



## **NEWS RELEASE – Jan. 24, 2006**

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*For Immediate Release*

### **THE COUNCIL’S FOURTH QUARTER MARKET SURVEY SHOWS WIND, FLOOD COVERAGE PROBLEMS FOR COASTAL PROPERTY**

WASHINGTON – Although the overall commercial property-casualty marketplace has seen little impact from the severe 2005 hurricane season, coastal property is experiencing a sharp increase in prices for wind and flood coverage, according to the latest Commercial Insurance Market Index Survey by The Council of Insurance Agents & Brokers.

“Two markets exist – coastal property (and that definition has expanded north) and the rest,” observed a broker from the Southeast.

The Council’s fourth quarter 2005 survey of insurance brokers showed the overall commercial p/c marketplace has not registered the price increases some analysts forecasted after a devastating hurricane season with a record-number of named storms and extensive damage to Gulf Coast states and Florida.

Sixty-five percent of the small accounts and 60 percent of medium accounts up for renewal during the quarter experienced premiums that either held steady or dropped up to 10 percent; 52 percent of the large accounts saw premium rates hold steady or drop up to 10 percent, and an additional 17 percent of large accounts experienced premium drops of from 10 to 20 percent.

An analysis of The Council’s survey data by Lehman Brothers showed the average premium rates for renewals dropped 4.6 percent for all sizes of commercial accounts in the fourth quarter.

The Council represents the nation’s leading domestic and international commercial insurance brokers who annually write 80 percent of the nation’s commercial property/casualty premiums and administer billions of dollars of employee benefits accounts.

Asked whether they had seen pricing changes due to Hurricanes Katrina and Rita, 58 percent of the survey respondents said “no,” while 42 percent said “yes.”

“Some lip service to market tightening, but little if any evidence of it,” said a Midwestern broker. “Overall, the market continues to be competitive.”

But for those in coastal areas subject to flooding and wind storms, it was a different story, with capacity dropping, wind deductibles and exclusions rising sharply, and insurance underwriters looking carefully at the risks. One of the areas being examined is the year commercial structures were built because of wind code compliance issues, with older buildings receiving higher premium quotes than newer construction.

“Over 75 percent of the accounts in the Southeast have seen rate increases. Anything with wind exposure is seeing significant rate increases,” a broker from the Northeast reported.

The survey showed that even with higher deductibles for wind coverage, premiums were still increasing.

“Huge reductions in wind limits,” one broker said. “Fifty to 100 percent increases in property rates for coastal accounts. Other property accounts flat or 10 percent increases.”

Some brokers said they were waiting to see what impact reinsurance treaty renewals will have on the property market. According to press accounts, many of the treaties are being completed later than usual.

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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 leading commercial insurance agencies and brokerage firms. Only the top one percent of all agents and brokers meet membership qualifications. 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 2005 Released: January 2006

Below are the survey results for: ALL REGIONS

NUMBER OF RESPONSES: 114

1. On average, how have premium rates changed over the last three months (October 1 - December 31) 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%	2%	12%	34%	31%	9%	1%	2%	0%	0%	11%
Medium (\$25K – \$100K)	0%	4%	18%	50%	10%	10%	4%	0%	1%	0%	3%
Large (>\$100K)	0%	9%	17%	43%	9%	10%	4%	1%	1%	0%	7%

2. How much have premium rates changed over the last three months (October 1 - December 31) 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%	2%	4%	26%	37%	14%	1%	4%	0%	0%	12%
Broker E & O	0%	0%	2%	9%	23%	10%	5%	0%	0%	1%	50%
Commercial Auto	0%	4%	13%	39%	24%	14%	1%	1%	0%	0%	4%
Commercial Property	0%	4%	10%	36%	15%	19%	4%	3%	4%	0%	5%
Construction Risks	0%	3%	5%	25%	25%	13%	4%	3%	1%	0%	21%
D & O	0%	2%	10%	33%	30%	4%	4%	2%	0%	0%	16%
Employment Practices	1%	2%	5%	40%	31%	5%	0%	1%	1%	0%	15%
General Liability	0%	5%	13%	49%	14%	11%	4%	0%	0%	0%	4%
Medical Malpractice	0%	0%	1%	6%	25%	10%	3%	0%	0%	0%	56%
Surety Bonds	0%	0%	0%	6%	49%	4%	1%	1%	0%	0%	40%
Terrorism	0%	1%	3%	5%	64%	7%	0%	1%	0%	0%	19%
Umbrella	0%	2%	9%	40%	28%	11%	6%	1%	0%	0%	4%
Workers' Compensation	1%	8%	9%	40%	22%	14%	0%	2%	0%	0%	5%

