



COMMONWEALTH AUTOMOBILE REINSURERS

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RALPH A. IANNAO
President

- MEMORANDUM -

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham, Data Analyst III

DATE: March 13, 2007

RE: Operational Reports

The 4th quarter 2006 Operational Reports follow this memorandum. They include data reported from November 16, 2006 through February 15, 2007 for the accounting months of October 2006 through December 2006. If you have any comments or suggestions to improve the usefulness of these reports, please contact for any recommendations.

Section I – Accounting/Statistical Shipments:

The following changes were requested for modification to the Private Passenger Statistical Plan effective January 1, 2007. The Governing Committee has approved the request and the Division of Insurance is going to implement the following:

- Effective January 1, 2007, ISO's application of the Vehicle Series Rating program, wording has been updated relative to Symbol Code as contained in Part V – Reporting Instructions – Losses of the Statistical Plan.
- Effective April 1, 2007, the implementation of the Massachusetts Automobile Insurance Plan (MAIP), a new CAR ID Code of "9" to be added to the Statistical Plan to identify MAIP business on all premium and loss records. **(This language has been suspended at this time).**
- Effective April 1, 2007, language changing in order to specify Bodily Injury, Uninsured and Underinsured Liability Limits of \$500,000/500,000, where code 15 to be added to the appropriate limits tables. The \$500,000/500,000 limit is currently reported using the All Other Limits Code of 49.

OPERATIONAL REPORTS 4TH QUARTER 2006

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

The following changes were approved by the Division of Insurance on April 19, 2006 for modification to the Commercial Statistical Plan:

- On December 22, 2005, the Terrorism Risk Insurance Act of 2005 was extended for two years, until December 31, 2007. However, certain commercial lines of business were specifically not renewed under the extension legislation and effective January 1, 2006, the Terrorism Risk Insurance Act (TRIA) no longer applies to Commercial Automobile business. Accordingly, the existing Terrorism Coverage Code values no longer apply to this business. These codes have been replaced by new values that identify whether terrorism coverage exists on the underlying policy (at no charge or for an additional premium charge) and identify any premium associated with terrorism coverage on a separate terrorism coverage record. The approved codes are similar to those added to the ISO Commercial Automobile Statistical Plan.

CAR assessed a total of \$15,900 to the Statistical Penalty Programs in the 4th Quarter 2006 Settlement of Balances report.

Section II – Cessions:

CAR posted the results to those companies that had penalties on the CA5010 Cancellation Audit report from July 29, 2006 listings due back on October 31, 2006. CAR penalties amounted to \$7,800 and were posted in 4th Quarterly 2006 Settlement of Balance Reports.

As of March 15, 2007 the Private Passenger cession rate equaled 4.9%; the commercial cession rate equaled 25.5%.

Section III – Quarterly Participation Reports:

CAR posted the December 2006 Quarterly Member Participation Reports to the website on March 12, 2007.

CAR produced 4th quarter 2006 Critical Error Write-Offs and 10% Loss of Investment Fees totaling \$492,314 and \$6,332 respectively.

CAR ran the Rule 12 credit edit reports for 4th Quarter 2006 on March 5, 2007 and will be mailed to the industry mid-March. The Rule 12 tolerance level is set on an annual basis and will be in its new format. For accounting years 2005 and 2006, the Governing Committee approved a tolerance level of 0.15%.

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Section IV – Accounting System Processing:

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2005 and 2006 policy effective years following the monthly accounting shipments due the 15th of every month for all companies remaining over the tolerance level of 1% and 10 policies in error. The penalty results for 4th quarter amounted to \$4,200. CAR will finalize penalties to those 2005 companies still remaining over the tolerances as of 1st Quarter 2007 Settlement of Balances.

CAR assessed penalties for the \$60 Cession/No Premium after November 28, 2006 totaling \$138,240.

The twelve-month Company Profile reports from time period July through December 2006 will be posted to CAR's website sometime in April 2007 and once available can be viewed online. Please note that CAR will no longer be mailing this document to the industry.

The Penalty Forecasting exhibits will be available on-line for the 4th quarter 2006 processing sometime the end of March, 2007.

