



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 14, 2009

RE: Operational Reports

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The 3<sup>rd</sup> quarter 2009 Operational Reports follow this memorandum. They include data reported August 16, 2009 through November 15, 2009 for the accounting month period of July 2009 through September 2009. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

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

At CAR's Governing Committee meeting held on November 18, 2009, modifications were recommended to the Massachusetts Private Passenger and Commercial Statistical Plans. These pages were forwarded to the Division of Insurance on November 18, 2009 for approval. A summary of the proposed modifications to the Statistical Plans and their proposed effective dates are posted for review.

CAR assessed a total of \$88,250 Statistical Penalty Programs in the 3<sup>rd</sup> Quarter 2009 Settlement of Balances report.

## **OPERATIONAL REPORTS 3RD QUARTER 2009**

### **Section II – Cessions:**

CAR mailed the Cancellation Audit report on July 31, 2009. This report was due back on October 24, 2009. CAR will post the results of any late, missing and invalid documentation in the 4<sup>th</sup> quarter Settlement of Balances.

As of September 2009 the Private Passenger cession rate equaled 2.2%; the commercial cession rate equaled 17.1%.

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

CAR posted the September 2009 Quarterly Member Participation Reports to the website on December 8, 2009.

CAR ran the 3<sup>rd</sup> Quarter 2009 Rule 12 credit edit download reports November 24, 2009.

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

CAR produced 3<sup>rd</sup> quarter 2009 Critical Error Write-Offs and 10% Loss of Investment Fees totaling \$839,052 and \$4,681 respectively.

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

The Penalty Forecasting exhibits became available December 10, 2009.

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

The 2<sup>nd</sup> Quarter 2009 Statutory Page 14 entries were due at CAR on September 15, 2009. The Reconciliation Responses for 2<sup>nd</sup> Quarter 2009 were due on November 4, 2009. CAR recently notified the industry on November 5, 2009 to begin reporting 3<sup>rd</sup> Quarter 2009 Statutory Page 14 entries due back at CAR on December 15, 2009.

All companies that exceed the commercial rate edit tolerance are listed on pages 27-28.

### **Section VI – Communications:**

The Division of Insurance has placed CAR's private passenger residual market rate and rules submission on file to be effective as of April 1, 2010. It is anticipated that the rating factors and rate tables will be available on CAR's website prior to the end of December, 2009, with the final rate pages being posted by the first week of January 2010. Please refer to Bulletin No. 916.

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**I. STATISTICAL SYSTEM**

A. Reporting of Company Shipments

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

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

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

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**I. STATISTICAL SYSTEM (continued)**

2009 Timeliness Report

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

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**I. STATISTICAL SYSTEM (continued)**

**B. Statistical Plan Penalty Fee Program**

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

For 3<sup>rd</sup> quarter 2009, CAR assessed a total penalty amount of \$88,250. The table below shows the detail penalties for each company.

Penalty Assessments  
3rd Quarter 2009

<b>Co #</b>	<b>Company Name</b>	<b>Assessment</b>	<b>Assessment Amount</b>
089	AM Guaranty & Liability Ins. Co.	Stat Err > 5% 3/09	\$ 400
089	AM Guaranty & Liability Ins. Co.	Stat Err > 5% 5/09	\$ 100
089	AM Guaranty & Liability Ins. Co.	Stat Err > 5% 6/09	\$ 200
091	American Zurich Insurance Co.	Stat Err > 5% 2/09	\$ 400
091	American Zurich Insurance Co.	Interim Late MAS Penalty 6/09	\$ 6,000
091	American Zurich Insurance Co.	Interim Late MAS Penalty 7/09	\$ 4,000
091	American Zurich Insurance Co.	Interim Late MAS Penalty 8/09	\$ 800
096	American Hardware Mutual Ins.	Stat Err > 5% 7/09	\$ 100
109	PA Lumbermens Mutual Ins. Co.	Rescinded Late Return Pg 15	\$ (250)
155	Argonaut Insurance Company	Stat Err > 5% 2/09	\$ 800
155	Argonaut Insurance Company	Stat Err > 5% 3/09	\$ 400
155	Argonaut Insurance Company	Stat Err > 5% 4/09	\$ 300
155	Argonaut Insurance Company	Stat Err > 5% 5/09	\$ 600
155	Argonaut Insurance Company	Late MAS 7/09	\$ 300
229	Clarendon National Insurance Co.	Stat Err > 5% 3/09	\$ 800
229	Clarendon National Insurance Co.	Stat Err > 5% 4/09	\$ 100
229	Clarendon National Insurance Co.	Stat Err > 5% 6/09	\$ 100
229	Clarendon National Insurance Co.	Late MAS 6/09	\$ 300
230	Praetorian Insurance Company	Stat Err > 5% 3/09	\$ 400
230	Praetorian Insurance Company	Stat Err > 5% 6/09	\$ 200
230	Praetorian Insurance Company	Late MAS 6/09	\$ 800
233	Centennial Insurance Company	Late MAS 6/09	\$ 300
316	Empire Fire & Marine Ins. Co.	Stat Err > 5% 7/09	\$ 300
362	Farm Family Casualty Ins. Co.	Stat Err > 5% 5/09	\$ 100
380	Federated Mutual Insurance Co.	Stat Err > 5% 6/09	\$ 100
467	Hartford Casualty Insurance Co.	Stat Err > 5% 6/09	\$ 100
468	Harford Fire Insurance Co.	Stat Err > 5% 6/09	\$ 100
514	Liberty Mutual Insurance Co.	Stat Err > 5% 5/09	\$ 200
514	Liberty Mutual Insurance Co.	Stat Err > 5% 7/09	\$ 100
559	Maryland Casualty Company	Stat Err > 5% 2/09	\$ 1,600

