
Annual Report to the Illinois General Assembly on Insurance Cost Containment



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I. PURPOSE OF THE REPORT ON COST CONTAINMENT

The 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).

The Illinois Insurance Cost Containment Act (Article XLII) was enacted in 1986 in response to the public's 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 express intent was to permit and encourage competition between 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 loss ratios of selected states from 1995 through 1999. The direct pure loss ratio, shown in this table, is calculated by dividing losses by direct earned premium.

This table shows that the \$14.1 billion property/casualty premiums written in Illinois in 1999 represent 4.7% of the nationwide total and that property/casualty losses in Illinois have averaged 64.5% of earned premium during the five years. Columns 4 through 8 provide the percent of direct written premiums reported by each of the specified states for 1995 through 1999. Columns 9 through 13 provide the loss ratio experienced by each of the specified states for 1995 through 1999. Column 14 provides the five-year average (1995 - 1999) loss ratios for each of the specified states.

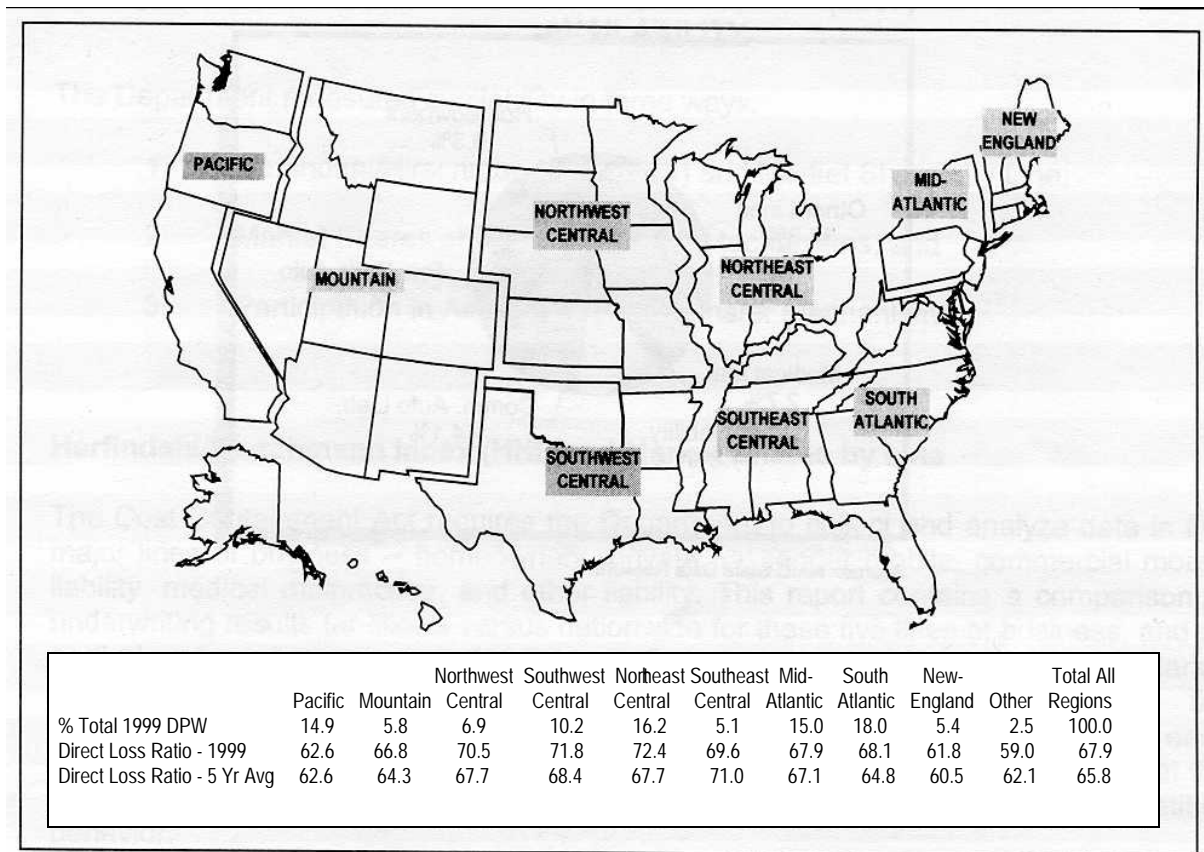
**Figure 1
State Distribution and Loss Experience (2480 Companies)
(1995 - 1999)**

Rank	State	% of Direct Premium Written						Loss Ratios					
		1999 DPW	1999	1998	1997	1996	1995	1999	1998	1997	1996	1995	5 Yr. Avg.
1	CA	34,406	11.3	11.6	11.6	11.4	11.4	60.5	61.0	56.1	58.2	66.5	60.4
2	NY	21,667	7.1	7.6	7.5	7.6	7.7	62.7	65.5	61.3	6.66	61.5	63.5
3	TX	20,201	6.7	6.8	6.8	6.8	6.7	66.5	63.8	56.9	66.5	76.2	65.8
4	FL	19,670	6.5	6.3	6.2	6.0	5.7	59.9	56.1	54.0	58.9	69.7	59.4
5	IL	14,147	4.7	4.5	4.6	4.6	4.6	66.9	65.2	58.2	67.4	64.6	64.5
6	PA	12,728	4.2	4.2	4.3	4.5	4.6	74.9	63.7	65.8	71.7	66.3	68.5
7	MI	11,515	3.8	3.5	3.5	3.6	3.6	81.8	74.5	65.5	65.8	63.2	70.4
8	OH	11,359	3.7	3.7	3.6	3.5	3.4	71.6	63.2	67.2	69.9	66.1	67.6
9	NJ	11,233	3.7	3.9	4.0	4.0	4.1	63.7	63.3	65.4	68.7	69.5	66.1
10	GA	8,128	2.7	2.6	2.6	2.6	2.5	63.9	64.9	57.9	60.7	73.3	64.0
11	MA	7,599	2.5	2.5	2.5	2.6	2.8	58.1	63.5	55.5	60.4	52.4	58.0
12	NC	7,511	2.5	2.4	2.4	2.3	2.2	77.3	68.0	60.7	94.9	61.1	72.4
13	IN	6,536	2.2	2.1	2.1	2.1	2.2	71.4	65.6	67.0	74.0	66.2	68.8
14	VA	6,172	2.0	2.0	2.0	2.0	2.0	73.6	61.0	57.9	66.1	59.9	63.8
15	MN	5,731	1.9	1.9	1.8	1.8	1.8	70.3	99.7	65.7	61.0	57.6	71.4
16	MO	5,647	1.9	1.8	1.8	1.9	1.9	64.9	62.3	57.3	60.8	64.8	62.0
17	WI	5,629	1.9	1.8	1.8	1.8	1.8	62.8	63.3	57.7	58.6	59.4	60.5
18	WA	5,542	1.8	1.8	1.8	1.7	1.7	68.2	63.7	69.4	69.9	60.7	66.4
19	TN	5,395	1.8	1.7	1.7	1.7	1.7	68.4	71.5	61.3	61.9	65.2	65.8
20	CO	5,115	1.7	1.6	1.5	1.5	1.5	67.3	61.6	52.7	71.1	60.3	62.7
	All other	77,736	25.6	25.5	25.8	26.0	26.2	67.5	6.66	60.1	64.8	63.7	64.6
	ALL	303,667	100.0	100.0	100.0	100.0	100.0	66.7	65.0	60.0	65.3	65.1	64.4

Source: Best's Aggregates & Averages - Property/Casualty, 2000 Edition

Figure 2 shows a map of direct premiums written and loss ratios by regions of the United States. In the continental United States, the Northeast Central Region exhibited the highest 1999 loss ratio (72.4) while the Southeast Central Region had the highest five-year average loss ratio (71.0). Note that the Northeast Central region, which includes Illinois, reported 16.2% of the total US written premium making it the second largest writer of the ten regions. This region showed a five-year average loss ratio of 67.7.

Figure 2
Distribution of Direct Premiums Written and Loss Ratios by Regions
(1995 - 1999)

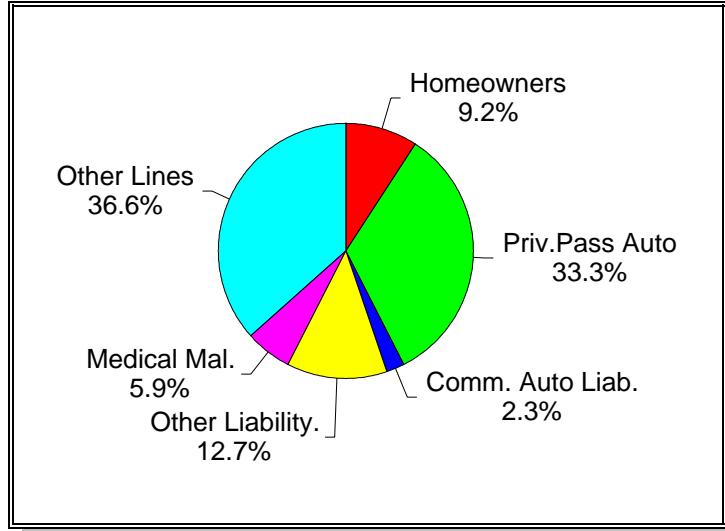


Source: Best's Aggregates & Averages-Property/Casualty

Figure 3 illustrates the distribution of property/casualty premium written by line of business during 1999 in Illinois. As the chart shows, personal-lines insurance (homeowners and private passenger automobile) makes up the largest portion of the property/casualty market (42.5%). Private passenger automobile (33.3%), 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 Cost Containment Data and Reporting Requirements (Part 4203) for 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
(1999)



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

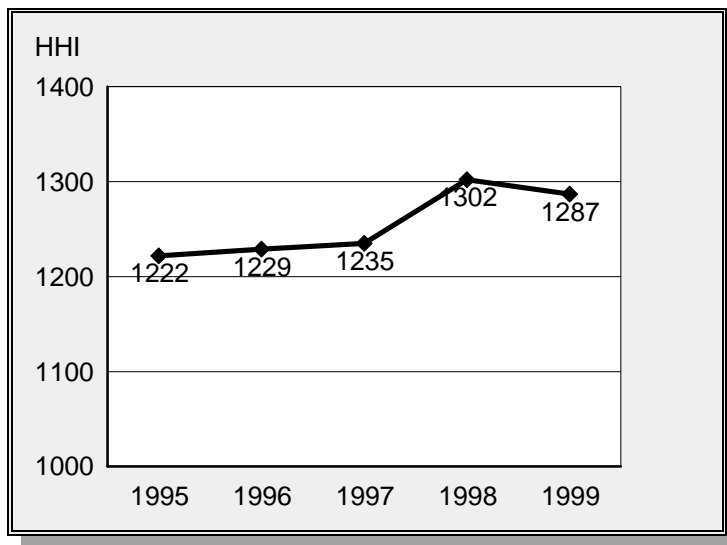
The Cost Containment Act requires the Department to collect and analyze data in five major lines of business -- homeowners, private passenger automobile, commercial automobile liability, medical malpractice, and other liability. This report contains a comparison of underwriting results for Illinois versus 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 1995 through 1999.

Although the market for homeowners coverage has become slightly more concentrated during the past five years (a higher HHI implies that fewer companies are controlling a greater proportion of the market), the index is still well below the threshold of 1800.

