



THE  
COUNCIL  
OF INSURANCE  
AGENTS &  
BROKERS

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## NEWS RELEASE

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For Immediate Release

### **CIAB SECOND QUARTER MARKET INDEX SURVEY FINDS PROPERTY/CASUALTY PREMIUMS FLATTENING, BROKERS WORRYING ABOUT INSURER SOLVENCY**

WASHINGTON – According to the latest Commercial Market Index Survey by The Council of Insurance Agents & Brokers, there are signs that an appetite for new business is returning to the insurance marketplace after two years of tough underwriting and meteoric rate increases following the Sept. 11 terrorist attacks.

The survey, released today, showed the market is leveling and beginning to creep downwards in some areas.

“Leveling does not mean a soft market is returning,” said Ken A. Crerar, president of The Council. “Industry analysts say the hard market is likely to last another 18 months, and brokers expect modest increases to continue in most lines with no great decline in rates.”

The survey also showed that brokers are increasingly concerned about carrier rating downgrades and insurer solvency, with 71 percent saying carrier insolvency was a greater problem now than six months ago.

Asked in an open-ended question what major trends they expect in the next year that will affect the availability and affordability of commercial insurance, the brokers most frequently mentioned carrier solvency, ratings downgrades and the adequacy of reserves for areas such as mold, asbestos and other environmental claims.

The brokers also indicated increasing problems with the availability of worker’s compensation insurance, particularly in California, Florida, Texas and New York.

The Council represents the top tier of commercial insurance brokers who annually place more than 80 percent of U.S. commercial property/casualty premiums and administer billions of dollars of employee benefit programs around the country.

The latest market index provides evidence that pricing for commercial property is moderating. Although 55 percent of respondents reported that premiums for commercial property lines were up by as much as 20 percent, a substantial number also reported premiums holding steady or declining. Rates were unchanged for 17 percent of commercial property accounts, the brokers said, while 15 percent said rates declined 1-20 percent.

Large accounts also saw some pricing relief in the second quarter, which ended on June 30, 2003.

Although 58 percent of the large accounts saw their premiums increase by as much as 20 percent during the second quarter, 8 percent experienced no change in premiums at all. Another 8 percent saw their rates drop by as much as 10 percent, while 4 percent of large accounts experienced premium decreases of 10-20 percent or 20-30 percent.

It's not surprising that large accounts and property were the first to level off since both experienced significant increases over the last two years.

The survey showed that small and medium accounts were beginning to stabilize, too, although not as dramatically as the larger accounts. Two-thirds of the small accounts experienced premium increases of as much as 20 percent, while 70 percent of the medium accounts were being asked to pay premium increases of that size.

But 15 percent of small accounts and 11 percent of medium accounts reported no change in premiums from the first to the second quarter. And 7 percent of small accounts and 8 percent of medium accounts reported decreases of up to 20 percent.

“The survey shows that insurers are beginning to seek out new business again, although problems with price and availability still linger in some areas,” said Crerar. “The biggest trouble spots are medical malpractice, workers compensation and some of the liability areas such as Directors and Officers insurance. Carriers are still picking and choosing what they will write very carefully in these lines.”

For medical malpractice, 20 percent of the respondents said their large accounts are experiencing premium hikes of between 20 and 30 percent; 11 percent said the premiums were up by 30-50 percent; and 12 percent said the premiums had gone up 50-100 percent. The brokers reported that 70 percent of their worker's comp accounts were experiencing rate increases of as much as 30 percent, while 73 percent of general liability lines were up by as much as 20 percent.

“The accounts that are more risky on a commercial general liability basis are, at times, getting lower limits than they want. Also pricing is still above 20 percent increases for the really tough risks,” reported a broker from Southwest.

Nevertheless, 83 percent of the brokers surveyed said they are seeing evidence that commercial lines are stabilizing.

“The worst is over. Certain carriers are really driving the market down,” said one broker from the Northeast.

Terrorism insurance is more available in the market than it was six months ago, according to 85 percent of the respondents – “only a problem at trophy locations,” one broker reported. But 72 percent said their commercial customers are still not buying it. More than 90 percent of the brokers said their customers eschew terrorism insurance because they think they don't need it.

About a quarter of the brokers reported that they are setting up more captives today than six months ago, although they said their customers are talking more about placing their tough risks in the alternative market.

