



# 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: December 21, 2007

RE: Operational Reports

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The 3<sup>rd</sup> quarter 2007 Operational Reports follow this memorandum. They include data reported August 16, 2007 through November 15, 2007 for the accounting month period of July 2007 through September 2007. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

### **Section I – Accounting/Statistical Shipments:**

At its November 14, 2007 meeting, the Governing Committee recommended revisions to the Commercial Statistical Plan as summarized below.

The Statistical Data Quality Program language has been modified to reflect new reporting thresholds for newly reporting companies. Once a company has been identified as exceeding the established reporting thresholds, the company must commence statistical reporting to CAR no later than one year from the quarter in which the company first exceeded the threshold. Companies failing to report statistical data to CAR within the prescribed timeframes will be assessed Statistical Data Quality Penalties.

At its November 14, 2007 meeting, the Governing Committee recommended revisions to the Private Passenger Statistical Plan as summarized below.

The current reporting thresholds for newly reporting companies have been eliminated. Once CAR determines that a company has written or intends to write private passenger insurance in Massachusetts, the company must commence statistical reporting to CAR no later than six months subsequent to the month in which the determination was first made. Companies failing to report statistical data to CAR within the prescribed timeframes will be assessed Statistical Data Quality Penalties.

In order to assure proper identification of MAIP business for policies effective April 1, 2008 through March 31, 2009, several new CAR ID Codes have been added.

In order to assure proper identification of MAIP business for policies effective April 1, 2009 and subsequent, several new CAR ID Codes have been added.

CAR assessed a total of \$66,500 to the Statistical Penalty Programs in the 3<sup>rd</sup> Quarter 2007 Settlement of Balances report.

## **OPERATIONAL REPORTS 3RD QUARTER 2007**

### **Section II – Cessions:**

CAR mailed the Flat Cancellation Audit report on July 26, 2007. The results and any assessed penalties will be posted in the next Quarterly Operational Reports.

As of November 21, 2007 the Private Passenger cession rate equaled 4.3%; the commercial cession rate equaled 23.5%.

### **Section III – Quarterly Participation Reports:**

CAR posted the September 2007 Quarterly Member Participation Reports to its website on December 7, 2007.

CAR ran the 3<sup>rd</sup> Quarter 2007 Rule 12 credit edit download reports in mid-December. The tolerance levels for 2007 and 2008 reporting is and will remain at .15%.

### **Section IV – Accounting System Processing:**

CAR produced 3<sup>rd</sup> quarter 2007 Critical Error Write-Offs and 10% Loss of Investment Fees totaling \$181,740 and \$2,687 respectively.

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2006 and 2007 policy effective years following the monthly accounting shipments due the 15<sup>th</sup> 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-December 2007.

### **Section V - Statistical Agent Functions:**

The Reconciliation Responses for 2<sup>nd</sup> Quarter 2007 were due October 11, 2007. The 3<sup>rd</sup> Quarter 2007 Statutory Page 14 entries were due here at CAR on December 17, 2007. The Reconciliation Responses for the 3<sup>rd</sup> Quarter 2007 are to be posted on or about January 2, 2008.

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

### **Section VI – Communications:**

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

**OPERATIONAL REPORTS  
3RD QUARTER 2007**

**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 2007 as of the third quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

<b>2007 CALL SCHEDULE</b>		
<b>Submission</b>	<b>Due Date</b>	<b>Quarter</b>
January 2007	March 15, 2007	1 <sup>st</sup> Qtr
February 2007	April 16, 2007	
March 2007	May 15, 2007	
April 2007	June 15, 2007	2 <sup>nd</sup> Qtr
May 2007	July 16, 2007	
June 2007	August 15, 2007	
July 2007	September 17, 2007	3 <sup>rd</sup> Qtr
August 2007	October 15, 2007	
September 2007	November 15, 2007	
October 2007	December 17, 2007	4 <sup>th</sup> Qtr
November 2007	January 15, 2008	
December 2007	February 15, 2008	

<b>2008 CALL SCHEDULE</b>		
<b>Submission</b>	<b>Due Date</b>	<b>Quarter</b>
January 2008	March 17, 2008	1 <sup>st</sup> Qtr
February 2008	April 15, 2008	
March 2008	May 15, 2008	
April 2008	June 16, 2008	2 <sup>nd</sup> Qtr
May 2008	July 16, 2008	
June 2008	August 15, 2008	
July 2008	September 15, 2008	3 <sup>rd</sup> Qtr
August 2008	October 15, 2008	
September 2008	November 15, 2008	
October 2008	December 17, 2008	4 <sup>th</sup> 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 third quarter, 2007.

