



# COMMONWEALTH AUTOMOBILE REINSURERS

100 SUMMER STREET – BOSTON, MASSACHUSETTS 02110

TEL: 617-338-4000 FAX: 617-338-5422 www.commauto.com

**RALPH A. IANNACO**  
President

**MICHAEL J. TROVATO**  
Executive VP & Treasurer

## - M E M O R A N D U M -

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: July 18, 2005

RE: Operational Reports

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The 1<sup>st</sup> quarter 2005 Operational Reports follow this memorandum. They include data reported from March 15, 2005, through May 16, 2005 for the accounting months of January 2005 through March 2005. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

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

On April 29, 2005, the Division of Insurance proposed changes to the Statistical Plan relative to Rule 29 Classification Standards. In response to the 2006 Safe Driver Insurance Plan ordered by the Division of Insurance, proposes modifications to the Private Passenger Plan include the update of the classification code to reflect points instead of step information. To correspond with the addition of “all other” Medical Payments, Limit Code 49 will be added to the Private Passenger and Commercial Statistical Plans.

Statistical Penalty fees for the quarter amounted to \$87,400 with one Group Company accounting for approximately 50% of this amount.

### **Section II – Cessions:**

CAR assessed 4 penalties from the CA5010 in 1<sup>st</sup> quarter 2005. The penalties totaled \$39,000. CAR ran the February CA5010 listing and it was due back on May 15, 2005. The next run of the CA5010 listing is scheduled to be released in the near future.

As of May 31, 2005 the private passenger cession rate equaled 7.0%; the commercial cession rate equaled 28.5%.

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

CAR posted the March 2005 Quarterly Member Participation Reports to the website June 3, 2005.

Participation Ratios estimated for 2005 using data reported through May 16, 2005 were posted to the website on June 30, 2005.

The 1<sup>st</sup> quarter 2005 Rule 12 error listings were distributed in mid June.

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

The 1<sup>st</sup> quarter Critical Error Write-Offs and 10% Loss of Investment Fees totaled \$300,291 and \$6,945 respectively.

CAR assessed \$60 Cession/No Premium penalties as of May 28, 2005 totaling \$22,860.

CAR assessed the Net/Negative Premium Write-Off penalties against the 2002 policy effective year. They totaled (\$43,281).

CAR processed the final Cession/No Premium Write-Offs for the policy year 2002 totaling \$744,100.

The Company Profiles were mailed to the industry on May 13, 2005.

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

CAR assessed penalties to the Annual Statement electronic page 15 filing for 4<sup>th</sup> Quarter 2004 due March 16, 2005 in the amount of \$25,800. The Reconciliation Responses for 4<sup>th</sup> Quarter 2004 were due on June 1, 2005 and any late return penalties will be posted in the 2<sup>nd</sup> quarter Settlement of Balances.

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

### **Section VI – Communications:**

As of January 1, 2005, CAR discontinued the services of ATT cession reporting. Additionally, all companies must access the telecommunications system directly through CAR's website. Please reference Bulletin Number 764 for more information.

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**I. STATISTICAL SYSTEM**

C. 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 2005 as of the first quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

<b>2005 CALL SCHEDULE</b>		
<b>Submission</b>	<b>Due Date</b>	<b>Quarter</b>
January 2005	March 15, 2005	1 <sup>st</sup> Qtr
February 2005	April 15, 2005	
March 2005	May 16, 2005	
April 2005	June 15, 2005	2 <sup>nd</sup> Qtr
May 2005	July 15, 2005	
June 2005	August 15, 2005	
July 2005	September 15, 2005	3 <sup>rd</sup> Qtr
August 2005	October 17, 2005	
September 2005	November 15, 2005	
October 2005	December 15, 2005	4 <sup>th</sup> Qtr
November 2005	January 16, 2006	
December 2005	February 15, 2006	

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 first quarter, 2005.

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**I. STATISTICAL SYSTEM (continued)**

2005 Timeliness Report

<i>CO NO</i>	<i>Jan 3/15</i>	<i>Feb 4/15</i>	<i>Mar 5/16</i>	<i>Apr 6/15</i>	<i>May 7/15</i>	<i>Jun 8/16</i>	<i>July 9/15</i>	<i>Aug 10/15</i>	<i>Sep 11/15</i>	<i>Oct 12/15</i>	<i>Nov 1/16</i>	<i>Dec 2/15</i>
049			COM									
198	PP											
229			COM									
326			COM									
333	COM											
366			COM									
404			COM									
417			COM									
468	COM	COM	COM									
486	COM											
559	PP											
582			COM									
625			COM									
633			COM									
650			BOTH									
711			COM									
770			COM									
837			COM									
894	COM	COM	COM									
963	COM											
650												
894												
971												

**C. 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 first quarter 2005, CAR assessed a total penalty amount of \$87,400. The table below shows the detail penalties for each company.

