

Illinois Department of Insurance

April 15, 2003

Annual Report to the Illinois General Assembly on Insurance Cost Containment



Rod R. Blagojevich, Governor

J. Anthony Clark, Director

April 15, 2003

To the Honorable Members of the 93rd General Assembly:

The Illinois Insurance Cost Containment Act requires the Director of Insurance to submit an annual report to the General Assembly by April 15th containing his analysis of the Illinois insurance market and his recommendation of the most appropriate and comprehensive cost containment system for the state (Article XLII, 215 ILCS 5/1202d).

In accordance with the requirement of Section 1202 of the Illinois Insurance Code, I am pleased to submit the Annual Report to the General Assembly on Insurance Cost Containment for 2003. It contains significant information on both a nationwide and Illinois basis regarding the underwriting results for the property and casualty insurance industry for the year 2001.

I should report that the property and casualty insurance industry has experienced significant negative changes during the last two years such as the severe hardening of some markets and the lingering effects of September 11, 2001. Due to the critical nature of these problems, I have asked my staff to provide a supplement to this report, which will include 2002, and later data and information. This supplement should be ready for publishing in June.

Sincerely,

J. Anthony Clark,
Director

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I. PURPOSE OF THE REPORT ON COST CONTAINMENT

The Illinois Insurance Cost Containment Act (Article XLII, 215 ILCS 5/1202d) requires the Director of Insurance to submit an annual report to the General Assembly by April 15th containing his analysis of the Illinois insurance market and his recommendation of the most appropriate and comprehensive cost containment system for the state.

The law was enacted in 1986 in response to the public's growing concern about the availability and affordability of property and liability insurance. It mandated that a uniform system be created for the collection, analysis and distribution of insurance cost data. Its expressed intent was to permit and encourage competition among companies on a sound financial basis to the fullest extent possible and to establish a mechanism to ensure the provision of adequate insurance at reasonable rates to the citizens of Illinois.

II. DIRECT PREMIUMS WRITTEN AND LOSS RATIOS BY STATE

Figure 1 shows a breakdown of total direct premium written (DPW) and losses incurred for the property/casualty industry by state from 1997 through 2001.

Direct written premium in Illinois was \$16.3 billion in 2001, which represented 4.6% of the nationwide total. Total property/casualty losses incurred in Illinois averaged 69.9% of earned premium over the past five years. Losses in Illinois totaled 81.1% of earned premium during 2001, compared to 58.0% in 1997.

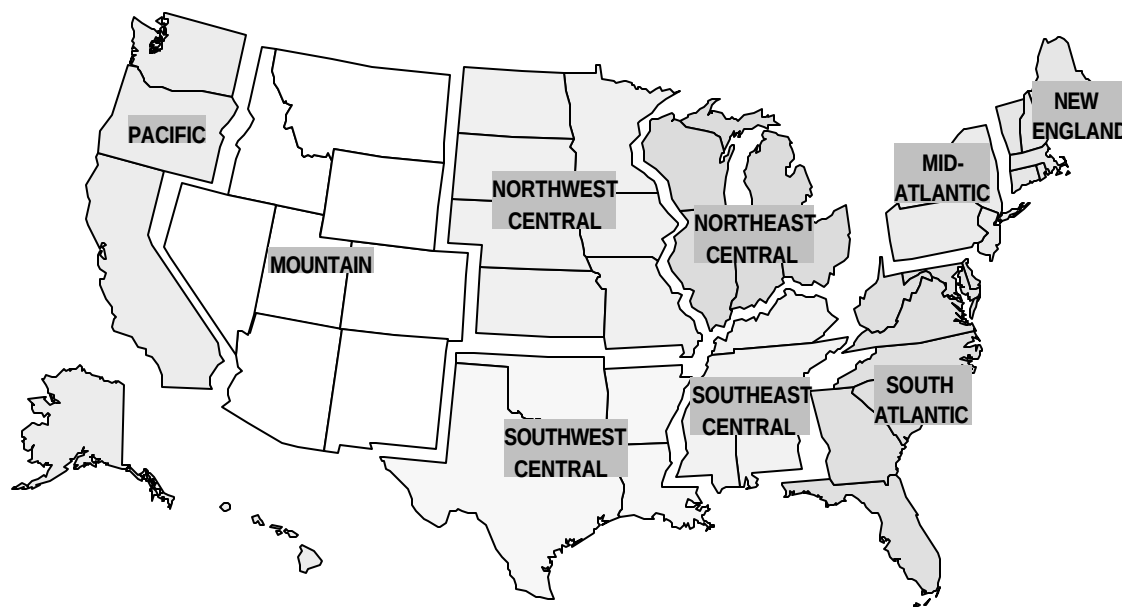
Figure 1
State Distribution and Loss Experience (2412 Companies)
(1997 - 2001)

Rank	State	2001 DPW	% of Total DPW					Direct Pure Loss Ratio (%)					5 Yr. Avg.
			2001	2000	1999	1998	1997	2001	2000	1999	1998	1997	
1	CA	40,446	11.3	11.4	11.2	11.5	11.5	69.6	68.9	60.4	61.0	56.2	63.6
2	NY	25,258	7.1	7.1	7.1	7.6	7.4	138.3	67.9	62.5	66.1	62.4	81.1
3	TX	24,554	6.9	6.7	6.7	6.8	6.8	96.7	78.5	66.2	63.8	56.6	73.5
4	FL	23,400	6.6	6.5	6.4	6.3	6.1	64.0	62.9	59.8	55.7	54.2	59.7
5	IL	16,268	4.6	4.6	4.6	4.5	4.6	81.1	75.0	67.1	65.3	58.0	69.9
6	PA	14,636	4.1	4.1	4.2	4.2	4.3	74.9	73.5	74.1	64.5	66.4	70.8
7	OH	13,602	3.8	3.8	3.8	3.7	3.6	76.1	76.9	71.5	63.0	67.2	71.3
8	MI	13,217	3.7	3.7	3.8	3.6	3.5	83.9	75.9	82.0	74.8	66.5	76.8
9	NJ	12,740	3.6	3.6	3.7	3.9	4.0	68.5	65.5	63.2	63.4	65.5	65.3
10	GA	9,818	2.8	2.7	2.7	2.6	2.6	68.9	66.8	63.7	65.6	58.0	64.9
11	MA	9,170	2.6	2.6	2.5	2.5	2.5	66.6	59.2	58.1	63.8	55.6	60.9
12	NC	8,644	2.4	2.4	2.5	2.4	2.4	63.6	66.0	77.4	68.2	60.9	67.2
13	IN	7,821	2.2	2.2	2.2	2.1	2.1	70.5	70.4	71.5	66.0	67.0	69.2
14	VA	7,506	2.1	2.1	2.1	2.0	2.0	63.7	71.7	73.8	61.4	58.0	65.8
15	MO	6,578	1.8	1.9	1.9	1.8	1.8	85.2	66.4	64.1	62.1	57.1	67.6
16	WA	6,460	1.8	1.8	1.8	1.8	1.8	77.3	66.7	68.5	63.9	69.7	69.5
17	MN	6,431	1.8	1.8	1.8	1.8	1.8	84.2	74.9	69.9	100.7	65.2	79.2
18	CO	6,337	1.8	1.8	1.7	1.6	1.5	69.6	64.2	67.7	62.0	52.5	63.8
19	WI	6,254	1.8	1.8	1.9	1.8	1.8	74.3	76.5	62.7	63.5	57.9	67.4
20	TN	6,169	1.7	1.8	1.8	1.8	1.7	70.7	69.5	68.2	71.1	61.8	68.4
	All other	91,467	25.6	25.7	25.7	25.6	25.8	73.4	66.8	67.4	66.6	60.3	67.2
	Total	356,778	100.0	100.0	100.0	100.0	100.0	78.8	69.3	66.6	65.2	60.2	68.5

Direct Pure Loss Ratio is calculated by dividing losses incurred by direct earned premium.
Source: Best's Aggregates & Averages - Property/Casualty, 2002 Edition

Figure 2 shows a breakdown of direct premiums written and loss ratios for the property/casualty market for ten distinct regions of the United States during 2001 and the average for the last five years.

Figure 2
Distribution of Direct Premiums Written and Loss Ratios by Region

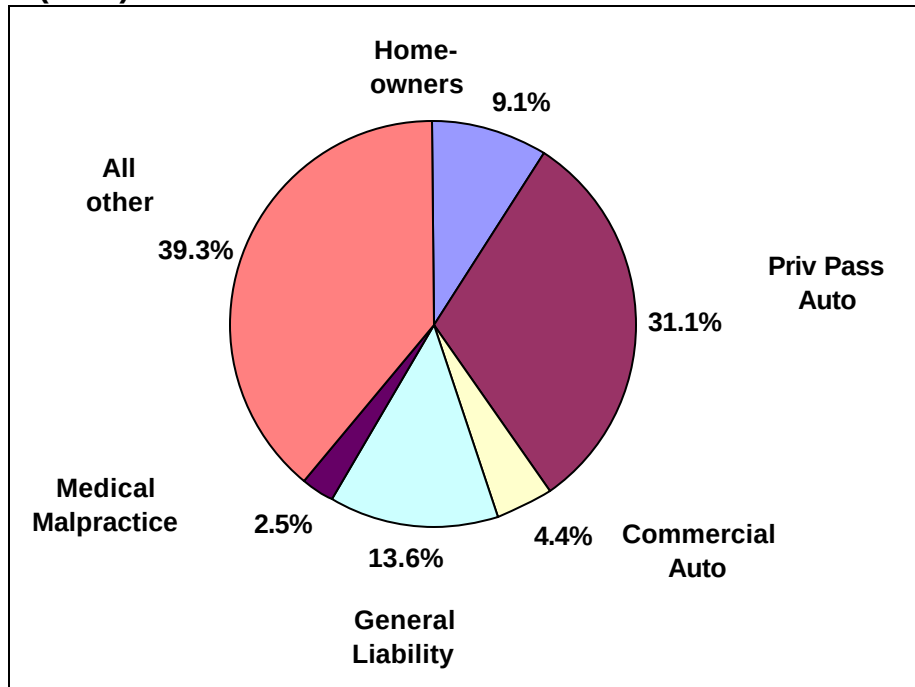


	Pacific	Mountain	Northwes Central	Southwes Central	Northeas Central	Southeas Central	Mid- Atlantic	South Atlantic	New England	Other	Total All Regions
Pct total 2001 DPW	14.9	5.9	6.7	10.3	16.0	5.1	14.8	18.1	5.5	2.6	100.0
Direct Loss Ratio – 2001	70.3	73.4	86.5	89.9	78.9	74.2	104.9	66.8	68.5	74.7	79.6
Direct Loss Ratio – 5 Yr Avg	65.2	67.0	73.6	73.8	72.3	72.0	75.6	66.5	62.7	65.0	69.7

The worst underwriting experience for property/casualty insurers was in the Mid-Atlantic region due to the attacks on the World Trade Center. The four central regions have also experienced worsening loss ratios during the past five years, largely as a result of weather related losses in the homeowners market and mold claims in the state of Texas. Over the last five years, New England experienced the best underwriting results.

Figure 3 illustrates the distribution of property/casualty premium written by line of business during 2001 in Illinois. As the chart shows, personal-lines insurance (homeowners and private passenger automobile) makes up the largest portion of the property/casualty market, 40.2%, of the total \$15.8 billion. Private passenger automobile (32.1%), including both the liability and physical damage component, is the single largest line of insurance. Cost Containment data are reported to the Department pursuant to Title 50, Chapter I, Subchapter iii, Part 4203-“The Cost Containment Data and Reporting Requirements” for the following lines of business: private passenger automobile (liability and physical damage separately), homeowners (including residential fire), commercial automobile liability, and specified insurance classes from the medical malpractice and other liability lines.

Figure 3
Percent by Line of All Property/Casualty
Premiums Written in Illinois
(2001)



Source: NAIC State Data Network

III. ANALYSIS OF THE MARKETPLACE

From both a consumer's and a regulator's standpoint, insurance regulation should provide an environment where:

- coverage is available,
- coverage is offered at a reasonable price, and
- coverage is available from reliable insurers.

The Cost Containment Act requires the Department to analyze the marketplace each year and to recommend changes that may be needed to correct market problems.

The Department measures the overall competition of the Illinois marketplace by looking at three elements: availability, profitability, and reliability.

AVAILABILITY

The Department measures availability in three ways:

1. Herfindahl/Hirschman Index (HHI) and Market Shares by Line;
2. Market Shares of Residual Market Mechanisms; and
3. Participation in Alternative Risk Transfer Mechanisms.

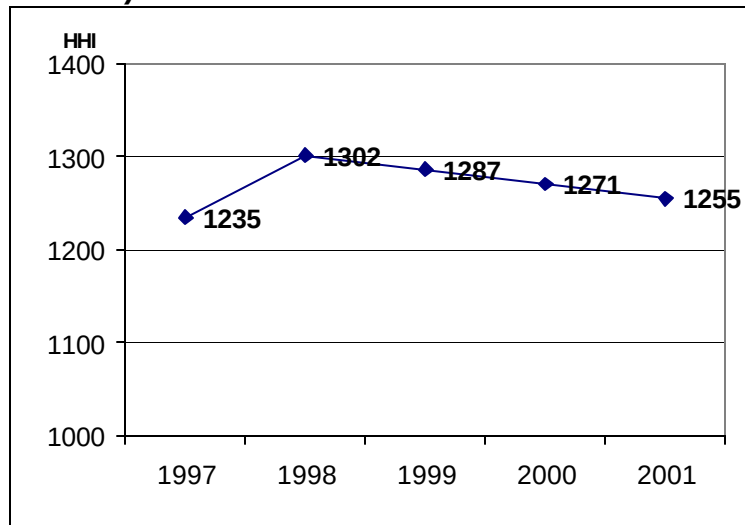
Herfindahl/Hirschmann Index (HHI) and Market Shares by Line

The Cost Containment Act requires the Department to collect and analyze data in five major lines of business -- homeowners, private passenger automobile, commercial automobile liability, medical malpractice, and other liability. This report contains a comparison of underwriting results for Illinois versus nationwide for these five lines of business and an analysis of market concentration and market share in the State of Illinois. Market concentration is determined using an economic measure known as the Herfindahl/Hirschmann Index (HHI). The HHI is the summation of the squares of each company's market share. Generally, an HHI of 1800 or above is an indication that the market may be too highly concentrated and may be approaching anti-competitive behavior.

Homeowners HHI

Figure 4 provides a graph of the HHI for Illinois homeowners insurance from 1997 through 2001. After reaching a peak of 1302 in 1998, the homeowners HHI has dropped the past three years to 1255.

Figure 4
Illinois Market Concentration - Homeowners
(1997-2001)



The top ten Illinois homeowners' writers (including residential fire) and their market shares for 2001 are:

State Farm Fire and Casualty Company	29.95%
Allstate Insurance Company	11.18%
Illinois Farmers Insurance Company	7.18%
Country Mutual Insurance Company	6.34%
American Family Mutual Insurance Co	5.32%
Economy Preferred Insurance Company	2.12%
Safeco Insurance Company of IL	2.57%
Allstate Indemnity Company	1.79%
Travelers Property Casualty Ins Co of IL	1.44%
Economy Fire & Casualty Company	1.44%
Total	69.33%

Homeowners' data are collected pursuant to Cost Containment Data and Reporting Requirements (Part 4203). Again this year, cost containment data for homeowners' are summarized for three categories; for the entire State of Illinois, the City of Chicago, and downstate Illinois. State Farm Fire & Casualty Company and Allstate Insurance Company continue to rank one and two, respectively, in all three categories. Most insurers who write in downstate Illinois also have a presence in the City of Chicago. There were 206 insurers reporting homeowners business throughout the state and 182 companies reporting premium in the City of Chicago. This business represents homeowners' multi-peril coverage written in HO-1, HO-2, HO-3, HO-5 and HO-8 policies.

On a statewide basis State Farm Fire & Casualty Company ranked first in condominium and renters insurance followed by Allstate Insurance Company with American Family Mutual Insurance Company & Illinois Farmers Insurance Company ranked 3^d and 4th respectively. There were 164 other company's also writing this coverage in Illinois.

