



COMMONWEALTH AUTOMOBILE REINSURERS

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RALPH A. IANNACO
President

- MEMORANDUM -

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: June 16, 2006

RE: Operational Reports

The 1st quarter 2006 Operational Reports follow this memorandum. They include data reported from February 16, 2006 through May 15, 2006 for the accounting months of January 2006 through March 2006. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

Section I – Accounting/Statistical Shipments:

On April 19, 2006 revisions to the Massachusetts Private Passenger and Commercial Statistical Plans were approved by the Division of Insurance, pursuant to the provisions of Massachusetts General Laws Chapter 175A, Section 15 (provided in Accounting and Statistical Notice No. 442). Accounting and Statistical Notice No. 439 initially announced these proposed revisions. The summaries of the approved Statistical Plan modifications are included in Section I – Statistical System of the Operational Report.

- For all loss records it is now required that SDIP status be reported in the fifth and sixth positions of the classification code for Private Passenger changes.
- The Terrorism Risk Insurance Act of 2005 was extended for two years until December 31, 2007. Accordingly, the existing Terrorism Coverage Code values no longer apply to this business. These codes have been replaced by new values that identify whether terrorism coverage exists on the underlying policy (at no charge or for an additional premium charge) and identify any premium associated with terrorism coverage on a separate terrorism coverage record.

CAR assessed a total of \$67,450 to the statistical penalty programs in the 1st quarter 2006 Settlement of Balance.

OPERATIONAL REPORTS 1ST QUARTER 2006

Section II – Cessions:

CAR currently is viewing the documentation from the results of the CA5010 audit. Any outstanding results against companies will be noted in the next quarterly Operational Reports.

As of May 15, 2006 the Private Passenger cession rate equaled 4.2%; the commercial cession rate equaled 27.1%.

Section III – Quarterly Participation Reports:

1st quarter Critical Error Write-Offs and 10% Loss of Investment Fees totaled \$756,536 and \$5,704 respectively.

For 2006, the Rule 12 tolerance is at 0.15%. CAR will not be mailing the 1st Quarter reports. At its last meeting, the Operations Committee directed CAR Staff to update the edits so that companies would not gain credits based on the change using a credit matrix. That update is still in progress.

Section IV – Accounting System Processing:

Relative to the Audit Review, CAR assessed the "Audit Review" penalties against 2005 and 2006 policy effective year following the March 2006 monthly accounting shipments due at CAR on May 15, 2006 for all companies remaining over the tolerance level of 1% and 10 policies in error. These penalties were included in the 1st quarter 2006 Settlement of Balances.

CAR assessed penalties totaling \$86,460 for the Cession/No Premium and \$557,000 the Net-Negative Premium Write Off penalties against the 2003 policy effective year in April 2006. These penalties were included in the 1st quarter 2006 Settlement of Balances.

Section V - Statistical Agent Functions:

The Statutory Page 14 report for 4th Quarter 2005 was due at CAR on March 15, 2006 and the Reconciliation Responses for 4th Quarter 2005 were due on May 11, 2006. Penalties amounted to \$24,050 and were assessed in the 1st quarter 2006 Settlement of Balances.

All companies that exceed the commercial and private passenger rate edit tolerances are listed on pages 29-30.

Section VI – Communications:

CAR completed the implementation of performance standards for the Claims Reform and the accrual application to collect unreported private passenger premium.

The Company Reporting Profile reports have been postponed due to some minor discrepancies with the paper reports. They should become available shortly.

**OPERATIONAL REPORTS
1ST QUARTER 2006**

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 2006 as of the first quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

2006 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2006	March 15, 2006	1 st Qtr
February 2006	April 17, 2006	
March 2006	May 15, 2006	
April 2006	June 15, 2006	2 nd Qtr
May 2006	July 17, 2006	
June 2006	August 15, 2006	
July 2006	September 15, 2006	3 rd Qtr
August 2006	October 16, 2006	
September 2006	November 15, 2006	
October 2006	December 18, 2006	4 th Qtr
November 2006	January 15, 2007	
December 2006	February 15, 2007	

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, 2006.

