



COMMONWEALTH AUTOMOBILE REINSURERS

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RALPH A. IANNACO
PRESIDENT

- MEMORANDUM -

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: March 25, 2008

RE: Operational Reports

The 4th quarter 2007 Operational Reports follow this memorandum. They include data reported November 16, 2007 through February 15, 2008 for the accounting month period of October 2007 through December 2007. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

Section I – Accounting/Statistical Shipments:

CAR's Governing Committee, at its November 14, 2007 meeting, recommended modifications to the Massachusetts Private Passenger and Commercial Statistical Plans. The recommended pages were forwarded to the Division of Insurance on November 16, 2007, and the industry was notified of this submission via Accounting and Statistical Notice No. 472 dated November 19, 2007.

On January 30, 2008, the aforementioned proposed amendments to the Massachusetts Private Passenger and Commercial Statistical Plans were disapproved by the Commissioner of Insurance. Instead new pages pertaining to CAR Identification Code, effective February 1, 2008, were promulgated by the Division of Insurance pursuant to the provisions of G.L. c. 175A 15.

Revisions to the Massachusetts Private Passenger Statistical Plan were approved by the Division of Insurance on March 10, 2008. Accounting and Statistical Notice N. 476, dated February 26, 2008, initially announced these proposed revisions.

CAR assessed a total of \$22,500 to the Statistical Penalty Programs in the 4th Quarter 2007 Settlement of Balances report.

OPERATIONAL REPORTS 4TH QUARTER 2007

Section II – Cessions:

CAR Flat Cancellation Audit report from July 26, 2007 had penalties resulting in \$18,800 posted in the 4th Quarter Settlement of Balances. CAR mailed a new Flat Cancellation report at the end of January 2008 and the documentation is due back April 21, 2008. Those results and any assessed penalties will be posted in the next Quarterly Operational Reports.

As of February 29, 2008 the Private Passenger cession rate equaled 4.3%; the commercial cession rate equaled 22.3%.

Section III – Quarterly Participation Reports:

CAR posted the December 2007 Quarterly Member Participation Reports to its website on March 7, 2008.

CAR ran the 4th Quarter 2007 Rule 12 credit edit download reports in mid-March. The tolerance levels for 2007 and 2008 reporting are and will remain at .15%.

Section IV – Accounting System Processing:

CAR produced 4th quarter 2007 Critical Error Write-Offs and 10% Loss of Investment Fees totaling \$152,662 and \$-(357) respectively.

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2006 and 2007 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 will be made available on-line in late March 2008.

Section V - Statistical Agent Functions:

The Reconciliation Responses for 3rd Quarter 2007 were due on February 12, 2008. The 4th Quarter 2007 Statutory Page 14 data were due at CAR on March 17, 2008. The Reconciliation Responses for the 4th Quarter 2007 are to be posted on or about April 2, 2008. Companies must provide a copy of their data submitted to the NAIC. CAR will assess a statistical data quality penalty of \$50 per business day until it receives the completed annual statement and reconciliation filings.

All companies that exceed the commercial and private passenger rate edit tolerances are listed on pages 26-27.

Section VI – Communications:

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.

**OPERATIONAL REPORTS
4TH QUARTER 2007**

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 2007 as of the fourth quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

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 17, 2007	4 th Qtr
November 2007	January 15, 2008	
December 2007	February 15, 2008	

2008 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2008	March 17, 2008	1 st Qtr
February 2008	April 15, 2008	
March 2008	May 15, 2008	
April 2008	June 16, 2008	2 nd Qtr
May 2008	July 16, 2008	
June 2008	August 15, 2008	
July 2008	September 15, 2008	3 rd Qtr
August 2008	October 15, 2008	
September 2008	November 15, 2008	
October 2008	December 17, 2008	4 th Qtr
November 2008	January 15, 2009	
December 2008	February 15, 2009	

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, 2007.

