



COMMONWEALTH AUTOMOBILE REINSURERS

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PRESIDENT

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

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: March 25, 2009

RE: Operational Reports

The 4th quarter 2008 Operational Reports follow this memorandum. They include data reported November 16, 2008 through February 17, 2009 for the accounting month period of October 2008 through December 2008. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

Section I – Accounting/Statistical Shipments:

On January 5, 2009, the Division of Insurance approved a recommendation from the Governing Committee to the Private Passenger Statistical Plan to include an additional CAR Identification Code for policies effective April 1, 2009 and subsequent. The proposed code of 1 identifies written business that meets the Clean-in-Three definition in Rule 22 of the CAR Rules of Operation and meets the voluntary market share exclusion criteria as specified in Rule 29 of the CAR Rules of Operation.

At its February 25, 2009 meeting, the Governing Committee recommended modifications to the Massachusetts Private Passenger Statistical Plan to assure that Newly Writing Companies are provided with a quota share as specified in Rules 29 and 30 of the CAR Rules of Operation. Also at that meeting, the Governing Committee recommended modifications to eliminate obsolete requirements relative to the Massachusetts Automobile Expense Call and to clarify references to the Annual Statement and Massachusetts Statutory Page 14.

There are no proposed changes for the Commercial Statistical Plan at this time.

CAR assessed a total of \$11,400 in the Statistical Penalty Programs in the 4th Quarter 2008 Settlement of Balances report.

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Section II – Cessions:

CAR completed its review of the CA-5010 - Flat Cancellation Documentation Listing from the August 8, 2008 run. All companies met the 80% threshold so CAR assessed no penalties.

CAR mailed the next Flat Cancellation report on January 26, 2009 and the documentation is due back at CAR on April 24, 2009. CAR will post the results of that listing in the third quarter Operational Reports.

As of March 5, 2009 the Private Passenger cession rate equaled 2.9%; the Commercial cession rate equaled 19.0%.

Section III – Quarterly Participation Reports:

CAR posted the December 2008 Quarterly Member Participation Reports to its website on March 6, 2009.

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

Section IV – Accounting System Processing:

CAR produced 4th Quarter 2008 Critical Error Write-Offs and 10% Loss of Investment Fees totaling -\$374,100 and \$9,594 respectively.

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2007 and 2008 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 2009.

Section V - Statistical Agent Functions:

The Reconciliation Responses for 3rd Quarter 2008 were due on February 5, 2009. The 4th Quarter 2008 Statutory Page 14 data was due at CAR on March 16, 2009. The Reconciliation Responses for the 4th Quarter 2008 are to be posted on or about April 1, 2009. 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 25-26.

Section VI – Communications:

CAR added a MAIP Certification Lookup function to the MAIP section of its website to help Assigned Risk Carriers determine take-out eligibility.

OPERATIONAL REPORTS 4TH QUARTER 2008

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 2008 as of the fourth quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

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	

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

In instances where a company's ceded loss dollars are complete by quarter's end but its ceded premium dollars are not, CAR will assess "loss of investment income" penalties to reimburse the pool for the missing premium dollars. CAR did not assess any "loss of investment income" penalties in fourth quarter, 2008.

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I. STATISTICAL SYSTEM (continued)

2008 Timeliness Report

<i>CO NO</i>	<i>Jan 3/17</i>	<i>Feb 4/16</i>	<i>Mar 5/15</i>	<i>Apr 6/16</i>	<i>May 7/15</i>	<i>Jun 8/15</i>	<i>July 9/15</i>	<i>Aug 10/15</i>	<i>Sep 11/17</i>	<i>Oct 12/15</i>	<i>Nov 1/15</i>	<i>Dec 2/17</i>
089			COM	COM	COM	COM	COM				COM	COM
091			COM	COM	COM	COM	COM				COM	COM
163				COM								
178												COM
233												COM
237	COM											
259	COM											
262				PP						COM		
283					COM							
309	COM			PP								
313												PP
316			COM							COM	COM	COM
317												COM
362		BOTH			PP		BOTH					COM
366												COM
397										COM		
399												COM
451						COM			COM			
455										COM		
460							COM					
474						BOTH						COM
476					COM	COM						
481		PP										
486							COM					
559		COM	COM	COM	COM	COM	COM				COM	COM
567										COM		
582			COM									
585												PP
625						COM						
731			PP									
735			COM									
742										COM		
743										COM		
753					COM	COM						
828					COM					BOTH		
829			COM									
835		PP										
908			PP									
963			COM				COM					
971			COM	COM	COM	COM	COM			COM	COM	COM
979												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 2008, CAR assessed a total penalty amount of \$11,400. The table below shows the detail penalties for each company.

