STATE OF MICHIGAN
JENNIFER M. GRANHOLM
GOVERNOR
OFFICE OF FINANCIAL AND INSURANCE REGULATION
DEPARTMENT OF LABOR & ECONOMIC GROWTH
KEITH W. COOLEY, DIRECTOR
KEN ROSS
COMMISSIONER

The State of Competition in the Workers' Compensation Insurance Market In the State of Michigan

A Market Competition Study issued by Commissioner Ken Ross

May 2008

Street/Overnight Delivery Address: 611 W. OTTAWA STREET, 3rd FLOOR, LANSING, MICHIGAN 48933
Mailing Address: P.O. BOX 30220, LANSING, MICHIGAN 48909-7720
www.michigan.gov • TOLL FREE (877) 999-6442 LOCAL (517) 373-0220

Office of Financial and Insurance Regulation

Historically, government regulated insurance, financial institutions (banking, consumer finance and credit unions), and securities separately, and a Depression-era federal law known as the Glass Steagall Act (adopted in response to the bank failures following the 1929 stock market crash) specifically prohibited a bank from offering securities and insurance products or engaging in commercial banking. The federal Financial Services Modernization Act of 1999, also known as Graham Leach Bliley Act (GLBA) repealed the Glass Steagall Act barriers and allowed financial service holding companies to engage in any activity financial in nature so long as it did not cause a safety or soundness issue to the overall financial system.

With changing complexities in insurance, banking and securities companies, the old-fashioned regulatory model could not keep pace with the marketplace. Michigan became the first state to coordinate the regulation of insurance, financial institutions and securities into one governmental agency consistent with financial services modernization. Effective April 2000, the Office of Financial and Insurance Services (OFIS) was created by executive order to consolidate the Bureaus of Insurance and Financial Institutions, and the Securities Division of the former Corporations, Securities and Land Development Bureau. The creation of OFIS allowed Michigan regulators to become adept at interpreting and regulating complex services entities that did not exist a few years ago.

On February 1, 2008, Governor Granholm signed Executive Order 2008-02, which became effective April 6, 2008. The order changed the official name of OFIS to the Office of Financial and Insurance Regulation (OFIR) to reflect its regulatory and consumer protection focus.

Today, OFIR is responsible for the regulation of Blue Cross Blue Shield, 27 HMOS, 139 banks, 169 domestic insurance companies, 233 credit unions, 1,303 foreign insurance companies, 1,750 investment advisers, 2,100 securities broker-dealers, 7,772 consumer finance lenders, 146,419 insurance agents, and 115,000 securities agents. OFIR licenses or charters these entities, conducts safety, soundness, and compliance examinations, and protects and educates Michigan consumers of financial services. Through adaptability and consumer communication, the Commissioner and staff of the OFIR strive to be the preeminent financial regulators in the United States.

Overseeing OFIR is Commissioner Ken Ross who was appointed by Governor Jennifer M. Granholm effective February 22, 2008.

Acknowledgement

OFIR would like to thank the Compensation Advisory Organization of Michigan (CAOM), which is the Designated Advisory Organization pursuant to MCL 500.2407(2) and Rule R 500.1359 of the Michigan Administrative Code, for the collection of the data and preparation of its report to the Commissioner on Workers' Compensation State of Competition in Michigan.

Executive Summary

The Commissioner of OFIR regulates the insurance marketplace. MCL 500.2409 requires the Commissioner to issue an annual report and certify whether a reasonable degree of competition exists in the workers' compensation insurance market on a statewide basis in Michigan.

For the calendar year ended December 31, 2007, OFIR collected, analyzed and reviewed data from different sources including the insurers that write workers' compensation insurance in Michigan, the National Association of Insurance Commissioners, the Compensation Advisory Organization of Michigan, and data in the OFIR database to determine whether workers' compensation insurance was reasonably available in Michigan at a reasonable price.

As a result of the analysis and review of the data, it was determined that there is a reasonable degree of competition in the Michigan workers' compensation insurance market on a statewide basis.

Table of Contents

Introduction

The Commissioner of the Office of Financial and Insurance Regulation (OFIR) regulates the insurance marketplace, in addition to regulating other financial industries. MCL 500.2409 requires the Commissioner to issue an annual report and make a determination whether a reasonable degree of competition in the workers' compensation insurance market exists on a statewide basis in Michigan.

