



COMMONWEALTH AUTOMOBILE REINSURERS

100 SUMMER STREET – BOSTON, MASSACHUSETTS 02110

TEL: 617-338-4000 FAX: 617-338-5422 www.commauto.com

RALPH A. IANACO
President

MICHAEL J. TROVATO
Executive VP & Treasurer

- MEMORANDUM -

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: January 6, 2006

RE: Operational Reports

The 3rd quarter 2005 Operational Reports follow this memorandum. They include data reported from September 16, 2005 through November 15, 2005 for the accounting months of January 2005 through September 2005. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

Section I – Accounting/Statistical Shipments:

In accordance with the promulgation of the 2006 SDIP Regulation (211 CMR 134.00) by the Division of the Insurance and approval by the State Rating Bureau of the revisions to Rule 28 (Classifications) of the AIB's Private Passenger Automobile Insurance Manual, CAR is proposing additional SDIP clarification language to the Private Passenger Statistical Plan. The tables containing information relative to the fifth and sixth positions of the class code are updated to note the code 99 pertains to the Excellent Driver Discount Plus Credit and code 98 applies to the Excellent Driver Discount Credit. All the wording which specifically relates to the assignment of operators to vehicles is being considered for elimination from the Statistical Plan. Added in place of this wording is a note that refers companies to the AIB's Manual if further information is needed.

CAR assessed Statistical Plan Penalty Fees totaling the penalty amount of \$145,000 in during the third quarter, 2005.

Section II – Cessions:

On November 18, 2005, CAR distributed the CR215R Automatically Backdated Involuntary Representative Producer of Cessions report for the third quarter of 2005. Following second quarter, CAR Staff notified those companies to provide an explanation in writing if more than 5% and 25 policies are automatically backdated. Second Quarter responses were due back at CAR on October 21, 2005 and companies can contact CAR Staff to obtain a copy of these responses.

**OPERATIONAL REPORTS
3RD QUARTER 2005**

Section II – Cessions (continued):

CAR ran the CA5010 on July 29, 2005 and the documentation was due back to CAR by November 14, 2005. The results of this audit will be included within the next Operational Reports.

As of November 15, 2005 the private passenger cession rate equaled 6.4%; the commercial cession rate equaled 26.2%.

Section III – Quarterly Participation Reports:

CAR posted the September 2005 Quarterly Member Participation Reports to the website on December 2, 2005.

Participation Ratios were calculated and posted on CAR's website on December 30, 2005.

Section IV – Accounting System Processing:

The 3rd quarter Critical Error Write-Offs and 10% Loss of Investment Fees for the industry total \$394,487 and \$13,184, respectively.

The six month Company Profiles were mailed to the industry in late December 2005 and the Penalty Forecasting Reports were produced and added to CAR's website as a secure application in December also.

Final 2002 Cession/No Premium Write-offs resulted in a total penalty amount of \$744,100 and were included in the third quarter Settlement of Balances.

Section V - Statistical Agent Functions:

The 3rd Quarterly 2005 Statutory Page 14 was due at CAR on December 15, 2005. The Reconciliation Responses for 3rd Quarter 2005 are due February 3, 2006.

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

**OPERATIONAL REPORTS
3RD QUARTER 2005**

I. STATISTICAL SYSTEM

A. Reporting of Company Shipments

The monthly submission of statistical data is due at CAR according to the Call Schedule contained in the table below. The timeliness exhibit on the following page reflects the timeliness status of all companies for 2005 as of the third quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

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

2006 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2006	March 15, 2006	1 st Qtr
February 2006	April 17, 2006	
March 2006	May 15, 2006	
April 2006	June 15, 2006	2 nd Qtr
May 2006	July 17, 2006	
June 2006	August 15, 2006	
July 2006	September 15, 2006	3 rd Qtr
August 2006	October 16, 2006	
September 2006	November 15, 2006	
October 2006	December 18, 2006	4 th Qtr
November 2006	January 15, 2007	
December 2006	February 15, 2007	

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 third quarter, 2005.

