



COMMONWEALTH AUTOMOBILE REINSURERS

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RALPH A. IANNACO
President

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

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: March 9, 2006

RE: Operational Reports

The 4th quarter 2005 Operational Reports follow this memorandum. They include data reported from November 15, 2005 through February 15, 2006 for the accounting months of October 2005 through December 2005. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

Section I – Accounting/Statistical Shipments:

The Governing Committee approved the following Statistical Plan changes at its February 10, 2006 meeting. The Massachusetts Private Passenger Statistical Plan revisions were approved by the Division of Insurance. The changes are effective as of January 1, 2006. (For more specific information, the proposed pages are listed on CAR's website).

- The tables containing information relative to the fifth and sixth positions of the class code have been updated to note that code 99 pertains to the Excellent Driver Discount Plus Credit and code 98 applies to the Excellent Driver Discount Credit. Additionally, surcharge records may contain values of 00-45 in the fifth and sixth positions of the class code. (Pages VI:8, 10, 12).
- All the wording that is specifically related to the assignment of operators to vehicles and that can be found in Rule 28 (Classifications) of the AIB's Private Passenger Automobile Insurance Manual, has been eliminated from the Statistical Plan. Added in place of this wording is a note that refers companies to the AIB's Manual if further information is needed. (Page VI:7).

OPERATIONAL REPORTS 4TH QUARTER 2005

Section II – Cessions:

CAR assessed the CA5010 penalties from the July 2005 run against those companies that exceeded the tolerance level. The penalties assessed totaled \$6,500.

As of February 17, 2006 the Private Passenger cession rate equaled 6.2%; the commercial cession rate equaled 26.2%.

Section III – Quarterly Participation Reports:

For 2006, the Rule 12 tolerance is at 0.15%.

The error rate on 4th quarter 2005 data: Liability = 0.43%; Physical Damage = 0.52%.

Section IV – Accounting System Processing:

Relative to the Audit Review, CAR assessed the "Last Listing Cycle" penalties against the 2004 policy effective year following the December 2005 monthly accounting shipments due at CAR on February 15, 2006 for all companies remaining over the tolerance level of 1% and 10 policies in error. These penalties were included in the 4th quarter 2005 Settlement of Balances.

CAR will assess the Cession/No Premium and Net-Negative Premium Write Off penalties against the 2003 policy effective year in April 2006 and will assess these penalties in the 1st quarter 2006 Settlement of Balances.

Section V - Statistical Agent Functions:

The Statutory Page 14 report for 4th Quarter 2005 is due at CAR on March 15, 2006. The Reconciliation Responses for 4th Quarter 2005 Reconciliation are due May 5, 2006. Any late filings of the Statutory Page 14 report and Reconciliation Responses will result in a \$50 per business day penalty until received.

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

Section VI – Communications:

CAR recently completed a more descriptive Class Code Look Up function as part of the Statistical Edit Package Manual. To view a more complete class code description, click on the Class Code definition link contained within the lookup function.

The Company Reporting Profile reports have been postponed due to some minor discrepancies with the paper reports. They should become available shortly.

OPERATIONAL REPORTS 4TH QUARTER 2005

I. STATISTICAL SYSTEM

A. Reporting of Company Shipments

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

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

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

In instances where a company's ceded loss dollars are complete by quarter's end but its ceded premium dollars are not, CAR will assess "loss of investment income" penalties to reimburse the pool for the missing premium dollars. CAR did not assess any "loss of investment income" penalties in fourth quarter, 2005.

