



COMMONWEALTH AUTOMOBILE REINSURERS

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RALPH A. IANNACO
President

- MEMORANDUM -

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: December 19, 2006

RE: Operational Reports

The 3rd quarter 2006 Operational Reports follow this memorandum. They include data reported from August 16, 2006 through November 15, 2006 for the accounting months of July 2006 through September 2006. If you have any comments or suggestions to improve the usefulness of these reports, please contact for any recommendations.

Section I – Accounting/Statistical Shipments:

The following changes were requested for modification to Private Passenger Plan to become effective January 1, 2007. At this time the Governing Committee has approved the request and thus CAR awaits the approval by the Division of Insurance to implement the following:

- Effective January 1, 2007, ISO's application of the Vehicle Series Rating program, wording has been updated relative to Symbol Code as contained in Part V – Reporting Instructions – Losses of the Statistical Plan.

The following changes were recommended to the Governing Committee by the Operations Committee. In light of the recent decision relative to MAIP, the Governing Committee will discuss these recommendations as well as other potential changes at its next meeting scheduled for January 15, 2007. Please refer to CAR's website (www.commauto.com) for more information.

- Effective April 1, 2007, the implementation of the Massachusetts Automobile Insurance Plan (MAIP), a new CAR ID Code of "9" to be added to the Statistical Plan to identify MAIP business on all premium and loss records.
- Effective April 1, 2007, language changing in order to specify Bodily Injury, Uninsured and Underinsured Liability Limits of \$500,000/500,000, where code 15 to be added to the appropriate limits tables. The \$500,000/500,000 limit is currently reported using the All Other Limits Code of 49.

OPERATIONAL REPORTS 3RD QUARTER 2006

Section I – Accounting/Statistical Shipments (cont'd):

There have been no requests for changes to the Commercial Statistical Plan since the last changes approved on April 19, 2006.

CAR assessed a total of \$19,100 to the Statistical Penalty Programs in the 3rd Quarter 2006 Settlement of Balances report.

Section II – Cessions:

CAR mailed the CA5010 Cancellation Audit report on July 29, 2006 and was due back on October 31, 2006. CAR is finishing the checking of the documentation and will post the results within the 4th Quarterly Operational Reports.

As of November 15, 2006 the Private Passenger cession rate equaled 5.1%; the commercial cession rate equaled 26.2%.

Section III – Quarterly Participation Reports:

CAR posted the September 2006 Quarterly Member Participation Reports to the website on December 11, 2006.

CAR produced 3rd quarter 2006 Critical Error Write-Offs and 10% Loss of Investment Fees totaling \$410,278 and \$16,057 respectively.

CAR will be running the Rule 12 credit edit reports for 3rd Quarter 2006 in mid-December. The Rule 12 tolerance level is set on an annual basis. For accounting years 2005 and 2006, the Governing Committee approved a tolerance level of 0.15%.

Section IV – Accounting System Processing:

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2005 and 2006 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. There were no penalties in this quarter.

CAR assessed penalties totaling \$138,240 for the \$60 Cession/No Premium after November 28, 2006 which will be included in the 4th quarter 2006 Settlement of Balances.

The Company Profile reports for January through June 2006 were posted November 15, 2006 and are now available to be viewed online. Please note that CAR will no longer be mailing this document to the industry. The twelve-month Company Profiles are expected to be posted to CAR's on-line system come April of 2007.

The Penalty Forecasting exhibits are available on-line for the 3rd quarter 2006 processing.

**OPERATIONAL REPORTS
3RD QUARTER 2006**

Section V - Statistical Agent Functions:

The 3rd Quarter 2006 Statutory Page 14 entries are due at CAR on December 15, 2006. The 2nd Quarter Reconciliation Responses were due at CAR on November 5, 2006. CAR rescinded late return page 14 penalties for \$13,300.

All companies that exceed the commercial and private passenger rate edit tolerances are listed on pages 28-29.

Section VI – Communications:

CAR added an information section relative to the Massachusetts Automobile Insurance Plan (MAIP). Updates to this area will take place upon the need as it arises in an effort to keep the industry informed of the changes to the private passenger market.

