



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 24, 2011

RE: Operational Reports

The 1st quarter 2011 Operational Reports follow this memorandum. This report includes data reported February 16, 2011 through May 16, 2011 for the accounting month period of January 2011 through March 2011. Please note that a number of small modifications have been incorporated into the reports, including some heading changes, moving reports into different sections, and the addition of a new report. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

Section I – Accounting/Statistical Shipments:

There have been no Private Passenger or Commercial Statistical Plans recommendations since the last publication of the Operational Reports.

CAR assessed a total of \$105,250 in the Statistical Data Quality Penalty Program in the 1st Quarter 2011 Settlement of Balances report.

Section II – Cession/MAIP Placement Record Reporting:

This section has been renamed and includes a new report – MAIP Placement Record Reporting Analysis, which highlights valid and invalid activity related to MAIP Placement Record reporting. CAR solicits responses from companies with excessive error counts and these responses are also included in this section.

CAR mailed the CA5010 - Flat Cancellation report on January 22, 2011 and the documentation was due back at CAR on April 24, 2011. Results to these findings will be posted within the next Operational Report.

OPERATIONAL REPORTS 1ST QUARTER 2011

Section III – Residual Market Information:

This section has also been renamed and now includes various status reports related to residual market commercial and private passenger markets share, participation ratios, and quota share.

As of March 2011 the commercial residual market rate equaled 15.3%.

CAR posted the 1st Quarter 2011 Quarterly Member Participation Reports to its website on June 10, 2011.

Rule 29 credit edit reports can be viewed on CAR's website showing the latest details of a company's monthly error results.

Section IV – Accounting System Processing:

CAR produced 1st Quarter 2011 Critical Error Loss Write-Offs and 10% Loss of Investment Fees totaling \$ -5,197 and \$ -1,282 respectively.

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2010 and 2011 policy effective years following the monthly accounting shipments due the 15th of every month for all companies remaining over the tolerance level of 1% and 10 policies in error.

The Penalty Forecasting exhibits were posted to CAR's website on June 10, 2011.

Section V - Statistical Agent Functions:

Fourth Quarter 2010 Statutory Page 14 data was due back at CAR on March 15, 2011. Penalties amounted to \$3,300 for companies submitting late/missing data after the due date. The Reconciliation Responses for Fourth Quarter 2010 were due back on May 4, 2011 and penalties for those late responses amounted to \$4,100. These penalties were included in with First Quarter 2011 Settlement of Balances. CAR is currently collecting the First Quarter Statutory Page 14 data due on June 15, 2011. The Reconciliation Reporting for First Quarter will be processed approximately July 6, 2011.

All companies that exceed the commercial rate edit tolerances are listed on pages 26.

Section VI – Communications:

CAR added functionality for Security Administrators to update the activity status, update the e-mail addresses, and process changes to a user's security profile. If you need access to the reports, please contact your company's security administrator to request access.

**OPERATIONAL REPORTS
1ST QUARTER 2011**

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 2011 as of the first quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

2011 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2011	March 15, 2011	1 st Qtr
February 2011	April 15, 2011	
March 2011	May 16, 2011	
April 2011	June 15, 2011	2 nd Qtr
May 2011	July 15, 2011	
June 2011	August 15, 2011	
July 2011	September 15, 2011	3 rd Qtr
August 2011	October 17, 2011	
September 2011	November 15, 2011	
October 2011	December 15, 2011	4 th Qtr
November 2011	January 16, 2012	
December 2011	February 15, 2012	

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, 2011.

**OPERATIONAL REPORTS
1ST QUARTER 2011**

I. STATISTICAL SYSTEM (continued)

2011 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 8/15</i>	<i>July 9/15</i>	<i>Aug 10/17</i>	<i>Sep 11/15</i>	<i>Oct 12/15</i>	<i>Nov 1/17</i>	<i>Dec 2/15</i>
089	COM	COM	COM									
091	COM	COM	COM									
101			COM									
154		COM										
156		COM										
293	COM											
559	COM	COM	COM									
785	PP	PP										
792		COM										
907	PP	COM										
941	COM	COM	COM									
943	PP	COM										
971	COM	COM	COM									

**OPERATIONAL REPORTS
1ST QUARTER 2011**

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, reconciliation responses, and failure to reduce a statistical shipment's error percent to below 5%.

For 1st Quarter 2011, CAR assessed a total penalty amount of \$105,250. The table below shows the detail penalties for each company.

