

2010 Cost Containment Annual Report to the Illinois General Assembly



Pat Quinn
Governor

Michael T. McRaith
Director of Insurance



Illinois Department of Insurance

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Governor

MICHAEL T. McRAITH
Director

To the Honorable Members of the General Assembly:

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

In accordance with Section 1202 of the Illinois Insurance Code, [215 ILCS 5/1202] I am pleased to submit the Annual Report to the General Assembly on Insurance Cost Containment for 2010. It contains significant information from a national and Illinois perspective regarding the current conditions of the property and casualty insurance industry.

Sincerely,

Michael T. McRaith
Director of Insurance

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OVERVIEW

Section 1: OVERALL PROPERTY / CASUALTY INDUSTRY SUMMARY

This section provides and compares details of the Illinois property / casualty marketplace to nationwide data. It also provides a breakdown of all property / casualty premiums written on a regional basis and by significant line of business within Illinois.

Section 2: INDIVIDUAL LINE OF COVERAGE ANALYSIS

This section provides a detailed review of each of the following areas of insurance within the state of Illinois.

- Homeowners
- Private Passenger Auto Liability
- Private Passenger Auto Physical Damage
- Commercial Auto Liability
- Medical Malpractice
- Other Liability
- Workers Compensation

One aspect of each line of business monitored by the Department is market concentration. The Herfindahl/Hirschmann Index or (HHI) is a measure of the size of companies and is widely accepted as an accurate indicator of the amount of competition among individual companies in any given marketplace. The HHI is calculated by the summation of the squares of each company's individual market share. Generally, an HHI of 1800 or above is an indication that the given market may be highly concentrated and may be approaching anti-competitive behavior.

Section 2 contains a historical graph of the (HHI) for each of the lines of business indicated above. For all of the lines studied only the medical malpractice line continues to be considered highly concentrated in Illinois. This situation is not new and continues to be monitored by the Department.

Section 3: RESIDUAL MARKET MECHANISMS

Residual Market Mechanisms are established to provide specific insurance coverages to Illinois consumers who are unable to buy coverage in the open or voluntary markets. Coverages available to Illinois consumers through residual markets include property coverage, automobile coverage, and workers compensation coverage.

The residual markets (FAIR Plan, Auto Plan, and Workers Compensation Assigned Risk Pool) all have very small shares of the market which indicates healthy competition. The Workers Compensation market share is the largest at 4% but notably has been declining since 2003.

In addition to residual market mechanisms Section 3 details recent activities of the surplus lines market. Illinois consumers unable to obtain coverage in either the voluntary market or the residual market mechanisms may be able to obtain coverage in

the surplus lines market. The report reflects nothing of concern with the Surplus lines market mechanisms however the Department has little regulatory control regarding coverage placed in the Surplus lines market.

Section 4: OVERALL MARKETPLACE CONDITIONS

Lastly, the report identifies and examines several financial principles that are generally accepted measurements of market reliability and profitability. The Department recognizes that economic and market conditions during 2008 had dramatic effect on the short term profitability of the Property & Casualty industry in Illinois. The Department will continue to monitor all available data related to the Property & Casualty insurance industry to assure that a healthy, competitive, and reliable insurance market remains available for all Illinois consumers.

SECTION 1: OVERALL PROPERTY / CASUALTY INDUSTRY SUMMARY

The following table provides a breakdown of total direct written premium and incurred losses for the property / casualty industry by state for the past 5 years.

Direct written premium in Illinois totaled \$19.5 billion in 2008, representing 5.3% of the total written premium nationwide. Property / Casualty losses in Illinois were 66.7% percent of direct earned premium during 2008. As in 2007, Illinois continued to experience an increase in losses during 2008. Illinois however experienced a lower loss ratio than the national average for the first time in several years.

Total US Property/Casualty Industry (\$ In millions)

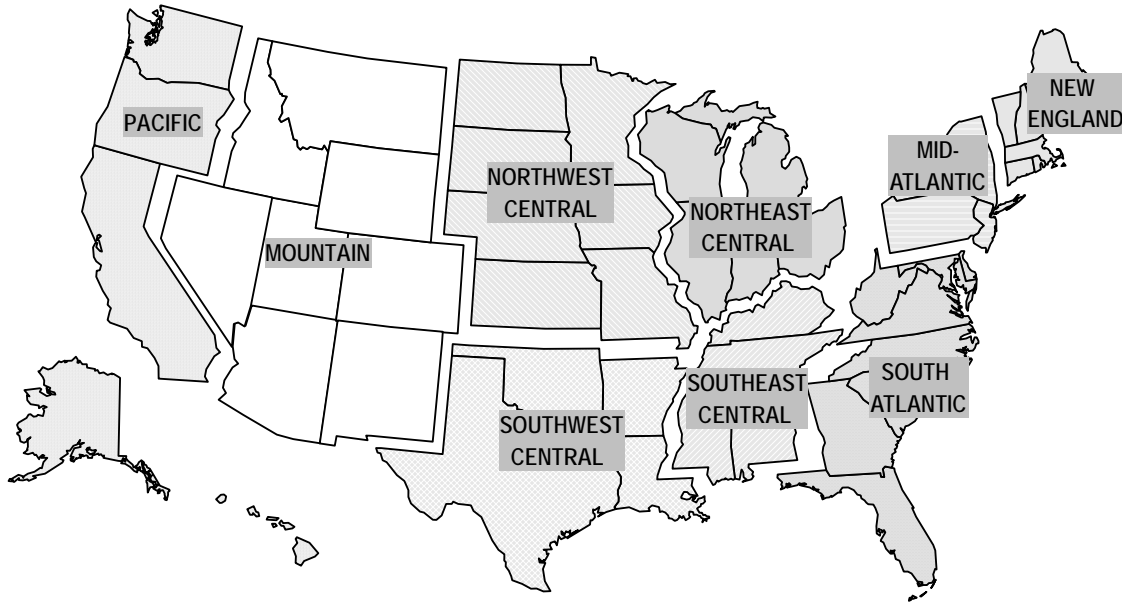
State Distribution and Loss Experience

Rank	State	% of Total DPW						*Direct Pure Loss Ratio (%)					5 Yr. Avg.
		2008 DPW	2008	2007	2006	2005	2004	2008	2007	2006	2005	2004	
1	California	40,131	10.9	12.1	12.6	13.1	13.9	59.7	52.7	46.0	51.8	53.4	52.7
2	New York	26,062	7.1	7.3	7.2	7.1	6.9	113.3	60.6	52.4	54.3	115.2	79.2
3	Florida	24,724	6.7	8.3	7.8	7.3	7.5	59.8	43.5	46.0	87.9	62.1	59.9
4	Texas	19,578	5.3	7.1	6.9	6.7	6.9	91.9	53.0	49.8	63.4	49.5	61.5
5	Illinois	19,548	5.3	4.1	4.2	4.2	4.5	66.7	58.0	56.3	56.5	62.1	59.9
6	Penn.	16,376	4.4	3.9	4.0	4.0	4.1	62.3	59.8	54.3	58.7	63.5	59.7
7	Ohio	11,206	3.0	2.6	2.7	2.8	3.0	64.2	52.8	48.6	53.2	53.6	54.5
8	Georgia	10,833	2.9	2.7	2.8	2.7	2.7	71.6	58.9	54.3	59.5	62.4	61.3
9	Michigan	10,547	2.9	2.9	3.1	3.3	3.5	74.0	61.9	57.4	64.0	61.6	63.8
10	New Jersey	10,500	2.8	3.4	3.5	3.5	3.6	61.1	55.3	56.4	60.4	60.4	58.7
11	N. Carolina	9,978	2.7	2.4	2.3	2.3	2.3	55.8	52.2	52.9	52.7	59.3	54.6
12	Virginia	9,102	2.5	2.1	2.1	2.1	2.1	58.3	52.9	51.8	47.7	53.5	52.8
13	Missouri	7,889	2.1	1.8	1.8	1.8	1.9	65.6	52.6	70.8	54.5	57.8	60.3
14	Minnesota	7,719	2.1	1.7	1.7	1.8	1.8	82.1	68.7	52.8	59.8	57.4	64.2
15	Maryland	7,711	2.1	1.8	1.8	1.8	1.9	60.0	52.8	51.3	52.6	51.8	53.7
16	Wisconsin	7,020	1.9	1.6	n/a	n/a	n/a	63.3	n/a	n/a	n/a	n/a	n/a
17	Indiana	6,982	1.9	1.7	n/a	n/a	n/a	73.8	n/a	n/a	n/a	n/a	n/a
18	Washington	6,923	1.9	1.8	1.8	1.8	1.8	55.3	53.6	56.5	48.7	53.7	53.7
19	Colorado	6,884	1.9	1.6	n/a	n/a	n/a	58.0	n/a	n/a	n/a	n/a	n/a
20	Arizona	6,622	1.8	1.8	1.8	1.7	1.7	60.6	56.7	53.1	56.2	60.1	57.3
	All other	<u>103,233</u>	<u>27.9</u>	<u>26.4</u>	<u>26.2</u>	<u>25.8</u>	<u>23.3</u>	<u>65.1</u>	<u>53.2</u>	<u>52.0</u>	<u>90.2</u>	<u>62.3</u>	<u>64.6</u>
	Total	<u>369,566</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>68.8</u>	<u>53.8</u>	<u>51.8</u>	<u>66.9</u>	<u>61.0</u>	<u>60.5</u>

* Direct Pure Loss Ratio is calculated by dividing losses incurred by direct earned premium.
Source: NAIC State Data Network; aggregate Schedule T for all property/casualty insurers.

The following map identifies the percentage of total written premium and loss ratio for the property / casualty industry in ten regions of the United States during 2008 as well as the 5-year average.

Distribution of Direct Written Premium & Loss Ratios by Region



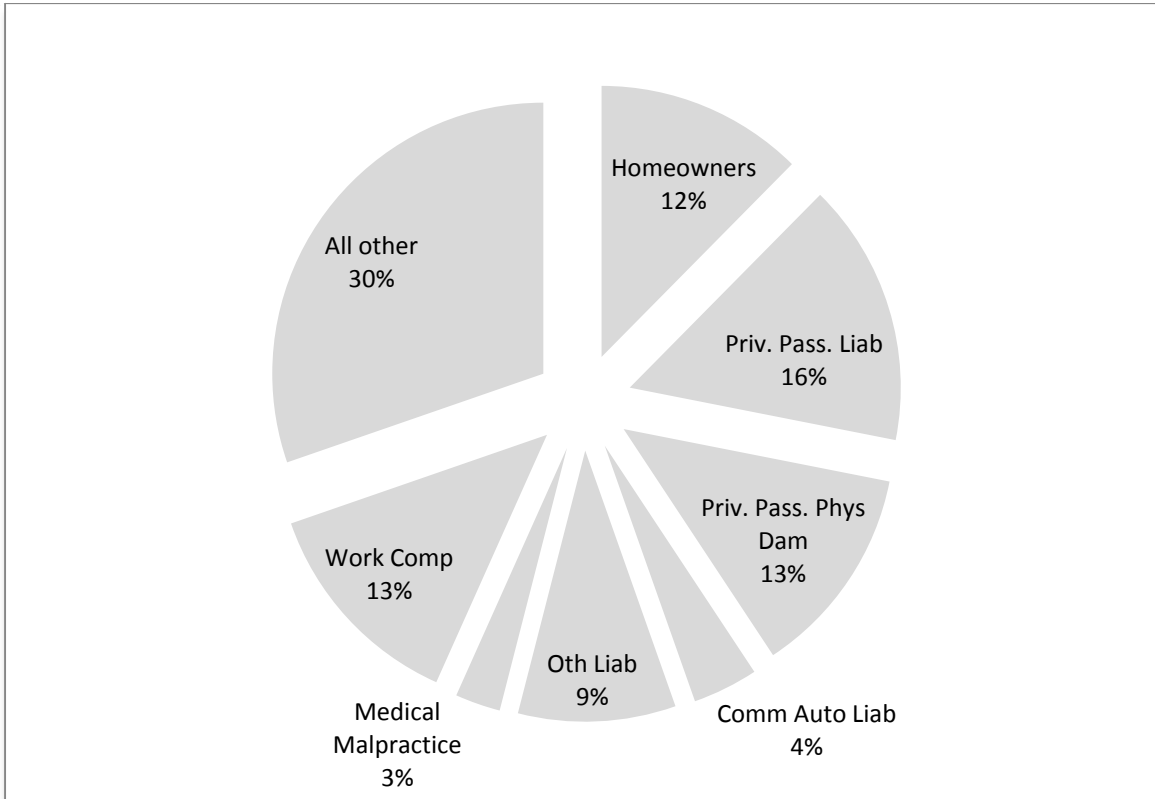
2008	Pacific	Mountain	Northwest Central	Southwest Central	Northeast Central	Southeast Central	Mid-Atlantic	South Atlantic	New England	Other*	Total All Regions
% Total DPW	14.4%	6.9%	8.3%	8.9%	15.0%	5.1%	14.3%	19.5%	4.3%	2.8%	100.0%
Direct Loss Ratio	58.1%	59.2%	72.8%	86.7%	68.1%	64.4%	87.1%	62.4%	54.7%	64.2%	68.8%
Loss Ratio – 5 year average	52.6%	55.7%	59.4%	73.7%	60.3%	69.6%	63.8%	61.7%	52.2%	49.1%	60.3%

*Other includes Puerto Rico and the U.S. Virgin Islands, Canada, Guam and American Samoa

A review of the loss data by region continues to show a higher than average loss ratio in the Southwest Central and Southeast Central regions. This is generally attributed to the annual hurricane and sever storm season in these regions. As indicated, Illinois is located in the Northeast Central region. As a region, the loss ratio experienced by this region was almost identical to the overall nationwide average.