**OPERATIONAL REPORTS
4TH QUARTER 2005**

I. STATISTICAL SYSTEM (continued)

2005 Timeliness Report

<i>CO NO</i>	<i>Jan 3/15</i>	<i>Feb 4/15</i>	<i>Mar 5/16</i>	<i>Apr 6/15</i>	<i>May 7/15</i>	<i>Jun 8/15</i>	<i>July 9/15</i>	<i>Aug 10/17</i>	<i>Sep 11/15</i>	<i>Oct 12/15</i>	<i>Nov 1/16</i>	<i>Dec 2/15</i>
049			COM	COM								COM
089						COM						COM
091						COM						
099										COM		
100										COM		
102						COM						
194										COM		
198	PP									PP		PP
201										COM		
205										COM		
229			COM	COM				COM				
230						COM						
259									COM			
261							COM					
283										COM		
312											PP	
326			COM								COM	
333	COM											
362							BOTH					
366			COM			COM			COM			
402										COM		
404			COM			COM			COM			
417			COM			COM			COM			
424											COM	
467							COM					
468	COM	COM	COM	COM	COM	COM	COM	COM	COM			COM
469							COM			COM		COM
474									BOTH			PP
476												COM
486	COM										COM	
503										COM		
559	PP					COM		COM				COM
582			COM									
622						COM						
625			COM			COM			COM			
627										COM		
633			COM									
643										COM		
644						COM						
650			BOTH									
711			COM								COM	

**OPERATIONAL REPORTS
4TH QUARTER 2005**

I. STATISTICAL SYSTEM (continued)

2005 Timeliness Report

CO NO	Jan 3/15	Feb 4/15	Mar 5/16	Apr 6/15	May 7/15	Jun 8/15	July 9/15	Aug 10/17	Sep 11/15	Oct 12/15	Nov 1/16	Dec 2/15
719											COM	
721				COM	COM	COM					COM	
734						COM						
735						COM						
753								COM				
770			COM			COM			COM			
837			COM			COM			COM			COM
894	COM	COM	COM	COM	COM	COM			COM			COM
895						COM						COM
907									PP			
962												COM
963	COM									COM		COM
971						COM						COM
985							COM					

OPERATIONAL REPORTS 4TH QUARTER 2005

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program

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

For fourth quarter 2005, CAR assessed a total penalty amount of \$95,000. The table below shows the detail penalties for each company.

Penalty Assessments 4th Quarter 2005

Co #	Company Name	Assessment	Amount
099	American Home Assurance Co.	Late 10/05 MAS	\$ 300
100	Acadia Insurance Company	Stat Err > 5% 8/05	\$ 100
100	Acadia Insurance Company	Late 10/05 MAS	\$ 300
194	Bankers Standard Insurance Co.	Late 10/05 MAS	\$ 300
198	Berkshire Mutual Insurance Co.	Late 10/05 MAS	\$ 300
201	Birmingham Fire Ins. Co. of Penn.	Late 10/05 MAS	\$ 300
283	Commerce & Industry Insurance Co.	Late 10/05 MAS	\$ 300
312	Encompass Insurance Co. of MA	Late 10/05 MAS	\$ 800
312	Encompass Insurance Co. of MA	Late 11/05 MAS	\$ 300
326	Excelsior Insurance Company	Late 11/05 MAS	\$ 800
366	Arch Insurance Company	Late 9/05 MAS	\$ 300
377	Federal Insurance Company	Late 9/05 MAS	\$ 300
402	Firemen's Ins Co of Washington DC	Late 10/05 MAS	\$ 300
402	Firemen's Ins Co of Washington DC	Stat Err > 5% 8/05	\$ 100
417	General Insurance Co of America	Late 9/05 MAS	\$ 300
424	Pennsylvania Manufacturing Assc.	Late 11/05 MAS	\$ 800
468	Hartford Fire Insurance Company	Interim Late Penalty 3/05 MAS	\$ 6,000
468	Hartford Fire Insurance Company	Interim Late Penalty 4/05 MAS	\$ 6,000
468	Hartford Fire Insurance Company	Interim Late Penalty 5/05 MAS	\$ 6,000
468	Hartford Fire Insurance Company	Interim Late Penalty 6/05 MAS	\$ 6,000
468	Hartford Fire Insurance Company	Interim Late Penalty 7/05 MAS	\$ 6,000
468	Hartford Fire Insurance Company	Interim Late Penalty 8/05 MAS	\$ 6,000
468	Hartford Fire Insurance Company	Interim Late Penalty 9/05 MAS	\$ 5,700
468	Hartford Fire Insurance Company	Interim Late Penalty 12/05 MAS	\$ 300
474	Holyoke Mutual Insurance Company	Late 9/05 MAS	\$ 300
486	Harleysville Preferred Insurance Co.	Late 11/05 MAS	\$ 300
503	Insurance Company of the State of PA	Late 10/05 MAS	\$ 300
625	American States Insurance Company	Late 9/05 MAS	\$ 800
627	National Union Fire Insurance of PA	Late 10/05 MAS	\$ 300
643	New Hampshire Insurance Company	Late 10/05 MAS	\$ 300

