



DANIEL R. JUDSON  
PRESIDENT

COMMONWEALTH AUTOMOBILE REINSURERS

225 Franklin Street Boston, Massachusetts 02110

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

617-338-4000

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

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: September 10, 2012

RE: Operational Reports

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The 2<sup>nd</sup> quarter 2012 Operational Reports follow this memorandum. This report includes data reported May 16, 2012 through August 15, 2012 for the accounting month period of April 2012 through June 2012. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

**Section I – Accounting/Statistical Shipments:**

There have been no Private Passenger Statistical Plan or Commercial Statistical Plan recommendations since the last publication of the Operational Reports.

CAR assessed a total of \$33,600 Statistical Data Quality Penalties in the 2<sup>nd</sup> Quarter 2012 Settlement of Balances report.

**Section II – Cession/MAIP Placement Record Reporting:**

This section includes a new report – MAIP Placement Record Reporting Analysis, which highlights valid and invalid activity related to MAIP Placement Record reporting. CAR solicits responses from companies with excessive error counts and these responses are also included in this section.

## **OPERATIONAL REPORTS 2ND QUARTER 2012**

### **Section III – Residual Market Information:**

This section includes various status reports related to residual market commercial and private passenger market share, participation ratios, and quota share.

CAR mailed the CA5010 - Flat Cancellation report on July 31, 2012 and the documentation is due back at CAR on October 19, 2012.

As of June 2012 the commercial residual market rate equaled 15.7%.

CAR posted the June 30, 2012 Quarterly Member Participation Reports to its website on September 7, 2012.

CAR ran the 2<sup>nd</sup> Quarter 2012 Rule 29 credit edit download reports on August 24, 2012.

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

CAR produced 2nd Quarter 2012 Critical Error Loss Write-Offs and 10% Loss of Investment Fees totaling \$-23,837 and \$-3,028 respectively.

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2011 and 2012 policy effective years following the monthly accounting shipments due the 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 were posted to CAR's website on September 4, 2012.

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

First Quarter 2012 Statutory Page 14 data was due at CAR on June 15, 2012. Penalties amounted to \$11,400 for companies that submitted their data after the due date. The Reconciliation Responses for First Quarter 2012 were due back on August 2, 2012 and penalties for those late responses amounted to \$4,200. These penalties were included in the Second Quarter 2012 Settlement of Balances.

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

### **Section VI – Communications:**

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

**OPERATIONAL REPORTS  
2ND QUARTER 2012**

**I. STATISTICAL SYSTEM**

**A. Reporting of Company Shipments**

The monthly submission of statistical data is due at CAR according to the Call Schedule contained in the table below. The timeliness exhibit on the following page reflects the timeliness status of all companies for 2012 as of the second quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

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

In instances where a company's ceded loss dollars are complete by quarter's end but its ceded premium dollars are not, CAR will assess "loss of investment income" penalties to reimburse the pool for the missing premium dollars. CAR did not assess any "loss of investment income" penalties in second quarter, 2012.

**OPERATIONAL REPORTS  
2ND QUARTER 2012**

**I. STATISTICAL SYSTEM (continued)**

2012 Timeliness Report

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

## OPERATIONAL REPORTS 2ND QUARTER 2012

### **I. STATISTICAL SYSTEM (continued)**

#### **B. Statistical Plan Penalty Fee Program**

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

For 2nd Quarter 2012, CAR assessed a total penalty amount of \$33,600. The table below shows the detail penalties for each company.

