



# COMMONWEALTH AUTOMOBILE REINSURERS

225 Franklin Street Boston, Massachusetts 02110  
www.commauto.com 617-338-4000

RALPH A. IANNACO  
PRESIDENT

## NOTICE OF MEETING

### COMPLIANCE AUDIT COMMITTEE

A meeting of the Compliance Audit Committee will be held at the offices of Commonwealth Automobile Reinsurers, 225 Franklin Street, Boston, on

**WEDNESDAY, SEPTEMBER 1, 2010 AT 1:00 P.M.**

### MEMBERS OF THE COMMITTEE

Mr. Andrew J. Carpentier – Chairman  
Quincy Mutual Fire Insurance Company

Mr. William J. Begley, Jr.  
Mr. Francis N. Delage  
Ms. Tracy M. Hurley  
Mr. Christopher F. Malone  
Mr. David J. McCormick  
Mr. Gerard T. McDermott  
Mr. Robert E. McKenna  
Mr. Joseph A. Vargas

Safety Insurance Company  
The Hanover Insurance Company  
Arbella Insurance Company  
The Premier Insurance Company of Mass.  
McCormick and Sons Insurance Agency, Inc.  
The Norfolk & Dedham Group  
The Commerce Insurance Company  
Vargas & Vargas Insurance

## AGENDA

### CAUC

#### 10.01 Records of Previous Meeting

The Records of the Compliance Audit Committee meeting of April 13, 2010 should be read and approved.

### CAUC

#### 10.06 Auditor Contract Review Subcommittee

The Chairman of the Auditor Contract Review Subcommittee will report on the meeting of August 25, continued to September 1, 2010.

**CAUC**

**10.07 Private Passenger Performance Standards**

Staff will present proposed changes to the Private Passenger Performance Standards Appendices K and L. (Docket #CAUC10.07, Exhibit #1 & 2)

**CAUC**

**10.08 Private Passenger Pool Run-off Function**

Staff will present a proposal for reviewing the Private Passenger Ceded Pool Claims Run-off. (Docket #CAUC10.08, Exhibit #1)

**CACU**

**10.09 Cost Containment Seminars**

Staff will report on the Cost Containment Seminars held on June 8 and 9, 2010.

**Other Business**

To transact any other business that may properly come before this Committee.

**Executive Session**

The Compliance Audit Committee may convene in Executive Session in accordance with the provisions of G.L. c. 30A, § 11A1/2.

VALERIE B. GEDZIUN  
Vice President - Compliance Audit

Attachments

Boston, Massachusetts  
August 23, 2010

## Private Passenger Performance Standards Proposed Changes - Appendix K & L

CAR staff is recommending to the committee that the following procedures replace the current Claims Review process and SIU Review Process contained in Appendix K and L of the Private Passenger Performance Standards.

In order to meet the requirements of MGL, c. 175, § 113 H, while reducing the costs to the companies and CAR resources, Performance Standards Claims Reviews have been incorporated into the Audit Plan. This plan was approved by the Governing Committee in February 2010 and forwarded to the Division of Insurance.

One of the four primary objectives of the audit is to verify adherence to statutory requirements. Historically, the Performance Standards Claims Reviews were developed and enhanced to specifically target:

- That claims handling is consistent for voluntary and involuntary claims.
- That each Servicing Carrier maintains a Special Investigative Unit which provides effective fraud control procedures.

Sections	Current	Proposed
<b>Standards</b>	As approved 11/13/2009	No change
<b>Questionnaire</b>	Completed before annual review; identifies additional coverages & services	ARC will certify that claims handling programs comply at a minimum with approved Performance Standards
<b>Cycle</b>	Annual	Triennial
<b>Sample</b>	Claim record based 220 to 440 records	Policy based 270 policies with at least 1 claim
<b>Measurements</b>	35 detailed procedure & resolution standards	6 resolution Best Practices; no procedures measured
<b>Benchmarks</b>	90% Procedures 93% Resolution	Chi Square statistical testing for Voluntary/MAIP differential. 90% confidence level with standard deviation of +/- 5%
<b>Penalties</b>	Based on penalty per point of market share of ceded deficit for non-compliance in each section	ARC required to submit remedial action plan to Compliance Audit Committee. This committee will determine if recommendation to Governing Committee for further consideration including penalties is warranted.

