



THE
COUNCIL
OF INSURANCE
AGENTS &
BROKERS

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NEWS RELEASE

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For Immediate Release

COMMERCIAL PROPERTY/CASUALTY MARKET CONTINUES TO EASE DURING FIRST QUARTER OF 2004, CIAB SURVEY SHOWS

WASHINGTON – The commercial property/casualty market continued to ease across most lines during the first quarter of 2004, with the average premium increases for all sizes of accounts returning to the levels they were at the end of 1999, when the last soft market cycle was coming to an end.

The latest quarterly market index by The Council of Insurance Agents & Brokers reflects responses from the nation's largest commercial insurance brokers who write 80 percent of the annual commercial p/c premiums and administer billions of dollars in employee benefits accounts. An analysis of those premium trends by Lehman Brothers Equity Research provided average rate hikes for the various sizes of accounts as well as historical comparisons.

The survey showed that about 50 percent of small accounts, those generating less than \$25,000 in commissions and fees, experienced no change in premiums or saw premiums drop during the quarter by 1-10 percent. An additional 41 percent of the small accounts had only slight premium increases in the 1-10 percent range. The Lehman analysis of Council data showed the average premium increase for small accounts was about 3 percent.

For medium accounts, ranging from \$25,000 to \$100,000 in commissions and fees, the picture was roughly the same. Forty-one percent of the accounts had no change or a drop of as much as 10 percent in premiums, while 9 percent of respondents reported a drop of 10-20 percent. Forty-two percent of the medium accounts had premium increases in the 1-10 percent range. The average rate of increase for medium accounts was 1 percent.

Large accounts had experienced the sharpest increases in premiums during the hard market conditions of the last two years, and they also experienced the greatest drop in premiums. The survey showed 45 percent of the large accounts holding steady or having premiums drop by 1-10 percent, while 12 percent dropped from 10-20 percent, and 4 percent dropped by 20-30 percent. On average, premiums for large accounts decreased by 3 percent.

“The survey still shows some trouble spots in the commercial market, where commercial coverage is hard to find and expensive when you can find it,” said Ken A. Crerar, president of The Council. “The biggest trouble areas remain residential construction risks, umbrella coverage, workers’ compensation and medical malpractice.”

“Pretty soon residential contractors will be joining the doctors to either protest their premiums or retire from the business,” observed one broker from the Northeast.

With softening market conditions returning to most lines, brokers expressed concern that it is only a matter of time before insurers push aside the stricter underwriting standards of the last few years and start going after new business by premium-cutting. And if that happens, several said, the financial stability of carriers moves back to the top of a list of concerns.

Return of insurer price competition was listed as the top concern of 40 percent of the brokers responding to the survey, and it was the second biggest concern of 41 percent more.

“Pricing has begun to go down on certain lines and types of accounts. We fear the insurers may get back into ‘stupid’ season,” said a broker from the Southwest.

“Softening pricing is a recipe for another awful cycle of insolvencies,” said a broker from the Pacific Northwest.

The survey also suggested there may be another looming environmental concern that is beginning to be excluded from renewal policies – silica. Silica, an element that can be found in quartz and sand, is the basic material used for most common communication-grade optical fibers. In crystalline form, it can cause a disabling and sometimes fatal lung disease.

Brokers from the Midwest and the Southeast mentioned in their responses to open-ended questions that carriers were excluding silica exposure. It was the first time silica has appeared in market index responses.

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 First Quarter 2004 Released: April 2004

Below are the survey results for: ALL REGIONS

NUMBER OF RESPONSES: 113

1. On average, how have premium rates changed over the last three months (Jan. 1- March 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%	1%	15%	34%	41%	5%	0%	0%	0%	0%	5%
Medium (\$25K – \$100K)	0%	9%	25%	16%	42%	5%	1%	0%	0%	0%	3%
Large (>\$100K)	4%	12%	25%	18%	27%	3%	1%	0%	0%	0%	10%

2. How much have premium rates changed over the last three months (Jan. 1- March 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	1%	6%	23%	30%	26%	2%	1%	0%	0%	0%	11%
Broker E & O	0%	1%	1%	9%	14%	22%	15%	1%	3%	1%	33%
Commercial Auto	0%	3%	13%	30%	39%	9%	3%	0%	0%	0%	4%
Commercial Property	7%	20%	31%	22%	17%	2%	0%	0%	0%	0%	1%
Construction Risks	0%	0%	11%	19%	28%	19%	6%	0%	1%	1%	15%
D & O	0%	4%	8%	24%	20%	25%	6%	3%	0%	0%	11%
Employment Practices	0%	1%	10%	32%	20%	21%	4%	1%	0%	0%	10%
General Liability	0%	5%	21%	23%	33%	13%	3%	0%	0%	0%	3%
Medical Malpractice	0%	0%	3%	8%	6%	14%	8%	8%	3%	0%	50%
Surety Bonds	0%	0%	3%	35%	16%	7%	3%	1%	0%	1%	35%
Terrorism	1%	4%	6%	54%	12%	3%	2%	0%	0%	0%	18%
Umbrella	1%	5%	17%	20%	35%	13%	5%	2%	0%	0%	3%
Workers' Compensation	1%	1%	10%	26%	38%	13%	2%	1%	0%	0%	8%

Commercial Property – Casualty Market Survey First Quarter 2004 Released: April 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 (Jan. 1- March 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%	19%	37%	37%	0%	0%	0%	0%	0%	7%
Medium (\$25K – \$100K)	0%	15%	22%	4%	48%	4%	0%	0%	0%	0%	7%
Large (>\$100K)	15%	15%	19%	7%	37%	4%	0%	0%	0%	0%	4%

