



DANIEL R. JUDSON
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

225 Franklin Street Boston, Massachusetts 02110

www.commauto.com

617-338-4000

- MEMORANDUM -

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: June 12, 2012

RE: Operational Reports

The 1st quarter 2012 Operational Reports follow this memorandum. This report includes data reported February 16, 2012 through May 15, 2012 for the accounting month period of January 2012 through March 2012. Please note that a number of small modifications have been incorporated into this set of 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:

On December 1, 2011 the Division of Insurance approved Private Passenger Statistical Plan revisions to accommodate companies that have filed a combined single limit rate as part of their private passenger voluntary rate filing. A Limits Identifier Code has been added in field position 47 of the liability premium and loss record layouts. Combined Single Limit Code values have also been added to the Liability Limits Code tables.

On December 1, 2011 the Division of Insurance approved Commercial Statistical Plan revisions renaming Owner Repairman classification (070700) to Owner-Contractor to correspond to the Massachusetts Commercial Automobile Insurance Manual. Also, the Classification Code Decision Table has been updated to separately list classification code 9932 from the other Special Rating and Adjustment classifications since it applies to physical damage coverage only.

CAR assessed a total of \$36,200 in the Statistical Data Quality Penalty Program in the 1st Quarter 2012 Settlement of Balances report.

Section II – Cession/MAIP Placement Record Reporting:

This section has been renamed and will now include 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.

OPERATIONAL REPORTS 1ST QUARTER 2012

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 market share, participation ratios, and quota share.

CAR mailed the CA5010 - Flat Cancellation report on January 20, 2012 and the documentation was due back at CAR on April 20, 2012.

As of March 2012 the commercial residual market rate equaled 15.5%.

CAR posted the March 31, 2012 Quarterly Member Participation Reports to its website on June 8, 2012.

CAR ran the 1st Quarter 2012 Rule 29 credit edit download reports on May 23, 2012.

Section IV – Accounting System Processing:

CAR produced 1st Quarter 2012 Critical Error Loss Write-Offs and 10% Loss of Investment Fees totaling \$80,336 and \$10,093 respectively.

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2011 and 2012 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 6, 2012.

Section V - Statistical Agent Functions:

Fourth Quarter 2011 Statutory Page 14 data was due at CAR on March 15, 2012. Penalties amounted to \$9,700 for companies that submitted their data after the due date. The Reconciliation Responses for Fourth Quarter 2011 were due back on May 4, 2012 and penalties for those late responses amounted to \$5,300. These penalties were included in the First Quarter 2012 Settlement of Balances.

All companies that exceed the commercial rate edit tolerances are listed on page 24.

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 2012**

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 2012 as of the first quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

2012 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2012	March 15, 2012	1 st Qtr
February 2012	April 16, 2012	
March 2012	May 15, 2012	
April 2012	June 15, 2012	2 nd Qtr
May 2012	July 16, 2012	
June 2012	August 15, 2012	
July 2012	September 17, 2012	3 rd Qtr
August 2012	October 15, 2012	
September 2012	November 15, 2012	
October 2012	December 17, 2012	4 th Qtr
November 2012	January 15, 2013	
December 2012	February 15, 2013	

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, 2012.

**OPERATIONAL REPORTS
1ST QUARTER 2012**

I. STATISTICAL SYSTEM (continued)

2012 Timeliness Report

<i>CO</i>	<i>Jan</i>	<i>Feb</i>	<i>Mar</i>	<i>Apr</i>	<i>May</i>	<i>Jun</i>	<i>July</i>	<i>Aug</i>	<i>Sep</i>	<i>Oct</i>	<i>Nov</i>	<i>Dec</i>
<i>NO</i>	<i>3/15</i>	<i>4/15</i>	<i>5/16</i>	<i>6/15</i>	<i>7/15</i>	<i>8/15</i>	<i>9/15</i>	<i>10/17</i>	<i>11/15</i>	<i>12/15</i>	<i>1/17</i>	<i>2/15</i>
110		COM	COM									
065	COM											
096	COM											
316			COM									
612	BOTH											
721	COM											
748	COM	COM	COM									

**OPERATIONAL REPORTS
1ST QUARTER 2012**

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 2012, CAR assessed a total penalty amount of \$36,200. The table below shows the detail penalties for each company.