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I. STATISTICAL SYSTEM (continued)

2007 Timeliness Report

<i>CO NO</i>	<i>Jan 3/15</i>	<i>Feb 4/16</i>	<i>Mar 5/15</i>	<i>Apr 6/15</i>	<i>May 7/16</i>	<i>Jun 8/15</i>	<i>July 9/17</i>	<i>Aug 10/15</i>	<i>Sep 11/15</i>	<i>Oct 12/17</i>	<i>Nov 1/15</i>	<i>Dec 2/15</i>
089										COM		
091										COM	COM	
096		COM				COM						
101									COM			
155											COM	
194			COM									
229											COM	
230									COM	COM	COM	
233				COM								
259												COM
261			COM									
263			COM									
309				PP								
316		COM										
325						COM						
331			PP	PP		PP						
333						COM						
362									COM			
366									COM			COM
407						COM						
417									COM			
451						COM						
468					COM							
486	COM						COM	COM				
499			COM									
559									COM		COM	
625									COM			COM
715						COM						
721												COM
735										COM		
770												COM
777												COM
828	PP											
837			COM						COM			
894	COM		COM									
895												COM
907		PP										
943		PP										
963	COM	COM							COM			
971									COM		COM	
985											COM	COM
989			PP									

**OPERATIONAL REPORTS
4TH QUARTER 2007**

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 2007, CAR assessed a total penalty amount of \$22,500. The table below shows the detail penalties for each company.

Penalty Assessments
4th Quarter 2007

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
025	Great American Assurance Co.	Stat Err > 5% 9/07	\$200
089	AM Guaranty & Liability Ins. Co.	Late MAS 10/07	\$300
091	American Zurich Insurance Co.	Late MAS 10/07	\$300
091	American Zurich Insurance Co.	Late MAS 11/07	\$300
101	American Alternative Ins. Corp.	Late MAS 9/07	\$300
155	Argonaut Insurance Company	Late MAS 10/07	\$2,000
155	Argonaut Insurance Company	Late MAS 11/07	\$300
229	Clarendon National Insurance Co.	Stat Err > 5% 6/07	\$400
229	Clarendon National Insurance Co.	Stat Err > 5% 9/07	\$100
229	Clarendon National Insurance Co.	Late MAS 11/07	\$300
230	Praetorian Insurance Company	Late MAS 9/07	\$300
230	Praetorian Insurance Company	Stat Err > 5% 9/07	\$300
230	Praetorian Insurance Company	Late MAS 10/07	\$2,000
230	Praetorian Insurance Company	Late MAS 11/07	\$300
316	Empire Fire & Marine Ins. Co.	Stat Err > 5% 7/07	\$100
331	Mass Homeland Ins. Co.	Stat Err > 5% 6/07	\$400
331	Mass Homeland Ins. Co.	Stat Err > 5% 10/07	\$100
362	Farm Family Casualty Ins. Co.	Late MAS 9/07	\$300
366	Arch Insurance Company	Late MAS 9/07	\$300
417	General Insurance Co. of America	Late MAS 9/07	\$300
451	Hudson Insurance Company	Stat Err > 5% 3/07	\$800
559	Maryland Casualty Company	Late MAS 10/07	\$300
559	Maryland Casualty Company	Late MAS 11/07	\$300
582	Merchants Mutual Insurance Co.	Late MAS 9/07	\$4,000
625	American States Insurance Co.	Stat Err > 5% 6/07	\$400
625	American States Insurance Co.	Stat Err > 5% 9/07	\$700
695	Old Republic Insurance Co.	Stat Err > 5% 9/07	\$100
731	Plymouth Rock Assurance Corp.	Stat Err > 5% 5/07	\$300
731	Plymouth Rock Assurance Corp.	Stat Err > 5% 8/07	\$100

**OPERATIONAL REPORTS
4TH QUARTER 2007**

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program(continued)