## **Performance Standards**

The Performance Standards approved by the Commissioner of Insurance on November 13, 2009 will remain in effect. Completion of the Questionnaire by the Company will certify that its claims handling programs comply at a minimum with the Performance Standards.

## **Measurements & Penalties**

Rather than measuring the individual Performance Standards on the benchmarks of 93% for claim resolution and 90% for claim procedures, Voluntary and MAIP claims will be reviewed for compliance with policy provisions and applicable statutes, rules, and regulations for the following Best Practices:

- Coverage
- Investigation
- Special Investigation
- Medical Management
- Litigation Management
- Evaluation & Settlement

Compliance will be measured as YES, NO, or NA. If NO, a COMMENT will be entered into the audit application with an explanation. Chi square testing will be conducted on each Best Practice Voluntary and MAIP score to determine if any statistical difference in handling exists. If the difference is statistically significant, the Carrier will be required to address the reasons in their response and submit a remedial action plan. The Governing Committee will determine if a penalty should be assessed based on the recommendation of the Compliance Audit Committee.

## **Cycle and Sample**

All functions of the Compliance Audit reviews fall under the structure of the Audit Plan, implemented in April 2010. These functions include the Premium and Claims Statistical audits, Claims Performance Standards reviews, and SIU reviews.

For all private passenger business, the current claim audits have transitioned to a three year cycle effective April 2010. In this new cycle, every actively reporting company will be audited. The cycle will be continually evaluated as new companies enter the Massachusetts private passenger automobile insurance market.

Under the Audit Plan all of an individual company compliance audits will be conducted concurrently using a consistent sample selection. Data for the Audit Plan is verified at a 90% confidence level with a standard error rate of + 5% through stratified random sample audits for all functions.

## **SIU**

Servicing Carriers are required by statute and Rule 32 Claim Practices to maintain a Special Investigative Unit to investigate claims on any policies that are assigned through

MAIP and on policies issued on a voluntary basis. An SIU must have at least one full time employee whose responsibility is principally directed towards the recognition and investigation of fraud.

Companies will continue to report SIU activity - assignments, denials, compromises, and savings to CAR on a quarterly basis along with their log identifying those cases.

During the triennial audit a sample of cases selected from the SIU log will be reviewed.

Any modifications to the Performance Standards need to be submitted to the Commissioner of Insurance, who (after a public hearing) shall approve or modify the Performance Standards. Following the discussion and recommendation of the Compliance Audit Committee, staff will prepare a draft of the Performance Standards for the Committee's review.

## Appendix K – CAR Claim Department File Review Process

### Section 1. Private Passenger Policies

This section incorporates the selection of the sample, review procedures, and criteria to conduct these examinations following the guidelines in the NAIC Market Conduct Examiners Handbook Chapter VIII G. Claims. As directed by The Commissioner of Insurance in the December 16, 2006 and September 12, 2005 Decision on the proposed Performance Standards CAR audit procedures and sampling techniques have been revised.

#### Introduction

Rule 10 of the CAR Rules of Operation requires CAR to conduct periodic audits of Servicing Carriers' claims including policies reinsured in the Plan and voluntarily written as specified in G.L. c.175 §113H. To satisfy this rule CAR conducts claim examinations to evaluate the effectiveness of their claim handling in meeting industry best practices as well as their compliance with the Performance Standards and NAIC Standards. Procedures for the examination are based on the NAIC Market Conduct Examiners Handbook Chapter VIII – Claims and are further defined in the Manual of Administrative Procedures (MAP) Chapter IV - Claims. The Servicing Carrier Questionnaire and internal documentation including, but not limited to, claim manuals, reserving and claim settlement procedures, and internal audits will be reviewed at the onset of the examination. The reviews are conducted using a systems application that has been built specifically for the purpose of evaluating claim handling practices and compliance with the Performance Standards.

The **CAR Claims Review System** is accessed through the CAR Intranet. After establishing the criteria for the types of claims to be reviewed, the System **downloads** selected claims from the CAR mainframe. The mainframe contains all loss records reported by the Servicing Carriers to CAR.