**OPERATIONAL REPORTS
4TH QUARTER 2005**

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
4th Quarter 2005

Co #	Company Name	Assessment	Amount
711	Peerless Insurance Company	Late 11/05 MAS	\$ 800
719	Pennsylvania Manufacturing Assc.	Late 5/05 MAS	\$ 1,000
719	Pennsylvania Manufacturing Assc.	Late 8/05 MAS	\$ 1,000
719	Pennsylvania Manufacturing Assc.	Late 10/05 MAS	\$ 1,000
719	Pennsylvania Manufacturing Assc.	Late 11/05 MAS	\$ 800
770	Safeco Insurance Co. of America	Late 9/05 MAS	\$ 300
837	T.H.E. Insurance Company	Late 9/05 MAS	\$ 800
874	American Transportation Ins. Co.	Late 10/05 MAS	\$ 300
894	Twin City Fire Insurance Company	Late 2/05 MAS	\$ 4,000
894	Twin City Fire Insurance Company	Stat Err > 5% 2/05	\$ 1,600
894	Twin City Fire Insurance Company	Stat Err > 5% 2/05	\$ 1,600
894	Twin City Fire Insurance Company	Stat Err > 5% 3/05	\$ 800
894	Twin City Fire Insurance Company	Late 3/05 MAS	\$ 4,000
894	Twin City Fire Insurance Company	Interim Late Penalty 4/05 MAS	\$ 6,000
894	Twin City Fire Insurance Company	Interim Late Penalty 5/05 MAS	\$ 6,000
894	Twin City Fire Insurance Company	Interim Late Penalty 6/05 MAS	\$ 6,000
894	Twin City Fire Insurance Company	Interim Late Penalty 7/05 MAS	\$ 6,000
894	Twin City Fire Insurance Company	Interim Late Penalty 9/05 MAS	\$ 5,700
894	Twin City Fire Insurance Company	Interim Late Penalty 12/05 MAS	\$ 300
907	United Services Automobile Assoc.	Late 9/05 MAS	\$ 300
951	Vanliner Insurance Company	Stat Err > 5% 9/05	\$ 200
963	Harleysville Worcester Insurance Co.	Late 10/05 MAS	\$ 800
971	Zurich Insurance Company	Late 11/05 MAS	\$ 300
			\$ 99,800

**OPERATIONAL REPORTS
4TH QUARTER 2005**

I. STATISTICAL SYSTEM (continued)

Massachusetts Commercial Statistical Plan
Approved Modifications

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

OPERATIONAL REPORTS

4TH QUARTER 2005

I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan Proposed Modifications

Approved Effective Date	Description	Status
January 1, 2006	<p>In accordance with the promulgation of the 2006 SDIP Regulation (211 CMR 134.00) by the Division of Insurance and approval by the State Rating Bureau of the revisions to Rule 28 (Classifications) of the AIB's Private Passenger Automobile Insurance Manual, CAR is proposing additional SDIP clarification language to the Private Passenger Statistical Plan.</p> <ul style="list-style-type: none"> The tables containing information relative to the fifth and sixth positions of the class code have been updated to note that code 99 pertains to the Excellent Driver Discount Plus Credit and code 98 applies to the Excellent Driver Discount Credit. (Pages VI:8, 10, 12) All wording that is specifically related to the assignment of operators to vehicles and that also can be found in Rule 28 (Classifications) of the AIB's Private Passenger Automobile Insurance Manual, has been eliminated from the Statistical Plan. Added in place of this wording, is a note that refers companies to the AIB's Manual if further information is needed. <p>The operator assignment language has been eliminated for several reasons. The class code assignment process has already occurred by the time that a company would be actually reporting the statistics to CAR, so the Statistical Plan would essentially be providing information after the fact. It also assures that wording that is duplicated in other manuals is kept to a minimum. However, the note that has been added refers companies to where the best source of information can be found. (Page VI:7)</p> <p>Note that the proposed modifications are for clarification purposes only and do not represent any changes to the already approved SDIP reporting requirements (see Accounting and Statistical Notice No. 427, dated September 20, 2005).</p>	Approved by Division of Insurance on February 10, 2006.
<p>Optional January 1 – June 30, 2006</p> <p>Mandatory July 1, 2006</p>	<p>In accordance with the recent approval of modifications to Rule 19 (Discounts) of the AIB's Private Passenger Automobile Insurance Manual, effective 1/1/06, the following modifications to the Discount Table contained in the Private Passenger Statistical Plan have been approved.</p> <ul style="list-style-type: none"> Multi-Car Discount – To be eligible for the discount, at least two of the automobiles must be private passenger vehicles (as defined in Rule 27 (Private Passenger Definition)). Use class is no longer a factoring the determination of discount applicability. Additionally, multi-car status information will not be collected as it is no longer applicable. The Statistical Plan refers users to the AIB's Private Passenger Automobile Insurance Manual for details relative to the application of discounts. To maintain consistency with the coding of other data elements contained in the Statistical Plans, Code 0 will represent "No Discount Applies." 	Approved by Division of Insurance on February 22, 2006

