



COMMONWEALTH AUTOMOBILE REINSURERS

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RALPH A. IANNACO
President

- MEMORANDUM -

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: September 25, 2007

RE: Operational Reports

The 2nd quarter 2007 Operational Reports follow this memorandum. They include data reported May 16, 2007 through August 15, 2007 for the accounting month period of April 2007 through June 2007. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

Section I – Accounting/Statistical Shipments:

Revisions to the Commercial Statistical Plan were approved by the Division of Insurance on June 29, 2007. The change is summarized below:

The Terrorism Code language has been clarified to reflect that the exclusion for terrorism coverage applies only to coverage in excess of the minimum statutory limits as provided in the Commercial Automobile Policy for both premium and loss records.

There have been no changes to the Private Passenger Statistical Plan since February 16, 2007.

CAR assessed a total of \$29,050 to the Statistical Penalty Programs in the 2nd Quarter 2007 Settlement of Balances report.

Section II – Cessions:

CAR recently posted the results of the January 29, 2007 CA5010 Cancellation Audit and assessed penalties totaling \$26,400 for any late, missing or invalid documentation. CAR recently mailed the next Cancellation Audit report on July 26, 2007. This report is due back on October 27, 2007.

As of August 21, 2007 the Private Passenger cession rate equaled 4.2%; the commercial cession rate equaled 24.1%.

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Section III – Quarterly Participation Reports:

CAR posted the June 2007 Quarterly Member Participation Reports to the website on September 7, 2007.

CAR ran the 2nd Quarter 2007 Rule 12 credit edit download reports in late-September.

Section IV – Accounting System Processing:

CAR produced 2nd quarter 2007 Critical Error Write-Offs and 10% Loss of Investment Fees totaling \$279,702 and \$801 respectively.

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2006 and 2007 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 made available on-line by early September 2007.

Section V - Statistical Agent Functions:

The Reconciliation Responses for 4th Quarter 2006 were due on May 11, 2007. Penalties for late responses amounted to \$4,100 and were assessed in the 2nd quarter 2007 Settlement of Balances. The Statutory Page 14 report for 1st Quarter 2007 was due at CAR on June 15, 2007 and the Reconciliation Responses were due on August 1, 2007.

The 2nd Quarter 2007 Statutory Page 14 entries were due at CAR on September 17, 2007. The Reconciliation Responses for 2nd Quarter 2007 will be due November 1, 2007.

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

Section VI – Communications:

CAR added reports and cubes relative to the Rule 12 Credit Edit. These reports will replace the paper copies that CAR mailed out and will provide additional comparison information.

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I. STATISTICAL SYSTEM

A. Reporting of Company Shipments

The monthly submission of statistical data is due at CAR according to the Call Schedule contained in the table below. The timeliness exhibit on the following page reflects the timeliness status of all companies for 2007 as of the second quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

2007 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2007	March 15, 2007	1 st Qtr
February 2007	April 16, 2007	
March 2007	May 15, 2007	
April 2007	June 15, 2007	2 nd Qtr
May 2007	July 16, 2007	
June 2007	August 15, 2007	
July 2007	September 17, 2007	3 rd Qtr
August 2007	October 15, 2007	
September 2007	November 15, 2007	
October 2007	December 17, 2007	4 th Qtr
November 2007	January 15, 2008	
December 2007	February 15, 2008	

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, 2007.

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I. STATISTICAL SYSTEM (continued)

2007 Timeliness Report

<i>CO NO</i>	<i>Jan 3/15</i>	<i>Feb 4/16</i>	<i>Mar 5/15</i>	<i>Apr 6/15</i>	<i>May 7/16</i>	<i>Jun 8/15</i>	<i>July 9/17</i>	<i>Aug 10/15</i>	<i>Sep 11/15</i>	<i>Oct 12/17</i>	<i>Nov 1/15</i>	<i>Dec 2/15</i>
096		COM				COM						
194			COM									
233				COM								
261			COM									
263			COM									
309				PP								
316		COM										
325						COM						
331			PP	PP		PP						
333						COM						
407						COM						
451						COM						
468					COM							
486	COM											
499			COM									
715						COM						
828	PP											
837			COM									
894	COM		COM									
907		PP										
943		PP										
963	COM	COM										
989			PP									

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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 2nd quarter 2007, CAR assessed a total penalty amount of \$29,050. The table below shows the detail penalties for each company.

