Illinois Department of Insurance **April 15, 2004**

Annual Report to the Illinois General Assembly on Insurance Cost Containment

Rod R. Blagojevich, Governor Deirdre K. Manna, Acting Director

April 15, 2004

To the Honorable Members of the 94th General Assembly:

The Illinois Insurance Cost Containment Act requires the Director of Insurance to submit an annual report to the General Assembly by April 15th containing an analysis 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 the requirement of Section 1202 of the Illinois Insurance Code, I am pleased to submit the Annual Report to the General Assembly on Insurance Cost Containment for 2004. It contains significant information on both a nationwide and Illinois basis regarding the underwriting results for the property and casualty insurance industry for the year 2002.

Over the past several years the property and casualty insurance industry has experienced troubled times and a severe hardening of some markets. This trend continued through 2002. During the past two years, a supplement to the report was provided on my request. The supplement to this report containing 2003 data information will again be prepared and ready for publication in mid-June.

Sincerely,

Deirdre K. Manna
Acting Director

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I. PURPOSE OF THE REPORT ON COST CONTAINMENT

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

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

II. DIRECT PREMIUMS WRITTEN AND LOSS RATIOS BY STATE

Figure 1 shows a breakdown of total direct premium written (DPW) and losses incurred for the property/casualty industry by state from 1998 through 2002.

Direct written premium in Illinois was $19.4 billion in 2002, which represented 4.6% of the nationwide total. Total property/casualty losses incurred in Illinois averaged 73.1% of earned premium over the past five years. Losses in Illinois totaled 75.2% of earned premium during 2002, compared to 65.2% in 1998.

Figure 1

Total US Property/Casualty Industry (2412 Companies)
(In Millions)

State Distribution and Loss Experience

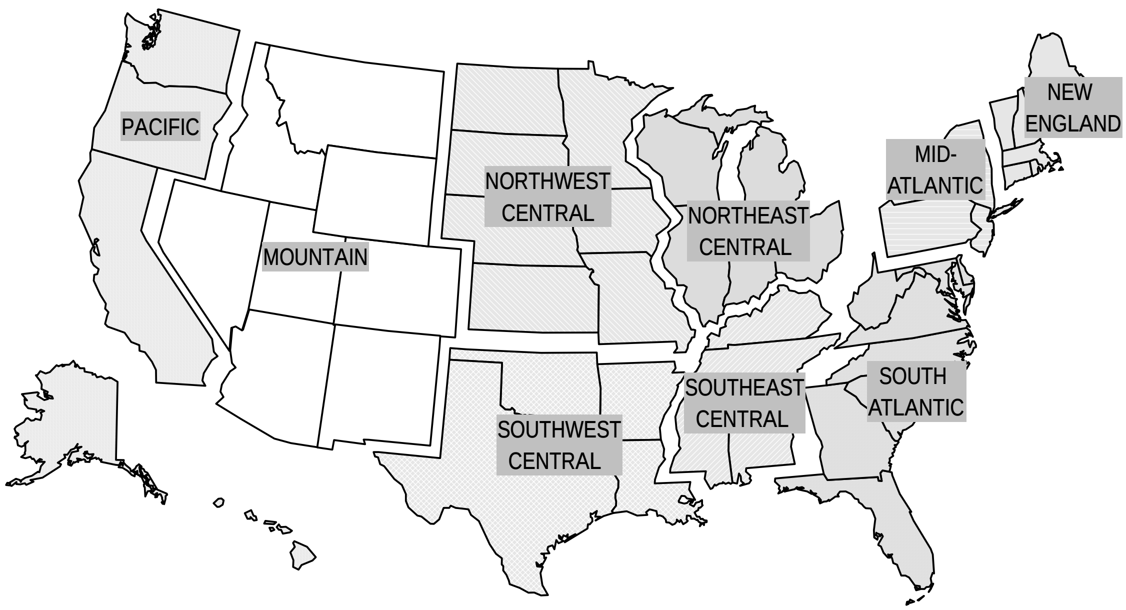
Rank	State	2002 DPW	% of Total DPW 2002	2001	2000	1999	1998	Direct Pure Loss Ratio (%) 2002	2001	2000	1999	1998	5 Yr. Avg.
1	CA	52,886	12.7	12.3	11.9	11.7	12.2	72.0	70.3	69.5	61.0	62.1	67.5
2	NY	29,516	7.1	7.0	7.0	7.0	7.5	70.5	138.3	68.5	62.8	65.6	81.8
3	TX	29,483	7.1	6.9	6.7	6.7	6.8	78.5	96.4	78.6	66.5	63.6	77.5
4	FL	27,040	6.5	6.5	6.4	6.4	6.3	61.3	64.0	63.1	59.8	56.1	61.0
5	IL	19,115	4.6	4.5	4.6	4.6	4.5	75.2	81.1	74.9	66.9	66.2	73.1
6	OH	16,882	4.0	3.8	3.7	3.7	3.6	74.7	76.1	76.9	71.5	63.2	72.9
7	PA	16,595	4.0	4.1	4.1	4.1	4.2	76.0	75.3	73.6	74.8	64.3	73.0
8	MI	14,840	3.6	3.6	3.7	3.7	3.5	75.5	83.9	75.8	81.8	74.4	78.3
9	NJ	14,593	3.5	3.5	3.6	3.7	3.8	67.1	68.5	65.5	63.7	63.3	65.7
10	GA	10,764	2.6	2.7	2.7	2.7	2.6	63.2	68.7	66.9	63.7	65.3	65.5
11	MA	10,276	2.5	2.5	2.6	2.5	2.4	59.7	66.6	59.3	58.1	63.4	61.5
12	NC	9,587	2.3	2.4	2.4	2.4	2.4	60.5	63.5	66.0	77.3	68.0	66.6
13	IN	8,802	2.1	2.2	2.1	2.1	2.1	66.7	70.5	70.3	71.4	65.6	68.9
14	VA	8,330	2.0	2.1	2.0	2.0	2.0	61.0	63.6	71.7	73.6	61.0	65.9
15	MN	7,497	1.8	1.8	1.9	1.9	1.9	62.9	84.3	75.4	70.6	99.6	77.7
16	MO	7,441	1.8	1.8	1.8	1.8	1.8	67.1	85.1	66.4	64.9	62.3	69.5
17	WA	7,196	1.7	1.8	1.8	1.8	1.8	61.4	77.3	66.6	68.2	63.5	67.4
18	WI	6,977	1.7	1.7	1.8	1.8	1.8	61.3	74.1	76.2	62.6	63.2	67.4
19	MD	6,969	1.7	1.7	1.7	1.7	1.7	73.2	72.5	69.3	67.4	57.4	68.4
20	TN	6,931	1.7	1.7	1.7	1.8	1.7	67.0	70.6	69.5	68.4	71.4	69.3
	All other	105,765	25.3	25.7	25.8	25.8	25.5	66.2	73.4	67.0	69.7	66.8	66.6
	Total	417,484	100.0	100.0	100.0	100.0	100.0	68.8	78.8	69.5	67.2	66.1	70.1

Direct Pure Loss Ratio is calculated by dividing losses incurred by direct earned premium.
Source: Best's Aggregates & Averages - Property/Casualty United States and Canada, Supplement, 2003 Edition

Figure 2 shows a breakdown of direct premiums written and loss ratios for the property/casualty market for ten distinct regions of the United States during 2002 and the average for the last five years.

Figure 2

Distribution of Direct Premiums Written and Loss Ratios by Region

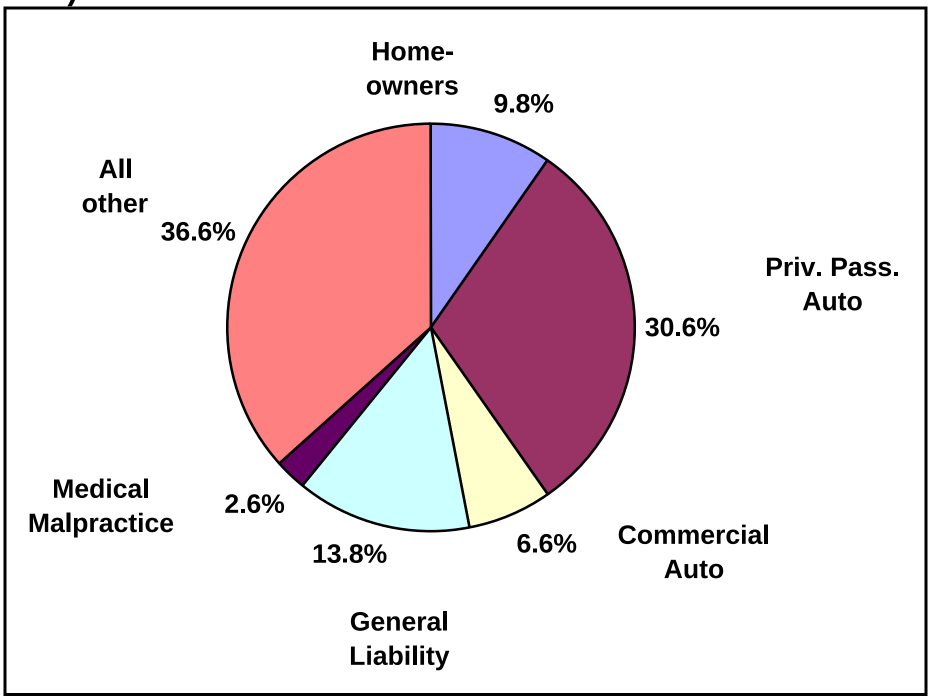


	Pacific	Mountain	Northwest Central	Southwest Central	Northeast Central	Southeast Central	Mid-Atlantic	South Atlantic	New England	Other	Total All Regions
Percent Total 2002 DPW	16.2%	5.8%	6.5%	10.4%	16.0%	4.9%	14.5%	17.3%	5.5%	2.7%	100.0%
Direct Loss Ratio – 2002	70.0%	66.5%	65.8%	75.9%	72.5%	72.3%	71.1%	63.6%	61.8%	50.5%	68.8%
Direct Loss Ratio – 5 Yr Avg	67.2%	68.0%	73.6%	76.4%	73.6%	73.3%	76.2%	66.2%	63.5%	63.0%	70.8%

The region experiencing the highest property/casualty loss percentage in the U.S. during 2002 was the Southwest Central region, followed by the Southeast Central region. During the past five years, the four central regions have experienced the highest loss ratios, largely due to weather related losses in the homeowners market and mold claims in the state of Texas. The New England region has experienced the best underwriting results on average for the past five years.

Figure 3 illustrates the distribution of property/casualty premium written by line of business during 2002 in Illinois. As the chart shows, personal-lines insurance (homeowners and private passenger automobile) makes up the largest portion of the property/casualty market, 40.4% of the total $17.5 billion. Private passenger automobile (30.6%), 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 Illinois Administrative Code Title 50, Chapter I, Subchapter iii, Part 4203 – “The Cost Containment Data and Reporting Requirements” for the following lines of business: private passenger automobile (liability and physical damage separately), homeowners (including residential fire), commercial automobile liability, and specified insurance classes from the medical malpractice and other liability lines.

Figure 3
Percent by Line of All Property/Casualty Premiums Written in Illinois (2002)



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.
- 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.
3. Participation in Alternative Risk Transfer Mechanisms.

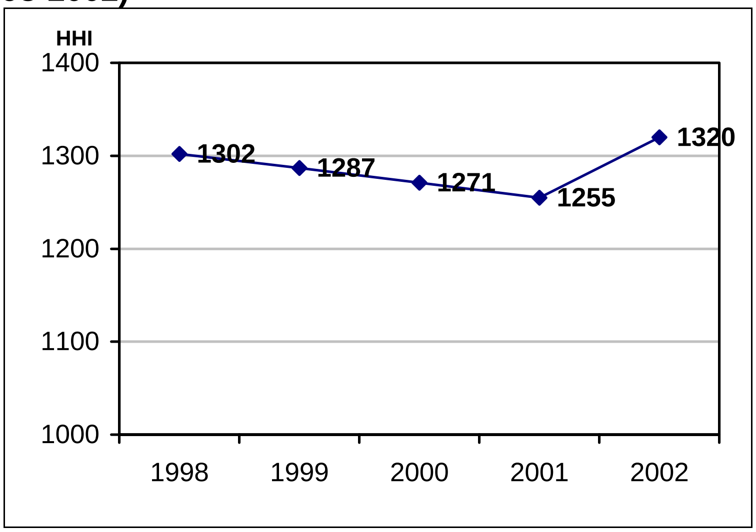
Herfindahl/Hirschmann Index (HHI) and Market Shares by Line

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 1998 through 2002. The HHI reached a five-year high of 1320 in 2002, after declining steadily since 1998.

Figure 4
Illinois Market Concentration - Homeowners (1998-2002)



The top ten Illinois homeowners' writers (including residential fire) and their market shares for 2002 are:

State Farm Fire & Casualty Company	30.66%
Allstate Insurance Company	11.05%
Illinois Farmers Insurance Company	7.52%
Country Mutual Insurance Company	6.35%
American Family Mutual Insurance Company	5.34%
Allstate Indemnity Company	3.01%
Economy Premier Assurance Company	2.93%
Safeco Insurance Company of IL	2.05%
Travelers Personal Insurance Company	1.51%
The Farmers Automobile Insurance Assoc.	1.33%
Total	71.75%

Homeowners' data are collected pursuant to Cost Containment Data and Reporting Requirements (Part 4203). Again this year, cost containment data for homeowners' are summarized for the entire State of Illinois, the City of Chicago, and downstate Illinois. State Farm Fire & Casualty Company and Allstate Insurance Company continue to rank one and two, respectively, in all three categories. Most insurers that write in downstate Illinois also have a presence in the City of Chicago. There were 177 insurers reporting homeowners' business throughout the state and 162 companies reporting direct written premium in the City of Chicago. This business represents homeowners' multi-peril coverage written in HO-1, HO-2, HO-3, HO-5 and HO-8 policies.