OPERATIONAL REPORTS 4TH QUARTER 2005

II. CESSION SYSTEM

A. Cession Submission

CAR accepts cession data via three different methods: cartridge, on-line telecommunications, and FTP transmission. Please contact your company's Data Analyst if you need assistance in gaining access to CAR's telecommunications system. 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 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 January 6, 2006.

**OPERATIONAL REPORTS
4TH QUARTER 2005**

II. CESSION SYSTEM (continued)

TX5 Cession Backdate Log

DATE SUBMITTED	CO NO	NUMBER OF CESSIONS	DATE REQUESTED	BACKDATE GRANTED?	REASON FOR APPROVAL/ DISAPPROVAL
11/3/05	455	1	11/3/05	Yes	1 policy was decided to be retained voluntary prior to the effective date.
11/17/05	455	2	11/17/05	Yes	2 policies were ineligible to be written as a service class therefore Hanover will write these policies in their voluntary market.
11/29/05	279	58	Various	Yes	Decision to retain policies as voluntary was made prior to the policy effective dates.
11/30/05	279	1	10/12/05	Yes	Decision to retain policy as voluntary was made prior to the policy effective date.
11/30/05	279	2	09/30/05 and 10/24/05	Yes	Decision to retain policies as voluntary was made prior to the policy effective dates.
12/7/05	988	1	6/14/05	Yes	Decision to retain policy as voluntary was made prior to the policy effective date.
12/19/05	279	1	12/12/05	Yes	Decision to retain policy as voluntary was made prior to the policy effective date.
12/19/05	279	33	Various	Yes	Decision to retain policies as voluntary was made prior to the policy effective dates.
12/19/05	333	3	Various	Yes	Decision to retain policies as voluntary was made prior to the policy effective dates.
12/21/05	731	1	1/8/05	No	Loss dollars do not net to zero
1/5/06	279	1	9/27/05	Yes	Decision to retain policy as voluntary business was made prior to the policy effective date.
1/9/06	312	20	Various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
1/10/06	312	21	Various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
1/11/06	312	23	Various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
1/12/06	312	20	Various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.

**OPERATIONAL REPORTS
4TH QUARTER 2005**

II. CESSION SYSTEM (continued)

TX5 Cession Backdate Log

DATE SUBMITTED	CO NO	NUMBER OF CESSIONS	DATE REQUESTED	BACKDATE GRANTED?	REASON FOR APPROVAL/ DISAPPROVAL
1/13/06	312	20	Various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
1/14/06	312	20	Various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
1/16/05	312	20	Various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
1/17/06	312	20	Various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
1/18/06	312	20	Various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
1/19/06	312	20	Various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
1/20/06	312	20	Various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
1/26/06	279	28	Various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
1/27/06	312	4	Various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
2/1/06	455	6	Various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
2/28/06	279	5	Various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.

**OPERATIONAL REPORTS
4TH QUARTER 2005**

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 2003, 2004 and 2005.