**Figure 4
Illinois Market Concentration - Homeowners
(1995 - 1999)**



The top ten Illinois homeowners writers (including residential fire) and their market shares for 1999 are:

State Farm Fire and Casualty Co	31.2%
Allstate Insurance Company	13.0%
Illinois Farmers Insurance Co	6.5%
Country Mutual Insurance Co	6.4%
American Family Mutual Insurance Co	5.3%
Economy Preferred Insurance Co	3.3%
Safeco Insurance Co of IL	2.2%
Economy Fire & Casualty Co	1.7%
Travelers Property & Casualty Insurance Co of IL	1.2%
National Ben Franklin Insurance Co of IL	1.1%
Total	71.9%

Homeowners data are collected pursuant to Cost Containment Data and Reporting Requirements (Part 4203). For this report, cost containment data are summarized 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 areas. Most insurers who write in downstate Illinois also have a presence in the City of Chicago. There were 190 insurers reporting homeowners business for the entire state and 161 companies reporting premium in the City of Chicago. This business represents homeowners' multi-peril coverage written in HO-1, HO-2, HO-3, and HO-5 policies.

On a statewide basis State Farm Fire & Casualty Company ranked first in condominium and renters insurance followed by Allstate Insurance Company.

State Farm General Insurance Company wrote the largest amount of Mobile home coverage followed by Mendakota Insurance Company, Allstate Insurance Company, Country Mutual Insurance Company and Pekin 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
- Economy Preferred Insurance Company
- Safeco Insurance Company of Illinois
- Economy Fire & Casualty Company
- West American Insurance Company
- Vigilant Insurance Company

*The top ten writers will not match the top ten writers on page 6 because this list excludes residential fire.

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
Economy Preferred Insurance Company
Safeco Insurance Company of Illinois
West American Insurance Company
Economy Fire & Casualty Company
Cincinnati Insurance Company

*The top ten writers will not match the top ten writers on page 6 because this list excludes residential fire.

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

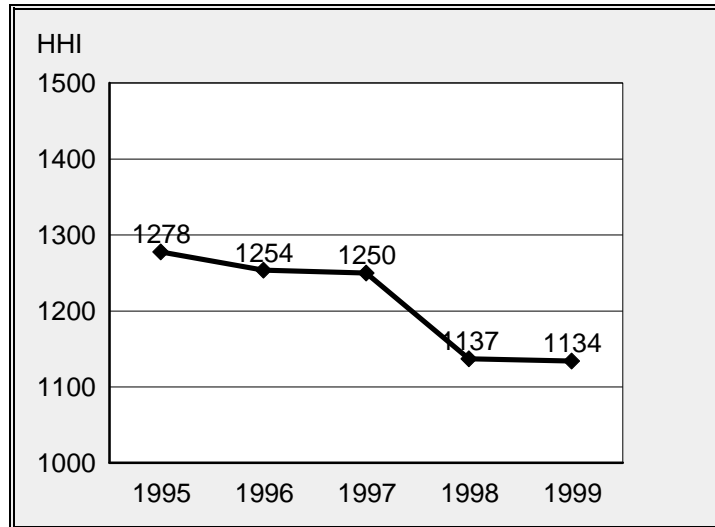
State Farm Fire & Casualty Company
Allstate Insurance Company
Illinois Farmers Insurance Company
American Family Mutual Insurance Company
Safeco Insurance Company of Illinois
Economy Fire & Casualty Company
Vigilant Insurance Company
Economy Preferred Insurance Company
Travelers Property Casualty Insurance Company of Illinois
American States Preferred Insurance Company

*The top ten writers will not match the top ten writers on page 6 because this list excludes residential fire.

Private Passenger Automobile HHI

Figure 5 provides a graph of the HHI for Illinois private passenger automobile insurance (including liability and physical damage) from 1995 through 1999. It suggests that market concentration for private passenger coverage has declined slightly during the past five years.

Figure 5
Illinois Market Concentration - Private Passenger Automobile
(1995 - 1999)



The top ten Illinois private passenger automobile writers, liability and physical damage coverage combined, and their market shares for 1999 are:

State Farm Mutual Auto Insurance Co	30.0%
Allstate Insurance Co	10.9%
Country Mutual Insurance Co	6.3%
Illinois Farmers Insurance Co	5.3%
American Family Mutual Insurance Co	4.3%
American Ambassador Casualty Co	1.7%
Economy Preferred Insurance Co	1.7%
Allstate Indemnity Co	1.5%
Mid-Century Insurance Co	1.3%
Valor Insurance Co	1.3%
Total	64.3%

Cost Containment data are collected for the private passenger automobile line of insurance. For this report, the liability component will be presented 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 245 insurers which filed private passenger automobile liability insurance data via the Cost Containment Data and Reporting Requirements (Part 4203). Of these, 218 insurers reported written premium in the City of Chicago.

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
- Economy Preferred Insurance Company
- Economy Fire & Casualty Company
- Safeway Insurance Company
- State Farm Fire & Casualty Company
- Mid Century 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
- Economy Fire & Casualty Company
- Economy Preferred Insurance Company
- Mid Century Insurance Company
- State Farm Fire & Casualty Company
- Gallant Insurance Company

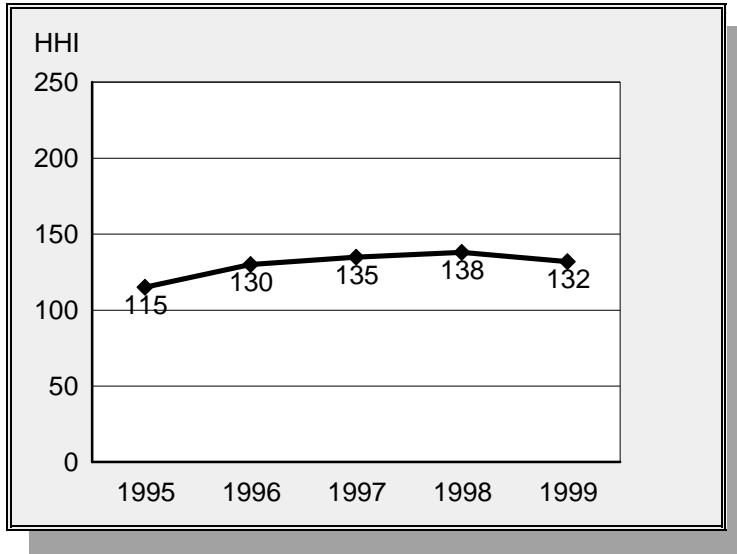
The top ten writers in the private passenger automobile liability (Chicago only) market are:

- State Farm Mutual Automobile Insurance Company
- Allstate Insurance Company
- Universal Casualty Insurance
- Safeway Insurance Company
- Valor Insurance Company
- American Family Mutual Insurance Company
- Illinois Farmers Insurance Company
- American Service Insurance Company
- GEICO General Insurance Company
- Founders Insurance Company

Commercial Automobile Liability HHI

Figure 6 provides a graph of the HHI for Illinois commercial automobile liability from 1995 through 1999. 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
(1995 - 1999)**



The top ten Illinois commercial automobile liability writers and their market shares for 1999 are:

American Country Insurance Co	5.7%
State Farm Mutual Automobile Ins Co	3.5%
Great West Casualty Co	3.4%
Liberty Mutual Fire Insurance Co	2.4%
Cincinnati Insurance Co	2.2%
Northland Insurance Co	2.1%
National Union Fire Ins Co of Pittsburgh	2.1%
Pekin Insurance Co	1.7%
Transguard Ins Co of America Ins	1.7%
St Paul Fire & Marine Insurance Co	1.6%
Total	26.4%

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-four other companies compete for the remaining market share in this class. 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. This is a unique and specialized market and the insurance marketplace can be volatile. 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
- Delta Casualty Company
- Reliance National Indemnity Company
- Gulf 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. Three hundred and fifty-nine companies reported positive written premium, with 35 companies writing in excess of \$1 million in premium. The surplus line market wrote 51 policies and \$.3 million for this coverage. This is a significant decrease in premiums from the previous year although the policy count increased by 18.

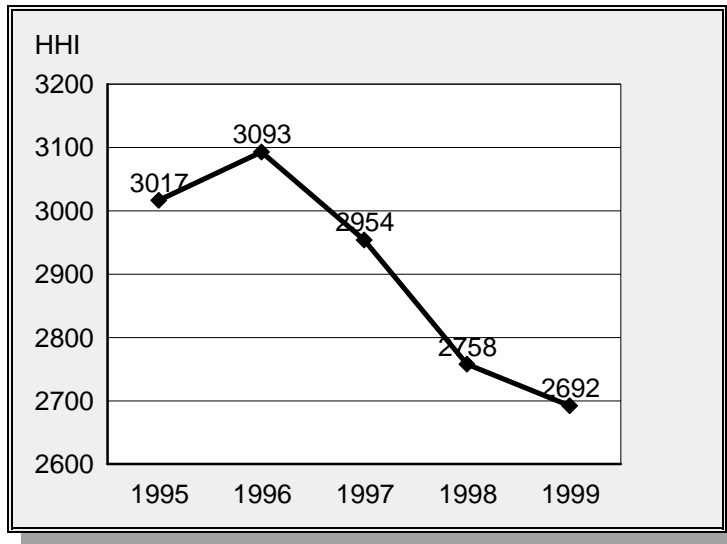
The top writers in this market are:

- State Farm Mutual Automobile Insurance Company
- Country Mutual Insurance Company
- Northland Insurance Company
- Auto Owners Insurance Company
- Great West Casualty Company
- Pekin Insurance Company
- Cincinnati Insurance Company
- CGU Insurance Company of Illinois
- American Family Mutual Insurance Company
- Safeway Insurance Company

Medical Malpractice HHI

Figure 7 provides a graph for the HHI for Illinois medical malpractice coverage from 1995 through 1999. 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 Illinois State Medical Interinsurance Exchange, which wrote 50.3% of the medical malpractice coverage in 1999. The second largest medical malpractice insurer, by direct written premium, was American Continental Insurance Company, which wrote only 6.5% of the business. Although the market is highly concentrated, with an HHI well above the 1800 level, the index has dropped significantly since 1996, as the chart shows.

Figure 7
Illinois Market Concentration - Medical Malpractice
(1995 - 1999)



The top ten Illinois medical malpractice writers and their market shares for 1999 are:

Illinois State Medical Interinsurance Exchange	50.3%
American Continental Insurance Co	6.5%
Pronational Insurance Co	6.3%
St Paul Fire & Marine Insurance Co	4.6%
RML Insurance Co	4.4%
Doctors Company an Interinsurance Exchange	2.5%
Frontier Insurance Co	2.2%
Continental Casualty Co	2.1%
Phico Insurance Co	1.9%
Firemans Fund Insurance Co	1.8%
Total	82.6%

There were 33 admitted carriers who reported the medical malpractice classes that the Department collects. As aforementioned, this line was dominated by one carrier, the Illinois State Medical Interinsurance Exchange. The surplus lines market accounted for \$4.6 million in premium, which ranks it 7th among the top writers. 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 coverages include dentists and oral surgery and medical-surgery. These markets have remained stable throughout the past decade and indicate that there are no significant problems at this time. They are, however, one of the few insurance coverages that the Department reviews under an applicable rating law.