Penalty Assessments
4th Quarter 2008

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
155	Argonaut Insurance Company	Rescinded Stat Err > 5% 6/08	\$ (900)
155	Argonaut Insurance Company	Stat Err > 5% 9/08	\$ 200
230	Praetorian Insurance Company	Rescinded Stat Err > 5% 6/08	\$ (1,200)
230	Praetorian Insurance Company	Stat Err > 5% 6/08	\$ 800
262	Citizens Ins. Co. of America	Late MAS 10/08	\$ 300
295	Continental Casualty Company	Stat Err > 5% 9/08	\$ 100
303	Cumis Insurance Society	Stat Err > 5% 6/08	\$ 100
316	Empire Fire & Marine Ins. Co.	Stat Err > 5% 8/08	\$ 100
316	Empire Fire & Marine Ins. Co.	Late MAS 10/08	\$ 300
316	Empire Fire & Marine Ins. Co.	Late MAS 11/08	\$ 300
331	Mass Homeland Ins. Co.	Stat Err > 5% 10/08	\$ 1,100
380	Federated Mutual Insurance Co.	Stat Err > 5% 9/08	\$ 100
397	Allmerica Financial Benefit Ins.	Late MAS 10/08	\$ 300
451	Hudson Insurance Company	Late MAS 9/08	\$ 4,000
455	Hanover Insurance Company	Late MAS 10/08	\$ 300
474	Holyoke Mutual Insurance Co.	Stat Err > 5% 8/08	\$ 100
567	Mass Bay Insurance Company	Late MAS 10/08	\$ 300
575	MassWest Insurance Company	Stat Err > 5% 5/08	\$ 400
625	American States Insurance Co.	Stat Err > 5% 6/08	\$ 2,800
625	American States Insurance Co.	Stat Err > 5% 9/08	\$ 700
743	Providence Washington Ins. Co.	Late MAS 10/08	\$ 300
753	Redland Insurance Company	Stat Err > 5% 7/08	\$ 200
828	State Farm Mutual Auto Ins. Co.	Late MAS 10/08	\$ 300
837	T.H.E. Insurance Company	Stat Err > 5% 9/08	\$ 200
894	Twin City Fire Insurance Co.	Stat Err > 5% 9/08	\$ 100
948	Utica Mutual Insurance Co.	Stat Err > 5% 10/08	\$ 100
		Total	\$11,400