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**C. STATISTICAL SYSTEM (continued)**

Penalty Assessments  
1<sup>st</sup> Quarter 2005

<b>Co #</b>	<b>Company Name</b>	<b>Assessment</b>	<b>Amount</b>
017	ACE Property & Casualty	Late Annual Statement	\$ 300
021	Affiliated FM Ins. Co.	Late Annual Statement	\$ 150
099	American Home Ins. Co.	Late Annual Statement	\$ 50
101	American Alternative Ins. Co.	Late Annual Statement	\$ 50
112	American Manufacturers Mutual	Late Annual Statement	\$ 50
117	American Motorists Ins. Co.	Late Annual Statement	\$ 50
155	Argonaut Insurance Company	Interim Penalty Late Annual	\$ 2,350
157	Argonaut-Midwest Ins. Co.	Interim Late Annual Statement	\$ 2,450
183	Balboa Insurance Company	Late Annual Statement	\$ 1,650
194	Bankers Standard Insurance	Late Annual Statement	\$ 300
198	Berkshire Mutual Ins. Co.	Late 1/05 MAS	\$ 300
229	Clarendon National Ins. Co.	Stat Err > 5% 12/04	\$ 300
261	ACE American Ins. Co.	Late Annual Statement	\$ 300
263	ACE Fire Underwriters Ins. Co.	Late Annual Statement	\$ 300
264	ACE Indemnity Ins. Co.	Late Annual Statement	\$ 300
317	Empire Insurance Co. (TAXI)	Stat Err > 5%	\$ 200
326	Excelsior Insurance Co.	Late 10/04 MAS	\$ 4,000
333	OneBeacon Insurance Company	Late 1/05 MAS	\$ 800
362	Farm Family Casualty Ins. Co.	Late 12/04 MAS	\$ 300
366	Arch Insurance Company	Late 12/04 MAS	\$ 100
404	First National Ins. Co. of America	Late Annual Statement	\$ 200
415	Allianz Global Risks US Ins. Co.	Interim Late Annual Statement	\$ 2,450
417	General Insurance Co. of America	Late Annual Statement	\$ 200
451	Hudson Insurance Company	Late Annual Statement	\$ 450
467	Hartford Casualty Insurance Co.	Stat Err > 5% 8/04	\$ 400
467	Hartford Casualty Insurance Co.	Final Stat Err > 5% 8/04	\$ 800
468	Hartford Fire Insurance Company	Interim Penalty Late 7/04 MAS	\$ 4,000
468	Hartford Fire Insurance Company	Interim Penalty Late 8/04 MAS	\$ 4,000
468	Hartford Fire Insurance Company	Interim Penalty Late 9/04 MAS	\$ 4,000
468	Hartford Fire Insurance Company	Interim Pen Late 10/04 MAS	\$ 4,000
468	Hartford Fire Insurance Company	Interim Pen Late 11/04 MAS	\$ 5,200
468	Hartford Fire Insurance Company	Interim Pen Late 12/04 MAS	\$ 4,000
468	Hartford Fire Insurance Company	Final Stat Err > 5% 12/04	\$ 100
474	Holyoke Mutual Insurance Company	Stat Err > 5% 01/05	\$ 100
486	Harleysville Preferred Ins. Co.	Late 12/04 MAS	\$ 800
486	Harleysville Preferred Ins. Co.	Late 1/05 MAS	\$ 300
493	Infinity Insurance Company	Late Annual Statement	\$ 450
499	Ins. Co. of North America	Late Annual Statement	\$ 300
507	Response Insurance Company	Late Annual Statement	\$ 100
544	Lumbermen's Mutual Casualty	Late Annual Statement	\$ 50
559	Maryland Casualty Company	Late 12/04 MAS	\$ 300
575	MassWest Insurance Company	Stat Err > 5% FINAL 01/04	\$ 100
582	Merchants Mutual Ins. Co.	Late 2/05 MAS	\$ 800

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**C. STATISTICAL SYSTEM (continued)**

Penalty Assessments  
1<sup>st</sup> Quarter 2005

<b>Co #</b>	<b>Company Name</b>	<b>Assessment</b>	<b>Amount</b>
615	Fort Wayne Health & Casualty Co.	Late Annual Statement	\$ 1,750
621	American Economy Insurance Co.	Late Annual Statement	\$ 200
622	National Interstate Insurance Co.	Late Annual Statement	\$ 500
625	American States Ins. Co.	Late 12/04 MAS	\$ 800
625	American States Ins. Co.	Stat Err > 5% FINAL 12/04	\$ 300
625	American States Ins. Co.	Late Annual Statement	\$ 200
627	National Union Insurance Co.	Late Annual Statement	\$ 50
701	Pacific Employers Ins. Co.	Late Annual Statement	\$ 300
711	Peerless Insurance Company	Late 10/04 MAS	\$ 4,000
719	Penn Manufacturers Assc. Ins. Co.	Late Annual Statement	\$ 50
767	Royal Insurance Company	Stat Err > 5% 11/04	\$ 100
767	Royal Insurance Company	Stat Err > 5% 11/04	\$ (100)
770	SAFECO Insurance Company	Late Annual Statement	\$ 200
833	Stonewall Insurance Company	Late Annual Statement	\$ 1,550
842	Transguard Insurance Company	Late Annual Statement	\$ 850
856	TIG Insurance Company	Late Annual Statement	\$ 2,050
894	Twin City Fire Insurance Co.	Interim Penalty Late 9/04 MAS	\$ 4,000
894	Twin City Fire Insurance Co.	Interim Pen Late 10/04 MAS	\$ 4,000
894	Twin City Fire Insurance Co.	Interim Pen Late 11/04 MAS	\$ 5,200
894	Twin City Fire Insurance Co.	Interim Pen Late 12/04 MAS	\$ 4,000
894	Twin City Fire Insurance Co.	Stat Err > 5% FINAL 01/04	\$ 800
894	Twin City Fire Insurance Co.	Stat Err > 5% FINAL 03/04	\$ 800
894	Twin City Fire Insurance Co.	Stat Err > 5% FINAL 06/04	\$ 800
894	Twin City Fire Insurance Co.	Stat Err > 5% 01/04	\$ 100
894	Twin City Fire Insurance Co.	Stat Err > 5% FINAL 01/04	\$ 400
941	Universal Underwriters Ins. Co.	Late 12/04 MAS	\$ 300
941	Universal Underwriters Ins. Co.	Late Annual Statement	\$ 700
954	Virginia Surety Insurance Co.	Late Annual Statement	\$ 350
961	Westchester Fire Insurance Co.	Late Annual Statement	\$ 300
963	Harleysville Worcester Ins. Co.	Late 01/05 MAS	\$ 300
971	Zurich Insurance Company	Stat Err > 5% FINAL 12/04	\$ 100
980	Westport Insurance Company	Late Annual Statement	\$ 1,750
996	Indemnity Ins. Co. of North America	Late Annual Statement	\$ 300
		Total	\$ 87,400

