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- MEMORANDUM -

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: December 13, 2011

RE: Operational Reports

The 3rd quarter 2011 Operational Reports follow this memorandum. This report includes data reported August 16, 2011 through November 15, 2011 for the accounting month period of July 2011 through September 2011. Please note that a number of small modifications have been incorporated into this set of reports, including some heading changes, moving reports into different sections, and the addition of a new report. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

Section I – Accounting/Statistical Shipments:

On December 1, 2011 the Division of Insurance approved Private Passenger Statistical Plan revisions to accommodate companies that have filed a combined single limit rate as part of their private passenger voluntary rate filing including updates to the Limits Identifier Code in field position 47 of the liability premium and loss record layouts. Combined Single Limit Code values have also been added to the Liability Limits Code tables.

On December 1, 2011 the Division of Insurance approved Commercial Statistical Plan revisions renaming Owner Repairman classification (070700) to Owner-Contractor to correspond to the Massachusetts Commercial Automobile Insurance Manual. The Classification Code Decision Table has been updated to separately list classification code 9932 from Special Rating and Adjustment classifications while it only applies to physical damage coverage.

CAR assessed a total of \$85,950 in the Statistical Data Quality Penalty Program in the 3rd Quarter 2011 Settlement of Balances report.

Section II – Cession/MAIP Placement Record Reporting:

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

OPERATIONAL REPORTS 3RD QUARTER 2011

Section III – Residual Market Information:

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

CAR mailed the CA5010 - Flat Cancellation report on July 21, 2011 and the documentation was due back at CAR on October 21, 2011. Upon reviewing the documentation, there were no penalties assessed from this reporting period.

As of September 2011 the commercial residual market rate equaled 15.0%.

CAR posted the September 30, 2011 Quarterly Member Participation Reports to its website on December 9, 2011.

CAR ran the 3rd Quarter 2011 Rule 29 credit edit download reports on November 22, 2011.

Section IV – Accounting System Processing:

CAR produced 3rd Quarter 2011 Critical Error Loss Write-Offs and 10% Loss of Investment Fees totaling \$49,660 and \$3,422 respectively.

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2010 and 2011 policy effective years following the monthly accounting shipments due the 15th of every month for all companies remaining over the tolerance level of 1% and 10 policies in error.

The Penalty Forecasting exhibits were posted to CAR's website on December 13, 2011.

Section V - Statistical Agent Functions:

Second Quarter 2011 Statutory Page 14 data was due at CAR on September 15, 2011. Penalties amounted to \$1,500 for companies that submitted their data after the due date. The Reconciliation Responses for Second Quarter 2011 were due back on November 3, 2011 and penalties for those late responses amounted to \$2,100. These penalties were included in the Third Quarter Settlement of Balances.

All companies that exceed the commercial rate edit tolerances are listed on page 25.

Section VI – Communications:

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

**OPERATIONAL REPORTS
3RD QUARTER 2011**

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 2011 as of the third quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

2011 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2011	March 15, 2011	1 st Qtr
February 2011	April 15, 2011	
March 2011	May 16, 2011	
April 2011	June 15, 2011	2 nd Qtr
May 2011	July 15, 2011	
June 2011	August 15, 2011	
July 2011	September 15, 2011	3 rd Qtr
August 2011	October 17, 2011	
September 2011	November 15, 2011	
October 2011	December 15, 2011	4 th Qtr
November 2011	January 16, 2012	
December 2011	February 15, 2012	

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, 2011.

**OPERATIONAL REPORTS
3RD QUARTER 2011**

I. STATISTICAL SYSTEM (continued)

2011 Timeliness Report

<i>CO NO</i>	<i>Jan 3/15</i>	<i>Feb 4/15</i>	<i>Mar 5/16</i>	<i>Apr 6/15</i>	<i>May 7/15</i>	<i>Jun 8/15</i>	<i>July 9/15</i>	<i>Aug 10/17</i>	<i>Sep 11/15</i>	<i>Oct 12/15</i>	<i>Nov 1/17</i>	<i>Dec 2/15</i>
045												
089	COM	COM	COM	COM	COM	COM	COM	COM	COM			
091	COM	COM	COM	COM	COM	COM	COM	COM	COM			
101			COM									
103												
107						COM						
153												
154		COM										
155												
156		COM										
283												
293	COM											
309												
312												
325												
399												
424												
465						COM			COM			
486												
559	COM	COM	COM	COM	COM	COM	COM	COM	COM			
585												
612						PP						
620									COM			
622												
627												
695						COM						
737							PP		PP			
752												
753												
785	PP	PP					PP	PP	PP			
792		COM										
828												
837												
907	PP	COM							PP			
941	COM	COM	COM	COM	COM	COM	COM	COM	COM			
943	PP	COM							PP			
948												
963												
971	COM	COM	COM	COM	COM	COM	COM	COM	COM			

