



COMMONWEALTH AUTOMOBILE REINSURERS

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

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: September 26, 2005

RE: Operational Reports

The 2nd quarter 2005 Operational Reports follow this memorandum. They include data reported from June 16, 2005, through August 15, 2005 for the accounting months of January 2005 through June 2005. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

Section I – Accounting/Statistical Shipments:

On September 6, 2005, the Division of Insurance approved the Private Passenger Statistical Plan changes relative to modifying the Language to Rule 29. The 2006 Safe Driver Insurance Plan was approved and will be modifying the Private Passenger miscellaneous rated as private passenger and private passenger motorcycles to change the fifth and sixth positions of the classification code now to reflect points rather than step information. Credit records can be reported with a value of 98 or 99 in the fifth and sixth positions and surcharge records may be reported with values of 01 – 45 in those positions. The Division of Insurance also approved changes to the Commercial Statistical Plan relative to the General Reporting Requirements. They were clarified to identify that it is valid for a company to code the existence of a Property Damage Deductible and to further clarify the definition of CAR Identification Codes 1 and 5 relative to the Limited Servicing Carrier program.

CAR assessed Statistical Plan Penalty Fees totaling the penalty amount of \$16,750.

Section II – Cessions:

On August 23, 2005, CAR distributed the CR215R Automatically Backdated Involuntary Representative Producer of Cessions report for the second quarter of 2005. Following second quarter, CAR Staff notifies those companies to provide an explanation in writing if more than 5% and 25 policies are automatically backdated. Responses are due back at CAR on October 21, 2005 and will be included in the next set of Operational Reports.

Section II – Cessions (continued):

CAR will assess penalties from the January 31, 2005 run of the CA5010 in the 3rd quarter 2005 Settlement of Balances report. The penalties totaled \$39,000.

As of August 15, 2005 the private passenger cession rate equaled 6.8%; the commercial cession rate equaled 26.1%.

Section III – Quarterly Participation Reports:

CAR posted the June 2005 Quarterly Member Participation Reports to the website on September 9, 2005.

Participation Ratios will be calculated and posted on CAR's website by September 30, 2005.

The 2nd Quarter Rule 12 results were distributed in late September.

Section IV – Accounting System Processing:

The 2nd quarter Critical Error Write-Offs and 10% Loss of Investment Fees for the industry total \$1,786,594 and \$5,333, respectively.

The six month Company Profiles will be mailed to the industry in early November 2005.

The Penalty Forecasting exhibits were mailed to the industry in early September 2005.

Section V - Statistical Agent Functions:

The Reconciliation Responses for 4th Quarter 2004 were due at CAR on June 1, 2005. Any late returns of the reconciliation were assessed a \$50 per business day penalty upon its return. CAR assessed penalties in the amount of \$5,400 for those companies who filed late returns in the 2nd Quarter 2005 of the Settlement of Balances Report.

The Annual Call for Expense filing was due at CAR on June 1, 2005 for policy effective year 2004. Any company who returned their filing late was assessed a penalty of \$50 per business day. The penalty amount of those companies who filed the expense data late amounted to \$1,650 and were included in the 2nd Quarter 2005 of the Settlement of Balances Report.

The 2nd Quarter 2005 Statutory Page 14 was due at CAR on September 15, 2005. The Reconciliation Responses for 2nd Quarter 2005 are due November 4, 2005.

All companies that exceed the commercial and private passenger rate edit tolerances are listed on pages 25-26.

Section VI – Communications:

As of January 1, 2005, CAR no longer uses the services of ATT and all companies must access the telecommunications system directly through CAR's website. Please reference Bulletin Number 764 for more information.

**OPERATIONAL REPORTS
2ND QUARTER 2005**

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

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

In instances where a company's ceded loss dollars are complete by quarter's end but its ceded premium dollars are not, CAR will assess "loss of investment income" penalties to reimburse the pool for the missing premium dollars. CAR did not assess any "loss of investment income" penalties in second quarter, 2005.