The following graph reflects the distribution of all Illinois property / casualty insurance premiums written during 2008. Personal lines of insurance include: homeowners; private passenger automobile liability, and private passenger automobile physical damage coverage. Combined, these coverages make up approximately 40% of the overall property / casualty insurance written in the state of Illinois.

Percent of All Property/Casualty Premiums Written in Illinois by line (2008)



SECTION 2: INDIVIDUAL LINE OF COVERAGE ANALYSIS

HOMEOWNERS

The following table compares underwriting results for homeowners' insurance written in Illinois with that written nationwide during 2008. In 2008, direct written premiums in Illinois rose by 3 percent over 2007. Nationally, however, direct written premiums remained relatively flat during the same time period.

Homeowners' Underwriting Results (2008)

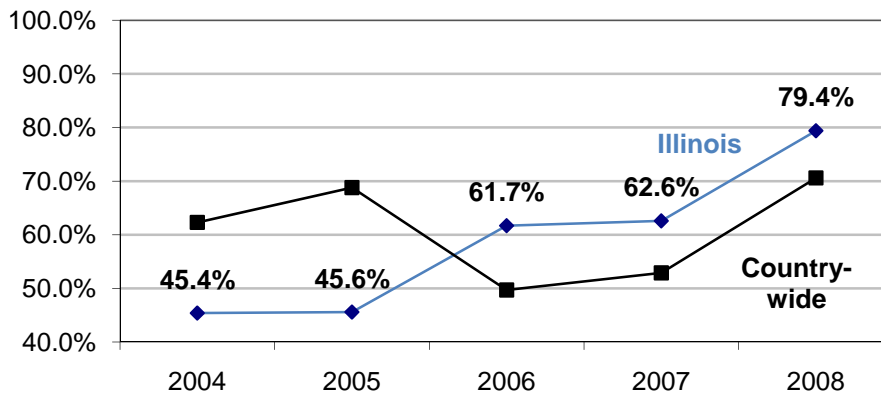
Homeowners (\$000 omitted)	Illinois*	Nationwide**
Direct written premiums	2,425,198	47,051,321
Direct earned premiums	2,384,936	46,347,903
Expenses (% premium)		
Incurred losses	79.4%	70.6%
Def. & cost cont. exp. Incurred	1.4%	1.8%
Comm./brokerage	13.0%	13.1%
Taxes, licenses & fees	1.2%	2.4%

* NAIC State Data Network, 2008 Illinois State Page Exhibit

** NAIC State Data Network 2008 Insurance Expense Exhibit Part III

The following chart provides a comparison of incurred losses for homeowners' insurance over the past 5 years. As reflected, incurred losses experienced a significant increase both nationally and within Illinois during 2008. Illinois incurred losses increased 16.8% during 2008 while nationally incurred losses increased 17.7%.

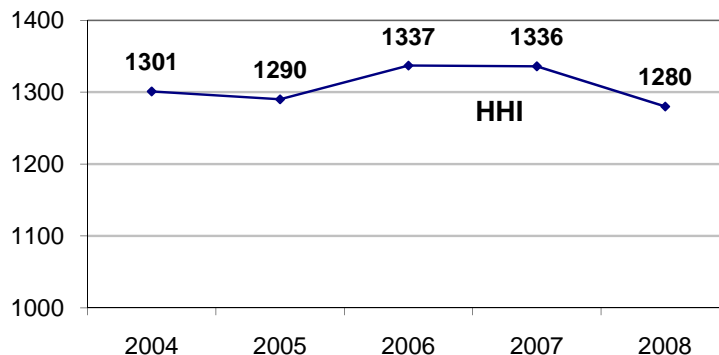
Homeowners' Losses as a percent of Earned Premiums (2004 -2008)



The following graph reflects the HHI for Illinois homeowners' insurance from 2004 through 2008. As the chart shows, the homeowners' insurance market available to Illinois consumers

continues to exhibit a healthy stable level of competition for Illinois consumers. Based on the data available, the system for cost containment appears to be appropriate for Illinois consumers.

Illinois Homeowners' Insurance Market Concentration



The following table identifies the top ten writers of homeowners' insurance in Illinois based on written premium in 2008. In summary, the ten companies identified wrote a total of over 1.7 billion dollars in written premium and combined for a total of 71 percent of the total Illinois market share in 2008.

Top 10 Homeowners' Insurers in Illinois

<i>Company</i>	<i>2008 Written Premium</i>	<i>2007 Written Premium</i>	<i>2008 Market Share</i>	<i>2007 Market Share</i>	<i>2008 Loss Ratio</i>	<i>2007 Loss Ratio</i>
State Farm Fire & Casualty Co	789,927,515	769,324,160	32.57%	32.68%	85.87%	62.03%
Allstate Indemnity Co	236,412,772	224,359,733	9.75%	9.53%	87.61%	77.94%
Country Mutual Ins. Co	198,100,793	183,921,861	8.17%	7.81%	78.64%	54.87%
Allstate Ins. Co	137,859,342	147,977,597	5.68%	6.29%	56.75%	53.93%
American Family Mutual Ins. Co	123,151,754	124,285,003	5.08%	5.28%	91.72%	75.74%
Illinois Farmers Ins. Co	85,859,170	120,001,110	3.54%	5.10%	71.56%	72.27%
Farmers Ins. Exchange	61,668,242	19,241,207	2.54%	0.82%	77.95%	46.32%
Liberty Mutual Fire Ins. Co	39,448,600	34,940,631	1.63%	1.48%	68.99%	51.40%
Metropolitan Casualty Ins. Co	29,409,841	28,007,116	1.21%	1.19%	64.71%	68.98%
Farmers Automobile Ins. Assoc	29,305,576	28,067,632	1.21%	1.19%	105.70%	62.45%

In addition to statewide data the Department collects homeowners' data pursuant to Part 4203 Subpart A of the Cost Containment Act [50 Illinois Administrative Code 4203] based on the geographical location of the insured. This data allows the Department to identify and compare the 2008 market share for each company within the City of Chicago and remainder of the state to the statewide averages.

<u>Company</u>	<u>Statewide</u>	<u>Chicago</u>	<u>Downstate</u>
State Farm Fire & Casualty Co	32.57%	32.8%	30.8%
Allstate Indemnity Co	9.75%	15.5%	8.4%
Country Mutual Ins. Co	8.17%	0.60%	10.0%
Allstate Ins. Co	5.68%	11.0%	4.6%
American Family Mutual Ins. Co	5.08%	5.8%	4.8%
Illinois Farmers Ins. Co	3.54%	3.4%	3.8%
Farmers Ins. Exchange	2.54%	2.7%	2.6%
Liberty Mutual Fire Ins. Co	1.63%	1.7%	1.6%
Metropolitan Casualty Ins. Co	1.21%	0.8%	1.3%
Farmers Automobile Ins. Assoc	1.21%	0.02%	1.8%

Homeowner Coverage Descriptions

Homeowners' Insurance is generally purchased in one of several standard coverage types. The coverage types acknowledged as industry standards include HO-1, HO-2, HO-3, HO-4, HO-5, HO-6, & HO-8

- **Basic Form (HO-1)** – The most basic coverage type providing coverage against 11 specific factors or perils: fire, lightning, smoke, vandalism, theft, ice, snow, windstorm hail, riot, and volcano eruption. The popularity of this policy has diminished over the years due to the policies extensive coverage gaps.
- **Broad Form (HO-2)** – HO-2 coverage forms are also considered a basic coverage form but with a wider scope of coverage than the HO-1. Coverage under an HO-2 policy is limited to 17 factors specifically listed in the policy.
- **Special Form (HO-3)** - Offers property and liability coverage for the dwelling, other structures, and loss of use of the dwelling and other structures for all risks specifically listed in the policy (e.g., fire, lightning, windstorm and hail, falling objects, etc.). Personal property is also covered for perils listed in your policy. HO-3 covers more perils than an HO-2 policy.
- **Tenants Form (HO-4)** - Provides coverage for a renter's personal property, liability, and additional living expenses.

- **Comprehensive Form (HO5)** - Covers your home and personal property for everything that is not specifically excluded in your policy. This type of policy provides the broadest coverage available but is not offered by all insurers and is usually more expensive. Personal property coverage under an HO-5 is generally broader than an HO-3 policy.
- **Condominium Form (HO-6)** - Covers a condominium owner's personal property and any additions and alterations made to the inside of the owner's unit. Condominium owners can also buy endorsements to protect property and for liability associated with their shares in the condominium association's common ownership.
- **Modified Coverage Form (HO-8)** - Provides coverage when an older home's replacement cost far exceeds its market value. This form allows the policyholder to carry lower limits of insurance rather than try to maintain 80% of replacement cost. The HO-8 policy provides varying methods of loss payment depending on whether the damaged or destroyed building is repaired or replaced.

The following table summarizes the amount of written premium paid by Illinois homeowners' during 2008 for each of the coverage types identified above.

Type of coverage	2008 Illinois Premium	Market Share
HO-1	6,036,587	.27%
HO-2	71,461,630	3.16%
HO-3	1,020,112,052	45.08%
HO-4	60,671,053	2.68%
HO-5	975,390,901	43.11%
HO-6	117,600,106	5.20%
HO-8	11,551,652	.51%
TOTAL	2,262,823,981	

PRIVATE PASSENGER AUTOMOBILE LIABILITY

The following table compares underwriting results for Private Passenger Auto Liability insurance written in Illinois with that written countrywide during 2008. Direct written premium levels remained essentially flat in Illinois and nationally. Direct written premium for Illinois increased 1.8 million dollars in 2008. As a percent of the total private passenger liability premiums written in Illinois this increase resulted in less than a 1 percent growth.

PPAL Underwriting Results (2008)

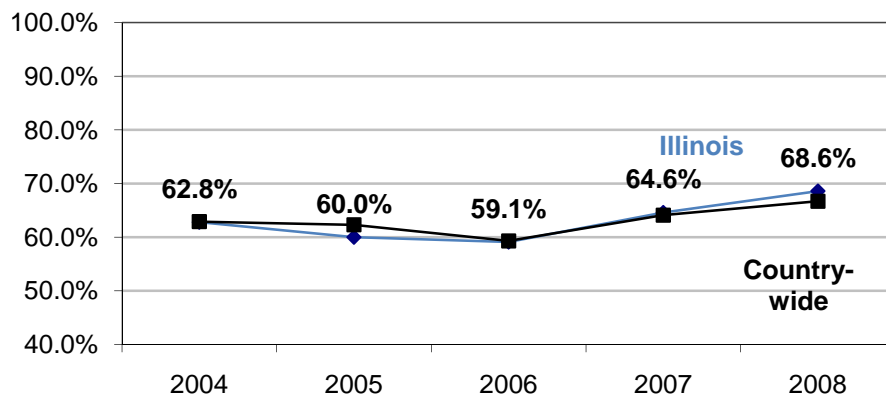
PPAL(\$000 omitted)	Illinois*	Countrywide**
Direct written premiums	3,078,254	72,507,657
Direct earned premiums	3,067,790	72,265,806
Expenses (% premium)		
Incurred losses	68.6%	66.7%
Def. & cost cont. exp. Incurred	4.3%	3.7%
Comm./brokerage	10.8%	9.0%
Taxes, licenses & fees	0.9%	2.3%

* NAIC State Data Network, 2008 Illinois State Page Exhibit

** NAIC State Data Network 2008 Insurance Expense Exhibit Part III

As reflected in the following chart, the loss ratio for private passenger automobile liability insurance in Illinois has remained essentially identical to the countrywide ratio for each of the past five years.

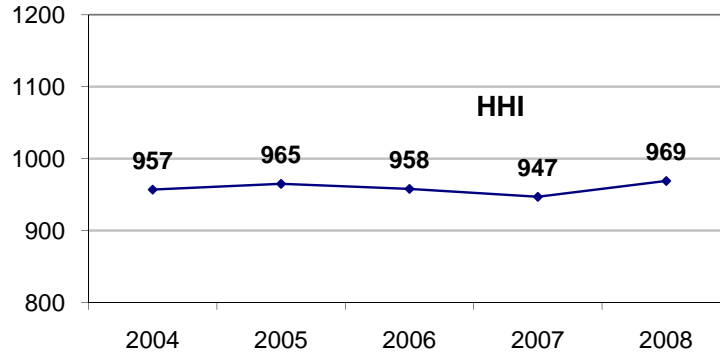
Private Passenger Auto Liability Losses as a percent of Earned Premiums (2004 -2008)



As previously mentioned, an HHI of 1800 or above can be an indication of a highly concentrated and possibly anti-competitive market. As reflected below, consumers of private passenger automobile liability insurance in Illinois continue to enjoy a stable, highly competitive market. Based on the measures below, the system for cost containment appears

to be appropriate for Illinois consumers for private passenger automobile insurance.