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
731	Plymouth Rock Assurance Corp.	Stat Err > 5% 9/07	\$200
735	Pilgrim Insurance Company	Late MAS 10/07	\$300
753	Redland Insurance Company	Late MAS 11/07	\$300
837	T.H.E. Insurance Company	Stat Err > 5% 3/07	\$800
837	T.H.E. Insurance Company	Late MAS 9/07	\$800
837	T.H.E. Insurance Company	Stat Err > 5% 6/07	\$300
837	T.H.E. Insurance Company	Stat Err > 5% 6/07	\$1,200
837	T.H.E. Insurance Company	Stat Err > 5% 9/07	\$500
951	Vanliner Insurance Company	Stat Err > 5% 6/07	\$1,200
971	Zurich Insurance Company	Late MAS 10/07	\$300
971	Zurich Insurance Company	Late MAS 11/07	\$300
985	Daimlerchrysler Insurance Co.	Late MAS 11/07	\$300
988	Quincy Mutual Insurance Co.	Stat Err > 5% 10/07	\$100
			\$22,500

**OPERATIONAL REPORTS
4TH QUARTER 2007**

I. STATISTICAL SYSTEM (continued)

Massachusetts Commercial Statistical Plan
Approved Modifications

Revisions to Proposal	Description	Status
January 30, 2008	<p>The Statistical Data Quality Program language has been disapproved for both the Private Passenger and Commercial Statistical Plan on the following:</p> <ul style="list-style-type: none"> • Once identified as exceeding the established reporting thresholds, the company must commence statistical reporting to CAR no later than one year from the quarter in which the company first exceeded the thresholds. Companies failing to report statistical data to CAR within the prescribed timeframes will be assessed Statistical Data Quality Penalties. • The existing penalty schedule for newly reporting company compliance has been modified. • The penalties assessed for the late submission of statutory Page 14 or a late annual statement reconciliation response will now be assessed on a quarterly as well as an annual basis. <p>In several sections, wording clarifications have been made.</p>	Disapproval of the proposed amend-ments by the Commissioner of Insurance on February 6, 2008.

**OPERATIONAL REPORTS
4TH QUARTER 2007**

I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan
Approved Modifications

Approved Effective Date	Description	Status
<p style="text-align: center;">Mandatory January 1, 2009</p> <p style="text-align: center;">Optional April 1, 2008 – December 31, 2008</p>	In conjunction with the implementation of the Massachusetts Automobile Insurance Plan (MAIP), the following modifications have been made to the Private Passenger Statistical Plan:	<p>Approval by the Division of Insurance on March 10, 2008</p>
	<p>The Type of Risk Code table has been modified as follows:</p> <ul style="list-style-type: none"> • The description pertaining to business written at a rate discount and approved under Section 193R of Chapter 175 of the General Laws has been modified. • The description of Type of Risk “9” that pertains to a company specific coverage has been modified. • The codes that pertain to business approved under Section 113B of Chapter 175 of the General Laws no longer apply and have been eliminated. 	
	New Discount Code values have been added to indicate the application of an “all other” discount or that an “all other” discount has been applied in addition to other existing discount(s).	
	An “all other” Type of Loss value of 09 has been added to the Liability, No-Fault and Collision Type of Loss tables.	
	Wording has been added to the General Reporting Requirements – Premiums relative to the requirements for reporting additional company specific coverage and limits/deductibles for which statistical codes are not currently available.	
	Wording has been added to the General Reporting Requirements – Losses to clarify that losses relating to a company specific coverage that is provided by a company either at an additional premium charge or at no additional premium charge are required to be statistically reported.	

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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.

Cession records and cession reporting for the 2008 reporting year should be for policy years 2006-2008.

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 December 21, 2007.

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II. CESSION SYSTEM (continued)

TX5 Cession Backdate Log

DATE SUBMITTED	CO NO	NUMBER OF CESSIONS	DATE REQUESTED	BACKDATE GRANTED?	REASON FOR APPROVAL/ DISAPPROVAL
12/17/07	279	4	Various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
1/9/08	664	4	1/9/08	yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
1/15/08	279	3	Various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.
1/17/08	279	2	Various	Yes	Decision to retain policies as voluntary business was made prior to the policy effective dates.

