



THE
COUNCIL
OF INSURANCE
AGENTS &
BROKERS

NEWS RELEASE – Jan. 24, 2005

Contact: Barry Meiners
Director of Marketing & Communications
202-783-4400
barry.meiners@ciab.com

**FOURTH QUARTER SURVEY SHOWS SIGNIFICANT SOFTENING IN
COMMERCIAL P/C MARKET**

WASHINGTON – More than 80 percent of small and large commercial property/casualty accounts and 90 percent of medium accounts found their insurance premiums either stable or down by as much as 20 percent during the fourth quarter of 2004, according to survey data released today by The Council of Insurance Agents & Brokers.

The Council represents the top tier of commercial insurance brokers who write more than 80 percent of all commercial property/casualty premiums and administer billions of dollars of employee benefit accounts annually.

The Council's quarterly Commercial Market Index Survey showed a significant softening in pricing during the period between Oct. 1 and Dec. 31, 2004.

The survey showed that 30 percent of small accounts experienced no change in premium rates, while 42 percent had premiums down 1-10 percent, and 12 percent dropped 10-20 percent. The average small account premium declined by 4 percent.

Although 12 percent of medium accounts reported no change in premiums, the vast majority experienced a modest downtick. More than half of the medium accounts (53 percent) experienced declines in premiums of 1-10 percent, with 25 percent more down 10-20 percent. The average medium account premium declined by 7 percent.

Large accounts also were paying significantly less for their insurance coverage. Only 4 percent experienced no change in premium rates, but 44 percent of the large accounts were down 1-10 percent. An additional 34 percent were down 10-20 percent, and 6 percent were down 20-30 percent. The average large account premium was down by 10 percent during the fourth quarter.

The same trends in premiums were apparent in virtually all commercial lines, but commercial property premiums dropped the most. Broker errors and omissions policies,

commercial auto rates, workers' compensation and construction risks were the lines most likely to experience premium increases, although most hikes were modest, in the 1-10 percent range.

In answers to open-ended questions about market conditions, brokers said insurance companies are more aggressive in seeking out new business although they seem to be trying to hold-the-line on renewals. There were some reports of relaxed underwriting, but the trend was not widespread.

Meanwhile, several brokers from around the country signaled a potential problem looming for residential construction coverage. Brokers from all regions reported they are having difficulty finding insurance companies willing to write policies for residential construction risks.

“Carriers continue to retreat from residential construction exposures. This looks like a crisis in the making,” said one broker.

“Construction risks continue to be difficult if the account is a general contractor or larger residential contractor,” agreed a broker from the Northeast.

The problem relates to construction defects in neighborhood developments or high-rise condos where a number of residents can band together and bring a class-action suit against the contractor, the developer or both, one broker from the Southeast said.

“It’s been brewing for 8 to 10 years, but it has been of great concern for the last three years in our area,” he said. “I basically have one large general contractor left in my book of business, and he is being non-renewed this year.”

The average rate increases based on Council survey data were calculated by Lehman Brothers.

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 2004 Released: January 2005

Below are the survey results for: ALL REGIONS

NUMBER OF RESPONSES: 140

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

	1 Down 30 – 40%	2 Down 20 – 30%	3 Down 10 – 20%	4 Down 1-10%	5 No Change	6 Up 1 – 10%	7 Up 10 – 20%	8 Up 20 – 30%	9 Up 30 – 50%	10 Up 50- 100 %	N/A
Small (<\$25K Comm. & Fees)	0%	0%	12%	42%	30%	8%	1%	0%	0%	0%	7%
Medium (\$25K – \$100K)	0%	1%	25%	53%	12%	7%	1%	1%	0%	0%	1%
Large (>\$100K)	1%	6%	34%	44%	4%	4%	1%	1%	0%	0%	5%

	1 Down 30 – 40%	2 Down 20 – 30%	3 Down 10 – 20%	4 1-10%	5 No Change	6 Up 1 – 10%	7 Up 10 – 20%	8 Up 20 – 30 %	9 Up 30 – 50%	10 Up 50- 100%	N/A
Business Interruption	0%	1%	17%	35%	27%	4%	1%	0%	0%	0%	15%
Broker E & O	0%	1%	2%	4%	20%	18%	10%	3%	0%	0%	42%
Commercial Auto	0%	2%	9%	42%	28%	12%	3%	1%	0%	0%	2%
Commercial Property	0%	17%	27%	42%	6%	4%	2%	1%	0%	0%	1%
Construction Risks	0%	1%	8%	20%	32%	13%	6%	3%	0%	1%	16%
D & O	1%	1%	6%	28%	31%	10%	5%	1%	0%	0%	16%
Employment Practices	1%	0%	7%	27%	39%	8%	5%	2%	0%	0%	14%
General Liability	0%	2%	18%	50%	18%	7%	2%	1%	0%	0%	2%
Medical Malpractice	0%	0%	1%	5%	19%	6%	7%	5%	2%	0%	55%
Surety Bonds	0%	0%	1%	3%	38%	8%	2%	1%	0%	0%	47%
Terrorism	0%	1%	1%	14%	58%	5%	0%	1%	0%	0%	21%
Umbrella	0%	2%	13%	47%	24%	8%	3%	1%	0%	0%	1%
Workers' Compensation	1%	2%	9%	43%	22%	14%	4%	1%	0%	0%	4%

Commercial Property – Casualty Market Survey Fourth Quarter 2004 Released: January 2005

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 for the following accounts?
Please check N/A if you don't know or don't handle the type of account**