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**I. STATISTICAL SYSTEM (continued)**

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

Penalty Assessments  
3rd Quarter 2009

			<b>Assessment</b>
<b>Co #</b>	<b>Company Name</b>	<b>Assessment</b>	<b>Amount</b>
559	Maryland Casualty Company	Stat Err > 5% 3/09	\$ 2,400
559	Maryland Casualty Company	Stat Err > 5% 4/09	\$ 1,600
559	Maryland Casualty Company	Stat Err > 5% 5/09	\$ 300
559	Maryland Casualty Company	Stat Err > 5% 6/09	\$ 400
585	Met Property & Casualty Ins. Co.	Late MAS 7/09	\$ 300
625	American States Insurance Co.	Stat Err > 5% 3/09	\$ 2,800
625	American States Insurance Co.	Stat Err > 5% 6/09	\$ 300
664	Norfolk & Dedham Mutual Fire	Stat Err > 5% 3/09	\$ 400
664	Norfolk & Dedham Mutual Fire	Stat Err > 5% 6/09	\$ 200
711	Peerless Insurance Company	Late MAS 8/09	\$ 300
731	Plymouth Rock Assurance Corp.	Stat Err > 5% 6/09	\$ 200
753	Redland Insurance Company	Stat Err > 5% 2/09	\$ 1,200
753	Redland Insurance Company	Stat Err > 5% 6/09	\$ 100
963	Harleysville Worcester Ins. Co.	Interim Late MAS Penalty 1/09	\$ 16,000
963	Harleysville Worcester Ins. Co.	Interim Late MAS Penalty 8/09	\$ 800
971	Zurich Insurance Company	Stat Err > 5% 2/09	\$ 2,400
971	Zurich Insurance Company	Stat Err > 5% 3/09	\$ 1,600
971	Zurich Insurance Company	Stat Err > 5% 4/09	\$ 1,600
971	Zurich Insurance Company	Stat Err > 5% 5/09	\$ 400
971	Zurich Insurance Company	Stat Err > 5% 6/09	\$ 400
971	Zurich Insurance Company	Interim Late MAS Penalty 1/09	\$ 6,000
971	Zurich Insurance Company	Interim Late MAS Penalty 3/09	\$ 6,000
971	Zurich Insurance Company	Interim Late MAS Penalty 4/09	\$ 6,000
971	Zurich Insurance Company	Interim Late MAS Penalty 5/09	\$ 6,000
971	Zurich Insurance Company	Interim Late MAS Penalty 6/09	\$ 6,000
971	Zurich Insurance Company	Interim Late MAS Penalty 7/09	\$ 4,000
971	Zurich Insurance Company	Interim Late MAS Penalty 8/09	\$ 800
		Total	\$ 88,250