Section V - Statistical Agent Functions:

The 4th Quarter Annual Statement Statutory Page 14 file submissions are due at CAR on March 15, 2007. Any late filings of the Statutory Page 14 report and Reconciliation Responses will result in a \$50 per business day penalty until received. The 4th Quarterly Reconciliation Responses will process in April, 2007. Penalties for any late file submissions will be noted within 1st Quarter Operational Reports.

All companies that exceed the commercial and private passenger rate edit tolerances are listed on pages 29-30.

Section VI – Communications:

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

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

**OPERATIONAL REPORTS
4TH QUARTER 2006**

I. STATISTICAL SYSTEM

A. Reporting of Company Shipments

The monthly submission of statistical data is due at CAR according to the Call Schedule contained in the table below. The timeliness exhibit on the following page reflects the timeliness status of all companies for 2006 as of the fourth quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

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

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

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

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I. STATISTICAL SYSTEM (continued)

2006 Timeliness Report

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

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I. STATISTICAL SYSTEM (continued)

2006 Timeliness Report

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

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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 4th quarter 2006, CAR assessed a total penalty amount of \$15,900. The table below shows the detail penalties for each company.

Penalty Assessments
4th Quarter 2006

Co #	Company Name	Assessment	Assessment Amount
100	Acadia Insurance Company	Late 9/06 MAS	\$ 800
101	American Alternative Ins. Corp.	Late 9/06 MAS	\$ 300
156	Arbella Indemnity Insurance Co.	Stat Err > 5% 10/06	\$ 100
229	Clarendon National Ins. Co.	Stat Err > 5% 6/06	\$ 1,200
230	Praetorian Insurance Co.	Stat Err > 5% 8/06	\$ 300
230	Praetorian Insurance Co.	Stat Err > 5% 9/06	\$ 300
259	Cincinnati Insurance Company	Late 9/06 MAS	\$ 300
309	Electric Insurance Company	Stat Err > 5% 9/06	\$ 100
316	Empire Fire & Marine Ins. Co.	Stat Err > 5% 4/06	\$ 400
316	Empire Fire & Marine Ins. Co.	Stat Err > 5% 6/06	\$ 200
316	Empire Fire & Marine Ins. Co.	Stat Err > 5% 7/06	\$ 100
316	Empire Fire & Marine Ins. Co.	Stat Err > 5% 8/06	\$ 200
316	Empire Fire & Marine Ins. Co.	Late 8/06 MAS	\$ 800
316	Empire Fire & Marine Ins. Co.	Late 9/06 MAS	\$ 300
331	Massachusetts Homeland Ins. Co.	Stat Err > 5% 4/06	\$ 800
333	OneBeacon America Ins. Co.	Late 11/06 MAS	\$ 300
362	Farm Family Casualty Ins. Co.	Stat Err > 5% 8/06	\$ 300
362	Farm Family Casualty Ins. Co.	Stat Err > 5% 9/06	\$ 100
402	Firemen's Ins. Co. of Wash DC	Late 9/06 MAS	\$ 2,000
463	Greenwich Insurance Company	Late 9/06 MAS	\$ 300
468	Hartford Fire Insurance Company	Stat Err > 5% 9/06	\$ 200
512	Liberty Mutual Fire Insurance Co.	Stat Err > 5% 8/06	\$ 100
559	Maryland Casualty Company	Stat Err > 5% 2/06	\$ 1,600
582	Merchants Mutual Ins. Co.	Stat Err > 5% 10/06	\$ 400
664	Norfolk & Dedham Mutual Fire Ins.	Late 11/06 MAS	\$ 300
753	Redland Insurance Company	Late 11/06 MAS	\$ 300

**OPERATIONAL REPORTS
4TH QUARTER 2006**

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
4th Quarter 2006

Co #	Company Name	Assessment	Assessment Amount
837	T.H.E. Insurance Company	Stat Err > 5% 6/06	\$ 400
840	Tokio Marine & Nachido Fire Ins.	Late 9/06 MAS	\$ 300
894	Twin City Fire Insurance Company	Late 9/06 MAS	\$ 800
895	Lancer Insurance Company	Stat Err > 5% 10/06	\$ 100
951	Vanliner Insurance Company	Stat Err > 5% 9/06	\$ 300
963	Harleysville Worcester Ins. Co.	Late 11/06 MAS	\$ 300
971	Zurich Insurance Company	Stat Err > 5% 2/06	\$ 1,600
			\$ 15,900

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I. STATISTICAL SYSTEM (continued)

Massachusetts Commercial Statistical Plan
Approved Modifications

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

**OPERATIONAL REPORTS
4TH QUARTER 2006**

I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan
Approved Revisions for Modification

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

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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 2007, CAR accepts cession records and cession corrections for policy years 2005-2007.