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**C. STATISTICAL SYSTEM (continued)**

Massachusetts Commercial Statistical Plan  
Proposed Modifications

Proposed Effective Date	Description	Status
January 1, 2005	The General Reporting Requirements have been clarified to identify that it is valid for a company to code the existence of a Property Damage deductible (PD Limit = 08) on single limit policies.	Clarification
January 1, 2006	To further clarify the definition of CAR Identification Codes 1 and 5 relative to the Limited Servicing Carrier program, additional language has been added to these definitions.	Clarification
January 1, 2006 (Optional 1/1/05 – 12/31/05)	Medical Payments Limits of \$3,000 and \$4,000 are available for Classification Code 902000 (Drive Other Car Coverage), but no corresponding statistical codes exist. An “all other” code 49 has been added to the Medical Payments Limits Code table to provide for the statistical reporting of limits for which no specific limit code value currently exists.	All

Massachusetts Private Passenger Statistical Plan  
Proposed Modifications

Proposed Effective Date	Description	Status
January 1, 2005	Language has been modified to reflect recent changes to Rule 29 – Classification Standards of the AIB’s Private Passenger Rating Manual, relative to the treatment of inexperienced operators.	Clarification
January 1, 2006	In response to the 2006 Safe Driver Insurance Plan as ordered by the Division of Insurance on April 29, 2005, CAR is proposing several modifications to the Private Passenger Statistical Plan. For private passenger, miscellaneous rated as private passenger and private passenger motorcycle policies effective 1/1/2006 and subsequent, the fifth and sixth positions of the classification code will now reflect point rather than step information. Credit records may be reported with a value of 98 or 99 in the fifth and sixth positions and surcharge records may be reported with values of 01 – 45 in those positions.	All Premiums
January 1, 2006 (Optional 1/1/05 – 12/31/05)	To correspond with the addition of “all other” Medical Payments Limit Code 49 to the Commercial Statistical Plan, an “all other” code 49 has also been added to the Private Passenger Statistical Plan.	All

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C. **CESSION SYSTEM**

A. Cession Submission

CAR accepts cession data via four different methods: cartridge, on-line telecommunications, ATT transmission, and FTP transmission

For more information regarding cession reporting via FTP, please reference Bulletin Number 380.

B. Cession Backdates

C. 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.

C. 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 March 15, 2005.

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**II. CESSION SYSTEM (continued)**

C. Cession Backdates (continued)

TX5 Cession Backdate Log

<b>DATE SUBMITTED</b>	<b>CO NO</b>	<b># OF CESSIONS</b>	<b>BACKDATE GRANTED?</b>	<b>REASON FOR APPROVAL/ DISAPPROVAL</b>
03/10/05	773	1	Yes	Antique Vehicle-good documentation
03/25/05	612	7	Yes	Decision made prior to policy effective date
03/25/05	612	1	No	Decision made after policy effective date
03/25/05	612	2	No	Decision made on date policy was effective
03/28/05	153	1	Yes	Medical Payment Limit not cede able to CAR
03/28/05	279	35	Yes	Decision made prior to policy effective date
04/05/05	908	1	Yes	Antique Vehicle-good documentation
04/18/05	279	1	Yes	Decision made prior to policy effective date
04/20/05	153	21	Yes	Decision made prior to policy effective date
04/25/05	279	43	Yes	Decision made prior to policy effective date
05/02/05	402	1	Yes	Co. renewed policy voluntary. Cession processed inadvertently
05/05/05	612	1	yes	Decision made prior to policy effective date

C. 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 2003, 2004 and 2005.

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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**C. CESSION SYSTEM (continued)**