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1ST QUARTER 2006**

I. STATISTICAL SYSTEM (continued)

2006 Timeliness Report

<i>CO NO</i>	<i>Jan 3/15</i>	<i>Feb 4/18</i>	<i>Mar 5/15</i>	<i>Apr 6/15</i>	<i>May 7/15</i>	<i>Jun 8/15</i>	<i>July 9/15</i>	<i>Aug 10/16</i>	<i>Sep 11/15</i>	<i>Oct 12/15</i>	<i>Nov 1/15</i>	<i>Dec 2/15</i>
049												
089												
091												
099												
100		COM	COM									
102												
194												
198												
201												
205												
229												
230												
259			COM									
261												
283												
295	COM											
309	PP		PP									
312												
316			COM									
326			COM									
333												
362												
366			COM									
402		COM										
404												
417			COM									
424												
436			COM									
467												
468		COM										
469												
474												
476												
486												
503												
559												
582												
619	COM											
622			COM									
625			COM									
627												
633			COM									

**OPERATIONAL REPORTS
1ST QUARTER 2006**

I. STATISTICAL SYSTEM (continued)

2006 Timeliness Report

CO NO	Jan 3/15	Feb 4/15	Mar 5/16	Apr 6/15	May 7/15	Jun 8/15	July 9/15	Aug 10/17	Sep 11/15	Oct 12/15	Nov 1/15	Dec 2/15
643												
644												
650												
664		BOTH										
711	COM	COM	COM									
719												
721												
734												
735												
742		COM										
743		COM										
753												
770			COM									
837			COM									
874	COM											
894			COM									
895	COM											
907												
962												
963	COM											
971			COM									
985												

**OPERATIONAL REPORTS
1ST QUARTER 2006**

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 1st quarter 2006, CAR assessed a total penalty amount of \$67,450. The table below shows the detail penalties for each company.

Penalty Assessments
1st Quarter 2006

Co #	Company Name	Assessment	Assessment Amount
027	Countryway Insurance Co.	Late Annual Statement	\$ 50
049	American Casualty Company	Late 12/2005 MAS	\$ 300
049	American Casualty Company	Stat Err > 5% 12/2005	\$ 100
089	AM Guaranty & Liability Ins. Co.	Late 12/2005 MAS	\$ 300
096	American Hardware Mutual Ins. Co.	Late Annual Statement	\$ 150
100	Acadia Insurance Company	Late 2/2006 MAS	\$ 300
104	Americas Insurance Company	Late Annual Statement	\$ 150
151	Amerisure Insurance Company	Late Annual Statement	\$ 50
171	Atlanta International Ins. Co.	Late Annual Statement	\$ 800
183	Balboa Insurance Company	Late Annual Statement	\$ 50
198	Berkshire Mutual Insurance Co	Late 12/2005 MAS	\$ 300
203	Blue Ridge Insurance Co	Stat Err > 5% 12/2005	\$ 100
225	Carolina Casualty Insurance Co.	Late Annual Statement	\$ 100
229	Clarendon National Insurance Co.	Late Annual Statement	\$ 2,500
230	Insurance Corp of Hannover	Late Annual Statement	\$ 2,500
230	Insurance Corp of Hannover	Stat Err > 5% 12/2005	\$ 200
249	Chicago Insurance Company	Late Annual Statement	\$ 600
294	CNA Insurance Company	Stat Err > 5% 12/2005	\$ 100
295	Continental Casualty Company	Late 1/2006 MAS	\$ 800
309	Electric Insurance Company	Late 1/2006 MAS	\$ 300
312	Boston Old Colony Ins Co	Stat Err > 5% 10-12/2005	\$ 900
312	Boston Old Colony Ins Co	Stat Err > 5% 11/2005	\$ 100
318	Empire Insurance Company	Late Annual Statement	\$ 2,500
350	Fairmont Speciality Insurance Co.	Late Annual Statement	\$ 650
362	Farm Family	Stat Err > 5% 12/2005	\$ 500
400	AXIS Insurance Company	Late Annual Statement	\$ 2,500
402	Firemen's Ins Co of Washington DC	Late 2/2006 MAS	\$ 300
409	Interstate Indemnity Company	Late Annual Statement	\$ 600
410	Jefferson Insurance Company	Late Annual Statement	\$ 600
420	Continental Western Insurance Co.	Late Annual Statement	\$ 700

