



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 4, 2009 **REVISED 10/2/2009**

RE: Operational Reports

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The 2<sup>nd</sup> quarter 2009 Operational Reports follow this memorandum. They include data reported May 16, 2009 through August 15, 2009 for the accounting month period of April 2009 through June 2009. 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 Massachusetts Private Passenger Statistical Plan were approved by the Division of Insurance on July 29, 2009, pursuant to the provisions of G.L. c. 175A, § 15. Note that discussion between CAR Staff and the Division of Insurance subsequent to the filing, produced editorial modifications to the initial revisions announced in Accounting and Statistical Notice No. 499, dated June 23, 2009. The final approved Statistical Plan modifications, including the approved effective date, are summarized within this report of this section.

Furthermore, additional changes to the Private Passenger Statistical Plan were promulgated by the Division of Insurance on August 20, 2009. These changes were announced in Accounting and Statistical Notice No. 503, dated August 27, 2009. These changes are also summarized in this section.

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

**NOTE: CAR revised the Statistical Penalty section to reflect newly reported assessments of \$64,850.**

## **OPERATIONAL REPORTS 2ND QUARTER 2009**

### **Section II – Cessions:**

CAR recently mailed the Cancellation Audit report on July 31, 2009. This report is due back on October 24, 2009. CAR will post the results of any late, missing and invalid documentation within the next quarter's Settlement of Balances.

As of June 2009 the Private Passenger cession rate equaled 2.3%; the commercial cession rate equaled 18.4%.

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

CAR will post the June 2009 Quarterly Member Participation Reports to the website on or about September 4, 2009.

CAR ran the 2<sup>nd</sup> Quarter 2009 Rule 12 credit edit download reports in late August.

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

CAR produced 2<sup>nd</sup> quarter 2009 Critical Error Write-Offs and 10% Loss of Investment Fees totaling \$806,569 and \$2,420 respectively.

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

The Penalty Forecasting exhibits will become available September 2009.

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

The Annual Statutory Page 14 and Reconciliation Responses for 4th Quarter 2008 were due on March 16, 2009 and May 4, 2009 respectively. Penalties for those late returns amounted to \$4,150 and \$1,100 and were assessed in the 2<sup>nd</sup> quarter 2009 Settlement of Balances. The Statutory Page 14 report for 1<sup>st</sup> Quarter 2009 was due at CAR on June 15, 2009 and the Reconciliation Responses were due on July 31, 2009.

The 2<sup>nd</sup> Quarter 2009 Statutory Page 14 entries are due at CAR on September 15, 2009. The Reconciliation Responses for 2<sup>nd</sup> Quarter 2009 will be due on or around November 2, 2009.

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

### **Section VI – Communications:**

CAR posted the 2009 Commercial Residual Market Rate Filing pages to its website on July 31, 2009.

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**I. STATISTICAL SYSTEM**

A. Reporting of Company Shipments

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

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

In instances where a company's ceded loss dollars are complete by quarter's end but its ceded premium dollars are not, CAR will assess "loss of investment income" penalties to reimburse the pool for the missing premium dollars. CAR did not assess any "loss of investment income" penalties in second quarter, 2009.

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**I. STATISTICAL SYSTEM (continued)**

2009 Timeliness Report

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

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**I. STATISTICAL SYSTEM (continued)**

**B. Statistical Plan Penalty Fee Program**

CAR assesses various statistical penalties as outlined in the Data Quality Penalty Section of the Private Passenger and Commercial Statistical Plans. These penalties include items such as incomplete monthly submissions, late submission of page 15 data, and failure to reduce a shipment's error percent to below 5%.

For 2nd quarter 2009, CAR assessed a total penalty amount of \$64,850 (**REVISED 10/2/2009**). The table below shows the detail penalties for each company.

