



THE **COUNCIL**
of Insurance Agents + Brokers

Contact:
Barry Meiners
Director of Marketing +
Communications,
202-783-4400
bmeiners@ciab.com

Press Release: October 24, 2001

Commercial Insurance Market Index – Third Quarter Data Released

September 11 Impact Appears in Commercial Insurance Rate Hikes

Washington, DC -- According to the third quarter Commercial Insurance Market Index released today -- reflecting market observations of the largest commercial insurance brokers across the nation -- commercial insurance premium rates increased last quarter for all account sizes and across all property/casualty lines. In addition, the Index may show some of the first hard national evidence of market fallout from the September 11 attack.

Ken Crerar, The Council's president said, "The September 11 terrorist attack on the World Trade Center adds fuel to the harder market trends we have observed for over a year now. I believe our members are reporting a significant trend in the marketplace."

The Index, a service of The Council, shows the majority of third quarter increases are in the 10-30 percent harder market range. However, a number of third quarter Index respondents reported increases between 30-50 percent -- and, a significant few saw even higher price increases in property, umbrella, and business interruption coverage. Some respondents observed renewal increases of 100 percent or more.

The Index showed no third-quarter decrease in *any* of eight commercial insurance lines: auto, workers' compensation, property, general liability, umbrella, reinsurance, business interruption and aviation. Past reports have shown some slight softness in some regions for workers' compensation.

To capture the impact of the September 11 events, we asked members some open-ended questions about specific problems they were encountering in the market. "The comments are revealing", Crerar said. "There is some confusion in the market, while insurers evaluate the recent event's impact on their capacity and appetite for underwriting."

A majority of brokers reported serious problems in the property market and with umbrella coverage since the September 11 attack. As one broker said: "September 11 made things go wild. Property went crazy, especially for large values or where reinsurance is involved. We have also seen larger increases in other lines, particularly workers' compensation, umbrella and large casualty accounts."

Perhaps most significant is that problems brokers identified are not limited to a few lines. Capacity is an issue for a range of coverages, including: property (particularly habitational); aviation and airports; contractors; all types of

trucking; reinsurance; nursing homes and catastrophe. While capacity was already shrinking for some of these lines, today's market is making it even more difficult to place most commercial insurance.

While some respondents said increased reinsurance capacity and rates were affecting renewals, "the full impact of reinsurance increases on the primary market will not be fully felt until reinsurance treaties are renegotiated -- beginning in January 2002." said Crerar.

In the group medical market, rates for small, medium and large accounts also rose, with the largest increases reported in the 10-30 percent range – which is not a significant change from previous quarters. However, a few brokers reported group rates spiking as much as 30-50 percent with fewer markets available. The increase will be watched in future quarters.

The Index is compiled from a survey of the largest and most successful commercial insurance agents and brokers from across the country, all members of The Council of Insurance Agents + Brokers. The Index has tracked premium rates since the last quarter of 1999, when a hardening of the commercial insurance market first began to surface. The Commercial Insurance Market Index is generally considered the best and most reliable measure of current market conditions and a good indicator of future pricing trends.

Through the Index, The Council documents trends in property/casualty premium rates throughout the U.S. and by region. The third quarter 2001 survey, covering the period from July 1 – October 1, 2001, was sent to 250 Council member firms throughout the U.S. Third quarter results are based on 108 responses from all regions.

Since 1913, **The Council of Insurance Agents + Brokers** has provided industry leadership while representing the largest, most productive and most profitable commercial insurance agencies and brokerage firms in the U.S., and around the globe. Council members in over 3,000 locations, place nearly 80 percent — well over \$90 billion — of the U.S. commercial property/casualty premiums. In addition, Council members specialize in a wide range of insurance products and risk management services for business, industry, government and the public. Council members, who operate nationally and internationally, also administer billions of dollars in employee benefits. Web site: www.ciab.com.