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**I. STATISTICAL SYSTEM (continued)**

2007 Timeliness Report

<i>CO NO</i>	<i>Jan 3/15</i>	<i>Feb 4/16</i>	<i>Mar 5/15</i>	<i>Apr 6/15</i>	<i>May 7/16</i>	<i>Jun 8/15</i>	<i>July 9/17</i>	<i>Aug 10/15</i>	<i>Sep 11/15</i>	<i>Oct 12/17</i>	<i>Nov 1/15</i>	<i>Dec 2/15</i>
096		COM				COM						
101									COM			
194			COM									
230									COM			
233				COM								
261			COM									
263			COM									
309				PP								
316		COM										
325						COM						
331			PP	PP		PP						
333						COM						
362									COM			
366									COM			
407						COM						
417									COM			
451						COM						
468					COM							
486	COM						COM	COM				
499			COM									
625									COM			
715						COM						
828	PP											
837			COM						COM			
894	COM		COM									
907		PP										
943		PP										
963	COM	COM							COM			
989			PP									

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3RD QUARTER 2007**

**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 3rd quarter 2007, CAR assessed a total penalty amount of \$66,500. The table below shows the detail penalties for each company.

Penalty Assessments  
3rd Quarter 2007

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
065	American Employers' Ins. Co	Late MAS 6/07	\$300
099	American Home Assurance Co.	Rescinded Stat Err > 5% 4/07	-\$100
155	Argonaut Insurance Company	Non-Compliance Stat Penalty	\$25,000
229	Clarendon National Ins. Co.	Stat Err > 5% 3/07	\$400
229	Clarendon National Ins. Co.	Stat Err > 5% 6/07	\$100
230	Praetorian Insurance Co.	Stat Err > 5% 6/07	\$300
259	Cincinnati Insurance Company	Stat Err > 5% 6/07	\$100
283	Commerce & Industry Ins. Co.	Rescinded Stat Err > 5% 4/07	-\$100
316	Empire Fire and Marine Ins. Co.	Stat Err > 5% 1/07	\$800
316	Empire Fire and Marine Ins. Co.	Stat Err > 5% 4/07	\$400
325	Employers Fire Insurance	Late MAS 6/07	\$300
331	Mass. Homeland Ins. Co.	Late MAS 4/07	\$8,000
331	Mass. Homeland Ins. Co.	Stat Err > 5% 5/07	\$200
331	Mass. Homeland Ins. Co.	Stat Err > 5% 6/07	\$100
331	Mass. Homeland Ins. Co.	Late MAS 6/07	\$300
333	OneBeacon America Ins. Co.	Late MAS 6/07	\$300
407	OneBeacon Insurance Company	Late MAS 6/07	\$300
451	Hudson Insurance Company	Stat Err > 5% 3/07	\$400
474	Holyoke Mutual Insurance Co.	Stat Err > 5% 7/07	\$100
625	American States Insurance Co.	Stat Err > 5% 3/07	\$2,000
625	American States Insurance Co.	Stat Err > 5% 6/07	\$100
715	Pennsylvania General Ins. Co.	Late MAS 6/07	\$300
837	T.H.E. Insurance Company	Stat Err > 5% 3/07	\$400
837	T.H.E. Insurance Company	Late MAS 6/07	\$800
951	Vanliner Insurance Company	Stat Err > 5% 3/07	\$400
951	Vanliner Insurance Company	Stat Err > 5% 6/07	\$300
954	Virginia Surety Company, Inc	Non-Compliance Stat Penalty	\$25,000
			\$66,500