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I. STATISTICAL SYSTEM (continued)

2005 Timeliness Report

<i>CO NO</i>	<i>Jan 3/15</i>	<i>Feb 4/15</i>	<i>Mar 5/16</i>	<i>Apr 6/15</i>	<i>May 7/15</i>	<i>Jun 8/15</i>	<i>July 9/15</i>	<i>Aug 10/17</i>	<i>Sep 11/15</i>	<i>Oct 12/15</i>	<i>Nov 1/16</i>	<i>Dec 2/15</i>
049			COM	COM								
089						COM						
091						COM						
096												
100												
102						COM						
198	PP											
229			COM	COM								
230						COM						
259												
316												
326			COM									
333	COM											
366			COM			COM						
392												
402												
404			COM			COM						
417			COM			COM						
467												
468	COM	COM	COM	COM	COM	COM						
469												
486	COM											
559	PP					COM						
582			COM									
622						COM						
625			COM			COM						
633			COM									
644						COM						
650			BOTH									
711			COM									
721				COM	COM	COM						
734						COM						
735						COM						
770			COM			COM						
837			COM			COM						
840												
894	COM	COM	COM	COM	COM	COM						
895						COM						
948												
963	COM											
971						COM						
979												

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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 second quarter 2005, CAR assessed a total penalty amount of \$16,750. The table below shows the detail penalties for each company.

Penalty Assessments
2nd Quarter 2005

Co #	Company Name	Assessment	Assessment Amount
049	American Casualty Company	Late 3/05 MAS	\$ 300
049	American Casualty Company	Late 4/05 MAS	\$ 300
101	American Alternative Ins. Corp.	Late 3/05 MAS	\$ 300
155	Argonaut Group	Late Expense Call	\$ 100
229	Clarendon National Ins. Co.	Late 3/05 MAS	\$ 300
229	Clarendon National Ins. Co.	Late 4/05 MAS	\$ 300
229	Clarendon National Ins. Co.	Late Annual Statement	\$ 1,300
230	Insurance Corp of Hannover	Late Annual Statement	\$ 1,300
259	Cincinnati Insurance Company	Stat Err > 5% 3/05	\$ 100
295	CNA Insurance Company	Stat Err > 5% 3/05	\$ 100
326	Excelsior Insurance Co.	Late 3/05 MAS	\$ 300
366	Arch Insurance Company	Late 3/05 MAS	\$ 800
380	Federated Mutual Insurance Co.	Stat Err > 5% 4/05	\$ 100
408	Genesis Insurance Co.	Late Annual Statement	\$ 150
409	Interstate Indemnity Company	Late Annual Statement	\$ 150
417	General Insurance Co. of America	Late 3/05 MAS	\$ 300
419	Citation Insurance Company	Late Annual Statement	\$ 150
474	Holyoke Mutual Insurance Co.	Stat Err > 5% 1/05	\$ 100
474	Holyoke Mutual Insurance Co.	Late 3/05 MAS	\$ 800
493	Infinity Property & Casualty Ins.	Late Expense Call	\$ 50
536	Lumber Mutual Insurance Company	Stat Err > 5% 3/05	\$ 100

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I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program

Penalty Assessments
2nd Quarter 2005

Co #	Company Name	Assessment	Assessment Amount
625	American States Insurance Co.	Late 3/05 MAS	\$ 300
633	The Netherlands Ins. Co.	Late 3/05 MAS	\$ 300
650	Coregis Insurance Company	Late 3/05 MAS	\$ 300
650	Coregis Insurance Company	Late 5/05 MAS	\$ 300
711	Peerless Insurance Company	Late 3/05 MAS	\$ 300
716	Pennsylvania National Ins. Group	Late Expense Call	\$ 50
716	Pennsylvania National Ins. Group	Late Annual Statement	\$ 150
721	Philadelphia Insurance Company	Late 4/05 MAS	\$ 2,000
721	Philadelphia Insurance Company	Late 5/05 MAS	\$ 300
753	Redland Insurance Company	Late Annual Statement	\$ 1,300
770	Safeco Ins. Co. of America	Late 3/05 MAS	\$ 300
770	Safeco Ins. Co. of America	Late Expense Call	\$ 100
777	Seaco Insurance Company	Stat Err > 5% 3/05	\$ 300
825	Stat Insurance Company	Late Annual Statement	\$ 150
894	Twin City Fire Insurance Company	Stat Err > 5% 2/05	\$ 200
894	Twin City Fire Insurance Company	Stat Err > 5% 3/05	\$ 200
904	Ulico Casualty Company	Late Annual Statement	\$ 750
941	Universal Underwriters Ins. Co.	Late Expense Call	\$ 900
950	XL America	Late Expense Call	\$ 50
951	Vanliner Insurance Company	Stat Err > 5% 2/05	\$ 200
951	Vanliner Insurance Company	Stat Err > 5% 3/05	\$ 400
971	Zurich Insurance Company	Late Expense Call	\$ 250
971	Zurich Insurance Company	Stat Err > 5% 2/05	\$ 100
979	American Secuirty Insurance Co.	Late Expense Call	\$ 150
			\$ 16,750