Penalty Assessments
1st Quarter 2011

Co #	Company Name	Assessment	Assessment Amount
089	AM Guaranty & Liability Ins Co	Late MAS - 12/2010	\$ 6,000
089	AM Guaranty & Liability Ins Co	Late MAS - 01/2011	\$ 6,000
091	American Zurich Insurance	Late MAS - 01/2011	\$ 6,000
096	American Hardware Mutual Ins	Stat Error > 5% - 01/2011	\$ 300
096	American Hardware Mutual Ins	Stat Error > 5% - 02/2011	\$ 300
101	American Alternative Ins Co	Late MAS - 03/2011	\$ 500
152	Arbella Protection Insurance Co	Late Explanation - 4Q 2010	\$ 1,400
153	Arbella Insurance Company	Stat Error > 5% - 09/2010	\$ 600
154	Arbella Protection Insurance Co	Late MAS - 02/2011	\$ 500
155	Argonaut Insurance Company	Stat Error > 5% - 12/2010	\$ 150
156	Arbella Indemnity Insurance Co	Late MAS - 02/2011	\$ 500
226	Great Divide Insurance Company	Late Page 14 - 4Q 2010	\$ 300
229	Clarendon Insurance Company	Stat Error > 5% - 11/2010	\$ 150
229	Clarendon Insurance Company	Stat Error > 5% - 12/2010	\$ 150
229	Clarendon Insurance Company	Late Page 14 - 4Q 2010	\$ 100
229	Clarendon Insurance Company	Late Explanation - 4Q 2010	\$ 100
230	Praetorian Insurance Company	Stat Error > 5% - 07/2010	\$ 2,500
230	Praetorian Insurance Company	Late Explanation - 4Q 2010	\$ 100
259	Cincinnati Insurance Company	Late Page 14 - 4Q 2010	\$ 300
262	Citizens Insurance Company	Stat Error > 5% - 09/2010	\$ 600
269	21st Century Centennial Ins	Appeal - Late Pg14 - 9/2010	\$ (4,500)
293	Valley Forge Insurance Company	Late MAS - 01/2011	\$ 500
366	Arch Insurance Company	Late MAS - 12/2010	\$ 500
409	AGCS Marine Insurance Co	Late Page 14 - 4Q 2010	\$ 700
415	Allianz Global Risk US Ins Co	Late Page 14 - 4Q 2010	\$ 700
436	General Casualty of Wisconsin	Late Explanation - 4Q 2010	\$ 100
468	Hartford Fire Insurance Co	Stat Error > 5% - 11/2010	\$ 300
559	Maryland Casualty Ins Co	Stat Error > 5% - 08/2010	\$ 600
559	Maryland Casualty Ins Co	Late MAS - 12/2010	\$ 6,000