State Farm Fire & Casualty Company wrote the largest amount of mobile home coverage followed by Allstate Insurance Company, Country Mutual Insurance Company, Progressive Casualty Insurance Company and American Family Mutual Insurance Company respectively.

The top ten writers in the homeowners (statewide including Chicago) market are:

- State Farm Fire & Casualty Company
- Allstate Insurance Company
- Illinois Farmers Insurance Company
- Country Mutual Insurance Company
- American Family Mutual Insurance Company
- Safeco Insurance Company of Illinois
- Economy Preferred Insurance Company
- Allstate Indemnity Company
- Travelers Property & Casualty Insurance Co of IL
- Economy Fire & Casualty Company

The top ten writers in the homeowners (downstate only) market are:

- State Farm Fire & Casualty Company
- Allstate Insurance Company
- Illinois Farmers Insurance Company
- Country Mutual Insurance Company
- American Family Mutual Insurance Company
- Safeco Insurance Company of Illinois
- Economy Preferred Insurance Company
- Allstate Indemnity Company
- Nationwide Mutual Fire Insurance Company
- Economy Fire & Casualty Company

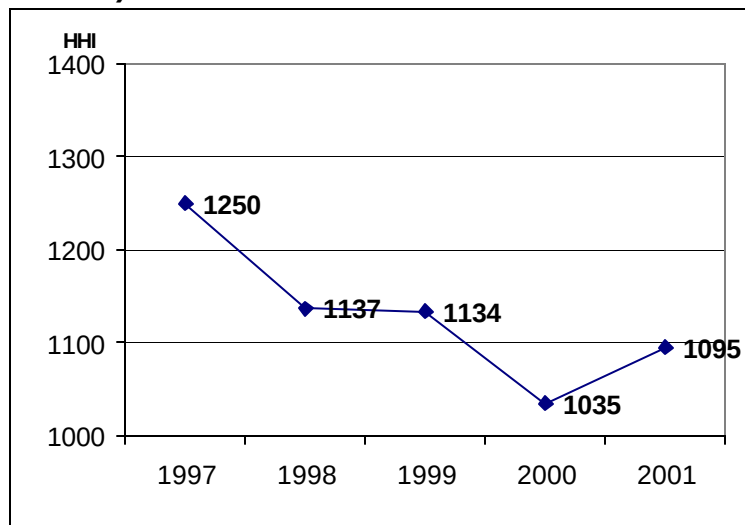
The top ten writers in the homeowners (Chicago only) market are:

State Farm Fire & Casualty Company
 Allstate Insurance Company
 American Family Mutual Insurance Company
 Illinois Farmers Insurance Company
 Allstate Indemnity Company
 Safeco Insurance Company of Illinois
 Travelers Property & Casualty Insurance Co of IL
 Economy Fire & Casualty Company
 Economy Preferred Insurance Co
 Great Northern Insurance Company

Private Passenger Automobile HHI

Figure 5 provides a graph of the HHI for Illinois private passenger automobile insurance (including liability and physical damage) from 1997 through 2001. It suggests that market concentration for private passenger coverage has exhibited a downward trend between 1997 and 2000.

Figure 5
Illinois Market Concentration - Private Passenger Automobile
(1997-2001)



The top ten Illinois private passenger automobile writers, liability and physical damage coverage combined, and their market shares for 2001 are:

State Farm Mutual Auto Insurance Co	30.64%
Allstate Insurance Company	8.80%
Country Mutual Insurance Company	6.16%
Illinois Farmers Insurance Company	5.44%
American Family Mutual Insurance Co	4.37%
State Farm Fire & Casualty Company	2.05%
Allstate Property & Casualty Ins Co	1.48%
Safeco Insurance Company of Illinois	1.33%
GEICO General Insurance Company	1.23%
Mid Century Insurance Company	1.17%
Total	62.67%

Cost Containment data are collected for the private passenger automobile line of insurance. For this report, the liability component will be presented separately for the entire State of Illinois, the City of Chicago, and downstate Illinois. State Farm Mutual Insurance Company and Allstate Insurance Company rank one and two, respectively, in each of the areas. In contrast to the homeowners' line, the City of Chicago automobile market includes several automobile insurers that write exclusively in Chicago.

There were 258 insurers that filed private passenger automobile liability insurance data via the Cost Containment Data and Reporting Requirements (Part 4203). Of these, 230 insurers reported written premium in the City of Chicago, which is 20 less companies than reported in 2000.

The top ten writers in the private passenger automobile liability (statewide including Chicago) market are:

State Farm Mutual Automobile Insurance Company
Allstate Insurance Company
Country Mutual Insurance Company
Illinois Farmers Insurance Company
American Family Mutual Insurance Company
State Farm Fire & Casualty Company
Mid Century Insurance Company
Allstate Property & Casualty Insurance Co
Safeco Insurance Company of Illinois
GEICO General Insurance Company

The top ten writers in the private passenger automobile liability (downstate Illinois) market are:

State Farm Mutual Automobile Insurance Company
Allstate Insurance Company

Country Mutual Insurance Company
 Illinois Farmers Insurance Company
 American Family Mutual Insurance Company
 State Farm Fire & Casualty Company
 Mid Century Insurance Company
 Safeco Insurance Company of America
 The Farmers Automobile Insurance Assn
 Nationwide Mutual Insurance Company

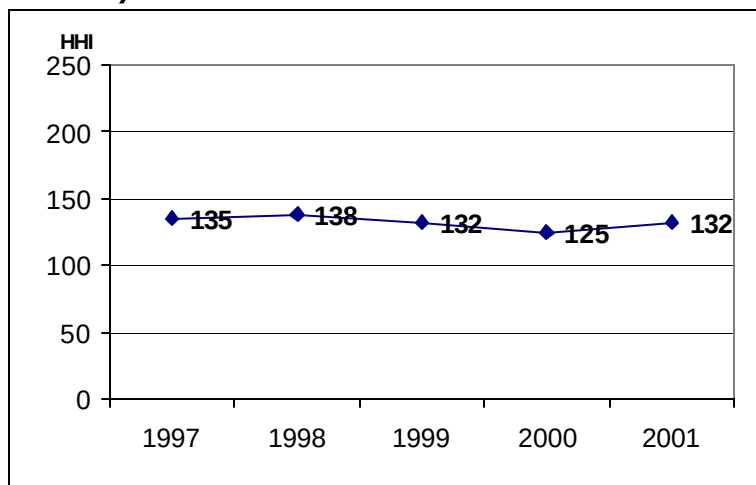
The top ten writers in the private passenger automobile liability (Chicago only) market are:

State Farm Mutual Automobile Insurance Company
 Allstate Insurance Company
 Illinois Farmers Insurance Company
 American Family Mutual Insurance Company
 American Ambassador Casualty Company
 Universal Casualty Insurance
 State Farm Fire & Casualty Company
 GEICO General Insurance Co
 American Service Insurance Company
 Safeway Insurance Company

Commercial Automobile Liability HHI

Figure 6 provides a graph of the HHI for Illinois commercial automobile liability from 1997 through 2001. The HHI suggests that the market concentration in Illinois for commercial automobile liability insurance is very low (very competitive).

Figure 6
Illinois Market Concentration - Commercial Automobile Liability
(1997-2001)



The top ten Illinois commercial automobile liability writers for 2001 are:

American Country Insurance Co
Cincinnati Insurance Co
American Service Insurance Co Inc
Lancer Insurance Company
West Bend Mutual Insurance Company
Northland Insurance Co
State Farm Mutual Automobile Ins Co
General Casualty Company of IL
Country Mutual Insurance Co
Canal Insurance Company
Total

Pursuant to Cost Containment Data and Reporting Requirements (Part 4203), data are collected for specified classes of commercial automobile liability insurance through the Cost Containment filings. Two classes are of particular interest: taxis and public livery and other excluding taxis and public livery.

American Country Insurance Company exhibits a large share of the taxis and public livery class of commercial automobile liability insurance. Fifty-eight other companies compete for the remaining market share in this class, 10 fewer companies than reported in 2000. The Department carefully monitors this market due to American Country Insurance Company's significant market share in this class. American Country Insurance Company insures the two largest taxi cab firms in Chicago and the State of Illinois. Because this is such a specialized market, the concentration of business is not alarming. The top five admitted writers in this market are:

American Country Insurance Company
Lancer Insurance Company
American Service Insurance Co Inc
North Pointe Insurance Co of IL
Rockford Mutual Insurance Company

The other classes of commercial automobile liability insurance collected represent the fleet and non-fleet combined trucks, tractors, and trailers classes in this line. These classes remain very competitive in Illinois. Two hundred and sixty-five companies reported positive written premium, with 68 companies writing in excess of \$1 million in premium, an increase of one company over 2000. The surplus line market wrote 45 policies and \$361,000 in premium for this coverage.

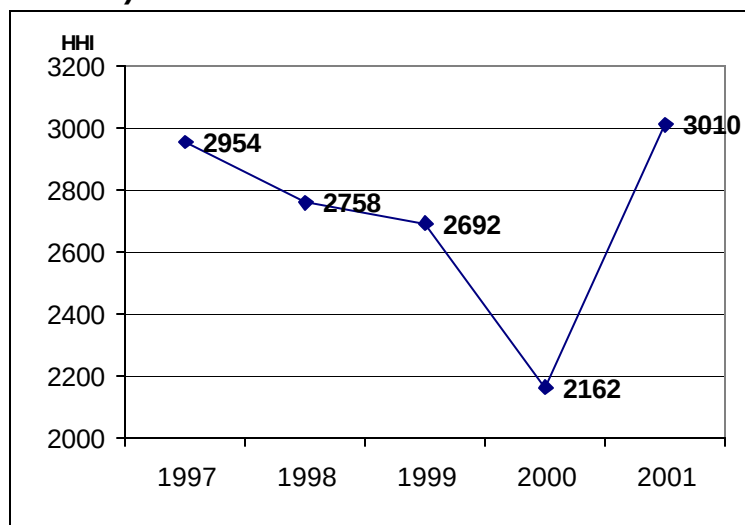
The top writers in this market are:

Cincinnati Insurance Company
 West Bend Mutual Insurance Company
 Northland Insurance Company
 General Casualty Company of IL
 State Farm Mutual Automobile Insurance Company
 Country Mutual Insurance Company
 Canal Insurance Company
 Westfield Insurance Company
 Auto Owners Insurance Company
 Great West Casualty Company

Medical Malpractice HHI

Figure 7 provides a graph for the HHI for Illinois medical malpractice coverage from 1997 through 2001. As is the case for most other states, the largest writer in Illinois of medical malpractice coverage is a physician-affiliated exchange. In Illinois, that provider is the ISMIE Mutual Insurance Company, which wrote 53.5% of the medical malpractice coverage in 2001. The second largest medical malpractice insurer, by direct written premium, was St. Paul Fire & Marine Insurance Company, which wrote only 7.3% of the business. The market is highly concentrated, with an HHI well above the 1800 level, as the chart shows.

Figure 7
Illinois Market Concentration - Medical Malpractice
(1997-2001)



The top ten Illinois medical malpractice writers (surgical/non-surgical classes only.) and their market shares for 2001 are:

ISMIE Mutual Insurance Company	68.00%*
APSpecialty Insurance Corp	5.73%
Pronational Insurance Co	5.03%
Doctors' Company	3.18%
Physicians Insurance Company of WI Inc	3.11%
Chicago Insurance Company	2.93%
Medical Protective Company	2.71%
St Paul Fire & Marine Insurance Company	1.89%
American Physicians Assurance Corp	1.36%
American Continental Insurance Company	1.17%
Total	95.12%

(*The difference between the 68% share for ISMIE Mutual shown in this table and the 53.5% mentioned on the previous page is due to the fact that the 53.5% is based on the total medical malpractice premiums written in the Illinois, whereas the above percentage is based on the surgical/non-surgical classes only.)

There were 42 admitted carriers who reported the medical malpractice classes that the Department collects. As aforementioned, this line was dominated by one carrier, the ISMIE Mutual Insurance Company, previously the Illinois State Medical Interinsurance Exchange. This report breaks down medical malpractice liability into four different class groups. The first two groups, *medical non-surgery* and *physicians, surgeons and dentists - either not specifically listed or written within programs not using one of the exposure bases that the Department specifically collects*, represent the majority of medical malpractice business reported. Two other reported coverage's include *dentists and oral surgery* and *medical-surgery*. Medical Malpractice insurance rates are one of the few insurance lines that the Department reviews. Under 215 ILCS 5/155.18, every company writing medical malpractice insurance shall file rates and rating schedules with the Director at least annually and when ever there is a change. The surplus lines market accounted for \$2.9 million of medical malpractice premium for comparable classes.

The top ten writers in the *medical non-surgery* market are:

- ISMIE Mutual Insurance Company
- APSpecialty Insurance Corp
- Medical Protective Company
- Pronational Insurance Company
- Chicago Insurance Company
- St Paul Fire & Marine Insurance Company
- Doctors' Company
- North American Specialty Insurance Company
- American Physicians Assurance Corp
- St Paul Medical Liability Insurance Company

The top ten writers in the *physicians, surgeons, and dentists* - either not specifically listed or written within programs not using one of the exposure bases that the Department specifically collects market are:

- ISMIE Mutual Insurance Company
- Pronational Insurance Company
- Physicians Insurance Company of WI Inc
- APSpecialty Insurance Corp
- Chicago Insurance Company
- Medical Protective Company
- Doctors' Company
- St Paul Fire & Marine Insurance Company
- Executive Risk Indemnity Inc
- American Physicians Assurance Corp

The top five writers in the *dentists and oral surgery* market are:

- Medical Protective Company
- Continental Casualty Company
- OMS National Insurance Company, RRG
- Firemans Fund Insurance Company
- Firemans Fund Insurance Company of Wisc

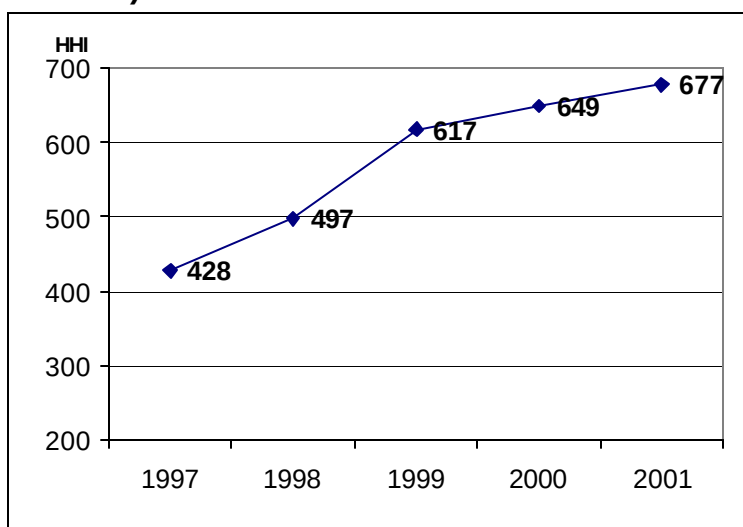
The top five writers in the *medical-surgery* classes market are:

- ISMIE Mutual Insurance Company
- APSpecialty Insurance Corporation
- Doctors' Company
- American Continental Insurance Company
- Chicago Insurance Company

Other Liability HHI

Figure 8 provides a graph of the HHI for Illinois other liability insurance from 1997 through 2001. The figure indicates that the market for other liability insurance in Illinois has become more concentrated but continues to be very competitive.

Figure 8
Illinois Market Concentration - Other Liability
(1997 - 2001)



The top ten Illinois other liability writers and their market shares for 2001 are:

Underwriters at Lloyds London	25.39%
Continental Casualty Co	19.36%
Illinois State Bar Assn Mutual Ins Co	14.75%
Illinois Casualty Company	8.89%
Chicago Insurance Company	3.55%
First Financial Insurance Company	2.32%
Executive Risk Indemnity Inc	2.26%
St Paul Fire & Marine Insurance Company	1.87%
Great American Alliance Ins Co	1.78%
National Casualty Company	1.66%
Total	81.83%

In addition to the top ten writers for the entire other liability line, this section also contains information for four specific classes that were mentioned in the Cost Containment Act: liquor liability, lawyers' professional liability, day-care liability, and home day-care liability.