Elements Considered to Determine State of Competition

MCL 500.2409 states that all of the following factors shall be considered by the commissioner for purpose of determining the competitiveness of the workers' compensation market in Michigan:

a) The extent to which any insurer controls all or a portion of the workers' compensation insurance market.
b) Whether the total number of companies writing workers' compensation insurance in Michigan is sufficient to provide multiple options to employers.
c) The disparity among workers' compensation insurance rates and classifications to the extent that such classifications result in rate differentials.
d) The availability of workers' compensation insurance to employers in all geographic areas and all types of business.
e) The residual market share.
f) The overall rate level must not be excessive, inadequate, or unfairly discriminatory.
g) Any other factors the commissioner considers relevant.

MCL 500.2303(d) of the Michigan Insurance Code of 1956 defines workers' compensation insurance as insurance which provides any of the following: security required pursuant to the Michigan Workers' Disability Compensation Act of 1969; security required pursuant to the U.S. Longshoreman's and Harbor Workers' Compensation Act; and, coverage customarily known as Employers' Liability Insurance which is contained in or endorsed to a policy providing the previously stated security. To write workers' compensation insurance in Michigan, an insurer is required to obtain an authorization from OFIR to write casualty lines of business under MCL 500.624(1)(b) and must also make an initial rate filing, including complete underwriting manual, with OFIR.

Workers' compensation insurance in Michigan is a no-fault system in that benefits are paid without regard to who or what caused or contributed to a work-related injury or illness. Therefore, if an employer is properly insured, an injured employee's sole remedy against the employer is the benefits provided under workers' compensation insurance (wage loss, medical payments, and rehabilitation). Except in the circumstance of an "intentional tort" where the employer deliberately caused injury to an employee, or where the employer knew an employee would be injured and did nothing to stop it, the employer cannot be sued by an injured employee.

The Workers' Compensation Agency (Agency) within the Department of Labor and Economic Growth administers the Workers' Disability Compensation Act of 1969 (Act), which was enacted by 1969 PA 317. The Act provides wage replacement, medical and vocational rehabilitation benefits to men and women who suffer work-related injuries and disabilities. The Agency has authority to assess fines to employers who fail to comply with the mandatory insurance provisions of the Act, and protects injured workers and Michigan employers from unfair competition by those who are not in compliance with the Act.

The Workers' Compensation Appellate Commission provides service to Michigan employees and employers by addressing and resolving their appeal of workers' compensation benefit claims from administrative contested case hearings held before the Workers' Compensation Board of Magistrates.

The Michigan Workers' Compensation Placement Facility (Facility) was created within the Michigan Insurance Code of 1956, being MCL 500.2301 – 500.2352, et seq. Each insurer authorized to write workers' compensation insurance in Michigan is required to participate in the Facility. The Facility ensures what is known as the residual market; it provides workers' compensation insurance to any employer, but usually to those who are unable to procure the insurance through the voluntary market. It also preserves to the public the benefits of price competition by encouraging maximum use of the voluntary private insurance system. When an application is received at the Facility, it is assigned to one of six servicing insurers to process. These six insurers also sell coverage in the voluntary market while keeping their responsibilities for the Facility separate from their business.

Workers' compensation policies are rated based on the type of work that the employees perform and how much they are paid. The riskier the business activities covered by a workers' compensation policy, the higher the premium. Premiums are generally based on each $100.00 of the employer's payroll. Each insurer develops a system of payroll classification codes, but the designated advisory organization develops the classification and rating systems for the Facility. The six servicing insurers are only authorized to rate Facility policies based on the classification and rating system designed for the Facility.

When a business applies for workers' compensation coverage, the agent assigns what he believes are the most accurate class codes based on the types of work the employees perform, such as clerical, roofing, plumbing, window washing, etc. The aggregate annual payroll for each class code is then estimated, and the premium is calculated based on that estimate. An employer's experience modification, based on the employer's loss experience, is also a rating factor. At the end of the policy term, an audit is conducted by the insurer and actual payroll figures are obtained. If the payroll is lower than the estimated payroll, a refund is given by the insurer to the employer. If the actual payroll figures are higher than what was estimated, additional premium is owed by the employer.

