



# COMMONWEALTH AUTOMOBILE REINSURERS

225 Franklin Street Boston, Massachusetts 02110

www.commauto.com

617-338-4000

RALPH A. IANNACO  
PRESIDENT

## - MEMORANDUM -

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: June 18, 2009

RE: Operational Reports

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The 1<sup>st</sup> quarter 2009 Operational Reports follow this memorandum. This report includes data reported February 18, 2009 through May 15, 2009 for the accounting month period of January 2009 through March 2009. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

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

On May 20, 2009, the Operations Committee recommended to the Governing Committee changes to the Private Passenger Statistical Plan to combine the merit rating status and the credit or surcharge premium adjustment with the applicable coverage base premium. This would eliminate the separate merit rating records that insurance carriers currently report to CAR. This change is recommended for policies effective April 1, 2010 and subsequent. A combined record would assure that reporting and editing issues resulting from companies deviating from 211 CMR 134.00 and filing their own individual merit rating plans would be eliminated. The combined premium record will still need to map merit rating status back to responses received from the Merit Rating Board or as defined in 211 CMR 134.15(2) – (5) and 211 CMR 134.11 (6)(a).

On May 27, 2009, Accounting and Statistical No.498 was distributed reflecting the withdrawal of revisions to the Private Passenger Statistical Plan previously filed with the Division of Insurance as announced in Accounting and Statistical No. 496.

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

CAR assessed a total of \$106,200 in the Statistical Penalty Programs in the 1<sup>st</sup> Quarter 2009 Settlement of Balances report.

## **OPERATIONAL REPORTS 1ST QUARTER 2009**

### **Section II – Cessions:**

CAR mailed the CA5010 - Flat Cancellation report on January 26, 2009 and the documentation was due back on April 24, 2009. CAR will post the results of that listing in the next Operational Reports.

As of March 2009 the Private Passenger cession rate equaled 2.3%; the Commercial cession rate equaled 19.1%.

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

CAR posted the March 31, 2009 Quarterly Member Participation Reports to its website on June 5, 2009.

CAR ran the 1<sup>st</sup> Quarter 2009 Rule 12 credit edit download reports in mid-June. The tolerance levels for 2008 and 2009 reporting are 0.15%.

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

CAR produced 1<sup>st</sup> Quarter 2009 Critical Error Write-Offs and 10% Loss of Investment Fees totaling \$818,793 and \$8,637 respectively. Cession/No Premium Penalty Write-Offs for policy year 2006 totaled \$53,400 and 2006 Net Negative Premiums were -\$6,259.

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

The twelve month Company Profiles were posted to CAR's website April 30, 2009 and the Penalty Forecasting exhibits will be made available on-line mid-June 2009.

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

The 4<sup>th</sup> Quarter 2008 Statutory Page 14 data was due at CAR on March 16, 2009. Penalties for any companies that submitted this data after the due date will be included in the next Settlement of Balance. The Reconciliation Responses for 4<sup>th</sup> Quarter 2008 were due on May 4, 2009. CAR will assess a statistical data quality penalty of \$50 per business day until it receives the completed annual statement and reconciliation filings. Any companies who submitted late responses will be included within the next Operational Reports.

All companies that exceed the commercial and private passenger rate edit tolerances are listed on pages 26-27.

### **Section VI – Communications:**

CAR added a Rejected Take-Out Credit report to the MAIP section of its website to help Assigned Risk Carriers determine the cause of a rejected take-out credit.

**OPERATIONAL REPORTS  
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**I. STATISTICAL SYSTEM**

A. Reporting of Company Shipments

The monthly submission of statistical data is due at CAR according to the Call Schedule contained in the table below. The timeliness exhibit on the following page reflects the timeliness status of all companies for 2009 as of the first quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

<b>2009 CALL SCHEDULE</b>		
<b>Submission</b>	<b>Due Date</b>	<b>Quarter</b>
January 2009	March 16, 2009	1 <sup>st</sup> Qtr
February 2009	April 15, 2009	
March 2009	May 15, 2009	
April 2009	June 15, 2009	2 <sup>nd</sup> Qtr
May 2009	July 15, 2009	
June 2009	August 17, 2009	
July 2009	September 15, 2009	3 <sup>rd</sup> Qtr
August 2009	October 15, 2009	
September 2009	November 16, 2009	
October 2009	December 15, 2009	4 <sup>th</sup> Qtr
November 2009	January 15, 2010	
December 2009	February 15, 2010	

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, 2009.