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

B. Cession Backdates

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

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

There has been no "intent-to-cede" appeal requested 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 December 19, 2006.

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II. CESSION SYSTEM (continued)

TX5 Cession Backdate Log

12/1/06	455	1/1/1900	11/20/06	Yes	Vehicle is an antique vehicle.
12/12/06	279	4	Various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
12/26/06	612	3	Various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
1/5/07	279	1	12/26/06	Yes	Decision to retain the policy as voluntary was made prior to the policy effective date.
1/5/07	279	1	12/5/06	Yes	Decision to retain the policy as voluntary was made prior to the policy effective date.
1/8/07	279	4	Various	Yes	Decision to retain the policies as voluntary business was made prior to the policy effective dates.
1/8/07	612	2	8/23/06	Yes	Decision to retain the policies as voluntary business was made prior to the policy effective dates.
1/16/07	988	1	1/2/07	Yes	Decision to retain the policy as voluntary was made prior to the policy effective date.
1/12/07	279	1	11/15/06	Yes	Decision to retain policy as voluntary business was made prior to the policy effective date.
1/23/07	279	1	11/30/06	Yes	Decision to retain policy as voluntary business was made prior to the policy effective date.
2/9/07	279	1	7/13/06	Yes	Decision to retain policy as voluntary business was made prior to the policy effective date.
2/9/07	279	1	10/25/06	Yes	Decision to retain policy as voluntary business was made prior to the policy effective date.

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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 monitored policy years 2004, 2005 and 2006.

CAR produced the fourth quarter 2006 CR215R and mailed it out to the industry February 21, 2007. 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 SYSTEM (continued)

Policy Year 2004
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
045	730	23	3.2	0.0	0	0
153	870	55	6.3 *	0.0	2,272	0
279	4,277	20	0.5	0.0	0	0
514	29	1	3.4	0.0	0	0
585	105	6	5.7 #	0.0	0	0
602	68	1	1.5	0.0	0	0
612	526	7	1.3	0.0	0	0
723	6,110	62	1.0	0.0	0	0
773	9,827	39	0.4	0.0	1,512	0
826	1,117	6	0.5	0.0	0	0
908	5,115	183	3.6	0.0	0	0
Totals	28,774	403	1.4% *	N/A	3,784	0

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATE D	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
049	337	10	3.0	0.0	0	0
102	199	11	5.5 #	0.0	0	0
152	329	23	7.0 #	0.0	23,820	0
194	187	52	27.8 *	0.0	1,092	0
279	384	4	1.0	0.0	0	0
333	319	83	26.0 *	0.0	506	0
438	261	4	1.5	0.0	915	0
455	232	16	6.9 #	0.0	2,345	0
514	286	30	10.5 *	0.0	2,140	0
612	29	15	51.7 #	0.0	0	0
644	32	1	3.1	0.0	0	0
734	519	25	4.8	0.0	635	0
735	37	4	10.8 #	0.0	0	0
767	22	1	4.5	0.0	0	0
773	350	1	0.3	0.0	0	0
887	1,453	230	15.8 *	0.0	30,278	0
919	32	1	3.1	0.0	0	0
929	29	1	3.4	0.0	0	0
Totals	5,037	512	10.2% *	N/A	61,731	0

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

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

**OPERATIONAL REPORTS
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II. CESSION SYSTEM (continued)

Policy Year 2005
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
045	685	20	2.9	0.0	642	0
279	2,434	9	0.4	0.0	0	0
514	60	1	1.7	0.0	0	0
585	103	2	1.9	0.0	0	0
602	273	15	5.5 #	0.0	2,226	0
612	24	0	0.0	0.0	0	0
723	2,924	13	0.4	0.0	0	0
773	6,619	24	0.4	0.0	0	0
826	570	1	0.2	0.0	0	0
908	7,749	295	3.8	0.0	16,389	37,000
Totals	21,441	380	1.8%	N/A	19,257	37,000

