



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: April 6, 2010

RE: Operational Reports

The 4th quarter 2009 Operational Reports follow this memorandum. They include data reported November 16, 2009 through February 16, 2010 for the accounting month period of October 2009 through December 2009. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

Section I – Accounting/Statistical Shipments:

On December 31, 2009, the Division of Insurance approved the Governing Committee's recommendation to modify changes to the Statistical Data Quality Penalty programs contained in both the Private Passenger and Commercial Statistical Plans.

On February 23, 2010, the Division of Insurance approved revisions to the Private Passenger Statistical Plan to include two new data fields for companies to report information pertaining to Continuous Coverage and Low Frequency Discounts for policies effective January 1, 2011 and subsequent. However, these fields may be optionally reported for policies effective April 1, 2010 through December 31, 2010.

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

CAR assessed a total of \$151,700 in the Statistical Penalty Programs in the 4th Quarter 2009 Settlement of Balances report.

OPERATIONAL REPORTS 4TH QUARTER 2009

Section II – Cessions:

CAR completed its review of the CA5010 - Flat Cancellation Documentation Listing from the July 31, 2009 listing. All companies met the 80% threshold so CAR assessed no penalties for invalid documentation. CAR mailed the most recent Flat Cancellation report on January 26, 2010 and the documentation is due back at CAR on April 24, 2010.

As of March 8, 2010 the Private Passenger cession rate equaled 2.2%; the Commercial cession rate equaled 16.7%.

Section III – Quarterly Participation Reports:

CAR posted the December 2009 Quarterly Member Participation Reports to its website on March 8, 2010.

CAR ran 4th Quarter 2009 for both the Rule 12 – Credit edit download and the Rule 29 – Voluntary credit edit download reports in early March. These reports are available on CAR's website under Reporting and Data Quality.

Section IV – Accounting System Processing:

CAR produced 4th Quarter 2009 Critical Error Write-Offs and 10% Loss of Investment Fees totaling \$655,503 and \$2,690 respectively.

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2008 and 2009 policy effective years following the monthly accounting shipments due the 15th of every month for all companies remaining over the tolerance level of 1% and 10 policies in error.

The Penalty Forecasting exhibits will be made available on-line late March 2010.

Section V - Statistical Agent Functions:

The Reconciliation Responses for 3rd Quarter 2009 were due on February 10, 2010. The 4th Quarter 2009 Statutory Page 14 data was due at CAR on March 15, 2010. The Reconciliation Responses for the 4th Quarter 2009 are to be posted on or about April 5, 2010. Companies must provide a copy of their data submitted to the NAIC. CAR will assess a statistical data quality penalty of \$50 per business day until it receives the completed annual statement and reconciliation filings.

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

Section VI – Communications:

CAR added a MAIP Certification Lookup function to the MAIP section of its website to help Assigned Risk Carriers determine take-out eligibility.

OPERATIONAL REPORTS 4TH QUARTER 2009

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 2009 as of the fourth quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

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	

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

In instances where a company's ceded loss dollars are complete by quarter's end but its ceded premium dollars are not, CAR will assess "loss of investment income" penalties to reimburse the pool for the missing premium dollars. CAR did not assess any "loss of investment income" penalties in fourth quarter, 2009.

**OPERATIONAL REPORTS
4TH QUARTER 2009**

I. STATISTICAL SYSTEM (continued)

2009 Timeliness Report

<i>CO NO</i>	<i>Jan 3/16</i>	<i>Feb 4/15</i>	<i>Mar 5/15</i>	<i>Apr 6/15</i>	<i>May 7/15</i>	<i>Jun 8/17</i>	<i>July 9/15</i>	<i>Aug 10/15</i>	<i>Sep 11/16</i>	<i>Oct 12/15</i>	<i>Nov 1/15</i>	<i>Dec 2/16</i>
089	COM	COM			COM				COM	COM	COM	COM
091	COM	COM			COM	COM	COM	COM	COM		COM	COM
100	COM											
103			COM									
105			COM									
155											COM	
195	PP											
229											COM	
230	COM					COM	COM				COM	
233	COM	COM			COM	COM						
316	COM										COM	
347												COM
349												COM
362	BOTH									BOTH		
366			COM									
402	COM											
420	COM											
424				COM								
451												COM
462			PP									
486									COM	COM		COM
559	COM	COM			COM				COM	COM	COM	COM
585							PP					
612		BOTH										
664	BOTH											
667			COM									
711								PP	PP			
719								COM				
721						COM						
731				COM								
753	COM		COM				COM				COM	
828				BOTH						BOTH		
910	COM											
963	COM							COM		BOTH	BOTH	BOTH
971	COM	COM	COM	COM	COM	COM	COM	COM	COM	COM	COM	COM
985				COM								