2. How much have premium rates changed over the last 3 months (Jan. 1- March 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	4%	11%	30%	26%	26%	0%	0%	0%	0%	0%	4%
Broker E & O	0%	4%	7%	4%	19%	22%	15%	0%	0%	0%	30%
Commercial Auto	0%	4%	7%	37%	30%	11%	0%	0%	0%	0%	11%
Commercial Property	15%	15%	30%	19%	19%	0%	0%	0%	0%	0%	4%
Construction Risks	0%	4%	11%	26%	15%	19%	4%	0%	0%	0%	22%
D & O	0%	4%	11%	37%	19%	19%	4%	0%	0%	0%	7%
Employment Practices	0%	4%	19%	41%	19%	11%	0%	0%	0%	0%	7%
General Liability	0%	0%	33%	11%	37%	7%	0%	0%	0%	0%	11%
Medical Malpractice	0%	0%	0%	15%	7%	15%	11%	0%	0%	0%	52%
Surety Bonds	0%	0%	11%	30%	22%	7%	0%	0%	0%	4%	26%
Terrorism	0%	4%	11%	44%	7%	7%	0%	0%	0%	0%	26%
Umbrella	0%	11%	15%	15%	33%	15%	4%	0%	0%	0%	7%
Worker's Compensation	4%	0%	11%	30%	37%	7%	0%	0%	0%	0%	11%

Commercial Property – Casualty Market Survey First Quarter 2004 Released: April 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 (Jan. 1- March 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%	23%	18%	50%	5%	0%	0%	0%	0%	0%
Medium (\$25K – \$100K)	0%	5%	36%	18%	32%	5%	0%	0%	0%	0%	5%
Large (>\$100K)	0%	9%	27%	18%	27%	0%	0%	0%	0%	0%	18%

2. How much have premium rates changed over the last 3 months (Jan. 1- March 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%	27%	27%	9%	5%	0%	0%	0%	0%	27%
Broker E & O	0%	0%	0%	5%	18%	18%	14%	5%	0%	0%	41%
Commercial Auto	0%	0%	18%	27%	41%	0%	5%	0%	0%	0%	9%
Commercial Property	5%	18%	27%	14%	27%	0%	0%	0%	0%	0%	9%
Construction Risks	0%	0%	5%	14%	45%	14%	0%	0%	0%	0%	23%
D & O	0%	0%	5%	14%	32%	32%	0%	0%	0%	0%	18%
Employment Practices	0%	0%	5%	18%	23%	27%	5%	0%	0%	0%	23%
General Liability	0%	5%	14%	36%	32%	5%	0%	0%	0%	0%	9%
Medical Malpractice	0%	0%	5%	9%	9%	0%	5%	0%	0%	0%	73%
Surety Bonds	0%	0%	0%	36%	14%	0%	5%	0%	0%	45%	0%
Terrorism	0%	0%	0%	50%	9%	0%	0%	0%	0%	41%	0%
Umbrella	0%	0%	0%	14%	18%	50%	5%	5%	0%	0%	9%
Worker's Compensation	0%	0%	0%	5%	36%	36%	5%	0%	0%	0%	18%

Commercial Property – Casualty Market Survey First Quarter 2004 Released: April 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 (Jan. 1- March 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%	16%	32%	52%	0%	0%	0%	0%	0%	0%
Medium (\$25K – \$100K)	0%	4%	24%	16%	52%	4%	0%	0%	0%	0%	0%
Large (>\$100K)	0%	8%	24%	28%	24%	4%	0%	0%	0%	0%	12%

2. How much have premium rates changed over the last 3 months (Jan. 1- March 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%	4%	12%	24%	44%	0%	0%	0%	0%	0%	16%
Broker E & O	0%	0%	0%	0%	12%	24%	12%	0%	8%	0%	44%
Commercial Auto	0%	4%	8%	28%	40%	16%	4%	0%	0%	0%	0%
Commercial Property	4%	12%	24%	36%	20%	4%	0%	0%	0%	0%	0%
Construction Risks	0%	0%	20%	12%	16%	28%	12%	0%	0%	0%	12%
D & O	0%	0%	8%	12%	20%	36%	8%	4%	0%	0%	12%
Employment Practices	0%	0%	12%	20%	12%	28%	8%	8%	0%	0%	12%
General Liability	0%	0%	20%	20%	36%	16%	8%	0%	0%	0%	0%
Medical Malpractice	0%	0%	8%	0%	4%	20%	20%	12%	8%	0%	28%
Surety Bonds	0%	0%	0%	32%	20%	16%	4%	0%	0%	0%	28%
Terrorism	0%	12%	4%	44%	16%	4%	4%	0%	0%	0%	16%
Umbrella	0%	0%	20%	28%	16%	24%	8%	4%	0%	0%	0%
Worker's Compensation	0%	0%	16%	16%	32%	16%	4%	0%	0%	0%	16%

Commercial Property – Casualty Market Survey First Quarter 2004 Released: April 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 (Jan. 1- March 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%	38%	46%	8%	0%	0%	0%	0%	8%
Medium (\$25K – \$100K)	0%	8%	31%	15%	38%	8%	0%	0%	0%	0%	0%
Large (>\$100K)	8%	0%	38%	8%	31%	8%	0%	0%	0%	0%	8%