Standards of Competition Applied in this Study

Economic theory provides that an industry is perfectly competitive only when there are a large number of businesses selling a homogenous commodity and each business' share of the market is so small that no business' output decisions are able to affect the price of the commodity. In addition, under perfect competition, there are no barriers to the entry of new businesses, for example resources can easily enter and exit an industry. Buyers and sellers are fully informed about market conditions.
Since the conditions for perfect competition are ideal, they would not likely be found in the real world. Accordingly, OFIR uses workable competition as the standard for evaluating the Michigan workers' compensation insurance market. A market is considered as workably competitive when it reasonably approaches the structural, conduct, and performance characteristics of perfect competition.

The number and size distribution of buyers and sellers, extent of barriers to entry into the market, cost structures, availability of information to buyers and sellers, and degree of product differential determine market structure. Market conduct reflects the behavior of firms in pricing, setting output levels, designing products, advertising, innovation, and capital investment. Market performance refers to price, profit and output levels, and the degree of cost efficiency and the rate of technological progress.

While the above conditions for perfect and workable competition apply to a static analysis, the underwriting cycle plays a role in the short-term performance of the property and casualty insurance industry. The cycle is characterized by alternating periods of increasing and decreasing competition. Competitive or "soft" markets are characterized by falling rates, increasing availability, growing loss ratios, and diminishing surplus. These conditions eventually raise loss ratios sufficiently to cause insurers to raise their rates and reduce their volume, which ultimately restores profitability and surplus to the insurer. This in turn, ushers in renewed price-cutting and increased availability, continuing the cycle.

One of the questions to be answered through this study is to determine where in the underwriting cycle was the Michigan worker's compensation market in 2007?
According to the OFIR records, there has been a downward trend in the price of workers' compensation insurance in Michigan. The records indicate that most requests from an insurer for a rate change are to request a decrease. That is an indicator of a soft or price competitive market.

Factors (a) and (b) of the Elements Considered to Determine State of Competition pursuant to MCL 500.2409 are economic tests of the market structure for competition. These elements relate to the size and number of insurers in the Michigan workers' compensation market, and the ease of entry and exit from the market. A competitive market structure should result in competitive conduct by insurers.

Factor (g), titled "other relevant factors", of the Elements Considered to Determine State of Competition pursuant to MCL 500.2409 is used to evaluate market conduct. These factors include profitability of the insurers, financial condition ratings issued by the A.M. Best Co. and data collected and analyzed by the CAOM.

Factors c) through f) above are economic tests of the market performance especially in pricing and availability. Economic theory provides that a competitive market will achieve an optional allocation of resources. This means that the market price will equal the cost of producing the last unit of output, each business will produce a level of output where its average cost is minimized, and investors will receive a rate of return just equal to the cost of capital. Businesses behave competitively when they independently and aggressively seek business by offering the most favorable terms to buyers while earning a normal profit. Noncompetitive conduct would be characterized by collusive behavior aimed at restricting output and fixing prices to raise profits. If workers' compensation insurers are behaving competitively, there should be no evidence of rate fixing, tacit agreements, or joint actions designed to limit competition.

In effect, a competitive market structure causes firms to conduct their behavior in a competitive manner, which leads to market performance favorable to consumers. If the Michigan workers' compensation insurance market exhibits workable competition, its performance should reasonably approach the perfectly competitive ideal concepts.

Data Collection

Generally, commercial casualty insurance rates are exempt from requiring an insurer to file with OFIR. However, MCL 500.2406(3) requires insurers to file all workers' compensation rates and rating systems with OFIR.

With respect to workers' compensation insurance, MCL 500.2400, titled Casualty Insurance Rates, states the purpose of this chapter as follows:

a) To protect policyholders and the public against the adverse effects of excessive, inadequate, or unfairly discriminatory rates.
b) To promote price competition among insurers writing workers' compensation insurance so as to encourage rates which will result in the lowest possible rates consistent with the benefits established in the workers' disability compensation act of 1969 and with maintaining the solvency of insurers.
c) To provide regulatory controls and other activity in the absence of competition.
d) To improve the availability, fairness, and reliability of workers' compensation insurance.