In 2001 there were five companies writing more than \$1 million in premium in the liquor liability market. We listed four companies that wrote in excess of \$1 million in premium in 2000. In 1999 we listed seven. However, even with these changes the Department has detected no drastic price increases or availability issues. In 2001, the surplus lines market wrote 23 policies of liquor liability insurance. The average premium for these 23 policies was \$4400. The liquor liability market in Illinois is strong, viable and competitive.

Illinois Casualty Company
Underwriters at Lloyds London
Continental Casualty Company
First Financial Insurance Company
Great American Alliance Insurance Company
Constitutional Casualty Company
Springfield Fire and Casualty Company

Underwriters at Lloyds London was the top writer of lawyers' professional liability writing in excess of \$12.7 million in direct written premium, Continental Casualty Company followed with premium in excess of \$10.3 million. Illinois State Bar Assn. Mutual Insurance Company wrote approximately \$9.1 million. The middle four companies each wrote in excess of \$1 million in premium. The remaining three companies each wrote more than \$600,000 in premium. In 2001, the surplus lines market wrote only 82 policies and \$912,000 in premium. The lawyers professional liability market is dominated by a few companies, and is one of the markets watched closely by the Department. Although the policy count has increased the premiums have decreased \$1 million.

Underwriters at Lloyds London
Continental Casualty Company
Illinois State Bar Assn. Mutual Ins Co
Chicago Insurance Company
Executive Risk Indemnity Inc
St Paul Fire & Marine Insurance Co
National Casualty Company
National Union Fire Insurance Co of Pittsburgh
Great American Insurance Company
General Insurance Company of America

In 2001, seventy-three admitted insurers reported day-care liability data for Illinois. The surplus lines market wrote 371 policies and just over \$500,000 in premium. The top four admitted writers are:

NonProfits Insurance Assn An Inter-Insurance Exchange
West Bend Mutual Insurance Company
Utica Mutual Insurance Company
Guideone Mutual Insurance Company

In 2001, 20 admitted insurers of *home day-care liability* reported data for Illinois. This is the same number that reported in the previous period. State Farm Fire and Casualty Company remained number one.

State Farm Fire & Casualty Company
Allstate Insurance Company
Country Mutual Insurance Company
Allstate Indemnity Company
Economy Preferred Insurance Company

Market Shares of Residual Market Mechanisms

States establish residual market mechanisms to provide coverage for consumers who are unable to buy coverage in the voluntary market. If a marketplace does not function well, there will be an inordinate number of consumers in residual market programs. This is because insurers will tighten their underwriting standards, charge prices that are higher than what consumers can get in the residual market program, or stop writing business altogether in states where market problems persist.

Illinois residual market mechanisms provide essential insurance coverage for the hard-to-place risk, at rate levels approved by the Department. Illinois has residual market mechanisms for three lines of insurance: property, automobile, and workers' compensation.

Property - The Illinois FAIR Plan Association (FAIR Plan)

Fire and homeowners insurance are placed directly through the FAIR Plan. Both dwelling and commercial insurance are available. Insurance companies share in the FAIR Plan's profits or losses in proportion to their voluntary market shares.

Figure 9, on page 21, shows the FAIR Plan's dwelling and homeowners written premiums as a percent of total Illinois dwelling and homeowners written premiums for 1997 through 2001.

As the chart shows, homeowners insurance is widely available in the voluntary marketplace. A very small percentage of Illinois consumers (ranging from .22 to .48 percent from 1997 through 2001) bought their insurance through the FAIR Plan. In addition, unlike in many other states, Illinois consumers are not at a coverage disadvantage when they buy insurance from the FAIR Plan.

In many states, property residual market programs only offer dwelling fire or basic homeowners policies. Illinois has one of the most, if not the most, progressive FAIR Plans in the nation. Through the Plan, Illinois consumers can buy virtually the same coverages that are available in the voluntary marketplace, including guaranteed replacement cost, sewer back-up, earthquake, and building ordinance and law endorsements. The prices are also very competitive compared to the voluntary market.

Figure 9
Written Premiums for Illinois FAIR Plan
(1997-2001)

	Amount of Written Premiums	As % of Total Written Premiums
1997	\$5,408,000	0.47
1998	\$5,108,000	0.43
1999	\$4,945,000	0.39
2000	\$4,739,000	0.22
2001	\$4,962,000	0.35

Source: Illinois FAIR Plan

Automobile - The Illinois Automobile Insurance Plan (Auto Plan)

Private passenger automobile risks are assigned to companies on a rotational basis in proportion to their voluntary market shares. Assignments stay with the company and are not shared with other writers. Commercial automobile risks are placed through servicing companies. Losses are then divided among the voluntary writers of commercial automobile insurance in proportion to their shares of the voluntary business.

Figure 10 compares the 1997 through 2001 market shares for the Illinois Automobile Insurance Plan compared to nationwide data. The percent of written car-years is derived by dividing the number of written car-years insured through the residual market by the total number of written car-years insured through the voluntary market. Note that Illinois has had a much smaller percentage of automobiles in the residual market than the nationwide composite throughout the years.

In addition, the number of insured written car-years in the Illinois Automobile insurance Plan dropped from 3,479 in 1997 to 1,760 in 2001. This downward trend reinforces the fact that automobile insurance in Illinois is extremely competitive in the voluntary market.

Figure 10
Percent of Automobiles in Illinois Assigned Risk Plan and
the United States Composite Automobile Residual Market
(1997-2001)

	1997	1998	1999	2000	2001
Illinois	0.04	0.03	0.03	0.03	0.03
Nationwide	2.46	2.10	1.52	1.42	0.43

Source: AIPSO Facts 2001 (based on liability car-years)

Workers' Compensation - The Illinois Workers' Compensation Assigned Risk Pool

Several insurers act as servicing carriers for the Illinois Workers' Compensation Assigned Risk Pool. Losses are divided among the voluntary writers of workers' compensation in proportion to their shares of the voluntary business. **Figures 11.a, 11.b and 11.c** show data for the Assigned Risk Pool.

Figure 11.a shows the percent of Illinois workers' compensation premiums written through the Workers' Compensation Pool from 1997 through 2001. The chart shows the amount of business being written in the residual market. During 2001, only 6.10% of Illinois direct premiums written for workers' compensation was written through the Workers' Compensation Pool.

Figure 11.a
Percent of Illinois Workers' Compensation Written Through Pool
(1997-2001)

	1997	1998	1999	2000	2001
Percent of Total	4.3	2.8	2.5	3.5	6.1

Source: National Council on Compensation Insurance (NCCI)

Each insurer participating in the Plan that removes an employer is eligible for a take-out credit. **Figure 11.b** shows the 2001 Illinois take-out credit results for the pool. Take-out credit results for 2001 show an increase from the 2000 results in both policies and dollars. Policies are down by almost 25% and the dollars have decreased approximately 22.6%.

Figure 11.b
2001 Illinois Take-Out Credit Results

Total Number of Policies	Approved Credit
1,334	\$3,134,032

Source: National Council on Compensation Insurance (NCCI)

Figure 11.c shows the total premium in Illinois for the top ten class codes in the residual market for calendar year 2001 based on written premium.

Figure 11.c
Illinois Residual Market Top Ten Classification Codes
Calendar Year 2001

Rank	Code	Description	Total State Premium	% of Premium
1	5645	Carpentry Detached	\$4,290,977	4.4%
2	5551	Roofing	\$3,807,129	3.9%
3	7228	Trucking, Local Hauling Only	\$3,726,387	3.8%
4	8861	Charitable Organization, Professional Employees	\$3,046,175	3.1%
5	8868	College Professional Employees	\$2,386,786	2.4%
6	7720	Police Officers	\$2,032,929	2.1%
7	9082	Restaurant NOC	\$2,001,212	2.0%
8	8380	Automobile Service or Repair	\$1,762,413	1.8%
9	9014	Buildings, Operation by Contractor	\$1,756,804	1.8%
10	8010	Wholesale Store	\$1,696,637	1.7%

Source: National Council on Compensation Insurance (NCCI)

Participation in Alternative Risk Transfer Mechanisms

Traditionally, the level of participation in alternative markets is an indicator of how well the admitted market is doing at providing coverage at prices consumers perceive to be reasonable. Therefore, if we are to assess the insurance marketplace in terms of availability, we must look at the level of activity in these alternative markets.

One problem with the non-admitted market is that there are few means by which it can be monitored. How many risks are being placed there? How much premium is being written? Because of the Department's limited authority over many of the alternative mechanisms, these and many other questions simply cannot be answered and a complete picture of this aspect of the insurance marketplace is unattainable. This problem has become more prevalent as the size of the transfer of risk alternative markets continues to grow.

Surplus lines refers to insurance written by a non-admitted (unlicensed) insurer through a licensed surplus lines producer. The licensed producer must exercise due diligence in protecting the insured since the Department has no jurisdiction over unlicensed companies and the Illinois Insurance Guaranty Fund provides no protection for the consumer. Thus, it is the producer and not the Department who must determine the company's financial stability and standards of management prior to submitting the risk.

Figure 12 shows the number of policies written in Illinois from 1997 to 2001 through surplus lines producers for homeowners, private passenger auto liability and physical damage, commercial auto liability, medical malpractice and general liability coverage.

Figure 12
Surplus Lines - Number of primary and excess policies written in
Illinois
(1997 - 2001)

Line of Business	1997 Illinois Policy Count	1998 Illinois Policy Count	1999 Illinois Policy Count	2000 Illinois Policy Count	2001 Illinois Policy Count
Homeowners	628	669	987	1,955	1,126
PPA Liability	1,016	933	718	475	430
PPA Physical Damage	9,590	10,162	7,797	5,531	7,993
Commercial Auto Liability	47	52	33	51	45
Medical Malpractice (All)	703	548	494	451	532
Other Liability (All)	13,223	11,526	11,108	12,078	13,825

Source: Surplus Lines Association of Illinois

INEX (previously the Illinois Insurance Exchange) provides a market for direct insurance and reinsurance. It is comprised of syndicates which underwrite and insure risks, and brokers who are authorized to place business with those syndicates. Fashioned after Lloyd's of London, INEX serves as a facility, record keeper and regulator for the operations of its members. INEX submits an annual financial statement to the Department reflecting both its combined financial position and the financial position of each individual syndicate.

Insurance Pools are groups that join for the purpose of sharing certain risks on an agreed-upon basis. Participants may consolidate their risk exposures without being subject to the same regulatory requirements as admitted insurers. Pools organized under the following Acts are allowed in Illinois:

The Workers' Compensation Act allows entities that are members of a trade association, or that have similar risk characteristics, to form a risk-sharing pool. Each pool must submit annual financial statements, CPA audit reports, and actuarial opinions to the Department and are subject to examination by the Director.

The Religious and Charitable Risk Pooling Trust Act permits entities having an IRS 501c(3) exemption (a non-profit entity), or hospitals owned and operated by a unit of local government, to form a trust to pool their risks. These trust funds can only operate with prior approval of the Director of Insurance. The trusts must make annual CPA audit reports to the Department and are subject to examination by the Director.

The Intergovernmental Cooperation Act enables units of local government to enter into a pooling arrangement with other similar entities for the purpose of risk-sharing. These pooling arrangements are not regulated by the Department; however, they must register with the Department and file annual audited financial statements.

Risk Retention and Purchasing Groups are allowed under the Federal Liability Risk Retention Act of 1986. This Act eliminated barriers to group self-insurance programs by allowing them to buy group liability insurance. At the end of year 2001, there were 49 foreign registered risk retention companies, only 3 Illinois domiciled risk retention companies, and 422 risk purchasing groups.

Captive Insurance Companies may be formed by a company to insure its own risks and exposures, by an association to insure its member organizations, or by industrial insured groups. Illinois captives are regulated by the Department, are required to file certain financial information with the Department, and are subject to examination by the Director.

Self-insurance occurs when individuals or businesses retain their own risks. Entities that self-insure are under no obligation to report premiums, losses, or expenses to any statistical or regulatory body.

PROFITABILITY

In monitoring competition in general, and price performance in particular, the Department does not examine individual insurer prices for appropriateness. To do so is virtually impossible. Instead, it monitors the effectiveness of competition, examining the pattern of profits throughout the market.

In examining profitability, the Director must balance the seemingly divergent concerns of consumers and insurers. To protect consumers, rates must not be excessive. There is a fine line between rates that are excessive and rates that are inadequate, especially since insurance policies must be priced long before the results of the pricing decisions are known.

The Department must also be concerned about the long-term viability of the insurance marketplace, including the financial viability of the companies that insure consumers.

Illinois-Specific Underwriting Results Compared to Countrywide Results

For each of the coverages listed below, this section contains:

- ♦ Combined underwriting results for business written in Illinois and business written countrywide and
- ♦ A five-year trend for Illinois losses as a percent of premiums earned, compared to the five-year trend for countrywide losses.

Homeowners

Figure 14 shows a comparison of the underwriting results of homeowners insurance written in Illinois with that written nationwide during 2001. As figure 14 shows, incurred losses in Illinois for the year were quite a bit higher than the nationwide loss ratio, however, loss expenses and taxes were similar to nationwide results.

Figure 14
Homeowners' Underwriting Results
(2001)

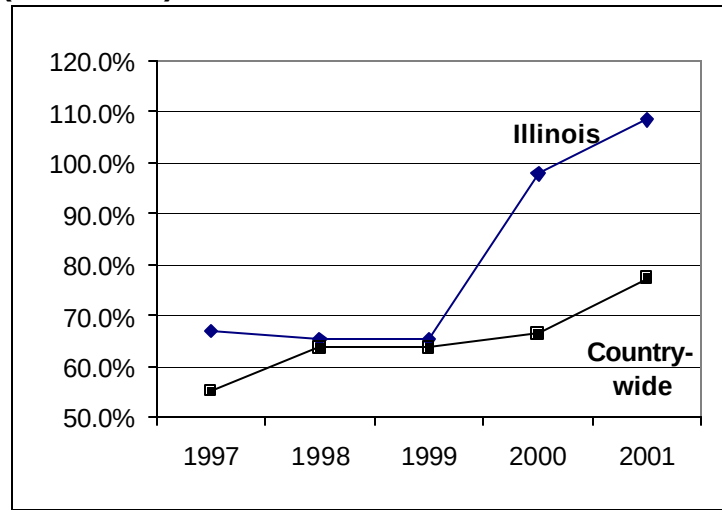
Homeowners (\$000 omitted)	Illinois*	Countrywide**
Direct written premiums	\$1,426,818	\$37,518,685
Direct earned premiums	\$1,368,839	\$36,136,343
Expenses (% earned premium)		
Incurred loss	108.4%	77.2%
Def. & cost cont. exp. Incurred	2.6%	2.9%
Comm./brokerage	15.0%	14.1%
Taxes, licenses & fees	1.7%	2.5%

*Source: NAIC State Data Network, 2001 Illinois State Page Exhibit, Aggregate Totals of 237 Property/Casualty Companies.

**Source: Best's Aggregates & Averages 2002, Insurance Expense Exhibit Part III, Aggregate Totals of 2393 Property/Casualty Companies.

Figure 15 compares the five-year trend for loss percentages in Illinois and countrywide in the homeowners line of business. As the chart shows, homeowners losses in Illinois as a percent of earned premium were significantly higher than nationwide losses during past two years.

Figure 15
Homeowners Losses as a % of Premiums Earned
(1997-2001)



Private Passenger Automobile

Figure 16, below, compares the underwriting results of private passenger automobile insurance written in Illinois with that written countrywide during 2001. The aggregate underwriting results in Illinois in the private passenger auto line of business were comparable with the results nationwide.