Illinois Private Passenger Auto Liability Insurance Market Concentration



The following table identifies the top ten writers of private passenger automobile liability insurance in Illinois based on written premium in 2008. In summary, the ten companies identified wrote a total of over 1.86 billion dollars in written premium and combined for a total of 60 percent of the total Illinois market share in 2008.

Top 10 Private Passenger Automobile Liability Insurers in Illinois

<i>Company</i>	<i>2008 Written Premium</i>	<i>2007 Written Premium</i>	<i>2008 Market Share</i>	<i>2007 Market Share</i>	<i>2008 Loss Ratio</i>	<i>2007 Loss Ratio</i>
State Farm Mutual Automobile Ins. Co	880,167,389	862,215,973	28.59%	28.03%	85.85%	69.44%
Illinois Farmers Ins. Co	153,373,829	165,571,539	4.98%	5.38%	59.57%	54.61%
American Family Mutual Ins. Co	149,538,696	158,622,784	4.86%	5.16%	64.98%	63.59%
Country Mutual Ins. Co	139,818,701	147,944,297	4.54%	4.81%	58.08%	60.37%
Allstate Ins. Co	114,081,520	130,097,553	3.71%	4.23%	69.89%	71.31%
Allstate Property & Casualty Ins. Co	112,159,188	136,667,368	3.64%	4.44%	53.00%	68.69%
Allstate Fire & Casualty Ins. Co	106,432,401	75,386,292	3.46%	2.45%	63.71%	72.04%
Country Preferred Ins. Co	105,592,795	90,590,007	3.43%	2.94%	61.91%	57.71%
State Farm Fire & Casualty Co	56,670,222	55,397,676	1.84%	1.80%	79.25%	72.44%
Geico General Ins. Co	51,853,565	47,029,648	1.68%	1.53%	81.78%	65.94%

In addition to statewide data the Department collects private passenger auto liability insurance data based on the geographical location of the insured. This data allows the Department to identify and compare the 2008 market share for each company within the City of Chicago and remainder of the state to the statewide averages.

<u>Company</u>	<u>Statewide</u>	<u>Chicago</u>	<u>Downstate</u>
State Farm Mutual Automobile Ins. Co	28.59%	24.80%	27.71%
Illinois Farmers Ins. Co	4.98%	3.32%	4.96%
American Family Mutual Ins. Co	4.86%	3.54%	4.91%
Country Mutual Ins. Co	4.54%	0.12%	5.23%
Allstate Ins. Co	3.71%	4.15%	3.47%
Allstate Property & Casualty Ins. Co.	3.64%	3.78%	3.41%
Allstate Fire & Casualty Ins. Co	3.46%	4.36%	3.16%
Country Preferred Ins. Co	3.43%	0.18%	3.95%
State Farm Fire & Casualty Co	1.84%	2.06%	1.70%
Geico General Ins. Co	1.68%	2.70%	1.42%

PRIVATE PASSENGER AUTOMOBILE PHYSICAL DAMAGE

The following table compares underwriting results for Private Passenger Physical Damage insurance written in Illinois with that written countrywide during 2008. Written premiums for private passenger automobile physical damage coverage written in Illinois decreased approximately 3.2 million dollars in 2008. Overall, however this decrease only translated to an approximately 1.3% reduction of all private passenger physical damage premium written in Illinois.

PPAPD Underwriting Results (2008)

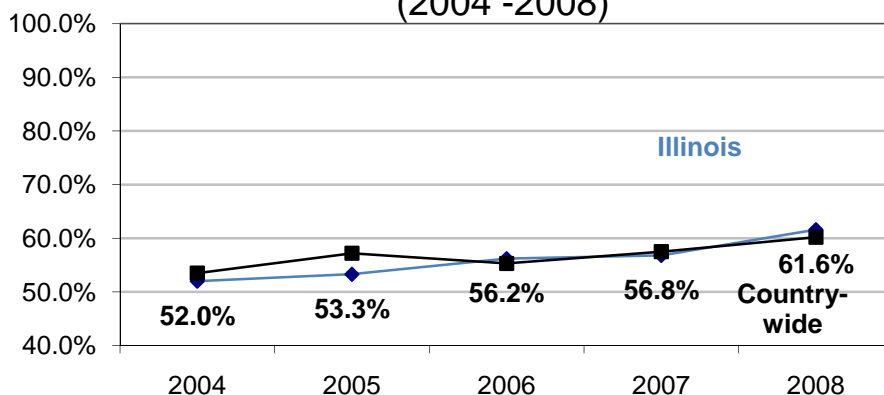
PPAPD(\$000 omitted)	Illinois*	Countrywide**
Direct written premiums	2,467,925	49,957,443
Direct earned premiums	2,461,873	50,040,825
Expenses (% premium)		
Incurring losses	61.6%	60.2%
Def. & cost cont. exp. Incurred	0.4%	0.3%
Comm./brokerage	10.3%	8.8%
Taxes, licenses & fees	0.9%	2.2%

* NAIC State Data Network, 2008 Illinois State Page Exhibit

** NAIC State Data Network 2008 Insurance Expense Exhibit Part III

As with private passenger liability insurance, the loss ratio for private passenger physical damage coverage experienced by Illinois consumers continues to be essentially identical to the loss ratio experienced by consumers nationwide.

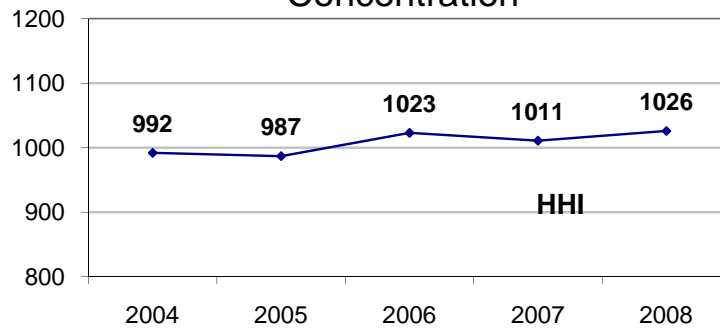
Private Passenger Auto Physical Damage Losses as a percent of Earned Premiums (2004 -2008)



As private passenger liability insurance and private passenger physical damage are closely associated and generally marketed jointly the market concentration of the two lines of insurance should be closely related. As reflected in the following chart an HHI of 1026 for the

private passenger physical damage market provides confirmation of a competitive overall healthy automobile insurance market for Illinois consumers.

Illinois Private Passenger Auto Physical Damage Insurance Market Concentration



The following table identifies the top ten writers of private passenger physical damage insurance in Illinois based on written premium in 2008. In summary, the ten companies identified wrote a total of over 1.59 billion dollars in premium and combined for a total of 64 percent of the total Illinois market share in 2008.

Top 10 Private Passenger Automobile Physical Damage Insurers in Illinois

<i>Company</i>	<i>2008 Written Premium</i>	<i>2007 Written Premium</i>	<i>2008 Market Share</i>	<i>2007 Market Share</i>	<i>2008 Loss Ratio</i>	<i>2007 Loss Ratio</i>
State Farm Mutual Automobile Ins. Co	716,715,966	715,678,770	29.04%	28.62%	72.43%	65.91%
Allstate Ins. Co	177,746,437	195,006,275	7.20%	7.80%	31.58%	31.59%
American Family Mutual Ins. Co	122,842,004	120,552,692	4.98%	4.82%	64.45%	67.12%
Country Mutual Ins. Co	108,192,506	122,047,114	4.38%	4.88%	61.59%	53.38%
Illinois Farmers Ins. Co	103,597,223	104,761,023	4.20%	4.19%	61.86%	59.31%
Allstate Property & Casualty Ins. Co	100,715,220	124,679,896	4.08%	4.99%	50.71%	50.31%
Allstate Fire & Casualty Ins. Co	96,091,279	80,944,022	3.89%	3.24%	57.18%	56.42%
Country Preferred Ins. Co	73,854,438	68,104,694	2.99%	2.72%	65.73%	56.46%
Geico General Ins. Co	49,034,399	42,155,776	1.99%	1.69%	65.24%	60.38%
State Farm Fire & Casualty Co	41,489,470	41,505,989	1.68%	1.66%	84.97%	75.58%

In addition to statewide data the Department also collects private passenger auto physical damage insurance data pursuant to Part 4203 of the Cost Containment Act based on the geographical location of the insured. This data allows the Department to identify and compare the 2008 market share for each company within the City of Chicago and remainder

of the state to the statewide averages.

<u>Company</u>	<u>Statewide</u>	<u>Chicago</u>	<u>Downstate</u>
State Farm Mutual Automobile Ins. Co	29.04%	29.20%	28.68%
Allstate Ins. Co	7.20%	9.05%	7.64%
American Family Mutual Ins. Co	4.98%	4.31%	4.74%
Country Mutual Ins. Co	4.38%	0.10%	5.95%
Illinois Farmers Ins. Co	4.20%	3.12%	4.38%
Allstate Property & Casualty Ins. Co.	4.08%	5.71%	4.63%
Allstate Fire & Casualty Ins. Co	3.89%	4.63%	2.90%
Country Preferred Ins. Co	2.99%	0.11%	3.34%
Geico General Ins. Co	1.99%	3.75%	1.37%
State Farm Fire & Casualty Co	1.68%	2.63%	1.51%

COMMERCIAL AUTOMOBILE LIABILITY

The following table compares underwriting results for commercial automobile liability written in Illinois with that written countrywide during 2008. Written premiums for commercial automobile liability coverage experienced a decrease of approximately seven percent in both the Illinois and countrywide markets during 2008.

Commercial Auto Liability Underwriting Results (2008)

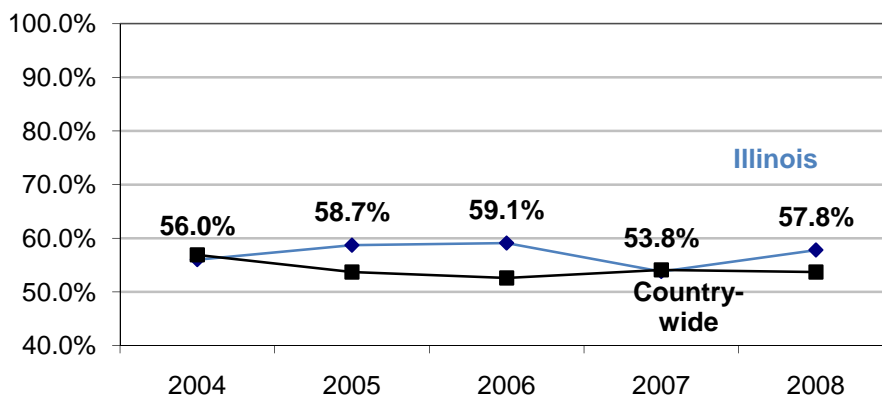
Commercial Auto Liability (\$000 omitted)	Illinois*	Countrywide**
Direct written premiums	771,037	16,352,675
Direct earned premiums	781,787	16,756,228
Expenses (% premium)		
Incurred losses	57.8%	53.7%
Def. & cost cont. exp. Incurred	6.6%	5.6%
Comm./brokerage	14.5%	14.4%
Taxes, licenses & fees	1.5%	2.6%

* NAIC State Data Network, 2008 Illinois State Page Exhibit

** NAIC State Data Network 2008 Insurance Expense Exhibit Part III

As reported with other lines of insurance examined in this report and summarized below, the loss ratio experienced by Illinois consumers in the commercial automobile liability market does not appear to be significantly different from similar markets throughout the nation.

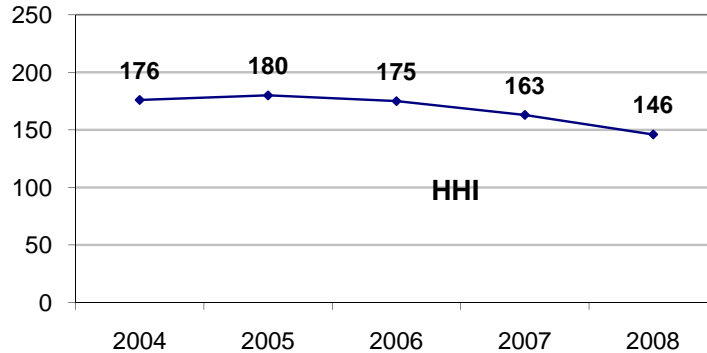
Commercial Auto Liability Losses as a percent of Earned Premiums (2004 -2008)



As reflected in the following graph, the very low and stable HHI for the Illinois commercial automobile liability market continues to confirm a competitive market is available to Illinois consumers. Based on these results the system for cost containment appears to be

appropriate for Illinois consumers in this market.