**OPERATIONAL REPORTS
3RD QUARTER 2005**

I. STATISTICAL SYSTEM (continued)

2005 Timeliness Report

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

**OPERATIONAL REPORTS
3RD QUARTER 2005**

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 third quarter 2005, CAR assessed a total penalty amount of \$145,000. The table below shows the detail penalties for each company.

Penalty Assessments
3rd Quarter 2005

Co #	Company Name	Assessment	Assessment Amount
089	AM Guaranty & Liability Ins. Co.	Late 6/05 MAS	\$ 300
102	Acadia Insurance Company (B/O)	Late 6/05 MAS	\$ 300
229	Clarendon National Ins. Co.	Late 8/05 MAS	\$ 300
230	Insurance Corporation of Hannover	Late 6/05 MAS	\$ 300
261	ACE American Ins. Co.	Late 7/05 MAS	\$ 300
366	Arch Insurance Company	Late 6/05 MAS	\$ 800
380	Daimler Chrysler Insurance Co.	Stat Err > 5% 6/05	\$ 100
402	Firemen's Ins. Co. of Wash D.C.	Stat Err > 5% 7/05	\$ 100
417	General Insurance Co. of America	Late 6/05 MAS	\$ 300
467	Hartford Casualty Ins. Co.	Late 7/05 MAS	\$ 300
468	Hartford Fire Insurance Co.	Late 1/05 MAS	\$ 12,000
468	Hartford Fire Insurance Co.	Late 2/05 MAS	\$ 10,000
468	Hartford Fire Insurance Co.	Interim Late Penalty 3/05 MAS	\$ 12,000
468	Hartford Fire Insurance Co.	Interim Late Penalty 4/05 MAS	\$ 10,000
468	Hartford Fire Insurance Co.	Interim Late Penalty 5/05 MAS	\$ 8,000
468	Hartford Fire Insurance Co.	Interim Late Penalty 6/05 MAS	\$ 6,000
468	Hartford Fire Insurance Co.	Interim Late Penalty 7/05 MAS	\$ 4,000
468	Hartford Fire Insurance Co.	Interim Late Penalty 8/05 MAS	\$ 2,000
468	Hartford Fire Insurance Co.	Interim Late Penalty 9/05 MAS	\$ 300
469	Hartford Accident & Indemnity Co.	Late 7/05 MAS	\$ 300
559	Maryland Casualty Company	Late 6/05 MAS	\$ 300
559	Maryland Casualty Company	Late 8/05 MAS	\$ 300
582	Merchants Mutual Insurance Co.	Stat Err > 5% 5/05	\$ 100
619	National Fire Insurance Hartford	Stat Err > 5% 4/05	\$ 100
622	National Interstate Insurance Co.	Late 6/05 MAS	\$ 300

**OPERATIONAL REPORTS
3RD QUARTER 2005**

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program

Penalty Assessments
3rd Quarter 2005

Co #	Company Name	Assessment	Assessment Amount
625	American States Insurance Co.	Late 6/05 MAS	\$ 300
644	New Hampshire Insurance Co. (B/O)	Late 6/05 MAS	\$ 300
721	Philadelphia Insurance Company	Late 6/05 MAS	\$ 300
734	Pilgrim Insurance Company (Taxi)	Late 6/05 MAS	\$ 300
735	Pilgrim Insurance Company	Late 6/05 MAS	\$ 300
753	Redland Insurance Company	Late 8/05 MAS	\$ 300
770	Safeco Insurance Co. of America	Late 6/05 MAS	\$ 300
837	T.H.E. Insurance Company	Late 3/05 MAS	\$ 1,000
894	Twin City Fire Insurance Co.	Late 1/05 MAS	\$ 12,000
894	Twin City Fire Insurance Co.	Stat Err > 5% 2/05	\$ 800
894	Twin City Fire Insurance Co.	Interim Late Penalty 2/05 MAS	\$ 14,000
894	Twin City Fire Insurance Co.	Stat Err > 5% 3/05	\$ 800
894	Twin City Fire Insurance Co.	Interim Late Penalty 3/05 MAS	\$ 12,000
894	Twin City Fire Insurance Co.	Interim Late Penalty 4/05 MAS	\$ 10,000
894	Twin City Fire Insurance Co.	Interim Late Penalty 5/05 MAS	\$ 8,000
894	Twin City Fire Insurance Co.	Interim Late Penalty 6/05 MAS	\$ 6,000
894	Twin City Fire Insurance Co.	Interim Late Penalty 7/05 MAS	\$ 4,000
894	Twin City Fire Insurance Co.	Interim Late Penalty 9/05 MAS	\$ 300
907	United Services Automobile Assoc.	Late Reporting Eff Yr 05 Prem	\$ 2,300
943	USAA Casualty Insurance Co.	Late Reporting Eff Yr 05 Prem	\$ 2,300
971	Zurich Insurance Company	Late 6/05 MAS	\$ 300
985	Daimler Chrysler Insurance Co.	Late 7/05 MAS	\$ 300
			\$ 145,000