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

**OPERATIONAL REPORTS
3RD QUARTER 2006**

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 2006 as of the third quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

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	

2007 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2007	March 15, 2007	1 st Qtr
February 2007	April 16, 2007	
March 2007	May 15, 2007	
April 2007	June 15, 2007	2 nd Qtr
May 2007	July 16, 2007	
June 2007	August 15, 2007	
July 2007	September 17, 2007	3 rd Qtr
August 2007	October 15, 2007	
September 2007	November 15, 2007	
October 2007	December 18, 2007	4 th Qtr
November 2007	January 15, 2008	
December 2007	February 15, 2008	

In instances where a company's ceded loss dollars are complete by quarter's end but its ceded premium dollars are not, CAR will assess "loss of investment income" penalties to reimburse the pool for the missing premium dollars. CAR did not assess any "loss of investment income" penalties in third quarter, 2006.

**OPERATIONAL REPORTS
3RD QUARTER 2006**

I. STATISTICAL SYSTEM (continued)

2006 Timeliness Report

<i>CO NO</i>	<i>Jan 3/15</i>	<i>Feb 4/18</i>	<i>Mar 5/15</i>	<i>Apr 6/15</i>	<i>May 7/15</i>	<i>Jun 8/15</i>	<i>July 9/15</i>	<i>Aug 10/16</i>	<i>Sep 11/15</i>	<i>Oct 12/15</i>	<i>Nov 1/15</i>	<i>Dec 2/15</i>
025						COM						
041									COM			
044						COM						
049									COM			
065						COM						
100		COM	COM						COM			
101						COM			COM			
127						COM						
179						COM						
229							COM					
230						COM						
259			COM						COM			
295	COM											
309	PP		PP	PP								
316			COM	COM	BO	COM	COM	COM	COM			
325						COM						
326			COM	COM			COM					
333						COM						
362				BOTH		BOTH						
366						COM						
366			COM									
402		COM							COM			
407						COM						
417			COM									
436			COM	BOTH	COM	COM	COM					
439						COM						
463									COM			
468		COM										
619	COM											
622			COM									
625			COM									
633			COM	COM			COM					
664		BOTH										
667					COM	COM						
688									COM			
711	COM	COM										
715						COM						
719									COM			
742		COM										
743		COM										
752							COM					
770			COM									

**OPERATIONAL REPORTS
3RD QUARTER 2006**

I. STATISTICAL SYSTEM (continued)

2006 Timeliness Report

<i>CO NO</i>	<i>Jan 3/15</i>	<i>Feb 4/18</i>	<i>Mar 5/15</i>	<i>Apr 6/15</i>	<i>May 7/15</i>	<i>Jun 8/15</i>	<i>July 9/15</i>	<i>Aug 10/16</i>	<i>Sep 11/15</i>	<i>Oct 12/15</i>	<i>Nov 1/15</i>	<i>Dec 2/15</i>
828				BOTH								
837			COM			COM			COM			
874	COM											
894			COM			COM			COM			
895	COM											
941						COM						
963	COM					COM						
971			COM									

**OPERATIONAL REPORTS
3RD QUARTER 2006**

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 3rd quarter 2006, CAR assessed a total penalty amount of \$19,100. The table below shows the detail penalties for each company.