Illinois Commercial Auto Liability Insurance Market Concentration



The following table identifies the top ten writers of commercial automobile liability insurance in Illinois based on written premium in 2008. In summary, the ten companies identified wrote a total of approximately 229 million dollars in premium and combined for a total of 29 percent of the total Illinois market share in 2008.

Top 10 Commercial Automobile Liability Insurers in Illinois

<i>Company</i>	<i>2008 Written Premium</i>	<i>2007 Written Premium</i>	<i>2008 Market Share</i>	<i>2007 Market Share</i>	<i>2008 Loss Ratio</i>	<i>2007 Loss Ratio</i>
Illinois National Ins. Co	34,353,291	36,696,653	4.46%	4.44%	23.57%	42.01%
Great West Casualty Co	27,335,270	28,751,628	3.55%	3.48%	69.16%	51.79%
Transguard Ins. Co of America Inc.	25,981,555	32,457,821	3.37%	3.93%	31.07%	44.43%
Zurich American Ins. Co	25,980,719	26,526,098	3.37%	3.21%	72.30%	50.25%
Cincinnati Ins. Co	23,328,989	23,802,111	3.03%	2.88%	81.50%	53.56%
Northland Ins. Co	20,699,164	22,738,860	2.68%	2.75%	67.81%	67.91%
American Service Ins. Co Inc.	19,850,155	25,142,929	2.57%	3.04%	43.22%	49.59%
Pekin Ins. Co	17,155,646	17,237,592	2.23%	2.09%	60.95%	62.64%
Acuity A Mutual Ins. Co	17,090,709	17,912,118	2.22%	2.17%	58.28%	52.70%
Empire Fire & Marine Ins. Co	16,943,533	16,992,496	2.20%	2.06%	26.10%	51.84%

Pursuant to Part 4203, the Cost Containment unit collects data for classes of commercial automobile liability insurance in several specific areas Trucks, Tractors, and Trailers and Taxicabs & Public Livery. The market share data below represents the percent of overall premium for each group.

<u>Truck Tractor Trailer</u>	<u>Market Share</u>
Lincoln General Ins. Co	22.22%
Occidental Fire & Casualty Co of NC	14.53%
Continental Western Ins. Co	14.05%
Frankenmuth Mutual Ins. Co	6.44%
Great American Assurance Co	5.80%
Sentry Select Ins. Co.	5.76%
National American Ins. Co	5.55%
Vanliner Ins. Co	5.33%
Safeway Ins. Co	2.74%
Redland Ins. Co	2.10%

<u>Taxi / Limousine</u>	<u>Market Share</u>
American Service Ins. Co Inc	38.71%
Ullico Casualty Co	26.27%
American Country Ins. Co	9.15%
Lancer Ins. Co	5.46%
Allied Property & Casualty Ins. Co	4.76%
Sentry Select Ins. Co	4.23%
Rockford Mutual Ins. Co	3.01%
Selective Ins. Co of SC	1.68%
Empire Fire & Marine Ins. Co	1.68%
Northland Ins. Co	1.25%

MEDICAL MALPRACTICE LIABILITY

The following table compares underwriting results for medical malpractice liability coverage written in Illinois with that written countrywide during 2008. As with several of the previous lines, the medical malpractice markets saw a reduction of written premium in 2008. The reduction in the Illinois market was just over 6 million dollars or approximately one percent from 2007. Countrywide, the reductions totaled approximately five percent from 2007 totals.

Medical Malpractice Liability Underwriting Results (2008)

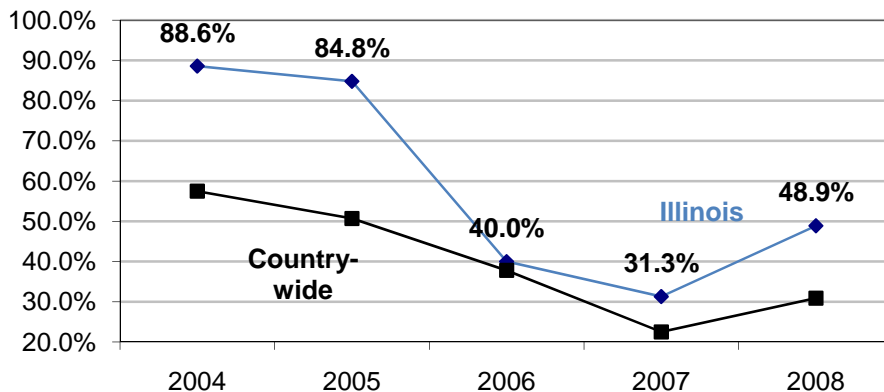
Medical Malpractice Liability (\$000 omitted)	Illinois*	Countrywide**
Direct written premiums	532,134	4,573,918
Direct earned premiums	534,929	4,679,185
Expenses (% premium)		
Incurred losses	48.9%	30.9%
Def. & cost cont. exp. Incurred	24.7%	19.6%
Comm./brokerage	7.7%	9.3%
Taxes, licenses & fees	2.0%	1.8%

* NAIC State Data Network, 2008 Illinois State Page Exhibit

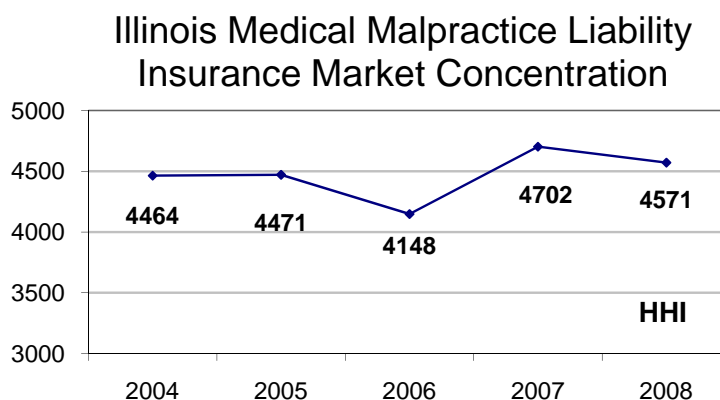
** NAIC State Data Network 2008 Insurance Expense Exhibit Part III

The following chart provides a historical record of the loss ratio for the medical malpractice market in Illinois over the last five years. The significant reduction in 2005 is generally attributed to the enactment of legislation mandating a number of regulatory reforms. The legislation became effective in August 2005 but was found to be unconstitutional by the Illinois Supreme Court in February 2010.

Medical Malpractice Liability Losses as a percent of Earned Premiums (2004 -2008)



The following graph highlights the market concentration for medical malpractice carriers in Illinois between 2004 and 2008. Consistent with most states, the largest writer of medical malpractice insurance in Illinois remains a physician-affiliated company. In Illinois that provider is ISMIE Mutual Insurance Company, which wrote 66.9 percent of the medical malpractice coverage in 2008 in Illinois. The second largest medical malpractice insurer, by direct written premium, was American Physicians Assurance Corp., which wrote only 6.3 percent of the Illinois market. Although slightly reduced in 2008 the HHI for the Illinois medical malpractice Insurance market continues to indicate a highly concentrated and potentially anti-competitive market.



The following table identifies the top ten writers of medical malpractice insurance in Illinois based on written premium in 2008. In summary, the ten companies identified wrote a total of approximately 485 million dollars in premium and combined for a total of 91 percent of the total Illinois market share in 2008.

Top 10 Medical Malpractice Insurers in Illinois

<i>Company</i>	<i>2008 Written Premium</i>	<i>2007 Written Premium</i>	<i>2008 Market Share</i>	<i>2007 Market Share</i>	<i>2008 Loss Ratio</i>	<i>2007 Loss Ratio</i>
ISMIE Mutual Ins. Co	355,890,320	371,282,352	66.88%	68.61%	41.16%	39.01%
American Physicians Assurance Corp.	33,704,015	35,159,708	6.33%	6.50%	-6.93%	28.81%
Medical Protective Co	25,218,668	22,548,521	4.74%	4.17%	42.61%	67.14%
Pronational Ins. Co	17,999,254	19,897,959	3.38%	3.68%	40.51%	23.94%
Professional Liability Ins. Co of America	17,165,810	23,606,693	3.23%	4.36%	53.87%	3.12%
Medical Alliance Ins. Co	12,017,582	10,987,336	2.26%	2.03%	36.51%	48.54%
American Casualty Co of Reading PA	7,064,488	7,130,515	1.33%	1.32%	65.58%	41.09%
Podiatry Ins. Co of America A Mutual Co	5,756,888	6,618,330	1.08%	1.22%	70.92%	82.00%
National Union Fire Ins. Co of Pittsburgh	5,555,508	4,296,358	1.04%	0.79%	76.00%	65.54%
NCMIC Ins. Co	4,838,423	4,907,967	0.91%	0.91%	10.39%	28.87%

Pursuant to Part 4203, the Cost Containment unit collects data for a number of various Medical Malpractice coverages. The following data reflects the top ten companies by market share based on the specific coverage type indicated.

Medical / Surgery	Market Share
ISME Mutual Ins. Co	79.01%
American Physicians Assurance Corp.	6.26%
ProAssurance Casualty Co	3.73%
Medical Protective Co	3.38%
Medical Alliance Ins. Co	3.04%
Professional Liability Ins. Co of America	2.32%
Doctors Direct Ins. Inc	1.36%
Preferred Professional Ins. Co	0.47%
First Professionals Ins. Co	0.18%
Medical Liability Alliance	0.12%

Medical / Non-surgery	Market Share
ISME Mutual Ins. Co	71.77%
Medical Alliance Ins. Co	11.34%
American Physicians Assurance Corp.	6.03%
Professional Liability Ins. Co of America	3.19%
Medical Protective Co	3.10%
ProAssurance Casualty Co	2.77%
First Professionals Ins. Co	0.77%
Preferred Professional Ins. Co	0.67%
Valiant Ins. Co	0.24%
Medical Liability Alliance	0.11%

Other / Not classified	Market Share
ISME Mutual Ins. Co	76.37%
American Physicians Assurance Corp.	6.83%
Medical Protective Co	6.08%
ProAssurance Casualty Co	3.61%
Continental Casualty Co	1.48%
National Union Fire Ins. Co of Pittsburgh	1.23%
Cincinnati Ins. Co	1.13%
Doctors Co, An Interinsurance Exchange	0.85%
Medical Alliance Ins. Co	0.71%
ProAssurance WI Ins. Co	0.48%

OTHER LIABILITY

An initial review of other liability premium written in Illinois indicated an approximately 32 percent reduction in written premium during 2008. One factor contributing to this reduction was a format change on financial statements. Prior to 2008 companies reported excess workers compensation coverage within the “other liability” coverage line. Starting in 2008 this coverage was reported separately. Approximately three percent of the overall reduction can be contributed to this change in filing format. The remaining difference is generally associated with current economic and market conditions.

Other Liability Underwriting Results (2008)

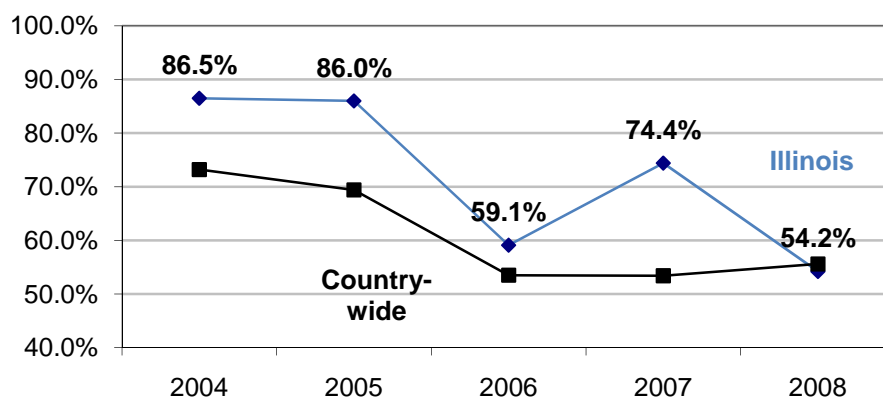
Other Liability (\$000 omitted)	Illinois*	Countrywide**
Direct written premiums	1,837,267	36,241,344
Direct earned premiums	2,382,647	37,191,013
Expenses (% premium)		
Incurred losses	54.2%	55.6%
Def. & cost cont. exp. Incurred	10.9%	13.7%
Comm./brokerage	12.0%	12.3%
Taxes, licenses & fees	1.3%	2.3%

* NAIC State Data Network, 2008 Illinois State Page Exhibit

** NAIC State Data Network 2008 Insurance Expense Exhibit Part III

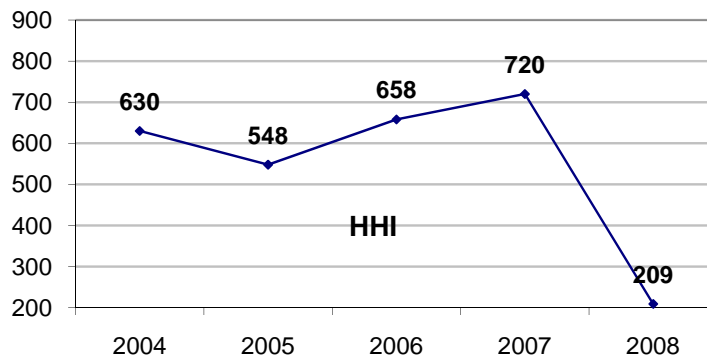
As illustrated in the following chart the loss ratio for other liability insurance written in Illinois has generally improved over the past five years. After the isolated fluctuation in 2007 the loss ratio associated with the Illinois market was basically identical to the ratio for all markets countrywide in 2008.

