAL REPORTS
2ND QUARTER 2011**

I. STATISTICAL SYSTEM (continued)

Massachusetts Commercial Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
January 1, 2011	<p>The following modifications have been made to Part VII – Statistical Data Quality Program:</p> <p>To eliminate the need to update error code references upon the addition or deletion of new/obsolete statistical edits, all references to specific statistical and verification errors have been removed from the Statistical Data Quality Program. Companies are referred to CAR's Statistical Edit Package for a description of all statistical and verification errors.</p> <p>Several of the penalty amount values contained in the Statistical Data Quality Program were not updated when previously filed with the Division of Insurance in November 2009. All penalty amount values are now consistent within this section of the Plan.</p>	Approved by the Division of Insurance on February 23, 2011

Approved Effective Date	Description	Status
January 1, 2012 (Optional for policies effective July 1, 2011 – December 31, 2011)	<p>To properly verify physical damage premium dollars and claims reported for vehicles coded with Symbol Code 12 (Original Cost New of \$90,001 and greater), a new field named Original Cost New Code has been added to the physical damage premium and loss record layouts in field positions 56-58. Companies are required to report a vehicle's Original Cost New, rounded to the nearest \$1,000, in this field.</p> <p>It is mandatory to report the Original Cost New Code for policies effective January 1, 2012 and subsequent. However, this field may be optionally reported for policies with effective dates of July 1, 2011 through December 31, 2011.</p>	Approved by the Division of Insurance on February 23, 2011

OPERATIONAL REPORTS 2ND QUARTER 2011

II. CESSION/MAIP PLACEMENT RECORD REPORTING

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 2011, CAR accepts cession records and cession corrections on commercial business for policy years 2009-2011. On private passenger business, CAR accepts cession records and cession corrections for policy dates 1/1/2009 – 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.

CAR Staff has had no requests to process cession backdate appeals since the last publication of the Operational Reports written as of June 24, 2011.

OPERATIONAL REPORTS 2ND QUARTER 2011

II. CESSION/MAIP PLACEMENT RECORD REPORTING (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 August 16, 2011 monitoring policy years 2009, 2010 and 2011 for 2nd Quarter 2011.

Please note CAR no longer monitors Private Passenger business in this system.

CAR produced the Second Quarter 2011 CR215R and notified those companies who had exceeded the over 5% and 25 policies tolerance. Companies contacted must respond with an explanation in writing as to why the volume of backdated business is high. The due date for the response is October 31, 2011. This exhibit identifies those companies who have exceeded those established thresholds.

Policy Year	Company
2011	734 – Pilgrims Insurance

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
2ND QUARTER 2011**

II. CESSION/MAIP PLACEMENT RECORD REPORTING (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	571	19	3.3	0.0	2,607	0
279	34	0	0.0	0.0	0	0
455	454	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	1,623	52	3.2%	N/A	2,607	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
2ND QUARTER 2011**

II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

Policy Year 2010
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	551	13	2.4	0.0	0	0
279	29	1	3.4	0.0	0	0
455	260	9	3.5	0.0	1,131	0
717	236	0	0.0	0.0	0	0
734	226	23	10.2 #	0.0	0	0
735	8	1	12.5 #	0.0	0	0
773	3	0	0.0	0.0	0	0
Totals	1,313	47	3.6%	N/A	1,131	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.*)

Policy Year 2011
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	408	5	1.2	1.2	0	0
279	14	1	7.1 #	-9.6	0	0
455	116	0	0.0	0.0	0	0
717	104	0	0.0	0.0	0	0
734	132	52	39.4 *	-1.5	7,167	0
735	4	1	25.0 #	0.0	0	0
773	1	0	0.0	0.0	0	0
Totals	779	59	7.6%	N/A	7,167	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
2ND QUARTER 2011**

II. CESSION/MAIP PLACEMENT RECORD REPORTING (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 24, 2011 and the documentation was due back on April 22, 2011. Upon reviewing the documentation, there were no penalties assessed from this reporting period. CAR has processed the second CA5010 and mailed it to the industry in late July. Responses to this listing are due back on October 31, 2011.