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4TH QUARTER 2008**

I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan
Proposed Modifications

Effective Date	Description	Status
January 1, 2009	<p>Each of the modifications proposed to Part VII – Statistical Data Quality Program of the Private Passenger Statistical Plan and specified below have been disapproved.</p> <ul style="list-style-type: none"> • Newly Writing Companies with private passenger rate filing effective dates occurring in calendar year 2008 must report detailed private passenger data for policies with effective dates of January 1, 2009 and subsequent no later than the March, 2009 statistical shipment. Additionally, the company must report summary level written premium and exposure data for policy effective year 2008 using CAR's statistical accrual application. • Newly Writing Companies with private passenger rate filing effective dates occurring in calendar year 2009 must report detailed private passenger statistical data no later than the close of the quarter subsequent to the effective date of the rate filing. • Newly Writing Companies with private passenger rate filing effective dates occurring in calendar year 2010 and subsequent must report detailed private passenger statistical data no later than the close of the quarter in which the rate filing is effective. • Thereafter, companies will be required to report statistical data to CAR on a monthly basis. • Newly Writing Companies that fail to report statistical submissions within the required reporting timeframes will be subject to Statistical Data Quality penalties as follows: <ul style="list-style-type: none"> ○ If the company fails to meet the initial statistical submission reporting deadline, a \$10,000 penalty will be assessed. ○ If the non-compliance continues, the company will be assessed penalties on a monthly basis in accordance with Section B.1.b – Late and Unacceptable Shipments. ▪ Newly Writing Companies that fail to report summary level written premium and exposure data by the specific due date will be subject to a Statistical Data Quality Penalty of \$50 per business day until CAR receives the summary level data. <p>Language pertaining to reporting requirements and penalties for low volume companies has been eliminated from Part VII – Statistical Data Quality Program. This modification has also been disapproved.</p>	Disapproved by the Division of Insurance on December 24, 2008.
April 1, 2009	The Private Passenger Statistical Plan has been modified to include an additional CAR Identification Code for policies effective April 1, 2009 and subsequent. The proposed (CAR Identification Code 1) will identify written business that meets the Clean-In-Three definition in Rule 22 of the CAR Rules of Operation and meets the voluntary market share exclusion criteria as specified in Rule 29 of the CAR Rules of Operations.	Approved by the Division of Insurance on January 5, 2009

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4TH QUARTER 2008**

I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan
Proposed Modifications

Proposed Effective Date	Description	Status
April 1, 2009	To assure that Newly Writing Companies are provided with a quota share as specified in Rules 29 and 30 of the CAR Rules of Operation, Part VII – Statistical Data Quality Program of the Massachusetts Private Passenger Automobile Statistical Plan has been updated to include an interim summary data submission requirement. Late or unacceptable interim summary data submissions will be treated similar to late or unacceptable statistical shipments for purposes of assessing Statistical Data Quality Penalties.	Approved by Governing Committee on February 25, 2009
	The Massachusetts Private Passenger Automobile Statistical Plan has been updated to eliminate obsolete requirements relative to the Massachusetts Automobile Expense Call, to clarify references to the Annual Statement and Massachusetts Statutory Page 14, to update the page numbering in Part VII – Statistical Data Quality Program, and to update page references contained in the Index.	Awaiting Division of Insurance approval.

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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 2009, CAR accepts cession records and cession corrections on commercial business for policy years 2007-2009. On private passenger business, CAR accepts cession records and cession corrections for policy dates 1/1/2007 – 3/31/2009. Beginning 4/1/2009, cession no longer apply to private passenger business.

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, 2008.

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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
12/12/08	612	1	Various	Yes	Decision to retain the policies as voluntary business was made prior to the policy effective dates.
1/9/09	245	2	1/6/09	Yes	Decision to retain the policies as voluntary business was made prior to the policy effective dates.

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II. CESSION SYSTEM (continued)

3. CR215 Cessions Automatically Backdated

On a quarterly basis, CAR produces the CR215 report that shows the volume of cessions backdated for involuntary producer business. The program monitors the three current reporting years for cession activity. Accordingly, CAR recently sent the latest report to the industry in February 2009 monitoring policy years 2006, 2007 and 2008 for the 4th quarter 2008.

The 1st Quarter 2009 run of the CR215 report produced will contain cessions backdated for involuntary producer business monitoring policy years 2007, 2008, and 2009.

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 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	11,910	0
Totals	11,656	88	0.8%	N/A	11,910	0

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATE D	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
152	233	15	6.4 #	0.0	0	0
245	618	46	7.4 *	0.0	3,914	0
279	121	5	4.1	0.0	0	0
455	1,914	218	11.4 *	0.0	12,509	8,877
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	4,179	357	8.5% *	N/A	16,423	8,877

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

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

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II. CESSION SYSTEM (continued)

Policy Year 2007
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED		% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
153	6	1	16.7	#	0.0	0	0
279	2,398	17	0.7		0.0	0	0
514	16	1	6.3	#	0.0	0	0
585	78	11	14.1	#	0.0	0	0
612	25	0	0.0		0.0	0	0
723	2,205	14	0.6		0.0	0	0
908	1,744	56	3.2		0.8	11,383	6,000
Totals	6,472	100	1.5%		N/A	11,383	6,000

