



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 18, 2008

RE: Operational Reports

The 3rd quarter 2008 Operational Reports follow this memorandum. They include data reported August 15, 2008 through November 17, 2008 for the accounting month period of July 2008 through September 2008. 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 19, 2008 meeting, the Governing Committee recommended proposed modification revisions to the Massachusetts Private Passenger Statistical Plan as summarized below.

A recommendation to the Private Passenger Statistical Plan has been forwarded to the Division of Insurance to include an additional CAR Identification Code for policies effective April 1, 2009 and subsequent. The proposed code of 1 will identify written business that meets the Clean-in-Three definition in Rule 22 of the CAR Rules of Operation and meets the voluntary market share exclusion criteria as specified in Rule 29 of the CAR Rules of Operation.

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

CAR assessed a total of \$17,850 Statistical Penalty Programs in the 3rd Quarter 2008 Settlement of Balances report.

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Section II – Cessions:

CAR mailed the Flat Cancellation Audit report on August 8, 2008 and it was due back on October 24, 2008. The results and any assessed penalties will be posted within the 4th Quarterly Operational Reports.

As of November 19, 2008 the Private Passenger cession rate equaled 3.0%; the commercial cession rate equaled 20.6%.

Section III – Quarterly Participation Reports:

CAR posted the September 2008 Quarterly Member Participation Reports to the website on December 5, 2008.

CAR ran the 3rd Quarter 2008 Rule 12 credit edit download reports early December. The industry percentages are at 2.15% for Liability and 2.25% for Physical Damage and the tolerance level will continue to remain at 0.15%

Section IV – Accounting System Processing:

CAR produced 3rd quarter 2008 Critical Error Write-Offs and 10% Loss of Investment Fees totaling \$1,331,676 and \$68,974 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. There were no penalties assessed for either of the reporting years.

The Penalty Forecasting exhibits were made available on-line as of mid-December 2008.

Section V - Statistical Agent Functions:

The Reconciliation Responses for 2nd Quarter 2008 were due October 5, 2008. The 3rd Quarter 2008 Statutory Page 14 entries were due at CAR on December 15, 2008. The Reconciliation Responses for the 3rd Quarter 2008 will be posted on or about January 5, 2009.

All companies that exceed the commercial and private passenger rate edit tolerances get listed on pages proceeding pages 25-26 but for this reporting quarter there were none to report.

Section VI – Communications:

CAR added the Ceded Premium True-Up reports to its website in mid-November 2008. The reports show a detail listing of records processed by the true-up program for the current quarter as well as a confirmation report.

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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 third 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	

2009 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2009	March 16, 2009	1 st Qtr
February 2009	April 15, 2009	
March 2009	May 15, 2009	
April 2009	June 15, 2009	2 nd Qtr
May 2009	July 15, 2009	
June 2009	August 17, 2009	
July 2009	September 15, 2009	3 rd Qtr
August 2009	October 15, 2009	
September 2009	November 16, 2009	
October 2009	December 15, 2009	4 th Qtr
November 2009	January 15, 2010	
December 2009	February 15, 2010	

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, 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	COM					
091			COM	COM	COM	COM	COM					
163				COM								
237	COM											
238	COM											
262				PP								
283					COM							
309	COM			PP								
316			COM									
362		BOTH			PP		BOTH					
451						COM			COM			
460							COM					
474						BOTH						
476					COM	COM						
481		PP										
486							COM					
559		COM	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				COM					
971			COM	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 3rd quarter 2008, CAR assessed a total penalty amount of \$17,850. The table below shows the detail penalties for each company.