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**I. STATISTICAL SYSTEM (continued)**

2009 Timeliness Report

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

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**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 1<sup>st</sup> Quarter 2009, CAR assessed a total penalty amount of \$106,200. The table below shows the detail penalties for each company.

Penalty Assessments  
1<sup>st</sup> Quarter 2009

<b>Co #</b>	<b>Company Name</b>	<b>Assessment</b>	<b>Assessment Amount</b>
089	AM Guaranty & Liability Ins. Co.	Late MAS 12/08	\$ 4,000
089	AM Guaranty & Liability Ins. Co.	Late MAS 01/09	\$ 2,000
089	AM Guaranty & Liability Ins. Co.	Late MAS 02/09	\$ 300
091	American Zurich Insurance Co.	Stat Err > 5% 10/08	\$ 100
091	American Zurich Insurance Co.	Late MAS 11/08	\$ 4,000
091	American Zurich Insurance Co.	Stat Err > 5% 11/08	\$ 100
091	American Zurich Insurance Co.	Late MAS 12/08	\$ 4,000
091	American Zurich Insurance Co.	Stat Err > 5% 12/08	\$ 100
091	American Zurich Insurance Co.	Late MAS 01/09	\$ 2,000
091	American Zurich Insurance Co.	Late MAS 02/09	\$ 300
100	Acadia Insurance Company	Late MAS 01/09	\$ 300
155	Argonaut Insurance Company	Resc'd Stat Err > 5% 04/08	\$ (100)
155	Argonaut Insurance Company	Stat Err > 5% 04/08	\$ 400
155	Argonaut Insurance Company	Stat Err > 5% 10/08	\$ 100
178	Atlantic Mutual Insurance Co.	Late MAS 12/08	\$ 300
195	American International Ins. Co.	Stat Err > 5% 10/08	\$ 200
230	Praetorian Insurance Company	Stat Err > 5% 6/08	\$ 1,600
230	Praetorian Insurance Company	Late MAS 12/08	\$ 2,000
233	Centennial Insurance Company	Late MAS 12/08	\$ 300
262	Citizens Insurance Co. of America	Stat Err > 5% 4/08	\$ 100
313	Essential Insurance Company	Late MAS 12/08	\$ 300
316	Empire Fire & Marine Insurance	Stat Err > 5% 10/08	\$ 300
316	Empire Fire & Marine Insurance	Late MAS 01/09	\$ 300
362	Farm Family Casualty Ins. Co.	Late MAS 10/08	\$ 6,000
362	Farm Family Casualty Ins. Co.	Late MAS 11/08	\$ 4,000
362	Farm Family Casualty Ins. Co.	Late MAS 12/08	\$ 4,000
362	Farm Family Casualty Ins. Co.	Late MAS 01/09	\$ 800
366	Arch Insurance Company	Late MAS 12/08	\$ 300

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**I. STATISTICAL SYSTEM (continued)**

