



COMMONWEALTH AUTOMOBILE REINSURERS

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RALPH A. IANNACO
PRESIDENT

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

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: September 17, 2010

RE: Operational Reports

The 2nd quarter 2010 Operational Reports follow this memorandum. This report includes data reported May 18, 2010 through August 16, 2010 for the accounting month period of April 2010 through June 2010. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

Section I – Accounting/Statistical Shipments:

CAR reported in Accounting and Statistical No. 524 revisions to the Massachusetts Private Passenger Statistical Plan promulgated by the Division of Insurance on June 24, 2010. Companies will no longer be required to report vehicle symbol. This modification was approved for policies effective January 1, 2011 and subsequent.

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

CAR assessed a total of \$71,150 in the Statistical Data Quality Penalty Program in the 2nd Quarter 2010 Settlement of Balances report.

OPERATIONAL REPORTS 2ND QUARTER 2010

Section II – Cessions:

CAR mailed the CA5010 - Flat Cancellation report on August 6, 2010 and the documentation is due back at CAR by October 22, 2010. CAR will post the results of those listings in the next Operational Reports.

As of June 2010 the commercial cession rate equaled 16.8%. Final 2009 Participation Ratios were posted to CAR's on September 8, 2010.

Section III – Quarterly Participation Reports:

CAR posted the June 30, 2010 Quarterly Member Participation Reports to its website on September 13, 2010.

CAR ran the 2nd Quarter 2010 Rule 29 credit edit download reports in August, 2010.

Section IV – Accounting System Processing:

CAR produced 2nd Quarter 2010 Critical Error Loss Write-Offs and 10% Loss of Investment Fees totaling \$55,158 and \$2,016 respectively.

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2009 and 2010 policy effective years following the monthly accounting shipments due the 15th of every month for all companies remaining over the tolerance level of 1% and 10 policies in error.

The Penalty Forecasting exhibits were posted to CAR's website on September 13, 2010.

Section V - Statistical Agent Functions:

As announced in Accounting & Statistical Notice No. 508, the Statistical Data Quality Penalty Program outlined in both the Private Passenger and Commercial Statistical Plans was revised to assure that complete and accurate statistical data is reported to CAR. Accordingly, the Annual Statement program has been expanded to monitor the receipt of Statutory Page 14s for Massachusetts on a quarterly basis including any corresponding out-of-balance explanations.

First Quarter 2010 Statutory Page 14 data was due at CAR on June 15, 2010. Penalties amounted to \$3,500 for those companies that submitted their data after the due date. The Reconciliation Responses for first Quarter 2010 were due back on August 2, 2010 and penalties for those late responses amounted to \$1,100. These penalties were included in the second quarter Settlement of Balances.

All companies that exceed the commercial rate edit tolerances are listed on pages 23-24.

Section VI – Communications:

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

**OPERATIONAL REPORTS
2ND QUARTER 2010**

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 2010 as of the second quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

2010 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2010	March 15, 2010	1 st Qtr
February 2010	April 15, 2010	
March 2010	May 17, 2010	
April 2010	June 15, 2010	2 nd Qtr
May 2010	July 15, 2010	
June 2010	August 16, 2010	
July 2010	September 15, 2010	3 rd Qtr
August 2010	October 15, 2010	
September 2010	November 15, 2010	
October 2010	December 15, 2010	4 th Qtr
November 2010	January 15, 2011	
December 2010	February 15, 2011	

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, 2010.

**OPERATIONAL REPORTS
2ND QUARTER 2010**

I. STATISTICAL SYSTEM (continued)

2010 Timeliness Report

<i>CO NO</i>	<i>Jan 3/15</i>	<i>Feb 4/15</i>	<i>Mar 5/17</i>	<i>Apr 6/15</i>	<i>May 7/15</i>	<i>Jun 8/16</i>	<i>July 9/15</i>	<i>Aug 10/15</i>	<i>Sep 11/15</i>	<i>Oct 12/15</i>	<i>Nov 1/18</i>	<i>Dec 2/15</i>
089	COM											
091	COM	COM										
103				COM								
153					PP	PP						
155		COM										
283				COM								
309				PP								
312	PP											
325	COM			COM								
399				COM								
486			COM									
559	COM											
585				PP								
612				PP								
620			COM									
627				COM								
828				PP								
837			COM									
963	BOTH	BOTH	COM	BOTH								
971	COM	COM	COM	COM	COM	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 2010, CAR assessed a total penalty amount of \$71,150. The table below shows the detail penalties for each company.