OPERATIONAL REPORTS 4TH QUARTER 2009

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 4th Quarter 2009, CAR assessed a total penalty amount of \$151,700. The table below shows the detail penalties for each company.

Penalty Assessments
4th Quarter 2009

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
045	American Automobile Ins. Co.	Stat Err > 5% 8/09	\$ 100
045	American Automobile Ins. Co.	Stat Err > 5% 10/09	\$ 100
089	AM Guaranty & Liability Ins. Co.	Stat Err > 5% 3/09	\$ 1,600
089	AM Guaranty & Liability Ins. Co.	Stat Err > 5% 5/09	\$ 1,200
089	AM Guaranty & Liability Ins. Co.	Stat Err > 5% 6/09	\$ 800
089	AM Guaranty & Liability Ins. Co.	Stat Err > 5% 7/09	\$ 100
089	AM Guaranty & Liability Ins. Co.	Stat Err > 5% 8/09	\$ 200
091	American Zurich Insurance Co.	Stat Err > 5% 2/09	\$ 800
091	American Zurich Insurance Co.	Final Late MAS Penalty 6/09	\$ 4,000
091	American Zurich Insurance Co.	Final Late MAS Penalty 7/09	\$ 4,000
091	American Zurich Insurance Co.	Rescinded Late MAS 8/09	\$ (800)
091	American Zurich Insurance Co.	Late MAS 9/09	\$ 6,000
103	American Insurance Company	Stat Err > 5% 8/09	\$ 1,500
155	Argonaut Insurance Company	Stat Err > 5% 6/09	\$ 200
155	Argonaut Insurance Company	Stat Err > 5% 7/09	\$ 700
155	Argonaut Insurance Company	Stat Err > 5% 9/09	\$ 300
155	Argonaut Insurance Company	Late MAS 11/09	\$ 300
163	Associated Indemnity Corp.	Stat Err > 5% 8/09	\$ 500
194	Bankers Standard Insurance Co.	Stat Err > 5% 10/09	\$ 100
229	Clarendon National Insurance Co.	Stat Err > 5% 3/09	\$ 800
229	Clarendon National Insurance Co.	Stat Err > 5% 6/09	\$ 400
229	Clarendon National Insurance Co.	Late MAS 11/09	\$ 300
230	Praetorian Insurance Company	Stat Err > 5% 3/09	\$ 800
230	Praetorian Insurance Company	Stat Err > 5% 6/09	\$ 800
230	Praetorian Insurance Company	Stat Err > 5% 9/09	\$ 300
316	Empire Fire & Marine Insurance	Late MAS 11/09	\$ 300
362	Farm Family Casualty Ins. Co.	Late MAS 10/09	\$ 800
468	Harford Fire Insurance Co.	Stat Err > 5% 6/09	\$ 400
468	Harford Fire Insurance Co.	Stat Err > 5% 8/09	\$ 300
486	Harleysville Preferred Ins. Co.	Late MAS 10/09	\$ 300