**B. Statistical Plan Penalty Fee Program (continued)**

Penalty Assessments  
1<sup>st</sup> Quarter 2009

402	Firemen's Ins. Co. of Washington DC	Late MAS 01/09	\$ 300
417	General Insurance Company of America	Stat Err > 5% 12/08	\$ 100
420	Continental Western Insurance Co.	Late MAS 01/09	\$ 300
455	Hanover Insurance Company	Stat Err > 5% 6/08	\$ 200
468	Hartford Fire Insurance Company	Stat Err > 5% 10/08	\$ 500
468	Hartford Fire Insurance Company	Stat Err > 5% 12/08	\$ 100
559	Maryland Casualty Company	Stat Err > 5% 10/08	\$ 200
559	Maryland Casualty Company	Late MAS 11/08	\$ 4,000
559	Maryland Casualty Company	Late MAS 12/08	\$ 4,000
559	Maryland Casualty Company	Stat Err > 5% 12/08	\$ 600
559	Maryland Casualty Company	Late MAS 01/09	\$ 2,000
559	Maryland Casualty Company	Late MAS 02/09	\$ 300
585	Metropolitan Property & Casualty	Late MAS 12/08	\$ 300
623	National Surety Corporation	Stat Err > 5% 11/08	\$ 200
625	American States Insurance Company	Stat Err > 5% 03/08	\$ 6,400
625	American States Insurance Company	Stat Err > 5% 06/08	\$ 5,600
625	American States Insurance Company	Stat Err > 5% 09/08	\$ 2,800
625	American States Insurance Company	Stat Err > 5% 12/08	\$ 500
664	Norfolk & Dedham Mutual Fire Ins. Co.	Late MAS 01/09	\$ 300
752	Republic Franklin Insurance Company	Stat Err > 5% 10/08	\$ 500
752	Republic Franklin Insurance Company	Stat Err > 5% 12/08	\$ 300
752	Republic Franklin Insurance Company	Stat Err > 5% 01/09	\$ 100
767	Royal Insurance Company of America	Late MAS 12/08	\$ 4,000
828	State Farm Mutual Auto Ins. Co.	Late MAS 12/08	\$ 800
894	Twin City Fire Insurance Company	Stat Err > 5% 10/08	\$ 100
910	Union Insurance Company	Late MAS 01/09	\$ 300
963	Harleysville Worcester Insurance Co.	Late MAS 03/08	\$ 22,000
971	Zurich Insurance Company	Late MAS 10/08	\$ 6,000
971	Zurich Insurance Company	Stat Err > 5% 10/08	\$ 100
971	Zurich Insurance Company	Late MAS 11/08	\$ 4,000
971	Zurich Insurance Company	Stat Err > 5% 11/08	\$ 200
971	Zurich Insurance Company	Stat Err > 5% 12/08	\$ 700
971	Zurich Insurance Company	Late MAS 02/09	\$ 300
		Total	\$ 106,200

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1ST QUARTER 2009**

**I. STATISTICAL SYSTEM (continued)**

Massachusetts Private Passenger Statistical Plan  
Proposed Modifications

Proposed Effective Date	Description	Status
April 1, 2010	<p>In order to alleviate reporting and editing issues resulting from individual company merit rating plans that deviate from 211 CMR 134.00, modifications have been proposed to the Private Passenger Statistical Plan.</p> <p>For policies effective April 1, 2010 and subsequent, companies will be required to report merit rating status and credit or surcharge premium adjustments in combination with the applicable coverage base premium. A separate merit rating record would no longer be statistically reported. The fifth and sixth positions of the combined premium record would indicate the merit rating status of the operator used to rate the vehicle, as defined by 211 CMR 134.15(2) – (5) and 211 CMR 134.11(6)(a).</p>	<p><b>Forwarded to the Governing Committee meeting of June 15, 2009.</b></p>

## **OPERATIONAL REPORTS 1ST QUARTER 2009**

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

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

#### **B. Cession Backdates**

##### **1. TX1/TX2 Cession Backdate Appeals based on Intent to Cede**

In instances where a company provides documentation showing its intent to cede a specific policy, CAR maintains the authority to act upon those appeals provided the backdate request does not exceed 25 policies. Furthermore, the appeal and associated documentation must meet the criteria outlined in Chapter 2 of the Manual of Administrative Procedures. For any policy that does not meet the criteria, CAR does not have the authority to grant the appeal; the company then can present the appeal before the Operations Committee.

There have been no “intent-to-cede” appeals since the last publication of the Operational Reports.

##### **2. TX5 Cession Backdate Appeals**

In instances where a company intended to write a policy voluntary, it can appeal for a transaction 5 (uncede) backdate. CAR maintains the authority to approve these types of appeals when the documentation provided clearly shows the company made the decision to write the policy voluntary prior to the policy effective date.

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 25, 2009.

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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
3/11/09	612	1	12/8/08	Yes	Decision to retain the policies as voluntary business was made prior to the policy effective date.
4/15/09	723	2	4/14/09	yes	Decision to retain the policies as voluntary business was made prior to the policy effective dates.