Penalty Assessments
2nd Quarter 2010

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
045	American Automobile Insurance	Stat Error > 5% - 01/2010	\$ 150
089	American Guaranty & Liability	Late MAS - 03/2010	\$ 1,250
091	American Zurich Insurance Co	Late MAS - 03/2010	\$ 1,250
103	The American Insurance Co	Late MAS - 04/2010	\$ 500
109	Pennsylvania Lumbermen's	Late PG14 - 1Q 2010	\$ 200
152	Arbella Protection Ins Co - Taxi	Late Explanation - 1Q 2010	\$ 100
153	Arbella Mutual Insurance Co	Late Explanation - 1Q 2010	\$ 100
153	Arbella Mutual Insurance Co	Late MAS - 05/2010	\$ 1,250
154	Arbella Protection Insurance Co	Late Explanation - 1Q 2010	\$ 100
155	Argonaut Insurance Company	Stat Error > 5% - 01/2010	\$ 450
155	Argonaut Insurance Company	Stat Error > 5% - 03/2010	\$ 300
226	Great Divide Insurance Company	Late Explanation - 1Q 2010	\$ 200
230	Praetorian Insurance Company	Stat Error > 5% - 03/2010	\$ 300
244	Rider Insurance Company	Appeal-Late PG 14 - 4Q2009	\$ (950)
259	The Cincinnati Insurance Co	Late PG14 Ann - 1Q 2010	\$ 700
283	Commerce and Industry Ins Co	Late MAS - 04/2010	\$ 500
309	Electric Insurance Company	Late MAS - 04/2010	\$ 500
325	Employers Fire Insurance Co	Late MAS - 4/2010	\$ 500
399	Fireman's Fund Insurance Co	Late MAS - 04/2010	\$ 500
445	Guarantee Insurance Company	Appeal - Late PG14 - 4Q 2009	\$ (1,950)
468	Hartford Fire Insurance Company	Stat Error > 5% - 01/2010	\$ 600
486	Harleysville Preferred Ins Co	Interim Late MAS - 03/2010	\$ 9,000
510	Liberty Ins Underwriters Inc.	Late PG14 - 1Q 2010	\$ 600
559	Maryland Casualty Company	Late MAS - 03/2010	\$ 1,250
559	Maryland Casualty Company	Stat Error > 5% - 01/2010	\$ 300
561	Markel American Insurance Co	Late Explanation - 4Q 2009	\$ 200
581	WRM American Indemnity Co, Inc	Late PG14 - 1Q 2010	\$ 600
585	Metropolitan Property & Casualty	Late MAS - 04/2010	\$ 500

**OPERATIONAL REPORTS
2ND QUARTER 2010**

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
2nd Quarter 2010

Co #	Company Name	Assessment	Assessment Amount
612	NGM Insurance Company	Late MAS - 04/2010	\$ 3,000
620	Nat'l Independent Truckers Ins	Late MAS - 03/2010	\$ 500
620	Nat'l Independent Truckers Ins	Late PG14 - 1Q 2010	\$ 600
627	National Union Fire Ins Co of PA	Late MAS - 04/2010	\$ 500
686	Occidental Fire & Casualty of NC	Late PG 14 - 1Q2010	\$ 400
664	Norfolk & Dedham Mutual Fire Ins	Late Explanation - 1Q 2010	\$ 500
753	Redland Insurance Company	Stat Error > 5% - 01/2010	\$ 150
753	Redland Insurance Company	Stat Error > 5% - 02/2010	\$ 150
753	Redland Insurance Company	Stat Error > 5% - 03/2010	\$ 150
828	State Farm Mutual Insurance Co	Late MAS - 04/2010	\$ 500
837	THE Insurance Company	Late MAS - 03/2010	\$ 500
842	Transguard Ins Co of American	Late PG14 - 1Q2010	\$ 400
963	Harleysville Worcester Ins Co	Interim Late MAS - 01/2010	\$ 15,000
963	Harleysville Worcester Ins Co	Interim Late MAS - 02/2010	\$ 12,000
963	Harleysville Worcester Ins Co	Interim Late MAS - 03/2010	\$ 9,000
963	Harleysville Worcester Ins Co	Interim Late MAS - 04/2010	\$ 6,000
971	Zurich American Insurance Co	Late MAS - 03/2010	\$ 1,250
971	Zurich American Insurance Co	Late MAS - 04/2010	\$ 500
971	Zurich American Insurance Co	Late MAS - 05/2010	\$ 500
971	Zurich American Insurance Co	Stat Error > 5% - 01/2010	\$ 300
971	Zurich American Insurance Co	Stat Error > 5% - 03/2010	\$ 150
985	Chrysler Insurance Company	Late Explanation - 1Q 2010	\$ 100
		Total	\$ 71,150