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3RD QUARTER 2009**

**I. STATISTICAL SYSTEM (continued)**

Massachusetts Private Passenger Statistical Plan  
Proposed Modifications

Proposed Effective Date	Description	Status
<b>January 1, 2010</b>	<p>The Private Passenger Statistical Plan has been updated to include proposed modifications to the Statistical Data Quality Program as follows:</p> <ul style="list-style-type: none"> <li>• The majority of the penalty amounts contained in the Statistical Data Quality Program have not been updated since their inception in 1989. It is recommended that these penalties be increased for inflationary changes and adjusted for reasonability as warranted.</li> <li>• In order to further assure that complete and accurate statistical data is reported to CAR, it is recommended that two programs be added to the Private Passenger Statistical Data Quality Program: <ul style="list-style-type: none"> <li>• Expand the Annual Statement program to monitor the receipt of Statutory Page 14s for Massachusetts on a quarterly basis, including any corresponding out-of-balance explanations. This program will be administered in a similar manner to the program currently in place for monitoring the year-end receipt of company Annual Statements.</li> <li>• In accordance with Rule 29 of the CAR Rules of Operation, no later than the 23-month anniversary of the calendar date on which a Newly Writing Company's initial Private Passenger Motor Vehicle Insurance rates and manual became effective, the company must provide CAR with interim summary data on a monthly basis. In order to assure the timely receipt of interim data information, an Interim Summary Data penalty will be added to the Private Passenger Statistical Data Quality Program. A penalty will apply for failing to report the initial submission of interim data and another penalty will apply on an ongoing basis for failing to report each subsequent monthly submission of interim data.</li> </ul> </li> <li>• Wording clarification, elimination of obsolete language and the renumbering of sections as necessary.</li> </ul> <p>The proposed implementation date of these modifications is January 1, 2010, impacting the January 2010 and subsequent monthly accounting/statistical shipments.</p>	<p>Forwarded to the Division of Insurance for approval</p> <p>November 18, 2009</p>

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**I. STATISTICAL SYSTEM (continued)**

Massachusetts Commercial Statistical Plan  
Proposed Modifications

Proposed Effective Date	Description	Status
<b>January 1, 2010</b>	<p>The Commercial Statistical Plan has been updated to include proposed modifications to the Statistical Data Quality Program as follows:</p> <ul style="list-style-type: none"> <li>• The majority of the penalty amounts contained in the Statistical Data Quality Program have not been updated since their inception in 1989. It is recommended that these penalties be increased for inflationary changes and adjusted for reasonability as warranted.</li> <li>• In order to further assure that complete and accurate statistical data is reported to CAR, it is recommended that a program be added to the Commercial Statistical Data Quality Program: <ul style="list-style-type: none"> <li>• Expand the Annual Statement program to monitor the receipt of Statutory Page 14s for Massachusetts on a quarterly basis, including any corresponding out-of-balance explanations. This program will be administered in a similar manner to the program currently in place for monitoring the year-end receipt of company Annual Statements.</li> </ul> </li> <li>• Wording clarification, elimination of obsolete language and the renumbering of sections as necessary.</li> </ul> <p>The proposed implementation date of these modifications is January 1, 2010, impacting the January 2010 and subsequent monthly accounting/statistical shipments.</p>	<p>Forwarded to the Division of Insurance for approval</p> <p>November 18, 2009</p>

## OPERATIONAL REPORTS 3RD QUARTER 2009

### II. CESSION SYSTEM

#### A. Cession Submission

CAR accepts cession data via three different methods: cartridge, on-line telecommunications, and FTP transmission. Please contact your company's Data Analyst if you need assistance in gaining access to CAR's telecommunications system. In 2009, CAR accepts cession records and cession corrections for policy years 2007-2009.

For more information regarding cession reporting via FTP, please reference Bulletin Number 380.

#### B. Cession Backdates

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

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

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

##### 2. TX5 Cession Backdate Appeals

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

The table on the following page reflects the log of cession backdate requests CAR Staff processed since the last publication of the Operational Reports on September 4, 2009.