Figure 16
Private Passenger Auto Underwriting Results (2001)

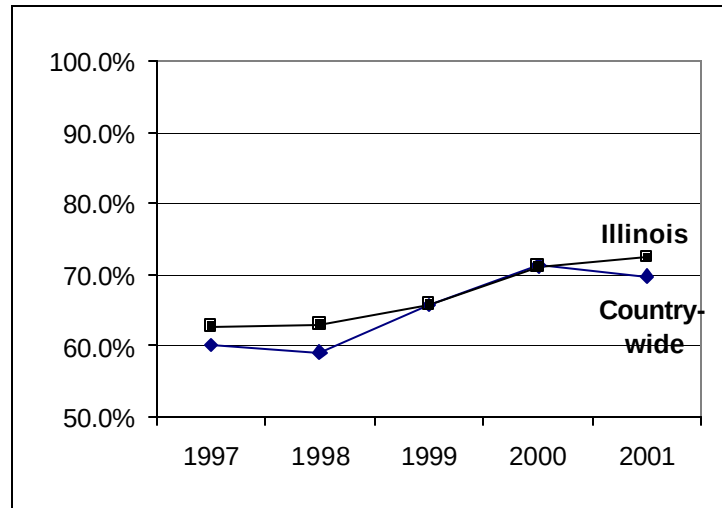
Private Passenger Auto (\$000 omitted)	Illinois*	Countrywide**
Direct written premiums	\$4,862,894	\$131,935,298
Direct earned premiums	\$4,760,904	\$129,624,876
Expenses (% earned premium)		
Incurred loss	69.7%	72.5%
Def. & cost cont. exp. Incurred	3.0%	2.9%
Comm./brokerage	10.5%	9.2%
Taxes, licenses & fees	1.1%	2.3%

* Source: NAIC State Data Network, 2001 Illinois State Page Exhibit, Aggregate Totals of 324 Property/Casualty Companies.

**Source: Best's Aggregates & Averages 2002, Insurance Expense Exhibit Part III, Aggregate Totals of 2393 Property/Casualty Companies.

Figure 17 shows the five-year trend for loss percentages in the private passenger automobile line for Illinois and countrywide. As the chart shows, the Illinois private passenger automobile loss percentages have been comparable to the countrywide loss percentages during the past five years.

Figure 17
Private Passenger Auto Losses as a % of Premiums Earned
(1997-2001)



Commercial Automobile Liability

Figure 18 shows that the loss and loss expense percentages in Illinois in the commercial automobile liability line during 2001 were similar to those countrywide.

Figure 18
Commercial Automobile Liability Underwriting Results (2001)

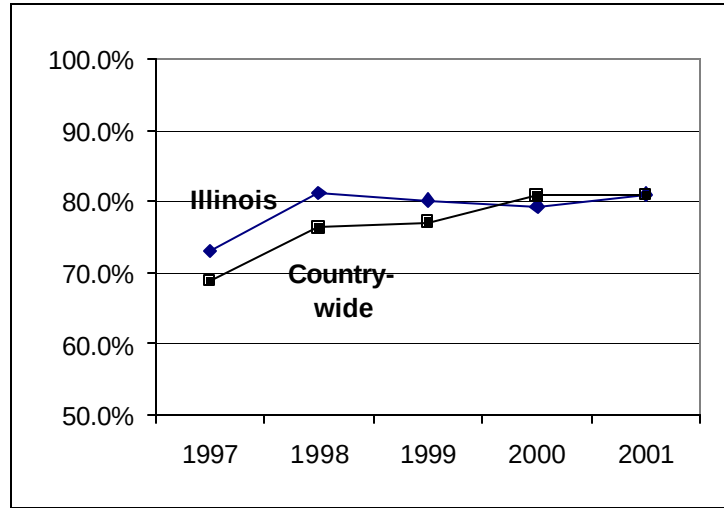
Commercial Auto Liability (\$000 omitted)	Illinois*	Countrywide**
Direct written premiums	\$700,682	\$17,326,516
Direct earned premiums	\$656,489	\$16,144,941
Expenses (% earned premium)		
Incurred loss	81.0%	80.9%
Def. & cost cont. exp. Incurred	7.2%	7.3%
Comm./brokerage	14.4%	13.8%
Taxes, licenses & fees	1.9%	2.7%

*Source: NAIC State Data Network, 2001 Illinois State Page Exhibit, Aggregate Totals of 343 Property/Casualty Companies.

**Source: Best's Aggregates & Averages 2002, Insurance Expense Exhibit Part III, Aggregate Totals of 2393 Property/Casualty Companies.

Figure 19 compares the five-year trend for loss percentage for Illinois and countrywide commercial automobile liability. The trend over the past five years in loss percentages in Illinois has been similar to those countrywide.

Figure 19
Commercial Auto Liability Losses as a % of Premiums Earned
(1997-2001)



Medical Malpractice

Figure 20 shows the loss percentages and expenses percentages for the medical malpractice market for Illinois and countrywide for 2001. The loss percentage in Illinois for this line was significantly higher than the aggregate countrywide figures.

Figure 20
Medical Malpractice Underwriting Results (2001)

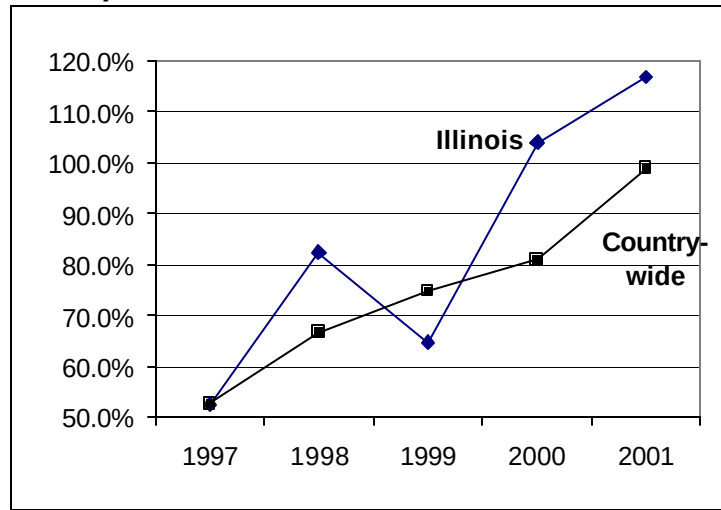
Medical Malpractice (\$000 omitted)	Illinois*	Countrywide**
Direct written premiums	\$388,120	\$7,327,811
Direct earned premiums	\$361,898	\$6,796,573
Expenses (% earned premium)		
Incurred loss	116.8%	98.8%
Def. & cost cont. exp. Incurred	33.0%	28.6%
Comm./brokerage	7.4%	6.7%
Taxes, licenses & fees	0.8%	2.4%

* Source: NAIC State Data Network, 2001 Illinois State Page Exhibit, Aggregate Totals of 76 Property/Casualty Companies.

**Source: Best's Aggregates & Averages 2002, Insurance Expense Exhibit Part III, Aggregate Totals of 2383 Property/Casualty Companies.

Figure 21 compares the five-year loss percentages trend for Illinois and countrywide medical malpractice insurance. Underwriting losses have been significantly more volatile from year to year in Illinois than nationwide aggregate loss percentages over the past five years.

Figure 21
Medical Malpractice Losses as a % of Premiums Earned
(1997-2001)



Other Liability

Figure 22 compares the underwriting results between Illinois and countrywide for the other liability line of business. The Illinois loss percentage was higher to the countrywide percentage in 2001, however, defense & cost containment and commission/brokerage expense, were significantly lower.

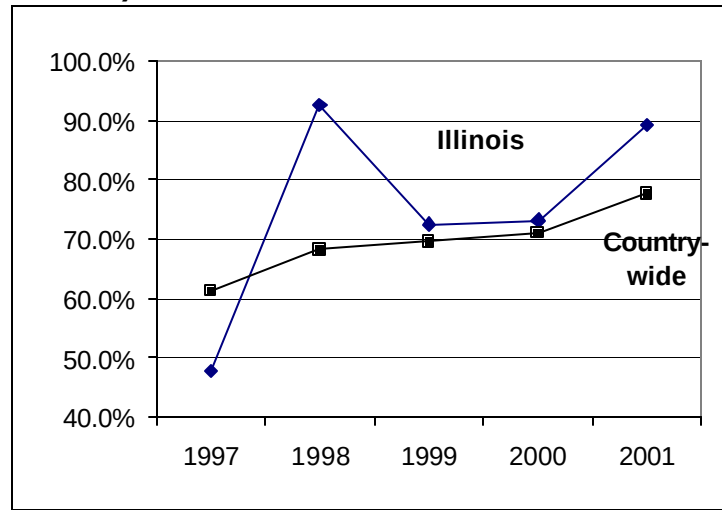
Other Liability (\$000 omitted)	Illinois*	Countrywide**
Direct written premiums	\$2,141,152	\$31,254,890
Direct earned premiums	\$2,146,018	\$29,543,915
Expenses (% earned premium)		
Incurred loss	89.2%	77.6%
Def. & cost cont. exp. Incurred	7.0%	12.5%
Comm./brokerage	8.1%	13.3%
Taxes, licenses & fees	2.2%	2.1%

* Source: NAIC State Data Network, 2001 Illinois State Page Exhibit, Aggregate Totals of 446 Property/Casualty Companies.

**Source: Best's Aggregates & Averages 2002, Insurance Expense Exhibit Part III, Aggregate Totals of 2393 Property/Casualty Companies.

Figure 23 compares the five-year trend for loss percentages for Illinois and countrywide for other liability insurance. Compared to nationwide losses, Illinois losses, as a percent of earned premium, have been more volatile over the past five years. It is notable, however, that the 1999 and 2000 loss percentages for the Illinois other liability line mirror the countrywide loss percentages.

Figure 23
Other Liability Losses as a % of Premiums Earned
(1997-2001)



RELIABILITY

In determining whether the overall marketplace is viable, the Department must consider:

1. Profitability and
2. Financial Solvency Regulation

Businesses that provide a financial service must be financially sound. An insurance contract has little value to the insured if there is no guarantee that the insurance company will have the money to pay claims when needed.

As discussed earlier, the Department must balance the seemingly divergent concerns of consumers and insurers. While we must ensure that consumers are able to buy insurance at a reasonable price, we must also ensure the overall viability of the marketplace.

One measure of a company's financial performance is its profitability. It must generate enough profit to survive and succeed. In a given month, if expenses exceed income, they must be paid from the reserve fund. If the trend continues, reserve funds run out causing the business to collapse. Therefore, it is imperative that insurance companies manage income and expenses to assure profitability and survival.

A company that can offer insurance coverage at competitive prices and reap adequate profits as an ongoing concern is considered to be financially viable. When the majority of insurers in the market are competitive and profitable, the market is considered to be financially strong.

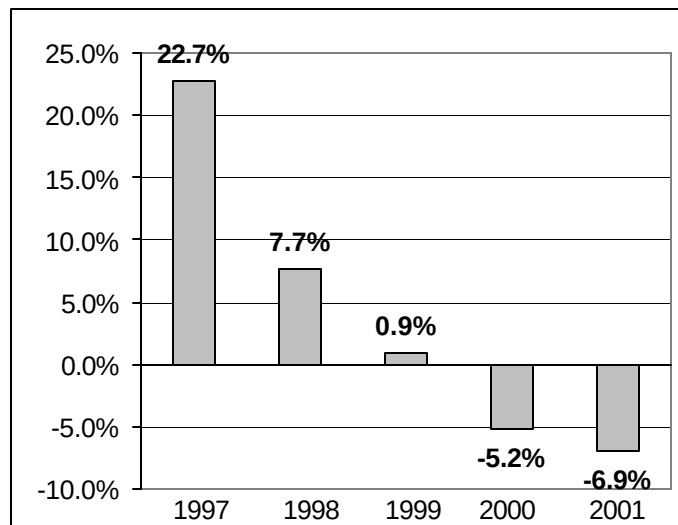
Profitability

Change in Policyholders' Surplus

One measure of overall profitability is the *Change in Policyholders' Surplus* from one year to the next. Policyholders' Surplus is made up of: 1) underwriting gains or losses; 2) investment gains or losses; and 3) net contributed capital and other surplus changes.

Figure 24 shows the percent change in policyholders' surplus for the Illinois-licensed property/casualty industry over the past five years. As the chart shows, the industry has shown losses in surplus for the past two consecutive years, following recent years of strong surplus growth. Not since 1984, when surplus declined by 2.7 percent, has there been negative surplus growth.

Figure 24
Percent Change in Policyholders' Surplus
(1997-2001)



Source: NAIC State Data Network

Illinois-licensed insurers experienced a loss in net income in 2001. As **Figure 25** shows, net income has been decreasing every year since 1997. The industry also experienced unrealized capital losses for the second year in a row.

Figure 25

Net Investment Income Earned, Net Income, Unrealized Capital Gains/Losses and Policyholders' Surplus 1997-2001 (in millions)

	1997	1998	1999	2000	2001
Net Investment gain	\$47,848	\$52,339	\$48,420	\$51,060	\$51,573
Net Income	34,531	28,652	22,797	21,231	(3,971)
Unrealized Capital Gains/Losses	33,174	12,483	789	(20,077)	(19,755)
Policyholders' Surplus	304,706	328,714	331,304	312,966	299,868

Underwriting Gains/Losses

Figure 26 shows the aggregate *Underwriting Gain/Loss* for Illinois-licensed insurers from 1997 to 2001. As the table shows, underwriting losses have increased every year since 1997 for the property/casualty industry. While earned premium grew 14 percent from 1997 to 2001, losses, loss expenses and other underwriting expenses increased 32.2 percent over the last five years.

Figure 26

Aggregate Net Underwriting Gain/(Loss) (in millions)
(1997 - 2001)

	1997	1998	1999	2000	2001
Premiums earned	\$228,209	\$231,208	\$234,928	\$243,787	\$260,142
Losses incurred	137,686	146,238	153,860	166,963	197,360
Loss expenses incurred	28,492	30,485	31,454	30,939	33,844
Other underwriting expenses incurred	63,676	65,678	67,654	69,109	72,730
Dividends to policyholders	<u>3,443</u>	<u>3,412</u>	<u>1,835</u>	<u>2,371</u>	<u>1,203</u>
Net underwriting gain/(loss)	<u>(\$5,088)</u>	<u>(\$14,605)</u>	<u>(\$19,875)</u>	<u>(\$25,595)</u>	<u>(\$44,995)</u>

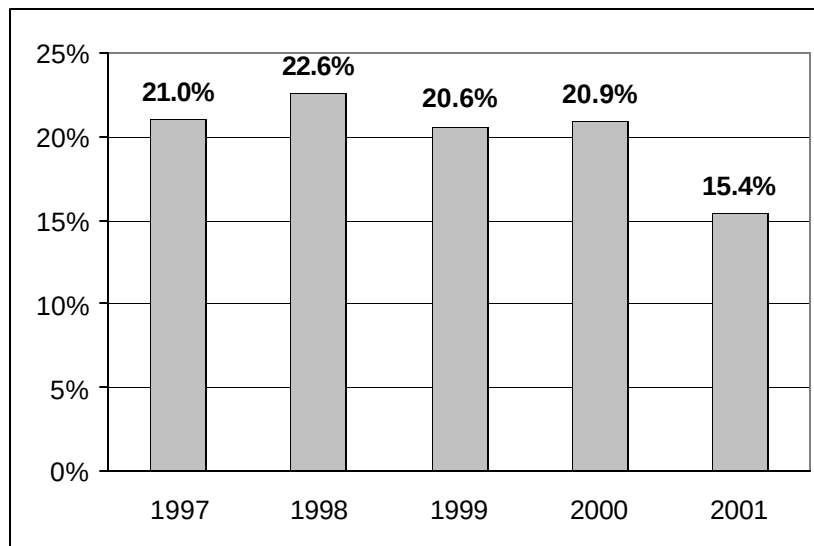
Source: NAIC State Data Network

Net Investment Income Ratio

One component of surplus is income derived from investments. The *Net Investment Income Ratio* measures income from invested assets relative to earned premiums. It is calculated by dividing net investment income (income from invested assets less investment expenses and depreciation on real estate) by earned premium.