**OPERATIONAL REPORTS  
3RD QUARTER 2007**

**I. STATISTICAL SYSTEM (continued)**

Massachusetts Commercial Statistical Plan  
Approved Modifications

Approved Effective Date	Description	Status
January 1, 2008	<p>The Statistical Data Quality Program has been modified as follows:</p> <ul style="list-style-type: none"> <li>• Once identified as exceeding the established reporting thresholds, the company must commence statistical reporting to CAR no later than one year from the quarter in which the company first exceeded the thresholds. Companies failing to report statistical data to CAR within the prescribed timeframes will be assessed Statistical Data Quality Penalties.</li> <li>• The existing penalty schedule for newly reporting company compliance has been modified.</li> <li>• The penalties assessed for the late submission of statutory Page 14 or a late annual statement reconciliation response will now be assessed on a quarterly as well as an annual basis.</li> </ul> <p>In several sections, wording clarifications have been made.</p>	<p>Approved by the Governing Committee on November 14, 2007.</p>

**OPERATIONAL REPORTS  
3RD QUARTER 2007**

**I. STATISTICAL SYSTEM (continued)**

Massachusetts Private Passenger Statistical Plan  
Approved Modifications

Approved Effective Date	Description	Status
January 1, 2008	<p>The Statistical Data Quality Program has been modified as follows:</p> <ul style="list-style-type: none"> <li>• The current reporting thresholds for newly reporting companies have been eliminated. Once CAR determines that a company has written or intends to write private passenger insurance in Massachusetts, the company must commence statistical reporting to CAR no later than six months subsequent to the month in which the determination was first made. Companies failing to report statistical data to CAR within the prescribed timeframes will be assessed Statistical Data Quality Penalties.</li> <li>• Until the time that the company is able to statistically report its data to CAR, the company must use CAR's statistical accrual application to report summary level data on a monthly basis. Accrual shipments received after the shipment due date will be penalized in the same manner as a late/unacceptable statistical data shipment.</li> <li>• The option of quarterly reporting for low volume companies has been eliminated.</li> <li>• The existing penalty schedule for newly reporting company compliance has been modified.</li> <li>• The penalties assessed for the late submission of statutory Page 14 or a late annual statement reconciliation response will now be assessed on a quarterly as well as an annual basis.</li> </ul> <p>In several sections, wording clarifications have been made.</p>	Approved by the Governing Committee on November 14, 2007.
April 1, 2008	In order to assure proper identification of MAIP business for policies effective April 1, 2008 through March 31, 2009, several new CAR ID Codes have been added.	
April 1, 2009	In order to assure proper identification of MAIP business for policies effective April 1, 2009 and subsequent, several new CAR ID Codes have been added.	

## OPERATIONAL REPORTS 3RD QUARTER 2007

### 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 2007, CAR accepts cession records and cession corrections for policy years 2005-2007.

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 September 25, 2007.



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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
9/6/07	455	1	08/17/007	Yes	Cession above cedable limits
9/20/07	279	8	Various	Yes	Decision to retain the policies as voluntary business was made prior to the policy effective dates.
10/1/07	312	1	6/20/07	Yes	Decision to retain policy as voluntary business was made prior to the policy effective date.
10/22/07	154	23	10/16/07	Yes	Decision to retain policy as voluntary business was made prior to the policy effective date.
10/19/07	279	3	Various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
10/23/07	279	3	Various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
10/25/07	612	2	Various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
11/9/07	154	70	11/7/07	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
11/13/07	279	2	2/16/07 and 7/28/07	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
11/16/07	270	2	10/15/07 and 10/26/07	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.

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**II. CESSION SYSTEM (continued)**

3. CR215 Cessions Automatically Backdated

On a quarterly basis, CAR produces the CR215 report that shows the volume of cessions backdated for involuntary producer business. The program monitors the three current reporting years for cession activity. Accordingly, CAR monitored policy years 2005, 2006 and 2007.

CAR produced the second quarter 2007 CR215R and notified those companies who had exceeded the over 5% and 25 policies tolerance. Companies contacted had to 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 return was on October 27, 2007. The following companies were found to have exceeded the tolerances in the second reporting quarter:

For policy year 2005:

- Company 514 – Liberty Mutual Insurance
- Company 887 – Travelers Indemnity Company

For policy year 2006:

- Company 245 – Premier Insurance Company of Massachusetts
- Company 455 – Hanover Insurance Company
- Company 887 – Travelers Indemnity Company

For policy year 2007:

- Company 245 – The Premier Insurance Company of Massachusetts
- Company 735 – Pilgrim Insurance Company

An industry summary of the CR215 Summary Report of Automatic Backdate Producers and Servicing Carriers' responses to notification of reporting problems are generally provided to the Operations Committee where the committee will consider whether penalties against the Servicing Carrier should be recommended to the Governing Committee in order to assure that the timeliness of the Servicing Carrier's involuntary producer cession reporting is improved. This information can be seen upon request provided by CAR staff. The third quarter report was distributed to the industry on November 29, 2007.