Penalty Assessments
2nd Quarter 2007

Co #	Company Name	Assessment	Assessment Amount
065	American Employers' Ins. Co	Late 4 th qtr Explanation	\$550
099	American Home Assurance Co	Stat Err>5% 04/07	\$100
194	Bankers Standard Insurance Co	Late MAS 03/07	\$300
229	Clarendon National Insurance Co	Stat Err>5% 03/07	\$300
230	Praetorian Insurance Company	Late MAS 03/07	\$300
233	Centennial Insurance Company	Late MAS 04/07	\$300
259	Cincinnati Insurance Company	Stat Err>5% 03/07	\$100
283	Commerce and Industry Ins.	Stat Err>5% 04/07	\$100
309	Electric Insurance Company	Late MAS 04/07	\$300
312	Encompass Insurance Company	Late MAS 03/07	\$800
312	Encompass Insurance Company	Late MAS 05/07	\$300
316	Empire Fire and Marine Ins. Co	Stat Err>5% 01/07	\$100
316	Empire Fire and Marine Ins. Co	Stat Err>5% 04/07	\$100
331	Mass. Homeland Ins. Co.	Late 4 th qtr Explanation	\$550
331	Mass. Homeland Ins. Co.	Late MAS 03/07	\$2,000
331	Mass. Homeland Ins. Co.	Stat Err>5% 01/07	\$1,000
331	Mass. Homeland Ins. Co.	Stat Err>5% 02/07	\$300
331	Mass. Homeland Ins. Co.	Stat Err>5% 04/07	\$200
333	One Beacon America Ins. Co	Late 4 th qtr Explanation	\$550
340	Employers Ins. Co. of Wausau	Stat Err>5% 03/07	\$100
362	Farm Family Insurance Co.	Stat Err>5% 03/07	\$700
366	Arch Insurance Company	Late Expense Call	\$150
380	Federate Mutual Insurance Co	Stat Err>5% 02/07	\$100
380	Federate Mutual Insurance Co	Stat Err>5% 03/07	\$100
407	One Beacon Insurance Co.	Late 4 th qtr Explanation	\$550

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I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
2nd Quarter 2007

			Assessment
Co #	Company Name	Assessment	Amount
424	Graphics Art Mutual Ins. Co	Stat Err>5% 02/07	\$100
451	Hudson Insurance Company	Stat Err>5% 03/07	\$100
467	Hartford Casualty Insurance Co	Late MAS 01/07	\$8,000
474	Holyoke Insurance Co in Salem	Stat Err>5% 03/07	\$100
474	Holyoke Insurance Co in Salem	Late 4 th qtr Explanation	\$250
513	Liberty Mutual Insurance Co	Stat Err>5% 01/07	\$100
612	National Grange Mutual Ins. Co.	Late Expense Call	\$250
622	National Interstate Insurance Co	Stat Err>5% 03/07	\$300
625	American States Insurance Co	Stat Err>5% 03/07	\$600
701	Pacific Employers Insurance Co	Late MAS 03/07	\$300
715	Pennsylvania General Ins. Co.	Late 4 th qtr Explanation	\$550
837	T.H.E. Insurance Company	Late MAS 03/07	\$300
837	T.H.E. Insurance Company	Stat Err>5% 03/07	\$100
845	Tower Insurance Co. of NY	Rescinded Late Return Pg 15	-\$550
894	Twin City Fire Insurance	Late MAS 01/07	\$4,000
894	Twin City Fire Insurance	Late MAS 03/07	\$800
894	Twin City Fire Insurance	Late MAS 05/07	\$300
951	Vanliner Insurance Company	Stat Err>5% 03/07	\$100
963	Harleysville Worcester Ins. Co	Late MAS 02/07	\$2,000
968	York Ins. Company of Maine	Late 4 th qtr Explanation	\$550
989	Foremost Insurance Group	Late MAS 03/07	\$300
990	Fitchburg Mutual Insurance Co.	Late 4 th qtr Explanation	\$550
			\$29,050

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I. STATISTICAL SYSTEM (continued)

Massachusetts Commercial Statistical Plan
Approved Modifications

Approved Effective Date	Description	Status
January 1, 2008	The Terrorism Code language has been clarified to reflect that the exclusion for terrorism coverage applies only to coverage in excess of the minimum statutory limits as provided in the Commercial Automobile Policy. Also, for terrorism coverage provided on the underlying policy at no additional charge, the description has been clarified to note that the reference to the underlying policy means at total policy limits.	Approved by the Division of Insurance on June 29, 2007.