Penalty Assessments  
2nd Quarter 2012

<b><u>Co #</u></b>	<b><u>Company Name</u></b>	<b><u>Assessment</u></b>	<b><u>Assessment Amount</u></b>
045	American Automobile Ins Co	Late MAS - 04/2012	\$ 500
045	American Automobile Ins Co	Stat Error > 5% - 02/2012	\$ 900
045	American Automobile Ins Co	Stat Error > 5% - 03/2012	\$ 150
109	Pennsylvania Lumberman's Co	Late Explanation-03/2012	\$ 100
110	Knightbrook Insurance Company	Late MAS - 03/2012	\$ 1,250
110	Knightbrook Insurance Company	Late MAS - 04/2012	\$ 3,000
110	Knightbrook Insurance Company	Late MAS - 05/2012	\$ 500
122	Leading Insurance Group	Rescinded Page 14 - 12/2011	\$ (100)
123	HDI-Gerling America Ins Co	Late Explanation - 03/2012	\$ 1,300
143	American Hallmark Ins Co Texas	Rescinded Page 14 - 12/2011	\$ (500)
155	Argonaut Insurance Company	Late MAS - 05/2012	\$ 500
155	Argonaut Insurance Company	Stat Error > 5% - 03/2012	\$ 150
155	Argonaut Insurance Company	Late Explanation - 03/2012	\$ 400
162	Imperium Insurance Company	Late Page 14 - 03/2012	\$ 4,300
203	Catlin Indemnity Company	Late Page 14 - 03/2012	\$ 100
226	Great Divide Insurance Company	Stat Error > 5% - 01/2012	\$ 300
226	Great Divide Insurance Company	Stat Error > 5% - 06/2012	\$ 150
246	American Southern Home Ins Co	Late Page 14 - 03/2012	\$ 300
296	Continental Indemnity Ins Co	Rescinded Page 14 - 12/2011	\$ (200)
316	Empire Fire and Marine	Late MAS - 03/2012	\$ 500
316	Empire Fire and Marine	Late Page 14 - 03/2012	\$ 1,900
417	General Ins Company of America	Late Page 14 - 03/2012	\$ 100
467	Hartford Casualty Insurance Co	Stat Error > 5% - 01/2012	\$ 600
467	Hartford Casualty Insurance Co	Stat Error > 5% - 03/2012	\$ 300
467	Hartford Casualty Insurance Co	Late Explanation - 03/2012	\$ 100
468	Hartford Fire Insurance Company	Stat Error > 5% - 02/2012	\$ 150
468	Hartford Fire Insurance Company	Stat Error > 5% - 03/2012	\$ 300
468	Hartford Fire Insurance Company	Late Explanation - 03/2012	\$ 100
469	Hartford Accident and Indemnity	Stat Error > 5% - 03/2012	\$ 150

**OPERATIONAL REPORTS  
2ND QUARTER 2012**

**I. STATISTICAL SYSTEM (continued)**

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

Penalty Assessments  
2nd Quarter 2012

<b><u>Co #</u></b>	<b><u>Company Name</u></b>	<b><u>Assessment</u></b>	<b><u>Assessment Amount</u></b>
610	Ironshore Indemnity Company	Late Page 14 - 03/2012	\$ 4,700
622	National Interstate Insurance Co	Stat Error > 5% - 03/2012	\$ 600
626	National Continental Ins Co	Late Explanation - 03/2012	\$ 100
686	Occidental Fire & Casualty NC	Stat Error > 5% - 04/2012	\$ 150
737	Progressive Casualty Ins Co	Late Explanation - 03/2012	\$ 100
748	QBE Insurance Company	Late MAS - 03/2012	\$ 6,000
753	Redland Insurance Company	Late MAS - 05/2012	\$ 500
785	Progressive Direct Insurance Co	Late Explanation - 03/2012	\$ 300
797	Starr Indemnity and Liability Co	Late Explanation - 03/2012	\$ 1,300
828	State Farm Mutual Automobile	Late Explanation - 03/2012	\$ 200
894	Twin City Fire Insurance Co	Stat Error > 5% - 03/2012	\$ 150
894	Twin City Fire Insurance Co	Late Explanation - 03/2012	\$ 100
941	Universal Underwriters Ins Co	Stat Error > 5% - 03/2012	\$ 150
951	Vanliner Insurance Company	Stat Error > 5% - 02/2012	\$ 150
951	Vanliner Insurance Company	Stat Error > 5% - 03/2012	\$ 750
951	Vanliner Insurance Company	Late MAS - 05/2012	\$ 500
988	Quincy Mutual Fire Insurance Co	Stat Error > 5% - 03/2012	\$ 450
		<b>Total</b>	<b>\$ 33,600</b>

**OPERATIONAL REPORTS  
2ND QUARTER 2012**

**I. STATISTICAL SYSTEM (continued)**

Massachusetts Private Passenger Statistical Plan

Approved Modifications

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

**OPERATIONAL REPORTS  
2ND QUARTER 2012**

**I. STATISTICAL SYSTEM (continued)**

Massachusetts Commercial Statistical Plan

Approved Modifications

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



## OPERATIONAL REPORTS 2ND QUARTER 2012

### **II. CESSION/MAIP PLACEMENT RECORD REPORTING**

#### **A. Cession Submission**

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

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

#### **B. Cession Backdates**

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

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

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

##### **2. TX5 Cession Backdate Appeals**

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

The table on the following page reflects the log of cession backdate requests CAR Staff processed since the last publication of the Operational Reports on June 12, 2012.

