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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 2009**

## **Office of Financial and Insurance Regulation**

The Office of Financial Insurance Regulation (OFIR) is responsible for the regulation of Blue Cross Blue Shield, 26 HMOs, 136 banks, 174 domestic insurance companies, 216 credit unions, 1,427 foreign insurance companies, 1,858 investment advisers 2,036 securities broker-dealers, 6,172 consumer finance lenders, 171,443 insurance agents, and 123,604 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.

### **Executive Summary**

This report reviews and evaluates the state of competition in the workers' compensation insurance market in Michigan. It evaluates this market for calendar year 2008 as required by MCL 500.2409. Its purpose is to 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, 2008, OFIR collected, analyzed and reviewed data from different sources including the insurers who write workers' compensation insurance in Michigan, the National Association of Insurance Commissioners (NAIC), the Compensation Advisory Organization of Michigan (CAOM) and data in the OFIR database to determine whether reasonably priced workers' compensation insurance was available in Michigan.

Economic analysis was used to determine whether current structure, conduct, and performance are conducive to workable competition. As a result of the analysis and review of the data, it was determined that there is a reasonable degree of competition statewide in the Michigan workers' compensation insurance market.

### **Historical Perspective**

Workers' compensation was one of the first social insurance programs adopted broadly throughout the United States. First established in Germany in 1856 and soon after by England, workers' compensation is the oldest form of no-fault insurance. Workers' compensation insurance was enacted in Michigan in 1912 and by 1920; all but eight states had passed workers' compensation laws.

It is the cornerstone of social insurance programs. It is an insurance system with two basic purposes: to provide benefits to employees who have suffered a work-related injury or illness; and to protect employers from costly litigation over claims of work-related injuries and illnesses. Michigan's workers' compensation insurance mutually benefits both Michigan employees and employers.

According to the Michigan Economic Development Corporation, Michigan is one of 36 states with some form of open competition rating law. The state has had this type of competitive open market since 1983. They state that Michigan's law has outpaced all other states in driving down and holding down workers' compensation costs.

A workers' compensation insurance policy is a legal contract. The policy holder pays a premium each year and the insurance company provides necessary insurance coverage. This policy must be maintained by the policy holder. As with most insurance, Michigan workers' compensation has insurance experience rates which reflect a company's history of claims. This rating system encourages policy holders to place great emphasis on safety and prevention practices which will help in controlling costs.

### **Acknowledgement**

OFIR would like to thank the (CAOM). It 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.

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## **Introduction**

The Commissioner of OFIR regulates the insurance marketplace in Michigan. Michigan Insurance Code of 1956, MCL 500.2409, states the commissioner shall make an annual determination as to whether a reasonable degree of competition in the workers' compensation insurance market exists on a statewide basis. If the commissioner determines that a reasonable degree of competition in the workers' compensation insurance market does not exist on a statewide basis, the commissioner shall hold a public hearing and shall issue a report delineating specific classifications and kinds or types of insurance, if any, where competition does not exist.

## **Elements considered in determining State of Competition**

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

- The extent to which any insurer controls all or a portion of the workers' compensation insurance market;
- Whether the total number of companies writing workers' compensation insurance in this state is sufficient to provide multiple options to employers;
- The disparity among workers' compensation insurance rates and classifications to the extent that such classifications result in rate differentials;
- The availability of workers' compensation insurance to employers in all geographic areas and all types of business;
- The residual market share;
- The overall rate level which is not excessive, inadequate, or unfairly discriminatory;
- 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 United States Longshoreman's and Harbor Workers' Compensation Act;
- Coverage customarily known as Employers' Liability Insurance which is contained in or endorsed to a policy providing the previously stated security.

A writer of workers' compensation insurance in Michigan is required to obtain an authorization from OFIR to write casualty lines of business. The insurer must also make an initial rate filing with OFIR, including a complete underwriting manual.