## Commercial Property – Casualty Market Survey Fourth Quarter 2005 Released: January 2006

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 (October 1 - December 31) 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%	3%	9%	30%	33%	9%	0%	0%	0%	0%	15%
Medium (\$25K – \$100K)	0%	3%	15%	42%	18%	12%	0%	0%	0%	0%	9%
Large (>\$100K)	0%	6%	18%	42%	6%	18%	0%	0%	0%	0%	9%

**2. How much have premium rates changed over the last 3 months (October 1 - December 31) 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%	9%	24%	39%	21%	0%	0%	0%	0%	3%
Broker E & O	0%	0%	3%	12%	24%	12%	3%	0%	0%	0%	45%
Commercial Auto	0%	0%	18%	42%	18%	15%	0%	0%	0%	0%	6%
Commercial Property	0%	3%	12%	42%	12%	27%	0%	0%	0%	0%	3%
Construction Risks	0%	0%	3%	27%	36%	15%	3%	0%	0%	0%	15%
D & O	0%	3%	9%	33%	27%	6%	3%	0%	0%	0%	18%
Employment Practices	0%	3%	12%	33%	21%	9%	0%	0%	3%	0%	18%
General Liability	0%	3%	21%	45%	12%	9%	3%	0%	0%	0%	6%
Medical Malpractice	0%	0%	3%	6%	21%	9%	3%	0%	0%	0%	58%
Surety Bonds	0%	0%	0%	6%	45%	0%	3%	0%	0%	0%	45%
Terrorism	0%	0%	3%	3%	64%	12%	0%	3%	0%	0%	15%
Umbrella	0%	3%	9%	39%	18%	15%	6%	0%	0%	0%	9%
Workers' Compensation	0%	0%	3%	33%	33%	18%	0%	3%	0%	0%	9%

## Commercial Property – Casualty Market Survey Fourth Quarter 2005 Released: January 2006

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 (October 1 - December 31) 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%	5%	5%	20%	40%	10%	0%	10%	0%	0%	10%
Medium (\$25K – \$100K)	0%	5%	5%	40%	20%	15%	15%	0%	0%	0%	0%
Large (>\$100K)	0%	10%	15%	30%	20%	5%	15%	5%	0%	0%	0%

**2. How much have premium rates changed over the last 3 months (October 1 - December 31) 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%	5%	0%	25%	20%	15%	0%	10%	0%	0%	25%
Broker E & O	0%	0%	5%	5%	20%	0%	0%	0%	0%	0%	70%
Commercial Auto	0%	5%	15%	20%	35%	20%	0%	5%	0%	0%	0%
Commercial Property	0%	5%	0%	30%	10%	20%	5%	10%	10%	0%	10%
Construction Risks	0%	5%	15%	10%	15%	20%	5%	5%	5%	0%	20%
D & O	0%	0%	5%	45%	20%	0%	5%	5%	0%	0%	20%
Employment Practices	5%	0%	5%	45%	20%	5%	0%	0%	0%	0%	20%
General Liability	0%	5%	10%	40%	10%	25%	5%	0%	0%	0%	5%
Medical Malpractice	0%	0%	0%	5%	25%	10%	10%	0%	0%	0%	50%
Surety Bonds	0%	0%	0%	10%	45%	5%	0%	5%	0%	0%	35%
Terrorism	0%	0%	0%	0%	60%	10%	0%	0%	0%	0%	30%
Umbrella	0%	0%	5%	20%	40%	25%	5%	0%	0%	0%	5%
Workers' Compensation	0%	5%	0%	35%	30%	20%	0%	0%	0%	0%	10%