Penalty Assessments
1st Quarter 2012

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
033	Allstate Insurance Company	Late Explanation Pg14 2/2011	\$ 100
045	American Automobile Ins Co	Late Explanation 12/2011	\$ 1,200
065	SPARTA Insurance Company	Late MAS - 2011 (new co)	\$ 3,000
096	Motorist Commercial Mutual Ins	Late MAS - 01/2012	\$ 500
096	Motorist Commercial Mutual Ins	Rescinded Late MAS - 1/2012	\$ (500)
103	The American Insurance Co	Late Explanation 12/2011	\$ 500
110	Knightbrook Insurance Company	Non-Compliance in 2011	\$ 12,500
110	Knightbrook Insurance Company	Late MAS - 02/2012	\$ 500
110	Knightbrook Insurance Company	Late Explanation 12/2011	\$ 100
122	Leading Insurance Group	Late Page 14 - 12/2011	\$ 100
123	HDI-Gerling American Ins Co	Late Explanation 12/2011	\$ 1,200
126	Companion Property & Casualty	Late Page 14 - 12/2011	\$ 1,000
134	New York Marine and General Ins	Late Page 14 - 12/2011	\$ 100
143	American Hallmark Ins Co of Tex	Late Page 14 - 12/2011	\$ 500
152	Arbella Protection - Taxi	Late Page 14 - 12/2011	\$ 100
155	Argonaut Insurance Company	Stat Error > 5% - 03/2011	\$ 150
155	Argonaut Insurance Company	Stat Error > 5% - 09/2011	\$ 150
155	Argonaut Insurance Company	Stat Error > 5% - 12/2011	\$ 150
162	Imperium Insurance Company	Late Page 14 - 12/2011	\$ 4,500
164	Torus National Ins Company	Late Page 14 - 12/2011	\$ 300
225	Carolina Casualty Insurance Co	Late Page 14 - 12/2011	\$ 100
226	Great Divide Insurance Company	Stat Error > 5% - 12/2011	\$ 150
296	Continental Indemnity Ins Co	Late Page 14 - 12/2011	\$ 300
326	Excelsior Insurance Company	Late MAS - 12/2011	\$ 500
331	MA Homeland Ins Company	Late MAS - 03/2012	\$ 500
331	MA Homeland Ins Company	Stat Error > 5% - 09/2011	\$ 600
362	Farm Family Ins Company	Rescinded Stat Error > 5%	\$ (150)
366	Arch Insurance Company	Stat Error > 5% - 12/2011	\$ 750
399	Fireman's Fund Insurance Co	Late Explanation 12/2011	\$ 300

**OPERATIONAL REPORTS
1ST QUARTER 2012**

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
1st Quarter 2012

Co #	Company Name	Assessment	Assessment Amount
409	AGCS Marine Insurance Co	Late Page 14 - 12/2011	\$ 200
410	Jefferson Insurance Company	Late Page 14 - 12/2011	\$ 200
415	Allianz Global Risks US Ins Co	Late Page 14 - 12/2011	\$ 200
443	NOVA Insurance Company	Late Page 14 - 12/2011	\$ 900
467	Hartford Casualty Insurance Co	Stat Error > 5% - 01/2012	\$ 150
468	Hartford Fire Insurance Company	Stat Error > 5% - 12/2011	\$ 300
476	Holyoke Mutual Ins Co (B/O)	Late Page 14 - 12/2011	\$ 800
612	NGM Insurance Company	Late MAS - 01/2012	\$ 500
623	National Surety Corporation	Late Explanation 12/2011	\$ 300
633	The Netherlands Insurance Co	Late MAS - 12/2011	\$ 500
647	American European Ins Company	Late Page 14 - 12/2011	\$ 200
689	Ohio Indemnity Ins Co	Late Page 14 - 12/2011	\$ 200
711	Peerless Insurance Company	Late MAS - 12/2011	\$ 500
748	QBE Insurance Company	Late Explanation 12/2011	\$ 400
797	Starr Indemnity and Liability Ins	Late Explanation 12/2011	\$ 1,200
951	Vanliner Insurance Company	Stat Error > 5% - 11/2011	\$ 450
		Total	\$ 36,200

