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DIVISION OF INSURANCE

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JULIANNE M. BOWLER
COMMISSIONER OF INSURANCE

February 16, 2006

Ms. Valerie B. Gedziun
Vice President, Claims
Commonwealth Automobile Reinsurers
100 Summer Street
Boston, MA 02110

RE: Performance Standards

Dear Ms. Gedziun:

The Division of Insurance ("Division") has reviewed the Performance Standards for the Handling and Payment of Claims by Servicing Carriers as submitted by CAR on December 16, 2005. The Standards are approved as filed with the following exceptions.

In the section on Non Compliance Penalties on page 24, in the third edited paragraph beginning with "The amount of the penalty...", it should be clarified that the fine to be imposed is based on a whole number market share as opposed to a percentage market share. For example, a company with a seven percent market share that is to be fined \$1,000 for every market share point should be fined \$7000, as opposed to \$70 (which would be \$1,000 x .07). This is clear in the introductory summary but should be clarified in this paragraph as well.

With regard to the comparison of the quality of claims handling, CAR should review this area in one year to see how the Standards worked and to ensure this section accomplishes its intended purpose.

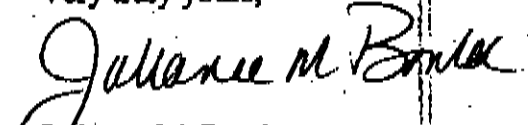
As to the issue regarding the standardization of internal audits, the Division of Insurance had requested that CAR standardize the format of the internal audits. Based on CAR's response to this request, we agree that this standardization is difficult to accomplish and, therefore, direct CAR to collect the audits for one year and report to the Division by February 28, 2007, on CAR's findings so we can collectively determine whether this issue needs to be revisited.

In attaining the statutory goals, after careful consideration we have concluded that CAR should obtain the necessary data to compile individual company trends in the areas of pure

premium, BI to PD claim frequencies, PIP to PD claim frequencies, and overall claims frequencies for the past six years. This information should be collected for monitoring purposes only and not for any enforcement or to have the potential to subject any company to penalties. Collecting and compiling this data will allow companies to analyze how transactional claims practices affect the ultimate rate charged in the market and increase individual company understanding of how their practices affect the overall market trend. We believe obtaining this data and making it available to the companies would be extremely helpful in the area of cost containment. Therefore, CAR should make this data available to both the Division of Insurance and the companies for their review no later than May 31, 2006.

We appreciate the hard work of CAR in addressing the issues we identified regarding the Performance Standards and thank you for your timely and thorough consideration of this matter.

Very truly yours,



Julianne M. Bowler
Commissioner of Insurance