	1 Down 30 – 40%	2 Down 20 - 30%	3 Down 10 - 20%	4 Down 1-10%	5 No Change	6 Up 1 – 10%	7 Up 10 - 20%	8 Up 20 - 30%	9 Up 30 - 50%	10 Up 50- 100 %	N/A
Small (<\$25K Comm. & Fees)	0%	0%	9%	41%	35%	12%	0%	0%	0%	0%	3%
Medium (\$25K – \$100K)	0%	0%	32%	38%	12%	9%	0%	0%	0%	0%	9%
Large (>\$100K)	0%	12%	35%	24%	9%	6%	0%	0%	0%	0%	15%

**2. How much have premium rates changed over the last 3 months for the following lines? Please
check N/A if you don't know or don't handle the line.**

	1 Down 30 – 40%	2 Down 20 - 30%	3 Down 10 - 20%	4 Down 1-10%	5 No Change	6 Up 1 – 10%	7 Up 10 - 20%	8 Up 20 - 30%	9 Up 30 - 50%	10 Up 50- 100 %	N/A
Business Interruption	0%	3%	21%	29%	26%	3%	0%	0%	0%	0%	18%
Broker E & O	0%	0%	3%	3%	21%	24%	9%	0%	0%	0%	41%
Commercial Auto	0%	6%	9%	35%	26%	12%	6%	0%	0%	0%	6%
Commercial Property	0%	18%	24%	35%	9%	9%	3%	0%	0%	0%	3%
Construction Risks	0%	0%	6%	12%	26%	21%	9%	6%	0%	0%	21%
D & O	3%	3%	0%	29%	26%	9%	6%	6%	0%	0%	18%
Employment Practices	3%	0%	3%	24%	35%	9%	9%	0%	0%	0%	18%
General Liability	0%	6%	15%	26%	24%	15%	3%	3%	0%	0%	9%
Medical Malpractice	0%	0%	0%	3%	15%	6%	9%	6%	6%	0%	56%
Surety Bonds	0%	0%	0%	3%	35%	3%	3%	3%	0%	0%	53%
Terrorism	0%	0%	6%	6%	56%	6%	0%	3%	0%	0%	24%
Umbrella	0%	6%	6%	44%	21%	3%	9%	3%	0%	0%	9%
Worker's Compensation	0%	3%	3%	24%	21%	32%	3%	0%	0%	0%	15%

Commercial Property – Casualty Market Survey Fourth Quarter 2004 Released: January 2005

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 for the following accounts?
Please check N/A if you don't know or don't handle the type of account**

	1 Down 30 – 40%	2 Down 20 - 30%	3 Down 10 - 20%	4 Down 1-10%	5 No Change	6 Up 1 – 10%	7 Up 10 - 20%	8 Up 20 - 30%	9 Up 30 - 50%	10 Up 50- 100 %	N/A
Small (<\$25K Comm. & Fees)	0%	0%	18%	24%	32%	15%	3%	0%	0%	0%	9%
Medium (\$25K – \$100K)	0%	6%	15%	47%	12%	12%	3%	3%	0%	0%	3%
Large (>\$100K)	0%	6%	29%	47%	3%	9%	0%	3%	0%	0%	3%

**2. How much have premium rates changed over the last 3 months for the following lines? Please
check N/A if you don't know or don't handle the line.**

	1 Down 30 – 40%	2 Down 20 - 30%	3 Down 10 - 20%	4 Down 1-10%	5 No Change	6 Up 1 – 10%	7 Up 10 - 20%	8 Up 20 - 30%	9 Up 30 - 50%	10 Up 50- 100 %	N/A
Business Interruption	0%	0%	15%	21%	35%	12%	3%	0%	0%	0%	15%
Broker E & O	0%	0%	3%	0%	12%	15%	21%	6%	0%	0%	44%
Commercial Auto	0%	0%	12%	29%	26%	18%	3%	3%	0%	0%	9%
Commercial Property	0%	15%	18%	35%	6%	9%	6%	3%	0%	0%	9%
Construction Risks	0%	3%	12%	24%	21%	12%	9%	6%	0%	0%	15%
D & O	0%	3%	3%	24%	29%	12%	9%	0%	0%	0%	21%
Employment Practices	0%	0%	6%	6%	47%	9%	6%	3%	0%	0%	24%
General Liability	0%	0%	18%	29%	32%	9%	6%	0%	0%	0%	6%
Medical Malpractice	0%	0%	3%	3%	18%	6%	6%	6%	3%	0%	56%
Surety Bonds	0%	0%	0%	0%	35%	24%	3%	0%	0%	0%	38%
Terrorism	0%	0%	0%	12%	65%	3%	0%	0%	0%	0%	21%
Umbrella	0%	0%	6%	44%	29%	15%	0%	0%	0%	0%	6%
Worker's Compensation	0%	0%	0%	50%	26%	12%	6%	0%	0%	0%	6%

Commercial Property – Casualty Market Survey Fourth Quarter 2004 Released: January 2005

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

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

	1 Down 30 – 40%	2 Down 20 - 30%	3 Down 10 - 20%	4 Down 1-10%	5 No Change	6 Up 1 – 10%	7 Up 10 - 20%	8 Up 20 - 30%	9 Up 30 - 50%	10 Up 50- 100 %	N/A
Small (<\$25K Comm. & Fees)	0%	0%	7%	63%	19%	0%	0%	0%	0%	0%	11%
Medium (\$25K – \$100K)	0%	0%	22%	67%	11%	0%	0%	0%	0%	0%	0%
Large (>\$100K)	4%	4%	22%	59%	0%	0%	0%	0%	0%	0%	11%

**2. How much have premium rates changed over the last 3 months for the following lines? Please
check N/A if you don't know or don't handle the line.**