On a statewide basis State Farm Fire & Casualty Company ranked first in condominium and renters insurance followed by Allstate Insurance Company with American Family Mutual Insurance Company and Illinois Farmers Insurance Company. There were 136 other companies also writing this coverage in Illinois.

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

The top ten writers in the entire State of Illinois homeowners' market are:

State Farm Fire & Casualty Company
Allstate Insurance Company
Illinois Farmers Insurance Company
Country Mutual Insurance Company
American Family Mutual Insurance Company
Allstate Indemnity Company
Economy Premier Assurance Company
Safeco Insurance Company of Illinois
Travelers Personal Insurance Company
Economy Fire & Casualty Company

The top ten writers in the downstate homeowners' market are:

State Farm Fire & Casualty Company
Allstate Insurance Company
Illinois Farmers Insurance Company
Country Mutual Insurance Company
American Family Mutual Insurance Company
Economy Premier Assurance Company
Allstate Indemnity Company
Safeco Insurance Company of Illinois
Travelers Personal Insurance Company
The Farmers Automobile Insurance Assn.

The top ten writers in the City of Chicago homeowners' market are:

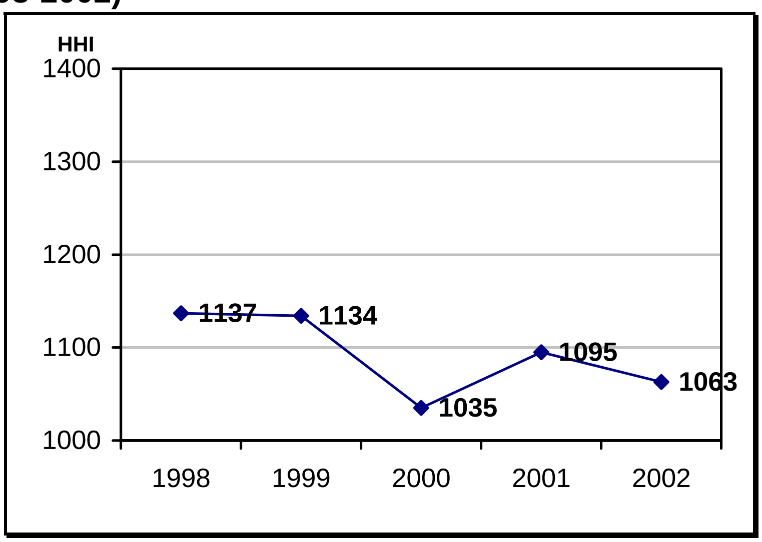
State Farm Fire & Casualty Company
Allstate Insurance Company
American Family Mutual Insurance Company
Illinois Farmers Insurance Company

Allstate Indemnity Company
Safeco Insurance Company of Illinois
Economy Premier Assurance Company
Travelers Personal Insurance Company
Great Northern Insurance Company
Economy Fire & Casualty Company

Private Passenger Automobile HHI

Figure 5 provides a graph of the HHI for Illinois private passenger automobile insurance (including liability and physical damage) from 1998 through 2002. It suggests that market concentration for private passenger coverage has generally exhibited a downward trend since 1998.

Figure 5
Illinois Market Concentration - Private Passenger Automobile (1998-2002)



The top ten Illinois private passenger automobile writers (liability and physical damage coverage combined) and their market shares for 2002 are:

State Farm Mutual Auto Ins Company	29.8%
Allstate Insurance Company	7.9%
Country Mutual Ins Company	5.8%
Illinois Farmers Ins Company	4.8%
American Family Mutual Ins Company	4.4%
Allstate Prop & Casualty Ins Company	2.5%
State Farm Fire And Casualty Company	2.4%
Safeco Insurance Company of IL	1.5%
Economy Premier Assurance Company	1.3%
Affirmative Insurance Company	1.3%
Total	61.6%

In the following paragraphs, only 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 in each of the areas.

There were 249 insurers that filed private passenger automobile liability insurance data in accordance with the Cost Containment Data and Reporting Requirements (Part 4203). Of these, 226 insurers reported written premium in the City of Chicago. For comparison, there were 230 companies that filed data in 2001, and 250 that filed data in 2000.

The top ten writers in the entire State of Illinois private passenger automobile liability market are:

State Farm Mutual Automobile Insurance Company
Allstate Insurance Company
Country Mutual Insurance Company
Illinois Farmers Insurance Company
American Family Mutual Insurance Company
State Farm Fire & Casualty Company
Allstate Property & Casualty Insurance Co
Affirmative Insurance Company
Economy Premier Assurance Company
Mid Century Insurance Company

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

State Farm Mutual Automobile Insurance Company
Country Mutual Insurance Company
Allstate Insurance Company
Illinois Farmers Insurance Company
American Family Mutual Insurance Company
State Farm Fire & Casualty Company
Allstate Property & Casualty Insurance Co.
Economy Premier Assurance Company
Mid Century Insurance Company
The Farmers Automobile Insurance Assn.

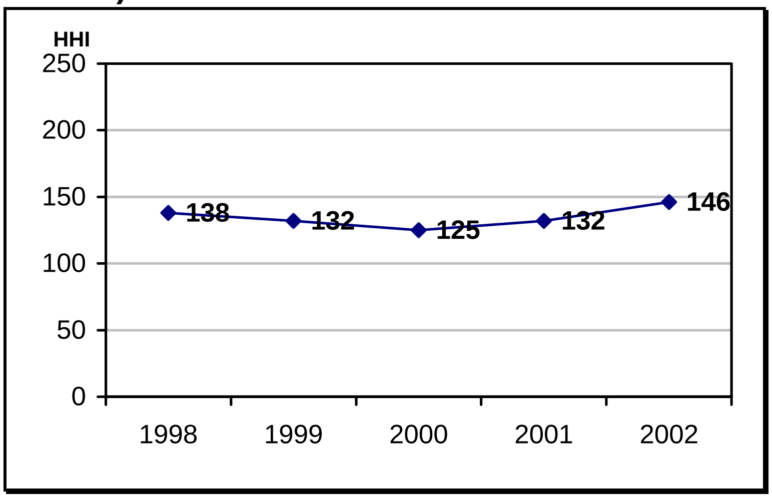
The top ten writers in the City of Chicago private passenger automobile liability market are:

State Farm Mutual Automobile Insurance Company
Allstate Insurance Company
American Family Mutual Insurance Company
Illinois Farmers Insurance Company
State Farm Fire & Casualty Insurance Company
Allstate Property & Casualty Insurance Co.
Universal Casualty Company
Affirmative Insurance Company
American Ambassador Casualty Company
Geico General Insurance Company

Commercial Automobile Liability HHI

Figure 6 provides a graph of the HHI for Illinois commercial automobile liability from 1998 through 2002. 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 (1998-2002)



The top ten Illinois commercial automobile liability writers for 2002 are:

Transguard Insurance Company of America Inc.	4.4%
State Farm Mutual Automobile Insurance Co.	4.1%
Cincinnati Insurance Company	3.4%
Northland Insurance Company	3.1%
Great West Casualty Company	2.8%
St Paul Fire & Marine Insurance Company	2.8%
American Country Insurance Company	2.5%
Zurich American Insurance Company	2.5%
West Bend Mutual Insurance Company	2.4%
Pekin Insurance Company	2.3%
Total	30.2%

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 groups 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-five other companies compete for the remaining market share in this class, two fewer companies than reported in

2001. 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 taxicab firms in Chicago and the State of Illinois. Because this is such a specialized market, the concentration of business is not alarming. The top five admitted writers in this market are:

American Country Insurance Company
American Service Insurance Company Inc.
Lancer Insurance Company
North Pointe Insurance Company
Northland 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. A total of 259 companies reported positive written premium in 2002, with 81 companies writing in excess of $1 million in premium, an increase of 13 companies over 2001. The surplus line market wrote 40 policies and $525,772 in premium for this coverage.

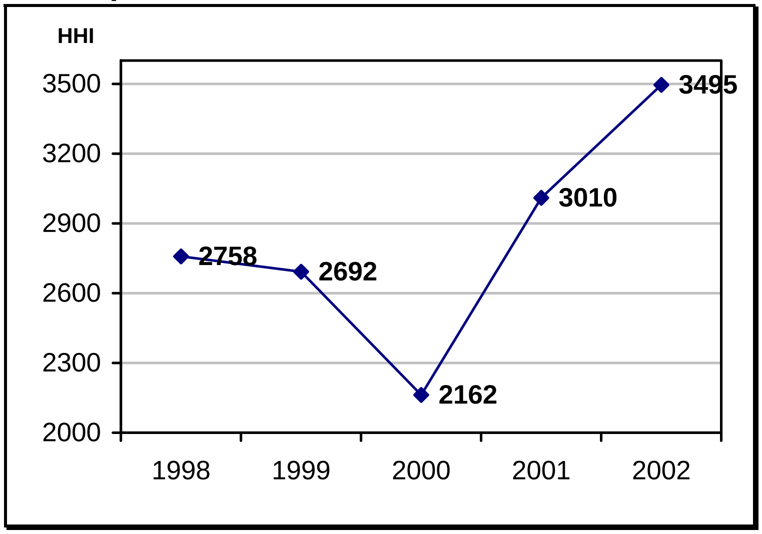
The top writers in this market are:

Transguard Insurance Company of America Inc.
Cincinnati Insurance Company
West Bend Mutual Insurance Company
Northland Insurance Company
Lincoln General Insurance Company
American Service Insurance Company Inc.
Country Mutual Insurance Company
Canal Insurance Company
State Farm Mutual Automobile Insurance Company
Acuity A Mutual Insurance Company

Medical Malpractice HHI

Figure 7 provides a graph for the HHI for Illinois medical malpractice coverage from 1998 through 2002. As is the case for most other states, the largest writer in Illinois of medical malpractice coverage is a physician-affiliated exchange. In Illinois, that provider is the ISMIE Mutual Insurance Company, which wrote 57.9% of the medical malpractice coverage in 2002. The second largest medical malpractice insurer, by direct written premium, was American Physicians Assurance Corp., which wrote only 7.9% of the business. The market is highly concentrated, with an HHI well above the 1800 level, as the chart shows.

Figure 7
Illinois Market Concentration - Medical Malpractice (1998-2002)



The top ten Illinois medical malpractice writers (surgical/non-surgical classes only) and their market shares for 2002 are:

ISMIE Mutual Insurance Company	72.02%*
American Physicians Assurance Corp	9.68%*
Doctors' Company	3.00%
Physicians Insurance Company of WI Inc	2.93%
Medical Protective Company	2.74%
TIG Insurance Company	2.36%
Pronational Insurance Co	2.15%
Chicago Insurance Company	1.43%
Continental Casualty Company	0.62%
St Paul Fire & Marine Insurance Company	0.62%
Total	97.55%

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

There were 40 admitted carriers who reported the medical malpractice classes that the Department collects, two fewer than in 2001. This report breaks down medical malpractice liability into four different class groups. The first two groups, medical non-surgery and physicians, surgeons and dentists – not otherwise classified, represent the majority of medical malpractice business reported. The two other coverages are dentists and oral surgery and medical-surgery. Under 215 ILCS 5/155.18, every company writing medical malpractice insurance shall file rates and rating schedules with the Director at least annually and when ever there is a change. The surplus lines market accounted for $8.04 million of medical malpractice premium for classes comparable to the four reported groups.

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

ISMIE Mutual Insurance Company
American Physicians Assurance Corporation
Pronational Insurance Company
The Doctors' Company
Chicago Insurance Company
St Paul Fire & Marine Insurance Company
Medical Protective Company
TIG Insurance Company
Interstate Fire & Casualty Company
OHIC Insurance Company

The top ten writers in the physicians, surgeons, and dentists – not otherwise classified market are:

ISMIE Mutual Insurance Company
American Physicians Assurance Corporation
Physicians Insurance Company of WI Inc.
TIG Insurance Company
The Doctors' Company
Medical Protective Company
Pronational Insurance Company
Chicago Insurance Company
Cincinnati Insurance Company
St Paul Fire & Marine Insurance Company

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

Medical Protective Company
Continental Casualty Company
OMS National Insurance Company, RRG
American Insurance Company The
Firemans Fund Insurance Company

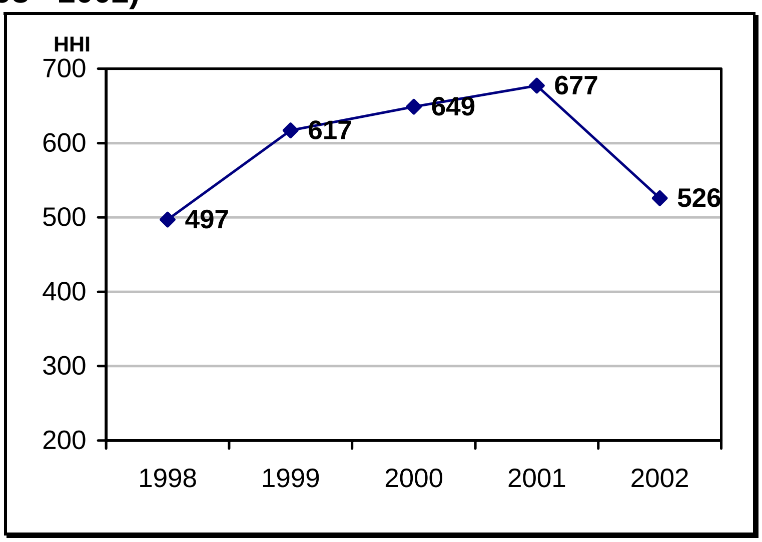
The top five writers in the medical-surgery classes market are:

ISMIE Mutual Insurance Company
American Physicians Assurance Corporation
Doctors' Company The
TIG Insurance Company
Medical Protective Company The

Other Liability HHI

Figure 8 provides a graph of the HHI for Illinois other liability insurance from 1998 through 2002. The figure indicates that the market for other liability insurance in Illinois continues to be very competitive.