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
4TH QUARTER 2005**

II. CESSION SYSTEM (continued)

Policy Year 2003
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED		% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
045	1,188	11	0.9		0.0	0	0
153	2,377	264	11.1	*	0.0	106,086	0
279	2,883	29	1.0		0.0	0	0
455	1,249	98	7.8	*	0.0	794	0
514	75	4	5.3	#	0.0	0	0
585	138	11	8.0	#	0.0	0	0
612	708	35	4.9		0.0	0	0
723	7,623	85	1.1		0.0	0	0
731	387	18	4.7		0.0	0	0
773	9,726	48	0.5		0.0	0	0
826	1,462	2	0.1		0.0	0	0
908	4,284	100	2.3		0.0	0	0
Totals	32,100	705	2.2%	*	N/A	106,880	0

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED		% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
049	202	14	6.9	#	0.0	0	0
102	335	7	2.1		0.0	0	0
152	969	46	4.7		0.0	8,865	0
194	116	19	16.4	#	0.0	0	0
279	316	9	2.8		0.0	357	0
333	341	23	6.7	#	0.0	0	0
438	98	2	2.0		0.0	0	0
455	286	43	15.0	*	0.0	0	0
514	271	65	24.0	*	0.0	1,416	0
612	43	21	48.8	#	0.0	354	0
734	546	18	3.3		0.0	23,880	0
735	30	3	10.0	#	0.0	0	0
767	86	37	43.0	*	0.0	929	0
773	380	3	0.8		0.0	0	0
887	830	102	12.3	*	0.0	42,109	0
919	53	0	0.0		0.0	0	0
929	31	1	3.2		0.0	0	0
Totals	4,933	413	8.4%	*	N/A	77,910	0

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

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

**OPERATIONAL REPORTS
4TH QUARTER 2005**

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	1.5	0.0	0	0
723	6,111	62	1.0	0.0	0	0
773	9,827	39	0.4	0.0	1,512	0
826	1,117	6	0.5	0.0	0	0
908	5,115	183	3.6	0.0	0	0
Totals	28,775	403	4.5%	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 #	1.2	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 *	0.3	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	30,226	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	61,679	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
4TH QUARTER 2005**

II. CESSION SYSTEM (continued)

Policy Year 2005
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
045	677	12	1.8	-0.2	642	0
279	2,434	9	0.4	0.2	0	15,750
514	60	1	1.7	-0.3	0	0
585	103	2	1.9	1.9	0	0
602	275	15	5.5 #	-3.7	0	0
612	24	0	0.0	0.0	0	0
723	2,923	12	0.4	-0.1	0	0
773	6,617	21	0.3	0.0	0	0
826	570	1	0.2	0.2	0	0
908	7,749	294	3.8	0.1	0	9,900
Totals	21,432	367	1.7%	N/A	642	25,650

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
049	291	8	2.7	0.4	0	0
102	149	9	6.0 #	2.9	0	0
152	265	16	6.0 #	2.5	5	609
194	113	6	5.3 #	1.6	0	0
279	344	9	2.6	-0.2	0	0
333	332	6	1.8	0.3	0	0
438	369	12	3.3	2.4	0	0
455	205	13	6.3 #	1.6	0	0
514	337	38	11.3 *	-5.5	501	0
612	29	21	72.4 #	8.1	0	0
644	31	0	0.0	0.0	0	0
734	448	24	5.4 #	2.5	0	0
735	31	5	16.1 #	10.8	0	0
751	7	5	71.4 #	0.0	0	0
773	307	2	0.7	-0.3	0	0
887	1,700	169	9.9 *	0.5	12,915	0
929	47	1	2.1	-1.0	0	0
Totals	5,005	344	6.9% *	N/A	13,421	609

* 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 4TH QUARTER 2005

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 29, 2005 and the documentation was due back at CAR by November 14, 2005. CAR reviewed the documentation and assessed penalties against those companies' results. The table below shows the penalty totals assessed in the fourth quarter, 2005.

Company	Penalty Amount
333	\$6,500
Total	\$6,500

D. Cession Volumes

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

Effective Year	Private Passenger Cession %	Commercial Cession %	Time Period
2001	7.7%	23.4%	Final Result
2002	7.5%	28.0%	Final Result
2003	6.9%	27.9%	Final Result
2004	6.7%	26.9%	Final Result
2005	6.2%	26.2%	As of Dec. 2005

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

OPERATIONAL REPORTS 4TH QUARTER 2005

III. QUARTERLY PARTICIPATION

A. Production of Quarterly Participation Reports

CAR posted the December 2005 Quarterly Member Participation Reports to its website on March 3, 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 4th Quarter estimated Participation Ratios using data reported through December 31, 2005, will be posted to CAR's website by March 31, 2006.