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2ND QUARTER 2005**

I. STATISTICAL SYSTEM (continued)

Massachusetts Commercial Statistical Plan
Approved Modifications

Approved Effective Date	Description	Status
January 1, 2005	The General Reporting Requirements have been clarified to identify that it is valid for a company to code the existence of a Property Damage deductible (PD Limit = 08) on single limit policies.	Approved by the Division of Insurance on September 6, 2005.
January 1, 2006	To further clarify the definition of C.A.R. Identification Codes 1 and 5 relative to the Limited Servicing Carrier program, additional language has been added to these definitions.	
January 1, 2006 (Optional 1/1/05- 12/31/05)	Medical Payments Limits of \$3,000 and \$4,000 are available for Classification Code 902000 (Drive Other Car Coverage), but no corresponding statistical codes exist. An "all other" code 49 has been added to the Medical Payments Limits Code table to provide for the statistical reporting of limits for which no specific limit code value currently exists.	

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I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan
Approved Modifications

Approved Effective Date	Description	Status
January 1, 2005	Language has been modified to reflect recent changes to Rule 29 – Classification Standards of the AIB’s Private Passenger Rating Manual, relative to the treatment of inexperienced operators.	Approved by the Division of Insurance on September 6, 2005
January 1, 2006	In response to the 2006 Safe Driver Insurance Plan as ordered by the Division of Insurance on April 29, 2005, several modifications to the Private Passenger Statistical Plan have been approved. For private passenger, miscellaneous rated as private passenger and private passenger motorcycle policies effective 1/1/2006 and subsequent, the fifth and sixth positions of the classification code will now reflect point rather than step information. Credit records may be reported with a value of 98 or 99 in the fifth and sixth positions and surcharge records may be reported with values of 01 – 45 in those positions.	
January 1, 2006 (Optional 1/1/05- 12/31/05)	To correspond with the addition of “all other” Medical Payments Limit Code 49 to the Commercial Statistical Plan, an “all other” code 49 has also been added to the Private Passenger Statistical Plan.	

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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.

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 May 31, 2005.

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II. CESSION SYSTEM (continued)

TX5 Cession Backdate Log

DATE SUBMITTED	CO NO	# OF CESSIONS	DATE REQUESTED	BACKDATE GRANTED?	REASON FOR APPROVAL/ DISAPPROVAL
5/31/05	279	30	Various	Yes	Decision to retain policies as voluntary was made prior to the policy effective date.
5/31/05	209	18	Various	Yes	Decision to retain policies as voluntary was made prior to the policy effective date.
5/31/05	209	32	Various	Yes	Decision to retain policies as voluntary was made prior to the policy effective date.
6/10/05	209	1	10/29/04	Yes	Decision to retain policy as voluntary was made prior to the policy effective date.
6/27/05	279	75	Various	Yes	Decision to retain policies as voluntary was made prior to the policy effective date.
7/18/05	279	1	2/12/05	Yes	Decision to retain policy as voluntary was made prior to the policy effective date.
7/1/05	279	2	Various	Yes	Decision to retain policies as voluntary was made prior to the policy effective date.
8/3/05	279	59	Various	Yes	Decision to retain policies as voluntary was made prior to the policy effective date.
8/11/05	279	2	Various	Yes	Decision to retain policies as voluntary was made prior to the policy effective date.
8/26/05	279	14	Various	Yes	Decision to retain policies as voluntary was made prior to the policy effective date.