Michigan workers' compensation insurance is a no-fault system in that its benefits are paid without regard to who or what caused or contributed to the work-related injury or illness. If an employer is properly insured, the sole remedy an injured employee has against the employer is the benefits provided by the workers' compensation insurance coverage. This coverage will provide the employee with loss wages, medical payments and rehabilitation. In exchange for prompt payment of wage-loss benefits and medical treatment, the employees give up the right to sue their employer for damages. Employers forfeit the protection of this insurance law when they deliberately cause injury to an employee. According to the Michigan Workers' Disability Compensation Act (the Act), an employer is considered to have intended an injury if he/she knew that an injury was "certain to occur and willfully disregarded that knowledge." The Workers' Compensation Agency (Agency) within the Department of Energy, Labor and Economic Growth administers the Act, which was enacted by 1969 PA 317. This Agency has authority to assess fines to employers who fail to comply with the mandatory insurance provisions of the Act.

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

The Michigan Workers' Compensation Placement Facility (Placement Facility) was created by 1982 PA 8, MCL 500.2301 – 500.2352, et seq. Some employers are not able to obtain workers' compensation coverage from the open market and must go to the Placement Facility. This residual market is for employers who are unable to procure the insurance through ordinary methods.

Since workers' compensation insurance is mandatory coverage for employers, the state has established an insurance "pool" in which all the state's workers' compensation carriers share a portion of the cost of underwriting higher-risk clients. Companies covered by the pool and the Placement Facility, usually pay substantially higher rates than the standard "voluntary" market. The Placement Facility is the "market of last resort" for employers who cannot obtain coverage through the "voluntary" insurance market.

According to the Michigan Economic Development Corporation, only a small fraction of the Placement Facility's policyholders are assessed a surcharge because they "have demonstrated an accident frequency problem . . . a measurably adverse loss ratio over a number of years, or . . . have demonstrated an attitude of non-compliance with safety requirements." The rest are usually new employers or companies that can benefit from a quick, generic premium formula, even if it is higher than they might be able to negotiate under other circumstances.

## **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 and resources can easily enter and exit an industry. Buyers and sellers are fully informed as to 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 workers' compensation market in 2008. According to the OFIR records, there has been a downward trend in the price of workers' compensation insurance in Michigan. 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.

As previously listed, the first two factors to be considered to determine the state of competition in the Michigan workers' compensation insurance market are the extent to which any insurer controls all or a portion of the workers' compensation insurance market and whether the total number of companies writing workers' compensation insurance in this state is sufficient to provide multiple options to employers. The other factors listed earlier: disparity among workers' compensation insurance rates and classifications to the extent that such classifications result in rate differentials; availability of workers' compensation insurance to employers in all geographic areas and all types of business; residual market share; overall rate level which is not excessive, inadequate, or unfairly discriminatory are economic test of the market performance in pricing

and availability. Other factors the Commissioner considers relevant include profitability of the insurers, financial condition ratings issued by A. M. Best Co. and data collected and analyzed by the CAOM.

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

## **Data Collection**

In Michigan, except for workers' compensation insurers, commercial casualty insurance carriers are exempt from the requirement of filing insurance rates with OFIR.

With respect to workers' compensation insurance, the purposes of MCL 500.2400 titled, Casualty Insurance Rates are:

- To protect policyholders and the public against the adverse effects of excessive, inadequate, or unfairly discriminatory rates;
- 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, Act No. 317 of the Public Acts of 1969, as amended, being sections 418.101 to 418.941 of the Michigan Compiled Laws, and with maintaining the solvency of insurers;
- To provide regulatory controls and other activity in the absence of competition;
- To improve the availability, fairness, and reliability of workers' compensation insurance.

MCL 500.2407(1) requires all insurers that write workers' compensation to file pure premium data to the designed advisory organization which conform to the data reporting requirements of the approved statistical plans of that organization. This "pure premium data" is defined as all historical data, including actual historical loss data by classification per payroll, pursuant to the approved statistical plans. OFIR Rule 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 CAOM. CAOM functions on two levels: it collects the pure premium data from all insurers writing workers' compensation insurance in Michigan and develops the experience modifications for all employers; and it operates the Facility. CAOM collected and analyzed data, and published its findings in the report titled "Michigan Workers' Compensation Status of Competition," in April 2009. The conclusion reached in this OFIR report entitled, "The State of Competition in the Workers' Compensation Insurance Market In the State of Michigan" issued May 2009, relied on the accuracy of the underlying data in the above CAOM report.