	1 Down 30 – 40%	2 Down 20 - 30%	3 Down 10 - 20%	4 Down 1-10%	5 No Change	6 Up 1 – 10%	7 Up 10 - 20%	8 Up 20 - 30%	9 Up 30 - 50%	10 Up 50- 100 %	N/A
Business Interruption	0%	4%	19%	48%	11%	4%	0%	0%	0%	0%	15%
Broker E & O	0%	0%	0%	0%	22%	22%	4%	4%	0%	0%	48%
Commercial Auto	0%	0%	11%	37%	41%	7%	0%	0%	0%	0%	4%
Commercial Property	0%	11%	22%	67%	0%	0%	0%	0%	0%	0%	0%
Construction Risks	0%	4%	7%	22%	33%	7%	4%	0%	0%	0%	22%
D & O	0%	0%	15%	22%	37%	4%	0%	0%	0%	0%	22%
Employment Practices	0%	0%	4%	26%	48%	4%	0%	0%	0%	0%	19%
General Liability	0%	0%	15%	78%	0%	4%	0%	0%	0%	0%	4%
Medical Malpractice	0%	0%	0%	11%	22%	7%	11%	0%	0%	0%	48%
Surety Bonds	0%	0%	0%	7%	44%	7%	0%	0%	0%	0%	41%
Terrorism	0%	0%	0%	30%	44%	4%	0%	0%	0%	0%	22%
Umbrella	0%	4%	26%	48%	15%	4%	0%	0%	0%	0%	4%
Worker's Compensation	4%	4%	4%	41%	30%	15%	0%	0%	0%	0%	4%

Commercial Property – Casualty Market Survey Fourth Quarter 2004 Released: January 2005

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 for the following accounts?
Please check N/A if you don't know or don't handle the type of account**

	1 Down 30 – 40%	2 Down 20 - 30%	3 Down 10 - 20%	4 Down 1-10%	5 No Change	6 Up 1 – 10%	7 Up 10 - 20%	8 Up 20 - 30%	9 Up 30 - 50%	10 Up 50- 100 %	N/A
Small (<\$25K Comm. & Fees)	0%	0%	7%	41%	37%	4%	0%	0%	0%	0%	11%
Medium (\$25K – \$100K)	0%	0%	19%	63%	19%	0%	0%	0%	0%	0%	0%
Large (>\$100K)	0%	0%	41%	48%	4%	4%	4%	0%	0%	0%	0%

**2. How much have premium rates changed over the last 3 months for the following lines? Please
check N/A if you don't know or don't handle the line.**

	1 Down 30 – 40%	2 Down 20 - 30%	3 Down 10 - 20%	4 Down 1-10%	5 No Change	6 Up 1 – 10%	7 Up 10 - 20%	8 Up 20 - 30%	9 Up 30 - 50%	10 Up 50- 100 %	N/A
Business Interruption	0%	0%	11%	37%	22%	4%	0%	0%	0%	0%	26%
Broker E & O	0%	0%	4%	15%	11%	11%	0%	0%	0%	0%	59%
Commercial Auto	0%	0%	4%	59%	22%	7%	4%	0%	0%	0%	4%
Commercial Property	0%	15%	41%	33%	7%	4%	0%	0%	0%	0%	0%
Construction Risks	0%	0%	7%	19%	41%	7%	0%	0%	0%	4%	22%
D & O	0%	0%	11%	30%	22%	4%	4%	4%	0%	0%	26%
Employment Practices	0%	0%	11%	37%	19%	7%	0%	4%	0%	0%	22%
General Liability	0%	4%	15%	59%	15%	0%	0%	4%	0%	0%	4%
Medical Malpractice	0%	0%	0%	4%	11%	0%	0%	7%	0%	0%	78%
Surety Bonds	0%	0%	4%	0%	22%	0%	0%	0%	0%	0%	74%
Terrorism	0%	0%	0%	4%	52%	4%	0%	0%	0%	0%	41%
Umbrella	0%	0%	11%	44%	30%	7%	4%	4%	0%	0%	0%
Worker's Compensation	0%	4%	26%	41%	7%	4%	7%	4%	0%	0%	7%

Commercial Property – Casualty Market Survey Fourth Quarter 2004 Released: January 2005

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

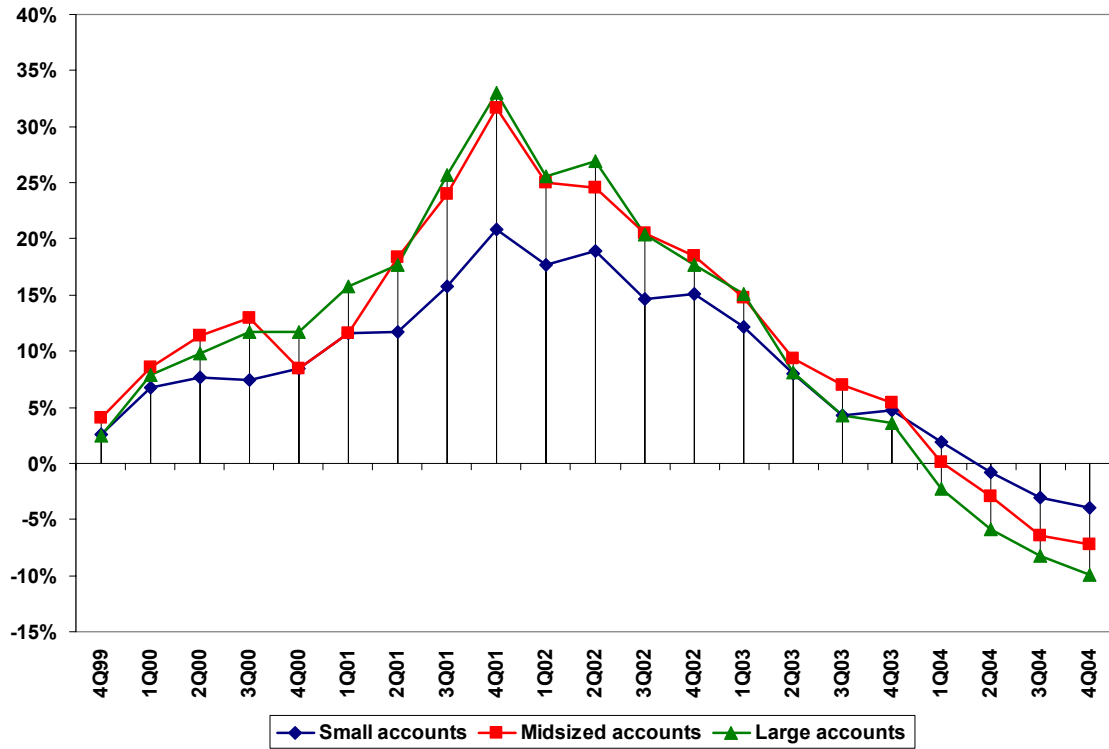
**1. On average, how have premium rates changed over the last 3 months for the following accounts?
Please check N/A if you don't know or don't handle the type of account**