Once the downloaded loss information has been received into the Claim System, the sample is selected following the guidelines of the NAIC Market Conduct Examiners Handbook - Chapter V Sampling. The size of the sample is dependent on the volume of loss records reported by the Servicing Carrier. Ceded and Voluntary claims will be selected randomly in proportion to the total claim population for the examination period.

A random sample of claims will be selected and statistical testing will be performed to determine if there is any statistically significant difference in the handling of voluntary and ceded claims by the Servicing Carrier.

**File request letters** are generated by the Claims System to the selected Servicing Carriers complete with a list of files that are required for review. Once the designated files are received they are **logged into** the Claims System and statistical information residing in CAR's Loss Files relevant to the claims selected is imported to an application called **Claim Review**. This information tells the examiner if the claims are ceded or voluntary, if the claims are from a personal policy or a commercial policy, the policy number, and the claim number. This information appears on every Claim Form thus eliminating the need for data entry by the examiners.

## Appendix K – CAR Claim Department PP File Review Process

In the **Claim Review** a Claims Examiner selects a loss, locates the associated physical claim file, and completes an on-line worksheet titled **Claim Review Form**.

After all of the files have been reviewed and the information has been entered, the Claims System generates three reports titled **Summary of Review**, **Salvage Report**, and **ICPIP Report**.

Each **Summary of Review** contains information imported from the examiners' worksheets on compliance rates, average reporting time, average storage costs, and type of loss breakdowns. Also provided is text to assist the examiners in summarizing these findings. The reviews also contain extensive commentary related to claim handling practices.

At the conclusion of the Summary of Review an aggregate score for the 90% and 93% standards will be calculated for Section I – Auto Physical Damage & Property Damage Liability, Section II – Bodily Injury & Uninsured/Underinsured Motorist, Section III – No Fault Personal Injury Protection Benefits, and Section V - Expenses. One penalty will be assessed for each section in which there is non-compliance with either the Procedures or Resolution standards or both. The Measurements that will be used to derive these aggregate scores are shown on page 4 and 5 of this Appendix.

For Section IV – Voluntary/Ceded Claims Handling Differential an aggregate score for all the Resolution standards in Section I, II, and III will be calculated for the Ceded and Voluntary sample and statistical testing using a chi-square test will be performed. If the difference is found to be statistically significant, following a review of the reasons for the difference with the Carrier, CAR will determine if a penalty should be assessed. A chart is included on page 6 of this appendix showing how the aggregate scores will be calculated.

The **Salvage Report** is on a spreadsheet and provides data on costs associated with total losses as well as averages for length of storage, cost of storage, and towing costs. All of the data on this worksheet is downloaded from the Claim Form prepared by the examiners. This avoids duplicate entry of information by the examiners.

The **ICPIP Report** (Insurance Claim Payment Intercept Program) is a spreadsheet that contains data downloaded from the Claim Form. This report lists all liability claims that are eligible to have been reported by the Servicing Carriers to the Department of Revenue. Massachusetts General Law Chapter 175, section 24D requires that all third party settlements exceeding \$500 must be reported to the Department of Revenue for the purpose of resolving child support liens. This report indicates whether or not the necessary inquiries were made and the overall compliance rate of the Servicing Carrier with this law. The results are submitted to the Department of Revenue by the CAR Claim Department after a review of the report by the Servicing Carrier. As was the case in the Summary of Review and Salvage Report the download of information eliminates duplicate entry.

As mentioned previously, once all of the data is assembled in each of the reports the examiners add their comments to the Summary of Review. These comments are on areas that require some degree of subjectivity such as the overall quality of claim handling and specific areas that may be in need of attention.

The Summary of Review, Total Loss Report, ICPIP Report and the examiners' worksheets, all of which are produced by the Claims Review System, are posted on CAR's website on the Reports page and an email sent to the Servicing Carrier notifying them that the

## **Appendix K – CAR Claim Department PP File Review Process**

report is available for viewing. This is a secure application requiring a sign-on and password. A cover letter accompanies these reports summarizing the results and identifying areas of non-compliance or substandard claim handling. In all cases a written response from the Servicing Carrier is requested.