Penalty Assessments
3rd Quarter 2006

Co #	Company Name	Assessment	Assessment Amount
025	Great American Assurance Co.	Late 6/06 MAS	\$ 300
044	Great American Alliance Ins. Co.	Late 6/06 MAS	\$ 300
065	American Employer's Ins. Co.	Late 6/06 MAS	\$ 300
101	American Alternative Ins. Corp.	Late 6/06 MAS	\$ 300
127	Great American Ins. Co. of NY	Late 6/06 MAS	\$ 300
171	Atlanta International Ins. Co.	Rescinded Annual Statement	\$ (800)
179	Atlantic Specialty Ins. Co.	Late 6/06 MAS	\$ 300
225	Carolina Casualty Insurance Co.	Rescinded Annual Statement	\$ (100)
229	Clarendon National Insurance Co.	Rescinded Annual Statement	\$ (2,500)
229	Clarendon National Insurance Co.	Stat Err > 5% 6/06	\$ 500
229	Clarendon National Insurance Co.	Late 7/06 MAS	\$ 300
230	Praetorian Insurance Company	Late 6/06 MAS	\$ 300
316	Empire Fire & Marine Ins. Co.	Stat Err > 5% 4/06	\$ 200
316	Empire Fire & Marine Ins. Co.	Late 5/06 MAS	\$ 4,000
316	Empire Fire & Marine Ins. Co.	Late 6/06 MAS	\$ 2,000
316	Empire Fire & Marine Ins. Co.	Late 7/06 MAS	\$ 2,000
318	Empire Insurance Company	Rescinded Annual Statement	\$ (2,500)
325	Employers Fire Insurance	Late 6/06 MAS	\$ 300
326	Excelsior Insurance Company	Late 4/06 MAS	\$ 4,000
326	Excelsior Insurance Company	Late 7/06 MAS	\$ 300
331	Massachusetts Homeland Ins. Co.	Stat Err > 5% 4/06	\$ 100
331	Massachusetts Homeland Ins. Co.	Stat Err > 5% 4/06	\$ 400
331	Massachusetts Homeland Ins. Co.	Late 6/06 MAS	\$ 300
331	Massachusetts Homeland Ins. Co.	Stat Err > 5% 7/06	\$ 200
333	OneBeacon America Insurance	Late 6/06 MAS	\$ 300
335	Discover Property & Casualty Ins.	Stat Err > 5% 6/06	\$ 100
362	Farm Family Casualty Ins. Co.	Late 6/06 MAS	\$ 300
366	Arch Insurance Company	Late 6/06 MAS	\$ 300
400	Axis Insurance Company	Rescinded Annual Statement	\$ (2,500)
407	OneBeacon Insurance Company	Late 6/06 MAS	\$ 300

**OPERATIONAL REPORTS
3RD QUARTER 2006**

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
3rd Quarter 2006

Co #	Company Name	Assessment	Assessment Amount
420	Continental Western Ins. Co.	Rescinded Annual Statement	\$ (700)
436	General Casualty Co. of Wisconsin	Late 6/06 MAS	\$ 300
436	General Casualty Co. of Wisconsin	Late 7/06 MAS	\$ 300
439	Great American Insurance Co.	Late 6/06 MAS	\$ 300
559	Maryland Casualty Company	Stat Err > 5% 2/06	\$ 400
595	Mount Vernon Insurance Co.	Rescinded Annual Statement	\$ (50)
619	National Fire Insurance Hartford	Stat Err > 5% 1/06	\$ 400
619	National Fire Insurance Hartford	Stat Err > 5% 2/06	\$ 400
633	The Netherlands Insurance Co.	Late 7/06 MAS	\$ 300
650	Coregis Insurance Company	Rescinded Annual Statement	\$ (650)
667	North River Insurance Company	Late 6/06 MAS	\$ 300
711	Peerless Insurance Company	Late 3/06 MAS	\$ 8,000
711	Peerless Insurance Company	Late 6/06 MAS	\$ 300
711	Peerless Insurance Company	Late 7/06 MAS	\$ 300
711	Peerless Insurance Company	Late 8/06 MAS	\$ 300
715	Pennsylvania General Ins. Co.	Late 6/06 MAS	\$ 300
752	Republic-Franklin Ins. Co.	Late 7/06 MAS	\$ 800
753	Redland Insurance Company	Rescinded Annual Statement	\$ (2,500)
837	T.H.E. Insurance Company	Stat Err > 5% 6/06	\$ 100
837	T.H.E. Insurance Company	Late 6/06 MAS	\$ 300
859	Transport Insurance Company	Rescinded Annual Statement	\$ (200)
896	Truck Ins Exchange	Rescinded Annual Statement	\$ (50)
910	Union Insurance Company	Rescinded Annual Statement	\$ (700)
963	Harleysville Worcester Ins. Co.	Late 6/06 MAS	\$ 800
971	Zurich Insurance Company	Stat Err > 5% 2/06	\$ 400
979	American Bankers Insurance Co.	Stat Err > 5% 6/06	\$ 100
980	Westport Insurance Corporation	Rescinded Annual Statement	\$ (50)
			\$ 19,100

