



THE
COUNCIL
OF INSURANCE
AGENTS &
BROKERS

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NEWS RELEASE

January 21, 2004

For Immediate Release

COMMERCIAL PROPERTY/CASUALTY RATES IN FOURTH QUARTER 2003 SUGGEST PRICE COMPETITION IS RETURNING TO INSURANCE MARKET

WASHINGTON, DC – One-third of all commercial property/casualty accounts experienced insurance premiums that either held steady or dropped during the last three months of 2003 amid indications that carriers may be beginning to compete again on price.

The fourth quarter commercial market index survey, released today by The Council of Insurance Agents & Brokers, reflects responses from the largest and most successful commercial property and casualty brokers in the country. The survey showed that when commercial p/c accounts experienced increases, those premium hikes ranged from 1 percent to 10 percent, regardless of account size.

For small accounts, 35 percent experienced premiums that did not change or dropped during the period, with 43 percent reporting increases of 1 percent to 10 percent. Brokers across the country reported that 32 percent of medium accounts experienced steady premiums or drops, while 48 percent of the accounts had increases in the 1 percent to 10 percent range. On average, premiums for small accounts increased by about 5 percent, and medium account premiums were up an average of 6 percent.

And 38 percent of the large accounts, which have experienced the sharpest increases during the hard market, held steady or decreased by up to 10 percent or more, with 45 percent experiencing increases of up to 10 percent. The average premium increase for large accounts was about 4 percent.

“The carriers now want business,” said one broker in the Southwest.

Although most brokers said underwriting was still tight, there were some reports that carriers were easing up on underwriting and on terms and conditions. Several respondents also expressed the belief that as competition picks up, underwriting standards may loosen further.

“As pricing eases, underwriting standards will also ease. Market availability and appetite will increase as competition for the dollar sets in. Seen it before, we’ll see it again,” commented a broker from the Southeast.

“Much greater competition for larger accounts, return to focus on growing premium writings,” said a broker from the Pacific Northwest. “Much less focus on underwriting of property risks.”

Council President Ken A. Crerar noted that in open-ended responses on market trends, a number of brokers expressed concern about insurer insolvencies and the impact on the commercial marketplace as national carriers either merge or exit due to solvency problems.

“Historically, as hard markets begin to soften, carriers start to compete on price and ease up on underwriting discipline,” Crerar said. “But in the past, there were more insurers out there than there are today. If lack of underwriting discipline exacerbates the already serious reserve problems some carriers are facing, it could have a major impact on the marketplace.”

The same overall trends of steady pricing or slight declines were reflected in most of the specific commercial lines, but brokers reported still having trouble placing construction risks, finding umbrella coverage and securing directors and officers coverage, as well as their own E & O coverage. Those coverages, when available, were also costing more, with premium increases routinely running anywhere from 1 percent to 20 percent. The greatest premium increases still are found in medical malpractice insurance, the survey showed.

Asked whether, in the October-December period, they were more or less concerned about carrier solvency than they had been in the third quarter off 2003, 50 percent of the brokers voiced increased concern, while 44 percent said their concerns remained the same. Only 6 percent said they were less concerned about solvency questions.

Editor’s Note: The average premium increases contained in this release were calculated by Lehman Brothers Equity Research, using data from the CIAB fourth quarter market index survey.

For regional data charts, please visit www.ciab.com.

The Council of Insurance Agents & Brokers is the voice of the market leaders and the premier association for commercial insurance and employee benefits intermediaries in the United States and abroad. From its headquarters in Washington, DC – with programs conducted throughout the nation and world – The Council represents the largest, most productive, and most profitable of all commercial insurance agencies and brokerage firms. Only the top one percent of all agents and brokers qualify. The Council's members in more than 3,000 locations, place 80 percent — well over \$90 billion — of all U.S. insurance products and services protecting business, industry, government and the public at-large, and they administer billions of dollars in employee benefits. Since 1913, The Council of Insurance Agents & Brokers has worked in the best interests of its members, securing innovative solutions and creating new market opportunities at home and abroad. Web site: www.ciab.com

Commercial Property – Casualty Market Survey

Fourth Quarter 2003 Released: January 2004

Below are the survey results for: ALL REGIONS

NUMBER OF RESPONSES: 117

1. On average, how have premium rates changed over the last three months (Oct. 1 - Dec. 31) for the following accounts? Please check N/A if you don't know or don't handle the type of account.

	1 Down 20 – 30%	2 Down 10 - 20%	3 Down 1 - 10%	4 No Change	5 Up 1 – 10%	6 Up 10 – 20%	7 Up 20 - 30%	8 Up 30 - 50%	9 Up 50 - 100%	10 Up >100 %	N/A
Small (<\$25K Comm. & Fees)	0%	3%	7%	25%	43%	13%	3%	1%	0%	0%	6%
Medium (\$25K – \$100K)	0%	3%	10%	19%	48%	14%	3%	2%	0%	0%	2%
Large (>\$100K)	1%	5%	17%	16%	45%	6%	3%	2%	1%	0%	6%

2. How much have premium rates changed over the last three months (Oct. 1- Dec. 31) for the following lines? Please check N/A if you don't know or don't handle the line.

	1 Down 20 – 30%	2 Down 10 - 20%	3 Down 1 -10%	4 No Change	5 Up 1 - 10%	6 Up 10 – 20%	7 Up 20 - 30%	8 Up 30 - 50 %	9 Up 50 - 100%	10 Up >100%	N/A
Business Interruption	0%	2%	16%	28%	35%	3%	1%	0%	0%	0%	15%
Broker E & O	0%	0%	0%	6%	12%	28%	11%	7%	1%	3%	32%
Commercial Auto	0%	0%	5%	25%	39%	24%	2%	1%	1%	0%	5%
Commercial Property	2%	8%	32%	21%	26%	6%	1%	1%	0%	0%	4%
Construction Risks	0%	0%	5%	16%	26%	27%	9%	4%	1%	1%	13%
D & O	0%	0%	2%	10%	26%	25%	15%	5%	0%	0%	17%
Employment Practices	0%	0%	2%	16%	32%	23%	7%	2%	1%	0%	17%
General Liability	0%	0%	12%	16%	49%	15%	4%	2%	0%	0%	4%
Medical Malpractice	0%	0%	0%	3%	8%	10%	22%	7%	7%	4%	40%
Surety Bonds	0%	0%	3%	25%	21%	11%	5%	2%	0%	0%	33%
Terrorism	2%	1%	10%	44%	14%	5%	0%	1%	0%	0%	24%
Umbrella	0%	0%	11%	18%	29%	24%	7%	1%	2%	2%	6%
Workers' Compensation	0%	0%	13%	21%	22%	22%	8%	2%	2%	0%	9%