Figure 27 shows the *Net Investment Income Ratio* for Illinois-licensed property/casualty insurers during the most recent five-year period. This ratio hit a five-year high of 22.6 percent in 1998. The 2001 Net Investment Income Ratio for the industry of 15.4 percent is the lowest in the last five years

Figure 27
Net Investment Income Ratio
(1997-2001)



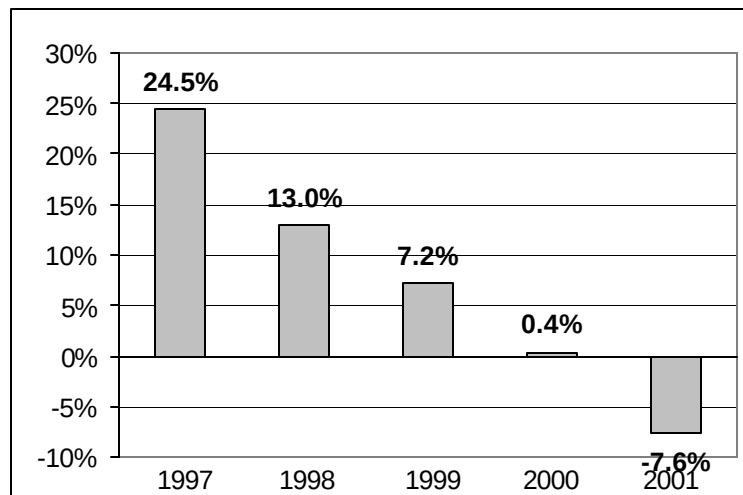
Source: NAIC State Data Network

Return on Policyholders' Surplus

Another measure of overall profitability is the *Return on Policyholders' Surplus*. It is the sum of net income after dividends and taxes and unrealized capital gains divided by the average of the current year and prior year's policyholders' surplus.

Figure 28, on the following page, shows the aggregate *Return on Policyholders' Surplus* from 1997 through 2001 for the Illinois-licensed property/casualty industry combined. As Figure 28 shows, Return on Policyholders' Surplus has declined sharply since 1997, reaching a negative level in 2001.

Figure 28
Return on Policyholders' Surplus
(1997 - 2001)



Source: NAIC State Data Network

Financial Solvency Regulation

Although the Department cannot guarantee that Illinois-licensed insurers are profitable, we do continually monitor the financial solvency and strength of Illinois-licensed insurers in several ways including:

- ♦ maintaining a staff of trained accountants and specialists who identify companies developing financial difficulties so that the Department can step in to minimize potential losses to Illinois policyholders.
- ♦ working closely with insurance companies with identified financial difficulties to minimize potential risk to policyholders while attempting to resolve manageable problems or determine the need for rehabilitation or liquidation.
- ♦ employing field examiners for on-site evaluation of insurance company financial records.
- ♦ reviewing operations and compliance issues through scheduled, targeted, and special exams of known or suspected problems.
- ♦ maintaining a staff of actuaries who monitor the adequacy of loss reserves, cash flow testing, and proper valuation of assets.
- ♦ licensing and registering the many types of insurers, surplus lines producers, and risk sharing pools authorized by the Illinois Insurance Code and related Acts.
- ♦ investigating unauthorized organizations or individuals thought to be conducting illegal insurance operations and taking regulatory action to remove them from the market to protect consumers from fraudulent activities.

IV. COST CONTAINMENT ISSUES

The Illinois marketplace has caused great concern. The medical malpractice insurance market in Illinois is becoming more concentrated. In 1999, the loss ratio in this line in Illinois trailed the nationwide loss ratio by 10 points. In 2000 and 2001, however, the Illinois loss ratios exceeded the nationwide ratios by 23 and 18 points, respectively. The tort issue is having a severe impact in many states as the struggle between doctors and lawyers continues. Jury Verdict Research, Inc., an organization that tracks awards given to plaintiffs in the United States, reports that average jury awards continue to increase. And the average medical malpractice award is now \$1,000,000. The fallout from these escalating awards, as well as from increased defense costs, has led many insurers and medical providers to leave the market.

In Illinois, the personal insurance lines, homeowners and automobile, are also experiencing difficulty. Prices in the homeowner line are on an upward trend, but remain competitive. The Department believes the price increases in 2001 can be directly related to three factors: deteriorating underwriting results - an increase in the frequency and severity of claims costs; the slumping economy; and to a lesser degree, an increase in reinsurance premiums. Losses have been on an upward trend while insurer investment income has declined. Like other Midwestern states, Illinois was hit hard by weather related events in 2000. However, some of the states in this area of the country experienced even worse results than Illinois. Minnesota is one of those states. For perspective, reporter, Donna Halvorsen, in her *Minneapolis Star Tribune* March 21, 2002 article, "Minnesota home insurance rising by storm", wrote that one of their top four homeowners insurers paid out \$1.70 for every Minnesota premium dollar received during the past three years and \$2.07 during the past five years. In this article Mark Kulda, spokesperson for the Insurance Federation of Minnesota, suggests that reinsurers have contributed to the prices that policyholders pay for insurance.

The Illinois record is similar to Minnesota and other north central states. In Illinois, the homeowners loss ratios for 2001 were significantly affected by bad weather during the year. In fact, the loss ratio for 2001 in Illinois in the homeowners line is projected to be increasing to 109. Individual companies are raising their rates by as much as 20% in a single jump, not uncommon in the mid-western states. These dramatic increases are an area of concern.

To a lesser extent, the automobile line is also experiencing price increases. The *Illinois Personal Lines Premium Report for Year 2000 (Personal Lines Report)* compares premiums for two driver types (driver 1 is a 16 year old single male occasional operator and driver 2 is a 36 year old married principal driver) for 21 Illinois and 41 non-Illinois locations. Prices were provided for automobile insurance in each location for a Ford Taurus LX 4-Door with specified insurance criteria by 29 insurance providers. While no data are readily available for 2001, the *Personal Lines Report* indicated that from 1998 to 2000, most of the surveyed cities in Illinois experienced premium increases. Nevertheless, these Illinois cities continued to rank in the lower two quartiles (lower premiums) in the locations surveyed. It is noteworthy that the three locations in Chicago exhibited little increase (.5% for driver 1 and driver 2 for Chicago 1- zip code 60608), mixed results (-2.0% for driver 1 and .1% for driver 2 for Chicago 2 - zip code

60620) and a significant decline (-10.7% for driver 1 and -8.9% for driver 2 for Chicago 3 - zip code 60625).

Analysis of Specific Lines

Workers' Compensation

The terrorist issue has had a devastating impact on the workers' compensation insurance market, as nationwide claims were estimated to be \$3.5 billion. Insurers cannot exclude or limit terrorist coverage in these policies; therefore, many of the insurers are simply not offering to renew some accounts. There have been large increases in both the number of submissions and the amount of premiums written in the assigned risk market for workers' compensation. In 2000, direct written premium for workers' compensation insurance in Illinois was \$1.566 billion. Of this amount, 3.2% was placed in the residual market.

Figures 2 and 3, provide market share information for the top ten writers of workers' compensation in Illinois for 2001 and 2000, respectively.

Figure 2
Top 10 Workers Compensation Insurers in Illinois - 2001

Company	Illinois Market Share	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Losses Incurred	Direct Defense & Cost Cont. Expenses Incurred	Comm & Brokerage Expenses	Taxes, Licenses & Fees
Combined Specialty Ins Co	6.3%	\$117,053	\$100,186	100.1%	8.4%	26.2%	1.0%
Zurich American Ins Co	3.5%	\$66,248	\$55,645	92.8%	-0.1%	9.5%	2.1%
Liberty Mut Ins Co	3.0%	\$56,907	\$57,890	84.5%	7.2%	2.5%	5.4%
Commerce & Industry Ins	3.0%	\$56,628	\$29,754	60.1%	7.5%	16.1%	0.6%
Travelers Ind Co of IL	2.8%	\$52,300	\$54,398	54.6%	8.1%	6.2%	3.4%
Liberty Mut Fire Ins Co	2.8%	\$52,067	\$45,342	115.1%	6.2%	0.4%	5.2%
Cincinnati Cas Co	2.5%	\$47,586	\$36,004	78.5%	5.6%	6.5%	1.7%
St Paul Fire & Marine Ins	2.4%	\$44,222	\$32,366	79.4%	5.6%	10.0%	2.3%
West Bend Mut Ins Co	1.7%	\$31,443	\$27,569	78.5%	4.0%	8.7%	1.3%
General Cas Co of IL	1.5%	\$28,105	\$26,484	89.1%	3.9%	11.4%	1.5%

Figure 3
Top 10 Workers Compensation Insurers in Illinois - 2000

Company	Illinois Market Share	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Losses Incurred	Direct Defense & Cost Cont. Expenses Incurred	Comm & Brokerage Expenses	Taxes, Licenses & Fees
Liberty Mut Fire Ins Co	4.9%	\$76,358	\$50,466	155.7%	12.1%	0.5%	3.5%
Combined Specialty Ins Co	4.5%	\$71,032	\$60,913	177.0%	18.1%	26.4%	1.3%
Lumbermens Mut Cas Co	3.3%	\$52,396	\$74,726	21.9%	1.7%	-4.4%	1.3%
Liberty Mutual Ins Co	2.8%	\$43,267	\$38,003	59.5%	6.0%	3.0%	3.6%
Travelers Indemnity of IL	2.6%	\$40,942	\$35,473	130.5%	10.9%	11.3%	4.2%
American States Ins Co	2.0%	\$30,753	\$33,095	58.7%	2.2%	11.6%	2.0%
Cincinnati Casualty Co	1.8%	\$28,075	\$26,825	73.7%	5.4%	6.2%	2.3%
Zurich American Ins Co	1.7%	\$26,444	\$24,030	72.5%	9.7%	9.4%	1.6%
Transcontinental Ins Co	1.6%	\$25,181	\$24,717	124.3%	3.2%	9.8%	0.4%
Legion Ins Co	1.6%	\$25,025	\$21,449	108.9%	6.4%	16.8%	9.7%

On December 31, 2001, the Illinois total direct written premium for this line was \$1.870 billion with the residual market accounting for 5.7% of the total premiums. In actual dollars, the residual market grew from approximately \$55 million on December 31, 2000, to \$107.4 million on December 31, 2001, an increase of almost 100%. In comparison, new submissions during this period grew by approximately 3000, a 22% increase. The National Council on Compensation Insurance, Inc. has indicated that the new submissions were generally for larger accounts or accounts having classifications with higher rates.

Figure 4, on the following page, illustrates the premium growth in Illinois for the workers' compensation residual market in 2001. These premium amounts represent a twelve month rolling total. For example, for the twelve month period ending January 31, 2001, the total written premium was \$58.3 million.

Figure 4
Rolling Total Premiums for Workers' Compensation Residual Market for January - December 2001

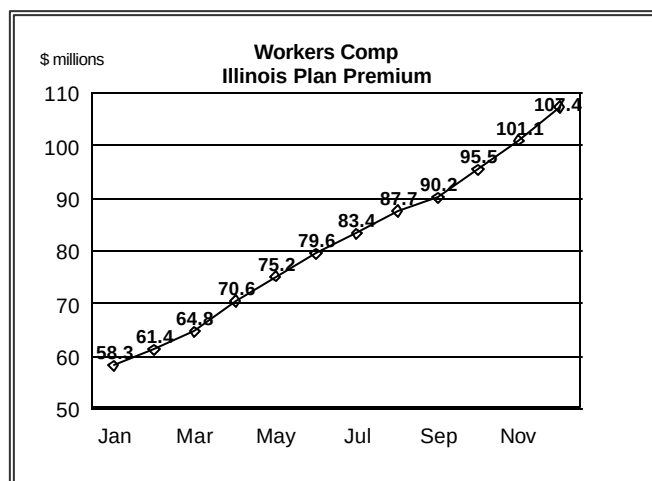
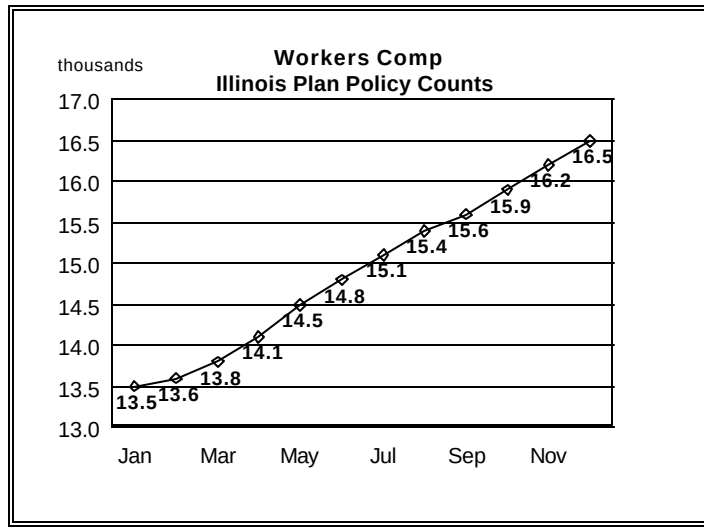


Figure 5, illustrates the increase in policy counts in Illinois for the workers' compensation residual market in 2001. These policy counts represent a twelve month rolling total. For example, for the twelve month period ending May 31, 2001, the total policy count was 14,500.

Figure 5
Rolling Total Policy Count for Workers'
Compensation Residual Market for
January - December 2001



The Insurance Services Office (ISO) has filed a terrorist endorsement for all commercial property and liability coverages other than workers' compensation which limits coverage. This endorsement has been adopted in Illinois. However, there are still insureds in Illinois that need or require higher limits than are provided by the ISO endorsement. Also, there are insurers that are unwilling or are unable, due to the lack of reinsurance, to write limits up to the \$25 million threshold set by the ISO endorsement.

Medical Malpractice

The Illinois department of Insurance is monitoring the medical malpractice insurance line very closely because of the many withdrawals and business run-offs of several insurers. Frontier Insurance Company has left the Illinois medical malpractice market. St. Paul Companies withdrew from the market on March 19, 2002 and the Chicago Insurance Company withdrew on June 6, 2002. Lawrenceville Property and Casualty Company began its business run-off in March of 2002. In addition to the withdrawals, the insolvency of Phico Insurance Company on February 1, 2002, has further affected this market.

According to *Medical Economics*, between 1995 and 2000, the nationwide average claim payment in cases involving primary care physicians jumped from \$150,011 to \$247,460, a 65% increase. From 1999 to 2000, the median jury award increased from \$700,000 to \$1 million, a 43% increase.

Nursing homes have also been hard hit by the increases in premiums demanded for medical malpractice professional liability coverage. In June of 2001, the Illinois Council on Long Term Care conducted a survey of their members and found that most were experiencing premium increases. Several members reported recent per-bed costs for insurance increasing in excess of 100%. The Department has received a small number of complaints from producers who think the increases in premiums in this market are unwarranted. Again, litigation, and the threat of it, against these providers appears to be driving these increases. Although there are still markets for this insurance, the cost to the consumer has escalated dramatically.

Figures 6 and 7 compare market shares of the top ten Illinois medical malpractice insurers for 2001 and 2000, respectively.

Figure 6
Top 10 Medical Malpractice Insurers in Illinois - 2001

Company	Illinois Market Share	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Losses Incurred	Direct Defense & Cost Cont. Expenses Incurred	Comm & Brokerage Expenses	Taxes, Licenses & Fees
Ill. State Med Interins Exch	53.5%	\$207,795	\$188,749	72.8%	27.7%	5.8%	0.0%
St Paul Fire & Marine	7.3%	\$28,312	\$27,932	240.5%	21.4%	5.1%	2.0%
Pronational Ins Co	4.6%	\$17,769	\$17,287	111.2%	44.4%	8.1%	1.5%
APSpeciality Ins Corp	4.6%	\$17,688	\$17,895	72.2%	34.3%	9.4%	0.8%
Chicago Ins Co	3.1%	\$12,106	\$10,543	33.2%	-6.3%	23.8%	2.5%
Physicians Ins Co of WI	2.4%	\$9,279	\$8,339	48.5%	24.4%	14.6%	1.8%
Doctors Co an Interins Ex	2.3%	\$9,113	\$10,080	186.3%	79.8%	9.6%	2.4%
Lawrenceville Prop & Cas	2.3%	\$8,890	\$8,413	108.3%	16.8%	5.0%	3.9%
Medical Protective Co	2.2%	\$8,648	\$8,552	20.8%	10.3%	4.2%	-0.2%
Continental Cas Co	2.0%	\$7,707	\$5,319	348.4%	61.4%	15.1%	0.0%

Figure 7

Top 10 Medical Malpractice Insurers in Illinois - 2000

Company	Illinois Market Share	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Losses Incurred	Direct Defense & Cost Cont. Expenses Incurred	Comm & Brokerage Expenses	Taxes, Licenses & Fees
Ill. State Med Interins Exch	44.6%	\$163,848	\$164,673	68.6%	19.8%	4.4%	0.1%
Illinois Natl Ins Co	6.3%	\$23,327	\$23,340	160.4%	16.5%	0.6%	2.1%
Pronational Ins Co	4.9%	\$17,923	\$17,956	108.1%	38.9%	8.3%	1.2%
Continental Ins Co	4.9%	\$17,881	\$17,881	34.8%	-2.3%	0.1%	0.2%
American Continental	4.3%	\$15,917	\$19,197	314.2%	23.2%	5.1%	0.8%
APSpecialty Ins Corp	4.3%	\$15,800	\$14,591	93.8%	26.2%	11.5%	1.4%
St Paul Fire & Marine	4.1%	\$14,956	\$16,645	336.0%	25.8%	4.7%	1.8%
Lawrenceville P&C Co	2.1%	\$7,897	\$6,715	76.4%	32.7%	5.0%	0.8%
Doctors Co an Interins Ex	1.9%	\$7,024	\$6,263	212.0%	25.8%	10.7%	3.2%
Firemans Fund Ins Co	1.8%	\$6,536	\$6,475	31.8%	35.2%	10.8%	2.1%

Personal Lines

The personal lines of insurance, homeowners and private passenger automobile, are suffering the same fate, albeit for different reasons. Homeowners' premiums have increased and continue to rise at an alarming rate. The weather and flood-related losses suffered over the last two years have been staggering. Insurance Services Office's (ISO) Property Claim Services, reported that Illinois catastrophic losses were \$143 million in 2000. That total jumped to \$260 million in 2001 and include:

- \$110 million from flooding, tornados and wind on August 1st through August 2nd.
- \$50 million from flooding on October 12th through October 16th.
- \$50 million from wind, hail, tornados, and flooding on April 6th through April 12th.
- \$45 million from flooding, hail, tornados, and wind on October 23rd through October 24th.
- \$5 million from wind, hail, tornados, and flooding from June 9th through June 12th.