**OPERATIONAL REPORTS
3RD QUARTER 2011**

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program

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

For 3rd Quarter 2011, CAR assessed a total penalty amount of \$85,950. The table below shows the detail penalties for each company.

Penalty Assessments
3rd Quarter 2011

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
045	American Automobile Ins Co	Stat Error > 5% - 05/2011	\$ 150
045	American Automobile Ins Co	Stat Error > 5% - 06/2011	\$ 300
045	American Automobile Ins Co	Late Explanation - 2Q 2011	\$ 600
089	AM Guaranty & Liability Ins Co	Late MAS - 05/2011	\$ 6,000
089	AM Guaranty & Liability Ins Co	Late MAS - 06/2011	\$ 3,000
089	AM Guaranty & Liability Ins Co	Late MAS - 07/2011	\$ 3,000
091	American Zurich Insurance Co	Late MAS - 05/2011	\$ 6,000
103	American Insurance Co	Stat Error > 5% - 03/2011	\$ 600
103	American Insurance Co	Stat Error > 5% - 05/2011	\$ 150
105	Crum & Foster Indemnity Ins Co	Stat Error > 5% - 06/2011	\$ 300
107	Old Republic General Insurance	Appeal- Late MAS 06/2011	\$ (500)
109	Pennsylvania Lumbermen's Mut	Late Page 14 - 2Q 2011	\$ 600
155	Argonaut Insurance Co	Stat Error > 5% - 03/2011	\$ 1,200
229	Clarendon National Insurance Co	Late Explanation - 2Q 2011	\$ 100
230	Praetorian Insurance Co	Late Explanation - 2Q 2011	\$ 100
230	Praetorian Insurance Co	Stat Error > 5% - 03/2011	\$ 1,200
347	Selective Insurance Co of SC	Stat Error > 5% - 07/2011	\$ 150
399	Fireman's Fund Ins Companies	Late Explanation - 2Q 2011	\$ 600
404	First National Ins Co of America	Late Page 14 - 2Q 2011	\$ 200
417	General Insurance Co of America	Late Page 14 - 2Q 2011	\$ 200
465	Harco National Insurance Co	Stat Error > 5% - 06/2011	\$ 750
465	Harco National Insurance Co	Late MAS - 06/2011	\$ 9,000
465	Harco National Insurance Co	Late MAS - 09/2011	\$ 500
469	Hartford Accident & Indemnity Ins	Stat Error > 5% - 05/2011	\$ 150
469	Hartford Accident & Indemnity Ins	Stat Error > 5% - 06/2011	\$ 150
504	XL Specialty Insurance	Stat Error > 5% - 07/2011	\$ 150
510	Liberty Insurance Underwriters	Late Page 14 - 2Q 2011	\$ 200
559	Maryland Casualty Insurance Co	Late MAS - 05/2011	\$ 6,000