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II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

D. MAIP Placement Record Reporting Analysis

On a monthly basis, CAR reviews the quality of MAIP Placement Record reporting and produces a report which highlights the error counts for various types of errors. Companies with excessive error counts are contacted and requested to research the cause of its reporting problem and if appropriate provide a corrective action plan. The MPRs with No Premium and the MAIP Premium with No MPR reflect statistically reported data for 11 policy effective months.

COMMONWEALTH AUTOMOBILE REINSURERS MAIP PLACEMENT RECORD REPORTING ANALYSIS Reflects Statistically Reported Data for Policy Effective Months 07/2010 to 06/2011 Reflects MAIP Placement Record Reported Data as of August 19, 2011

Company	Missing MPRs	MPRs with Non-Fatal Errors	Rejected Take-Out Credits	MPRs with No Premium	MAIP Premium with No MPR	Active MPRs
045	3	0	0	14	19	367
153	146	162	324	251	22	12,413
202	0	0	0	0	0	162
262	0	0	507	7	1	1,126
279	13	9	22	4	3	37,796
308	1	0	0	1	0	744
312	0	8	5	0	1	1,420
331	0	3	0	0	4	3,463
354	5	1	0	2	43	6,837
363	4	0	0	1	1	656
422	1	0	0	0	0	281
514	0	0	0	1	1	1,945
531	5	1	0	2	0	633
585	15	104	0	6	55	3,284
612	6	0	0	0	2	3,004
664	7	4	1	0	30	1,769
723	2	2	3	0	1	13,046
731	0	3	258	45	6	2,023
773	1	17	24	1	2	23,682
826	0	2	2	0	0	1,447
908	17	0	0	2	5	6,810
988	0	0	0	0	0	4,950
Industry Average	10	14	52	15	9	5,812

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II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

E. MAIP Placement Record Reporting Analysis (continued)

COMMONWEALTH AUTOMOBILE REINSURERS
MAIP PLACEMENT RECORD REPORTING ANALYSIS
COMPANY RESPONSES

Company	Date Identified	Response
153	Ongoing	Company was recently contacted and is researching reporting issue.
354	Ongoing	Company splits motorcycle/auto MAIP policies. Since they can not submit two MPRs for one certification number, motorcycle policies will only be statistically reported and will not have a corresponding MPR.
585	3 rd Qtr 2010	Company was recently contacted and is researching reporting issue.
664	Ongoing	Company will be sending in cancellation premium for the active MAIP Premium with No MPR.
731	2 nd Qtr 2011	The MPRs with No Premium are policies that were renewed voluntary but were submitted as MAIP in error. These policies are in the process of being corrected.

OPERATIONAL REPORTS 2ND QUARTER 2011

III. RESIDUAL MARKET INFORMATION

A. Residual Market Volumes

The private passenger and commercial residual market volume results for the past five years are highlighted in the chart below. The residual market 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
2007	4.3%	22.3%	Final Result
2008	2.9%	19.0%	Final Result
2009	2.3%	16.5%	Final Result
2010	N/A	15.1%	Final Result
2011	N/A	15.7%	As of June 2011

Private passenger and commercial residual market volume reports are available on CAR's website (www.commauto.com). You can also view your company's residual market volume figures via CAR's telecommunications system. The On-line Telecommunications Manual provides the specific instructions for accessing the reports.

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

Policy Year P.D.L. Exposures

	2011 @ 06 Months	% Total		2010 @ 12 Months	% Total
MAIP Assigned (CAR-ID 9)	66,003	2.8%		111,807	2.6%
MAIP Retained (CAR-ID 8)	2,161,697	93.0%		3,952,288	92.8%
Clean-In-Three (CAR-ID 1)	96,551	4.2%		197,169	4.6%
Total	2,324,251	100.0%		4,261,264	100.0%

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III. RESIDUAL MARKET INFORMATION (continued)

C. Production of Quarterly Participation Reports

CAR posted the 2nd Quarter Member Participation Reports to its website on September 9, 2011. 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.