In the Department's past annual reports, including the *Annual Report* released on April 15, 2002, we used data from the National Climate Data Center (NCDC) to estimate Illinois catastrophic losses. After review, we have found that the NCDC database does not include all events or accurately reflect the magnitude of many Illinois storms, resulting in a significant understatement of the associated losses. We are more comfortable with the accuracy and completeness of the Property Claims Services data. In addition, these data help explain the acceleration in the Illinois homeowners loss ratio in recent years.

The loss ratio for the homeowners line in Illinois, after increasing dramatically in 2000, is projected to be increasing another 10-11 points to 109.0 in 2001. Individual companies are raising rates by 10 to 24% in a single jump. Illinois has not experienced this magnitude of increases in many years. Many analysts have argued that Illinois insurers

have been under pricing their homeowners coverage for several years. In fact, many of the rate changes in the past have been decreases, not increases. The Department believes that the highly competitive market in Illinois has contributed to the stability of the Illinois market during the last five years. In an effort to maintain their market shares, and be competitive with the larger companies, the smaller companies, followed the lead of the larger companies and generally did not raise their premiums in Illinois. This is another example of the free market concept working well.

However, even with these increases in premiums, Illinois consumers benefit from some of the lowest premiums in the nation. The Department's *Illinois Personal Premium Report for Year 2000* compared eighteen Illinois cities and three locations in Chicago with 43 similar non-Illinois locations – matched by size and geo-economic makeup for the year 2000. The Department assigned each of the selected cities in the sample to one of four groups based on the city's population. The groups included: cities with population of 1 million or greater, cities with population of 100,000 – 250,000, cities with population of 50,000 – 99,999, and cities with population less than 50,000. The coverage criteria were homes valued at \$75,000 and \$150,000 covered by an HO-3-one family dwelling policy, \$250 deductible, 20 years old, \$300,000 personal liability, and \$5,000 medical payments. The Department requested premiums for homes of frame and masonry construction.

For cities with population over 1 million, Chicago's three locations exhibited premiums that were 9th, 19th, and 20th out of 21 locations for both \$75,000 frame homes and \$75,000 masonry homes. For the \$150,000 frame homes and masonry homes, the three Chicago locations ranked 14th, 20th, and 21st out of 21 locations. In the Chicago zip codes of 60608, 60620, and 60625, the average cost of insurance was \$380, \$603, and \$382, respectively, for \$75,000 frame homes and \$347, \$549, and \$348, respectively, for \$75,000 masonry homes. The distribution for the \$75,000 frame home ranged from a low of \$369 in a New York City location to a high of \$1,199 in a Houston, Texas location. The median was \$560. The distribution for the \$75,000 masonry home ranged from a low of \$339 in a New York City location to a high of \$960 in a Houston, Texas location. The median was \$534.

For the \$150,000 homes, the three Chicago locations exhibited premiums of \$576 (zip code 60608), \$920 (zip code 60620), and \$578 (zip code 60625), for frame homes and \$526 (zip code 60608), \$837 (zip code 60620) and \$528 (zip code 60628), respectively, for homes that were of masonry construction. The distribution for the \$150,000 frame home ranged from a low of \$576 in a Chicago location (zip code 60608) to a high of \$2,017 in a Dallas, Texas location. The median was \$1,027. The distribution for the \$75,000 masonry home ranged from a low of \$526 in a Chicago location (zip code 60608) to a high of \$1,611 in a Dallas, Texas location.

In the *cities with population of 100,000 to 250,000* group, four Illinois cities occupy four of the five lowest premiums for homes valued at \$75,000 (frame and masonry) and the four lowest premiums for homes valued at \$150,000 (frame and masonry). For a home valued at \$75,000, the lowest five premiums for frame and masonry construction

respectively were for Aurora, Illinois (\$343 and \$313), Rockford, Illinois (\$324 and \$296), Worcester, Massachusetts (\$320 and \$290), Joliet, Illinois (\$316 and \$289), and Peoria, Illinois (\$313 and \$286). The highest premiums in this group were in Amarillo, Texas (\$1,236 and \$995). For a home valued at \$150,000 for this group, the lowest four cities were Aurora, Illinois (\$520 and \$474), Rockford, Illinois (\$490 and \$447), Joliet, Illinois (\$482 and \$440), and Peoria, Illinois (\$474 and \$433).

Figures 10 and 11 compare market shares of the top ten Illinois homeowners insurers for 2001 and 2000, respectively.

Figure 10
Top 10 Homeowners Insurers in Illinois - 2001

Company	Illinois Market Share	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Losses Incurred	Direct Defense & Cost Cont. Expenses Incurred	Comm & Brokerage Expenses	Taxes, Licenses & Fees
State Farm Fire & Cas Co	31.2%	\$445,835	\$433,013	104.5%	2.1%	13.6%	2.1%
Allstate Insurance Co	11.1%	\$158,797	\$162,483	125.2%	2.5%	9.7%	1.1%
Illinois Farmers Ins Co	7.1%	\$101,830	\$94,550	124.8%	6.6%	20.6%	1.2%
Country Mutual Ins Co	6.4%	\$91,200	\$88,856	66.7%	0.8%	14.5%	2.4%
American Family Mutual	5.5%	\$78,568	\$75,836	109.8%	2.4%	16.5%	1.6%
Safeco Ins Co of Ill.	2.4%	\$34,008	\$34,691	125.4%	1.3%	16.8%	1.0%
Economy Preferred Ins Co	2.1%	\$29,520	\$40,866	86.1%	0.7%	12.4%	0.5%
Allstate Indemnity	1.8%	\$26,015	\$14,893	103.5%	1.2%	37.1%	1.1%
Travelers Prop & Cas of Ill.	1.5%	\$21,047	\$19,201	123.7%	1.9%	21.4%	3.6%
Economy Fire & Cas Co	1.3%	\$18,977	\$19,688	73.0%	0.5%	23.3%	0.7%

Figure 11
Top 10 Homeowners Insurers in Illinois - 2000

Company	Illinois Market Share	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Losses Incurred	Direct Defense & Cost Cont. Expenses Incurred	Comm & Brokerage Expenses	Taxes, License s & Fees
State Farm Fire & Cas Co	30.9%	\$407,524	\$405,158	92.4%	1.3%	13.8%	0.5%
Allstate Ins Co	12.7%	\$167,361	\$165,672	94.6%	1.8%	10.6%	1.4%
Illinois Farmers Ins Co	6.8%	\$89,597	\$84,601	101.4%	4.5%	18.3%	1.2%
Country Mutual	6.5%	\$86,086	\$83,540	74.9%	1.4%	14.4%	-0.2%
American Family Mututal	5.5%	\$72,666	\$70,152	94.9%	2.0%	17.3%	2.1%
Economy Preferred	3.2%	\$42,656	\$41,732	98.9%	2.8%	18.2%	1.0%
Safeco of Illinois	2.7%	\$35,153	\$31,278	131.0%	4.0%	19.4%	1.2%
Economy Fire & Casualty	1.5%	\$20,249	\$20,731	89.2%	2.3%	23.6%	1.9%
Travelers P&C of Ill.	1.3%	\$17,643	\$16,316	88.9%	2.6%	20.9%	2.4%
Cincinnati Ins Co	1.0%	\$12,938	\$12,802	72.5%	1.8%	21.0%	1.6%

Although not as dramatic as in the homeowners sector, prices in the private passenger automobile line have begun to increase as reflected in the *Personal Lines Report*, recently published by the Department. It is important to note that premium data are reported for a specific private passenger automobile (Ford Taurus LX 4-Door) for specific locations across the state for two driver types only: a 16 year old single male

and a 36 year old married principal driver. Based on the *Personal Lines Report*, premium increases are noted throughout downstate Illinois; however, the Chicago average combined premiums increased minimally or exhibited a decline, as did East St. Louis. Increases in downstate premiums are ranging from 3.09% (36 year-old married at Springfield, IL) to 16.01% (16 year-old single male at Decatur, IL) with an average of 10.5%. From 1999 to 2000, combined premiums increased by 6.0% on average for cities of 100,000 to 250,000 population; 7.5% on average for cities of 50,000 to 99,999 population; and 10.4% on average for cities of less than 50,000 population.

Smaller cities have seen larger premium increases. However, Illinois' largest cities exhibited average combined premiums below or slightly above the median premium for all locations tested. In all other cities except East St. Louis, the premiums for Illinois consumers generally fell within the lower three quartiles of their respective city groups. Non-standard companies, companies writing coverage on non-standard automobile policies primarily in the urban areas of Illinois, are experiencing difficulties. Some of these companies have left the scene altogether, while we have seen a consolidation on the part of others. This will certainly lead to fewer overall players in these areas, but how this will affect consumers is still unknown.

Figures 14 and 15 compare market shares of the top ten Illinois private passenger automobile insurers for 2001 and 2000, respectively.

Figure 16

Top 10 Private Passenger Auto Insurers in Illinois - 2001

Company	Illinois Market Share	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Losses Incurred	Direct Defense & Cost Cont. Expenses Incurred	Comm & Brokerage Expenses	Taxes, Licenses & Fees
State Farm Mutual Auto	30.0%	\$1,461,246	\$1,433,983	79.4%	3.2%	7.3%	0.8%
Allstate Ins Co	8.8%	\$427,439	\$432,324	53.0%	3.5%	9.9%	1.2%
Country Mutual	6.1%	\$294,488	\$293,588	61.1%	1.3%	10.0%	1.0%
Illinois Farmers Ins Co	5.3%	\$257,335	\$254,481	62.9%	1.0%	13.7%	0.7%
American Family Mutual	4.4%	\$213,897	\$211,944	67.4%	3.9%	9.1%	1.3%
State Farm Fire & Casualty	2.0%	\$97,912	\$84,822	100.8%	3.0%	11.4%	0.8%
Allstate P&C Ins Co	1.6%	\$77,135	\$63,563	70.3%	3.3%	14.2%	0.9%
Safeco Ins Co of IL	1.3%	\$63,329	\$51,538	66.1%	2.0%	13.5%	0.8%
Geico General Ins Co	1.2%	\$59,845	\$60,601	64.5%	1.7%	0.2%	0.2%
Mid-Century Ins Co	1.2%	\$56,813	\$57,034	57.9%	1.0%	9.1%	2.4%

Figure 17
Top 10 Private Passenger Auto Insurers in Illinois - 2000

Company	Illinois Market Share	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Losses Incurred	Direct Defense & Cost Cont. Expenses Incurred	Comm & Brokerage Expenses	Taxes, Licenses & Fees
State Farm Mutual Auto	28.6%	\$1,323,470	\$1,374,553	81.5%	3.9%	7.2%	-0.5%
Allstate Ins Co	9.9%	\$460,136	\$471,885	54.4%	2.5%	9.6%	1.2%
Country Mutual Ins Co	6.2%	\$288,133	\$285,956	67.2%	1.5%	10.5%	-0.5%
Illinois Farmers Ins Co	5.2%	\$240,855	\$236,633	71.2%	2.8%	12.1%	0.7%
American Family Mutual	4.4%	\$203,678	\$198,882	76.7%	4.4%	9.3%	1.5%
Economy Preferred Ins Co	1.6%	\$73,852	\$75,001	77.7%	2.6%	15.6%	0.6%
American Ambassador Cas	1.4%	\$63,597	\$65,512	50.2%	3.6%	23.7%	-0.1%
Allstate Indemnity Co	1.3%	\$61,090	\$64,323	66.3%	4.1%	8.3%	1.1%
Geico General Ins Co	1.3%	\$60,712	\$58,401	71.8%	1.5%	0.1%	0.0%
Valor Ins Co	1.3%	\$59,151	\$57,989	49.2%	1.8%	24.0%	0.8%

Beyond 2001

Where will these changes take the market in Illinois? The hardening commercial markets experienced in 2001 are expected to continue through 2002. Both availability and affordability in certain lines of insurance are going to be affected. We are already seeing a premium increase in the Surplus Lines Association. During the first three months of 2002, total written premiums have reached \$111.0 million. In the same period of 2001, total written premiums were \$75.9 million. The \$35.1 million increase in premiums is almost entirely in the liability lines. These premiums have been relatively flat for a number of years. Where coverage is available in the standard market, prices are more than likely going to increase. Availability will most likely affect the very large consumer account more than the smaller, *main street* type accounts. Deductibles and self insured retention amounts are going to increase and many consumers will be looking into the non traditional markets for coverage - risk retention groups, off shore captive self insurers and others. In a sentence, difficult times lie ahead.

We expect premium increases in both the homeowners and automobile lines. The frequency and severity of claims have increased, particularly in the homeowners line, while investment income has declined. Insureds in Illinois continue to pay competitive prices for automobile and homeowners insurance.

The Department will continue to strive for the optimal environment where insurance is accessible, affordable, and readily available and where insurers can generate reasonable profits. The Illinois property and casualty industry has proven that it can adjust to market changes. External factors such as terrorism, a significant increase in the cost of goods and services, the slumping economy, increased reinsurance premiums, and an increased litigiousness all contributed to the bad insurance results of 2001.

We believe that the open competition system allows insurers to succeed and allows consumers to purchase insurance at a reasonable price. Many Illinois insurers have ridden up and down the volatile insurance cycles in the past; thus, they should be prepared for the potential that a particular market may suddenly turn. Insurers should have a contingency plan that they can follow when bottom line results are less than favorable. Insurers that are customer oriented, pay attention to the demands of the technological age, have a contingency plan, and use common sense in their underwriting, expansion, and management policies will succeed, to the benefit of consumers, under any market conditions.

The Department continues to believe that a market that is governed by open competition will result in the most efficient system of insurance cost containment. Under this system, in the past, the industry has adjusted to changes in market conditions and remained efficient, supplying adequate coverage at fair prices. Under open competition insurers can react to marketplace changes more rapidly than insurers in rate approval environments where there are inherent lag times in attempting to maintain rate adequacies. Thus, the Department recommends no changes to the current regulatory environment. Through vigilant monitoring of the marketplace, particularly, in the personal insurance, workers' compensation, and medical malpractice lines, the Department will continue to identify problems and, when needed, formulate regulatory solutions.