Commercial Property – Casualty Market Survey Fourth Quarter 2003 Released: January 2004

Below are the survey results for: **NORTHEAST (CT,DE,DC,MA,ME,MD,NH,NJ,NY,PA,RI)**

1. On average, how have premium rates changed over the last 3 months (Oct. 1 - Dec. 31) for the following accounts? Please check N/A if you don't know or don't handle the type of account

	1 Down 20 – 30%	2 Down 10 - 20%	3 Down 1 - 10%	4 No Change	5 Up 1 – 10%	6 Up 10 – 20%	7 Up 20 - 30%	8 Up 30 - 50%	9 Up 50 - 100%	10 Up >100 %	N/A
Small (<\$25K Comm. & Fees)	3%	0%	3%	25%	31%	19%	6%	0%	0%	0%	13%
Medium (\$25K – \$100K)	0%	0%	6%	19%	41%	28%	3%	0%	0%	0%	3%
Large (>\$100K)	0%	0%	16%	22%	31%	25%	0%	0%	0%	0%	6%

2. How much have premium rates changed over the last 3 months (Oct. 1- Dec. 31) for the following lines? Please check N/A if you don't know or don't handle the line.

	1 Down 20 – 30%	2 Down 10 - 20%	3 Down 1 -10%	4 No Change	5 Up 1 - 10%	6 Up 10 – 20%	7 Up 20 - 30%	8 Up 30 - 50 %	9 Up 50 - 100%	10 Up >100%	N/A
Business Interruption	0%	3%	13%	44%	19%	13%	3%	0%	0%	0%	6%
Broker E & O	0%	3%	0%	6%	22%	19%	9%	6%	3%	0%	31%
Commercial Auto	0%	0%	13%	16%	38%	31%	0%	0%	0%	0%	3%
Commercial Property	6%	0%	22%	34%	19%	3%	6%	0%	0%	0%	9%
Construction Risks	0%	0%	3%	22%	19%	25%	6%	3%	0%	3%	19%
D & O	0%	0%	0%	19%	13%	31%	16%	16%	0%	0%	6%
Employment Practices	0%	0%	0%	22%	22%	38%	9%	3%	0%	0%	6%
General Liability	0%	6%	9%	19%	25%	25%	9%	3%	3%	0%	0%
Medical Malpractice	0%	0%	0%	6%	6%	6%	16%	6%	0%	3%	56%
Surety Bonds	0%	0%	0%	22%	16%	3%	3%	3%	0%	0%	53%
Terrorism	6%	0%	6%	53%	9%	0%	0%	0%	0%	0%	25%
Umbrella	0%	0%	6%	22%	19%	28%	19%	3%	0%	0%	3%
Worker's Compensation	0%	0%	6%	16%	31%	41%	3%	0%	0%	0%	3%

Commercial Property – Casualty Market Survey Fourth Quarter 2003 Released: October 2004

Below are the survey results for: **SOUTHEAST (AL,FL,GA,KY,LA,MS,NC,SC,TN,VA,WV)**

1. On average, how have premium rates changed over the last 3 months (Oct. 1 - Dec. 31) for the following accounts? Please check N/A if you don't know or don't handle the type of account

	1 Down 20 – 30%	2 Down 10 – 20%	3 Down 1 - 10%	4 No Change	5 Up 1 – 10%	6 Up 10 – 20%	7 Up 20 – 30%	8 Up 30 – 50%	9 Up 50 – 100%	10 Up >100 %	N/A
Small (<\$25K Comm. & Fees)	0%	4%	12%	12%	50%	8%	8%	4%	0%	0%	4%
Medium (\$25K – \$100K)	0%	0%	0%	27%	23%	31%	8%	0%	0%	0%	12%
Large (>\$100K)	0%	0%	19%	27%	15%	19%	4%	0%	0%	0%	15%

2. How much have premium rates changed over the last 3 months (Oct. 1- Dec. 31) for the following lines? Please check N/A if you don't know or don't handle the line.

	1 Down 20 – 30%	2 Down 10 – 20%	3 Down 1 -10%	4 No Change	5 Up 1 – 10%	6 Up 10 – 20%	7 Up 20 – 30%	8 Up 30 – 50 %	9 Up 50 – 100%	10 Up >100%	N/A
Business Interruption	0%	0%	12%	8%	42%	4%	4%	0%	0%	0%	31%
Broker E & O	0%	0%	0%	4%	12%	19%	4%	4%	4%	4%	50%
Commercial Auto	0%	0%	0%	27%	23%	31%	8%	0%	0%	0%	12%
Commercial Property	4%	19%	19%	23%	19%	8%	0%	0%	0%	0%	8%
Construction Risks	0%	0%	0%	4%	12%	19%	4%	4%	4%	4%	50%
D & O	0%	0%	0%	27%	23%	31%	8%	0%	0%	0%	12%
Employment Practices	0%	0%	0%	15%	27%	4%	12%	0%	0%	0%	42%
General Liability	0%	0%	0%	4%	12%	19%	4%	4%	4%	4%	50%
Medical Malpractice	0%	0%	0%	27%	23%	31%	8%	0%	0%	0%	12%
Surety Bonds	0%	0%	4%	23%	12%	12%	8%	0%	0%	0%	42%
Terrorism	0%	0%	0%	4%	12%	19%	4%	4%	4%	4%	50%
Umbrella	0%	0%	0%	27%	23%	31%	8%	0%	0%	0%	12%
Worker's Compensation	0%	0%	19%	27%	15%	19%	4%	0%	0%	0%	15%

Commercial Property – Casualty Market Survey Fourth Quarter 2003 Released: January 2004

Below are the survey results for: **MIDWEST**
(AR, IL, IN, IO, KS, MI, MO, MN, NE, ND, SD, OH, WI)

1. On average, how have premium rates changed over the last 3 months (Oct. 1 - Dec. 31) for the following accounts? Please check N/A if you don't know or don't handle the type of account.