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**II. CESSION SYSTEM (continued)**

3. CR215 Cessions Automatically Backdated

On a quarterly basis, CAR produces the CR215 report that shows the volume of cessions backdated for involuntary producer business. The program monitors the three current reporting years for cession activity. Accordingly, CAR recently sent the latest report to the industry in May 2009 monitoring policy years 2007, 2008 and 2009 for the 1<sup>st</sup> quarter 2009.

The following exhibits show the industry's volumes of backdated cessions. On the report itself, the column to the right of percent backdated indicates if the volume of backdated producers exceeds the tolerance level. Accordingly:

- an asterisk (\*) indicates that more than 5% of the total new business cessions for the company are backdated.
- a pound symbol (#) indicates more than 5% are backdated but fall within the tolerance level. (*The tolerance level is 5% and 25 policies in error.*)

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**II. CESSION SYSTEM (continued)**

Policy Year 2007  
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED		% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
153	6	1	16.7	#	0.0	0	0
279	2,398	17	0.7		0.0	0	0
514	16	1	6.3	#	0.0	0	0
585	78	11	14.1	#	0.0	0	0
612	25	0	0.0		0.0	0	0
723	2,205	14	0.6		0.0	0	0
908	1,744	56	3.2		0.0	12,846	6,000
Totals	6,472	100	1.5%		N/A	12,846	6,000

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED		% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
152	316	17	5.4	#	0.0	0	0
245	1,081	85	7.9	*	0.0	0	0
279	94	4	4.3		0.0	0	0
455	970	34	3.5		0.0	0	0
734	413	42	10.2	*	0.0	13,039	11,000
735	25	4	16.0	#	0.0	0	0
773	71	0	0.0		0.0	0	0
Totals	2,970	186	6.3%	*	N/A	13,039	11,000

\* 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 2008  
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
279	525	1	0.2	0.2	0	0
585	55	2	3.6	1.7	0	0
612	6	1	16.7 #	0.0	0	0
723	293	0	0.0	0.0	0	0
908	205	5	2.4	0.9	4,615	0
Totals	1,084	9	0.8%	N/A	4,615	0

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	668	40	5.9 *	0.1	10,871	0
279	78	0	0.0	0.0	0	0
455	582	13	1.7	0.0	0	0
717	671	0	0.0	0.0	0	0
734	376	29	7.7 *	0.2	0	0
735	22	3	13.6 #	-2.2	0	0
773	22	0	0.0	0.0	0	0
Totals	2,419	87	3.6% *	N/A	10,871	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 2009  
Private Passenger

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

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	209	4	1.9	0.0	0	0
279	18	0	0.0	0.0	0	0
455	249	5	2.0	0.0	0	0
717	109	0	0.0	0.0	0	0
734	122	3	2.5	0.0	0	0
735	9	0	0.0	0.0	0	0
773	5	0	0.0	0.0	0	0
Totals	721	12	1.7%	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*).

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**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 latest CA5010 on January 26, 2009 and the documentation was due back at CAR by April 24, 2009. Upon reviewing the documentation, CAR will post those results in the next quarter Operational Reports.

**D. Cession Volumes**

The private passenger and commercial cession volume results for the past eight 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.

<b>Effective Year</b>	<b>Private Passenger Cession %</b>	<b>Commercial Cession %</b>	<b>Time Period</b>
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	4.9%	25.4%	Final Result
2007	4.3%	22.3%	Final Result
2008	2.9%	19.0%	Final Result
2009	2.3%	19.1%	As of March 2009

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

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**III. QUARTERLY PARTICIPATION**

A. Production of Quarterly Participation Reports

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

B. Participation Base Data

The 1<sup>st</sup> Quarter 2009 estimated Participation Ratios using data reported through March 31, 2009, will be posted to CAR's website by June 30, 2009.

C. Rule 12 Participation Credits

CAR ran the Rule 12 credit edit reports for 1<sup>st</sup> Quarter 2009 in mid-June. These reports are available on CAR's website under the Data Reporting and Quality Reports page.