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

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

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**II. CESSION SYSTEM (continued)**

Policy Year 2005  
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
045	685	20	2.9	0.0	642	0
279	2,434	9	0.4	0.0	0	0
514	60	1	1.7	0.0	0	0
585	103	2	1.9	0.0	0	0
602	273	15	5.5 #	0.0	2,226	0
612	24	0	0.0	0.0	0	0
723	2,924	13	0.4	0.0	0	0
773	6,619	24	0.4	0.0	0	0
826	570	1	0.2	0.0	0	0
908	7,749	295	3.8	0.0	37,438	8,153
Totals	21,441	380	1.8%	N/A	40,306	8,153

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATE D	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
049	291	8	2.7	0.0	0	0
102	149	9	6.0 #	0.0	0	0
152	260	15	5.8 #	0.0	337	0
194	113	6	5.3 #	0.0	0	0
279	344	9	2.6	0.0	0	0
333	332	6	1.8	0.0	0	0
438	369	12	3.3	0.0	0	0
455	205	14	6.8 #	-0.1	24,018	0
514	338	41	12.1 *	0.0	1,986	0
612	29	21	72.4 #	0.0	0	0
644	32	1	3.1	0.0	0	0
734	450	24	5.3 #	-0.1	1,887	0
735	31	5	16.1 #	0.0	0	0
751	7	5	71.4 #	0.0	631	0
773	307	2	0.7	0.0	0	0
887	1,680	160	9.5 *	0.0	19,018	0
929	47	1	2.1	0.0	0	0
Totals	4,984	339	6.8% *	N/A	47,877	0

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

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

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**II. CESSION SYSTEM (continued)**

Policy Year 2006  
Private Passenger

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

Commercial

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

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

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

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**II. CESSION SYSTEM (continued)**

Policy Year 2007  
Private Passenger

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

Commercial

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

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

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

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**II. CESSION SYSTEM (continued)**

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 July 26, 2007 and the documentation was due back at CAR by October 26, 2007. Upon reviewing the documentation, CAR will assess any penalties to those companies in the next quarter Settlement of Balances Reports.

D. Cession Volumes

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

<b>Effective Year</b>	<b>Private Passenger Cession %</b>	<b>Commercial Cession %</b>	<b>Time Period</b>
2002	7.5%	28.0%	Final Result
2003	6.9%	27.9%	Final Result
2004	6.7%	26.9%	Final Result
2005	6.2%	26.2%	Final Result
2006	4.9%	25.4%	Final Result
2007	4.3%	23.5%	As of Sept 2007

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](http://www.commauto.com)). The On-line Telecommunications Manual provides the specific instructions for accessing the reports.

**OPERATIONAL REPORTS  
3RD QUARTER 2007**

**III. QUARTERLY PARTICIPATION**

A. Production of Quarterly Participation Reports

CAR posted the September 2007 Quarterly Member Participation Reports to its website on December 7, 2007. 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 3<sup>rd</sup> Quarter 2007 estimated Participation Ratios using data reported through September 30, 2007, will be posted to CAR's website by December 31, 2007.

C. Rule 12 Participation Credits

CAR ran the Rule 12 credit edit reports for 3<sup>rd</sup> Quarter 2007 in mid-December. These reports are available on CAR's website under the Data Reporting and Quality Reports page.

The Rule 12 tolerance level is set on an annual basis. For rating year 2008, the Governing Committee approved a tolerance level of 0.15%. The table below shows a nine-year history of the Rule 12 tolerance level and the industry's error percent.