Penalty Assessments  
2nd Quarter 2009

<b>Co #</b>	<b>Company Name</b>	<b>Assessment</b>	<b>Assessment Amount</b>
045	American Automobile Ins. Co.	Stat Err > 5% 3/09	\$ 100
089	AM Guaranty & Liability Ins. Co.	Stat Err > 5% 3/09	\$ 100
089	AM Guaranty & Liability Ins. Co.	Late MAS 5/09	\$ 300
089	AM Guaranty & Liability Ins. Co.	Stat Err > 5% 1/09	\$ 200
091	American Zurich Insurance Co.	Stat Err > 5% 2/09	\$ 100
103	American Insurance Company	Late MAS 3/09	\$ 300
104	Americas Insurance Company	Late Return of Pg 15 Data	\$ 250
105	Crum & Forster Indemnity Co.	Late MAS 3/09	\$ 300
109	Penn Lumbermens Mutual Ins	Late Return of Pg 15 Data	\$ 250
152	Arbella Protection Ins. Co. - Taxi	Late Return of Pg 15 Data	\$ 150
155	Argonaut Insurance Company	Stat Err > 5% 12/08	\$ 100
155	Argonaut Insurance Company	Stat Err > 5% 2/09	\$ 200
155	Argonaut Insurance Company	Stat Err > 5% 3/09	\$ 400
155	Argonaut Insurance Company	Late Annual Statement	\$ 800
226	Great Divide Insurance Company	Late Return of Pg 15 Data	\$ 350
229	Clarendon National Insurance Co.	Stat Err > 5% 3/09	\$ 200
230	Praetorian Insurance Company	Stat Err > 5% 12/08	\$ 100
230	Praetorian Insurance Company	Stat Err > 5% 3/09	\$ 100
233	Centennial Insurance Company	Late Annual Statement	\$ 50
237	All America Insurance Company	Stat Err > 5% 3/09	\$ 100
293	Valley Forge Insurance Company	Stat Err > 5% 4/09	\$ 300
316	Empire Fire & Marine Ins. Co.	Stat Err > 5% 1/09	\$ 300
366	Arch Insurance Company	Late MAS 3/09	\$ 300
380	Federated Mutual Insurance Co.	Stat Err > 5% 3/09	\$ 100
399	Fireman's Fund Insurance Co.	Stat Err > 5% 3/09	\$ 200
403	First Liberty Insurance Corp.	Stat Err > 5% 2/09	\$ 100
418	IDS Property Casualty Ins. Co.	Late Return of Pg 15 Data	\$ 350
424	Graphic Art Mutual Ins. Co.	Late MAS 4/09	\$ 800
468	Hartford Fire Insurance Company	Stat Err > 5% 2/09	\$ 300
514	Liberty Mutual Insurance Co.	Stat Err > 5% 2/09	\$ 100

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**I. STATISTICAL SYSTEM (continued)**