Other Liability Losses as a percent of Earned Premiums (2004 -2008)



As with all other lines addressed in this report, the Department has determined the HHI for the other liability market available to Illinois consumers. The following graph confirms that the market continues to be very competitive and that the current market regulation systems related to this line of insurance appears to remain appropriate for Illinois consumers.

Illinois Other Liability Insurance Market Concentration



The following table identifies the top ten writers of other liability insurance in Illinois based on written premium in 2008. In summary, the ten companies identified wrote a total of approximately 703 million dollars in premium and combined for a total of 38 percent of the total Illinois market share in 2008.

Top 10 Other Liability Insurers in Illinois

<i>Company</i>	<i>2008 Written Premium</i>	<i>2007 Written Premium</i>	<i>2008 Market Share</i>	<i>2007 Market Share</i>	<i>2008 Loss Ratio</i>	<i>2007 Loss Ratio</i>
Federal Ins. Co	127,634,682	136,736,489	6.95%	5.04%	27.18%	81.22%
Illinois National Ins. Co	94,572,326	633,758,613	5.15%	23.36%	69.07%	103.17%
Continental Casualty Co	76,825,822	85,116,236	4.18%	3.14%	148.73%	37.74%
Zurich American Ins. Co	68,257,657	137,490,318	3.72%	5.07%	25.19%	79.84%
National Union Fire Ins. Co of Pittsburgh	67,481,787	73,308,202	3.67%	2.70%	7.35%	188.47%
Underwriters at Lloyds London	59,826,824	62,485,150	3.26%	2.30%	91.08%	51.09%
State Farm Fire & Casualty Co	55,890,374	53,017,715	3.04%	1.95%	75.32%	110.98%
Heritage Casualty Co	53,372,709	39,323,939	2.91%	1.45%	105.97%	88.87%
Ace American Ins. Co	52,251,302	76,475,895	2.84%	2.82%	65.06%	57.38%
St. Paul Fire & Marine Ins. Co	47,440,581	53,403,102	2.58%	1.97%	30.35%	52.89%

Pursuant to Part 4203, the Cost Containment unit collects data for a number of various Other

Liability coverages. The following data reflects the top ten companies by market share based on the specific coverage type indicated.

Liquor Liability	Market Share
Underwriters At Lloyds London	31.25%
Founders Ins. Co	14.20%
Badger Mutual Ins. Co	10.67%
RSUI Indemnity Co	6.22%
First Financial Ins. Co	5.90%
Constitutional Casualty Co	5.71%
Springfield Fire & Casualty Co	4.65%
Capitol Indemnity Corp	4.13%
Great American Alliance Ins.	1.42%
The Netherlands Ins. Co	1.09%

Lawyers Professional Liability	Market Share
Continental Casualty Co	24.29%
Underwriters At Lloyds London	23.74%
Illinois State Bar Assoc., A Mutual Ins. Co	20.98%
Chicago Ins. Co	11.32%
American Zurich Ins. Co	3.70%
Executive Risk Indemnity Inc	2.92%
Greenwich Ins. Co	1.90%
Navigators Ins. Co	1.38%
St Paul Fire & Marine Ins. Co	1.29%
Great Divide Ins. Co	1.25%

Commercial Day Care Liability	Market Share
West Bend Mutual Ins. Co	41.40%
Capitol Indemnity Corp	11.58%
Riverport Ins. Co	11.07%
Philadelphia Indemnity Ins. Co	9.54%
Markel Ins. Co	5.46%
Church Mutual Ins. Co	4.15%
Cincinnati Ins. Co	3.00%
Stonington Ins. Co	2.07%
Brotherhood Mutual Ins. Co	1.86%
Guideone Mutual Ins. Co	1.28%

WORKERS COMPENSATION INSURANCE

The following table compares underwriting results for workers compensation coverage written in Illinois with that written countrywide during 2008. Written premiums within the Illinois market decreased by approximately five percent. Countrywide, the workers compensation markets overall realized a 10 percent reduction in written premium compared to 2007.

Workers Compensation Insurance Underwriting Results (2008)

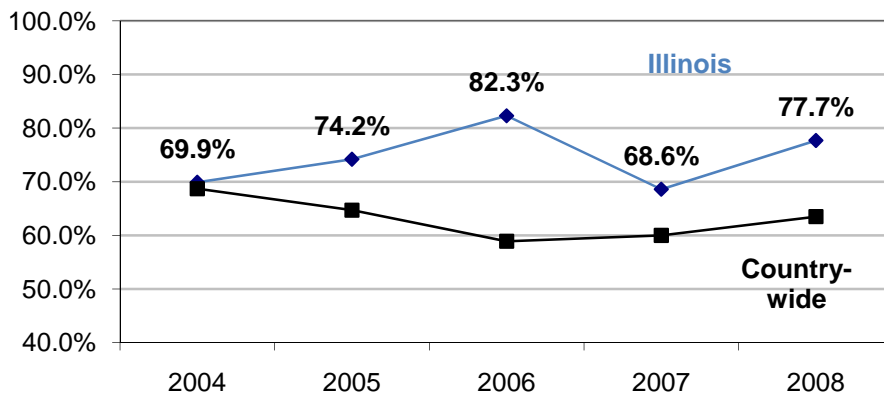
Workers Compensation(\$000 omitted)	Illinois*	Countrywide**
Direct written premiums	2,539,348	31,457,113
Direct earned premiums	2,541,148	31,964,393
Expenses (% premium)		
Incurred losses	77.7%	63.5%
Def. & cost cont. exp. Incurred	6.5%	7.6%
Comm./brokerage	7.0%	7.4%
Taxes, licenses & fees	2.8%	4.2%

* NAIC State Data Network, 2008 Illinois State Page Exhibit

** NAIC State Data Network 2008 Insurance Expense Exhibit Part III

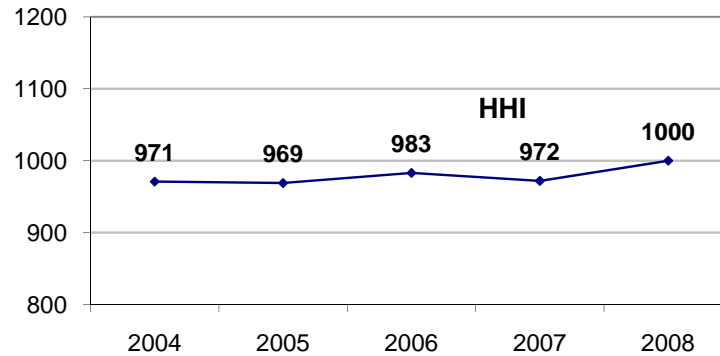
Although slightly higher than the countrywide loss ratio, the Illinois loss ratio appears to have remained relatively stable for the past five years.

Workers Compensation Losses as a percent of Earned Premiums (2004 -2008)



As with all other lines addressed in this report, the Department has determined the HHI for the Workers compensation market available to Illinois consumers. The following graph indicates a stable competitive market is available to Illinois employers. All indications appear that the system for cost containment appears to be appropriate for consumers of workers compensation insurance in Illinois.

Illinois Workers Compensation Insurance Market Concentration



The following table identifies the top ten writers of workers compensation insurance in Illinois based on written premium in 2008. In summary, the ten companies identified wrote a total of approximately 725 million dollars in premium and combined for a total of 28.5 percent of the total Illinois market share in 2008.

Top 10 Workers Compensation Insurers in Illinois

<i>Company</i>	<i>2008 Written Premium</i>	<i>2007 Written Premium</i>	<i>2008 Market Share</i>	<i>2007 Market Share</i>	<i>2008 Loss Ratio</i>	<i>2007 Loss Ratio</i>
Zurich American Ins. Co	133,964,815	191,951,738	5.28%	7.17%	81.26%	98.51%
Liberty Ins. Corp	100,103,467	135,710,514	3.94%	5.07%	63.42%	97.49%
New Hampshire Ins. Co	83,403,457	86,424,694	3.28%	3.23%	83.34%	81.72%
National Union Fire Ins. Co of Pittsburgh	66,547,781	10,350,458	2.62%	0.39%	67.44%	42.34%
Illinois National Ins. Co	64,246,844	69,437,736	2.53%	2.59%	91.22%	57.20%
West Bend Mutual Ins. Co	58,664,882	61,955,476	2.31%	2.31%	115.87%	96.81%
Travelers Property Casualty Co of America	56,970,604	49,456,006	2.24%	1.85%	72.33%	70.45%
Twin City Fire Ins. Co	56,035,479	56,436,569	2.21%	2.11%	53.92%	56.90%
Country Mutual Ins. Co	52,758,274	61,615,319	2.08%	2.30%	51.24%	67.04%
Accident Fund Ins. Co of America	51,868,244	52,093,662	2.04%	1.95%	102.14%	67.63%

SECTION 3: RESIDUAL MARKET MECHANISMS

States establish residual market mechanisms to provide coverage for consumers who are unable to buy coverage in the voluntary market. 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 Illinois FAIR Plan. Both personal and commercial insurance is available to consumers. Insurance companies share in the FAIR Plan's profits and losses in proportion to their voluntary market shares.

In Illinois, property insurance is widely available in the voluntary marketplace and only a very small percentage of consumers obtain coverage through the FAIR Plan. In addition, Illinois consumers are not at a coverage disadvantage when they buy insurance from the FAIR Plan, as is the case in many other states. In other states, residual market programs offer only dwelling fire or basic homeowners' policies. Illinois has one of the most progressive plans in the nation. Through the FAIR 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 following table summarizes the amount of dwelling and homeowner premium written by the FAIR Plan in Illinois from 2004 through 2008. As reflected in the data, the consistently low market share reflects a very healthy & competitive primary insurance market.

Written Premiums for Illinois FAIR Plan (2004-2008)

	Amount of Written Premiums	As % of Total Written Premiums
2004	\$11,030,119	0.46%
2005	\$9,073,367	0.37%
2006	\$7,018,505	0.28%
2007	\$6,047,739	0.23%
2008	\$5,258,275	0.19%

Source: Premium amounts provided by Illinois FAIR Plan

AUTOMOBILE

The Illinois Automobile Insurance Plan (Auto Plan)

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

The following table identifies the annual market share from 2004 through 2008 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.

As indicated by the data, a comparison of the Illinois market share to the nationwide ratio reinforces the fact that the voluntary auto insurance market in Illinois is extremely effective.

Percent of Automobiles in the Illinois Assigned Risk Plan and the United States Composite Automobile Residual Market (2004-2008)

	2004	2005	2006	2007	2008
Illinois	0.05%	0.04%	0.03%	0.02%	0.03%
Nationwide	0.54%	1.43%	1.27%	1.21%	1.20%

Source: AIPSO Facts 2009 (based on liability car-years)

WORKERS' COMPENSATION

The Illinois Workers' Compensation Assigned Risk Pool (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.

The following table highlights the percent of Illinois workers' compensation premiums written through the Pool between 2004 and 2008. As reflected by the downward trend in premiums written through the pool, the Illinois workers compensation market continues to remain competitive.

Percent of Illinois Workers' Compensation Written Through the Pool (2004-2008)

	2004	2005	2006	2007	2008
Percent of Total	7.8%	6.2%	4.7%	4.0%	3.7%

Source: National Council on Compensation Insurance (NCCI)

All insurers who write workers' compensation insurance are assessed a fee to fund the Assigned Risk Plan. The Take-Out Program allows each insurer who removes an employer insured through the Plan to be eligible for a credit against their assessed fee.

The following table compares total credits during 2007 and 2008.

One factor contributing to the reduction of credits in 2008 is the reduction of coverage placed through the pool. As more coverage is placed in the voluntary market, the Assigned Risk Plan has less coverage available for the Take-Out Program. As indicated by these findings, the Workers Compensation market continues to remain competitive at this time.

Illinois Take-Out Credit Results in 2007 and 2008

Year	Total Number of Policies Approved	Approved Credit
2007	8,055	\$69,718,956
2008	7,272	\$45,097,266

Source: National Council on Compensation Insurance (NCCI)

The following table ranks the top ten employment classes by the amount of premium written through the Assigned Risk Plan. The majority of the classes identified below are consistently in the top ten coverages written through the pool. New to the top ten this year include: Social Service Organization College, Professional Employees & Clerical, and Stable or Breeding Farm & Drivers.