	1 Down 20 – 30%	2 Down 10 – 20%	3 Down 1 - 10%	4 No Change	5 Up 1 – 10%	6 Up 10 – 20%	7 Up 20 – 30%	8 Up 30 – 50%	9 Up 50 – 100%	10 Up >100 %	N/A
Small (<\$25K Comm. & Fees)	0%	0%	10%	24%	38%	19%	0%	0%	0%	0%	10%
Medium (\$25K – \$100K)	0%	0%	14%	33%	38%	14%	0%	0%	0%	0%	0%
Large (>\$100K)	0%	0%	19%	19%	52%	5%	0%	0%	0%	0%	5%

2. How much have premium rates changed over the last 3 months (Oct. 1- Dec. 31) for the following lines? Please check N/A if you don't know or don't handle the line.

	1 Down 20 – 30%	2 Down 10 – 20%	3 Down 1 -10%	4 No Change	5 Up 1 – 10%	6 Up 10 – 20%	7 Up 20 – 30%	8 Up 30 – 50 %	9 Up 50 – 100%	10 Up >100%	N/A
Business Interruption	0%	5%	0%	48%	29%	0%	0%	0%	0%	0%	19%
Broker E & O	0%	0%	0%	5%	14%	29%	19%	5%	0%	5%	24%
Commercial Auto	0%	0%	5%	19%	52%	19%	0%	0%	0%	0%	5%
Commercial Property	0%	5%	33%	43%	10%	5%	0%	0%	0%	0%	5%
Construction Risks	0%	0%	10%	10%	43%	24%	0%	0%	0%	0%	14%
D & O	0%	0%	5%	14%	24%	33%	14%	5%	0%	0%	5%
Employment Practices	0%	0%	5%	14%	38%	24%	10%	0%	0%	0%	10%
General Liability	0%	0%	19%	10%	52%	14%	0%	0%	0%	0%	5%
Medical Malpractice	0%	0%	0%	5%	5%	10%	19%	14%	10%	0%	38%
Surety Bonds	0%	0%	5%	29%	19%	10%	5%	0%	0%	0%	33%
Terrorism	0%	0%	19%	38%	10%	0%	0%	0%	0%	0%	33%
Umbrella	0%	0%	14%	14%	38%	14%	10%	0%	0%	0%	10%
Worker's Compensation	0%	0%	14%	10%	33%	14%	5%	0%	0%	0%	24%

Commercial Property – Casualty Market Survey Fourth Quarter 2003 Released: January 2004

Below are the survey results for: **PACIFIC NW**
(No. CA, AK, CO, HI, ID, MT, NV, OR, UT, WA, WY)

1. On average, how have premium rates changed over the last 3 months (Oct. 1 - Dec. 31) for the following accounts? Please check N/A if you don't know or don't handle the type of account.

	1 Down 20 – 30%	2 Down 10 – 20%	3 Down 1 - 10%	4 No Change	5 Up 1 – 10%	6 Up 10 – 20%	7 Up 20 – 30%	8 Up 30 – 50%	9 Up 50 – 100%	10 Up >100 %	N/A
Small (<\$25K Comm. & Fees)	0%	0%	0%	27%	53%	13%	0%	0%	0%	0%	7%
Medium (\$25K – \$100K)	0%	0%	13%	7%	60%	20%	0%	0%	0%	0%	0%
Large (>\$100K)	0%	7%	13%	13%	47%	7%	0%	0%	0%	0%	13%

2. How much have premium rates changed over the last 3 months (Oct. 1- Dec. 31) for the following lines? Please check N/A if you don't know or don't handle the line.

	1 Down 20 – 30%	2 Down 10 – 20%	3 Down 1 -10%	4 No Change	5 Up 1 – 10%	6 Up 10 – 20%	7 Up 20 – 30%	8 Up 30 – 50 %	9 Up 50 – 100%	10 Up >100%	N/A
Business Interruption	0%	0%	33%	13%	47%	0%	0%	0%	0%	0%	7%
Broker E & O	0%	0%	0%	0%	13%	40%	7%	0%	0%	0%	40%
Commercial Auto	0%	0%	0%	20%	53%	27%	0%	0%	0%	0%	0%
Commercial Property	0%	7%	27%	27%	40%	0%	0%	0%	0%	0%	0%
Construction Risks	0%	0%	7%	0%	33%	7%	40%	0%	0%	0%	13%
D & O	0%	0%	0%	0%	40%	47%	0%	7%	0%	0%	7%
Employment Practices	0%	0%	0%	13%	40%	27%	0%	0%	0%	0%	20%
General Liability	0%	0%	0%	20%	47%	20%	7%	0%	0%	0%	7%
Medical Malpractice	0%	0%	0%	0%	7%	13%	7%	0%	0%	7%	67%
Surety Bonds	0%	0%	0%	7%	20%	7%	0%	0%	0%	7%	60%
Terrorism	7%	0%	7%	47%	0%	7%	0%	0%	0%	0%	33%
Umbrella	0%	0%	13%	13%	33%	13%	13%	0%	0%	0%	13%
Worker's Compensation	0%	0%	7%	7%	13%	60%	7%	7%	0%	0%	0%

Commercial Property – Casualty Market Survey Fourth Quarter 2003 Released: January 2004

Below are the survey results for: SOUTHWEST (So. CA, AZ, NM, OK, TX)