Total Responses: 110
All Regions

1. How has the market (pricing and underwriting) changed over the LAST THREE MONTHS (July 1 - October 1) for the following account categories? *

	Down 1 – 10%	Up 1 – 10%	Up 10 – 30%	Up 30 – 50%	Up > 50%	No Change
Small (<\$25K Comm & Fees)	0%	32%	55%	6%	1%	6%
Medium (\$25K – \$100K)	0%	6%	72%	14%	5%	2%
Large (>\$100K)	0%	11%	54%	19%	9%	6%

* Columns may not total 100% indicating that some respondents did not answer all the questions

2. How has the market (pricing and underwriting) changed over the LAST THREE MONTHS (July 1 - October 1) in the following lines of business for medium and large accounts?*

	Decrease 1 – 10%	Increase 1 – 10%	Increase 10 – 30%	Increase 30 – 50%	Increase > 50%	No Change
Auto	0%	22%	53%	11%	6%	6%
Workers' Compensation	0	20%	58%	11%	1%	8%
Property	0%	7%	50%	25%	14%	2%
General Liability	0%	23%	64%	8%	2%	1%
Umbrella	0%	11%	42%	33%	11%	1%
Reinsurance	0%	0%	14%	20%	6%	44%**
Business Interruption	0%	17%	45%	17%	6%	12%
Aviation	0%	5%	8%	14%	11%	50%**

* Columns may not total 100% indicating that some respondents did not answer all the questions

** The open-ended comments to this survey suggest looming problems for the reinsurance and aviation markets characterized by rising prices and the tightening of capacity. This response may indicate that the market did not fully reflect the changes at October 1 renewals, or the question was not applicable to the firm. We expect to see the full market impact on reinsurance when treaties are renewed beginning in January.

3. How has GROUP MEDICAL pricing changed over the LAST THREE MONTHS (July 1 - October 1) for the following account categories?*

	Down 1 – 10%	Up 1 – 10%	Up 10 – 30%	Up 30 – 50%	Up > 50%	No Change
Small (<\$25K Comm & Fees)	0%	11%	54%	6%	1%	28%
Medium (\$25K – \$100K)	0%	9%	51%	10%	0%	29%
Large (>\$100K)	0%	14%	44%	7%	0%	30%

* Columns may not total 100% indicating that some respondents did not answer all the questions

© Copyright 2001, Council of Insurance Agents + Brokers. Do not reproduce without permission.



Third Quarter 2001
Property / Casualty Market Survey
Reflects Data from July 1 - October 1, 2001

Northeast (CT,DE,DC,MA,ME,MD,NH,NJ,NY,PA,RI)

1. How has the market (pricing and underwriting) changed over the LAST THREE MONTHS (July 1 – October 1) for the following account categories?

Please select N/A if there has been no rate change.

	Down 1 – 10%	Up 1 – 10%	Up 10 – 30%	Up 30 – 50%	Up > 50%	No Change
Small (<\$25K Comm & Fees)	0%	28%	64%	4%	0%	4%
Medium (\$25K – \$100K)	0%	0%	75%	21%	0%	4%
Large (>\$100K)	0%	0%	61%	28%	0%	11%

2. How has the market (pricing and underwriting) changed over the LAST THREE MONTHS (July 1 – October 1) in the following lines of business for medium and large accounts? Please select N/A if there has been no rate change.

	Decrease 1 – 10%	Increase 1 – 10%	Increase 10 – 30%	Increase 30 – 50%	Increase > 50	No Change
Auto	0%	11%	50%	14%	11%	14%
Workers' Compensation	4%	21%	57%	11%	0%	7%
Property	0%	11%	39%	29%	14%	7%
General Liability	0%	18%	64%	14%	0%	4%
Umbrella	0%	11%	39%	39%	7%	4%
Reinsurance	0%	0%	11%	11%	7%	71%
Business Interruption	0%	7%	36%	25%	7%	25%
Aviation	0%	0%	7%	11%	4%	78%

3. How has GROUP MEDICAL pricing changed over the LAST THREE MONTHS (July 1 – October 1) for the following account categories?

Please select N/A if there has been no rate change.