## OPERATIONAL REPORTS 2ND QUARTER 2012

### **II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)**

#### 2. TX5 Cession Backdate Appeals (continued)

##### TX5 Cession Backdate Log

DATE SUBMITTED	CO NO	NUMBER OF CESSIONS	DATE REQUESTED	BACKDATE GRANTED?	REASON FOR APPROVAL/ DISAPPROVAL
5/21/12	154	6	5/18/12	yes	Decision to retain the policy as voluntary was made prior to the policy effective date.
8/13/12	279	2	8/8/12	yes	Decision to retain the policy as voluntary was made prior to the policy effective date.

#### 3. CR215 Cessions Automatically Backdated

On a quarterly basis, CAR produces the CR215 report that shows the volume of cessions backdated for involuntary producer business. The program monitors the three current reporting years for cession activity. Accordingly, CAR recently sent the latest report to the industry in May 2012 monitoring policy years 2010, 2011 and 2012 for 2nd Quarter 2012.

**Two companies went over tolerance for the 2nd Quarter 2012 reports.** A response is required and will be presented to the Operational Committee upon request.

Policy Year	Company
2011	734 – Pilgrims Insurance
2012	245 – Charter Oak Fire 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*).

**OPERATIONAL REPORTS  
2ND QUARTER 2012**

**II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)**

Policy Year 2010  
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	551	13	2.4	0.0	0	0
279	29	1	3.4	0.0	0	0
455	260	9	3.5	0.0	1,131	0
717	236	0	0.0	0.0	0	0
734	226	23	10.2 #	0.0	0	0
735	8	1	12.5 #	0.0	0	0
773	3	0	0.0	0.0	0	0
Totals	1,313	47	3.6%	N/A	1,131	0

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

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

Policy Year 2011  
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	799	37	4.6	0.0	0	0
279	18	1	5.6 #	0.0	0	0
455	114	0	0.0	0.0	0	0
717	177	0	0.0	0.0	0	0
734	232	66	28.4 *	0.0	1,570	2,200
735	4	1	25.0 #	0.0	0	0
773	3	0	0.0	0.0	0	0
Totals	1,347	105	7.8%	N/A	1,570	2,200

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

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

**OPERATIONAL REPORTS  
2ND QUARTER 2012**

**II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)**

Policy Year 2012  
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	728	38	5.2 *	2.1	0	0
279	21	0	0.0	0.0	0	0
717	99	0	0.0	-1.9	0	0
734	87	7	8.0 #	-1.7	0	0
773	1	0	0.0	0.0	0	0
Totals	936	45	4.8%	N/A	0	0

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

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

**C. CA5010 Flat Cancellation Audit**

Twice per year CAR runs the CA5010 - Flat Cancellation Documentation Listing. Its purpose is to randomly sample flat-canceled policies to verify that the industry is using flat-cancellation transactions properly. CAR ran the CA5010 on January 24, 2012 and the documentation was due back on April 20, 2012. Upon reviewing the documentation, there were no outstanding issues to report thus no penalties assessed from this reporting period as a result of this audit. CAR has processed the second CA5010 and mailed it to the industry in late July. Responses to this listing are due back on October 19, 2012.

## OPERATIONAL REPORTS 2ND QUARTER 2012

### II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

#### D. MAIP Placement Record Reporting Analysis

On a monthly basis, CAR reviews the quality of MAIP Placement Record reporting and produces a report which highlights the error counts for various types of errors. Companies with excessive error counts are contacted and requested to research the cause of its reporting problem and if appropriate provide a corrective action plan.