	1 Down 30 – 40%	2 Down 20 - 30%	3 Down 10 - 20%	4 Down 1-10%	5 No Change	6 Up 1 – 10%	7 Up 10 - 20%	8 Up 20 - 30%	9 Up 30 - 50%	10 Up 50- 100 %	N/A
Small (<\$25K Comm. & Fees)	0%	0%	22%	33%	39%	0%	0%	0%	0%	0%	6%
Medium (\$25K – \$100K)	0%	0%	39%	44%	11%	6%	0%	0%	0%	0%	0%
Large (>\$100K)	0%	6%	50%	33%	6%	0%	0%	0%	0%	0%	6%

**2. How much have premium rates changed over the last 3 months for the following lines? Please
check N/A if you don't know or don't handle the line.**

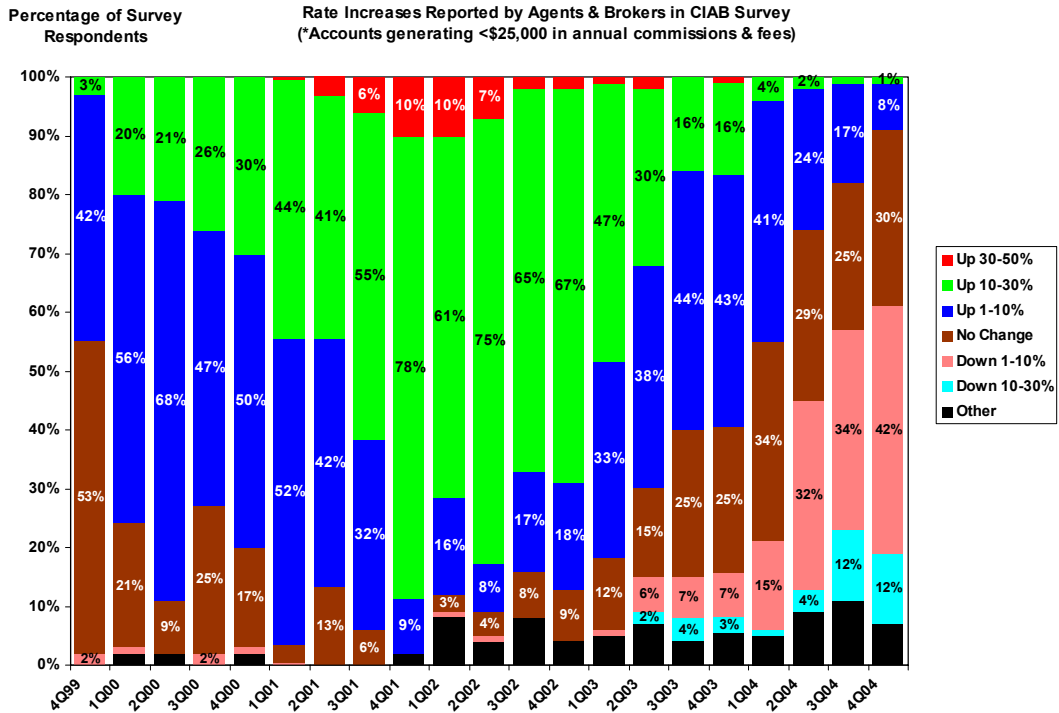
	1 Down 30 – 40%	2 Down 20 - 30%	3 Down 10 - 20%	4 Down 1-10%	5 No Change	6 Up 1 – 10%	7 Up 10 - 20%	8 Up 20 - 30%	9 Up 30 - 50%	10 Up 50- 100 %	N/A
Business Interruption	0%	0%	22%	33%	39%	0%	0%	0%	0%	0%	6%
Broker E & O	0%	0%	0%	17%	28%	17%	17%	6%	0%	0%	17%
Commercial Auto	0%	6%	11%	44%	28%	11%	0%	0%	0%	0%	0%
Commercial Property	0%	22%	33%	39%	6%	0%	0%	0%	0%	0%	0%
Construction Risks	0%	0%	11%	22%	44%	11%	6%	0%	0%	0%	6%
D & O	0%	0%	6%	33%	28%	22%	0%	0%	0%	0%	11%
Employment Practices	0%	0%	11%	33%	33%	11%	6%	0%	0%	0%	6%
General Liability	0%	0%	28%	67%	6%	0%	0%	0%	0%	0%	0%
Medical Malpractice	0%	0%	0%	6%	22%	11%	6%	0%	0%	0%	56%
Surety Bonds	0%	0%	0%	6%	44%	0%	0%	0%	0%	0%	50%
Terrorism	0%	0%	22%	50%	6%	0%	0%	0%	0%	0%	22%
Umbrella	0%	0%	22%	44%	17%	11%	0%	0%	0%	0%	6%
Worker's Compensation	0%	0%	17%	61%	22%	0%	0%	0%	0%	0%	0%