MCL 500.2407(1) requires all insurers that write workers' compensation to file with the designated advisory organization pure premium data, meaning all historical data including actual historical loss data by classification per payroll, pursuant to the approved statistical plans. Rule R 500.1357 of the Michigan Administrative Code defines a statistical plan as a procedure for collecting information related to workers' compensation insurance premiums, losses, or exposures on a routine or special call basis from all insurers.

The designated advisory organization is the Compensation Advisory Organization of Michigan (CAOM). The CAOM serves two purposes: 1) it collects the pure premium data from all insurers writing workers' compensation insurance in Michigan and develops the experience modifications for all employers, and 2) it operates the Michigan Workers' Disability Compensation Placement Facility (Facility). The data collected and analyzed in this study was also analyzed by the CAOM. The CAOM published its report titled "Michigan Workers' Compensation Status of Competition" in April 2008. Reliance was placed on the CAOM report and the accuracy of the underlying data in reaching the conclusion in this study.

Data Analysis

The data was analyzed for this competition study by market structure, market conduct and market performance.

Market Structure Factors

a) The extent to which any insurer controls all or a portion of the workers' compensation insurance market.
b) Whether the total number of companies writing workers' compensation insurance in Michigan is sufficient to provide multiple options to employers.

During 2007, there were 177,451 workers' compensation policies written in Michigan for businesses that reported a combined payroll of approximately $92 billion. Of the total policies written, 158,724 or 89.4% were written by insurers in the voluntary market while 18,727 or 10.6% were written by the Facility. However, the standard premium (premium after applying the experience modifier, schedule credit, but before premium discount) in the voluntary market represented 94% of the premium written, and the manual premium (premium before application of experience modifier, schedule credit or premium discount) in the voluntary market represented 97% of the market share, compared to the residual market share of 6% and 3% respectively.

There were 558 insurers authorized to write workers' compensation insurance in Michigan at December 31, 2007. Of those authorized to write workers' compensation insurance, 238 reported to the CAOM that they wrote business in Michigan during 2007, while 245 and 230 reported that they wrote business in 2006 and 2005 respectively. During 2007, of the 19 insurers receiving authorization from OFIR to write workers' compensation insurance, five insurers have made their initial filing including the completed underwriting manual as required to actually begin to write business in Michigan. Seven insurers exited the Michigan marketplace during 2007 according to OFIR's records.

Authorized to Entered the Michigan Marketplace During 2007

AIG Advantage Insurance Company
AIOI Insurance Company of America
American Sentinel Insurance Company
Bloomington Compensation Insurance Company
Firemen's Insurance Company of Washington, D.C.
GEICO Casualty Company
Manufacturing Technology Mutual Insurance Company
Merchants Preferred Insurance Company
Milwaukee Casualty Insurance Company
Motor Club Insurance Association
National Interstate Insurance Company of Hawaii, Inc.
Security National Insurance Company
SFM Mutual Insurance Company
State National Insurance Company, Inc.
Trinity Universal Insurance Company of Kansas, Inc.
Union Standard Insurance Company
USF Insurance Company
Washington International Insurance Company
Work First Casualty Company

Initial Filing & Manual Received by OFIR

Bloomington Compensation Insurance Company
Manufacturing Technology Mutual Insurance Company
Merchants Preferred Insurance Company
National Interstate Insurance Company of Hawaii, Inc.
SFM Mutual Insurance Company

Exited the Michigan Marketplace During 2007

Coregis Insurance Company
Fireman's Fund Insurance Company of Nebraska
GE Reinsurance Corporation
Motor Club Insurance Association
Security Insurance Company of Hartford
Transcontinental Insurance Company
Travelers Insurance Company

Source: OFIR database.

The extent to which any insurer controls all or a portion of the workers' compensation insurance market was explored. Exhibit A ranks the top 20 workers' compensation insurers by number of policies issued. Exhibit B ranks the top 20 insurers by the standard premium written.

The largest market share was held by the Accident Fund Insurance Company with 16.43% market share by standard premium written. A combined market share of 22.35% was held by the Accident Fund Insurance Company when added to the 5.92% held by its affiliated company, Accident Fund National Insurance Company. The American International Group writes a combined 8% of the statewide percentage market share as a group of insurers. The next highest premium writer was Frankenmuth Mutual Insurance Company with 3.57% of the statewide percentage market share of standard premium. This indicates that no one insurer or insurer group controls the Michigan workers' compensation marketplace.