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

- Illinois State Medical Interinsurance Exchange
- Pronational Casualty Company
- Phico Insurance Company
- Doctors' Company
- Frontier Insurance Company
- Asspecialty Insurance Corporation
- St. Paul Medical Liability Insurance Company
- American Continental Insurance Company
- Continental Casualty Company
- Transportation 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:

- Illinois State Medical Interinsurance Exchange
- Pronational Casualty Company
- Frontier Insurance Company
- Doctors' Company
- Transportation Insurance Company
- Paco Assurance Company, Inc.
- Cincinnati Insurance Company
- Continental Casualty Company
- Illinois National Insurance Company
- St. Paul Medical Liability Insurance Company

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

Continental Casualty Company
Medical Protective Company
Firemans Fund Insurance Company
Aaoms National Insurance Company, RRG
St. Paul Insurance Company of Illinois

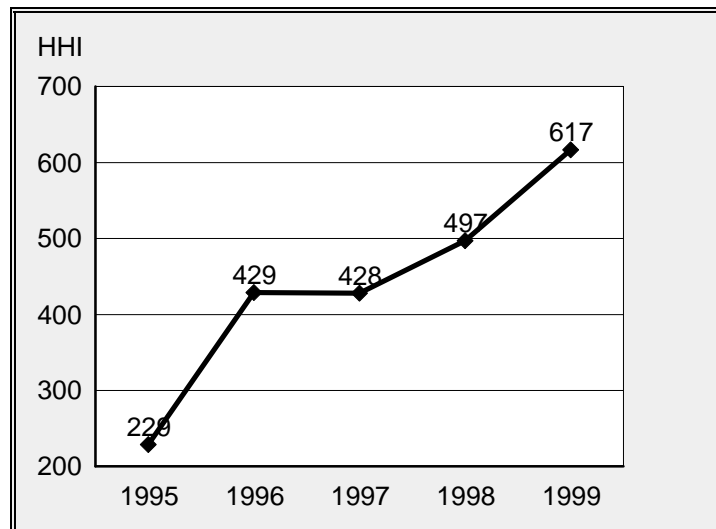
The top five writers in the medical-surgery classes market are:

Illinois State Medical Interinsurance Exchange
Doctor's Company
Pronational Casualty Company
Asspecialty Insurance Corporation
Frontier Insurance Company

Other Liability HHI

Figure 8 provides a graph of the HHI for Illinois other liability insurance from 1995 through 1999. 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
(1995 - 1999)



The top ten Illinois other liability writers and their market shares for 1999 are:

Illinois National Insurance Co	20.8%
National Union Fire Insurance Co of Pittsburgh	8.0%
Zurich American Insurance Co of Illinois	5.6%
Federal Insurance Co	4.3%
American Zurich Insurance Co	3.4%
Liberty Insurance Co of America	3.0%
Continental Casualty Co	3.0%
Underwriters at Lloyds London	2.8%
American Manufacturers Mutual Insurance Co	2.1%
Lumbermens Mutual Casualty Co	2.1%
Total	55.1%

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.

From 1998 to 1999, there were changes in the magnitude of the market shares of the top companies in the liquor liability market as well as their ranking. We listed five companies which wrote in excess of \$1 million in premium in 1998. In 1999 we are listing seven. The Department has detected no drastic price increases or availability issues. In 2000 the surplus lines market wrote only 21 policies of liquor liability insurance, an increase of three policies from 1999. The liquor liability market in Illinois is strong, viable and competitive.

Illinois Casualty Company
 Underwriters at Lloyds London
 First Financial Insurance Company
 Continental Casualty Company
 Constitutional Casualty Company
 Springfield Fire and Casualty Company
 Founders Insurance Company

Underwriters at Lloyd's London was the top writer of lawyers' professional liability writing in excess of \$12.9 million in direct written premium, followed by Continental Casualty Company which wrote in excess of \$12.7 million. American National Fire Insurance Company wrote approximately \$4.8 million. The middle three companies each wrote in excess of \$1 million in premium. The remaining three companies each wrote more than \$500,000 in premium. In 1999 the surplus lines market wrote only 60 policies and \$1.9 million in premium, the same premium as in 1998. The lawyers

professional liability market is dominated by a few companies, and is one of the markets watched closely by the Department.

Underwriters at Lloyd's London
Continental Casualty Company
American National Fire Insurance Company
Coreigis Insurance Company
National Union Fire Insurance Co of Pittsburg
National Casualty Company
Executive Risk Indemnity Inc
Chicago Insurance Company
Evanston Insurance Company

This report does not include coverage written by the Illinois State Bar Association. The Association wrote business as a risk retention group through October 2000. At that time, they became a domestic mutual company. As such, they were required to report data under the Cost Containment Act. It appears that this company will rank third once their data are collected.

In 1999, seventy-two admitted insurers reported day-care liability data for Illinois. The surplus lines market, however, wrote the majority of coverage with 381 policies and almost \$440,000 in premium. The top four admitted writers are:

Frontier Insurance Company
NonProfits Insurance Association Inter-Insurance Exchange
Church Mutual Insurance Company
Merkel Insurance Company

In 1999, 25 admitted insurers of *home day-care liability* reported data for Illinois. This is again down slightly from the previous period. The ranking of the top five carriers changed noticeably this year. State Farm Fire and Casualty Company remained number one, but the rank of the remaining four companies changed from the April 15, 2000 report.

State Farm Fire and Casualty Company
Allstate Insurance Company
Country Mutual Insurance Company
Economy Preferred Insurance Company
Metropolitan Property & Casualty 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 19, shows the FAIR Plan's dwelling and homeowners written premiums as a percent of total Illinois dwelling and homeowners written premiums for 1995 through 1999.

As the chart shows, homeowners insurance is widely available in the voluntary marketplace. A very small percentage of Illinois consumers (ranging from .49 to .39 percent from 1995 through 1999) 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
(1995 - 1999)

	Amount of Written Premiums	As % of Total Written Premiums
1995	\$5,219,000	0.49
1996	\$5,336,000	0.48
1997	\$5,408,000	0.47
1998	\$5,108,000	0.43
1999	\$4,945,000	0.39

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 1995 through 1999 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 has dropped from 5,683 in 1995 to 1,977 in 1999. 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
(1995 - 1999)

	1995	1996	1997	1998	1999
Illinois	0.09	0.06	0.04	0.03	0.03
Nationwide	3.60	2.93	2.46	2.10	2.15

Source: AIPSO Facts 2000 (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 1995 through 1999. The chart shows a clear downward trend in the amount of business being written in the residual market. In 1999, only 2.5% of the \$1.60 billion 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
(1995 - 1999)

	1995	1996	1997	1998	1999
Percent of Total	7.8	5.2	4.3	2.8	2.5

Source: National Council on Compensation Insurance (NCCI)

Each insurer participating in the Plan that removes an employer insured through the Plan is eligible for a take-out credit application against the premium used to calculate the insurer's Plan participation base. **Figure 11.b** shows the 1999 Illinois Take-Out Credit Results for Workers Compensation written through the pool.

Figure 11.b
1999 Illinois Take-Out Credit Results

Total Number of Policies	Approved Credit
1,411	\$3,914,635

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 1999 based on written premium.

Figure 11.c
Illinois Residual Market Top Ten Classification Codes
Calendar Year 1999

Rank	Code	Description	Total State Premium	% of Premium
1	5645	Carpentry-One or Two Family Dwellings	\$2,491,214	6.6%
2	4484	Plastics Manufacturing	\$2,125,361	5.7%
3	7228	Short Haul Trucking	\$1,272,809	3.4%
4	5551	Roofing	\$1,109,483	3.0%
5	9014	Buildings Operated by Contractors	\$961,703	2.9%
6	8810	Clerical	\$946,310	2.7%
7	5474	Painting	\$881,125	2.5%
8	9015	Buildings Operated by Owners	\$757,457	2.3%
9	8861	Charitable or Welfare Organizations	\$726,663	2.0%
10	4410	Rubber Goods Manufacturing	\$663,827	1.9%

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 1995 to 1999 by surplus lines providers for homeowners, private passenger auto liability and physical damage, commercial auto liability, medical malpractice and general liability coverage.

Figure 12
Surplus Lines - Number of policies written in Illinois
(1995 - 1999)

Line of Business	1995 Illinois Policy Count	1996 Illinois Policy Count	1997 Illinois Policy Count	1998 Illinois Policy Count	1999 Illinois Policy Count
Homeowners	2,079	1,377	626	669	987
PPA Liability	822	908	1,016	933	718
PPA Physical Damage	6,742	8,769	9,590	10,162	7,797
Commercial Auto Liability	96	51	47	52	33
Medical Malpractice	834	776	703	548	494
Other Liability	13,188	12,769	13,223	11,526	11,108

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, recordkeeper 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.

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.

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 1999. As figure 14 shows, the Illinois loss percentage was slightly higher than that experienced nationwide, but loss expenses and taxes were below the nationwide results.

Figure 14
Homeowner's Underwriting Results
(1999)

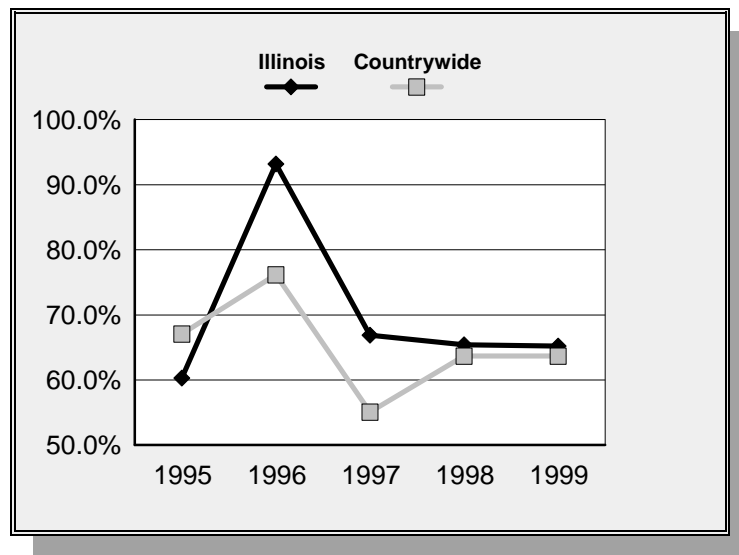
Homeowners (\$000 omitted)	Illinois*	Countrywide**
Direct written premiums	\$1,256,159	\$32,492,812
Direct earned premiums	\$1,237,737	\$31,677,274
Expenses (% earned premium)		
Incurred loss	65.2%	63.7%
Def. & cost cont. exp. incurred	1.5%	2.0%
Comm./brokerage	14.4%	14.5%
Taxes, licenses & fees	1.6%	2.4%

* Source: NAIC State Data Network, 1999 Illinois State Page Exhibit, Aggregate Totals of 248 Property/Casualty Companies.

**Source: Best's Aggregates & Averages 2000, Insurance Expense Exhibit Part III, Aggregate Totals of 2434 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, homeowner losses in Illinois as a percent of earned premium were significantly higher than nationwide losses during 1996 and 1997 but mirrored the nationwide homeowner losses in 1998 and 1999.

Figure 15
Homeowners Losses as a % of Premiums Earned
(1995 - 1999)



Private Passenger Automobile

Figure 16, on the following page, compares the underwriting results of private passenger automobile insurance written in Illinois with that written countrywide during 1999. As with the homeowners line, the aggregate underwriting results in Illinois in the private passenger auto line of business were comparable with the results nationwide.