**OPERATIONAL REPORTS
3RD QUARTER 2005**

I. STATISTICAL SYSTEM (continued)

Massachusetts Commercial Statistical Plan
Approved Modifications

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

**OPERATIONAL REPORTS
3RD QUARTER 2005**

I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan
Proposed Modifications

Proposed Effective Date	Description	Status
January 1, 2006	<p>In accordance with the promulgation of the 2006 SDIP Regulation (211 CMR 134.00) by the Division of Insurance and approval by the State Rating Bureau of the revisions to Rule 28 (Classifications) of the AIB's Private Passenger Automobile Insurance Manual, CAR is proposing additional SDIP clarification language to the Private Passenger Statistical Plan.</p> <ul style="list-style-type: none"> • The tables containing information relative to the fifth and sixth positions of the class code have been updated to note that code 99 pertains to the Excellent Driver Discount Plus Credit and code 98 applies to the Excellent Driver Discount Credit. (Pages VI:8, 10, 12) • All wording that is specifically related to the assignment of operators to vehicles and that also can be found in Rule 28 (Classifications) of the AIB's Private Passenger Automobile Insurance Manual, has been eliminated from the Statistical Plan. Added in place of this wording, is a note that refers companies to the AIB's Manual if further information is needed. <p>The operator assignment language has been eliminated for several reasons. The class code assignment process has already occurred by the time that a company would be actually reporting the statistics to CAR, so the Statistical Plan would essentially be providing information after the fact. It also assures that wording that is duplicated in other manuals is kept to a minimum. However, the note that has been added refers companies to where the best source of information can be found. (Page VI:7)</p> <p>Note that the proposed modifications are for clarification purposes only and do not represent any changes to the already approved SDIP reporting requirements (see Accounting and Statistical Notice No. 427, dated September 20, 2005).</p>	<p>Approved by CAR's Governing Committee on November 16, 2005.</p> <p>Filed with Division of Insurance on November 16, 2005.</p>

**OPERATIONAL REPORTS
3RD QUARTER 2005**

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.

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 September 26, 2005.

**OPERATIONAL REPORTS
3RD QUARTER 2005**

II. CESSION SYSTEM (continued)

TX5 Cession Backdate Log

DATE SUBMITTED	CO NO	# OF CESSIONS	DATE REQUESTED	BACKDATE GRANTED?	REASON FOR APPROVAL/ DISAPPROVAL
9/19/05	773	1	8/17/05	Yes	Decision to retain policy as voluntary was made prior to the policy effective date.
9/23/05	773	1	8/23/05	Yes	Antique Auto cannot be ceded to CAR Good Documentation
10/7/05	279	1	5/17/05	Yes	Decision to retain policy as voluntary was made prior to the policy effective date.
10/17/05	988	1	6/23/05	Yes	Decision to retain policy as voluntary was made prior to the policy effective date.
10/6/05	312	10	Various	Yes	Decision to retain policies as voluntary was made prior to the policy effective dates.
10/6/05	312	33	Various	Yes	Decision to retain policies as voluntary was made prior to the policy effective dates.
10/6/05	312	33	Various	Yes	Decision to retain policies as voluntary was made prior to the policy effective dates.
10/10/05	312	11	Various	Yes	Decision to retain policies as voluntary was made prior to the policy effective dates.
10/13/05	279	1	10/5/05	Yes	Decision to retain policy as voluntary was made prior to the policy effective date.
10/20/05	279	24	Various	Yes	Decision to retain policies as voluntary was made prior to the policy effective dates.
10/21/05	279	1	9/9/05	Yes	Decision to retain policy as voluntary was made prior to the policy effective date.
11/2/05	279	1	10/31/05	Yes	Decision to retain policy as voluntary was made prior to the policy effective date.
11/3/05	279	5	Various	Yes	Decision to retain policies as voluntary was made prior to the policy effective dates.