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II. CESSION SYSTEM (continued)

B. Cession Backdates (continued)

3. CR215 Cessions Automatically Backdated

On a quarterly basis, CAR produces the CR215 report that shows the volume of cessions backdated for involuntary producer business. The program monitors the three current reporting years for cession activity. Accordingly, CAR monitored policy years 2003, 2004, and 2005.

CAR produced the second quarter 2005 CR215R and notified those companies who had exceeded the over 5% and 25 policies tolerance. Companies contacted must respond in writing with an explanation and corrective actions as to why the volume of backdated business is high. The due date for the response is October 21, 2005 and will be included in the next set of Operational Reports.

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 2003
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED		% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
045	1,188	11	0.9		0.0	0	0
153	2,377	264	11.1	*	0.0	108,649	0
279	2,883	29	1.0		0.0	0	0
455	1,249	98	7.8	*	0.0	794	0
514	75	4	5.3	#	0.0	0	0
585	138	11	8.0	#	0.0	0	0
612	708	35	4.9		0.0	0	0
723	7,623	85	1.1		0.0	0	0
731	387	18	4.7		0.0	0	0
773	9,726	48	0.5		0.0	0	0
826	1,462	2	0.1		0.0	0.0	0
908	4,284	100	2.3		0.0	0.0	0
Totals	32,100	705	2.2%	*	N/A	109,443	0

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED		% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
049	202	14	6.9	#	0.0	0	0
102	335	7	2.1		0.0	0	0
152	969	46	4.7		0.0	8,865	0
194	116	19	16.4	#	0.0	0	0
279	316	9	2.8		0.0	357	0
333	341	23	6.7	#	0.0	0	0
438	98	2	2.0		0.0	0	0
455	286	43	15.0	*	0.0	0	0
514	271	65	24.0	*	0.0	1,416	0
612	43	21	48.8	#	0.0	354	0
734	547	18	3.3		0.0	23,880	0
735	30	3	10.0	#	0.0	0	0
767	86	37	43.0	*	0.0	929	0
773	380	3	0.8		0.0	0	0
887	829	102	12.3	*	0.0	42,109	0
919	53	0	0.0		0.0	0	0
929	31	1	3.2		0.0	0	0
Totals	4,933	413	8.4%	*	N/A	77,910	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 2004
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATED POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
045	730	23	3.2	0.0	0	0
153	870	55	6.3 *	0.0	2,272	0
279	4,277	20	0.5	0.0	0	0
455	0	0	0.0	0.0	0	0
514	29	1	3.4	0.0	0	0
585	105	6	5.7 #	0.0	0	0
602	68	1	1.5	0.0	0	0
612	527	8	1.5	0.0	0	0
723	6,111	62	1.0	0.0	0	0
773	9,827	39	0.4	0.0	1,512	0
826	1,117	6	0.5	0.0	0	0
908	5,114	182	3.6	0.0	0	0
Totals	32,103	705	2.2%	N/A	98,928	55,222

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATE D	% CHANGE	PD LOSSES COVERED D	O/S LOSSES COVERED
049	337	10	3.0	0.0	0	0
102	199	11	5.5 #	0.0	0	0
152	325	19	5.8 #	0.6	12,172	0
194	187	52	27.8 *	0.0	1,092	0
279	384	4	1.0	0.0	0	0
333	319	83	26.0 *	0.0	506	0
438	261	4	1.5	0.0	461	0
455	232	16	6.9 #	0.0	2,345	0
514	285	29	10.2 *	0.2	2,140	0
612	29	15	51.7 #	0.0	0	0
644	32	1	3.1	0.0	0	0
734	519	25	4.8	0.0	635	0
735	37	4	10.8 #	0.0	0	0
767	22	1	4.5	0.0	0	0
773	350	1	0.3	0.0	0	0
887	1,451	229	15.8 *	0.0	28,821	0
919	32	1	3.1	0.0	0	0
929	29	1	0.0	0.0	0	0
Totals	5,030	506	10.0% *	N/A	48,172	0