## Commercial Property – Casualty Market Survey Fourth Quarter 2005 Released: January 2006

Below are the survey results for: **MIDWEST**

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

**1. On average, how have premium rates changed over the last 3 months (October 1 - December 31) 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%	25%	42%	17%	4%	0%	0%	0%	0%	13%
Medium (\$25K – \$100K)	0%	4%	33%	50%	4%	8%	0%	0%	0%	0%	0%
Large (>\$100K)	0%	8%	13%	46%	8%	8%	0%	0%	0%	0%	17%

**2. How much have premium rates changed over the last 3 months (October 1 - December 31) 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%	4%	33%	25%	13%	4%	0%	0%	0%	21%
Broker E & O	0%	0%	0%	4%	25%	13%	4%	0%	0%	0%	54%
Commercial Auto	0%	4%	8%	38%	25%	17%	0%	0%	0%	0%	8%
Commercial Property	0%	4%	17%	42%	8%	13%	4%	0%	0%	0%	13%
Construction Risks	0%	4%	4%	25%	17%	13%	0%	4%	0%	0%	33%
D & O	0%	4%	17%	25%	25%	4%	0%	4%	0%	0%	21%
Employment Practices	0%	4%	8%	42%	21%	0%	0%	4%	0%	0%	21%
General Liability	0%	8%	17%	46%	17%	0%	4%	0%	0%	0%	8%
Medical Malpractice	0%	0%	0%	4%	29%	13%	0%	0%	0%	0%	54%
Surety Bonds	0%	0%	0%	4%	58%	13%	0%	0%	0%	0%	25%
Terrorism	0%	0%	8%	8%	58%	0%	0%	0%	0%	0%	25%
Umbrella	0%	4%	17%	42%	21%	4%	0%	4%	0%	0%	8%
Workers' Compensation	0%	0%	13%	38%	21%	13%	0%	4%	0%	0%	13%

## Commercial Property – Casualty Market Survey Fourth Quarter 2005 Released: January 2006

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 (October 1 - December 31) 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%	24%	35%	12%	0%	0%	0%	0%	18%
Medium (\$25K – \$100K)	0%	6%	18%	65%	0%	6%	6%	0%	0%	0%	0%
Large (>\$100K)	0%	12%	12%	59%	0%	6%	6%	0%	0%	0%	6%

**2. How much have premium rates changed over the last 3 months (October 1 - December 31) 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%	0%	35%	47%	6%	0%	0%	0%	0%	12%
Broker E & O	0%	0%	0%	18%	6%	6%	6%	0%	0%	0%	65%
Commercial Auto	0%	12%	6%	53%	18%	12%	0%	0%	0%	0%	0%
Commercial Property	0%	12%	0%	41%	29%	6%	6%	6%	0%	0%	0%
Construction Risks	0%	6%	0%	18%	29%	12%	12%	0%	0%	0%	24%
D & O	0%	0%	18%	35%	29%	6%	0%	0%	0%	0%	12%
Employment Practices	0%	0%	0%	41%	41%	0%	0%	0%	0%	0%	18%
General Liability	0%	12%	0%	65%	18%	6%	0%	0%	0%	0%	0%
Medical Malpractice	0%	0%	0%	0%	12%	6%	0%	0%	0%	0%	82%
Surety Bonds	0%	0%	0%	0%	29%	0%	0%	0%	0%	0%	71%
Terrorism	0%	6%	0%	6%	53%	6%	0%	0%	0%	0%	29%
Umbrella	0%	0%	6%	41%	35%	6%	12%	0%	0%	0%	0%
Workers' Compensation	0%	29%	29%	35%	0%	6%	0%	0%	0%	0%	0%

## Commercial Property – Casualty Market Survey Fourth Quarter 2005 Released: January 2006

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 (October 1 - December 31) 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%	5%	50%	30%	10%	5%	0%	0%	0%	0%
Medium (\$25K – \$100K)	0%	5%	20%	55%	0%	5%	5%	0%	5%	0%	5%
Large (>\$100K)	0%	10%	25%	35%	10%	5%	0%	0%	5%	0%	10%