**OPERATIONAL REPORTS
4TH QUARTER 2009**

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Co #	Company Name	Assessment	Assessment Amount
559	Maryland Casualty Company	Stat Err > 5% 2/09	\$ 3,200
559	Maryland Casualty Company	Stat Err > 5% 3/09	\$ 9,600
559	Maryland Casualty Company	Stat Err > 5% 4/09	\$ 3,200
559	Maryland Casualty Company	Stat Err > 5% 5/09	\$ 3,600
559	Maryland Casualty Company	Stat Err > 5% 6/09	\$ 1,600
559	Maryland Casualty Company	Stat Err > 5% 7/09	\$ 400
559	Maryland Casualty Company	Stat Err > 5% 8/09	\$ 300
559	Maryland Casualty Company	Late MAS 9/09	\$ 6,000
559	Maryland Casualty Company	Late MAS 10/09	\$ 4,000
623	National Surety Corp.	Stat Err > 5% 8/09	\$ 500
664	Norfolk & Dedham Mutual Fire	Stat Err > 5% 7/09	\$ 800
664	Norfolk & Dedham Mutual Fire	Stat Err > 5% 8/09	\$ 100
664	Norfolk & Dedham Mutual Fire	Stat Err > 5% 10/09	\$ 200
721	Philadelphia Indemnity Ins. Co.	Stat Err > 5% 9/09	\$ 500
753	Redland Insurance Company	Stat Err > 5% 2/09	\$ 800
753	Redland Insurance Company	Stat Err > 5% 6/09	\$ 400
753	Redland Insurance Company	Stat Err > 5% 9/09	\$ 400
753	Redland Insurance Company	Stat Err > 5% 10/09	\$ 100
753	Redland Insurance Company	Late MAS 11/09	\$ 300
828	State Farm Mutual Auto Ins. Co.	Late MAS 9/09	\$ 800
837	T.H.E. Insurance Company	Stat Err > 5% 9/09	\$ 200
941	Universal Underwriters Ins. Co.	Stat Err > 5% 8/09	\$ 100
951	Vanliner Insurance Company	Stat Err > 5% 7/09	\$ 100
951	Vanliner Insurance Company	Stat Err > 5% 8/09	\$ 500
951	Vanliner Insurance Company	Stat Err > 5% 9/09	\$ 300
951	Vanliner Insurance Company	Stat Err > 5% 10/09	\$ 200
963	Harleysville Worcester Ins. Co.	Interim Late MAS Pen 1/09	\$ 6,000
963	Harleysville Worcester Ins. Co.	Interim Late MAS Pen 8/09	\$ 7,200
963	Harleysville Worcester Ins. Co.	Interim Late MAS Pen 10/09	\$ 4,000
963	Harleysville Worcester Ins. Co.	Interim Late MAS Pen 11/09	\$ 2,000
963	Harleysville Worcester Ins. Co.	Interim Late MAS Pen 12/09	\$ 300
971	Zurich Insurance Company	Final Late MAS Penalty 1/09	\$ 4,000
971	Zurich Insurance Company	Final Late MAS Penalty 3/09	\$ 4,000
971	Zurich Insurance Company	Final Late MAS Penalty 4/09	\$ 4,000
971	Zurich Insurance Company	Final Late MAS Penalty 5/09	\$ 4,000
971	Zurich Insurance Company	Final Late MAS Penalty 6/09	\$ 4,000
971	Zurich Insurance Company	Final Late MAS Penalty 7/09	\$ 6,000
971	Zurich Insurance Company	Final Late MAS Penalty 8/09	\$ 7,200
971	Zurich Insurance Company	Final Late MAS Penalty 9/09	\$ 6,000
971	Zurich Insurance Company	Final Late MAS Penalty 10/09	\$ 4,000
971	Zurich Insurance Company	Interim Late MAS Pen 11/09	\$ 2,000
971	Zurich Insurance Company	Interim Late MAS Pen 12/09	\$ 300

**OPERATIONAL REPORTS
4TH QUARTER 2009**

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
971	Zurich Insurance Company	Stat Err > 5% 2/09	\$ 4,800
971	Zurich Insurance Company	Stat Err > 5% 3/09	\$ 6,400
971	Zurich Insurance Company	Stat Err > 5% 4/09	\$ 3,200
971	Zurich Insurance Company	Stat Err > 5% 5/09	\$ 4,800
971	Zurich Insurance Company	Stat Err > 5% 6/09	\$ 1,600
971	Zurich Insurance Company	Stat Err > 5% 7/09	\$ 100
971	Zurich Insurance Company	Stat Err > 5% 8/09	\$ 300
988	Quincy Mutual Insurance Co.	Stat Err > 5% 9/09	\$ 100
		Total	\$ 151,700

