



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
OFFICE OF FINANCIAL AND INSURANCE SERVICES  
DEPARTMENT OF LABOR & ECONOMIC GROWTH  
KEITH W. COOLEY, DIRECTOR

KEN ROSS  
ACTING COMMISSIONER

# **The Availability and Pricing of Liquor Liability Insurance in the State of Michigan**

**A market competition study issued by  
Acting Commissioner Ken Ross**

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## Section I

### INTRODUCTION

The Commissioner of the Office Financial and Insurance Services (OFIS) regulates the insurance marketplace. MCL 500.2409b requires the Commissioner to issue an annual report and certify whether liquor liability insurance is available and reasonably priced in Michigan. This report is the 16<sup>th</sup> report issued to meet this requirement.

Regulation of liquor sales in Michigan began with the enactment of 1933 PA 8, which was known as the Dram Shop Act. 1933 PA 8 was subsequently repealed and replaced by 1998 PA 58, the Michigan Liquor Control Code of 1998, MCL 436 (Act). The Michigan Liquor Control Commission is the regulatory agency responsible for enforcing the Act. Among other provisions, the Act prohibits the sale of liquor to minors and intoxicated persons. Liquor retailers that violate the laws are subject to fines, license revocation, and private rights of actions for physical damage, injuries, and deaths caused by intoxicated persons. Requiring liquor retailers to assume the liability for the illegal sale of liquor promotes care in the sale of liquor and facilitates the means of recovery for persons injured by the intoxicated person. To protect against these potential liabilities, liquor retailers typically purchase liquor liability insurance. Liquor liability insurance covers the liquor retailer's cost of defending against liquor liability lawsuits, and pays the outcome of a lawsuit settlement or award.

With the enactment of amendments to the Act, 1986 PA 176, the availability and affordability of liquor liability insurance became a public issue. These amendments benefited both liquor retailers and the general public. Liquor retailers benefited from shortened limitation timeframes being placed on injured parties who file notice of a claim, the rebuttal presumption that no liquor licensee other than the last licensee to sale, give or furnish liquor to a minor or visibly intoxicated person was presumptively responsible for the visibly intoxicated person, and elimination of lawsuits by relatives of the intoxicated person. Requiring liquor retailers to show proof of financial responsibility to obtain or renew their liquor licenses and stronger sanctions for violations of the Act were intended to benefit the general public.

Beginning April 1, 1988, the Act required liquor licensees to show proof of financial responsibility of at least \$50,000. Liquor licensees typically meet this requirement by purchasing a liquor liability insurance policy, but it can also be met by a surety bond or through membership in a limited liability pool created pursuant to MCL 500.6506.

#### **Background on the Liquor Liability Insurance Market Conditions**

In 1985 and 1986, the liquor liability insurance market experienced the harsh side of the underwriting cycle. Rates were high, available sources were scarce, and many Michigan liquor retailers were conducting business without purchasing insurance. In 1986, two surplus lines insurers dominated the independent retailers' market, writing 96.5% of the written premium. Frequent lawsuits and high damage awards hurt profitability, causing only a few insurers to write liquor liability insurance in Michigan and those policies had small coverage limits and were in conjunction with a general liability policy.

During 1986, the market began to soften due, in part to improved insurer profitability, enactment of amendments to the Act, and actions taken by the Commissioner. After holding a public hearing, the Commissioner determined that liquor liability insurance was not readily available in Michigan at a reasonable premium. The Commissioner issued an order that allowed the formation of limited liability pools pursuant to MCL 500.6506 for the purpose of issuing liquor liability insurance policies.

Amendments enacted by 1986 PA 176 reduced the number of lawsuits against liquor retailers. It also required liquor retailers to provide proof of financial responsibility subject to a determination by the Commissioner that liquor liability insurance was available in Michigan at a reasonable premium. This action automatically created a market for liquor liability insurance and ensured a means of compensating victims of drunken driving accidents. 1986 PA 176 caused insurers to anticipate a decline in the number of liquor liability lawsuits and damage awards in Michigan.

### **Public Hearings and Recommendations**

The Michigan Liquor Control Commission may waive liquor licensees' proof of financial responsibility requirement if the Commissioner certifies in an annual report prepared pursuant to MCL 500.2409b that the market lacks reasonable availability of liquor liability insurance at a reasonable premium.

The Commissioner held a public hearing in October 1987 to determine whether liquor liability insurance was reasonably available in Michigan at a reasonable premium for liquor retailers in accordance with 1986 PA 173. At the hearing, liquor retailers unanimously stated that liquor liability insurance was not reasonably available at a reasonable premium. However, the Commissioner found that, based on estimated loss ratios, projected profits, and the closeness of the premium charges to expected losses, liquor liability insurance was available at a reasonable premium. Later Commissioner studies showed that there were at least 21 insurers writing liquor liability coverage in Michigan at this time, including two limited liability pools.

In spite of protests by many liquor retailers, the proof of financial responsibility requirement took effect on April 1, 1988. After that date, to obtain or renew a liquor license, retailers must provide proof of financial responsibility in the form of an insurance policy or bond of at least \$50,000. At public hearings held later in 1988, 61 retailers testified against the requirements.

In January 1989, another public hearing was held to determine whether allowing formation of limited liability pools to issue liquor liability policies was still needed. Only a few insurance company representatives attended this hearing and no one testified. No liquor licensee attended the hearing, and subsequently, the Commissioner received several no comment letters. Given the appearance that the market was adequately supplying this insurance, the Commissioner issued an order precluding the formation of any new limited liability pools to write liquor liability insurance.

### **Current Market Conditions**

According to the Liquor Control Commission, near the end of 2006, there were 255 insurers providing liquor liability coverage to 16,180 retail liquor establishments through a liquor liability insurance policy. Since the proof of financial responsibility requirement became effective in 1988, many admitted insurers have entered the Michigan liquor liability insurance market. As availability of coverage expanded, affordability of coverage has greatly improved.

Accompanying the expanded purchasing of insurance coverage has been the movement from insurers with high financial ratings to lesser-rated insurers as shown by the A.M. Best Company (Best Ratings) in Exhibits A and B. An explanation of the Best Ratings can be found in Appendix D.

### **Mandated Considerations**

To assure that licensees can obtain the mandatory liquor liability insurance coverage, MCL 500.2409b requires the Commissioner to annually issue a report detailing whether liquor liability insurance is reasonably available in Michigan at a reasonable premium. If, based on this annual report, the Commissioner certifies that liquor liability insurance is not reasonably available, or is not available at a reasonable premium, the Liquor Control

Commission may waive the requirement of proof of financial responsibility in accordance with MCL 436.1803(2).

Determining the availability and reasonableness of pricing of liquor liability insurance in accordance with MCL 500.2409b requires the Commissioner to consider specific aspects of the market. To this end, the statute requires that the Commissioner evaluate the structure of the liquor liability market to ensure that no insurer controls the market and that there are enough insurers to provide multiple options to liquor licensees. The Commissioner must consider the disparity among liquor liability insurance rates and evaluate whether overall rate levels are excessive, inadequate, or unfairly discriminatory. The Commissioner may consider any other factors considered relevant in making the determination.

Rating information listed in this report is based on data submitted to the Office of Financial and Insurance Services by the insurers specifically surveyed for this report. Liquor liability premium data were collected on Form FIS-0118, a supplemental form to each insurer's annual financial statement. A list of insurers with numbers of licensees insured was obtained from reports generated by the Michigan Liquor Control Commission.

## Section II

### AVAILABILITY OF INSURANCE

Market structure is a relevant factor in evaluating the availability of liquor liability insurance. Market concentration, the number of insurers, and the turnover rate of insurers are examined using by-line data since 1980, and licensee data since 1988.

#### **Market Structure**

Exhibit A and Appendix A show written premiums, market shares of written premiums, loss ratios and Best's Ratings from the given year for each of the 20 leading liquor liability insurers for the period 1997 through 2006, and 1980 through 1995 respectively. Exhibit B shows the structure of the liquor liability insurance market. It includes concentration measures, industry loss ratios, number of admitted insurers writing liquor liability insurance, percent of the market having surplus lines coverage and the percent of insurers that are A-rated by Best's Insurance Report. These exhibits provide a history of the important market participants and are the basis for reviewing concentration and turnover of the largest insurers in the market. Beginning in 1985, eligible surplus lines insurers are included and denoted with an "s."

The initial set of statistics in Exhibit B presents concentration ratios or the combined market shares of premiums written for the top 4, 8, and 20 insurers. The top 4 insurers accounted for 66.9% of the insurance market for written premiums, while the top 8 insurers accounted for 78.9% of the industry market share, and finally, the top 20 insurers accounted for nearly 93.4% of the industry market share. A rough economic benchmark relating to market concentration levels of the top 4 and 8 firms is that percentages exceeding 60% and 80%, respectively, may trigger designation as concentrated. By this benchmark, the market structure indicates a slightly concentrated market throughout the period covered by the available data.

**Exhibit A**

**Premiums, Market Shares, Loss Ratios and  
Best's Ratings of the Liquor Liability Insurance Market 1997 - 1998**

<u>Year</u>	<u>Rank</u>	<u>Carrier Name</u>	<u>Written Premiums (\$1,000s)</u>	<u>Market Shares (%)</u>	<u>Loss Ratio (%)</u>	<u>Best's Rating<sup>s</sup></u>
1997	1.	North Pointe Insurance Company	9,308	47.25	4.78	B++
	2. #	MLBA Limited Liability Pool	1,723	8.74	25.65	NR3
	3. @	First Security Casualty Company	1,684	8.55	86.29	NR
	4. s	Columbia Casualty Company	1,215	6.17	49.26	A
	5.	Legion Insurance Company	945	4.80	0.00	A
	6.	Citizens Insurance Co of America	693	3.52	-10.72	A+
	7. s	Mt. Vernon Fire Insurance Company	678	3.44	28.85	A++
	8.	Star Insurance Company	655	3.32	14.78	A-
	9.	Old Republic Insurance Company	610	3.10	0.25	A+
	10. #	Bowling Prop. Of MI Limited Liab. Pool	398	2.02	15.10	B+
	11.	Northwestern National Casualty Co	346	1.76	-4.35	B+
	12.	United States Fire Insurance Company	237	1.20	-8.35	A
	13.	Calvert Insurance Company	183	0.93	408.19	A
	14. s	St. Paul Surplus Lines Insurance Co	157	0.80	-309.19	A+
	15. s	Illinois EMASCO Insurance Company	104	0.53	-4.33	A
	16.	Federated Mutual Insurance Company	97	0.49	-105.40	A
	17.	Transcontinental Insurance Company	96	0.49	60.09	A
	18.	St. Paul Mercury Insurance Company	60	0.30	-50.80	A+
	19.	Zurich Insurance Company USB	52	0.26	0.10	A+
	20. s	United National Insurance Company	51	0.26	-60.37	A+
1998	1.	North Pointe Ins Co	9,753	53.31%	38.82	B++
	2. #	MLBA Limited Liability Pool	1,522	8.32%	(49.42)	NR1
	3.	Legion Insurance Co	1,249	6.83%	10.99	A
	4. s	Columbia Casualty Company	920	5.03%	56.85	A
	5.	Star Insurance Company	794	4.34%	23.09	A-
	6.	Citizens Insurance Co Of America	725	3.96%	1.14	A
	7. s	Mount Vernon Fire Insurance Co	646	3.53%	60.00	A++
	8.	Reliance Insurance Company	557	3.04%	0.00	A-
	9. #	Bowling Proprietors Of MI Ltd	396	2.16%	(41.38)	B+
	10.	Northwestern National Casualty Co	288	1.57%	540.51	B++
	11.	Employers Ins Of Wausau A Mutual Co	162	0.89%	0.00	A+
	12.	United States Fire Ins Co	159	0.87%	0.00	A-
	13.	Calvert Insurance Company	145	0.79%	78.55	A-
	14.	Firemans Fund Ins Co	121	0.66%	0.00	A
	15. s	St Paul Surplus Lines Ins Co	113	0.62%	(246.24)	A+
	16. s	Illinois EMASCO Insurance Co	107	0.58%	0.00	A
	17.	Transcontinental Insurance Co	92	0.50%	10.46	A
	18.	Federated Mutual Ins Co	81	0.44%	1,657.01	A+
	19.	Argonaut Great Central Ins Company	69	0.37%	0.00	A-
	20.	Home-Owners Ins Co	61	0.33%	0.00	A++

Source of Data: Insurers annual statements and Best's ratings for year given. See the notes in Appendix D for the meanings of symbols.

**Exhibit A**

**Premiums, Market Shares, Loss Ratios and  
Best's Ratings of the Liquor Liability Insurance Market 1999 – 2000**

<u>Year</u>	<u>Rank</u>	<u>Carrier Name</u>	<u>Written Premiums (\$1,000s)</u>	<u>Market Shares _(%)</u>	<u>Loss Ratio _(%)</u>	<u>Best's Rating<sup>s</sup></u>
1999	1.	North Pointe Insurance Co	10,769	49.04	17.76	B++
	2.	Reliance Insurance Co	4,450	20.27	0.00	A-
	3.	# MLBA L.L.P.	1,411	6.42	25.36	NR-2
	4.	Legion Insurance Co	1,291	5.88	19.87	A
	5.	s Columbia Casualty Co	859	3.91	(9.46)	A
	6.	s Mount Vernon Fire Ins Co	718	3.27	50.00	A++
	7.	Star Insurance Company	595	2.71	40.06	A-
	8.	# Bowling Proprietors Of Mi Ltd	313	1.42	30.22	B+
	9.	Argonaut Great Central Ins Co	175	0.80	4.04	A-
	10.	United States Fire Ins Co	158	0.72	0.00	A-
	11.	Northwestern Nat'l Cas Co	138	0.63	(142.22)	B++
	12.	s Illinois EMASCO Ins Co	110	0.50	0.00	A
	13.	TIG Insurance Company	102	0.47	(275.35)	A
	14.	Home-Owners Ins Co	87	0.39	1.00	A++
	15.	Federated Mutual Ins Co	75	0.34	(575.55)	A+
	16.	Calvert Insurance Co	74	0.34	137.22	A-
	17.	Transcontinental Ins Co	68	0.31	9.80	A
	18.	Agricultural Insurance Co	47	0.21	0.00	A
	19.	s St Paul Surplus Lines Ins Co	39	0.18	(228.23)	A+
	20.	s General Star Indemnity Co	33	0.15	0.00	A++
2000	1.	North Pointe Insurance Co	9,787	58.09	16.53	B
	2.	# MLBA Limited Liab Pool	1,385	8.22	5.44	A-
	3.	Legion Insurance Co	1,135	6.74	130.13	NR-2
	4.	s Columbia Casualty Co	783	4.65	91.49	A
	5.	Star Insurance Co	699	4.15	137.38	A
	6.	United States Liab Ins Co	644	3.82	60.90	A++
	7.	s Mt. Vernon Fire Ins Co	271	1.61	55.00	A-
	8.	# Bowling Proprietors Of Mi Ltd	252	1.49	1.77	B+
	9.	Royal Indemnity Co	183	1.09	0.00	A-
	10.	Argonaut Great Central Ins Co	171	1.01	(1.52)	A-
	11.	TIG Insurance Co	170	1.01	0.00	A-
	12.	s Illinois EMASCO Ins Co	129	0.76	0.00	A
	13.	Northwestern Nat'l Cas. Co	126	0.74	(9.76)	B++
	14.	Badger Mutual Ins Co	105	0.62	0.00	A-
	15.	Federated Mutual Ins Co	85	0.50	49.07	A+
	16.	St. Paul Guardian Ins Co	63	0.37	361.01	A+
	17.	Reliance Nat'l Ind Co	63	0.37	0.00	E
	18.	Home-Owners Insurance Co	62	0.37	1.69	A++
	19.	Maryland Casualty Co	58	0.35	0.00	A+
	20.	Ohio Casualty Insurance Co	56	0.33	31.12	A

Source of Data: Insurers annual statements and Best's ratings for year given. See the notes in Appendix D for the meanings of symbols.