C. Rule 12 Participation Credits

CAR ran the Rule 12 credit edit reports on February 22, 2006 and will mail them in mid-March, 2006. They include results for accounting year 2005, as of the fourth quarter.

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 (4 th Quarter)	0.15%	0.43%	0.52%
2006	0.15%	N/A	N/A

**OPERATIONAL REPORTS
4TH QUARTER 2005**

III. QUARTERLY PARTICIPATION (continued)

D. CAR Financial Results

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

(Numbers are in \$000s)

Policy Year	Private Passenger	Commercial
2003	(237,952)	17,183
2004	(182,632)	22,438
2005	(155,188)	16,041

E. Cession Limitations

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

Policy Year	% Ceded	As of
2003	13.45%	36 months
2004	11.41%	24 months
2005	11.34%	12 months

F. CAR Commercial Rates

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

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

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

OPERATIONAL REPORTS 4TH QUARTER 2005

IV. ACCOUNTING SYSTEM

A. Update of the Online Accounting System

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

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

Quarter	MAS Due Date	Accounting System Update
1st Quarter 2006	May 15, 2006	May 18, 2006
2nd Quarter 2006	August 15, 2006	August 18, 2005
3rd Quarter 2006	November 15, 2006	November 20, 2005
4th Quarter 2006	February 15, 2007	February 19, 2006

B. Critical Error Write-Off

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

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

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for March 2006 through August 2006 are shown following the 4th quarter write-off exhibit.

**OPERATIONAL REPORTS
4TH QUARTER 2005**

IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Write-Off – 4th Quarter 2005

Company	Nov 2005	Dec 2005	Jan 2006	Total
049	0	3,458	0	3,458
096	400	0	0	400
154	0	12,264	1,883	14,147
194	3,214	26,913	8,277	38,404
209	0	-55	37,103	37,048
331	0	0	5,118	5,118
333	408	18,526	450	19,384
402	-8,962	9,486	-2,758	-2,234
455	15	0	726	741
481	0	641	0	641
575	190,825	6,102	0	196,927
723	6,539	1,751	0	8,290
767	0	1,131	-10,803	-9,672
773	0	10	0	10
887	11,895	0	20,132	32,027
894	23,565	23,822	241,239	288,626
963	0	4,256	195	4,451
Industry	227,899	108,305	301,562	637,766

**OPERATIONAL REPORTS
4TH QUARTER 2005**

IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

4th Quarter 2005 – 10% Loss of Investment Fees

Co No	Nov 2003	Dec 2003	Jan 2004	Total
049	0	346	0	346
096	40	0	0	40
154	0	1,226	0	1,226
194	0	116	277	393
209	0	0	3,120	3,120
331	0	0	512	512
333	41	803	0	844
402	0	577	528	1,105
455	2	0	-69	-67
575	3,390	213	0	3,603
723	65	21	0	86
773	0	1	0	1
887	1,424	0	0	1,424
894	351	1,113	8,270	9,734
963	0	-96	0	-96
Total	5,313	4,320	12,638	22,271

**OPERATIONAL REPORTS
4TH QUARTER 2005**

IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Potential Loss Write-Off March 2006 through August 2006

Company	March 2006	April 2006	May 2006	June 2006	July 2006	August 2006	Grand Total
045	0	60	0	0	3,158	248	3,466
049	1,182	980	3,555	0	7,674	10,838	24,229
096	0	-1,718	0	0	0	0	-1,718
152	0	0	0	-1,199	109	0	-1,090
153	0	0	20,325	644	-5,192	3,322	19,099
154	20,111	-15,068	8,113	14,168	4,004	434	31,762
194	4,193	0	0	14,497	4,928	37,284	60,902
198	2,398	0	0	0	0	0	2,398
209	11,357	21,143	0	6,767	1,301	17,246	57,814
312	0	0	0	4,488	0	1,003	5,491
331	9,776	18,653	13,451	5,935	81,509	34,780	164,104
333	6,710	316	0	0	22,257	4,096	33,379
402	7,627	10,749	0	0	0	0	18,376
455	0	0	4,585	15,927	20,151	7,942	48,605
481	3,112	0	0	-8,379	1,557	0	-3,710
514	0	0	0	13,821	0	-7,442	6,379
575	2,097	479	1,106	-449	132,958	895	137,086
602	0	0	0	0	0	13,037	13,037
612	0	0	0	550	0	5,898	6,448
664	0	0	0	0	26,253	0	26,253
723	0	13,377	11,825	12,375	10,863	0	48,440
731	0	1	0	0	0	0	1
767	1,739	0	0	0	-538	-12,184	-10983
887	-469	378	6,301	0	14,438	5,091	25,739
894	440,924	7,809	138,798	18,519	82,728	28,584	717,362
963	0	-3,681	-500	0	706	7,427	3,952
Totals	510,757	53,478	207,559	97,664	408,864	158,499	1,436,821