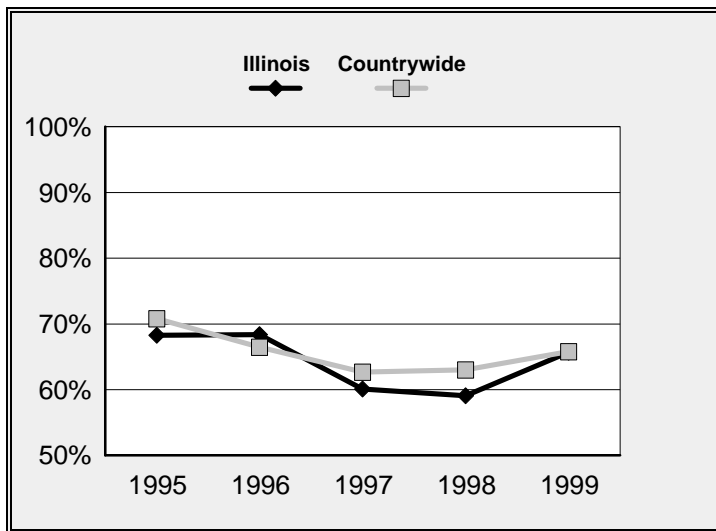
Figure 16
Private Passenger Automobile Underwriting Results (1999)

Private Passenger Automobile (\$000 omitted)	Illinois*	Countrywide**
Direct written premiums	\$4,560,067	\$120,153,728
Direct earned premiums	\$4,518,970	\$118,968,532
Expenses (% earned premium)		
Incurred losses	65.7%	65.8%
Def. & cost cont. exp. incurred	2.5%	3.0%
Comm./brokerage	10.5%	9.4%
Taxes, licenses & fees	1.7%	2.2%

* Source: NAIC State Data Network, 1999 Illinois State Page Exhibit, Aggregate Totals of 293 Property/Casualty Companies.
 **Source: Best's Aggregates & Averages 2000, Insurance Expense Exhibit Part III, Aggregate Totals of 2434 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 (1995 - 1999)



Commercial Automobile Liability

Figure 18 shows that the loss and loss expense percentages in Illinois in the commercial automobile liability line during 1999 were slightly higher than those countrywide.

**Figure 18
Commercial Automobile Liability Underwriting Results (1999)**

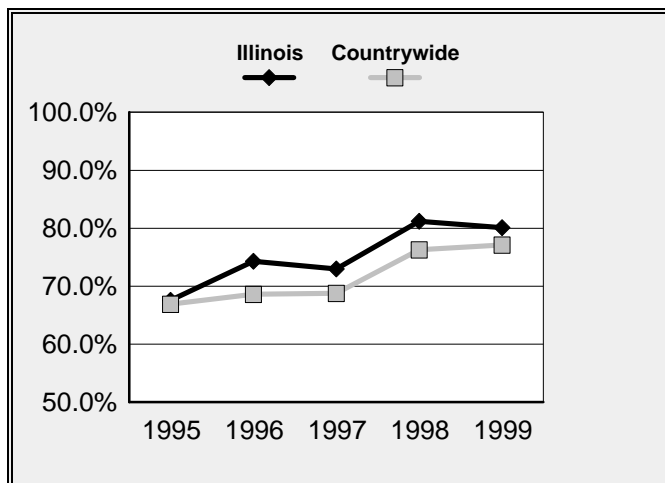
Commercial Automobile Liability (\$ 000 omitted)	Illinois*	Countrywide**
Direct written premiums	\$557,008	\$13,971,426
Direct earned premiums	\$553,962	\$13,922,979
<i>Expenses (% earned premiums)</i>		
Incurred losses	80.1%	77.1%
Def. & cost cont. exp. incurred	7.9%	6.9%
Comm./brokerage	13.3%	14.2%
Taxes, licenses & fees	1.5%	2.5%

* Source: NAIC State Data Network, 1999 Illinois State Page Exhibit, Aggregate Totals of 347 Property/Casualty Companies.

**Source: Best's Aggregates & Averages 2000, Insurance Expense Exhibit Part III, Aggregate Totals of 2434 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 have been similar to those countrywide.

**Figure 19
Commercial Auto Liability Losses as a % of Premiums Earned
(1995 - 1999)**



Medical Malpractice

Figure 20 shows the loss percentages and expenses percentages for the medical malpractice market for Illinois and countrywide for 1999. The loss percentage and loss adjustment expenses percentage in Illinois for this line were significantly lower than the aggregate countrywide figures.

Figure 20
Medical Malpractice Underwriting Results (1999)

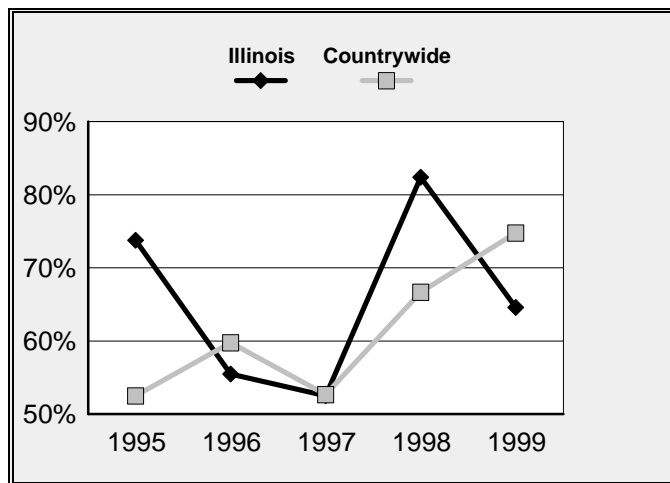
Medical Malpractice (\$000 omitted)	Illinois*	Countrywide**
Direct written premiums	\$319,479	\$6,003,177
Direct earned premiums	\$324,573	\$5,987,900
Expenses (% earned premiums)		
Incurred losses	64.6%	74.8%
Def. & cost cont. exp. incurred	15.9%	27.2%
Comm./brokerage	6.3%	6.0%
Taxes, licenses & fees	0.9%	2.2%

* Source: NAIC State Data Network, 1999 Illinois State Page Exhibit, Aggregate Totals of 71 Property/Casualty Companies.

**Source: Best's Aggregates & Averages 2000, Insurance Expense Exhibit Part III, Aggregate Totals of 2434 Property/Casualty Companies.

Figure 21 compares the five-year loss percentages trend for Illinois and countrywide medical malpractice insurance. Underwriting losses dropped well below the nationwide loss percentage in 1999, after being significantly higher in 1998.

Figure 21
Medical Malpractice Losses as a % of Premiums Earned (1995 - 1999)



Other Liability

Figure 22 compares the underwriting results between Illinois and countrywide for the other liability line of business. The Illinois loss percentage was slightly higher than the countrywide percentage in 1999, however, other expenses, such as defense and comission/brokerage, were significantly lower.

Figure 22
Other Liability Underwriting Results (1999)

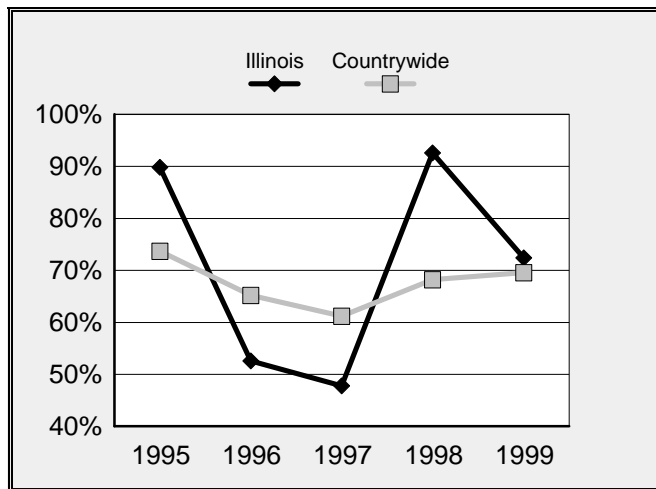
Other Liability (\$000 omitted)	Illinois*	Countrywide**
Direct written premiums	\$1,744,223	\$24,258,630
Direct earned premiums	\$1,633,328	\$22,999,959
Expenses (% earned premium)		
Incurred losses	72.4%	69.6%
Def. & cost cont. exp. incurred	9.3%	17.0%
Comm./brokerage	8.6%	14.1%
Taxes, licenses & fees	1.5%	2.1%

* Source: NAIC State Data Network, 1999 Illinois State Page Exhibit, Aggregate Totals of 444 Property/Casualty Companies.

**Source: Best's Aggregates & Averages 2000, Insurance Expense Exhibit Part III, Aggregate Totals of 2434 Property/Casualty Companies.

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

Figure 23
Other Liability Losses as a % of Premiums Earned (1995 - 1999)



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. Does it generate enough profit to survive? Any business must be profitable to succeed. Over the long run, it must take in more money than it pays out. In a given month or year, its costs may exceed its income, requiring it to pay some of those costs with previously accumulated funds. If the pattern continues, however, the accumulated funds will eventually run out and the business will collapse. Thus an insurance company must manage its income and expenses to assure the profitability on which its survival depends.

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

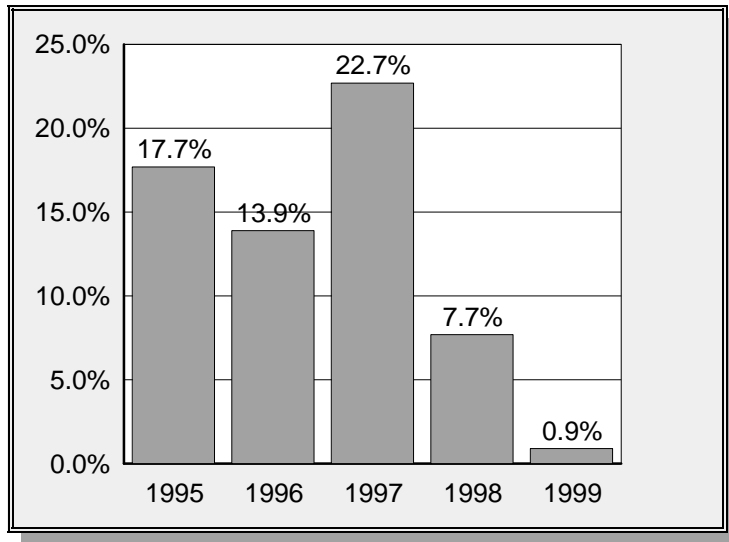
Change in Policyholders' Surplus

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, on the following page, shows the percent change in policyholders surplus for the Illinois-licensed property/casualty industry over the past five years. As the chart shows, policyholders surplus gained a mere 0.9 percent from 1998 to 1999, following recent years of strong surplus growth. The P/C industry nationwide experienced the same anemic 0.9 percent growth in surplus, the smallest gain since 1984 when surplus

declined by 2.7 percent. The effects of weak premium growth, a surge in underwriting losses and a decline in investment income combined to take their toll.

Figure 24
Percent Change in Policyholders' Surplus
(1995 - 1999)



Source: NAIC State Data Network

According to a report by the Insurance Information Institute (I.I.I.), premium growth during the 1990's averaged just 3.2 percent per year compared to 8.7 percent per year in the 1980's and 12.1 percent during the 1970's. The I.I.I attributes this weak growth in part to chronic under pricing in the commercial lines. The report also states that the typical personal auto premium fell 2.9 percent in 1998, the first decline in 25 years, and fell an additional 4 to 5 percent in 1999. The private passenger auto line of business accounted for 33.3 percent of total written premium in Illinois during 1999 (see figure 3, pg 4).

Nationwide, underwriting losses in 1999 were higher than in any of the previous four years. Catastrophe losses were less in 1999 than in 1998, but factoring in inflation, were higher in only five of the fifty years from 1949 to 1993.

Illinois-licensed insurers experienced a decline in net investment gains (the sum of net investment income earned and realized capital gains) of \$3.9 billion from the 1998 figure. Although investment income earned increased by \$519 million, realized capital gains declined \$4.4 billion. According to the I.I.I. report, nationwide, the industry's net investment income has declined two years in a row. These declines are a reflection of a downward trend in interest rates from 1994 to 1998. Since 1949 the industry's investment income has declined in just two other years – 1992 and 1993.