## **Data Analysis**

The data was analyzed for this study by market structure, market conduct and market performance (S-C-P). The basic tenet of the S-C-P paradigm is that the economic performance of an industry is a functional relationship between the conduct of the buyers and sellers and the industry's structure. The performance is a measure of how resources are maximized to yield the highest output. In this static model, long-run equilibrium of perfectly competitive markets will result in the optimal allocation of resources in an economy. This S-C-P hypothesis has led to the implementation of most anti-trust laws.

### **Market Structure Factors**

In economics, market structure describes the state of a market with respect to competition. It refers to the extent to which any insurer controls all or a portion of the workers' compensation insurance and whether the total number of companies writing workers' compensation insurance in the insurance market is sufficient to provide multiple options to employers.

There were 559 insurers authorized to write workers' compensation insurance in Michigan as of December 31, 2008. Of the 559 authorized, 243 reported to the CAOM that they wrote business in Michigan during 2008. This compares with 230 reporting in 2005, 245 in 2006 and 238 in 2007. During 2008, of the 16 newly authorized insurers, 9 made their initial filing including the completed underwriting manual as required. According to OFIR records, 3 insurers exited the Michigan workers' compensation market in 2008.

A review of exhibit A, the top 20 companies ranked by number of policies issued; exhibit B, the top 20 companies ranked by standard premium; exhibit C, the top 20 insurer groups ranked by percentage of market share; and exhibit D, the top 20 insurer groups ranked by percentage of policies written, indicates that no one insurer or insurer group controls the Michigan workers' compensation market.

The largest market share of 13.68% in 2008 by standard premium was Accident Fund Insurance Company. This compares with a 16.43% market share this company held in 2007. When combined with their affiliated company, Accident Fund National Insurance Company, which had a market share of 6.63% in 2008, the total market share is 20.31% which compares with 22.35% in 2007. This same group had a 20.95% market share of 2008 estimated annual premium. The next ranked group writer is American International Group which writes 8.27% of the group market share of estimated annual premium. The next highest premium writer as percentage of state standard premium was Frankenmuth Mutual Insurance Company with a 3.41% market share in 2008 compared with 3.57% in 2007. These percentages indicate that no one insurer or insurer group controls the Michigan workers' compensation insurance market.

During 2008, CAOM reported that there were 175,507 workers' compensation policies written in Michigan, which represented a combined payroll of approximately 96 billion dollars. Of this total of policies written, 158,730 or 90% were written by insurers in the voluntary market. The balance of the total, 16,777 or 10% was written in the assigned risk market. The standard premium (premium after applying the experience modifier, schedule credit, but before premium discount) in the voluntary market was 94% with 6% in the assigned risk market. The manual premium (premium before application of experience modifier, schedule credit or premium discount) in the voluntary market was 97% with 3% in the assigned risk market. The experience modifier is the adjustment of manual premium based on previous loss experience. Usually three years of loss experience are used to determine the experience modifier for a workers' compensation policy. The experience modifier adjusts workers compensation insurance premiums for a particular employer based on a comparison of past losses of that employer to what is calculated to be "average" losses of other employers in that state in the same business, adjusted for size.

### **Market Conduct Factors**

Market conduct refers to the price and other market policies pursued by sellers. The behavior patterns that are expected to follow from the various types of industry structure, particularly the basis on which an industry's member makes their basic price and output decisions, e.g., whether they set their respective prices and volumes independently or collusively.

To set rates, workers' compensation insurance companies divide business activities into more than 400 different classifications, based on the principal duties involved. Each classification has its own rate of coverage, so the overall rate for a given policy will be a combination of the rates for all employees in all classifications. All insurers basically use the same set of classification categories and occupational descriptions.