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I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan
Approved Modifications

Approved Effective Date	Description	Status
Optional January 1, 2007 – December 31, 2007 Mandatory January 1, 2008 and subsequent	Language for the Business Use classification codes has been updated for consistency with Rule 28 of the AIB's Private Passenger Automobile Insurance Manual.	Approved by the Division of Insurance on February 16, 2007.
	Language relative to the reporting of multi-vehicle policies has been updated to reference Rule 28 of the AIB's Private Passenger Automobile Insurance Manual.	
	The word "principal" has been removed from the descriptions of classification codes 115 and 116 since these classes can now represent both principal and occasional operators. Additional classification codes for inexperienced occasional operators aged 65 and older have been added to the Valid Statistical Class Code Reporting Table.	

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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 to CAR's telecommunications system. In 2007, CAR accepts cession records and cession corrections for policy years 2005-2007.

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 June 13, 2007.

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II. CESSION SYSTEM (continued)

TX5 Cession Backdate Log

DATE SUBMITTED	CO NO	NUMBER OF CESSIONS	DATE REQUESTED	BACKDATE GRANTED?	REASON FOR APPROVAL/ DISAPPROVAL
6/19/07	279	20	Various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
7/3/07	279	1	5/15/07	Yes	Decision to retain as voluntary business was made prior to the policy effective date.
7/5/07	312	1	6/13/07	Yes	Decision to retain as voluntary business was made prior to the policy effective date.
7/18/07	279	2	2/14/07 and 3/23/07	Yes	Decision to retain as voluntary business was made prior to the policy effective dates.
7/26/07	279	57	Various	Yes	Decision to retain as voluntary business was made prior to the policy effective dates.
7/31/07	773	2	5/31/07 and 7/2/07	Yes	Decision to retain as voluntary was made prior to the policy effective dates.
8/7/07	279	17	Various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
8/8/07	279	1	3/30/07	Yes	Decision to retain as voluntary was made prior to the policy effective date.
8/15/07	312	1	7/25/07	Yes	Decision to retain as voluntary was made prior to the policy effective date.
8/30/07	279	16	Various	Yes	Decision to retain as voluntary business was made prior to the policy effective dates.

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II. CESSION SYSTEM (continued)

3. CR215 Cessions Automatically Backdated

On a quarterly basis, CAR produces the CR215 report that shows the volume of cessions backdated for involuntary producer business. The program monitors the three current reporting years for cession activity. Accordingly, CAR monitored policy years 2005, 2006 and 2007.

CAR produced the second quarter 2007 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 27, 2007.

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 2005
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
045	685	20	2.9	0.0	642	0
279	2,434	9	0.4	0.0	0	0
514	60	1	1.7	0.0	0	0
585	103	2	1.9	0.0	0	0
602	273	15	5.5 #	0.0	2,226	0
612	24	0	0.0	0.0	0	0
723	2,924	13	0.4	0.0	0	0
773	6,619	24	0.4	0.0	0	0
826	570	1	0.2	0.0	0	0
908	7,749	295	3.8	0.0	37,410	6,474
Totals	21,441	380	1.8%	N/A	40,278	6,474