#### COMMONWEALTH AUTOMOBILE REINSURERS MAIP PLACEMENT RECORD REPORTING ANALYSIS

Reflects Statistically Reported Data for Policy Effective Months 07/2011 to 06/2012

Reflects MAIP Placement Record Reported Data as of August 20, 2012

Company	Missing MPRs	MPRs with Non-Fatal Errors	Rejected Take-Out Credits	MPRs with No Premium	MAIP Premium with No MPR	Active MPRs
045	2	0	0	6	37	335
153	77	31	270	218	10	13,721
192	3	0	0	1	0	59
202	1	1	0	1	0	194
262	3	96	16	7	10	2,044
279	0	0	78	2	10	42,667
308	2	2	0	0	2	590
312	0	1	5	1	1	1,940
331	1	1	0	0	1	2,375
354	1	0	0	2	45	5,634
363	3	1	0	2	0	668
422	0	0	0	0	0	279
514	0	0	0	1	0	471
531	5	0	0	2	0	952
585	0	0	0	4	12	4,657
612	6	0	8	1	7	3,640
664	5	21	16	1	6	1,267
723	0	4	8	2	15	13,017
731	0	0	7	1	0	1,039
773	0	0	136	2	7	19,622
826	0	0	0	0	1	1,526
908	19	14	0	9	7	6,785
959	1	0	0	0	0	278
988	0	11	66	0	2	4,653
Industry Average	<b>5</b>	<b>8</b>	<b>25</b>	<b>11</b>	<b>8</b>	<b>5,351</b>

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

**OPERATIONAL REPORTS  
2ND QUARTER 2012**

**II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)**

E. MAIP Placement Record Reporting Analysis (continued)

COMMONWEALTH AUTOMOBILE REINSURERS  
MAIP PLACEMENT RECORD REPORTING ANALYSIS  
COMPANY RESPONSES

<b>Company</b>	<b>Date Identified</b>	<b>Response</b>
045	3 <sup>rd</sup> Quarter 2011	Company was recently contacted and is researching reporting issue.
153	Ongoing	The MPRs with No Premium is a statistical timing issue. The premium for these policies will be sent in the August MAS. The remainder of these policies are unpaid renewals for which a TX4 backdate document will be sent. A majority of the non-fatal errors are duplicate MPRs that are in the process of being corrected. The majority of Missing MPRs are policies that were not taken and are in the process of being reported.
262	2 <sup>nd</sup> Quarter 2012	Company is in the process of correcting non-fatal error records.
354	Ongoing	Company splits motorcycle/auto MAIP policies. Since they can not submit two MPRs for one certification number, motorcycle policies will only be statistically reported and will not have a corresponding MPR.

## OPERATIONAL REPORTS 2ND QUARTER 2012

### III. RESIDUAL MARKET INFORMATION

#### A. Residual Market Volumes

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

Effective Year	Private Passenger Cession %	Commercial Cession %	Time Period
2006	4.9%	25.4%	Final Result
2007	4.3%	22.3%	Final Result
2008	2.9%	19.0%	Final Result
2009	2.3%	16.5%	Final Result
2010		15.1%	Final Result
2011		14.9%	Final Result
2012		15.7%	As of June 2012

Private passenger and commercial residual market volume reports are available on CAR's website ([www.commauto.com](http://www.commauto.com)). You can also view your company's residual market volume figures via CAR's telecommunications system. The On-line Telecommunications Manual provides the specific instructions for accessing the reports.

#### B. Private Passenger – Massachusetts Automobile Insurance Plan (MAIP)

Policy Year 2012 Results as of June 2012

	2012 @ 6 Months	% Total		2011 @ FINAL	% Total
MAIP Assigned (CAR-ID 9)	64,094	2.7%		117,872	2.7%
MAIP Retained (CAR-ID 8)	2,203,993	94.1%		4,011,520	93.2%
Clean-In-Three (CAR-ID 1)	75,084	3.2%		176,110	4.1%
Total	2,343,171	100.0%		4,305,502	100.0%

## OPERATIONAL REPORTS 2ND QUARTER 2012

### **III. RESIDUAL MARKET INFORMATION (continued)**

#### **C. Production of Quarterly Participation Reports**

CAR posted the June 2012 Quarterly Member Participation Reports to its website on September 7, 2012. From CAR's home page, click Reports, sign-on and then select Settlement of Balances. These are secure reports that require a CAR website user id and password to view. Please contact your company's security administrator to request access.

#### **D. Participation Base Data**

The 2nd Quarter 2012 estimated Participation Ratios using data reported through June 30, 2012 will be posted to CAR's website by September 30, 2012.

#### **E. Rule 12 Participation Credits**

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

#### **F. CAR Financial Results**

The ultimate policy year deficit projections, as of June 2012, for the latest three policy years are as follows:

(Numbers are in \$000s)

<b>Policy Year</b>	<b>Private Passenger</b>	<b>Commercial</b>
2009	(9,412)	(404)
2010		(5,430)
2011		(9,218)

This data can be found on CAR's website ([www.commauto.com](http://www.commauto.com)) in the Financial Reports area using the Deficit Projections link.