There may be several adjustments made to the policyholder's manual premium to determine the final premium. The company may add a fixed constant to every premium to cover certain cost common to all workers' compensation policies, regardless of premium size. The premium may be modified taking into account the company's safety performance. Each insurance company has its own experience rating formula. Carriers have the option of offering additional credits to select clients; one is called schedule rating. This adjustment may take into account subjective characteristics of the client's business. Another adjustment that is sometimes made to the premium may be given because a client may have special programs such as pre-employment drug screening or return-to-work programs. This is called premium credit. Premium discounts may also be given for clients with large payrolls. This discount takes into account a fixed administrative expense of the insurance company.

The final cost of a workers' compensation policy may be reduced even further if the carrier issues a dividend refund of surplus profit. This may be paid at the end of the policy period.

## **Market Performance Factors**

Market performance refers to the end results of these market policies; the ultimate economic results that are produced by the conduct patterns prevailing in an industry. A useful index of the industry's overall efficiency and market performance is the statewide loss index. This loss ratio reveals the amount of actual loss protection received for each premium dollar paid. A loss ratio is calculated by dividing incurred losses by premium earned during the policy period. All else being equal, a high loss ratio would suggest decreased profitability, and a low loss ratio would imply increase profitability. High rates and lack of competition would result in low loss ratios. Conversely, a competitive market with lower rates would tend to result in high loss ratios. This loss ratio needs to be low enough to permit a workers' compensation insurer to earn a fair rate of return on investment that is consistent with workable competition.

A company providing workers' compensation insurance coverage must operate at a profit to maintain financial strength and remain solvent. The aggregate pure direct loss ratio of the Michigan workers' compensation marketplace in 2008, 2007, 2006 and 2005 was 63.41%, 68.2%, 61.4% and 61.5% respectively.

Another measure of the performance of the workers' compensation market is its financial strength and creditworthiness of the companies operating in this market. Founded in 1899, A.M. Best Company is a reputable full-service rating organization dedicated to serving the financial services industries, including the banking and insurance sectors. Policyholders and depositors refer to Best's ratings and analysis as a means of assessing the financial strength and creditworthiness of risk-bearing entities and investment vehicles. Best's Credit Ratings are independent opinions regarding the creditworthiness of an issuer and its debt obligation. Best's Credit Ratings are based on a comprehensive quantitative and qualitative evaluation of a company's balance sheet strength, operating performance and business profile, or, where appropriate, the specific nature and details of a debt security. Best's "Secure" financial ratings are as follows:

- A++, A+ = Superior
- A, A- = Excellent
- B++, B+ = Good
- Less than secure = B (fair) to F (in liquidation)

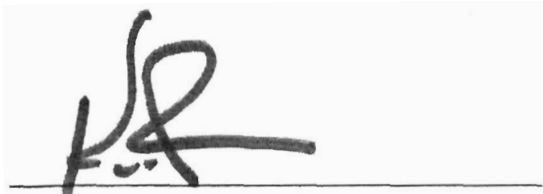
As seen by Exhibits A and B, all 20 of the top insurers listed are rated in one of the secure categories. This indicates that the Michigan workers' compensation market is a desirable market comprised of financially strong insurers.

## **Findings for 2008**

- There were a number of insurers writing workers' compensation insurance in Michigan during 2008 to reasonably conclude that there was competition for employers seeking workers' compensation insurance in the Michigan marketplace. Based on OFIR's licensee data, there were 559 insurers authorized to write workers' compensation insurance in Michigan as of December 31, 2008. Out of the 559 insurers authorized to write workers' compensation insurance, 243 reported they actually wrote workers' compensation insurance during 2008, plus the Facility.
- The data indicate that no single insurer controls the Michigan workers' compensation insurance market which encompasses many competing insurers.
- Rate filings submitted to OFIR shows rates decreased, indicating the cost of workers' compensation insurance has been declining and competition increasing in 2008.
- Data collected and presented by CAOM indicated that there is broad disparity among rates and rate differentials. The overall rate levels were not excessive, inadequate, or unfairly discriminatory.
- Competition existed in the workers' compensation marketplace in Michigan during 2008 on a statewide basis.

**CERTIFICATION OF THE STATE OF  
COMPETITION IN THE  
WORKERS' COMPENSATION INSURANCE MARKET**

I hereby certify that, based on the results of the economic tests specified in section 2409 of the Insurance Code of 1956, 218 PA 1956, MCL 500.2409, a reasonable degree of competition exists at this time, with respect to the Michigan workers' compensation insurance market.