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 (3 <sup>rd</sup> Qtr)	0.15%	1.51%	1.56%
2008	0.15%	N/A	N/A

**OPERATIONAL REPORTS  
3RD QUARTER 2007**

**III. QUARTERLY PARTICIPATION (continued)**

D. CAR Financial Results

The ultimate policy year deficit projections, as of September 2007, for the latest three policy years are as follows:

(Numbers are in \$000s)

<b>Policy Year</b>	<b>Private Passenger</b>	<b>Commercial</b>
2005	(101,183)	24,673
2006	(92,930)	15,736
2007	(105,777)	16,996



**OPERATIONAL REPORTS  
3RD QUARTER 2007**

**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.

<b>Quarter</b>	<b>MAS Due Date</b>	<b>Statistical System Update</b>
1st Quarter 2007	May 15, 2007	May 16, 2007
2nd Quarter 2007	August 15, 2007	August 16, 2007
3rd Quarter 2007	November 15, 2007	November 16, 2007
4th Quarter 2007	February 15, 2008	February 16, 2008

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 third quarter 2007.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for December 2007 through May 2008 are shown following the 3<sup>rd</sup> quarter write-off exhibit.

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**IV. ACCOUNTING SYSTEM (continued)**

B. Critical Error Write-Off (continued)

Write-Off – 3<sup>rd</sup> Quarter 2007

<b>Company</b>	<b>Aug 2007</b>	<b>Sept 2007</b>	<b>Oct 2007</b>	<b>Total</b>
045	0	6,587	353	6,940
049	73,074	0	169	73,243
153	58	5,300	0	5,358
154	0	0	-45	-45
194	913	6,221	1,715	8,849
209	0	1,165	-8,332	-7,167
312	0	3,041	296	3,337
317	967	0	0	967
331	-49,203	8,473	279	-40,451
333	23,050	0	1,718	24,768
455	0	0	-70	-70
481	0	0	19,453	19,453
664	0	44,900	-6,195	38,705
723	45,110	494	3,437	49,041
887	-249	-6,022	-174	-6,445
894	0	0	8,000	8,000
988	0	0	-2,743	-2,743
<b>INDUSTRY</b>	93,720	70,159	17,861	181,740

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**IV. ACCOUNTING SYSTEM (continued)**

B. Critical Error Write-Off (continued)

3<sup>rd</sup> Quarter 2007 – 10% Loss of Investment Fees

<b>Co No</b>	<b>Aug 2007</b>	<b>Sept 2007</b>	<b>Oct 2007</b>	<b>Total</b>
045	0	521	0	521
049	186	0	17	203
194	87	0	79	166
209	0	117	-833	-716
312	0	304	0	304
317	97	0	0	97
331	595	0	0	595
333	22	0	0	22
664	0	362	83	445
723	250	0	0	250
894	0	0	800	800
<b>Total</b>	1,237	1,304	146	2,687

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**IV. ACCOUNTING SYSTEM (continued)**

B. Critical Error Write-Off (continued)

Potential Loss Write-Off December 2007 through May 2008

<b>Company</b>	<b>December 2007</b>	<b>January 2008</b>	<b>February 2008</b>	<b>March 2008</b>	<b>April 2008</b>	<b>May 2008</b>	<b>Grand Total</b>
045	449	0	0	0	0	291	740
049	204	482	61	0	0	0	747
152	0	11,386	0	0	0	0	11,386
153	4,270	11,596	252,438	530,153	866,857	593,343	2,258,657
154	61,258	2,965	49,839	12,187	1,741	339	128,329
194	-474	0	0	0	0	0	-474
198	6,069	0	0	0	0	0	6,069
209	1,692	0	0	84,162	0	0	85,854
245	2,060	0	0	0	0	6,838	8,898
312	1,898	0	0	3,322	5,525	6,291	17,036
331	76,633	41,440	-423	173,831	21,259	47,581	360,321
333	235	737	720	0	0	0	1,692
455	-1,559	17,460	4,015	3,902	10,748	14,914	49,480
481	2,201	0	0	0	0	0	2,201
514	0	4,030	0	17	1,469	58	5,574
585	-500	0	0	0	1,149	0	649
664	3,911	0	0	0	0	0	3,911
723	0	0	0	-820	143	2,172	1,495
731	6,652	0	0	31,570	0	0	38,222
734	0	0	252	0	72	0	324
767	2,976	0	0	0	0	0	2,976
887	-1,031	312	0	0	0	19,597	18,878
894	0	0	0	11,407	4,996	0	16,403
908	0	0	0	0	0	1,626	1,626
963	0	0	0	333	0	0	333
<b>Totals</b>	<b>166,944</b>	<b>90,408</b>	<b>306,902</b>	<b>850,064</b>	<b>913,959</b>	<b>693,050</b>	<b>3,021,327</b>