#### **G. Quota Share**

CAR posted the June 2012 Monthly Quota Share and Assignment Order Report to its website on August 28, 2012. The report has been updated to include statistical data for July 2011 to June 2012 effective month policies reported through August 15, 2012. Member Companies can also view additional reports that provide detailed information about the data used in the Quota Share calculation on CAR's website in the MAIP section under Company.



## OPERATIONAL REPORTS 2ND QUARTER 2012

### **III. RESIDUAL MARKET INFORMATION (continued)**

#### **H. Rule 29 Voluntary Credits**

CAR ran the Rule 29 credit edit reports for June effective date data in late-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 October, 2010 accounting date.

<b>Accounting Date</b>	<b>Reported Credit Premium</b>	<b>Adjusted Credit Premium</b>	<b>Rule 29 Credit Impact</b>	<b>Error Percentage</b>
Oct. 2010	487,767,726	484,431,955	-3,335,771	0.68%
Nov. 2010	485,195,191	481,860,909	-3,334,282	0.69%
Dec. 2010*	502,637,208	493,960,401	-8,676,807	1.73%
Jan. 2011*	499,424,037	493,594,337	-5,829,700	1.17%
Feb. 2011*	520,558,403	512,722,811	-7,835,592	1.51%
March 2011*	520,012,380	512,141,580	-7,870,800	1.51%
April 2011*	521,886,203	513,545,620	-8,340,583	1.60%
May 2011*	523,143,948	514,912,551	-8,231,397	1.57%
June 2011*	523,665,189	515,848,901	-7,816,288	1.49%
July 2011	520,894,143	513,467,648	-7,426,495	1.43%
August 2011	522,165,725	514,628,476	-7,537,249	1.44%
Sept. 2011	521,520,576	514,273,679	-7,246,897	1.39%
Oct. 2011	522,571,084	515,302,025	-7,269,059	1.39%
Nov 2011	523,094,504	515,901,5598	-7,192,906	1.38%
Dec 2011	525,805,853	519,178,448	-6,627,405	1.26%
Jan. 2012	525,093,859	518,615,258	-6,478,601	1.23%
Feb. 2012	529,553,516	523,377,938	-6,175,578	1.15%
March 2012	534,145,941	528,008,161	-6,137,780	1.15%
April 2012	529,553,516	523,377,938	-6,175,578	1.17%
May 2012	534,145,941	528,008,161	-6,137,780	1.15%
June 2012	593,197,911	586,593,564	-6,604,347	1.18%

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

## OPERATIONAL REPORTS 2ND QUARTER 2012

### IV. ACCOUNTING SYSTEM

#### A. Update of the Online Accounting System

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

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

#### B. Critical Error Write-Off

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

For losses specifically, CAR requires every record to be fixed within one year of falling into critical error. If a loss record has not been fixed after a year of remaining in critical error, CAR writes-off that loss record and assesses an interest fee of 10%. This write-off process occurs the last Saturday of every month. The table on the following page shows the write-off amounts and associated 10% fees for second quarter 2012.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for September 2012 through February 2013 are shown following the 2nd Quarter Write-Off exhibit.

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**IV. ACCOUNTING SYSTEM (continued)**

B. Critical Error Write-Off (continued)

Loss Write-Off – 2nd Quarter 2012

Company	May 2012	June 2012	July 2012	Total
049	0	-1	0	-1
331	277	-3,338	250	-2,811
481	0	-66	0	-66
723	0	0	-150	-150
<b>Total</b>	<b>277</b>	<b>-3,405</b>	<b>100</b>	<b>-3,028</b>

2nd Quarter 2012 – 10% Loss of Investment Fees

Company	May 2012	June 2012	July 2012	Total
049	0	-10	0	-10
194	975	0	0	975
331	2,776	-31,952	5,940	-23,236
481	0	-662	0	-662
723	596	0	-1,500	-904
<b>Total</b>	<b>4,347</b>	<b>-32,624</b>	<b>4,440</b>	<b>-23,837</b>