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATE D	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
049	291	8	2.7	0.0	0	0
102	149	9	6.0 #	0.0	0	0
152	260	15	5.8 #	0.0	337	0
194	113	6	5.3 #	0.0	0	0
279	344	9	2.6	0.0	0	0
333	332	6	1.8	0.0	0	0
438	369	12	3.3	0.0	0	0
455	205	14	6.9 #	0.0	24,018	0
514	338	41	12.1 *	0.0	1,986	0
612	29	21	72.4 #	0.0	0	0
644	32	1	3.1	0.0	0	0
734	448	24	5.4 #	0.0	1,887	0
735	31	5	16.1 #	0.0	0	0
751	7	5	71.4 #	0.0	631	0
773	307	2	0.7	0.0	0	0
887	1,680	160	9.5 *	0.0	19,018	0
929	47	1	2.1	0.0	0	0
Totals	4,982	339	6.8% *	N/A	47,877	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 2006
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
045	141	0	0.0	0.0	0	0
279	3,928	15	0.4	0.0	0	0
514	14	0	0.0	0.0	0	0
585	105	3	2.9	0.0	0	0
612	28	1	3.6	0.0	0	0
723	1,684	8	0.5	0.0	0	0
773	14	0	0.0	0.0	0	0
908	5,742	61	1.1	0.0	5,393	5,000
Totals	11,656	88	0.8%	N/A	5,393	5,000

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
152	231	13	5.6 #	-0.3	0	0
245	622	42	6.8 *	0.4	0	0
279	121	5	4.1	0.0	0	0
455	1,916	218	11.4 *	0.0	10,509	17,850
734	465	19	4.1	0.0	0	0
735	29	3	10.3 #	0.0	0	0
773	126	0	0.0	0.0	0	0
887	673	51	7.6 *	0.0	0	0
Totals	4,183	351	8.4% *	N/A	10,509	17,850

* 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 2007
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED		% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
153	4	1	25.0	#	-8.3	0	0
279	1,929	7	0.4		0.3	0	0
514	11	0	0.0		0.0	0	0
585	45	11	24.4	#	-3.7	0	0
612	17	0	0.0		0.0	0	0
723	1,373	1	0.1		0.0	0	0
908	1,120	14	1.3		-0.3	0	5,200
Totals	4,499	34	0.8%		N/A	0	5,200

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED		% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
152	199	4	2.0		2.0	0	0
245	702	36	5.1	*	0.2	0	0
279	62	0	0.0		0.0	0	0
455	707	32	4.5		0.0	0	0
734	254	25	9.8	*	0.5	0	0
735	16	1	6.3	#	-0.8	0	0
773	55	0	0.0		0.0	0	0
Totals	1,995	98	4.9%	*	N/A	0	0

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

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

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II. CESSION SYSTEM (continued)

C. CA5010 Flat Cancellation Audit

Twice per year CAR runs the CA5010 - Flat Cancellation Documentation Listing. Its purpose is to randomly sample flat-canceled policies to verify that the industry is using flat-cancellation transactions properly. CAR ran the CA5010 on January 29, 2007 and the documentation was due back at CAR by April 23, 2007. After reviewing the documentation CAR assessed penalties to the following companies in the first quarter Settlement of Balances Reports.

Company	Penalty
723	\$1,600
894	\$24,800
Total	\$26,400

CAR ran the next CA5010 on July 26, 2007 and the documentation is due back at CAR on October 26, 2007. Any results after reviewing the documentation will be posted within the third quarter Operational Reports.

D. Cession Volumes

The private passenger and commercial cession volume results for the past six years are highlighted in the chart below. The cession rate for the current year is based on statistically reported data only and does not include estimates for missing data.

Effective Year	Private Passenger Cession %	Commercial Cession %	Time Period
2002	7.5%	28.0%	Final Result
2003	6.9%	27.9%	Final Result
2004	6.7%	26.9%	Final Result
2005	6.2%	26.2%	Final Result
2006	4.9%	25.4%	Final Result
2007	4.2%	24.1%	As of June 2007

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 2007 Quarterly Member Participation Reports to its website on September 7, 2007. From CAR's home page, click Reports, Financial, and then Settlement of Balances. These are secure reports that require a user id and password to view. Please contact your company's security administrator to request access.

B. Participation Base Data

The 2nd Quarter 2007 estimated Participation Ratios using data reported through June 30, 2007, will be posted to CAR's website by September 30, 2007.

C. Rule 12 Participation Credits

CAR ran the Rule 12 credit edit reports for 2nd Quarter 2007 in late-September. These reports are available on CAR's website under the Data Reporting and Quality Reports page.

The Rule 12 tolerance level is set on an annual basis. For rating year 2007, the Governing Committee approved a tolerance level of 0.15%. The table below shows a six-year history of the Rule 12 tolerance level and the industry's error percent.