A handwritten signature in black ink, appearing to be 'KR', is written over a horizontal line. The signature is stylized and cursive.

Ken Ross  
Commissioner, Office of Financial and Insurance Regulation

**APPENDIX**

**Exhibit A  
Top 20 Ranked by Number of Policies Issued**

INSURER	A.M. Best Rating*	# of Policies	Percent of Total	Manual Premium	Standard Premium	Difference	Percentage of Statewide Standard Premium
ACCIDENT FUND INSURANCE CO	A	19,390	12.14	196,644,934	135,721,184	-30.98	13.68
AUTO OWNERS INSURANCE CO	A++	10,588	6.63	26,307,494	20,394,364	-22.48	2.06
HOME OWNERS INSURANCE CO	A++	7,625	4.77	39,955,863	23,847,841	-40.31	2.40
HASTINGS MUTUAL INSURANCE CO	A+	7,148	4.47	38,634,173	26,819,792	-30.58	2.70
FRANKENMUTH MUTUAL INSURANCE CO	A+	6,578	4.12	57,089,115	33,795,907	-40.80	3.41
FARM BUREAU GENERAL INSURANCE CO	A-	5,917	3.70	16,704,227	13,802,083	-17.37	1.39
MICHIGAN INSURANCE CO	A	5,749	3.60	42,090,491	24,878,991	-40.89	2.51
STATE FARM FIRE AND CASUALTY CO	A+	5,652	3.54	5,746,958	5,754,161	0.13	0.58
HARTFORD UNDERWRITERS INSURANCE CO	A	3,562	2.23	8,468,212	8,589,157	1.43	0.87
HARTFORD FIRE INSURANCE CO	A	3,512	2.20	8,999,330	8,751,796	-2.75	0.88
MICHIGAN MILLERS MUTUAL INSURANCE CO	A-	3,346	2.09	15,045,451	10,156,438	-32.49	1.02
TWIN CITY FIRE INSURANCE CO	A	3,234	2.02	13,685,606	10,989,983	-19.70	1.11
MICHIGAN COMMERCIAL INSURANCE MUTUAL	A-	3,131	1.96	50,563,613	30,246,320	-40.18	3.05
FARM BUREAU MUTUAL INSURANCE CO	A-	3,056	1.91	8,980,713	7,507,131	-16.41	0.76
ACCIDENT FUND NATIONAL INSURANCE CO	A	2,618	1.64	118,611,748	65,807,618	-44.52	6.63
CHURCH MUTUAL INSURANCE CO	A+	2,433	1.52	1,700,889	1,994,999	17.29	0.20
CINCINNATI INDEMNITY CO	A+	2,391	1.50	4,153,136	4,099,231	-1.30	0.41
DELOS INSURANCE CO	A-	2,184	1.37	3,864,774	4,039,167	4.51	0.41
HARTFORD CASUALTY INSURANCE CO	A	2,170	1.36	5,562,891	5,404,571	-2.85	0.54
BROTHERHOOD MUTUAL INSURANCE CO	A	2,093	1.31	2,215,834	2,510,385	13.29	0.25
<b>TOTALS OF ALL INSURERS</b>		<b>159,767</b>	<b>100.00</b>	<b>1,666,767,965</b>	<b>992,149,447</b>	<b>-40.47</b>	<b>100.00</b>

Source: Michigan Workers' Compensation Status of Compensation report of the CAOM dated April 2009

\*A.M. Best ratings have been added to the above report. : <http://www.ambest.com/>