**OPERATIONAL REPORTS
1ST QUARTER 2006**

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
1st Quarter 2006

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
423	Glenn Falls Co	Stat Err > 5% 09/2005	\$ 100
428	First American Property & Casualty	Late Annual Statement	\$ 950
436	General Casualty/Mass West Ins	Stat Err > 5% 01/2006	\$ 200
437	Regent Insurance Company	Stat Err > 5% 01/2006	\$ 200
445	Guarantee Insurance Company	Late Annual Statement	\$ 50
468	Hartford Fire Insurance Co	Stat Err > 5% 10/2005	\$ 100
468	Hartford Fire Insurance Co	Final Interim Penalty	\$ 15,700
468	Hartford Fire Insurance Co	Late 2/2006 MAS	\$ 800
474	Holyoke Mutual Insurance Co	Late 12/2005 MAS	\$ 300
474	Holyoke Mutual Insurance Co	Stat Err > 5% 10-11/2005	\$ 400
476	Holyoke Mutual Insurance Co (B/O)	Late 12/2005 MAS	\$ 300
497	The Insurance Corporation of NY	Late Annual Statement	\$ 150
507	Response Insurance Company	Late Annual Statement	\$ 50
559	Maryland Casualty Co	Late 12/2005 MAS	\$ 300
575	Mass West Insurance Co	Stat Err > 5% 12/2005	\$ 100
582	Merchants Mutual Ins Co	Stat Err > 5% 12/2005	\$ 100
595	Mount Vernon Fire Insurance Co.	Late Annual Statement	\$ 50
598	Amerisure Mutual Insurance Co.	Late Annual Statement	\$ 50
619	National Fire Insurance Hartford	Late 1/2006 MAS	\$ 300
625	American States Insurance Co	Stat Err > 5% 9/2005	\$ 400
630	Nationwide Mutual Insurance Co.	Late Annual Statement	\$ 100
650	Coregis Insurance Company	Late Annual Statement	\$ 650
689	Indemnity Company	Late Annual Statement	\$ 700
695	Old Republic Insurance Company	Late Annual Statement	\$ 50
714	SUA Insurance Company	Late Annual Statement	\$ 700
719	Pennsylvania Manufacturing Assc Ins	Rescinded 11/2005 MAS	\$ (500)
753	Redland Insurance Company	Late Annual Statement	\$ 2,500
837	T.H.E. Insurance Co	Late 12/2005 MAS	\$ 300
837	T.H.E. Insurance Co	Late 6/2005 MAS	\$ 1,000
856	TIG Insurance Company	Late Annual Statement	\$ 500
857	Nationwide Insurance Co. of America	Late Annual Statement	\$ 200
859	Transport Insurance Company	Late Annual Statement	\$ 200
894	Twin City Insurance Company	Final Interim Penalty	\$ 13,700
895	Lancer Insurance Company	Late 1/2006 MAS	\$ 300
896	Truck Insurance Exchange	Late Annual Statement	\$ 50
904	Ulico Casualty Company	Late Annual Statement	\$ 650
910	Union Insurance Company	Late Annual Statement	\$ 700

**OPERATIONAL REPORTS
1ST QUARTER 2006**

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
1st Quarter 2006

Co #	Company Name	Assessment	Assessment Amount
941	Universal Underwriters Ins. Co.	Late Annual Statement	\$ 300
954	Virginia Surety Company, Inc.	Late Annual Statement	\$ 200
963	Harleysville Worcester Insurance Co	Late 1/2006 MAS	\$ 300
963	Harleysville Worcester Insurance Co	Late 12/2005 MAS	\$ 4,000
971	Zurich Insurance Co	Late 12/2005 MAS	\$ 300
971	Zurich Insurance Co	Stat Err > 5% 1/2006	\$ 100
978	Phenix Mutual Fire Insurance Co.	Late Annual Statement	\$ 50
980	Westport Insurance Corporation	Late Annual Statement	\$ 50
984	Hingham Mutual Fire Insurance Co.	Late Annual Statement	\$ 650
			\$ 67,450

**OPERATIONAL REPORTS
1ST QUARTER 2006**

I. STATISTICAL SYSTEM (continued)

Massachusetts Commercial Statistical Plan
Approved Modifications

Approved Effective Date	Description	Status
Optional July 1, 2006 – December 31, 2006 (Mandatory January 1, 2007)	On December 22, 2005, the Terrorism Risk Insurance Act of 2005 was extended for two years, until December 31, 2007. However, certain commercial lines of business were specifically not renewed under the extension legislation and effective January 1, 2006, the Terrorism Risk Insurance Act (TRIA) no longer applies to Commercial Automobile business. Accordingly, the existing Terrorism Coverage Code values no longer apply to this business. These codes have been replaced by new values that identify whether terrorism coverage exists on the underlying policy (at no charge or for an additional premium charge) and identify any premium associated with terrorism coverage on a separate terrorism coverage record. The approved codes are similar to those added to the ISO Commercial Automobile Statistical Plan.	Approved by the Division of Insurance on April 19, 2006.
Optional July 1, 2006 – December 31, 2006 (Mandatory January 1, 2007)	References to “certified” Type of Loss Codes have been removed from the Statistical Plan. The existing “all other terrorism” and “not certified” Type of Loss Codes will now be referred to as “Terrorism” losses.	

**OPERATIONAL REPORTS
1ST QUARTER 2006**

I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan
Approved Modifications

Approved Effective Date	Description	Status
January 1, 2007	For loss records, it is now required that SDIP status be reported in the fifth and sixth positions of the classification code. Currently, code 00 is reported in these positions on all loss records. It is anticipated that this information will provide the AIB with important data that can be used to perform additional SDIP analysis.	Approved by Division of Insurance on April 19, 2006.