Accounting Year	Tolerance Level	Industry Error %	
		LIAB	PHYS
2000	0.50%	1.65%	1.76%
2001	0.25%	1.45%	1.54%
2002	0.25%	1.49%	1.57%
2003	0.25%	1.45%	1.62%
2004	0.25%	1.14%	1.30%
2005	0.15%	0.43%	0.52%
2006	0.15%	1.54%	1.57%
2007 (2 nd Qtr)	0.15%	1.51%	1.46%

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III. QUARTERLY PARTICIPATION (continued)

D. CAR Financial Results

The ultimate policy year deficit projections, as of June 2007, for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Private Passenger	Commercial
2004	(149,050)	25,861
2005	(104,449)	23,628
2006	(95,359)	15,508

E. CAR Commercial Rates

CAR has no changes for ceded rates at this time; therefore, the October 1, 2003 Commercial Rates will continue to remain in effect. The schedule of commissions for ceded commercial policies effective on October 1, 2007 and subsequent is as follows:

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

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

**OPERATIONAL REPORTS
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IV. ACCOUNTING SYSTEM

A. Update of the Online Accounting System

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

Quarter	MAS Due Date	Statistical System Update
1st Quarter 2007	May 15, 2007	May 16, 2007
2nd Quarter 2007	August 15, 2007	August 16, 2007
3rd Quarter 2007	November 15, 2007	November 16, 2007
4th Quarter 2007	February 15, 2008	February 16, 2008

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 2007.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for September 2007 through February 2008 are shown following the 2nd quarter write-off exhibit.

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2ND QUARTER 2007**

IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Write-Off – 2nd Quarter 2007

Company	May 2007	June 2007	July 2007	Total
045	26	0	0	26
049	-72	5,303	0	5,231
153	0	900	0	900
194	1,572	2,833	0	4,405
209	-18,735	682	20,693	2,640
312	617	0	0	617
331	50,737	56,025	-2,801	103,961
333	716	-331	2,067	2,452
481	0	0	5,000	5,000
612	0	0	228	228
723	0	23,986	-853	23,133
773	0	2	245	247
887	55,132	215	-233	55,114
894	75,748	0	0	75,748
INDUSTRY	166,741	89,615	24,346	279,702

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IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

2nd Quarter 2007 – 10% Loss of Investment Fees

Co No	May 2007	June 2007	July 2007	Total
049	0	530	-603	-73
194	0	283	0	283
209	-2,204	68	478	-1,478
312	62	0	0	62
331	1,459	955	0	2,414
333	72	80	0	152
723	0	-1,276	0	-1,276
773	0	0	-41	-41
887	646	131	28	805
894	-47	0	0	-47
Total	167	771	-138	801

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IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Potential Loss Write-Off September 2007 through February 2008

Company	September 2007	October 2007	November 2007	December 2007	January 2008	February 2008	Grand Total
045	6,587	353	0	483	0	0	7,423
049	0	169	245	204	482	61	1,161
152	291	0	0	57,261	9,403	0	66,955
153	5,300	29,555	2,777	347,729	325,646	328,961	1,039,968
154	0	6,298	1,150	85,558	2,965	49,839	145,810
194	0	788	9,481	-474	0	0	9,795
198	0	0	0	6,069	0	0	6,069
209	1,165	-8,332	1,350	1,692	0	0	-4,125
245	0	0	0	2,060	0	230	2,290
312	3,041	296	0	1,898	0	0	5,235
317	0	1,429	991	0	34,943	0	37,363
331	8,473	3,705	0	62,271	27,457	7,312	109,218
333	0	0	0	0	737	525	1,262
455	0	3,537	-1,544	4,382	10,310	4,015	20,700
481	0	19,453	0	2,201	0	0	21,654
514	0	0	0	1,610	4,030	-2,015	3,625
585	0	0	0	-500	0	0	-500
664	44,900	-6,195	0	260,267	0	0	298,972
723	494	3,437	0	509	300	-8,908	-4,168
731	0	0	0	6,652	0	0	6,652
734	0	0	0	-10,597	0	252	-10,345
767	0	0	0	2,976	0	0	2,976
887	-6,022	-174	0	-1,031	312	0	-6,915
894	0	8,000	601	0	0	0	8,601
988	0	-2,743	0	0	0	0	-2,743
Totals	64,229	59,576	15,051	831,220	416,585	380,272	1,766,933

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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
2006 & 2007 Policy Effective Years

2006 Non-Critical Errors Over Tolerance Potential Penalty

There are no companies facing a potential penalty for 2006 at this time.