**OPERATIONAL REPORTS
3RD QUARTER 2011**

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
3rd Quarter 2011

Co #	Company Name	Assessment	Assessment Amount
620	National Independent Truckers	Late MAS - 09/2011	\$ 500
623	National Surety Corp	Stat Error > 5% - 03/2011	\$ 600
623	National Surety Corp	Late Explanation - 2Q 2011	\$ 600
667	North River Insurance Co	Stat Error > 5% - 06/2011	\$ 150
695	Old Republic Insurance	Appeal - Late MAS 06/2011	\$ (500)
737	Progressive Casualty Ins Co	Late MAS - 07/2011	\$ 500
756	RLI Insurance Co	Stat Error > 5% - 03/2011	\$ 600
785	Progressive Direct Insurance Co	Late MAS - 07/2011	\$ 500
785	Progressive Direct Insurance Co	Late MAS - 08/2011	\$ 1,250
894	Twin City Fire Insurance Co	Stat Error > 5% - 02/2011	\$ 600
927	United States Fire Ins Company	Stat Error > 5% - 06/2011	\$ 300
941	Universal Underwriters Ins Co	Late MAS - 05/2011	\$ 6,000
941	Universal Underwriters Ins Co	Late MAS - 06/2011	\$ 3,000
941	Universal Underwriters Ins Co	Late MAS - 07/2011	\$ 3,000
951	Vanliner Insurance Co	Stat Error > 5% - 03/2011	\$ 450
951	Vanliner Insurance Co	Stat Error > 5% - 06/2011	\$ 150
959	Pilgrim Insurance Company	Late Page 14 - 2Q 2011	\$ 300
971	Zurich Insurance Co	Late MAS - 05/2011	\$ 6,000
971	Zurich Insurance Co	Late MAS - 06/2011	\$ 3,000
971	Zurich Insurance Co	Late MAS - 07/2011	\$ 3,000
985	CorePointe Insurance Co	Late Explanation - 2Q 2011	\$ 100
985	CorePointe Insurance Co	Late MAS - 06/2011	\$ 9,000
		Total	\$ 85,950

**OPERATIONAL REPORTS
3RD QUARTER 2011**

I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan

Approved Modifications

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

**OPERATIONAL REPORTS
3RD QUARTER 2011**

I. STATISTICAL SYSTEM (continued)

Massachusetts Commercial Statistical Plan

Approved Modifications

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

**OPERATIONAL REPORTS
3RD QUARTER 2011**

II. CESSION/MAIP PLACEMENT RECORD REPORTING

A. Cession Submission

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

In 2011, CAR accepts cession records and cession corrections on commercial business for policy years 2009-2011. On private passenger business, CAR accepts cession records and cession corrections for policy dates 1/1/2009 – 3/31/2009. Beginning 4/1/2009, cessions no longer apply to private passenger business.

B. Cession Backdates

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

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

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

2. TX5 Cession Backdate Appeals

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

The table on the following page reflects the log of cession backdate requests CAR Staff processed since the last publication of the Operational Reports on September 28, 2011.

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II. SESSION/MAIP PLACEMENT RECORD REPORTING (continued)

2. TX5 Cession Backdate Appeals (continued)

TX5 Cession Backdate Log

DATE SUBMITTED	CO NO	NUMBER OF SESSIONS	DATE REQUESTED	BACKDATE GRANTED?	REASON FOR APPROVAL/ DISAPPROVAL
11/7/11	154	14	11/7/11	yes	Decision to retain the policy as voluntary was made prior to the policy effective date.

3. CR215 Cessions Automatically Backdated

On a quarterly basis, CAR produces the CR215 report that shows the volume of cessions backdated for involuntary producer business. The program monitors the three current reporting years for cession activity. Accordingly, CAR recently sent the latest report to the industry in November 2011 monitoring policy years 2009, 2010 and 2011 for 3rd Quarter 2011.

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

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

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

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II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

Policy Year 2009
Private Passenger

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

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	571	19	3.3	0.0	2,607	0
279	34	0	0.0	0.0	0	0
455	454	11	2.4	0.0	0	0
717	260	0	0.0	0.0	0	0
734	280	20	7.1 #	0.0	0	0
735	19	2	10.5 #	0.0	0	0
773	5	0	0.0	0.0	0	0
Totals	1,623	52	3.2%	N/A	2,607	0

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

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

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II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

Policy Year 2010
Commercial

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

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

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

Policy Year 2011
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	686	19	2.8	1.6	0	0
279	18	1	5.6 #	-1.5	0	0
455	114	0	0.0	0.0	0	0
717	148	0	0.0	0.0	0	0
734	198	60	39.4 *	-9.1	1,567	0
735	4	1	25.0 #	0.0	0	0
773	2	0	0.0	0.0	0	0
Totals	1,170	81	6.9%	N/A	1,567	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 2011**

II. CESSION/MAIP PLACEMENT RECORD REPORTING (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 21, 2011 and the documentation was due back on October 21, 2011. Upon reviewing the documentation, there were no penalties assessed from this reporting period.