Potential Loss Write-Off September 2012 through February 2013

Company	September 2012	October 2012	November 2012	December 2012	January 2013	February 2013	Grand Total
045	0	0	0	0	636	0	636
154	0	0	19,359	945	-689	0	19,615
209	0	0	2,060	5,200	0	0	7,260
331	867	8,340	20,186	-38	6,348	-901	34,802
481	-161	0	0	0	0	0	-161
664	0	46,469	0	0	0	0	46,469
723	2,582	0	0	0	0	0	2,582
735	0	17,764	0	0	0	0	17,764
773	9,000	0	0	5	0	0	9,005
990	0	0	0	0	46,469	0	46,469
<b>Totals</b>	<b>12,288</b>	<b>72,573</b>	<b>41,605</b>	<b>6,112</b>	<b>52,764</b>	<b>-901</b>	<b>184,441</b>

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**IV. ACCOUNTING SYSTEM (continued)**

C. Non-Critical Error "Audit Review" Program

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

**Audit Review  
2011 & 2012 Policy Effective Years**

Non-Critical Error - Penalties

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

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

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

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

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

**OPERATIONAL REPORTS  
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**IV. ACCOUNTING SYSTEM (continued)**

**D. Ceded Premium In Error – Limited Commercial Servicing Carriers**

The exhibit below shows a summary of ceded premium in critical error. Companies can view their critical error policies via CAR's telecommunications system within the accounting corrections application. CAR is providing this information as a way for Limited Commercial Servicing Carriers to monitor both their ceded premium and ceded loss reporting to correct any errors prior to a write-off or close of a policy effective reporting year.

Company	Policy Effective Year	Critical Premium Dollars	Error Percent
154	2010	-2,871	-0.02
154	2011	-8,949	-0.05
154	2012	178,534	1.11
245	2010	0	0.00
245	2011	0	0.00
245	2012	12,177	0.09
279	2010	0	0.00
279	2011	0	0.00
279	2012	0	0.00
455	2010	0	0.00
455	2011	0	0.00
455	2012	0	0.00
717	2010	0	0.00
717	2011	0	0.00
717	2012	0	0.00
734	2010	0	0.00
734	2011	0	0.00
734	2012	0	0.00
735	2010	0	0.00
735	2011	0	0.00
735	2012	0	0.00
773	2010	0	0.00
773	2011	0	0.00
773	2012	5,627	0.05
Total Ind		184,518	0.08

**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 2012 Penalty Forecasting reports on September 4, 2012.

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**IV. ACCOUNTING SYSTEM (continued)**

**F. 2010 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 2010 effective date policies and for historical information.

<b>Year</b>	<b>PP Penalty</b>	<b>Commercial Penalty</b>	<b>Taxi/Limo/CAR Service Penalty</b>
2010	N/A	\$4,500	\$7,300
2009	\$1,400	\$4,900	\$7,700
2008	\$1,400	\$5,300	\$7,600
2007	\$1,500	\$5,700	\$8,600
2006	\$1,500	\$6,300	\$10,100
2005	\$1,600	\$6,200	\$10,800
2004	\$1,600	\$6,200	\$11,100
2003	\$1,500	\$6,500	\$9,900
2002	\$1,400	\$6,300	\$9,600

**G. \$60 Cession/No Premiums**

<b>Co. No.</b>	<b>Penalty Amount</b>
245	\$60
<b>Total</b>	<b>\$60</b>

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### V. STATISTICAL AGENT FUNCTION

#### A. Update of the Online Statistical System

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

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

#### B. Annual Statement and Annual Statement Reconciliation

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

Quarter	Due Date Quarterly Annual Statement	Run Date of the Reconciliation Program	Due Date Reconciliation Response
1st 2012	June 15, 2012	July 2, 2012	Approx. August 1, 2012
2nd 2012	September 17, 2012	October 1, 2012	Approx. November 1 2012
3rd 2012	December 17 2012	January 2, 2013	Approx. February 1 2013
4th 2012	March 15, 2013	April 1, 2013	Approx. May 1 2013

The Annual Statement collection of Page 14 for First Quarter 2012 was due June 15, 2012. Penalties for late Page 14 amounted to \$11,400. Reconciliation First Quarter 2012 responses were due August 2, 2012. Penalties amounted to \$4,200. Page 14 and Reconciliation penalties were included Second Quarter 2012 Settlement of Balances Report. CAR is currently collecting Third Quarter 2012 Annual Statement Statutory Page 14 data which is due at CAR on September 15, 2012. Third Quarter 2012 Reconciliation Reports are anticipated to run on or about October 2, 2012.

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

**C. Rate Edit Processing**

CAR processes ceded commercial data through a rate editing routine for the latest two policy effective years. The table below shows the industry results by line of business and policy effective year.