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

Penalty Assessments  
2nd Quarter 2009

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
559	Maryland Casualty Insurance Co.	Stat Err > 5% 1/09	\$ 500
559	Maryland Casualty Insurance Co.	Stat Err > 5% 2/09	\$ 400
559	Maryland Casualty Insurance Co.	Stat Err > 5% 3/09	\$ 700
559	Maryland Casualty Insurance Co.	Stat Err > 5% 4/09	\$ 400
559	Maryland Casualty Insurance Co.	Late MAS 5/09	\$ 300
612	National Grange Mutual Ins. Co.	Late MAS 2/09	\$ 800
625	American States Insurance Co.	Stat Err > 5% 3/09	\$ 700
630	Nationwide Mutual Insurance Co.	Late Annual Statement	\$ 50
664	Norfolk & Dedham Mutual Fire	Stat Err > 5% 3/09	\$ 100
667	North River Insurance Company	Late MAS 3/09	\$ 300
714	SUA Insurance Company	Late Return of Pg 15 Data	\$ 950
731	Plymouth Rock Assurance Corp.	Late MAS 4/09	\$ 300
731	Plymouth Rock Assurance Corp.	Stat Err > 5% 4/09	\$ 200
753	Redland Insurance Company	Stat Err > 5% 2/09	\$ 100
753	Redland Insurance Company	Stat Err > 5% 3/09	\$ 200
756	RLI Insurance Company	2nd Penalty-Non-Compliance	\$ 25,000
756	RLI Insurance Company	Late Annual Statement	\$ 50
894	Twin City Fire Insurance Co.	Stat Err > 5% 2/09	\$ 100
950	XL Insurance America Inc.	Stat Err > 5% 2/09	\$ 200
951	Vanliner Insurance Company	Late Return of Pg 15 Data	\$ 50
951	Vanliner Insurance Company	Late Annual Statement	\$ 150
954	Virginia Surety Company	Late Return of Pg 15 Data	\$ 1,350
971	Zurich Insurance Company	Interim Late MAS Penalty 1/09	\$ 10,000
971	Zurich Insurance Company	Interim Late MAS Penalty 3/09	\$ 6,000
971	Zurich Insurance Company	Interim Late MAS Penalty 4/09	\$ 4,000
971	Zurich Insurance Company	Interim Late MAS Penalty 5/09	\$ 2,000
971	Zurich Insurance Company	Stat Err > 5% 1/09	\$ 500
971	Zurich Insurance Company	Stat Err > 5% 2/09	\$ 600
971	Zurich Insurance Company	Stat Err > 5% 3/09	\$ 400
971	Zurich Insurance Company	Stat Err > 5% 4/09	\$ 400
975	Pawtucket Mutual Insurance Co.	Late Return of Pg 15 Data	\$ 150
978	Phenix Mutual Fire Ins. Co.	Late Return of Pg 15 Data	\$ 300
985	Chrysler Insurance Company	Late MAS 4/09	\$ 300

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		Total	\$ 64,850

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**I. STATISTICAL SYSTEM (continued)**

Massachusetts Commercial Statistical Plan  
Approved Modifications

**No request for changes to the Commercial Statistical Plan were made at this time**

Massachusetts Private Passenger Statistical Plan  
Approved Modifications

Approved Effective Date	Description	Status
April 1, 2010	For policies effective April 1, 2010 and subsequent, companies will be required to report merit rating status and credit surcharge premium adjustments in combination with the applicable coverage base premium. A separate merit rating record will no longer be statistically reported. The fifth and sixth positions of the combine premium record will indicate the merit rating status of the operator used to rate the vehicle. Merit rating status will be defined as the number of points or incident free years recognized by the merit rating plan that is described in Rule 56 of CAR's Massachusetts Private Passenger Automobile Insurance Manual.	Approval by the Division of Insurance on July 29, 2009
April 1, 2010	Appendix C has been added to the Private Passenger Statistical Plan. Appendix C identifies all major and minor traffic law violations and the chapter and section of Massachusetts General Laws (M.G.L.) or the Code of Massachusetts Regulations (CMR) to which each violation applies.	
January 1, 2010	<ul style="list-style-type: none"> <li>• Premium Town Code has been renamed Territory Code</li> <li>• Accident Town Code has been eliminated</li> <li>• Intensified Appraisal Code has been eliminated</li> <li>• Pre-Insurance Inspection Identification Code has been eliminated as a result of changes to 211 CMR 94.00 that became effective on July 24, 2009</li> <li>• Rate Departure Factor Code has been eliminated</li> <li>• Passive Restraint Device Discount Code has been revised to reflect the repeal of 211 CMR 124.00 in 2008</li> <li>• Anti-theft Device Discount Code is optional</li> <li>• Annual Mileage Code is optional</li> <li>• OEM Coverage Code is optional</li> <li>• Passive Restraint Device Discount Code is optional</li> <li>• Partial/Total Loss Indicator is optional</li> <li>• Producer Code is optional</li> <li>• Subline Code is optional</li> </ul>	Promulgated by the Division of Insurance on August 20, 2009

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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 2009, CAR accepts cession records and cession corrections for policy years 2007-2009.

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 18, 2009.

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**II. CESSION SYSTEM (continued)**

TX5 Cession Backdate Log

DATE SUBMITTED	CO NO	NUMBER OF CESSIONS	DATE REQUESTED	BACKDATE GRANTED?	REASON FOR APPROVAL/ DISAPPROVAL
6/4/09	153	25	5/29/09	yes	Decision to retain the policies as voluntary business was made prior to the policy effective dates.
6/24/09	731	25	Various	Yes	Decision to retain the policies as voluntary business was made prior to the policy effective dates.