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

D. MAIP Placement Record Reporting Analysis

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

**COMMONWEALTH AUTOMOBILE REINSURERS
MAIP PLACEMENT RECORD REPORTING ANALYSIS**
Reflects Statistically Reported Data for Policy Effective Months 10/2010 to 9/2011
Reflects MAIP Placement Record Reported Data as of November 21, 2011

Company	Missing MPRs	MPRs with Non-Fatal Errors	Rejected Take-Out Credits	MPRs with No Premium	MAIP Premium with No MPR	Active MPRs
045	9	0	0	12	24	408
153	75	57	298	56	20	12,868
202	0	0	0	0	0	104
262	0	11	417	1	2	1,377
279	1	2	25	3	8	39,333
308	0	0	0	0	0	713
312	0	7	4	0	2	1,605
331	0	1	0	0	6	2,934
354	0	0	0	5	51	6,727
363	3	0	0	0	0	648
422	1	0	0	0	0	331
514	0	0	0	0	0	1,807
531	3	0	0	1	1	821
585	6	98	0	9	59	3,943
612	1	0	0	0	1	3,278
664	6	0	0	0	111	1,711
723	0	3	2	1	8	13,264
731	0	0	250	0	4	1,780
773	0	0	30	0	1	22,419
826	0	0	11	0	0	1,485
908	16	0	0	11	5	6,928
959	0	0	0	0	0	138
988	0	0	0	0	0	4,779
Industry Average	5	8	45	8	13	5626

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

E. MAIP Placement Record Reporting Analysis (continued)

COMMONWEALTH AUTOMOBILE REINSURERS
MAIP PLACEMENT RECORD REPORTING ANALYSIS
COMPANY RESPONSES

Company	Date Identified	Response
045	3 rd Quarter 2011	Company was recently contacted and is researching reporting issue.
153	Ongoing	The MPR's with No Premium is a statistical timing issue. The premiums for these policies will be sent in the October MAS. The remainder of these policies are unpaid renewals for which a TX4 backdate document will be sent. A majority of the non-fatal errors are duplicate MPR's that are in the process of being corrected. The Missing MPR's are policies that were not taken and are in the process of being reported.
354	Ongoing	Company splits motorcycle/auto MAIP policies. Since they can not submit two MPRs for one certification number, motorcycle policies will only be statistically reported and will not have a corresponding MPR.
585	3 rd Qtr 2010	Company was recently contacted and is researching reporting issue.
664	Ongoing	Company will be sending in cancellation premium for the active MAIP Premium with No MPR.

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3RD QUARTER 2011**

III. RESIDUAL MARKET INFORMATION

A. Residual Market Volumes

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

Effective Year	Private Passenger Cession %	Commercial Cession %	Time Period
2005	6.2%	26.2%	Final Result
2006	4.9%	25.4%	Final Result
2007	4.3%	22.3%	Final Result
2008	2.9%	19.0%	Final Result
2009	2.3%	16.5%	Final Result
2010	N/A	15.1%	Final Result
2011	N/A	15.0%	As of Sept. 2011

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

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

Policy Year 2011 Results as of September, 2011

	2011 @ 09 Months	<u>% Total</u>		2010 @ 12 Months	<u>% Total</u>
MAIP Assigned (CAR-ID 9)	94,150	2.8%		111,807	2.6%
MAIP Retained (CAR-ID 8)	3,174,305	93.1%		3,952,288	92.8%
Clean-In-Three (CAR-ID 1)	139,764	4.1%		197,169	4.6%
Total	3,408,219	100.0%		4,261,264	100.0%

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3RD QUARTER 2011**

III. RESIDUAL MARKET INFORMATION (continued)

C. Production of Quarterly Participation Reports

CAR posted the September 2011 Quarterly Member Participation Reports to its website on December 9, 2011. From CAR's home page, click Reports, sign-on and then select Settlement of Balances. These are secure reports that require a CAR website user id and password to view. Please contact your company's security administrator to request access.

D. Participation Base Data

The 3rd Quarter 2011 estimated Participation Ratios using data reported through September 30, 2011 will be posted to CAR's website by December 31, 2011. The Effective Year 2010 Commercial Participation Ratios have been revised to reflect corrected data from a member company. This correction was included in the September Quarterly cash flow distributed on December 9, 2011.