Illinois Residual Market Top Ten Classification Codes by Premium Volume for 2008

Rank	Code	Description	Total State Premium	% of Premium
1	5645	Carpentry – Detached One Or Two Family Dwellings	\$4,977,453	5.99%
2	7228	Trucking-Local Hauling Only	3,952,679	4.75%
3	7229	Trucking – Long Distance Hauling	3,112,213	3.74%
4	5551	Roofing-All Kinds & Yard Employees	2,927,680	3.52%
5	8835	Nursing – Home Health Public And Traveling – All Employees	2,836,642	3.41%
6	5606	Contractor – Project Manager Construction Executive	2,249,733	2.71%
7	5474	Painting Or Paperhanging NOC	1,972,124	2.37%
8	8864	Social Service Organization – All Employees, Salespersons & Drivers	1,915,606	2.30%
9	8868	College: Professional Employees & Clerical	1,711,078	2.06%
10	8279	Stable or Breeding Farm & Drivers	1,703,041	2.05%

Source: National Council on Compensation Insurance (NCCI)

SURPLUS LINES ASSOCIATION

Insurance placed in the Surplus lines market is 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 little 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.

The following table outlines the number of policies written in Illinois from 2004 through 2008 by surplus lines producers for homeowners', private passenger auto liability and physical damage, commercial auto liability, medical malpractice, and other liability coverage. The surplus lines market reported a decrease in both total policies issued (7.5% decrease) and premiums written (2.6% decrease) between December 2007 and December 2008.

As indicated above, the Department has little regulatory authority over this market. The ability to determine the competitiveness and health of the surplus lines market continues to be difficult to determine by the Department at this time.

Surplus Lines - Number of primary and excess policies written in Illinois (2004 - 2008)

Line of Business	2004 Illinois Policy Count	2005 Illinois Policy Count	2006 Illinois Policy Count	2007 Illinois Policy Count	2008 Illinois Policy Count
Homeowners'	860	535	352	357	385
PPA Liability	293	189	124	157	129
PPA Physical Damage	9,074	7,426	5,722	7,049	4,348
Commercial Auto Liability	55	77	148	121	149
Medical Malpractice	752	892	940	1,160	1084
Other Liability	25,310	26,137	25,696	29,001	26,414
Grand Total -all policies-	67,319	65,738	61,935	67,738	62,622

Source: Surplus Lines Association of Illinois

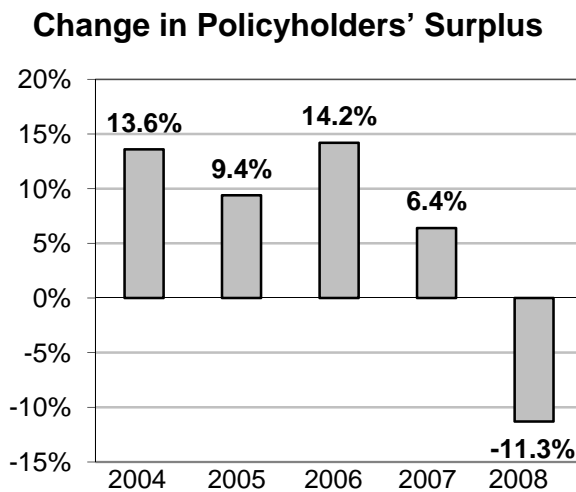
SECTION 4: OVERALL MARKET PROFITABILITY & FINANCIAL REGULATION

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. In determining whether the overall marketplace is viable the Department has considered a number of factors related to profitability and financial solvency.

PROFITABILITY

One measure of a company's financial performance is its profitability. Any for-profit organization must generate enough profit to survive and succeed. In a given month, if expenses exceed income they must be paid from reserve funds. 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. When the majority of insurers in the market are competitive and profitable, the market is considered to be financially strong.

One measure of overall profitability is change in policyholders' surplus. This ratio measures a company's ability to increase policyholder security. 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. The following chart summarizes the change in policyholders' surplus for the Illinois-licensed property/casualty industry as a whole over the past five years. A review of Appendix C reveals that dramatic losses of unrealized capital gains (losses) substantially contributed to the negative change in surplus for 2008



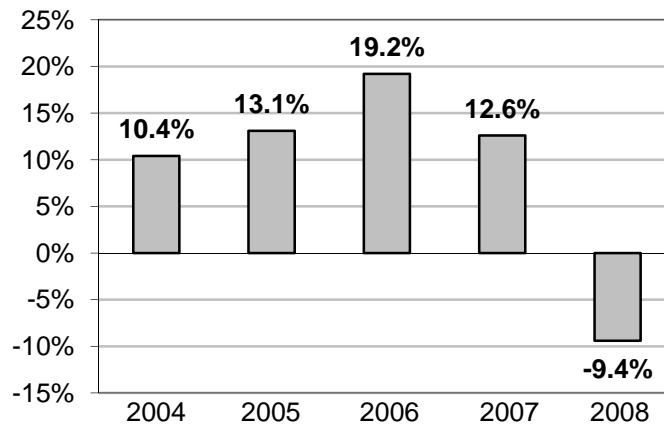
Source: NAIC State Data Network

Another measure of overall profitability is return on policyholders' surplus. This ratio measures a company's overall profitability from underwriting and investment activity after

taxes. It represents the financial cushion that protects policyholders in case of unexpectedly high claims. The return on Policyholder surplus is determined as the sum of the net income after dividends, taxes, and unrealized capital gains divided by the average of the current year and prior year's policyholders' surplus.

The following chart summarizes the aggregate return on policyholders' surplus from 2004 through 2008 for the overall Illinois-licensed property/casualty industry. As previously identified, the substantial losses in unrealized capital gains resulting from the market conditions during 2008 had dramatic effects on policyholder surplus for the overall insurance industry.

**Return on Policyholders' Surplus
(2004-2008)**



Source: NAIC State Data Network

The following table provides a summary of income from investments, net income, unrealized capital gains/losses and policyholders' surplus from 2004 to 2008 for all property casualty insurers licensed in Illinois. As referenced above, the economic and market conditions during 2008 significantly affected unrealized Capital Gains (Losses) and the surplus overall by extension.

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

	2004	2005	2006	2007	2008
Net Investment gain	\$44,952	\$53,915	\$53,434	\$59,558	\$32,268
Net Income	36,488	39,675	61,230	56,685	6,578
Unrealized Capital Gains/Losses	17,189	4,096	28,677	8,131	(53,876)
Policyholders' Surplus	408,140	441,620	498,408	531,200	470,670

Source: NAIC State Data Network

UNDERWRITING EXPERIENCE

The following table identifies the aggregate underwriting gain/loss for Illinois-licensed insurers from 2004 - 2008. As reflected below, the increase in losses incurred was almost exclusively responsible for the posting of negative net underwriting gains.

Aggregate Net Underwriting Gain (Loss) (in millions)

	2004	2005	2006	2007	2008
Premiums earned	\$344,724	\$344,913	\$359,332	\$362,387	\$361,832
Losses incurred	206,102	213,774	191,391	205,225	241,197
Loss expenses incurred	44,217	45,351	42,950	42,990	41,872
Other underwriting expenses	88,666	90,570	96,724	98,687	98,441
Incurred					
Dividends to policyholders	<u>978</u>	<u>1,040</u>	<u>2,540</u>	<u>1,359</u>	<u>1,146</u>
Net underwriting gain/loss	<u>4,761</u>	<u>(5,822)</u>	<u>25,727</u>	<u>14,126</u>	<u>(\$20,824)</u>

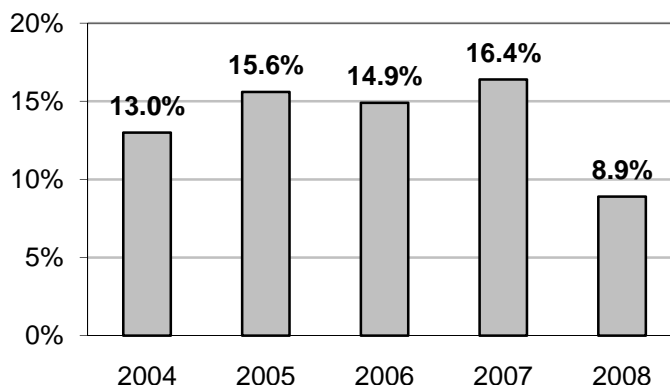
Source: NAIC State Data Network

INVESTMENT INCOME

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.

The following chart shows the net investment income ratio for Illinois-licensed property/casualty insurers during the last five-year period. This ratio indicates the investment income component of overall profitability.

Net Investment Income Ratio (2004-2008)



Source: NAIC State Data Network

INSURANCE REGULATION PRINCIPALS

Although the Department cannot guarantee an Illinois-licensed insurer's profitability, we do monitor the financial solvency and strength of Illinois-licensed insurers in several ways including:

1. Maintaining a staff of trained accountants and specialists trained to identify a company's developing financial difficulties. The Department can then take steps to minimize potential losses to Illinois policyholders;
2. 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;
3. Employing field examiners for on-site evaluation of insurance company financial records;
4. Reviewing operations and compliance issues through scheduled, targeted, and special exams of known or suspected problems;
5. Maintaining a staff of actuaries who monitor the adequacy of loss reserves, cash flow testing, and proper valuation of assets;
6. Licensing and registering the many types of insurers, surplus lines producers, and risk sharing pools authorized by the Illinois Insurance Code and related Acts; and
7. 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.

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APPENDIX A – Consolidated Assets of Illinois-licensed Property/Casualty Insurers for the year ending December 31, 2008

**APPENDIX A - E
ASSETS**

	Assets Current Year	Non-admitted Assets Current Year	Net Admitted Assets Current Year	Net Admitted Assets Prior Year
1 Bonds	657,288,420,547	151,661,668	657,136,758,879	685,466,142,774
2.1 Preferred stocks (stocks)	19,480,906,697	1,532,771	19,479,373,926	16,792,324,697
2.2 Common stocks (stocks)	269,849,364,442	1,340,670,692	268,508,693,749	308,808,401,777
3.1 First liens - mortgage loans on real estate	3,768,205,403	4,936,488	3,763,268,915	3,772,428,717
3.2 Other than first liens - mortgage loans on real estate	238,813,347	-	238,813,347	198,567,743
4.1 Properties occupied by the company)	7,463,169,792	5,312,756	7,457,857,036	7,227,009,758
4.2 Properties held for the production of income	1,014,325,569	6,568,319	1,007,757,250	1,005,257,405
4.3 Properties held for sale	257,385,334	287,199	257,098,135	457,495,274
5 Cash \$(1), cash equivalents	73,972,122,288	102,186,645	73,869,935,643	69,912,036,598
6 Contract loans	2,613,817	2,613,817	-	-
7 Other invested assets	53,562,420,162	833,822,375	52,728,597,786	69,201,699,740
8 Receivables for securities	2,280,238,175	15,698,568	2,264,539,607	1,598,983,373
9 Aggregate write-ins for invested assets	7,187,491,756	3,361,610,353	3,825,881,403	3,823,694,720
10 Subtotals, cash and invested assets	1,096,365,477,328	5,826,901,651	1,090,538,575,680	1,168,264,042,568
11 Title plants	-	-	-	-
12 Investment income due and accrued	8,771,513,328	2,567,543	8,768,945,784	8,932,472,153
13.1 Uncollected premiums and agents' balances in the course of collection (premiums and considerations)	39,196,433,591	2,313,862,122	36,882,571,466	32,553,275,214
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	57,712,545,861	214,298,995	57,498,246,871	56,681,596,215
13.3 Accrued retrospective premiums (premiums and considerations)	7,513,613,688	359,726,030	7,153,887,660	6,543,684,808
14.1 Amounts recoverable from reinsurers (reinsurance)	23,982,259,240	19,369,220	23,962,890,021	20,405,618,073
14.2 Funds held by or deposited with reinsured companies (reinsurance)	6,302,181,134	31,321,677	6,270,859,458	6,594,348,019
14.3 Other amounts receivable under reinsurance contracts (reinsurance)	1,283,734,343	1,422,426	1,282,311,917	1,050,869,822
15 Amounts receivable relating to uninsured plans	38,635,688	424,832	38,210,856	48,864,140
16.1 Current federal and foreign income tax recoverable and interest thereon	7,417,527,632	77,705,486	7,339,822,146	2,371,268,759
16.2 Net deferred tax asset	54,235,995,057	33,157,392,114	21,078,602,942	15,368,812,577
17 Guaranty funds receivable or on deposit	659,341,542	3,359,933	655,981,609	689,806,711
18 Electronic data processing equipment and software	3,945,102,872	2,697,440,481	1,247,662,389	1,309,054,986
19 Furniture and equipment, including health care delivery assets	2,151,887,754	2,146,013,964	5,873,789	10,671,997
20 Net adjustment in assets and liabilities due to foreign exchange rates	28,756,946	-	28,756,946	33,744,372
21 Receivables from parent, subsidiaries and affiliates	10,098,256,745	560,961,175	9,537,295,570	7,153,001,639
22 Health care (\$(1)) and other amounts receivable	15,721,983	8,596,405	7,125,578	21,708,889
23 Aggregate write-ins for other than invested assets	28,500,988,808	11,470,697,485	17,030,291,313	19,891,495,626
24 Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	1,348,219,973,536	58,892,061,535	1,289,327,911,985	1,347,924,336,601
25 From Separate Accounts, Segregated Accounts and Protected Cell Accounts	-	-	-	-
26 Totals	1,348,219,973,536	58,892,061,535	1,289,327,911,985	1,347,924,336,601

