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- MEMORANDUM -

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: March 21, 2012

RE: Operational Reports

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The 4<sup>th</sup> quarter 2011 Operational Reports follow this memorandum. This report includes data reported November 16, 2011 through February 15, 2012 for the accounting month period of October 2011 through December 2011. Please note that a number of small modifications have been incorporated into this set of reports, including some heading changes, moving reports into different sections, and the addition of a new report. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

**Section I – Accounting/Statistical Shipments:**

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

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

CAR assessed a total of \$88,600 in the Statistical Data Quality Penalty Program in the 4<sup>th</sup> Quarter 2011 Settlement of Balances report.

**Section II – Cession/MAIP Placement Record Reporting:**

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

## **OPERATIONAL REPORTS 4TH QUARTER 2011**

### **Section III – Residual Market Information:**

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

CAR mailed the CA5010 - Flat Cancellation report on January 20, 2012 and the documentation is due back at CAR on April 20, 2012. The results of the findings will be posted within the next Operational Reports.

As of December 2011 the commercial residual market rate equaled 14.9%.

CAR posted the December 31, 2011 Quarterly Member Participation Reports to its website on March 9, 2012.

CAR ran the 4<sup>th</sup> Quarter 2011 Rule 29 credit edit download reports on February 29, 2012.

### **Section IV – Accounting System Processing:**

CAR produced 4<sup>th</sup> Quarter 2011 Critical Error Loss Write-Offs and 10% Loss of Investment Fees totaling \$21,506 and \$-174 respectively.

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

The Penalty Forecasting exhibits were posted to CAR's website on March 16, 2012.

### **Section V - Statistical Agent Functions:**

Third Quarter 2011 Statutory Page 14 data was due at CAR on December 15, 2011. Penalties amounted to \$4,400 for companies that submitted their data after the due date. The Reconciliation Responses for Third Quarter 2011 were due back on January 4, 2012 and penalties for those late responses amounted to \$2,600. These penalties were included in the Fourth Quarter Settlement of Balances.

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

### **Section VI – Communications:**

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

**OPERATIONAL REPORTS  
4TH QUARTER 2011**

**I. STATISTICAL SYSTEM**

**A. Reporting of Company Shipments**

The monthly submission of statistical data is due at CAR according to the Call Schedule contained in the table below. The timeliness exhibit on the following page reflects the timeliness status of all companies for 2011 as of the fourth quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

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

<b>2012 CALL SCHEDULE</b>		
<b>Submission</b>	<b>Due Date</b>	<b>Quarter</b>
January 2012	March 15, 2012	1 <sup>st</sup> Qtr
February 2012	April 16, 2012	
March 2012	May 12, 2012	
April 2012	June 15, 2012	2 <sup>nd</sup> Qtr
May 2012	July 16, 2012	
June 2012	August 15, 2012	
July 2012	September 17, 2012	3 <sup>rd</sup> Qtr
August 2012	October 15, 2012	
September 2012	November 15, 2012	
October 2012	December 17, 2012	4 <sup>th</sup> Qtr
November 2012	January 15, 2013	
December 2012	February 15, 2013	

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, 2011.

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**I. STATISTICAL SYSTEM (continued)**

2011 Timeliness Report

<i>CO NO</i>	<i>Jan 3/15</i>	<i>Feb 4/15</i>	<i>Mar 5/16</i>	<i>Apr 6/15</i>	<i>May 7/15</i>	<i>Jun 8/15</i>	<i>July 9/15</i>	<i>Aug 10/17</i>	<i>Sep 11/15</i>	<i>Oct 12/15</i>	<i>Nov 1/17</i>	<i>Dec 2/15</i>
089	COM	COM	COM	COM	COM							
091	COM	COM	COM	COM	COM							
101			COM									
107						COM						
154		COM										
155											COM	
156		COM										
293	COM											
326												COM
465						COM			COM			
559	COM	COM	COM	COM	COM							
612						PP						
620									COM			
633												COM
695						COM						
711												BOTH
737							PP		PP			
785	PP	PP					PP	PP	PP	PP		
792		COM										
907	PP	COM							PP			
941	COM	COM	COM	COM	COM							
943	PP	COM							PP			
971	COM	COM	COM	COM	COM							

**OPERATIONAL REPORTS  
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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, reconciliation responses, and failure to reduce a statistical shipment's error percent to below 5%.