2. How much have premium rates changed over the last 3 months (Jan. 1- March 31) for the following lines?

	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%	31%	31%	23%	8%	8%	0%	0%	0%	0%
Broker E & O	0%	0%	0%	15%	15%	15%	23%	0%	0%	0%	31%
Commercial Auto	0%	8%	15%	23%	46%	8%	0%	0%	0%	0%	0%
Commercial Property	8%	15%	38%	15%	15%	8%	0%	0%	0%	0%	0%
Construction Risks	0%	0%	23%	0%	23%	31%	8%	0%	8%	0%	8%
D & O	0%	8%	8%	31%	31%	8%	15%	0%	0%	0%	0%
Employment Practices	0%	0%	8%	31%	46%	15%	0%	0%	0%	0%	0%
General Liability	0%	8%	8%	23%	31%	23%	0%	0%	0%	0%	8%
Medical Malpractice	0%	0%	0%	8%	0%	15%	0%	8%	0%	0%	69%
Surety Bonds	0%	0%	0%	38%	8%	8%	0%	0%	0%	0%	46%
Terrorism	0%	0%	8%	38%	15%	0%	8%	0%	0%	0%	31%
Umbrella	0%	0%	15%	15%	38%	23%	0%	0%	0%	0%	8%
Worker's Compensation	0%	0%	8%	8%	46%	31%	8%	0%	0%	0%	0%

Please check N/A if you don't know or don't handle the line.

**Commercial Property – Casualty Market Survey
First Quarter 2004 Released: April 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 (Jan. 1- March 31) for the following accounts? Please check N/A if you don't know or don't handle the type of account.

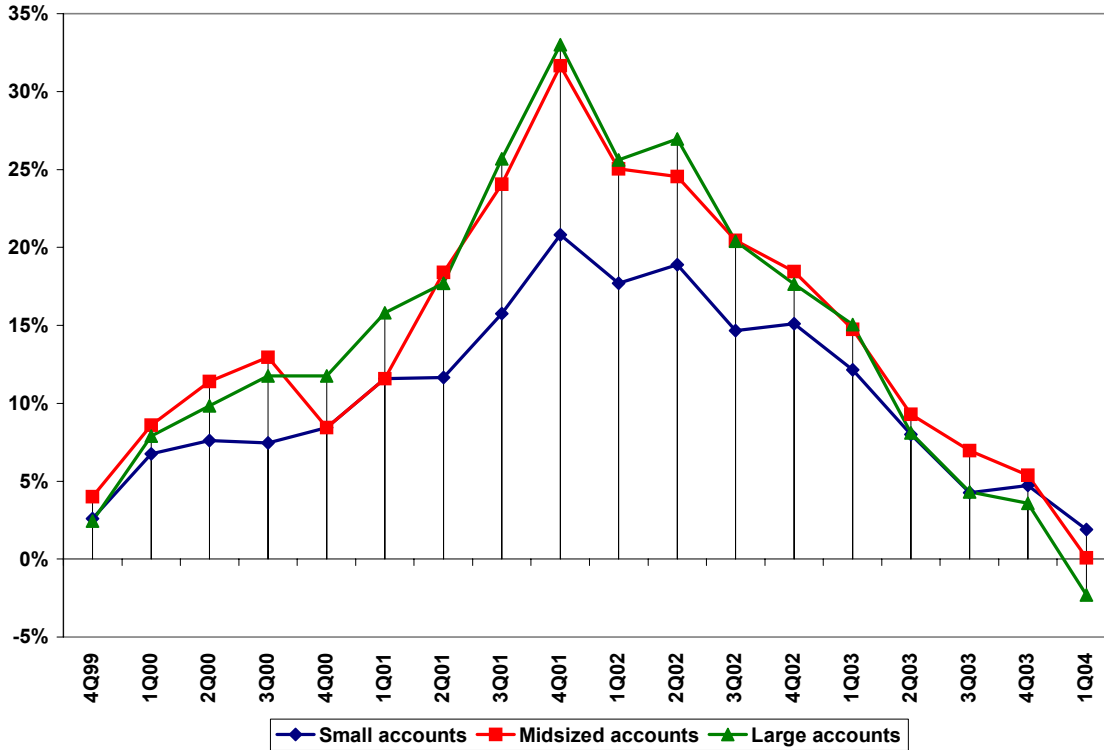
	1 Down 20 – 30%	2 Down 10 - 20%	3 Down 1 - 10%	4 No Change	5 Up 1 – 10%	6 Up 10 – 20%	7 Up 20 - 30%	8 Up 30 - 50%	9 Up 50 - 100%	10 Up >100 %	N/A
Small (<\$25K Comm. & Fees)	0%	0%	20%	45%	20%	5%	0%	0%	0%	0%	10%
Medium (\$25K – \$100K)	0%	15%	25%	25%	30%	0%	5%	0%	0%	0%	0%
Large (>\$100K)	0%	25%	30%	20%	15%	0%	5%	0%	0%	0%	5%

2. How much have premium rates changed over the last 3 months (Jan. 1- March 31) for the following lines?

	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%	20%	45%	20%	0%	0%	0%	0%	0%	10%
Broker E & O	0%	0%	0%	25%	15%	20%	20%	0%	5%	5%	10%
Commercial Auto	0%	0%	20%	35%	30%	5%	5%	0%	0%	0%	5%
Commercial Property	5%	35%	25%	25%	10%	0%	0%	0%	0%	0%	0%
Construction Risks	0%	0%	15%	30%	30%	10%	5%	0%	0%	0%	10%
D & O	0%	10%	5%	40%	5%	15%	5%	5%	0%	0%	15%
Employment Practices	0%	10%	10%	40%	10%	20%	0%	0%	0%	0%	10%
General Liability	0%	5%	20%	35%	20%	15%	5%	0%	0%	0%	0%
Medical Malpractice	0%	0%	5%	30%	0%	5%	15%	5%	0%	0%	40%
Surety Bonds	0%	0%	5%	40%	5%	0%	0%	5%	0%	0%	45%
Terrorism	0%	0%	5%	60%	15%	5%	0%	0%	0%	0%	15%
Umbrella	0%	15%	25%	25%	20%	10%	5%	0%	0%	0%	0%
Worker's Compensation	0%	0%	15%	35%	30%	10%	5%	5%	0%	0%	0%

Please check N/A if you don't know or don't handle the line.