Figure 8
Illinois Market Concentration - Other Liability
(1998 - 2002)



The top ten Illinois other liability writers and their market shares for 2002 are:

Continental Casualty Company	20.90%
Illinois State Bar Assn. Mutual Ins. Company	20.00%
Underwriters at Lloyds London	13.00%
Illinois Casualty Company	10.64%
Chicago Insurance Company	5.21%
Executive Risk Indemnity Inc.	3.22%
St Paul Fire & Marine Insurance Company	2.56%
Springfield Fire & Marine Insurance Company	2.32%
Clarendon National Insurance Company	2.08%
Great American Insurance Company	1.89%
Total	81.82%

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

In 2002, as in 2001, there were five companies writing more than $1 million in premium in the liquor liability market. In 2000, four companies reported premium in excess of $1 million. In 1999 there were seven. However, even with these changes the Department has detected no drastic price increases or availability issues. In 2002, the surplus lines market wrote 11 policies of liquor liability insurance. The average premium for these 11 policies was $6,328. The liquor liability market in Illinois appears to be strong, viable and competitive.

The top 5 writers in the liquor liability market are:

Illinois Casualty Company
Underwriters at Lloyds London
Continental Casualty Company
Springfield Fire and Casualty Company
Constitutional Casualty Company

In 2002, the Illinois State Bar Association Mutual Insurance Company was the top writer of lawyers' professional liability, writing in excess of $11.7 million in direct written premium. Continental Casualty Company followed with premium in excess of $10.7 million and Underwriters at Lloyds London wrote approximately $4.1 million. The next six companies each wrote in excess of $1 million in premium. The remaining company wrote more than $750,000 in premium. Although the top 10 companies remained the same as in 2001, there was a dramatic shift in premium volume. In 2002, the surplus lines market wrote only 72 policies and $934,000 in premium. This was 10 fewer policies than in 2001, but the premium level remained essentially the same. The lawyers' professional liability market is dominated by a few companies and is one of the markets watched closely by the Department.

The top 10 writers of lawyers' professional liability insurance are:

Illinois State Bar Assn. Mutual Insurance Company
Continental Casualty Company
Underwriters at Lloyds London
Chicago Insurance Company
Executive Risk Indemnity Inc.
St. Paul Fire & Marine Insurance Company
Clarendon National Insurance Company
Great American Insurance Company
Medmarc Casualty Insurance Company
Lumbermens Mutual Casualty Company

In 2002, sixty-three admitted insurers reported day-care liability data for Illinois. This is ten less than in 2001. The surplus lines market wrote 331 policies and just over $557,000 in premium.

The top four admitted writers of day-care liability insurance are:

West Bend Mutual Insurance Company
NonProfits Insurance Assn. An Inter-Insurance Exchange
Philadelphia Indemnity Insurance Company
Church Mutual Insurance Company

In 2002, seventeen admitted insurers of home day-care liability reported data for Illinois. This is three less than reported in the previous period.

The top five admitted writers of home day-care liability insurance are:

State Farm Fire & Casualty Company
Country Mutual Insurance Company
Allstate Insurance Company
Allstate Indemnity Company
Shelter Mutual 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 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 (about 0.2 of one percent) obtained 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 these other states, property residual market programs offer only dwelling fire or basic homeowners' policies. Illinois has one of the most progressive FAIR 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.

Figure 9 shows the amount of dwelling and homeowners' written premium that the FAIR Plan made up as a percent of all dwelling and homeowners' premium written in Illinois from 1998 through 2002.

Figure 9
Written Premiums for Illinois FAIR Plan
(1998-2002)

	Amount of Written Premiums	As % of Total Written Premiums
1998	$5,108,000	0.43
1999	$4,945,000	0.39
2000	$4,739,000	0.22
2001	$4,962,000	0.20
2002	$7,104,000	0.20

Source: Illinois FAIR Plan

Automobile - The Illinois Automobile Insurance Plan (Auto Plan)

Private passenger automobile risks are assigned to private passenger automobile insurers 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 divided among the voluntary writers of commercial automobile insurance in proportion to their share of the voluntary business.

Figure 10 compares the 1998 through 2002 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.

In addition, the number of insured written car-years in the Illinois Automobile insurance Plan dropped from 2,354 in 1998 to 1,760 in 2002. 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
(1998-2002)

	1998	1999	2000	2001	2002
Illinois	0.03	0.03	0.03	0.03	0.05
Nationwide	2.10	1.52	1.42	0.43	0.52

Source: AIPSO Facts 2002 (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. **Figures 11.a, 11.b** and **11.c** show data for the Pool.

Figure 11.a shows the percent of Illinois workers' compensation premiums written through the Pool from 1998 through 2002. The chart shows the amount of business being written in the residual market. During 2002, only 6.3% of Illinois direct premiums written for workers' compensation were written through the Pool.

The numbers illustrated in Figure 11.a do not reconcile with those in the previous years' report, the *Annual Report to the Illinois General Assembly on Insurance Cost Containment for 2003*, because the NCCI recalculated these totals using updated data not available in the past.

Figure 11.a
Percent of Illinois Workers' Compensation Written Through the Pool (1998-2002)

	1998	1999	2000	2001	2002
Percent of Total	2.5	2.2	3.1	4.8	6.3

Source: National Council on Compensation Insurance (NCCI)

Each insurer participating in the Pool that removes an employer is eligible for a take-out credit. **Figure 11.b** shows the 2001 and 2002 Illinois take-out credit results for the pool. Take-out credit results for 2002 show an increase from the 2001 results of 37.1% even though the total number of policies approved remained about the same.

Figure 11.b
2002 Illinois Take-Out Credit Results

Year	Total Number of Policies Reported	Total Number of Policies Approved	Approved Credit
2001	1,334	450	$3,134032
2002	1,439	451	$4,297,577

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 2002 based on written premium.

Figure 11.c
Illinois Residual Market Top Ten Classification Codes
Calendar Year 2002

Rank	Code	Description	Total State Premium	% of Premium
1	7228	Trucking, Local Hauling Only	$7,657,483	4.36%
2	5645	Carpentry Detached	$7,375,441	4.20%
3	8861	Charitable Organization, Professional Employees	$6,711,712	3.82%
4	5551	Roofing	$5,418,517	3.09%
5	7229	Trucking, Long Distance Hauling	$3,654,060	2.08%
6	8868	College Professionals	$3,614,431	2.06%
7	8380	Automobile Service or Repair	$3,563,420	2.03%
8	8018	Wholesale Store	$3,463,278	1.97%
9	7720	Police Officers	$3,438,075	1.96%
10	5538	Sheet Metal Work, Shop and Outside	$3,279,374	1.87%

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. Because of the Department's limited authority over many of the alternative mechanisms, the number of risks placed and the amount of premium written cannot be assessed 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 1998 to 2002 through surplus lines producers for homeowners', private passenger auto liability and physical damage, commercial auto liability, medical malpractice and general liability coverage. (The term "general liability" used in this section equates closely to the term "other liability" used in other areas of this report).

Figure 12
Surplus Lines - Number of primary and excess policies written in Illinois
(1998 - 2002)

Line of Business	1998 Illinois Policy Count	1999 Illinois Policy Count	2000 Illinois Policy Count	2001 Illinois Policy Count	2002 Illinois Policy Count
Homeowners'	669	987	1,955	1,126	1,181
PPA Liability	933	718	475	430	426
PPA Physical Damage	10,162	7,797	5,531	7,993	9,063
Commercial Auto Liability	52	33	51	45	40
Medical Malpractice	548	494	451	532	548
General Liability	11,526	11,108	12,078	13,825	16,812

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 facilitator, record keeper and regulator for the operations of its members. INEX submits an annual financial statement to the Department reflecting both its combined financial position and the financial position of each individual syndicate.

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

> *The Workers' Compensation Act* allows entities that are members of a trade association, or that have similar risk characteristics, to form a risk-sharing pool. Each pool must submit annual financial statements, CPA audit reports, and actuarial opinions to the Department and are subject to examination by the Director.
>
> *The Religious and Charitable Risk Pooling Trust Act* permits entities having an IRS 501c(3) exemption (a non-profit entity), or hospitals owned and operated by a unit of local government, to form a trust to pool their risks. These trust funds can only operate with prior approval of the Director of Insurance. The trusts must make annual CPA audit reports to the Department and are subject to examination by the Director.

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

Risk Retention and Purchasing Groups are allowed under the Federal Liability Risk Retention Act of 1986. This Act eliminated barriers to group self-insurance programs by allowing them to buy group liability insurance. At the end of year 2002, there were 50 foreign registered risk retention companies, only 2 Illinois domiciled risk retention companies, and 407 risk purchasing groups.

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

Self-insurance occurs when individuals or businesses retain their own risks. Entities that self-insure are under no obligation to report premiums, losses, or expenses to any statistical association 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.
- 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 2002. As figure 14 shows, Incurred losses in Illinois for the year were similar to the nationwide loss ratio, while defense and cost containment expenses incurred was a little more than half the nationwide figure.

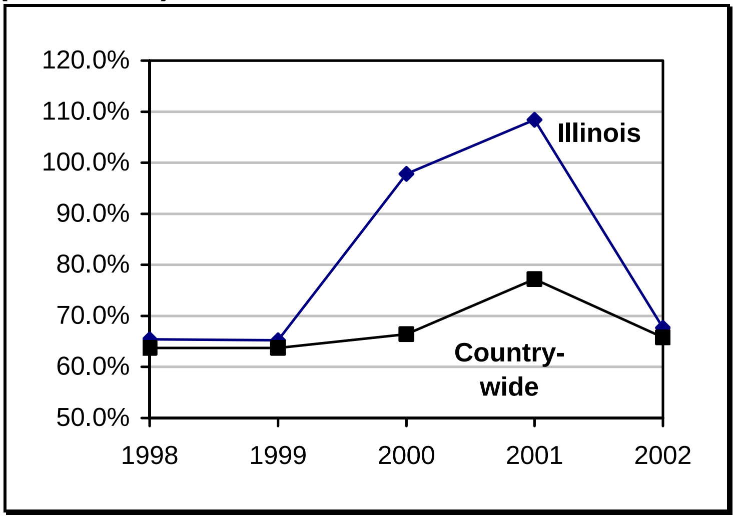
Figure 14
Homeowners' Underwriting Results (2002)

Homeowners ($000 omitted)	**Illinois***	**Countrywide****
Direct written premiums	1,709,701	43,042,146
Direct earned premiums	1,542,019	40,026,435
Expenses (*% earned premium*)		
Incurred losses	67.7%	65.8%
Def. & cost cont. exp. incurred	1.8%	3.0%
Comm./brokerage	14.0%	14.0%
Taxes, licenses & fees	1.5%	2.6%

*Source: NAIC State Data Network, 2002 Illinois State Page Exhibit, Aggregate Totals of 224 Property/Casualty Companies.
**Source: Best's Aggregates & Averages 2003, Insurance Expense Exhibit Part III, Total US PC Industry.

Figure 15 compares the five-year trend for loss percentages in Illinois and countrywide in the homeowners line of business. As the chart shows, homeowners losses in Illinois, as a percent of earned premium, were significantly higher than nationwide losses during 2000 and 2001 but returned to near the national average in 2002.

Figure 15
Homeowners Losses as a % of Premiums Earned (1998-2002)



Private Passenger Automobile

Figure 16 compares the underwriting results of private passenger automobile insurance written in Illinois with that written countrywide during 2002. The aggregate underwriting results in Illinois in the private passenger auto line of business were comparable with the results nationwide.

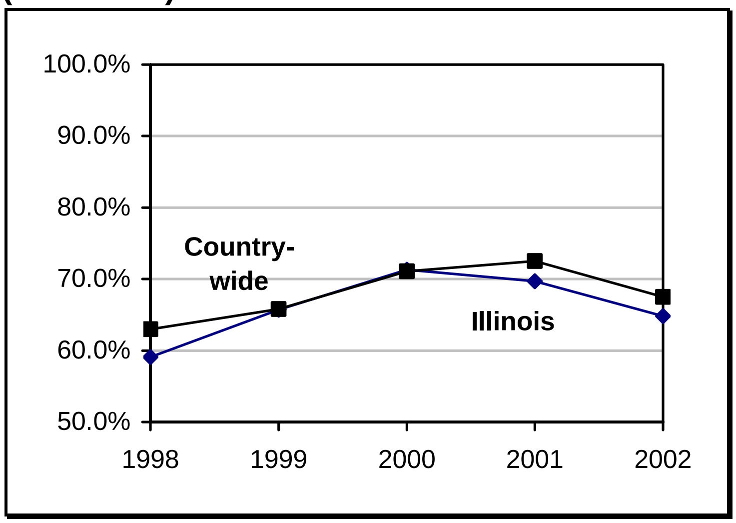
Figure 16
Private Passenger Auto Underwriting Results (2002)

Private Passenger Auto ($000 omitted)	**Illinois***	**Countrywide****
Direct written premiums	5,344,184	145,128,582
Direct earned premiums	5,199,042	141,148,559
Expenses (*% earned premium*)		
Incurred losses	64.8%	67.5%
Def. & cost cont. exp. incurred	2.9%	2.8%
Comm./brokerage	10.7%	9.1%
Taxes, licenses & fees	1.0%	2.4%

* Source: NAIC State Data Network, 2002 Illinois State Page Exhibit, Aggregate Totals of 306 Property/Casualty Companies.
**Source: Best's Aggregates & Averages 2003, Insurance Expense Exhibit Part III, Total US PC Industry.