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

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

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II. CESSION SYSTEM (continued)

Policy Year 2005
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
045	440	9	2.0	0.0	0	0
279	1,832	4	0.2	0.1	0	0
514	51	1	2.0	2.0	0	0
585	56	0	0.0	0.0	0	0
602	120	11	9.2 #	-0.6	0	0
612	15	0	0.0	0.0	0	0
723	2,383	11	0.5	-0.1	0	0
773	6,008	19	0.3	0.1	0	0
826	527	0	0.0	0.0	0	0
908	4,699	176	3.7	0.0	0	0
Totals	16,131	231	1.4%	N/A	0	0

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
049	216	5	2.3	-0.1	0	0
102	97	3	3.1	0.0	0	0
152	142	5	3.5	-3.9	0	0
194	82	3	3.7	-3.7	0	0
279	251	7	2.8	1.0	0	0
333	203	3	1.5	0.7	0	0
438	214	2	0.9	0.1	0	0
455	149	7	4.7	0.8	0	0
514	190	32	16.8 *	-1.9	501	0
612	14	9	64.3 #	26.8	0	0
644	20	0	0.0	0.0	0	0
734	276	8	2.9	-0.3	0	0
735	19	1	5.3 #	0.0	0	0
751	7	5	71.4 #	0.0	0	0
773	194	2	1.0	-0.6	0	0
887	1,115	105	9.4 *	2.1	321	0
929	32	1	3.1	-2.2	0	0
Totals	3,221	198	6.1% *	N/A	822	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

CAR runs the CA5010 - Flat Cancellation Documentation Listing semi-annually. Its purpose is to randomly sample flat-canceled policies to verify that the industry is using flat-cancellation transactions properly. CAR ran the CA5010 on January 31, 2005 and the documentation was due back at CAR by May 12, 2005. CAR has reviewed the documentation and has assessed penalties against the following companies to be posted in the 3rd quarter financial reports.

Company	Penalty
049	\$6,500
331	\$19,500
767	\$6,500
887	\$6,500

D. Cession Volumes

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

Effective Year	Private Passenger Cession %	Commercial Cession %	Time Period
2001	7.7%	23.4%	Final Result
2002	7.5%	28.0%	Final Result
2003	6.9%	27.9%	Final Result
2004	6.7%	26.9%	Final Result
2005	6.8%	26.1%	As of June 2005

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

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III. QUARTERLY PARTICIPATION

A. Production of Quarterly Participation Reports

CAR posted the June 2005 Quarterly Member Participation Reports to its website on September 2, 2005. From CAR's home page, click Reports, Financial, and then Settlement of Balances. These are secure reports that require a user id and password to view. Please contact your company's security administrator to request access.

B. Participation Base Data

Commercial Participation Ratios end months, using data ratios reported through August 15, 2005, will be calculated and posted on CAR's website by September 30, 2005.

Additionally, Final 2004 ratios were calculated and posted to CAR's website on August 30, 2005.

C. Rule 12 Participation Credits

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

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

Accounting Year	Tolerance Level	Industry Error %	
		LIAB	PHYS
2000	0.50%	1.65%	1.76%
2001	0.25%	1.45%	1.54%
2002	0.25%	1.49%	1.57%
2003	0.25%	1.45%	1.62%
2004	0.25%	1.14%	1.30%

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III. QUARTERLY PARTICIPATION (continued)

D. CAR Financial Results

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

(Numbers are in \$000s)

Policy Year	Private Passenger	Commercial
2002	(362,286)	(1,207)
2003	(254,436)	14,318
2004	(217,196)	20,590

E. Cession Limitations

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

Policy Year	% Ceded	As of
2003	13.45%	30 months
2004	11.47%	18 months
2005	11.78%	06 months

F. CAR Commercial Rates

1. CAR's commercial rates implemented on ceded commercial policies with effective dates as of policy effective year 10/1/2003 and subsequent was a stipulated result in an overall rate change of 7.5% broken down by vehicle type as follows:

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

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

**OPERATIONAL REPORTS
2ND QUARTER 2005**

III. QUARTERLY PARTICIPATION (continued)

F. CAR Commercial Rates (continued)

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

The schedule of commissions for commercial business for 2004 will remain the same as the prior year effective date of October 1, 2003, which is as follows:

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

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

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IV. ACCOUNTING SYSTEM

A. Update of the Online Accounting System

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

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

B. Critical Error Write-Off

To ensure that each company's cession, premium, and loss reporting is accurate and timely, CAR edits all ceded data through three edits that are deemed "critical" to sound reporting procedures. If any ceded record fails critical error code 1, 6, or 7 it lists on the critical error list. (You can find a description of these error codes in the Policy Edit Package).

For losses specifically, CAR requires every record to be fixed within one year of falling into critical error. If a loss record has not been fixed after a year of remaining in critical error, CAR writes-off that loss record and assesses an interest fee of 10%. This write-off process occurs the last Saturday of every month. The table on the following page shows the write-off amounts and associated 10% fees for second quarter 2005.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for September 2005 through February 2006 are shown following the 2nd quarter write-off exhibit.

**OPERATIONAL REPORTS
2ND QUARTER 2005**

IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Write-Off – 2nd Quarter 2005

Company	May-05	Jun-05	Jul-05	Total
049	0	8,669	11,439	20,108
096	11,828	0	0	11,828
194	874	22,171	1,581,934	1,604,979
209	0	0	4,894	4,894
331	0	-4,286	1,900	-2,386
333	0	-16,161	4,244	-11,917
402	11,038	0	0	11,038
575	56,165	0	0	56,165
585	0	0	1,643	1,643
602	0	11,502	0	11,502
664	-6,827	0	0	-6,827
723	6,225	31,135	335	37,695
767	17,764	11,815	7,526	37,105
887	680	329	2,406	3,415
894	4,905	0	9,013	13,918
963	3,836	-10,402	0	-6,566
Industry	106,488	54,772	1,625,334	1,786,594

**OPERATIONAL REPORTS
2ND QUARTER 2005**

IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

2nd Quarter 2005 – 10% Loss of Investment Fees

Co-No	May-05	Jun-05	Jul-05	Total
049	0	-52	1,491	1,439
096	321	0	0	321
194	87	827	1,548	2,462
209	0	0	467	467
333	0	-1,920	0	-1,920
402	391	0	0	391
602	0	665	0	665
664	-683	0	0	-683
723	51	2	0	53
767	0	122	753	875
887	68	33	0	101
894	467	0	695	1,162
Total	702	-323	4,954	5,333

**OPERATIONAL REPORTS
2ND QUARTER 2005**

IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Potential Loss Write-Off September 2005 through February 2006

Company	September 2005	October 2005	November 2005	December 2005	January 2006	February 2006	Grand Total
045	2,099	0	0	0	0	0	2,099
049	14,629	0	0	3,458	0	-4,970	13,117
096	0	0	400	0	0	0	400
152	0	421	0	6,977	11,972	0	19,370
154	0	4,494	0	71,688	8,494	14,993	99,669
194	0	47,135	0	19,374	6,162	174,196	246,867
209	-102	-95	0	-55	35,377	2,635	37,760
331	0	0	0	0	90,897	13,020	103,917
333	0	7,939	408	18,526	450	0	27,323
402	0	3,467	0	9,486	34,370	4,745	52,068
455	1,003	-1	4,907	0	6,828	0	12,737
481	0	0	0	-5,234	0	0	-5,234
514	0	0	0	-3,985	0	300	-3,685
575	0	4,504	190,825	4,741	0	0	200,070
585	15,092	0	0	0	0	0	15,092
612	0	-808	0	0	0	0	-808
723	1,306	0	6,539	207	0	9,424	17,476
767	0	0	0	0	-10,803	0	-10,803
773	0	230	0	10	0	10	250
887	5,138	-1	11,895	0	20,536	557	38,125
894	31,818	54,109	23,565	13,328	171,066	27,666	321,552
948	405	0	0	0	0	0	405
963	3,527	0	0	-531	195	0	3,191
Totals	74,915	121,394	238,539	137,990	375,544	242,576	1,190,958

**OPERATIONAL REPORTS
2ND QUARTER 2005**

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.