**OPERATIONAL REPORTS
1ST QUARTER 2011**

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
1st Quarter 2011

Co #	Company Name	Assessment	Assessment Amount
559	Maryland Casualty Ins Co	Late MAS - 01/2011	\$ 6,000
620	National Independent Truckers	Stat Error > 5% - 03/2010	\$ 3,100
620	National Independent Truckers	Stat Error > 5% - 06/2010	\$ 1,250
620	National Independent Truckers	Stat Error > 5% - 09/2010	\$ 750
620	National Independent Truckers	Stat Error > 5% - 12/2010	\$ 150
620	National Independent Truckers	Late Page 14 - 4Q 2010	\$ 200
620	National Independent Truckers	Late Explanation - 4Q 2010	\$ 1,200
686	Occidental Fire & Casualty of NC	Stat Error > 5% - 01/2011	\$ 150
686	Occidental Fire & Casualty of NC	Stat Error > 5% - 02/2011	\$ 150
737	Progressive Casualty Ins Co	Late MAS - 06/2010	\$ 500
737	Progressive Casualty Ins Co	Late MAS - 07/2010	\$ 1,250
737	Progressive Casualty Ins Co	Late MAS - 08/2010	\$ 3,000
737	Progressive Casualty Ins Co	Late MAS - 09/2010	\$ 3,000
748	QBE Insurance Corporation	Late Explanation - 4Q 2010	\$ 1,200
785	Progressive Direct Ins Co	Late MAS - 06/2010	\$ 500
785	Progressive Direct Ins Co	Late MAS - 01/2011	\$ 500
785	Progressive Direct Ins Co	Late MAS - 02/2011	\$ 500
792	State National Insurance Co	Late MAS - 02/2011	\$ 500
837	T.H.E. Insurance Company	Stat Error > 5% - 06/2010	\$ 5,000
837	T.H.E. Insurance Company	Stat Error > 5% - 09/2010	\$ 2,400
837	T.H.E. Insurance Company	Stat Error > 5% - 12/2010	\$ 450
894	Twin City Fire Insurance Co	Stat Error > 5% - 11/2010	\$ 150
907	United Services Automobile Co.	Late MAS - 01/2011	\$ 1,250
907	United Services Automobile Co.	Late MAS - 02/2011	\$ 500
941	Universal Underwriters	Late MAS - 11/2010	\$ 1,250
941	Universal Underwriters	Late MAS - 12/2010	\$ 6,000
941	Universal Underwriters	Late MAS - 01/2011	\$ 6,000
941	Universal Underwriters	Stat Err > 5% - 10/2010	\$ 150
941	Universal Underwriters	Stat Err > 5% - 12/2010	\$ 1,200
943	USAA Casualty Insurance Co	Late MAS - 01/2011	\$ 1,250
943	USAA Casualty Insurance Co	Late MAS - 02/2011	\$ 500
951	Vanliner Insurance Company	Stat Error > 5% - 10/2010	\$ 2,400
951	Vanliner Insurance Company	Stat Error > 5% - 11/2010	\$ 450
951	Vanliner Insurance Company	Stat Error > 5% - 12/2010	\$ 600
951	Vanliner Insurance Company	Late Page 14 - 4Q 2010	\$ 100

**OPERATIONAL REPORTS
1ST QUARTER 2011**

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
1st Quarter 2011

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
971	Zurich Insurance Company	Stat Error > 5% - 06/2010	\$ 2,500
971	Zurich Insurance Company	Stat Error > 5% - 08/2010	\$ 1,850
971	Zurich Insurance Company	Stat Error > 5% - 09/2010	\$ 600
971	Zurich Insurance Company	Stat Error > 5% - 10/2010	\$ 1,050
971	Zurich Insurance Company	Stat Error > 5% - 11/2010	\$ 450
971	Zurich Insurance Company	Stat Error > 5% - 12/2010	\$ 150
971	Zurich Insurance Company	Late MAS - 12/2010	\$ 6,000
971	Zurich Insurance Company	Late MAS - 01/2011	\$ 6,000
978	Phenix Mutual Fire Insurance Co	Late Page 14 - 4Q 2010	\$ 600
980	Westport Insurance Corporation	Late Page 14 - 4Q 2010	\$ 300
989	Foremost Insurance Company	Stat Error > 5% - 09/2010	\$ 600
		Total	\$ 105,250

**OPERATIONAL REPORTS
1ST QUARTER 2011**

I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
January 1, 2011	<p>The following modification has been made to Part VII – Statistical Data Quality Program:</p> <p>To eliminate the need to update error code references upon the addition or deletion of new/obsolete statistical edits, all references to specific statistical and verification errors have been removed from the Statistical Data Quality Program. Companies are referred to CAR’s Statistical Edit Package for a description of all statistical and verification errors.</p>	Approved by the Division of Insurance on February 23, 2011

**OPERATIONAL REPORTS
1ST QUARTER 2011**

I. STATISTICAL SYSTEM (continued)

Massachusetts Commercial Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
January 1, 2011	<p>The following modifications have been made to Part VII – Statistical Data Quality Program:</p> <p>To eliminate the need to update error code references upon the addition or deletion of new/obsolete statistical edits, all references to specific statistical and verification errors have been removed from the Statistical Data Quality Program. Companies are referred to CAR’s Statistical Edit Package for a description of all statistical and verification errors.</p> <p>Several of the penalty amount values contained in the Statistical Data Quality Program were not updated when previously filed with the Division of Insurance in November 2009. All penalty amount values are now consistent within this section of the Plan.</p>	<p>Approved by the Division of Insurance on February 23, 2011</p>

Approved Effective Date	Description	Status
<p>January 1, 2012 (Optional for policies effective July 1, 2011 – December 31, 2011)</p>	<p>To properly verify physical damage premium dollars and claims reported for vehicles coded with Symbol Code 12 (Original Cost New of \$90,001 and greater), a new field named Original Cost New Code has been added to the physical damage premium and loss record layouts in field positions 56-58. Companies are required to report a vehicle’s Original Cost New, rounded to the nearest \$1,000, in this field.</p> <p>It is mandatory to report the Original Cost New Code for policies effective January 1, 2012 and subsequent. However, this field may be optionally reported for policies with effective dates of July 1, 2011 through December 31, 2011.</p>	<p>Approved by the Division of Insurance on February 23, 2011</p>