Average Commercial Premium Rate Changes by Account Size



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

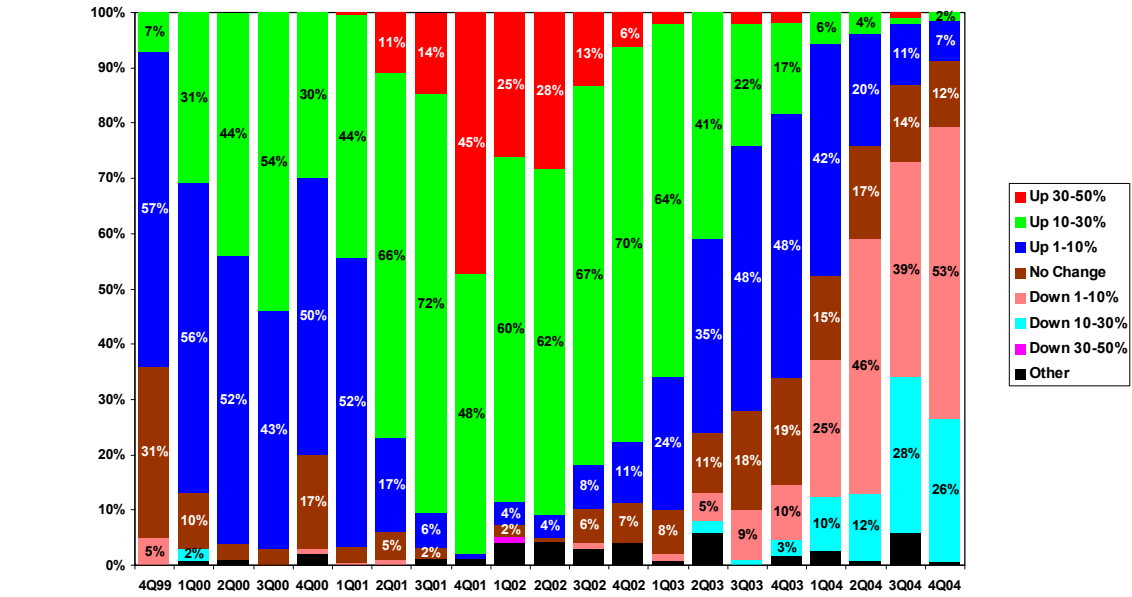
Insurance Rate Changes, Small Commercial Accounts*



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

Insurance Rate Changes, Medium Commercial Accounts*

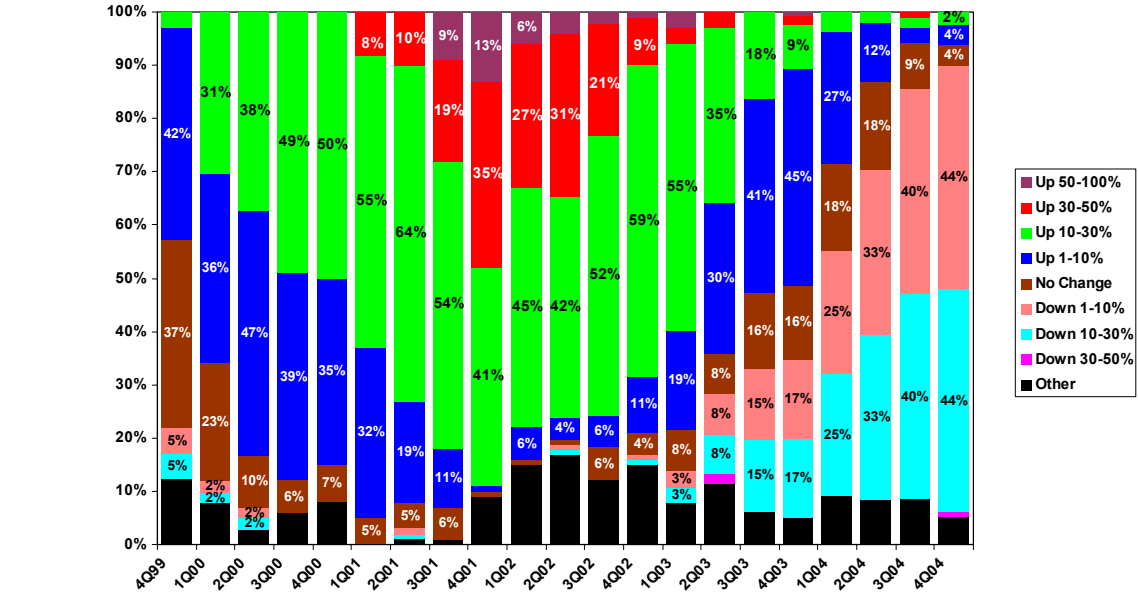
Rate Increases Reported by Agents & Brokers in CIAB Survey
 (*Accounts generating \$25,000-\$100,000 in annual commissions & fees)