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
049	291	8	2.7	0.0	0	0
102	149	9	6.0 #	0.0	0	0
152	260	15	5.8 #	0.1	337	0
194	113	6	5.3 #	0.0	0	0
279	344	9	2.6	0.0	0	0
333	332	6	1.8	0.0	0	0
438	369	12	3.3	0.0	0	0
455	205	14	6.8 #	0.0	24,018	0
514	338	41	12.1 *	0.0	1,986	0
612	29	21	72.4 #	0.0	0	0
644	32	1	3.1	3.1	0	0
734	448	24	5.4 #	0.0	1,887	0
735	31	5	16.1 #	0.0	0	0
751	7	5	71.4 #	0.0	631	0
773	307	2	0.7	0.0	0	0
887	1,680	160	9.5 *	0.1	19,018	0
929	47	1	2.1	0.0	0	0
Totals	4,982	339	6.8% *	N/A	47,877	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 2006
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
045	141	0	0.0	0.0	0	0
279	3,928	15	0.4	0.1	0	0
514	14	0	0.0	0.0	0	0
585	105	3	2.9	0.5	0	0
612	28	1	3.6	3.6	0	0
723	1,684	8	0.5	0.0	0	0
773	14	0	0.0	0.0	0	0
908	5,741	60	1.0	0.0	0	0
Totals	11,655	87	0.7%	N/A	0	0

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
152	240	15	6.3 #	1.7	0	0
245	631	37	5.9 *	0.6	0	0
279	121	5	4.1	1.3	0	0
455	1,916	214	11.2 *	0.6	10,509	17,850
514	0	0	0.0	0.0	0	0
612	0	0	0.0	0.0	0	0
734	464	18	3.9	0.4	0	0
735	29	3	10.3 #	-0.8	0	0
773	126	0	0.0	0.0	0	0
887	673	51	7.6 *	0.2	0	0
Totals	4,200	343	8.2% *	N/A	10,509	17,850

* 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 31, 2006 and the documentation was due back at CAR on October 31, 2006. CAR reviewed the documentation and assessed penalties against those companies' results. The table below shows the penalty totals assessed in the fourth quarter, 2006.

Company	Penalty Amount
333	\$6,200
664	\$1,600
Total	\$7,800

D. Cession Volumes

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

Effective Year	Private Passenger Cession %	Commercial Cession %	Time Period
2001	7.7%	23.4%	Final Result
2002	7.5%	28.0%	Final Result
2003	6.9%	27.9%	Final Result
2004	6.7%	26.9%	Final Result
2005	6.2%	26.2%	Final Result
2006	4.9%	25.5%	As of December 2006

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

**OPERATIONAL REPORTS
4TH QUARTER 2006**

III. QUARTERLY PARTICIPATION

A. Production of Quarterly Participation Reports

CAR posted the December 2006 Quarterly Member Participation Reports to its website on March 12, 2007. 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 2006 estimated Participation Ratios using data reported through December 31, 2006, will be posted to CAR's website by March 31, 2007.

C. Rule 12 Participation Credits

CAR ran the Rule 12 credit edit reports for 4th Quarter 2006 on March 5, 2007. The reports are currently being verified and will be mailed mid-March.

The Rule 12 tolerance level is set on an annual basis. For accounting years 2006 and 2007, the Governing Committee approved a tolerance level of 0.15%. The decrease in the tolerance level reflects the implementation of the credit matrix methodology which combines territory and class credits. The new tolerance level also provides for a consistent allowance for total credits in error. The table below shows a six-year history of the Rule 12 tolerance level and the industry's error percent.