Policy Year 2003  
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
045	1,188	11	0.9	0.0	0	0
153	2,377	264	11.1 *	-0.1	105,602	30,122
279	2,883	29	1.0	0.0	0	0
455	1,249	98	7.8 *	0.0	794	0
514	75	4	5.3 #	0.0	0	0
585	138	11	8.0 #	0.0	0	0
612	708	35	4.9	0.0	0	0
723	7,623	85	1.1	0.0	0	0
731	387	18	4.7	0.0	0	0
773	9,726	48	0.5	0.0	0	0
826	1,462	2	0.1	0.0	0	0
908	4,284	100	2.3	0.0	0	0
Totals	32,100	705	2.2%	N/A	106,396	30,122

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATE D	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
049	202	14	6.9 #	0.1	0	0
102	335	7	2.1	0.0	0	0
152	969	46	4.7	0.1	9,471	0
194	116	19	16.4 #	0.0	0	0
279	316	9	2.8	0.0	357	0
333	341	23	6.7 #	0.0	0	0
438	98	2	2.0	0.0	0	0
455	286	43	15.0 *	0.0	0	0
514	271	65	24.0 *	0.0	1,416	0
612	43	21	48.8 #	0.0	354	0
734	547	18	3.3	0.0	23,880	0
735	30	3	10.0 #	0.0	0	0
767	86	37	43.0 *	0.0	929	0
773	380	3	0.8	0.0	0	0
887	829	102	12.3 *	0.0	36,345	1,000
919	53	0	0.0	0.0	0	0
929	31	1	3.2	0.0	0	0
Totals	4,933	413	8.4% *	N/A	72,752	1,000

X. 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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**X. CESSION SYSTEM (continued)**

Policy Year 2004  
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
045	730	23	3.2 #	-2.4	0	0
153	870	55	6.3 *	-0.5	2,272	0
279	4,277	20	0.5	0.0	0	0
455	0	0	0.0	0.0	0	0
514	29	1	3.4	-6.6	0	0
585	105	6	5.7 #	0.0	0	0
602	68	1	1.5	0.0	0	0
612	613	9	1.5	0.0	0	0
723	6,111	61	1.0	0.0	0	0
773	9,827	39	0.4	-0.3	1,512	0
826	1,117	6	0.5	0.0	0	0
908	5,114	183	3.6	1.2	0	0
Totals	28,861	404	1.4%	N/A	3,784	0

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
049	337	10	3.0	0.9	0	0
102	199	11	5.5 #	2.2	0	0
152	326	18	5.5 #	2.9	2,160	0
194	187	52	27.8 *	14.6	1,092	0
279	384	4	1.0	0.0	0	0
333	319	83	26.0 *	17.6	210	0
438	261	4	1.5	0.0	7	0
455	232	16	6.9 #	3.9	2,345	0
514	286	29	10.0 *	2.7	2,140	0
612	29	15	51.7 #	8.8	0	0
644	32	1	3.1	0.0	0	0
734	519	25	4.8	0.0	635	0
735	37	4	10.8 #	4.5	0	0
767	22	1	4.5	0.0	0	0
773	350	1	0.3	0.0	0	0
887	1,453	229	15.8 *	7.4	25,369	0
919	32	1	3.1	0.1	0	0
929	29	1	3.4	0.0	0	0
Totals	5,034	505	10.0%	N/A	33,958	0

X. 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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**X. CESSION SYSTEM (continued)**

Policy Year 2005  
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
045	275	0	0.0	0.0	0	0
279	1,124	1	0.1	0.0	0	0
514	37	0	0.0	0.0	0	0
585	33	0	0.0	0.0	0	0
602	82	8	9.8 #	0.0	0	0
612	6	0	0.0	0.0	0	0
723	1,735	11	0.6	0.0	0	0
773	3,441	8	0.2	0.0	0	0
826	332	0	0.0	0.0	0	0
908	2,796	95	3.4	0.0	0	0
Totals	9,861	123	1.2% *	N/A	0	0

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
049	125	3	2.4	0.0	0	0
102	63	0	0.0	0.0	0	0
152	81	6	7.4 #	0.0	0	0
194	37	2	5.4 #	0.0	0	0
279	165	3	1.8	0.0	0	0
333	122	1	0.8	0.0	0	0
438	121	1	0.8	0.0	0	0
455	98	4	4.1	0.0	0	0
514	114	17	14.9 #	0.0	0	0
612	8	3	37.5 #	0.0	0	0
644	14	0	0.0	0.0	0	0
734	158	5	3.2	0.0	0	0
735	14	0	0.0	0.0	0	0
751	2	0	0.0	0.0	0	0
773	128	2	1.6	0.0	0	0
887	662	48	7.3 *	0.0	0	0
929	19	1	5.3 #	0.0	0	0
Totals	1,931	96	5.0% *	N/A	0	0

X. 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)**

X. CA5010 Flat Cancellation Audit

CAR runs the CA5010 – Flat Cancellation Documentation Listing semi-annually. 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 January 31, 2005 and the documentation was due back at CAR by May 12, 2005. CAR reviewed the last run of the CA5010 documentation and penalized the following companies and these penalties were posted in the 1<sup>st</sup> quarter 2005 financial reports.

<b>Company</b>	<b>Penalty</b>
333	\$6,500
585	\$13,000
894	\$13,000
948	\$6,500
<b>Total</b>	<b>\$39,000</b>

D. Cession Volumes

The private passenger and commercial cession volume results for the past five years are highlighted in the chart below.