**OPERATIONAL REPORTS
1ST QUARTER 2012**

I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
<p>January 1, 2013 (Optional for policies effective July 1, 2012 – December 31, 2012)</p>	<p>To accommodate those companies that have filed combined single limit rate as part of their private passenger voluntary rate filing, the Private Passenger Statistical Plan has been updated to include a Limits Identifier Code in field position 47 of the liability premium and loss records layouts. Combined Single Limit Code values have also been added to the Liability Limits Code tables.</p> <p>The proposed implementation date is January 1, 2013 and subsequent. Companies may optionally report this field for policies effective July 1, 2012.</p> <p>Existing data elements on these pages have been renumbered to accommodate the addition of the Limits Identifier Code.</p>	<p>Approved by the Division of Insurance on December 1, 2011</p>
<p>January 1, 2012</p>	<p>The Private Passenger Classification Code Decision Table has been updated to reflect that Anti-Theft Device, Annual Mileage and Passive Restraint Discounts may be optionally reported for classification 0460## (Low Speed Vehicles).</p>	

**OPERATIONAL REPORTS
1ST QUARTER 2012**

I. STATISTICAL SYSTEM (continued)

Massachusetts Commercial Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
January 1, 2012	The Owner Repairman classification (070700) has been renamed as Owner-Contractor to correspond to the Massachusetts Commercial Automobile Insurance Manual.	Approved by the Division of Insurance on December 1, 2011
	The Commercial Classification Code Decision Table has been updated to separately list classification code 9932 from the other Special Rating and Adjustment classifications, since it only applies to physical damage coverage.	

**OPERATIONAL REPORTS
1ST QUARTER 2012**

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.

CAR accepts cession records and cession corrections on commercial business for policy years 2010-2012.

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 December 13, 2011.

**OPERATIONAL REPORTS
1ST QUARTER 2012**

II. SESSION/MAIP PLACEMENT RECORD REPORTING (continued)

2. TX5 Cession Backdate Appeals (continued)

TX5 Cession Backdate Log

DATE SUBMITTED	CO NO	NUMBER OF SESSIONS	DATE REQUESTED	BACKDATE GRANTED?	REASON FOR APPROVAL/ DISAPPROVAL
11/7/11	154	14	11/7/11	yes	Decision to retain the 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 in May 2012 monitoring policy years 2010, 2011 and 2012 for 1st Quarter 2012.

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 2012**

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	0.0	0	0
279	29	1	3.4	0.0	0	0
455	260	9	3.5	0.0	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	799	37	4.6	-0.1	0	0
279	18	1	5.6 #	0.0	0	0
455	114	0	0.0	0.0	0	0
717	177	0	0.0	0.0	0	0
734	232	66	28.4 *	0.0	1,567	0
735	4	1	25.0 #	0.0	0	0
773	3	0	0.0	0.0	0	0
Totals	1,347	105	7.8%	N/A	1,567	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 2012**

II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

Policy Year 2012
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	445	14	3.1	0.0	0	0
279	14	0	0.0	0.0	0	0
717	53	1	1.9	0.0	0	0
734	54	5	9.3 #	0.0	0	0
Totals	566	20	3.5%	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*).

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 January 20, 2012. The documentation was due back on April 20, 2012. Upon reviewing the documentation there were no outstanding issues to report from the results of this audit.

**OPERATIONAL REPORTS
1ST QUARTER 2012**

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.

**COMMONWEALTH AUTOMOBILE REINSURERS
MAIP PLACEMENT RECORD REPORTING ANALYSIS**
Reflects Statistically Reported Data for Policy Effective Months 04/2011 to 03/2012
Reflects MAIP Placement Record Reported Data as of May 18, 2012

Company	Missing MPRs	MPRs with Non-Fatal Errors	Rejected Take-Out Credits	MPRs with No Premium	MAIP Premium with No MPR	Active MPRs
045	6	0	0	9	37	355
153	28	24	238	114	2	14,025
202	0	0	0	1	1	153
262	8	7	111	0	2	1,551
279	0	2	57	7	3	42,032
308	1	0	0	0	1	589
312	36	54	2	0	38	1,867
331	0	0	0	0	0	2,452
354	1	0	0	5	43	6,478
363	1	1	0	0	0	646
422	0	0	0	0	0	408
514	0	0	0	1	0	1,664
531	2	0	0	5	1	915
585	0	2	0	8	13	4,947
612	2	5	0	1	6	3,482
664	7	18	0	0	83	1,326
723	1	12	10	1	6	13,269
731	0	0	53	0	0	1,272
773	0	0	101	0	3	20,822
826	0	1	7	0	0	1,504
908	11	3	0	5	3	6,946
959	0	0	0	0	0	241
988	1	0	0	0	1	4,606
Industry Average	5	6	25	7	11	5720

* Most Rejected Take-Out Credit Requests are due to the voluntary policy cancelling within 90 days of the policy effective date.