2007 Non-Critical Error Over Tolerance Potential Penalty

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Potential Penalty
4	735	02	1.44	4,513	\$1,000

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IV. ACCOUNTING SYSTEM (continued)

D. Company Reporting Profiles

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

CAR produced and posted the 12-month 2006 company profile reports to its website in April 2007. The reports are located under the Data Reporting and Quality tab on the reports page and then under company status reports. The six-month 2007 company profiles will get posted late-October, 2007

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 2nd quarter 2007 forecasting reports in early September 2007.

F. Cession/No Premium Penalties

On May 28, 2007 CAR assessed \$60 Cession/No Premium penalties against all cessions that listed on the penalty list. A cession qualifies for the penalty list when the premium amount on the policy totals to less than or equal to \$0 for five or more months. The table below shows those penalty results.

Co. No.	Penalty Amount
045	\$420
049	\$120
194	\$480
245	\$540
331	\$6,060
333	\$600
402	\$120
514	\$21,960
575	\$840
602	\$60
664	\$120
723	\$240
751	\$120
887	\$2,400
894	\$60
948	\$60
963	\$540
971	\$104,580
988	\$1,500
Total	\$140,820

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IV. ACCOUNTING SYSTEM (continued)

G. 2005 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 2005 effective date policies and for historical information.

The 2005 write-off is scheduled for April, 2008.

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

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V. STATISTICAL AGENT FUNCTION

A. Update of the Online Statistical System

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

Quarter	MAS Due Date	Statistical System Update
1st Quarter 2007	May 15, 2007	May 16, 2007
2nd Quarter 2007	August 15, 2007	August 16, 2007
3rd Quarter 2007	November 15, 2007	November 16, 2007
4th Quarter 2007	February 15, 2008	February 16, 2008

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 2007	June 15, 2007	July 2, 2007	Approx. August 1, 2007
2nd 2007	September 17, 2007	October 1, 2007	Approx. November 1, 2007
3rd 2007	December 17, 2007	January 2, 2008	Approx. February 1, 2008
4th 2007	March 17, 2008	April 1, 2008	Approx. May 1, 2008

CAR balances the reported electronic page 14 data to the statistically reported data and corresponds to any company above the 5% tolerance in which to submit a response to reconcile. The due date of those responses was on May 11, 2007. CAR assessed penalties totaling \$4,100 to those late responses in the second quarter Settlement of Balances.

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 2006 effective year was June 1, 2007. For all late filings, CAR assessed statistical data quality penalties of \$50 per business day until the expense call was completed. Late penalties totaled \$400 and were included in the second quarter, 2007 Settlement of Balances.

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V. STATISTICAL AGENT FUNCTION (continued)

D. Rate Edit Processing

CAR processes both private passenger and ceded 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 2006 EFF YEAR	Liability	23,707,783	57,943	0.24%
	No Fault	19,476,663	22,665	0.12%
	Physical Damage	18,662,202	66,289	0.36%
	Total	61,846,648	146,897	0.24%
PP 2007 EFF YEAR	Liability	3,591,205	4,910	0.14%
	No Fault	2,960,854	1,583	0.05%
	Physical Damage	2,841,289	7,316	0.26%
	Total	9,393,348	13,809	0.15%
COMM 2006 EFF YEAR	Liability	115,884	1,949	1.68%
	No Fault	78,784	1,382	1.75%
	Physical Damage	85,945	1,604	1.87%
	Total	280,613	4,935	1.76%
COMM 2007 EFF YEAR	Liability	57,108	3,087	5.41%
	No Fault	37,426	1,117	2.98%
	Physical Damage	39,745	2,071	5.21%
	Total	134,279	6,275	4.67%

Both the private passenger and commercial rate edit programs incorporate a tolerance level to ensure the quality of the data the industry reports to CAR. For private passenger business, the tolerance level is 2% and 200 records in error. For commercial business, the tolerance level is 2% and 50 records in error. If a company exceeds either of the rate edit tolerance levels on any one line of business, CAR notifies the company via its website of the over tolerance status and the company then has six months to reduce its volume of rate edit errors. The table on the following page shows those companies that are currently over tolerance and the corresponding due dates to avoid rate edit penalties.