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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 Second Quarter 2003 Released: July 2003

Below are the survey results for: ALL REGIONS

NUMBER OF RESPONSES: 125

1. On average, how have premium rates changed over the last 3 months (since April 1 - June 30 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%	2%	6%	15%	38%	28%	2%	2%	0%	0%	8%
Medium (\$25K – \$100K)	0%	2%	5%	11%	35%	35%	6%	0%	0%	0%	5%
Large (>\$100K)	2%	2%	8%	8%	30%	28%	7%	3%	0%	0%	12%

2. How much have premium rates changed over the last 3 months (since April 1 – June 30 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%	6%	3%	21%	38%	16%	3%	0%	0%	0%	13%
Broker E & O	0%	0%	1%	4%	13%	19%	12%	9%	4%	2%	36%
Commercial Auto	0%	1%	2%	8%	31%	43%	8%	2%	0%	0%	6%
Commercial Property	2%	5%	10%	17%	32%	23%	5%	2%	0%	0%	4%
Construction Risks	0%	2%	0%	8%	18%	26%	17%	7%	1%	1%	21%
D & O	0%	0%	0%	3%	17%	30%	19%	13%	2%	1%	16%
Employment Practices	0%	0%	2%	9%	22%	21%	21%	10%	1%	0%	15%
General Liability	0%	0%	2%	10%	32%	41%	9%	1%	0%	0%	5%
Medical Malpractice	0%	0%	0%	1%	2%	4%	20%	11%	12%	6%	44%
Surety Bonds	0%	0%	0%	12%	17%	13%	9%	2%	0%	1%	46%
Terrorism	2%	2%	5%	27%	18%	13%	4%	1%	0%	1%	28%
Umbrella	0%	0%	1%	8%	21%	28%	27%	6%	3%	0%	6%
Worker's Compensation	0%	0%	2%	11%	27%	28%	15%	3%	0%	2%	13%

## Commercial Property – Casualty Market Survey Second Quarter 2003 Released: July 2003

Below are the survey results for: ALL REGIONS

NUMBER OF RESPONSES: 125

1. On average, how have premium rates changed over the last 3 months (since April 1 - June 30 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%	2%	6%	15%	38%	28%	2%	2%	0%	0%	8%
Medium (\$25K – \$100K)	0%	2%	5%	11%	35%	35%	6%	0%	0%	0%	5%
Large (>\$100K)	2%	2%	8%	8%	30%	28%	7%	3%	0%	0%	12%

2. How much have premium rates changed over the last 3 months (since April 1 – June 30 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%	6%	3%	21%	38%	16%	3%	0%	0%	0%	13%
Broker E & O	0%	0%	1%	4%	13%	19%	12%	9%	4%	2%	36%
Commercial Auto	0%	1%	2%	8%	31%	43%	8%	2%	0%	0%	6%
Commercial Property	2%	5%	10%	17%	32%	23%	5%	2%	0%	0%	4%
Construction Risks	0%	2%	0%	8%	18%	26%	17%	7%	1%	1%	21%
D & O	0%	0%	0%	3%	17%	30%	19%	13%	2%	1%	16%
Employment Practices	0%	0%	2%	9%	22%	21%	21%	10%	1%	0%	15%
General Liability	0%	0%	2%	10%	32%	41%	9%	1%	0%	0%	5%
Medical Malpractice	0%	0%	0%	1%	2%	4%	20%	11%	12%	6%	44%
Surety Bonds	0%	0%	0%	12%	17%	13%	9%	2%	0%	1%	46%
Terrorism	2%	2%	5%	27%	18%	13%	4%	1%	0%	1%	28%
Umbrella	0%	0%	1%	8%	21%	28%	27%	6%	3%	0%	6%
Worker's Compensation	0%	0%	2%	11%	27%	28%	15%	3%	0%	2%	13%

## Commercial Property – Casualty Market Survey Second Quarter 2003 Released: July 2003

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 (April 1- June 30) 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%	6%	8%	14%	28%	39%	0%	0%	0%	0%	6%
Medium (\$25K – \$100K)	0%	6%	8%	6%	31%	39%	8%	0%	0%	0%	3%
Large (>\$100K)	6%	0%	19%	3%	33%	22%	11%	3%	0%	0%	3%