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1ST QUARTER 2006**

II. CESSION SYSTEM

A. Cession Submission

CAR accepts cession data via three different methods: cartridge, on-line telecommunications, and FTP transmission. Please contact your company's Data Analyst if you need assistance in gaining access to CAR's telecommunications system. In 2006, CAR accepts cession records and cession corrections for policy years 2004-2006.

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.

CAR processed one "intent-to-cede" backdate appeal during the first quarter. Please reference the table below.

Co Number	No. of Cessions	Total Charge
731	8	\$200

2. TX5 Cession Backdate Appeals

In instances where a company intended to write a policy voluntary, it can appeal for a transaction 5 (un-cede) 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 9, 2006.

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II. CESSION SYSTEM (continued)

TX5 Cession Backdate Log

DATE SUBMITTED	CO NO	NUMBER OF CESSIONS	DATE REQUESTED	BACKDATE GRANTED?	REASON FOR APPROVAL/ DISAPPROVAL
3/17/06	279	2	Various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
3/30/06	773	1	2/17/06	Yes	Decision to retain policy as voluntary business was made prior to the policy effective date.
3/22/06	153	5	3/22/06	Yes	Decision to retain policy as voluntary business was made prior to the policy effective date.
3/30/06	988	6	1/26/06 & 2/3/06	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
4/4/06	735	1	3/17/06	Yes	Decision to retain policy as voluntary business was made prior to the policy effective date.
4/10/06	312	13	Various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
4/26/06	153	3	Various	2 – Yes 1 – No	Decision to retain policies as voluntary business was made prior to the policy effective dates. Loss dollars do not net to zero.
4/28/06	279	1	12/13/05	Yes	Decision to retain as voluntary business was made prior to the policy effective date.
5/1/06	773	1	4/24/06	Yes	Decision to retain policy as voluntary business was made prior to the policy effective date.
5/3/06	279	10	Various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
5/5/06	279	1	4/6/06	Yes	Decision to retain policy as voluntary business was made prior to the policy effective date.
5/15/06	154	24	5/12/06	Yes	Decision to retain policy as voluntary business was made prior to the policy effective date.

**OPERATIONAL REPORTS
1ST QUARTER 2006**

II. CESSION SYSTEM (continued)

3. CR215 Cessions Automatically Backdated

On a quarterly basis, CAR produces the CR215 report that shows the volume of cessions backdated for involuntary producer business. The program monitors the three current reporting years for cession activity. Accordingly, CAR monitored policy years 2004, 2005 and 2006 for the 1st quarter 2006.

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
1ST QUARTER 2006**

II. 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	0.0	0	0
153	870	55	6.3 *	0.0	2,272	0
279	4,277	20	0.5	0.0	0	0
514	29	1	3.4	0.0	0	0
585	105	6	5.7 #	0.0	0	0
602	68	1	1.5	0.0	0	0
612	526	7	1.3	0.0	0	0
723	6,110	62	1.0	0.0	0	0
773	9,827	39	0.4	0.0	1,512	0
826	1,117	6	0.5	0.0	0	0
908	5,115	183	3.6	0.0	0	0
Totals	28,774	403	1.4%	N/A	3,784	0

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATE D	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
049	337	10	3.0	0.0	0	0
102	199	11	5.5 #	0.0	0	0
152	329	23	7.0 #	0.0	23,820	0
194	187	52	27.8 *	0.0	1,092	0
279	384	4	1.0	0.0	0	0
333	319	83	26.0 *	0.0	506	0
438	261	4	1.5	0.0	915	0
455	232	16	6.9 #	0.0	2,345	0
514	286	30	10.5 *	0.0	2,140	0
612	29	15	51.7 #	0.0	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 #	0.0	0	0
767	22	1	4.5	0.0	0	0
773	350	1	0.3	0.0	0	0
887	1,453	230	15.8 *	0.0	30,226	0
919	32	1	3.1	0.0	0	0
929	29	1	3.4	0.0	0	0
Totals	5,037	512	10.2% *	N/A	61,679	0

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

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

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II. CESSION SYSTEM (continued)

Policy Year 2005
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
045	685	20	2.9	1.1	642	0
279	2,434	9	0.4	0.0	0	0
514	60	1	1.7	0.0	0	0
585	103	2	1.9	0.0	0	0
602	273	15	5.5 #	0.0	2,226	0
612	24	0	0.0	0.0	0	0
723	2,923	12	0.4	0.0	0	0
773	6,619	24	0.4	0.1	0	0
826	570	1	0.2	0.0	0	0
908	7,749	295	3.8	0.0	5,321	63,800
Totals	21,440	379	1.8%	N/A	8,819	66,418