Average Commercial Premium Rate Changes by Account Size

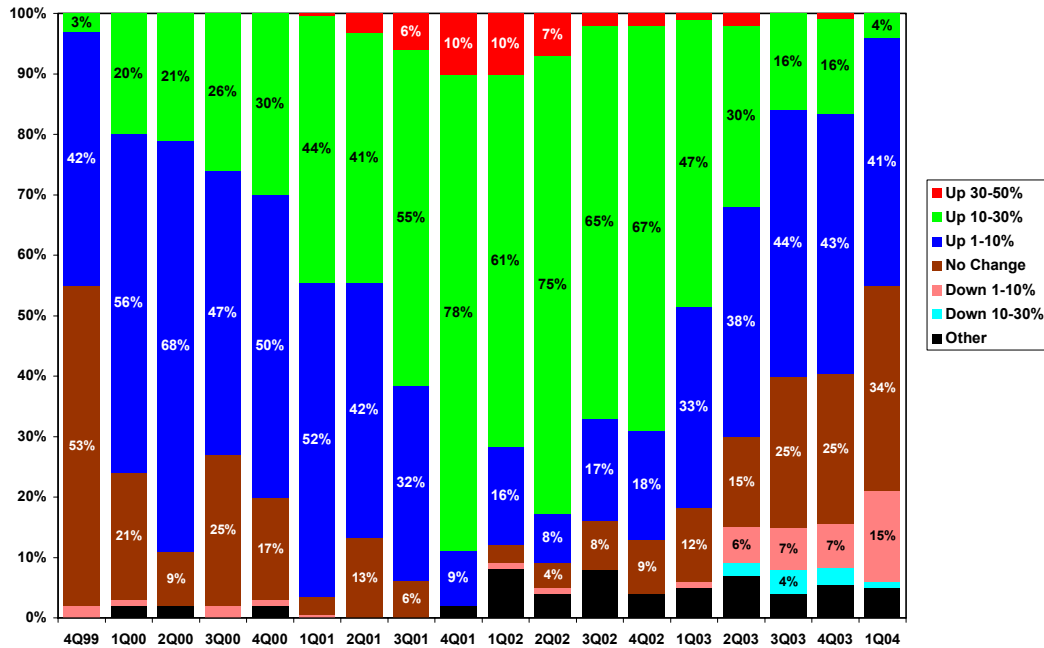


Source: Council of Insurance Agents and Brokers. Chart prepared by Lehman Brothers Equity Research