**OPERATIONAL REPORTS
1ST QUARTER 2011**

II. CESSION/MAIP PLACEMENT RECORD REPORTING

A. Cession Submission

CAR accepts cession data via two different methods: 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 2011, CAR accepts cession records and cession corrections on commercial business for policy years 2009-2011. On private passenger business, CAR accepts cession records and cession corrections for policy dates 1/1/2009 – 3/31/2009. Beginning 4/1/2009, cessions no longer apply to private passenger business.

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 24, 2011.

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1ST QUARTER 2011**

II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

2. TX5 Cession Backdate Appeals (continued)

TX5 Cession Backdate Log

DATE SUBMITTED	CO NO	NUMBER OF CESSIONS	DATE REQUESTED	BACKDATE GRANTED?	REASON FOR APPROVAL/ DISAPPROVAL
5/19/11	154	12	5/19/10	Yes	Decision to retain policy as voluntary was made prior to the policy effective date.

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 May 19, 2011 monitoring policy years 2009, 2010 and 2011 for 1st Quarter 2011.

Please note CAR no longer monitors Private Passenger business in this system.

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 2011**

II. CESSION/MAIP PLACEMENT RECORD REPORTING (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	571	19	3.3	0.0	2,607	0
279	34	0	0.0	0.0	0	0
455	454	11	2.4	0.0	0	0
717	260	0	0.0	0.0	0	0
734	280	20	7.1 #	0.0	0	0
735	19	2	10.5 #	0.0	0	0
773	5	0	0.0	0.0	0	0
Totals	1,623	52	3.2%	N/A	2,607	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 2011**

II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

Policy Year 2010
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	551	13	2.4	-0.1	0	0
279	29	1	3.4	0.0	0	0
455	260	9	3.5	0.6	1,131	0
717	236	0	0.0	0.0	0	0
734	226	23	10.2 #	0.0	0	0
735	8	1	12.5 #	0.0	0	0
773	3	0	0.0	0.0	0	0
Totals	1,313	47	3.6%	N/A	1,131	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*).

Policy Year 2011
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	164	0	0.0	0.0	0	0
279	6	1	16.7 #	0.0	0	0
455	86	0	0.0	0.0	0	0
717	67	0	0.0	0.0	0	0
734	66	27	40.9 *	0.0	0	3,600
735	4	1	25.0 #	0.0	0	0
773	1	0	0.0	0.0	0	0
Totals	374	29	7.4%	N/A	0	3,600

* 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
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II. CESSION/MAIP PLACEMENT RECORD REPORTING (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 24, 2011 and the documentation was due back on April 22, 2011. Upon reviewing the documentation, CAR will post those results in the next quarter's Operational Reports.

**OPERATIONAL REPORTS
1ST QUARTER 2011**

II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

D. MAIP Placement Record Reporting Analysis

On a monthly basis, CAR reviews the quality of MAIP Placement Record reporting and produces a report which highlights the error counts for various types of errors. Companies with excessive error counts are contacted and requested to research the cause of its reporting problem and if appropriate provide a corrective action plan. MAIP Premium with No MPR reflects statistically reported data for 11 policy effective months.

**COMMONWEALTH AUTOMOBILE REINSURERS
MAIP PLACEMENT RECORD REPORTING ANALYSIS
Reflects Statistically Reported Data for Policy Effective Months 04/2010 to 03/2011
Reflects MAIP Placement Record Reported Data as of May 20, 2011**

Company	Missing MPRs	MPRs with Non-Fatal Errors	Rejected Take-Out Credits	MPRs with No Premium	MAIP Premium with No MPR	Active MPRs
045	0	0	0	17	47	437
153	54	100	324	307	26	11,819
202	0	0	0	0	0	156
262	0	1	573	6	8	2,218
279	10	15	24	16	2	35,636
308	2	0	0	1	0	678
312	2	14	9	4	10	1,172
331	0	4	0	0	5	3,995
354	5	7	0	0	48	7,153
363	1	0	0	0	2	647
514	0	0	0	1	1	2,885
531	1	0	0	0	0	413
585	3	82	0	1	53	4,183
612	3	0	0	0	0	2,972
664	2	7	1	1	72	1,567
723	0	11	4	0	3	12,768
731	0	12	212	0	11	2,751
773	0	11	0	0	29	22,066
826	0	1	0	0	3	1,440
908	5	2	0	4	3	6,872
988	3	29	0	0	6	5,713
Industry Average	4	14	55	17	16	6,073