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
049	291	8	2.7	0.0	0	0
102	149	9	6.0 #	0.0	0	0
152	264	16	6.1 #	0.1	337	0
194	113	6	5.3 #	0.0	0	0
279	344	9	2.6	0.0	0	0
333	332	6	1.8	0.0	0	0
438	369	12	3.3	0.0	0	0
455	206	14	6.8 #	0.5	0	0
514	338	41	12.1 *	0.8	834	0
612	29	21	72.4 #	0.0	0	0
644	31	0	0.0	0.0	0	0
734	448	24	5.4 #	0.0	382	0
735	31	5	16.1 #	0.0	0	0
751	7	5	71.4 #	0.0	0	0
773	307	2	0.7	0.0	0	0
887	1,681	160	9.5 *	-0.4	17,404	0
929	47	1	2.1	0.0	0	0
Totals	4,987	339	6.8% *	N/A	18,957	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
1ST QUARTER 2006**

II. CESSION SYSTEM (continued)

Policy Year 2006
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
045	141	0	0.0	0.0	0	0
279	1,527	2	0.1	0.0	0	0
514	5	0	0.0	0.0	0	0
585	22	1	4.5	0.0	0	0
602	0	0	0.0	0.0	0	0
612	16	0	0.0	0.0	0	0
723	576	0	0.0	0.0	0	0
773	14	0	0.0	0.0	0	0
826	0	0	0.0	0.0	0	0
908	3,014	29	1.0	0.0	0	0
Totals	5,315	32	0.6%	N/A	0	0

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
049	0	0	0.0	0.0	0	0
102	0	0	0.0	0.0	0	0
152	105	3	2.9	0.0	0	0
245	1	0	0.0	0.0	0	0
279	53	1	1.9	0.0	0	0
333	0	0	0.0	0.0	0	0
438	0	0	0.0	0.0	0	0
455	813	48	5.9 *	0.0	0	0
514	0	0	0.0	0.0	0	0
612	0	0	0.0	0.0	0	0
644	0	0	0.0	0.0	0	0
734	168	5	3.0	0.0	0	0
735	13	3	23.1 #	0.0	0	0
751	0	0	0.0	0.0	0	0
773	64	0	0.0	0.0	0	0
887	485	31	6.4 *	0.0	0	0
929	0	0	0.0	0.0	0	0
Totals	1,702	91	5.3% *	N/A	0	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
1ST QUARTER 2006**

II. CESSION SYSTEM (continued)

C. CA5010 Flat Cancellation Audit

Twice per year CAR runs the CA5010 - Flat Cancellation Documentation Listing. Its purpose is to randomly sample flat-canceled policies to verify that the industry is using flat-cancellation transactions properly. CAR ran the CA5010 on February 1, 2006 and the documentation was due back at CAR by April 24, 2006. CAR is currently reviewing the documentation and will post the results in the next quarterly Operational Reports.

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
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	6.2%	26.2%	Final Result
2006	4.2%	27.1%	As of March 2006

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).

**OPERATIONAL REPORTS
1ST QUARTER 2006**

III. QUARTERLY PARTICIPATION

A. Production of Quarterly Participation Reports

CAR has posted the March 2006 Quarterly Member Participation Reports to its website on June 3, 2006. From CAR's home page, click Reports, Financial, and then Settlement of Balances. These are secure reports that require a user id and password to view. Please contact your company's security administrator to request access.

B. Participation Base Data

The 1st Quarter 2006 estimated Participation Ratios using data reported through March 31, 2006, will be posted to CAR's website by June 30, 2006.

C. Rule 12 Participation Credits

CAR ran the Rule 12 credit edit reports for 1st Quarter 2006 in late May 2006. However, CAR will not distribute the reports but, instead will mail just the cover notice. At its last meeting, the Operational Committee directed CAR Staff to modify the Rule 12 edit so that companies aren't unfairly receiving credits. The change to the program is still in process so the reports will not be mailed.

The Rule 12 tolerance level is set on an annual basis. For accounting years 2005 and 2006, the Governing Committee approved a tolerance level of 0.15%. The decrease in the tolerance level reflects the implementation of the credit matrix methodology which combines territory and class credits. The new tolerance level also provides for a consistent allowance for total credits in error. The table below shows a six-year history of the Rule 12 tolerance level and the industry's error percent.

Accounting Year	Tolerance Level	Industry Error %	
		LIAB	PHYS
2000	0.50%	1.65%	1.76%
2001	0.25%	1.45%	1.54%
2002	0.25%	1.49%	1.57%
2003	0.25%	1.45%	1.62%
2004	0.25%	1.14%	1.30%
2005 (4 th Quarter)	0.15%	0.43%	0.52%
2006	0.15%	N/A	N/A

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III. QUARTERLY PARTICIPATION (continued)

D. CAR Financial Results

The ultimate policy year deficit projections, as of March 2006, for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Private Passenger	Commercial
2003	(236,351)	19,345
2004	(168,971)	23,912
2005	(141,355)	17,484

E. Cession Limitations

Current cession limitation results for policy years 2003-2005 are reflected in the chart below. The changes remain the same from the last quarterly operational reports.