**OPERATIONAL REPORTS
3RD QUARTER 2006**

I. STATISTICAL SYSTEM (continued)

Massachusetts Commercial Statistical Plan
Approved Modifications

Approved Effective Date	Description	Status
Optional July 1, 2006 – December 31, 2006 (Mandatory January 1, 2007)	On December 22, 2005, the Terrorism Risk Insurance Act of 2005 was extended for two years, until December 31, 2007. However, certain commercial lines of business were specifically not renewed under the extension legislation and effective January 1, 2006, the Terrorism Risk Insurance Act (TRIA) no longer applies to Commercial Automobile business. Accordingly, the existing Terrorism Coverage Code values no longer apply to this business. These codes have been replaced by new values that identify whether terrorism coverage exists on the underlying policy (at no charge or for an additional premium charge) and identify any premium associated with terrorism coverage on a separate terrorism coverage record. The approved codes are similar to those added to the ISO Commercial Automobile Statistical Plan.	Approved by the Division of Insurance on April 19, 2006.
Optional July 1, 2006 – December 31, 2006 (Mandatory January 1, 2007)	References to “certified” Type of Loss Codes have been removed from the Statistical Plan. The existing “all other terrorism” and “not certified” Type of Loss Codes will now be referred to as “Terrorism” losses.	

**OPERATIONAL REPORTS
3RD QUARTER 2006**

I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan
Proposed Modifications

Proposed Effective Date	Description	Pages Impacted	Records Impacted
January 1, 2007	In response to ISO's application of a Vehicle Series Rating program, wording relative to Symbol Code as contained in Part V – Reporting Instructions – Losses of the Statistical Plan has been updated.	V:15	For Clarification Only
April 1, 2007	In conjunction with the implementation of the Massachusetts Automobile Insurance Plan (MAIP), a new CAR ID Code of 9 has been added to the Statistical Plan to identify MAIP business.	VI:3	All Premiums and Loss Records
	In order to specifically identify Bodily Injury, Uninsured and Under insured Liability Limits of 500,000/500,000, code 15 has been added to the appropriate limits tables. The 500,000/500,000 limit is currently reported using the All Other Limits Code of 49.	VI:29	All Premium and Loss Records

**OPERATIONAL REPORTS
3RD QUARTER 2006**

II. CESSION SYSTEM

A. Cession Submission

CAR accepts cession data via three different methods: cartridge, on-line telecommunications, and FTP transmission. Please contact your company's Data Analyst if you need assistance in gaining access to CAR's telecommunications system. In 2006, CAR accepts cession records and cession corrections for policy years 2004-2006.

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 has been one "intent-to-cede" appeal requested since the last publication of the Operational Reports. CAR approved 23 new business cession backdates for Hanover (455); based on the fact that the ERP acted in an untimely manner and the company responded by ceding the policies within the 10 business day window.

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 14, 2006.

**OPERATIONAL REPORTS
3RD QUARTER 2006**

II. CESSION SYSTEM (continued)

TX5 Cession Backdate Log

DATE SUBMITTED	CO NO	NUMBER OF CESSIONS	DATE REQUESTED	BACKDATE GRANTED?	REASON FOR APPROVAL/ DISAPPROVAL
9/13/06	312	25	Various	Yes	Decision to retain the policies as voluntary business was made prior to the policy effective dates.
9/14/06	312	25	Various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
9/25/06	279	2	Various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
9/29/06	312	1	12/30/05	Yes	Decision to retain policy as voluntary business was made prior to the policy effective date.
10/12/06	279	1	8/16/06	Yes	Decision to retain policy as voluntary business was made prior to the policy effective date.
10/27/06	279	2	Various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
11/27/06	455	83	11/3/06	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.

**OPERATIONAL REPORTS
3RD QUARTER 2006**

II. CESSION SYSTEM (continued)

3. CR215 Cessions Automatically Backdated

On a quarterly basis, CAR produces the CR215 report that shows the volume of cessions backdated for involuntary producer business. The program monitors the three current reporting years for cession activity. Accordingly, CAR monitored policy years 2004, 2005 and 2006.