<b>Effective Year</b>	<b>Private Passenger Cession %</b>	<b>Commercial Cession %</b>	<b>Time Period</b>
2001	7.7%	23.4%	Final Result
2002	7.5%	28.0%	Final Result
2003	6.9%	27.9%	Final Result
2004	6.7%	26.9%	Final Result
2005	7.0%	28.5%	As of March 2005

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

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**III. QUARTERLY PARTICIPATION**

A. Production of Quarterly Participation Reports

CAR posted the March 2005 Quarterly Member Participation Reports to its website on June 3, 2005. 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

CAR posted estimated 2005 commercial participation ratios, using data reported through May 16, 2005, to its website on July 11, 2005. Private Passenger ratios will be calculated and posted upon approval from the commissioner of rules 11 & 12.

Additionally, Final 2004 ratios will be calculated and posted to CAR's website by August 31, 2005.

C. Rule 12 Participation Credits

CAR distributed the Rule 12 credit edit reports in mid June. They include results for accounting year 2005, as of the first quarter. Because credit values have not been set for the 2005 policy year, the error listing does not reflect accurate financial impacts at this time. However, companies should still review their errors to determine the cause of their discrepancies.

The Rule 12 tolerance for 2005 has not been set at this time. The table below shows the history of the tolerance level and industry error percentage.

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%

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**III. QUARTERLY PARTICIPATION (continued)**

D. CAR Financial Results

The ultimate policy year deficit projections, as of March 2005, for the latest three policy years are as follows:

(Numbers are in \$000s)

<b>Policy Year</b>	<b>Private Passenger</b>	<b>Commercial</b>
2002	(365,174)	(428)
2003	(271,676)	11,603
2004	(244,140)	18,585

E. Cession Limitations

Current cession limitation results for policy years 2003-2005 are reflected in the chart below.

<b>Policy Year</b>	<b>% Ceded</b>	<b>As of</b>
2003	13.33%	27 months
2004	11.28%	15 months
2005	13.33%	3 months

F. CAR Commercial Rates

- CAR's commercial rates are the same as they were for the 2003 policy effective year and should be used on policies effective 10/1/2004 and subsequent as follows:

<b>Class</b>	<b>Rate</b>	<b>Class</b>	<b>Rate</b>
TTT	0.9%	Garage Physical Damage	22.2%
PPT-Fleet	0.4%	Zone Rated	4.8%
Garages	29.5%	Taxis	3.2%
Special Types	1.8%	Limo/CAR Service	24.5%
Non-Owned	1.8%	Public Buses	16.4%
Miscellaneous	8.2%	Van Pools	23.4%

Grand Total All Classes                      7.5%  
\*PPT Non-Fleet                                      4.6%

**OPERATIONAL REPORTS  
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**III. QUARTERLY PARTICIPATION (continued)**

F. CAR Commercial Rates (continued)

- \* PPT Non-Fleet rates are included for Special Types and Miscellaneous Vehicle Types only. Vehicles classified as PPT Non-Fleet are not subject to CAR's rate filing and should continue to be rated using the Servicing Carrier's voluntary rate.

The schedule of commissions for commercial business for 2005 will remain the same as it was within the 2003 policy effective year and subsequent, still remains to be the following:

Taxis	5.86%
Limousine/Car Service	3.72%
All Other Classifications	9.52%

2. CAR's Experience Rating Plan Manual has been in circulation since 2003 and is available on CAR's website at [www.commauto.com](http://www.commauto.com) under the "Manuals" link.

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**IV. ACCOUNTING SYSTEM**

A. Update of the Online Accounting System

CAR updates the online accounting system every Friday night. Accordingly, all new premiums and loss activity and all correction activity are posted to the system on Friday evenings and viewable to the industry on Monday mornings. This schedule deviates four times per year following the end of a quarter. The table below shows the quarter ending schedule for updates to the CAR accounting system.

<b>Quarter</b>	<b>MAS Due Date</b>	<b>Accounting System Update</b>
1st Quarter 2005	May 16, 2005	May 20, 2005
2nd Quarter 2005	August 15, 2005	August 19, 2005
3rd Quarter 2005	November 15, 2005	November 18, 2005
4th Quarter 2005	February 15, 2006	February 17, 2006

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 first quarter 2005.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for July 2005 through December 2005 are shown following the 1st quarter write-off exhibit.

**OPERATIONAL REPORTS  
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**IV. ACCOUNTING SYSTEM (continued)**

B. Critical Error Write-Off (continued)

Write-Off – 1st Quarter 2005

<b>Company</b>	<b>Feb 2005</b>	<b>March 2005</b>	<b>April 2005</b>	<b>Total</b>
045	0	0	1,085	1,085
049	0	8,268	94,221	102,489
096	0	16,917	0	16,917
194	0	2,085	118,507	120,592
209	-661	0	8,783	8,122
331	15,587	6,847	-2,776	19,658
333	0	38,572	0	38,572
455	0	513	-4	509
474	0	0	15,022	15,022
514	1,655	0	0	1,655
575	0	-543	0	-543
585	0	4,878	0	4,878
602	0	85	3,785	3,870
612	0	0	-10	-10
664	0	0	6,000	6,000
723	3,413	0	198	3,611
767	5,346	-1,373	9,552	13,525
887	19,474	3,687	14,224	37,385
894	8,688	-34,906	-50,354	-76,572
948	-64	0	0	-64
963	1,944	-1,004	0	940
988	0	-17,350	0	-17,350
<b>Industry</b>	<b>55,382</b>	<b>26,676</b>	<b>218,233</b>	<b>300,291</b>