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 trended close to countrywide loss percentages over the past five years.

Figure 17
Private Passenger Auto Losses as a % of Premiums Earned (1998-2002)



Commercial Automobile Liability

Figure 18 shows the underwriting results in the commercial automobile liability line during 2002 were similar to those countrywide.

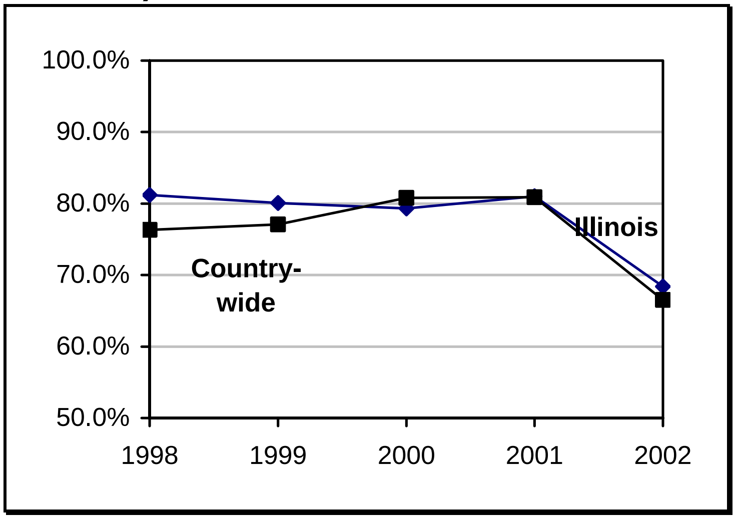
Figure 18
Commercial Automobile Liability Underwriting Results (2002)

Commercial Auto Liability ($000 omitted)	**Illinois***	**Countrywide****
Direct written premiums	810,210	27,741,015
Direct earned premiums	754,603	26,123,807
Expenses (*% earned premium*)		
Incurred losses	68.4%	66.5%
Def. & cost cont. exp. incurred	7.4%	5.3%
Comm./brokerage	13.2%	13.7%
Taxes, licenses & fees	2.0%	2.7%

*Source: NAIC State Data Network, 2002 Illinois State Page Exhibit, Aggregate Totals of 329 Property/Casualty Companies.
**Source: Best's Aggregates & Averages 2003, Insurance Expense Exhibit Part III, Total US PC Industry.

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

Figure 19
Commercial Auto Liability Losses as a % of Premiums Earned (1998-2002)



Medical Malpractice

Figure 20 shows the underwriting results for the medical malpractice market in Illinois and countrywide for 2002. The loss percentage in Illinois for this line was significantly higher than the aggregate countrywide figures.

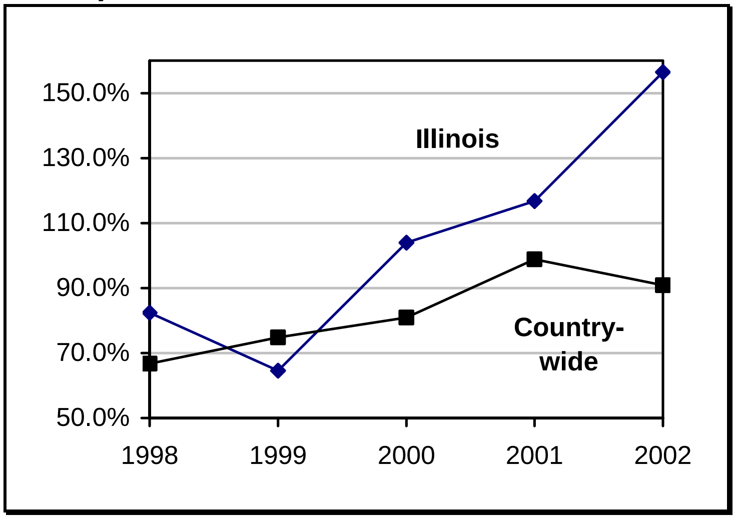
Figure 20
Medical Malpractice Underwriting Results (2002)

Medical Malpractice ($000 omitted)	**Illinois***	**Countrywide****
Direct written premiums	450,168	8,783,647
Direct earned premiums	431,857	8,275,872
Expenses (*% earned premium*)		
Incurred losses	156.5%	90.9%
Def. & cost cont. exp. incurred	29.1%	27.5%
Comm./brokerage	6.9%	6.7%
Taxes, licenses & fees	1.8%	2.3%

* Source: NAIC State Data Network, 2002 Illinois State Page Exhibit, Aggregate Totals of 68 Property/Casualty Companies.
**Source: Best's Aggregates & Averages 2003, Insurance Expense Exhibit Part III, Total US PC Industry.

Figure 21 compares the five-year loss percentages trend for Illinois and countrywide medical malpractice insurance. As Figure 21 shows, while losses nationwide have declined from the 2001 level, medical malpractice losses in Illinois are have risen sharply since 1999.

Figure 21
Medical Malpractice Losses as a % of Premiums Earned (1998-2002)



Other Liability

Figure 22 compares the underwriting results between Illinois and countrywide for the other liability line of business. The Illinois loss percentage was higher to the countrywide percentage in 2002, as was defense and cost containment expense incurred. However, commission/brokerage expense and taxes were significantly lower.

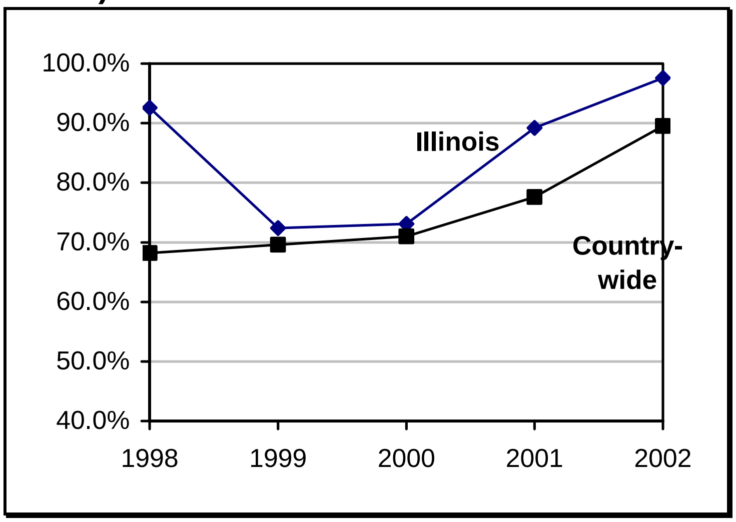
Figure 22
General Liability Underwriting Results (2002)

Other Liability ($000 omitted)	**Illinois***	**Countrywide****
Direct written premiums	2,403,404	41,073,630
Direct earned premiums	2,207,181	36,551,074
Expenses (*% earned premium*)		
Incurred losses	97.6%	89.5%
Def. & cost cont. exp. incurred	19.2%	16.1%
Comm./brokerage	8.6%	13.2%
Taxes, licenses & fees	1.7%	2.2%

* Source: NAIC State Data Network, 2002 Illinois State Page Exhibit, Aggregate Totals of 440 Property/Casualty Companies.
**Source: Best's Aggregates & Averages 2003, Insurance Expense Exhibit Part III, Total US PC Industry.

Figure 23 compares the five-year trend for loss percentages for Illinois and countrywide for other liability insurance. While general liability losses in Illinois have been higher than the nationwide figure over the past five years, the trend for Illinois losses has mirrored losses nationwide since 1999.

Figure 23
Other Liability Losses as a % of Premiums Earned (1998-2002)



RELIABILITY

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

- Profitability.
- Financial Solvency Regulation.

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

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

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

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

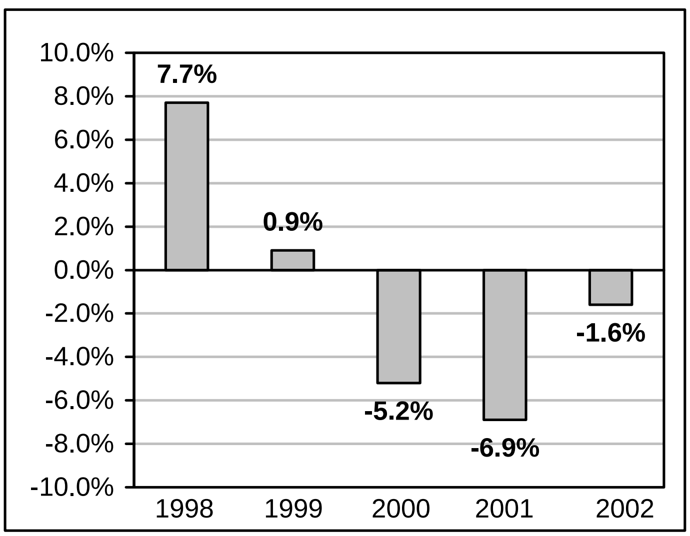
Profitability

Change in Policyholders' Surplus

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

Figure 24 shows the percent change in policyholders' surplus for the Illinois-licensed property/casualty industry as a whole over the past five years. As the chart shows, the industry has shown losses in surplus for the past three consecutive years, although the negative growth of 1.6% in 2002 was an improvement over 2000 and 2001. The last three years of negative growth follows recent years of strong surplus growth. Not since 1984, when surplus declined by 2.7 percent, has there been negative surplus growth.

Figure 24
Percent Change in Policyholders' Surplus
(1998-2002)



Source: NAIC State Data Network

Figure 25 shows income from investments, net income, unrealized capital gains/losses and policyholders surplus from 1998 to 2002. The property/casualty industry's 2002 net income was an increase from a negative figure in 2001, however, the industry has experienced three straight years of unrealized capital losses.

Figure 25
Net Investment Income Earned, Net Income, Unrealized Capital Gains/Losses and Policyholders' Surplus 1998-2002 (in millions)

	1998	**1999**	**2000**	**2001**	**2002**
Net Investment gain	$52,339	$48,420	$51,060	$51,573	$39,995
Net Income	28,652	22,797	21,231	**(3,971)**	11,485
Unrealized Capital Gains/Losses	12,483	789	**(20,077)**	**(19,755)**	**(26,485)**
Policyholders' Surplus	328,714	331,304	312,966	299,868	295,137

Underwriting Gains/Losses

Figure 26 shows the aggregate underwriting gain/loss for Illinois-licensed insurers from 1998 to 2002. As the table shows, underwriting losses increased every year from 1998 to 2001, before decreasing in 2002. While earned premium grew 26 percent since 2002, losses, loss expenses and other underwriting expenses increased 30 percent over the last five years.

Figure 26
Aggregate Net Underwriting Gain/(Loss) (in millions)
(1998 - 2002)

	1998	**1999**	**2000**	**2001**	**2002**
Premiums earned	$231,208	$234,928	$243,787	$260,142	$290,397
Losses incurred	146,238	153,860	166,963	197,360	198,964
Loss expenses incurred	30,485	31,454	30,939	33,844	36,981
Other underwriting expenses incurred	65,678	67,654	69,109	72,730	79,362
Dividends to policyholders	3,412	1,835	2,371	1,203	1,121
Net underwriting gain/loss	**($14,605)**	**($19,875)**	**($25,595)**	**($44,995)**	**($26,031)**

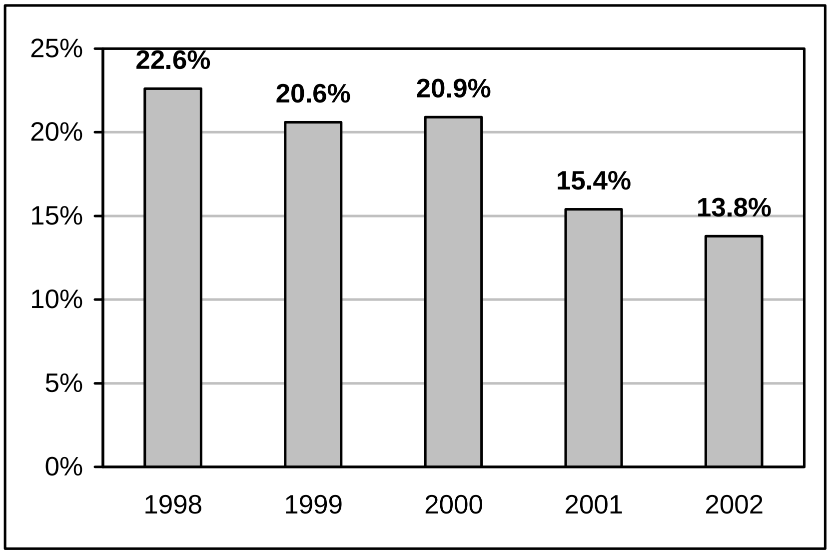
Source: NAIC State Data Network

Net Investment Income Ratio

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

Figure 27 on the following page shows the net investment income ratio for Illinois-licensed property/casualty insurers during the most recent five-year period. This ratio shows the investment income component of overall profitability.