**Exhibit A**  
**Premiums, Market Shares, Loss Ratios and**  
**Best's Ratings of the Liquor Liability Insurance Market 2001 - 2002**

<u>Year</u>	<u>Rank</u>	<u>Carrier Name</u>	<u>Written Premiums (\$1,000s)</u>	<u>Market Shares _(%)</u>	<u>Loss Ratio _(%)</u>	<u>Best's Rating<sup>5</sup></u>
2001	1.	North Pointe Insurance Co	7,658	38.49	70.46	B+
	2.	s Mount Vernon Fire Ins Co	2,054	10.32	69.99	A++
	3.	Legion Insurance Co	1,914	9.62	-35.53	F
	4.	United States Liability Ins Co	1,755	8.82	0	A++
	5.	American States Ins Co	1,328	6.67	103.28	A
	6.	MLBA L.L.P.	1,240	6.23	21.69	NR
	7.	s Columbia Casualty Co	643	3.23	7.51	A
	8.	TIG Insurance Co	520	2.61	0	B+
	9.	Royal Indemnity Co	359	1.8	0	A-
	10.	Discover Prop & Casualty In Co	300	1.51	128.00	A
	11.	Star Insurance Co	277	1.39	12.02	B+
	12.	Bowling Proprietors of MI, Ltd.	244	1.23	25.83	NR
	13.	Selective Ins Co of SC	168	0.84	198.47	A+
	14.	Employers Mutual Cas Co	137	1.69	36.21	A-
	15.	Transcontinental Ins Co	132	0.66	0	A
	16.	Fidelity & Guaranty Ins Underwriters	131	0.66	310.10	A
	17.	Hartford Cas Ins Co	94	1.47	0	A+
	18.	Great American Assur Co	79	0.40	707.69	A
	19.	Home-Owners Insurance Co	78	1.39	0	A++
	20.	Fidelity and Guar Ins Co	67	0.34	509.30	A
2002	1.	North Pointe Insurance Co	7,207	51.74	35.83	B
	2.	# MLBA Limited Liab Pool	1,261	9.05	21.25	NR
	3.	United States Liab Ins Co	1,067	7.66	60.00	A++
	4.	s Columbia Casualty Co	631	4.53	-161.86	A
	5.	Star Insurance Co	554	3.98	52.43	B
	6.	Legion Insurance Co	465	3.34	323.85	E
	7.	TIG Insurance Co	284	2.04	73.31	B++
	8.	# Bowling Proprietors of MI Ltd	249	1.79	50.08	NA
	9.	Badger Mutual Ins Co	176	1.26	7.41	A-
	10.	Argonaut Great Central Ins Co	175	1.26	5.85	A-
	11.	Royal Indemnity Co	163	1.17	0.00	A
	12.	Northwestern National Cas Co	163	1.17	1.60	NR-4
	13.	s Mount Vernon Fire Ins Co	121	0.87	60.00	A++
	14.	Transcontinental Ins Co	115	0.83	-338.93	A
	15.	American States Ins Co	99	0.71	21.09	A
	16.	American Economy Ins Co	99	0.71	0.00	A
	17.	Maryland Casualty Co	96	0.69	586.72	A+
	18.	Home-Owners Insurance Co	88	0.63	-2.47	A++
	19.	Federated Mutual Ins Co	87	0.62	-71.75	A+
	20.	Selective Ins Co of SC	83	0.59	1828.53	A+

Source of Data: Insurers annual statements and Best's ratings for year given. See the notes in Appendix D for the meanings of symbols.

**Exhibit A**

**Premiums, Market Shares, Loss Ratios and  
Best's Ratings of the Liquor Liability Insurance Market 2003 - 2004**

<u>Year</u>	<u>Rank</u>	<u>Carrier Name</u>	<u>Written Premiums (\$1,000s)</u>	<u>Market Shares (%)</u>	<u>Loss Ratio (%)</u>	<u>Best's Rating<sup>s</sup></u>
2003	1.	North Pointe Insurance Co	7,658	38.49	70.46	B+
	2.	s Mount Vernon Fire Ins Co	2,054	10.32	69.99	A++
	3.	Legion Insurance Co	1,914	9.62	-35.53	F
	4.	United States Liab Ins Co	1,755	8.82	0	A++
	5.	American States Ins Co	1,328	6.67	103.28	A
	6.	MLBA L.L.P.	1,240	6.23	21.69	NR
	7.	s Columbia Casualty Co	643	3.23	7.51	A
	8.	TIG Insurance Co	520	2.61	0	B+
	9.	Royal Indemnity Co	359	1.80	0	A-
	10.	Discover Prop & Cas Ins Co	300	1.51	128.00	A
	11.	Star Insurance Co	277	1.39	12.02	B+
	12.	Bowling Proprietors of MI Ltd	244	1.23	25.83	NR
	13.	Selective Ins Co of SC	168	0.84	198.47	A+
	14.	Employers Mutual Cas Co	137	0.69	36.21	A-
	15.	Transcontinental Ins Co	132	0.66	0	A
	16.	Fidelity & Guaranty Ins Underwriters	131	0.66	310.10	A
	17.	Hartford Cas Ins Co	94	0.47	0	A+
	18.	Great American Assur Co	79	0.40	707.69	A
	19.	Home-Owners Insurance Co	78	0.39	0	A++
	20.	Fid & Guar Ins Co	67	0.34	509.30	A
2004	1.	North Pointe Insurance Co	11,600	42.9	8.9%	B+
	2.	United States Liability Insurance Co	3,166	11.7	65.0%	A++
	3.	Royal Indemnity Company	1,839	6.8	0.0%	B
	4.	# MLBA Mutual Insurance Company	1,778	6.6	8.7%	B++
	5.	s Columbia Casualty Company	1,391	5.1	62.3%	A
	6.	s Mount Vernon Fire Insurance Co	483	1.8	85.6%	A++
	7.	Selective Insurance Co of SC	403	1.5	0.59%	A+
	8.	Bowling Centers Insurance Corp, Inc.	383	1.4	-2.6%	B++
	9.	Federated Mutual Insurance	245	0.9	-1.5%	A+
	10.	s United National Insurance Company	228	0.8	73.7%	A
	11.	Employers Mutual Casualty Company	209	0.8	304.0%	A-
	12.	Hartford Casualty Insurance Company	197	0.7	0.0%	A+
	13.	Fire & Casualty Ins Co of Connecticut	156	0.6	0.0%	B
	14.	Gulf Insurance Company	119	0.4	0.0%	Au
	15.	Ohio Casualty Insurance Company	117	0.4	-34.2%	A-
	16.	Fidelity & Guaranty Insurance Co	113	0.4	555.5%	A
	17.	Home-Owners Insurance Company	94	0.3	7.6%	A++
	18.	St. Paul Mercury Insurance Company	80	0.3	51.8%	A
	19.	s General Star Indemnity Company	67	0.2	0.0%	A++
	20.	Hartford Fire Insurance Company	66	0.2	0.0%	A+

Source of Data: Insurers annual statements and Best's ratings for year given. See the notes in Appendix D for the meanings of symbols.

**Exhibit A**

**Premiums, Market Shares, Loss Ratios and  
Best's Ratings of the Liquor Liability Insurance Market 2005 - 2006**

<u>Year</u>	<u>Rank</u>	<u>Carrier Name</u>	<u>Written Premiums (\$1,000s)</u>	<u>Market Shares (%)</u>	<u>Loss Ratio (%)</u>	<u>Best's Rating<sup>s</sup></u>
2005	1.	North Pointe Insurance Co	10,273	43.3%	10.2%	B++
	2.	s Steadfast Insurance Co	2,846	12.0%	0%	A
	3.	# MLBA Mutual Insurance Co	2,013	8.5%	15.1%	B++
	4.	United States Liability Insurance Co	1,899	8.0%	37.2%	A++
	5.	s Columbia Casualty Company	1,737	7.3%	10.2%	A
	6.	Bowling Centers Insurance Corp, Inc.	649	2.7%		NR
	7.	Selective Insurance Co of SC	644	2.7%		A+
	8.	s Mount Vernon Fire Insurance Co.	488	2.1%	55.0%	A++
	9.	Hartford Casualty Insurance Co	459	1.9%	0%	A+
	10.	Citizens Insurance Co of America	377	1.6%	18.4%	A-
	11.	American Guarantee & Liab Insur. Co	211	0.9%	0%	A
	12.	s United National Insurance Company	205	0.9%	60.0%	A
	13.	The Netherlands Insurance Company	197	0.8%	0%	A
	14.	Hudson Specialty Insurance Company	195	0.8%	59.4%	A
	15.	Ohio Casualty Insurance Company	167	0.7%	0%	A-
	16.	Employers Mutual Casualty Co.	131	0.6%		A-
	17.	Consolidated Insurance Company	94	0.4%	0%	A
	18.	Federated Mutual Insurance Co	89	0.4%	9.3%	A+
	19.	Home-Owners Insurance Company	77	0.3%	27.0%	A++
	20.	Hartford Fire Insurance Company	76	0.3%	0%	A+
2006	1.	North Pointe Insurance Co	9,507	46.9%	4.5%	B++
	2.	# MLBA Mutual Insurance Company	1,602	7.9%	.3%	B++
	3.	Argonaut Great Central Insur. Co.	1,332	6.6%	.3%	A-
	4.	United States Liability Insurance Co	1,121	5.5%	66.9%	A++
	5.	Northland Casualty Company	736	3.6%	12.4%	A
	6.	American Equable Inc.	634	3.1%	22.2%	NR
	7.	Selective Insurance Co of SC	555	2.7%	10.6%	A+
	8.	Citizens Insurance Co of America	494	2.4%	18.3%	A-
	9.	Founders Insurance Company	459	2.2%	48.8%	NR-2
	10.	Zurich American Insurance Company	404	2.0%	0%	A
	11.	s Mount Vernon Fire Insurance Co	388	1.9%	17.8%	A++
	12.	The Netherlands Insurance Company	306	1.5%	0%	A
	13.	Northfield Insurance Company	243	1.2%	25.6%	A
	14.	Hudson Specialty Insurance Company	241	1.2%	27.0%	A
	15.	s Columbia Casualty Company	204	1.0%	-4.4%	A
	16.	Ohio Casualty Insurance Company	185	.9%	13.7%	A-
	17.	Michigan Millers Mutual Ins Co.	156	.7%	0%	A-
	18.	American Guarantee & Liab Ins Co.	120	.6%	0%	A
	19.	The Burlington Insurance Company	116	.6%	0%	A-
	20.	American Zurich Insurance Company	114	.5%	0%	A

Source of Data: Insurers annual statements and Best's ratings for year given. See the notes in Appendix D for the meanings of symbols.

These changes have caused a significant increase in concentration in the market as measured by premium written statewide market share. Importantly, since 1986, the increase in concentration resulted in a significant movement from unauthorized ineligible insurers to licensed insurers. However, the changes have produced a significant increase in the market share of less than A-rated insurers. The percentage of premiums written that was not A-rated increased from 32.1% in 2004 to 53.5% in 2006. These figures are well below the levels in 1986 and 1987 when the percentages stood at 98.5% and 81.6%, respectively.

The data in Exhibit A and in the initial columns of Exhibit B exclude many licensees having package commercial multi-peril policies or commercial general liability policies containing a liquor liability endorsement. Premiums for such endorsements are reflected in the insurers' annual statements with commercial multi-peril premiums on line 5 or with "other" liability on line 17, which include stand-alone liquor liability policy premiums. Other evidence presented indicates that many liquor licensees are likely purchasing insurance in the form of endorsements to commercial package policies from admitted insurers. As such, the concentration of the market, as well as the market share of surplus lines insurers (discussed below), may be lower than the statistics from the OFIS written premium reports' indicate.

The Liquor Control Commission maintains a database of insurance companies that provide policies to liquor licensees. Exhibit B and Exhibit C present data according to the number of licensees that are covered by insurer since 1988. These data cover a more recent period and are comparable with Exhibits A and B. Exhibit C shows the top 20 insurers. Exhibit D shows there are many additional major participants in the market recently, than there were in 1990. Most of the additional insurers do not appear on the written premium reports because they do not write independent retailers' liquor liability policies and the insurers report these data with commercial multi-peril or other liability. Insurers, which are not licensed in Michigan and not eligible surplus lines insurers in this state, are not included.

Market shares of licensees from Exhibits B, C, and D indicate a moderately concentrated market. This is partially explained by the inclusion of insurers not typically included in the written premium reports because not all insurers submit annual statements and many report premium data on other commercial lines. There might not be a one-to-one correspondence between the number of licensees and the amount of premium written, which could explain the lower concentration among licensees shown in Exhibit B. Concentration would be higher if insurers with more licensees on average had larger premiums. An example of this difference is North Pointe Insurance Company which, in 1997, had 53% of the premium and 39% of the licensees.

Although higher concentration is generally associated with less competition, neither economic theory nor experience establishes a critical level of concentration at which competition is inhibited or exhibits a tendency toward excessive market power in any industry.

**Exhibit B**  
**History of Total Premiums, Loss Ratios, Concentration Measures By Premium,**  
**Percent of Top 20 A-Rated, Percent Surplus Lines and Concentration Measures by Licensees**  
**Liquor Liability Insurance Market**  
**1982 - 2006**

Concentration and Other Market Measures Based on Premiums										Concentration Measures Based on Licensees										
Year	Total Premium	Loss Ratio	Market Shares				% Premium A-Rated	Number of Insurers	Market Shares				Number of Insurers							
			Top 4	Top 8	Top 20	S/L			Top 4	Top 8	Top 20	S/L								
1982	5,246	281.4%	61.1%	90.4%	100.1%	70.5%	35	28.6%												
1983	2,577	143.5%	83.9%	98.1%	102.1%	35.6%	30	N.A.												
1984	4,996	326.0%	72.2%	97.2%	100.0%	74.3%	32	47.9%												
1985	26,831	97.4%	92.1%	99.4%	100.0%	60.7%	22	60.3%												
1986	26,044	61.9%	98.2%	100.1%	100.3%	98.5%	25	98.4%												
1987	23,260	40.0%	91.5%	97.5%	100.0%	81.6%	29	80.2%												
1990	25,409	37.2%	78.1%	92.9%	99.5%	26.2%	43	24.0%	60.0%	77.9%	91.7%	101								
1991	22,065	40.6%	78.4%	96.2%	99.5%	25.5%	39	21.7%	61.4%	75.9%	89.6%	102								
1992	22,665	57.1%	74.6%	89.8%	99.2%	31.2%	47	21.8%	65.8%	77.8%	90.5%	105								
1993	20,871	97.4%	74.1%	89.6%	99.0%	32.5%	44	20.9%	59.1%	74.6%	89.6%	109								
1994	20,871	27.8%	74.3%	87.3%	98.1%	28.1%	52	16.6%	55.8%	72.9%	88.7%	115								
1995	19,498	-53.8%	72.8%	87.0%	98.1%	27.7%	53	14.2%	56.3%	71.5%	86.8%	125								
1996	19,700	17.7%	70.7%	85.8%	97.9%	29.6%	56	11.6%	54.4%	68.9%	84.3%	141								
1997	18,297	45.8%	73.5%	88.4%	98.2%	32.8%	65	9.9%	54.8%	69.6%	84.4%	159								
1998	21,960	14.0%	81.6%	92.9%	97.9%	40.1%	66	8.4%	57.0%	70.6%	84.1%	153								
1999	16,825	57.2%	77.7%	88.7%	96.3%	24.1%	69	7.3%	55.1%	68.7%	81.4%	170								
2000	13,929	58.7%	72.0%	84.1%	94.6%	66.2%	74	6.0%	51.8%	65.6%	78.8%	174								
2001	19,900	58.7%	67.2%	86.0%	96.4%	39.9%	89	13.6%	52.8%	65.5%	79.0%	225								
2002									57.1%	68.4%	81.3%	231								
2003									57.7%	68.6%	81.8%	244								
2004	23,361	43.2%	78.7%	90.1%	97.3%	32.1%	70	9.3%	57.1%	66.2%	81.0%	242								
2005	27,501	19.5%	71.8%	86.6%	96.3%	44.6%	76	11.8%	53.2%	63.8%	79.3%	255								
2006	20,262	-135.8%	66.9%	80.7%	95.2%	54.5%	68	16.2%	48.8%	63.0%	78.8%	255								

Source of Data: Insurers' annual reports, surplus lines premium tax reports, and the Liquor Control Commission Licenses Report (not available until 1988). Note: The market share of the top insurers might exceed 100 percent due to negative written premium reported by insurers transferring their business.

### **Market Turnover and Participants**

Competition requires relatively low barriers to entry into the market. Entry into the Michigan liquor liability insurance market would seem to be relatively easy. Studies suggest that entry barriers into the property-liability insurance industry generally are not high. The existence of loss cost sharing through rating bureaus may reduce the cost of information to insurers, which lessens concerns about entry barriers. The impact of rating bureaus and barriers to competition are discussed at greater length in the OFIS report entitled, "State of Competition in the Commercial Liability Insurance Market."

Some indication about entry barriers and competition can be obtained from the actual rate of turnover of insurers. It is reasonable to expect significant turnover in the liquor liability insurance market if there is reasonable competition. An examination of Appendix A shows an extremely high rate of turnover in the top 20 firms over the period 1980 through 1996. Major participants quickly appear and disappear within the span of three or four years. Exhibit D examines the number of licensees each year since 1988 for the top 20 insurers. In Appendix D, all current insurers are ranked by the number of licensees over the period covered. Exhibit D and Appendix D show a high turnover rate.

Since the mandatory proof of financial responsibility requirement for liquor retailers was enacted in 1988, admitted insurers have written the highest number of policies for Michigan liquor licensees. Using Liquor Control Commission records, Appendix D indicates that, as of March 2001, 95.3% of the policies received were from admitted insurers and 4.7% were from eligible surplus lines insurers. In the period 1990 to 2001, the percentage of ineligible unauthorized insurers fell from 13.3% to under 0.1%. This decline is largely due to the number of licensees who have moved away from purchasing groups sponsored by the Bel-Aire Insurance Company. Missouri, its state of domicile, placed Bel-Aire in receivership in 1991. Before Bel-Aire was placed in receivership, its licensees were forced to find coverage elsewhere. This was due to the passage of Public Act 214 of 1989, which required purchasing groups to purchase insurance for their Michigan risks from authorized insurers, eligible unauthorized insurers (approved surplus lines insurers), or from risk-retention groups. This statutory amendment prohibited a purchasing group doing business in Michigan to place its risks with an ineligible unauthorized insurer.