Accounting Year	Tolerance Level	Industry Error %	
		LIAB	PHYS
2000	0.50%	1.65%	1.76%
2001	0.25%	1.45%	1.54%
2002	0.25%	1.49%	1.57%
2003	0.25%	1.45%	1.62%
2004	0.25%	1.14%	1.30%
2005	0.15%	0.43%	0.52%
2006(4th Quarter)	0.15%	Not Available	Not Available

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III. QUARTERLY PARTICIPATION (continued)

D. CAR Financial Results

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

(Numbers are in \$000s)

Policy Year	Private Passenger	Commercial
2005	(109,219)	26,657
2006	(106,638)	12,565
2007	(153,658)	23,349

E. CAR Commercial Rates

The schedule of commissions for ceded commercial policies will remain the same for policies effective of October 1, 2006 and subsequent is as follows:

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

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

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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.

Quarter	MAS Due Date	Accounting System Update
1st Quarter 2006	May 15, 2006	May 16, 2006
2nd Quarter 2006	August 15, 2006	August 16, 2006
3rd Quarter 2006	November 15, 2006	November 16, 2006
4th Quarter 2006	February 15, 2007	February 16, 2007

B. Critical Error Write-Off

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

For losses specifically, CAR requires every record to be fixed within one year of falling into critical error. If a loss record has not been fixed after a year of remaining in critical error, CAR writes-off that loss record and assesses an interest fee of 10%. This write-off process occurs the last Saturday of every month. The table on the following page shows the write-off amounts and associated 10% fees for fourth quarter 2006.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for March 2007 through August 2007 are shown following the 4th quarter write-off exhibit.

**OPERATIONAL REPORTS
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IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Write-Off – 4th Quarter 2006

Company	Nov-06	Dec-06	Jan-07	Total
045	0	553	0	553
049	1,001	17,739	0	18,740
152	0	0	-200	-200
153	0	397	-900	-503
194	94,320	53,590	8,047	155,957
209	0	-9,687	0	-9,687
312	0	3,775	0	3,775
331	0	23,284	17,957	41,241
333	0	92,457	649	93,106
575	0	360	600	960
664	31,972	322	0	32,294
723	0	24,900	0	24,900
767	0	17,531	0	17,531
773	0	5	5	10
887	2,364	2,188	0	4,552
894	658	11,234	2,711	14,603
963	28,752	0	65,730	94,482
INDUSTRY	159,067	238,648	94,599	492,314

**OPERATIONAL REPORTS
4TH QUARTER 2006**

IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

4th Quarter 2006 – 10% Loss of Investment Fees

Co No	Nov-06	Dec- 06	Jan- 07	Total
049	0	1,625	0	1,625
153	33	33	0	66
194	0	1,387	0	1387
312	0	378	0	378
331	0	465	0	465
575	0	36	0	36
664	178	32	0	210
723	0	385	0	385
773	0	-51	5	-46
887	236	32	0	268
894	66	236	-69	233
963	387	0	938	1,325
Total	900	4,558	874	6,332

**OPERATIONAL REPORTS
4TH QUARTER 2006**

IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Potential Loss Write-Off March 2007 through August 2007

Company	March 2007	April 2007	May 2007	June 2007	July 2007	August 2007	Grand Total
045	9,483	0	26	0	0	0	9,509
049	0	0	-72	5,303	7,347	6,765	19,343
096	6,752	0	0	0	0	0	6,752
152	0	0	0	0	6,644	582	7,226
153	1,060	11,157	9,937	87,246	39,823	39,545	188,768
154	13,713	12,789	0	5,118	23,400	938	55,958
194	0	8,455	0	2,833	0	872	12,160
209	0	-13,083	-18,735	682	20,693	0	-10,443
312	4,924	0	617	0	0	0	5,541
317	0	0	0	0	0	967	967
331	14,037	17,268	50,737	45,702	0	-52,233	75,511
333	10,749	3,566	716	2,797	0	1,317	19,145
455	0	547	4,920	17,996	247	11,486	35,196
481	0	0	0	0	5,000	0	5,000
585	0	0	0	0	1,841	0	1,841
602	0	0	0	0	10,345	0	10,345
612	9	0	0	0	228	0	237
723	4,854	0	0	22,847	574	17,219	45,494
751	3,120	0	0	0	0	0	3,120
773	0	15	0	2	245	0	262
887	8,152	3,553	53,548	1,248	3,522	3,616	73,639
894	9,733	0	75,748	0	0	0	85,481
963	0	1,963	0	0	0	0	1,963
Totals	86,586	46,230	177,442	191,774	119,909	31,074	653,015

**OPERATIONAL REPORTS
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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 potential penalties.