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**II. CESSION SYSTEM (continued)**

3. CR215 Cessions Automatically Backdated

On a quarterly basis, CAR produces the CR215 report that shows the volume of cessions backdated for involuntary producer business. The program monitors the three current reporting years for cession activity. Accordingly, CAR monitored policy years 2007, 2008 and 2009.

CAR produced the second quarter 2009 CR215R and notified those companies who had exceeded the over 5% and 25 policies tolerance. Companies contacted must respond with an explanation in writing corrective actions as to why the volume of backdated business is high. The due date for the response is October 30, 2009. This exhibit identifies those companies who have exceeded those established thresholds.

<b>Policy Year</b>	<b>Company</b>
2007 – 2008	245 – The Charter Oak Insurance
2007-2008	734 – Pilgrims Insurance

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

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

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**II. CESSION SYSTEM (continued)**

Policy Year 2007  
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED		% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
153	6	1	16.7	#	0.0	0	0
279	2,398	17	0.7		0.0	0	0
514	16	1	6.3	#	0.0	0	0
585	78	11	14.1	#	0.0	0	0
612	25	0	0.0		0.0	0	0
723	2,205	14	0.6		0.0	0	0
908	1,744	56	3.2		0.0	8,511	6,500
Totals	6,472	100	1.5%		N/A	8,511	6,500

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED		% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
152	316	17	5.4	#	0.0	0	0
245	1,081	85	7.9	*	0.0	0	0
279	94	4	4.3		0.0	0	0
455	970	34	3.5		0.0	0	0
734	413	42	10.2	*	0.0	26,439	0
735	25	4	16.0	#	0.0	0	0
773	71	0	0.0		0.0	0	0
Totals	2,970	186	6.3%	*	N/A	26,439	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 2008  
Private Passenger

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

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	667	42	6.3 *	0.4	10,871	7,420
279	78	0	0.0	0.0	0	0
455	578	12	2.1	0.4	0	0
717	671	0	0.0	0.0	0	0
734	374	29	7.8 *	0.1	0	0
735	22	3	13.6 #	0.0	0	0
773	22	0	0.0	0.0	0	0
Totals	2,419	87	3.6% *	N/A	10,871	7,420

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

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

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**II. CESSION SYSTEM (continued)**

Policy Year 2009  
Private Passenger

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

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	361	10	2.8	0.9	0	0
279	24	0	0.0	0.0	0	0
455	333	6	1.8	-0.2	0	0
717	161	0	0.0	0.0	0	0
734	190	7	3.7	1.2	0	0
735	11	0	0.0	0.0	0	0
773	5	0	0.0	0.0	0	0
Totals	1,085	23	1.7%	N/A	0	0

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

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

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**II. CESSION SYSTEM (continued)**

**C. CA5010 Flat Cancellation Audit**

Twice per year CAR runs the CA5010 - Flat Cancellation Documentation Listing. Its purpose is to randomly sample flat-canceled policies to verify that the industry is using flat-cancellation transactions properly. CAR ran the CA5010 on January 26, 2009 and the documentation was due back at CAR by April 24, 2009. The following companies were assessed a penalty in the second quarter 2009 Bulk Adjustments.

Company	Penalty
331 – OneBeacon Insurance	\$250 – late return
514 – Liberty Mutual Insurance	\$250 – late return

CAR ran the next CA5010 on July 31, 2009 and the documentation is due back at CAR on October 24, 2009. 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
2004	6.7%	26.9%	Final Result
2005	6.2%	26.2%	Final Result
2006	4.9%	25.4%	Final Result
2007	4.3%	22.3%	Final Result
2008	2.9%	19.0%	Final Result
2009	2.3%	18.4%	As of June 2009

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](http://www.commauto.com)).