**OPERATIONAL REPORTS
1ST QUARTER 2011**

II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

E. MAIP Placement Record Reporting Analysis (continued)

COMMONWEALTH AUTOMOBILE REINSURERS
MAIP PLACEMENT RECORD REPORTING ANALYSIS
COMPANY RESPONSES

Company	Date Identified	Response
045	1 st Qtr 2011	Company was recently contacted and is researching reporting issue.
153	Ongoing	The MPRs with No Premium is a statistical timing issue. A majority of these policies have a March 2011 effective date and were paid in April 2011. The premium for these policies will be sent in the April MAS. The remaining policies were unpaid renewals for which a TX4 backdate document will be sent. A majority of the non-fatal errors are producer code errors and duplicate MPRs that are in the process of being corrected.
354	Ongoing	Company splits motorcycle/auto MAIP policies. Since they can not submit two MPRs for one certification number, motorcycle policies will only be statistically reported and will not have a corresponding MPR.
585	3 rd Qtr 2010	Company was recently contacted and is researching reporting issue
664	Ongoing	Company will be sending in cancellation premium for the active MAIP Premium with No MPR.
773	1 st Qtr 2011	The MAIP Premium with No MPR policies are all cancelled flat and rewritten under a new policy number. The cancellation premium will be sent in the April MAS.
988	1 st Qtr 2011	Company has recently corrected their non-fatal MPRs.

**OPERATIONAL REPORTS
1ST QUARTER 2011**

III. RESIDUAL MARKET INFORMATION

A. Residual Market Volumes

The private passenger and commercial residual market volume results for the past five years are highlighted in the chart below. The residual market 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
2007	4.3%	22.3%	Final Result
2008	2.9%	19.0%	Final Result
2009	2.3%	16.5%	Final Result
2010	N/A	15.1%	Final Result
2011	N/A	15.8%	As of March 2011

Private passenger and commercial residual market volume reports are available on CAR's website (www.commauto.com). You can also view your company's residual market volume figures via CAR's telecommunications system. The On-line Telecommunications Manual provides the specific instructions for accessing the reports.

B. Private Passenger – Massachusetts Automobile Insurance Plan (MAIP)

Policy Year P.D.L. Exposures

	2011 @ 03 Month	% Total	2010 @ 12 Months	% Total
MAIP Assigned (CAR-ID 9)	33,958	2.9%	111,807	2.6%
MAIP Retained (CAR-ID 8)	1,106,152	92.9%	3,952,288	92.8%
Clean-In-Three (CAR-ID 1)	50,104	4.2%	197,169	4.6%
Total	1,190,214	100.0%	4,261,264	100.0%

**OPERATIONAL REPORTS
1ST QUARTER 2011**

III. RESIDUAL MARKET INFORMATION (continued)

C. Production of Quarterly Participation Reports

CAR posted the 1st Quarter Member Participation Reports to its website on June 10, 2011. 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.

D. Participation Base Data

The 1st Quarter 2011 estimated Participation Ratios using data reported through March 31, 2011 will be posted to CAR's website by June 30, 2011.

E. Rule 12 Participation Credits

CAR ran the final Rule 12 credit edit reports in early May, 2010. These reports are still available on CAR's website under the Data Reporting and Quality Reports page.

F. CAR Financial Results

The ultimate policy year deficit projections, as of March 2011, for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Private Passenger	Commercial
2008	(49,814)	447
2009	(9,949)	(2,152)
2010	N/A	(7,689)

This data can be found on CAR's website (www.commauto.com) in the Financial Reports area using the Deficit Projections link.

G. Quota Share

CAR posted the March 2011 Monthly Quota Share and Assignment Order Report to its website on May 24, 2011. The report has been updated to include statistical data for April 2011 effective month policies reported through May 16, 2011. Member Companies can also view additional reports that provide detailed information about the data used in the Quota Share calculation on CAR's website in the MAIP section under Company.