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**II. CESSION SYSTEM (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
6/15/09	312	20	Various	Yes	Decision to retain the policies as voluntary business was made prior to the policy effective dates.
6/16/09	312	18	Various	Yes	Decision to retain the policies as voluntary business was made prior to the policy effective dates.
6/17/09	312	11	Various	Yes	Decision to retain the policies as voluntary business was made prior to the policy effective dates.
6/18/09	312	24	Various	Yes	Decision to retain the policies as voluntary business was made prior to the policy effective date.
6/19/09	312	19	Various	Yes	Decision to retain the policies as voluntary business was made prior to the policy effective date.
6/22/09	312	18	Various	Yes	Decision to retain the policies as voluntary business was made prior to the policy effective date.
6/23/09	312	16	Various	Yes	Decision to retain the policies as voluntary business was made prior to the policy effective dates.
6/24/09	312	20	Various	Yes	Decision to retain the policies as voluntary business was made prior to the policy effective dates.
6/25/09	312	19	Various	Yes	Decision to retain the policies as voluntary business was made prior to the policy effective dates.
6/26/09	312	17	Various	Yes	Decision to retain the policies as voluntary business was made prior to the policy effective dates.
6/29/09	312	20	Various	Yes	Decision to retain the policies as voluntary business was made prior to the policy effective dates.
6/30/09	312	25	Various	Yes	Decision to retain the policies as voluntary business was made prior to the policy effective dates.
10/15/09	153	1	10/14/09	Yes	Policy was MAIP eligible should not have been ceded. Was ceded in error. Company retained voluntary.
11/3/09	585	3	Various	Yes	Decision to retain the policies as voluntary business was made prior to the policy effective dates.

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**II. CESSION SYSTEM (continued)**

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
11/10/09	154	25	11/8/09	yes	Decision to retain the policies as voluntary business was made prior to the policy effective dates.
11/17/09	585	2	Various	Yes	Decision to retain the policies as voluntary business was made prior to the policy effective dates.

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**II. CESSION SYSTEM (continued)**

3. CR215 Cessions Automatically Backdated

On a quarterly basis, CAR produces the CR215 report that shows the volume of cessions backdated for involuntary producer business. The program monitors the three current reporting years for cession activity. Accordingly, CAR recently sent the third quarter 2009 report to the industry November 24, 2009 monitoring policy years 2007, 2008 and 2009.

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

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

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**II. CESSION SYSTEM (continued)**

Policy Year 2007  
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED		% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
153	6	1	16.7	#	0.0	0	0
279	2,398	17	0.7		0.0	0	0
514	16	1	6.3	#	0.0	0	0
585	78	11	14.1	#	0.0	0	0
612	25	0	0.0		0.0	0	0
723	2,205	14	0.6		0.0	0	0
908	1,744	56	3.2		0.0	14,786	0
Totals	6,472	100	1.5%		N/A	14,786	0

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED		% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
152	316	17	5.4	#	0.0	0	0
245	1,081	85	7.9	*	0.0	0	0
279	94	4	4.3		0.0	0	0
455	970	34	3.5		0.0	0	0
734	413	42	10.2	*	0.0	26,481	0
735	25	4	16.0	#	0.0	0	0
773	71	0	0.0		0.0	0	0
Totals	2,970	186	6.3%	*	N/A	26,481	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  
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**II. CESSION SYSTEM (continued)**

Policy Year 2008  
Private Passenger

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

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	667	42	6.3 *	0.0	10,871	10,744
279	78	0	0.0	0.0	0	0
455	578	12	2.1	0.0	0	0
717	671	0	0.0	0.0	0	0
734	374	29	7.8 *	0.0	0	0
735	22	3	13.6 #	0.0	0	0
773	22	0	0.0	0.0	0	0
Totals	2,412	86	3.6% *	N/A	10,871	10,744

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

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

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**II. CESSION SYSTEM (continued)**

Policy Year 2009  
Private Passenger

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

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	508	15	3.0	0.2	0	1,070
279	33	0	0.0	0.0	0	0
455	413	8	1.9	0.1	0	0
717	213	0	0.0	0.0	0	0
734	246	11	4.5	0.8	0	1,600
735	17	1	5.9 *	0.0	0	0
773	5	0	0.0	0.0	0	0
Totals	1,435	35	8.5% *	N/A	0	2,670

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

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

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**II. CESSION SYSTEM (continued)**

C. CA5010 Flat Cancellation Audit

Twice per year CAR runs the CA5010 - Flat Cancellation Documentation Listing. Its purpose is to randomly sample flat-canceled policies to verify that the industry is using flat-cancellation transactions properly. CAR ran the CA5010 on July 24, 2009 and the documentation was due back at CAR by October 24, 2009. After reviewing the documentation, CAR will post any penalties in the next quarter Operational Reports.