**2. How much have premium rates changed over the last 3 months (October 1 - December 31) 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%	5%	15%	55%	10%	0%	10%	0%	0%	5%
Broker E & O	0%	0%	0%	5%	35%	15%	10%	0%	0%	5%	30%
Commercial Auto	0%	0%	15%	45%	25%	5%	5%	0%	0%	0%	5%
Commercial Property	0%	0%	15%	25%	20%	20%	5%	0%	10%	0%	5%
Construction Risks	0%	0%	5%	40%	25%	10%	5%	5%	0%	0%	10%
D & O	0%	0%	0%	25%	50%	0%	10%	0%	0%	0%	15%
Employment Practices	0%	0%	0%	30%	55%	5%	0%	0%	0%	0%	10%
General Liability	0%	0%	5%	50%	15%	15%	5%	0%	0%	0%	10%
Medical Malpractice	0%	0%	0%	10%	30%	10%	0%	0%	0%	0%	50%
Surety Bonds	0%	0%	0%	5%	65%	0%	0%	0%	0%	0%	30%
Terrorism	0%	0%	0%	5%	65%	5%	0%	0%	0%	0%	25%
Umbrella	0%	0%	5%	50%	35%	0%	10%	0%	0%	0%	0%
Workers' Compensation	5%	10%	10%	50%	15%	5%	0%	0%	0%	0%	5%