Market Conduct Factors

g) Any other factors the commissioner considers relevant.

The April 7, 2008 report issued by the CAOM to the Commissioner on the Status of Competition in Workers' Compensation market found that competition does exist based on the data it collected and analyzed.

A useful index of the industry's overall efficiency and profitability is the statewide loss ratio, which can be calculated by dividing incurred losses by earned premium. The loss ratio reveals the amount of actual loss protection received for each premium dollar paid. The portion of premiums not paid out in losses is available for expenses and profits. All else equal, higher loss ratios suggest greater cost efficiency and/or decreased profitability, while lower loss ratios imply lower cost efficiency and/or increased profitability. Higher loss ratios are expected if there is an increase in competition and lower rates. Lower loss ratios are expected if there is less competition and higher rates. The aggregate pure direct loss ratio of the Michigan workers' compensation marketplace in 2007, 2006, and 2005 was 68.2%, 61.4%, and 61.5% respectively.

The A.M. Best Co. has evaluated insurance companies and ranked them in terms of financial strength and operations for over 100 years. As a reputable resource in the insurance industry, A.M. Best Ratings of the insurers provide insight into the financial strength of each insurer through an extensive process where it evaluates and assigns a rating of its opinion of an insurer's ability to meet its financial obligations. "Secure" financial ratings are as follows:

A++, A+ = Superior
A, A- = Excellent
B++, B+ = Good

Other less than Secure ratings of Vulnerable range from B (fair) to F (in liquidation). All of the top 20 insurers as listed in Exhibits A and B are rated in one of the Secure categories. This indicates that the Michigan workers' compensation marketplace is a desirable market in which to compete by financially strong rated insurers.

Market Performance Factors

c) The disparity among workers' compensation insurance rates and classifications to the extent that such classifications result in rate differentials.
d) The availability of workers' compensation insurance to employers in all geographic areas and all types of business.
e) The residual market share.
f) The overall rate level must not be excessive, inadequate, or unfairly discriminatory.

Exhibit C shows considerable variation in pricing. Uniform pricing does not occur under open competition. It appears that employers with similar operations, according to the classification and group codes, are paying a range of prices. On the surface, this may raise some concern, however, in the long run, competition should cause prices for a homogeneous commodity to converge around a level just sufficient to enable an efficiently run company to earn a fair return on investment. Although it may appear that for each classification, some employers are paying substantially higher manual rates than other, there are several possible explanations for the variation in prices which do not involve a lack of competition. For example, variances in manual rates among carriers are substantially offset by differences in policies toward schedule credits, experience rating, premium discounts, and other rating adjustments.

Manual rate variances simply reflect that workers' compensation insurance is not a homogeneous commodity. Insurers with higher rates may offer additional services that other carriers do not provide. Experience and schedule rating may not fully accommodate insureds of varying risk; hence, it is common for insurers to use preferred and standard rate differentials within the same group. Finally, some variation in pricing is expected in a market that is subject to varying external forces that require adjustments by producers. Of the largest 100 employment class codes used to identify the employment type for underwriting workers' compensation insurance, 90% of the aggregate manual premium was written by the voluntary market, while 10% of the aggregate manual premium was written by the Facility. There were two employment class codes in the voluntary market (auditors traveling and adult foster care/assisted living) that used average rates above the Facility rates. This resulted in a total payroll of 2% of the aggregate payroll for the 100 employment class codes. Six of the 100 largest employment class codes reported rates within 10% of the Facility rates, which accounted for another 2% of the market share.

The residual market share of the workers' compensation insurance market regardless of geographic area, is underwritten by the Facility at premiums established by the CAOM, even though the policies are issued and serviced by one of six insurers in the voluntary market. There were 30 employment class codes with a high percentage of payroll written in the Facility. These class codes are primarily related to the Federal Workers' Compensation Act codes or Admiralty codes. According to the CAOM, many insurers in the voluntary market do not write these lines because of the high benefit amounts and liberal interpretations of those acts, in addition to very hazardous employment classes. Other employment class codes with a high number of policies in the Facility were: domestic workers, logging, roofing, taxicab/truck drivers, aircraft flight crews, jockeys and home care workers, although they were also written in the voluntary market.

