



THE  
COUNCIL  
OF INSURANCE  
AGENTS &  
BROKERS

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## **NEWS RELEASE**

**January 22, 2003**

### **Fourth Quarter 2002 CIAB Market Survey: Premiums Still on the Rise**

WASHINGTON – More than two-thirds of the small and medium-sized commercial property/casualty accounts and 59 percent of the large accounts experienced premium increases between 10 and 30 percent during the last three months of 2002, according to a survey of the nation's leading insurance brokers.

The fourth quarter 2002 commercial market index released today by The Council of Insurance Agents & Brokers shows that the commercial property/casualty insurance premiums, although moderating somewhat compared with earlier survey results, were continuing to march upward. The survey is based on responses from Council members, the nation's largest insurance brokers who annually write \$8 of every \$10 in premiums for commercial insurance sold in the United States.

Forty-nine percent of the small accounts have experienced rate increases of 10-20 percent in the last three months, while an additional 18 percent had premium increases of 20-30 percent. For medium accounts, 38 percent reported premium rates were up 10-20 percent, and 32 percent increased 20-30 percent. Thirty percent of the large accounts had premium hikes of 10-20 percent, and 29 percent saw premiums increase 20-30 percent in the fourth quarter of 2002.

An additional 18 percent of small accounts and 11 percent of both medium and large accounts experienced premium increases of 10 percent or less.

Only 9 percent of small accounts, 7 percent of medium-sized accounts and 4 percent of the large accounts reported that their premiums did not change in the three months since Oct. 1, 2002, the survey showed.

The premium increases were reflected across all lines of commercial insurance, although even larger increases – in the 30-50 percent range – were more common for commercial property (18 percent of the accounts); construction risks (23 percent); directors and officers coverage (18 percent); and umbrella policies (26 percent).

“We are well into our second year of hard-market conditions, and a substantial part of the commercial market continues to watch premiums increase across the board. There is little indication that the market is softening in

any significant way for any line of business or for any size of account,” said Ken A. Crerar, president of The Council.

The brokers said buyers are still relying on higher deductibles, self-insurance or going without insurance as a defense against high rates. Brokers also said they are struggling with eleventh-hour quotes from many carriers, which make comparative shopping difficult.

Another sign that hard pricing is continuing is the ongoing flow of business into the alternative markets. Nearly three-fourths (74 percent) of the survey respondents said they are using more alternative markets than they were three months ago, with the vast majority of that business going to surplus lines.

Ninety-six percent of the respondents said they were using surplus lines to place insurance that the primary carriers won't write. The surplus lines market is generally considered the market of last resort. Captives also are being used by 24 percent of the brokers, and 19 percent said they were using risk retention groups.

“Clearly, there is a move to alternative markets for both pricing and term issues,” Crerar said. “Such a large migration to surplus lines means there is a great deal of business that is not being written by primary insurers.”

In response to the open-ended questions on market trends, one broker from the Midwest observed: “Carriers have little initiative to write anything. If the risk is perfect and really needs no insurance, they'll quote it.”

“Most standard carriers have greatly reduced the number of business classes they will write,” agreed a broker from the Southeast. “Many carriers are now more interested in writing mono-line (the cream only) rather than the entire account. Much tighter underwriting for new business and re-underwriting renewals.”

Another emerging trend is the general concern over the industry's financial health. Ninety-seven percent of those responding to the survey said they were more concerned about carrier insolvency today than a year ago.

The survey also indicates uncertainty in the terrorism insurance market, despite passage of a new law providing a federal backstop for terrorism coverage more than two months ago. Nearly half of the brokers responding (47 percent) did not answer the question asking how terrorism rates have changed over the last three months. In comments, many said insurers have been slow to respond with rate quotes and in some cases simply were not renewing policies.

“It's apparent that many insurers have still not developed a pricing strategy for the terrorism product,” said Crerar. “We hope that with a few more months of experience, clearer pricing and market trends will begin to emerge for terrorism coverage.”

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*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](http://www.ciab.com)*

# Commercial Property – Casualty Market Survey

## Fourth Quarter 2002

Released: January 2003

1. Below are the survey results for: **ALL REGIONS**

**NUMBER OF RESONSES: 118**

2. On average, how have premium rates changed over the last 3 months (since Oct. 1 renewals) 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%	9%	18%	49%	18%	2%	0%	0%	5%
Medium (\$25K – \$100K)	0%	0%	0%	7%	11%	38%	32%	6%	2%	0%	4%
Large (>\$100)	0%	0%	1%	4%	11%	30%	29%	9%	1%	1%	13%