For 4<sup>th</sup> Quarter 2011, CAR assessed a total penalty amount of \$88,600. The table below shows the detail penalties for each company.

Penalty Assessments  
4th Quarter 2011

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
045	American Automobile Ins Co	Stat Error > 5% - 05/2011	\$ 600
045	American Automobile Ins Co	Stat Error > 5% - 07/2011	\$ 150
045	American Automobile Ins Co	Stat Error > 5% - 08/2011	\$ 750
045	American Automobile Ins Co	Stat Error > 5% - 09/2011	\$ 300
045	American Automobile Ins Co	Stat Error > 5% - 10/2011	\$ 150
089	AM Guaranty & Liability Ins Co	Late MAS - 08/2011	\$ 6,000
089	AM Guaranty & Liability Ins Co	Late MAS - 09/2011	\$ 6,000
089	AM Guaranty & Liability Ins Co	Late MAS - 10/2011	\$ 3,000
089	AM Guaranty & Liability Ins Co	Late MAS - 11/2011	\$ 500
091	American Zurich Insurance Co	Late MAS - 10/2011	\$ 3,000
091	American Zurich Insurance Co	Late MAS - 11/2011	\$ 500
103	American Insurance Co	Stat Error > 5% - 08/2011	\$ 300
109	Penn Lumbermans Mutual Ins Co	Late P14 Explanation - 9/2011	\$ 200
123	HDI Gerling American Ins Co	Late Page 14 - 09/2011	\$ 4,400
155	Argonaut Insurance Co	Late MAS - 11/2011	\$ 500
155	Argonaut Insurance Co	Stat Error > 5% - 07/2011	\$ 900
155	Argonaut Insurance Co	Stat Error > 5% - 08/2011	\$ 600
155	Argonaut Insurance Co	Stat Error > 5% - 09/2011	\$ 2,450
201	Chartis Insurance Company	Stat Error > 5% - 9/2011	\$ 150
229	Clarendon Insurance Company	Stat Error > 5% - 9/2011	\$ 150
262	Citizens Insurance Co of America	Stat Error > 5% - 10/2011	\$ 150
331	Massachusetts Homeland Ins Co	Stat Error > 5% - 09/2011	\$ 150
331	Massachusetts Homeland Ins Co	Stat Error > 5% - 10/2011	\$ 150
331	Massachusetts Homeland Ins Co	Late P14 Explanation - 9/2011	\$ 400
362	Farm Family Casualty Ins Co	Stat Error > 5% - 08/2011	\$ 150
397	Allmerican Financial Benefit Ins	Stat Error > 5% - 09/2011	\$ 750
416	Patrons Mutual Ins Co of CT	Late P14 Explanation - 9/2011	\$ 200
455	Hanover Insurance Company	Stat Error > 5% - 09/2011	\$ 150
559	Maryland Casualty Insurance Co	Late MAS - 08/2011	\$ 3,000