**OPERATIONAL REPORTS
4TH QUARTER 2009**

I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan
Approved Modifications

Approved Effective Date	Description	Status
January 1, 2011 Optional for policies effective April 1, 2010 - December 31, 2010	<p>The Private Passenger Statistical Plan has been updated to include the Continuous Coverage and Low Frequency Discounts.</p> <p>The approved implementation date is January 1, 2011. Companies may optionally report these discounts for policies effective April 1, 2010 through December 31, 2010.</p>	<p>Approved by the Division of Insurance on February 23, 2010</p>
January 1, 2010	<p>The Private Passenger Statistical Plan has been updated to include proposed modifications to the Statistical Data Quality Program as follows:</p> <ul style="list-style-type: none"> • The majority of the penalty amounts contained in the Statistical Data Quality Program have not been updated since their inception in 1989. It is recommended that these penalties be increased for inflationary changes and adjusted for reasonability as warranted. • In order to further assure that complete and accurate statistical data is reported to CAR, it is recommended that two programs be added to the Private Passenger Statistical Data Quality Program: <ul style="list-style-type: none"> • Expand the Annual Statement program to monitor the receipt of Statutory Page 14s for Massachusetts on a quarterly basis, including any corresponding out-of-balance explanations. This program will be administered in a similar manner to the program currently in place for monitoring the year-end receipt of company Annual Statements. • In accordance with Rule 29 of the CAR Rules of Operation, no later than the 23-month anniversary of the calendar date on which a Newly Writing Company's initial Private Passenger Motor Vehicle Insurance rates and manual became effective, the company must provide CAR with interim summary data on a monthly basis. In order to assure the timely receipt of interim data information, an Interim Summary Data penalty will be added to the Private Passenger Statistical Data Quality Program. A penalty will apply for failing to report the initial submission of interim data and another penalty will apply on an ongoing basis for failing to report each subsequent monthly submission of interim data. • Wording clarification, elimination of obsolete language and the renumbering of sections as necessary. <p>The proposed implementation date of these modifications is January 1, 2010, impacting the January 2010 and subsequent monthly accounting/statistical shipments.</p>	<p>Approved by the Division of Insurance on December 31, 2009</p>

**OPERATIONAL REPORTS
4TH QUARTER 2009**

I. STATISTICAL SYSTEM (continued)

Massachusetts Commercial Statistical Plan
Approved Modifications

Approved Effective Date	Description	Status
<p style="text-align: center;">January 1, 2010</p>	<p>The Commercial Statistical Plan has been updated to include proposed modifications to the Statistical Data Quality Program as follows:</p> <ul style="list-style-type: none"> • The majority of the penalty amounts contained in the Statistical Data Quality Program have not been updated since their inception in 1989. It is recommended that these penalties be increased for inflationary changes and adjusted for reasonability as warranted. • In order to further assure that complete and accurate statistical data is reported to CAR, it is recommended that a program be added to the Commercial Statistical Data Quality Program: <ul style="list-style-type: none"> • Expand the Annual Statement program to monitor the receipt of Statutory Page 14s for Massachusetts on a quarterly basis, including any corresponding out-of-balance explanations. This program will be administered in a similar manner to the program currently in place for monitoring the year-end receipt of company Annual Statements. • Wording clarification, elimination of obsolete language and the renumbering of sections as necessary. <p>The proposed implementation date of these modifications is January 1, 2010, impacting the January 2010 and subsequent monthly accounting/statistical shipments.</p>	<p style="text-align: center;">Approved by the Division of Insurance on December 31, 2009</p>

OPERATIONAL REPORTS 4TH QUARTER 2009

II. CESSION SYSTEM

A. Cession Submission

CAR accepts cession data via two different methods: on-line telecommunications and FTP transmission. Please contact your company's Data Analyst if you need assistance in gaining access to CAR's telecommunications system.

In 2009, CAR accepts cession records and cession corrections on commercial business for policy years 2007-2009. On private passenger business, CAR accepts cession records and cession corrections for policy dates 1/1/2007 – 3/31/2009. Beginning 4/1/2009, cessions no longer apply to private passenger business.

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.

There have been no requests for TX5 cession backdates since the last publication of the Operational Reports on December 14, 2009.

OPERATIONAL REPORTS 4TH QUARTER 2009

II. CESSION SYSTEM (continued)

3. CR215 Cessions Automatically Backdated

On a quarterly basis, CAR produces the CR215 report that shows the volume of cessions backdated for involuntary producer business. The program monitors the three current reporting years for cession activity. Accordingly, CAR recently sent the latest report to the industry in February 2010 monitoring policy years 2007, 2008 and 2009 for the 4th quarter 2009.