3. How much have premium rates changed over the last 3 months (since Oct 1 renewals), 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%	0%	13%	19%	36%	14%	4%	0%	0%	13%
Commercial Auto	0%	0%	1%	6%	14%	42%	25%	8%	1%	0%	3%
Commercial Property	0%	0%	2%	8%	16%	25%	25%	18%	3%	0%	3%
Construction Risks	0%	0%	0%	4%	8%	17%	18%	23%	9%	4%	17%
D&O	0%	0%	0%	6%	4%	22%	23%	18%	9%	3%	15%
Employment Practices	0%	0%	0%	8%	12%	26%	20%	15%	4%	1%	15%
General Liability	0%	0%	0%	7%	13%	29%	37%	11%	0%	0%	3%
Medical Malpractice	0%	0%	0%	1%	5%	6%	6%	12%	12%	16%	42%
Surety Bonds	0%	0%	0%	8%	16%	16%	15%	6%	1%	1%	38%
Terrorism	4%	1%	2%	12%	5%	8%	12%	5%	0%	6%	47%
Umbrella	0%	0%	1%	8%	3%	21%	21%	26%	10%	5%	5%
Worker's Compensation	0%	0%	0%	8%	17%	25%	24%	10%	2%	2%	11%

**Commercial Property – Casualty Market Survey  
Fourth Quarter 2002**

**Released: January 2003**

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

**2. On average, how have premium rates changed over the last 3 months (since Oct. 1 renewals) 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%	13%	13%	47%	17%	0%	0%	0%	10%
Medium (\$25K – \$100K)	0%	0%	0%	7%	13%	26%	37%	7%	0%	0%	10%
Large (>\$100)	0%	0%	3%	0%	13%	23%	30%	10%	0%	0%	21%

**3. How much have premium rates changed over the last 3 months (since Oct 1 renewals), 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%	0%	17%	13%	33%	17%	3%	0%	0%	17%
Commercial Auto	0%	0%	3%	7%	20%	40%	17%	7%	0%	0%	6%
Commercial Property	0%	0%	0%	7%	23%	30%	13%	20%	3%	0%	4%
Construction Risks	0%	0%	0%	3%	10%	20%	10%	17%	13%	3%	24%
D&O	0%	0%	0%	7%	3%	30%	20%	13%	10%	0%	17%
Employment Practices	0%	0%	0%	7%	10%	37%	20%	3%	3%	0%	20%
General Liability	0%	0%	0%	7%	13%	20%	43%	3%	0%	0%	14%
Medical Malpractice	0%	0%	0%	0%	3%	13%	10%	13%	7%	10%	44%
Surety Bonds	0%	0%	0%	10%	7%	10%	13%	3%	0%	3%	54%
Terrorism	7%	0%	3%	7%	3%	10%	13%	0%	0%	3%	54%
Worker's Compensation	0%	0%	0%	7%	17%	33%	17%	7%	0%	0%	19%

**Commercial Property – Casualty Market Survey  
Fourth Quarter 2002**

**Released: January 2003**

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

2. On average, how have premium rates changed over the last 3 months (since Oct. 1 renewals), 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%	11%	22%	33%	22%	4%	0%	0%	8%
Medium (\$25K – \$100K)	0%	0%	0%	19%	7%	30%	30%	11%	0%	0%	3%
Large (>\$100)	0%	0%	0%	7%	11%	30%	33%	4%	4%	0%	11%

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

**Commercial Property – Casualty Market Survey**

	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%	0%	26%	15%	37%	11%	7%	0%	0%	4%
Commercial Auto	0%	0%	0%	11%	11%	41%	22%	7%	4%	0%	4%
Commercial Property	0%	0%	4%	11%	7%	26%	22%	22%	4%	0%	4%
Construction Risks	0%	0%	0%	11%	4%	15%	18%	25%	4%	4%	19%
D&O	0%	0%	0%	7%	4%	19%	41%	11%	11%	0%	7%
Employment Practices	0%	0%	0%	7%	33%	11%	30%	7%	7%	0%	5%
General Liability	0%	0%	0%	15%	4%	44%	22%	15%	0%	0%	0%
Medical Malpractice	0%	0%	0%	4%	7%	4%	4%	11%	15%	30%	25%
Surety Bonds	0%	0%	0%	4%	33%	15%	7%	7%	4%	0%	30%
Terrorism	4%	0%	4%	7%	4%	11%	19%	11%	0%	7%	33%
Umbrella	0%	0%	0%	15%	4%	19%	19%	33%	7%	0%	3%
Worker's Compensation	0%	0%	0%	7%	15%	30%	19%	11%	7%	0%	11%

**Commercial Property – Casualty Market Survey  
Fourth Quarter 2002**

**Released: January 2003**

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

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

	1 Down 20 -	2 Down 10 - 20%	3 Down 1 - 10%	4 No Change	5 Up 1 - 10%	6 Up 10 -	7 Up 20 - 30%	8 Up 30 - 50%	9 Up 50 - 100%	10 Up >100 %	N/A
Small (<\$25K Comm. &	0%	0%	0%	4%	12%	61%	15%	4%	0%	0%	4%
Medium (\$25K – \$100K)	0%	0%	0%	4%	8%	46%	30%	8%	4%	0%	0%
Large (>\$100)	0%	0%	0%	4%	12%	35%	26%	15%	0%	0%	8%