**OPERATIONAL REPORTS
1ST QUARTER 2011**

III. RESIDUAL MARKET INFORMATION (continued)

H. Rule 29 Voluntary Credits

CAR ran the Rule 29 credit edit reports for December effective date data in March. These reports are available on CAR's website under the Data Reporting and Quality Reports page.

There is no tolerance level for the Rule 29 credits. If a record is incorrect, the credit is not applied. The table below shows the industry's error percent starting with the October, 2009 accounting date.

Accounting Date	Reported Credit Premium	Adjusted Credit Premium	Rule 29 Credit Impact	Error Percentage
Oct. 2009	365,712,770	363,973,739	-1,739,031	0.48%
Nov. 2009	392,727,358	390,930,787	-1,796,571	0.46%
Dec. 2009	421,452,666	419,584,786	-1,867,880	0.44%
Jan. 2010	457,982,525	456,053,273	-1,929,252	0.42%
Feb. 2010	492,413,410	490,472,355	-1,941,055	0.39%
March 2010	530,741,150	528,623,200	-2,117,950	0.40%
April 2010	518,613,145	516,527,075	-2,086,070	0.40%
May 2010	516,560,318	513,107,160	-3,453,158	0.67%
June 2010	510,469,897	506,671,089	-3,798,808	0.74%
July 2010	504,282,298	500,104,630	-4,177,668	0.83%
August 2010	498,524,056	494,149,614	-4,374,442	0.88%
Sept. 2010	492,640,139	488,275,230	-4,364,909	0.89%
Oct. 2010	487,767,726	484,431,955	-3,335,771	0.68%
Nov. 2010	485,195,191	481,860,909	-3,334,282	0.69%
Dec. 2010*	502,637,208	493,960,401	-8,676,807	1.73%
Jan. 2011*	499,424,037	493,594,337	-5,829,700	1.17%
Feb. 2011*	520,558,403	512,722,811	-7,835,592	1.51%
March 2011*	520,012,380	512,141,580	-7,870,800	1.51%

*** There are 3 new Companies with reporting errors causing the large increase in the error percentage.**

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IV. ACCOUNTING SYSTEM

A. Update of the Online Accounting System

CAR updates the online accounting system every Thursday night. Accordingly, all new premiums and loss activity and all correction activity are posted to the system on Thursday evenings and viewable to the industry on Friday mornings. This schedule deviates on the due date for each month. The table below shows the quarter ending schedule for updates to the CAR accounting system.

Month	MAS Due Date	Accounting System Update	Quarter
January 2011	March 15, 2011	March 18, 2011	1st Quarter 2011
February 2011	April 15, 2011	April 20, 2011	
March 2011	May 16, 2011	May 19, 2011	
April 2011	June 15, 2011	June 17, 2011	2 nd Quarter 2011
May 2011	July 15, 2011	July 19, 2011	
June 2011	August 15, 2011	August 17, 2011	
July 2011	September 15, 2011	September 16, 2011	3 rd Quarter 2011
August 2011	October 17, 2011	October 20, 2011	
September 2011	November 15, 2011	November 17, 2011	
October 2011	December 15, 2011	December 16, 2011	4 th Quarter 2011
November 2011	January 16, 2012	January 20, 2012	
December 2011	February 15, 2012	February 16, 2012	

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 2011.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for June 2011 through November 2011 are shown following the 1st Quarter Write-Off exhibit.

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IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Loss Write-Off – 1st Quarter 2011

Company	Feb 2011	Mar 2011	Apr 2011	Total
045	500	-496	0	4
194	2,126	0	0	2,126
331	0	-14,136	6,133	-8,003
585	676	0	0	676
Total	3,302	-14,632	6,133	-5,197

1st Quarter 2011 – 10% Loss of Investment Fees

Company	Feb 2011	Mar 2011	Apr 2011	Total
045	50	-50	0	0
331	0	-1419	69	-1,350
585	68	0	0	68
Total	118	-1,469	69	-1,282

Potential Loss Write-Off June 2011 through November 2011

Company	June 2011	July 2011	August 2011	September 2011	October 2011	November 2011	Grand Total
045	0	0	-585	0	0	8,170	7,585
049	-10	0	0	0	0	0	-10
154	1,655	459	0	-22,081	0	0	-19,967
209	0	0	0	0	0	700	700
312	0	0	0	34,574	0	0	34,574
331	31,971	136,355	7,632	-5,982	0	-11,865	158,111
514	1,318	0	0	0	0	0	1,318
734	618	-1	0	0	0	0	617
773	20	20	0	0	0	0	40
Totals	35,572	136,833	7,047	6,511	0	-2,995	182,968