Underwriting Gains/Losses

Figure 25 shows the aggregate *Underwriting Gain/Loss* for Illinois-licensed insurers from 1995 to 1999. As the table shows, net underwriting losses decreased from 1995 to 1997, and then dramatically increased in 1998 and 1999. While premium grew 1.3 percent from 1997 to 1998 and 1.6 percent from 1998 to 1999, losses, loss expenses and other underwriting expenses increased 5.5 percent from 1997 to 1998 and 4.4 percent from 1998 to 1999.

Figure 25
Aggregate Net Underwriting Gain/(Loss) (in millions)
(1995 - 1999)

	1995	1996	1997	1998	1999
Premiums earned	\$214,558	\$222,460	\$228,209	\$231,208	\$234,928
Losses incurred	141,864	145,286	137,686	146,238	153,860
Loss expenses incurred	28,364	28,833	28,492	30,485	31,454
Other underwriting expenses incurred	58,177	60,805	63,676	65,678	67,654
Dividends to policyholders	<u>2,499</u>	<u>1,947</u>	<u>3,443</u>	<u>3,412</u>	<u>1,835</u>
Net underwriting gain/(loss)	<u>(\$16,346)</u>	<u>(\$14,411)</u>	<u>(\$5,088)</u>	<u>(\$14,605)</u>	<u>(\$19,875)</u>

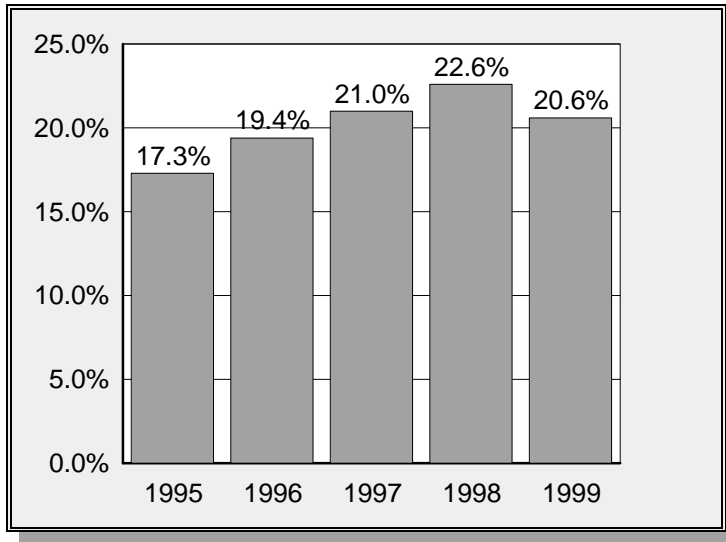
Source: NAIC State Data Network

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 26, on the following page, shows the *Net Investment Income Ratio* for Illinois licensed property/casualty industry combined during the five year period. This ratio has risen from 17.3 in 1995 to 22.6 in 1998 before regressing slightly to 20.6 in 1999.

Figure 26
Net Investment Income Ratio
(1995 - 1999)



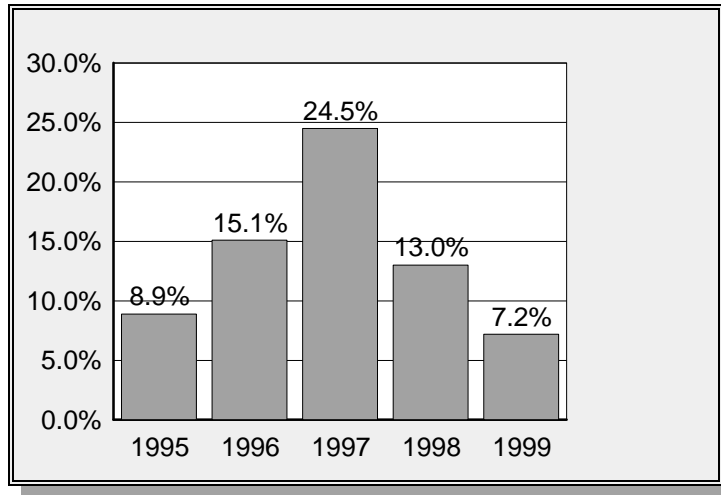
Source: NAIC State Data Network

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 27, on the following page, shows the aggregate *Return on Policyholders' Surplus* from 1995 through 1999 for the Illinois-licensed property/casualty industry combined. The drop from 1997's return is a reflection of weaker premium growth coupled with increased losses and loss expenses and smaller gains in investment income.

Figure 27
Return on Policyholders' Surplus
(1995 - 1999)



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 determining 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

Catastrophic Events - 1999

The Property Claim Services (PCS) unit of Insurance Services Office (ISO) considers events that cause more than \$25 million in insured losses and affect a significant number of policyholders to be a catastrophic event. Insured losses span a wide range of catastrophes including weather-related events, to man-made disasters such as riots and satellite failures. Outside the United States, natural disaster losses are less likely to be insured.

In 1999, the top five most costly losses from international catastrophes totaled \$14.04 billion (insured losses in U.S. dollars). These included:

1. Winter storm Lothar causing damage of \$4.50 billion (insured losses in U.S. dollars.) in France, Switzerland, Germany, Belgium, United Kingdom, and Ireland.
2. Typhoon Bart causing damage of \$2.98 billion (insured losses in U.S. dollars) in Japan.
3. Hurricane Floyd causing damage of \$2.36 billion (insured losses in U.S. dollars) in the East Coast of the United States, the Bahamas, and other Caribbean Islands.
4. Winter storm Martin causing damage of \$2.20 billion (insured losses in U.S. Dollars) in France, Spain, and Switzerland.
5. Earthquake Izmit causing \$2.00 billion (insured losses in U.S. Dollars) in Turkey.

In comparison, the top five U.S. Catastrophes in 1999 exhibited insured losses totaling \$5.51 billion. They included: September's Hurricane Floyd producing \$1.96 billion in insured losses; a series of four January storms that hit New York, Pennsylvania, New Jersey and the South, leaving \$1.80 billion in insured losses in their wake; a series of tornadoes and storms that barreled through Oklahoma and 17 other states in May, causing \$1.49 billion in insured property damage; Hurricane Lenny, in November causing \$165 million of insured property damage; and Hurricane Irene in October causing \$100 million in insured property losses.

In Illinois, tornadoes and other wind and weather related events caused a majority of the catastrophic losses. If we consider only those events with a \$10,000 or greater property damage loss, there were 119 events in 1999 which accounted for \$31.8 million in property damage, 2 deaths, 24 injuries, and \$54 million in crop damage. Tornadoes occurring in the Illinois cities of Warsaw, Tower Hill, and Ashland were the most destructive causing \$15 million, \$2 million, and \$1.8 million in property damage losses respectively. Storms in Bath, Concord, Huntsville, Beardstown, Petersburg and

Riggston on August 12th, and in Rushville on August 18th accounted for all of the \$54 million in crop losses in 1999.

Figure 28 compares insured losses from U.S. catastrophes from 1990 to 1999 in 1999 dollars. The insured losses of \$8.3 billion for 1999 were pale in comparison with the 1992 and 1994 losses of \$27.3 and \$19.1 billion dollars respectively. Note that the Property Claim Services unit considered \$5 million as the standard for catastrophic losses through 1996. In 1997, the standard for a catastrophic event was raised to \$25 million.

Figure 28
Comparison of Insured Losses for U. S. Catastrophes
(1990 - 1999) \$ millions

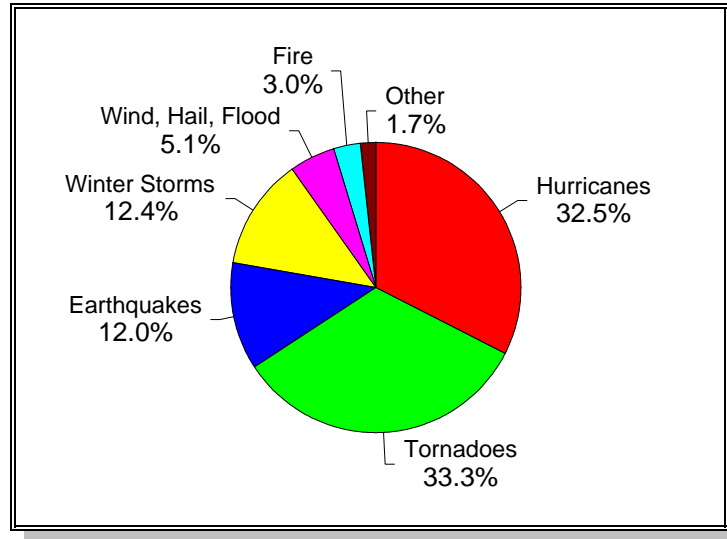
Year	Losses
1990	\$3,601.00
1991	\$5,777.00
1992	\$27,276.00
1993	\$6,578.00
1994	\$19,122.00
1995	\$9,084.00
1996	\$7,831.00
1997	\$2,699.00
1998	\$10,292.00
1999	\$8,321.00

Source: The Insurance Information Institute Fact Book 2001

Figure 29 provides a breakdown of the types of events contributing to catastrophic losses from 1979 through 1999. It is notable that hurricanes and tornados account for two of every three dollars of insured losses expended on catastrophic losses in the United States.

There has been much discussion regarding who should pay for catastrophes. Many insurers have become convinced that the industry simply lacks the capacity to insure against disasters and want government to play a larger role. Of course, neither insurance regulators nor the industry can prevent natural catastrophes. However, as regulators, the Department must monitor the financial solvency of insurers and must monitor the effects of large catastrophes on the overall viability of the Illinois marketplace.

Figure 29
Inflation-Adjusted Percentage of Catastrophic
Losses By Cause
(1980 -- 1999)



Source: The Insurance Information Institute Fact Book 2001

Progress has been made in this area. In an effort to increase capacity for the financing of catastrophe risks and to spread these risks across broader markets, regulators and insurers have developed methods for securing insurance risks, thus creating opportunities for investors in the capital markets to participate in the financing of catastrophe exposures. The Illinois legislature passed legislation to allow insurers to offer debt securities directly to the capital markets through protected cell arrangements that allow investors to finance specified insurance risks. Efforts are continuing to enhance capacity through the development of on-shore special purpose reinsurance vehicles and through efforts to pass federal legislation authorizing insurers to fund catastrophe reserves.

V. CONCLUSION AND RECOMMENDATION

Overall, the Illinois property/casualty industry can be described as generally stable and viable during 1999. Results for business written in Illinois were not quite as good in 1999 as they were in the previous year. The 1999 change in surplus remained positive but its magnitude was less than the 1998 change. For the most part, Illinois insurers and consumers shared a success story. Insurers were generally profitable, although less so than in 1998, while most Illinois customers experienced little difficulty in obtaining coverages that they desired. Similar to the country-wide marketplace, the Illinois market continued to be generally soft, particularly in the personal lines, marked by keen competition. The degree of competition was validated by the results of accepted economic measures of competition such as concentration ratios and the Herfindahl-Hirschman Index (HHI) reported herein. Two insurers control a large percentage of the personal lines business and the competition is keen for the remaining share. Note, however, that the HHI for the homeowners (1302) and automobile lines (1137) is generally higher than the commercial line but not approaching the threshold of 1800 that suggests being too concentrated. In addition, by pure economic standards, the Illinois market is a good example of working competition. Any potential for anti-competitive behavior is generally offset by the ease of entry and exit into and out of the marketplace and the large number of other insurers competing for the remaining market share. Also, the lack of increased market share exhibited by the alternative mechanisms, as reported by the Fair Plan, Automobile Insurance Plan Insurance Office (AIPSO), Surplus Lines Association, Workers' Compensation Assigned Risk Program, and others suggest that the Illinois admitted market does its job extremely well - providing insurance to almost everyone that requests it.