**OPERATIONAL REPORTS
2ND QUARTER 2010**

I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
January 1, 2011	<p>For policies effective January 1, 2011 and subsequent, the Symbol Code field will be eliminated from the physical damage premium and loss record layouts. Companies will no longer be required to report vehicle symbol.</p> <p>The data elements on these pages have been renumbered in conjunction with the elimination of the Symbol Code field. The pages have been renumbered in conjunction with the elimination of the Symbol table.</p>	Approved by the Division of Insurance on June 24, 2010

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II. CESSION SYSTEM

A. Cession Submission

CAR accepts cession data via two different methods: on-line telecommunications and FTP transmission. Please contact your company's Data Analyst if you need assistance in gaining access to CAR's telecommunications system.

In 2010, CAR accepts cession records and cession corrections on commercial business for policy years 2008-2010. On private passenger business, CAR accepts cession records and cession corrections for policy dates 1/1/2008 – 3/31/2009. Beginning 4/1/2009, cessions no longer apply to private passenger business.

B. Cession Backdates

1. TX1/TX2 Cession Backdate Appeals based on Intent to Cede

In instances where a company provides documentation showing its intent to cede a specific policy, CAR maintains the authority to act upon those appeals provided the backdate request does not exceed 25 policies. Furthermore, the appeal and associated documentation must meet the criteria outlined in Chapter 2 of the Manual of Administrative Procedures. For any policy that does not meet the criteria, CAR does not have the authority to grant the appeal; the company then can present the appeal before the Operations Committee.

There have been no “intent-to-cede” appeals since the last publication of the Operational Reports.

2. TX5 Cession Backdate Appeals

In instances where a company intended to write a policy voluntary, it can appeal for a transaction 5 (uncede) backdate. CAR maintains the authority to approve these types of appeals when the documentation provided clearly shows the company made the decision to write the policy voluntary prior to the policy effective date.

The table on the following page reflects the log of cession backdate requests CAR Staff processed since the last publication of the Operational Reports on April 6, 2010.

There have been no cession backdate requests to post within this Operational Report

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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 recently sent the latest report to the industry in May 2010 monitoring policy years 2008, 2009 and 2010 for the 2nd quarter 2010.

Please note CAR will no longer be monitoring Private Passenger business in this system.

CAR produced the second quarter 2010 CR215R and notified those companies who had exceeded the over 5% and 25 policies tolerance. Companies contacted must respond with an explanation in writing as to why the volume of backdated business is high. The due date for the response is November 1, 2010. This exhibit identifies those companies who have exceeded those established thresholds.

Policy Year	Company
2008	245 – The Charter Oak Insurance
2008	734 – Pilgrims Insurance

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 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	0.0	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 *	0.0	18,290	11,019
279	78	0	0.0	0.0	0	0
455	578	12	2.1	0.0	0	0
717	671	0	0.0	0.0	0	0
734	374	29	7.8 *	0.0	0	0
735	22	3	13.6 #	0.0	0	0
773	22	0	0.0	0.0	0	0
Totals	2,412	86	3.6% *	N/A	18,290	11,019

* 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	571	19	3.3	-0.4	2,607	0
279	34	0	0.0	0.0	0	0
455	456	11	2.4	0.0	0	0
717	260	0	0.0	0.0	0	0
734	280	20	7.1 #	0.0	0	0
735	19	2	10.5 #	0.0	0	0
773	5	0	0.0	0.0	0	0
Totals	1,625	52	3.2%	N/A	2,607	0

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

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

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II. CESSION SYSTEM (continued)

Policy Year 2010
Private Passenger

No longer monitoring Private Passenger Business

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	376	12	3.2	1.5	0	0
279	22	1	4.5	4.5	0	0
455	186	8	4.3	0.3	842	0
717	149	0	0.0	0.0	0	0
734	129	13	10.1 #	1.5	0	0
735	6	0	0.0	0.0	0	0
773	1	0	0.0	0.0	0	0
Totals	869	34	3.9%	N/A	842	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 latest CA5010 on August 22, 2010 and the documentation is due back on October 22, 2010. Upon reviewing the documentation, CAR will post those results in the next quarter's Operational Reports. The following exhibit shows results from the January 2010 report which CAR assessed in the Second Quarter Settlement of Balances.