Policy Year	% Ceded	As of
2003	13.45%	36 months
2004	11.41%	24 months
2005	11.34%	12 months

F. CAR Commercial Rates

The schedule of commissions for ceded commercial policies effective of October 1, 2005 and subsequent is as follows:

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

CAR's Experience Rating Plan is available on CAR's website at www.commauto.com under the "Manuals".

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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.

Quarter	MAS Due Date	Accounting System Update
1st Quarter 2006	May 15, 2006	May 16, 2006
2nd Quarter 2006	August 15, 2006	August 16, 2006
3rd Quarter 2006	November 15, 2006	November 16, 2006
4th Quarter 2006	February 15, 2007	February 16, 2007

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 2006.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for June 2006 through November 2006 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 2006

Company	Feb 2006	March 2006	April 2006	Total
049	-4970	1,182	980	-2,808
096	0	0	-1,718	-1,718
154	0	1,144	0	1,144
194	194,365	11,438	200	206,003
198	0	2,398	0	2,398
209	2,544	11,357	21,143	35,044
331	13,026	1,590	0	14,616
333	0	6,710	316	7,026
402	0	7,627	10,196	17,823
481	0	3,112	0	3,112
575	0	2,097	479	2,576
723	0	0	13,455	13,455
767	0	1,739	0	1,739
773	10	0	0	10
887	557	-469	378	466
894	31,218	421,671	6,442	459,331
963	0	0	-3,681	-3,681
INDUSTRY	236,750	471,596	48,190	756,536

**OPERATIONAL REPORTS
1ST QUARTER 2006**

IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

1st Quarter 2006 – 10% Loss of Investment Fees

Co No	Feb 2006	Mar 2006	Apr 2006	Total
049	-48	118	63	133
194	0	45	0	45
209	180	275	815	1,270
333	0	493	0	493
402	0	749	434	1,183
455	-114	0	0	-114
481	0	311	0	311
575	1	0	0	1
723	56	0	471	527
767	0	174	0	174
887	0	-47	0	-47
894	1,150	166	412	1,728
Total	1,225	2,284	2,195	5,704

**OPERATIONAL REPORTS
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IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Potential Loss Write-Off June 2006 through November 2006

Company	June 2006	July 2006	August 2006	September 2006	October 2006	November 2006	Grand Total
045	0	0	0	111	0	0	111
049	0	19,956	10,838	-572	5,013	1,001	36,236
152	-1,199	109	0	8,032	0	0	6,942
153	644	0	0	0	3,257	0	3,901
154	14,168	4,004	434	8,011	7,878	0	34,495
194	15,219	31,456	37,284	0	48,467	45,530	177,956
209	424	-1,074	17,246	7,410	0	0	24,006
312	4,488	0	1,003	12,331	13,074	0	30,896
331	24,392	76,284	71,160	41,859	32,463	0	246,158
333	0	25,101	4,096	7,730	1,234	0	38,161
402	0	0	0	0	2,878	0	2,878
455	0	1,451	-56	8,128	4,021	0	13,544
481	-8,379	1,557	0	0	0	0	-6,822
514	1,656	0	0	0	0	0	1,656
575	-449	132,997	33,578	10,369	2,121	0	178,616
585	0	0	0	0	-1,800	0	-1,800
612	122	0	5,540	0	0	0	5,662
664	0	26,253	0	0	0	21,387	47,640
723	34,801	6,711	0	26,112	11,203	0	78,827
731	0	0	0	2,245	0	0	2,245
751	0	0	0	-4,150	0	0	-4,150
767	0	-463	-10,614	0	-6,500	0	-17,577
773	0	0	0	0	0	5,699	5,699
887	0	4,331	10,464	766	0	2,364	17,925
894	40,120	86,517	39,780	51,532	39,888	55,231	313,068
963	0	706	13,284	1,079	0	28,752	43,821
Totals	126,007	415,896	234,037	180,993	163,197	159,964	1,280,094

**OPERATIONAL REPORTS
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IV. ACCOUNTING SYSTEM (continued)

C. Non-Critical Error "Audit Review" Program

Unlike critical errors, non-critical errors do not prevent loss coverage on a policy. However, they could cause a financial impact if the volume of non-critical errors exceeds the established tolerance levels. The tolerance level is 1% and 10 policies in error for each error code per effective year. If the volume of errors for a specific error code exceeds the tolerance level, the company has up to nine months to reduce the volume of errors before facing a penalty. Please reference the Policy Edit Package for more specific information. The exhibits below show year-to-date penalties and potential penalties.