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APPENDIX A – Consolidated Assets of Illinois-licensed Property/Casualty Insurers for the year ending December 31, 2001

ASSETS	Assets Current Year	Non-admitted Assets Current Year	Net Admitted Assets Current Year	Net Admitted Assets Prior Year
1. Bonds	431,712,528,538	47,816,493	431,664,712,045	421,044,095,700
2. Stocks				
2.1 Preferred stocks	9,377,084,882	68,794,026	9,308,290,857	9,120,162,157
2.2 Common stocks	215,437,790,156	258,419,318	215,179,370,837	230,144,731,884
3. Mortgage loans on real estate				
3.1 First liens	1,446,706,715	1,685,882	1,445,020,833	1,279,559,035
3.2 Other than first liens	70,461,413	2,276,080	68,185,333	66,347,289
4. Real estate				
4.1 Properties occupied by the company	6,754,000,457	2,609,116	6,751,391,340	7,390,514,628
4.2 Properties held for the production of income	906,129,088	2,980,487	903,148,601	780,421,498
4.3 Properties held for sale	316,800,833	-	316,800,833	117,193,971
5. Cash	33,664,076,003	119,327	33,663,956,676	32,531,030,347
6. Other invested assets	31,507,670,342	554,939,469	30,952,730,873	30,080,139,471
7. Receivable for securities	1,649,162,227	11,402,493	1,637,759,734	2,794,743,895
8. Aggregate write-ins for invested assets	3,302,854,516	1,502,728,939	1,800,125,577	2,374,182,876
9. Subtotals, cash and invested assets	736,145,265,164	2,453,771,627	733,691,493,537	737,723,122,753
10. Agents' balances or uncollected premiums:				
10.1 Premiums and agents' balances in course of collection	31,742,654,834	2,492,651,226	29,250,003,612	17,675,442,929
10.2 Premiums, agents' balances and installments booked but deferred and not yet due	42,460,826,805	938,414,664	41,522,412,138	36,225,110,127
10.3 Accrued retrospective premiums	3,826,608,463	238,235,216	3,588,373,248	3,861,301,799
11. Funds held by or deposited with reinsured companies	6,776,912,615	16,236,578	6,760,676,037	6,156,148,329
12. Bills receivable, taken for premiums	596,062,293	46,593,616	549,468,677	423,850,046
13. Amounts billed and receivable under deductible and service-only plans	1,631,644,037	112,235,434	1,519,408,605	141,538,755
14. Reinsurance recoverables on loss and loss adjustment expense payments	16,326,865,470	26,254,530	16,300,610,940	13,906,925,962
15. Federal and foreign income tax recoverable and interest thereon	24,858,124,992	11,622,012,256	13,236,112,737	1,926,917,490
16. Guaranty funds receivable or on deposit	362,661,832	13,560,479	349,101,353	138,780,159
17. Electronic data processing equipment and software	3,008,382,029	1,240,068,768	1,768,313,261	1,972,847,324
18. Interest, dividends and real estate income due and accrued	6,744,771,189	4,196,671	6,740,574,519	6,976,293,012
19. Net adjustments in assets and liabilities due to foreign exchange rates	34,481,809	-	34,481,809	10,595,747
20. Receivable from parent, subsidiaries and affiliates	10,710,339,475	317,299,569	10,393,039,909	6,393,368,552
21. Equities and deposits in pools and associations	1,582,615,839	72,400,289	1,510,215,551	1,634,296,453
22. Amounts receivable relating to uninsured accident and health plans	41,929,017	2,061,898	39,867,119	41,306,870
23. Other assets non-admitted	3,058,814,158	3,059,164,012	(349,854)	11,781,352
24. Aggregate write-ins for other than invested assets	16,379,835,104	3,962,428,986	12,417,406,113	10,674,961,725
25. TOTALS (lines 9 through 24)	906,288,795,098	26,617,585,816	879,671,209,274	845,894,589,361

APPENDIX B – Consolidated Liabilities, Surplus and Other Funds of Illinois-licensed Property/Casualty Insurers for the year ending December 31, 2001

LIABILITIES, SURPLUS AND OTHER FUNDS	Current Year	Previous Year
1 Losses	268,056,869,357	253,593,707,349
2 Reinsurance payable on paid losses and loss adjustment expenses	6,300,462,539	4,409,285,580
3 Loss adjustment expenses	53,482,600,070	53,469,852,575
4 Commissions payable, contingent commissions and other similar charges	2,614,217,084	1,840,321,513
5 Other expenses (excluding taxes, licenses and fees)	12,593,622,641	9,374,340,643
6 Taxes, licenses and fees (excluding federal and foreign income taxes)	4,025,545,947	2,496,948,167
7 Federal and foreign income taxes (including \$(1) on realized capital gains (losses)) (including \$(2) net deferred tax liability)	11,914,121,467	3,218,397,911
8 Borrowed money \$(1) and interest thereon \$(2)	2,899,022,902	2,978,580,197
9 Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$(1) and including warranty reserves of \$(2))	114,467,210,713	104,974,933,389
10 Dividends declared and unpaid:		
10.1 Stockholders	280,199,987	2,609,916,295
10.2 Policyholders	642,785,590	909,639,737
11 Ceded reinsurance premiums payable (net of ceding commissions)	14,935,163,907	1,701,279,775
12 Funds held by company under reinsurance treaties	20,847,455,498	13,100,611,014
13 Amounts withheld or retained by company for account of others	4,317,125,988	3,762,777,238
14 Remittances and items not allocated	1,506,215,283	1,323,700,076
15 Provision for reinsurance	5,171,262,086	4,882,010,077
16 Net adjustments in assets and liabilities due to foreign exchange rates	668,292,817	663,595,008
17 Drafts outstanding	3,625,620,384	4,465,447,505
18 Payable to parent, subsidiaries and affiliates	6,929,005,568	4,427,133,866
19 Payable for securities	4,109,686,903	2,861,587,288
20 Liability for amounts held under uninsured accident and health plans	14,790	56,993
21 Capital notes \$(1) and interest thereon \$(2)	48,500,000	48,500,000
22 Aggregate write-ins for liabilities	34,019,677,445	40,612,013,737
23 Total liabilities	573,454,678,939	517,724,635,888
24 Aggregate write-ins for special surplus funds	29,690,797,551	33,127,636,607
25 Common capital stock	4,713,527,814	4,574,396,483
26 Preferred capital stock	1,689,259,577	1,682,115,222
27 Aggregate write-ins for other than special surplus funds	105,782,251	110,157,007
28 Surplus notes	6,574,743,841	5,312,204,852
29 Gross paid in and contributed surplus	110,574,087,314	93,778,904,793
30 Unassigned funds (surplus)	147,493,849,592	184,372,463,802
Loss treasury stock, at cost:		
31.1 . . .Shares common (value included in common Line 25 \$. . .)	965,547,558	947,443,146
31.2 . . .Shares preferred (value included in Line 26 \$. . .)	8,566,335	7,146,867
32 Surplus as regards policyholders	299,867,934,052	322,003,288,762
33 TOTALS	873,322,612,991	839,727,924,649

APPENDIX C – Consolidated Underwriting & Investment Exhibit of Illinois-licensed Property/Casualty Insurers for the year ending December 31, 2001

UNDERWRITING & INVESTMENT EXHIBIT STATEMENT OF INCOME		Current Year	Prior Year
UNDERWRITING INCOME			
1 Premiums earned		260,142,487,214	245,934,214,239
DEDUCTIONS			
2 Losses incurred		197,360,236,854	168,123,884,384
3 Loss expenses incurred		33,843,653,271	31,254,007,149
4 Other underwriting expenses incurred		72,729,530,968	69,787,500,086
5 Aggregate write-ins for underwriting deductions		343,034,022	335,774,189
6 Total underwriting deductions		304,276,455,118	269,501,165,802
7 Net underwriting gain (loss)		(44,133,967,917)	(23,566,951,568)
INVESTMENT INCOME			
8 Net investment income earned		33,985,180,019	38,012,441,369
9 Net realized capital gains (losses)		6,084,489,975	13,560,540,837
10 Net investment gain (loss)		40,069,669,992	51,572,982,195
11 Net gain (loss) from agents' or premium balances charged off (amount recovered \$(1) amount charged off \$(2))		(688,913,814)	(510,752,532)
12 Finance and service charges not included in premiums		1,367,652,332	1,296,581,852
13 Aggregate write-ins for miscellaneous income		(287,772,544)	(832,975,551)
14 Total other income		390,965,975	(47,146,229)
15 Net income before dividends to policyholders and before federal and foreign income taxes		(3,673,331,955)	27,958,884,394
16 Dividends to policyholders		1,202,947,419	2,406,500,474
17 Net income, after dividends to policyholders but before federal and foreign income taxes		(4,876,279,379)	25,552,383,924
18 Federal and foreign income taxes incurred		(904,757,620)	4,038,117,999
19 Net income		(3,971,521,759)	21,514,265,918
CAPITAL AND SURPLUS ACCOUNT			
20 Surplus as regards policyholders, December 31 prior year		322,003,283,583	338,571,634,205
GAINS AND (LOSSES) IN SURPLUS			
21 Net income		(3,971,521,759)	21,514,265,918
22 Net unrealized capital gains or (losses)		(19,755,633,412)	(19,253,655,167)
23 Change in net unrealized foreign exchange capital gain (loss)		(58,849,503)	(35,391,431)
24 Change in net deferred income tax		7,361,032,018	1,720,549
25 Change in non-admitted assets		(5,176,079,723)	(1,524,659,021)
26 Change in provision for reinsurance		(284,209,062)	(524,759,229)
27 Change in surplus notes		1,262,013,330	826,173,226
28 Cumulative effect of changes in accounting principles		(1,928,084,921)	46,817,295
29 Capital changes:			
29.1 Paid in		126,286,384	827,243,831
29.2 Transferred from surplus (stock dividend)		125,718,900	14,298,580
29.3 Transferred to surplus		(3,851,100)	5,048,892
30 Surplus adjustments:			
30.1 Paid in		14,630,059,401	3,327,131,916
30.2 Transferred to capital (stock dividend)		(125,718,900)	(414,555,496)
30.3 Transferred from capital		(4,755,682)	(80,981,334)
31 Net remittances from or (to) home office		(476,389)	(44,130,325)
32 Dividends to stockholders		(12,968,830,169)	(18,829,994,364)
33 Change in treasury stock		(19,523,880)	59,991,222
34 Aggregate write-ins for gains and losses in surplus		(1,342,925,073)	(2,482,968,657)
35 Change in surplus as regards policyholders for the year		(22,135,349,531)	(16,568,350,590)
36 Surplus as regards policyholders, December 31 current year		299,867,934,045	322,003,283,581

**APPENDIX D – Consolidated Cash Flow of Illinois-licensed Property/Casualty Insurers
for the year ending December 31, 2001**

CASH FLOW		Current Year	Prior Year
CASH FROM OPERATIONS			
1 Premiums collected net of reinsurance		265,275,445,195	247,774,329,560
2 Loss and loss adjustment expenses paid (net of salvage and subrogation)		218,650,116,121	202,654,561,731
3 Underwriting expenses paid		70,502,722,410	69,737,662,589
4 Other underwriting income (expenses)		(474,022,928)	1,597,221,468
5 Cash from underwriting		(24,351,416,250)	(23,020,673,288)
6 Net investment income		34,450,931,965	38,288,239,576
7 Other income (expenses)			
7.1 Agents' balances charged off		(699,019,100)	(510,752,629)
7.2 Net funds held under reinsurance treaties		7,092,736,343	3,170,781,411
7.3 Net amount withheld or retained for account of others		615,966,479	(310,625,186)
7.4 Aggregate write-ins for miscellaneous items		1,817,876,477	528,902,817
7.5 Total other income		8,827,560,190	2,878,306,416
8 Dividends to policyholders on direct business, less \$(...) dividends on reinsurance assumed or ceded (net)		1,428,843,171	2,579,320,922
9 Federal and foreign income taxes (paid) recovered		(1,937,734,849)	(4,411,869,489)
10 Net cash from operations		15,560,497,887	11,154,682,295
CASH FROM INVESTMENTS			
11 Proceeds from investments sold, matured or repaired			
11.1 Bonds		294,836,108,287	204,453,604,183
11.2 Stocks		56,435,916,901	77,522,181,037
11.3 Mortgage loans		370,844,427	595,047,278
11.4 Real estate		824,933,174	546,162,363
11.5 Other invested assets		16,291,978,876	22,237,136,281
11.6 Net gains or (losses) on cash and short-term investments		(81,395,320)	5,175,396
11.7 Miscellaneous proceeds		4,251,225,565	847,266,231
11.8 Total investment proceeds		372,929,611,906	306,206,572,772
12 Cost of investments acquired (long-term only)			
12.1 Bonds		302,286,208,332	199,948,162,123
12.2 Stocks		61,473,422,721	73,251,781,015
12.3 Mortgage loans		489,788,734	272,934,384
12.4 Real estate		862,115,820	1,017,045,480
12.5 Other invested assets		18,134,252,514	22,654,496,733
12.6 Miscellaneous applications		1,139,280,641	1,191,531,128
12.7 Total investments acquired		384,385,068,756	298,335,950,850
13 Net cash from investments		(11,455,456,845)	7,870,621,927
CASH FROM FINANCING AND MISCELLANEOUS SOURCES			
14 Cash provided:			
14.1 Surplus notes, capital and surplus paid in		14,604,126,681	5,759,495,021
14.2 Capital notes \$(...) less amounts repaid \$(...)		-	-
14.3 Net transfers from affiliates		5,656,268,910	5,064,075,664
14.4 Borrowed funds received		8,121,074,081	3,395,704,272
14.5 Other cash provided		9,766,925,216	10,762,553,160
14.6 Total cash provided		38,148,394,891	24,981,828,115
15 Cash applied			
15.1 Dividends to stockholders paid		14,067,151,766	17,444,060,836
15.2 Net transfers to affiliates		6,119,936,514	5,361,634,180
15.3 Borrowed funds repaid		9,072,678,412	2,896,462,568
15.4 Other applications		11,927,109,357	9,715,231,206
15.5 Total cash applied		41,186,876,052	35,417,388,788
16 Net cash from financing and miscellaneous sources		(3,038,481,172)	(10,435,560,675)
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS			
17 Net change in cash and short-term investments		1,066,559,863	8,589,743,548
18 Cash and short-term investments:			
18.1 Beginning of year		32,290,327,310	23,688,888,288
18.2 End of year		33,356,887,177	32,278,631,833

APPENDIX E – Consolidated Exhibit of Premiums and Losses in the State of Illinois for All Illinois-licensed Property/Casualty Insurers During 2001