2004 Non Critical Error Over Tolerance Penalty

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Penalty
10	331	12	2.16	159	\$4,250
14	963	2	3.78	35	\$1,300

2004 Non Critical Errors Over Tolerance Potential Penalty

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Potential Penalty
7	402	10	11.11	17	\$750
2	612	4	1.12	74	\$400
4	894	2	3.60	17	\$600
2	894	5	2.54	12	\$350
14	963	2	3.78	35	\$1,300

2005 Non Critical Errors Over Tolerance Potential Penalty

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Potential Penalty
3	894	5	7.12	23	\$1,000
1	963	2	1.43	12	\$200

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2ND QUARTER 2005**

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 will mail the six-month 2005 company profile reports in early November 2005.

E. Penalty Forecasting Program

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

F. \$60 Cession/No Premium Penalties

On November 28, 2005 CAR will assess \$60 Cession/No Premium penalties against all cessions that listed on the penalty list. The next set of Operational Reports will contain the penalty results. 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.

**OPERATIONAL REPORTS
2ND QUARTER 2005**

V. STATISTICAL AGENT FUNCTION

A. Update of the Online Statistical System

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

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

B. Annual Statement and Annual Statement Reconciliation

CAR collects the quarterly annual statement figures from the industry according to the schedule below. Those companies that have greater than a 5% dollar difference between the data statistically reported and the financial data entered on the Statutory Page 14 must respond to this difference according to the schedule below.

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

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

The due date for the Reconciliation Responses for 4th Quarter 2004 was June 1, 2005. CAR assessed penalties for any late return of Reconciliation Responses in the 2nd Quarter 2005 Settlement of Balances report in the amount of \$5,400.

C. Annual Call for Expense

CAR uses this data to determine the final ceding expense allowance for each calendar year. The due date for filing the expense data for the 2004 effective year was June 1, 2005. For all late filings, CAR assessed a statistical data quality penalty of \$50 per business day until it receives the completed expense call. Penalties for any late filing of the expense data amounted to \$1,650.

**OPERATIONAL REPORTS
2ND QUARTER 2005**

V. STATISTICAL AGENT FUNCTION (continued)

D. Rate Edit Processing

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

	Line of Business	Eligible Records	Records in Error	Error %
PP 2004 EFF YEAR	Liability	23,368,085	59,815	0.26%
	No Fault	19,046,847	19,543	0.10%
	Physical Damage	21,807,011	48,736	0.22%
	Total	64,221,943	128,094	0.20%
COMM 2004 EFF YEAR	Liability	218,884	2,928	1.34%
	No Fault	150,796	1,614	1.07%
	Physical Damage	194,930	4,530	2.32%
	Total	564,610	9,072	1.61%
PP 2005 EFF YEAR	Liability	10,929,013	18,143	0.17%
	No Fault	8,835,441	4,832	0.05%
	Physical Damage	8,624,466	13,373	0.16%
	Total	28,388,920	36,348	0.13%
COMM 2005 EFF YEAR	Liability	98,786	1,041	1.05%
	No Fault	66,839	578	0.86%
	Physical Damage	79,302	1,747	2.20%
	Total	244,927	3,366	1.37%

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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2ND QUARTER 2005**