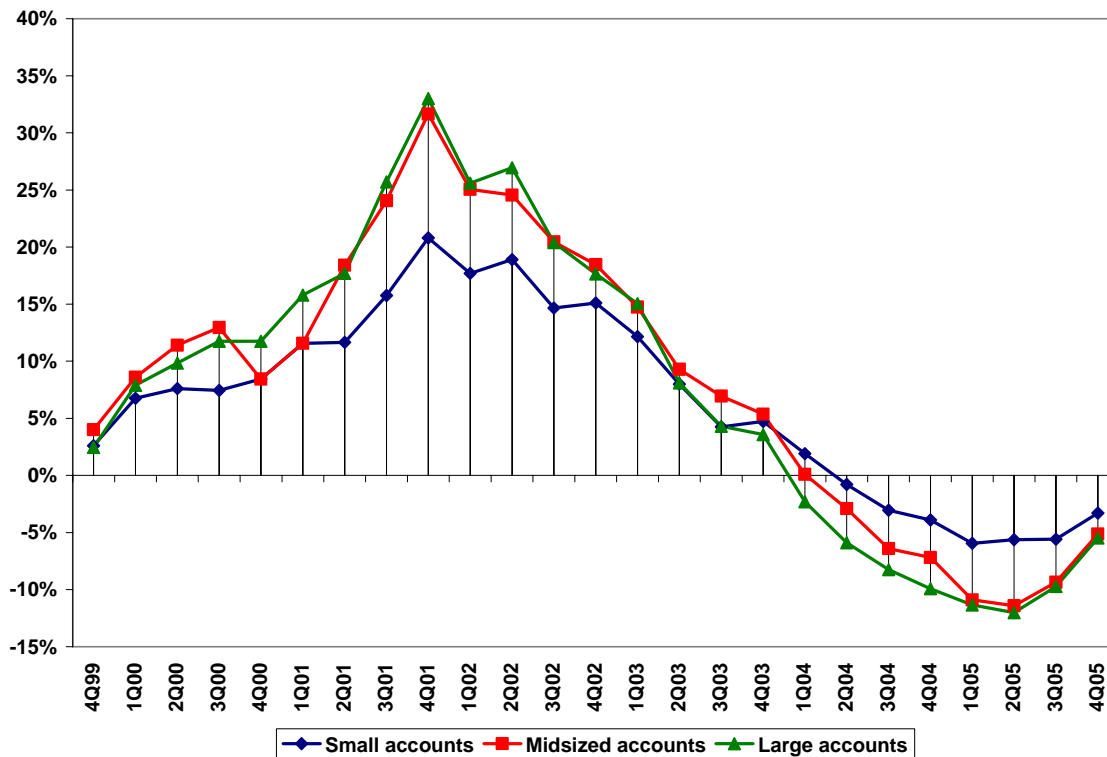


## Average 4Q05 Commercial Rates Decreased 4.6%

Average Rate Declined 4.6% in 4Q05				
	Small	Mid	Large	Avg
4Q05	-3.3%	-5.1%	-5.5%	-4.6%
3Q05	-5.6%	-9.4%	-9.7%	-8.2%
2Q05	-5.6%	-11.4%	-12.0%	-9.7%
1Q05	-6.0%	-10.9%	-11.4%	-9.4%
4Q04	-3.9%	-7.2%	-9.9%	-7.0%
High (4Q01)	20.8%	31.7%	33.0%	28.5%
Low	-6.0% (1Q05)	-11.4% (2Q05)	-12.0% (2Q05)	-9.8%

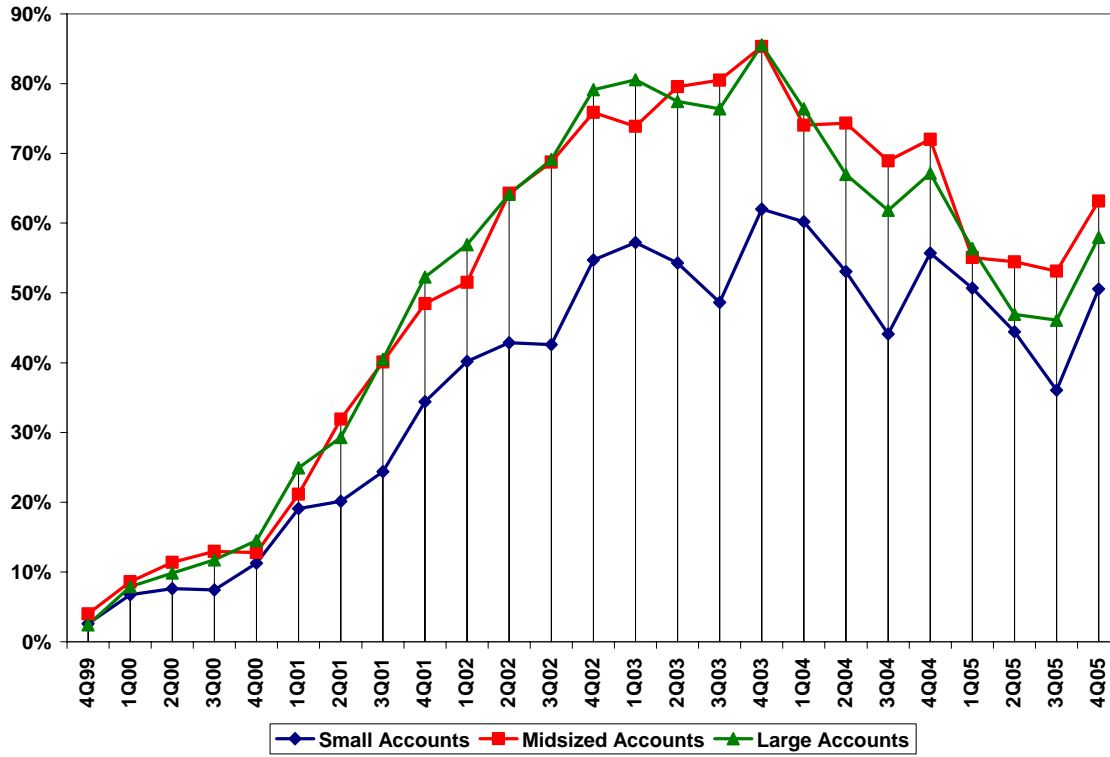
Source: The Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research.