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II. CESSION SYSTEM (continued)

3. CR215 Cessions Automatically Backdated

On a quarterly basis, CAR produces the CR215 report that shows the volume of cessions backdated for involuntary producer business. The program monitors the three current reporting years for cession activity. Accordingly, CAR monitored policy years 2005, 2006 and 2007. Accordingly, CAR recently sent the latest report to the industry in February 2008 monitoring policy years 2005, 2006 and 2007 for the 4th quarter 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 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	37,438	8,153
Totals	21,441	380	1.8%	N/A	40,306	8,153

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATE D	% 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 #	0.0	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 #	-0.1	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	0.0	0	0
734	450	24	5.3 #	-0.1	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 *	0.0	19,018	0
929	47	1	2.1	0.0	0	0
Totals	4,984	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*).

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4TH QUARTER 2007**

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	0.0	0	0
514	14	0	0.0	0.0	0	0
585	105	3	2.9	0.0	0	0
612	28	1	3.6	0.0	0	0
723	1,684	8	0.5	0.0	0	0
773	14	0	0.0	0.0	0	0
908	5,742	61	1.1	0.0	5,558	5,000
Totals	11,656	88	0.8%	N/A	5,558	5,000

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
152	231	13	5.6 #	0.0	0	0
245	619	47	7.6 *	0.8	0	0
279	121	5	4.1	0.0	0	0
455	1,916	218	11.4 *	0.0	10,509	17,850
734	465	19	4.1	0.0	0	0
735	29	3	10.3 #	0.0	0	0
773	126	0	0.0	0.0	0	0
887	673	51	7.6 *	0.0	0	0
Totals	4,180	356	8.4% *	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*).

**OPERATIONAL REPORTS
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II. CESSION SYSTEM (continued)

Policy Year 2007
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
153	6	1	16.7 #	-8.3	0	0
279	2,203	9	0.4	0.0	0	0
514	16	1	6.3 #	6.3	0	0
585	69	11	15.9 #	-8.5	0	0
612	21	0	0.0	0.0	0	0
723	1,911	5	0.3	0.2	0	0
908	1,538	29	1.9	0.6	5,275	8,600
Totals	5,764	56	1.0%	N/A	5,275	8,600

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
152	288	12	4.2	2.2	0	0
245	941	55	5.9 *	0.8	0	0
279	84	1	1.2	1.2	0	0
455	889	35	3.9	-0.6	1,825	0
734	350	32	9.1 *	-0.7	0	0
735	22	3	13.6 #	7.3	0	0
773	68	0	0.0	0.0	0	0
Totals	2,641	138	5.2% *	N/A	1,825	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 2007**

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 26, 2007 and the documentation was due back at CAR by October 26, 2007. Upon reviewing the documentation, CAR assessed any penalties to those companies in the 4th quarter Settlement of Balances Reports.

514	\$4,800
575	\$1,600
894	\$12,400
Total	\$18,800

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
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%	25.4%	Final Result
2007	4.3%	22.3%	As of Dec 2007

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

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4TH QUARTER 2007**

III. QUARTERLY PARTICIPATION

A. Production of Quarterly Participation Reports

CAR posted the December 2007 Quarterly Member Participation Reports to its website on March 7, 2008. 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 2007 estimated Participation Ratios using data reported through December 31, 2007, will be posted to CAR's website by March 31, 2008.

C. Rule 12 Participation Credits

CAR ran the Rule 12 credit edit reports for 4th Quarter 2007 in mid-March. These reports are available on CAR's website under the Data Reporting and Quality Reports page.