	Down 1 – 10%	Up 1 – 10%	Up 10 – 30%	Up 30 – 50%	Up > 50%	No Change
Small (<\$25K Comm & Fees)	0%	11%	43%	3%	0%	43%
Medium (\$25K – \$100K)	0%	7%	39%	11%	0%	43%
Large (>\$100K)	0%	14%	36%	7%	0%	43%



Southeast (AL,FL,GA,KY,LA,MS,NC,SC,TN,VA,WV)

1. How has the market (pricing and underwriting) changed over the LAST THREE MONTHS (July 1 – October 1) for the following account categories?

Please select N/A if there has been no rate change.

	Down > 10%	Down 1 – 10%	No Change	Up 1 – 10%	Up 10 – 30%	Up > 30%
Small (<\$25K Comm & Fees)	0%	42%	40%	7%	0%	11%
Medium (\$25K – \$100K)	0%	11%	64%	7%	7%	11%
Large (>\$100K)	0%	21%	40%	14%	21%	4%

2. How has the market (pricing and underwriting) changed over the LAST THREE MONTHS (July 1 – October 1) in the following lines of business for medium and large accounts? Please select N/A if there has been no rate change.

	Decrease 1 – 10%	Increase 1 – 10%	Increase 10 – 30%	Increase 30 – 50%	Increase > 50	No Change
Auto	0%	21%	57%	11%	7%	4%
Workers' Compensation	4%	32%	42%	4%	4%	14%
Property	0%	10%	39%	29%	18%	4%
General Liability	0%	28%	57%	7%	4%	4%
Umbrella	0%	10%	43%	18%	25%	4%
Reinsurance	0%	3%	7%	25%	4%	61%
Business Interruption	0%	21%	36%	18%	7%	18%
Aviation	0%	11%	7%	14%	11%	57%

3. How has GROUP MEDICAL pricing changed over the LAST THREE MONTHS (July 1 – October 1) for the following account categories?

Please select N/A if there has been no rate change.

	Down 1 – 10%	Up 1 – 10%	Up 10 – 30%	Up 30 – 50%	Up > 50%	No Change
Small (<\$25K Comm & Fees)	0%	11%	61%	3%	0%	25%
Medium (\$25K – \$100K)	0%	7%	57%	7%	0%	29%
Large (>\$100K)	0%	18%	46%	4%	0%	32%



Southwest (Southern CA, AZ, NM, OK, TX)

1. How has the market (pricing and underwriting) changed over the LAST THREE MONTHS (July 1 – October 1) for the following account categories?

Please select N/A if there has been no rate change.

	Down 1 – 10%	Up 1 – 10%	Up 10 – 30%	Up 30 – 50%	Up > 50%	No Change
Small (<\$25K Comm & Fees)	0%	18%	58%	12%	6%	6%
Medium (\$25K – \$100K)	0%	0%	71%	12%	17%	0%
Large (>\$100K)	0%	6%	47%	11%	24%	12%

2. How has the market (pricing and underwriting) changed over the LAST THREE MONTHS (July 1 – October 1) in the following lines of business for medium and large accounts? Please select N/A if there has been no rate change.

	Decrease 1 – 10%	Increase 1 – 10%	Increase 10 – 30%	Increase 30 – 50%	Increase > 50	No Change
Auto	0%	21%	50%	21%	0%	8%
Workers' Compensation	0%	5%	59%	30%	0%	6%
Property	0%	6%	53%	18%	23%	0%
General Liability	0%	17%	65%	6%	6%	6%
Umbrella	0%	18%	35%	30%	11%	6%
Reinsurance	0%	0%	29%	18%	18%	35%
Business Interruption	0%	19%	48%	11%	11%	11%
Aviation	0%	6%	6%	11%	18%	59%

3. How has GROUP MEDICAL pricing changed over the LAST THREE MONTHS (July 1 – October 1) for the following account categories? Please select N/A if there has been no rate change.

