



JENNIFER M. GRANHOLM
GOVERNOR

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

KEN ROSS
COMMISSIONER

Memorandum

DATE: May 13, 2008

TO: All Interested Parties

FROM: Ken Ross, Commissioner

A handwritten signature in black ink, appearing to be "KR", with a long horizontal line extending to the right.

SUBJECT: Competition in the Commercial Liability Insurance Market

Pursuant to MCL 500.2409c of the Michigan Insurance Code of 1956, I have determined that a reasonable degree of competition exists in the commercial liability insurance market on a statewide basis.

The commercial liability insurance market includes the lines of business of commercial multiple peril (liability portion); medical malpractice, workers' compensation, other liability, commercial excess liability, commercial umbrella liability, products liability, commercial auto no-fault (personal injury protection), and other commercial auto liability. Data submitted by insurers writing these lines of business in Michigan during 2007 has been reviewed and analyzed. Separate reports indicating that reasonable competition exists in the workers' compensation, medical malpractice, and liquor liability segments of the commercial liability insurance markets are being issued by OFIR.

The commercial liability insurance market experienced an increase in premiums from 2002-2004, but premiums decreased in 2005 and 2006. This five-year period was initially influenced by the terrorist attacks of September 11, 2001, which saw total premiums rising for the subsequent 3-year period by 9 percent. Premiums declined in 2006 by 6 percent. Premiums continued to decline by 17.6% in 2007 over 2006.

There are over 700 admitted insurers authorized to write commercial liability insurance in Michigan which offers many policy options to businesses. Moreover, no single company controls all or a significant part of the commercial liability insurance market. Data indicate that the largest insurer had a 5.15% market share of direct premiums written and the next 9 insurers accounted for 26.48% of the market.

Overall, pricing is soft or competitive, and there are many active insurer choices in the commercial liability insurance market on a statewide basis.

THE INSURANCE CODE OF 1956 (EXCERPT)
Act 218 of 1956

500.2409c Public hearing; issuance and contents of tentative report; request for contested hearing; final report and certification; considerations.

Sec. 2409c.

(1) By May 15, 2003 and by May 15 annually thereafter, the commissioner shall make an annual determination as to whether a reasonable degree of competition in the commercial liability insurance market exists on a statewide basis. If the commissioner determines that a reasonable degree of competition in the commercial liability insurance market does not exist on a statewide basis, the commissioner shall hold a public hearing and shall issue a report delineating specific classifications and kinds or types of insurance, if any, where a reasonable degree of competition does not exist. The report shall be based on relevant economic tests, including, but not limited to, those in subsection (3). The findings in the report shall not be based on any single measure of competition, but appropriate weight shall be given to all measures of competition. Any person who disagrees with the report and findings of the commissioner may request a contested hearing pursuant to the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328, not later than 60 days after issuance of the report under this subsection.

(2) If the results of the report issued under subsection (1) are disputed or if the commissioner determines that circumstances that the report was based on have changed, the commissioner shall issue a supplemental report to the report under subsection (1) which shall include a certification of whether or not a reasonable degree of competition exists in the commercial liability insurance market. The supplemental report and certification shall be issued not later than November 15 immediately following the release of the report under subsection (1) that this report supplements and shall be supported by substantial evidence.

(3) All of the following shall be considered by the commissioner for purposes of subsections (1) and (2):

(a) The extent to which any insurer controls the commercial liability insurance market, or any portion of the commercial liability insurance market.

(b) Whether the total number of companies writing commercial liability insurance in this state is sufficient to provide multiple options to commercial liability insurance purchasers.

(c) The disparity among commercial liability insurance rates and classifications to the extent that such classifications result in rate differentials.

(d) The availability of commercial liability insurance to commercial liability insurance purchasers in all geographic areas and all types of business.

(e) The residual market share.

History: Add. 1986, Act 318, Eff. June 1, 1987 ;-- Am. 2002, Act 621, Imd. Eff. Dec. 23, 2002

Popular Name: Act 218