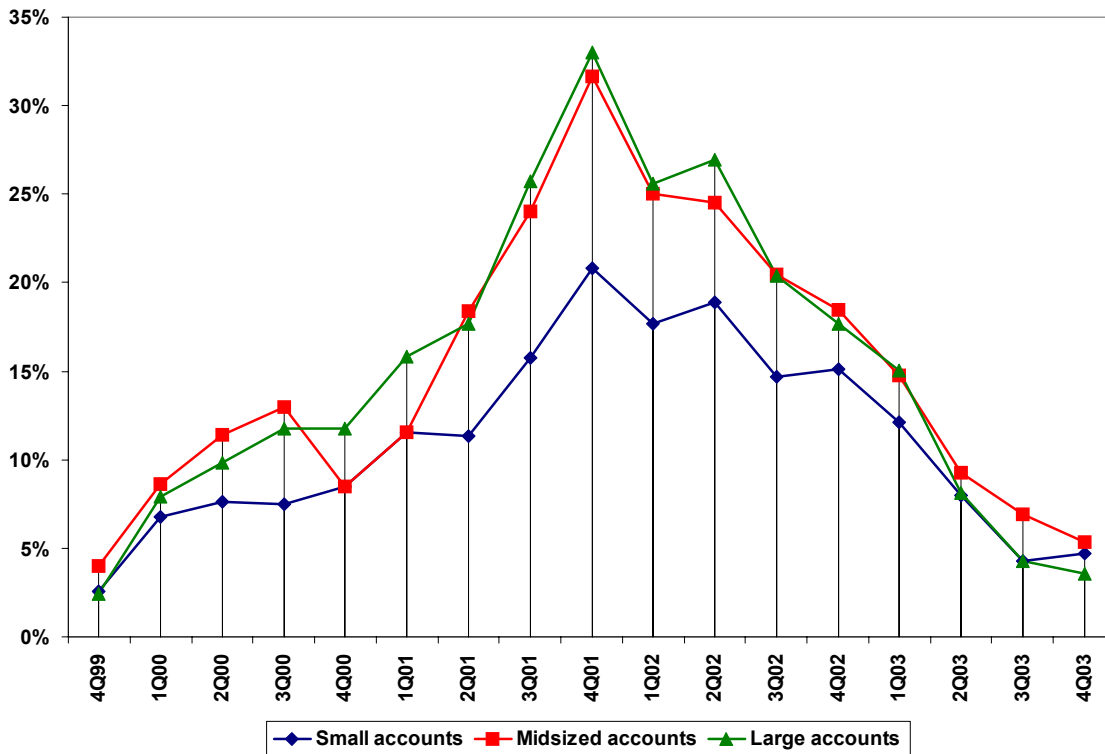
1. On average, how have premium rates changed over the last 3 months (Oct. 1 - Dec. 31) for the following accounts? Please check N/A if you don't know or don't handle the type of account.

	1 Down 20 – 30%	2 Down 10 - 20%	3 Down 1 - 10%	4 No Change	5 Up 1 – 10%	6 Up 10 – 20%	7 Up 20 - 30%	8 Up 30 - 50%	9 Up 50 - 100%	10 Up >100 %	N/A
Small (<\$25K Comm. & Fees)	0%	5%	10%	38%	33%	5%	0%	0%	0%	0%	10%
Medium (\$25K – \$100K)	0%	0%	10%	33%	48%	10%	0%	0%	0%	0%	0%
Large (>\$100K)	0%	0%	19%	24%	52%	0%	0%	0%	0%	0%	5%

2. How much have premium rates changed over the last 3 months (Oct. 1- Dec. 31) for the following lines? Please check N/A if you don't know or don't handle the line.

	1 Down 20 – 30%	2 Down 10 - 20%	3 Down 1 -10%	4 No Change	5 Up 1 - 10%	6 Up 10 – 20%	7 Up 20 - 30%	8 Up 30 - 50 %	9 Up 50 - 100%	10 Up >100 %	N/A
Business Interruption	0%	0%	19%	43%	14%	5%	0%	0%	0%	0%	19%
Broker E & O	0%	0%	0%	5%	14%	33%	10%	5%	0%	0%	33%
Commercial Auto	0%	0%	14%	33%	43%	10%	0%	0%	0%	0%	0%
Commercial Property	0%	5%	38%	19%	33%	5%	0%	0%	0%	0%	0%
Construction Risks	0%	0%	0%	14%	33%	29%	10%	0%	0%	0%	14%
D & O	0%	0%	5%	14%	29%	14%	5%	5%	0%	0%	29%
Employment Practices	0%	0%	5%	19%	29%	24%	0%	5%	0%	0%	19%
General Liability	0%	0%	14%	24%	52%	5%	0%	0%	0%	0%	5%
Medical Malpractice	0%	0%	0%	10%	10%	10%	14%	5%	10%	5%	38%
Surety Bonds	0%	0%	5%	33%	24%	0%	0%	5%	0%	0%	33%
Terrorism	0%	0%	19%	38%	0%	5%	0%	0%	0%	0%	38%
Umbrella	0%	0%	19%	10%	19%	29%	5%	5%	0%	0%	14%
Worker's Compensation	0%	5%	5%	24%	14%	19%	10%	0%	0%	24%	0%