Penalty Assessments 3rd Quarter 2008

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
065	Sparta Insurance Company	Rescinded Late Pg 15	\$ (2,050)
089	AM Guaranty & Liability Ins. Co.	Late MAS 6/08	\$ 800
089	AM Guaranty & Liability Ins. Co.	Late MAS 7/08	\$ 300
091	American Zurich Insurance Co.	Late MAS 6/08	\$ 800
127	Great American Ins. Co. of NY	Stat Err > 5% 7/08	\$ 100
155	Argonaut Insurance Company	Stat Err > 5% 3/08	\$ 500
155	Argonaut Insurance Company	Stat Err > 5% 4/08	\$ 200
155	Argonaut Insurance Company	Stat Err > 5% 6/08	\$ 1,200
229	Clarendon National Insurance Co.	Stat Err > 5% 4/08	\$ 100
230	Praetorian Insurance Company	Stat Err > 5% 3/08	\$ 500
230	Praetorian Insurance Company	Stat Err > 5% 6/08	\$ 1,200
262	Citizens Insurance Co. of America	Late MAS 6/08	\$ 300
293	Valley Forge Insurance Company	Stat Err > 5% 4/08	\$ 100
295	Continental Casualty Company	Stat Err > 5% 4/08	\$ 100
362	Farm Family Casualty Ins. Co.	Stat Err > 5% 6/08	\$ 100
362	Farm Family Casualty Ins. Co.	Late MAS 7/08	\$ 300
362	Farm Family Casualty Ins. Co.	Stat Err > 5% 7/08	\$ 400
363	Farm Family Casualty Ins. (B/O)	Rescinded Late Pg 15	\$ (300)
451	Hudson Insurance Company	Late MAS 3/08	\$ 300
451	Hudson Insurance Company	Stat Err > 5% 3/08	\$ 200
451	Hudson Insurance Company	Late MAS 6/08	\$ 300
451	Hudson Insurance Company	Stat Err > 5% 6/08	\$ 200
460	Harleysville Mutual Insurance Co.	Late MAS 7/08	\$ 800
465	Harco National Insurance Co.	Stat Err > 5% 6/08	\$ 300
468	Hartford Fire Insurance Company	Stat Err > 5% 4/08	\$ 100
474	Holyoke Mutual Insurance Co.	Late MAS 6/08	\$ 300
476	Holyoke Mutual Ins. Co. (B/O)	Late MAS 6/08	\$ 300
486	Harleysville Preferred Ins. Co.	Late MAS 7/08	\$ 800

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I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program(cont.)

Co #	Company Name	Assessment	Assessment Amount
559	Maryland Casualty Company	Late MAS 6/08	\$ 800
559	Maryland Casualty Company	Late MAS 7/08	\$ 300
575	Masswest Insurance Company	Stat Err > 5% 5/08	\$ 100
625	American States Insurance Co.	Stat Err > 5% 3/08	\$ 3,200
625	American States Insurance Co.	Late MAS 6/08	\$ 300
625	American States Insurance Co.	Stat Err > 5% 6/08	\$ 700
721	Philadelphia Insurance Company	Rescinded Stat Err > 5% 1/08	\$ (100)
753	Redland Insurance Company	Late MAS 5/08	\$ 2,000
753	Redland Insurance Company	Stat Err > 5% 5/08	\$ 300
753	Redland Insurance Company	Late MAS 6/08	\$ 300
777	Seaco Insurance Company	Stat Err > 5% 6/08	\$ 100
927	United States Fire Insurance Co.	Stat Err > 5% 4/08	\$ 100
956	Wausau Business Insurance Co.	Stat Err > 5% 6/08	\$ 100
963	Harleysville Worcester Ins. Co.	Late MAS 7/08	\$ 800
971	Zurich Insurance Company	Late MAS 6/08	\$ 800
971	Zurich Insurance Company	Late MAS 7/08	\$ 300
996	Indemnity Ins. Co. of America	Rescinded Late Pg 15	\$ (500)
		Total	\$ 17,850

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I. STATISTICAL SYSTEM (continued)