D. Participation Base Data

The 2nd Quarter 2011 estimated Participation Ratios using data reported through June 30, 2011 will be posted to CAR's website by September 30, 2011.

E. Rule 12 Participation Credits

CAR ran the final Rule 12 credit edit reports in early May, 2010. These reports are still available on CAR's website under the Data Reporting and Quality Reports page.

F. CAR Financial Results

The ultimate policy year deficit projections, as of June 2011, for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Private Passenger	Commercial
2008	(48,996)	726
2009	(9,749)	(1,017)
2010	N/A	(5,876)

This data can be found on CAR's website (www.commauto.com) in the Financial Reports area using the Deficit Projections link.

G. Quota Share

CAR posted the June 2011 Monthly Quota Share and Assignment Order Report to its website on August 26, 2011. The report has been updated to include statistical data for July 2010 to June 2011 effective month policies reported through August 15, 2011. Member Companies can also view additional reports that provide detailed information about the data used in the Quota Share calculation on CAR's website in the MAIP section under Company.

**OPERATIONAL REPORTS
2ND QUARTER 2011**

III. RESIDUAL MARKET INFORMATION (continued)

H. Rule 29 Voluntary Credits

CAR ran the Rule 29 credit edit reports for December effective date data in 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 October, 2009 accounting date.

Accounting Date	Reported Credit Premium	Adjusted Credit Premium	Rule 29 Credit Impact	Error Percentage
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%
April 2010	518,613,145	516,527,075	-2,086,070	0.40%
May 2010	516,560,318	513,107,160	-3,453,158	0.67%
June 2010	510,469,897	506,671,089	-3,798,808	0.74%
July 2010	504,282,298	500,104,630	-4,177,668	0.83%
August 2010	498,524,056	494,149,614	-4,374,442	0.88%
Sept. 2010	492,640,139	488,275,230	-4,364,909	0.89%
Oct. 2010	487,767,726	484,431,955	-3,335,771	0.68%
Nov. 2010	485,195,191	481,860,909	-3,334,282	0.69%
Dec. 2010*	502,637,208	493,960,401	-8,676,807	1.73%
Jan. 2011*	499,424,037	493,594,337	-5,829,700	1.17%
Feb. 2011*	520,558,403	512,722,811	-7,835,592	1.51%
March 2011*	520,012,380	512,141,580	-7,870,800	1.51%
April 2011*	521,886,203	513,545,620	-8,340,583	1.60%
May 2011*	523,143,948	514,912,551	-8,231,397	1.57%
June 2011*	523,665,189	515,848,901	-7,816,288	1.49%

*** There are 3 new Companies with reporting errors causing the large increase in the error percentage.**

OPERATIONAL REPORTS 2ND QUARTER 2011

IV. ACCOUNTING SYSTEM

A. Update of the Online Accounting System

CAR updates the online accounting system every Thursday night. Accordingly, all new premiums and loss activity and all correction activity are posted to the system on Thursday evenings and viewable to the industry on Friday mornings. This schedule deviates on the due date for each month. The table below shows the quarter ending schedule for updates to the CAR accounting system.

Month	MAS Due Date	Accounting System Update	Quarter
January 2011	March 15, 2011	March 18, 2011	1st Quarter 2011
February 2011	April 15, 2011	April 20, 2011	
March 2011	May 16, 2011	May 19, 2011	
April 2011	June 15, 2011	June 17, 2011	2 nd Quarter 2011
May 2011	July 15, 2011	July 19, 2011	
June 2011	August 15, 2011	August 17, 2011	
July 2011	September 15, 2011	September 16, 2011	3 rd Quarter 2011
August 2011	October 17, 2011	October 20, 2011	
September 2011	November 15, 2011	November 17, 2011	
October 2011	December 15, 2011	December 16, 2011	4 th Quarter 2011
November 2011	January 16, 2012	January 20, 2012	
December 2011	February 15, 2012	February 16, 2012	

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 2011.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for September 2011 through February 2012 are shown following the 2nd Quarter Write-Off exhibit.