Company	Penalty
585	\$1,600

D. Cession Volumes

The private passenger and commercial cession volume results for the past seven 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%	16.5%	Final Result
2010	N/A	16.8%	As of June, 2010

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

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II. CESSION SYSTEM (continued)

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

Policy Year 2010 Results as of June, 2010

	<u>Exposures</u>	<u>Percentage</u>
MAIP Assigned (CAR-ID 9)	62,475	2.7%
MAIP Retained (CAR-ID 8)	2,112,532	92.5%
Clean-in-Three (CAR-ID 1)	109,773	4.8%
Total	2,284,780	100%

*Includes reported Interim Exposure Data from Progressive Casualty Insurance

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III. QUARTERLY PARTICIPATION

A. Production of Quarterly Participation Reports

CAR posted the June 2010 Quarterly Member Participation Reports to its website on September 13, 2010. From CAR's home page, click Reports, sign-on and then select Settlement of Balances. These are secure reports that require a CAR website user id and password to view. Please contact your company's security administrator to request access.

B. Participation Base Data

The 2nd Quarter 2010 estimated Participation Ratios using data reported through June 30, 2010, will be posted to CAR's website in September 2010. Final 2009 Participation Ratios were posted to CAR's website on September 8, 2010.

C. Rule 12 Participation Credits

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

D. Rule 29 Voluntary Credits

CAR ran the Rule 29 credit edit reports for May effective date data in early 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, 2009 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%
July 2009	252,399,682	251,137,600	-1,262,082	0.50%
August 2009	297,693,535	296,224,943	-1,468,592	0.49%
Sept. 2009	333,257,129	331,646,173	-1,610,956	0.48%
Oct. 2009	365,712,770	363,973,739	-1,739,031	0.48%
Nov. 2009	392,727,358	390,930,787	-1,796,571	0.46%
Dec. 2009	421,452,666	419,584,786	-1,867,880	0.44%
Jan. 2010	457,982,525	456,053,273	-1,929,252	0.42%
Feb. 2010	492,413,410	490,472,355	-1,941,055	0.39%
March 2010	530,741,150	528,623,200	-2,117,950	0.40%
April 2010	518,613,145	516,527,075	-2,086,070	0.40%
May 2010	516,560,318	513,107,160	-3,453,158	0.67%

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III. QUARTERLY PARTICIPATION (continued)

E. CAR Financial Results

The ultimate policy year deficit projections, as of June 2010, for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Private Passenger	Commercial
2007	(83,159)	18,993
2008	(52,672)	2,467
2009	(10,134)	(5,604)

These criteria of data can be found on CAR's website under Financial Deficit Projections.

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IV. ACCOUNTING SYSTEM

A. Update of the Online Accounting System

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

Month	MAS Due Date	Accounting System Update	Quarter
January 2010	March 15, 2010	March 18, 2010	1st Quarter 2010
February 2010	April 15, 2010	April 20, 2010	
March 2010	May 17, 2010	May 19, 2010	
April 2010	June 15, 2010	June 17, 2010	2 nd Quarter 2010
May 2010	July 15, 2010	July 19, 2010	
June 2010	August 16, 2010	August 18, 2010	
July 2010	September 15, 2010	September 17, 2010	3 rd Quarter 2010
August 2010	October 15, 2010	October 19, 2010	
September 2010	November 15, 2010	November 16, 2010	
October 2010	December 15, 2010	December 17, 2010	4 th Quarter 2010
November 2010	January 18, 2011	January 20, 2011	
December 2010	February 15, 2011	February 16, 2011	

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 2010.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for September 2010 through February 2011 are shown following the 2nd Quarter Write-Off exhibit.