**2. How much have premium rates changed over the last 3 months (April 1- June 30) 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%	11%	3%	22%	39%	14%	3%	0%	0%	0%	8%
Broker E & O	0%	0%	0%	11%	17%	17%	19%	11%	3%	6%	17%
Commercial Auto	0%	3%	3%	6%	22%	42%	8%	3%	0%	0%	14%
Commercial Property	11%	3%	8%	14%	39%	17%	0%	6%	0%	0%	3%
Construction Risks	0%	6%	0%	6%	22%	28%	14%	3%	0%	0%	22%
D & O	0%	0%	0%	0%	19%	28%	25%	19%	0%	0%	8%
Employment Practices	0%	0%	0%	3%	17%	25%	31%	14%	0%	0%	11%
General Liability	0%	0%	6%	6%	14%	56%	8%	0%	0%	0%	11%
Medical Malpractice	0%	0%	0%	0%	0%	6%	17%	11%	14%	8%	44%
Surety Bonds	0%	0%	0%	8%	8%	11%	11%	3%	0%	3%	56%
Terrorism	6%	6%	8%	19%	11%	19%	3%	0%	0%	0%	28%
Umbrella	0%	0%	3%	0%	19%	33%	28%	0%	6%	0%	11%
Worker's Compensation	3%	0%	0%	11%	33%	25%	11%	0%	0%	0%	17%

## Commercial Property – Casualty Market Survey Second Quarter 2003 Released: July 2003

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 (April 1- June 30) 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%	3%	19%	41%	24%	5%	3%	0%	0%	5%
Medium (\$25K – \$100K)	0%	3%	3%	14%	32%	38%	0%	0%	0%	0%	11%
Large (>\$100K)	0%	5%	3%	8%	27%	41%	0%	0%	0%	0%	16%

**2. How much have premium rates changed over the last 3 months (April 1- June 30) 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%	8%	0%	16%	32%	24%	0%	0%	0%	0%	19%
Broker E & O	0%	0%	0%	0%	16%	30%	5%	5%	0%	0%	43%
Commercial Auto	0%	0%	0%	8%	27%	49%	14%	0%	0%	0%	3%
Commercial Property	5%	3%	8%	11%	30%	32%	8%	0%	0%	0%	3%
Construction Risks	0%	0%	0%	3%	22%	19%	24%	8%	0%	0%	24%
D & O	0%	0%	0%	5%	14%	41%	8%	11%	0%	0%	22%
Employment Practices	0%	0%	0%	16%	27%	16%	16%	8%	0%	0%	16%
General Liability	0%	0%	0%	11%	41%	35%	8%	0%	0%	0%	5%
Medical Malpractice	0%	0%	0%	0%	0%	5%	22%	11%	11%	5%	46%
Surety Bonds	0%	0%	0%	5%	22%	27%	3%	3%	0%	0%	41%
Terrorism	3%	0%	3%	27%	27%	5%	5%	0%	0%	0%	30%
Umbrella	0%	0%	0%	5%	19%	27%	30%	11%	3%	0%	5%
Worker's Compensation	0%	0%	3%	11%	24%	35%	16%	0%	0%	0%	11%

## Commercial Property – Casualty Market Survey Second Quarter 2003 Released: July 2003

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 (April 1- June 30) 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%	4%	14%	50%	25%	0%	0%	0%	0%	7%
Medium (\$25K – \$100K)	0%	0%	7%	4%	50%	29%	7%	0%	0%	0%	4%
Large (>\$100K)	0%	4%	7%	43%	18%	4%	7%	0%	0%	0%	18%