At the conclusion of the calendar year an Annual Report of Compliance is compiled and submitted the Commissioner of Insurance. This report is a requirement of Massachusetts General Law Chapter 273, Section 41 which states, “The plan shall collect and maintain data on compliance with the Performance Standards by the Servicing Carriers. Such information shall be reported annually to the Commissioner of Insurance and may be the basis for adjustments to premiums.” In order to compare individual Carrier results and to evaluate the quality of claims handling among companies, a matrix will be included in the Annual Report of Compliance with the Performance Standards beginning with the 2006 report that shows all the aggregate scores for the Procedure and Resolution performance standards in each section of the Standards for each Carrier and the Industry. Any penalties assessed will be included. The Annual Report is published on CAR's website.

**Appendix K – CAR Claim Department PP File Review Process**

**I. Physical Damage/Property Damage Liability**

**I. a. Physical Damage**

<b>Procedures – 90%</b>	<b># Claims</b>	<b># Compliant</b>	<b>Resolution – 93%</b>	<b># Claims</b>	<b># Compliant</b>
Assignment/Contact			Coverage		
Appraisal Assignment			Appraisal Quality		
Appraisal Transmittal			Screening/Investigation		
Reserving			Settlement/Payment		
			Subrogation		
			Litigation Management		
Phy Dam Sub-Total			Phy Dam Sub-Total		

**I b. Property Damage Liability**

<b>Procedures – 90%</b>	<b># Claims</b>	<b># Compliant</b>	<b>Resolution – 93%</b>	<b># Claims</b>	<b># Compliant</b>
Reserving			Coverage		
			Comparative Negligence		
			Loss Management/Special Inv		
			Settlement		
			Recovery		
			Litigation Management		
PD Sub-Total			PD Sub-Total		
Total			Total		
<b>% PHY DAM/PD Procedure Score</b>	< 90% = Penalty		<b>% PHY DAM/PD Resolution Score</b>	< 93% = Penalty	

**Appendix K – CAR Claim Department PP File Review Process**

**II. Bodily Injury**

<b>Procedures – 90%</b>	<b># Claims</b>	<b># Compliant</b>	<b>Resolution – 93%</b>	<b># Claims</b>	<b># Compliant</b>
			Coverage		
Injured Party Contact			Loss Management		
			Special Investigation		
Uninjured Contact			Litigation Management		
Reserving			Settlement		
			Recovery		
Total					
<b>% BI Procedure Score</b>	< 90% = Penalty		<b>% BI Resolution Score</b>	< 93% = Penalty	

**III. No Fault Personal Protection**

<b>Procedures – 90%</b>	<b># Claims</b>	<b># Compliant</b>	<b>Resolution – 93%</b>	<b># Claims</b>	<b># Compliant</b>
			Coverage		
Injured Party Contact			Medical Management		
Uninjured Contact			Special Investigation		
PIP Mailing			Subrogation		
Reserving					
Total					
<b>% PIP Procedure Score</b>	< 90% = Penalty		<b>% PIP Resolution Score</b>	< 93% = Penalty	

**V. Expenses**

<b>Procedures – 90%</b>	<b># Claims</b>	<b># Compliant</b>
Allocated Expenses		
Total		
<b>% Expenses Procedure Score</b>	< 90% = Penalty	

**Appendix K – CAR Claim Department PP File Review Process**

**Section IV. Voluntary/Ceded Claims Differential**

<b>Physical Damage – 93%</b>	<b># Ceded</b>	<b># Compliant</b>	<b># Voluntary</b>	<b># Compliant</b>
Coverage				
Appraisal				
Screening & Investigation				
Settlement				
Subrogation				
Litigation Management				
<b>PHY DAM Sub-Total</b>				

<b>Property Damage – 93%</b>	<b># Ceded</b>	<b># Compliant</b>	<b># Voluntary</b>	<b># Compliant</b>
Coverage				
Comparative Negligence				
Loss Management/Special Inv				
Settlement				
Recovery				
Litigation Management				
<b>PD Sub-Total</b>				
<b>PHY DAM/PD Aggregate Total</b>				
<b>Chi Square Test</b>				