V. STATISTICAL AGENT FUNCTION (continued)

D. Rate Edit Processing (continued)

Rate Edit - Over Tolerance Exhibit

Co No	PP/Comm	Policy Year	Subline	Due Date	Err %	# Records in Error
154	Comm	2005	Liability	10/15/2005	3.43%	318
194	Comm	2004	Liability	3/15/2005	7.88%	170
194	Comm	2004	No Fault	7/15/2005	9.07%	143
194	Comm	2004	Physical Dam	2/15/2005	22.75%	633
194	Comm	2005	Liability	3/15/2006	7.03%	53
194	Comm	2005	No Fault	3/15/2006	9.65%	61
194	Comm	2005	Physical Dam	1/15/2006	28.92%	312
333	Comm	2005	No Fault	2/15/2006	2.34%	128
575	Comm	2004	Liability	6/15/2005	2.96%	84
743	Comm	2004	Liability	2/15/2005	12.61%	213
743	Comm	2004	No Fault	4/15/2005	4.94%	66
767	Comm	2004	Liability	2/15/2005	21.32%	197
767	Comm	2004	No Fault	4/15/2005	28.70%	124
767	Comm	2004	Physical Dam	4/15/2005	17.94%	186
773	Comm	2005	Physical Dam	3/15/2006	2.19%	107
887	Comm	2004	Physical Dam	1/15/2006	2.11%	1,392
887	Comm	2005	Physical Dam	12/15/2005	2.37%	549
894	Comm	2004	Liability	2/15/2005	7.61%	209
894	Comm	2004	No Fault	3/15/2005	7.96%	227
894	Comm	2004	Physical Dam	1/15/2005	30.22%	882
894	Comm	2005	Physical Dam	11/15/2005	18.45%	119
963	Comm	2004	Liability	6/15/2005	4.26%	232
963	Comm	2005	No Fault	2/15/2006	3.37%	70
963	Comm	2005	Physical Dam	12/15/2005	2.53%	101

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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 06/05

CO NO	RECORD COUNT	WASHOUT COUNT	WASHOUT %
099	7,596	2,628	34.60
100	22,428	10,766	48.00
101	1,303	374	28.70
153	6,464,687	1,351,154	20.90
261	2,780	1,348	48.49
402	89,989	18,423	20.47
424	9,027	4,608	51.05
499	54	12	22.22
511	1,326	1,151	86.80
625	4,634	1,598	34.48
643	4,560	3,664	80.35
667	623	130	20.87
701	2,021	1,538	76.10
742	786	592	75.32
743	10,831	7,292	67.33
752	3,536	1,341	37.92
884	701	142	20.26
885	17,851	4,326	24.23
927	15,646	4,936	31.55
948	24,438	7,982	32.66
Total Industry	53,614,180	2,488,403	4.64

By comparison, the 2004 washout total following the June 2004 shipments was 4.27%.

**OPERATIONAL REPORTS
2ND QUARTER 2005**

V. STATISTICAL AGENT FUNCTION (continued)

F. Annual Statement

Annual Statement Statutory page 14 filings were due on September 15, 2005 for the 2nd Quarter 2005. Companies would file their financial numbers through the CAR's website under the new Annual Statement Reconciliation System.

The due date for the Reconciliation Responses for 2nd Quarter 2005 is November 4, 2005.

G. Distributional Analysis

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

The second quarter reports were distributed to the industry in August 2005.

**OPERATIONAL REPORTS
2ND QUARTER 2005**

VI. COMMUNICATIONS

A. CAR's Website

CAR regularly updates its website when there are updates to existing reports, new accounting and statistical notices, or meeting announcements among many other things. Please reference the change board on the website for the latest updates.

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

B. Telecommunications

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

**OPERATIONAL REPORTS
2ND QUARTER 2005**

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
SIU	Completed	Create a secure web report for companies to view their "Summary of Review" reports.
2005 Statistical System	Completed	Update CAR's system to accept 2005 statistical data. Also, provide web access to S040, S135, and S018 reports. Create a class code lookup function.
PP Reform	Cancelled	With the recent developments relative to the court decision, this project was cancelled.
Credit Matrix	In progress	Modify the Rule 12 and Territory Credit Process.
Company Profiles	Near Completion	Automate the company profile process so that the reports are available online. We will run this parallel with the June 2005 reports.
Penalty Forecasting	In progress	Automate the Forecasting reports so that they reside as a secure report on CAR's website. This is expected to be complete with the fourth quarter reports.
Cession Volume	Began in August 2005	Automate the cession volume process for efficiency. The reports will remain on-line but will open as Crystal Reports rather than PDF documents.
Distributional Analysis	To Begin in September, 2005	Automate the Distributional Analysis process and move the reports onto CAR's website.
2006 Statistical System	To Begin in October, 2005	Update CAR's system to accept 2006 statistical data. Also, complete the remaining items from the 2005 update: provide web access to the S040 and create a class code lookup function.