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2ND QUARTER 2010**

IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Write-Off – 2nd Quarter 2010

Company	May 2010	June 2010	July 2010	Total
194	0	3,985	31,079	35,064
209	465	0	4,385	4,850
262	0	7,241	0	7,241
312	0	11,491	-1,398	10,093
331	0	-1,473	-18,070	-19,543
354	0	-122	0	-122
455	0	0	5,160	5,160
664	8,956	0	0	8,956
773	0	0	3,459	3,459
Total	9,421	21,122	24,615	55,158

2nd Quarter 2010 – 10% Loss of Investment Fees

Company	May 2010	June 2010	July 2010	Total
209	47	0	99	146
312	0	969	-140	839
331	0	0	-196	-196
455	0	0	516	516
664	390	0	0	390
773	0	0	331	331
Total	437	969	610	2,016

Potential Loss Write-Off September 2010 through February 2011

Company	September 2010	October 2010	November 2010	December 2010	January 2011	February 2011	Grand Total
045	-4,874	0	0	0	0	500	-4,374
154	0	0	4,855	8,846	-3,312	0	10,389
209	325	0	1,970	0	0	0	2,295
331	0	4,468	0	0	0	0	4,468
585	0	785	0	0	0	676	1,461
664	0	0	0	2,924	0	0	2,924
Totals	-4,549	5,253	6,825	11,770	-3,312	1,176	17,163

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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
2009 & 2010 Policy Effective Years

Non-Critical Error - Penalties

There are no Penalties to list for this quarterly report

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

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Penalty
2	154	02	1.14	45	\$250
4	585	02	6.39	14	\$600

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

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Penalty
3	154	02	1.28	33	\$350

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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.

After surveying the industry earlier this year, CAR determined that there was little benefit in continuing to produce these reports with the full implementation of the Massachusetts Automobile Insurance Plan and with the Limited Servicing Carrier program. Accordingly, CAR will no longer compile this information and will eliminate this topic from the Operational Reports.

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 2010 forecasting reports on September 13, 2010.

F. \$60 Cession/No Premium Penalties

CAR ran the \$60 Cession/No Premium penalty program May 24, 2010. 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. The penalty assessments were posted with the 1st Quarter 2010 Settlement of Balances report.

Company Number	Penalty Amount
262	\$420
331	\$1,200
455	\$660
585	\$7,320
664	\$120
731	\$1,620
773	\$60
Total	\$11,400

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IV. ACCOUNTING SYSTEM (continued)

G. 2008 Cession/No Premium Write-Off

The annual Cession/No Premium Write-Off amounts are based on a policy count (excluding flat cancelled and cession/no premium policies) divided by the corresponding full premium (rather than deviated), at 15 months. Please reference the table below for the write-off penalty amount for 2008 effective date policies and for historical information.

The 2008 write-off is scheduled for April, 2011.

Year	PP Penalty	Commercial Penalty	Taxi/Limo/CAR Service Penalty
2008	\$1,400	\$5,300	\$7,600
2007	\$1,500	\$5,700	\$8,600
2006	\$1,500	\$6,300	\$10,100
2005	\$1,600	\$6,200	\$10,800
2004	\$1,600	\$6,200	\$11,100
2003	\$1,500	\$6,500	\$9,900
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.

Month	MAS Due Date	Statistical System Update	Quarter
January 2010	March 15, 2010	March 16, 2010	1st Quarter 2010
February 2010	April 15, 2010	April 16, 2010	
March 2010	May 17, 2010	May 18, 2010	
April 2010	June 15, 2010	June 16, 2010	2 nd Quarter 2010
May 2010	July 15, 2010	July 16, 2010	
June 2010	August 16, 2010	August 17, 2010	
July 2010	September 15, 2010	September 16, 2010	3 rd Quarter 2010
August 2010	October 15, 2010	October 18, 2010	
September 2010	November 15, 2010	November 16, 2010	
October 2010	December 15, 2010	December 16, 2010	4 th Quarter 2010
November 2010	January 18, 2011	January 19, 2011	
December 2010	February 15, 2011	February 16, 2011	

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 2010	June 15, 2010	July 1, 2010	Approx. August 6, 2010
2nd 2010	September 15, 2010	October 1, 2010	Approx. November 5, 2010
3rd 2010	December 15, 2010	January 3, 2011	Approx. February 4, 2011
4th 2010	March 15, 2010	April 1, 2011	Approx. May 1, 2011

The Annual Statement collection of Page 14's for 1st Quarter 2010 was due by June 15, 2010. CAR began assessing quarterly statistical data quality penalties of \$100 per business day until it receives the completed annual statement and reconciliation filings. Penalties for any late pg 14 amounted to \$3,100. Reconciliation 1st Quarter 2010 responses were due August 2, 2010 where penalties amounted to \$1,100. Both are listed in the Second Quarter Settlement of Balances. CAR is currently collecting 2nd Quarter 2010 Annual Statement Statutory Page 14 data due at CAR on September 15, 2010. The 2nd Quarter 2010 Reconciliation Reports are expected to run November 5, 2010. Two companies have rescinded late pg 14 penalties amounting to \$2,900.