E. Rule 12 Participation Credits

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

F. CAR Financial Results

The ultimate policy year deficit projections, as of September 2011, for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Private Passenger	Commercial
2009	(9,348)	(292)
2010	N/A	(5,140)
2011	N/A	(4,701)

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

G. Quota Share

CAR posted the September, 2011 Monthly Quota Share and Assignment Order Report to its website on November 23, 2011. The report has been updated to include statistical data for October 2010 to September 2011 effective month policies reported through November 15, 2011. Member Companies can also view additional reports that provide detailed information about the data used in the Quota Share calculation on CAR's website in the MAIP section under Company.

**OPERATIONAL REPORTS
3RD QUARTER 2011**

III. RESIDUAL MARKET INFORMATION (continued)

H. Rule 29 Voluntary Credits

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

Accounting Date	Reported Credit Premium	Adjusted Credit Premium	Rule 29 Credit Impact	Error Percentage
Oct. 2009	365,712,770	363,973,739	-1,739,031	0.48%
Nov. 2009	392,727,358	390,930,787	-1,796,571	0.46%
Dec. 2009	421,452,666	419,584,786	-1,867,880	0.44%
Jan. 2010	457,982,525	456,053,273	-1,929,252	0.42%
Feb. 2010	492,413,410	490,472,355	-1,941,055	0.39%
March 2010	530,741,150	528,623,200	-2,117,950	0.40%
April 2010	518,613,145	516,527,075	-2,086,070	0.40%
May 2010	516,560,318	513,107,160	-3,453,158	0.67%
June 2010	510,469,897	506,671,089	-3,798,808	0.74%
July 2010	504,282,298	500,104,630	-4,177,668	0.83%
August 2010	498,524,056	494,149,614	-4,374,442	0.88%
Sept. 2010	492,640,139	488,275,230	-4,364,909	0.89%
Oct. 2010	487,767,726	484,431,955	-3,335,771	0.68%
Nov. 2010	485,195,191	481,860,909	-3,334,282	0.69%
Dec. 2010*	502,637,208	493,960,401	-8,676,807	1.73%
Jan. 2011*	499,424,037	493,594,337	-5,829,700	1.17%
Feb. 2011*	520,558,403	512,722,811	-7,835,592	1.51%
March 2011*	520,012,380	512,141,580	-7,870,800	1.51%
April 2011*	521,886,203	513,545,620	-8,340,583	1.60%
May 2011*	523,143,948	514,912,551	-8,231,397	1.57%
June 2011*	523,665,189	515,848,901	-7,816,288	1.49%
July 2011	520,894,143	513,467,648	-7,426,495	1.43%
August 2011	522,165,725	514,628,476	-7,537,249	1.44%
Sept. 2011	521,520,576	514,273,679	-7,246,897	1.39%

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

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IV. ACCOUNTING SYSTEM

A. Update of the Online Accounting System

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

Month	MAS Due Date	Accounting System Update	Quarter
January 2011	March 15, 2011	March 18, 2011	1st Quarter 2011
February 2011	April 15, 2011	April 20, 2011	
March 2011	May 16, 2011	May 19, 2011	
April 2011	June 15, 2011	June 17, 2011	2 nd Quarter 2011
May 2011	July 15, 2011	July 19, 2011	
June 2011	August 15, 2011	August 17, 2011	
July 2011	September 15, 2011	September 16, 2011	3 rd Quarter 2011
August 2011	October 17, 2011	October 20, 2011	
September 2011	November 15, 2011	November 17, 2011	
October 2011	December 15, 2011	December 16, 2011	4 th Quarter 2011
November 2011	January 16, 2012	January 20, 2012	
December 2011	February 15, 2012	February 16, 2012	

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 2011.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for December 2011 through May 2012 are shown following the 3rd Quarter Write-Off exhibit.