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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
2010 and 2011 Policy Effective Years Monitored

2010 Effective Year Non-Critical Errors Over Tolerance – Potential Penalty

There were no 2010 policy effective year Non-Critical Errors Over Tolerance

2011 Effective Year Non-Critical Errors Over Tolerance – Potential Penalty

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Penalty
2	154	02	1.85	33	\$750

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IV. ACCOUNTING SYSTEM (continued)

D. Ceded Premium In Error – Limited Commercial Servicing Carriers

The exhibit below shows a summary of ceded premium in critical error. Companies can view their critical error policies via CAR's telecommunications system within the accounting corrections application. CAR is providing this information as a way for Limited Commercial Servicing Carriers to monitor both their ceded premium and ceded loss reporting to correct any errors prior to a write-off or close of a policy effective reporting year.

Company	Policy Effective Year	Critical Premium Dollars	Error Percent
154	2009	52,693	0.33
154	2010	162,509	1.07
154	2011	49,646	1.38
245	2009	0	0.00
245	2010	0	0.00
245	2011	77,973	2.25
279	2009	0	0.00
279	2010	0	0.00
279	2011	0	0.00
455	2009	0	0.00
455	2010	0	0.00
455	2011	0	0.00
717	2009	0	0.00
717	2010	0	0.00
717	2011	0	0.00
734	2009	0	0.00
734	2010	0	0.00
734	2011	0	0.00
735	2009	0	0.00
735	2010	0	0.00
735	2011	0	0.00
773	2009	0	0.00
773	2010	0	0.00
773	2011	0	0.00
Total Ind		342,821	0.16

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 posted the 1st Quarter 2011 forecasting reports on June 10, 2011.

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IV. ACCOUNTING SYSTEM (continued)

F. 2008 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 2008 effective date policies and for historical information.

Year	PP Penalty	Commercial Penalty	Taxi/Limo/CAR Service Penalty
2008	\$1,400	\$5,300	\$7,600
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

The 2008 Premium Write-Offs and Net Negative Write-Offs ran in early May, 2011. The following exhibit shows those companies who received assessments posted in the 1st Quarter Settlement of Balances.

Final 2008 – Cession/No Premium Write-Offs

Co. No.	Penalty Amount
245	\$5,600
455	\$7,000
585	\$1,400
664	\$1,400
723	\$1,400
Total	\$16,800

2008 Net Negative Write-Off

Co. No.	Penalty Amount
331	\$(8,202)
455	\$(223)
664	\$(75)
723	\$(770)
Total	\$(9,270)

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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 on the due date of each month. The table below shows the quarter ending schedule for updates to the statistical system.

Month	MAS Due Date	Statistical System Update	Quarter
January 2011	March 15, 2011	March 18, 2011	1st Quarter 2011
February 2011	April 15, 2011	April 20, 2011	
March 2011	May 16, 2011	May 19, 2011	
April 2011	June 15, 2011	June 16, 2011	2 nd Quarter 2011
May 2011	July 15, 2011	July 19, 2011	
June 2011	August 15, 2011	August 18, 2011	
July 2011	September 15, 2011	September 16, 2011	3 rd Quarter 2011
August 2011	October 17, 2011	October 18, 2011	
September 2011	November 15, 2011	November 16, 2011	
October 2011	December 15, 2011	December 16, 2011	4 th Quarter 2011
November 2011	January 16, 2012	January 17, 2012	
December 2011	February 15, 2012	February 16, 2012	

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.

Quarter	Due Date Quarterly Annual Statement	Run Date of the Reconciliation Program	Due Date Reconciliation Response
1st 2011	June 15, 2011	July 1, 2011	Approx. August 5, 2011
2nd 2011	September 15, 2011	October 3, 2011	Approx. November 4, 2011
3rd 2011	December 15, 2011	January 2, 2012	Approx. February 3, 2012
4th 2011	March 15, 2012	April 2, 2012	Approx. May 4, 2012

The Annual Statement collection of Page 14's for Fourth Quarter 2010 was due March 15, 2011. Penalties for late pg 14 amounted to \$3,300. Reconciliation Fourth Quarter 2010 responses were due May 4, 2011. Penalties amounted to \$4,100. Page 14 and Reconciliation penalties were included in the 1st Quarter Settlement of Balances. CAR is currently collecting First Quarter 2011 Annual Statement Statutory Page 14 data due at CAR on June 15, 2011. First Quarter 2011 Reconciliation Reports are anticipated to run July 1, 2011.