Figure 27
Net Investment Income Ratio



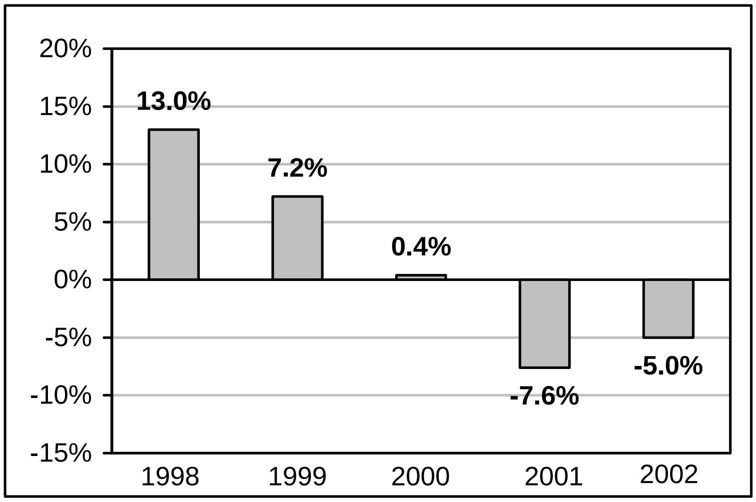
(1998-2002)
Source: NAIC State Data Network

Return on Policyholders' Surplus

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

Figure 28 shows the aggregate return on policyholders' surplus from 1998 through 2002 for the Illinois-licensed property/casualty industry combined. Figure 28 shows that the return on policyholders' surplus, although still negative, has improved somewhat after reaching a negative 7.6 percent in 2001.

Figure 28
Return on Policyholders' Surplus
(1998 - 2002)



Source: NAIC State Data Network

Financial Solvency Regulation

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

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

IV. COST CONTAINMENT ISSUES

The malpractice liability insurance market in Illinois is a great concern to the Department. The market is even more concentrated than last year. As was the case in 2001, the loss ratio for medical malpractice in Illinois exceeded the nationwide ratio and the gap has grown. In 2001 Illinois was 18 percentage points higher than the nation as whole, in 2002 this gap grew to 66 percentage points. The tort issue is still a concern and the doctors and lawyers continue to have different views in this area.

Although Illinois continues to have a competitive personal lines market, prices increased in 2002 and may increase further in the near term. The industry has seen some recovery in the loss ratio and Illinois consumers still pay premiums that generally at or below the national average. Illinois was fortunate in one area this past year; weather related events, wind and flood, declined slightly from $260 million in 2001 to $248 million.

To a lesser extent, the automobile line is also experiencing price increases. The *Illinois Personal Lines Premium Report for Year 2002* (*Personal Lines Report*) compares premiums for two driver types (Driver 1 is a 16 year old single male occasional operator, and Driver 2 is a 36 year old married principal driver) for 21 Illinois and 41 non-Illinois locations. Prices were provided for automobile insurance in each location for a Ford Taurus LX 4-Door with specified insurance criteria by 29 insurance providers. The *Personal Lines Report* generally indicated premium increases. It is noteworthy that the three locations in Chicago exhibited small increases or decreases in combined automobile premiums (liability and physical damage). For Chicago zip code 60608, increases were 4.29% and 2.63% for Driver 1 and Driver 2, respectively. Chicago zip code 60620 experienced decreases of –6.86% and -9.58% for Driver 1 and Driver 2, respectively, while the majority of cities of this size experienced increases. Chicago zip code 60625 experienced increases of 8.52% and 4.28% for Driver 1 and Driver 2, respectively.

Analysis of Specific Lines

Workers' Compensation

Terrorism remains an issue. Insurers cannot exclude or limit terrorist coverage in workers' compensation policies; therefore, many of the insurers are simply not offering to renew some accounts. Over the last two years there has been a dramatic increase in both the number of insurance submissions to, and the amount of premium written in the assigned risk market (residual market) for workers' compensation. In 2002, direct written premium for workers' compensation insurance in Illinois including the residual market was $2.294 billion. Of this amount, 7.7% was placed as assigned risk business.

Figures 29 and **30** provide market share information for the top ten writers of workers' compensation in Illinois for 2002 and 2001, respectively.

Figure 29
Top 10 Workers Compensation Insurers in Illinois - 2002

Company	Illinois Market Share	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Losses Incurred	Direct Defense & Cost Cont. Expenses Incurred	Comm & Brokerage Expenses	Taxes, Licenses & Fees
Combined Specialty Ins Co	7.9%	$168,296	$147,982	73.3%	3.9%	20.5%	0.6%
Zurich American Ins Co	4.8%	102,131	97,918	61.4%	6.0%	7.5%	2.0%
Commerce & Industry Ins Co	4.3%	90,589	78,997	71.1%	5.8%	7.2%	2.8%
Travelers Ind Co	4.0%	84,055	61,955	76.0%	8.0%	3.2%	3.5%
LM Ins Corp	3.9%	83,819	47,208	99.6%	9.0%	2.2%	5.0%
Liberty Mut Fire Ins Co	3.2%	67,236	101,407	49.0%	2.2%	0.2%	2.3%
St Paul Fire & Marine Ins Co	2.5%	53,415	50,570	77.2%	4.3%	8.4%	2.7%
West Bend Mut Ins Co	2.1%	43,815	37,271	76.3%	2.0%	7.6%	1.3%
Cincinnati Cas Co	2.0%	42,303	43,999	72.8%	4.4%	6.1%	2.9%
Country Mut Ins Co	1.7%	35,633	32,502	67.3%	5.2%	8.4%	0.7%

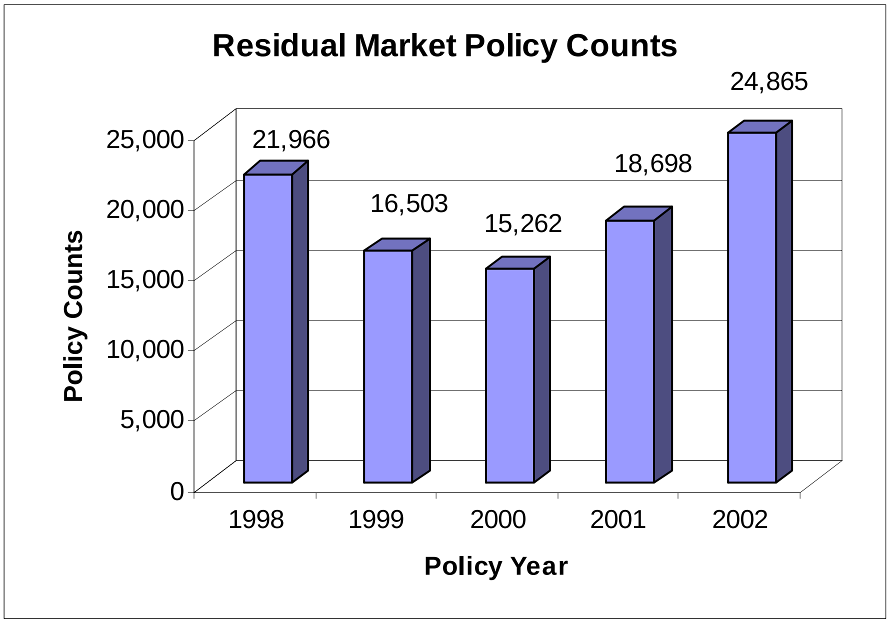
Figure 30
Top 10 Workers Compensation Insurers in Illinois - 2001

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

In actual dollars, the residual market grew 59% ($110.3 million to $175.5 million) from December 31, 2001 to December 31, 2002. During this same period new submissions grew by 6,167, a 33% increase from 2001 and a 63% increase from 2000. These new submissions continue to be for larger accounts or accounts having classifications with higher rates.

Figure 31 illustrates the increase in insurance submissions in Illinois for the workers' compensation residual market in 2002.

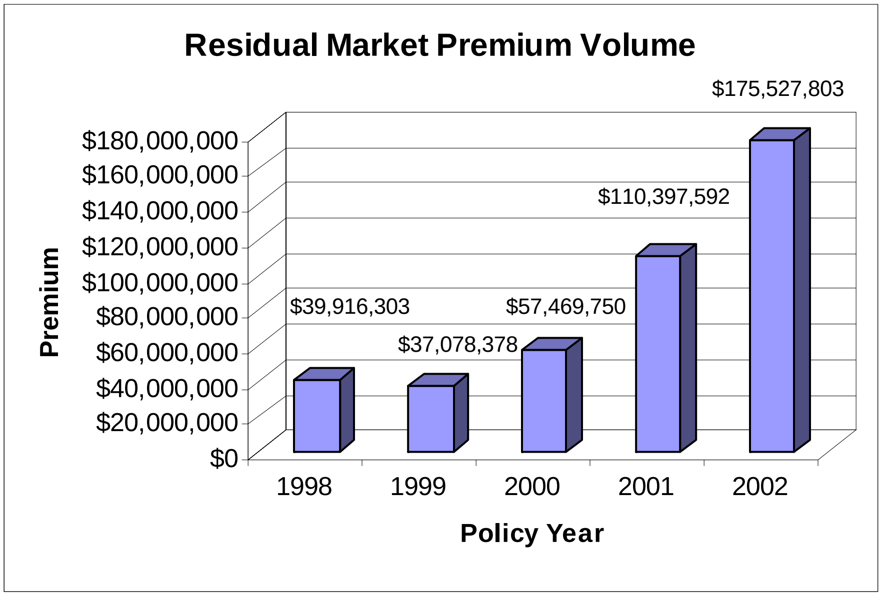
Figure 31
Residual Market Policy Counts
(Data Reported as of December 31, 2002)



Source: 2002 National Council on Commensuration Insurance, Inc.

Figure 32 illustrates the premium growth in Illinois for the workers' compensation residual market in 2002.

Figure 32
Residual Market Premium Volume
(Data Reported as of December 31, 2000)



Source: 2002 National Council on Compensation Insurance, Inc.

Medical Malpractice

According to the report "Limiting Tort Liability for Medical Malpractice" released by the Congressional Budget Office in 2004, the average claim payment in 2002 was $320,000, up from $95,000 in 1986. Although the frequency of claims has remained quite constant at approximately 15 claims per 100 doctors (with about 30% of those claims resulting in payouts), the dollar amount has escalated significantly. In the Jury Verdict Research, the latest complete available 2001 data indicates that the median malpractice jury award was $1,000,000 in 2001. The largest payout in the past six years was awarded in 2001; the amount, $131,700,000, was twice that of the previous year.

The countrywide medical malpractice combined loss ratio was 140.3% in 2002, down from the 154.2% in 2001. The loss ratio alone was 90.9% in 2002 and 98.8% in 2001. Some of this improvement in 2002 is the direct result of increased premiums. It should be noted that the combined ratio at its high mark during the medical malpractice crisis in the 1980s was 160%.

In Illinois, the loss ratio alone was 156.5% in 2002, which was 66 percentage points greater than the countrywide loss ratio. Litigation, and the threat of it, against the insurers appear to be driving these increases. Although there are still markets for medical malpractice coverage, the cost to the consumer has, and is escalating dramatically.

Medical Malpractice Loss Ratios

	Illinois	Countrywide
2001	116.8%	98.8%
2002	156.5%	90.9%

According to the "Insurance Issues Series" published in June 2003 by the Insurance Information Institute, the break down of medical malpractice premiums is as follows; physicians account for 52% of all written premiums, hospitals 32% with the balance being all other health care providers.

Figures 33 and **34** compare market shares of the top ten Illinois medical malpractice insurers for 2002 and 2001, respectively.

Figure 33
Top 10 Medical Malpractice Insurers in Illinois - 2002

Company	Illinois Market Share	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Losses Incurred	Direct Defense & Cost Cont. Expenses Incurred	Comm & Brokerage Expenses	Taxes, Licenses & Fees
ISMIE Mutual Ins Co	57.9%	$260,756	$246,576	57.9%	103.0%	30.7%	5.0%
American Phys. Assur Corp	7.9%	35,548	22,992	7.9%	51.9%	19.3%	9.7%
St Paul Fire & Marine Ins Co	4.8%	21,773	33,358	4.8%	594.8%	32.1%	2.8%
Pronational Ins Co	3.8%	17,334	17,805	3.8%	126.6%	18.6%	9.1%
Medical Protective Co	3.3%	14,899	11,175	3.3%	65.2%	16.5%	7.2%
Physicians Ins Co Of WI	2.5%	11,449	9,970	2.5%	70.3%	30.2%	10.7%
Doctors Co An Interins Exchn	2.4%	10,661	9,685	2.4%	175.5%	-30.1%	9.4%
TIG Ins Co	2.3%	10,174	8,234	2.3%	113.4%	17.8%	10.0%
Chicago Ins Co	2.1%	9,313	11,579	2.1%	69.8%	6.6%	16.4%
Cincinnati Ins Co	1.3%	5,714	5,268	1.3%	75.9%	11.5%	13.9%

Figure 34
Top 10 Medical Malpractice Insurers in Illinois - 2001

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

Personal Lines

The personal lines of insurance, homeowners' and private passenger automobile, are also experiencing price increases. Homeowners' premiums have increased and continue to rise. In 2002, weather and flood related losses declined slightly, but were still greater than in 2001. The Insurance Services Office's (ISO) Property Claims Services reported that Illinois catastrophic losses were $143 million in 2000, $260 million in 2001 and $248 million in 2002. A break down of the 2002 losses from catastrophes is as follows:

- $18 million from flooding, freezing, hail, snow and wind January 30 to February 1
- $25 million from hail, tornadoes and wind March 8 to March 10
- $100 million from flooding, hail, tornadoes and wind April 24 and 25
- $60 million from flooding, hail, tornadoes and wind April 27 to May 3
- $45 million from flooding, hail, tornadoes and wind May 7 to May 9

The loss ratio for homeowners insurance in Illinois declined to 67.7% in 2001, down from 108.4% in 2002, due to favorable experience coupled with lower catastrophic losses and increased premiums. The fact that Illinois has over 170 insurance companies vying in the homeowners insurance market greatly contributes to a highly competitive market. This is true throughout the state including Chicago area.