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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  
2006 & 2007 Policy Effective Years

2006 Non-Critical Errors Over Tolerance - Potential Penalty

**There were no companies facing a potential penalty for policy effective year 2006 at this time.**

2007 Non-Critical Error Over Tolerance - Potential Penalty

<b>Times Identified</b>	<b>Company</b>	<b>Error Code</b>	<b>Percent in Error</b>	<b># Policies in Error</b>	<b>Penalty</b>
1	731	04	1.90	126	\$3,000
1	731	05	1.27	84	\$900
6	735	02	1.68	89	\$1,800

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**IV. ACCOUNTING SYSTEM (continued)**

D. Company Reporting Profiles

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

CAR produced and posted the six-month 2007 company profile reports to its website in October 2007. The reports are located under the Data Reporting and Quality tab on the reports page and then under company status reports.

E. Penalty Forecasting Program

CAR produces the Penalty Forecasting exhibits in March, June, September, and December. The program helps companies in their correction efforts and helps Servicing Carriers track potential future penalties if corrective actions are not taken by the companies. If you do not have access to the reports, please contact your company's Security Administrator to request access.

CAR posted the 3<sup>rd</sup> quarter 2007 forecasting reports in mid-December 2007.

F. Cession/No Premium Penalties

On November 28, 2007 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 assessment will be included in the 4<sup>th</sup> quarter 2007 Settlement of Balances report.

Co. No.	Penalty Amount
045	\$420
049	\$120
194	\$480
245	\$1,860
312	\$60
331	\$7,320
333	\$600
514	\$39,480
602	\$60
664	\$60
731	\$900
735	\$60
751	\$120
887	\$1,890
894	\$120
948	\$60
963	\$540
971	\$98,760
988	\$300
<b>Total</b>	<b>\$153,180</b>

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**IV. ACCOUNTING SYSTEM (continued)**

G. 2005 Cession/No Premium Write-Off

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

The 2005 write-off is scheduled for April, 2008.

<b>Year</b>	<b>PP Penalty</b>	<b>Commercial Penalty</b>	<b>Taxi/Limo/CAR Service Penalty</b>
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.

<b>Quarter</b>	<b>MAS Due Date</b>	<b>Statistical System Update</b>
1st Quarter 2007	May 15, 2007	May 16, 2007
2nd Quarter 2007	August 15, 2007	August 16, 2007
3rd Quarter 2007	November 15, 2007	November 16, 2007
4th Quarter 2007	February 15, 2008	February 16, 2008

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.

<b>Quarter</b>	<b>Due Date Quarterly Annual Statement</b>	<b>Run Date of the Reconciliation Program</b>	<b>Due Date Reconciliation Response</b>
1st 2007	June 15, 2007	July 2, 2007	Approx. August 1, 2007
2nd 2007	September 17, 2007	October 1, 2007	Approx. November 1, 2007
3rd 2007	December 17, 2007	January 2, 2008	Approx. February 1, 2008
4th 2007	March 17, 2008	April 1, 2008	Approx. May 1, 2008

The Reconciliation response for the 2<sup>nd</sup> quarter was due by November 1, 2007.

CAR is currently collecting the third quarter Annual Statement Reconciliation page 14 data submitted by the industry through manual entry into the website application and was due December 17, 2007. The third quarter 2007 reconciliation is planned to run on or around January 1, 2008.



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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.