Exhibit C

Report on Licensees at January 1996 and January 1997

**Report Date: 1/1996**

	<u>Company Name</u>	<u>Licensees</u>	<u>(%)</u>	<u>Best's Rating<sup>s</sup></u>
1.	North Pointe Insurance Company	5,560	33.2%	B
2.	United States Liability Insurance Company	1,261	7.5%	A++
3.	Legion Insurance Company	1,253	7.5%	A-
4.	Mich. Liensd Bev. Assoc. L. L. Pool	784	4.7%	NR2
5.	National Union Fire Ins Co of Pittsburgh, PA	721	4.3%	A++
6.	Citizens Insurance Company of America	506	3.0%	A
7. s	Columbia Casualty Company	490	2.9%	A
8.	Star Insurance Company	401	2.4%	B++
9.	United States Fidelity and Guaranty Company	358	2.1%	A+
10.	Commercial Union Insurance Company	237	1.4%	A+
11.	Employers Mutual Casualty Company	230	1.4%	A
12.	Argonaut Great Central Insurance Company	210	1.3%	A-
13.	Northwestern National Casualty Company	206	1.2%	B++
14.	National Surety Corporation	174	1.0%	A++
15.	Badger Mutual Insurance Company	171	1.0%	A-
16.	Liberty Mutual Fire Insurance Company	150	0.9%	A+
17.	American Country Insurance Company	130	0.8%	A-
18.	Continental Casualty Company	128	0.8%	A
19.	American Manfcts Mutual Insurance Company	127	0.8%	A
20.	American Motorists Insurance Company	127	0.8%	A
	<b>Totals: (last value is percent at A- or better)</b>	<b>14,556</b>	<b>84.3%</b>	<b>31.4%</b>

**Report Date: 1/1997**

	<u>Company Name</u>	<u>Licensees</u>	<u>(%)</u>	<u>Best's Rating<sup>s</sup></u>
1	North Pointe Insurance Company	6,639	38.8%	B+
2	# MI Liensd Beverage Assn Ltd LiabPool	985	5.8%	NR1
3	Legion Insurance Company	953	5.6%	A
4	First Security Casualty Company	809	4.7%	(3)
5 s	Columbia Casualty Company	737	4.3%	A
6	National Union Fire Ins Co of PtsbgPA	692	4.0%	A++
7 s	Mt Vernon Fire Insurance Company	613	3.6%	A++
8	Star Insurance Company	496	2.9%	A-
9	Citizens Insurance Co of America	406	2.4%	A+
10.	Old Republic Insurance Company	288	1.7%	B+
11.	Northwestern National Casualty Co	271	1.6%	B+
12.	Commercial Union Insurance Co	221	1.3%	A
13.	Federal Insurance Company	195	1.1%	A++
14.	American Motorists Insurance Co	179	1.0%	A
15.	Calvert Insurance Company	171	1.0%	A
16.	National Surety Corporation	171	1.0%	A
17.	Aetna Casualty & Surety Company	168	1.0%	A-
18.	United States Fire Insurance Co	159	0.9%	A
19.	Federated Mutual Insurance Co	155	0.9%	A
20. s	Illinois EMASCO Insurance Co	153	0.9%	A
	<b>Totals: (last value is percent at A- or better)</b>	<b>14,461</b>	<b>84.4%</b>	<b>31.9%</b>

Source of Data: Liquor Control Commission (footnotes in Appendix D).

Exhibit C

Report on Licensees at January 1998 and January 1999

**Report Date: 1/1998**

<u>Company Name</u>	<u>Licensees</u>	<u>(%)</u>	<u>Best's Rating<sup>s</sup></u>
1. North Pointe Insurance Company	7,012	41.1%	B++
2. Legion Insurance Company	1,063	6.2%	A
3.# MI Licnsd Beverage Assn Ltd LP	943	5.5%	NR1
4.s Columbia Casualty Company	716	4.2%	A
5. Nat'l Union Fire Ins Co of Ptsbg PA	671	3.9%	A++
6. Star Insurance Company	586	3.4%	A-
7.s Mt Vernon Fire Insurance Company	579	3.4%	A++
8. Citizens Insurance Company of Am	496	2.9%	A+
9. Reliance Insurance Company	312	1.8%	A-
10. Northwestern National Casualty Co	245	1.4%	B+
11. Commercial Union Insurance Co	229	1.3%	A
12. Federal Insurance Company	219	1.3%	A++
13.s Illinois EMASCO Insurance Co	184	1.1%	A
14. United States Fidelity & Guaranty Co	183	1.1%	A
15. National Surety Corporation	172	1.0%	A
16. Safeco Insurance Co of America	172	1.0%	A++
17. Calvert Insurance Company	157	0.9%	A
18. United States Fire Insurance Co	155	0.9%	A
19. Continental Casualty Company	137	0.8%	A
20. Bowling Proprietors of MI Ltd LP	135	0.8%	B+
<b>Totals: (last value is percent at A- or better)</b>	<b>14,366</b>	<b>84.1%</b>	<b>35.3%</b>

**Report Date: 1/1999**

<u>Company Name</u>	<u>Licensees</u>	<u>(%)</u>	<u>Best's Rating<sup>s</sup></u>
1. North Pointe Insurance Company	6506	38.2%	B++
2. Legion Insurance Company	1158	6.8%	A
3. # MI Licnsd Beverage Assn Ltd LP	901	5.3%	NR1
4. Nat'l Union Fire Ins Co of Ptsbg PA	825	4.8%	A++
5. s Mt Vernon Fire Insurance Company	689	4.0%	A++
6. s Columbia Casualty Company	631	3.7%	A
7. Citizens Insurance Company of Am	539	3.2%	A
8. Star Insurance Company	448	2.6%	A-
9. Reliance Insurance Company	335	2.0%	A-
10. Commercial Union Insurance Co	226	1.3%	A
11. s Illinois EMASCO Insurance Co	222	1.3%	A
12. Northwestern National Casualty Co	218	1.3%	B++
13. National Surety Corporation	178	1.0%	A
14. United States Fidelity & Guaranty Co	158	0.9%	A
15. United States Fire Insurance Co	156	0.9%	A-
16. Safeco Insurance Co of America	149	0.9%	A+
17. Continental Casualty Company	145	0.9%	A
18. Firemans Fund Insurance Company	143	0.8%	A
19. s Lexington Insurance Company	126	0.7%	A++
20. Argonaut Great Central Insurance Co	119	0.7%	A-
<b>Totals: (last value is percent at A- or better)</b>	<b>13,872</b>	<b>81.4%</b>	<b>36.7%</b>

Source of Data: Liquor Control Commission (footnotes in Appendix D).

**Exhibit C**

**Report on Licensees at January 2000 and January 2001**

**Report Date: 1/00**

	<u>Company Name</u>	<u>Licensees</u>	<u>(%)</u>	<u>Best's Rating<sup>s</sup></u>
1.	North Pointe Insurance Company	5,944	35.17%	B++
2.	Legion Insurance Company	1,130	6.69%	A
3.	# MI Licnsd Beverage Assn Ltd LP	857	5.07%	NR2
4.	United States Liability Insurance Co	828	4.90%	A++
5.	Nat'l Union Fire Ins Co of Ptsbg PA	817	4.83%	A++
6.	Citizens Insurance Company of Am	558	3.30%	A
7.	s Columbia Casualty Company	520	3.08%	A
8.	Star Insurance Company	437	2.59%	A-
9.	Reliance Insurance Company	323	1.91%	A-
10.	Commercial Union Insurance Co	263	1.56%	A+
11.	s Illinois EMASCO Insurance Co	257	1.52%	A
12.	Northwestern National Casualty Co	196	1.16%	B++
13.	Argonaut Great Central Ins Co	178	1.05%	A-
14.	National Surety Corporation	176	1.04%	A+
15.	Firemans Fund Insurance Company	159	0.94%	A+
16.	United States Fidelity & Grnty Co	158	0.93%	A
17.	Continental Casualty Company	136	0.80%	A
18.	American States Insurance Co.	133	0.79%	A+
19.	s Lexington Insurance Company	132	0.78%	A++
20.	Liberty Mutual Fire Insurance Co	124	0.73%	A+
<b>Totals:</b> (last value is percent at A- or better)		<b>13,326</b>	<b>78.8%</b>	<b>37.4%</b>

**Report Date: 1/01**

	<u>Company Name</u>	<u>Licensees</u>	<u>(%)</u>	<u>Best's Rating<sup>s</sup></u>
1.	North Pointe Insurance Company	5,560	33.2%	B
2.	United States Liability Insurance Company	1,261	7.5%	A++
3.	Legion Insurance Company	1,253	7.5%	A-
4.	Mich. Lic'd Assoc. Ltd. Liability Pool	784	4.7%	NR2
5.	Nat'l Union Fire Ins Co of Ptsbg PA	721	4.3%	A++
6.	Citizens Insurance Co of America	506	3.0%	A
7.	s Columbia Casualty Company	490	2.9%	A
8.	Star Insurance Company	401	2.4%	B++
9.	United States Fidly. and Guar. Company	358	2.1%	A+
10.	Commercial Union Insurance Company	237	1.4%	A+
11.	Employers Mutual Casualty Company	230	1.4%	A
12.	Argonaut Great Central Insurance Company	210	1.3%	A-
13.	Northwestern National Casualty Company	206	1.2%	B++
14.	National Surety Corporation	174	1.0%	A++
15.	Badger Mutual Insurance Company	171	1.0%	A-
16.	Liberty Mutual Fire Insurance Company	150	0.9%	A+
17.	American Country Insurance Company	130	0.8%	A-
18.	Continental Casualty Company	128	0.8%	A
19.	s American Mnftrs. Mutual Insurance Company	127	0.8%	A
20.	American Motorists Insurance Company	127	0.8%	A
<b>Totals:</b> (last value is percent at A- or better)		<b>13,224</b>	<b>79.0%</b>	<b>37.5%</b>

Source of Data: Liquor Control Commission (footnotes in Appendix D).

Exhibit C

**Report on Licensees at March 2002 and March 2003**

**Report Date: 3/02**

	<u>Company Name</u>	<u>Licensees</u>	<u>(%)</u>	<u>Best's Rating<sup>s</sup></u>
1.	North Pointe Insurance Company	5,661	34.0%	B
2.	United States Liab Ins Co	1,753	10.5%	A++
3.	Legion Insurance Company	1,324	8.0%	B
4.	Mich. Lic'd Bev. Assoc. Ltd. Liab Pool	756	4.5%	NR2
5.	Nat'l Union Fire Ins Co of Ptsbg PA	661	4.0%	A++
6.	s Columbia Casualty Company	454	2.7%	A
7.	Citizens Insurance Company of America	405	2.7%	A
8.	United States Fidelity and Guaranty Company	358	2.2%	A+
9.	Employers Mutual Casualty Company	326	2.0%	A-
10.	Lexington Insurance Company	225	1.4%	A++
11.	Badger Mutual Insurance Company	204	1.2%	A-
12.	Northern Assurance Company of America	187	1.1%	A
13.	Argonaut Great Central Insurance Company	185	1.1%	A-
14.	National Surety Corporation	174	1.0%	A
15.	Star Insurance Company	171	1.0%	B
16.	Liberty Mutual Fire Insurance Company	167	1.0%	A+
17.	American Motorists Insurance Company	155	0.9%	A
18.	Continental Casualty Company	121	0.7%	A
19.	s TIG Insurance Company	118	0.7%	B++
20.	Liberty Mutual Insurance Company	117	0.7%	A+
<b>Totals:</b> (last value is percent at A- or better)		<b>13,522</b>	<b>81.3%</b>	<b>75.0%</b>

**Report Date: 3/03**

	<u>Company Name</u>	<u>Licensees</u>	<u>(%)</u>	<u>Best's Rating<sup>s</sup></u>
1.	North Pointe Insurance Company	6,077	35.7	B+
2.	United States Liability Insurance Company	2,157	13.4	A++
3.	MLBA Mutual Insurance Company	829	4.8	B++
4.	National Union Fire Ins Co of Pittsburgh, PA	402	3.9	A++
5.	s Lloyd's Underwriters at London, Sponsoring Synd	598	3.6	NR
6.	s Columbia Casualty Company	627	3.1	A
7.	Employers Mutual Casualty Company	397	2.3	A-
8.	Citizens Insurance Company of America	212	1.9	B++
9.	United States Fidelity and Guaranty Company	312	1.6	A
10.	s Lexington Insurance Company	178	1.4	A++
11.	Legion Insurance Company	47	1.3	F
12.	Argonaut Great Central Insurance Company	244	1.2	A-
13.	Badger Mutual Insurance Company	227	1.1	A-
14.	QBE Insurance Corporation	189	1.1	A
15.	National Surety Corporation	171	1.1	A
16.	Liberty Mutual Fire Insurance Company	162	1.0	A
17.	American Motorists Insurance Company	140	0.9	D
18.	Indiana Insurance Company	188	0.9	A
19.	s Great Midwest Insurance Company	162	0.8	A
20.	Continental Casualty Company	38	0.7	A
<b>Totals:</b> (last value is percent at A- or better)		<b>13,551</b>	<b>81.8%</b>	<b>75.0%</b>

Source of Data: Liquor Control Commission (footnotes in Appendix D).

Exhibit C

Report on Licensees at March 2004 and March 2005

Report Date: 3/04

	<u>Company Name</u>	<u>Licensees</u>	<u>(%)</u>	<u>Best's Rating<sup>s</sup></u>
1.	North Pointe Insurance Company	5,896	36.1	B+
2.	United States Liability Insurance Company	1,985	12.1	A++
3.	MLBA Mutual Insurance Company	903	5.5	B++
4.	Columbia Casualty Company	561	3.4	A
5.	s Lloyd's Underwriters at London, Sponsoring Synd 1245	408	2.5	NR
6.	American Home Assurance Company	395	2.4	A+
7.	Lexington Insurance Company	370	2.3	A+
8.	Old Republic Insurance Company	300	1.8	A+
9.	Employers Mutual Casualty Company	297	1.8	A
10.	Argonaut Great Central Insurance Company	257	1.6	A-
11.	Badger Mutual Insurance Company	236	1.4	A-
12.	Lloyds Underwriters at London, Sponsoring Synd. 4444	231	1.4	A-
13.	Ace American Insurance Company	191	1.2	A
14.	Bowling Centers Insurance Corporation, Inc.	178	1.1	A
15.	Indiana Insurance Company	177	1.1	A
16.	Citizens Insurance Company of America	169	1.0	A
17.	Safeco Insurance Company of America	153	0.9	A
18.	QBE Insurance Corporation	152	0.9	A
19.	s Great Midwest Insurance Company	131	0.8	A
20.	Liberty Mutual Insurance Company	128	0.7	A
<b>Totals:</b> (last value is percent at A- or better)		<b>13,118</b>	<b>80.2%</b>	<b>85.0%</b>

Report Date: 12/05

	<u>Company Name</u>	<u>Licensees</u>	<u>(%)</u>	<u>Rating<sup>s</sup></u>
1.	North Pointe Insurance Company	5,656	34.7%	B++
2.	United States Liability Insurance Company	1,502	9.2%	A++
3.	MLBA Mutual Insurance Company	870	5.3%	B++
4.	s Lloyd's Underwriters at London, Sponsoring Synd 4444	648	4.0%	NR
5.	Argonaut Great Central Insurance Company	474	2.9%	A-
6.	Northland Casualty Company	453	2.8%	A
7.	American Home Assurance Company	414	2.5%	A+
8.	s Columbia Casualty Company	403	2.5%	A
9.	s Lexington Insurance Company	399	2.4%	A+
10.	Old Republic Insurance Company	264	1.6%	A+
11.	American Equable, Inc.	247	1.5%	NR
12.	Badger Mutual Insurance Company	238	1.5%	A-
13.	Ace American Insurance Company	216	1.3%	A+
14.	Employers Mutual Casualty Company	197	1.2%	A-
15.	Safeco Insurance Company of America	196	1.2%	A
16.	Indiana Insurance Company	195	1.2%	A
17.	Citizens Insurance Company of America	163	1.0%	A-
18.	Harleysville Lake States Insurance Company	149	0.9%	A-
19.	Westport Insurance Corporation	136	0.8%	A
20.	AMCA Insurance Company	128	0.8%	NR
<b>Totals:</b> (last value is percent at A- or better)		<b>12,948</b>	<b>79.3%</b>	<b>75.0%</b>

Source of Data: Liquor Control Commission (footnotes in Appendix D).

Exhibit C

Report on Licensees at December 2006

Report Date: 12/06

	<u>Company Name</u>	<u>Licensees</u>	<u>(%)</u>	<u>Rating<sup>s</sup></u>
1.	North Pointe Insurance Company	5,323		B++
2.	U.S. Liability Insurance Company	890		A++
3.	Argonaut Great Central Insurance Company	859	5.3%	B++
4.	MLBA Mutual Insurance Company	816	4.0%	NR
5.	Ace American Insurance Company	634	2.9%	A-
6.	Northland Casualty Company	668	2.8%	A
7.	s Lloyd's Underwriters London, Sponsoring Syndcte 4444	598	2.5%	A+
8.	American Home Assurance Company	408	2.5%	A
9.	Amco Insurance Company	285	2.4%	A+
10.	S Lexington Insurance Company	274	1.6%	A+
11.	American Equable, Inc.	242	1.5%	NR
12.	Badger Mutual Insurance Company	237	1.5%	A-
13.	Old Republic Insurance Company	224	1.3%	A+
14.	Indiana Insurance Company	210	1.2%	A-
15.	American States Insurance Company	206	1.2%	A
16.	Liberty Mutual Insurance Company	204	1.2%	A
17.	Harleysville Lake States Insurance Company	172	1.0%	A-
18.	Citizens Insurance Company of America	165	0.9%	A-
19.	Employers Mutual Casualty Company	169	0.8%	A
20.	State National Insurance Company Inc.	159	0.8%	NR
	<b>Totals: (last value is percent at A- or better)</b>	<b>12,743</b>	<b>79.3%</b>	<b>75.0%</b>

Source of Data: Liquor Control Commission (footnotes in Appendix D).