Average Commercial Premium Rate Changes by Account Size

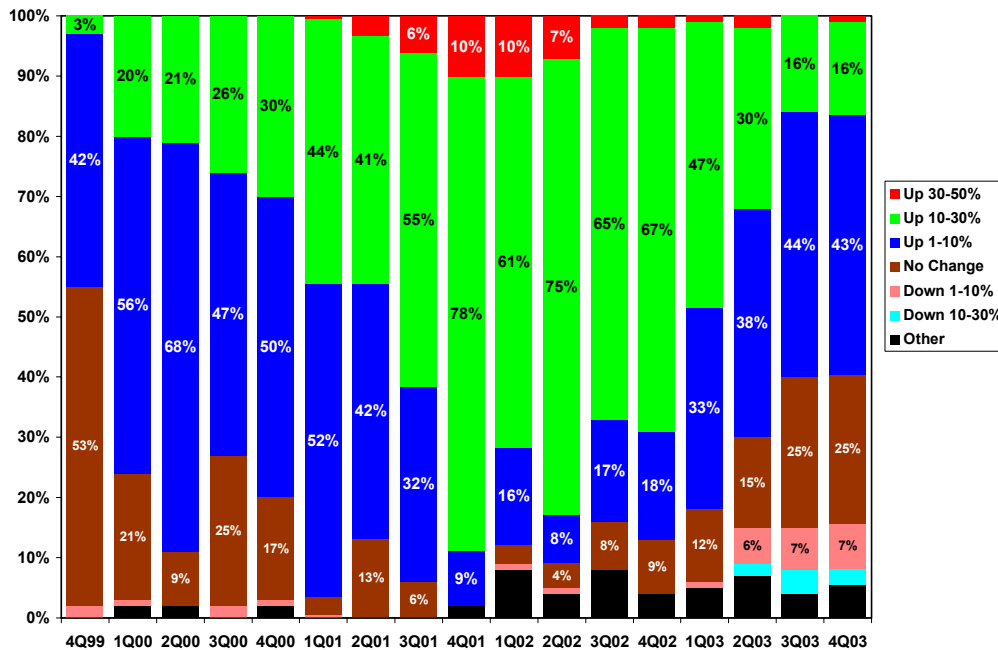


Source: Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research

Insurance Rate Changes, Small Commercial Accounts*

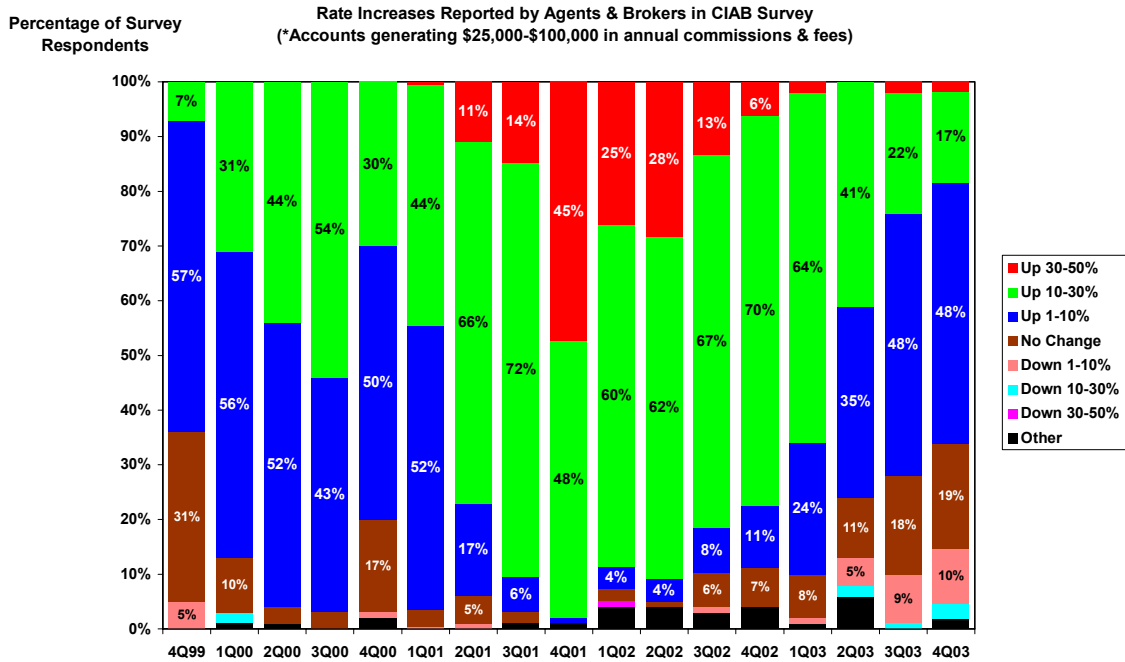
Percentage of Survey Respondents

Rate Increases Reported by Agents & Brokers in CIAB Survey
(*Accounts generating <\$25,000 in annual commissions & fees)



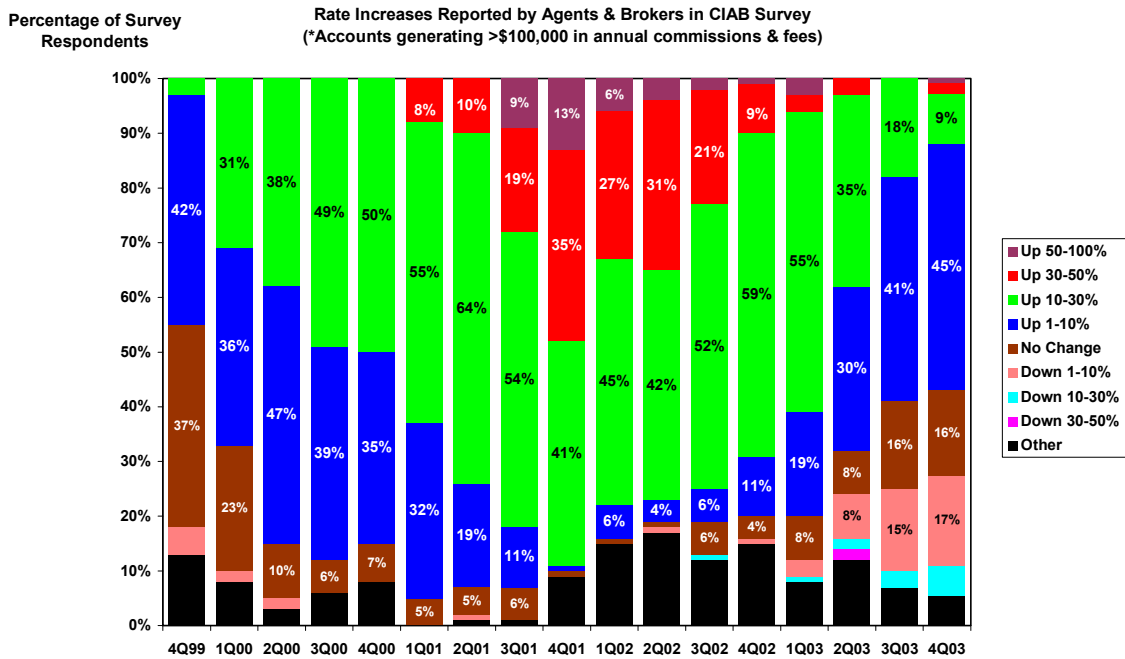
Source: Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research