**OPERATIONAL REPORTS  
4TH QUARTER 2011**

**I. STATISTICAL SYSTEM (continued)**

**B. Statistical Plan Penalty Fee Program (continued)**

Penalty Assessments  
4<sup>th</sup> Quarter 2011

<b>Co #</b>	<b>Company Name</b>	<b>Assessment</b>	<b>Assessment Amount</b>
559	Maryland Casualty Insurance Co	Late MAS - 09/2011	\$ 6,000
559	Maryland Casualty Insurance Co	Late MAS - 10/2011	\$ 3,000
559	Maryland Casualty Insurance Co	Late MAS - 11/2011	\$ 500
623	National Surety Corp	Stat Error > 5% - 08/2011	\$ 150
735	Pilgrim Insurance Company	Late MAS - 08/2011	\$ 9,000
737	Progressive Casualty Ins Co	Late MAS - 09/2011	\$ 500
748	QBE Insurance Corp	Late P14 Explanation - 9/2011	\$ 200
785	Progressive Direct Insurance Co	Late MAS - 09/2011	\$ 500
785	Progressive Direct Insurance Co	Late MAS - 10/2011	\$ 1,250
797	Starr Indemnity & Liability Co	Late P14 Explanation - 9/2011	\$ 800
845	Tower Insurance Company of NY	Late P14 Explanation - 9/2011	\$ 400
907	United Services Auto Assoc	Late MAS - 09/2011	\$ 1,250
941	Universal Underwriters Ins Co	Late MAS - 08/2011	\$ 6,000
941	Universal Underwriters Ins Co	Late MAS - 09/2011	\$ 6,000
941	Universal Underwriters Ins Co	Late MAS - 10/2011	\$ 3,000
941	Universal Underwriters Ins Co	Late MAS - 11/2011	\$ 500
943	USAA Casualty Insurance Co	Late MAS - 09/2011	\$ 1,250
959	Pilgrim Insurance Company (LAD)	Appeal-Late Page 14 - 6/2011	\$ (300)
968	York Insurance Co of Maine	Late P14 Explanation - 9/2011	\$ 400
971	Zurich Insurance Co	Late MAS - 08/2011	\$ 3,000
971	Zurich Insurance Co	Late MAS - 09/2011	\$ 6,000
971	Zurich Insurance Co	Late MAS - 10/2011	\$ 3,000
971	Zurich Insurance Co	Late MAS - 11/2011	\$ 500
		Total	\$ 88,600

**OPERATIONAL REPORTS  
4TH QUARTER 2011**

**I. STATISTICAL SYSTEM (continued)**

Massachusetts Private Passenger Statistical Plan

Approved Modifications

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

**OPERATIONAL REPORTS  
4TH QUARTER 2011**

**I. STATISTICAL SYSTEM (continued)**

Massachusetts Commercial Statistical Plan

Approved Modifications

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

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**II. CESSION/MAIP PLACEMENT RECORD REPORTING**

A. Cession Submission

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

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

B. Cession Backdates

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

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

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

2. TX5 Cession Backdate Appeals

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

The table on the following page reflects the log of cession backdate requests CAR Staff processed since the last publication of the Operational Reports on December 13, 2011.

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

2. TX5 Cession Backdate Appeals (continued)

TX5 Cession Backdate Log

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

3. CR215 Cessions Automatically Backdated

On a quarterly basis, CAR produces the CR215 report that shows the volume of cessions backdated for involuntary producer business. The program monitors the three current reporting years for cession activity. Accordingly, CAR recently sent the latest report to the industry in February 2012 monitoring policy years 2009, 2010 and 2011 for 4<sup>th</sup> Quarter 2011.

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

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

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

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

Policy Year 2009  
Private Passenger

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

Commercial

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

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

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

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

Policy Year 2010  
Commercial

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

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

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

Policy Year 2011  
Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	805	38	4.7	1.9	0	0
279	18	1	5.6 #	0.0	0	0
455	114	0	0.0	0.0	0	0
717	177	0	0.0	0.0	0	0
734	232	66	28.4 *	-11	1,567	0
735	4	1	25.0 #	0.0	0	0
773	3	0	0.0	0.0	0	0
Totals	1,353	106	7.8%	N/A	1,567	0

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

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

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

C. CA5010 Flat Cancellation Audit

Twice per year CAR runs the CA5010 - Flat Cancellation Documentation Listing. Its purpose is to randomly sample flat-canceled policies to verify that the industry is using flat-cancellation transactions properly. CAR ran the CA5010 on January 20, 2012. The documentation is due back on April 20, 2012. Upon reviewing the documentation, CAR will post the results from this audit within the next Operational Reports.