	Line of Business	Eligible Records	Records in Error	Error %
<b>COMM 2011 EFF YEAR</b>	Liability	55,439	971	1.75%
	No Fault	40,395	196	0.49%
	Physical Damage	29,934	386	1.29%
	Total	125,768	1,553	1.23%
<b>COMM 2012 EFF YEAR</b>	Liability	23,225	374	1.61%
	No Fault	17,596	132	0.75%
	Physical Damage	13,752	195	1.42%
	Total	54,573	701	1.28%

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

Rate Edit - Over Tolerance Exhibit

Co No	PP/Comm	Policy Year	Subline	Due Date	Err %	# Records in Error
154	Comm	2012	Liability	12/15/2012	4.36%	181
154	Comm	2012	Liability	3/15/2013	2.08%	83
154	Comm	2012	Phys Dam	3/15/2013	3.40%	84
455	Comm	2012	Liability	12/15/2012	2.48%	154
734	Comm	2012	Liability	3/15/2013	2.32%	54
773	Comm	2012	Liability	12/15/2012	2.06%	166



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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 6/2012

<b>COMPANY NUMBER</b>	<b>RECORD COUNT</b>	<b>WASHOUT COUNT</b>	<b>WASHOUT PERCENT</b>
033	341,948	152,052	44.47
065	20,943	16,126	77.00
099	1,045	926	88.61
153	4,313,008	1,486,273	34.46
156	25,549	6,600	25.83
204	463	144	31.10
205	138	56	40.58
261	3,147	2,046	65.01
283	5,406	2,808	51.94
343	285,027	111,501	39.12
366	510	108	21.18
418	85,454	27,972	32.73
424	13,657	3,218	23.56
429	1,886,088	613,704	32.54
460	9,122	2,026	22.21
474	6,585	3,728	56.61
486	22,271	10,134	45.50
503	1,938	1,000	51.60
504	1,309	864	66.00
622	4,013	816	20.33
626	206,777	108,530	52.49
627	7,209	4,656	64.59
643	5,978	2,500	41.82
667	3,354	1,486	44.31
734	6,392	1,748	27.35
735	50,664	20,786	41.03
737	136,088	68,192	50.11
828	136,581	35,254	25.81
881	3,278	918	28.00

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

**D. Deleted Washout Records (continued)**

Deleted Washout Totals  
For All Shipments Received Through 6/2012

<b>COMPANY NUMBER</b>	<b>RECORD COUNT</b>	<b>WASHOUT COUNT</b>	<b>WASHOUT PERCENT</b>
902	117,247	66,376	56.61
927	3,416	1,554	45.49
948	6,640	2,319	34.92
958	3,101	980	31.60
963	83,047	28,511	34.33
989	34,797	16,622	47.77

Total Industry	33,460,487	3,512,330	10.5%
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The 2011 washout total following the 6/2011 shipments was 9.47%.

**E. Distributional Analysis**

Distributional Analysis reports are produced three times a year starting with the close of the June quarter. The program was developed to ensure the quality of rate making data is appropriated with quota share data. The next mailing of the Distributional Analysis Report will be distributed in October 2012. Companies may contact the Compliance Audit Department for any correspondences.

## **OPERATIONAL REPORTS 2ND QUARTER 2012**

### **VI. COMMUNICATIONS**

#### **A. CAR's Website**

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

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

#### **B. Telecommunications**

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

CAR implemented changes to its MAIP Placement Record system to allow certain corrections on existing MAIP Placement record such as policy number and producer code.

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**VII. PROJECT STATUS REPORTS**

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

<b>Project</b>	<b>Status</b>	<b>Description</b>
Conversion of all Remaining Internet Reports	In progress as resources allow	Converting internet company reports from Crystal to Reporting Services.
2012 Statistical Project	Completed	Update CAR's processing system to accept 2012 effective year data including the addition of the PP liability limit id.
Create Monitoring Program for MAIP Placement Records	To begin 2012	Per the Operations Committee, CAR will begin to develop a monitoring program to track the submission of MAIP Placement Records as it relates to and impacts the quota share calculation. CAR will bring its suggestions to the Operations Committee for future discussions.
Voluntary Rate Availability	Completed	CAR modified the MAIP Policy Application to provide the ARP the ability to determine the down payment as either 25% of the MAIP premium or 30% of the assigned ARC's voluntary premium.