Insurance Rate Changes, Medium Commercial Accounts*



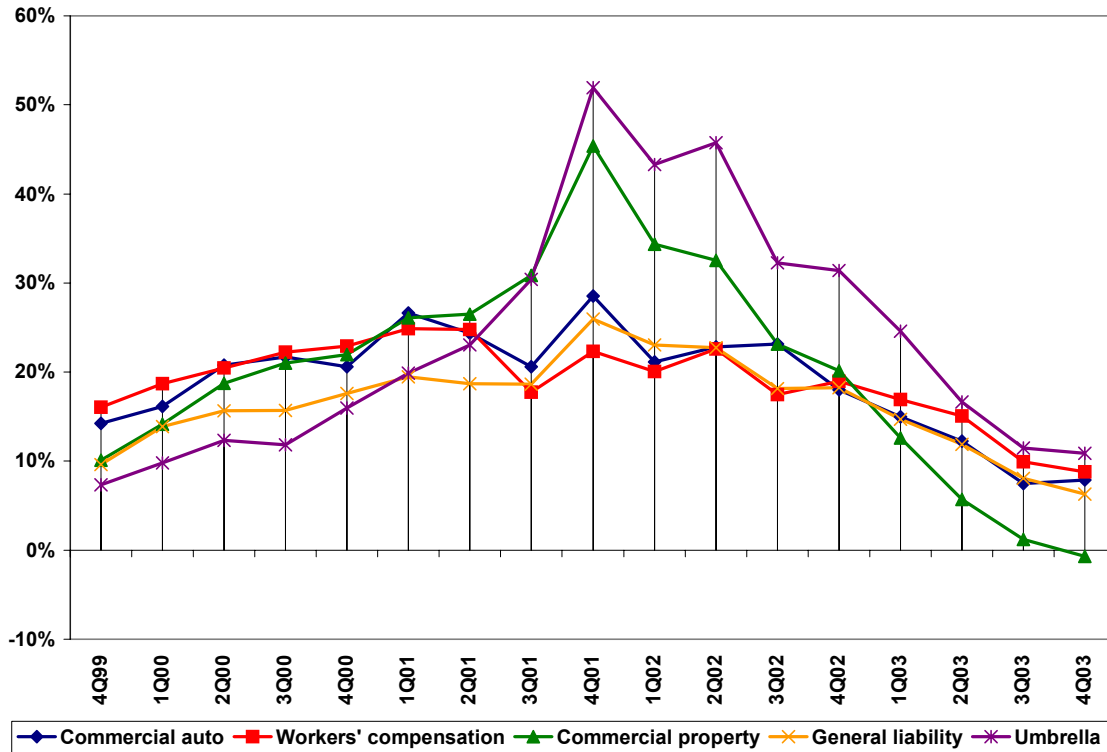
Source: Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research