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

**D. MAIP Placement Record Reporting Analysis**

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

**COMMONWEALTH AUTOMOBILE REINSURERS  
MAIP PLACEMENT RECORD REPORTING ANALYSIS**  
Reflects Statistically Reported Data for Policy Effective Months 01/2011 to 12/2011  
Reflects MAIP Placement Record Reported Data as of March 2, 2012

Company	Missing MPRs	MPRs with Non-Fatal Errors	Rejected Take-Out Credits	MPRs with No Premium	MAIP Premium with No MPR	Active MPRs
045	0	0	0	14	9	440
153	4	16	313	13	9	13,252
202	0	0	0	0	0	143
262	0	0	301	0	1	1,491
279	0	3	39	1	7	39,936
308	0	0	0	0	1	670
312	4	14	0	0	5	1,713
331	0	0	0	0	4	2,639
354	0	0	0	5	49	6,574
363	0	0	0	0	0	630
422	0	0	0	0	0	384
514	0	0	0	0	0	1,707
531	0	0	0	0	0	781
585	1	0	0	17	37	4,797
612	0	0	0	4	7	3,320
664	7	1	0	0	69	1,527
723	0	2	4	1	5	13,103
731	0	0	106	0	0	1,448
773	0	0	113	0	0	22,234
826	0	0	11	0	0	1,484
908	1	0	0	3	2	6,693
959	0	0	0	1	0	174
988	0	0	0	0	1	4,612
Industry Average	<b>1</b>	<b>2</b>	<b>39</b>	<b>3</b>	<b>9</b>	<b>5,641</b>

**OPERATIONAL REPORTS  
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**III. RESIDUAL MARKET INFORMATION**

A. Residual Market Volumes

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

<b>Effective Year</b>	<b>Private Passenger Cession %</b>	<b>Commercial Cession %</b>	<b>Time Period</b>
2005	6.2%	26.2%	Final Result
2006	4.9%	25.4%	Final Result
2007	4.3%	22.3%	Final Result
2008	2.9%	19.0%	Final Result
2009	2.3%	16.5%	Final Result
2010	N/A	15.1%	Final Result
2011	N/A	14.9%	As of Dec 2011

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

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

Policy Year 2011 Results as of December 2011

	<b>2011 @ 12 Months</b>	<b>% Total</b>		<b>2010 @ 12 Months</b>	<b>% Total</b>
MAIP Assigned (CAR-ID 9)	117,874	2.7%		111,807	2.6%
MAIP Retained (CAR-ID 8)	4,011,356	93.2%		3,952,288	92.8%
Clean-In-Three (CAR-ID 1)	176,108	4.1%		197,169	4.6%
<b>Total</b>	<b>4,305,338</b>	<b>100.0%</b>		<b>4,261,264</b>	<b>100.0%</b>

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4TH QUARTER 2011**

**III. RESIDUAL MARKET INFORMATION (continued)**

C. Production of Quarterly Participation Reports

CAR posted the December 2011 Quarterly Member Participation Reports to its website on March 9, 2012. From CAR's home page, click Reports, sign-on and then select Settlement of Balances. These are secure reports that require a CAR website user id and password to view. Please contact your company's security administrator to request access.

D. Participation Base Data

The 4<sup>th</sup> Quarter 2011 estimated Participation Ratios using data reported through December 31, 2011 will be posted to CAR's website by March 31, 2012.

E. Rule 12 Participation Credits

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

F. CAR Financial Results

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

(Numbers are in \$000s)

<b>Policy Year</b>	<b>Private Passenger</b>	<b>Commercial</b>
2009	(9,337)	531
2010	N/A	(5,059)
2011	N/A	(5,139)

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

G. Quota Share

CAR posted the December, 2011 Monthly Quota Share and Assignment Order Report to its website on February 29, 2012. The report has been updated to include statistical data for January 2011 to December 2011 effective month policies reported through February 15, 2012. Member Companies can also view additional reports that provide detailed information about the data used in the Quota Share calculation on CAR's website in the MAIP section under Company.