Insurance Rate Changes, Small Commercial Accounts*

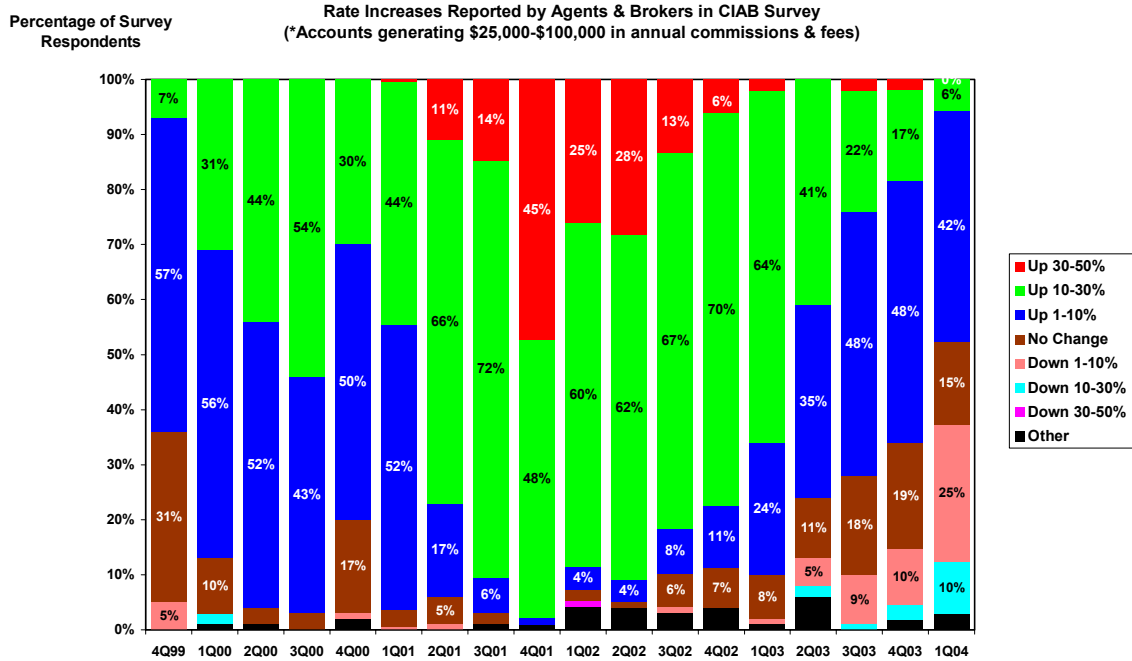
Percentage of Survey Respondents

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



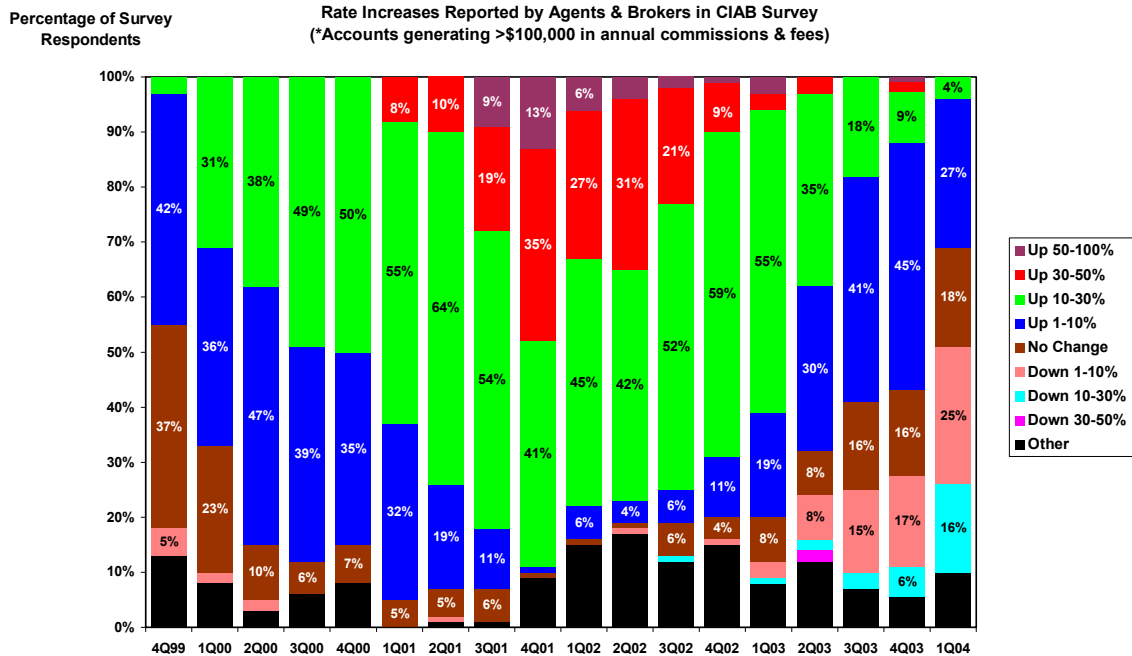
Source: Council of Insurance Agents and Brokers. Chart prepared by Lehman Brothers Equity Research

Insurance Rate Changes, Medium Commercial Accounts*



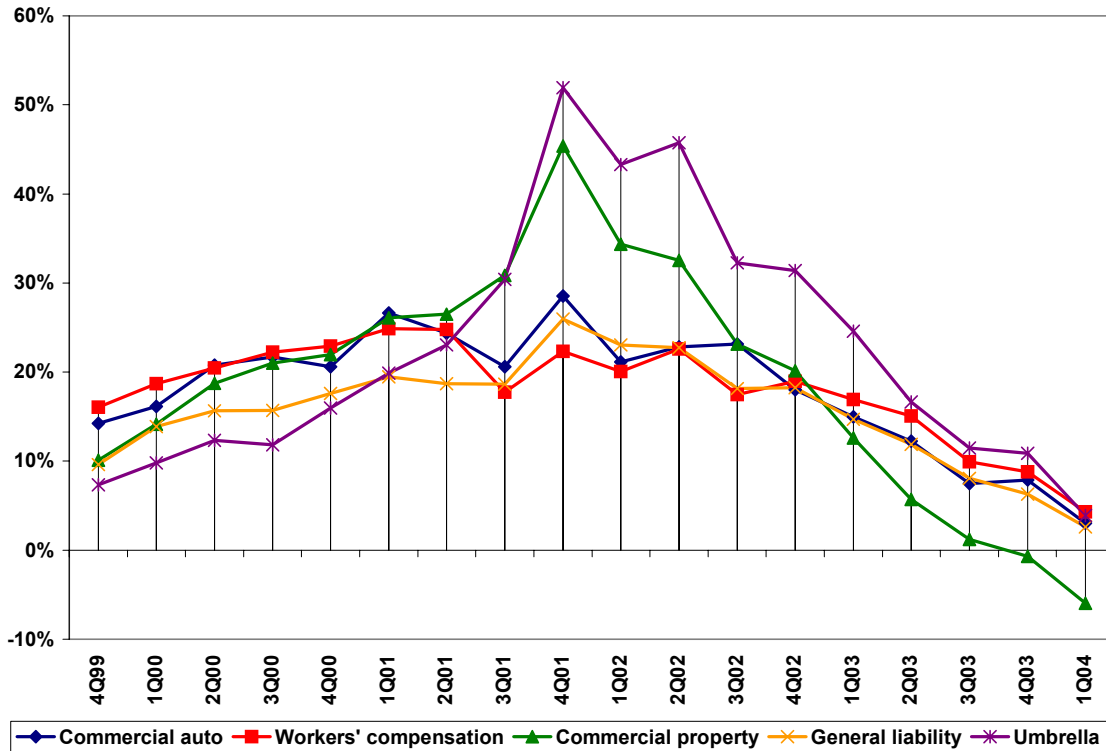
Source: Council of Insurance Agents and Brokers. Chart prepared by Lehman Brothers Equity Research