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
4TH QUARTER 2009**

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	0.0	0	0
514	16	1	6.3 #	0.0	0	0
585	78	11	14.1 #	0.0	0	0
612	25	0	0.0	0.0	0	0
723	2,205	14	0.6	0.0	0	0
908	1,744	56	3.2	0.0	15,533	0
Totals	6,472	100	1.5%	N/A	15,533	0

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
152	316	17	5.4 #	0.0	0	0
245	1,081	85	7.9 *	0.0	0	0
279	94	4	4.3	0.0	0	0
455	970	34	3.5	0.0	0	0
734	413	42	10.2 *	0.0	26,481	0
735	25	4	16.0 #	0.0	0	0
773	71	0	0.0	0.0	0	0
Totals	2,970	186	6.3% *	N/A	26,481	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
4TH QUARTER 2009**

II. CESSION SYSTEM (continued)

Policy Year 2008
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
279	525	1	0.2	0.0	0	0
585	55	2	3.6	0.0	0	0
612	6	1	16.7 #	0.0	0	0
723	293	0	0.0	0.0	0	0
908	205	5	2.4	0.0	4,615	0
Totals	1,084	9	0.8%	N/A	4,615	0

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	667	42	6.3 *	0.0	18,290	14,681
279	78	0	0.0	0.0	0	0
455	578	12	2.1	0.0	0	0
717	671	0	0.0	0.0	0	0
734	374	29	7.8 *	0.0	0	0
735	22	3	13.6 #	0.0	0	0
773	22	0	0.0	0.0	0	0
Totals	2,412	86	3.6% *	N/A	18,290	14,681

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

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

**OPERATIONAL REPORTS
4TH QUARTER 2009**

II. CESSION SYSTEM (continued)

Policy Year 2009
Private Passenger

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

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	574	17	3.0	0.0	0	1,070
279	34	0	0.0	0.0	0	0
455	458	11	2.4	0.5	0	0
717	260	0	0.0	0.0	0	0
734	280	20	7.1 #	2.6	0	0
735	19	2	10.5 #	4.6	0	0
773	5	0	0.0	0.0	0	0
Totals	1,630	50	3.1% *	N/A	0	1,070

* 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 4TH QUARTER 2009

II. CESSION SYSTEM (continued)

C. CA5010 Flat Cancellation Audit

Twice per year CAR runs the CA5010 - Flat Cancellation Documentation Listing. Its purpose is to randomly sample flat-cancelled policies to verify that the industry is using flat-cancellation transactions properly. CAR ran the latest CA5010 on January 26, 2010 and the documentation is due back at by April 24, 2010. Upon reviewing the documentation, CAR will post those results in the next quarter's Operational Reports.

The only penalty assessed following the last run of the CA5010 program was the late return of the listing.

Company	Penalty
455	\$1,600

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
2004	6.7%	26.9%	Final Result
2005	6.2%	26.2%	Final Result
2006	4.9%	25.4%	Final Result
2007	4.3%	22.3%	Final Result
2008	2.9%	19.0%	Final Result
2009	2.2%	16.7%	As of Dec 2009

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

OPERATIONAL REPORTS 4TH QUARTER 2009

III. QUARTERLY PARTICIPATION

A. Production of Quarterly Participation Reports

CAR posted the December 2009 Quarterly Member Participation Reports to its website on March 5, 2010. From CAR's home page, click Reports, sign-on and then select Settlement of Balances. These are secure reports that require a CAR website user id and password to view. Please contact your company's security administrator to request access.

B. Participation Base Data

The 4th Quarter 2009 estimated Participation Ratios using data reported through December 31, 2009, will be posted to CAR's website by March 31, 2010.

C. Rule 12 Participation Credits

CAR ran the Rule 12 credit edit reports for 4th Quarter 2009 early March. These reports are available on CAR's website under Reporting and Data Quality on the Reports page.

The Rule 12 tolerance level is set on an annual basis. For rating year 2008 and 2009, the Governing Committee approved a tolerance level of 0.15%. The table below shows a five-year history of the Rule 12 tolerance level and the industry's error percent.