The Rule 12 tolerance level is set on an annual basis. For both rating years 2008 and 2009, the Governing Committee approved a tolerance level of 0.15%. The table below shows a nine-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	0.15%	0.43%	0.52%
2006	0.15%	1.54%	1.57%
2007	0.15%	1.56%	1.56%
2008	0.15%	1.67%	1.74%
2009 (1 <sup>st</sup> Quarter)	0.15%	1.22%	1.27%

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**III. QUARTERLY PARTICIPATION (continued)**

D. CAR Financial Results

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

(Numbers are in \$000s)

<b>Policy Year</b>	<b>Private Passenger</b>	<b>Commercial</b>
2007	(93,871)	14,757
2008	(51,925)	650
2009	(751)	(260)

This data is posted on CAR's website under Financial Deficit Projections.

**OPERATIONAL REPORTS  
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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>Statistical System Update</b>
1st Quarter 2009	May 15, 2009	May 18, 2009
2nd Quarter 2009	August 17, 2009	August 18, 2009
3rd Quarter 2009	November 16, 2009	November 17, 2009
4th Quarter 2009	February 15, 2010	February 16, 2010

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 2009.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for June 2009 through November 2009 are shown following the 4<sup>th</sup> Quarter Write-Off exhibit.

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**IV. ACCOUNTING SYSTEM (continued)**

B. Critical Error Write-Off (continued)

Write-Off – 1<sup>st</sup> Quarter 2009

<b>Company</b>	<b>Feb 2009</b>	<b>March 2009</b>	<b>April 2009</b>	<b>Total</b>
194	2,539	0	2,380	4,919
209	0	-2,354	14,920	12,566
312	0	13,555	-802	12,753
317	-2,000	0	0	-2,000
331	0	411,324	292,913	704,237
333	0	9,604	0	9,604
402	0	0	60,000	60,000
612	0	-228	0	-228
731	0	0	10,066	10,066
773	0	20	0	20
894	6,927	0	262	7,189
963	0	-333	0	-333
<b>INDUSTRY</b>	<b>7,466</b>	<b>431,588</b>	<b>379,739</b>	<b>818,793</b>

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

B. Critical Error Write-Off (continued)

1<sup>st</sup> Quarter 2009 – 10% Loss of Investment Fees

<b>Co No</b>	<b>Feb 2009</b>	<b>Mar 2009</b>	<b>Apr 2009</b>	<b>Total</b>
153	0	120	0	120
209	0	-235	341	106
312	0	28	0	28
317	-200	0	0	-200
331	0	1,792	0	1,792
333	0	32	0	32
402	0	0	6,000	6,000
731	0	0	16	16
894	717	0	26	743
<b>Total</b>	517	1,737	6,383	8,637

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**IV. ACCOUNTING SYSTEM (continued)**

B. Critical Error Write-Off (continued)

Potential Loss Write-Off June 2009 through November 2009

Company	June 2009	July 2009	August 2009	September 2009	October 2009	November 2009	Grand Total
045	0	24,797	8,616	0	1,036	0	34,449
152	0	0	0	0	15,159	0	15,159
154	14,404	10,961	29,291	-1,087	1,913	0	55,482
209	2,850	20,230	0	0	0	0	23,080
245	-2,623	-581	370	0	0	0	-2,834
262	0	0	1,543	5,277	16,144	37,767	60,731
317	0	0	0	0	-1,200	0	-1,200
331	210,327	103,088	224,645	110,837	93,606	-5,633	736,870
514	0	0	0	60,451	44,738	32,766	137,955
612	0	0	38	0	0	0	38
664	0	0	0	0	32,963	0	32,963
731	716	0	6,971	18,287	14,460	7,610	48,044
773	445	0	-10	0	0	0	435
Totals	226,119	158,495	271,464	193,765	218,819	72,510	1,141,172

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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  
2008 & 2009 Policy Effective Years

Non-Critical Error - Penalties

**There were no 2008 Penalties Listed at this time**

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

<b>Times Identified</b>	<b>Company</b>	<b>Error Code</b>	<b>Percent in Error</b>	<b># Policies in Error</b>	<b>Penalty</b>
9	514	02	6.12	1,179	\$48,300

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

<b>Times Identified</b>	<b>Company</b>	<b>Error Code</b>	<b>Percent in Error</b>	<b># Policies in Error</b>	<b>Penalty</b>
3	312	03	3.07	62	\$2,100
3	514	02	19.04	820	\$38,850
3	731	04	61.88	573	\$28,200
3	908	04	17.34	43	\$2,050

Please make a note of the timing when these listings are produced

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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 produced the twelve-month 2008 company profile reports to its website on April 30, 2009. The reports are located under the Data Reporting and Quality tab on the reports page and then under company status reports.