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED		% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
152	316	17	5.4	#	0.0	0	0
245	1,081	85	7.9	*	0.0	0	0
279	94	4	4.3		0.0	0	0
455	970	34	3.5		0.0	0	0
734	413	42	10.2	*	0.0	10,179	16,000
735	25	4	16.0	#	0.0	0	0
773	71	0	0.0		0.0	0	0
Totals	2,970	186	6.3%	*	N/A	10,179	16,000

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

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

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II. CESSION SYSTEM (continued)

Policy Year 2008
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
279	525	1	0.2	0.2	0	0
585	55	2	3.6	1.7	0	0
612	6	1	16.7 #	0.0	0	0
723	293	0	0.0	0.0	0	0
908	203	3	1.5	0.5	4,615	0
Totals	1,082	7	0.6%	N/A	4,615	0

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	668	40	5.9 *	0.1	10,871	0
279	78	0	0.0	0.0	0	0
455	582	13	1.7	0.0	0	0
717	671	0	0.0	0.0	0	0
734	376	29	7.7 *	0.2	0	0
735	22	3	13.6 #	-2.2	0	0
773	22	0	0.0	0.0	0	0
Totals	2,419	85	3.5% *	N/A	10,871	0

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

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

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II. CESSION 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 latest CA5010 on January 26, 2009 and the documentation is due back at by April 24, 2009. Upon reviewing the documentation, CAR will post those results in the 3rd quarter Operational Reports.

There were no penalties from the prior CA5010 report run of August 8, 2008.

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%	Final Result
2008	2.9%	19.0%	As of Dec 2008

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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III. QUARTERLY PARTICIPATION

A. Production of Quarterly Participation Reports

CAR posted the December 2008 Quarterly Member Participation Reports to its website on March 6, 2009. From CAR's home page, click Reports, sign-on and then select Settlement of Balances. These are secure reports that require a CAR website user id and password to view. Please contact your company's security administrator to request access.

B. Participation Base Data

The 4th Quarter 2008 estimated Participation Ratios using data reported through December 31, 2008, will be posted to CAR's website by March 31, 2009.

C. Rule 12 Participation Credits

CAR ran the Rule 12 credit edit reports for 4th Quarter 2008 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 Governing Committee did not set a tolerance level for the 2009 rating year. 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	0.15%	1.56%	1.56%
2008(4th Qtr)	0.15%	1.67%	1.74%

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III. QUARTERLY PARTICIPATION (continued)

D. CAR Financial Results

The ultimate policy year deficit projections, as of December 2008, for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Private Passenger	Commercial
2006	(84,571)	11,759
2007	(98,443)	14,331
2008	(42,108)	265

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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	Statistical System Update
1st Quarter 2008	May 15, 2008	May 16, 2008
2nd Quarter 2008	August 15, 2008	August 16, 2008
3rd Quarter 2008	November 17, 2008	November 18, 2008
4th Quarter 2008	February 16, 2009	February 17, 2009

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 2008.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for March 2009 through August 2009 are shown following the 4th Quarter Write-Off exhibit.

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IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Write-Off – 4th Quarter 2008

Company	Nov 2008	Dec 2008	Jan 2009	Total
049	0	193	0	193
153	910	0	0	910
154	0	1,615	0	1,615
194	0	12,008	420	12,428
209	-9,585	7,289	816	-1,480
312	0	2,335	4,869	7,204
331	48,793	273,477	190,383	512,653
333	146	1	-2,730	-2,583
455	-3,412	-6,870	-101	-10,383
664	0	3,228	0	3,228
735	0	374	0	374
887	0	-215	-329	-544
894	0	0	98,835	98,835
908	2,273	38	0	2,311
963	-998,861	0	0	-998,861
INDUSTRY	-959,736	293,473	292,163	-374,100

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IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

4th Quarter 2008 – 10% Loss of Investment Fees

Co No	Nov 2008	Dec 2008	Jan 2009	Total
049	0	19	0	19
153	-959	0	0	-959
194	0	753	0	753
209	0	288	82	370
455	-159	-344	-10	-513
664	0	1	0	1
735	0	37	0	37
894	0	0	9,884	9,884
908	0	2	0	2
Total	-1,118	756	9,956	9,594