2. How much have premium rates changed over the last 3 months (April 1-June 30) 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%	4%	4%	25%	43%	7%	0%	0%	0%	0%	18%
Broker E & O	0%	0%	0%	4%	7%	11%	11%	7%	11%	4%	46%
Commercial Auto	0%	0%	0%	7%	39%	39%	0%	4%	0%	0%	11%
Commercial Property	0%	4%	7%	18%	39%	18%	4%	0%	0%	0%	11%
Construction Risks	0%	0%	0%	7%	14%	36%	4%	4%	4%	0%	32%
D & O	0%	0%	0%	4%	14%	21%	21%	14%	4%	0%	21%
Employment Practices	0%	0%	0%	4%	18%	29%	14%	14%	0%	0%	21%
General Liability	0%	0%	0%	11%	39%	36%	4%	0%	0%	0%	11%
Medical Malpractice	0%	0%	0%	0%	4%	4%	21%	7%	11%	4%	50%
Surety Bonds	0%	0%	0%	14%	25%	4%	11%	0%	0%	0%	46%
Terrorism	0%	4%	0%	32%	29%	7%	0%	4%	0%	0%	25%
Umbrella	0%	0%	0%	11%	32%	21%	14%	4%	0%	0%	18%
Worker's Compensation	0%	0%	0%	7%	21%	36%	4%	0%	0%	0%	32%

## Commercial Property – Casualty Market Survey First Quarter 2003 Released: July 2003

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 (since April 1- June 30 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%	15%	8%	31%	23%	0%	8%	0%	0%	15%
Medium (\$25K – \$100K)	0%	0%	0%	23%	31%	23%	15%	0%	0%	0%	8%
Large (>\$100K)	0%	0%	8%	15%	8%	31%	0%	8%	0%	0%	31%

**2. How much have premium rates changed over the last 3 months (since April 1- June 30 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%	8%	31%	38%	15%	8%	0%	0%	0%	0%
Broker E & O	0%	0%	0%	0%	8%	31%	15%	0%	8%	0%	38%
Commercial Auto	0%	0%	0%	15%	38%	31%	15%	0%	0%	0%	0%
Commercial Property	0%	8%	15%	15%	23%	23%	8%	0%	0%	0%	8%
Construction Risks	0%	0%	0%	15%	0%	38%	0%	23%	0%	0%	23%
D & O	0%	0%	0%	0%	31%	23%	31%	0%	0%	0%	15%
Employment Practices	0%	0%	15%	8%	38%	8%	23%	0%	0%	0%	8%
General Liability	0%	0%	8%	8%	23%	46%	8%	8%	0%	0%	0%
Medical Malpractice	0%	0%	0%	0%	0%	0%	31%	31%	8%	0%	31%
Surety Bonds	0%	0%	0%	23%	8%	15%	15%	0%	0%	0%	38%
Terrorism	8%	0%	8%	31%	8%	15%	8%	0%	0%	0%	23%
Umbrella	0%	0%	0%	8%	8%	38%	38%	0%	8%	0%	0%
Worker's Compensation	0%	0%	0%	8%	23%	23%	31%	0%	0%	15%	0%



## Commercial Property – Casualty Market Survey Second Quarter 2003 Released: July 2003

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 (April 1- June 30 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%	7%	0%	20%	33%	27%	0%	0%	0%	0%	13%
Medium (\$25K – \$100K)	0%	0%	0%	20%	27%	40%	7%	0%	0%	0%	7%
Large (>\$100K)	0%	0%	13%	7%	20%	20%	27%	0%	0%	0%	13%

**2. How much have premium rates changed over the last 3 months (since April 1- June 30 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%	7%	20%	40%	7%	13%	0%	0%	0%	13%
Broker E & O	0%	0%	7%	0%	13%	7%	0%	20%	0%	0%	53%
Commercial Auto	0%	0%	7%	13%	33%	40%	7%	0%	0%	0%	0%
Commercial Property	0%	0%	13%	40%	27%	13%	7%	0%	0%	0%	0%
Construction Risks	0%	0%	0%	20%	13%	7%	47%	7%	0%	7%	0%
D & O	0%	0%	0%	7%	13%	27%	13%	7%	0%	7%	27%
Employment Practices	0%	0%	0%	20%	13%	27%	13%	7%	7%	0%	13%
General Liability	0%	0%	0%	20%	33%	33%	13%	0%	0%	0%	0%
Medical Malpractice	0%	0%	0%	7%	13%	0%	13%	7%	13%	7%	40%
Surety Bonds	0%	0%	0%	20%	20%	0%	7%	7%	0%	0%	47%
Terrorism	0%	0%	7%	27%	0%	13%	7%	0%	0%	0%	47%
Umbrella	0%	0%	0%	27%	13%	20%	20%	13%	0%	0%	7%
Worker's Compensation	0%	0%	7%	13%	13%	7%	20%	27%	0%	7%	7%