Source: NAIC State Data Network Annual Statement page; Assets

APPENDIX B – Consolidated Liabilities, Surplus and Other Funds of Illinois-licensed Property/Casualty Insurers for the year ending December 31, 2008

LIABILITIES, SURPLUS and OTHER FUNDS		Current Year	Prior Year
1	Losses	389,366,937,973	372,590,467,753
2	Reinsurance payable on paid losses and loss adjustment expenses	13,382,381,651	10,216,944,451
3	Loss adjustment expenses	79,097,608,480	78,505,136,146
4	Commissions payable, contingent commissions and other similar charges	4,541,819,159	5,056,791,089
5	Other expenses (excluding taxes, licenses and fees)	21,602,634,736	19,947,870,815
6	Taxes, licenses and fees (excluding federal and foreign income taxes)	4,735,638,378	4,697,017,556
7.1	Current federal and foreign income taxes (including \$(1) on realized capital gains (losses))	2,678,035,415	3,175,050,314
7.2	Net deferred tax liability	3,900,788,525	16,898,480,636
8	Borrowed money \$(1) and interest thereon \$(2)	1,680,867,517	4,040,846,361
9	Unearned premiums (after deducting unearned premiums for ceded reinsurance and including warranty reserves)	165,416,488,282	169,705,374,742
10	Advance premium	2,417,318,147	2,590,798,149
11.1	Stockholders (dividends declared and unpaid)	93,410,458	774,672,430
11.2	Policyholders (dividends declared and unpaid)	507,622,393	515,617,592
12	Ceded reinsurance premiums payable (net of ceding commissions)	28,105,669,919	22,727,040,327
13	Funds held by company under reinsurance treaties	25,659,656,837	23,138,727,473
14	Amounts withheld or retained by company for account of others	7,559,332,231	7,525,085,821
15	Remittances and items not allocated	1,510,734,833	1,280,635,150
16	Provision for reinsurance	6,305,127,987	4,850,786,191
17	Net adjustments in assets and liabilities due to foreign exchange rates	595,438,074	495,783,933
18	Drafts outstanding	3,096,036,157	3,131,584,483
19	Payable to parent, subsidiaries and affiliates	8,171,218,482	6,969,320,352
20	Payable for securities	2,462,630,450	3,183,484,471
21	Liability for amounts held under uninsured plans	4,146,169	2,648,230
22	Capital notes \$(1) and interest thereon	173,792	-
23	Aggregate write-ins for liabilities	45,954,982,500	55,449,903,571
24	Total liabilities excluding protected cell liabilities	818,846,698,532	817,470,068,018
25	Protected cell liabilities	-	-
26	Total liabilities	818,846,698,532	817,470,068,018
27	Aggregate write-ins for special surplus funds	40,143,590,253	52,578,256,755
28	Common capital stock	4,663,145,869	4,659,217,797
29	Preferred capital stock	1,211,120,838	416,440,053
30	Aggregate write-ins for other than special surplus funds	70,466,914	86,443,006
31	Surplus notes	12,977,716,687	9,788,221,631
32	Gross paid in and contributed surplus	170,762,612,213	157,232,163,663
33	Unassigned funds (surplus)	241,980,730,149	307,015,221,490
34.1	(1) Shares common (value included in common capital stock)	1,320,988,944	1,315,859,712
34.2	(2) Shares preferred (value included in preferred capital stock)	7,180,538	5,836,437
35	Surplus as regards policyholders	470,481,213,448	530,454,268,248
36	Totals	1,289,327,911,974	1,347,924,336,269

Source: NAIC State Data Network Annual Statement page; Liabilities

**APPENDIX C – Consolidated Statement of Income for Illinois-licensed
Property/Casualty Insurers for the year ending December 31, 2008**

	Current Year	Prior Year
UNDERWRITING INCOME		
1 Premiums earned	361,828,065,500	362,553,610,134
2 Losses incurred	241,197,569,436	205,830,919,910
3 Loss adjustment expenses incurred	41,868,038,467	42,922,177,822
4 Other underwriting expenses incurred	98,439,764,573	98,791,958,667
5 Aggregate write-ins for underwriting deductions	(1,361,908,361)	(808,865,966)
6 Total underwriting deductions	380,143,464,107	346,736,190,428
7 Net income of protected cells	-	-
8 Net underwriting gain (loss)	(18,315,398,563)	15,817,419,717
INVESTMENT INCOME		
9 Net investment income earned	48,196,907,510	51,496,296,133
10 Net realized capital gains (losses) less capital gains tax of \$(1)	(15,940,387,201)	8,066,185,154
11 Net investment gain (loss)	32,256,520,307	59,562,481,288
OTHER INCOME		
12 Net gain (loss) from agents' or premium balances charged off	(1,101,473,471)	(1,091,816,759)
13 Finance and service charges not included in premiums	2,130,731,759	2,091,625,851
14 Aggregate write-ins for miscellaneous income	(1,165,077,595)	(2,692,535,982)
15 Total other income	(135,819,308)	(1,692,726,896)
16 Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	13,805,302,429	73,687,174,092
17 Dividends to policyholders	1,146,398,855	1,358,705,618
18 Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	12,658,903,566	72,328,468,477
19 Federal and foreign income taxes incurred	6,089,570,857	16,022,213,761
20 Net income	6,569,332,709	56,306,254,714
CAPITAL and SURPLUS ACCOUNT		
21 Surplus as regards policyholders, December 31 prior year	530,454,268,620	498,846,580,103
22 Net income	6,569,332,709	56,306,254,714
23 Net transfers (to) from protected cell accounts	-	-
24 Change in net unrealized capital gains or (losses) less capital gains tax	(53,873,863,706)	8,064,914,960
25 Change in net unrealized foreign exchange capital gain (loss)	(919,044,121)	855,701,877
26 Change in net deferred income tax	8,617,026,731	1,803,899,424
27 Change in nonadmitted assets	(12,500,469,777)	(4,502,711,916)
28 Change in provision for reinsurance	(1,454,062,359)	429,760,717
29 Change in surplus notes	3,196,419,710	(487,056,544)
30 Surplus (contributed to) withdrawn from protected cells	-	-
31 Cumulative effect of changes in accounting principles	148,454,817	6,999,991
32.1 Capital changes paid in	813,562,990	77,729,959
32.2 Capital changes transferred from surplus (stock dividend)	2,092,777	6,542,342
32.3 Capital changes transferred to surplus	(2,046,910)	(26,993,998)
33.1 Surplus adjustments paid in	14,810,350,947	2,365,851,323
33.2 Surplus adjustments transferred to capital (stock dividend)	11,745,222	(13,839,542)
33.3 Surplus adjustments transferred from capital	(1,259,118,670)	(762,458,058)
34 Net remittances from or (to) home office	(24,344,250)	30,906,516
35 Dividends to stockholders	(27,170,161,466)	(34,116,094,433)
36 Change in treasury stock	(6,473,333)	(10,137,724)
37 Aggregate write-ins for gains and losses in surplus	3,067,543,700	1,578,418,930
38 Change in surplus as regards policyholders for the year	(59,973,054,991)	31,607,688,528
39 Surplus as regards policyholders, December 31 current year	470,481,213,622	530,454,268,637

Source: NAIC State Data Network Annual Statement page; Statement of Income

APPENDIX D – Consolidated Exhibit of Premiums and Losses in the State of Illinois for All Illinois-licensed Property/Casualty Insurers During 2008

**EXHIBIT OF PREMIUMS AND LOSSES
BUSINESS IN THE STATE OF ILLINOIS DURING THE YEAR 2008**

Line of Business	1 Direct Premiums Written	2 Direct Premiums Earned	3 Div. Paid or Credited to PolicyHldrs On Dir. Bus.	4 Direct Unearned Premium Reserves	5 Direct Losses Paid (deducting salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Dir. Def. And Cost Containment Expense Paid	9 Dir. Def. And Cost Containment Expense Incurred	10 Dir. Def. And Cost Containment Expense Unpaid	11 Commission & Brokerage Expenses	12 Taxes, Licenses And Fees
1 Fire	282,875,602	271,919,861	305,086	125,341,800	123,983,953	87,904,268	3,737,665	3,211,146	5,573,997	34,266,433	7,358,802	282,875,602
2.1 Allied lines	245,212,101	244,539,699	3,700,121	106,827,871	105,839,717	120,377,574	6,838,701	7,482,296	4,837,379	27,626,911	4,469,092	245,212,101
2.2 Multiple peril crop	818,056,465	816,911,672	-	207,632,582	590,670,985	456,134,755	1,028,226	1,581,369	2,401,301	97,222,968	683,717	818,056,465
2.3 Federal flood	30,739,465	26,845,950	-	74,225,165	89,721,259	16,914,237	1,634,749	1,783,700	168,216	3,775,129	116,595	30,739,465
3 Farmowners multiple peril	108,215,632	106,163,200	-	74,099,806	78,910,311	32,197,911	1,023,968	615,054	3,681,797	16,389,367	990,785	108,215,632
4 Homeowners multiple peril	2,425,198,154	2,384,936,395	2,641,667	1,733,030,516	1,894,429,846	755,196,947	31,392,258	33,125,576	64,471,172	316,107,310	29,056,255	2,425,198,154
5.1 Commercial multiple peril	893,561,772	900,341,352	227,559	517,386,190	552,795,770	371,551,311	14,809,784	12,286,318	49,290,136	145,443,888	16,096,697	893,561,772
5.2 Commercial multiple peril	541,495,616	554,802,155	149,653	220,502,901	272,056,325	1,046,552,074	91,433,675	89,969,251	382,881,647	86,785,480	6,596,020	541,495,616
6 Mortgage guaranty	298,924,994	296,004,022	-	157,894,122	530,237,901	949,434,163	2,577,574	6,926,253	13,341,434	453,454	3,671,711	298,924,994
8 Ocean marine	70,509,459	69,792,800	17,309	37,950,211	36,298,980	76,160,326	4,290,464	3,638,475	5,587,800	9,616,690	1,513,869	70,509,459
9 Inland marine	508,152,274	515,298,664	164,366	255,588,996	255,434,482	117,091,828	5,041,969	4,103,731	9,127,695	76,001,303	9,640,681	508,152,274
10 Financial guaranty	69,970,873	127,125,907	-	46,096,919	(180,127)	(36,296,823)	46,405	(1,033,799)	573,065	2,632	(454,708)	69,970,873
11 Medical malpractice	532,134,109	534,928,830	10,526,515	301,411,058	261,496,534	1,589,943,802	129,840,825	132,272,255	466,659,474	40,739,253	10,485,532	532,134,109
12 Earthquake	38,800,649	38,183,362	70,968	400,989	467,212	1,321,140	168,349	168,980	87,572	4,824,986	566,267	38,800,649
13 Group accident and health	130,888,709	89,606,629	-	87,728,507	83,773,814	109,373,956	997,289	1,692,789	2,230,056	13,523,540	3,060,223	130,888,709
14 Credit A&H (group and individual)	15,123,216	14,972,272	-	1,816,001	1,936,332	2,068,942	-	1,471	32,699	4,668,581	187,652	15,123,216
15.1 Collectively renewable A&H	6,498	6,674	-	-	(1,573)	5,453	-	(10)	110	658	94	6,498
15.2 Non-cancelable A&H	752	35,066	-	-	(16,222)	14	-	(1,804)	-	35	1	752
15.3 Guaranteed renewable A&H	80,031,648	51,258,853	-	55,589,925	50,799,718	80,366,033	534,496	443,853	423,851	7,473,707	282,121	80,031,648
15.4 Non-renewable for stated reasons only	8,375,103	8,444,264	2,316	8,585,711	6,838,417	6,747,834	73,769	47,190	111,229	680,845	272,886	8,375,103
15.5 Other accident only	8,123,411	8,403,351	-	4,751,017	4,643,684	918,438	(18)	1,445	7,244	2,233,588	86,323	8,123,411
15.6 Medicare Title XVIII	-	-	-	-	143,549	60,435	-	-	-	-	400	-
15.7 All other A&H	7,470,426	7,328,800	-	3,473,771	2,269,482	2,957,058	9,559	9,628	51,440	1,053,365	90,049	7,470,426
15.8 Fedl empl health benefits	-	-	-	-	-	-	-	-	-	-	-	-
16 Workers' compensation	2,539,348,464	2,541,148,101	7,896,162	1,678,879,335	1,974,811,206	5,701,194,615	145,524,169	164,930,201	532,892,259	176,894,273	71,476,622	2,539,348,464
17.1 Other liability	1,837,267,412	2,382,647,292	1,569,424	1,960,393,494	1,292,413,061	6,997,998,013	342,095,763	259,250,082	1,494,323,819	221,376,546	30,781,278	1,837,267,412
17.3 Excess workers' compensation	52,183,715	47,449,512	-	22,941,616	51,534,070	331,299,927	545,512	1,577,857	9,275,476	3,911,859	856,836	52,183,715
18 Products liability	96,730,772	99,412,127	22,336	64,225,408	139,119,656	786,137,615	76,261,176	51,674,321	265,176,734	11,428,456	1,508,937	96,730,772
19.1 Private passenger auto no-fault	111,996	153,762	9,907	3,504,729	4,967,063	6,851,285	177,373	70,574	176,785	72,481	62,732	111,996
19.2 Other private passenger auto liability	3,078,253,731	3,067,790,096	3,180,616	1,992,472,183	2,103,526,687	2,581,526,065	136,971,386	131,874,604	392,280,422	332,777,156	27,305,592	3,078,253,731
19.3 Commercial auto no-fault	458,601	(239,300)	2	86,368	136,410	355,028	50,969	25,071	67,819	159,287	11,246	458,601
19.4 Other commercial auto liability	771,037,274	781,787,007	233,386	466,093,841	452,175,057	1,175,557,616	54,364,932	51,733,279	149,143,753	111,654,687	11,659,381	771,037,274
21.1 Private passenger auto physical damage	2,467,925,407	2,461,873,272	2,383,884	1,496,238,088	1,516,295,248	135,153,652	10,722,440	10,541,140	8,583,904	253,625,076	22,851,749	2,467,925,407
21.2 Commercial auto physical damage	235,347,889	248,760,569	58,511	140,604,202	140,654,612	28,677,994	3,094,908	2,870,172	4,801,375	32,278,145	3,102,250	235,347,889
22 Aircraft (all perils)	68,099,318	74,350,393	-	42,002,216	14,143,605	774,450,643	8,591,816	29,666,891	86,925,898	9,740,058	1,868,172	68,099,318
23 Fidelity	59,786,854	66,749,776	1,188	45,513,725	31,189,320	53,771,655	1,540,926	944,487	8,161,471	7,155,768	1,115,772	59,786,854
24 Surety	167,331,884	177,241,834	873	11,244,334	7,503,077	138,977,247	7,029,012	7,847,878	18,572,729	41,775,958	3,800,240	167,331,884
26 Burglary and theft	7,783,348	7,379,830	11,185	2,845,200	1,713,421	3,744,755	503	205,441	702,949	976,780	164,420	7,783,348
27 Boiler and machinery	44,842,277	45,625,344	4,282	7,610,506	5,291,407	9,325,515	227,242	123,115	792,172	4,496,713	617,172	44,842,277
28 Credit	51,698,136	51,634,128	-	25,891,772	29,044,178	26,734,807	749,012	889,171	603,276	8,235,922	1,173,508	51,698,136
30 Warranty	927,571,849	371,605,732	-	301,019,140	325,181,815	56,133,677	2,566,384	2,195,945	40,425	4,951,708	23,789,843	927,571,849
34 Aggregate write-ins for oth lob	27,868,715	48,161,043	-	8,220,943	6,866,385	8,492,052	2,855	(49,849)	3,995,841	5,690,008	985,899	27,868,715
35 Totals	19,547,514,563	19,541,380,295	33,177,315	12,290,121,146	13,039,116,609	24,603,363,817	1,085,996,075	1,014,695,545	3,988,056,410	2,116,090,996	297,902,491	19,547,514,563