**OPERATIONAL REPORTS
2ND QUARTER 2011**

IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Loss Write-Off – 2nd Quarter 2011

Company	May 2011	June 2011	July 2011	Total
154	0	-1,212	0	-1,212
194	170,001	0	0	170,001
331	7,900	31,971	9,523	49,394
773	0	20	20	40
Industry	177,901	30,779	9,543	218,223

2nd Quarter 2011 – 10% Loss of Investment Fees

Company	May 2011	June 2011	July 2011	Total
331	151	2569	276	2,996
773	0	2	2	4
Total	151	2,571	278	3,000

Potential Loss Write-Off September 2011 through February 2012

Company	September 2011	October 2011	November 2011	December 2011	January 2012	February 2012	Grand Total
045	0	0	8,170	2,332	0	0	10,502
154	405	0	0	4,500	0	0	4,905
209	0	0	700	0	0	0	700
312	34,574	0	0	0	0	0	34,574
331	9,018	0	-8,406	13,227	-2,689	0	11,150
723	2,502	0	0	0	0	0	2,502
Totals	46,499	0	464	20,059	-2,689	0	64,333

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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 Penalties
2010 and 2011 Policy Effective Years Monitored

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

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Penalty
3	154	02	1.12	38	\$200

2011 Effective Year Non-Critical Errors Over Tolerance – Potential Penalty

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Penalty
5	154	02	1.22	36	\$300

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IV. ACCOUNTING SYSTEM (continued)

D. Ceded Premium In Error – Limited Commercial Servicing Carriers

The exhibit below shows a summary of ceded premium in critical error. Companies can view their critical error policies via CAR's telecommunications system within the accounting corrections application. CAR is providing this information as a way for Limited Commercial Servicing Carriers to monitor both their ceded premium and ceded loss reporting to correct any errors prior to a write-off or close of a policy effective reporting year.

Company	Policy Effective Year	Critical Premium Dollars	Error Percent
154	2009	52,693	0.33
154	2010	69,421	0.46
154	2011	46,583	0.39
245	2009	0	0.00
245	2010	0	0.00
245	2011	9,340	0.12
279	2009	0	0.00
279	2010	0	0.00
279	2011	0	0.00
455	2009	0	0.00
455	2010	0	0.00
455	2011	0	0.00
717	2009	0	0.00
717	2010	0	0.00
717	2011	0	0.00
734	2009	0	0.00
734	2010	0	0.00
734	2011	0	0.00
735	2009	0	0.00
735	2010	0	0.00
735	2011	0	0.00
773	2009	0	0.00
773	2010	0	0.00
773	2011	0	0.00
Total Ind		178,037	0.07

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 2011 forecasting reports on September 19, 2011.

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IV. ACCOUNTING SYSTEM (continued)

F. 2009 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 2009 effective date policies and for historical information.

Year	PP Penalty	Commercial Penalty	Taxi/Limo/CAR Service Penalty
2009	\$1,400	\$4,900	\$7,700
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

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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 on the due date of each month. The table below shows the quarter ending schedule for updates to the statistical system.

Month	MAS Due Date	Statistical System Update	Quarter
January 2011	March 15, 2011	March 18, 2011	1st Quarter 2011
February 2011	April 15, 2011	April 20, 2011	
March 2011	May 16, 2011	May 19, 2011	
April 2011	June 15, 2011	June 16, 2011	2 nd Quarter 2011
May 2011	July 15, 2011	July 19, 2011	
June 2011	August 15, 2011	August 18, 2011	
July 2011	September 15, 2011	September 16, 2011	3 rd Quarter 2011
August 2011	October 17, 2011	October 18, 2011	
September 2011	November 15, 2011	November 16, 2011	
October 2011	December 15, 2011	December 16, 2011	4 th Quarter 2011
November 2011	January 16, 2012	January 17, 2012	
December 2011	February 15, 2012	February 16, 2012	

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 2011	June 15, 2011	July 1, 2011	Approx. August 5, 2011
2nd 2011	September 15, 2011	October 3, 2011	Approx. November 4, 2011
3rd 2011	December 15, 2011	January 2, 2012	Approx. February 3, 2012
4th 2011	March 15, 2012	April 2, 2012	Approx. May 4, 2012

The Annual Statement collection of Page 14's for First Quarter 2011 was due on June 15, 2011. Penalties for late pg 14 amounted to \$400. Reconciliation First Quarter 2011 responses were due August 8, 2011. There were no late company responses for Reconciliation. Page 14 penalties were included in Second Quarter Settlement of Balances. CAR is currently collecting Second Quarter 2011 Annual Statement Statutory Page 14 data due at CAR on September 15, 2011. Second Quarter 2011 Reconciliation Reports are anticipated to run on our about October 3, 2011.