**OPERATIONAL REPORTS  
1ST QUARTER 2005**

**IV. ACCOUNTING SYSTEM (continued)**

B. Critical Error Write-Off (continued)

1st Quarter 2005 – 10% Loss of Investment Fees

<b>Co No</b>	<b>Feb 2005</b>	<b>Mar 2005</b>	<b>Apr 2005</b>	<b>Total</b>
045	0	0	109	109
049	0	827	3,844	4,671
096	0	1,654	0	1,654
152	-42	0	0	(42)
194	0	209	789	998
331	651	590	-278	963
333	0	2,257	0	2,257
455	0	17	0	17
474	0	0	148	148
514	90	0	0	90
585	0	33	0	33
602	0	9	170	179
664	0	0	600	600
767	439	0	0	439
826	-52	0	0	(52)
887	0	107	0	107
894	791	236	497	1,524
963	-58	-100	0	(158)
<b>Total</b>	<b>1,819</b>	<b>5,839</b>	<b>5,879</b>	<b>13,537</b>

**OPERATIONAL REPORTS  
1ST QUARTER 2005**

**IV. ACCOUNTING SYSTEM (continued)**

B. Critical Error Write-Off (continued)

Potential Loss Write-Off July 2005 through December 2005

Company	July 2005	August 2005	September 2005	October 2005	November 2005	December 2005	Grand Total
045	0	0	2,099	0	0	0	2,099
049	11,439	0	14,629	0	0	3,458	29,526
096	0	0	0	0	400	0	400
152	0	10,012	0	712	0	6,581	17,305
154	0	-2,886	0	4,494	0	66,307	67,915
194	587,232	2,934	0	47,135	0	6,872	644,173
209	4,894	24,387	-102	4,805	0	3,993	37,977
331	1,900	0	0	0	0	0	1,900
333	4,244	49,241	0	7,939	408	17,243	79,075
402	0	23,812	0	56,993	0	9,486	90,291
455	0	0	621	-1	4,907	0	5,527
481	0	0	0	0	0	1,508	1,508
514	0	0	0	0	1,539	-3,985	-2,446
575	0	0	0	4,504	190,825	4,741	200,070
585	1,643	0	15,092	0	0	324	17,059
612	0	0	0	-808	0	0	-808
664	-6,000	0	0	0	0	0	-6,000
723	2,535	0	1,306	0	4,545	207	8,593
767	7,526	-1,362	0	0	0	0	6,164
773	0	0	0	230	0	265	495
887	50,722	1,279	18,161	-1	11,895	0	82,056
894	9,013	30,112	31,236	51,612	21,299	13,328	156,600
927	0	0	0	0	0	360	360
948	0	0	405	0	0	0	405
963	0	2,993	3,527	0	0	-531	5,989
Totals	675,148	140,522	86,974	177,614	235,818	130,157	1,446,233

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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 potential penalties.

2004 Non Critical Errors Over Tolerance

<b>Times Identified</b>	<b>Company</b>	<b>Error Code</b>	<b>Percent in Error</b>	<b># Policies in Error</b>	<b>Potential Penalty</b>
4	154	4	1.65	102	\$2,000
4	194	4	5.59	25	\$1,050
4	194	5	5.15	23	\$950
7	331	12	1.95	144	\$3,500
4	402	10	10.46	16	\$700
1	894	2	3.40	16	\$550
11	963	2	3.03	28	\$950

2005 Non Critical Errors Over Tolerance

<b>Times Identified</b>	<b>Company</b>	<b>Error Code</b>	<b>Percent in Error</b>	<b># Policies in Error</b>	<b>Potential Penalty</b>
1	664	2	1.13	16	\$100

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 mailed the twelve-month 2004 company profile reports on May 13, 2005.

E. Penalty Forecasting Program

CAR produced the Penalty Forecasting exhibits in mid June and mailed them to the industry shortly thereafter. The program helps companies in their correction efforts. The new Forecast of Potential Penalties report will help Servicing Carriers track potential future penalties if corrective actions are not taken by the companies. CAR will produce these reports on a quarterly basis, following the due date of the March, June, September, and December submissions.

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**IV. ACCOUNTING SYSTEM (continued)**

F. \$60 Cession/No Premium Penalties

On May 28, 2005 CAR assessed \$60 Cession/No Premium penalties against all cessions that listed on the penalty list. 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 \$60 Cession/No Premium penalties processed on May 28, 2005 will be included in the second quarter 2005 Settlement of Balances Reports.

\$60 Cession No-Premium Penalties

Company	Amount
049	840
096	120
194	4,920
209	1,920
331	600
333	1,080
402	360
514	120
575	600
664	180
723	180
743	1,260
767	600
887	7,020
894	1,260
963	1,800
Total	22,860

G. 2002 Net Negative Premium Write-Off

Following the close of premium and cession reporting for a specific year, CAR assesses a net-negative premium write-off against each policy that contains an overall premium amount of less than \$0. To correct the negative condition, CAR adds offsetting records to each policy to bring the total premium amount up to \$0 – in essence correcting the policy. The write-off figures were included in the first quarter 2005 Settlement of Balances reports.