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**III. QUARTERLY PARTICIPATION**

A. Production of Quarterly Participation Reports

CAR will post the June 2009 Quarterly Member Participation Reports to its website on or about September 4, 2009. 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 2<sup>nd</sup> Quarter 2009 estimated Participation Ratios using data reported through June 30, 2009, will be posted to CAR's website by September 30, 2009. Final 2008 Participation Ratios have been calculated and are available for viewing in the Reports area of CAR's website.

C. Rule 12 Participation Credits

CAR ran the Rule 12 credit edit reports for 2<sup>nd</sup> Quarter 2009 in late August. These reports are available on CAR's website under the Data Reporting and Quality Reports page.

The Rule 12 tolerance level is set on an annual basis. For both rating years 2008 and 2009, the Governing Committee approved a tolerance level of 0.15%. The table below shows a five-year history of the Rule 12 tolerance level and the industry's error percent.

Accounting Year	Tolerance Level	Industry Error %	
		LIAB	PHYS
2005	0.15%	0.43%	0.52%
2006	0.15%	1.54%	1.57%
2007	0.15%	1.51%	1.46%
2008	0.15%	1.67%	1.74%
2009 (2 <sup>nd</sup> Quarter)	0.15%	1.42%	1.51%

Rule 29 Voluntary Credits

CAR ran the Rule 29 credit edit reports for June effective date data in mid-August. 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 May accounting date.

Accounting Date	Reported Credit Premium	Adjusted Credit Premium	Rule 29 Credit Impact	Error Percentage
May 2009	170,335,058	169,516,205	-818,853	0.48%
June 2009	213,041,261	211,962,240	-1,079,021	0.51%

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**III. QUARTERLY PARTICIPATION (continued)**

D. CAR Financial Results

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

(Numbers are in \$000s)

<b>Policy Year</b>	<b>Private Passenger</b>	<b>Commercial</b>
2006	(81,494)	13,717
2007	(89,919)	17,268
2008	(60,439)	1,247

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**IV. ACCOUNTING SYSTEM**

A. Update of the Online Accounting System

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

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

B. Critical Error Write-Off

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

For losses specifically, CAR requires every record to be fixed within one year of falling into critical error. If a loss record has not been fixed after a year of remaining in critical error, CAR writes-off that loss record and assesses an interest fee of 10%. This write-off process occurs the last Saturday of every month. The table on the following page shows the write-off amounts and associated 10% fees for second quarter 2009.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for September 2009 through February 2010 are shown following the 2<sup>nd</sup> quarter write-off exhibit.

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**IV. ACCOUNTING SYSTEM (continued)**

B. Critical Error Write-Off (continued)

Write-Off – 2<sup>nd</sup> Quarter 2009

<b>Company</b>	<b>May 2009</b>	<b>June 2009</b>	<b>July 2009</b>	<b>Total</b>
045	5,054	0	24,797	29,851
154	0	0	3,739	3,739
194	0	133,161	7,063	140,224
209	561	2,850	20,230	23,641
245	0	-2,623	-581	-3,204
312	17,465	0	0	17,465
331	109,890	304,208	163,562	577,660
514	665	0	0	665
731	4,127	716	0	4,843
773	4,137	445	0	4,582
894	7,103	0	0	7,103
<b>INDUSTRY</b>	149,002	438,757	218,810	806,569

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**IV. ACCOUNTING SYSTEM (continued)**

B. Critical Error Write-Off (continued)

2nd Quarter 2009 – 10% Loss of Investment Fees

<b>Co No</b>	<b>May 2009</b>	<b>June 2009</b>	<b>July 2009</b>	<b>Total</b>
045	448	0	-1	447
153	0	0	-200	-200
154	0	0	4	4
209	50	135	237	422
245	0	-262	0	-262
312	1,219	0	0	1,219
331	0	0	-526	-526
717	0	393	0	393
731	413	28	0	441
773	0	413	45	458
894	24	0	0	24
<b>Total</b>	2,154	707	-441	2,420

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**IV. ACCOUNTING SYSTEM (continued)**