Liquor licensees have numerous insurers to choose from. Based on liquor liability premium, the number of insurers during the 1980s shown in Exhibit B fell from 47 in 1981 to the low of 22 in 1985, but has since risen to a high of 89 in 2001 and declined to 70 in 2004 and 76 in 2005. In 2006, the number of insurers fell to 68. Again, the number of insurers does not include those licensees buying a liquor liability endorsement on their commercial-package policies.

Based on available data for licensees, Appendix D presents a much-improved picture with 92 insurers in 1988, rising to 244 in 2002, 213 of which are admitted insurers. In 2005, the number of admitted insurers rose to 243. As previously mentioned, Appendix D includes purchasing groups and insurers selling liquor liability endorsements to their commercial multi-peril and commercial general liability policies. Appendix D also shows the willingness of admitted insurers to expand their market shares.

Exhibit D

Top 20 Michigan Liquor License Insurance Providers Since 1988

	Company Name	Date of Report:													
		1/90	1/95	1/96	1/97	1/98	1/99	1/00	1/01	12/02	3/03	3/04	12/05		12/06
1.	North Pointe Ins Company	3,637	6,531	6,520	6,639	7,012	6,506	5,944	5,560	5,921	6,110	5,896	5,656	5,323	-
2.	United States Liab Ins Co						828	1,261	2,217	2,116	1,985	1,502	890		--
3.	Legion Insurance Company		106	953	1,063	1,158	1,130	1,253	223	0	0	0	0	0	
4.	# Mich. Lic'd Assoc L.L. Pool	2,806	1,194	1,074	985	943	901	857	784	0	0	0	0	0	
5.	Nat Union Fire Ins Co of Ptsbg PA	438	423	668	692	671	825	817	721	638	111	95	108	0	
6.	Citizens Ins Co of America	353	458	424	406	496	539	558	506	309	196	169	163	165	
7.	s Columbia Casualty Company	770	879	791	737	716	631	520	490	520	632	561	403	6	--
8.	Star Insurance Company		8	370	496	586	448	437	401	1	0	0	0	0	
9.	United States Fid and Guar Co	125	69	70	75	183	158	158	358	263	311	100	97		
10.	Commercial Union Ins Co	0	146	193	221	229	226	263	237	0	0	0	0	0	
11.	Employers Mutual Casualty Co								230	374	382	197	169		--
12.	Argonaut Great Central Ins Co	78	20	31	31	62	119	178	210	203	241	474	859		++
13.	Northwestern Nat Casualty Co	117	307	317	271	245	218	196	206	11	5	0	0	0	
14.	National Surety Corporation		167	168	171	172	178	176	174	174	170	5	7		
15.	Badger Mut Insurance Company						6	77	171	187	224	238	237		
16.	Liberty Mut Fire Ins Co				10	28	91	124	150	165	159	125	21		
17.	American Country Ins Co						4	59	130	1	0	0	0		
18.	Continental Casualty Co	71	83	87	99	137	145	136	128	124	34	17	15		
19.	American Mnfctrs Mut Ins Co	7	4	24	24	2	2	117	127	30	4	0	0		
20.	American Motorists Ins Co	134	183	182	179	113	114	121	127	155	138	0	0		

Source of Data: Liquor Control Commission Report on Licensees. Codes: # signifies a limited liability pool; s signifies an eligible surplus lines insurer; + or - signifies an increase or decrease of 20 to 99 licensees; ++ or -- signifies an increase or decrease of 100 or more licensees.

### **Other Factors Affecting Availability**

The liquor liability insurance market during the 1980s was extremely volatile due to the amendments to 1933 PA 8 including changes in liability and litigation, and the adverse impact of the harsh underwriting cycle. The impact of these changes is reflected in the huge increases in market-wide loss ratios presented in Exhibit B. High loss ratios in 1984 indicated rates were inadequate, causing many admitted insurers to leave the market. This, in turn, created a significant availability problem.

Leaving the Michigan liquor liability insurance market around 1984 was a rational response by insurers at that time. Insurers, like most business owners, are "risk adverse." Insurers minimize risks by relying on claims experience and the law of large numbers to achieve greater statistical certainty of outcomes of their underwriting efforts. Significant changes in the legal principles of determining and assigning liability and volatility of jury awards and judgments mean that past experience may not reliably predict losses. When past experience fails to predict reliably, insurers may refuse to underwrite the line of insurance.

Liquor liabilities were perceived to be more variable and carry greater risk, leading to higher premiums. The effect on the market of the changes in the expected cost of liabilities and the swings in expected investment returns and expected inflation was magnified. During the profitable expansion phase of the cycle, many traditional insurers seemed willing to underwrite this business. As the cycle turned to be less profitable, such risks encounter problems obtaining coverage. Many were uninsured, or insured by surplus lines insurers including ineligible unauthorized insurers.

In 1984, the market-wide loss ratio hit 326%, meaning losses exceeded three times the premiums earned. That year marked the beginning of the hard market and the steep rise in premium rates. After 1984, market-wide loss ratios declined, falling to as low as 37% in 1990. Loss ratios fell for a couple of years despite declining rates beginning around 1988. Loss ratios began to recover eventually peaking at 97% in 1993. Loss ratios have been volatile in recent years. The loss ratio for one major carrier in 1993 might have been too high, causing it to correct on the low side in 1995 and 1996. The industry loss ratios have remained low at 14.0%, 57.2%, 58.7%, 58.7%, 43.2%, 19.5%, and -135.8% in 1998, 1999, 2000, 2001, 2004, 2005, and 2006 respectively. Further discussion of this appears in the Reasonableness of Rates Section.

Profitable insurance lines generally have low loss ratios and would serve to encourage market entry. Increased competition has led to relaxed underwriting rules, reduced premium rates, and greater availability, especially from admitted insurers. Greater competition has caused premiums to trend lower (see next section) and more insurers have provided coverage. However, given the volatility of industry loss ratios, it is uncertain whether rates have fallen to competitive levels where loss ratios might range from 60-80%.

Prior to enactment of the proof of financial responsibility requirement, it was expected that bars and taverns would have difficulty obtaining coverage. North Pointe Insurance Company and the Michigan Licensed Beverage Association Limited Liability Pool targeted this segment of the market and eased the concern about availability. Several insurers originally excluded bars and taverns from their underwriting plans, but later became interested in writing such coverages.

Private clubs also were considered to be a high-risk classification. Some national organizations, such as the Elks, could obtain group coverage through their national charter. Others were able to get liquor liability endorsed onto their general liability policies. With over 100 liquor liability insurers writing coverage for licensees (as shown in Exhibit D), and several companies targeting the higher-risk classes, liquor retailers continue to have many insurer options.

Exhibit B displays surplus lines liquor liability insurance premiums as a percentage of written premiums for 1982, 1984 through 2000, and 2004 through 2006. The percentage of surplus lines is developed from OFIS' surplus lines tax reports which show all surplus lines volume reported for tax purposes. The percentage of the market covered by surplus lines insurers is a measure of the availability of liquor liability insurance over the period since 1982.

Historically, surplus lines insurers had an advantage over admitted insurers in the liquor liability line. Surplus lines insurers have not had to obtain approval for their insurance forms from state insurance regulators. The Liquor Control Commission requires that any policy purchased to satisfy the proof of financial responsibility requirements must meet the specific requirements in Section 22f of the Liquor Control Act of 1936, MCL 436.22f, regardless of whether it is a surplus lines policy. The lifting of the policy forms filing requirement by the Commissioner and changes in taxation rates affecting admitted insurers have reduced this advantage. Even though surplus lines insurers are able to quickly change policy language, alter rates, and enter and exit the insurance market, they have lost significant market share to admitted insurers.

Given the relative ease of entry into and exit from markets and specific lines of insurance, surplus lines insurers can be viewed as a safety valve. This is particularly true for companies having abnormal risks and difficulty finding an admitted insurer or because admitted insurers have stopped underwriting certain lines of insurance during the hard phase of the underwriting cycle. Surplus lines insurers are a free market response for handling risks that otherwise might require formation of a residual market -- a common regulatory response to such difficulties.

With this in mind, the percentages of the market covered by surplus lines insurers might be used as a measure of insurance availability. Surplus lines liquor liability insurance premiums grew from 29% of the total market in 1982 and peaked at 98% in 1986. This growth probably reflected problems in the liquor liability line and the hardening of insurance markets during the mid eighties. Since 1986, surplus lines as a percentage of the total market fell dramatically to 3.0% in 2000 before rising to 13.6% in 2001, declining to 9.3% in 2004, and rising to 11.8% in 2005. The decline in surplus lines premium from 1986 to 1999 reflects the perceived impact of tort reforms and the general softening of insurance markets.

Exhibit D indicates that a few surplus lines insurers have been able to reverse the decline in the number of its insureds. United National Insurance Company and Scottsdale Insurance Company increased its insureds from the level in 2000 while Mt. Hawley Insurance Company remained at 2000 level. Near the end of 2005, insurance availability remained good with surplus lines market share, as measured by numbers of licensees, standing at 6.2%. In 2006, the surplus lines market share climbed to 16.2%.

### **Insurer Quality**

The newness, small size, and the turnover of insurers writing liquor liability insurance causes concern over the claims-paying capacity of many insurers in this line. The oldest and most widely quoted insurance rating firm is A. M. Best Company of Oldwick, New Jersey. Best provides ratings based on insurers' annual financial reports and survey information for several years of operations. Best annually rates over 2,300 property and casualty insurers. The meanings of Best's ratings are presented in Appendix D. Best attaches no warranty or guaranty to its ratings.

As Exhibits A, B, and C show, the percentage of the liquor liability insurance market written by A-rated insurers fluctuates yearly. In recent years, licensees have gravitated to three newly established (two are non-rated) insurers domiciled in Michigan. Exhibit B indicates a decline in the percentage of premium written by liquor liability insurers in the top 20 which are A-rated from 98.5% in 1986 to a low of 25.5% in 1991. Since

1995, the percentage, with two exceptions, trended higher, reaching 66.2% in 2000. Otherwise, the percentage fell to 24.1% in 1999, rose to 32.1% in 2004, and to 43.3% in 2005.

The current 54.5% of liquor liability insurance premiums written by A-rated insurers compares unfavorably with the total property and casualty insurance market in Michigan where, typically, 90% of the premiums are written by A-rated insurers. This shift from A-rated insurers has occurred since the enactment of the proof of financial responsibility requirement on liquor licensees.

The main reason for this is that many licensees seek to maintain their licenses with the least-cost coverage. Many formerly uninsured licensees with few, if any, assets at risk were completing only the paperwork necessary to maintain their licenses. Other licensees adversely affected by the underwriting cycle and high premium rates were looking for the lowest cost coverage. These circumstances led many licensees to focus strictly on fulfilling the statutory requirements of licensure even, in some cases, at the expense of achieving financial security.

The incidence of insolvency tends to be higher among low-rated and non-rated insurers. Low and non-rated insurers typically have issues such as insufficient operating experience, small capacity, rapid growth, high leverage, unfavorable liquidity, reserve deficiencies, excessive operating losses, and/or no affiliation with established and rated insurers. For these reasons, the Liquor Control Commission has worked cooperatively with OFIS in monitoring new market entrants.

## Section III

### REASONABLENESS OF RATES

When the major insurers were first surveyed for the 1988 liquor liability report, the market was beginning to soften after a particularly hard phase of the underwriting cycle. Compounding the unsettled condition of the market at that time were the uncertainties of the effects of the mandatory proof of financial responsibility requirements and limitations on liability discussed in the introduction to this report. When liquor liability insurance companies were first surveyed in 1987, their rates were quite diverse.

#### Loss Ratios and Insurer Profitability

Differing assumptions among insurers as to how 1986 PA 176 would affect company loss experience appears to be responsible for variations in rates. After enactment of 1986 PA 176, loss ratios were lower than expected. Some companies expected 1987 loss ratios to be in the 60% to 80% range. Loss ratios averaged 40% or less in 1987 and each subsequent year until 1992 when the ratio reached 57%. For this reason, many companies reassessed the effect the statutory amendments had on future losses. In an effort to obtain premiums that track closely to loss data, insurers have been adjusting rates downward between 1987 and 2006, as shown in Exhibit E.

Loss ratios are the ratio of estimated losses in a given year, divided by premiums earned in the same year. Losses incurred for a given year include losses from claims made and paid that year, losses expected in future years based on claims reported and unreported that year and changes in anticipated future payments on unpaid claims from prior years.

To some extent loss ratios can indicate insurer profitability because insurer profits largely are defined as the difference between revenues or premiums earned, and costs or losses incurred. Although investment income revenues and underwriting and other overhead costs are not included, loss ratios can reflect profit levels if reviewed over a period of time.

It would appear that this line has become very profitable for insurers in recent years, as market-wide loss ratios have fallen considerably since 1984. These ratios fell even further from the 40% ratio in 1987 and to 37% in 1990. From 1990 to 1993, the industry-wide ratio climbed to an apparently unprofitable level. However, the volatility of one major carrier's loss ratios has greatly affected the industry averages.

The volatility of losses incurred in this market is epitomized by Columbia Casualty Company (as shown in Appendix A), which, in 1993, 1994, and 1995, had loss ratios of 696%, -71% and -1,121%, respectively. The loss figures of this company, one that is highly rated by Best's, disproportionately affected the industry loss ratios (Exhibit B), which were 97%, 28%, and -54%, respectively. Presumably, the company misjudged incurred losses in 1993 that were corrected over the next couple of years. Were the company's incurred losses spread evenly for the last three years, their loss ratios would have been -82%, -90%, and -104% and the revised industry loss ratios would have been 21%, 26%, and 18%. The reasons for these fluctuations are unclear. The industry loss ratios in 1996, 1997, and 1998 continued low at 18%, 46%, and 14%, respectively. In 1999, 2000, and 2001, industry loss ratios were 57.2%, 58.7%, 58.7%, respectively, indicating only a slight reduction in profitability. In general, such low-to-moderate loss ratios over an extended period indicate a profitable insurance line.

One might argue that such low market-wide loss ratios indicate excessively high premium rates. However, the loss ratios could be low because actual settlement costs for claims since 1987 have been lower than expected.

Or, insurers may not have correctly anticipated the reduced liabilities that resulted from 1986 PA 176. Ratios could also be low because of inadequate reserving. Inadequate reserving could occur if insurers do not adequately anticipate future losses and thereby, under-report incurred losses. Should future losses from prior years exceed expectations, current year incurred losses could grow considerably due to the addition of prior policy year loss changes. The possibility of under-reported loss expectations makes reliance on loss ratios for analysis or regulatory policy decisions risky. The historically volatile loss ratios evident in this line of insurance illustrate this risk.

Some insurance industry officials, believing that premium rates had been unsustainably low, thought that loss ratios would grow rapidly after 1989. However, the industry loss ratio was high only in 1993 possibly due to one insurer's miscalculation of losses incurred. Thus, there appears to be no reason for OFIS to be concerned over the adequacy of rates relative to losses. OFIS still must monitor insurers who are greatly expanding their sales of liquor liability insurance to ensure the adequacy of reserves and surplus to meet future obligations.

### **Rate Levels**

Apart from whether liquor liability insurance should be a required coverage, high cost was the biggest complaint at the time 1986 PA 176 was enacted. One statutory requirement is that this report must consider an overall premium rate level which is not excessive, inadequate, or unfairly discriminatory, rating terms which are defined in MCL 500.2403(1)(d).

In response to the statutory amendments of 1986 PA 176, insurers appear to be competing for business by reducing rates and expanding availability to all types of licensees. OFIS has observed that base rates have been trending downward since 1988. Exhibit E presents survey data of market average base and minimum premium rates for some of the top insurers. The survey results indicate significant reductions in both average minimum premiums and average premium rates since 1987.

### **Minimum Premiums**

When the proof of financial responsibility requirement took effect, the former Insurance Bureau received a number of complaints from small licensees claiming they could not afford liquor liability insurance. This was due, in part, to the high minimum premiums established by companies as part of their underwriting plan. A minimum premium is the lowest premium for which a company will issue a policy, despite the amount that is actually generated when rates are applied to liquor receipts. If, for example, an insurance company established for take-out liquor stores a \$.80 rate per \$100 of liquor sold, and a minimum premium of \$500, a store would have to sell \$62,500 of liquor annually to generate the minimum premium. As a store's liquor receipts decline, the effective rate it pays for insurance increases. The effective rate for a store selling only \$10,000 of liquor annually and paying a \$500 premium is \$5.00 per \$100 of liquor sold.