The Rule 12 tolerance level is set on an annual basis. For rating year 2008, the Governing Committee approved a tolerance level of 0.15%. The table below shows a nine-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	0.15%	1.54%	1.57%
2007 (4th Qtr)	0.15%	1.56%	1.56%
2008	0.15%	N/A	N/A

**OPERATIONAL REPORTS
4TH QUARTER 2007**

III. QUARTERLY PARTICIPATION (continued)

D. CAR Financial Results

The ultimate policy year deficit projections, as of December 2007, for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Private Passenger	Commercial
2005	(96,324)	24,346
2006	(90,588)	13,013
2007	(106,190)	11,746

**OPERATIONAL REPORTS
4TH QUARTER 2007**

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	Statistical System Update
1st Quarter 2007	May 15, 2007	May 16, 2007
2nd Quarter 2007	August 15, 2007	August 16, 2007
3rd Quarter 2007	November 15, 2007	November 16, 2007
4th Quarter 2007	February 15, 2008	February 16, 2008

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 2007.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for March 2008 through August 2008 are shown following the 4th quarter write-off exhibit.

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4TH QUARTER 2007**

IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Write-Off – 4th Quarter 2007

Company	Nov 2007	Dec 2007	Jan 2008	Total
045	0	449	0	449
049	245	204	482	931
152	0	0	11,386	11,386
153	0	3,178	0	3,178
194	-10,007	-4,152	390	-13,769
198	0	6,069	0	6,069
209	1,350	1,692	0	3,042
245	0	2,060	0	2,060
312	0	1,898	0	1,898
331	0	57,998	52,456	110,454
333	0	2,006	1,283	3,289
455	0	-1,559	17,460	15,901
481	0	2,201	0	2,201
585	0	-500	0	-500
723	-3,437	0	0	-3,437
731	0	6,652	0	6,652
767	0	2,976	0	2,976
887	0	-1,031	312	-719
894	601	0	0	601
INDUSTRY	-11,248	80,141	83,769	152,662

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IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

4th Quarter 2007 – 10% Loss of Investment Fees

Co No	Nov 2007	Dec 2007	Jan 2008	Total
045	0	33	0	33
049	25	-14	37	48
153	0	-47	0	-47
194	186	-10	0	176
209	135	169	0	304
245	0	76	0	76
331	0	0	-1,996	-1,996
333	0	0	55	55
455	0	-156	1,031	875
585	0	-20	0	-20
731	0	152	0	152
887	0	-66	0	-66
894	53	0	0	53
Total	399	117	-873	-357

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IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Potential Loss Write-Off March 2008 through August 2008

Company	March 2008	April 2008	May 2008	June 2008	July 2008	August 2008	Grand Total
045	0	0	291	0	0	351	642
153	52,615	52,687	85,325	535,272	489,009	341,900	1,556,808
154	5,965	421	339	21,409	14,395	14,986	57,515
194	0	0	0	0	0	94,269	94,269
209	84,162	0	0	667	0	6,267	91,096
245	0	0	569	0	0	312	881
312	5,122	5,525	6,291	0	0	665,342	682,280
331	256,875	31,829	141,211	129,595	27,565	94,269	681,344
333	0	0	0	0	120	0	120
455	0	0	-1,192	0	0	1,179	-13
481	0	0	0	598	0	0	598
514	0	0	0	0	0	13,534	13,534
585	0	1,149	0	333	482	0	1,964
723	-1,640	8,486	61	4,996	1,673	0	13,576
731	31,570	0	0	341	0	0	31,911
734	0	72	0	0	0	8,570	8,642
735	0	0	0	8,208	0	10,334	18,542
767	0	0	0	0	0	235,557	235,557
773	0	0	0	0	517	0	517
887	0	0	17,911	0	0	0	17,911
894	11,552	4,996	0	0	0	0	16,548
908	0	0	1,626	0	0	1,147	2,773
963	333	0	0	0	0	0	333
Totals	446,554	105,165	252,432	701,419	533,761	1,488,017	3,527,348