Audit Review Penalties
2005 Policy Effective Year

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Penalty
10	894	5	9.63	44	\$1,950
10	963	2	2.93	33	\$1,100

2005 Non-Critical Errors Over Tolerance Potential Penalty

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Potential Penalty
1	312	10	1.03	74	\$100
3	331	12	1.30	114	\$1,300

2006 Non-Critical Error Over Tolerance Potential Penalty

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Potential Penalty
1	664	5	4.25	35	\$1,350
3	735	2	1.39	34	\$500

**OPERATIONAL REPORTS
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IV. ACCOUNTING SYSTEM (continued)

D. Company Reporting Profiles

The company reporting profile provides an overview of each company's reporting during a six-month and twelve-month period per accounting year. It highlights the areas to which a company must devote more resources in order to improve its data reporting.

CAR mailed the six-month 2005 company profile reports in December 2005. It had expected to post them online as well as a new secure report, but due to some minor problems, that did not occur. Accordingly, CAR expects to produce and post the 12-month profile reports online by the end of May, 2006.

E. Penalty Forecasting Program

CAR produces the Penalty Forecasting exhibits in March, June, September, and December. As of December 2005, they now appear on CAR's website as a secure report under the Data Quality & Data Reporting Reports. The program helps companies in their correction efforts and helps Servicing Carriers track potential future penalties if corrective actions are not taken by the companies. If you do not have access to the reports, please contact your company's Security Administrator to request access.

F. \$60 Cession/No Premium Penalties

On May 28, 2006 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 table below shows those penalty results.

Co. No.	Penalty Amount
045	\$60
049	\$420
194	\$720
331	\$3,720
333	\$600
402	\$60
514	\$12,780
575	\$720
585	\$60
602	\$180
664	\$240
751	\$180
767	\$60
773	\$180
887	\$1,800
894	\$1,620
963	\$120
971	\$62,880
988	\$60
Total	\$86,460

**OPERATIONAL REPORTS
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IV. ACCOUNTING SYSTEM (continued)

G. 2003 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 2004 effective date policies and for historical information.

Year	PP Penalty	Commercial Penalty	Taxi/Limo/CAR Service Penalty
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
2000	\$1,300	\$4,000	\$7,800

CAR closed out cession and premium reporting for policy year 2003 following the 12/2005 monthly accounting/statistical submission due at CAR on February 15, 2006. Accordingly, CAR assessed this penalty against 2003 policies in the first quarter 2006 Settlement of Balances reports.

2003 Cession/No Premium Write-Off

Company	Write-Off Amount
049	\$52,000
096	\$13,000
194	\$143,000
331	\$4,500
333	\$52,000
455	\$6,500
575	\$58,500
767	\$26,000
887	\$84,500
894	\$117,000
Total	\$557,000

**OPERATIONAL REPORTS
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IV. ACCOUNTING SYSTEM (continued)

H. 2003 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 amount that CAR adds to each policy and collects back from the industry is reflected in the first quarter, 2006 Settlement of Balances reports.

Co. No.	Penalty Amount
049	(\$25,815)
194	(\$21,127)
209	(\$289)
331	(\$899)
333	(\$12,560)
455	(\$757)
514	(\$169)
575	(\$87)
767	(\$6,790)
894	(\$30,834)
927	(\$18)
963	(\$1,811)
Total	(\$101,136)

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V. STATISTICAL AGENT FUNCTION

A. Update of the Online Statistical System

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

Quarter	MAS Due Date	Statistical System Update
1st Quarter 2006	May 15, 2006	May 16, 2006
2nd Quarter 2006	August 15, 2006	August 16, 2006
3rd Quarter 2006	November 15, 2006	November 16, 2006
4th Quarter 2006	February 15, 2007	February 16, 2007

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.

With the 4th quarter annual statement submission only, companies must provide a copy of the data submitted to the NAIC. For the final reporting quarters, CAR will assess a statistical data quality penalty of \$50 per business day until it receives the completed annual statement and reconciliation filings. CAR assessed penalties to the Annual Statement electronic page 14 filing for 4th quarter 2005 due March 15, 2006 in the amount of \$24,050.

Quarter	Due Date Quarterly Annual Statement	Run Date of the Reconciliation Program	Due Date Reconciliation Response
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

CAR balances the reported electronic page 14 data to the statistically reported data and corresponds to any company above the 5% tolerance in which to submit a response to reconcile. The due date of those responses was on May 11, 2006. CAR will assess a statistical data quality penalty of \$50 per business day in the next quarterly Operational Reports.