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V. STATISTICAL AGENT FUNCTION (continued)

C. 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.

	Line of Business	Eligible Records	Records in Error	Error %
COMM 2010 EFF YEAR	Liability	49,098	700	1.49%
	No Fault	33,824	293	0.87%
	Physical Damage	24,847	292	1.18%
	Total	105,769	1,285	1.21%
COMM 2011 EFF YEAR	Liability	19,165	250	1.30%
	No Fault	14,639	57	0.39%
	Physical Damage	10,864	223	2.05%
	Total	44,698	530	1.19%

The Commercial Rate Edit program incorporates a tolerance level to ensure the quality of the data the industry reports to CAR. The tolerance level is 2% and 50 records in error. If a company exceeds 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.

Rate Edit - Over Tolerance Exhibit

Co No	PP/Comm	Policy Year	Subline	Due Date	Err %	# Records in Error
154	Comm	2010	Liability	4/15/2011	3.39%	195
154	Comm	2011	Liability	12/15/2011	3.04%	75
154	Comm	2011	Phys Dam	11/15/2011	5.99%	96
773	Comm	2011	Liability	12/15/2011	2.17%	121
773	Comm	2010	No Fault	12/15/2011	2.02%	96

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V. STATISTICAL AGENT FUNCTION (continued)

D. 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 3/2011

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
065	10	2	20.00
099	2,070	1,798	86.86
153	2,007,007	623,197	31.05
205	28	18	64.29
261	10,058	9,604	95.49
283	5,288	3,352	63.39
343	126,105	50,992	40.44
429	701,415	225,859	32.20
444	2,814	676	24.02
460	6,061	2,162	35.67
474	4,793	3,272	68.27
486	10,408	3,906	37.53
503	641	200	31.20
626	108,921	51,382	47.17
627	2,586	1,860	71.93
643	2,348	1,128	48.04
688	1,392	328	23.56
734	3,642	908	24.93
735	60,743	26,080	42.93
737	61,125	31,868	52.14
752	6,758	1,468	21.72
828	53,253	15,802	29.67
902	59,342	29,764	50.16
919	34	12	35.29
962	5	2	40.00
963	99,344	41,085	41.36
989	16,783	10,312	61.44

Total Industry	16,605,196	1,504,194	9.06
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The 2011 washout total following the 3/2010 shipments was 4.02%.

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V. STATISTICAL AGENT FUNCTION (continued)

E. Distributional Analysis

Distributional Analysis reports are produced three times a year starting with the close of the June quarter. The program was developed to ensure the quality of rate making data is appropriated with quota share data. The next mailing of the Distributional Analysis report scheduled to be distributed in August 2011. Please contact the Compliance Audit Department for any correspondences.

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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 changed the Shipment Activity Report located under the Data Reporting & Quality report link to show the number of error records and error percent for each shipment. This should help companies better monitor their volume of statistical errors without needing to access CAR's telecommunications 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.

CAR implemented changes to its MAIP Placement Record system to allow certain corrections on existing MAIP Placement records such as policy number and producer code.

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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
Experience Rating	Scheduled for September Implementation	Move the mainframe pieces of the Experience Rating application to CAR's website so that companies don't need to toggle between systems.
PP Auto Audit Hybrid Plan	Completed	Development of a new method for performing the private passenger statistical audits.
2011 Annual Statistical Update	Completed	Update all edit programs to accept and process 2011 effective year data.
MAIP Compliance	Completed	Expanding the ARP and ARC Non-Compliance application to add a reports function and threshold reports. Also adding functionality to allow for the addition of attachments.
Conversion of all MAIP Reports	In progress	Converting all agent and company reports from Crystal to Reporting Services.
Conversion of MA Application	In progress	Converting the MAIP Policy Application from Crystal to Reporting Services.
Rule 21 Down Payment Modifications	Pending Committee Approval	Changes for the new Rule 21 Down Payment modifications for non-renewed three-year MAIP policies for policies effective September 1, 2011 and subsequent.
FTP Conversion	In Progress	With the elimination of tape cartridge reporting as of July, 2011, CAR has been working with companies to convert their cartridge data submission to FTP data submission.