## Exhibit B

### Top 20 Insurers Ranked by Standard Premium

Rank	INSURER	A.M. Best Rating*	# of Policies	Percent of Total Policies	Manual Premium	Standard Premium	Difference	Percentage of Statewide Standard Premium
1	ACCIDENT FUND INSURANCE CO	A	19,390	12.14	196,644,934	135,721,184	-30.98	13.68
2	ACCIDENT FUND NATIONAL INSURANCE CO	A	2,618	1.64	118,611,748	65,807,618	-44.52	6.63
3	FRANKENMUTH MUTUAL INSURANCE CO	A+	6,578	4.12	57,089,115	33,795,907	-40.80	3.41
4	LIBERTY INSURANCE CORPORATION	A	560	0.35	38,625,829	31,241,414	-19.12	3.15
5	MICHIGAN COMMERCIAL INSURANCE MUTUAL	A-	3,131	1.96	50,563,613	30,246,320	-40.18	3.05
6	INSURANCE COMPANY OF THE STATE OF PA	A	830	0.52	55,642,419	29,416,159	-47.13	2.96
7	HASTINGS MUTUAL INSURANCE CO	A+	7,148	4.47	38,634,173	26,819,792	-30.58	2.70
8	MICHIGAN INSURANCE CO	A	5,749	3.60	42,090,491	24,878,991	-40.89	2.51
9	HOME OWNERS INSURANCE CO	A++	7,625	4.77	39,955,863	23,847,841	-40.31	2.40
10	NEW HAMPSHIRE INSURANCE CO	A	498	0.31	61,392,133	23,410,902	-61.87	2.36
11	AUTO OWNERS INSURANCE CO	A++	10,588	6.63	26,307,494	20,394,364	-22.48	2.06
12	ZURICH AMERICAN INSURANCE CO	A	506	0.32	34,328,861	17,180,711	-49.95	1.73
13	AMERISURE INSURANCE CO	A	368	0.23	26,988,258	16,913,765	-37.33	1.70
14	FARM BUREAU GENERAL INSURANCE CO	A-	5,917	3.70	16,704,227	13,802,083	-17.37	1.39
15	ILLINOIS NATIONAL INSURANCE CO	A	88	0.06	27,204,721	13,097,827	-51.85	1.32
16	FEDERAL INSURANCE CO	A++	1,323	0.83	14,608,637	12,324,592	-15.63	1.24
17	AMERICAN ZURICH INSURANCE CO	A	678	0.42	47,933,711	12,113,659	-74.73	1.22
18	TRAVELERS INDEMNITY COMPANY OF CT	A+	1,402	0.88	54,240,282	11,953,206	-77.96	1.20
19	CINCINNATI CASUALTY CO	A+	1,569	0.98	16,254,163	11,413,008	-29.78	1.15
20	AMERISURE MUTUAL INSURANCE CO	A	367	0.23	16,409,876	11,270,659	-31.32	1.14
	TOTALS OF ALL INSURERS		159,767	100.00	1,666,767,965	992,149,447	-40.47	100.00

Source: Michigan Workers' Compensation Status Reports of the COAM April 2009

\*A.M. Best ratings have been added to the above report. : <http://www.ambest.com/>

**Exhibit C**

**Top 20 Insurer Groups Ranked by % of Market Share**

GROUP NAME	Total Estimated Annual Premium	Percentage of Market Share
ACCIDENT FUND INSURANCE COMPANY OF AMERICA	207,660,478	20.95
AMERICAN INTERNATIONAL GROUP	82,183,612	8.27
LIBERTY MUTUAL COMPANIES	69,088,470	6.97
HARTFORD FIRE AND CASUALTY GROUP	45,231,305	4.56
AUTO OWNERS INSURANCE GROUP	44,227,222	4.46
THE ST.PAUL TRAVELERS COMPANIES INC	41,198,874	4.16
FRANKENMUTH MUTUAL INSURANCE COMPANY	36,137,514	3.64
ZURICH / MARYLAND INSURANCE COMPANIES	32,016,426	3.21
MICHIGAN COMMERCIAL INSURANCE MUTUAL	30,256,679	3.05
THE HANOVER INSURANCE GROUP	28,105,857	2.84
AMERISURE COMPANIES	28,170,185	2.84
HASTINGS MUTUAL INSURANCE COMPANY	26,829,924	2.71
MICHIGAN INSURANCE COMPANY	24,880,364	2.51
MICHIGAN FARM BUREAU INSURANCE COS	21,308,145	2.15
CINCINNATI INSURANCE COMPANIES	21,072,215	2.12
CNA INSURANCE GROUP	20,925,154	2.11
CHUBB GROUP	20,326,428	2.05
ACE AMERICAN INSURANCE COMPANIES	14,002,599	1.41
INDIANA INSURANCE GROUP	12,343,356	1.24
AMERICAN COMPENSATION INSURANCE COMPANY	11,226,853	1.13
<b>TOTALS: TOP 20 GROUP INSURERS MARKET SHARES</b>	<b>735,008,048</b>	<b>74.11</b>