**OPERATIONAL REPORTS
3RD QUARTER 2005**

II. CESSION SYSTEM (continued)

B. Cession Backdates (continued)

3. CR215 Cessions Automatically Backdated

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

CAR produced the third quarter 2005 CR215R in November, 2005. In the second quarter, CAR notified those companies who had exceeded the over 5% and 25 policies tolerance. These companies were to respond in writing with an explanation and corrective actions as to why the volume of backdated business is high. The due date for the last response was on October 21, 2005. Companies can contact CAR staff to obtain a copy of these responses.

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
3RD QUARTER 2005**

II. CESSION SYSTEM (continued)

Policy Year 2003
Private Passenger

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

Commercial

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

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

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

**OPERATIONAL REPORTS
3RD QUARTER 2005**

II. CESSION SYSTEM (continued)

Policy Year 2004
Private Passenger

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

Commercial

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

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

**OPERATIONAL REPORTS
3RD QUARTER 2005**

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

**OPERATIONAL REPORTS
3RD QUARTER 2005**

II. CESSION SYSTEM (continued)

Policy Year 2005
Private Passenger

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

Commercial

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

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

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

**OPERATIONAL REPORTS
3RD QUARTER 2005**

II. CESSION SYSTEM (continued)

C. CA5010 Flat Cancellation Audit

CAR runs the CA5010 - Flat Cancellation Documentation Listing semi-annually. Its purpose is to randomly sample flat-canceled policies to verify that the industry is using flat-cancellation transactions properly. CAR ran the CA5010 on July 29, 2005 and the documentation was due back at CAR by November 14, 2005. CAR will be reviewing the documentation and the results will be posted in the 4th quarter financial reports.

D. Cession Volumes

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

Effective Year	Private Passenger Cession %	Commercial Cession %	Time Period
2001	7.7%	23.4%	Final Result
2002	7.5%	28.0%	Final Result
2003	6.9%	27.9%	Final Result
2004	6.7%	26.9%	Final Result
2005	6.4%	26.2%	As of Sept 2005

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

OPERATIONAL REPORTS 3RD QUARTER 2005

III. QUARTERLY PARTICIPATION

A. Production of Quarterly Participation Reports

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

B. Participation Base Data

The September, 2005 Commercial and Private Passenger Participation Ratios were posted to CAR's website on December 30, 2005.

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

C. Rule 12 Participation Credits

CAR held off running the 3rd Quarter Rule 12 credit edit reports while it implements the newly approved Credit Matrix to assign credits. That process is near completion and the CAR should be running the 3rd Quarter results by the end of January, 2006. The industry can find additional information regarding this change as well as the 2005 Credit Factors on CAR's website in Bulletin Number 811.

**OPERATIONAL REPORTS
3RD QUARTER 2005**

III. QUARTERLY PARTICIPATION (continued)

D. CAR Financial Results

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

(Numbers are in \$000s)

Policy Year	Private Passenger	Commercial
2003	(241,881)	16,424
2004	(197,736)	22,228
2005	(184,205)	14,857

E. Cession Limitations

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

Policy Year	% Ceded	As of
2003	13.46%	33 months
2004	11.44%	21 months
2005	11.24%	9 months

F. CAR Commercial Rates

The schedule of commissions for ceded commercial policies effective of October 1, 2005 and subsequent is as follows:

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

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

**OPERATIONAL REPORTS
3RD QUARTER 2005**

IV. ACCOUNTING SYSTEM

A. Update of the Online Accounting System

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

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

B. Critical Error Write-Off

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

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

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for January 2006 through June 2006 are shown following the 3rd quarter write-off exhibit.