**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 penalties and potential penalties.

Audit Review
2006 & 2007 Policy Effective Years

No Penalties where Assessed in this Quarter

2006 Non-Critical Errors Over Tolerance - Potential Penalty

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Penalty
3	331	09	1.48	86	\$1,400

2007 Non-Critical Error Over Tolerance - Potential Penalty

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Penalty
2	153	04	1.80	394	\$8,750
1	363	04	3.83	17	\$650
4	731	04	13.02	967	\$44,650
4	731	05	2.32	172	\$4,900
9	735	02	2.35	134	\$3,850
1	908	04	2.73	184	\$5,850

**OPERATIONAL REPORTS
4TH QUARTER 2007**

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 producing the twelve-month 2007 company profile reports to its website in or around mid-April 2008. The reports are located under the Data Reporting and Quality tab on the reports page and then under company status reports.

E. Penalty Forecasting Program

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

CAR will post the 4th quarter 2007 forecasting reports in late-March 2008.

F. Cession/No Premium Penalties

On November 28, 2007 CAR ran the \$60 Cession/No Premium penalty program. 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 assessment will be included in the 4th quarter 2007 Settlement of Balances report.

Co. No.	Penalty Amount
045	\$420
049	\$120
194	\$480
245	\$1,860
312	\$60
331	\$7,320
333	\$600
514	\$39,480
602	\$60
664	\$60
731	\$900
735	\$60
751	\$120
887	\$1,890
894	\$120
948	\$60
963	\$540
971	\$98,760
988	\$300
Total	\$153,180

**OPERATIONAL REPORTS
4TH QUARTER 2007**

IV. ACCOUNTING SYSTEM (continued)

G. 2005 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 2006 effective date policies and for historical information.

The 2005 write-off is scheduled for April, 2008.

Year	PP Penalty	Commercial Penalty	Taxi/Limo/CAR Service Penalty
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.

Quarter	MAS Due Date	Statistical System Update
1st Quarter 2007	May 15, 2007	May 16, 2007
2nd Quarter 2007	August 15, 2007	August 16, 2007
3rd Quarter 2007	November 15, 2007	November 16, 2007
4th Quarter 2007	February 15, 2008	February 16, 2008

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 2007	June 15, 2007	July 2, 2007	Approx. August 1, 2007
2nd 2007	September 17, 2007	October 1, 2007	Approx. November 1, 2007
3rd 2007	December 17, 2007	January 2, 2008	Approx. February 1, 2008
4th 2007	March 17, 2008	April 1, 2008	Approx. May 1, 2008

The Reconciliation response for the 3rd quarter was due by February 12, 2008.

CAR is currently collecting the fourth quarter Annual Statement Reconciliation page 14 data submitted by the industry through internet upload into CAR's website application or by placing information on a CD-Rom or Diskette, the way your companies' information was provided to the NAIC due March 17, 2008. The fourth quarter 2007 reconciliation is planned to run on or around April 1, 2008. For the final reporting quarter, CAR will assess a statistical data quality penalty of \$50 per business day until it receives the completed annual statement and reconciliation filings.

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 2007 effective year is June 2, 2008. 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 2007**

V. STATISTICAL AGENT FUNCTION (continued)

D. Rate Edit Processing

CAR processes both private passenger and ceded 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	6,601,150	31,942	0.48%
	No Fault	5,335,877	12,000	0.22%
	Physical Damage	5,243,411	37,850	0.72%
	Total	17,180,438	81,792	0.48%
PP 2007 EFF YEAR	Liability	8,965,428	20,716	0.23%
	No Fault	7,359,868	8,179	0.11%
	Physical Damage	7,146,035	29,072	0.41%
	Total	23,471,331	57,968	0.25%
COMM 2007 EFF YEAR	Liability	74,846	1,546	2.07%
	No Fault	71,113	8,510	11.97%
	Physical Damage	55,910	1,264	2.26%
	Total	201,869	11,320	5.61%
COMM 2008 EFF YEAR	Liability	26,645	706	2.65%
	No Fault	20,108	689	3.43%
	Physical Damage	20,343	927	4.56%
	Total	67,096	2,322	3.46%

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.