Among the companies surveyed in 1987, average minimum premiums were \$700 for the lowest-risk class and as high as \$3,000 for bars, taverns, and clubs. In 1988, the Commissioner believed that these high minimum premiums imposed an effective rate that was unfairly discriminatory to small businesses and requested insurers to reduce their rates. Most insurers complied with this request by reducing minimum premiums. The Commissioner took administrative action against insurers that did not reduce their rates. Subsequent negotiations with the remaining insurers resulted in a resolution of this issue. The survey indicates that currently the lowest minimum premiums for bars and taverns averaged between \$1,015 and \$1,175 for admitted insurers. Exhibit E indicates that current average minimum premium in 2006 was 38% lower than in 1987.

## **Market Conduct**

A popular company rating strategy is to revise the class structure. Where risk classifications for rating purposes were previously based on six to seven classes of retail liquor licenses, commonly, insurers now further segment these classes based on various characteristics of the individual businesses. Many companies, for example, now divide the restaurant and bar/tavern classifications into subgroups according to the ratio of food to liquor served, or the type and amount of entertainment offered. This practice enables an insurer to attract with lower rates "low risk" business within a licensee class while maintaining an acceptable loss ratio by having higher rates for the higher-risk licensees.

The diversity of rate classifications complicates comparisons of specific rates by insurers. While one insurer may offer a single rate for bars and taverns, it is not unusual for another to offer as many as eight classes based on the amount and type of entertainment. Insurers typically have different classes within license types which vary by percentage of revenues from liquor sales. Territorial rates exist within classes, with rural rates generally slightly lower than rates in southeast Michigan.

**Exhibit E**

**Rate Survey of Selected Liquor Liability Insurers**  
**1987 and 2006 Comparison**

Average Minimum Premiums  
(Assumes the purchase of the minimum limits \$50,000 policy)

Risk Classifications: Assumption on Sales	<u>Average</u> <u>Minimum Premiums</u>		<u>% Chg</u>
	<u>1987</u>	<u>2006</u>	
<b><u>Restaurants &amp; Hotels:</u></b>			
Liquor 49% of Sales	2,023	1,159	-42.7
Liquor 19% of Sales	1,494	1,411	-5.6
<b><u>Clubs, Where:</u></b>			
Liquor 51% of Sales	2,573	1,545	-40.0
Liquor 29% of Sales	2,045	1,400	-31.5
<b><u>Bars &amp; Taverns:</u></b>			
Liquor 81% of Sales	2,906	1,402	-51.8
Liquor 79% of Sales	2,906	1,403	-51.7
<b><u>Merchants:</u></b>			
Package Stores	826	465	-43.7

Source of Data: Office of Financial and Insurance Services survey of certain insurers.

MCL 500.2405 requires each admitted insurer that delivers or issues for delivery liquor liability insurance policies in this state to develop and maintain a server training premium discount plan based upon the completion of a certified server training course that complies with the Act. While schedule rating criteria vary considerably by company, the total impact on an insured's rate may not exceed a 25% increase or decrease. Schedule rating criteria include employer selection, training and supervision of employees, the existence of entertainment (bands, dance floors, devices, etc.), following risk management techniques (such as designated drivers or cab programs), management experience, percentage of young patrons and conditions of premises and equipment.

Surplus lines insurers typically do not use schedule rating or allow server-training discounts because of the difficulties in monitoring compliance by insureds. In order to compete, most surplus lines insurers have simply reduced rates for all licensee classifications. While some surplus lines insurers have left the market due to the increasing competition from admitted insurers, several continue to have competitive rates and are keeping their clientele.

### **Regulation of Rates**

In the 1988, 1989 and 1990 reports, a rate of \$3 per \$100 of liquor sold was cautiously declared to be an appropriate rate for all classes of liquor retailers combined. It was determined at the time that the \$3 per \$100 rate continued to meet the standards of MCL 500.2403(1)(d). As already noted, the effect of 1986 PA 176 on rates was significant. Competition among insurers has significantly lowered rate levels since 1987. Some insurers are offering base rates of less than \$3 per 100 for the highest risk bar and tavern classifications. From the loss ratio data in Appendix A, a \$3 rate might be too high for many classes and too low for others. No single rate level will accommodate all classes. Depending on the type of establishment to be insured, higher or lower rates may also be appropriate since licensee classifications pose varying degrees of risk to insurers. Loss ratio data since 1987 indicates that insurers are making significant profits in this line of insurance. As insurers compete for this profitable business, base rates for insurance premiums as well as minimum premium levels continue to trend lower.

## Section IV

### CONCLUSIONS

The Commissioner finds that:

1. Based on 2006 licensee data, admitted insurers control 92.5% of the liquor liability insurance market. The market share of premiums for surplus lines companies remained below 10% in 1997, 1998, 1999, and 2000 but rebounded to 13.6% in 2001. In 2004, the market share of premiums for surplus lines insurers dropped to 9.3% and rebounded to 11.8% in 2005, and increased again to 16.2% in 2006. These figures remain comparatively low compared to other commercial lines.
2. Two admitted insurers had 945 fewer insureds in 2006 than in 2005 while one admitted insurer increased its insureds by 385 in 2006 over 2005. They were North Pointe Insurance Company (decreased by 333 insureds) and United States Liability Insurance Company (decreased by 612 insureds). Argonaut Great Central Insurance Company However, new companies less than A-rated or non-rated by Best gained market share.
3. In 2006, the top 20 commercial liability insurers provided policies to 78.8% of licensees in Michigan, and the top insurer provided policies for 35.0% of licensees in Michigan according to Liquor Control Commission data. Seven of the top eight companies do not restrict policies to any class or classes of licensees. Based on most recently available data, there were 255 companies providing liquor liability coverage either in the form of a liquor liability policy or coverage endorsed onto a general liability policy.
4. Competition has resulted in average reductions of 58.8% in minimum premiums and 36.2% in premium rates since 1987. Insurers are using several rate-reducing strategies to remain competitive. Rates are being reduced also because the 1987 to 2006 loss experience was less than originally anticipated. The impact of 1986 PA 176 on loss experience in Michigan since 1987 has been significantly better than insurers expected. Low loss ratios over the last six years indicate that this line has been very profitable. Additional competition could drive premium rates even lower.
5. Since 1987, most licensed companies have lowered both minimum premiums and premium rates. This will enable most businesses to obtain policies in 2007 at premium rates significantly lower than were offered in 1987.
6. For all liquor licensee classes combined, \$3 per \$100 of liquor sold continues to meet the statutory standards, i.e., not excessive, inadequate, or unfairly discriminatory. However, due to favorable loss experience since enactment of 1986 PA 176 and significant differences in classifying risks, the \$3 benchmark rate may be too high for some risks and too low for others.
7. Liquor liability insurance is reasonably available in Michigan at a reasonable premium.

**Section V**

**CERTIFICATION**

Based on the analysis and findings contained in this report, I certify that liquor liability insurance is reasonably available in Michigan at a reasonable premium.



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Ken Ross  
Acting Commissioner  
Office of Financial and Insurance Services



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Date

**Appendix A**

**History of Premiums, Market Shares, Loss Ratios and Best's Ratings of the Liquor Liability Insurance Market 1980 - 1995**

Year	Rank	Carrier Name	Written Premiums (\$1,000s)	Market Shares (%)	Loss Ratio (%)	Best's Rating <sup>s</sup>	
1980	1.	Stonewall Insurance Co	4,047	38.08	179.59	B+	
	2.	Capitol Indemnity Corp	2,308	21.72	31.53	C	
	3.	INA Underwriters Ins Co	1,962	18.46	44.38	NR-	
	4.	Progressive Cas Ins Co	1,488	14.00	92.88	A+	
	5.	@American Universal Ins Co	217	2.04	773.88	A+	
	6.	@American Druggists Ins Co	140	1.32	5.64	A+	
	7.	Northwestern Natl Cas Co	104	0.98	32.96	A	
	8.	Western Casly & Surety Co	104	0.98	143.02	A+	
	9.	Michigan Mutual Ins Co	90	0.85	300.65	A	
	10.	U. S. Fidelity & Grnty Co	58	0.55	29.72	A+	
	11.	Jefferson Ins Co of NY	37	0.35	0.00	A	
	12.	Continental Casualty Co	21	0.20	-37.21	A	
	13.	Argonaut Midwest Ins Co	9	0.08	117.57	B	
	14.	Employers Ins of Wausau	8	0.08	0.00	A	
	15.	Argonaut Insurance Co	6	0.06	16.66	B	
	16.	New Hampshire Insurance Co	5	0.05	13.80	A+	
	17.	American Home Insurance Co	5	0.05	316.02	A+	
	18.	National Indemnity Co	5	0.05	21.62	A+	
	19.	Hartford Accdnt & Indem Co	3	0.03	0.00	A	
	20.	Great Central Insurance Co	3	0.03	0.00	B+	
1981	1.	Stonewall Insurance Co	3,593	33.06	169.49	B+	
	2.	Insurance Co of North Am	2,333	21.47	128.53	A	
	3.	Progressive Casly Ins Co	1,351	12.43	142.09	A+	
	4.	@Union Indem Ins Co of NY	1,267	11.66	48.54	NR-	
	5.	Capitol Indemnity Corp	717	6.60	155.54	C	
	6.	INA Underwriters Ins Co	543	5.00	68.99	A	
	7.	Pacific Employers Ins Co	320	2.94	117.28	A	
	8.	U. S. Liability Ins Co	228	2.10	77.36	A+	
	9.	Northwestern Natl Cas Co	194	1.79	19.74	A+	
	10.	Western Casly & Surety Co	128	1.18	148.35	A+	
	11.	American Empire Ins Co	89	0.82	50.30	NR-	
	12.	U. S. Fidelity & Grnty Co	27	0.25	-42.23	A+	
	13.	Natl Union Fire Ins Co	13	0.12	0.00	A+	
	14.	Jefferson Ins Co of NY	11	0.10	452.11	A	
	15.	Hartford Accdnt & Indem Co	11	0.10	0.00	A+	
	1982	1.	@Transit Casualty Co	1,236	23.56	211.20	A+
		2.	Progressive Cas Ins Co	1,001	19.08	69.94	A+
		3.	Stonewall Insurance Co	966	18.41	303.29	B+
		4.	Insurance Co of North Am	717	13.67	1503.92	A
		5.	Capitol Indemnity Corp	346	6.60	203.05	B
6.		Northwestern Natl Cas Co	176	3.35	82.27	A+	
7.		U. S. Liability Ins Co	161	3.07	3.26	A+	
8.		Calvert Insurance Co	142	2.71	37.27	NR-	
9.		Pacific Employers Ins Co	135	2.57	568.46	A	
10.		Western Casly & Surety Co	100	1.91	51.09	A+	
11.		American Empire Ins Co	87	1.66	19.67	NR-	
12.		Home Insurance Co	48	0.91	45.96	A	
13.		INA Underwriters Ins Co	42	0.80	-297.31	A	
14.		U. S. Fidelity & Grnty Co	35	0.67	49.74	A+	
15.		Hartford Accdnt & Indem Co	25	0.48	126.53	A+	
16.		Jefferson Ins Co of NY	9	0.17	-119.61	A	
17.		Continental Casualty Co	9	0.17	2.14	A	
18.		Employers Ins of Wausau	7	0.13	0.00	A	
19.		Argonaut Midwest Ins Co	4	0.08	187.12	B	
20.		Argonaut Insurance Co	3	0.06	210.12	B	

**Appendix A**  
**History of Premiums, Market Shares, Loss Ratios and**  
**Best's Ratings of the Liquor Liability Insurance Market 1980 – 1995**

Year	Rank	Carrier Name	Written Premiums (\$1,000s)	Market Shares (%)	Loss Ratio (%)	Best's Rating <sup>s</sup>	YearRank	Carrier Name	Written Premiums (\$1,000s)	Market Shares (%)	Loss Ratio (%)	Best's Rating <sup>s</sup>
<b>1983</b>	1.	CIGNA Insurance Co	1,097	42.57	97.74	NR-	19.	Occidental Fire & Cas Co	1	0.02	0.00	C+
	2.	Progressive Casly Ins Co	552	21.42	114.43	A+	20.	Wausau Underwrtrs Ins Co	1	0.02	0.00	B+
	3.	Capitol Indemnity Corp	514	19.95	1.93	C	1.	@Texas Fire & Casualty Co	9,842	36.68	54.07	NR-
	4.	@Transit Casualty Co	120	4.66	202.75	A	2.	s Mount Vernon Fire Ins Co	7,938	29.59	80.00	A+
	5.	Calvert Insurance Co	82	3.18	180.48	NR-	3.	s Columbia Casualty Co	6,938	25.86	2.44	A+
	6.	Insurance Co of North Am	80	3.10	3366.04	A	4.	s Western World Ins Co	618	2.30	31.41	A+
	7.	Northwestern Natl Cas Co	53	2.06	-83.12	A+	5.	CIGNA Insurance Co	578	2.15	845.62	A
	8.	Transamerica Ins Co of MI	29	1.13	-69.67	A+	6.	Capitol Indemnity Corp	355	1.32	13.86	C+
	9.	Aetna Life & Casualty Co	27	1.05	650.82	A	7.	Northwestern Natl Cas Co	321	1.20	55.82	NR-
	10.	U. S. Fidelity & Grnty Co	22	0.85	-19.33	A+	8.	Liberty Mutual Ins Co	80	0.30	0.00	A+
	11.	Continental Casualty Co	14	0.54	118.29	A	9.	Angelina Casualty Co	43	0.16	2.81	A+
	12.	Hartford Accdnt & Indem Co	11	0.43	-146.10	A+	10.	American Automobile Ins Co	30	0.11	0.00	A
	13.	City Insurance Company	10	0.39	339.53	A	11.	Transamerica Ins Co of MI	28	0.10	11.54	A+
	14.	Jefferson Ins Co of NY	6	0.23	0.10	A	12.	National Surety Corp	16	0.06	0.00	A
	15.	U. S. Liability Ins Co	3	0.12	5.83	A+	13.	Insurance Co of North Am	15	0.06	2185.11	A
	16.	Wausau Underwrtrs Ins Co	3	0.12	0.00	A	14.	Continental Casualty Co	13	0.05	-150.19	A+
	17.	American Insurance Co	2	0.08	0.00	A+	15.	Gibraltar Casualty Co	11	0.04	395.71	NR-
	18.	Employers Ins of Wausau	2	0.08	0.00	A	16.	Northwestern Natl Ins Co	2	0.01	60.40	NR-
	19.	Westfield Insurance Co	2	0.08	0.00	A+	17.	Westfield Insurance Co	2	0.01	0.00	A+
	20.	Zurich Reins Co of NY	1	0.04	0.00	NR-	18.	Employers Ins of Wausau	2	0.01	0.00	NR-
<b>1984</b>	1.	CIGNA Insurance Co	2,142	42.87	139.07	A	19.	Wausau Underwrtrs Ins Co	1	0.00	0.00	NR-
	2.	Progressive Casly Ins Co	901	18.03	145.53	A+	20.	Sentry Ins of MI Inc	1	0.00	0.00	C+
	3.	Capitol Indemnity Corp	562	11.25	6.13	C+						
	4.	@Union Indem Ins Co of NY	462	9.25	137.48	NR-						
	5.	Insurance Co of North Am	409	8.19	591.90	A						
	6.	Northwestern Natl Cas Co	218	4.36	71.37	B+						
	7.	Western Cas & Surety Co	95	1.90	200.94	A+						
	8.	Transamerica Ins Co of MI	65	1.30	407.31	A+						
	9.	Aetna Life & Casualty Co	37	0.74	78.23	A						
	10.	Calvert Insurance Co	29	0.58	1533.12	NR-						
	11.	U. S. Fidelity & Grnty Co	15	0.30	-96.65	A+						
	12.	Argonaut Insurance Co	15	0.30	120.06	A						
	13.	Travelers Insurance Co	12	0.24	0.00	A						
	14.	City Insurance Company	8	0.16	313.01	A						
	15.	Continental Casualty Co	8	0.16	2.25	A+						
	16.	Jefferson Ins Co of NY	7	0.14	0.00	B+						
	17.	Argonaut Midwest Ins Co	4	0.08	1153.62	A						
	18.	Employers Ins of Wausau	3	0.06	0.00	B+						

**Appendix A**  
**History of Premiums, Market Shares, Loss Ratios and**  
**Best's Ratings of the Liquor Liability Insurance Market 1980 – 1995**