**OPERATIONAL REPORTS
3RD QUARTER 2005**

IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Write-Off – 3rd Quarter 2005

Company	Aug-05	Sep-05	Oct-05	Total
045	0	2,099	0	2,099
049	0	14,629	0	14,629
194	2,934	0	47,135	50,069
209	24,387	-102	-95	24,190
333	49,691	0	14,234	63,925
402	23,812	0	3,467	27,279
455	0	1,003	-1	1,002
575	0	0	4,504	4,504
585	0	15,092	0	15,092
612	0	0	-808	-808
723	0	18,806	0	18,806
767	-532	100	46,500	46,068
773	0	0	230	230
887	-658	5,138	-1	4,479
894	30,112	31,879	54,107	116,098
948	0	405	0	405
963	2,893	3,527	0	6,420
Industry	132,639	92,576	169,272	394,487

**OPERATIONAL REPORTS
3RD QUARTER 2005**

IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

3rd Quarter 2005 – 10% Loss of Investment Fees

Co-No	Aug-05	Sep-05	Oct-05	Total
049	0	1389	0	1,389
194	293	0	3,723	4,016
209	820	123	0	943
333	2,280	0	474	2,754
402	214	0	0	214
455	0	0	168	168
723	0	131	0	131
773	0	0	23	23
894	144	1,127	1,731	3,002
963	191	353	0	544
Total	3,942	3,123	6,119	13,184

**OPERATIONAL REPORTS
3RD QUARTER 2005**

IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Potential Loss Write-Off January 2006 through June 2006

Company	January 2006	February 2006	March 2006	April 2006	May 2006	June 2006	Grand Total
045	0	0	0	60	0	0	60
049	0	-4970	1182	980	3555	0	747
096	0	0	0	-1718	0	0	-1718
152	0	0	0	0	0	-1199	-1199
153	0	0	0	0	20697	644	21341
154	8494	11021	10111	-15068	8113	14168	36839
194	8304	187008	3813	0	0	9612	208737
198	0	0	2398	0	0	0	2398
209	37103	2544	11357	21143	1085	6767	79999
312	0	0	0	0	0	12588	12588
331	92123	13026	15424	20567	21634	11028	173802
333	450	0	6710	316	0	0	7476
402	-17459	0	7627	10749	0	0	917
455	726	0	0	0	4585	15927	21238
481	0	0	3112	0	0	-8379	-5267
514	0	0	0	0	0	13345	13345
575	0	0	2097	479	1106	-449	3233
602	0	0	0	0	1142	3727	4869
612	0	0	0	0	0	550	550
723	0	0	0	13236	9520	12375	35131
731	0	0	0	1	3643	0	3644
767	-10803	0	1739	0	0	0	-9064
773	0	10	0	0	0	315	325
887	20132	557	-469	478	6301	0	26999
894	237649	31218	390447	7809	134603	17523	819249
963	195	0	0	-3681	-500	0	-3986
Totals	376914	240414	455548	55351	215484	108542	1452253

**OPERATIONAL REPORTS
3RD QUARTER 2005**

IV. ACCOUNTING SYSTEM (continued)

C. Non-Critical Error "Audit Review" Program

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

2004 Non Critical Errors Over Tolerance Potential Penalty

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Potential Penalty
13	331	12	2.25	166	\$4,600
1	402	10	11.76	18	\$800
5	612	4	1.08	71	\$250
7	894	2	3.59	17	\$600
17	963	2	4.21	39	\$1,200

CAR will assess "Last Listing Cycle" penalties against the 2004 effective date policies that remain over tolerance following the receipt of the December 2005 monthly accounting shipments due at CAR on February 15, 2006.