D. Cession Volumes

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

<b>Effective Year</b>	<b>Private Passenger Cession %</b>	<b>Commercial Cession %</b>	<b>Time Period</b>
2004	6.7%	26.9%	Final Result
2005	6.2%	26.2%	Final Result
2006	4.9%	25.4%	Final Result
2007	4.3%	22.3%	Final Result
2008	2.9%	19.0%	Final Result
2009	2.2%	17.1%	As of Sept. 2009

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

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**III. QUARTERLY PARTICIPATION**

A. Production of Quarterly Participation Reports

CAR posted the September 2009 Quarterly Member Participation Reports to its website on December 7, 2009. From CAR's home page, click Reports, Financial, and then Settlement of Balances. These are secure reports that require a user id and password to view. Please contact your company's security administrator to request access.

B. Participation Base Data

The 3<sup>rd</sup> Quarter 2009 estimated Participation Ratios using data reported through September 30, 2009, will be posted to CAR's website by December 30, 2009.

C. Rule 12 Participation Credits

CAR ran the Rule 12 credit edits report for 3rd Quarter 2009 in late November. These reports are available on CAR's website under the Data Reporting and Quality Reports page.

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

Accounting Year	Tolerance Level	Industry Error %	
		LIAB	PHYS
2005	0.15%	0.43%	0.52%
2006	0.15%	1.54%	1.57%
2007	0.15%	1.51%	1.46%
2008	0.15%	1.67%	1.74%
2009 (3rd Quarter)	0.15%	1.56%	1.66%

Rule 29 Voluntary Credits

CAR ran the Rule 29 credit edit reports for September effective date data in late November. These reports are available on CAR's website under the Data Reporting and Quality Reports page.

There is no tolerance level for the Rule 29 credits. If a record is incorrect, the credit is not applied. The table below shows the industry's error percent starting with the May accounting date.

Accounting Date	Reported Credit Premium	Adjusted Credit Premium	Rule 29 Credit Impact	Error Percentage
May 2009	170,335,058	169,516,205	-818,853	0.48%
June 2009	213,041,261	211,962,240	-1,079,021	0.51%
July 2009	252,399,682	251,137,600	-1,262,082	0.50%

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**III. QUARTERLY PARTICIPATION (continued)**

<b>Accounting Date</b>	<b>Reported Credit Premium</b>	<b>Adjusted Credit Premium</b>	<b>Rule 29 Credit Impact</b>	<b>Error Percentage</b>
August 2009	297,693,535	296,224,943	-1,468,592	0.49%
Sept. 2009	333,257,129	331,646,173	-1,610,956	0.48%

**D. CAR Financial Results**

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

(Numbers are in \$000s)

<b>Policy Year</b>	<b>Private Passenger</b>	<b>Commercial</b>
2007	(85,299)	17,419
2008	(56,145)	2,366
2009	(11,348)	-1,073

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**IV. ACCOUNTING SYSTEM**

A. Update of the Online Accounting System

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

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

B. Critical Error Write-Off

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

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

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for December 2009 through May 2010 are shown following the 3rd quarter write-off exhibit.

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**IV. ACCOUNTING SYSTEM (continued)**

B. Critical Error Write-Off (continued)

Write-Off – 3<sup>rd</sup> Quarter 2009

<b>Company</b>	<b>Aug 2009</b>	<b>Sept 2009</b>	<b>Oct 2009</b>	<b>Total</b>
045	8,696	0	1376	10,072
194	0	241	23,503	23,744
245	370	0	0	370
262	0	5,277	16,144	21,421
317	0	0	-1,200	-1,200
331	340,662	192,958	181,465	715,085
612	38	0	0	38
731	48,924	20,608	0	69,532
773	-10	0	0	-10
<b>INDUSTRY</b>	<b>398,680</b>	<b>219,084</b>	<b>221,288</b>	<b>839,052</b>

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**IV. ACCOUNTING SYSTEM (continued)**

B. Critical Error Write-Off (continued)

3<sup>RD</sup> Quarter 2009 – 10% Loss of Investment Fees

<b>Co No</b>	<b>Aug 2009</b>	<b>Sept 2009</b>	<b>Oct 2009</b>	<b>Total</b>
045	849	0	0	849
153	189	0	-143	46
262	0	1,657	1,407	3,064
317	0	0	-120	-120
331	0	159	-82	77
612	4	0	0	4
731	50	676	0	726
773	35	0	0	35
<b>Total</b>	1,127	2,492	1,062	4,681

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**IV. ACCOUNTING SYSTEM (continued)**