Insurance Rate Changes, Large Commercial Accounts*

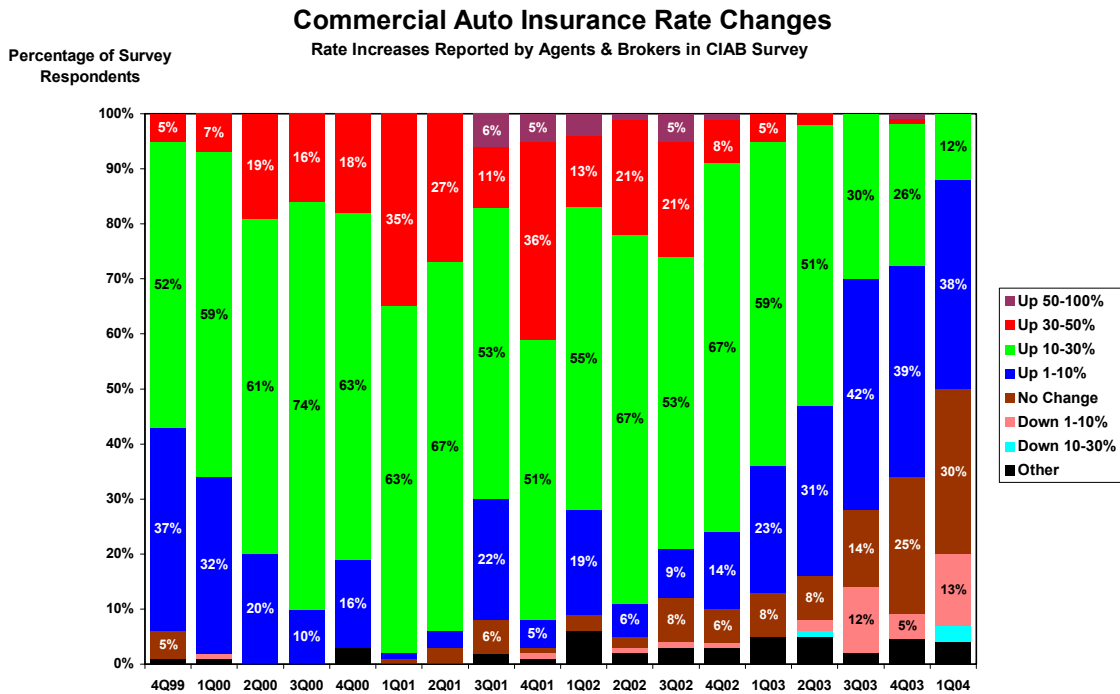


Source: Council of Insurance Agents and Brokers. Chart prepared by Lehman Brothers Equity Research

Average Premium Rate Changes by Line

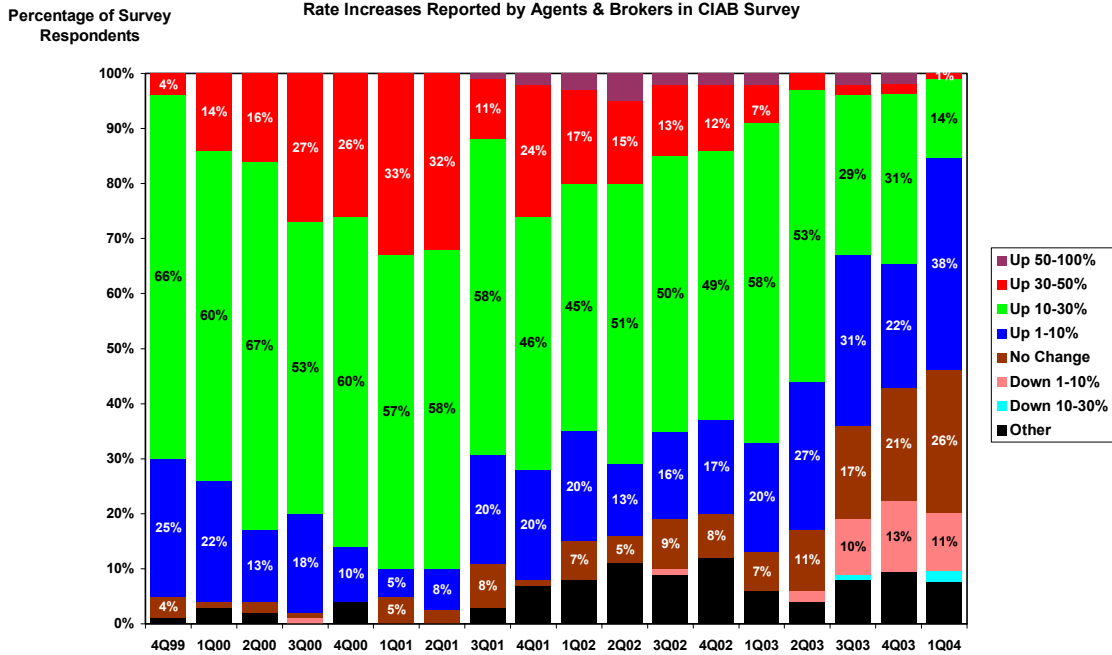


Source: Council of Insurance Agents and Brokers. Chart prepared by Lehman Brothers Equity Research