YearRank	Carrier Name	Written		Market		Loss		Best's Rating <sup>s</sup>	YearRank	Carrier Name	Written		Market		Loss		Best's Rating <sup>s</sup>
		Premiums (\$1,000s)	Shares (%)	Shares (%)	Ratio (%)	Premiums (\$1,000s)	Shares (%)				Ratio (%)	Premiums (\$1,000s)	Shares (%)	Ratio (%)			
<b>1986</b>	1. Mount Vernon Fire Ins Co	14,925	57.31	65.00	A+	11.	Citizens Insurance Co	104	0.45	0.00	A+						
	2. Columbia Casualty Co	10,208	39.20	16.94	A+	12.	s Lexington Insurance Co	43	0.18	0.00	A+						
	3. Am Empire Surplus Lns Ins	433	1.66	69.69	A	13.	First Security Casly Co	40	0.17	65.00	--						
	4. Northwestern Natl Cas Co	278	1.07	7.93	NA5	14.	U. S. Fidelity & Grnty Co	33	0.14	-105.13	A						
	5. United Capitol Ins Co	103	0.40	76.28	--	15.	Transcontinental Ins Co	25	0.11	13.51	A+						
	6. American Automobile Ins Co	51	0.20	0.00	A	16.	National Surety Co	17	0.07	0.00	A						
	7. Continental Casualty Co	44	0.17	0.00	A+	17.	Calvert Insurance Co	14	0.06	82.98	B						
	8. U. S. Fidelity & Grnty Co	29	0.11	360.63	A+	18.	Wausau Underwrtrs Ins Co	5	0.02	0.00	A+						
	9. Western World Ins Co	22	0.08	98.99	A+	19.	Firemans Fund Ins Co	4	0.02	0.00	A						
	10. Transcontinental Ins Co	12	0.05	24.76	A+	20.	Great American Ins Co	2	0.01	0.00	A+						
	11. Capitol Indemnity Corp	6	0.02	185.46	B												
	12. Wausau Underwrtrs Ins Co	5	0.02	0.00	A+												
	13. St Paul Fire & Mar Ins Co	1	0.00	0.00	A+												
	14. Scottsdale Insurance Co	1	0.00	50.83	A+												
	15. Sentry Ins of MI Inc	0	0.00	0.00	C+												
	16. Bituminous Casualty Co	0	0.00	0.00	B+												
	17. Continental Insurance Co	0	0.00	0.00	A												
	18. Michigan Mutual Ins Co	0	0.00	0.00	A												
	19. Hartford Accdnt & Indem Co	0	0.00	0.00	A+												
	20. Sentry Ins A Mutual Co	0	0.00	0.00	C+												
<b>1987</b>	1. Mount Vernon Fire Ins Co	9,558	41.08	60.00	A+												
	2. s Columbia Casualty Co	8,403	36.12	2.89	A+												
	3. North Pointe Ins Co	3,320	14.27	58.50	--												
	4. # Bowling Proprietors of MI	593	2.55	61.54	--												
	5. Northwestern Natl Cas Co	319	1.37	25.98	NA3												
	6. s St Paul Surplus Lns Ins Co	167	0.72	88.00	A												
	7. Actna Life & Casualty Co	167	0.72	6.84	A+												
	8. Continental Insurance Co	165	0.71	0.00	A												
	9. American Automobile Ins Co	150	0.64	0.00	A												
	10. Continental Casualty Co	146	0.63	0.00	A+												

Appendix A  
History of Premiums, Market Shares, Loss Ratios and  
Best's Ratings of the Liquor Liability Insurance Market 1980 – 1995

Year	Rank	Carrier Name	Written Premiums (\$1,000s)	Market Shares (%)	Loss Ratio (%)	Best's Rating <sup>s</sup>
1988	1.	North Pointe Insurance Co	10,519	33.88	57.83	NR-
	2.	s Mount Vernon Fire Ins Co	7,661	24.68	18.64	A+
	3.	s Columbia Casualty Co <sup>4</sup>	697	15.13	62.16	A+
	4.	# MLBA Lmt'd Liability Pool	4,114	13.25	110.40	--
	5.	First Security Caslty Co	1,069	3.44	13.57	--
	6.	# Bowling Proprietors of MI	900	2.90	61.33	--
	7.	a Sourceone Insurance Co	725	2.34	52.00	--
	8.	Citizens Insurance Co	372	1.20	0.00	A+
	9.	s St Paul Surplus Lns Ins Co	329	1.06	62.84	A
	10.	American Insurance Co	157	0.51	0.00	A
	11.	Continental Insurance Co	153	0.49	53.31	A
	12.	Aetna Life & Casualty Co	71	0.23	-13.64	A
	13.	Northwestern Nat'l Cas Co	50	0.16	-84.79	NR-
	14.	U. S. Fidelity & Grnty Co	42	0.14	56.46	A
	15.	Glens Falls Insurance Co	31	0.10	95.66	A
	16.	St Paul Fire & Mar Ins Co	28	0.09	102.57	A
	17.	Mt. Airy Insurance Co	28	0.09	0.00	A
	18.	Home Indemnity Co	22	0.07	0.00	A-
	19.	Liberty Mutual Ins Co	19	0.06	0.00	A
	20.	s Am Empire Surplus Lns Ins	16	0.05	0.00	A
1989	1.	North Pointe Insurance Co	6,522	26.06	19.30	NA3
	2.	# MLBA Lmt'd Liability Pool	5,315	21.24	33.50	--
	3.	s Mount Vernon Fire Ins Co	3,790	15.14	2.11	A+
	4.	s Columbia Casualty Co	2,646	10.57	62.00	A+
	5.	a Sourceone Insurance Co	2,312	9.24	51.99	--
	6.	First Security Caslty Co	1,146	4.58	26.79	--
	7.	# Bowling Proprietors of MI	586	2.34	42.01	NA2
	8.	s Northfield Insurance Co	579	2.31	0.00	A+
	9.	Citizens Insurance Co	442	1.77	0.00	A+
	10.	sSt Paul Surplus Lns Ins Co	344	1.37	28.13	A
	11.	Firemans Fund Ins Co o WI	239	0.96	0.00	A
	12.	American Automobile Ins Co	161	0.64	216.73	A
	13.	Great Central Insurance Co	128	0.51	3.28	B+
	14.	Calvert Insurance Co	89	0.36	4.83	B+
	15.	#MUCC Lmt'd Liability Pool	76	0.30	59.67	--
	16.	U. S. Fidelity & Grnty Co	57	0.23	9.26	A
	17.	St Paul Fire & Mar Ins Co	53	0.21	84.44	A
1990	18.	Phoenix Insurance Co	34	0.14	0.00	A-
	19.	U. S. Fire Insurance Co	33	0.13	0.00	A
	20.	Mt. Airy Insurance Co	31	0.12	227.13	A
	1.	North Pointe Insurance Co	7,002	27.56	29.34	NA3
	2.	#MLBA Lmt'd Liability Pool	5,853	23.04	26.55	--
	3.	First Security Caslty Co	4,602	18.11	87.91	--
	4.	s Mount Vernon Fire Ins Co	2,398	9.44	56.51	A+
	5.	s Columbia Casualty Co	1,949	7.67	62.00	A+
	6.	# Bowling Proprietors of MI	704	2.77	2.42	NA2
	7.	s Northfield Insurance Co	588	2.31	9.96	A+
	8.	Citizens Insurance Co	498	1.96	0.00	A+
	9.	Northwestern Nat'l Cas Co	350	1.38	57.15	B+
	10.	Reliance Insurance Co	250	0.98	0.00	A
	11.	Transamerica Ins Co	224	0.88	2.24	A
	12.	s St Paul Surplus Lns Ins Co	208	0.82	-237.65	A
	13.	Firemans Fund Ins Co WI	201	0.79	0.00	A
	14.	Great Central Insurance Co	142	0.56	38.36	B+
	15.	U. S. Fidelity & Grnty Co	68	0.27	-4.74	A
	16.	St Paul Fire & Mar Ins Co	58	0.23	32.29	A
	17.	Phoenix Insurance Co	54	0.21	115.03	A-
18.	Calvert Insurance Co	52	0.20	1.51	A-	
19.	United States Fire Ins Co	40	0.16	8.08	A-	
20.	Transcontinental Ins Co	38	0.15	21.60	A+	

**Appendix A**  
**History of Premiums, Market Shares, Loss Ratios and**  
**Best's Ratings of the Liquor Liability Insurance Market 1980 – 1995**

<u>Year</u>	<u>Rank</u>	<u>Carrier Name</u>	<u>Written Premiums (\$1,000s)</u>	<u>Market Shares (%)</u>	<u>Loss Ratio (%)</u>	<u>Best's Rating<sup>s</sup></u>
<b>1991</b>	1.	North Pointe Insurance Co	8,654	39.22	40.37	NA3
	2.	# MLBA Lmt'd Liability Pool	3,483	15.79	36.11	--
	3.	First Security Casly Co	2,860	12.96	45.80	NA3
	4.s	Mount Vernon Fire Ins Co	2,306	10.45	58.62	A+
	5. s	Columbia Casualty Co	1,933	8.76	62.00	A+
	6.	Citizens Insurance Co	700	3.17	0.00	A+
	7.	# Bowling Proprietors of MI	685	3.10	50.27	NA2
	8.	Northwestern Nat'l Cas Co	613	2.78	-43.94	B+
	9.	s St Paul Surplus Lns Ins Co	220	1.00	58.72	A+
	10.	Great Central Insurance Co	203	0.92	27.96	A-
	11.	Century Mutual Ins Co	48	0.22	0.00	NA7
	12.	s United States Fire Ins Co	47	0.21	0.00	A-
	13.	St Paul Fire & Mar Ins Co	42	0.15	40.55	A+
	14.	St Paul Mercury Ins Co	29	0.13	66.45	A+
	15.	American Employers Ins Co	26	0.12	0.00	A-
	16.	Phoenix Insurance Co	21	0.10	25.22	A-
	17.	Mt. Airy Insurance Co	21	0.10	0.00	A-
18.	Employers Ins of Wausau	20	0.09	0.00	A+	
19.	Liberty Mutual Ins Co	19	0.09	0.00	A-	
20.	Travelers Indemnity Ins Co	19	0.09	0.00	A-	
<b>1992</b>	1.	North Pointe Insurance Co	9,492	41.90	44.30	B+
	2.	#MLBA Lmt'd Liability Pool	3,579	15.80	71.97	NA2
	3.s	Mount Vernon Fire Ins Co	1,931	8.53	63.00	A++
	4.s	Columbia Casualty Co	1,886	8.32	62.00	A
	5.	First Security Casly Co	1,302	5.75	46.85	NA3
	6.	Calvert Insurance Co	861	3.80	23.67	A-
	7.	Citizens Insurance Co	753	3.32	249.99	A+
	8.#	Bowling Proprietors of MI	549	2.42	-25.97	NA2
	9.	Northwestern Nat'l Cas Co	542	2.39	35.94	B+
	10. sSt.	Paul Surplus Lns Ins Co	492	2.17	94.62	A+
	11.	Empire Fire & Marine Ins Co	331	1.46	.00	A+
	12.s	United National Ins Co	204	.90	39.99	A+
	13.	Great Central Insurance Co	159	.70	-44.23	A-
	14.	Fireman's Fund Ins Co of WI	135	.60	-76.94	A
	15.	United States Fire Ins Co	67	.29	.00	A-
	16.	St. Paul Fire & Mar Ins Co	47	.21	16.18	A+
	17.	U. S. Fidelity & Grnty Co	46	.20	13.15	A-

  

<u>Year</u>	<u>Rank</u>	<u>Carrier Name</u>	<u>Written Premiums (\$1,000s)</u>	<u>Market Shares (%)</u>	<u>Loss Ratio (%)</u>	<u>Best's Rating<sup>s</sup></u>
<b>1993</b>	18.	National Surety Corporation	42	.19	.00	A
	19.	Reliance Insurance Company	35	.16	.00	A-
	20.	St. Paul Mercury Ins Co	33	.14	64.19	A+
	1.	North Pointe Insurance Co	9,485	44.78	26.96	B+
	2.#	MLBA Lmt'd Liability Pool	2,766	13.06	39.67	NA2
	3.s	Columbia Casualty Co	1,703	8.04	696.49	A
	4.s	Mt. Vernon Fire Ins Co	1,459	6.89	55.00	A++
	5.	Empire Fire & Marine Ins Co	999	4.71	4.10	A+
	6.	First Security Casualty Co	945	4.46	46.23	NA3
	7.	Calvert Insurance Company	798	3.77	18.79	A-
	8.	Citizens Insurance Co of Am	608	2.87	-125.85	A+
	9.s	St. Paul Surplus Lns Ins Co	500	2.36	132.61	A+
	10.	Northwestern Nat'l Casualty	482	2.28	24.08	B+
	11.#	Bowling Proprietors of MI	424	2.00	80.87	NA2
	12.s	United National Ins Co	215	1.02	164.08	A+
	13.	Continental Insurance Co	185	.87	172.16	A-
	14.	United States Fire Ins Co	94	.44	0.00	A-
	15.	North Am Specialty Ins Co	77	.36	37.72	A
	16.	Great Central Insurance Co	77	.36	183.61	A-
	17.	Aetna Life & Casualty Group	51	.24	-8.84	A
18.	U. S. Fidelity & Guaranty	42	.20	-35.40	A-	
19.	Lincoln Insurance Company	40	.19	205.27	A	
20.	St. Paul Fire & Marine Ins Co	29	.14	183.29	A+	

**Appendix A**  
**History of Premiums, Market Shares, Loss Ratios and**  
**Best's Ratings of the Liquor Liability Insurance Market 1980 – 1995**

YearRank	Carrier Name	Written Premiums (\$1,000s)	Market Shares (%)	Loss Ratio (%)	Best's Rating <sup>s</sup>	YearRank	Carrier Name	Written Premiums (\$1,000s)	Market Shares (%)	Loss Ratio (%)	Best's Rating <sup>s</sup>
1994	1. North Pointe Insurance Co	9,844	47.16	35.87	B+	1995	1. North Pointe Insurance Co	9,381	48.11	20.35	B+
	2. # MLBA Lmt'd Liability Pool	2,357	11.29	-13.81	NAI		2. # MLBA Lmt'd Liability Pool	1,844	9.46	.01	NAI
	3. s Columbia Casualty Co	1,736	8.32	-71.38	A		3. First Security Casualty Co	1,655	8.49	26.48	(4)
	4. First Security Casualty Co	1,576	8.55	54.16	NA3		4. s Columbia Casualty Co	1,322	6.78	-1120.71	A
	5. Empire Fire Marine Ins Co	903	4.33	62.49	A+		5. Empire Fire & Marine Ins Co	917	4.70	147.10	A+
	6. s Mt. Vernon Fire Ins Co	683	3.27	50.00	A++		6. s Mt. Vernon Fire Insurance Co	683	3.50	60.00	A++
	7. Citizens Insurance Co of Am	667	3.20	124.79	A+		7. Citizens Insurance Co of Am	616	3.16	5.93	A+
	8. Continental Insurance Co	445	2.13	228.63	A-		8. Star Insurance Company	534	2.74	28.96	A-
	9. Northwestern Nat'l Casualty	439	2.10	46.14	B+		9. Northwestern Nat'l Casualty	434	2.22	104.81	B+
	10. sSt. Paul Surplus Lines Ins Co	404	1.93	-30.95	A+		10.# Bowling Proprietors of MI	425	2.18	-1.18	(6)
	11. # Bowling Proprietors of MI	401	1.92	1.51	(6)		11.s St. Paul Surplus Lines Ins Co	314	1.61	-182.77	A+
	12. Calvert Insurance Company	386	1.85	48.21	A-		12. Calvert Insurance Company	231	1.18	84.57	A-
	13. sHomestead Insurance Co	115	.55	348.78	A-		13. U. S. Fire Insurance Co	228	1.17	7.38	A
	14. Illinois Emcasco Ins Co	107	.51	0.00	A		14.s Illinois Emcasco Ins Co	111	.57	11.92	A
	15. North Am Specialty Ins Co	101	.48	42.80	A		15. Transcontinental Ins Co	90	.46	-86.32	A
	16. U. S. Fidelity & Guaranty	68	.32	158.63	A-		16. U. S. Fidelity & Guaranty	87	.45	28.16	A-
	17. General Star Indemnity Co	67	.32	0.00	A++		17. St. Paul Mercury Ins Co	73	.37	64.80	A+
	18. Transcontinental Ins Co	63	.30	407.12	A		18. Continental Insurance Co	66	.34	87.68	A-
	19. sUnited National Ins Co	61	.29	-16.72	A+		19. Fireman's Fund Ins Co WI	60	.31	47.46	A
	20. Fidelity & Guaranty Ins Co	60	.29	64.60	A-		20. Fidelity & Guaranty Ins Co	60	.31	14.93	A-

**Appendix B**  
**Report On Licensees 1988 - 1991**

**Report Date: September 1988**

<u>Company Name</u>	<u>Licensees</u>	<u>(%)</u>	<u>Best's Rating<sup>s</sup></u>
1. North Pointe Insurance Company	4,893	27.5%	NA3
2. #MI Licensed Beverage Assn Ltd Liab Pool	3,105	17.5%	--
3. sMt Vernon Fire Insurance Company	2,759	15.5%	A+
4. @Bel-Aire Insurance Company	1,886	10.6%	--
5. sColumbia Casualty Company	1,007	5.7%	A+
6. Nat'l Union Fire Ins Co of Pittsburgh, PA	456	2.6%	A+
7. First Security Casualty Company	361	2.0%	--
8. Insurance Company of North America	287	1.6%	A
9. Old Republic Insurance Company	286	1.6%	A
10. Federated Mutual Insurance Company	283	1.6%	A+
11. Citizens Insurance Company of America	225	1.3%	A+
12. Great Midwest Insurance Company	185	1.0%	NA3
13. a SourceOne Insurance Company	160	0.9%	--
14. Northwestern National Insurance Company	125	0.7%	NA4
15. American Motorists Insurance Company	124	0.7%	A+
16. United States Fidelity & Guaranty Co	110	0.6%	A
17. #Bowling Proprietors of MI Ltd Liab Pool	107	0.6%	--
18. Northwestern National Casualty Company	100	0.6%	NA3
19. Calvert Insurance Company	97	0.5%	B
20. Firemen's Ins Co of Newark, NJ	97	0.5%	A
<b>Totals: (last value is sum at A- or better)</b>	<b>16,653</b>	<b>93.8%</b>	<b>31.7%</b>