Massachusetts Commercial Statistical Plan
Approved Modifications

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

**OPERATIONAL REPORTS
3RD QUARTER 2008**

I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan
Proposed Modifications

Approved Effective Date	Description	Status
January 1, 2009	<p>The following modifications have been proposed to Part VII – Statistical Data Quality Program in order to assure that a Newly Writing Company begins reporting private passenger statistical data to CAR within specific timeframes based on the effective date of the company's initial private passenger rate filing with the Massachusetts Division of Insurance.</p> <ul style="list-style-type: none"> Newly Writing Companies with private passenger rate filing effective dates occurring in calendar year 2008 must report detailed private passenger data for policies with effective dates of January 1, 2009 and subsequent no later than the March, 2009 statistical shipment. Additionally, the company must report summary level written premium and exposure data for policy effective year 2008 using CAR's statistical accrual application. Newly Writing Companies with private passenger rate filing effective dates occurring in calendar year 2009 must report detailed private passenger statistical data no later than the close of the quarter subsequent to the effective date of the rate filing. Newly Writing Companies with private passenger rate filing effective dates occurring in calendar year 2010 and subsequent must report detailed private passenger statistical data no later than the close of the quarter in which the rate filing is effective. Thereafter, companies will be required to report statistical data to CAR on a monthly basis. Newly Writing Companies that fail to report statistical submissions within the required reporting timeframes will be subject to Statistical Data Quality penalties as follows: <ul style="list-style-type: none"> ◆ If the company fails to meet the initial statistical submission reporting deadline, a \$10,000 penalty will be assessed. ◆ If the non-compliance continues, the company will be assessed penalties on a monthly basis in accordance with Section B.1.b – Late and Unacceptable Shipments. Newly Writing Companies that fail to report summary level written premium and exposure data by the specific due date will be subject to a Statistical Data Quality Penalty of \$50 per business day until CAR receives the summary level data. <p>Language pertaining to reporting requirements and penalties for low volume companies has been eliminated from Part VII – Statistical Data Quality Program.</p>	<p>Approved by CAR's Governing Committee on September 17, 2008.</p> <p>Forwarded to the Division of Insurance for approval.</p>
April 1, 2009	<p>The Private Passenger Statistical Plan has been modified to include an additional CAR Identification Code for policies effective April 1, 2009 and subsequent. The proposed (CAR Identification Code 1) will identify written business that meets the Clean-In-Three definition in Rule 22 of the CAR Rules of Operation and meets the voluntary market share exclusion criteria as specified in Rule 29 of the CAR Rules of Operations.</p>	<p>Approved by CAR's Governing Committee on November 19, 2008.</p> <p>Forwarded to the Division of Insurance for Approval.</p>

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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 September 25, 2008.

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II. CESSION SYSTEM (continued)

TX5 Cession Backdate Log

DATE SUBMITTED	CO NO	NUMBER OF CESSIONS	DATE REQUESTED	BACKDATE GRANTED?	REASON FOR APPROVAL/ DISAPPROVAL
9/19/08	988	6	7/22/08	Yes	Decision to retain policies made prior to the policy effective dates.
9/22/08	988	4	7/24/08	4-Yes	Decision to retain policies made prior to the policy effective dates.
9/22/08	612	1	5/30/08	Yes	Decision to retain policy as voluntary business was made prior to the policy effective date.
9/30/08	154	45	9/8/08	yes	Decision to retain policy as voluntary business was made prior to the policy effective date.

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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 recently produced the 3rd quarter for 2008 and sent this to the industry on November 26, 2008.

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

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

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II. CESSION SYSTEM (continued)

Policy Year 2006
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
045	141	0	0.0	0.0	0	0
279	3,928	15	0.4	0.0	0	0
514	14	0	0.0	0.0	0	0
585	105	3	2.9	0.0	0	0
612	28	1	3.6	0.0	0	0
723	1,684	8	0.5	0.0	0	0
773	14	0	0.0	0.0	0	0
908	5,742	61	1.1	0.0	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	233	15	6.4 #	0.0	0	0
245	618	46	7.4 *	-0.2	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	4,179	357	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 #	0.0	0	0
279	2,398	17	0.7	0.3	0	0
514	16	1	6.3 #	0.0	0	0
585	78	11	14.1 #	-1.8	0	0
612	25	0	0.0	0.0	0	0
723	2,205	14	0.6	0.3	0	0
908	1,729	41	2.4	0.5	11,369	5,000
Totals	6,457	85	1.3%	N/A	11,369	5,000

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
152	316	17	5.4 #	1.2	0	0
245	1,081	85	7.9 *	2.0	0	0
279	94	4	4.3	3.1	0	0
455	970	34	3.5	-0.4	0	0
734	413	42	10.2 *	1.1	10,179	16,000
735	25	4	16.0 #	-0.6	0	0
773	71	0	0.0	0.0	0	0
Totals	2,970	186	6.3% *	N/A	10,179	16,000

* 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	511	0	0.0	0.0	0	0
585	53	1	1.9	1.9	0	0
612	6	1	16.7 #	-3.3	0	0
723	293	0	0.0	0.0	0	0
908	210	2	1.0	0.1	4,562	0
Totals	1,073	4	0.4%	N/A	4,562	0

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	589	35	5.9 *	0.3	10,369	0
279	73	0	0.0	0.0	0	0
455	542	9	1.7	0.0	0	0
717	616	0	0.0	0.0	0	0
734	314	18	5.7 #	0.9	0	0
735	19	3	15.8 #	1.8	0	0
773	21	0	0.0	0.0	0	0
Totals	2,174	65	3.0% *	N/A	10,369	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 August 8, 2008 and the documentation was due back at CAR by October 24, 2008. These results will be posted in the 4th quarter Operational Reports. The penalties listed below are the results from January 2008 run included in the Settlement of Balance report for 3rd Quarter 2008.