<b>Bodily Injury – 93%</b>	<b># Ceded</b>	<b># Compliant</b>	<b># Voluntary</b>	<b># Compliant</b>
Coverage				
Loss Management				
Special Investigation				
Litigation Management				
Settlement				
Recovery				
<b>Aggregate Total</b>				
<b>Chi Square Test</b>				

<b>No Fault PIP – 93%</b>	<b># Ceded</b>	<b># Compliant</b>	<b># Voluntary</b>	<b># Compliant</b>
Coverage				
Medical Management				
Special Investigation				
Subrogation				
<b>Aggregate Total</b>				
<b>Chi Square Test</b>				

## Appendix K – CAR Claim Department PP File Review Process

### Definitions

**Contact:** Under the PIP and BI Standards Contact must be either in person or by telephone call. If the injured party cannot be reached on this initial contact a letter or email may be sent as a follow-up.

**IME (Independent Medical Examination):** A physical examination of the injured party to document the injury and provide an opinion on whether the treatment is reasonable, necessary, and appropriate for the injury sustained. Cut off dates may be established.

**Medical Audit:** Peer reviews of some or all of a claimant's medical bills and/or records by doctors, nurses, or other medical professionals.

**MBR (Medical Bill Review):** A review of medical bills using a computerized/expert system, PPO, or provider of the same medical discipline as the provider bills being reviewed. Bills are checked for reasonableness of cost and modality. Duplication of treatments or unnecessary modalities are eliminated and not paid.

**SIU:** Special Investigations may be performed by SIU personnel or other personnel trained to handle suspicious claims using activity checks, surveillance, accident reconstruction, statements or examinations under oath. Special investigations also include third party expert analysis of documents associated with suspicious claims. Liability investigations are not considered to be special investigations.

### Worksheets:

There are four worksheets used in the CAR Claim Review Process. They are:

- Physical Damage Claim Review
- Property Damage Claim Review
- Bodily Injury Claim Review
- PIP Claim Review

Following the final approval of the modifications to the Performance Standards by the Commissioner of Insurance Decision on February 16, 2006 the claims system is being updated to reflect the additional standards and compliance rates. New worksheets are being developed and will be included in Appendix K and posted on CAR's website.

## **Appendix L – CAR SIU File Review Process**

The CAR Special Investigative Unit exists under the authority of Article III of the Plan of Operation and is charged with monitoring the efforts of the Servicing Carriers to control fraud. They conduct an annual evaluation of each Servicing Carrier's Special Investigative Unit. This evaluation includes a review of fire and theft claims as well as injury claims taken from the Detail Claims Database to examine the overall SIU operation and quality of investigations.

### ***File Selection and Review***

Approximately fifty claims are selected from the SIU Physical Damage Savings Log, as reported to CAR by the Servicing Carriers, and from the DCD. These files are reviewed to determine the ability of the staff to recognize potentially fraudulent claims and the quality of the S.I.U. investigations. In addition, CAR reviews the accuracy of the savings reported to both CAR and the Detail Claim Database. An examination of the effectiveness of the Carriers' fraud screening and the S.I.U. referral process has been incorporated into the Annual Claims Reviews.

### ***Analysis and Presentation***

A Summary of Review and the worksheets are posted on CAR's website on the Reports page and an email sent to the Servicing Carrier notifying them that the report is available for viewing. This is a secure application requiring a sign-on and password. The Summary includes an analysis of the time lags for settlement, referral and resolution of the investigated cases. In addition the accuracy of the savings reported to CAR and the D.C.D. is commented upon.

1. **SIU Evaluation**  
Discusses the results of the file review including commentary on the quality of the investigation on the selected files which involve all types of losses, but concentrate on those involving automobiles. Commercial and personal lines, where applicable, are reviewed and include both ceded and non-ceded business. Case comments are included for reference where departures from the Standards are noted. Supervisory practices and descriptions of records kept are discussed when appropriate, as well as the adherence to reporting requirements and to referral procedures.
2. **SIU Assignment Timeliness Evaluation**  
Discusses the time lags for settlement, referral, and resolution of investigated cases.
3. **Savings**  
An analysis of the accuracy of the savings as reported to both CAR and the DCD.
4. **Conclusions and Recommendations**  
Evaluates the adequacy of staffing, experience, effectiveness, quality of investigations, accuracy of reported savings, and compliance with the Standards and reporting requirements. The review concludes with a general statement of whether the S.I.U. meets compliance with the Performance Standards and is acceptable.