B. Critical Error Write-Off (continued)

Potential Loss Write-Off December 2009 through May 2010

<b>Company</b>	<b>December 2009</b>	<b>January 2010</b>	<b>February 2010</b>	<b>March 2010</b>	<b>April 2010</b>	<b>May 2010</b>	<b>Grand Total</b>
153	0	3,736	0	0	4,446	5,275	13,457
154	205	545	0	1,474	19,733	0	21,957
209	3,341	0	0	5,258	878	465	9,942
245	0	0	0	-800	0	0	-800
262	33,516	7,601	0	0	0	0	41,117
312	4,033	0	0	0	1,030	0	5,063
331	362,783	135,496	0	179,361	231,157	0	908,797
333	0	0	0	0	2,301	0	2,301
455	0	0	49	0	0	0	49
575	0	0	0	7,000	0	7,000	14,000
664	0	0	0	0	-13,584	6,206	-7,378
720	0	0	0	0	961	0	961
723	0	0	0	941	0	0	941
731	3,304	0	19,363	22,863	6,959	2,069	54,558
735	0	0	0	0	0	8,149	8,149
773	0	2,312	0	0	0	0	2,312
<b>Totals</b>	<b>407,182</b>	<b>149,690</b>	<b>19,412</b>	<b>216,097</b>	<b>253,881</b>	<b>29,164</b>	<b>1,075,426</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  
2008 & 2009 Policy Effective Years Monitored

Non-Critical Error - Penalties

**There were no Non-Critical Error Penalties assessed for 3<sup>rd</sup> Quarter 2009.**

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

**No companies listed Over Tolerance for Non-Critical Errors - Policy Effective Year 2008**

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

<b>Times Identified</b>	<b>Company</b>	<b>Error Code</b>	<b>Percent in Error</b>	<b># Policies in Error</b>	<b>Penalty</b>
1	154	02	1.17	45	\$350

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**IV. ACCOUNTING SYSTEM (continued)**

D. Company Reporting Profiles

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

CAR produced and posted the six-month 2009 company profile reports to its website November 24, 2009. The reports are located under the Data Reporting and Quality tab on the reports page and then under company status reports.

E. Penalty Forecasting Program

CAR produces the Penalty Forecasting exhibits in March, June, September, and December. The program helps companies in their correction efforts and helps Servicing Carriers track potential future penalties if corrective actions are not taken. If you do not have access to the reports, please contact your company's Security Administrator to request access.

CAR posted the 3<sup>rd</sup> quarter 2009 forecasting reports in December 10, 2009.

F. \$60 Cession/No Premium Penalties

On November 28, 2009, CAR produced the \$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. These penalties will be included in the 4<sup>th</sup> quarter 2009 Settlement of Balances Report.

<b>Co. No.</b>	<b>Penalty Amount</b>
245	\$360
262	\$720
331	\$3,360
455	\$420
514	\$240
585	\$7,200
664	\$120
731	\$780
<b>Total</b>	<b>\$13,200</b>

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**IV. ACCOUNTING SYSTEM (continued)**

G. 2007 Cession/No Premium Write-Off

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

The 2007 write-off is scheduled for April, 2010.

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

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**V. STATISTICAL AGENT FUNCTION**

A. Update of the Online Statistical System

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

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

B. Annual Statement and Annual Statement Reconciliation

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

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

CAR balances the reported electronic page 14 data to the statistically reported data and corresponds to any company above the 5% tolerance in which to submit a response to reconcile. The 2<sup>nd</sup> quarter 2009 Reconciliation responses were due at CAR on November 4, 2009. CAR rescinded one company's late penalty assessment for 2008 reporting year totaling \$250 within the Third Quarter 2009 Settlement of Balances. The 3<sup>rd</sup> quarter 2009 Annual Statement Pg14 data is due December 15, 2009.