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4TH QUARTER 2008**

IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Potential Loss Write-Off March 2009 through August 2009

Company	March 2009	April 2009	May 2009	June 2009	July 2009	August 2009	Grand Total
045	0	0	5,054	0	24,720	8,541	38,315
153	0	0	7,824	12,233	-861	9,032	28,228
154	563	1,534	0	23,280	10,961	10,956	47,294
209	-2,354	14,170	561	2,850	7,061	0	22,288
245	0	0	0	-2,623	-581	370	-2,834
262	0	0	0	0	0	1,543	1,543
312	13,555	-802	17,465	0	0	0	30,218
331	364,852	121,388	92,643	122,696	86,589	149,056	937,224
333	9,226	0	0	0	0	0	9,226
402	0	60,000	0	0	0	0	60,000
514	0	0	398	0	0	39,385	39,783
612	-228	0	0	0	0	38	-190
717	0	0	0	3,926	0	0	3,926
731	0	10,066	4,127	716	1,646	11,254	27,809
735	0	1,551	0	0	0	0	1,551
773	20	0	4,137	445	0	-10	4,592
894	0	262	6,782	0	0	0	7,044
908	0	0	128	1,413	8,535	1,473	11,549
963	-333	0	0	0	0	0	-333
Totals	385,301	208,169	139,119	164,936	138,070	231,638	1,267,233

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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
2007 & 2008 Policy Effective Years

2007 Non-Critical Error – Penalties

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Penalty
5	354	10	1.18	70	\$500
2	514	10	1.12	265	\$1,450
2	514	11	1.12	265	\$1,450
8	612	08	1.19	52	\$400
1	734	10	1.19	14	\$100
1	734	11	1.19	14	\$100

2008 Non-Critical Error - Penalties

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Penalty
10	612	02	1.23	29	\$250

2008 Non-Critical Error Over Tolerance - Potential Penalty

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Penalty
1	154	02	1.19	60	\$500
6	514	02	6.08	1,165	\$48,650
3	731	04	10.26	486	\$21,950

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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 producing the twelve-month 2008 company profile reports and will post them to its website in April 2009. The reports are located under the Data Reporting and Quality tab on the reports page and then under company status reports.

E. Penalty Forecasting Program

CAR produces the Penalty Forecasting exhibits in March, June, September, and December. The program helps companies in their correction efforts and helps Servicing Carriers track potential future penalties if corrective actions are not taken 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 2008 forecasting reports in late-March 2009.

F. Cession/No Premium Penalties

On November 28, 2008 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 was posted in the 4th Quarter 2008 Settlement of Balances report.

Co. No.	Penalty Amount
045	\$300
245	\$300
331	\$4,800
455	\$60
585	\$240
664	\$240
723	\$480
731	\$1,980
887	\$60
Total	\$8,640

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IV. ACCOUNTING SYSTEM (continued)

G. 2006 Cession/No Premium Write-Off

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

The 2006 write-off is scheduled for April, 2009.

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

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V. STATISTICAL AGENT FUNCTION

A. Update of the Online Statistical System

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

Quarter	MAS Due Date	Statistical System Update
1st Quarter 2008	May 15, 2008	May 16, 2008
2nd Quarter 2008	August 15, 2008	August 16, 2008
3rd Quarter 2008	November 17, 2008	November 18, 2008
4th Quarter 2008	February 16, 2009	February 17, 2009

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 2008	June 16, 2008	July 2, 2008	Approx. August 1, 2008
2nd 2008	September 15, 2008	October 1, 2008	Approx. November 3, 2008
3rd 2008	December 15, 2008	January 2, 2009	Approx. February 1, 2009
4th 2008	March 16, 2009	April 1, 2009	Approx. May 1, 2009

The Reconciliation response for the 3rd quarter was due by February 5, 2009. CAR is currently collecting the 4th Quarter 2008 Annual Statement Reconciliation Page 14 data. It was due at CAR by March 16, 2009 and must be submitted through internet upload into CAR's website application or by sending the information via CD-Rom. The 4th Quarter 2008 Reconciliation is to run on or around April 1, 2009. 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

Companies are no longer required to submit their Expense Data to CAR which began with the 2007 Annual Call for Expense.