Company	Penalty Amount
514 – Liberty Mutual Insurance Company	\$250
575 – MassWest Insurance Company	\$12,400
585 – Metropolitan Property & Casualty	\$6,200
723 – The Premier Ins. Co. of Massachusetts	\$1,600
Total	\$20,450

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
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	3.0%	20.6%	As of Sept 2008

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

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III. QUARTERLY PARTICIPATION

A. Production of Quarterly Participation Reports

CAR posted the September 2008 Quarterly Member Participation Reports to its website on December 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 3rd Quarter 2008 estimated Participation Ratios using data reported through September 30, 2008, will be posted to CAR's website by December 31, 2008.

C. Rule 12 Participation Credits

CAR ran the Rule 12 credit edit reports for 3rd Quarter 2008 early 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	0.15%	1.51%	1.46%
2008 (3 rd Quarter)	0.15%	2.15%	2.25%

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III. QUARTERLY PARTICIPATION (continued)

D. CAR Financial Results

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

(Numbers are in \$000s)

Policy Year	Private Passenger	Commercial
2006	(101,183)	24,673
2007	(92,930)	15,736
2008	(105,777)	16,996

E. CAR Commercial Rates

1. The October 1, 2003 commercial rates remain in effect for policies effective October 1, 2008 and subsequent. The October 2003 CAR rates, commissions, classification standards, territory definitions, Manual Rules, and Experience Rating Plan will continue to apply for ceded policies effective October 1, 2008 and subsequent.

OPERATIONAL REPORTS 3RD QUARTER 2008

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 third quarter 2008.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for December 2008 through May 2009 are shown following the 3rd quarter write-off exhibit.

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IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Write-Off – 3rd Quarter 2008

Company	Aug 2008	Sept 2008	Oct 2008	Total
045	351	0	5,199	5,550
049	0	1,335	0	1,335
153	0	0	0	0
194	0	390	0	390
209	7,267	0	0	7,267
312	665,162	-80,006	-8,597	576,559
331	174,393	258,019	219,672	652,084
333	0	20,056	85	20,141
363	0	0	3,504	3,504
455	932	6,409	0	7,341
664	0	-43,744	0	-43,744
723	0	5,956	0	5,956
731	0	3,965	7,974	11,939
735	11,084	14,350	13,642	39,076
767	752	0	0	752
887	0	0	-281	-281
908	1,147	642	42,018	43,807
INDUSTRY	861,088	187,372	283,216	1,331,676

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IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

3rd Quarter 2008 – 10% Loss of Investment Fees

Co No	Aug 2008	Sept 2008	Oct 2008	Total
049	0	134	0	134
209	589	0	0	589
312	66,734	0	0	66,734
455	93	237	0	330
723	0	586	0	586
731	0	185	0	185
735	330	1	0	331
767	75	0	0	75
908	8	2	0	10
Total	67,829	1,145	0	68,974

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IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Potential Loss Write-Off December 2008 through May 2009

Company	December 2008	January 2009	February 2009	March 2009	April 2009	May 2009	Grand Total
045	0	0	0	0	0	5,054	5,054
049	193	0	0	0	0	0	193
153	0	0	0	26,625	21,244	5,531	53,400
154	11,058	529	0	-6,625	10,979	7,799	23,740
194	11,696	0	0	0	0	0	11,696
209	7,289	816	0	-2,354	5,849	561	12,161
312	2,335	4,869	0	13,237	-802	17,498	37,137
317	0	0	-2,000	0	0	0	-2,000
331	145,429	180,871	0	300,715	122,905	74,321	824,241
333	0	0	0	6,117	0	0	6,117
402	0	0	0	0	60,000	0	60,000
455	-6,870	-101	0	1,834	0	0	-5,137
514	0	0	0	-2,015	0	0	-2,015
612	0	0	0	-228	0	0	-228
664	3,228	0	0	0	1,533	328	5,089
731	0	0	0	0	6,260	4,127	10,387
734	0	0	0	9	911	5	925
735	374	0	0	5	1,551	0	1,930
773	0	0	0	20	0	4,137	4,157
887	-215	-329	0	0	0	0	-544
894	0	98,835	6,927	0	262	919	106,943
908	38	13	0	0	7,368	13,526	20,945
963	0	0	0	-333	0	0	-333
988	0	0	0	0	461	0	461
Totals	174,555	285,503	4,927	337,007	238,521	133,806	1,174,319