B. Critical Error Write-Off (continued)

Potential Loss Write-Off September 2009 through February 2010

Company	September 2009	October 2009	November 2009	December 2010	January 2010	February 2010	Grand Total
045		1,376					1,376
152		15,159					15,159
153					3,736		3,736
154	-346	1,913		8,878	3,045		13,490
209				3,341			3,341
262	5,277	16,144	39,444	28,866	7,601		97,332
312				4,033			4,033
317		-1,200					-1,200
331	118,619	133,400		210,346	109,310		571,675
455						367	367
664		32,963		1,414			34,377
731	18,287	22,672	7,610	9,399		42,227	100,195
773				187	2,312		2,499
Totals	141,837	222,427	47,054	266,464	126,004	42,594	846,380

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**IV. ACCOUNTING SYSTEM (continued)**

C. Non-Critical Error "Audit Review" Program

Unlike critical errors, non-critical errors do not prevent loss coverage on a policy. However, they could cause a financial impact if the volume of non-critical errors exceeds the established tolerance levels. The tolerance level is 1% and 10 policies in error for each error code per effective year. If the volume of errors for a specific error code exceeds the tolerance level, the company has up to nine months to reduce the volume of errors before facing a penalty. Please reference the Policy Edit Package for more specific information. The exhibits below show year-to-date penalties and potential penalties.

Audit Review  
2008 & 2009 Policy Effective Years Monitored

Non-Critical Error - Penalties

**There were no 2008 or 2009 Penalties to List at this time**

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

**There were no companies listed for 2008 Effective Year Potential Penalty**

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

<b>Times Identified</b>	<b>Company</b>	<b>Error Code</b>	<b>Percent in Error</b>	<b># Policies in Error</b>	<b>Penalty</b>
6	731	04	63.15	586	\$28,850

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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 2008 company profile reports to its website in April 2009. The reports are located under the Data Reporting and Quality tab on the reports page and then under company status reports. The six-month 2009 company profiles will be posted late-October, 2009.

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. If you do not have access to the reports, please contact your company's Security Administrator to request access.

CAR will post the 2<sup>nd</sup> quarter 2009 forecasting reports in September 2009.

F. Cession/No Premium Penalties

On May 28, 2009 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.

<b>Co. No.</b>	<b>Penalty Amount</b>
245	\$180
262	\$900
331	\$3,300
455	\$300
514	\$8,520
585	\$4,440
664	\$300
723	\$60
731	\$1,800
773	\$180
Total	\$19,980

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**IV. ACCOUNTING SYSTEM (continued)**

G. 2007 Cession/No Premium Write-Off

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

The 2007 write-off is scheduled for April, 2009.

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

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**V. STATISTICAL AGENT FUNCTION**

A. Update of the Online Statistical System

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

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

B. Annual Statement and Annual Statement Reconciliation

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

<b>Quarter</b>	<b>Due Date Quarterly Annual Statement</b>	<b>Run Date of the Reconciliation Program</b>	<b>Due Date Reconciliation Response</b>
1st 2009	June 15, 2009	July 1, 2009	Approx. August 3, 2009
2nd 2009	September 15, 2009	October 1, 2009	Approx. November 2, 2009
3rd 200 9	December 15, 2009	January 2, 2010	Approx. February 1, 2010
4th 2009	March 15, 2010	April 1, 2010	Approx. May 1, 2009

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 4, 2009. CAR assessed penalties totaling \$4,150 and \$1,100 respectively to the Final Call of late reported Page 14's and late reported reconciliation responses for 4<sup>th</sup> Quarter 2008 in the second quarter Settlement of Balances.

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

C. Rate Edit Processing

CAR processes ceded commercial data through a 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.

	<b>Line of Business</b>	<b>Eligible Records</b>	<b>Records in Error</b>	<b>Error %</b>
<b>COMM 2008 EFF YEAR</b>	Liability	68,303	1,246	1.82%
	No Fault	49,134	589	1.20%
	Physical Damage	48,694	713	1.46%
	Total	166,131	2,548	1.53%
<b>COMM 2009 EFF YEAR</b>	Liability	42,023	509	1.21%
	No Fault	30,752	198	0.64%
	Physical Damage	30,398	266	0.88%
	Total	103,173	973	0.94%

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.