The commercial lines are less capital intensive and less concentrated than the personal lines. Measures of concentration suggest that, generally, all commercial lines (excepting medical malpractice) are extremely competitive, with the top writers in many markets controlling a significant portion of that market. The medical malpractice line is the only line of insurance that exceeds the threshold of being too concentrated. The Illinois State Medical Interinsurance Exchange writes 51 percent of the business in this line contributing 2611 points to the total HHI of 2758. The Department's research has found that 1) it is not uncommon for an exchange to dominate this market in a given state and 2) the Illinois State Medical Interinsurance Exchange does a very good job of providing much needed coverage to the medical community. Nevertheless, the Department will continue to monitor this line.

History suggests that the majority of Illinois insurers are knowledgeable, focused, and adaptable - all traits that benefit the consumers. Smart insurers should always know their market and be on the alert for signals suggesting market turnarounds. Flexibility, adaptability, technology, and knowledge may be the key words for insurers in the new millennium. Insurers that add value responsibly, use information properly, and exercise good management skills will succeed in any type of market. Insurers taking advantage of technological changes and using innovative approaches in marketing their products will have a definite advantage.

The Hardening Future Market

As predicted, over the past year consumers have experienced a change or “hardening” of market pricing. Loss ratios have increased and investment income has declined. In spite of these negatives capital has always been available and capacity is high. During the past year, profit reports for publicly owned insurance companies have continued to decline, some being much worse than anticipated.

Price increases are being felt in the commercial lines insurance markets and in worker’s compensation coverage. The industry is reporting that renewal premiums are rising compared to the last reporting periods. Some insurance buyers with poor loss histories are already beginning to find insurance coverage difficult to obtain in their preferred markets.

In the current literature and through discussions with producers and insurers within the State and particularly in the Chicago and metropolitan area, it is evident that prices are still increasing. These price increases are still being characterized as a market correction. The market is not near panic, and does not appear to be overreacting. Nevertheless, prices are increasing and Illinois insureds should expect further premium increases in the coming years. It still appears that pricing and premium increases are based upon sound underwriting principals and consumers with good loss histories are receiving only moderate increases.

The Workers Compensation insurance market has been affected by not only price increases but by several insolvency’s and withdrawals in the Illinois marketplace. These have occurred in both the admitted market and the self insured pools, some being rather major players: ie; the Superior National Group, Fremont companies, Reliance companies, IL Earth Care Workers Comp. Assn., Inc., etc. Until the business written by these entities is absorbed by the remaining market we could see continued volatility and price adjustments in this area.

So long as this correction is controlled and based on sound underwriting standards, Illinois should continue to experience a viable and competitive market place with adequate availability for consumers.

The Department recommends no changes to the current regulatory environment. Departmental analysis indicates that the current “open competition” insurance environment in Illinois is working well. Detractors of “open competition” not only fail to offer proof (or valid statistical data) supporting their alternative hypotheses, but they also fail to address the two major disadvantages of rate approval environments: they require a larger regulatory staff; and they experience inherent delays which can result in rate inadequacies.

An open competition regulatory environment should not imply that the Illinois Department of Insurance is not proactive in its regulatory practices. The Department will

continue to identify problems and formulate regulatory solutions. Even though the financial results are not as good as they have been in the past, Illinois insurers continue to provide Illinois citizens with insurance that is relatively affordable and accessible.

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APPENDIX A - Consolidated Assets of Illinois-licensed Property/Casualty Insurers

ASSETS	Net Admitted Assets 1999	Net Admitted Assets 1998
1. Bonds	420,763,465,848	427,492,750,357
2. Stocks:		
2.1 Preferred Stocks	8,585,069,303	10,013,213,934
2.2 Common stocks	239,344,748,773	225,758,251,507
3. Mortgage loans on real estate		
3.1 First liens	1,567,166,890	1,688,270,440
3.2 Other than first liens	59,936,712	36,415,378
4. Real estate		
4.1 Properties occupied by the company	7,145,144,550	6,665,274,151
4.2 Other properties	927,168,744	862,122,639
5. Cash and short-term investments	23,526,135,360	35,362,865,383
6. Other invested assets	26,331,310,635	16,526,728,986
7. Receivable for securities	1,561,188,403	981,738,642
8. Aggregate write-ins for invested assets	908,966,357	975,913,790
9. Subtotals, cash and invested assets (Lines 1 to 8)	730,720,301,574	726,363,545,189
10. Agents' balances or uncollected premiums (net as to commissions and dividends):		
10.1 Premiums and agents' balances in course of collection	16,538,166,480	16,635,323,345
10.2 Premiums, agents' balances and installments booked but deferred and not yet due	33,725,223,583	32,445,673,200
10.3 Accrued retrospective premiums	4,021,434,038	4,228,387,629
11. Funds held by or deposited with reinsured companies	5,309,950,785	3,916,411,992
12. Bills receivable, taken for premiums	448,363,907	506,135,957
13. Reinsurance recoverable on loss and loss adj. exp. payments . . .	12,442,321,144	9,680,244,858
14. Federal income tax recoverable and interest thereon	1,928,124,004	1,612,828,263
14A. Guaranty funds receivable or on deposit	157,995,729	131,963,334
15. Electronic data processing equipment	2,286,652,480	2,335,928,628
16. Interest, dividends and real estate income due and accrued	6,958,280,573	7,086,380,375
17. Receivable from parent, subsidiaries and affiliates	7,185,984,718	7,088,545,088
18. Equities and deposits in pools and associations	1,796,961,547	1,982,312,883
19. Amounts receivable relating to uninsured accident and health plans	47,103,589	24,208,701
20. Other assets nonadmitted	671,311	1,769,110
21. Aggregate write-ins for other than invested assets	9,020,424,010	7,863,574,226
22. TOTALS (Lines 9 through 21)	832,587,959,458	821,903,232,775

APPENDIX B - Combined Liabilities, Surplus and Other Funds of Illinois-licensed Property/Casualty Insurers

LIABILITIES, SURPLUS AND OTHER FUNDS		1	2
		1999	1998
1.	Losses	256,175,820,328	258,772,823,740
1A.	Reinsurance payable on paid loss and loss adj. exp.	3,918,106,587	3,121,269,212
2.	Loss adjustment expenses	54,562,781,875	54,295,204,574
3.	Contingent commissions and other similar charges	2,195,946,429	2,193,047,147
4.	Other expenses (excluding taxes, licenses and fees)	8,986,299,245	8,202,760,352
5.	Taxes, licenses and fees (excluding federal and foreign income taxes)	2,389,797,387	2,315,675,781
6.	Federal and foreign income taxes (excluding deferred taxes)	2,437,089,531	1,986,189,865
7.	Borrowed money	2,432,929,793	1,566,037,984
8.	Interest	52,517,532	53,808,420
9.	Unearned premiums	100,673,149,410	97,938,262,162
10.	Dividends declared and unpaid:		
	a. Stockholders	221,696,362	387,394,927
	b. Policyholders	737,587,863	994,258,997
11.	Funds held by company under reinsurance treaties	9,828,701,753	8,527,989,676
12.	Amounts withheld or retained by company for account of others	4,105,396,672	4,441,140,433
13.	Remittances and items not allocated	1,386,017,679	1,568,911,310
14.	Provision for reinsurance	4,394,558,222	3,632,543,358
15.	Excess of statutory reserves over statement reserves	701,351,589	932,862,540
16.	Net adjustments in assets and liabilities due to foreign exchange rates	605,237,184	719,074,556
17.	Drafts outstanding	3,848,669,817	3,854,240,402
18.	Payable to parent, subsidiaries and affiliates	5,449,878,533	6,651,214,300
19.	Payable for securities	1,911,687,235	1,828,696,063
20.	Liability for amounts held under uninsured accident and health plans	2,597,880	4,638,646
21.	Capital notes and interest thereon	0	0
22.	Aggregate write-ins for special surplus funds	34,265,751,058	29,607,273,087
23.	Total liabilities (Lines 1 through 22)	501,283,569,958	493,595,296,598
24.	Aggregate write-ins for special surplus funds	34,727,391,503	30,685,865,713
25A.	Common capital stock	3,846,664,766	3,813,553,309
25B.	Preferred capital stock	1,680,585,966	1,379,270,455
25C.	Aggregate write-ins for other than special surplus funds	128,073,848	117,019,567
26A.	Surplus notes	4,504,581,964	4,651,415,011
26B.	Gross paid in and contributed surplus	88,451,852,114	83,721,616,329
26C.	Unassigned funds (surplus)	198,975,172,580	204,376,875,218
26D.	Less treasury stock, at cost:		
	(1).....shares common	1,003,494,500	418,671,913
	(2).....shares preferred	6,438,771	26,816,848
27.	Surplus as regards policyholders (Lines 24 to 26C, less 26D)	331,304,389,475	328,300,126,842
28.	TOTALS (Page 2, Line 22, Col. 4)	832,587,959,446	821,895,423,444

APPENDIX C - Combined Underwriting and Investment Exhibit of Illinois-licensed Property/Casualty Insurers

UNDERWRITING AND INVESTMENT EXHIBIT STATEMENT OF INCOME		1 1999	2 1998
UNDERWRITING INCOME			
1.	Premiums earned	234,927,858,678	231,152,971,717
DEDUCTIONS			
2.	Losses incurred	153,860,213,509	146,190,178,111
3.	Loss expenses incurred	31,453,787,241	30,472,648,446
4.	Other underwriting expenses incurred	67,653,500,483	65,661,185,689
5.	Aggregate write-ins for underwriting deductions	230,331,829	445,644,196
6.	Total underwriting deductions	253,197,833,065	242,769,656,429
7.	Net underwriting gain or (loss)	(18,269,974,373)	(11,616,684,716)
INVESTMENT INCOME			
8.	Net investment income earned	36,253,289,896	35,734,757,279
9.	Net realized capital gains or (losses)	12,166,919,306	16,598,237,940
9A.	Net investment gain or (loss)	48,420,209,205	52,332,995,219
OTHER INCOME			
10.	Net gain or (loss) from agents' or premium balances charged off	(481,987,016)	(477,854,112)
11.	Finance and service charges not included in premiums	1,191,697,860	1,122,833,226
12.	Aggregate write-ins for miscellaneous income	(1,972,256,167)	(572,316,681)
13.	Total other income	(1,262,545,321)	72,662,419
14.	Net income before dividends to policyholders and before federal and foreign income taxes	28,887,689,503	40,788,972,921
14A.	Dividends to policyholders	1,835,109,638	3,412,137,851
14B.	Net income, after dividends to policyholders but before federal and foreign income taxes	27,052,579,865	37,376,835,067
15.	Federal and foreign income taxes incurred	4,255,138,745	8,708,164,844
16.	Net income (Line 14B minus Line 15)(to Line 18)	22,797,441,120	28,668,670,223
CAPITAL AND SURPLUS ACCOUNT			
17.	Surplus as regards policyholders, December 31 prior year	328,300,126,872	305,004,182,234
GAINS AND (LOSSES) IN SURPLUS			
18.	Net income (from Line 16)	22,797,441,119	28,668,670,222
19.	Net unrealized capital gains or (losses)	789,195,453	12,465,448,396
20.	Change in nonadmitted assets	(2,044,028,509)	(787,690,424)
21.	Change in provision for reinsurance	(759,260,617)	(144,992,130)
22.	Change in foreign exchange adjustment	43,143,078	(80,348,743)
23.	Change in excess of statutory reserves over statement reserves	231,510,949	31,851,801
23A.	Change in surplus notes	(147,769,974)	(91,565,901)
24.	Capital changes:		
	a. Paid in	349,070,409	112,890,726
	b. Transferred from surplus (Stock Dividend)	8,910,180	23,450,000
	c. Transferred to surplus	(19,803,595)	(32,226,439)
25.	Surplus adjustments:		
	a. Paid in	5,629,425,551	3,476,749,478
	b. Transferred to capital (Stock Dividend)	(6,910,180)	(42,239,758)
	c. Transferred from capital	(6,657,930)	(4,408,533)
26.	Net remittances from or (to) Home Office	(20,326,574)	(534,516,854)
27.	Dividends to stockholders (cash)	(19,203,157,447)	(14,736,201,654)
28.	Change in treasury stock	(564,444,510)	(10,980,922)
29.	Extraordinary amounts of taxes for prior years	(19,048,535)	(104,698,935)
30.	Aggregate write-ins for gains and losses in surplus	(4,053,012,425)	(4,913,245,711)
31.	Change in surplus as regards policyholders for the year (Lines 18 through 30)	3,004,276,372	23,295,944,626
32.	Surplus as regards policyholders, December 31 current year (Line 17 plus Line 31)	331,304,403,299	328,300,126,863