## **Private Passenger Ceded Pool Run-off**

At its June 29, 2009 meeting, the Claims Advisory Committee considered various options for the continuation of the Performance Standards ceded claims reviews as the pool runs down. The Committee noted that since losses would continue to be incurred on ceded policies through March 31, 2010, it was premature to estimate the volume of ceded claims at that time. It was the consensus of the Committee that the status quo should be maintained with the claim reviews for the coming year and that the subject should be reviewed again in one year.

The spreadsheet shows the Ceded and MAIP Private Passenger Indemnity Loss Amounts, Reserves, and Number of Claimants for eight accounting quarters from Q2 2008 through Q1 2010. There are outstanding ceded reserves of \$76,522,569 remaining of which \$64,357,969 are in the Bodily Injury line of business. With a three year statute of limitations Bodily Injury claims may continue to be made until March 31, 2013.

Staff is proposing that the remaining ceded claims be reviewed with a twofold approach:

### **Ad Hoc Reviews - Large Loss/Indemnity/Reserve Review**

As part of the current Large Loss review procedures ceded claims would be selected quarterly from the Loss Limitations Report. Criteria for selection would include large reserve and indemnity payments, litigation files, payments over a certain threshold, and allocated expenses. CAR would request a summary of the claim file which should include large loss reports, settlement reports, and/or adjuster notes. CAR would reserve the right to review the entire file if necessary but on the majority of the cases the summary information would be sufficient.

### **Audit Plan Bodily Injury Claim Reviews**

A random sample of ceded bodily injury claims would be reviewed during the course of the audit. Files selected would have claim activity including indemnity and/or expense payments and reserves within the rolling 12 month audit period. The sample would be on approximately 5 to 10 percent of the claims having activity. Results of this review would be included in the Audit Plan Report.

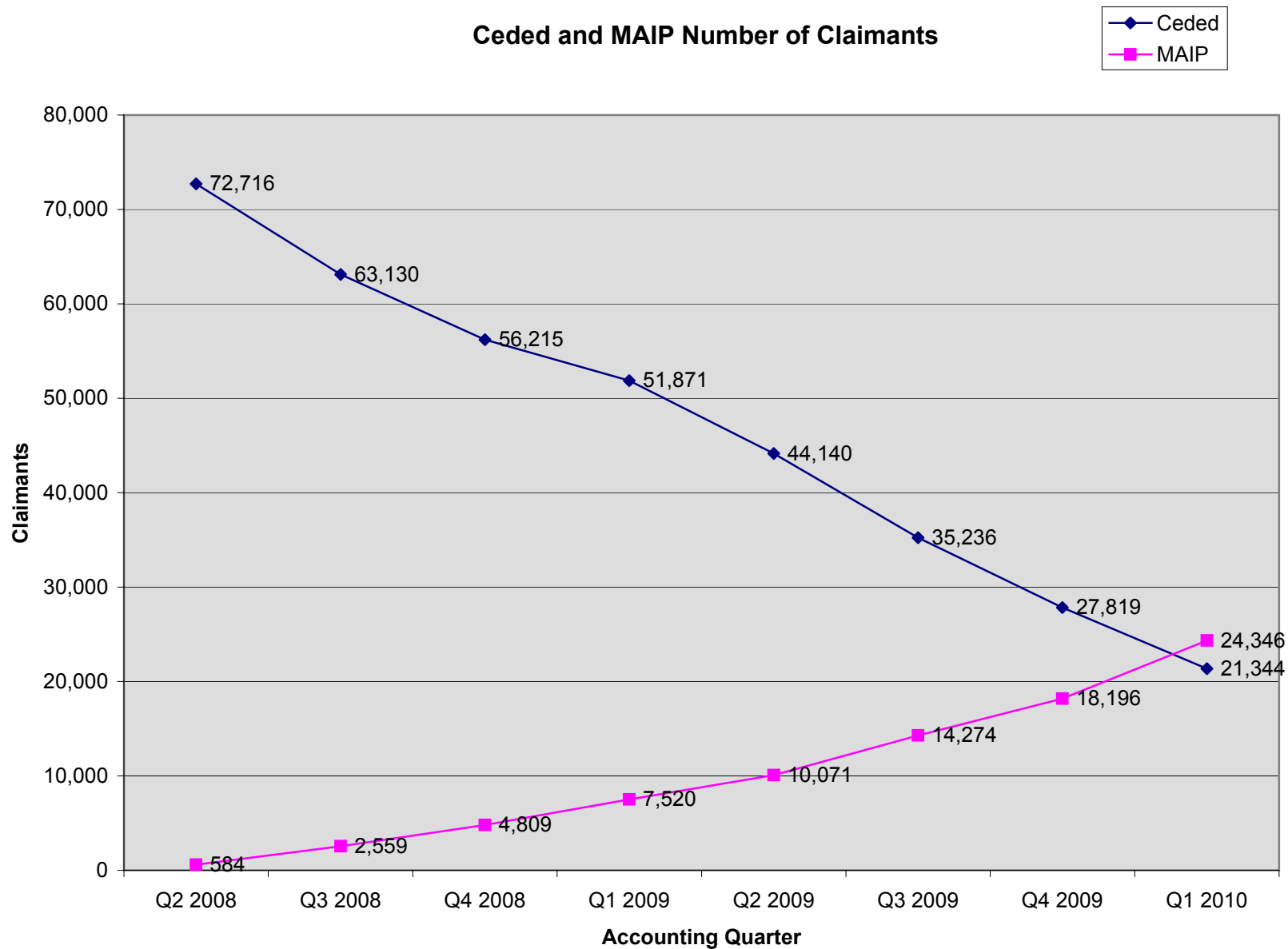
**Private Passenger  
Loss Amounts, Reserves, and Claimant Counts for Ceded and MAIP Business  
Accident Years 2000 - 2010**