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

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 2005 effective year was June 1, 2006. For all late filings, CAR will assess a statistical data quality penalty of \$50 per business day until it receives the completed expense call.

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.

	Line of Business	Eligible Records	Records in Error	Error %
PP 2005 EFF YEAR	Liability	19,688,260	38,132	0.19%
	No Fault	16,027,558	9,691	0.06%
	Physical Damage	15,398,924	35,528	0.23%
	Total	51,114,742	83,351	0.16%
COMM 2005 EFF YEAR	Liability	182,898	2,352	1.29%
	No Fault	121,883	1,269	1.04%
	Physical Damage	148,921	3,272	2.20%
	Total	453,702	6,893	1.52%
COMM 2006 EFF YEAR	Liability	182,898	2,352	1.29%
	No Fault	121,883	1,269	1.04%
	Physical Damage	148,921	3,272	2.20%
	Total	453,702	6,893	1.52%

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.

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V. STATISTICAL AGENT FUNCTION (continued)

D. Rate Edit Processing (continued)

Rate Edit - Over Tolerance Exhibit

Co No	PP/Comm	Policy Year	Subline	Due Date	Err %	# Records in Error
049	Comm	2005	Physical Dam	5/15/2006	2.31%	116
152	Comm	2005	Liability	09/15/2006	3.07%	139
194	Comm	2005	Liability	4/15/2006	10.23%	194
194	Comm	2005	No Fault	3/15/2006	8.97%	132
194	Comm	2005	Physical Dam	1/15/2006	26.41%	671
333	Comm	2005	No Fault	2/15/2006	2.32%	232
455	Comm	2005	Physical Dam	10/15/2006	3.85%	211
575	Comm	2005	Physical Dam	11/15/2006	2.65%	51
664	Comm	2005	Liability	7/15/2006	5.26%	60
664	Comm	2005	Physical Dam	7/15/2006	4.22%	54
735	Comm	2005	No Fault	11/15/2005	2.90%	140
887	Comm	2005	Physical Dam	11/15/2006	2.02%	1,149
894	Comm	2005	Liability	7/15/2006	2.46%	91
894	Comm	2005	No Fault	11/15/2006	2.13%	75
894	Comm	2005	Physical Dam	11/15/2006	16.32%	439
948	Comm	2005	Liability	10/15/2006	3.37%	53
948	Comm	2005	Physical Dam	11/15/2006	3.46%	52
963	Comm	2005	No Fault	02/15/2006	3.01%	112
963	Comm	2005	Physical Dam	12/15/2006	4.92%	337

**OPERATIONAL REPORTS
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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 3/06

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
011	4	20	20.00
099	812	2,995	27.11
101	192	722	26.59
156	422	1,947	21.67
261	450	793	56.75
402	7,082	34,106	20.76
424	680	2,911	23.36
511	457	522	87.55
643	116	289	40.14
701	130	603	21.56
738	24	54	44.44
751	92	199	46.23
752	311	1,119	27.79
828	28,770	91,243	31.53
884	82	294	27.89
885	2,312	7,874	29.36
927	1,374	4,004	34.32
948	1,836	7,240	25.36
Total Industry	17,216,486	623,079	3.62

The 2005 washout total following the 3/2005 shipments was 4.48%.

**OPERATIONAL REPORTS
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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. Therefore the next distribution of reports to the industry will be as of June, 2006 and occur in Mid-September.

**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.

CAR added an accrual application to its website to collect unreported statistical data. This was developed in anticipation of some companies having difficulty reporting their 2006 private passenger data as a result of changes to the SDIP program. In 2007, CAR plans to expand this application to include all data, both private passenger and commercial, that is either late or rejected by a shipment's due date. More information will be provided with the implementation of the 2007 Statistical System.

Also, the addition of the S040W – Unprocessable Fatal Error and Converted Records reports was postponed while CAR implemented its 2006 edits. CAR is continuing to develop this online report.

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.

**OPERATIONAL REPORTS
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VII. PROJECT STATUS REPORTS

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

Project	Status	Description
Cession Volume	Near completion	Automate the cession volume process for efficiency. The reports will remain on-line but will open as Crystal Reports rather than PDF documents.
Distributional Analysis	In Progress	Automate the Distributional Analysis process and move the reports onto CAR's website.
2006 Statistical System	Completed	Update CAR's system to accept 2006 statistical data. This included creating an accrual application to collect unreported private passenger premium and enhance the class code lookup function. Still remaining is to provide web access to the S040 fatal and converted report.
Claims Reform	Completed	Implement the Performance Standards.
Experience Rating	Started May 2006	Move the mainframe pieces of the Experience Rating application to CAR's website so that companies don't need to toggle between systems.