These factors all contribute to the variations that reasonably conclude that the Michigan workers' compensation insurance market was workably competitive during 2007 on a statewide basis.

Conclusions

The Commissioner finds that:

1. There were a sufficient number of insurers writing workers' competition insurance in Michigan during 2007 to reasonably conclude that there was sufficient competition for employers seeking workers' compensation insurance in the Michigan marketplace. Based on OFIR's 2007 licensee data, there were 558 insurers authorized to write workers' compensation insurance in Michigan at December 31, 2007. Of that number, 238 insurers reported that they actually wrote workers' compensation insurance during 2007, plus the Facility.

2. The data indicate that no single insurer controls the Michigan workers' compensation insurance market which encompasses many competing insurers.

3. Rate filings submitted to OFIR show steadily decreased rates indicating the cost of workers' compensation insurance has been declining and competition increasing.

4. Data collected and presented by the CAOM indicated that there was significant disparity among average manual rates charged by the insurers.

5. The data collected and presented by the CAOM indicated that there is broad disparity among rates and rate differentials. The overall rate levels were not excessive, inadequate, or unfairly discriminatory.

6. Competition existed in the workers' compensation marketplace in Michigan during 2007 on a statewide basis.

Certification

Based on the analysis and findings contained in this report, I certify that there is a reasonable degree of competition in the workers' compensation insurance market on a statewide basis in Michigan.

Ken Ross
Commissioner
Financial and Insurance Regulation

May 14, 2008
Date

APPENDIX

Exhibit A

Top 20 Insurers Ranked Number of Policies Issued

	Insurer	A.M. Best Rating	Number of Policies Issued	Percent of Total	Manual Premium	Standard Premium	Difference	Percentage of Statewide Standard Premium
1	Accident Fund Insurance Company	A	21,956	13.83	244,910,401	173,214,480	-29.27	16.43
2	Auto Owners Insurance Company	A++	10,563	6.65	26,681,278	20,881,811	-21.74	1.98
3	Hastings Mutual Insurance Company	A+	7,564	4.77	44,479,522	31,452,736	-29.29	2.98
4	Home Owners Insurance Company	A++	7,057	4.45	37,174,135	22,785,596	-38.71	2.16
5	Frankenmuth Mutual Insurance Co.	A+	7,027	4.43	64,235,843	37,651,616	-41.39	3.57
6	Farm Bureau General Insurance Co	A-	6,146	3.87	17,769,650	15,512,969	-12.70	1.47
7	State Farm Fire and Casualty Co	A+	5,810	3.66	6,553,465	6,345,850	-3.17	0.60
8	Michigan Insurance Company	A	5,704	3.59	44,273,343	26,463,634	-40.23	2.51
9	Hartford Underwriters Insurance Co.	A+	4,220	2.66	10,947,445	10,998,372	0.47	1.04
10	Michigan Millers Mutual Insurance	A-	3,318	2.09	14,765,186	10,023,969	-32.11	0.95
11	Michigan Construction Industry Mutual	A-	3,247	2.05	52,926,623	33,224,530	-37.23	3.15
12	Farm Bureau Mutual Insurance Co.	A	3,018	1.90	7,530,440	6,734,168	-10.57	0.64
13	Twin City Fire Insurance Co.	A+	2,931	1.85	11,025,272	9,710,091	-11.93	0.92
14	Cincinnati Indemnity Company	A++	2,562	1.61	4,056,294	4,052,592	-0.09	0.38
15	Church Mutual Insurance Company	A+	2,404	1.51	1,698,929	1,945,522	14.51	0.18
16	Hartford Casualty Insurance Co	A+	2,366	1.49	7,150,456	6,772,053	-5.29	0.64
17	Hartford Fire Insurance Co	A+	2,348	1.48	7,218,605	6,596,250	-8.62	0.63
18	Accident Fund National Insurance Co	A	2,143	1.35	112,065,868	62,418,126	-44.30	5.92
19	Brotherhood Mutual Insurance Co	A	2,134	1.34	2,088,415	2,396,189	14.74	0.23
20	Secura Insurance, A Mutual Co	A	2,079	1.31	15,832,960	11,001,349	-30.52	1.04
	Totals - All Insurers		158,724	100.00%	1,738,128,101	1,054,123,780	-39.35	100.00%

Source: Michigan Workers' Compensation Status of Competition Report of the CAOM dated April 2008.