CAR produced the second quarter 2006 CR215R and notified those companies who had exceeded the over 5% and 25 policies tolerance. Those companies contacted 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 response was October 27, 2006. Two companies were identified. Normally these responses are posted as an exhibit on this report, but at this time can be seen upon the companies' request.

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 2006**

II. CESSION SYSTEM (continued)

Policy Year 2004
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATE D 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
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	526	7	1.3	0.0	0	0
723	6,110	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	5,115	183	3.6	0.0	0	0
Totals	28,774	403	1.4%	N/A	3,784	0

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	329	23	7.0 #	0.0	23,820	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	915	0
455	232	16	6.9 #	0.0	2,345	0
514	286	30	10.5 *	0.0	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	1,453	230	15.8 *	0.0	30,278	0
919	32	1	3.1	0.0	0	0
929	29	1	3.4	0.0	0	0
Totals	5,037	512	10.2% *	N/A	61,731	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 2006**

II. CESSION SYSTEM (continued)

Policy Year 2005
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
045	685	20	2.9	0.0	642	0
279	2,434	9	0.4	0.0	0	0
514	60	1	1.7	0.0	0	0
585	103	2	1.9	0.0	0	0
602	273	15	5.5 #	0.0	2,226	0
612	24	0	0.0	0.0	0	0
723	2,924	13	0.4	0.0	0	0
773	6,619	24	0.4	0.0	0	0
826	570	1	0.2	0.0	0	0
908	7,749	295	3.8	0.0	16,314	37,000
Totals	21,441	380	1.8%	N/A	19,182	37,000

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
049	291	8	2.7	0.0	0	0
102	149	9	6.0 #	0.0	0	0
152	260	15	5.8 #	0.1	337	0
194	113	6	5.3 #	0.0	0	0
279	344	9	2.6	0.0	0	0
333	332	6	1.8	0.0	0	0
438	369	12	3.3	0.0	0	0
455	205	14	6.8 #	0.0	0	0
514	338	41	12.1 *	0.0	1,568	0
612	29	21	72.4 #	0.0	0	0
644	32	1	3.1	3.1	0	0
734	448	24	5.4 #	0.0	1,887	0
735	31	5	16.1 #	0.0	0	0
751	7	5	71.4 #	0.0	631	0
773	307	2	0.7	0.0	0	0
887	1,680	160	9.5 *	0.1	18,320	0
929	47	1	2.1	0.0	0	0
Totals	4,982	339	6.8% *	N/A	22,743	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 2006**

II. CESSION SYSTEM (continued)

Policy Year 2006
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
045	141	0	0.0	0.0	0	0
279	3,688	10	0.3	0.0	0	0
514	10	0	0.0	0.0	0	0
585	82	2	2.4	-2.1	0	0
612	31	0	0.0	0.0	0	0
723	1,392	7	0.5	-0.2	0	0
773	14	0	0.0	0.0	0	0
908	5,428	53	1.0	0.0	0	0
Totals	10,786	72	0.7	N/A	0	0

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
049	0	0	0.0	0.0	0	0
102	0	0	0.0	0.0	0	0
152	197	9	4.6	3.8	0	0
245	419	22	5.3 #	4.4	0	0
279	106	3	2.8	-1.0	0	0
333	0	0	0.0	0.0	0	0
438	0	0	0.0	0.0	0	0
455	1,682	178	10.6 *	-2.4	10,764	18,900
514	8	0	0.0	0.0	0	0
612	0	0	0.0	0.0	0	0
644	0	0	0.0	0.0	0	0
734	399	14	3.5	1.5	0	0
735	27	3	11.1 #	-3.2	0	0
751	0	0	0.0	0.0	0	0
773	111	0	0.0	0.0	0	0
887	674	50	7.4 *	0.1	0	0
929	0	0	0.0	0.0	0	0
Totals	3,623	279	8.9% *	N/A	10,764	18,900

* 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 2006**

II. CESSION SYSTEM (continued)

C. CA5010 Flat Cancellation Audit

Twice per year CAR runs the CA5010 - Flat Cancellation Documentation Listing. Its purpose is to randomly sample flat-canceled policies to verify that the industry is using flat-cancellation transactions properly. CAR ran the CA5010 on July 31, 2006 and the documentation was due back at CAR on October 31, 2006. The results after reviewing the documentation will be posted within the next Operational Reports.