<b>Indemnity Loss Amounts by Line of Business and Accounting Quarter</b>									
	LOB	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010
Ceded	PDL	\$15,711,794	\$13,717,622	\$12,875,803	\$11,467,575	\$8,941,418	\$6,741,036	\$4,037,179	\$2,523,800
	BI	\$24,868,374	\$22,686,090	\$22,010,487	\$20,710,036	\$17,362,038	\$15,589,940	\$15,977,667	\$12,688,185
	NF	\$3,687,539	\$3,527,255	\$2,836,006	\$2,829,613	\$2,422,526	\$1,677,391	\$553,494	-\$227,075
	Coll	\$11,654,059	\$10,308,090	\$8,721,580	\$9,907,789	\$4,399,417	\$2,496,124	\$1,475,362	\$156,923
	OTC	\$4,736,882	\$5,087,144	\$3,950,166	\$3,479,956	\$2,523,758	\$1,894,253	\$1,271,212	\$443,476
<b>Total</b>		<b>\$60,658,648</b>	<b>\$55,326,201</b>	<b>\$50,394,042</b>	<b>\$48,394,969</b>	<b>\$35,649,157</b>	<b>\$28,398,744</b>	<b>\$23,314,914</b>	<b>\$15,585,309</b>
MAIP	PDL	\$142,990	\$962,628	\$1,931,087	\$3,015,862	\$3,768,226	\$4,906,099	\$6,129,816	\$7,519,824
	BI	\$5,000	\$71,499	\$258,626	\$957,961	\$1,675,461	\$1,994,829	\$3,421,493	\$4,432,731
	NF	\$11,978	\$200,831	\$547,262	\$1,050,101	\$1,299,444	\$2,103,678	\$2,912,474	\$3,504,506
	Coll	\$284,868	\$1,161,311	\$1,949,746	\$2,476,865	\$2,863,915	\$3,929,520	\$4,406,436	\$6,785,839
	OTC	\$50,875	\$354,448	\$526,131	\$628,462	\$894,826	\$1,340,025	\$1,627,776	\$2,135,473
<b>Total</b>		<b>\$495,711</b>	<b>\$2,750,717</b>	<b>\$5,212,852</b>	<b>\$8,129,251</b>	<b>\$10,501,872</b>	<b>\$14,274,151</b>	<b>\$18,497,995</b>	<b>\$24,378,373</b>
<b>Overall Tot</b>		<b>\$61,154,359</b>	<b>\$58,076,918</b>	<b>\$55,606,894</b>	<b>\$56,524,220</b>	<b>\$46,151,029</b>	<b>\$42,672,895</b>	<b>\$41,812,909</b>	<b>\$39,963,682</b>