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IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Loss Write-Off – 3rd Quarter 2011

Company	Aug 2011	Sept 2011	Oct 2011	Total
045	-585	0	0	-585
312	0	34,574	0	34,574
331	6,653	9,018	0	15,671
Total	6,068	43,592	0	49,660

3rd Quarter 2011 – 10% Loss of Investment Fees

Company	Aug 2011	Sept 2011	Oct 2011	Total
045	-12	0	0	-12
312	0	3,457	0	3,457
331	345	-368	0	-23
Total	333	3,089	0	3,422

Potential Loss Write-Off December 2011 through May 2012

Company	December 2011	January 2012	February 2012	March 2012	April 2012	May 2012	Grand Total
045	2,332	0	0	0	0	0	2,332
154	830	0	0	0	0	0	830
331	13,132	-640	0	1,389	13,560	2,776	30,417
612	0	0	0	0	39	0	39
723	0	0	0	0	0	596	596
773	18,681	0	0	0	0	0	18,681
Totals	34,975	-640	0	1,389	13,599	3,372	52,695

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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
2010 & 2011 Policy Effective Years

Non-Critical Error - Penalties

There have been no penalties assessed this quarter.

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

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Penalty
6	154	02	1.21	41	\$350

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

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Penalty
8	154	02	1.14	51	\$300

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IV. ACCOUNTING SYSTEM (continued)

D. Ceded Premium In Error – Limited Commercial Servicing Carriers

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

Company	Policy Effective Year	Critical Premium Dollars	Error Percent
154	2009	39,626	0.25
154	2010	-2,151	-0.01
154	2011	0	0.00
245	2009	0	0.00
245	2010	0	0.00
245	2011	18,169	0.13
279	2009	0	0.00
279	2010	0	0.00
279	2011	1,314	0.01
455	2009	0	0.00
455	2010	0	0.00
455	2011	0	0.00
717	2009	0	0.00
717	2010	0	0.00
717	2011	0	0.00
734	2009	0	0.00
734	2010	0	0.00
734	2011	0	0.00
735	2009	0	0.00
735	2010	0	0.00
735	2011	0	0.00
773	2009	0	0.00
773	2010	0	0.00
773	2011	0	0.00
Total Ind		56,958	0.02

E. Penalty Forecasting Program

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

CAR posted the 3rd Quarter 2011 forecasting reports on December 13, 2011.

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IV. ACCOUNTING SYSTEM (continued)

F. \$60 Cession/No Premium Penalties

CAR ran the \$60 Cession/No Premium penalty program November 30, 2011. A cession qualifies for the penalty list when the premium amount on the policy totals to less than or equal to \$0 for five or more months. The table below shows those penalty results. The penalty assessments will be in the Fourth Quarter 2011 Settlement of Balances report.

Company Number	Penalty Amount
245	\$180
773	\$60
Total	\$290

G. 2009 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 2009 effective date policies and for historical information.

The 2009 write-off is scheduled for April, 2012.

Year	PP Penalty	Commercial Penalty	Taxi/Limo/CAR Service Penalty
2009	\$1,400	\$4,900	\$7,700
2008	\$1,400	\$5,300	\$7,600
2007	\$1,500	\$5,700	\$8,600
2006	\$1,500	\$6,300	\$10,100
2005	\$1,600	\$6,200	\$10,800
2004	\$1,600	\$6,200	\$11,100
2003	\$1,500	\$6,500	\$9,900
2002	\$1,400	\$6,300	\$9,600
2001	\$1,300	\$5,300	\$8,800

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V. STATISTICAL AGENT FUNCTION

A. Update of the Online Statistical System

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

Month	MAS Due Date	Statistical System Update	Quarter
January 2011	March 15, 2011	March 18, 2011	1st Quarter 2011
February 2011	April 15, 2011	April 20, 2011	
March 2011	May 16, 2011	May 19, 2011	
April 2011	June 15, 2011	June 16, 2011	2 nd Quarter 2011
May 2011	July 15, 2011	July 19, 2011	
June 2011	August 15, 2011	August 18, 2011	
July 2011	September 15, 2011	September 16, 2011	3 rd Quarter 2011
August 2011	October 17, 2011	October 18, 2011	
September 2011	November 15, 2011	November 16, 2011	
October 2011	December 15, 2011	December 16, 2011	4 th Quarter 2011
November 2011	January 16, 2012	January 17, 2012	
December 2011	February 15, 2012	February 16, 2012	

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 2011	June 15, 2011	July 1, 2011	Approx. August 5, 2011
2nd 2011	September 15, 2011	October 3, 2011	Approx. November 4, 2011
3rd 2011	December 15, 2011	January 2, 2012	Approx. February 3, 2012
4th 2011	March 15, 2012	April 2, 2012	Approx. May 4, 2012

The Annual Statement collection of Page 14's for Second Quarter 2011 was due September 15, 2011. Penalties for late pg 14 amounted to \$1,500. Reconciliation Second Quarter 2011 responses were due November 3, 2011. Penalties amounted to \$2,100. Page 14 and Reconciliation penalties were included in the 3rd Quarter Settlement of Balances. CAR is currently collecting Third Quarter 2011 Annual Statement Statutory Page 14 data due at CAR on December 15, 2011. Third Quarter 2011 Reconciliation Reports are anticipated to run January 2, 2012.