D. Cession Volumes

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

Effective Year	Private Passenger Cession %	Commercial Cession %	Time Period
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	6.2%	26.2%	Final Result
2006	5.1%	26.2%	As of September 2006

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 2006**

III. QUARTERLY PARTICIPATION

A. Production of Quarterly Participation Reports

CAR posted the September 2006 Quarterly Member Participation Reports to its website on December 11, 2006. 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 3rd Quarter 2006 estimated Participation Ratios using data reported through September 30, 2006, will be posted to CAR's website by December 31, 2006.

C. Rule 12 Participation Credits

CAR will be running the Rule 12 credit edit reports for 3rd Quarter 2006 in mid-December.

The Rule 12 tolerance level is set on an annual basis. For accounting years 2005 and 2006, the Governing Committee approved a tolerance level of 0.15%. The decrease in the tolerance level reflects the implementation of the credit matrix methodology which combines territory and class credits. The new tolerance level also provides for a consistent allowance for total credits in error. The table below shows a six-year history of the Rule 12 tolerance level and the industry's error percent.

Accounting Year	Tolerance Level	Industry Error %	
		LIAB	PHYS
2000	0.50%	1.65%	1.76%
2001	0.25%	1.45%	1.54%
2002	0.25%	1.49%	1.57%
2003	0.25%	1.45%	1.62%
2004	0.25%	1.14%	1.30%
2005	0.15%	0.43%	0.52%
2006(3rd Quarter)	0.15%	Not Available	Not Available

**OPERATIONAL REPORTS
3RD QUARTER 2006**

III. QUARTERLY PARTICIPATION (continued)

D. CAR Financial Results

The ultimate policy year deficit projections, as of September 2006, for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Private Passenger	Commercial
2004	(155,922)	25,002
2005	(117,016)	22,007
2006	(115,975)	9,564

E. CAR Commercial Rates

The schedule of commissions for ceded commercial policies will remain the same for policies effective of October 1, 2006 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 2006**

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 2006	May 15, 2006	May 16, 2006
2nd Quarter 2006	August 15, 2006	August 16, 2006
3rd Quarter 2006	November 15, 2006	November 16, 2006
4th Quarter 2006	February 15, 2007	February 16, 2007

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 2006.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for December 2006 through May 2007 are shown following the 3rd quarter write-off exhibit.

**OPERATIONAL REPORTS
3RD QUARTER 2006**

IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Write-Off – 3rd Quarter 2006

Company	Aug-06	Sep-06	Oct-06	Total
045	0	111	0	111
049	3,818	157	5,013	8,988
154	0	322	0	322
194	45,284	2,330	50,447	98,061
209	5,427	-99	0	5,328
312	1,003	12,331	13,074	26,408
331	3,852	10,769	2,516	17,137
333	4,096	7,730	20,009	31,835
402	0	0	2,878	2,878
455	-56	0	282	226
514	299	0	0	299
575	29,933	10,962	2,213	43,108
585	0	0	-4,000	-4,000
612	5,540	0	0	5,540
723	0	13,359	-240	13,119
751	0	-4,150	0	-4,150
767	-10,614	0	-6,500	-17,114
887	704	766	0	1,470
894	45,783	62,622	42,109	150,514
963	29,119	1,079	0	30,198
INDUSTRY	164,188	118,289	127,801	410,278

**OPERATIONAL REPORTS
3RD QUARTER 2006**

IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

3rd Quarter 2006 – 10% Loss of Investment Fees

Co No	Aug 2006	Sept 2006	Oct 2006	Total
049	1,080	0	501	1,581
194	3,405	0	201	3,606
209	725	0	0	725
312	100	395	0	495
402	0	0	88	88
455	-6	0	1	-5
585	0	0	-50	-50
723	0	195	0	195
767	-380	0	0	-380
894	2,343	5073	2,148	9,564
963	130	108	0	238
Total	7,397	5,771	2,889	16,057