**OPERATIONAL REPORTS
1ST QUARTER 2012**

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	3 rd Quarter 2011	Company was recently contacted and is researching reporting issue.
153	Ongoing	The MPRs with No Premium is a statistical timing issue. The premium for these policies will be sent in the June MAS. The remainder of these policies are unpaid renewals for which a TX4 backdate document will be sent. A majority of the non-fatal errors are duplicate MPRs that are in the process of being corrected. The Missing MPRs are policies that were not taken and are in the process of being reported.
312	2 nd Quarter 2012	Company was recently contacted and is researching reporting issue.
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.
664	Ongoing	The MAIP Premium with No MPR is a timing issue. Short cancel transaction code 4 MPRs are sent prior to the cancellation premium. Their system has now been altered to create transaction code 4 MPRs for flat cancellations only.

**OPERATIONAL REPORTS
1ST QUARTER 2012**

III. RESIDUAL MARKET INFORMATION

A. Residual Market Volumes

The private passenger and commercial residual market volume results for the past seven 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
2006	4.9%	25.4%	Final Result
2007	4.3%	22.3%	Final Result
2008	2.9%	19.0%	Final Result
2009	2.3%	16.5%	Final Result
2010		15.1%	Final Result
2011		14.9%	Final Result
2012		15.5%	As of March 2012

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 2012 Results as of March 2012

	2012 @ 3 Months	% Total		2011 @ FINAL	% Total
MAIP Assigned (CAR-ID 9)	36,057	3.0%		117,872	2.7%
MAIP Retained (CAR-ID 8)	1,128,222	93.3%		4,011,520	93.2%
Clean-In-Three (CAR-ID 1)	44,487	3.7%		176,110	4.1%
Total	1,208,766	100.0%		4,305,502	100.0%

**OPERATIONAL REPORTS
1ST QUARTER 2012**

III. RESIDUAL MARKET INFORMATION (continued)

C. Production of Quarterly Participation Reports

CAR posted the March 2012 Quarterly Member Participation Reports to its website on June 8, 2012. 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 2012 estimated Participation Ratios using data reported through March 31, 2012 will be posted to CAR's website by June 30, 2012.

E. Rule 12 Participation Credits

CAR ran the final Rule 12 credit edit reports for the last time in 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 2012, for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Private Passenger	Commercial
2009	(9,365)	607
2010		(4,876)
2011		(8,821)

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 2012 Monthly Quota Share and Assignment Order Report to its website on May 25, 2012. The report has been updated to include statistical data for April 2011 to March 2012 effective month policies reported through May 15, 2012. 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 2012**

III. RESIDUAL MARKET INFORMATION (continued)

I. Rule 29 Voluntary Credits

CAR ran the Rule 29 credit edit reports for September effective date data in mid-November. 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, 2010 accounting date.

Accounting Date	Reported Credit Premium	Adjusted Credit Premium	Rule 29 Credit Impact	Error Percentage
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%
April 2011*	521,886,203	513,545,620	-8,340,583	1.60%
May 2011*	523,143,948	514,912,551	-8,231,397	1.57%
June 2011*	523,665,189	515,848,901	-7,816,288	1.49%
July 2011	520,894,143	513,467,648	-7,426,495	1.43%
August 2011	522,165,725	514,628,476	-7,537,249	1.44%
Sept. 2011	521,520,576	514,273,679	-7,246,897	1.39%
Oct. 2011	522,571,084	515,302,025	-7,269,059	1.39%
Nov 2011	523,094,504	515,901,5598	-7,192,906	1.38%
Dec 2011	525,805,853	519,178,448	-6,627,405	1.26%
Jan. 2012	525,093,859	518,615,258	-6,478,601	1.23%
Feb. 2012	529,553,516	523,377,938	-6,175,578	1.15%
March 2012	534,145,941	528,008,161	-6,137,780	1.15%
April 2012	529,553,516	523,377,938	-6,175,578	1.17%
May 2012	534,145,941	528,008,161	-6,137,780	1.15%

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

**OPERATIONAL REPORTS
1ST QUARTER 2012**

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 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.