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

D. Rate Edit Processing (continued)

Rate Edit - Over Tolerance Exhibit

<b>Co No</b>	<b>PP/Comm</b>	<b>Policy Year</b>	<b>Subline</b>	<b>Due Date</b>	<b>Err %</b>	<b># Records in Error</b>
154	Comm	2008	Liability	4/15/2009	4.49%	384
154	Comm	2009	Liability	12/15/2009	3.26%	166
717	Comm	2008	Liability	10/15/2009	2.68%	57
717	Comm	2009	Liability	2/15/2010	3.95%	54
735	Comm	2008	Physical Dam	8/15/2009	2.48%	203
773	Comm	2008	Liability	10/15/2009	2.19%	159
773	Comm	2008	No Fault	6/15/2009	2.38%	155
773	Comm	2009	Liability	1/15/2010	3.01%	129
773	Comm	2009	No Fault	11/15/2009	2.25%	87

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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 6/09

<b>COMPANY NUMBER</b>	<b>RECORD COUNT</b>	<b>WASHOUT COUNT</b>	<b>WASHOUT PERCENT</b>
096	6,409	1,548	24.15
099	8,891	7,172	80.67
105	2,297	636	27.69
106	53	16	30.19
201	129	66	51.16
261	2,824	814	28.82
263	1,116	392	35.13
325	271,983	116,910	42.98
402	6,393	1,362	21.30
439	435	94	21.61
474	11,987	8,108	67.64
476	3,001	2,160	71.98
503	706	486	68.84
625	2,387	642	26.90
626	92,224	48,828	52.95
627	4,127	2,886	69.93
643	3,474	2,310	66.49
667	573	174	30.37
701	25	8	32.00
734	13,649	4,174	30.58
735	167,947	78,222	46.58
737	23,032	12,692	55.11
828	200,728	49,640	24.73
837	129	30	23.26
902	26,936	14,960	55.54
919	121	40	33.06
927	4,723	1,446	30.62
<b>Total Industry</b>	<b>42,731,195</b>	<b>1,757,440</b>	<b>4.11</b>

The 2008 washout total following the 6/2008 shipments was 3.66%.

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

F. Distributional Analysis

Distributional analysis reports are produced three times a year starting with the close of the June quarter. These reports for period ending June 30, 2009 term were mailed to the industry early September 2009.

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**VI. COMMUNICATIONS**

A. CAR's Website

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

CAR posted the 2009 Commercial Residual Market Rate Filing pages to its website on July 31, 2009.

Any questions or comments regarding the redesigned website should be directed to the Data Operations Department at [dataoperations@commauto.com](mailto:dataoperations@commauto.com) or (617) 338-4000.

B. Telecommunications

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

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

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

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**VII. PROJECT STATUS REPORTS**

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

<b>Project</b>	<b>Status</b>	<b>Description</b>
Distributional Analysis	In progress	Automate the Distributional Analysis process and move the reports onto CAR's website.
Experience Rating	Expected in production 11/1/2009	Move the mainframe pieces of the Experience Rating application to CAR's website so that companies don't need to toggle between systems.
Accrual Application	In development	Create an application to collect summary data from those companies not yet required to report statistical data to CAR. The summary level information will be collected based upon: policy effective year, policy effective month, premium town, CAR ID Code, Class Code, Merit Rating, and Property Damage Liability Exposure.
Producer Code Web Add	Implementation scheduled for early September	Create a secure report for insurance carriers to add new producer code numbers directly to CAR's producer matrix.
Website Security	In development	Enhance the security function on CAR's website so that security administrators at each company can view and reset user ids.
Commercial Territory	In progress	With the implementation of the 2009 commercial residual market rate filing, the commercial territory codes have a new configuration. As a result, a number of programs need to be updated to accommodate this change.
Statistical 2010	Will begin 10/1/09	Update CAR's processing systems to accept 2010 effective year data and update all programs to process the combined base premium and merit rating records.
MAIP Non-Compliance Form	Completed	Update the Non-compliance form to make it an interactive, online function on the MAIP site to report non-compliance issues with assigned risk producers.