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V. STATISTICAL AGENT FUNCTION (continued)

D. Rate Edit Processing (continued)

Rate Edit - Over Tolerance Exhibit

Co No	PP/Comm	Policy Year	Subline	Due Date	Err %	# Records in Error
045	PP	2006	Liability	10/15/2007	2.38%	2,585
045	PP	2006	Physical Dam	10/15/2007	2.43%	2,141
152	Comm	2006	Liability	03/15/2008	2.07%	61
154	Comm	2006	Liability	1/15/2008	2.24%	317
154	Comm	2007	Liability	12/15/2007	3.51%	192
154	Comm	2007	Physical Dam	3/15/2008	2.23%	96
245	Comm	2006	No Fault	3/15/2007	5.24%	303
245	Comm	2006	Physical Dam	2/15/2008	2.06%	180
734	Comm	2007	Liability	1/15/2008	9.65%	337
734	Comm	2007	No Fault	1/15/2008	9.17%	203
734	Comm	2007	Physical Dam	1/15/2008	13.96%	91
735	Comm	2006	Liability	9/15/2007	2.23%	383
735	Comm	2006	Physical Dam	11/15/2007	2.24%	272
735	Comm	2007	Liability	12/15/2007	16.81%	2,186
735	Comm	2007	No Fault	12/15/2007	7.99%	688
735	Comm	2007	Physical Dam	12/15/2007	22.48%	1,493
773	Comm	2006	Liability	12/15/2007	2.12%	296
887	Comm	2006	No Fault	12/15/2006	5.85%	412
887	Comm	2006	Physical Dam	8/15/2007	3.28%	342

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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 6/07

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
099	2,758	9,054	30.46
101	384	1,285	29.88
230	1,891	6,933	27.28
283	1,014	3,229	31.40
393	12	46	26.09
476	3,616	8,192	44.14
625	2,372	5,915	40.10
667	60	282	21.28
701	30	34	88.24
734	8,926	28,847	30.94
735	65,050	191,140	34.03
752	836	3,007	27.80
828	47,044	174,815	26.91
885	3,864	14,260	27.10
927	2,168	5,936	36.52
929	58	182	31.87
948	2,135	8,247	25.89

Total Industry	41,426,065	1,551,630	3.75
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The 2007 washout total following the 6/2007 shipments was 3.75%.

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V. STATISTICAL AGENT FUNCTION (continued)

F. Distributional Analysis

The Distributional Analysis Reports are currently being automated into CAR's website system and will allow companies update functions for the use of this report. Currently, this process is still under configuration. CAR will provide the paper reports for circulation until the process is near completion and notification is sent. Recently, CAR processed the paper copy report intended to be distributed to the industry on or about September 24, 2007.

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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 reports and cubes relative to the Rule 12 Credit Edit. These reports will replace the paper copies that CAR mailed out and will provide additional comparison information. Please contact your company's security administrator if you need access to these reports

CAR will be adding a secure report of error records when a company exceeds the initial 15% error threshold. Currently, CAR creates an Excel spreadsheet and mails it to the affected company. This secure report will replace those Excel spreadsheets.

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.

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VII. PROJECT STATUS REPORTS

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

Project	Status	Description
Cession Volume	On Hold	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	On Hold	Automate the Distributional Analysis process and move the reports onto CAR's website.
Experience Rating	In progress	Move the mainframe pieces of the Experience Rating application to CAR's website so that companies don't need to toggle between systems.
MAIP Placement Record	Began August, 2007	Create a method for collecting MAIP Placement Records. These records are necessary to match the policy number on premium and loss statistical records to the assignment records in MAIP. CAR will modify its existing cession programs to collect this data.
MAIP Front-End	In progress Will be ready for testing on 11/1/07	CAR is creating the assignment application for agents to use when needing to place an insured in the assigned risk plan.