E. Penalty Forecasting Program

CAR produces the Penalty Forecasting exhibits in March, June, September, and December. The program helps companies in their correction efforts and helps Servicing Carriers track potential future penalties if corrective actions are not taken by the companies. If you do not have access to the reports, please contact your company's Security Administrator to request access.

CAR will post the 1<sup>st</sup> Quarter 2009 forecasting reports June 2009.

F. \$60 Cession/No Premium Penalties

CAR ran the \$60 Cession/No Premium penalty program. A cession qualifies for the penalty list when the premium amount on the policy totals to less than or equal to \$0 for five or more months. The table below shows those penalty results. The penalty assessment will be posted in the 2<sup>nd</sup> Quarter 2009 Settlement of Balances report.

Company Number	Penalty Amount
245	\$180
262	\$900
312	\$60
331	\$3,300
455	\$300
514	\$8,520
585	\$4,440
664	\$300
723	\$60
731	\$1,800
773	\$180
Total	\$20,040

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**IV. ACCOUNTING SYSTEM (continued)**

G. 2006 Cession/No Premium Write-Off

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

The 2006 write-off was scheduled for April, 2009.

Year	PP Penalty	Commercial Penalty	Taxi/Limo/CAR Service Penalty
2007	\$1,500	\$5,700	\$8,600
2006	\$1,500	\$6,300	\$10,100
2005	\$1,600	\$6,200	\$10,800
2004	\$1,600	\$6,200	\$11,100
2003	\$1,500	\$6,500	\$9,900
2002	\$1,400	\$6,300	\$9,600
2001	\$1,300	\$5,300	\$8,800

Final 2006 – Cession/No Premium Write-Offs

Co. No.	Penalty Amount
045	\$7,500
245	\$12,600
331	\$21,000
664	\$1,500
723	\$3,000
731	\$1,500
887	\$6,300
<b>Total</b>	<b>\$53,400</b>

H. 2006 Net Negative Write-Off

Co. No.	Penalty Amount
045	\$(580)
331	\$(655)
514	\$(5,023)
773	\$(1)
<b>Total</b>	<b>\$(6,259)</b>

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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 2009	May 15, 2009	May 18, 2009
2nd Quarter 2009	August 17, 2009	August 18, 2009
3rd Quarter 2009	November 16, 2009	November 17, 2009
4th Quarter 2009	February 15, 2010	February 16, 2010

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.

<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 2009	June 15, 2009	July 1, 2009	Approx. August 3, 2009
2nd 2009	September 15, 2009	October 1, 2009	Approx. November 2, 2009
3rd 200 9	December 15, 2009	January 2, 2010	Approx. February 1, 2010
4th 2009	March 15, 2010	April 1, 2010	Approx. May 1, 2009

The Reconciliation response for the 4<sup>th</sup> Quarter 2008 was due by May 4, 2009. CAR will assess a statistical data quality penalty of \$50 per business day until it receives the completed annual statement and reconciliation filings. All companies reporting late Statutory Page 14's and Reconciliation Responses will be assessed in the second Quarter 2009 Settlement of Balance report. CAR is currently collecting the 1<sup>st</sup> Quarter 2009 Annual Statement Statutory Page 14 data due at CAR by June 15, 2009. The 1<sup>st</sup> Quarter 2009 Reconciliation Reports are due to run July 1, 2009.

C. Annual Call for Expense

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

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

**D. Rate Edit Processing**

CAR processes ceded commercial data through a rate editing routine for the latest two policy effective years. The table below shows the industry results by line of business and policy effective year. With the implementation of MAIP, CAR no longer processes ceded private passenger business through a rate editing routine. Policy year 2007 data represents the last year CAR processed private passenger business through the rate edit routine.