**3. How much have premium rates changed over the last 3 months (since Oct 1 renewals), 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 -	9 Up 50 -	10 Up >100%	N/A
Business Interruption	0%	0%	0%	8%	27%	35%	15%	4%	0%	0%	11%
Commercial Auto	0%	0%	0%	8%	12%	38%	30%	8%	0%	0%	4%
Commercial Property	0%	0%	0%	8%	8%	27%	30%	19%	4%	0%	4%
Construction Risks	0%	0%	0%	4%	4%	19%	19%	23%	4%	4%	23%
D&O	0%	0%	0%	8%	8%	19%	19%	26%	4%	4%	12%
Employment Practices	0%	0%	0%	8%	8%	23%	23%	26%	0%	4%	8%
General Liability	0%	0%	0%	8%	8%	38%	38%	4%	0%	0%	4%
Medical Malpractice	0%	0%	0%	0%	12%	4%	0%	23%	15%	8%	38%
Surety Bonds	0%	0%	0%	8%	12%	19%	19%	12%	0%	0%	30%
Terrorism	0%	0%	0%	19%	8%	4%	11%	4%	0%	4%	50%
Umbrella	0%	0%	0%	8%	0%	35%	26%	15%	4%	8%	4%
Worker's Compensation	0%	0%	0%	4%	12%	23%	38%	4%	0%	0%	19%

**Commercial Property – Casualty Market Survey  
Fourth Quarter 2002**

**Released: January 2003**

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

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

	1 Down 20 -	2 Down 10 - 20%	3 Down 1 - 10%	4 No Change	5 Up 1 - 10%	6 Up 10 -	7 Up 20 - 30%	8 Up 30 - 50%	9 Up 50 - 100%	10 Up >100 %	N/A
Small (<\$25K Comm. &	0%	0%	0%	0%	25%	75%	0%	0%	0%	0%	0%
Medium (\$25K – \$100K)	0%	0%	0%	0%	0%	50%	38%	0%	0%	0%	12%
Large (>\$100)	0%	0%	0%	0%	0%	25%	50%	13%	0%	0%	12%

**3. How much have premium rates changed over the last 3 months (since Oct 1 renewals), 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 -	9 Up 50 -	10 Up >100%	N/A
Business Interruption	0%	0%	0%	0%	13%	62%	0%	0%	0%	0%	25%
Commercial Auto	0%	0%	0%	0%	0%	50%	50%	0%	0%	0%	0%
Commercial Property	0%	0%	0%	0%	0%	50%	38%	12%	0%	0%	0%
Construction Risks	0%	0%	0%	0%	0%	13%	13%	50%	0%	12%	12%
D&O	0%	0%	0%	0%	0%	13%	37%	13%	13%	12%	12%
Employment Practices	0%	0%	0%	13%	0%	37%	0%	37%	0%	0%	13%
General Liability	0%	0%	0%	0%	0%	37%	50%	13%	0%	0%	0%
Medical Malpractice	0%	0%	0%	0%	0%	0%	0%	0%	13%	25%	62%
Surety Bonds	0%	0%	0%	12%	13%	12%	13%	0%	0%	0%	50%
Terrorism	13%	0%	0%	12%	0%	0%	25%	0%	0%	0%	50%
Umbrella	0%	0%	0%	0%	0%	0%	13%	50%	13%	12%	12%
Worker's Compensation	0%	0%	0%	0%	0%	13%	25%	37%	0%	13%	12%

**Commercial Property – Casualty Market Survey  
Fourth Quarter 2002**

**Released: January 2003**

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

**2. On average, how have premium rates changed over the last 3 months (since Oct. renewals), 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. &	0%	0%	0%	4%	25%	46%	21%	0%	0%	0%	4%
Medium (\$25K – \$100K)	0%	0%	0%	4%	17%	50%	21%	0%	4%	0%	4%
Large (>\$100)	0%	0%	0%	4%	13%	33%	17%	8%	0%	4%	21%

**3. How much have premium rates changed over the last 3 months (since Oct 1 renewals), 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 -	9 Up 50 -	10 Up >100%	N/A
Business Interruption	0%	0%	0%	8%	29%	29%	17%	0%	0%	0%	17%
Commercial Auto	0%	0%	0%	0%	17%	54%	25%	4%	0%	0%	0%
Commercial Property	0%	0%	4%	8%	29%	8%	38%	13%	0%	0%	0%
Construction Risks	0%	0%	0%	0%	17%	17%	21%	17%	8%	4%	16%
D&O	0%	0%	0%	4%	4%	17%	17%	21%	4%	0%	33%
Employment Practices	0%	0%	0%	4%	4%	25%	21%	13%	4%	0%	29%
General Liability	0%	0%	0%	0%	33%	13%	37%	17%	0%	0%	0%
Medical Malpractice	0%	0%	0%	0%	4%	4%	13%	4%	4%	13%	58%
Surety Bonds	0%	0%	0%	8%	13%	13%	13%	4%	0%	0%	49%
Terrorism	0%	4%	0%	13%	4%	4%	0%	4%	0%	4%	67%
Umbrella	0%	0%	0%	8%	4%	20%	17%	17%	17%	4%	13%
Worker's Compensation	0%	0%	0%	8%	21%	25%	8%	13%	0%	0%	25%