**OPERATIONAL REPORTS
3RD QUARTER 2006**

IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Potential Loss Write-Off September 2006 through February 2007

Company	December 2006	January 2007	February 2007	March 2007	April 2007	May 2007	Grand Total
045	553	0	0	9,483	0	0	10,036
049	17,739	0	363	0	0	0	18,102
096	0	0	0	6,752	0	0	6,752
152	0	-200	0	0	0	0	-200
153	188,398	92,870	0	14,540	7,457	0	303,265
154	4,017	21,503	0	49,430	12,088	0	87,038
194	13,868	0	2,125	0	8,455	0	24,448
209	-15,687	0	0	0	-13,083	0	-28,770
312	3,775	0	0	4,924	0	0	8,699
331	23,235	47,020	0	9,972	11,605	0	91,832
333	92,224	0	0	10,749	3,566	0	106,539
402	0	0	29,513	0	0	0	29,513
455	0	0	0	0	547	0	547
481	0	0	195	0	0	0	195
514	0	0	0	0	0	0	0
575	360	600	0	0	0	0	960
585	0	542	0	0	0	0	542
612	0	0	0	9	0	0	9
664	322	0	0	0	0	0	322
723	24,900	0	0	4,854	0	0	29,754
743	0	0	11	0	0	0	11
751	0	0	0	3,120	0	0	3,120
767	0	0	0	0	0	0	0
773	5	5	0	0	15	0	25
887	2,188	0	325	8,152	3,553	0	14,218
894	11,234	2,711	12,220	9,733	0	0	35,898
908	0	0	0	841	0	0	841
963	0	55,217	0	0	14,963	0	70,180
Totals	367,131	220,268	44,752	132,559	49,166	0	813,876

**OPERATIONAL REPORTS
3RD QUARTER 2006**

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 potential penalties.

Audit Review
2005 & 2006 Policy Effective Year

2005 Non-Critical Errors Over Tolerance Potential Penalty

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Potential Penalty
7	312	10	1.34	96	\$1,200
9	331	12	1.47	129	\$2,050
18	894	04	3.22	15	\$500
16	963	02	3.90	44	\$1,650

2006 Non-Critical Error Over Tolerance Potential Penalty

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Potential Penalty
6	153	04	2.04	404	\$10,300
1	331	10	1.01	50	\$50
5	354	12	2.85	159	\$5,150

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 has recently posted the six-month 2006 company profile reports at the beginning of November 2006. Accordingly, CAR will now be producing these reports to be viewed online for the industry each of these time periods and will no longer be mailing out hard copies of this report.

**OPERATIONAL REPORTS
3RD QUARTER 2006**

IV. ACCOUNTING SYSTEM (continued)

E. Penalty Forecasting Program

CAR produces the Penalty Forecasting exhibits in March, June, September, and December. CAR posted the September 2006 in early December 2006 and can be located on CAR's website as a secure report under the Data Quality & Data Reporting Reports. 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.

F. Cession/No Premium Penalties

On November 28, 2006 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. These figures will get penalized with the next Settlement of Balances in 4th Quarter 2006.

Co. No.	Penalty Amount
045	\$2,700
049	\$300
194	\$960
331	\$5,160
333	\$780
402	\$120
455	\$60
514	\$14,760
575	\$1,200
585	\$60
602	\$60
664	\$180
723	\$60
751	\$120
767	\$60
887	\$2,520
894	\$1,140
948	\$60
963	\$600
971	\$105,960
988	\$1,380
Total	\$138,240

**OPERATIONAL REPORTS
3RD QUARTER 2006**

IV. ACCOUNTING SYSTEM (continued)

G. 2004 Cession/No Premium Write-Off

CAR will close the 2004 reporting year with the December 2006 monthly accounting shipments due at CAR on February 15, 2007. Accordingly, CAR will no longer accept cession activity for the 2004 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 2004 effective date policies and for historical information.

The amounts established for 2005 are also included in the table below.