Accounting Year	Tolerance Level	Industry Error %	
		LIAB	PHYS
2005	0.15%	0.43%	0.52%
2006	0.15%	1.54%	1.57%
2007	0.15%	1.56%	1.56%
2008	0.15%	1.67%	1.74%
2009(4th Qtr)	0.15%	1.70%	1.83%

D. Rule 29 Voluntary Credits

CAR ran the Rule 29 credit edit reports for December effective date data in early March. These reports are available on CAR's website under the Data Reporting and Quality Reports page.

There is no tolerance level for the Rule 29 credits. If a record is incorrect, the credit is not applied. The table below shows the industry's error percent starting with the May accounting date.

Accounting Date	Reported Credit Premium	Adjusted Credit Premium	Rule 29 Credit Impact	Error Percentage
May 2009	170,335,058	169,516,205	-818,853	0.48%
June 2009	213,041,261	211,962,240	-1,079,021	0.51%
July 2009	252,399,682	251,137,600	-1,262,082	0.50%

**OPERATIONAL REPORTS
4TH QUARTER 2009**

III. QUARTERLY PARTICIPATION (continued)

D. Rule 29 Voluntary Credits (continued)

Accounting Date	Reported Credit Premium	Adjusted Credit Premium	Rule 29 Credit Impact	Error Percentage
August 2009	297,693,535	296,224,943	-1,468,592	0.49%
Sept. 2009	333,257,129	331,646,173	-1,610,956	0.48%
Oct. 2009	365,712,770	363,973,739	-1,739,031	0.48%
Nov. 2009	392,727,358	390,930,787	-1,796,571	0.46%
Dec. 2009	421,452,666	419,584,786	-1,867,880	0.44%
Jan. 2010	457,982,525	456,053,273	-1,929,252	0.42%

E. CAR Financial Results

The ultimate policy year deficit projections, as of December 2009, for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Private Passenger	Commercial
2007	(84,750)	17,501
2008	(53,858)	1,493
2009	(10,197)	(3,748)

OPERATIONAL REPORTS 4TH QUARTER 2009

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 now on Friday mornings. This schedule deviates once per month following the monthly due date. The table below shows the schedule for updates to the CAR accounting system following the monthly due date.

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

B. Critical Error Write-Off

To ensure that each company's cession, premium, and loss reporting is accurate and timely, CAR edits all ceded data through three edits that are deemed "critical" to sound reporting procedures. If any ceded record fails critical error code 1, 6, or 7 it lists on the critical error list. (You can find a description of these error codes in the Policy Edit Package).

For losses specifically, CAR requires every record to be fixed within one year of falling into critical error. If a loss record has not been fixed after a year of remaining in critical error, CAR writes-off that loss record and assesses an interest fee of 10%. This write-off process occurs the last Saturday of every month. The table on the following page shows the write-off amounts and associated 10% fees for fourth quarter 2009.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for April 2010 through September 2010 are shown following the 4th Quarter Write-Off exhibit.

OPERATIONAL REPORTS
4TH QUARTER 2009

IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Write-Off – 4th Quarter 2009

Company	Nov 2009	Dec 2009	Jan 2010	Total
194	0	36,235	0	36,235
209	0	3,341	0	3,341
262	14,369	0	0	14,369
312	0	4,033	0	4,033
331	28,721	419,153	147,339	595,213
773	0	0	2,312	2,312
Total	43,090	462,762	149,651	655,503

4th Quarter 2009 – 10% Loss of Investment Fees

Company	Nov 2009	Dec 2009	Jan 2010	Total
153	0	0	-4	-4
209	0	300	0	300
262	419	0	0	419
312	0	403	0	403
331	0	686	655	1,341
773	0	0	231	231
Total	419	1,389	882	2,690

**OPERATIONAL REPORTS
4TH QUARTER 2009**

IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Potential Loss Write-Off April 2010 through September 2010