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V. STATISTICAL AGENT FUNCTION (continued)

D. Rate Edit Processing

CAR processes ceded commercial data through a rate editing routine for the latest two policy effective years. The table below shows the industry results by line of business and policy effective year. With the implementation of MAIP, CAR no longer processes ceded private passenger business through a rate editing routine. Policy year 2007 data represents the last year CAR processed private passenger business through the rate edit routine.

	Line of Business	Eligible Records	Records in Error	Error %
PP 2007 EFF YEAR	Liability	6,608,682	28,427	0.43%
	No Fault	5,353,123	7,485	0.14%
	Physical Damage	5,312,064	35,053	0.66%
	Total	17,273,869	70,965	0.41%
COMM 2008 EFF YEAR	Liability	70,520	855	1.21%
	No Fault	52,899	454	0.86%
	Physical Damage	51,638	647	1.25%
	Total	175,057	1,956	1.12%
COMM 2009 EFF YEAR	Liability	16,709	153	0.92%
	No Fault	12,229	83	0.68%
	Physical Damage	12,228	132	1.08%
	Total	41,166	368	0.89%

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	2009	Liability	9/15/2009	2.30%	55
154	Comm	2009	No Fault	9/15/2009	3.25%	57
773	Comm	2008	Liability	9/15/2009	2.04%	135
773	Comm	2008	No Fault	9/15/2009	2.08%	128

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V. STATISTICAL AGENT FUNCTION (continued)

E. Deleted Washout Records

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

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

Deleted Washout Totals
For All Shipments Received Through 12/08

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
099	34,871	24,912	71.44
201	397	152	38.29
205	129	36	27.91
261	3,607	1,418	39.31
283	10,552	5,196	49.24
325	282,047	84,531	29.97
474	1,722	638	37.05
476	21,491	9,552	44.45
503	1,154	574	49.74
625	7,554	2,092	27.69
627	3,505	2,046	58.37
643	3,951	2,750	69.60
701	112	44	39.29
734	40,930	14,408	35.20
735	455,140	209,892	46.12
752	11,351	2,324	20.47
767	208	54	25.96
828	421,386	126,712	30.07
919	330	130	39.39
927	12,290	4,670	38.00
962	13,066	7,350	56.25
989	41,328	12,612	30.52
Total Industry	82,638,488	3,094,087	3.74

The 2007 washout total following the 12/2007 shipments was 4.29%.

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V. STATISTICAL AGENT FUNCTION (continued)

F. Distributional Analysis

Distributional analysis reports are produced three times a year starting with the close of the June quarter. The next distribution of reports to the industry will be for the December, 2008 term and was mailed to the industry on March 23, 2009.

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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.

To the MAIP section of the website, CAR added a MAIP Certification Look-up function. Using an Insured's license number, a company can retrieve the MAIP certification number for that insured and some additional information, such as take-out credit eligibility. If you need access to the reports, please contact your company's security administrator to request access.

B. Telecommunications

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

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

CAR will be distributing a Bulletin in early April explaining this new application.

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VII. PROJECT STATUS REPORTS

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

Project	Status	Description
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 Enhancements	In progress	Enhancements will include implementing MAIP rating into the policy application function. CAR completed the enhancement to provide information on specific ARC supplemental application forms for ARPs and completed the enhancement to provide a symbol lookup function with the MAIP Policy Application.
Rule 29	Completed	Update the Rule 12 program to calculate youthful credits written on a voluntary basis as stated in Rule 29.
Take Out Credit	Near completion	CAR is developing a process to assign take out credits using the MAIP Placement Record and reported premium data.
Accrual Application	In development	Create an application to collect summary data from those companies not yet required to report statistical data to CAR. The summary level information will be collected based upon: policy effective year, policy effective month, premium town, CAR ID Code, Class Code, Merit Rating, and Property Damage Liability Exposure.