APPENDIX D - Combined Cash Flow of Illinois-licensed Property/Casualty Insurers

Cash from Operations		1 1999	2 1998
1.	Premiums collected net of reinsurance	236,493,880,938	233,349,111,325
2.	Loss and loss adjustment expenses paid (net of salvage and subrogation)	190,012,259,071	179,229,242,800
3.	Underwriting expenses paid	66,832,818,807	65,071,716,821
4.	Other underwriting income (expenses)	354,875,367	295,533,308
5.	Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4)	(19,996,321,563)	(10,656,314,984)
6.	Net investment income	37,081,444,243	36,399,745,342
7.	Other income (expenses):		
7.1	Agents' balances charged off	(481,970,315)	(477,826,068)
7.2	Net funds held under reinsurance treaties	162,906,804	450,367,379
7.3	Net amount withheld or retained for account of others	(344,224,639)	(204,291,043)
7.4	Aggregate write-ins for miscellaneous items	(476,800,659)	513,964,104
7.5	Total other income (Lines 7.1 to 7.4)	(1,140,088,811)	282,214,369
8.	Dividends to policyholders on direct business, less dividends on reinsurance assumed or ceded (net)	1,977,855,270	4,074,938,317
9.	Federal and foreign income taxes (paid) recovered	(4,868,751,269)	(8,942,366,517)
10.	Net cash from operations (Line 5 plus Line 6 plus line 7.5 minus Line 8 plus Line 9)	9,098,427,324	13,008,339,900
Cash from Investments			
11.	Proceeds from investments sold, matured or repaid:		
11.1	Bonds	225,991,481,738	229,983,887,668
11.2	Stocks	73,604,597,832	72,383,600,403
11.3	Mortgage loans	383,141,897	644,620,898
11.4	Real estate	689,452,616	1,269,711,734
11.5	Other invested assets	12,903,210,943	13,208,510,373
11.6	Net gains or (losses) on cash and short-term investments	(15,695,552)	(20,541,123)
11.7	Miscellaneous proceeds	1,519,519,153	1,364,375,983
11.8	Total investment proceeds (Lines 11.1 to 11.7)	315,075,708,606	318,834,165,933
12.	Cost of investments acquired (long-term only):		
12.1	Bonds	220,436,482,993	228,609,982,224
12.2	Stocks	70,483,196,445	67,307,431,460
12.3	Mortgage loans	259,287,322	350,290,352
12.4	Real estate	1,523,440,531	1,358,297,162
12.5	Other invested assets	21,329,462,012	13,757,816,755
12.6	Miscellaneous applications	2,226,348,829	2,287,419,532
12.7	Total investments acquired (Lines 12.1 to 12.6)	316,258,218,141	313,671,237,486
13.	Net cash from investments (Line 11.8 minus Line 12.7)	(1,182,509,540)	5,162,928,440
Cash from Financing and Miscellaneous Sources			
14.	Cash provided:		
14.1	Surplus notes, capital and surplus paid in	4,584,367,321	3,934,308,550
14.2	Capital notes	0	9,547,267
14.3	Net transfers from affiliates	5,894,919,836	5,552,669,604
14.4	Borrowed funds received	2,336,513,707	2,162,622,886
14.5	Other cash provided	7,472,485,884	4,386,921,771
14.6	Total (Lines 14.1 to 14.5)	20,288,286,745	16,046,070,066
15.	Cash applied:		
15.1	Dividends to stockholders paid	19,379,356,008	14,808,752,067
15.2	Net transfers to affiliates	7,839,134,840	4,246,309,928
15.3	Borrowed funds repaid	1,312,191,706	1,290,543,136
15.4	Other applications	11,504,740,707	9,365,670,185
15.5	Total (Lines 15.1 to 15.4)	40,035,423,254	29,711,275,312
16.	Net cash from financing and misc. sources (Line 14.6 minus Line 15.5)	(19,747,136,510)	(13,665,205,242)
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS			
17.	Net change in cash and short-term investments (Line 10 plus Line 13 plus Line 16)	(11,831,218,736)	4,505,930,959
18.	Cash and short-term investments		
18.1	Beginning of year	35,350,614,642	30,845,008,618
18.2	End of year (Line 17 plus Line 18.1)	23,519,395,912	35,350,939,577

APPENDIX E - Combined Exhibit of Premiums and Losses in the State of Illinois for All-Illinois-licensed Insurers

**EXHIBIT OF PREMIUMS AND LOSSES (Statutory Page 14 Data)
BUSINESS IN THE STATE OF ILLINOIS DURING THE YEAR 1999**

Line of Business	1 Direct Premiums Written	2 Direct Premiums Earned	3 Dividends Paid Or Credited to Policyhold ers 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 Containmen t Expense Paid	9 Direct Defense And Cost Containmen t Expense Incurred	10 Direct Defense And Cost Containment Expense Unpaid	11 Commissions And Brokerage Expenses	12 Taxes Licenses And Fees
1 Fire	148,472,520	143,023,484	336,292	64,992,944	57,718,320	65,898,289	75,858,252	2,889,967	2,583,955	3,074,251	19,674,543	3,805,249
2.1 Allied lines	148,563,087	140,313,920	3,072,819	49,421,320	69,993,129	61,560,983	50,918,778	2,170,814	1,764,441	2,484,844	24,506,263	2,515,051
2.2 Multiple peril crop	111,270,807	111,632,835	0	233,369	38,813,348	59,969,972	34,380,528	83,862	80,762	578	15,761,855	664,146
2.3 Federal flood	14,181,115	13,312,529	0	7,813,081	1,060,173	536,570	596,276	96,096	84,617	4,785	1,401,932	188,331
3 Farmowners multiple peril	77,232,290	77,306,278	0	30,702,906	56,532,308	50,494,698	22,212,150	1,045,639	3,079	3,279,757	12,108,487	1,226,691
4 Homeowners multiple peril	1,256,159,111	1,237,737,195	1,646,029	666,104,113	840,057,849	807,102,309	339,523,234	20,774,606	18,218,028	51,447,796	178,001,352	19,439,236
5.1 Commercial multiple peril (non-liability portion)	541,834,682	533,770,724	251,981	257,938,978	404,606,955	475,246,259	330,551,750	13,912,828	11,072,063	32,306,504	89,495,165	9,140,231
5.2 Commercial multiple peril (liability portion)	396,070,064	403,481,030	162,049	173,241,523	255,137,690	214,702,178	794,299,165	83,635,353	76,941,866	272,849,584	67,127,134	6,763,042
6 Mortgage guaranty	151,300,585	153,515,138	0	15,820,059	23,902,402	45,341,962	238,638,217	564,680	875,232	1,295,467	1,071,898	6,100,068
8 Ocean marine	51,819,385	51,837,292	65,953	14,837,994	30,995,143	29,487,987	50,409,216	2,355,105	2,310,472	4,078,865	8,323,924	814,759
9 Inland marine	345,033,366	312,095,008	290,880	180,423,550	168,320,347	163,733,495	96,464,991	5,023,428	5,801,069	6,653,563	53,943,722	5,693,506
10 Financial guaranty	70,927,184	55,929,763	0	248,287,869	(4,499,875)	(2,666,756)	12,963,072	472,703	444,642	426,949	0	2,719,178
11 Medical malpractice	319,479,085	324,572,527	570,655	91,831,072	254,894,862	209,550,568	1,179,405,767	81,838,445	51,514,237	319,425,665	20,367,055	3,039,884
12 Earthquake	23,847,089	22,908,207	48,731	11,833,462	226,167	573,341	897,372	10,867	(11,472)	88,172	3,509,013	306,774
13 Group accident and health	258,215,515	243,758,952	0	59,954,391	220,085,804	297,000,691	217,030,720	1,822,570	2,281,511	1,205,618	43,824,925	3,597,849
14 Credit A&H (group and individual)	54,433,724	54,948,201	0	6,759,063	7,703,197	5,714,048	7,937,317	12,020	16,427	21,757	20,791,796	856,070
15.1 Collectively renewable A&H	160,143	249,934	0	461,192	109,445	56,005	156,745	0	0	0	3,038	7,623
15.2 Non-cancelable A&H	94,031	126,726	0	882,853	30,299	33,021	199,712	0	0	0	19,794	616
15.3 Guaranteed renewable A&H	41,441,334	28,347,492	0	80,637,840	17,206,576	17,968,369	23,641,904	42,056	52,372	132,902	11,823,397	356,190
15.4 Non-renewable for stated reasons only	59,121,444	59,459,576	4,602	16,759,867	49,138,537	51,085,783	36,290,944	1,049,304	826,090	655,746	5,879,973	527,075
15.5 Other accident only	11,639,608	14,337,409	0	454,318	4,709,675	5,835,843	3,888,333	4,509	(413)	10,315	1,862,978	189,090
15.6 All other A&H	15,806,407	16,336,142	0	2,686,209	11,171,951	11,050,193	9,604,452	112,120	139,328	244,011	4,031,543	282,448
15.7 Federal employees health benefits program premium	0	0	0	0	0	0	0	0	0	0	433	0
16 Workers' compensation	1,595,195,543	1,551,832,088	45,522,613	402,941,276	1,190,633,442	1,164,654,617	3,204,446,485	88,538,509	128,531,789	326,172,649	139,393,647	29,034,767
17 Other liability	1,744,223,321	1,633,328,686	1,070,122	871,666,550	1,073,094,893	1,182,656,094	4,616,213,024	171,783,901	151,328,349	982,708,039	140,667,929	25,164,359
18 Products liability	80,510,291	79,057,825	(156,471)	27,174,452	130,974,967	145,159,056	659,649,050	47,164,248	34,835,408	238,872,849	9,153,869	876,779
19.1 Private passenger auto no-fault	18,181,210	17,975,450	22,162	4,615,731	12,736,970	13,446,295	15,076,651	2,057,098	2,094,669	1,032,077	1,704,479	257,702
19.2 Other private passenger auto liability	2,470,020,689	2,466,863,275	5,060,228	740,014,852	1,620,237,120	1,518,338,177	2,107,444,543	113,120,739	107,024,755	306,926,357	263,498,325	40,028,819
19.3 Commercial auto no-fault	3,500,287	268,651	136	3,270,740	(4,935,773)	(463,731)	4,769,113	(156,309)	347,878	930,052	34,392	82,299
19.4 Other commercial auto liability	557,088,208	553,961,943	548,461	223,398,226	421,712,339	443,671,806	890,390,400	46,155,081	43,773,586	109,610,049	73,894,029	8,553,886
21.1 Private passenger auto physical damage	2,090,047,250	2,052,107,102	4,122,815	630,179,523	1,348,063,618	1,356,457,085	120,980,553	3,380,002	3,800,590	8,763,006	210,681,041	34,915,954
21.2 Commercial auto physical damage	253,919,764	247,695,470	413,035	95,335,934	178,657,561	177,722,106	40,182,066	3,840,803	4,445,487	3,857,245	30,821,463	4,250,885
22 Aircraft (all perils)	45,879,653	41,385,273	0	20,545,737	19,250,221	15,711,690	53,974,270	4,259,858	3,811,613	8,772,357	6,390,972	929,671
23 Fidelity	51,168,863	50,615,821	2,734	31,573,132	15,665,762	13,969,725	40,505,856	1,759,399	1,411,864	5,267,461	6,647,948	720,645
24 Surety	126,796,964	118,622,184	182	71,081,500	10,380,984	(39,776,869)	54,097,484	4,231,548	(19,111,984)	18,954,303	34,594,407	3,082,806
26 Burglary and theft	5,304,679	5,312,097	17,523	2,611,049	909,283	437,116	3,298,700	42,075	62,639	274,166	817,455	91,542
27 Boiler and machinery	37,297,573	35,295,975	252	18,385,172	15,735,185	10,557,558	9,299,700	327,200	303,514	526,216	4,679,529	647,942
28 Credit	25,987,714	21,693,817	0	11,144,429	7,580,830	7,447,015	4,894,052	100,683	89,307	197,538	6,224,876	524,882
31 Aggregate write-ins for other lines of business	500,666,862	307,523,354	100,463	699,752,922	284,657,256	283,767,383	114,573,410	2,027,156	1,693,979	1,751,838	10,603,959	6,587,357
32 TOTALS	13,702,891,433	13,182,539,342	63,174,246	5,835,769,202	8,833,268,950	8,864,030,943	15,465,664,237	706,548,937	639,441,754	2,714,303,336	1,523,212,142	224,050,991