**OPERATIONAL REPORTS
4TH QUARTER 2005**

IV. ACCOUNTING SYSTEM (continued)

C. Non-Critical Error "Audit Review" Program

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

Audit Review Penalties
2004 Policy Effective Year

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Penalty
1	152	10	1.16	12	\$100
3	194	3	2.43	11	\$300
16	331	12	2.25	166	\$4,600
10	894	2	3.58	17	\$600
20	963	2	2.31	26	\$750

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

2005 Non Critical Errors Over Tolerance Potential Penalty

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Potential Penalty
6	894	4	6.14	28	\$1,150
9	894	5	7.46	34	\$1,450
7	963	2	2.31	26	\$750

OPERATIONAL REPORTS 4TH QUARTER 2005

IV. ACCOUNTING SYSTEM (continued)

D. Company Reporting Profiles

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

CAR mailed the six-month 2005 company profile reports in December 2005. It had expected to post them online as well as a new secure report, but due to some minor problems, that did not occur. Accordingly, CAR expects to produce and post the 12-month profile reports online by the end of April, 2006.

E. Penalty Forecasting Program

CAR produces the Penalty Forecasting exhibits in March, June, September, and December. As of December 2005, they now appear 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. \$60 Cession/No Premium Penalties

On November 28, 2005 CAR assessed \$60 Cession/No Premium penalties against all cessions that listed on the penalty list. A cession qualifies for the penalty list when the premium amount on the policy totals to less than or equal to \$0 for five or more months. The table below shows those penalty results.

**OPERATIONAL REPORTS
4TH QUARTER 2005**

IV. ACCOUNTING SYSTEM (continued)

F. \$60 Cession/No Premium Penalties(continued)

Co. No.	Penalty Amount
049	\$900
096	\$120
154	\$540
194	\$1,800
312	\$8,280
331	\$2,460
333	\$1,440
455	\$420
514	\$840
575	\$660
585	\$60
602	\$300
664	\$300
723	\$180
731	\$120
767	\$600
887	\$2,280
894	\$2,820
963	\$120
971	\$10,800
Total	\$35,040

**OPERATIONAL REPORTS
4TH QUARTER 2005**

IV. ACCOUNTING SYSTEM (continued)

G. 2003 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 2003 effective date policies and for historical information.

Year	PP Penalty	Commercial Penalty	Taxi/Limo/CAR Service Penalty
2004	\$1,600	\$6,200	\$11,100
2003	\$1,500	\$6,500	\$9,900
2002	\$1,400	\$6,300	\$9,600
2001	\$1,300	\$5,300	\$8,800
2000	\$1,300	\$4,000	\$7,800

CAR closed out cession and premium reporting for policy year 2003 following the 12/2005 monthly accounting/statistical submission due at CAR on February 15, 2006. Accordingly, CAR will assess this penalty against 2003 policies in the first quarter 2006 Settlement of Balances reports.

H. 2003 Net Negative Premium Write-Off

Following the close of premium and cession reporting for a specific year, CAR assesses a net-negative premium write-off against each policy that contains an overall premium amount of less than \$0. To correct the negative condition, CAR adds offsetting records to each policy to bring the total premium amount up to \$0 – in essence correcting the policy. The amount that CAR adds to each policy and collects back from the industry will be reflected in the first quarter, 2006 Settlement of Balances reports.