**OPERATIONAL REPORTS  
4TH QUARTER 2011**

**III. RESIDUAL MARKET INFORMATION (continued)**

H. Ceding Expense True-Up Adjustments Commercial Years 2007-2010

Ceding Expense True-Up adjustments for Private Passenger business were processed in the December, 2011 cash flow. These adjustments include a recalculation of CY 2007, and the final true-up for CY's 2008-2010.

The Ceding Expense True-Up report calculations reflect adjustments to the ceded claim frequency relativity reflecting corrections to account for a Member Company reporting error.

Individual company reports with detail calculations are available under the Financial Section of the Reports area to those users with a valid User ID and password. Please contact your security administrator for user id and password access.

**OPERATIONAL REPORTS  
4TH QUARTER 2011**

**III. RESIDUAL MARKET INFORMATION (continued)**

I. Rule 29 Voluntary Credits

CAR ran the Rule 29 credit edit reports for September effective date data in mid-November. These reports are available on CAR's website under the Data Reporting and Quality Reports page.

There is no tolerance level for the Rule 29 credits. If a record is incorrect, the credit is not applied. The table below shows the industry's error percent starting with the October, 2011 accounting date.

Accounting Date	Reported Credit Premium	Adjusted Credit Premium	Rule 29 Credit Impact	Error Percentage
Oct. 2009	365,712,770	363,973,739	-1,739,031	0.48%
Nov. 2009	392,727,358	390,930,787	-1,796,571	0.46%
Dec. 2009	421,452,666	419,584,786	-1,867,880	0.44%
Jan. 2010	457,982,525	456,053,273	-1,929,252	0.42%
Feb. 2010	492,413,410	490,472,355	-1,941,055	0.39%
March 2010	530,741,150	528,623,200	-2,117,950	0.40%
April 2010	518,613,145	516,527,075	-2,086,070	0.40%
May 2010	516,560,318	513,107,160	-3,453,158	0.67%
June 2010	510,469,897	506,671,089	-3,798,808	0.74%
July 2010	504,282,298	500,104,630	-4,177,668	0.83%
August 2010	498,524,056	494,149,614	-4,374,442	0.88%
Sept. 2010	492,640,139	488,275,230	-4,364,909	0.89%
Oct. 2010	487,767,726	484,431,955	-3,335,771	0.68%
Nov. 2010	485,195,191	481,860,909	-3,334,282	0.69%
Dec. 2010*	502,637,208	493,960,401	-8,676,807	1.73%
Jan. 2011*	499,424,037	493,594,337	-5,829,700	1.17%
Feb. 2011*	520,558,403	512,722,811	-7,835,592	1.51%
March 2011*	520,012,380	512,141,580	-7,870,800	1.51%
April 2011*	521,886,203	513,545,620	-8,340,583	1.60%
May 2011*	523,143,948	514,912,551	-8,231,397	1.57%
June 2011*	523,665,189	515,848,901	-7,816,288	1.49%
July 2011	520,894,143	513,467,648	-7,426,495	1.43%
August 2011	522,165,725	514,628,476	-7,537,249	1.44%
Sept. 2011	521,520,576	514,273,679	-7,246,897	1.39%
Oct. 2011	522,571,084	515,302,025	-7,269,059	1.39%
Nov 2011	523,094,504	515,901,5598	-7,192,906	1.38%
Dec 2011	525,805,853	519,178,448	-6,627,405	1.26%

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

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**IV. ACCOUNTING SYSTEM**

A. Update of the Online Accounting System

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

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

B. Critical Error Write-Off

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

For losses specifically, CAR requires every record to be fixed within one year of falling into critical error. If a loss record has not been fixed after a year of remaining in critical error, CAR writes-off that loss record and assesses an interest fee of 10%. This write-off process occurs the last Saturday of every month. The table on the following page shows the write-off amounts and associated 10% fees for fourth quarter 2011.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for March 2012 through September 2012 are shown following the 4<sup>th</sup> Quarter Write-Off exhibit.