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

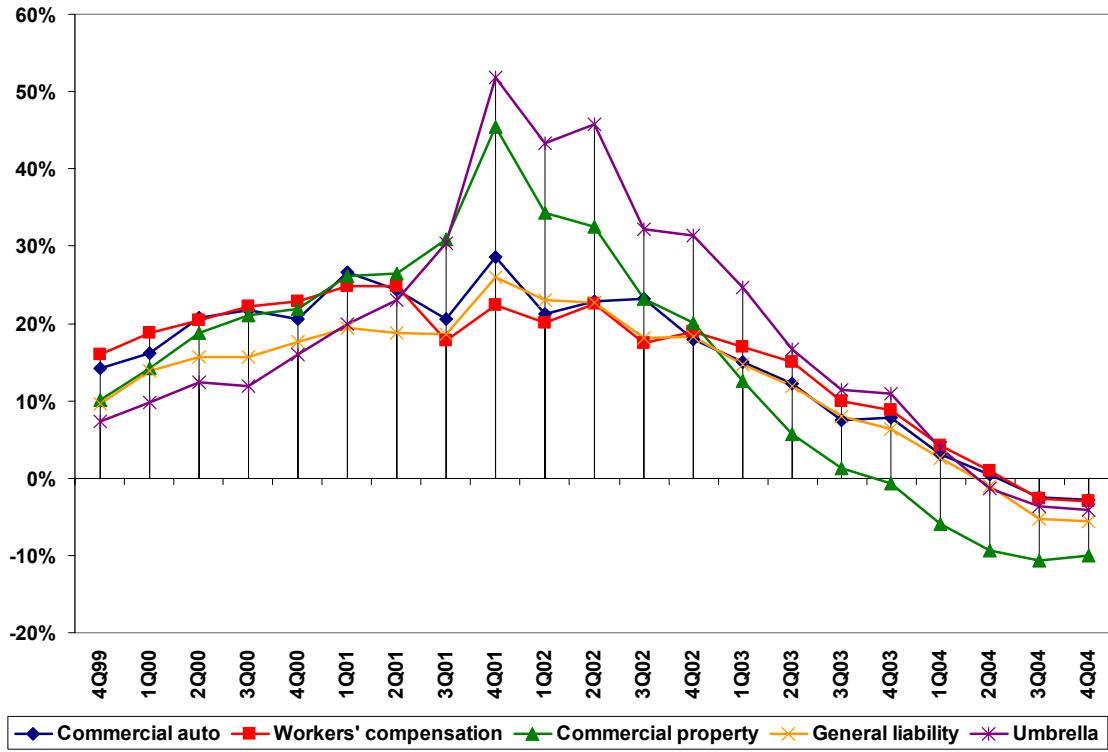
Insurance Rate Changes, Large Commercial Accounts*

Rate Increases Reported by Agents & Brokers in CIAB Survey
 (*Accounts generating >\$100,000 in annual commissions & fees)