	<b>Line of Business</b>	<b>Eligible Records</b>	<b>Records in Error</b>	<b>Error %</b>
<b>PP 2006 EFF YEAR</b>	Liability	6,499,004	30,303	0.47%
	No Fault	5,255,629	11,652	0.22%
	Physical Damage	5,159,686	36,194	0.70%
	Total	16,914,319	78,149	0.46%
<b>PP 2007 EFF YEAR</b>	Liability	6,799,995	15,755	0.23%
	No Fault	5,610,068	6,674	0.12%
	Physical Damage	5,413,712	20,857	0.39%
	Total	17,823,775	43,286	0.24%
<b>COMM 2007 EFF YEAR</b>	Liability	68,384	1,370	2.00%
	No Fault	67,211	7,444	11.08%
	Physical Damage	51,742	1,407	2.72%
	Total	187,337	10,221	5.46%

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)**

C. Rate Edit Processing (continued)

Rate Edit - Over Tolerance Exhibit

<b>Co No</b>	<b>PP/Comm</b>	<b>Policy Year</b>	<b>Subline</b>	<b>Due Date</b>	<b>Err %</b>	<b># Records in Error</b>
152	Comm	2007	Liability	2/15/2008	6.64%	117
154	Comm	2007	Liability	5/15/2008	2.89%	241
734	Comm	2007	Liability	3/15/2008	2.58%	3,062
734	Comm	2007	No Fault	4/15/2008	2.81%	2,244
734	Comm	2007	Physical Dam	3/15/2008	15.92%	710
735	Comm	2007	Liability	1/15/2008	4.21%	9,828
735	Comm	2007	No Fault	1/15/2008	24.19%	29,195
735	Comm	2007	Physical Dam	2/15/2008	9.40%	7,709
908	PP	2007	Physical Dam	5/15/2008	2.12%	14,248

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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 9/07

<b>COMPANY NUMBER</b>	<b>RECORD COUNT</b>	<b>WASHOUT COUNT</b>	<b>WASHOUT PERCENT</b>
099	6,268	15,670	40.00
101	576	2,299	25.05
230	1,936	9,109	21.25
261	552	2,383	23.16
283	1,240	4,244	29.22
393	36	88	40.91
476	5,730	12,080	47.43
625	2,832	7,519	37.66
627	222	368	60.33
643	868	1,274	68.13
667	452	1,296	34.88
701	36	50	72.00
734	17,690	49,816	35.51
735	147,566	407,955	36.17
828	77,615	290,622	26.71
885	5,692	21,001	27.10
919	522	1,553	33.61
927	2,954	8,824	33.48
929	58	216	26.85
948	2,751	12,681	21.69
962	3,958	8,774	45.11
989	10,944	36,364	30.10

Total Industry	2,491,622	61,525,093	4.05
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The 2006 washout total following the 9/2006 shipments was 4.34%.

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**V. STATISTICAL AGENT FUNCTION (continued)**

E. Distributional Analysis

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

CAR will provide the paper reports for circulation until the process is near completion and notification is sent. CAR will process the paper copy reports intended to be distributed to the industry on or about December 21, 2007.

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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 added reports and cubes relative to the Rule 12 Credit Edit. These reports will replace the paper copies that CAR mailed out and will provide additional comparison information. Please contact your company's security administrator if you need access to these reports

CAR added a secure report of error records and summary results when a company exceeds the initial 15% error threshold. This secure report will replace the Excel spreadsheets that CAR previously distributed.

CAR added a MAIP specific section to its website with security for both producers and insurance carriers. It includes a status report, assigned risk producer certification requirements, FAQs, and other MAIP related information. It is updated regularly and is a work in progress as new information comes out. If you have any comments, suggestions, or problems, please contact the Data Operations Department at [dataoperations@commauto.com](mailto:dataoperations@commauto.com) or (617) 850-4420.

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.

<b>Project</b>	<b>Status</b>	<b>Description</b>
Cession Volume	On Hold	Automate the cession volume process for efficiency. The reports will remain on-line but will open as Crystal Reports rather than PDF documents.
Distributional Analysis	On Hold	Automate the Distributional Analysis process and move the reports onto CAR's website.
Experience Rating	In progress	Move the mainframe pieces of the Experience Rating application to CAR's website so that companies don't need to toggle between systems.
MAIP Placement Record	Began August, 2007	Create a method for collecting MAIP Placement Records. These records are necessary to match the policy number on premium and loss statistical records to the assignment records in MAIP. CAR will modify its existing cession programs to collect this data.
MAIP Front-End	In progress Industry-wide testing will begin in January 2008	CAR is creating the assignment application for agents to use when needing to place an insured in the assigned risk plan.