However, even with price increases, Illinois consumers benefit from some of the lowest premiums in the nation. The Department's *Illinois Personal Premium Report for Year 2002* compared eighteen Illinois cities and three locations in Chicago with 43 similar non-Illinois locations – matched by size and geo-economic makeup for the year 2000. The Department assigned each of the selected cities in the sample to one of four groups based on the city's population. The groups included: cities with population of 1 million or greater, cities with population of 100,000 – 250,000, cities with population of 50,000 – 99,999, and cities with population less than 50,000. The coverage criteria were homes valued at $75,000 and $150,000 covered by an HO-3-one family dwelling policy, $250 deductible, 20 years old, $300,000 personal liability, and $5,000 medical payments. The Department requested premiums for homes of frame and masonry construction.

For cities with population over 1 million, Chicago's three locations exhibited premiums that were 10th, 18th, and 20th out of 21 locations for both $75,000 frame homes and $75,000 masonry homes. For the $150,000 frame homes and masonry homes, the three Chicago location's ranks were 14th, 18th, and 19th out of 21 locations; and for the $150,000 masonry homes, their ranks were 10th, 18th, and 20th. In the Chicago zip codes of 60608, 60620, and 60625, the average cost of insurance was $408, $603, and $422, respectively, for $75,000 frame homes and $395, $601, and $404, respectively, for $75,000 masonry homes. The distribution for the $75,000 frame home ranged from a low of $320 in one of New York City locations to a high of $1,577 in one of Houston, Texas locations. The median was $598. The distribution for the $75,000 masonry home ranged from a low of $291 in one of New York City locations to a high of $1,249 in one of Houston, Texas locations. The median was $574.

For the $150,000 homes, the three Chicago locations exhibited premiums of $579 (zip code 60608), $876 (zip code 60620), and $593 (zip code 60625), for frame homes and $567 (zip code 60608), $884 (zip code 60620) and $573 (zip code 60625), respectively, for homes that were of masonry construction. The distribution for the $150,000 frame home ranged from a low of $579 in one of Chicago locations (zip code 60608) to a high of $2,603 in one of Dallas, Texas locations. The median was $1,081. The distribution for the $150,000 masonry home ranged from a low of $541 in one of Chicago locations (zip code 60608) to a high of $2,082 in one of Houston, Texas locations.

In the *cities with population of 100,000 to 250,000*, five Illinois cities occupy four of the five lowest premiums for homes valued at $75,000 (frame and masonry) and the five lowest premiums for homes valued at $150,000 (frame and masonry). For a home valued at $75,000, the lowest five premiums for frame and masonry construction respectively were for Aurora, Illinois ($299 and $275), Rockford, Illinois ($309 and $287), Peoria, Illinois ($320 and $295), Springfield, Illinois ($326 and $302), and Joliet, Illinois ($357 and $332). The highest premiums in this group were in Amarillo, Texas ($1,445 and $1,159). For a home valued at $150,000, the lowest five premiums for frame and masonry construction, respectively, were Aurora, Illinois ($424 and $387), Rockford, Illinois ($431 and $440), Peoria, Illinois ($437 and $404), and Springfield, Illinois ($451 and $417), and Joliet, Illinois ($506 and $472).

Figures 35 and **36** page compare market shares of the top ten Illinois homeowners insurers for 2002 and 2001, respectively.

Figure 35
Top 10 Homeowners Insurers in Illinois - 2002

Company	Illinois Market Share	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Losses Incurred	Direct Defense & Cost Cont. Exp. Incurred	Comm. & Brokerage Expenses	Taxes, Licenses & Fees
State Farm Fire & Casualty	32.4%	$554,780	$488,907	72.5%	1.2%	13.4%	1.4%
Allstate Insurance Co	10.7%	182,544	167,923	57.4%	0.9%	10.2%	1.0%
Illinois Farmers Ins Co	6.9%	118,273	108,684	45.5%	4.0%	18.2%	1.4%
Country Mutual Ins Co	6.2%	105,760	98,125	64.1%	1.3%	14.4%	1.2%
American Family Mutual	5.5%	93,658	84,687	64.2%	1.1%	14.4%	0.7%
Allstate Indemnity	3.1%	52,963	37,680	64.5%	1.3%	17.4%	1.4%
Economy Premier Assurance	2.7%	46,980	34,810	53.5%	1.1%	20.9%	1.3%
Safeco Ins Co of Illinois	1.8%	30,060	33,350	77.8%	3.5%	16.0%	1.2%
Travelers P&C of Illinois	1.6%	27,058	23,488	70.6%	1.5%	17.0%	1.8%
Economy Fire & Casualty Co	1.0%	17,775	18,078	52.4%	-1.8%	-0.2%	1.1%

Figure 36
Top 10 Homeowners Insurers in Illinois - 2001

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

Although not as dramatic as in the homeowners sector, prices in the private passenger automobile line have also begun to increase as reflected in the *Personal Lines Report Year 2002*, published by the Department. It is important to note that premium data are reported for a specific private passenger automobile (Ford Taurus LX 4-Door) for specific locations across the state for two driver types only: a 16 year old single male and a 36 year old married principal driver. Based on the *Personal Lines Report*, premium increases are noted throughout downstate Illinois; however, the Chicago average combined premiums (liability and physical damage) increased minimally or exhibited a decline, as did those in East St. Louis. Increases in downstate premiums are ranging from 10.69% (36 year-old married driver in Peoria, IL) to 18.86% (16 year-old single male driver in Springfield, IL) with an average increase of 15.0%. From 2000 to 2001, combined premiums increased by 7.37% on average for cities of 100,000 to 250,000 population; 6.48% on average for cities of 50,000 to 99,999 population; and 8.23% on average for cities of less than 50,000 population. The *Personal Lines Report* is available on the Department website.

Figures 37 and **38** compare market shares of the top ten Illinois private passenger automobile insurers for 2002 and 2001, respectively.

Figure 37
Top 10 Private Passenger Auto Insurers in Illinois - 2002

Company	Illinois Market Share	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Losses Incurred	Direct Defense & Cost Cont. Expenses Incurred	Comm & Brokerage Expenses	Taxes, Licenses & Fees
State Farm Mutual Auto	29.8%	$1,594,102	$1,558,703	75.4%	2.9%	7.2%	0.5%
Allstate Ins Co	7.9%	$419,791	$421,484	59.3%	3.2%	10.3%	1.1%
Country Mutual Ins Co	5.8%	$308,369	$302,752	64.6%	1.6%	9.5%	0.7%
Illinois Farmers Ins Co	4.8%	$254,119	$255,142	49.3%	2.8%	12.8%	0.9%
American Family Mutual	4.4%	$236,161	$229,474	64.3%	3.8%	8.3%	0.0%
Allstate P&C Ins Co	2.5%	$132,594	$118,959	73.5%	3.9%	11.0%	1.3%
State Farm Fire & Casualty	2.4%	$130,800	$125,747	94.4%	3.2%	9.8%	0.5%
Safeco Ins Co Of IL	1.5%	$79,440	$78,926	68.5%	2.1%	12.0%	0.7%
Economy Premier Assur Co	1.3%	$70,783	$57,833	60.7%	1.8%	18.1%	0.7%
Affirmative Ins Co	1.3%	$67,141	$42,431	111.7%	0.0%	41.3%	0.9%

Figure 38
Top 10 Private Passenger Auto Insurers in Illinois - 2001

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

Beyond 2002

If the trends currently seen in the medical malpractice market continue, there could be negative impacts on the quality of healthcare. Problems in the medical malpractice market are caused by a variety of factors, including a decline in income from investments, large jury awards, claim frequency, the escalating cost of defending those claims, and other factors.

Upward pressure on rates for coverage in personal lines policies continues. The severe tornado season in Spring 2003 will undoubtedly continue this pressure on prices. However, losses as a percent of earned premium in both the homeowners' and automobile markets in Illinois and nationwide have declined in 2001 and 2002.

Losses in the workers' compensation line of business have been falling as well after increasing sharply from 1997 to 2000. This should have a positive effect on workers' compensation rates in the near future as companies get a handle on their costs. However, in Illinois, more and more large employers have been obtaining workers' compensation coverage in the residual market. The residual market, or assigned risk pool, has traditionally been where smaller sized employers purchased their workers' compensation coverage.

The Department will continue to strive for the optimal environment where insurance is accessible, affordable, and readily available and where insurers can generate reasonable profits. The Illinois property and casualty industry has proven that it can adjust to market changes. External factors such as terrorism, a significant increase in the cost of goods and services, the slumping economy, increased reinsurance premiums, and an increase in litigation continued to contribute to the bad insurance results in 2002.

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

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APPENDIX A – Consolidated Assets of Illinois-licensed Property/Casualty Insurers for the year ending December 31, 2002

ASSETS

		Current year			Prior year
		1	2	3	4
		Assets	Nonadmitted Assets	Net Admitted Assets	Net Admitted Assets
1	Bonds	458,846,852,328	501,693,193	458,345,159,135	428,156,212,197
2	Stocks:				
	2.1 Preferred stocks (stocks)	12,778,538,155	18,803,067	12,759,735,088	9,105,540,690
	2.2 Common stocks (stocks)	191,546,441,798	646,179,783	190,900,262,015	214,619,897,216
3	Mortgage loans on real estate:				
	3.1 First liens (mortgage loans on real estate)	1,501,033,153	30,937	1,501,002,216	1,429,591,337
	3.2 Other than first liens (mortgage loans on real estate)	60,761,932	2,114,561	58,647,371	68,185,333
4	Real estate:				
	4.1 Properties occupied by the company (less $(1) encumbrances) (real estate)	6,902,891,307	509,488	6,902,381,819	6,731,184,080
	4.2 Properties held for the production of income (less $(1) encumbrances)	951,925,281	7,706,073	944,219,208	901,981,121
	4.3 Properties held for sale (less $(1) encumbrances)	290,226,811	85,918	290,140,893	328,516,496
5	Cash ($(1)) and short-term investments $(2))	55,896,655,950	5,357,834	55,891,298,115	33,228,493,615
6	Other invested assets	31,823,006,884	876,712,662	30,946,294,223	30,718,873,565
7	Receivable for securities	1,930,386,711	2,254,171	1,928,132,539	1,629,217,844
8	Aggregate write-ins for invested assets	5,675,752,436	1,942,548,850	3,733,203,587	1,788,011,878
9	Subtotals, cash and invested assets	768,204,472,747	4,003,996,536	764,200,476,211	728,705,705,368
10	Agents' balances or uncollected premiums:				
	10.1 Premiums and agents' balances in course of collection	34,096,994,426	2,226,158,061	31,870,836,375	29,014,727,528
	10.2 Premiums, agents' balances and installments booked but deferred and not yet due (including $(1) earned but unbilled premiums)	46,636,638,370	719,271,185	45,917,367,183	41,292,786,385
	10.3 Accrued retrospective premiums	3,781,156,988	267,864,535	3,513,292,462	3,555,437,236
11	Funds held by or deposited with reinsured companies	8,160,573,390	11,566,930	8,149,006,459	6,810,487,244
12	Bills receivable, taken for premiums	345,993,255	21,610,853	324,382,402	548,912,295
13	Amounts receivable under high deductible policies	1,972,213,290	108,213,286	1,864,000,004	1,512,811,024
14	Reinsurance recoverables on loss and loss adjustment expense payments	20,229,082,091	18,638,197	20,210,443,894	16,070,613,802
15	Federal and foreign income tax recoverable and interest thereon (including $(1) net deferred tax asset)	37,016,294,290	20,892,463,005	16,123,831,291	13,187,034,087
16	Guaranty funds receivable or on deposit	591,727,069	7,746,344	583,980,726	353,462,869
17	Electronic data processing equipment and software	3,212,401,217	1,650,465,873	1,561,935,349	1,768,803,934
18	Interest, dividends and real estate income due and accrued	6,767,593,890	1,083,100	6,766,510,790	6,701,626,276
19	Net adjustments in assets and liabilities due to foreign exchange rates	42,366,133	-	42,366,133	34,481,809
20	Receivable from parent, subsidiaries and affiliates	11,590,410,540	317,077,317	11,274,140,979	9,894,846,370
21	Amount due from/to protected cells	-	-	-	13,255
22	Equities and deposits in pools and associations	1,797,191,370	63,394,436	1,733,796,939	1,509,784,445
23	Amounts receivable relating to uninsured accident and health plans	28,378,048	1,006,196	27,371,852	39,867,119
24	Other assets nonadmitted	2,927,989,545	2,929,823,093	(1,833,548)	(349,854)
25	Aggregate write-ins for other than invested assets	16,650,662,490	4,828,829,144	11,821,833,349	12,553,870,217
26	Total assets excluding protected cell assets	964,052,139,144	38,069,208,069	925,983,738,823	873,554,921,373
27	Protected cell assets	-	-	-	-
28	Totals	964,052,139,144	38,069,208,069	925,983,738,823	873,554,921,373

APPENDIX B – Consolidated Liabilities, Surplus and Other Funds of Illinois-licensed Property/Casualty Insurers for the year ending December 31, 2002