Audit Review
2005 & 2006 Policy Effective Years

2005 Penalties for Non-Critical Errors Over the Tolerance

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Potential Penalty
10	312	10	1.45	104	\$1,600
10	331	12	1.48	130	\$2,100
10	894	04	3.22	15	\$500

CAR will be assessing "Last Listing Cycle" penalties against those 2005 effective date policies that have remained over tolerance following the receipt of the December 2006 monthly accounting shipments due at CAR on February 15, 2007 in the 1st Quarter 2007 Settlement of Balances.

2005 Non-Critical Errors Over Tolerance Potential Penalty

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Potential Penalty
1	049	10	1.35	18	\$250
2	331	10	1.17	103	\$750
19	963	02	3.81	43	\$1,600

2006 Non-Critical Error Over Tolerance Potential Penalty

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Potential Penalty
3	045	04	2.06	26	\$650
9	153	04	2.90	599	\$19,600
2	153	05	2.49	515	\$15,400
8	354	12	4.68	289	\$11,350

**OPERATIONAL REPORTS
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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 will be posting the twelve-month 2006 company profile reports at the end of April, 2007. Accordingly, CAR will now be producing these reports to be viewed online for the industry each of these time periods and will no longer be mailing out hard copies of this report.

E. Penalty Forecasting Program

CAR produces the Penalty Forecasting exhibits in March, June, September, and December. CAR will be posting the December 2006 in mid-March 2007 and can be located on CAR's website as a secure report under the Data Quality & Data Reporting Reports. The program helps companies in their correction efforts and helps Servicing Carriers track potential future penalties if corrective actions are not taken by the companies. If you do not have access to the reports, please contact your company's Security Administrator to request access.

**OPERATIONAL REPORTS
4TH QUARTER 2006**

IV. ACCOUNTING SYSTEM (continued)

F. Cession/No Premium Penalties

On November 28, 2006 CAR assessed \$60 Cession/No Premium penalties against all cessions that listed on the penalty list. A cession qualifies for the penalty list when the premium amount on the policy totals to less than or equal to \$0 for five or more months.

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

**OPERATIONAL REPORTS
4TH QUARTER 2006**

IV. ACCOUNTING SYSTEM (continued)

G. 2004 Cession/No Premium Write-Off

CAR closed out the 2004 reporting year with the December 2006 monthly accounting shipments due at CAR on February 15, 2007. Accordingly, CAR will no longer accept cession activity for the 2004 policy effective year and all policies that contain an active cession with no positive premium will be subject to the cession/no premium write-off penalty. Please reference the table below for the write-off penalty amounts for 2004 effective date policies and for historical information.

CAR will assess the Cession/No Premium and Net-Negative Premium Write Off penalties against the 2004 policy effective year in April 2007 and will assess these penalties in the 1st quarter 2007 Settlement of Balances.

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

Year	PP Penalty	Commercial Penalty	Taxi/Limo/CAR Service Penalty
2005	\$1,600	\$6,200	\$10,800
2004	\$1,600	\$6,200	\$11,100
2003	\$1,500	\$6,500	\$9,900
2002	\$1,400	\$6,300	\$9,600
2001	\$1,300	\$5,300	\$8,800
2000	\$1,300	\$4,000	\$7,800

**OPERATIONAL REPORTS
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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.

Quarter	MAS Due Date	Statistical System Update
1st Quarter 2006	May 15, 2006	May 16, 2006
2nd Quarter 2006	August 15, 2006	August 16, 2006
3rd Quarter 2006	November 15, 2006	November 16, 2006
4th Quarter 2006	February 15, 2007	February 16, 2007

B. Annual Statement and Annual Statement Reconciliation

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

The 3rd quarter Reconciliation report was due on January 9, 2007.

With the 4th quarter annual statement submission only, companies must provide a copy of their 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. For accessing or questions on how get at the application contact CAR Staff for assistance.