**EXHIBIT OF PREMIUMS AND LOSSES
BUSINESS IN THE STATE OF ILLINOIS DURING THE YEAR 2001**

Line of Business	1 Direct Premiums Written	2 Direct Premiums Earned	3 Dividends Paid or Credited to Policy- Holders On Direct Business	4 Direct Unearned Premium Reserves	5 Direct Losses Paid (deducting salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Direct Defense And Cost Containment Expense Paid	9 Direct Defense And Cost Containment Expense Incurred	10 Direct Defense And Cost Containment Expense Unpaid	11 Commission & Brokerage Expenses	12 Taxes, Licenses And Fees
1 Fire	199,395,379	168,846,029	201,951	95,807,722	79,115,499	84,471,717	66,927,765	2,553,912	2,439,784	2,908,888	25,304,417	3,267,698
2.1 Allied lines	174,312,747	153,965,129	119,152	64,828,394	80,150,578	110,290,762	80,413,459	2,016,963	2,298,922	2,787,468	26,822,656	3,300,581
2.2 Multiple peril crop	148,834,696	144,034,641	-	4,984,332	48,555,221	39,903,639	26,200,831	257,394	337,372	84,155	17,203,447	129,001
2.3 Federal flood	16,186,162	15,771,943	-	8,004,227	5,267,353	5,932,249	1,244,845	219,262	245,713	29,416	2,081,226	148,950
3 Farmowners multiple peril	81,410,090	80,376,995	-	31,908,922	49,540,281	50,559,644	24,496,547	1,065,465	1,414,141	3,759,032	12,809,030	1,547,294
4 Homeowners multiple peril	1,429,840,198	1,378,544,722	1,354,330	744,822,862	1,524,246,609	1,496,472,101	485,596,080	31,200,132	35,934,021	60,249,452	206,765,883	23,319,597
5.1 Commercial multiple peril (non-liability portion)	674,701,623	630,292,814	237,406	319,396,227	419,934,782	499,875,936	356,413,812	15,744,370	18,725,430	37,580,460	108,646,004	12,131,925
5.2 Commercial multiple peril (liability portion)	442,946,923	421,861,612	172,787	196,051,998	250,517,239	296,165,123	860,142,210	82,260,463	73,295,403	256,433,189	73,091,522	7,082,576
6 Mortgage guaranty	194,686,949	190,020,009	-	15,667,879	22,875,957	50,931,850	293,388,912	887,652	1,299,668	2,199,936	1,092,238	2,735,097
8 Ocean marine	55,161,542	32,243,143	77,457	14,928,231	24,973,497	18,527,450	44,134,580	2,445,507	(3,452,912)	3,779,611	8,493,753	1,032,669
9 Inland marine	383,038,111	348,969,101	162,055	207,101,897	162,749,173	175,387,467	104,425,412	4,426,587	4,100,231	6,065,481	71,302,264	6,963,330
10 Financial guaranty	90,320,616	56,895,317	-	285,275,635	(1,065,838)	(3,331,451)	13,625,681	28,572	27,498	258,821	5,808	1,123,958
11 Medical malpractice	388,018,248	361,726,285	646,652	195,226,151	288,591,635	426,228,161	1,287,454,662	92,148,427	119,530,614	321,487,313	28,613,117	2,943,250
12 Earthquake	27,392,492	27,101,676	37,737	13,028,224	433,396	323,602	1,481,835	7,140	(25,062)	87,016	3,659,091	446,347
13 Group accident and health	246,870,511	257,230,770	21,142	62,807,077	193,779,388	202,679,714	187,941,028	(219,000)	(682,037)	1,033,338	18,345,726	4,498,097
14 Credit A&H (group and individual)	44,738,654	45,886,406	-	4,891,448	5,854,661	5,195,434	6,009,902	7,763	191,341	199,809	20,224,320	516,155
15.1 Collectively renewable A&H	1,982	83,872	-	353,757	110,328	234,724	137,759	-	-	-	515	308
15.2 Non-cancelable A&H	19,489	86,193	-	782,614	21,387	(7,443)	136,901	-	-	-	2,603	77
15.3 Guaranteed renewable A&H	60,083,025	37,188,238	-	132,582,111	23,781,250	27,352,273	39,675,235	46,245	74,015	178,197	7,178,812	560,649
15.4 Non-renewable for stated reasons only	53,873,206	55,628,068	3,926	12,256,670	50,565,262	48,907,866	35,566,807	512,765	560,127	741,281	3,758,226	397,049
15.5 Other accident only	17,977,204	21,969,939	-	687,676	5,784,439	6,702,291	1,817,279	30,766	35,803	15,459	6,833,832	306,193
15.6 All other A&H	12,811,538	13,117,653	-	1,618,165	5,206,571	8,963,876	9,673,083	132,058	341,510	531,548	2,553,161	135,447
15.7 Federal employees health benefits program	60,576,748	60,576,748	-	-	26,054,344	27,578,401	8,764,562	-	-	-	5,219	2,744
16 Workers' compensation	1,866,348,147	1,747,178,151	44,451,584	640,381,165	1,289,041,494	1,532,321,308	3,576,615,328	88,173,010	75,409,299	311,060,736	165,654,731	36,888,927
17 Other liability	2,135,992,725	2,147,503,693	303,855	1,056,795,282	1,566,768,846	1,942,475,126	4,770,890,254	201,516,195	157,002,212	870,554,210	173,799,029	47,600,744
18 Products liability	118,231,552	100,016,096	8,479	46,307,187	83,203,774	299,208,917	840,691,556	57,232,146	198,716,707	364,026,646	12,286,551	2,129,733
19.1 Private passenger auto no-fault (pip)	2,452,700	2,644,573	13,741	550,761	9,072,194	7,161,037	6,151,626	159,872	257,026	390,464	(236,915)	44,338
19.2 Other private passenger auto liability	2,551,961,687	2,514,144,982	2,592,088	752,559,699	1,731,700,491	1,833,917,806	2,157,670,047	124,636,122	134,062,291	323,486,167	269,124,336	27,301,989
19.3 Commercial auto no-fault (pip)	(92,796)	(172,606)	113	100,756	124,141	(1,039,728)	(426,585)	4,837	(426,496)	(373,450)	64,514	9,920
19.4 Other commercial auto liability	698,289,526	654,833,186	445,265	290,046,854	486,449,115	531,773,984	988,083,996	48,600,972	47,713,786	111,418,650	100,399,321	12,264,982
21.1 Private passenger auto physical damage	2,333,108,882	2,275,879,024	2,549,312	674,207,422	1,542,146,874	1,518,252,426	128,649,940	10,695,031	10,182,864	9,245,914	233,271,073	24,905,462
21.2 Commercial auto physical damage	322,968,141	308,980,031	395,816	122,031,571	185,908,327	199,744,428	62,543,763	3,420,103	3,218,453	3,748,039	38,691,778	5,183,894
22 Aircraft (all perils)	67,177,189	58,166,899	-	32,483,088	64,869,291	582,825,571	590,477,746	11,336,371	69,539,576	70,206,621	6,854,409	1,440,341
23 Fidelity	47,625,333	47,200,056	656	31,286,976	24,964,112	29,995,177	49,835,790	1,808,631	2,744,782	4,988,123	6,500,342	871,926
24 Surety	150,828,121	145,784,768	9	77,480,993	30,161,568	76,003,113	76,576,614	4,183,538	4,788,379	12,997,367	39,389,002	2,270,784
26 Burglary and theft	6,410,026	5,929,684	15,838	3,243,297	1,119,174	1,167,784	2,887,354	41,445	5,919	206,677	987,208	128,836
27 Boiler and machinery	42,740,965	39,201,969	-	21,418,496	16,960,390	14,274,681	11,696,953	663,643	691,713	656,091	4,923,852	709,180
28 Credit	47,816,602	46,033,873	-	20,519,243	14,312,920	22,079,222	12,954,795	681,515	2,347,296	2,131,193	12,329,320	718,471
33 Aggregate write-ins for other lines of business	515,808,799	470,828,574	2,681,361	833,760,781	227,971,337	212,405,486	97,298,367	1,791,500	1,590,489	1,981,308	66,649,825	6,037,856
34 Totals	15,710,865,713	15,066,570,240	56,492,710	7,016,185,740	10,541,817,049	12,381,911,724	17,308,266,714	790,717,359	964,535,868	2,787,134,615	1,775,481,255	241,096,344

APPENDIX F – Consolidated Insurance Expense Exhibit Part III for all Illinois-licensed Property/Casualty Insurers

PART III – ALLOCATION TO LINES OF DIRECT BUSINESS WRITTEN

(\$000 omitted)

PREMIUMS, LOSSES, EXPENSES, RESERVES AND PROFITS FOR DIRECT BUSINESS WRITTEN	Premiums Written	Premiums Earned	Dividends To Policy- Holders	Incurred Loss	Defense And Cost Containment Expenses Incurred	Adjustment and Other Expenses Incurred	Unpaid Losses	Defense And Cost Containment Expenses Unpaid	Adjustment and Other Expenses Unpaid	Unearned Premium Reserves	Agents' Balances
1 Fire	4,534,894	4,111,273	5,276	6,272,106	230,268	141,581	5,660,628	235,275	77,278	2,392,606	915,235
2.1 Allied lines	3,380,376	3,058,485	6,380	7,246,898	148,585	231,091	6,388,240	134,335	82,148	1,439,026	675,081
2.2 Multiple peril crop	2,342,908	2,215,850	-	2,071,923	6,006	50,781	636,045	885	1,871	137,796	137,730
2.3 Federal flood	1,258,820	1,235,658	-	960,341	23,422	38,795	70,534	2,302	9,503	664,973	115,820
3 Farmowners multiple peril	908,377	866,550	-	638,928	23,165	66,158	306,721	46,651	25,237	418,083	248,192
4 Homeowners multiple peril	28,184,109	27,302,761	94,257	20,933,422	699,020	2,649,719	8,105,776	1,101,413	929,004	14,836,408	5,274,005
5.1 Commercial multiple peril (non- liability portion)	12,921,136	12,024,670	4,729	11,855,004	500,805	650,386	8,786,820	876,496	404,590	6,139,652	2,948,495
5.2 Commercial multiple peril (liability portion)	8,802,480	8,362,501	2,779	5,445,299	1,537,044	500,443	16,143,038	5,225,381	789,941	3,836,958	1,947,015
6 Mortgage guaranty	4,096,432	4,096,798	-	1,068,022	31,104	58,811	5,171,449	37,098	55,889	542,520	294,425
8 Ocean marine	2,180,930	2,088,884	2,460	1,278,743	74,866	71,984	1,767,666	128,792	48,949	712,098	575,957
9 Inland marine	8,234,428	7,809,854	6,741	5,393,471	134,204	297,159	3,628,687	162,900	143,612	3,915,123	1,675,648
10 Financial guaranty	2,170,836	1,410,660	-	40,717	6,387	1,607	462,060	6,263	3,056	7,506,750	(26,566)
11 Medical malpractice	4,109,057	3,880,279	21,140	3,874,178	1,132,548	238,820	10,199,397	2,851,593	359,573	1,807,849	934,960
12 Earthquake	835,005	765,289	2,093	400,174	42,126	41,364	224,794	40,835	20,629	389,771	165,910
13 Group A & H	5,441,461	5,346,493	79	4,072,955	28,761	141,061	2,995,404	15,963	82,373	589,585	1,105,524
14 Credit A & H	937,752	965,529	-	115,422	7,540	3,851	121,253	3,182	5,670	109,902	62,556
15 Other A & H	5,349,833	5,033,543	216	3,623,640	16,529	88,200	1,640,485	22,604	85,160	2,119,070	636,596
16 Workers' compensation	26,880,209	25,475,026	753,619	22,718,902	1,428,116	1,942,764	64,807,032	5,205,894	2,821,065	6,614,015	6,603,893
17 Other liability	24,268,075	23,293,830	14,460	18,699,265	2,523,401	1,157,106	57,981,119	12,204,024	2,394,881	11,797,425	5,448,671
18 Products liability	1,979,570	1,755,285	142	3,146,167	1,274,478	213,347	9,644,793	3,357,121	406,613	794,693	428,351
19.1 Private passenger auto liability	57,249,500	56,248,294	147,800	43,868,083	2,709,486	5,646,441	52,772,616	6,905,758	4,041,297	17,309,489	10,046,738
19.3 Commercial auto liability	14,393,243	13,420,712	9,224	11,203,183	1,000,380	882,345	19,041,520	2,256,336	858,723	6,019,610	3,702,158
21.1 Private passenger auto physical damage	42,259,457	41,382,165	129,678	28,037,984	184,650	4,195,916	2,429,188	181,247	795,824	12,676,446	7,364,976
21.2 Commercial auto physical damage	5,573,125	5,321,016	8,901	3,392,917	63,784	336,635	717,037	74,182	82,887	2,307,088	1,319,387
22 Aircraft (all perils)	1,769,056	1,570,093	-	2,761,149	279,825	17,554	3,362,990	360,942	52,040	735,084	456,878
23 Fidelity	894,308	865,192	218	490,131	30,835	25,531	894,499	89,968	46,463	562,391	242,728
24 Surety	3,251,577	3,071,993	24,058	2,604,537	180,582	129,782	2,656,312	306,164	106,587	1,801,972	700,433
26 Burglary and theft	119,009	115,472	145	36,945	989	2,642	40,319	3,804	1,605	64,918	24,911
27 Boiler and machinery	895,236	795,685	152	339,324	14,651	31,107	416,090	17,175	21,146	447,029	321,486
28 Credit	523,754	503,375	-	356,091	7,785	9,839	212,714	5,251	1,373	260,282	94,327
29 International	19,373	19,334	-	10,739	1,336	1,287	60,996	1,013	188	6,947	688
33 Aggregate write-ins for other lines of business	4,246,259	3,361,803	8,142	2,524,638	312,069	108,086	2,867,547	89,585	41,452	6,111,607	545,731
34 Total	280,010,571	267,774,371	1,242,685	215,481,333	14,654,728	19,972,177	290,213,757	41,950,423	14,796,673	115,067,185	54,987,947

APPENDIX F (continued) – Consolidated Insurance Expense Exhibit Part III for all Illinois-licensed Property/Casualty Insurers

PART III – ALLOCATION TO LINES OF DIRECT BUSINESS WRITTEN

(\$000 omitted)

PREMIUMS, LOSSES, EXPENSES, RESERVES AND PROFITS FOR DIRECT BUSINESS WRITTEN	Commission And Brokerage Expenses Incurred	Taxes, Licenses and Fees Incurred	Other Acquisitions, Field Supervision and Collection Expenses Incurred	General Expenses Incurred	Other Income Less Other Expenses	Pre-tax Profit or Loss Excluding all Investment Gain
1 Fire	584,758	118,431	230,598	261,829	(20,386)	(3,753,952)
2.1 Allied lines	405,968	77,378	205,004	252,591	(11,514)	(5,526,915)
2.2 Multiple peril crop	226,834	5,435	(15,928)	87,555	(1,630)	(218,385)
2.3 Federal flood	196,370	21,803	35,923	23,351	319	(64,028)
3 Farmowners multiple peril	151,775	18,842	66,090	49,323	(3,000)	(150,728)
4 Homeowners multiple peril	3,843,818	729,813	2,275,825	1,470,244	78,659	(5,314,705)
5.1 Commercial multiple peril (non-liability portion)	2,098,596	332,843	775,013	804,384	(42,603)	(5,039,694)
5.2 Commercial multiple peril (liability portion)	1,510,153	214,860	546,150	568,913	22,884	(1,940,254)
6 Mortgage guaranty	14,362	93,892	311,092	439,557	11,002	2,090,961
8 Ocean marine	370,705	39,713	88,429	122,133	(33,124)	6,728
9 Inland marine	1,402,213	216,477	442,704	431,378	(72,366)	(586,852)
10 Financial guaranty	306	36,822	141,366	235,349	7,277	955,381
11 Medical malpractice	358,086	90,436	109,287	268,099	23,478	(2,188,825)
12 Earthquake	103,405	18,057	68,791	41,132	(26)	48,102
13 Group A & H	614,418	92,095	142,576	229,013	(25,852)	(319)
14 Credit A & H	387,422	28,602	29,977	112,985	4,769	284,499
15 Other A & H	622,406	40,350	306,932	160,284	(53,321)	121,667
16 Workers' compensation	2,306,021	1,098,803	1,367,042	1,692,173	(169,152)	(8,001,556)
17 Other liability	3,099,330	586,580	1,226,176	1,122,378	(232,697)	(5,367,585)
18 Products liability	198,956	45,042	101,813	118,226	(3,350)	(3,346,221)
19.1 Private passenger auto liability	5,128,844	1,328,120	3,981,143	2,895,283	229,359	(9,227,562)
19.3 Commercial auto liability	1,952,984	378,755	778,038	815,048	327	(3,598,926)
21.1 Private passenger auto physical damage	3,652,031	958,195	2,992,988	2,069,727	179,648	(659,374)
21.2 Commercial auto physical damage	770,178	132,805	334,345	369,068	(8,575)	(96,214)
22 Aircraft (all perils)	187,007	39,759	53,600	55,512	(57,405)	(1,881,710)
23 Fidelity	115,346	22,719	87,283	71,105	(11,315)	10,689
24 Surety	881,783	86,054	317,674	228,725	(21,477)	(1,402,685)
26 Burglary and theft	16,235	3,257	10,831	5,715	(511)	38,174
27 Boiler and machinery	89,298	16,786	59,513	122,075	(773)	121,969
28 Credit	117,429	14,277	34,313	63,328	10,215	(89,472)
29 International	2,715	245	5,504	15,599	(1,011)	(19,101)
33 Aggregate write-ins for other lines of business	372,832	68,532	75,408	141,345	(20,742)	(269,994)
34 Total	31,782,625	6,955,831	17,185,551	15,343,468	(222,894)	(55,066,886)



Requests for copies of this report or questions regarding any information contained in this report should be directed to the Cost Containment Section, Illinois Department of Insurance, 320 W. Washington, Springfield, IL 62767-0001. Phone (217) 785-2228; Fax (217) 782-2244. Printed by the authority of the State of Illinois.

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