**OPERATIONAL REPORTS  
1ST QUARTER 2005**

**IV. ACCOUNTING SYSTEM (continued)**

G. 2002 Net Negative Premium Write-Off (continued)

2002 Net-Negative Premium Write-off  
1st Quarter 2005

Company	Write-Off Amount
049	(\$19,956)
194	(\$14,657)
209	(\$122)
331	(\$540)
333	(\$4,609)
514	(\$132)
585	(\$139)
664	(\$806)
723	(\$853)
767	(\$983)
894	(\$484)
Total	(\$43,281)

H. 2002 Cession/No Premium Write-Offs

CAR processed the final Cession/No Premium Write-Offs for the policy year 2002. The Cession/No Premium Write-Offs are calculated separately by risk indicators and are based on a policy count by type of business. CAR will assess penalties of any outstanding policy by risks to be posted in the next Settlement of Balances reports.

2002 Cession/No Premium Write-Offs

Company	Write-Off Amount
049	\$81,900
153	\$1,400
194	\$56,700
331	\$2,800
333	\$245,700
575	\$14,000
664	\$1,400
767	\$25,200
887	\$44,100
894	\$157,500
963	\$113,400
Total	\$744,100

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**V. STATISTICAL AGENT FUNCTION**

**A. Update of the Online Statistical System**

CAR loads statistical data to its permanent database files and updates the online statistical system every Wednesday night. Accordingly, all new premiums and loss activity and all correction activity are posted to the system on Wednesday evenings and viewable to the industry on Thursday mornings. This schedule deviates four times per year following the end of a quarter. The table below shows the quarter ending schedule for updates to the statistical system.

<b>Quarter</b>	<b>MAS Due Date</b>	<b>Statistical System Update</b>
1st Quarter 2005	May 16, 2005	May 17, 2005
2nd Quarter 2005	August 15, 2005	August 16, 2005
3rd Quarter 2005	November 15, 2005	November 16, 2005
4th Quarter 2005	February 15, 2006	February 16, 2006

**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 15 must respond to this difference according to the schedule below.

With the 4th quarter annual statement submission only, companies must provide a copy of the data submitted to the NAIC.

<b>Quarter</b>	<b>Due Date Quarterly Annual Statement</b>	<b>Run Date of the Reconciliation Program</b>	<b>Due Date Reconciliation Response</b>
1st 2005	June 15, 2005	July 1, 2005	Approx. August 5, 2005
2nd 2005	September 15, 2005	October 3, 2005	Approx. November 4, 2005
3rd 2005	December 15, 2005	January 2, 2006	Approx. February 3, 2006
4th 2005	March 15, 2006	April 3, 2006	Approx. May 5, 2006

Annual Statement page 15 filings were due on March 15, 2005 for the 4th Quarter 2004. Companies who filed their electronic page filing after the due were assessed a \$50 per day fine for the late return. CAR assessed penalties for the late return of page 15 data in the 1<sup>st</sup> Quarter 2005 Settlement of Balances report in the amount of \$25,800.

The due date for the Reconciliation Responses for 4<sup>th</sup> Quarter 2004 was June 1, 2005. CAR will assess penalties for any late return of Reconciliation Responses in the 2<sup>nd</sup> Quarter 2005 Settlement of Balances reports.

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

**OPERATIONAL REPORTS  
1ST QUARTER 2005**

C. Annual Call for Expense

CAR uses this data to determine the final ceding expense allowance for each calendar year.

The due date for filing the expense data for the 2004 effective year was June 1, 2005. For all late filings, CAR will assess a statistical data quality penalty of \$50 per business day until it receives the completed expense call. Penalties for any late filing of the expense data will be provided in the next reports.

D. Rate Edit Processing

CAR processes both private passenger and commercial data through separate rate editing routines for the latest two policy effective years. The table below shows the industry results by line of business and policy effective year.

	<b>Line of Business</b>	<b>Eligible Records</b>	<b>Records in Error</b>	<b>Error %</b>
<b>PP 2004 EFF YEAR</b>	Liability	22,569,059	51,264	0.23%
	No Fault	18,414,561	17,835	0.10%
	Physical Damage	21,172,216	41,740	0.20%
	Total	62,155,836	110,839	0.18%
<b>COMM 2004 EFF YEAR</b>	Liability	209,437	2,696	1.29%
	No Fault	144,426	1,519	1.05%
	Physical Damage	185,921	3,954	2.13%
	Total	539,784	8,169	1.51%
<b>PP 2005 EFF YEAR</b>	Liability	4,957,326	8,350	0.17%
	No Fault	4,133,736	2,194	0.05%
	Physical Damage	3,951,696	4,766	0.12%
	Total	13,042,758	15,310	0.12%
<b>COMM 2005 EFF YEAR</b>	Liability	48,942	440	0.90%
	No Fault	33,390	320	0.96%
	Physical Damage	39,792	805	2.02%
	Total	122,124	1,565	1.28%

V. STATISTICAL AGENT FUNCTION (continued)

**OPERATIONAL REPORTS  
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D. Rate Edit Processing (continued)

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.