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

Average Premium Rate Changes by Line

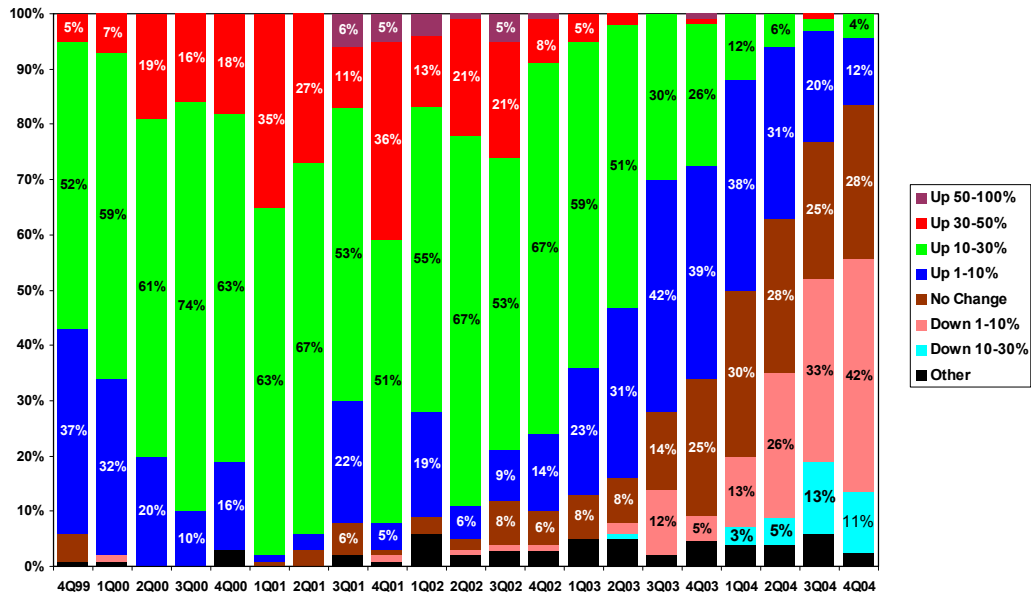


Source: The Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research

Commercial Auto Insurance Rate Changes

Rate Increases Reported by Agents & Brokers in CIAB Survey

Percentage of Survey Respondents

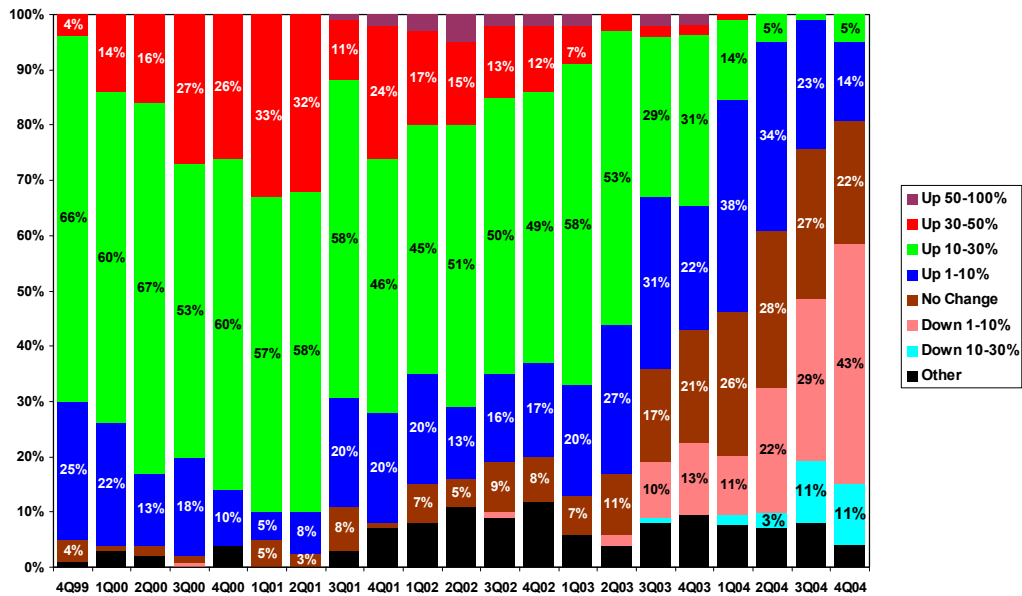


Source: The Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research

Workers' Compensation Insurance Rate Changes

Rate Increases Reported by Agents & Brokers in CIAB Survey

Percentage of Survey Respondents

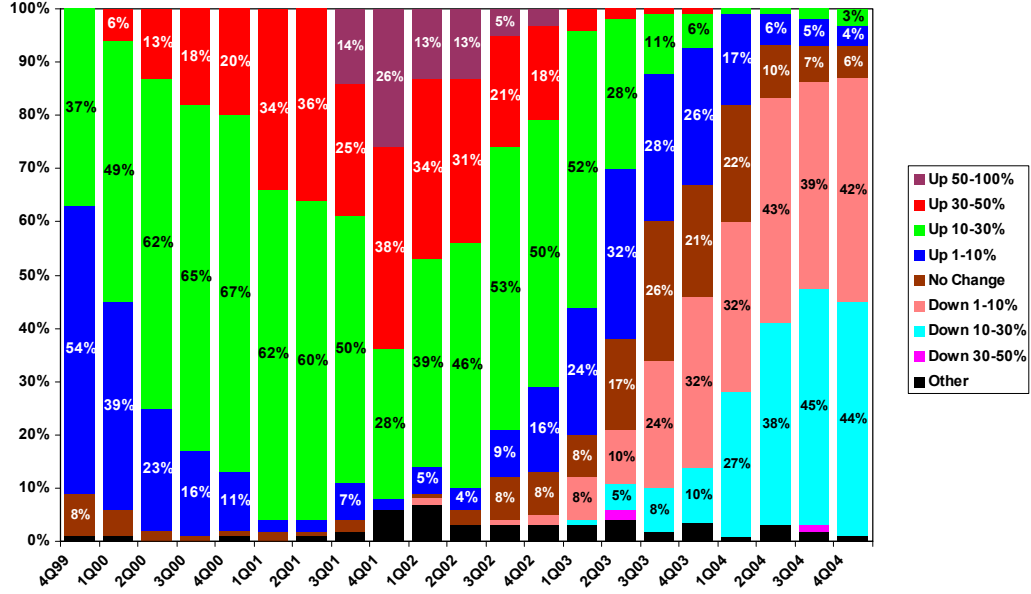


Source: The Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research

Commercial Property Insurance Rate Changes

Rate Increases Reported by Agents & Brokers in CIAB Survey

Percentage of Survey Respondents

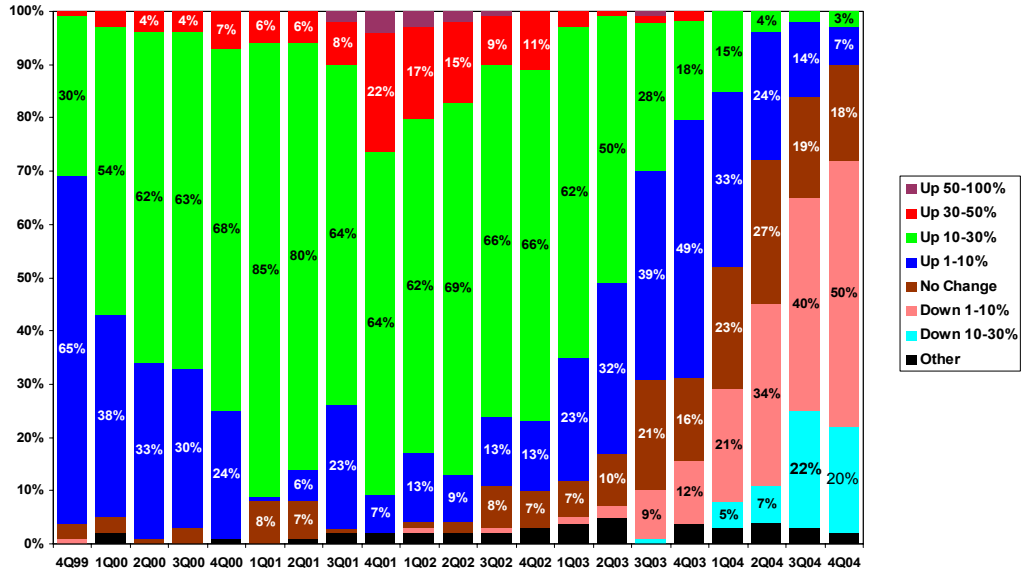


Source: The Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research

Commercial General Liability Insurance Rate Changes

Rate Increases Reported by Agents & Brokers in CIAB Survey

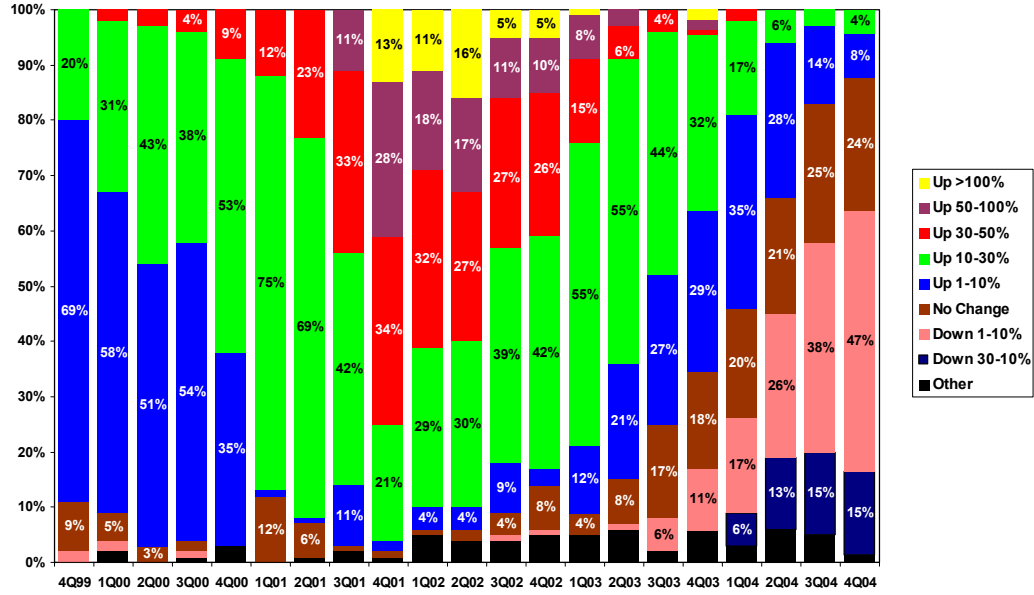
Percentage of Survey Respondents



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

Umbrella Insurance Rate Changes

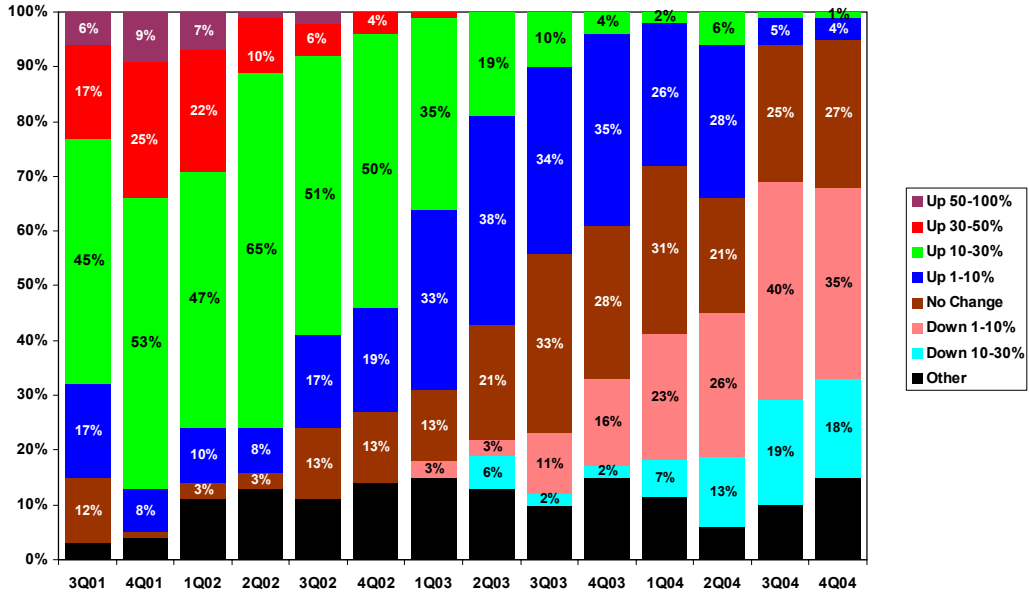
Rate Increases Reported by Agents & Brokers in CIAB Survey
Percentage of Survey Respondents