Company	April 2010	May 2010	June 2010	July 2010	August 2010	Septembe r 2010	Grand Total
045	0	0	0	0	0	-7,274	-7,274
152	0	0	1,276	0	0	0	1,276
154	20,615	0	0	0	17,281	16,168	54,064
209	878	465	0	4,385	0	325	6,053
245	0	0	0	815	0	0	815
262	0	0	7,241	0	5,408	0	12,649
312	1,030	0	11,491	-1,398	0	0	11,123
331	82,584	0	0	-1,959	0	0	80,625
333	68,819	0	0	0	0	0	68,819
354	0	0	-122	0	0	0	-122
455	0	0	0	5,160	0	0	5,160
585	0	0	9,716	9	0	0	9,725
664	0	8,956	0	0	0	0	8,956
720	961	0	0	0	0	0	961
731	0	0	0	373	0	0	373
735	0	-220	0	0	0	0	-220
773	0	0	0	3,309	0	0	3,309
Totals	174,887	9,201	29,602	10,694	22,689	9,219	256,292

**OPERATIONAL REPORTS
4TH QUARTER 2009**

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
2008 & 2009 Policy Effective Years Monitored

Non-Critical Error - Penalties

There were no Non-Critical Error Penalties assessed for 4th Quarter 2009.

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

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Penalty
1	664	10	1.21	62	\$550

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

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Penalty
1	585	02	5.02	11	\$450

OPERATIONAL REPORTS 4TH QUARTER 2009

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 in which a company must devote more resources in order to improve its data reporting.

CAR will be producing the twelve-month 2009 company profile reports and will post them to its website in April 2010. 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. If you do not have access to the reports, please contact your company's Security Administrator to request access.

CAR will post the 4th Quarter 2009 forecasting reports in late-March 2010.

F. Cession/No Premium Penalties

On November 28, 2009 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 was included in the 4th Quarter 2009 Settlement of Balances report.

Co. No.	Penalty Amount
245	\$360
262	\$720
331	\$3,360
455	\$420
514	\$240
585	\$7,200
664	\$120
731	\$780
Total	\$13,200

**OPERATIONAL REPORTS
4TH QUARTER 2009**

IV. ACCOUNTING SYSTEM (continued)

G. 2007 Cession/No Premium Write-Off

The annual Cession/No Premium Write-Off amounts are based on a policy count (excluding flat cancelled and cession/no premium policies) divided by the corresponding full premium (rather than deviated), at 15 months. Please reference the table below for the write-off penalty amount for 2007 effective date policies and for historical information.

The 2007 write-off is scheduled for April, 2010.

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

OPERATIONAL REPORTS 4TH QUARTER 2009

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 once per month following the monthly due date. The table below shows the schedule for updates to the Statistical system following the monthly due date.

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

B. Annual Statement and Annual Statement Reconciliation

CAR collects the quarterly annual statement figures from the industry according to the schedule below. Those companies that have greater than a 5% dollar difference between the data statistically reported and the financial data entered on the Page 14 must respond to this difference according to the schedule below.

Quarter	Due Date Quarterly Annual Statement	Run Date of the Reconciliation Program	Due Date Reconciliation Response
1st 2009	June 15, 2009	July 1, 2009	Approx. August 3, 2009
2nd 2009	September 15, 2009	October 1, 2009	Approx. November 2, 2009
3rd 2009	December 15, 2009	January 2, 2010	Approx. February 1, 2010
4th 2009	March 15, 2010	April 1, 2010	Approx. May 1, 2010

The Reconciliation response for the 3rd quarter 2009 was due back February 1, 2010. CAR is currently collecting the 4th Quarter 2009 Annual Statement Reconciliation Page 14 data. It was due at CAR March 15, 2010 and must be submitted through internet upload into CAR's website application or by sending the information via CD-Rom. The Reconciliation for 4th Quarter 2009 will run on or around April 5, 2010. CAR will assess a statistical data quality penalty of \$50 per business day until it receives the completed annual statement and reconciliation filings.

**OPERATIONAL REPORTS
4TH QUARTER 2009**

V. STATISTICAL AGENT FUNCTION (continued)

C. Annual Call for Expense

Companies are no longer required to submit their Expense Data to CAR which began with the 2007 Annual Call for Expense.