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

**OPERATIONAL REPORTS
3RD QUARTER 2006**

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 2006	May 15, 2006	May 16, 2006
2nd Quarter 2006	August 15, 2006	August 16, 2006
3rd Quarter 2006	November 15, 2006	November 16, 2006
4th Quarter 2006	February 15, 2007	February 16, 2007

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 2006	June 15, 2006	July 3, 2006	Approx. August 4, 2006
2nd 2006	September 15, 2006	October 6, 2006	Approx. November 3, 2006
3rd 2006	December 15, 2006	January 5, 2007	Approx. February 2, 2007
4th 2006	March 15, 2007	April 6, 2007	Approx. May 4, 2007

The 2nd quarter Reconciliation report was due on November 5, 2006. The 3rd Quarterly Annual Statement page 14 data is due by December 15, 2006. Companies are to enter this information through CAR's website within the Annual Statement application. For accessing or questions on how get at the application contact CAR Staff for assistance. Lastly, CAR rescinded late page 14 penalties amounting to \$13,300.

**OPERATIONAL REPORTS
3RD QUARTER 2006**

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.

	Line of Business	Eligible Records	Records in Error	Error %
PP 2006 EFF YEAR	Liability	14,618,638	30,522	0.21%
	No Fault	12,119,356	11,905	0.10%
	Physical Damage	11,504,739	30,313	0.26%
	Total	38,242,733	72,740	0.19%
COMM 2006 EFF YEAR	Liability	79,836	1,592	1.99%
	No Fault	55,191	1,098	1.99%
	Physical Damage	59,099	1,372	2.32%
	Total	194,126	4,062	2.09%

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 2006**

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
045	PP	2006	Liability	6/15/2007	2.84%	1,645
045	PP	2006	Physical Dam	6/15/2007	3.10%	1,516
152	Comm	2006	Liability	4/15/2007	5.30%	102
154	Comm	2006	Liability	9/15/2006	3.83%	386
154	Comm	2006	Physical Dam	2/15/2007	3.21%	257
245	Comm	2006	No Fault	3/15/2007	9.17%	254
309	PP	2006	Liability	12/15/2006	3.76%	4,409
455	Comm	2006	Physical Dam	5/15/2007	2.16%	280
735	Comm	2006	Liability	2/15/2007	2.63%	321
773	Comm	2006	Liability	2/15/2007	3.15%	287
773	Comm	2006	Physical Dam	12/15/2006	3.03%	232
887	Comm	2006	No Fault	12/15/2006	6.29%	393
887	Comm	2006	Physical Dam	1/15/2007	2.65%	249

**OPERATIONAL REPORTS
3RD QUARTER 2006**

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 9/06

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
011	4	20	20.00
099	2,678	10,082	26.56
101	600	2,599	23.09
204	630	1,080	58.33
261	882	1,962	44.95
356	2	9	22.22
417	18	43	41.86
499	10	43	23.26
511	1,368	1,560	87.69
625	2,056	8,635	23.81
643	258	827	31.20
701	242	775	31.23
751	97	256	37.89
828	100,530	422,405	23.80
885	6,946	22,970	30.24
927	3,166	9,826	32.22
948	4,763	18,382	25.91

Total Industry	61,764,555	2,682,261	4.34
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The 2005 washout total following the 9/2005 shipments was 4.42%.

**OPERATIONAL REPORTS
3RD QUARTER 2006**

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 reports to the industry will be as of September, 2006 and will be sent to the industry in around or about Mid-December.

**OPERATIONAL REPORTS
3RD QUARTER 2006**

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 an information section relative to the Massachusetts Automobile Insurance Plan (MAIP). CAR will update this area as the need arises in an effort to keep the industry informed of the changes to the private passenger market.

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

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 2006**

VII. PROJECT STATUS REPORTS

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

Project	Status	Description
Cession Volume	Near completion	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.
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.
2007 Statistical System	Began in October 2006	Update CAR's system to accept 2007 statistical data. This includes adding new class codes for private passenger loss SDIP data. Also, will look at moving additional reports to CAR's website.
MAIP	In Progress	Create and implement necessary programs to generate an assigned risk program for the State of Massachusetts.