**Report Date: February 1989**

<u>Company Name</u>	<u>Licensees</u>	<u>(%)</u>	<u>Best's Rating<sup>s</sup></u>
1. North Pointe Insurance Company	4,856	27.3%	NA3
2. #MI Licensed Beverage Assn Ltd Liability Pool	3,083	17.3%	--
3. sMt Vernon Fire Insurance Company	2,563	14.4%	A+
4. @Bel-Aire Insurance Company	1,953	11.0%	--
5. sColumbia Casualty Company	953	5.4%	A+
6. Nat'l Union Fire Ins Co of Pittsburgh, PA	453	2.5%	A+
7. First Security Casualty Company	385	2.2%	--
8. a SourceOne Insurance Company	323	1.8%	--
9. Federated Mutual Insurance Company	313	1.8%	A+
10. Insurance Company of North America	291	1.6%	A
11. Old Republic Insurance Company	284	1.6%	A
12. Citizens Insurance Company of America	235	1.3%	A+
13. Great Midwest Insurance Company	180	1.0%	A+
14. United States Fidelity & Guaranty Co	135	0.8%	A
15. American Motorists Insurance Company	131	0.7%	A+
16. Northwestern National Insurance Company	122	0.7%	NA4
17. #Bowling Proprietors of MI Ltd Liab Pool	115	0.6%	NA2
18. Northwestern National Casualty Company	105	0.6%	B+
19. Calvert Insurance Company	99	0.6%	B+
20. American Insurance Company	96	0.5%	A
<b>Totals: (last value is sum at A- or better)</b>	<b>16,675</b>	<b>93.7%</b>	<b>31.6%</b>

**Report Date: January 1991**

<u>Company Name</u>	<u>Licensees</u>	<u>(%)</u>	<u>Best's Rating<sup>s</sup></u>
1. North Pointe Insurance Company	4,447	25.1%	NA3
2. #MI Licensed Beverage Assn Ltd Liability Pool	2,637	14.9%	--
3. a SourceOne Insurance Company	2,025	11.4%	--
4. sMt Vernon Fire Insurance Company	1,763	10.0%	A+
5. @Bel-Aire Insurance Company	914	5.2%	--
6. sColumbia Casualty Company	683	3.9%	A+
7. Citizens Insurance Company of America	477	2.7%	A+
8. First Security Casualty Company	476	2.7%	NA3
9. Federated Mutual Insurance Company	325	1.8%	A+
10. Nat'l Union Fire Ins Co of Pittsburgh, PA	322	1.8%	A+
11. Old Republic Insurance Company	292	1.6%	A
12. Truck Insurance Exchange	265	1.5%	A
13. Reliance Insurance Company	205	1.2%	A-
14. Fireman's Fund Insurance Company	187	1.1%	A
15. American Commercial Liability Ins Co	147	0.8%	NA5
16. Hartford Casualty Insurance Company	140	0.8%	A+
17. American Motorists Insurance Company	136	0.8%	A+
18. #Bowling Proprietors of MI Ltd Liab Pool	135	0.8%	NA2
19. Northwestern National Casualty Company	134	0.8%	B+
20. Insurance Company of North America	129	0.7%	A
<b>Totals: (last value is sum at A- or better)</b>	<b>15,839</b>	<b>89.4%</b>	<b>27.8%</b>

**Appendix B**  
**Report On Licensees 1992 - 1995**

<b>Report Date: January 1992</b>	<b>Company Name</b>	<b>Licensees</b>	<b>(%)</b>	<b>Best's Rating</b>
1.	North Pointe Insurance Company	5,439	31.0%	NA3
2.	First Security Casualty Company	2,551	14.5%	NA3
3.	#MI Licensed Beverage Assn Ltd Liab Pool	2,091	11.9%	--
4.	s Mt Vernon Fire Insurance Company	1,473	8.4%	A+
5.	s Columbia Casualty Company	799	4.5%	A+
6.	Citizens Insurance Company of America	585	3.3%	A+
7.	Natl Union Fire Ins Co of Pittsburgh, PA	395	2.2%	A+
8.	Truck Insurance Exchange	343	2.0%	A
9.	Old Republic Insurance Company	293	1.7%	A
10.	Federated Mutual Insurance Company	268	1.5%	A+
11.	Northwestern National Casualty Company	225	1.3%	B+
12.	Reliance National Insurance Co	219	1.2%	A-
13.	Calvert Insurance Company	218	1.2%	A-
14.	Fireman's Fund Insurance Company	176	1.0%	A
15.	American Motorists Insurance Company	175	1.0%	A+
16.	Hartford Casualty Insurance Company	141	0.8%	A+
17.	#Bowling Proprietors of MI Ltd Liab Pool	135	0.8%	NA2
18.	Great Midwest Insurance Company	135	0.8%	A-
19.	Federal Insurance Company	122	0.7%	A+
20.	American Commercial Liability Ins Co	115	0.7%	NA5
<b>Totals: (last value is sum at A- or better)</b>		<b>15,898</b>	<b>90.5%</b>	<b>30.4%</b>

<b>Report Date: January 1994</b>	<b>Company Name</b>	<b>Licensees</b>	<b>(%)</b>	<b>Best's Rating</b>
1.	North Pointe Insurance Company	6,034	34.7%	B+
2.	#MI Licensed Beverage Assn Ltd Liab Pool	1,364	7.8%	NA2
3.	s Mt Vernon Fire Insurance Company	1,156	6.6%	A++
4.	First Security Casualty Company	1,151	6.6%	NA3
5.	s Columbia Casualty Company	1,001	5.8%	A
6.	Empire Fire & Marine Insurance Company	884	5.1%	A+
7.	Calvert Insurance Company	612	3.5%	A-
8.	Citizens Insurance Company of America	471	2.7%	A+
9.	National Union Fire Ins Co of Pittsburgh, PA	414	2.4%	A++
10.	Northwestern National Casualty Company	296	1.7%	B+
11.	Truck Insurance Exchange	292	1.7%	A
12.	Old Republic Insurance Company	289	1.7%	A+
13.	s St Paul Surplus Lines Insurance Company	282	1.6%	A+
14.	Reliance National Insurance Co.	243	1.4%	A-
15.	American Motorists Insurance Company	170	1.0%	A
16.	National Surety Corporation	169	1.0%	A
17.	s Homestead Insurance Company	163	0.9%	A
18.	Federated Mutual Insurance Company	152	0.9%	A
19.	Continental Insurance Company	142	0.8%	A
20.	Federal Insurance Company	142	0.8%	A++
<b>Totals: (last value is percent at A- or better)</b>		<b>15,427</b>	<b>88.7%</b>	<b>37.8%</b>

<b>Report Date: January 1995</b>	<b>Company Name</b>	<b>Licensees</b>	<b>(%)</b>	<b>Best's Rating</b>
1.	North Pointe Insurance Company	6,531	37.6%	B+
2.	#MI Licensed Beverage Assn Ltd Liab Pool	1,194	6.9%	NA2
3.	First Security Casualty Company	1,112	6.4%	NA3
4.	Empire Fire & Marine Insurance Company	937	5.4%	A+
5.	s Columbia Casualty Company	879	5.1%	A
6.	s Mt Vernon Fire Insurance Company	871	5.0%	A++
7.	Citizens Insurance Company of America	458	2.6%	A+
8.	National Union Fire Ins Co of Pittsburgh PA	423	2.4%	A++
9.	Calvert Insurance Company	337	1.9%	A-
10.	Northwestern National Casualty Company	307	1.8%	B+
11.	Old Republic Insurance Company	303	1.7%	A+
12.	s St Paul Surplus Lines Insurance Company	252	1.5%	A+
13.	Truck Insurance Exchange	252	1.5%	A-
14.	Reliance National Insurance Co.	242	1.4%	A-
15.	American Motorists Insurance Company	183	1.1%	A
16.	National Surety Corporation	167	1.0%	A
17.	Federal Insurance Company	162	0.9%	A++
18.	Continental Insurance Company	152	0.9%	A-
19.	Federated Mutual Insurance Company	152	0.9%	A
20.	s Illinois EMASCO Insurance Co	147	0.8%	A
<b>Totals: (last value is percent at A- or better)</b>		<b>15,061</b>	<b>86.8%</b>	<b>34.1%</b>

Appendix C

Michigan Liquor License Insurance Providers 1988 - 2001

<u>Code</u>	<u>Company Name</u>	<u>9/88</u>	<u>2/89</u>	<u>1/90</u>	<u>1/91</u>	<u>1/92</u>	<u>1/93</u>	<u>1/94</u>	<u>1/95</u>	<u>1/96</u>	<u>1/97</u>	<u>1/98</u>	<u>1/99</u>	<u>1/00</u>	<u>1/01</u>	
	North Pointe Insurance Company	4,893	4,856	3,637	4,447	5,439	5,856	6,034	6,531	6,520	6,639	7,012	6,506	5,944	5,560	
	Legion Insurance Company									106	953	1,063	1,158	1,130	1,253	
#	MI Licensd Beverage Assn Ltd LP	3,105	3,083	2,806	2,637	2,091	1,682	1,364	1,194	1,074	985	943	901	857	784	
	United States Liability Insurance Co													828	1,261	+++
	Nat'l Union Fire Ins Co of Ptsbg PA	456	453	438	322	395	427	414	423	668	692	671	825	817	721	
	Citizens Insurance Company of Am	225	235	353	477	585	552	471	458	424	406	496	539	558	506	+
s	Columbia Casualty Company	1,007	953	770	683	799	943	1,001	879	791	737	716	631	520	490	--
	Star Insurance Company							6	8	370	496	586	448	437	401	
	Reliance Insurance Company	3	4	5	205	13	14	13	8	7	41	312	335	323	33	
	Commercial Union Insurance Co	2	2	0	0	0	0	0	146	193	221	229	226	263	237	
s	Illinois EMASCO Insurance Co							27	147	145	153	184	222	257	18	+
	Northwestern National Casualty Co	100	105	117	134	225	286	296	307	317	271	245	218	196	206	-
	Argonaut Great Central Ins Co	87	81	78	68	82	63	40	20	31	31	62	119	178	210	+
	National Surety Corporation						5	169	167	168	171	172	178	176	174	
	Firemans Fund Insurance Company	38	44	170	187	176	165	65	59	63	74	88	143	159	110	
	United States Fidelity & Grnty Co	110	135	125	98	90	77	67	69	70	75	183	158	158	358	
	Continental Casualty Company	73	73	71	104	102	104	101	83	87	99	137	145	136	128	
	American States Insurance Co.									12	24	53	81	133	113	++
s	Lexington Insurance Company									2	14	38	126	132	114	
	Liberty Mutual Fire Insurance Co										10	28	91	124	150	+
	American Motorists Insurance Co	124	131	134	136	175	177	170	183	182	179	113	114	121	127	
	American Manufacturers Mutual I C			7	8	7	5	6	4	24	24	2	2	117	127	++
s	Mt Vernon Fire Insurance Company	2,759	2,563	1,879	1,763	1,473	1,281	1,156	871	650	613	579	689	114	38	---
	Safeco Insurance Co of America							1	7	59	83	172	149	114	60	-
	Bowling Proprietors of MI Ltd LP	107	115	113	135	135	120	122	120	126	126	135	118	112	100	
	Grocers Insurance Company										16	45	83	106	74	+
	Federated Mutual Insurance Co	283	313	346	325	268	218	152	152	178	155	122	97	105	108	
	Great Midwest Insurance Company	185	180	113	123	135	135	128	139	141	132	121	109	92	85	
	Agricultural Insurance Company												63	89	89	+

Appendix C

Michigan Liquor License Insurance Providers

<u>Code</u>	<u>Company Name</u>	<u>9/88</u>	<u>2/89</u>	<u>1/90</u>	<u>1/91</u>	<u>1/92</u>	<u>1/93</u>	<u>1/94</u>	<u>1/95</u>	<u>1/96</u>	<u>1/97</u>	<u>1/98</u>	<u>1/99</u>	<u>1/00</u>	<u>1/01</u>
	Reliance National Indemnity Co								21	43	47	38	38	86	82 +
	Liberty Mutual Insurance Company	63	64	63	64	52	44	48	50	54	58	85	92	84	108
	Badger Mutual Insurance Company												6	77	171 ++
	Great American Insurance Company	8	5	4	0	0	0	6	31	38	45	31	92	76	61 +
	St Paul Fire & Marine Insurance Co	38	39	60	79	62	98	90	70	71	71	71	73	76	104
	American Economy Insurance Co									18	28	27	36	71	104
	TIG Insurance Co (Transamerica)	2	3	11	21	37	89	88	84	84	76	49	43	70	90 +
	United States Fire Insurance Co	1	1	5	13	10	18	25	33	158	159	155	156	69	0 --
	Lake States Insurance Company										5	51	64	68	59
	Alfa Mutual Insurance Company												17	67	11 +
	Truck Insurance Exchange			31	265	343	343	292	252	216	116	65	62	66	53
	Northern Assurance Co of America								2	3	5	25	63	63	76
	Westport Insurance Company													62	32 ++
	Travelers Casualty & Surety Co											128	87	59	57 -
	American Country Insurance Co												4	59	130 +
	Travelers Cas & Surety Co of Am											3	48	58	70
	Federal Insurance Company	1	1	2	2	122	133	142	162	173	195	219	50	57	45
	American Casualty Co of Reading										1	0	52	52	51
s	United National Insurance Co			1	59	64	56	61	34	56	68	27	36	47	83
	Transcontinental Insurance Co				10	1	3	6	39	43	54	48	45	46	72
	Auto-Owners Insurance Company									24	39	39	42	45	68
s	Colony Insurance Company						27	94	77	57	51	58	56	43	29
	Indiana Insurance Company							11	23	27	36	41	42	43	23
	Penn-America Insurance Company										4	26	39	41	42
	Hartford Casualty Insurance Co	1	2	22	140	141	141	7	7	6	8	32	36	40	29
	Zurich Insurance Company	5	7	9	12	11	11	21	19	16	19	42	33	40	0
	Mutual Insurance Corp of America														
	Ohio Casualty Insurance Company									1	0	2	18	36	47
	Gulf Insurance Company			2	11	13	30	29	25	13	8	4	1	33	48 +

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Michigan Liquor License Insurance Providers

<u>Code</u>	<u>Company Name</u>	<u>2/89</u>	<u>1/90</u>	<u>1/91</u>	<u>1/92</u>	<u>1/93</u>	<u>1/94</u>	<u>1/95</u>	<u>1/96</u>	<u>1/97</u>	<u>1/98</u>	<u>1/99</u>	<u>1/00</u>	<u>1/01</u>
	General Accident Ins Co of Am					1	3	6	10	24	34	32	29	19
	Travelers Property & Cas Ins Co										6	17	29	26
	Ranger Insurance Company								0	21	44	65	28	0 --
	Transportation Insurance Company	29	30	30	35	39	40	40	37	6	26	42	23	15
	Fidelity & Guaranty Ins Underwrtirs										1	15	22	27
	Continental Insurance Company	21	23	24	19	15	142	152	39	30	28	26	21	20
	Hamilton Mutual Ins Co of Cinn				6	28	30	37	48	43	35	23	20	13
	# MI Hi Ed Self Ins & Risk Mgt Felty	11	12	14	17	17	18	18	18	18	18	19	20	18
	Special-Liability/ > 1 Carrier	10	11	13	12	13	13	13	16	17	18	19	20	18
	Northern Insurance Co of NY								3	11	20	24	19	12
	Travelers Insurance Company	22	23	29	20	17	9	10	16	15	27	22	19	8
	Colorado Western Insurance Co							5	16	20	18	19	18	23
	United Pacific Insurance Company	4	4	4	3	8	13	13	13	15	17	19	18	9
	Mid-Century Insurance Company								4	9	8	14	18	15
	Atlantic Mutual Insurance Co											1	18	16
	Calvert Insurance Company	97	99	50	218	788	612	337	220	171	157	77	17	0 --
	Seneca Insurance Company, Inc.							2	0	3	13	22	17	14
	Farmers Insurance Exchange		17	3	1	1	1	1	3	3	5	13	17	19
	Globe Indemnity Company	1	0	4	1	2	2	3	3	2	1	1	17	1
	Fire & Casualty Ins Co of CT												17	27
	Fidelity & Guaranty Ins Co						1	12	19	24	27	27	16	9
	Twin City Fire Insurance Co(MN)			3	2	23	23	28	2	3	8	15	16	4
	Selective Insurance Company of SC										2	12	16	25
	Travelers Indemnity Co of IL	30	29	29	24	25	32	34	16	19	42	48	15	11 -
	Pharmacists Mutual Insurance Co					4	7	10	14	17	19	17	15	17
	American Home Assurance Co	8	8	5	5	7	8	8	9	11	13	13	15	89
	Voyager Indemnity Insurance Co											7	15	5
	s St Paul Surplus Lines Insurance Co	24	23	67	111	210	282	252	168	83	56	27	14	5
	American National Fire Ins Co					9	62	63	30	22	13	14	5	5

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Michigan Liquor License Insurance Providers