Insurance Rate Changes, Large Commercial Accounts*



Source: Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research

Average Premium Rate Changes by Line

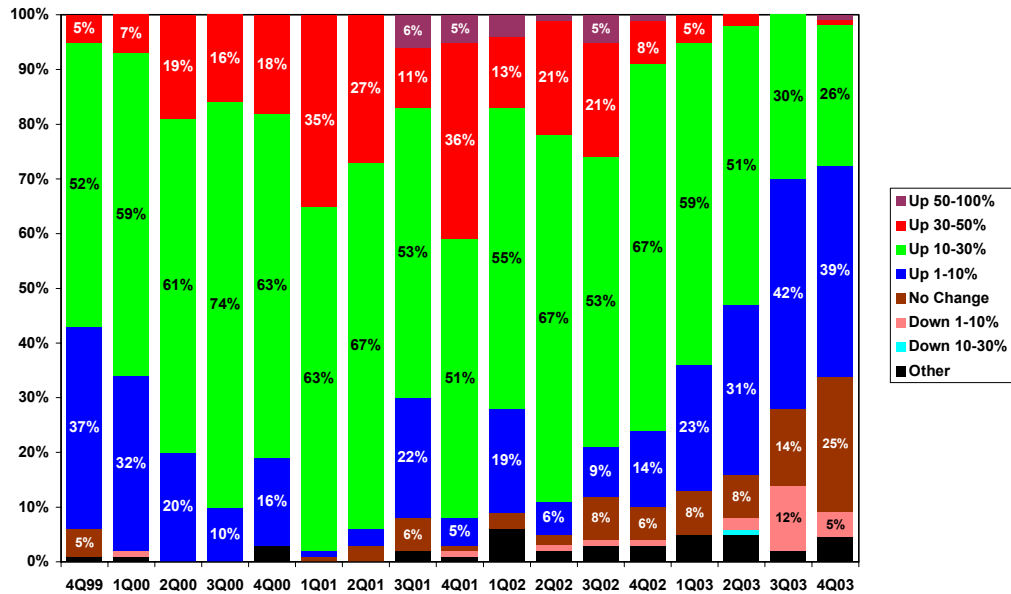


Source: Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research

Commercial Auto Insurance Rate Changes

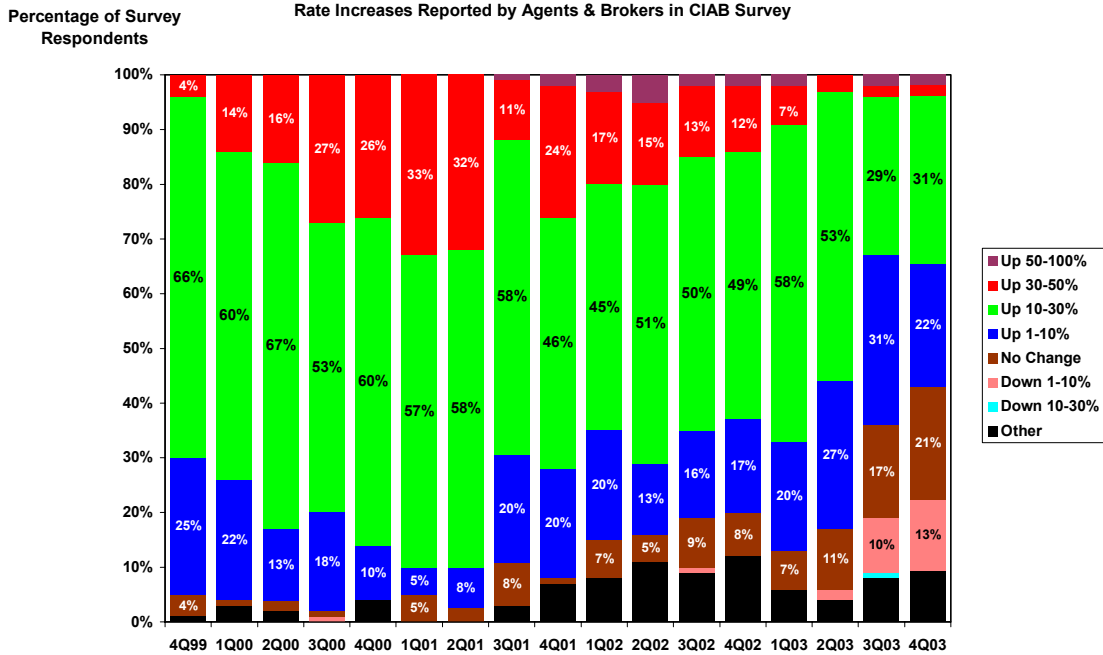
Percentage of Survey Respondents

Rate Increases Reported by Agents & Brokers in CIAB Survey



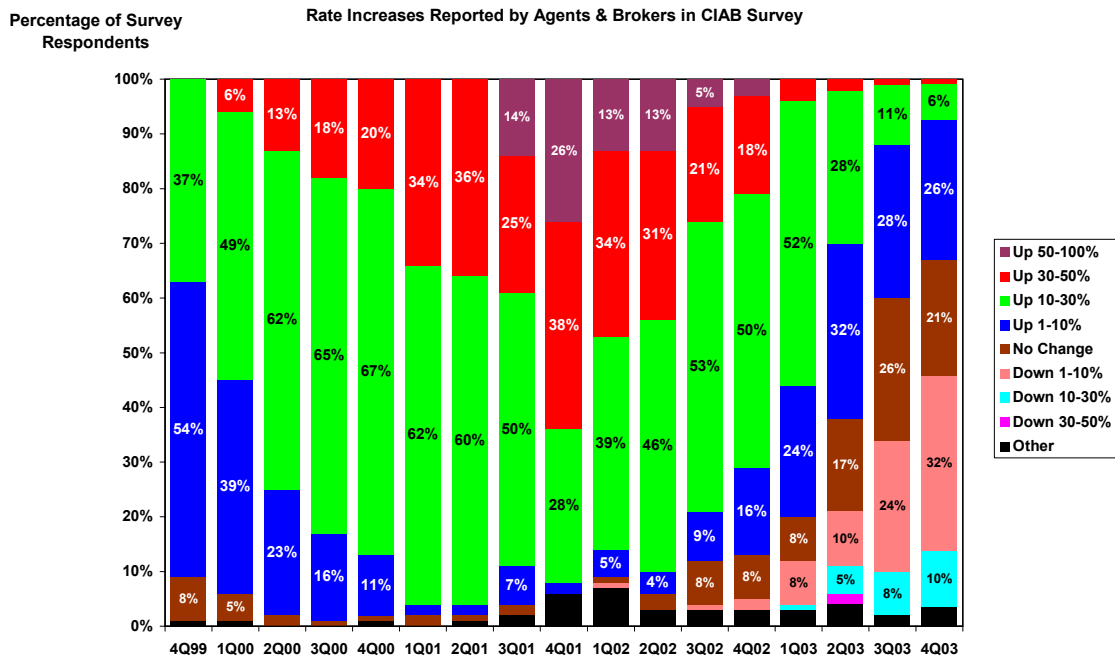
Source: Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research

Workers' Compensation Insurance Rate Changes



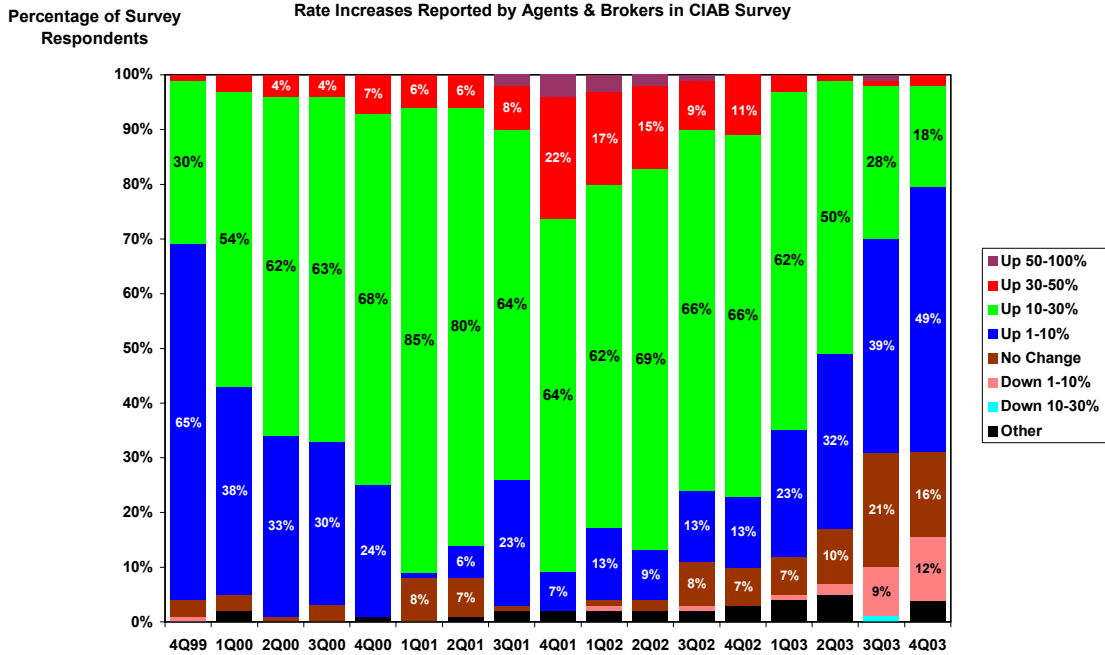
Source: Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research