2005 Non Critical Errors Over Tolerance Potential Penalty

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Potential Penalty
3	894	4	3.86	16	\$600
6	894	5	7.23	30	\$1,300
4	963	2	1.62	17	\$300

**OPERATIONAL REPORTS
3RD QUARTER 2005**

IV. ACCOUNTING SYSTEM (continued)

D. Company Reporting Profiles

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

CAR mailed the six-month 2005 company profile reports in late December 2005.

E. Penalty Forecasting Program

CAR produced the Penalty Forecasting exhibits in mid-December and added them as a secure application to its website. Anyone wanting access to the reports should contact their Security Administrator.

The program helps companies in their correction efforts by tracking potential future penalties if corrective actions are not taken by the companies. CAR produces these reports on a quarterly basis, following the due date of the March, June, September, and December submissions.

F. \$60 Cession/No Premium Penalties

On November 28, 2005 CAR 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.

Company	Penalty Amount
049	\$900
096	\$120
154	\$450
194	\$1,800
312	\$8,280
331	\$2,460
333	\$1,440
455	\$420
514	\$840
575	\$660
585	\$60
664	\$300
723	\$180
731	\$120
767	\$300
887	\$2,280
894	\$2,820
963	\$120
971	\$10,800
Total	\$34,350

**OPERATIONAL REPORTS
3RD QUARTER 2005**

IV. ACCOUNTING SYSTEM (continued)

G. 2002 Cession/No Premium Write-Off Penalties

When CAR closes a cession reporting year, it assesses a final penalty against policies that have an active cession record but no corresponding positive premium. The 2002 reporting year closed on February 15, 2005. Accordingly, CAR no longer accepted cession activity for the 2002 policy effective year and all policies that contained an active cession with no positive premium were subject to the cession/no premium write-off penalty. The 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 the deviated), at 15 months.

For the 2002 policy year, the penalty amounts were \$1,400 for private passenger, \$6,300 for commercial, and \$9,600 for taxi/limo/CAR service. CAR assessed these penalties in the 3rd quarter Settlement of Balances and the industry results are listed in the table below.

	Penalty Amount
049	\$81,900
153	\$1,400
194	\$56,700
331	\$2,800
333	\$245,700
575	\$14,000
664	\$1,400
767	\$25,200
887	\$44,100
894	\$157,500
963	\$113,400
Total	\$744,100

H. 2003 Cession/No Premium Write-Off

CAR will close the 2003 reporting year with the December 2005 monthly accounting shipments due at CAR on February 15, 2006. Accordingly, CAR will no longer accept cession activity for the 2003 policy effective year and all policies that contain an active cession with no positive premium will be subject to the cession/no premium write-off penalty. Please reference the table below for the write-off penalty amounts for 2003 effective date policies and for historical information.

**OPERATIONAL REPORTS
3RD QUARTER 2005**

IV. ACCOUNTING SYSTEM (continued)

H. 2003 Cession/No Premium Write-Off (continued)

The amounts established for 2004 are also included in the table below.

Year	PP Penalty	Commercial Penalty	Taxi/Limo/CAR Service Penalty
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
2000	\$1,300	\$4,000	\$7,800

**OPERATIONAL REPORTS
3RD QUARTER 2005**

V. STATISTICAL AGENT FUNCTION

A. Update of the Online Statistical System

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

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

B. Annual Statement and Annual Statement Reconciliation

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

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

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

**OPERATIONAL REPORTS
3RD QUARTER 2005**

V. STATISTICAL AGENT FUNCTION (continued)

C. Rate Edit Processing

CAR processes both private passenger and commercial data through separate rate editing routines for the latest two policy effective years. The table below shows the industry results by line of business and policy effective year for just the current year because CAR recently deleted 2004 data from its statistical database files.