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

Business Interruption Insurance Rate Changes

Rate Increases Reported by Agents & Brokers in CIAB Survey
Percentage of Survey Respondents



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

Average Rate Declined 7.0% in 4Q04				
	Small	Mid	Large	Avg
4Q04	-3.9%	-7.2%	-9.9%	-7.0%
3Q04	-3.1%	-6.4%	-8.3%	-5.9%
2Q04	-0.8%	-2.9%	-5.9%	-3.2%
1Q04	1.9%	0.1%	-2.3%	-0.1%
4Q03	4.7%	5.4%	3.6%	4.6%
High (4Q01)	20.8%	31.7%	33.0%	28.5%
Low (4Q04)	-3.9%	-7.2%	-9.9%	-7.0%

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

By-Line 4Q04 Rate Changes Ranged From -10.1% to -2.8%						
	Comm'l Auto	Workers' Comp	Comm'l Property	Gen'l Liability	Umbrella	Average
4Q04	-2.8%	-3.1%	-10.1%	-5.6%	-4.1%	-5.1%
3Q04	-2.5%	-2.7%	-10.7%	-5.3%	-3.6%	-5.0%
2Q04	0.5%	1.0%	-9.3%	-1.1%	-1.3%	-2.1%
1Q04	3.1%	4.3%	-6.0%	2.6%	3.9%	1.6%
4Q04	7.9%	8.8%	-0.7%	6.3%	10.9%	6.6%
High	28.6%	24.9%	45.4%	26.0%	51.9%	35.3%
Low	-2.8%	-3.1%	-10.7%	-5.6%	-4.1%	-5.2%

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

4Q04 Rate Changes in Other Lines			
	4Q04	High	Low
Business interruption	-5.0%	28.8%	-5.4%
Construction	0.4%	38.7%	0.4%
D&O liability	-1.4%	32.4%	-3.7%
Employment practices	-1.2%	21.9%	-2.7%
Medical malpractice	3.1%	32.5%	3.1%
Surety bonds	0.7%	11.2%	0.7%

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