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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.

	Line of Business	Eligible Records	Records in Error	Error %
COMM 2010 EFF YEAR	Liability	47,996	646	1.35%
	No Fault	34,404	283	0.82%
	Physical Damage	25,332	247	0.98%
	Total	107,702	1,176	1.09%
COMM 2011 EFF YEAR	Liability	31,644	391	1.24%
	No Fault	23,777	80	0.34%
	Physical Damage	17,766	227	1.28%
	Total	73,187	698	0.95%

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.

Rate Edit - Over Tolerance Exhibit

Co No	PP/Comm	Policy Year	Subline	Due Date	Err %	# Records in Error
154	Comm	2011	Liability	3/15/2012	2.24%	131
455	Comm	2011	Liability	2/15/2012	2.02%	115
773	Comm	2011	No Fault	2/15/2012	2.83%	59

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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 6/2011

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
041	1,500	308	20.53
099	3,008	2,592	86.17
153	4,077,386	1,297,897	31.83
155	83,881	22,686	27.05
195	102	24	23.53
205	41	26	63.41
261	20,255	19,304	95.30
283	9,980	5,970	59.82
343	253,340	105,615	41.69
429	1,472,364	500,160	33.97
444	10,824	2,682	24.78
460	11,509	3,214	27.93
474	10,865	7,636	70.28
486	20,142	6,552	32.53
503	967	348	35.99
626	225,586	114,136	50.60
627	8,160	5,804	71.13
643	4,235	2,122	50.11
667	1,391	318	22.86
688	2,859	876	30.64
734	7,617	2,322	30.48
735	120,739	53,537	44.34
737	129,503	62,648	48.38
752	11,988	2,483	20.71
828	112,015	33,747	30.13
902	123,717	64,570	52.19
962	8	2	25.00
963	182,424	73,230	40.14
989	32,184	15,274	47.46

Total Industry	32,683,872	3,095,612	9.47
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The 2011 washout total following the 6/2010 shipments was 4.36%.

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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 program was developed to ensure the quality of rate making data is appropriated with quota share data. The Distributional Analysis report ran mid September 2011. Companies with discrepancies will be emailed for a response. Contact the Compliance Audit Department for any correspondences.

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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 changed the Shipment Activity Report located under the Data Reporting & Quality report link to show the number of error records and error percent for each shipment. This should help companies better monitor their volume of statistical errors without needing to access CAR's telecommunications system.

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 implemented changes to its MAIP Placement Record system to allow certain corrections on existing MAIP Placement records such as policy number and producer code.

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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
Experience Rating	Scheduled for October Implementation	Move the mainframe pieces of the Experience Rating application to CAR's website so that companies don't need to toggle between systems.
Conversion of all MAIP Reports	Completed	Converting all agent and company reports from Crystal to Reporting Services.
Conversion of MA Application	Completed	Converting the MAIP Policy Application from Crystal to Reporting Services.
Rule 21 Down Payment Modifications	Completed	Changes for the new Rule 21 Down Payment modifications for non-renewed three-year MAIP policies for policies effective September 1, 2011 and subsequent.
FTP Conversion	Completed	With the elimination of tape cartridge reporting as of July, 2011, CAR has been working with companies to convert their cartridge data submission to FTP data submission.
FTP Conversion to MRB	Started in September 2011	Move the weekly data transfers from tape cartridge to FTP and convert paper green bar control reports to online secure reports.
Conversion of all Remaining Internet Reports	In progress	Converting internet company reports from Crystal to Reporting Services.