Source: Michigan Workers' Compensation Report of the CAOM, April 2009

**Exhibit D**

**Top 20 Insurer Group by % of Policies Written**

GROUP NAME	Policies Written	% Total Policies	Total Estimated Annual Premium	Percentage of Market Share
ACCIDENT FUND INSURANCE COMPANY OF AMERICA	22,272	13.95	207,660,478	20.95
AUTO OWNERS GROUP	18,206	11.40	44,227,222	4.46
HARTFORD FIRE AND CASUALTY GROUP	14,738	9.24	45,231,305	4.56
MICHIGAN FARM BUREAU INSURANCE COMPANIES	8,972	5.62	21,308,145	2.15
HASTINGS MUTUAL INSURANCE COMPANY	7,148	4.48	26,829,924	2.71
THE ST.PAUL TRAVELERS COMPANIES INC.	7,100	4.45	41,198,874	4.16
FRANKENMUTH MUTUTAL INSURANCE COMPANY	6,773	4.24	36,137,514	3.64
THE HANOVER INSURANCE GROUP	6,195	3.89	28,105,857	2.84
MICHIGAN INSURANCE COMPANY	5,750	3.60	24,880,364	2.51
STATE FARM FIRE AND CASUALTY COMPANY	5,651	3.54	5,754,039	0.58
CINCINNATI INSURANCE COMPANIES	4,471	2.80	21,072,215	2.12
MICHIGAN MILLERS MUTUAL INSURANCE CO	3,343	2.09	10,147,035	1.02
MICHIGAN COMMERCIAL INSURANCE MUTUAL	3,132	1.96	30,256,679	3.09
INDIANA INSURANCE GROUP	2,530	1.58	12,343,356	1.24
CHURCH MUTUTAL INSURANCE COMPANY	2,433	1.52	1,994,999	0.20
CNA INSURANCE GROUP	2,306	1.44	20,925,154	2.11
DELOS INSURANCE COMPANY	2,187	1.37	4,063,795	0.41
AMERICAN INTERNATIONAL GROUP	2,107	1.31	82,183,612	8.21
BROTHERHOOD MUTUAL INSURANCE COMPANY	2,091	1.31	2,510,385	0.25
LIBERTY MUTUAL INSURANCE COMPANIES	2,072	1.31	69,088,470	6.97
<b>TOTALS: TOP 20 GROUP INSURERS POLICIES WRITTEN</b>	<b>129,477</b>	<b>81.10</b>	<b>735,919,422</b>	<b>74.18</b>

Source: Michigan Workers' Compensation Status of Competition Report of the COAM April 2009

## Exhibit E

### Mutual Rate Comparison of the Largest Voluntary Market Classifications Verses Facility

Year	Number of Voluntary Classes Above AR Facility Rates	Payroll (in millions \$)	Percentage of Total Payroll for 100 Classes
2008	3	945	1%
2007	2	1,884	2%
2006	12	268	<1%
2005	8	136	<1%
2004	4	72	<1%
2003	4	1,149	2%

Year	Number of Voluntary Classes Within 10% AR Facility Rates	Payroll (in millions\$)	Percentage of Total Payroll for 100 Classes
2008	4	1,728	2%
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%

Year	Total Payroll for All Voluntary Classes (in millions)	Voluntary Total Payroll form 100 Largest Classes (in millions \$)	100 Largest Classes Total Payroll Percentage
2008	94,639	85,960	91%
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%

Data Source: 2008 - Policy Declarations  
 2007 - Statistical RPTS & Policy Declarations  
 2003/2004/2005/2006 - Unit Statistical Reports