Month	MAS Due Date	Accounting System Update	Quarter
January 2012	March 15, 2012	March 16, 2012	1st Quarter 2012
February 2012	April 16, 2012	April 17, 2012	
March 2012	May 15, 2012	May 16, 2012	
April 2012	June 15, 2012	June 19, 2012	2 nd Quarter 2012
May 2012	July 16, 2012	July 18, 2012	
June 2012	August 15, 2012	August 17, 2012	
July 2012	September 17, 2012	September 19, 2012	3 rd Quarter 2012
August 2012	October 15, 2012	October 17, 2012	
September 2012	November 15, 2012	November 16, 2012	
October 2012	December 17, 2012	December 19, 2012	4 th Quarter 2012
November 2012	January 15, 2013	January 17, 2013	
December 2012	February 15, 2013	February 19, 2013	

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 2012.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for June 2012 through November 2012 are shown following the 1st Quarter Write-Off exhibit.

**OPERATIONAL REPORTS
1ST QUARTER 2012**

IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Loss Write-Off – 1st Quarter 2012

Company	Feb 2012	Mar 2012	Apr 2012	Total
194	10,912	0	0	10,912
331	0	5,824	13,560	19,384
612	0	0	50,040	50,040
Total	10,912	5,824	63,600	80,336

1st Quarter 2012 – 10% Loss of Investment Fees

Company	Feb 2012	Mar 2012	Apr 2012	Total
331	0	-274	396	122
612	0	0	4	4
Total	0	-274	400	126

Potential Loss Write-Off June 2012 through November 2012

Company	June 2012	July 2012	August 2012	September 2012	October 2012	November 2012	Grand Total
049	-10	0	0	0	0	0	-10
154	0	3,232	0	0	329	16,238	19,799
209	0	0	0	0	0	2,060	2,060
331	-31,952	57,153	1,316	867	3,340	20,101	50,825
481	-662	0	0	-161	0	0	-823
723	0	-1,500	0	2,582	0	0	1,082
735	0	0	0	0	17,764	0	17,764
773	0	0	0	9,000	0	0	9,000
Totals	-32,624	58,885	1,316	12,288	21,433	38,399	99,697

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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
2011 & 2012 Policy Effective Years

Non-Critical Error - Penalties

There have been no companies listed this quarter for policy effective years 2011 or 2012.

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

2011 Effective Year Non-Critical Errors show no Potential Penalties to report

2012 Effective Year Non-Critical Errors Over Tolerance – Potential Penalty

2012 Effective Year Non-Critical Errors show no Potential Penalties to report

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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	2010	0	0.00
154	2011	4,114	0.02
154	2012	8,365	0.16
245	2010	0	0.00
245	2011	-35,794	-0.20
245	2012	134,834	2.41
279	2010	0	0.00
279	2011	0	0.00
279	2012	0	0.00
455	2010	0	0.00
455	2011	0	0.00
455	2012	0	0.00
717	2010	0	0.00
717	2011	0	0.00
717	2012	0	0.00
734	2010	0	0.00
734	2011	0	0.00
734	2012	0	0.00
735	2010	0	0.00
735	2011	0	0.00
735	2012	0	0.00
773	2010	0	0.00
773	2011	0	0.00
773	2012	0	0.00
Total Ind		111,519	0.05

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 2012 forecasting reports on June 6, 2012.

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IV. ACCOUNTING SYSTEM (continued)

F. 2009 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 2009 effective date policies and for historical information.

Year	PP Penalty	Commercial Penalty	Taxi/Limo/CAR Service Penalty
2009	\$1,400	\$4,900	\$7,700
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
2002	\$1,400	\$6,300	\$9,600

The 2009 Premium Write-Offs and Net Negative Write-Offs ran in early May, 2012. The following exhibit shows those companies who received assessments posted in the 1st Quarter Settlement of Balances.

Final 2009 – Cession/No Premium Write-Offs
1st Quarter 2012

Co. No.	Penalty Amount
154	\$4,900
245	\$9,800
773	\$4,900
Total	\$19,600

Final 2009 – Net-Negative Premium Write-Off
1st Quarter 2012

Co. No.	Penalty Amount
154	(1,461)
331	(582)
773	(178)
Total	\$(2,221)

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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.