APPENDIX F - Combined Insurance Expense Exhibit-Part III for all Illinois-licensed 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 Policyholders	Incurred Loss	Defense and Cost Containment Expenses Incurred	Adjusting and Other Expenses Incurred	Unpaid Losses	Defense and Cost Containment Expenses Unpaid	Adjusting and Other Expenses Unpaid
01	Fire	3,548,578	3,481,422	7,870	2,114,905	68,684	136,913	1,941,152	96,645	66,776
02.1	Allied lines	2,622,610	2,619,428	9,951	2,432,211	79,441	121,882	1,890,357	74,435	36,597
02.2	Multiple peril crop	1,790,814	1,789,591	0.00	1,847,451	2,808	16,707	786,613	30	2,773
02.3	Federal flood	1,086,932	1,048,826	0.00	576,461	22,703	17,028	167,903	3,848	10,507
03	Farmowners multiple peril	782,344	774,314	0.00	526,761	21,774	60,093	267,288	45,909	23,440
04	Homeowners multiple peril	24,119,978	23,890,426	121,242	15,430,375	454,468	2,262,844	6,562,513	1,029,909	751,605
05.1	Commercial multiple peril (non-liability portion)	10,189,167	10,079,703	6,713	8,103,247	386,051	548,285	5,244,736	756,384	334,040
05.2	Commercial multiple peril (liability portion)	7,748,545	7,955,300	3,817	4,594,649	1,231,339	520,667	15,734,002	5,610,623	893,455
06	Mortgage guaranty	3,244,046	3,288,824	0.00	923,481	16,028	48,876	4,256,132	24,317	32,363
08	Ocean marine	1,896,454	1,848,315	3,022	1,200,485	76,540	69,829	1,843,960	134,323	43,521
09	Inland marine	6,860,638	6,387,652	10,300	3,759,731	119,078	224,029	2,470,628	164,663	101,498
10	Financial guaranty	1,524,320	1,100,401	0.00	22,601	4,258	1,879	409,698	3,759	3,807
11	Medical malpractice	3,204,701	3,235,144	21,948	2,522,115	863,747	166,864	9,724,729	2,846,951	317,911
12	Earthquake	683,304	647,831	3,117	77,903	46,002	40,300	178,706	46,521	27,075
13	Group A&H	4,832,303	4,814,251	198	3,809,421	31,333	133,689	2,473,143	18,899	68,594
14	Credit A&H	1,037,395	1,043,818	0.00	117,901	218	2,141	150,310	267	7,872
15	Other A&H	2,678,354	2,453,158	48	1,386,971	21,097	128,091	1,249,620	21,861	130,415
16	Workers' compensation	22,716,315	22,472,346	1,083,365	16,707,186	1,937,956	1,531,649	60,211,349	5,562,111	2,559,251
17	Other liability	19,092,051	18,196,723	28,683	13,199,150	3,211,340	962,473	56,539,190	14,350,404	2,345,993
18	Products liability	1,439,777	1,440,940	(1,167)	1,271,352	352,384	172,133	8,807,161	3,226,055	388,368
19.1	19.2 Private Passenger Auto Liability	52,251,327	52,244,043	312,045	35,232,916	2,591,316	5,581,805	48,300,353	6,458,216	4,213,965
19.3	19.4 Commercial Auto Liability	11,745,979	11,765,225	13,119	9,272,198	813,673	869,135	17,522,373	2,167,421	826,879
21.1	Private Passenger Auto Physical Damage	37,070,809	36,424,369	232,165	23,089,106	180,098	3,643,641	2,028,305	160,382	674,660
21.2	Commercial Auto Physical Damage	4,541,971	4,451,448	5,182	3,117,370	77,574	331,107	565,700	84,857	64,667
22	Aircraft (all perils)	1,292,541	1,244,863	0.00	649,941	106,701	26,223	1,699,064	182,300	24,984
23	Fidelity	788,010	797,518	246	451,101	18,956	25,726	899,226	107,706	35,992
24	Surety	2,925,702	2,809,390	18,602	777,456	127,077	79,648	1,561,884	299,229	82,011
26	Burglary and theft	102,026	103,309	160	17,986	1,519	3,022	30,465	3,653	1,424
27	Boiler and machinery	669,797	699,494	105	475,158	13,432	23,780	391,920	14,038	12,510
28	Credit	428,435	400,610	0.00	172,889	(448)	(1,966)	120,290	6,665	1,389
29	International	17,410	17,067	0.00	7,483	915	2,546	63,304	3,337	1,783
31	Aggregate write-ins for other lines of business	3,317,677	2,453,602	2,108	1,821,749	23,124	50,953	2,922,361	79,588	139,557
32	TOTALS	236,250,291	231,979,387	1,882,840	155,709,712	12,901,170	17,801,965	257,014,445	43,585,345	14,225,705

APPENDIX F - Combined Insurance Expense Exhibit-Part III for all Illinois-licensed Insurers (continued)

PART III - ALLOCATION TO LINES OF DIRECT BUSINESS WRITTEN (continued)

(000 OMITTED)

	PREMIUMS, LOSSES, EXPENSES, RESERVES AND PROFITS FOR DIRECT BUSINESS WRITTEN	Unearned Premium Reserves	Agents' Balances	Commission and Brokerage Expenses Incurred	Taxes, Licenses & 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
01	Fire	1,800,882	1,038,970	499,456	101,041	277,265	390,133	(164,554)	(279,386)
02.1	Allied lines	991,928	497,643	349,191	60,158	159,706	155,180	(17,662)	(766,583)
02.2	Multiple peril crop	13,486	221,542	152,036	1,859	27,224	39,695	(12,950)	(311,137)
02.3	Federal flood	674,552	82,399	152,918	19,998	41,919	23,342	4,790	199,254
03	Farmowners multiple peril	367,796	188,474	133,146	18,147	56,937	51,792	(908)	(94,803)
04	Homeowners multiple peril	12,873,626	4,448,032	3,319,957	598,947	2,091,157	1,376,198	97,525	(1,667,226)
05.1	Commercial multiple peril (non-liability portion)	4,859,435	5,069,271	1,743,951	271,342	746,442	802,442	(45,214)	(2,573,860)
05.2	Commercial multiple peril (liability portion)	3,370,628	3,271,746	1,356,411	210,860	536,020	621,437	(33,984)	(1,153,078)
06	Mortgage guaranty	530,567	176,592	8,526	88,853	418,611	325,687	1,283	1,460,042
08	Ocean marine	622,864	605,577	342,138	31,599	110,670	123,331	(20,748)	(130,056)
09	Inland marine	3,303,876	1,923,625	1,054,450	173,755	454,895	441,686	(65,444)	84,376
10	Financial guaranty	6,333,259	(20,663)	561	40,990	187,532	152,153	(11,049)	679,378
11	Medical malpractice	1,472,108	635,842	271,928	70,386	112,082	265,166	(15,447)	(1,074,540)
12	Earthquake	333,683	160,742	83,283	15,623	63,687	48,684	(3,384)	265,828
13	Group A&H	446,432	841,424	668,370	98,175	168,983	344,598	13,909	(426,613)
14	Credit A&H	150,088	50,425	376,803	28,164	27,365	114,115	1,490	378,598
15	Other A&H	1,668,139	3,303,157	494,294	35,300	182,782	112,003	(4,268)	88,211
16	Workers' compensation	3,905,732	8,902,218	1,944,979	995,817	1,200,339	1,759,321	(110,895)	(4,799,128)
17	Other liability	10,434,275	5,162,964	2,516,008	441,848	1,097,657	1,153,128	21,259	(4,382,351)
18	Products liability	561,916	385,884	150,015	30,534	93,782	131,216	(15,608)	(774,908)
19.1	19.2 Private Passenger Auto Liability	16,373,465	10,280,474	4,768,823	1,207,969	4,227,106	2,722,575	122,170	(4,278,313)
19.3	19.4 Commercial Auto Liability	4,656,534	5,040,048	1,633,368	304,112	712,407	914,877	(86,968)	(2,845,610)
21.1	Private Passenger Auto Physical Damage	11,566,284	7,098,055	3,233,421	837,779	2,979,617	1,852,324	66,670	442,860
21.2	Commercial Auto Physical Damage	1,847,183	1,727,242	630,187	106,458	318,221	358,732	5,671	(484,608)
22	Aircraft (all perils)	486,602	344,900	198,473	27,919	47,481	53,606	(9,763)	124,775
23	Fidelity	522,522	194,254	97,610	19,811	77,087	79,224	(3,721)	24,034
24	Surety	1,627,855	634,950	833,799	77,291	313,885	218,853	(15,823)	346,967
26	Burglary and theft	57,691	37,577	15,689	2,561	9,221	5,348	(1,233)	46,544
27	Boiler and machinery	316,110	153,424	82,295	19,480	54,035	128,292	(34,524)	(131,611)
28	Credit	217,289	72,877	99,323	11,211	32,154	51,203	1,556	37,804
29	International	6,463	14,509	2,797	220	40	(1,337)	(6,039)	(1,635)
31	Aggregate write-ins for other lines of business	4,510,170	284,878	340,282	74,439	63,591	178,117	512	(100,254)
32	TOTALS	96,903,416	62,829,060	27,554,478	6,022,714	16,889,911	14,993,142	(343,355)	(22,065,547)



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. Reprinted by the authority of the State of Illinois

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