	Line of Business	Eligible Records	Records in Error	Error %
PP 2005 EFF YEAR	Liability	16,608,616	30,057	0.18%
	No Fault	13,497,830	7,632	0.06%
	Physical Damage	12,987,326	26,713	0.21%
	Total	43,093,772	64,402	0.15%
COMM 2005 EFF YEAR	Liability	146,472	1,762	1.20%
	No Fault	98,460	999	1.01%
	Physical Damage	120,076	2,568	2.14%
	Total	365,008	5,329	1.46%

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

**OPERATIONAL REPORTS
3RD QUARTER 2005**

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
049	Comm	2005	Physical Dam	5/15/2006	2.39%	109
154	Comm	2005	Liability	7/15/2006	2.19%	289
194	Comm	2005	Liability	4/15/2006	9.54%	123
194	Comm	2005	No Fault	3/15/2006	10.61%	111
194	Comm	2005	Physical Dam	1/15/2006	26.25%	393
333	Comm	2005	No Fault	2/15/2006	2.66%	209
664	Comm	2005	Liability	6/15/2006	5.86%	51
664	Comm	2005	Physical Dam	6/15/2006	5.42%	52
887	Comm	2005	Physical Dam	1/15/2006	2.32%	1,003
894	Comm	2005	Physical Dam	11/15/2005	16.79%	285
963	Comm	2005	No Fault	2/15/2006	3.21%	84
963	Comm	2005	Physical Dam	12/15/2005	3.00%	148

**OPERATIONAL REPORTS
3RD QUARTER 2005**

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 10/05

CO NO	RECORD COUNT	WASHOUT COUNT	WASHOUT %
099	10,612	3,480	24.69
100	29,015	11,719	28.77
261	3,775	1,814	32.46
424	12,152	5,525	31.26
511	1,984	1,728	46.55
625	6,877	2,250	24.65
643	5,602	4,254	43.16
701	2,288	1,706	42.71
742	793	592	42.74
743	11,578	7,582	39.57
752	5,072	1,555	23.46
885	23,134	6,548	22.06
927	21,470	7,229	25.19
948	33,559	10,176	23.27
Total Industry	74,462,930	3,444,127	4.42

By comparison, the 2004 washout total following the September 2004 shipments was 4.33%.

**OPERATIONAL REPORTS
3RD QUARTER 2005**

V. STATISTICAL AGENT FUNCTION (continued)

E. Annual Statement

Annual Statement Statutory page 14 filings were due on December 15, 2005 for the 3rd Quarter 2005. Companies would file their financial numbers through the CAR's website under the new Annual Statement Reconciliation System.

The due date for the Reconciliation Responses for 3rd Quarter 2005 is February 3, 2006.

F. Distributional Analysis

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

The third quarter reports were distributed to the industry in December 2005.

**OPERATIONAL REPORTS
3RD QUARTER 2005**

VI. COMMUNICATIONS

A. CAR's Website

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

CAR recently added the Penalty Forecasting Reports as a secure application to its website. The on-line report replaces the paper report that CAR mailed quarterly. The Company Reporting Profile reports are soon to follow and should be available during the month of January.

Also, CAR will soon provide a more descriptive Class Code Look Up and the S040W – Unprocessable Fatal Error and Converted Records reports to the online system. CAR anticipates both will become available during the first few months of 2006.

B. Telecommunications

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

**OPERATIONAL REPORTS
3RD QUARTER 2005**

VII. PROJECT STATUS REPORTS

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

Project	Status	Description
Credit Matrix	In progress	Modify the Rule 12 and Territory Credit Process.
Company Profiles	Near Completion	Automate the company profile process so that the reports are available online. We will run this parallel with the June 2005 reports.
Penalty Forecasting	Completed	Automate the Forecasting reports so that they reside as a secure report on CAR's website. This application moved online during December 2005.
Cession Volume	In Progress	Automate the cession volume process for efficiency. The reports will remain on-line but will open as Crystal Reports rather than PDF documents.
Distributional Analysis	In Progress	Automate the Distributional Analysis process and move the reports onto CAR's website.
2006 Statistical System	Began in October, 2005	Update CAR's system to accept 2006 statistical data. Also, complete the remaining items from the 2005 update: provide web access to the S040 and create a class code lookup function.