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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
154	Comm	2007	Liability	8/15/2008	2.57%	234
734	Comm	2007	Liability	4/15/2008	2.55%	99
734	Comm	2007	No Fault	4/15/2008	2.89%	88
734	Comm	2007	Physical Dam	3/15/2008	13.69%	132
734	Comm	2008	Liability	9/15/2008	8.30%	95
734	Comm	2008	No Fault	9/15/2008	8.98%	103
735	Comm	2007	Liability	6/15/2008	3.51%	392
735	Comm	2007	No Fault	3/15/2008	26.34%	8,039
735	Comm	2007	Physical Dam	2/15/2008	4.82%	441
735	Comm	2008	Liability	8/15/2008	12.24%	494
735	Comm	2008	No Fault	8/15/2008	11.71%	503
735	Comm	2008	Physical Dam	8/15/2008	24.80%	757
773	Comm	2007	Liability	9/15/2008	2.06%	154

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4TH QUARTER 2007**

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 12/07

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
099	13,780	27,220	50.62
101	776	3,309	23.45
230	2,090	10,433	20.03
261	722	3,035	23.79
283	1,384	4,929	28.08
363	18,359	62,423	29.41
392	106	327	32.42
393	36	88	40.91
476	6,172	14,638	42.16
625	3,888	11,429	34.02
627	554	778	71.21
643	1,064	1,729	61.54
667	516	1,585	32.56
701	36	52	69.23
734	18,168	59,476	30.55
735	158,882	473,973	33.52
751	116	178	65.17
828	107,142	385,726	27.78
885	7,266	27,614	26.31
908	149,246	523,692	28.50
919	1,236	2,364	52.28
927	3,714	11,773	31.55
929	58	249	23.29
948	3,769	17,109	22.03
962	4,688	11,413	41.08
989	15,034	45,549	33.01
Total Industry	3,415,860	79,639,841	4.29

The 2006 washout total following the 12/2006 shipments was 4.19%.

**OPERATIONAL REPORTS
4TH QUARTER 2007**

V. STATISTICAL AGENT FUNCTION (continued)

F. Distributional Analysis

The Distributional Analysis Reports are currently being automated into CAR's website system and will allow companies update functions for the use of this report. At this time the automation to this report has been placed on hold until further notice.

CAR will provide the paper reports for circulation until the process is near completion and notification is sent. CAR will process the paper copy reports intended to be distributed to the industry on or about March 31, 2008.

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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 company specific information to the MAIP section of CAR's website. The new reports include a listing of assigned policies, the FTP verification report including detail records, the Quota Share report, and the assigned risk producer listing. These reports are secure and require a user id and password for access. If you need access, please contact your company's security administrator.

If you have any comments, suggestions, or problems, please contact the Data Operations Department at dataoperations@commauto.com or (617) 338-4000.

B. Telecommunications

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

CAR added a new application to collect the policy number on policies assigned through MAIP. For each policy assigned, the assigned risk carrier must submit a MAIP Placement Record. This can be done via FTP or online data entry. The online data entry option is available through CAR's telecommunications system. For access to this application, please contact your company's security administrator.

**OPERATIONAL REPORTS
4TH QUARTER 2007**

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	On Hold	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	On Hold	Automate the Distributional Analysis process and move the reports onto CAR's website.
Experience Rating	In progress	Move the mainframe pieces of the Experience Rating application to CAR's website so that companies don't need to toggle between systems.
MAIP Placement Record	Near completion	Create a method for collecting MAIP Placement Records. These records are necessary to match the policy number on premium and loss statistical records to the assignment records in MAIP. CAR will modify its existing cession programs to collect this data.
MAIP Front-End	Completed 2/29/08	CAR is creating the assignment application for agents to use when needing to place an insured in the assigned risk plan.