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**IV. ACCOUNTING SYSTEM (continued)**

B. Critical Error Write-Off (continued)

Loss Write-Off – 4<sup>th</sup> Quarter 2011

Company	Nov 2011	Dec 2011	Jan 2012	Total
045	8170	2332	0	10,502
194	0	333	0	333
209	700	0	0	700
331	-6,737	13,132	3,576	9,971
<b>Total</b>	<b>2,133</b>	<b>15,797</b>	<b>3,576</b>	<b>21,506</b>

4<sup>th</sup> Quarter 2011 – 10% Loss of Investment Fees

Company	Nov 2011	Dec 2011	Jan 2012	Total
045	762	233	0	995
209	70	0	0	70
331	-1259	434	-414	-1,239
<b>Total</b>	<b>-427</b>	<b>667</b>	<b>-414</b>	<b>-174</b>

Potential Loss Write-Off March 2012 through September 2012

Company	March 2012	April 2012	May 2012	June 2012	July 2012	August 2012	September 2012	Grand Total
049	0	0	-10	0	0	0	0	-10
154	0	0	0	0	3,232	0	0	3,232
331	5,324	13,560	2,776	-31,952	21,653	1,316	867	13,544
455	-4,355	0	0	0	0	0	0	-4,355
481	0	0	0	-662	0	0	-161	-823
612	0	39	0	0	0	0	0	39
723	0	0	596	0	-1,500	0	2,582	1,678
773	2,226	0	0	0	0	0	9,000	11,226
908	-944	0	0	0	0	0	0	-944
<b>Totals</b>	<b>2,251</b>	<b>13,599</b>	<b>3,362</b>	<b>-32,614</b>	<b>23,385</b>	<b>1,316</b>	<b>12,288</b>	<b>23,587</b>

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**IV. ACCOUNTING SYSTEM (continued)**

C. Non-Critical Error "Audit Review" Program

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

Audit Review  
2010 & 2011 Policy Effective Years

Non-Critical Error - Penalties

**There have been no penalties assessed this quarter or final penalties to conclude 2010 reporting.**

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

**2010 Effective Year Non-Critical Errors show no Potential Penalties to report**

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

**2011 Effective Year Non-Critical Errors show no Potential Penalties to report**

**OPERATIONAL REPORTS  
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**IV. ACCOUNTING SYSTEM (continued)**

**D. Ceded Premium In Error – Limited Commercial Servicing Carriers**

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

Company	Policy Effective Year	Critical Premium Dollars	Error Percent
154	2009	0	0.00
154	2010	0	0.00
154	2011	7,608	0.04
245	2009	0	0.00
245	2010	0	0.00
245	2011	263,402	1.53
279	2009	0	0.00
279	2010	0	0.00
279	2011	0	0.00
455	2009	0	0.00
455	2010	0	0.00
455	2011	0	0.00
717	2009	0	0.00
717	2010	0	0.00
717	2011	0	0.00
734	2009	0	0.00
734	2010	0	0.00
734	2011	0	0.00
735	2009	0	0.00
735	2010	0	0.00
735	2011	0	0.00
773	2009	0	0.00
773	2010	0	0.00
773	2011	0	0.00
Total Ind		271,010	0.10

**E. Penalty Forecasting Program**

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

CAR posted the 4<sup>th</sup> Quarter 2011 forecasting reports on March 16, 2012.

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**IV. ACCOUNTING SYSTEM (continued)**

F. \$60 Cession/No Premium Penalties

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

Company Number	Penalty Amount
245	\$180
773	\$60
<b>Total</b>	<b>\$240</b>

G. 2009 Cession/No Premium Write-Off

The annual Cession/No Premium Write-Off amounts are based on a policy count (excluding flat cancelled and cession/no premium policies) divided by the corresponding full premium (rather than deviated), at 15 months. Please reference the table below for the write-off penalty amount for 2009 effective date policies and for historical information.