**OPERATIONAL REPORTS  
1ST QUARTER 2005**

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

D. Rate Edit Processing (continued)

Rate Edit - Over Tolerance Exhibit

<b>Co No</b>	<b>PP/Comm</b>	<b>Policy Year</b>	<b>Subline</b>	<b>Due Date</b>	<b>Err %</b>	<b># Records in Error</b>
049	Comm	2005	Physical Dam	12/15/2005	2.38%	54
194	Comm	2004	Liability	03/15/2005	11.01%	147
194	Comm	2004	No Fault	07/15/2005	11.24%	94
194	Comm	2004	Physical Dam	02/15/2005	23.49%	315
333	Comm	2005	No Fault	12/15/2005	2.88%	79
402	Comm	2004	No Fault	08/15/2005	2.86%	59
575	Comm	2004	Liability	06/15/2005	3.08%	83
743	Comm	2004	Liability	02/15/2005	12.64%	213
743	Comm	2004	No Fault	04/15/2005	4.95%	66
767	Comm	2004	Liability	02/15/2005	21.30%	196
767	Comm	2004	No Fault	04/15/2005	28.84%	124
767	Comm	2004	Physical Dam	04/15/2005	18.15%	186
773	Comm	2005	Physical Dam	12/15/2005	2.74%	71
887	Comm	2005	Physical Dam	12/15/2005	2.60%	300
894	Comm	2004	Liability	02/15/2005	7.91%	203
894	Comm	2004	No Fault	03/15/2005	8.32%	223
894	Comm	2004	Physical Dam	01/15/2005	30.15%	843
894	Comm	2005	Physical Dam	11/15/2005	19.68%	62
963	Comm	2004	Liability	06/15/2005	4.03%	211
963	Comm	2005	No Fault	12/15/2005	4.51%	58
963	Comm	2005	Physical Dam	12/15/2005	2.53%	59

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1ST QUARTER 2005**

**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 03/05

CO NO	RECORD COUNT	WASHOUT COUNT	WASHOUT %
011	67	6	8.96
045	68,832	6,566	9.54
099	3,151	1,100	34.91
100	12,429	6,149	49.47
101	722	182	25.21
127	40	10	25.00
152	7,361	576	7.83
153	2,222,764	407,749	18.34
154	92,529	11,487	12.41
156	1,452	264	18.18
194	2,789	344	12.33
209	174,383	10,440	5.99
245	39,148	4,484	11.45
293	1,193	110	9.22
402	33,390	2,388	7.15
407	9,640	538	5.58
424	1,998	481	24.07
467	2,241	125	5.58
468	848	115	13.56
469	29	4	13.79
486	1,097	113	10.30
499	35	8	22.86
511	655	576	87.94
559	4,297	254	5.91
619	9,619	522	5.43
625	2,699	1,136	42.09
627	45	6	13.33
643	2,306	1,918	83.17
667	262	50	19.08
715	10,671	1,310	12.28
742	718	570	79.39
752	224	57	25.45
767	1,394	271	19.44

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1ST QUARTER 2005**

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

E. Deleted Washout Records (continued)

CO NO	RECORD COUNT	WASHOUT COUNT	WASHOUT %
828	97,870	16,798	17.16
884	172	20	11.63
885	6,861	1,822	26.56
887	123,119	10,862	8.82
891	11,287	752	6.66
894	2,759	168	6.09
919	4,527	252	5.57
927	5,077	1,534	30.21
948	9,416	1,868	19.84
963	41,307	2,084	5.05
986	10	2	20.00

Total Industry	19,188,959	735,496	3.83
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By comparison, the 2004 washout total following the March 2004 shipments was 4.35%.

F. Distributional Analysis

CAR produces the private passenger and commercial distributional analysis reports to ensure the quality of the private passenger ratemaking database and to ensure the quality of all data CAR uses to perform its statistical agent and reinsurance functions. CAR produces the reports quarterly to help identify potential reporting problems between each company's distributions of statistically reported data to that of the industry. If CAR identifies a potential reporting problem, it notifies the company and requests a response outlining the company's corrective action plan.

No reports were distributed to the industry in March 2005.

**OPERATIONAL REPORTS  
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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.

Recently, CAR added an application featuring the new Coverage Code Look-up. CAR has also added to the website online system the S018M – Ceded Deviated Premium Confirmation report. Future applications to be added would be the Class Code Look Up and S040W – Unprocessable Fatal Error and Converted Records reports to the online system.

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 of January 1, 2005, CAR no longer accepts cession data via ATT. Companies must submit cession data using FTP, cartridge, or CAR's on-line telecommunications system.

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**VII. PROJECT STATUS REPORTS**

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

<b>Project</b>	<b>Status</b>	<b>Description</b>
2005 Statistical System	Near completion	Update CAR's system to accept 2005 statistical data. Also, provide web access to S040, S135, and S018 reports. Create a class code lookup function.
Credit Matrix	To Begin in July 2005	Modify the Rule 12 and Territory Credit Process.
Company Profiles	Near completion	Automate the company profile process so that the reports are available online.
Distributional Analysis	To Begin September 2005	Automate the Distributional Analysis process.
Cession Volume Rewrite	To Begin August 2005	Rewrite the cession volume reports to a secure client server application.