Month	MAS Due Date	Statistical System Update	Quarter
January 2012	March 15, 2012	March 16, 2012	1st Quarter 2012
February 2012	April 16, 2012	April 17, 2012	
March 2012	May 15, 2012	May 16, 2012	
April 2012	June 15, 2012	June 18, 2012	2 nd Quarter 2012
May 2012	July 16, 2012	July 17, 2012	
June 2012	August 15, 2012	August 16, 2012	
July 2012	September 17, 2012	September 18, 2012	3 rd Quarter 2012
August 2012	October 15, 2012	October 16, 2012	
September 2012	November 15, 2012	November 16, 2012	
October 2012	December 17, 2012	December 18, 2012	4 th Quarter 2012
November 2012	January 15, 2013	January 16, 2013	
December 2012	February 15, 2013	February 18, 2013	

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 2012	June 15, 2012	July 2, 2012	Approx. August 1, 2012
2nd 2012	September 17, 2012	October 1, 2012	Approx. November 1 2012
3rd 2012	December 17 2012	January 2, 2013	Approx. February 1 2013
4th 2012	March 15, 2013	April 1,2013	Approx. May 1 2013

The Annual Statement collection of Page 14's for Fourth Quarter 2011 was due March 15, 2012. Penalties for late pg 14 amounted to \$9,700. Reconciliation Fourth Quarter 2011 responses were due May 4, 2012. Penalties amounted to \$5,300. Page 14 and Reconciliation penalties were included in 1st Quarter 2012 Settlement of Balances. CAR is currently collecting First Quarter 2012 Annual Statement Statutory Page 14 data which is due at CAR on June 15, 2012. First Quarter 2012 Reconciliation Reports are anticipated to run July 2, 2012.

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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 2011 EFF YEAR	Liability	53,238	909	1.71%
	No Fault	38,996	164	0.42%
	Physical Damage	28,960	368	1.27%
	Total	121,194	1,441	1.19%
COMM 2012 EFF YEAR	Liability	11,121	184	1.65%
	No Fault	8,588	35	0.41%
	Physical Damage	6,586	108	1.64%
	Total	26,295	327	1.24%

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	2012	Liability	11/15/2012	2.20%	167
154	Comm	2012	Liability	12/15/2012	5.78%	108
455	Comm	2012	Liability	12/15/2012	2.11%	129
773	Comm	2012	Liability	12/15/2012	2.09%	159

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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 3/2012

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
033	163,568	74,832	45.75
049	2	1	50.00
065	9,361	8,116	86.70
099	423	362	85.58
100	13,317	3,048	22.89
153	2,152,835	747,618	34.73
205	93	24	25.81
261	1,459	970	66.48
283	1,809	850	46.99
343	144,213	56,937	39.48
366	303	108	35.64
418	38,459	13,564	35.27
420	2,066	584	28.27
429	939,719	299,507	31.87
474	3,068	1,702	55.48
486	9,667	4,138	42.81
503	465	126	27.10
626	103,056	53,500	51.91
627	3,222	2,330	72.32
643	2,624	922	35.14
667	1,262	344	27.26
734	3,157	872	27.62
735	27,700	11,130	40.18
737	64,163	35,168	54.81
828	56,547	18,520	32.75
881	1,447	330	22.81
902	58,444	32,424	55.48
927	1,942	1,142	58.81
948	4,046	2,091	51.68
958	1,430	450	31.47
963	40,116	13,625	33.96
989	18,450	11,490	62.28

Total Industry	16,971,037	1,734,630	10.22%
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The 2010 washout total following the 3/2011 shipments was 9.06%.

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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 is currently being analyzed and is intended to be distributed towards the end of June 2012. Companies may 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 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.

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 record 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	Completed	Move the mainframe pieces of the Experience Rating application to CAR's website so that companies don't need to toggle between systems.
FTP Conversion to MRB	Completed	Move the weekly data transfers from tape cartridge to FTP and convert paper green bar control reports to online secure reports.
Conversion of all Remaining Internet Reports	In progress as resources allow	Converting internet company reports from Crystal to Reporting Services.
Statistical Edit Package	Completed	Include an additional section that will provide reporting additional statistical reporting information and highlight common reporting errors.
2012 Statistical Project	Near completion	Update CAR's processing system to accept 2012 effective year data including the addition of the PP liability limit id.
Create Monitoring Program for MAIP Placement Records	To begin 2012	Per the Operations Committee, CAR will begin to develop a monitoring program to track the submission of MAIP Placement Records as it relates to and impacts the quota share calculation. CAR will bring its suggestions to the Operations Committee for future discussions.