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

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

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**V. STATISTICAL AGENT FUNCTION**

**A. Update of the Online Statistical System**

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

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

**B. Annual Statement and Annual Statement Reconciliation**

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

Quarter	Due Date Quarterly Annual Statement	Run Date of the Reconciliation Program	Due Date Reconciliation Response
1st 2011	June 15, 2011	July 1, 2011	Approx. August 5, 2011
2nd 2011	September 15, 2011	October 3, 2011	Approx. November 4, 2011
3rd 2011	December 15, 2011	January 2, 2012	Approx. February 3, 2012
4th 2011	March 15, 2012	April 2, 2012	Approx. May 4, 2012

The Annual Statement collection of Page 14's for Third Quarter 2011 was due December 15, 2011. Penalties for late pg 14 amounted to \$4,400. Reconciliation Third Quarter 2011 responses were due February 3, 2011. Penalties amounted to \$2,600. Page 14 and Reconciliation penalties were included in the 4th Quarter Settlement of Balances. CAR is currently collecting Fourth Quarter 2011 Annual Statement Statutory Page 14 data which was due at CAR on March 15, 2012. Fourth Quarter 2011 Reconciliation Reports are anticipated to run April 2, 2012.

**OPERATIONAL REPORTS  
4TH QUARTER 2011**

**V. STATISTICAL AGENT FUNCTION (continued)**

**C. Rate Edit Processing**

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

	<b>Line of Business</b>	<b>Eligible Records</b>	<b>Records in Error</b>	<b>Error %</b>
<b>COMM 2011 EFF YEAR</b>	Liability	54,789	951	1.74%
	No Fault	40,854	172	0.42%
	Physical Damage	30,118	376	1.25%
	Total	125,761	1,499	1.19%
<b>COMM 2012 EFF YEAR</b>	Liability	3,261	38	1.17%
	No Fault	2,674	7	0.26%
	Physical Damage	2,238	42	1.88%
	Total	8,173	87	1.06%

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

Rate Edit - Over Tolerance Exhibit

<b>Co No</b>	<b>PP/Comm</b>	<b>Policy Year</b>	<b>Subline</b>	<b>Due Date</b>	<b>Err %</b>	<b># Records in Error</b>
154	Comm	2011	Liability	7/15/2012	2.78%	212
773	Comm	2012	Liability	9/15/2012	2.13%	165

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**V. STATISTICAL AGENT FUNCTION (continued)**

**D. Deleted Washout Records**

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

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

Deleted Washout Totals  
For All Shipments Received Through 12/2011

<b>COMPANY NUMBER</b>	<b>RECORD COUNT</b>	<b>WASHOUT COUNT</b>	<b>WASHOUT PERCENT</b>
100	72,919	15,190	20.83
153	7,967,532	2,657,809	33.36
205	77	58	75.32
261	35,957	34,088	94.80
343	526,701	224,782	42.68
418	105,358	27,534	26.13
429	3,262,985	1,135,445	34.80
460	18,170	4,246	23.37
474	19,462	13,786	70.84
486	42,239	16,032	37.96
503	9,054	4,012	44.31
626	438,507	223,064	50.87
627	16,755	11,715	69.92
643	8,844	4,642	52.49
667	4,221	1,028	24.35
688	4,808	1,484	30.87
734	15,784	4,524	28.66
735	221,378	113,503	51.27
737	262,102	134,738	51.41
828	250,520	77,648	30.99
902	253,741	138,886	54.74
927	9,690	4,912	50.69
942	59	5	47.46
963	555,956	231,498	41.64
989	65,387	33,756	51.62

Total Industry	65,146,578	6,664,779	9.78%
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The 2010 washout total following the 12/2010 shipments was 5.64%.

**OPERATIONAL REPORTS  
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**V. STATISTICAL AGENT FUNCTION (continued)**

E. Distributional Analysis

Distributional Analysis reports are produced three times a year starting with the close of the June quarter. The program was developed to ensure the quality of rate making data is appropriated with quota share data. The Distributional Analysis report is scheduled to run mid-late February 2012 and will go out to the company's mid March. Companies with discrepancies will be emailed for a response. Companies may contact the Compliance Audit Department for any correspondences.

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**VI. COMMUNICATIONS**

A. CAR's Website

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

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

B. Telecommunications

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

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

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**VII. PROJECT STATUS REPORTS**

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

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