<u>Code</u>	<u>Company Name</u>	<u>9/88</u>	<u>2/89</u>	<u>1/90</u>	<u>1/91</u>	<u>1/92</u>	<u>1/93</u>	<u>1/94</u>	<u>1/95</u>	<u>1/96</u>	<u>1/97</u>	<u>1/98</u>	<u>1/99</u>	<u>1/00</u>	<u>1/01</u>
	Cincinnati Insurance Company	1	1	1	1	1	2	3	4	3	3	4	8	14	13
	Travelers Indemnity Company	37	30	29	5	5	7	7	7	8	10	26	27	13	9
	North River Insurance Company									1	1	52	54	12	9 --
	Hartford Fire Insurance Company	2	2	3	13	23	20	16	7	5	11	6	11	12	11
	Lumbermans Mutual Casualty Co			1	2	7	7	10	11	11	1	5	4	12	54
	Prime Syndicate, Inc.											8	16	11	19
	New Hampshire Insurance Co			2	4	6	6	10	19	53	16	17	15	11	10
	Great Northern Insurance Company										1	3	9	11	5
	St Paul Guardian Insurance Co												2	11	14
	Travelers Casualty Company of CT											15	12	10	0
287	Insurance Company of North Am		291	314	129	52	29	26	24	18	13	10	10	10	8
3	Pacific Employers Insurance Co		3	2	2	18	3	0	0	0	0	0	10	10	12
8	Cigna Insurance Company		17	48	46	31	21	9	4	2	2	3	8	10	8
	Employers Fire Insurance Company									1	1	6	4	10	10
	Farmland Mutual Insurance Co									23	40	35	39	9	9 -
s	Genesis Insurance Company										1	5	8	9	7
s	State Automobile Mutual Ins Co									8	12	7	7	9	10
	Frontier Pacific Insurance Co													9	1
20	Michigan Mutual Insurance Co		0	0	1	0	0	0	8	17	18	16	8	8	8
	Selective Insurance Company of Am												6	8	10
	Employers Ins of Wausau, A Mut Co					1	1	0	0	0	2	4	5	8	18
	Massachusetts Bay Insurance Co							2	2	0	0	1	2	8	14
	American & Foreign Insurance Co					1	1	1	0	0	4	9	12	7	7
	Travelers Indemnity Co of America									2	6	12	11	7	7
*	Veritas Insurance Corporation	6	6	6	6	6	6	6	6	7	7	7	7	7	7
	St Paul Mercury Insurance Co						3	3	13	13	12	5	6	7	8
	State Auto Prop & Casualty Ins Co										2	2	6	7	5
	North American Specialty Ins Co						1	44	31	11	12	11	9	6	6
	American Alliance Insurance Co							6	17	12	18	16	7	6	2

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Michigan Liquor License Insurance Providers

<u>Code</u>	<u>Company Name</u>	<u>9/88</u>	<u>2/89</u>	<u>1/90</u>	<u>1/91</u>	<u>1/92</u>	<u>1/93</u>	<u>1/94</u>	<u>1/95</u>	<u>1/96</u>	<u>1/97</u>	<u>1/98</u>	<u>1/99</u>	<u>1/00</u>	<u>1/01</u>
	Hartford Ins Co of the Midwest														
#	MI Municipal Risk Mangmnt Athly	4	4	4	3	3	3	4	4	5	5	4	3	5	5
	American Employers Insurance Co				2	2	4	3	4	5	6	2	3	5	9
	Home-Owners Insurance Company										1	0	3	5	1
	Northbrook Property & Cas Ins Co	1	1	2	1	1	0	0	0	0	0	0	0	5	7
	St Paul Property & Casualty Ins Co									3	4	4	4	4	1
	West American Insurance Company														
	American Reliable Insurance Co											22	38	3	1
	Phoenix Insurance Company			1	1	0	0	0	0	0	0	3	10	3	1
	Assurance Company of America							1	1	11	11	6	4	3	3
	General Insurance Co of America										2	3	4	3	1
	Cigna Fire Underwriters Ins Co			1	2	4	20	11	5	4	2	2	4	3	3
	Wausau Underwriters Insurance Co	1	1	12	11	10	9	0	7	7	7	8	3	3	4
	Commerce & Industry Insurance Co	1	1	2	2	0	0	2	4	3	3	3	3	3	1
	Cigna Property & Casualty Ins Co	2	2	7	7	8	6	4	3	2	2	2	3	3	1
	Zurich American Ins Co of IL													1	3
	Maryland Casualty Company								1	0	1	1	0	3	3
s	Mt Hawley Insurance Company					52	58	62	56	57	58	0	0	3	3
	Travelers Commercial Insurance Co											8	4	2	0
*	Lonepeak Insurance Company	4	4	4	4	4	4	4	4	4	4	4	4	2	2
	AIU Insurance Company							4	2	1	2	2	2	2	1
	Granite State Insurance Company	1	1	1	2	18	14	6	4	2	2	2	2	2	2
	Hartford Accident & Indemnity Co	8	21	0	28	36	31	30	24	3	2	2	2	2	0
#	MI Community College Risk Mgmt Athly														
	Select Insurance Company					1	0	5	5	1	1	1	2	2	0
	Royal Indemnity Company	3	3	3	3	4	0	0	0	0	21	29	1	2	2
S	Scottsdale Insurance Company				1	3	5	6	1	2	1	0	1	2	5
	Executive Risk Indemnity Inc.													2	3
	General Casualty Co of Wisconsin													2	4

Appendix C

Michigan Liquor License Insurance Providers

Code	Company Name	9/88	2/89	1/90	1/91	1/92	1/93	1/94	1/95	1/96	1/97	1/98	1/99	1/00	1/01	
	Highlands Insurance Company														2	12
	Regent Insurance Company														2	3
	Farmington Casualty Company								23	32	36	32	15	1	0	
	Gan National Insurance Company							4		1	19	15	11	1	0	
	Frontier Insurance Company								1	0	0	4	4	1	0	
	Century Indemnity Company								5	4	3	3	3	1	1	
37	Nationwide Mutual Insurance Co		35	32	21	14	11	10	7	5	3	3	3	1	3	
7	Bankers Standard Insurance Co		7	10	7	7	5	0	0	0	3	4	2	1	1	
92	American Insurance Company		96	14	7	4	3	1	2	1	4	2	2	1	1	
	Underwriters Insurance Company										12	12	1	1	0	
	Hanover Insurance Company			1	1	1	0	1	1	1	1	2	1	1	4	
	Nationwide Agribusiness Ins Co						1	7	16	11	11	1	1	1	1	
	Secura Insurance, A Mutual Co									1	3	1	1	1	1	
	Firemans Fund Insurance Co of WI			1	4	6	11	12	5	2	2	1	1	1	0	
	Standard Fire Insurance Company		1	1	3	3	20	15	16	2	2	1	1	1	1	
	Boston Old Colony Insurance Co						1	3	5	3	1	1	1	1	0	
	Glens Falls Insurance Company					2	2	2	2	1	1	1	1	1	0	
	Reliance National Insurance Co.				219	239	243	242	242	2	1	1	1	1	1	
	Vigilant Insurance Company										1	1	1	1	1	
	Wausau Business Insurance Co											1	1	1	3	
s	Reliance Insurance Company of IL									11	1	0	1	1	1	
	Travelers Indemnity Company of CT									1	1	0	1	1	2	
	Monroe Guaranty Insurance Co				1	3	3	0	0	0	0	0	1	1	0	
	Nationwide Property & Cas Ins Co					1	1	1	0	0	0	0	1	1	1	
	# MASB-SEG P&C Pool, Inc.												1	1	1	
	Princeton Insurance Company												1	1	1	
	Valley Forge Insurance Company												1	1	2	
	Westfield Insurance Company												1	1	1	
	National Fire Ins Co of Hartford													1	5	



Appendix C

Michigan Liquor License Insurance Providers

Code	Company Name	9/88	2/89	1/90	1/91	1/92	1/93	1/94	1/95	1/96	1/97	1/98	1/99	1/00	1/01
	Empire Fire & Marine Ins Co						294	884	937	755	1	0	0	0	0
	Home Indemnity Company	48	48	50	52	35	3	2	3	3	1	0	0	0	0
*	United Community Insurance Co			63	147	115	1	8	5	5	1	0	0	0	0
@	American Commercial Liab Ins Co						0	0	0	0	0	0	0	0	0
s	American Empire Surp Lines Ins Co	3	3	0	0	0	0	0	0	0	0	0	0	0	0
*	American Guar & Liab Ins Co	2	2	0	0	0	0	0	0	0	0	0	0	0	0
*	American Ins & Indemnity Co	1	1	0	0	0	0	0	0	0	0	0	0	0	0
*	American Trust Ins Co, Ltd	1	0	5	13	0	0	0	0	0	0	0	0	0	0
	Anatole Insurance Company Ltd				1	0	0	0	0	0	0	0	0	0	0
	Arkwright Mutual Insurance Co	2	0	0	0	0	0	0	0	0	0	0	0	0	0
	Associated Indemnity Corp								1	0	0	0	0	0	0
@	Avalon Insurance Company Ltd					5	46	7	0	0	0	0	0	0	0
@	Bel-Aire Insurance Company	1,886	1,953	2,342	914	0	0	0	0	0	0	0	0	0	0
#	Beverage Retailers Ins Co LLP	0	2	9	5	4	6	0	0	0	0	0	0	0	0
@	Cadillac Insurance Company	1	1	0	0	0	0	0	0	0	0	0	0	0	0
	Centennial Insurance Company	1	1	1	1	1	1	0	0	0	0	0	0	0	0
	Century Mutual Insurance Co.					93	0	0	0	0	0	0	0	0	0
	Employers Casualty Company	1	1	1	0	0	0	0	0	0	0	0	0	0	0
*	Evergreen Indemnity, Ltd	1	1	0	0	0	0	0	0	0	0	0	0	0	0
	Fid & Cas Co of NY (NH Grp)					16	16	12	12	12	0	0	0	0	0
*	Financial Casualty & Surety Ltd	4	5	5	5	2	0	0	0	0	0	0	0	0	0
	Firemens Ins Co of Newark, NJ	97	91	61	57	37	3	3	1	0	0	0	0	0	0
s	General Star Indemnity Company			46	53	0	0	0	0	0	0	0	0	0	0
	General Star National Ins Co			2	0	2	0	0	0	0	0	0	0	0	0
s	Homestead Insurance Company						8	163	55	0	0	0	0	0	0
	Illinois Nat'l Ins Co									5	0	0	0	0	0
*	Institute of London Companies	2	2	0	0	0	0	0	0	0	0	0	0	0	0
*	Insurance Corp of America	13	9	0	0	0	0	0	0	0	0	0	0	0	0
	International Fid Insurance Co		1	0	0	0	0	0	0	0	0	0	0	0	0

Appendix C

Michigan Liquor License Insurance Providers

<u>Code</u>	<u>Company Name</u>	<u>9/88</u>	<u>2/89</u>	<u>1/90</u>	<u>1/91</u>	<u>1/92</u>	<u>1/93</u>	<u>1/94</u>	<u>1/95</u>	<u>1/96</u>	<u>1/97</u>	<u>1/98</u>	<u>1/99</u>	<u>1/00</u>	<u>1/01</u>
s	Lincoln Insurance Company		28	44	0	25	165	36	0	0	0	0	0	0	0
s	Lloyds of London-Lineslip #91NA					11	6	8	9	1	0	0	0	0	0
#	MI United Cons Club L.L.P.		4	4	11	12	12	0	0	0	0	0	0	0	0
	Mutual Service Cas Ins Co				1	1	2	2	2	0	0	0	0	0	0
	Nationwide Mut Fire Ins Co	1	1	3	2	1	1	0	0	0	0	0	0	0	1
	Niagara Fire Ins Company	3	4	2	2	0	1	2	2	0	0	0	0	0	0
	Northbrook Nat'l Ins Co	3	4	4	0	0	0	0	0	0	0	0	0	0	0
s	Northfield Insurance Company			289	3	0	0	0	0	0	0	0	0	0	0
s	Northwestern Nat Ins Co	125	122	121	127	65	0	0	0	0	0	0	0	0	0
s	Nutmeg Insurance Company	25	24	27	102	0	0	0	0	0	0	0	0	0	0
@	Oxford Indemnity Ins Co			6	0	0	0	0	0	0	0	0	0	0	0
	Planet Insurance Company	77	76	77	74	77	83	19	0	0	0	0	0	0	0
	Protection Mutual Ins Co	9	1	0	0	0	0	0	0	0	0	0	0	0	0
	RLI Insurance Company	16	27	28	28	11	7	0	0	0	0	0	0	0	0
	Sentry Ins A Mutual Ins Co	42	25	25	26	26	24	0	0	0	0	0	0	0	0
d	Sentry Insurance of MI, Inc.	2	2	1	0	0	0	0	0	0	0	0	0	0	0
a	SourceOne Insurance Company	160	323	1,616	2,025	0	0	0	0	0	0	0	0	0	0
s	Transamerica Specialty Ins Co			56	0	0	0	0	0	0	0	0	0	0	0
	Travelers Insurance Company of IL	7	7	7	8	8	16	21	22	0	0	0	0	0	0
	Westchester Fire Insurance Co	2	2	4	4	0	0	0	0	0	0	0	0	0	0
	Licenses Totals	17,763	17,806	17,800	17,714	17,563	17,466	17,388	17,358	17,259	17,130	17,079	17,038	16,902	16,761
	Admitted Company Totals	12,024	12,227	12,253	14,030	14,982	14,626	14,388	14,860	15,085	15,226	15,351	15,192	15,731	15,967
	Percent of Total	67.7%	68.7%	68.8%	79.2%	85.3%	83.7%	82.7%	85.6%	87.4%	88.9%	89.9%	89.2%	93.1%	95.3%
	Eligible Surplus Lines Total	3,818	3,595	3,179	2,741	2,563	2,780	2,940	2,450	2,055	1,857	1,684	1,806	1,151	794
	Percent of Total	21.5%	20.2%	17.9%	15.5%	14.6%	15.9%	16.9%	14.1%	11.9%	10.8%	9.9%	10.6%	6.8%	4.7%
	Ineligible SL and Unlicensed Captives	1,921	1,984	2,368	943	18	60	60	48	119	47	44	41	21	9
	Percent of Total	10.8%	11.1%	13.3%	5.3%	0.1%	0.3%	0.3%	0.3%	0.7%	0.3%	0.3%	0.2%	0.1%	0.1%
	Total Number of Insurers	92	93	101	102	105	109	115	125	141	159	153	170	174	225

## APPENDIX D

### Footnotes to Exhibits A, C, and D

- \$ - See below for meanings and discussion of Best's ratings
- a - business purchased by First Security Casualty Company
- d - company dissolved in 1988
- s - eligible surplus lines insurers
- \* - ineligible surplus lines insurers
- # - limited liability pools
- @ - company in receivership or liquidated

### Meanings of Best's Ratings - Exhibits and Appendices A and C

The ratings are Best's evaluation of an insurer's ability to meet the liabilities which may arise under its insurance contracts. In 1995 Best's added "Financial Performance Ratings" (see below) and two levels, "Secure" and "Vulnerable," of letter ratings. See the "Best's Insurance Reports - Property-Casualty" edition for the respective year given in the exhibits for the then current meaning of the ratings. The meanings of the ratings after the 1986 revisions and the percentage of all rated property and casualty insurers nationwide at each rating in 1993 and 1995 are as follows:

#### Letter Ratings

<u>Level</u>	<u>Category</u>	<u>Meaning</u>	<u>Percent in 1993</u>	<u>Percent in 1995</u>
Secure	A+,A++	Superior	21.1%	18.2%
	A	Excellent	17.8%	17.9%
	A-	Excellent	16.8%	16.8%
	B+,B++	Very Good	8.2%	11.2%
Vulnerable	B	Good	2.0%	2.5%
	B-	Good	0.8%	1.0%
	C+,C++	Fair	0.2%	0.7%
	C	Marginal	0.3%	0.3%
	C-	Marginal	0.1%	0.1%
	D,E,F	Other	3.5%	1.2%
	NA	Not Assigned	29.3%	30.0%

Best does not assign a rating to certain insurers for various reasons. Prior to 1986 these insurers were given a "NR" or not rated classification. After 1986, greater specificity was given to "Not Assigned" or "NA" classifications. Currently, the first five of these nine classifications are as follows:

**Not Assigned Categories:**

<u>Category</u>	<u>Meaning</u>
NA1	Special or Limited Data Filing
NA2	Less Than Minimum Size
NA3	Insufficient Experience
NA4	Rating Procedure Inapplicable
NA5	Significant Change

In 1995, Best began to assign a numerical “Financial Performance Rating” to those insurers classified either NA2 or NA3 that have met their financial reporting requirements. Best arranged these ratings with the appropriate letter ratings and security levels as follows:

**Numerical Financial Performance Rating:**

<u>Level</u>	<u>Rating</u>	<u>Meaning</u>	<u>Letter Equivalent</u>	<u>Percent in 1995</u>
Secure	(9)	Strong	A+ or A++	0.0%
	(8)	Strong	A	0.1%
	(7)	Above Average	A-	0.5%
	(6)	Above Average	B++	1.2%
Vulnerable	(5)	Average	B+	1.6%
	(4)	Average	B- or B	2.0%
	(3)	Below Average	C+ or C++	0.8%
(2)Below Average	C- or C		0.1%	