	LIABILITIES, SURPLUS AND OTHER FUNDS	1 Current Year	2 Prior Year
1	Losses	285,219,136,620	268,551,745,478
2	Reinsurance payable on paid losses and loss adjustment expenses	7,420,616,933	6,288,441,756
3	Loss adjustment expenses	55,402,091,753	53,680,974,811
4	Commissions payable, contingent commissions and other similar charges	2,996,512,338	2,625,556,422
5	Other expenses (excluding taxes, licenses and fees)	14,997,718,480	12,581,131,057
6	Taxes, licenses and fees (excluding federal and foreign income taxes)	4,274,496,600	3,976,676,198
7	Federal and foreign income taxes (including $(1) on realized capital gains (losses)) (including $(2) net deferred tax liability)	8,203,559,648	11,872,772,956
8	Borrowed money $(1) and interest thereon $(2)	2,138,253,984	2,900,605,158
9	Unearned premiums (after deducting unearned premiums for ceded reinsurance of $(1) and including warranty reserves of $(2))	131,545,082,954	114,773,206,162
10	Advance premium	4,171,345,714	3,143,732,915
11	Dividends declared and unpaid:		
	11.1Stockholders (dividends declared and unpaid)	247,182,169	280,199,987
	11.2 Policyholders (dividends declared and unpaid)	462,174,185	656,097,038
12	Ceded reinsurance premiums payable (net of ceding commissions)	19,149,213,397	14,705,980,113
13	Funds held by company under reinsurance treaties	27,157,299,916	21,018,366,676
14	Amounts withheld or retained by company for account of others	4,736,201,218	4,314,416,324
15	Remittances and items not allocated	1,279,836,082	1,193,072,341
16	Provision for reinsurance	5,779,614,632	5,142,967,423
17	Net adjustments in assets and liabilities due to foreign exchange rates	702,289,196	655,158,868
18	Drafts outstanding	3,359,295,241	3,622,133,861
19	Payable to parent, subsidiaries and affiliates	7,251,872,257	6,701,820,755
20	Payable for securities	9,567,821,454	4,113,509,400
21	Liability for amounts held under uninsured accident and health plans	475,443	(698,314)
22	Capital notes $(1) and interest thereon $(2)	48,500,000	48,500,000
23	Aggregate write-ins for liabilities	34,736,614,649	30,851,072,462
24	Total liabilities excluding protected cell liabilities	630,847,204,844	573,697,439,828
25	Protected cell liabilities	-	-
26	Total liabilities	630,847,204,845	573,697,439,828
27	Aggregate write-ins for special surplus funds	25,536,548,568	29,354,992,105
28	Common capital stock	4,750,532,601	4,696,144,162
29	Preferred capital stock	1,738,994,466	1,690,959,577
30	Aggregate write-ins for other than special surplus funds	92,784,833	107,999,798
31	Surplus notes	7,905,102,680	6,572,241,841
32	Gross paid in and contributed surplus	128,259,236,565	109,008,800,871
33	Unassigned funds (surplus)	127,852,403,630	149,396,384,908
34	Loss treasury stock, at cost:		
	34.1 . . . . .shares common (value included in line 28 $	989,212,848	965,546,594
	34.2 . . . . .shares preferred (value included in line 29 $	9,856,540	8,566,335
35	Surplus as regards policyholders	295,136,533,965	299,853,410,341
36	Totals	925,983,738,795	873,550,850,165

APPENDIX C – Consolidated Underwriting and Investment Exhibit of Illinois-licensed Property/Casualty Insurers for the year ending December 31, 2002

UNDERWRITING AND INVESTMENT EXHIBIT STATEMENT OF INCOME		1 Current Year	2 Prior Year
	UNDERWRITING INCOME		
01	Premiums earned	290,396,600,568	261,126,312,673
	DEDUCTIONS		
02	Losses incurred	198,963,697,750	198,175,852,849
03	Loss expenses incurred	36,980,592,425	34,015,024,755
04	Other underwriting expenses incurred	79,361,819,614	72,897,218,430
05	Aggregate write-ins for underwriting deductions	334,733,413	363,396,511
06	Total underwriting deductions	315,640,843,192	305,451,492,542
07	Net income of protected cells	-	-
08	Net underwriting gain (loss)	(25,244,242,622)	(44,325,179,881)
	INVESTMENT INCOME		
09	Net investment income earned	36,791,952,172	34,032,670,678
10	Net realized capital gains (losses)	3,163,125,961	6,062,214,828
11	Net investment gain (loss)	39,955,078,124	40,094,885,502
	OTHER INCOME		
12	Net gain (loss) from agents' or premium balances charged off (amount recovered $(1) amount charged off $(2))	(814,986,087)	(689,268,521)
13	Finance and service charges not included in premiums	1,524,376,549	1,367,847,130
14	Aggregate write-ins for miscellaneous income	1,640,647,496)	(173,934,479)
15	Total other income	(931,257,027)	504,644,132
16	Net income before dividends to policyholders and before federal and foreign income taxes	13,779,578,489	(3,725,650,256)
17	Dividends to policyholders	1,121,479,600	1,214,367,932
18	Net income, after dividends to policyholders but before federal and foreign income taxes	12,658,098,892	(4,940,018,191)
19	Federal and foreign income taxes incurred	1,173,187,589	(940,366,167)
20	Net income	11,484,911,306	(3,999,652,025)
	CAPITAL AND SURPLUS ACCOUNT		
21	Surplus as regards policyholders, December 31 prior year	299,853,410,345	322,114,199,834
	GAINS AND (LOSSES) IN SURPLUS		
22	Net income (from Line 20)	11,484,911,306	(3,999,652,025)
23	Net unrealized capital gains or (losses)	(26,485,186,060)	(19,273,166,076)
24	Change in net unrealized foreign exchange capital gain (loss)	107,584,765	(56,889,468)
25	Change in net deferred income tax	10,331,851,079	7,215,717,972
26	Change in nonadmitted assets	(9,152,428,109)	(5,151,682,379)
27	Change in provision for reinsurance	(633,137,199)	(277,141,761)
28	Change in surplus notes	1,323,661,370	1,260,013,330
29	Surplus (contributed to) withdrawn from protected cells	-	(10,875,021)
30	Cumulative effect of changes in accounting principles	1,348,922,877	(1,805,448,399)
31	Capital changes:		
	31.1 Paid in	423,525,404	19,263,551
	31.2 Transferred from surplus (stock dividend)	14,340,272	127,368,867
	31.3 Transferred to surplus	(4,145,000)	(7,083,341)
32	Surplus adjustments:		
	32.1 Surplus adjustments paid in	19,686,647,114	13,994,464,609
	32.2 Surplus adjustments transferred to capital (stock dividend)	(14,340,272)	(126,268,867)
	32.3 Surplus adjustments transferred from capital	(52,302,328)	(3,222,341)
33	Net remittances from or (to) home office	9,119,839	(476,389)
34	Dividends to stockholders	(10,677,594,268)	(12,799,962,982)
35	Change in treasury stock	(24,956,458)	(19,522,916)
36	Aggregate write-ins for gains and losses in surplus	(2,403,350,651)	(1,346,225,864)
37	Change in surplus as regards policyholders for the year	(4,716,876,319)	(22,260,789,484)
38	Surplus as regards policyholders, December 31 current year	295,136,534,025	299,853,410,341

APPENDIX D – Consolidated Cash Flow of Illinois-licensed Property/Casualty Insurers for the year ending December 31, 2002

	CASH FLOW	Current Year	Prior Year
	CASH FROM OPERATIONS		
1	Premiums collected net of reinsurance	304,709,324,434	266,186,845,628
2	Loss and loss adjustment expenses paid (net of salvage and subrogation)	221,773,523,204	219,477,774,884
3	Underwriting expenses paid	77,103,765,972	70,650,975,106
4	Other underwriting income (expenses)	633,330,515	(493,847,195)
5	Cash from underwriting	6,465,365,785	(24,435,751,551)
6	Net investment income	37,284,876,638	34,504,822,355
7	Other income (expenses)		
	7.1 Agents' balances charged off	(812,635,205)	(699,377,820)
	7.2 Net funds held under reinsurance treaties	4,765,514,286	6,882,226,516
	7.3 Net amount withheld or retained for account of others	476,388,867	623,917,429
	7.4 Aggregate write-ins for miscellaneous items	355,290,266	1,856,231,981
	7.5 Total other income	4,784,558,219	8,662,998,098
8	Dividends to policyholders on direct business, less $(…) dividends on reinsurance assumed or ceded (net)	1,186,126,479	1,440,523,377
9	Federal and foreign income taxes (paid) recovered	(825,153,346)	(1,931,580,515)
10	Net cash from operations	46,523,520,838	15,359,965,009
	CASH FROM INVESTMENTS		
11	Proceeds from investments sold, matured or repaired		
	11.1 Bonds	316,316,801,701	295,428,815,527
	11.2 Stocks	49,608,712,397	56,241,697,470
	11.3 Mortgage loans	293,268,528	364,190,439
	11.4 Real estate	718,638,686	805,474,418
	11.5 Other invested assets	22,181,124,391	16,299,248,359
	11.6 Net gains or (losses) on cash and short-term investments	16,314,368	(81,383,349)
	11.7 Miscellaneous proceeds	5,156,110,821	4,256,644,670
	11.8 Total investment proceeds	394,290,970,886	373,314,687,529
12	Cost of investments acquired (long-term only)		
	12.1 Bonds	344,560,147,578	302,703,278,557
	12.2 Stocks	53,996,951,688	61,184,139,662
	12.3 Mortgage loans	351,642,307	489,788,734
	12.4 Real estate	1,017,344,360	864,156,366
	12.5 Other invested assets	22,907,741,029	18,141,003,055
	12.6 Miscellaneous applications	3,312,633,816	1,144,926,010
	12.7 Total investments acquired	426,146,460,770	384,527,292,377
13	Net cash from investments	(31,855,489,893)	(11,212,604,842)
	CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
14	Cash provided:		
	14.1 Surplus notes, capital and surplus paid in	21,403,472,159	14,027,510,641
	14.2 Capital notes $(…) less amounts repaid $(…)	-	-
	14.3 Net transfers from affiliates	7,125,619,102	5,567,262,818
	14.4 Borrowed funds received	4,145,041,361	8,126,361,846
	14.5 Other cash provided	8,762,747,075	9,928,286,062
	14.6 Total cash provided	41,436,879,694	37,649,421,371
15	Cash applied		
	15.1 Dividends to stockholders paid	10,652,565,678	14,032,883,463
	15.2 Net transfers to affiliates	7,779,839,022	6,004,765,387
	15.3 Borrowed funds repaid	6,826,847,835	9,074,181,557
	15.4 Other applications	7,992,080,419	11,707,290,719
	15.5 Total cash applied	33,251,332,954	40,819,121,128
16	Net cash from financing and miscellaneous sources	8,185,546,736	(3,169,699,764)
	RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
17	Net change in cash and short-term investments	22,853,577,666	977,660,349
18	Cash and short-term investments:		
	18.1 Beginning of year	33,228,739,926	32,251,525,448
	18.2 End of year	56,082,317,592	33,229,185,798

APPENDIX E – Consolidated Exhibit of Premiums and Losses in the State of Illinois for All Illinois-licensed Property/Casualty Insurers During 2002