Exhibit B

Top 20 Insurers Ranked by Standard Premium Written

Rank	Insurer	A.M. Best Rating	Number of Policies	Percent of Total	Manual Premium	Standard Premium	Difference	Percentage of Statewide Standard Premium
1	Accident Fund Insurance Company	A	21,956	13.83	244,910,401	173,214,480	-29.27	16.43
2	Accident Fund National Insurance Co	A	2,143	1.35	112,065,868	62,418,126	-44.30	5.92
3	Frankenmuth Mutual Insurance Co	A+	7,027	4.43	64,235,843	37,651,616	-41.39	3.57
4	Liberty Insurance Corporation	A	906	0.57	42,863,960	35,835,846	-16.40	3.40
5	Insurance Company of the State of PA	A+	840	0.53	57,150,405	34,971,318	-38.81	3.32
6	Michigan Construction Industry Mutual	A-	3,247	2.05	52,926,623	33,224,530	-37.23	3.15
7	Hastings Mutual Insurance Company	A+	7,564	4.77	44,479,522	31,452,736	-29.29	2.98
8	Michigan Insurance Company	A	5,704	3.59	44,273,343	26,463,634	-40.23	2.51
9	Zurich American Insurance Company	A	714	0.45	80,853,151	23,924,255	-70.41	2.27
10	Home Owners Insurance Company	A++	7,057	4.45	37,174,135	22,785,596	-38.71	2.16
11	Auto Owners Insurance Company	A++	10,563	6.65	26,681,278	20,881,811	-21.74	1.98
12	New Hampshire Insurance Company	A+	305	0.19	46,647,672	17,502,302	-62.48	1.66
13	Illinois National Insurance Company	A+	128	0.08	31,783,145	16,521,950	-48.02	1.57
14	Amerisure Insurance Company	A	318	0.20	24,300,438	16,288,107	-32.97	1.55
15	Farm Bureau General Insurance Co	A-	6,146	3.87	17,769,650	15,512,969	-12.70	1.47
16	American Home Assurance Co	A+	423	0.27	33,193,809	13,442,264	-59.50	1.28
17	Federal Insurance Company	A++	1,331	0.84	16,955,698	13,415,179	-20.88	1.27
18	Travelers Indemnity Company of Con	A+	1,297	0.82	60,568,684	12,989,251	-78.55	1.23
19	American Compensation Insurance Co	A-	136	0.09	17,858,484	12,818,307	-28.22	1.22
20	Wausau Underwriters Insurance Co	A	333	0.21	15,874,950	12,754,759	-19.65	1.21
	Totals - All Insurers		158,724	100.00%	1,738,128,101	1,054,123,780	-39.35	100.00%

Source: Michigan Workers' Compensation Status of Competition Report of the CAOM dated April 2008.

Exhibit C

Compensation Advisory Organization of Michigan
Manual Rate Comparison of
100 Largest Voluntary Market Classifications Verse Facility

Year	Number of Voluntary Classes Above Facility Rates	Payroll (in millions)	Percentage of Total Payroll for 100 Classes
2007	2	$ 1,884	2%
2006	8	$ 136	<1%
2005	4	$ 72	<1%
2004	4	$ 1,149	<1%
2003	8	$ 3,304	2%
2002	3	$ 604	5%
YEAR	**Number of Voluntary Classes Within 10% of Facility Rates**	**Payroll (in millions)**	**Percentage of Payroll in Largest 100 Classes**
2007	6	$ 1,979	2%
2006	18	$12,482	16%
2005	29	$ 1,678	2%
2004	7	$ 1,146	2%
2003	14	$31,216	42%
2002	21	$12,991	18%
YEAR	**Total Payroll for All Voluntary Classes (in millions)**	**Voluntary Total Payroll for 100 Largest Classes (in millions)**	**100 Largest Classes Total Payroll Percentage**
2007	$89,922	$81,269	90%
2006	$88,314	$79,425	90%
2005	$85,655	$77,130	90%
2004	$80,479	$73,075	91%
2003	$80,602	$73,600	90%
2002	$79,008	$71,916	91%