Source: NAIC State Data Network Annual Statement page; Illinois State Page Exhibit

APPENDIX E – Consolidated Insurance Expense Exhibit Part III for all Illinois-licensed Property/Casualty Insurers for 2008

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	7,389,847	7,368,725	11,580	4,412,790	69,522	186,547	3,354,806	166,679	119,743	3,662,444	1,296,166
2.1	Allied lines	6,187,845	6,180,846	8,580	4,379,340	150,234	251,769	3,880,620	226,496	112,799	2,556,555	939,640
2.2	Multiple peril crop	9,743,416	9,506,462	-	6,948,922	19,749	54,446	4,416,266	22,676	15,549	692,289	1,864,028
2.3	Federal flood	2,377,091	2,083,459	-	2,457,478	30,716	(15,449)	720,099	3,433	40,639	1,396,787	110,894
3	Farmowners multiple peril	1,325,316	1,299,368	-	995,917	32,682	123,786	462,057	59,590	81,809	627,775	256,009
4	Homeowners multiple peril	47,051,321	46,347,903	172,557	32,703,299	822,343	4,045,846	13,782,368	1,350,257	2,051,500	25,055,382	7,245,238
5.1	Commercial multiple peril (non-liability portion)	17,406,001	17,622,817	12,517	11,452,840	267,863	711,454	7,844,877	1,262,626	514,455	8,339,387	3,808,110
5.2	Commercial multiple peril (liability portion)	10,447,932	10,710,229	9,960	4,442,162	1,599,193	725,350	18,253,346	6,986,636	1,199,061	4,875,963	2,547,407
6	Mortgage guaranty	6,297,231	6,240,552	-	13,108,618	138,304	209,216	18,762,464	242,094	188,377	946,616	245,342
8	Ocean marine	3,577,218	3,575,470	2,081	2,284,794	150,487	149,424	3,614,685	289,123	135,696	1,180,974	1,098,827
9	Inland marine	12,717,103	13,067,274	15,945	6,964,586	146,517	556,522	3,630,878	215,168	213,808	4,290,011	2,970,335
10	Financial guaranty	2,101,790	3,806,511	-	18,729,111	104,321	7,961	16,559,348	(233,936)	870	11,681,232	76,194
11	Medical malpractice	4,573,918	4,679,185	41,442	1,443,976	919,368	243,848	11,007,607	3,979,005	516,143	2,138,460	899,770
12	Earthquake	1,235,608	1,250,865	2,813	(11,475)	1,844	(106)	111,770	5,492	11,908	593,538	207,809
13	Group A & H	3,638,903	3,519,503	-	2,007,323	41,301	79,541	1,922,447	47,991	109,212	1,622,344	1,010,940
14	Credit A & H	523,743	521,653	-	45,958	(184)	3,055	47,996	693	4,801	76,368	28,095
15	Other A & H	3,276,535	2,490,833	31	1,617,482	26,869	113,307	1,980,289	17,413	143,423	6,161,933	399,938
16	Workers' compensation	31,457,113	31,964,393	376,146	20,309,423	2,437,098	1,905,808	91,842,257	8,451,743	3,644,370	10,704,703	9,548,638
17.1	Other liability	36,241,344	37,191,013	33,704	20,661,545	5,083,062	1,653,894	91,720,788	19,607,933	3,919,531	19,274,514	8,391,439
17.3	Excess workers' compensation	1,127,033	1,021,140	3	1,024,460	(3,893)	94,265	8,416,969	293,524	155,745	390,235	238,965
18	Products liability	2,381,380	2,488,477	1,569	1,979,232	1,043,772	225,130	12,394,771	4,560,742	679,737	996,063	490,517
19.1	Private passenger auto liability	72,507,657	72,265,806	187,204	48,198,568	2,641,862	6,841,072	64,543,230	7,735,203	5,466,476	21,535,461	10,931,429
19.3	Commercial auto liability	16,352,675	16,756,228	45,673	8,991,070	930,404	1,056,830	21,412,416	2,678,220	1,066,059	7,280,639	4,074,917
21.1	Private passenger auto physical damage	49,957,443	50,040,825	149,379	30,132,486	157,011	4,611,870	2,499,212	154,616	1,366,231	14,732,807	7,353,725
21.2	Commercial auto physical damage	5,099,130	5,302,626	11,026	3,121,905	58,196	353,500	622,545	103,886	75,435	2,248,810	1,153,293
22	Aircraft (all perils)	1,765,007	1,927,959	-	863,082	175,957	39,951	3,841,633	448,852	44,907	793,836	321,883
23	Fidelity	1,136,447	1,206,048	435	503,902	48,774	42,581	1,131,042	158,614	37,408	636,019	226,194
24	Surety	5,068,891	4,979,925	96,732	629,074	285,294	87,854	2,832,755	585,899	169,453	2,920,770	1,347,010
26	Burglary and theft	157,553	151,709	52	21,557	5,214	1,621	68,233	13,752	1,805	81,730	33,012
27	Boiler and machinery	1,071,740	1,091,702	55	482,236	2,930	21,492	579,794	29,335	35,566	523,878	220,427
28	Credit	1,488,007	1,382,304	-	2,114,095	29,056	24,311	1,262,651	25,409	12,324	1,450,884	136,803
29	International	31,661	36,004	-	19,000	275	10,476	49,605	145	5,233	7,572	10,422
30	Warranty	3,083,787	2,415,570	-	1,892,130	777	27,977	249,672	3,901	8,884	6,393,706	229,380
34	Aggregate write-ins for other lines of business	750,133	1,238,462	-	570,758	14,627	22,142	543,703	43,950	5,693	608,798	57,246
35	Total	369,547,815	371,731,836	1,179,495	255,497,660	17,431,556	24,467,285	414,363,196	59,537,181	22,154,678	166,478,496	69,770,040

Source: NAIC State Data Network Annual Statement page; Insurance Expense Exhibit Part III

APPENDIX E (continued) – Consolidated Insurance Expense Exhibit Part III for all Illinois-licensed Property/Casualty Insurers for 2008

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	867,665	176,647	417,111	632,664	(44,929)	549,289
2.1 Allied lines	651,092	148,257	312,544	451,093	(129)	(172,186)
2.2 Multiple peril crop	751,839	11,877	(120,861)	166,385	4,832	1,678,940
2.3 Federal flood	367,327	38,882	44,390	18,941	(1,980)	(860,805)
3 Farmowners multiple peril	213,054	25,670	92,994	70,465	(4,619)	(259,821)
4 Homeowners multiple peril	6,141,964	1,130,974	3,829,816	2,068,496	78,294	(4,489,108)
5.1 Commercial multiple peril (non-liability portion)	2,925,348	453,108	1,218,785	1,060,523	789,829	310,199
5.2 Commercial multiple peril (liability portion)	1,739,848	231,411	719,605	703,639	512,347	1,051,401
6 Mortgage guaranty	6,454	154,137	211,293	730,089	95,083	(8,222,474)
8 Ocean marine	521,615	58,066	161,073	208,855	(48,940)	(9,857)
9 Inland marine	1,686,570	333,157	589,466	701,897	69,014	2,141,631
10 Financial guaranty	9	47,334	38,526	824,957	(138,604)	(16,084,306)
11 Medical malpractice	425,638	83,854	124,327	349,654	30,617	1,077,695
12 Earthquake	140,720	72,917	89,087	63,588	(7,072)	884,401
13 Group A & H	647,752	102,301	155,922	147,734	(67,018)	270,605
14 Credit A & H	153,736	14,281	27,905	36,187	(2,998)	237,713
15 Other A & H	470,101	26,109	386,958	245,237	(469,656)	(864,927)
16 Workers' compensation	2,328,212	1,350,975	1,783,608	1,923,869	530,339	79,561
17.1 Other liability	4,456,310	859,578	2,025,204	1,990,912	(80,840)	345,936
17.3 Excess workers' compensation	98,384	23,670	21,016	89,051	(11,863)	(337,675)
18 Products liability	318,620	45,941	155,743	154,640	48,845	(1,387,313)
19.1 Private passenger auto liability	6,524,639	1,637,075	6,010,107	3,674,872	328,447	(3,121,147)
19.3 Commercial auto liability	2,360,301	443,632	956,973	1,127,593	493,846	1,337,570
21.1 Private passenger auto physical damage	4,419,869	1,113,260	4,096,925	2,472,883	126,708	3,013,861
21.2 Commercial auto physical damage	735,917	128,078	306,597	383,989	78,098	281,517
22 Aircraft (all perils)	283,876	51,790	64,454	49,686	(18,338)	380,821
23 Fidelity	143,459	28,610	97,157	108,080	(12,825)	220,235
24 Surety	1,170,590	141,551	470,160	245,576	106,510	1,959,593
26 Burglary and theft	20,457	4,115	9,526	5,973	(718)	82,459
27 Boiler and machinery	90,608	27,497	112,425	105,360	(1,367)	247,730
28 Credit	300,907	38,219	45,222	103,805	6,733	(1,266,569)
29 International	1,512	423	3,044	1,879,551	(732)	(1,879,009)
30 Warranty	97,274	78,268	137,119	175,843	(38,456)	(32,273)
34 Aggregate write-ins for other lines of business	107,382	20,358	13,377	65,807	7,286	431,296
35 Total	41,169,078	9,102,058	24,607,579	23,037,923	2,355,764	(22,405,042)

Source: NAIC State Data Network Annual Statement page; Insurance Expense Exhibit Part III