EXHIBIT OF PREMIUMS AND LOSSES

BUSINESS IN THE STATE OF ILLINOIS DURING THE YEAR 2002

	Line of Business	1 Direct Premiums Written	2 Direct Premiums Earned	3 Dividends Paid or Credited to Policy-Holders On Direct Business	4 Direct Unearned Premium Reserves	5 Direct Losses Paid (deducting salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Direct Defense And Cost Containment Expense Paid	9 Direct Defense And Cost Containment Expense Incurred	10 Direct Defense And Cost Containment Expense Unpaid	11 Commission & Brokerage Expenses	12 Taxes, Licenses And Fees
1	Fire	228,292,032	214,382,120	259,528	109,930,224	82,119,822	90,142,500	73,356,013	2,084,987	2,555,812	3,325,485	27,919,331	7,894,344
2.1	Allied lines	245,563,240	225,742,226	2,045,327	84,808,326	78,060,313	73,207,928	75,133,753	2,685,496	3,671,528	3,756,693	35,447,130	4,705,080
2.2	Multiple peril crop	161,328,214	162,152,714	-	4,159,832	94,451,535	133,411,378	65,160,676	335,502	2,349,479	2,098,171	19,368,813	334,164
2.3	Federal flood	17,063,924	16,434,846	-	8,633,707	4,756,756	3,886,854	394,942	197,214	181,287	7,831	2,159,206	153,035
3	Farmowners multiple peril	84,935,102	83,458,496	-	33,385,523	54,407,250	53,017,038	23,104,661	978,712	864,891	3,643,211	12,949,965	1,250,183
4	Homeowners multiple peril	1,709,700,907	1,542,018,521	1,546,672	912,155,810	1,060,101,615	1,043,865,340	471,156,189	30,443,763	28,184,663	58,196,557	239,249,183	23,030,121
5.1	Commercial multiple peril (non-liability portion)	782,276,899	725,207,038	209,171	375,426,287	421,111,180	424,072,190	347,088,812	16,844,263	20,479,465	39,424,267	117,319,916	16,039,154
5.2	Commercial multiple peril (liability portion)	486,837,092	455,111,398	173,156	227,088,772	247,995,240	307,688,941	915,771,260	90,178,514	111,063,359	275,612,023	71,239,202	8,712,625
6	Mortgage guaranty	218,747,724	219,797,424	-	14,651,449	34,785,568	69,217,248	329,028,497	845,221	1,456,314	2,863,853	882,568	5,039,898
8	Ocean marine	61,985,395	57,839,973	60,450	18,891,632	34,136,659	23,132,175	32,771,288	2,525,615	2,269,228	3,458,627	9,374,128	1,144,991
9	Inland marine	435,404,402	454,093,707	178,513	188,791,620	209,469,653	235,429,870	129,809,159	3,761,603	4,964,246	7,149,633	68,241,606	7,772,070
10	Financial guaranty	89,446,709	57,453,200	-	317,268,144	4,087,562	39,282,341	48,820,859	-	807,624	1,066,446	20,289	3,012,945
11	Medical malpractice	450,167,844	431,857,034	757,217	215,189,497	485,337,213	675,759,294	1,498,854,942	104,391,267	125,773,023	345,568,213	30,933,113	7,850,189
12	Earthquake	32,879,169	30,312,391	42,785	15,582,375	676,038	753,383	1,556,611	28,743	52,443	111,799	4,017,092	590,816
13	Group accident and health	268,924,260	252,747,961	7,141	78,986,857	197,694,703	204,372,241	174,495,700	2,063,956	2,946,579	1,901,686	27,984,653	3,378,036
14	Credit A&H (group and individual)	35,114,728	36,121,852	-	3,884,324	5,610,245	4,810,768	5,210,251	1,168	(39,567)	24,638	11,233,216	712,950
15.1	Collectively renewable A&H	3,379	3,426	-	353,710	1,600	(2,735)	2,214,462	-	-	-	644	69
15.2	Non-cancelable A&H	3,594	36,878	-	618,943	5,028	7,674	2,952	-	-	-	3	2
15.3	Guaranteed renewable A&H	64,907,818	39,596,745	-	156,314,041	25,070,072	36,581,469	48,497,379	31,082	71,393	182,347	18,558,648	1,156,281
15.4	Non-renewable for stated reasons only	52,514,208	52,705,960	3,714	11,927,364	48,011,654	47,876,964	34,956,623	571,714	602,412	763,969	3,316,770	8,155
15.5	Other accident only	21,482,076	21,532,631	-	636,570	6,099,625	8,515,086	4,232,765	24,697	53,099	41,248	4,695,741	187,148
15.6	All other A&H	10,043,299	9,890,035	-	1,767,176	4,683,642	(613,654)	4,375,116	(22,832)	(206,758)	342,293	1,343,761	156,548
15.7	Federal employees health benefits program	29,485,710	29,485,710	-	-	22,989,066	14,224,504	-	-	-	-	10	45,760
16	Workers' compensation	2,118,367,670	2,000,737,100	15,379,640	748,476,561	1,292,613,161	1,448,439,619	3,622,971,294	98,711,763	97,984,144	305,085,700	170,581,678	42,762,392
17	Other liability	2,403,403,963	2,207,180,801	904,603	1,254,198,027	1,524,236,925	2,153,883,581	5,339,438,256	280,141,245	422,918,880	966,859,696	206,237,835	36,929,981
18	Products liability	117,148,224	117,931,078	448	45,512,733	89,983,413	285,728,011	1,001,460,329	61,744,122	173,549,186	468,329,544	14,540,543	2,249,570
19.1	Private passenger auto no-fault (pip)	672,244	1,178,143	13,050	37,724	3,996,927	2,268,764	4,398,457	294,573	155,809	251,697	48,856	19,789
19.2	Other private passenger auto liability	2,809,392,660	2,724,069,087	2,901,417	835,578,357	1,775,116,267	1,851,398,435	2,229,236,292	132,508,837	139,244,191	329,550,820	310,585,673	28,725,687
19.3	Commercial auto no-fault (pip)	145,190	219,534	92	26,153	154,584	692,134	111,040	3,285	393,941	17,214	(16,305)	8,384
19.4	Other commercial auto liability	810,210,350	754,603,264	31,154	344,474,996	480,033,057	516,378,766	1,015,067,862	52,669,840	55,557,337	115,800,090	106,980,311	14,805,447
21.1	Private passenger auto physical damage	2,534,790,400	2,474,972,524	2,973,368	733,070,777	1,511,536,918	1,517,809,771	136,246,944	11,055,371	10,277,236	8,509,336	260,366,112	23,927,062
21.2	Commercial auto physical damage	346,160,938	328,167,342	26,800	139,639,463	170,682,194	167,366,693	57,506,628	3,042,182	4,886,705	5,515,553	47,640,087	5,851,651
22	Aircraft (all perils)	116,801,865	107,758,197	-	41,137,195	135,651,922	325,285,524	778,526,454	10,185,044	19,305,150	79,097,859	10,035,245	2,596,147
23	Fidelity	65,666,089	60,248,280	122	36,593,364	28,195,329	33,234,393	54,903,200	1,981,112	2,577,368	5,396,282	8,041,857	1,168,511
24	Surety	162,925,483	152,315,429	-	91,836,794	45,291,298	1,326,510	36,827,188	4,629,501	(503,058)	9,056,623	38,186,762	3,138,044
26	Burglary and theft	6,828,616	6,627,570	12,634	3,446,334	681,830	1,049,260	3,240,160	35,293	47,935	204,965	1,016,138	156,722
27	Boiler and machinery	53,368,633	49,198,678	-	25,652,557	6,018,781	6,509,230	11,885,845	140,988	334,538	822,670	4,948,110	1,196,895
28	Credit	25,981,933	26,006,865	-	7,410,247	22,999,895	27,716,151	17,945,656	78,145	(295,241)	1,795,075	3,703,222	408,163
33	Aggregate write-ins for other lines of business	396,827,783	457,036,628	124,000	780,030,308	217,120,364	220,585,563	100,706,546	15,371,668	15,965,480	2,483,794	47,691,288	3,060,439
34	Totals	17,455,799,748	16,586,232,807	27,651,005	7,867,573,750	10,425,974,895	12,048,311,185	18,696,465,069	930,563,631	1,250,500,108	3,048,315,894	1,936,842,386	260,179,439

APPENDIX F – Consolidated Insurance Expense Exhibit Part III for all Illinois-licensed Property/Casualty Insurers for 2002

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	5,858,618	5,270,538	6,805	1,688,034	74,236	125,546	4,563,333	226,325	104,743	2,994,081	1,092,398
2.1	Allied lines	4,555,551	4,102,406	6,091	1,432,680	128,770	128,500	4,715,644	150,711	96,810	1,894,685	847,264
2.2	Multiple peril crop	2,746,443	2,715,541	-	3,402,856	19,568	50,705	1,046,508	13,432	25,415	168,071	55,593
2.3	Federal flood	1,332,619	1,301,276	-	309,168	9,442	17,297	82,571	1,561	9,936	696,315	119,332
3	Farmowners multiple peril	996,130	966,751	-	563,778	21,652	72,728	306,539	48,909	28,985	451,036	224,158
4	Homeowners multiple peril	31,728,549	29,718,810	110,199	18,811,811	824,601	2,481,402	8,779,541	1,174,081	1,014,915	16,870,239	5,810,245
5.1	Commercial multiple peril (non-liability portion)	15,017,167	13,997,080	4,978	7,892,941	478,477	620,885	8,042,104	937,668	388,735	7,132,412	3,204,358
5.2	Commercial multiple peril (liability portion)	9,671,753	9,122,421	3,348	4,913,321	1,953,501	443,519	16,109,823	5,386,659	780,174	4,361,416	2,079,218
6	Mortgage guaranty	4,494,745	4,538,578	-	1,315,631	27,927	50,676	5,804,513	48,061	59,441	499,797	294,730
8	Ocean marine	2,678,079	2,492,586	2,648	1,554,299	94,223	57,459	2,166,254	144,834	44,720	887,555	457,778
9	Inland marine	9,232,561	8,983,793	7,135	4,108,453	130,805	274,133	3,276,203	174,861	133,406	4,171,970	1,851,698
10	Financial guaranty	3,018,049	1,854,882	-	132,617	7,849	4,252	558,582	5,020	2,710	8,675,949	(85,445)
11	Medical malpractice	5,314,518	5,141,415	32,268	4,758,605	1,415,606	260,819	11,438,367	3,185,406	398,743	2,130,163	957,014
12	Earthquake	955,564	882,947	2,399	429,226	93,526	29,323	334,495	61,146	18,700	461,443	204,773
13	Group A & H	5,884,505	5,632,633	212	4,152,761	65,018	145,511	3,054,507	48,874	98,250	840,568	949,695
14	Credit A & H	806,510	829,021	-	119,693	(514)	4,278	111,279	399	5,276	87,419	63,029
15	Other A & H	4,225,280	3,785,675	38	2,656,113	24,898	133,753	1,423,250	25,955	123,998	2,518,848	487,530
16	Workers' compensation	29,221,081	27,511,840	632,807	21,503,720	1,746,026	1,858,861	66,772,296	5,370,070	2,869,508	8,097,297	6,515,118
17	Other liability	29,527,485	27,036,953	13,188	25,314,810	4,389,839	1,253,403	66,415,440	12,765,190	2,335,810	14,237,148	5,833,109
18	Products liability	2,289,458	2,117,557	(183)	5,071,403	1,176,739	168,618	12,247,848	3,587,739	375,731	975,570	521,672
19.1	Private passenger auto liability	63,393,085	61,659,685	174,994	45,172,140	2,777,974	6,361,089	55,933,792	7,046,674	4,292,455	19,204,430	11,105,544
19.3	Commercial auto liability	16,589,245	15,585,027	2,312	11,225,475	1,049,076	1,027,178	20,276,130	2,297,449	908,148	7,021,209	3,944,204
21.1	Private passenger auto physical damage	46,071,659	45,187,206	156,416	27,740,346	133,402	4,358,707	2,432,517	147,648	883,583	13,787,749	7,964,276
21.2	Commercial auto physical damage	6,028,914	5,813,106	431	3,186,182	100,802	360,291	837,561	107,356	80,288	2,515,562	1,384,525
22	Aircraft (all perils)	3,119,794	2,890,347	-	1,689,758	168,599	9,199	4,074,532	414,099	31,778	1,021,710	615,744
23	Fidelity	1,056,767	1,002,338	148	609,209	33,508	43,295	997,695	93,337	49,914	615,103	254,228
24	Surety	3,426,159	3,244,479	24,859	1,994,183	273,623	109,856	2,621,788	364,800	98,314	1,985,010	687,427
26	Burglary and theft	106,168	117,135	19	21,801	(253)	1,480	38,486	3,098	1,755	54,779	22,008
27	Boiler and machinery	1,198,446	1,084,255	(12)	313,301	10,537	10,466	434,089	20,309	15,597	561,954	240,166
28	Credit	594,184	530,037	-	271,477	5,078	10,345	162,845	7,646	2,020	309,894	74,204
29	International	30,670	22,938	-	19,763	1,227	409	66,626	1,859	130	13,354	2,234
33	Aggregate write-ins for other lines of business	4,169,675	3,534,541	6,026	2,462,856	49,667	60,154	2,849,807	116,510	40,111	6,816,588	286,178
34	Total	315,339,440	298,673,807	1,187,152	204,838,437	17,285,408	20,534,140	307,974,973	43,977,696	15,320,130	132,059,300	58,064,010

APPENDIX F (continued) – Consolidated Insurance Expense Exhibit Part III for all Illinois-licensed Property/Casualty Insurers for 2002

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	717,817	146,807	272,349	332,951	(51,020)	1,854,957
2.1	Allied lines	562,074	110,507	212,313	276,031	(32,933)	1,212,483
2.2	Multiple peril crop	280,253	9,624	29,348	34,772	(76,149)	(1,187,733)
2.3	Federal flood	204,510	25,863	9,533	14,475	678	711,667
3	Farmowners multiple peril	166,390	24,610	143,644	2,502	842	(27,708)
4	Homeowners multiple peril	4,314,783	791,847	2,593,245	1,371,989	32,456	(1,548,606)
5.1	Commercial multiple peril (non-liability portion)	2,376,667	543,444	937,988	803,654	(132,223)	205,824
5.2	Commercial multiple peril (liability portion)	1,642,225	240,979	561,439	580,862	(60,792)	(1,277,560)
6	Mortgage guaranty	8,657	112,222	261,327	586,008	(3,248)	2,172,880
8	Ocean marine	432,452	61,715	90,689	118,375	(31,303)	49,414
9	Inland marine	1,242,212	238,652	500,288	437,598	(133,899)	1,910,590
10	Financial guaranty	480	67,781	288,202	219,702	13,154	1,147,154
11	Medical malpractice	443,592	133,742	105,363	320,864	(104,334)	(2,433,763)
12	Earthquake	114,965	22,804	57,420	37,612	(5,662)	89,989
13	Group A & H	613,085	90,090	169,212	166,060	(81,228)	149,454
14	Credit A & H	224,421	25,407	23,575	99,655	1,357	333,861
15	Other A & H	543,474	40,732	157,472	240,136	(63,707)	(74,646)
16	Workers' compensation	2,295,542	1,178,098	1,425,677	1,656,459	(458,919)	(5,244,288)
17	Other liability	3,888,160	731,031	1,420,532	1,344,056	(652,465)	(11,970,546)
18	Products liability	256,151	54,811	163,854	196,161	(10,204)	(4,980,185)
19.1	Private passenger auto liability	5,570,086	1,532,061	4,713,239	2,887,352	159,674	(7,369,684)
19.3	Commercial auto liability	2,216,520	449,124	885,956	900,657	(132,900)	(2,304,188)
21.1	Private passenger auto physical damage	3,999,348	1,081,030	3,417,950	2,046,941	116,907	2,370,072
21.2	Commercial auto physical damage	832,524	148,667	376,480	398,870	(20,903)	387,952
22	Aircraft (all perils)	251,728	53,861	79,210	58,334	(82,186)	497,476
23	Fidelity	139,454	25,339	89,306	66,312	(18,186)	(22,427)
24	Surety	913,119	94,040	351,816	215,206	(17,243)	(749,471)
26	Burglary and theft	14,877	2,877	11,104	6,465	(1,320)	57,442
27	Boiler and machinery	94,473	29,182	63,265	118,739	(3,833)	440,474
28	Credit	153,743	24,898	53,893	84,803	12,340	(61,858)
29	International	2,669	589	2,318	(110)	(777)	(4,704)
33	Aggregate write-ins for other lines of business	432,107	93,753	66,014	208,474	29,219	184,735
34	Total	34,948,591	8,186,218	19,534,054	15,831,993	(1,808,828)	(25,480,947)

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

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