OPERATIONAL REPORTS 4TH QUARTER 2005

V. STATISTICAL AGENT FUNCTION

A. Update of the Online Statistical System

CAR loads statistical data to its permanent database files and updates the online statistical system every Wednesday night. Accordingly, all new premium and loss activity and all correction activity is 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 18, 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 15 must respond to this difference according to the schedule below.

With the 4th quarter annual statement submission only, companies must provide a copy of the data submitted to the NAIC. For the final reporting quarters, CAR will assess a statistical data quality penalty of \$50 per business day until it receives the completed annual statement and reconciliation filings.

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

C. Annual Call for Expense

CAR uses this data to determine the final ceding expense allowance for each calendar year.

The due date for filing the expense data for the 2005 effective year is June 1, 2006. For all late filings, CAR will assess a statistical data quality penalty of \$50 per business day until it receives the completed expense call.

**OPERATIONAL REPORTS
4TH QUARTER 2005**

V. STATISTICAL AGENT FUNCTION (continued)

D. 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 2005 EFF YEAR	Liability	19,687,853	38,266	0.19%
	No Fault	16,027,166	9,702	0.06%
	Physical Damage	15,398,630	35,681	0.23%
	Total	51,113,649	83,649	0.16%
COMM 2005 EFF YEAR	Liability	182,898	2,352	1.29%
	No Fault	121,883	1,269	1.04%
	Physical Damage	148,921	3,272	2.20%
	Total	453,702	6,893	1.52%

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
4TH QUARTER 2005**

V. STATISTICAL AGENT FUNCTION (continued)

D. Rate Edit Processing (continued)

Rate Edit - Over Tolerance Exhibit

Co No	PP/Comm	Policy Year	Subline	Due Date	Err %	# Records in Error
049	Comm	2005	Physical Dam	5/15/2006	2.31%	110
154	Comm	2005	Liability	7/15/2006	2.75%	417
194	Comm	2005	Liability	4/15/2006	10.35%	172
194	Comm	2005	No Fault	3/15/2006	9.95%	129
194	Comm	2005	Physical Dam	1/15/2006	27.86%	612
333	Comm	2005	No Fault	2/15/2006	2.57%	221
664	Comm	2005	Liability	7/15/2006	5.80%	61
664	Comm	2005	Physical Dam	7/15/2006	4.54%	53
887	Comm	2005	Physical Dam	8/15/2006	2.04%	1,024
894	Comm	2005	Liability	7/15/2006	3.19%	57
894	Comm	2005	Physical Dam	11/15/2005	16.51%	321
948	Comm	2005	Physical Dam	8/15/2006	3.83%	50
963	Comm	2005	No Fault	2/15/2006	2.94%	99
963	Comm	2005	Physical Dam	12/15/2005	3.56%	221

**OPERATIONAL REPORTS
4TH QUARTER 2005**

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 12/05

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
099	13,039	4,446	25.43
100	33,570	12,265	26.76
261	4,693	2,262	32.52
424	14,112	5,842	29.28
511	2,637	2,303	46.62
625	11,102	3,942	26.20
643	5,991	4,486	42.82
701	2,497	1,856	42.64
742	800	592	42.53
743	12,399	7,656	38.18
752	6,189	2,230	26.49
885	28,240	8,052	22.19
927	23,346	7,917	25.32
948	39,026	10,816	21.70
Total Industry	87,540,092	4,107,494	4.48

The 2004 washout total following the 12/2004 shipments was 4.61%.

**OPERATIONAL REPORTS
4TH QUARTER 2005**

V. STATISTICAL AGENT FUNCTION (continued)

F. Distributional Analysis

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

The December 2005 reports will be distributed to the industry in mid-March 2006.

OPERATIONAL REPORTS 4TH QUARTER 2005

VI. COMMUNICATIONS

A. CAR's Website

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

CAR recently completed a more descriptive Class Code Look Up function as part of the Statistical Edit Package Manual. To view a more complete class code description, click on the Class Code definition link contained within the lookup function. You can search by class code range or by a specific class code. The Company Reporting Profile reports have been postponed due to some minor discrepancies with the paper reports. They should become available shortly.

Also, the addition of the S040W – Unprocessable Fatal Error and Converted Records reports was postponed while CAR implemented its 2006 edits. Once all annual updates are complete, CAR will continue working on producing this online report.

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
4TH QUARTER 2005**

VII. PROJECT STATUS REPORTS

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

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