	Down 1 – 10%	Up 1 – 10%	Up 10 – 30%	Up 30 – 50%	Up > 50%	No Change
Small (<\$25K Comm & Fees)	0%	12%	53%	6%	6%	23%
Medium (\$25K – \$100K)	0%	11%	47%	18%	0%	24%
Large (>\$100K)	0%	6%	47%	12%	0%	35%



Midwest (AR,IL,IN,IA,KS,MI,MO,MN,NE,ND,OH,SD,WI)

- 1. How has the market (pricing and underwriting) changed over the LAST THREE MONTHS (July 1 – October 1) for the following account categories? Please select N/A if there has been no rate change.**

	Down 1 – 10%	Up 1 – 10%	Up 10 – 30%	Up 30 – 50%	Up > 50%	No Change
Small (<\$25K Comm & Fees)	0%	29%	63%	4%	0%	4%
Medium (\$25K – \$100K)	0%	8%	79%	13%	0%	0%
Large (>\$100K)	0%	17%	54%	29%	0%	0%

- 2. How has the market (pricing and underwriting) changed over the LAST THREE MONTHS (July 1 – October 1) in the following lines of business for medium and large accounts? Please select N/A if there has been no rate change.**

	Decrease 1 – 10%	Increase 1 – 10%	Increase 10 – 30%	Increase 30 – 50%	Increase > 50	No Change
Auto	0%	21%	50%	21%	0%	8%
Workers' Compensation	0%	17%	67%	8%	0%	8%
Property	0%	0%	69%	22%	9%	0%
General Liability	0%	25%	71%	4%	0%	0%
Umbrella	0%	12%	38%	46%	4%	0%
Reinsurance	0%	8%	13%	25%	4%	50%
Business Interruption	0%	21%	50%	17%	0%	12%
Aviation	0%	4%	8%	16%	12%	60%

- 3. How has GROUP MEDICAL pricing changed over the LAST THREE MONTHS (July 1 – October 1) for the following account categories? Please select N/A if there has been no rate change.**

	Down 1 – 10%	Up 1 – 10%	Up 10 – 30%	Up 30 – 50%	Up > 50%	No Change
Small (<\$25K Comm & Fees)	0%	8%	38%	12%	0%	42%
Medium (\$25K – \$100K)	0%	12%	38%	8%	0%	42%
Large (>\$100K)	0%	13%	37%	8%	0%	42%



Reflects Data from July 1 - October 1, 2001

Pacific NW (Northern CA, AK, CO, HI, ID, MT, NV, OR, UT, WA, WY)

1. How has the market (pricing and underwriting) changed over the LAST THREE MONTHS (July 1 – October 1) for the following account categories?

Please select N/A if there has been no rate change.

	Down > 10%	Down 1 – 10%	Up 1 – 10%	Up 10 – 30%	Up > 30%	No Change
Small (<\$25K Comm & Fees)	0%	33%	56%	11%	0%	0%
Medium (\$25K – \$100K)	0%	0%	69%	12%	0%	19%
Large (>\$100K)	0%	0%	63%	0%	12%	25%

2. How has the market (pricing and underwriting) changed over the LAST THREE MONTHS (July 1 – October 1) in the following lines of business for medium and large accounts? Please select N/A if there has been no rate change.

	Decrease 1 – 10%	Increase 1 – 10%	Increase 10 – 30%	Increase 30 – 50%	Increase > 50	No Change
Auto	0%	44%	56%	0%	0%	0%
Workers' Compensation	0%	11%	67%	11%	0%	11%
Property	0%	11%	56%	33%	0%	0%
General Liability	0%	22%	67%	11%	0%	0%
Umbrella	0%	0%	67%	33%	0%	0%
Reinsurance	0%	11%	0%	22%	0%	67%
Business Interruption	0%	22%	67%	0%	0%	11%
Aviation	0%	0%	11%	11%	22%	56%

3. How has GROUP MEDICAL pricing changed over the LAST THREE MONTHS (July 1 – October 1) for the following account categories?

Please select N/A if there has been no rate change.

	Down 1 – 10%	Up 1 – 10%	Up 10 – 30%	Up 30 – 50%	Up > 50%	No Change
Small (<\$25K Comm & Fees)	0%	11%	33%	0%	0%	56%
Medium (\$25K – \$100K)	0%	0%	33%	0%	0%	67%
Large (>\$100K)	0%	0%	22%	0%	0%	78%