<b>Reserves by Line of Business and Accounting Quarter</b>									
	LOB	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010
Ceded	PDL	\$15,569,037	\$14,814,840	\$13,252,341	\$11,363,329	\$9,769,630	\$7,450,063	\$5,820,972	\$4,466,945
	BI	\$145,246,110	\$137,791,243	\$126,798,617	\$116,070,471	\$105,766,329	\$94,104,343	\$77,850,613	\$64,357,969
	NF	\$18,333,253	\$17,070,489	\$16,087,206	\$14,281,052	\$12,436,901	\$10,346,812	\$8,976,968	\$7,697,655
	Coll	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	OTC	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total</b>		<b>\$179,148,400</b>	<b>\$169,676,572</b>	<b>\$156,138,164</b>	<b>\$141,714,852</b>	<b>\$127,972,860</b>	<b>\$111,901,218</b>	<b>\$92,648,553</b>	<b>\$76,522,569</b>
MAIP	PDL	\$303,222	\$1,044,268	\$1,943,892	\$2,504,315	\$3,209,772	\$4,697,592	\$5,945,369	\$6,919,703
	BI	\$652,140	\$3,268,484	\$6,751,224	\$9,948,541	\$13,129,065	\$19,709,110	\$25,970,983	\$33,378,927
	NF	\$180,063	\$662,989	\$1,368,646	\$2,137,301	\$3,410,547	\$4,578,126	\$5,690,729	\$7,204,072
	Coll	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	OTC	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total</b>		<b>\$1,135,425</b>	<b>\$4,975,741</b>	<b>\$10,063,762</b>	<b>\$14,590,157</b>	<b>\$19,749,384</b>	<b>\$28,984,828</b>	<b>\$37,607,081</b>	<b>\$47,502,702</b>
<b>Overall Tot</b>		<b>\$180,283,825</b>	<b>\$174,652,313</b>	<b>\$166,201,926</b>	<b>\$156,305,009</b>	<b>\$147,722,244</b>	<b>\$140,886,046</b>	<b>\$130,255,634</b>	<b>\$124,025,271</b>

<b>Number of Claimants by Line of Business and Accounting Quarter</b>									
	LOB	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010
Ceded	PDL	15,462	13,423	11,904	10,562	8,849	6,806	5,084	3,742
	BI	16,975	15,898	14,587	13,279	11,960	10,671	9,145	7,585
	NF	16,338	14,942	13,911	12,455	11,387	9,720	8,218	6,946
	Coll	12,875	10,188	8,814	8,544	6,494	4,391	3,025	1,809
	OTC	11,066	8,679	6,999	7,031	5,450	3,648	2,347	1,262
<b>Total</b>		<b>72,716</b>	<b>63,130</b>	<b>56,215</b>	<b>51,871</b>	<b>44,140</b>	<b>35,236</b>	<b>27,819</b>	<b>21,344</b>
MAIP	PDL	228	959	1,702	2,464	3,111	4,308	5,314	6,808
	BI	89	380	809	1,329	1,922	2,848	3,699	4,694
	NF	83	369	778	1,284	1,970	2,805	3,917	4,983
	Coll	103	434	828	1,304	1,571	2,194	2,766	4,053
	OTC	81	417	692	1,139	1,497	2,119	2,500	3,808
<b>Total</b>		<b>584</b>	<b>2,559</b>	<b>4,809</b>	<b>7,520</b>	<b>10,071</b>	<b>14,274</b>	<b>18,196</b>	<b>24,346</b>
<b>Overall Tot</b>		<b>73,300</b>	<b>65,689</b>	<b>61,024</b>	<b>59,391</b>	<b>54,211</b>	<b>49,510</b>	<b>46,015</b>	<b>45,690</b>

### Ceded and MAIP Number of Claimants



### Indemnity and Reserves for Ceded and MAIP Business