Quarter	Due Date Quarterly Annual Statement	Run Date of the Reconciliation Program	Due Date Reconciliation Response
1st 2006	June 15, 2006	July 3, 2006	Approx. August 4, 2006
2nd 2006	September 15, 2006	October 6, 2006	Approx. November 3, 2006
3rd 2006	December 15, 2006	January 5, 2007	Approx. February 2, 2007
4th 2006	March 15, 2007	April 6, 2007	Approx. May 4, 2007

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 2006 effective year is June 1, 2007. 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 2006**

V. STATISTICAL AGENT FUNCTION (continued)

C. Rate Edit Processing

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

	Line of Business	Eligible Records	Records in Error	Error %
PP 2006 EFF YEAR	Liability	17,663,055	34,269	0.19%
	No Fault	14,577,930	14,505	0.10%
	Physical Damage	13,869,422	38,828	0.28%
	Total	46,110,407	87,602	0.19%
COMM 2006 EFF YEAR	Liability	97,193	1,404	1.44%
	No Fault	66,778	1,199	1.80%
	Physical Damage	71,749	1,402	1.95%
	Total	235,720	4,005	1.70%

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 2006**

V. STATISTICAL AGENT FUNCTION (continued)

C. Rate Edit Processing (continued)

Rate Edit - Over Tolerance Exhibit

Co No	PP/Comm	Policy Year	Subline	Due Date	Err %	# Records in Error
045	PP	2006	Liability	6/15/2007	2.68%	2,108
045	PP	2006	Physical Dam	6/15/2007	2.91%	1,910
245	Comm	2006	No Fault	3/15/2007	6.05%	265
455	Comm	2006	Physical Dam	8/15/2007	2.27%	383
735	Comm	2006	Liability	8/15/2007	2.22%	319
735	Comm	2006	Physical Dam	8/15/2007	2.01%	200
773	Comm	2006	Liability	8/15/2007	2.93%	317
773	Comm	2006	Physical Dam	8/15/2007	2.75%	245
887	Comm	2006	No Fault	12/15/2006	6.15%	417
887	Comm	2006	Physical Dam	8/15/2007	3.19%	320

**OPERATIONAL REPORTS
4TH QUARTER 2006**

V. STATISTICAL AGENT FUNCTION (continued)

D. Deleted Washout Records

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

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

Deleted Washout Totals
For All Shipments Received Through 12/06

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
011	4	20	20.00
099	3,670	14,136	25.96
101	806	3,275	24.61
204	630	1,080	58.33
229	3,782	10,141	37.29
230	1,496	6,548	22.85
261	1,182	3,052	38.73
356	2	10	20.00
417	18	48	37.50
499	24	69	34.78
511	1,823	2,077	87.77
625	2,230	10,538	21.16
643	316	990	31.92
701	314	855	36.73
751	98	268	36.57
828	129,419	521,677	24.81
885	8,960	29,996	29.87
948	6,169	24,841	24.83
Total Industry	3,361,197	80,172,623	4.19

The 2005 washout total following the 12/2005 shipments was 4.48%.

E. Distributional Analysis

Distributional analysis reports are produced three times a year starting with the close of the June quarter. The next distribution of reports to the industry will be for the December, 2006 term and will be sent to the industry around the end of March 2007.

**OPERATIONAL REPORTS
4TH QUARTER 2006**

VI. COMMUNICATIONS

A. CAR's Website

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

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

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

B. Telecommunications

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

**OPERATIONAL REPORTS
4TH QUARTER 2006**

VII. PROJECT STATUS REPORTS

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

Project	Status	Description
Cession Volume	Near completion	Automate the cession volume process for efficiency. The reports will remain on-line but will open as Crystal Reports rather than PDF documents.
Distributional Analysis	In Progress	Automate the Distributional Analysis process and move the reports onto CAR's website.
Experience Rating	Near Completion	Move the mainframe pieces of the Experience Rating application to CAR's website so that companies don't need to toggle between systems.
2007 Statistical System	Near Completion	Update CAR's system to accept 2007 statistical data. This includes adding new class codes for private passenger loss SDIP data. Also, will look at moving additional reports to CAR's website.
MAIP	Suspended	Create and implement necessary programs to generate an assigned risk program for the State of Massachusetts.