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V. STATISTICAL AGENT FUNCTION (continued)

C. Rate Edit Processing

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

	Line of Business	Eligible Records	Records in Error	Error %
COMM 2010 EFF YEAR	Liability	48,057	542	1.13%
	No Fault	34,456	281	0.82%
	Physical Damage	25,377	248	0.98%
	Total	107,890	1,071	0.99%
COMM 2011 EFF YEAR	Liability	42,674	612	1.14%
	No Fault	31,734	108	0.34%
	Physical Damage	23,691	278	1.17%
	Total	98,099	998	1.02%

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

Rate Edit - Over Tolerance Exhibit

Co No	PP/Comm	Policy Year	Subline	Due Date	Err %	# Records in Error
455	Comm	2011	Liability	6/15/2012	3.45%	219

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V. STATISTICAL AGENT FUNCTION (continued)

D. Deleted Washout Records

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

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

Deleted Washout Totals
For All Shipments Received Through 09/2011

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
033	11,385	4,876	42.83
099	3,730	3,212	86.11
153	6,107,586	1,986,690	32.53
155	113,259	22,720	20.06
195	117	24	20.51
205	63	46	73.02
261	31,329	29,938	95.56
283	11,777	6,880	58.42
343	395,077	166,849	42.23
418	52,116	13,148	25.23
429	2,383,598	824,104	34.57
444	20,555	4,610	22.43
460	14,489	3,756	25.92
474	14,237	9,810	68.90
486	25,518	8,252	32.34
503	3,700	2,246	60.70
626	328,029	166,448	50.74
627	11,858	8,540	72.02
643	6,550	3,414	52.12
667	2,575	628	24.39
688	3,882	1,338	34.47
734	11,741	3,462	29.49
735	182,919	94,413	51.61
737	191,294	96,008	50.19
828	186,539	56,050	30.05
902	183,495	98,324	53.58
927	5,276	1,736	32.90
989	48,887	22,622	46.27
Total Industry	49,328,107	4,803,612	9.74

The 2010 washout total following the 09/2010 shipments was 4.89%.

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V. STATISTICAL AGENT FUNCTION (continued)

E. Distributional Analysis

Distributional Analysis reports are produced three times a year starting with the close of the June quarter. The program was developed to ensure the quality of rate making data is appropriated with quota share data. The Distributional Analysis report is scheduled to run mid-late December 2011. Companies with discrepancies will be emailed for a response. Companies may contact the Compliance Audit Department for any correspondences.

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VI. COMMUNICATIONS

A. CAR's Website

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

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

B. Telecommunications

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

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

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VII. PROJECT STATUS REPORTS

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

Project	Status	Description
Experience Rating	Re-scheduled for early 2012 Implementation	Move the mainframe pieces of the Experience Rating application to CAR's website so that companies don't need to toggle between systems.
FTP Conversion to MRB	FTP portion completed. Online reports to be completed in January 2012.	Move the weekly data transfers from tape cartridge to FTP and convert paper green bar control reports to online secure reports.
Conversion of all Remaining Internet Reports	In progress as resources allow	Converting internet company reports from Crystal to Reporting Services.
Statistical Edit Package	To begin January 2012	Include an additional section that will provide reporting additional statistical reporting information and highlight common reporting errors.
2012 Statistical Project	To begin January 2012	Update CAR's processing system to accept 2012 effective year data.
Create Monitoring Program for MAIP Placement Records	To begin 2012	Per the Operations Committee, CAR will begin to develop a monitoring program to track the submission of MAIP Placement Records as it relates to and impacts the quota share calculation. CAR will bring its suggestions to the Operations Committee for future discussions.