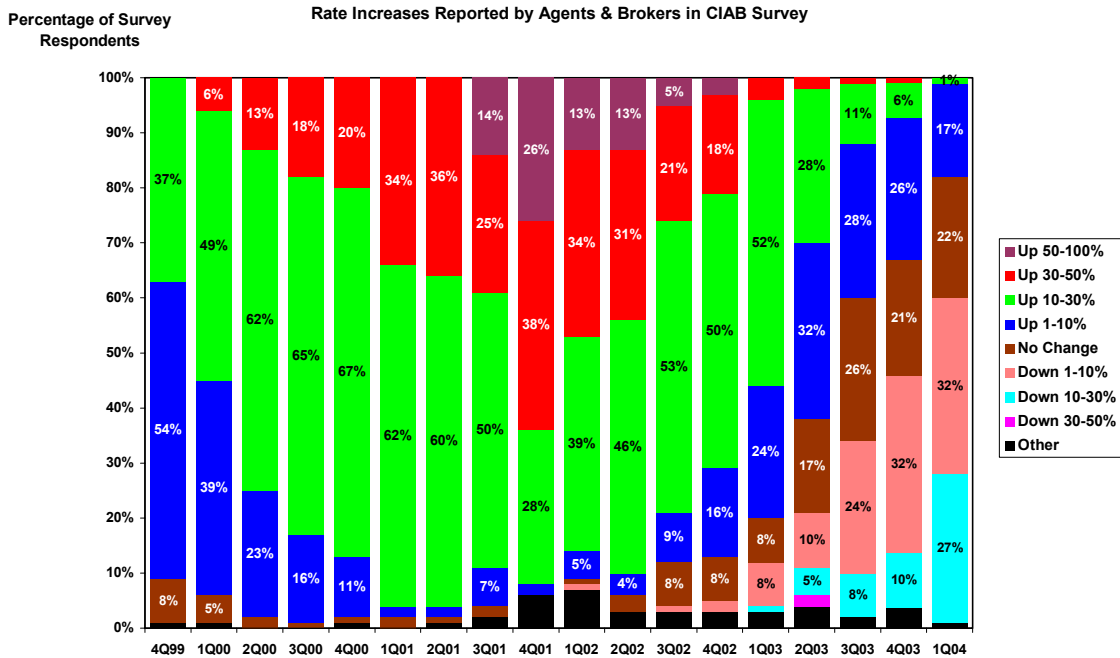
Source: Council of Insurance Agents and Brokers. Chart prepared by Lehman Brothers Equity Research

Workers' Compensation Insurance Rate Changes



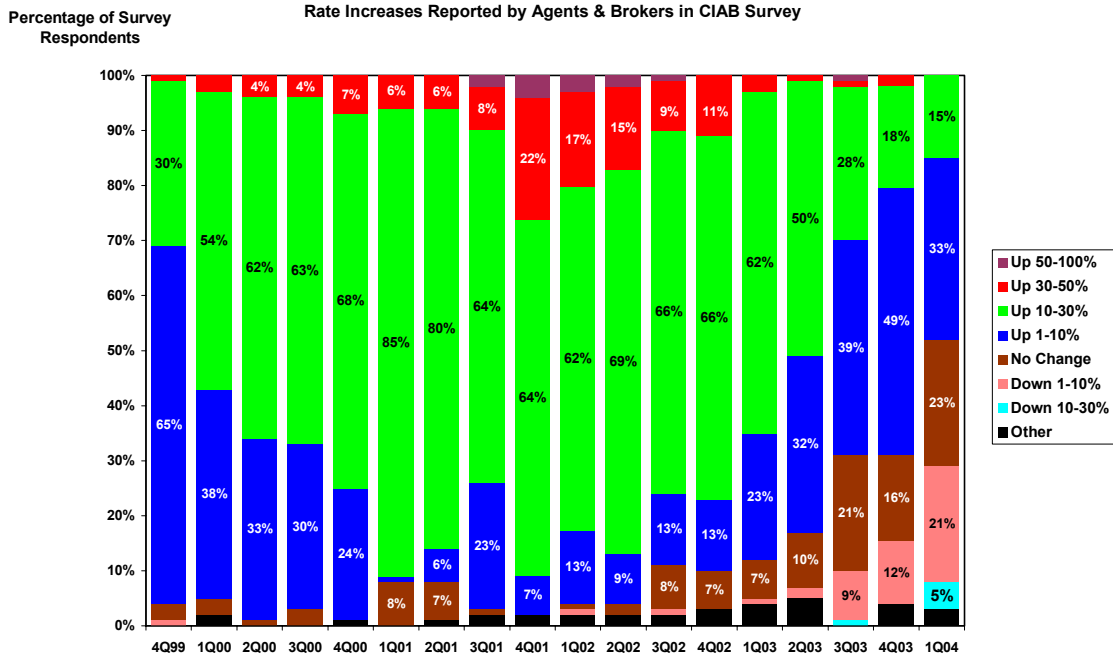
Source: Council of Insurance Agents and Brokers. Chart prepared by Lehman Brothers Equity Research