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

C. Rate Edit Processing

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

	<b>Line of Business</b>	<b>Eligible Records</b>	<b>Records in Error</b>	<b>Error %</b>
<b>COMM 2008 EFF YEAR</b>	Liability	71,761	1,267	1.77%
	No Fault	51,585	646	1.25%
	Physical Damage	51,228	766	1.50%
	Total	174,574	2,679	1.53%
<b>COMM 2009 EFF YEAR</b>	Liability	56,090	476	0.85%
	No Fault	40,650	230	0.57%
	Physical Damage	40,321	312	0.77%
	Total	137,061	1,018	0.74%

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

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

D. Rate Edit Processing (continued)

Rate Edit - Over Tolerance Exhibit

<b>Co No</b>	<b>Policy Year</b>	<b>Subline</b>	<b>Due Date</b>	<b>Err %</b>	<b># Records in Error</b>
154	2008	Liability	3/15/2010	4.36%	390
717	2008	Liability	3/15/2010	2.71%	58
735	2008	Physical Dam	3/15/2010	2.25%	183
773	2008	Liability	3/15/2010	2.22%	162
773	2008	No Fault	3/15/2010	2.54%	167
773	2009	No Fault	3/15/2010	2.07%	105

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

**E. Deleted Washout Records**

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

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

Deleted Washout Totals  
For All Shipments Received Through 9/09

<b>COMPANY NUMBER</b>	<b>RECORD COUNT</b>	<b>WASHOUT COUNT</b>	<b>WASHOUT PERCENT</b>
044	764	156	20.42
096	9,667	3,456	35.75
099	11,519	9,106	79.05
105	2,632	656	24.92
106	60	16	26.67
261	3,774	1,274	33.76
263	1,256	466	37.10
325	358,380	144,359	40.28
463	877	332	37.86
474	18,010	12,456	69.16
476	4,172	3,156	75.65
503	1,014	662	65.29
625	2,985	674	22.58
626	343,576	176,592	51.40
627	6,677	4,662	69.82
643	4,617	3,100	67.14
667	1,325	286	21.58
701	92	72	78.26
734	18,449	5,520	29.92
735	242,963	114,310	47.05
737	74,444	40,478	54.37
828	321,637	84,195	26.18
902	99,999	53,980	53.98
919	166	56	33.73
927	5,775	1,572	27.22
962	3,916	1,188	30.34
<b>Total Industry</b>	<b>64,522,897</b>	<b>2,764,461</b>	<b>4.28</b>

The 2008 washout total following the 9/2008 shipments was 3.63%.

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

F. Distributional Analysis

Distributional Analysis reports are produced three times a year starting with the close of the June quarter. CAR produced its latest report for the period ending September 30, 2009 and companies were informed through email. Copies of the reports can be made available upon the company's request. Contact the Compliance Audit Department for further details.

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**VI. COMMUNICATIONS**

A. CAR's Website

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

The Division of Insurance has placed CAR's private passenger residual market rate and rules submission on file to be effective as of April 1, 2010. It is anticipated that the rating factors and rate tables will be available on CAR's website prior to the end of December, 2009, with the final rate pages being posted by the first week of January 2010. Please refer to Bulletin No. 916.

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

B. Telecommunications

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

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

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

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**VII. PROJECT STATUS REPORTS**

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

<b>Project</b>	<b>Status</b>	<b>Description</b>
Distributional Analysis	In progress	Automate the Distributional Analysis process and move the reports onto CAR's website.
Experience Rating	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.
Interim Summary Data Collection	Near Completion	Create an application to collect summary data from those companies not yet required to report statistical data to CAR. The summary level information will be collected based upon: policy effective year, policy effective month, premium town, CAR ID Code, Class Code, Merit Rating, and Property Damage Liability Exposure.
Producer Code Web Add	Completed	Create a secure report for insurance carriers to add new producer code numbers directly to CAR's producer matrix.
Website Security	In progress	Enhance the security function on CAR's website so that security administrators at each company can view and reset user ids.
Commercial Territory	Completed	With the implementation of the 2009 commercial residual market rate filing, the commercial territory codes have a new configuration. As a result, a number of programs need to be updated to accommodate this change.
Statistical 2010	In progress	Update CAR's processing systems to accept 2010 effective year data and update all programs to process the combined base premium and merit rating records.
MAIP Policy Application Updates for 2010	Began 12/2009	Update the MAIP Policy Application to process rates effective 4/1/2010, to eliminate the transition processing procedures, to update the rating procedure for model year 2011 vehicles, and to add a requirement to include prior policy declarations page to the attachments listing.
Quota Share	In progress	Modifications necessary to include interim summary data collected from those companies not yet statistical reporting to CAR.
PP Auto Audit Hybrid Plan	Began 12/2009	Development of a new method for performing the private passenger statistical audits.
2010 Commercial Rate Edit	In progress	Update the system to process the ceded commercial data through the rate edit system using the current year's rates.