D. Rate Edit Processing

CAR processes ceded commercial data through a 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 %
COMM 2009 EFF YEAR	Liability	57,351	806	1.41%
	No Fault	40,750	310	0.76%
	Physical Damage	40,687	472	1.16%
	Total	138,788	1,588	1.14%
COMM 2010 EFF YEAR	Liability	12,540	349	2.78%
	No Fault	9,481	80	0.84%
	Physical Damage	7,134	100	1.40%
	Total	29,155	529	1.81%

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	Policy Year	Subline	Due Date	Err %	# Records in Error
154	2009	Liability	4/15/2010	4.02%	277
154	2010	Liability	8/15/2010	10.29%	155
773	2009	No Fault	5/15/2010	2.33%	121
773	2010	Liability	8/15/2010	6.91%	109

**OPERATIONAL REPORTS
4TH QUARTER 2009**

V. STATISTICAL AGENT FUNCTION (continued)

E. Deleted Washout Records

During the weekly statistical load, CAR deletes those records that washout within the same file. The table below shows those companies whose volume of deleted washout records exceeds 20% and it shows the overall industry total for all companies combined. If you would like to know your own company's washout total, please contact your Data Analyst.

Periodically, CAR contacts those companies that have an excessive volume of washout activity to encourage them to reduce their volume.

Deleted Washout Totals
For All Shipments Received Through 12/09

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
096	11,338	3,458	30.50
099	14,550	11,418	78.47
105	3,223	752	23.33
106	72	16	22.22
261	5,273	2,172	41.19
263	1,473	592	40.19
325	449,274	175,859	39.14
463	1,130	516	45.66
474	26,426	18,816	71.20
476	4,230	3,164	74.80
503	1,417	866	61.12
625	3,590	830	23.12
626	490,847	249,412	50.81
627	9,253	6,313	68.23
643	5,876	3,870	65.86
667	1,378	286	20.75
701	161	136	84.47
734	24,607	7,372	29.96
735	313,409	145,770	46.51
737	117,718	65,618	55.74
828	423,780	116,678	27.53
902	153,186	82,462	53.83
919	182	58	31.87
927	7,628	1,934	25.35
958	55	14	25.45
962	4,416	1,412	31.97
963	51,116	3,467	14.28
Total Industry	83,359,641	3,579,954	4.29

The 2008 washout total following the 12/2008 shipments was 3.74%.

**OPERATIONAL REPORTS
4TH QUARTER 2009**

V. STATISTICAL AGENT FUNCTION (continued)

F. Distributional Analysis

Distributional analysis reports are produced three times a year starting with the close of the June quarter. The next distribution of reports to the industry will be for the December, 2009 term and was mailed to the industry on March 23, 2010.

OPERATIONAL REPORTS 4TH QUARTER 2009

VI. COMMUNICATIONS

A. CAR's Website

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

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

B. Telecommunications

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

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

OPERATIONAL REPORTS 4TH QUARTER 2009

VII. PROJECT STATUS REPORTS

CAR works on a variety of projects throughout the year. The table below shows the current projects CAR is working on and their current status.

Project	Status	Description
Distributional Analysis	In progress	Automate the Distributional Analysis process and move the reports onto CAR's website.
Experience Rating	Near Completion	Move the mainframe pieces of the Experience Rating application to CAR's website so that companies don't need to toggle between systems.
Interim Summary Data Collection	Completed	Create an application to collect summary data from those companies not yet required to report statistical data to CAR. The summary level information will be collected based upon: policy effective year, policy effective month, premium town, CAR ID Code, Class Code, Merit Rating, and Property Damage Liability Exposure.
Website Security	Near Completion	Enhance the security function on CAR's website so that security administrators at each company can view and reset user ids.
Statistical 2010	Near completion	Update CAR's processing systems to accept 2010 effective year data and update all programs to process the combined base premium and merit rating records.
MAIP Policy Application Updates for 2010	Completed	Update the MAIP Policy Application to process rates effective 4/1/2010, to eliminate the transition processing procedures, to update the rating procedure for model year 2011 vehicles, and to add a requirement to include prior policy declarations page to the attachments listing.
Quota Share	Near Completion	Modifications necessary to include interim summary data collected from those companies not yet statistical reporting to CAR.
PP Auto Audit Hybrid Plan	In progress	Development of a new method for performing the private passenger statistical audits.
2010 Commercial Rate Edit	Completed	Update the system to process the ceded commercial data through the rate edit system using the current year's rates.
Producer Management	Began April 2010	In-house application to effectively manage producer information and licensing.