Commercial Property Insurance Rate Changes



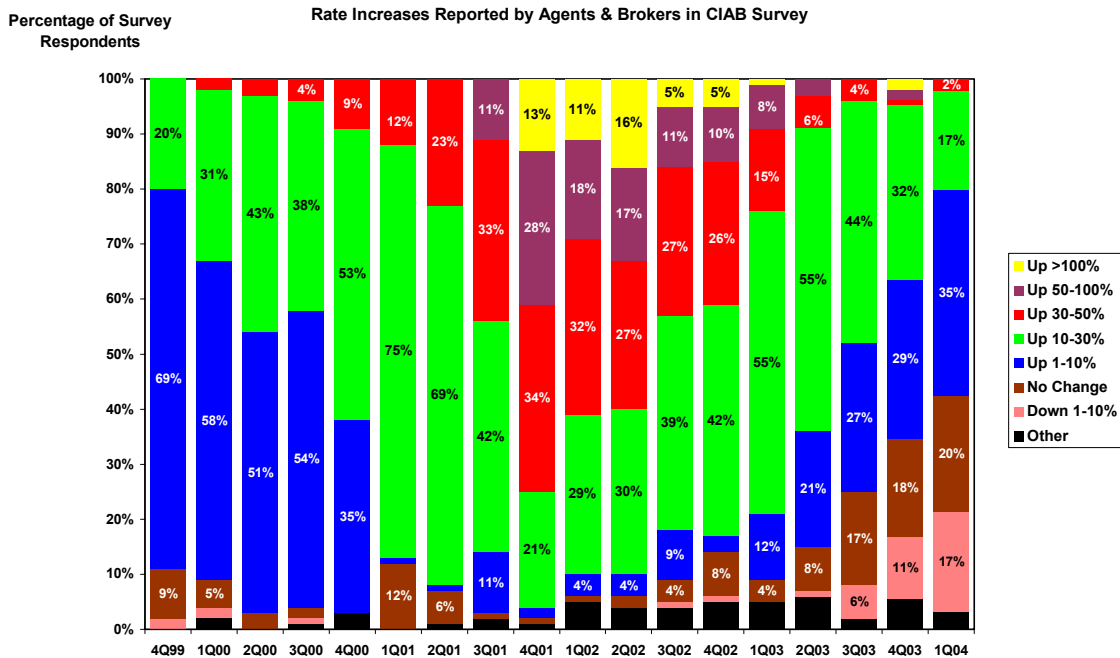
Source: Council of Insurance Agents and Brokers. Chart prepared by Lehman Brothers Equity Research

Commercial General Liability Insurance Rate Changes



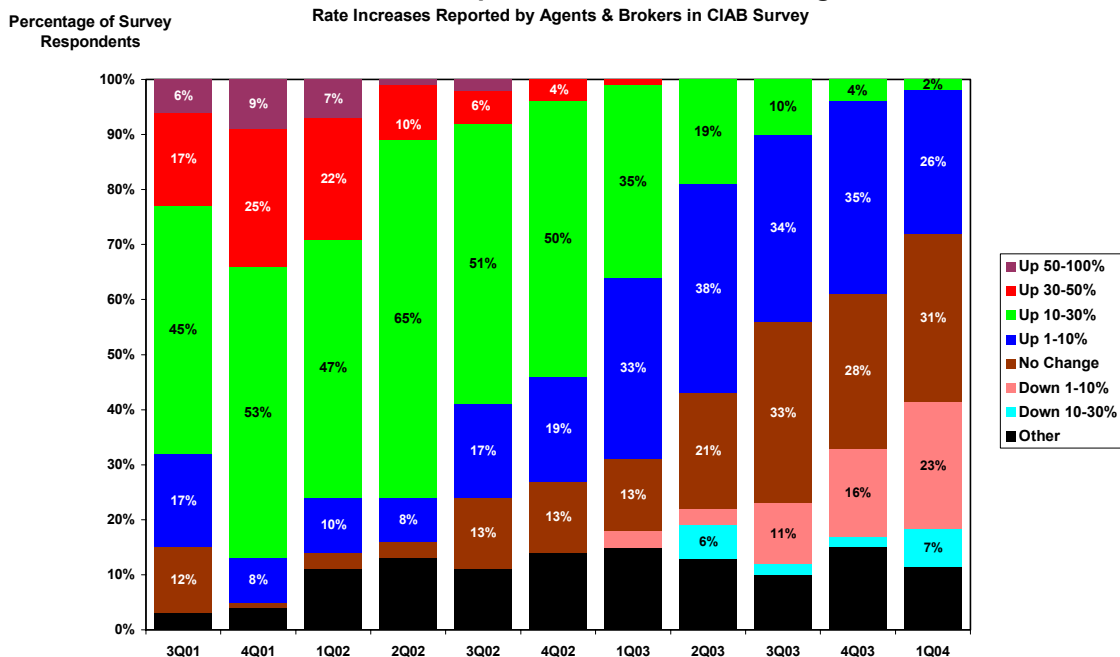
Source: Council of Insurance Agents and Brokers. Chart prepared by Lehman Brothers Equity Research

Umbrella Insurance Rate Changes



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

Business Interruption Insurance Rate Changes



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

Average 1Q04 Rate Declined 0.1% in 1Q04

	Small	Mid	Large	Avg
1Q04	1.9%	0.1%	-2.3%	-0.1%
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%
High (4Q01)	20.8%	31.7%	33.0%	28.5%
Low (1Q04)	1.9%	0.1%	-2.3%	-0.1%

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

By-Line 1Q04 Rate Changes Ranged From -6.0% to +4.3%

	Comm'l Auto	Workers' Comp	Comm'l Property	Gen'l Liability	Umbrella	Average
1Q04	3.1%	4.3%	-6.0%	2.6%	3.9%	1.6%
4Q03	7.9%	8.8%	-0.7%	6.3%	10.9%	6.6%
3Q03	7.5%	10.0%	1.2%	8.1%	11.5%	7.6%
2Q03	12.3%	15.1%	5.7%	11.9%	16.7%	12.3%
High	28.6%	24.9%	45.4%	26.0%	51.9%	35.3%
Low	3.1%	4.3%	-6.0%	2.6%	3.9%	1.6%

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