	<b>Line of Business</b>	<b>Eligible Records</b>	<b>Records in Error</b>	<b>Error %</b>
<b>PP 2007 EFF YEAR</b>	Liability	6,625,977	29,070	0.44%
	No Fault	5,366,137	7,736	0.14%
	Physical Damage	5,327,636	35,571	0.67%
	Total	17,319,750	72,377	0.42%
<b>COMM 2008 EFF YEAR</b>	Liability	73,077	942	1.29%
	No Fault	54,698	485	0.89%
	Physical Damage	53,542	743	1.39%
	Total	181,317	2,170	1.20%
<b>COMM 2009 EFF YEAR</b>	Liability	30,705	217	0.71%
	No Fault	22,754	139	0.61%
	Physical Damage	22,422	171	0.76%
	Total	75,881	527	0.69%

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

<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>
773	Comm	2008	No Fault	12/15/2009	2.01%	130

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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 03/09

<b>COMPANY NUMBER</b>	<b>RECORD COUNT</b>	<b>WASHOUT COUNT</b>	<b>WASHOUT PERCENT</b>
044	75	28	37.33
099	5,537	4,596	83.01
105	1,848	492	26.62
127	158	40	25.32
201	63	30	47.62
261	1,045	296	28.33
325	155,760	75,644	48.56
402	4,350	1,283	29.49
424	4,979	1,086	21.81
439	250	52	20.80
474	4,480	2,768	61.79
476	1,210	632	52.23
503	387	266	68.73
625	973	262	26.93
627	2,014	1,530	75.97
643	1,711	1,094	63.94
667	238	86	36.13
734	7,097	2,426	34.18
735	87,731	40,280	45.91
828	82,254	24,501	29.79
837	92	26	28.26
919	67	28	41.79
962	2,099	844	40.21

Total Industry	21,910,155	881,182	4.02
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The 2008 washout total following the 03/2008 shipments was 3.09%.

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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. The next distribution of these reports to the industry will be for period ending June 30, 2009 term and will be mailed to the industry on/or about the end of August 2009.

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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.

To the MAIP section of the website, CAR added a Rejected Take-Out Credit report for companies to view the reason why a take-out credit was invalid. Also, CAR now updates the Quota Share report every night as opposed to once per week. If you need access to the reports, please contact your company's security administrator to request access.

B. Telecommunications

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

CAR implemented a new function within the MAIP Placement Record application to request a take-out credit for policies written voluntarily that had been ceded between April 1, 2008 and March 31, 2009. A company will submit a TX7 MAIP Placement Record in CAR's Telecommunications System to make this request. Also, CAR is providing a lookup function within the system to help determine if a prior ceded policy is eligible for a take-out credit.

CAR distributed Bulletin Number 897 on April 9, 2009 explaining this new application and also distributed Bulletin Number 902 detailing the proper verification procedures of the MAIP Placement Record reporting.

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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>
Distributional Analysis	In progress	Automate the Distributional Analysis process and move the reports onto CAR's website.
Experience Rating	Near Completion	Move the mainframe pieces of the Experience Rating application to CAR's website so that companies don't need to toggle between systems.
MAIP Enhancements	Completed	Enhancements will include implementing MAIP rating into the policy application function. CAR completed the enhancement to provide information on specific ARC supplemental application forms for ARPs and completed the enhancement to provide a symbol lookup function with the MAIP Policy Application.
Rule 29	Completed	Update the Rule 12 program to calculate youthful credits written on a voluntary basis as stated in Rule 29.
Take Out Credit	Completed	CAR is developing a process to assign take out credits using the MAIP Placement Record and reported premium data.
Accrual Application	In development	Create an application to collect summary data from those companies not yet required to report statistical data to CAR. The summary level information will be collected based upon: policy effective year, policy effective month, premium town, CAR ID Code, Class Code, Merit Rating, and Property Damage Liability Exposure.
Producer Code Web Add	In progress	Create a secure report for insurance carriers to add new producer code numbers directly to CAR's producer matrix.
Website Security	In development	Enhance the security function on CAR's website so that security administrators at each company can view and reset user ids.