Commerical Property Insurance Rate Changes



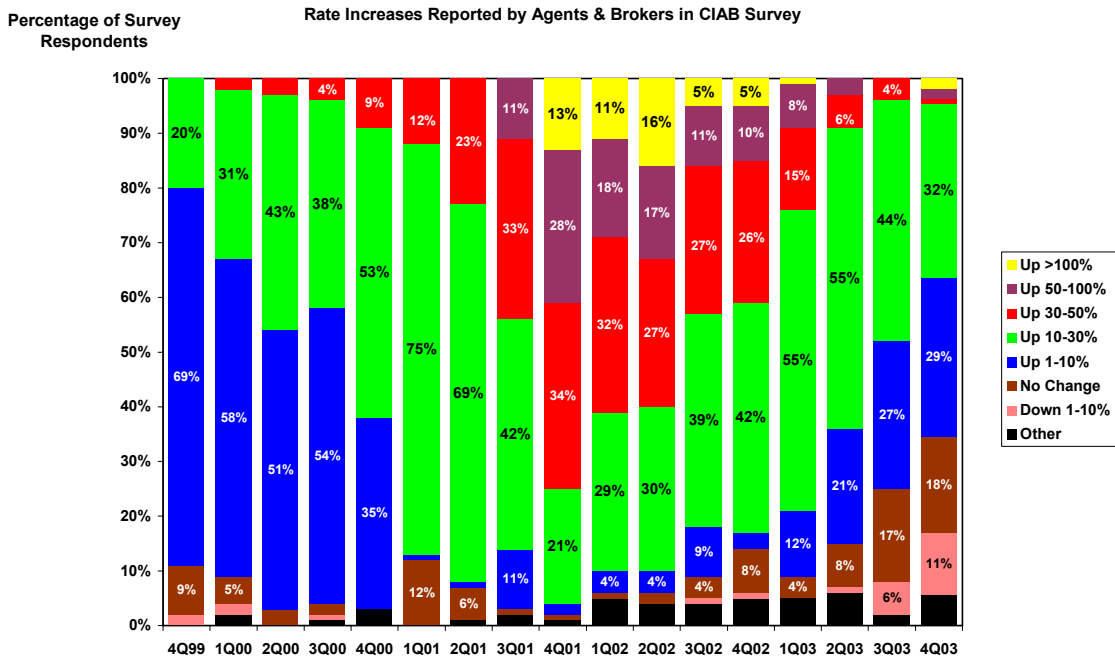
Source: Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research

Commercial General Liability Insurance Rate Changes



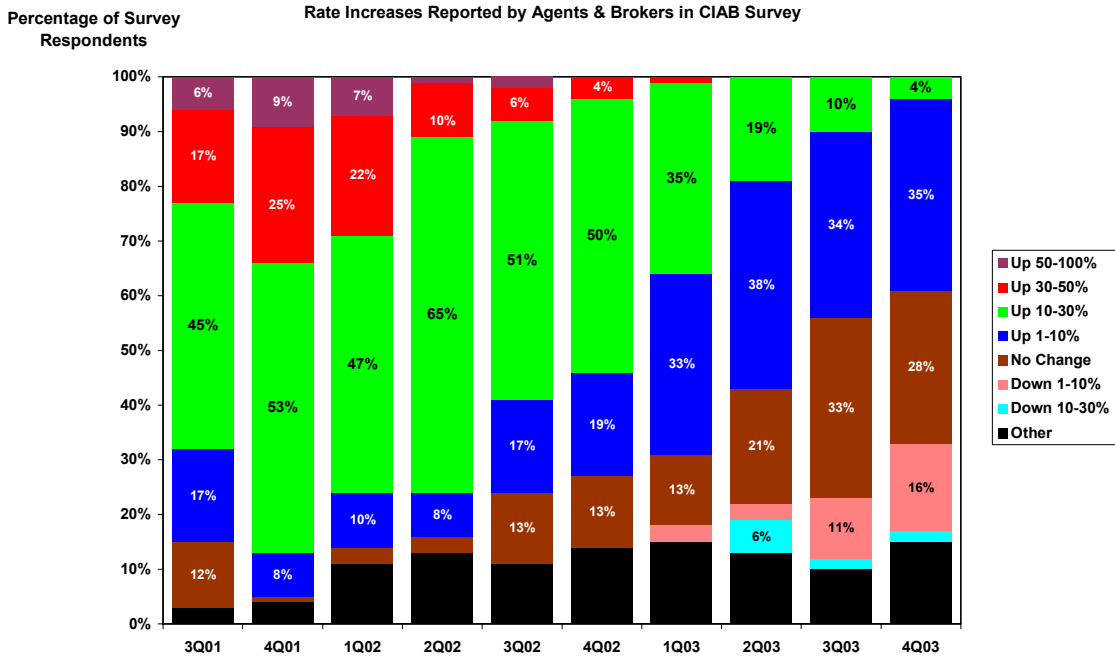
Source: Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research

Umbrella Insurance Rate Changes



Source: Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research

Business Interruption Insurance Rate Changes



Source: Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research

Indicated Overall Average 4Q03 Rate Increase Is 4.6%

	Small	Mid	Large	Avg
Peak	20.8%	31.7%	33.0%	28.5%
Date	4Q01	4Q01	4Q01	
Low	2.6%	4.0%	2.5%	3.0%
Date	4Q99	4Q99	4Q99	
4Q03	4.7%	5.4%	3.6%	4.6%
3Q03	4.3%	7.0%	4.3%	5.2%
2Q03	8.0%	9.3%	8.1%	8.5%
1Q03	12.2%	14.8%	15.1%	14.0%

Source: Council of Insurance Agents & Brokers. Table prepared by Lehman Brothers Equity Research