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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 and 2008 Policy Effective Years

2007 Non-Critical Error Over Tolerance - Potential Penalty

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Penalty
2	354	10	1.08	64	\$200
5	612	08	1.19	52	\$400

2008 Non-Critical Error Over Tolerance - Potential Penalty

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Penalty
3	514	02	7.84	1,448	\$63,150
7	612	02	1.32	29	\$350
7	735	02	1.38	89	\$950

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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 2008 company profile reports to its website on November 18, 2008. The reports are located under the Reporting and Data Quality section of the website 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 3rd quarter 2008 forecasting reports in mid-December 2008.

F. Cession/No Premium Penalties

On November 28, 2008 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 4th quarter 2008 Settlement of Balances report.

Co. No.	Penalty Amount
045	\$300
245	\$300
331	\$4,800
455	\$60
585	\$240
664	\$240
723	\$480
731	\$1,980
887	\$60
Total	\$8,640

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IV. ACCOUNTING SYSTEM (continued)

G. 2006 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 2006 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

The Reconciliation response for the 2nd quarter was due by November 2, 2008.

CAR collected the third quarter Annual Statement Reconciliation page 14 data submitted by the industry through manual entry into the website application due December 15, 2008. The third quarter 2008 reconciliation is planning to run on or around January 5, 2009.

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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	6,481,693	26,106	0.40%
	No Fault	5,257,717	6,832	0.13%
	Physical Damage	5,215,546	33,012	0.63%
	Total	16,954,956	65,950	0.39%
COMM 2008 EFF YEAR	Liability	63,762	590	0.93%
	No Fault	48,526	397	0.82%
	Physical Damage	46,840	520	1.11%
	Total	159,128	1,507	0.95%
COMM 2009 EFF YEAR	Liability	1,821	11	0.60%
	No Fault	1,439	9	0.63%
	Physical Damage	1,402	30	2.14%
	Total	4,662	50	1.07%

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.

There are no companies over tolerance for either the private passenger or commercial rate edit programs at this time.

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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 9/08

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
099	28,970	20,674	71.36
643	2,419	1,606	66.39
962	11,865	6,702	56.49
627	2,316	1,240	53.54
283	9,437	4,874	51.65
503	854	412	48.24
735	365,298	164,124	44.93
261	2,646	1,132	42.78
476	18,645	7,960	42.69
201	351	142	40.46
701	102	40	39.22
927	9,493	3,722	39.21
734	33,627	12,366	36.77
919	260	94	36.15
989	34,148	10,326	30.24
828	321,299	95,813	29.82
205	113	32	28.32
767	200	54	27.00
625	5,881	1,560	26.53
885	22,399	4,834	21.58
Total Industry	64,093,488	2,323,579	3.63%

The 2007 washout total following the 9/2007 shipments was 4.05%.

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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. 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. CAR will process the paper copy reports intended to be distributed to the industry on or about December 22, 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 added the Ceded Premium True-Up reports to its website in mid-November 2008. The reports show a detail listing of records processed by the true-up program for the current quarter as well as a confirmation report. These reports will be updated quarterly. If you need access to the reports, please contact your company's security administrator to request access.

B. Telecommunications

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

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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	Completed 11/2008	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	In progress	Enhancements will include implementing MAIP rating into the policy application function. CAR completed the enhancement to provide information on specific ARC supplemental application forms for ARPs.
Ceded Premium True-up	Completed 11/2008	CAR modified 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 is part of the true-up of ceded premium process.
Rule 29	In progress	Update the Rule 12 program to calculate youthful credits written on a voluntary basis as stated in Rule 29.
Take Out Credit	Began 11/08	CAR is developing a process to assign take out credits using the MAIP Placement Record and reported premium data.