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V. STATISTICAL AGENT FUNCTION (continued)

C. Rate Edit Processing

CAR processes ceded commercial data through a rate editing routine for the latest two policy effective years. The table below shows the industry results by line of business and policy effective year. With the implementation of MAIP, CAR no longer processes ceded private passenger business through a rate editing routine. Policy year 2007 data represents the last year CAR processed private passenger business through the rate edit routine.

	Line of Business	Eligible Records	Records in Error	Error %
COMM 2009 EFF YEAR	Liability	65,760	967	1.47%
	No Fault	39,660	236	0.60%
	Physical Damage	37,689	445	1.18%
	Total	143,109	1,648	1.15%
COMM 2010 EFF YEAR	Liability	31,928	666	2.09%
	No Fault	23,334	205	0.88%
	Physical Damage	17,902	265	1.48%
	Total	73,164	1,136	1.55%

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)

C. Rate Edit Processing (continued)

Rate Edit - Over Tolerance Exhibit

Co No	PP/Comm	Policy Year	Subline	Due Date	Err %	# Records in Error
154	Comm	2009	Liability	4/15/2010	4.77%	325
154	Comm	2010	Liability	9/15/2010	7.58%	309
154	Comm	2009	Phys Dam	3/15/2011	3.22%	90
734	Comm	2009	Liability	2/15/2011	2.65%	53
773	Comm	2010	Liability	1/15/2011	2.80%	95
773	Comm	2009	Liability	8/15/2010	5.72%	50

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V. STATISTICAL AGENT FUNCTION (continued)

D. Deleted Washout Records

During the weekly statistical load, CAR deletes those records that washout within the same file. The table below shows those companies whose volume of deleted washout records exceeds 20% and it shows the overall industry total for all companies combined. If you would like to know your own company's washout total, please contact your Data Analyst.

Periodically, CAR contacts those companies that have an excessive volume of washout activity to encourage them to reduce their volume.

Deleted Washout Totals
For All Shipments Received Through 06/2010

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
041	2,444	510	20.87
045	141,793	41,942	29.58
099	3,763	3,222	85.62
106	31	8	25.81
127	691	232	33.57
261	14,541	12,918	88.84
263	1,102	572	51.91
283	3,109	810	26.05
465	464	2	41.28
474	11,141	7,540	67.68
486	9,944	2,202	22.14
503	3,343	1,380	41.28
626	227,464	103,636	45.56
627	6,770	4,420	65.29
643	2,710	1,442	53.21
701	3,765	3,222	85.58
734	13,745	5,370	39.07
735	174,018	71,848	41.29
737	68,145	34,322	50.37
828	153,444	48,298	31.48
902	91,448	44,972	49.18
962	849	492	57.95
963	58,758	16,193	27.56

Total Industry	39,975,884	1,741,497	4.36
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The 2010 washout total following the 06/2009 shipments was 4.11%.

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V. STATISTICAL AGENT FUNCTION (continued)

E. Distributional Analysis

Distributional analysis reports are produced three times a year starting with the close of the June quarter. The next distribution of these reports to the industry will be for period ending June 30, 2010 term and were mailed to the industry at the end of August 2010.

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VI. COMMUNICATIONS

A. CAR's Website

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

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

B. Telecommunications

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

CAR is implementing changes to its MAIP Placement Record system to allow certain corrections an existing MAIP Placement record such as policy number and producer code. This change will move into production in September, 2010.

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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
Distributional Analysis	In progress	Automate the Distributional Analysis process and move the reports onto CAR's website.
Experience Rating	Near Completion	Move the mainframe pieces of the Experience Rating application to CAR's website so that companies don't need to toggle between systems.
PP Auto Audit Hybrid Plan	Near Completion	Development of a new method for performing the private passenger statistical audits.
Producer Management	In progress	In-house application to effectively manage producer information and licensing.
MAIP Placement Correction	Near completion	Allow certain corrections to accepted MAIP Placement records such as producer code and policy id.
MAIP Enhancement for Youthful Credit Data Acquisition	In progress	Develop a new input process for the verification of youthful classification codes for those companies not utilizing the Merit Rating Board for merit rating status. The data collected through this new input process will be used to verify quota share credits for youthful operators.
2011 Annual Statistical Update	To Begin in September, 2010	Update edit programs to accept and process 2011 effective year data.