## Average Commercial Premium Rate Changes by Account Size



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

## Cumulative Quarterly Rate Increases by Account Size



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

**By-Line 4Q05 Rate Changes Ranged From -9.2% to -6.0%**

<b>By-Line 4Q05 Rate Changes Ranged From -4.7% to -1.0%</b>						
	<b>Comm'l Auto</b>	<b>Workers' Comp</b>	<b>Comm'l Property</b>	<b>Gen'l Liability</b>	<b>Umbrella</b>	<b>Average</b>
<b>4Q05</b>	-4.2%	-4.6%	-1.0%	-4.7%	-2.0%	-3.3%
<b>3Q05</b>	-6.0%	-6.8%	-9.2%	-8.4%	-6.3%	-7.3%
<b>2Q05</b>	-6.0%	-7.3%	-13.3%	-9.1%	-6.6%	-8.4%
<b>1Q05</b>	-6.6%	-5.3%	-13.1%	-9.2%	-6.5%	-8.1%
<b>4Q04</b>	-2.8%	-3.1%	-10.1%	-5.6%	-4.1%	-5.1%
<b>High</b>	28.6%	24.9%	45.4%	26.0%	51.9%	35.3%
<b>Low</b>	-6.6%	-7.3%	-13.3%	-9.2%	-6.6%	-8.6%

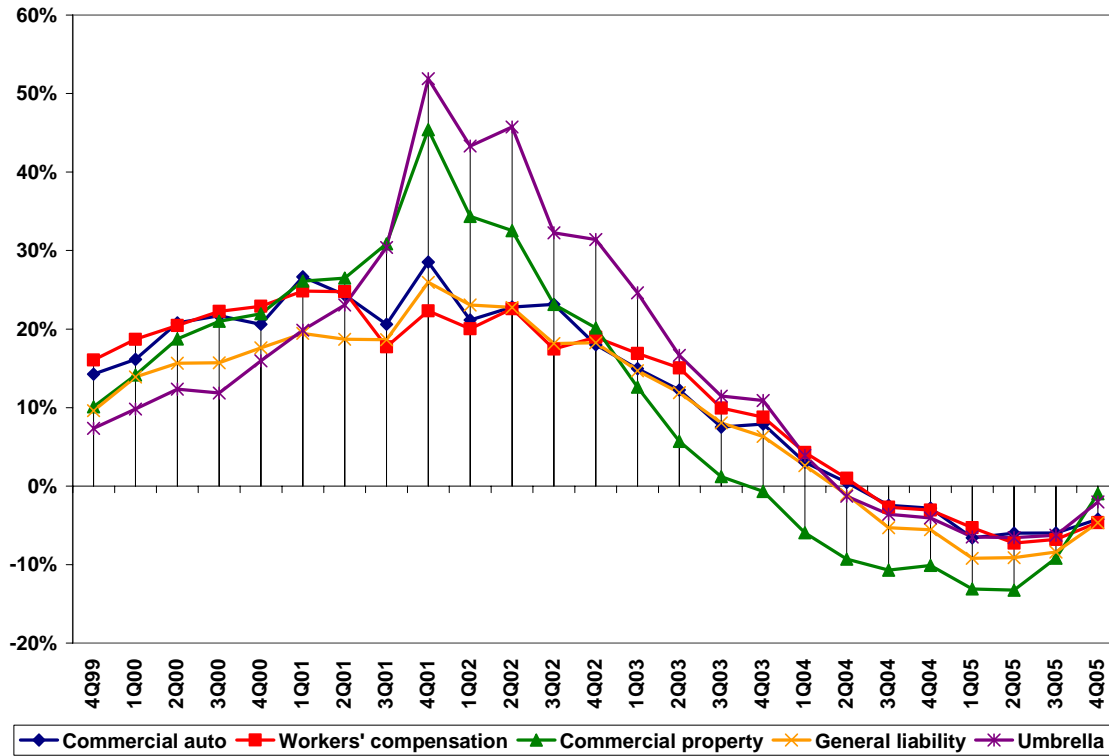
Source: The Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research.

**Rate Changes in Other Lines**

<b>4Q05 Rate Changes in Other Lines</b>			
	<b>4Q05</b>	<b>High</b>	<b>Low</b>
<b>Business interruption</b>	-0.9%	28.8%	-8.1%
<b>Construction</b>	-0.4%	38.7%	-3.6%
<b>D&amp;O liability</b>	-2.7%	32.4%	-4.8%
<b>Employment practices</b>	-3.0%	21.9%	-4.4%
<b>Medical malpractice</b>	0.6%	32.5%	0.0%
<b>Surety bonds</b>	0.2%	11.2%	-0.5%

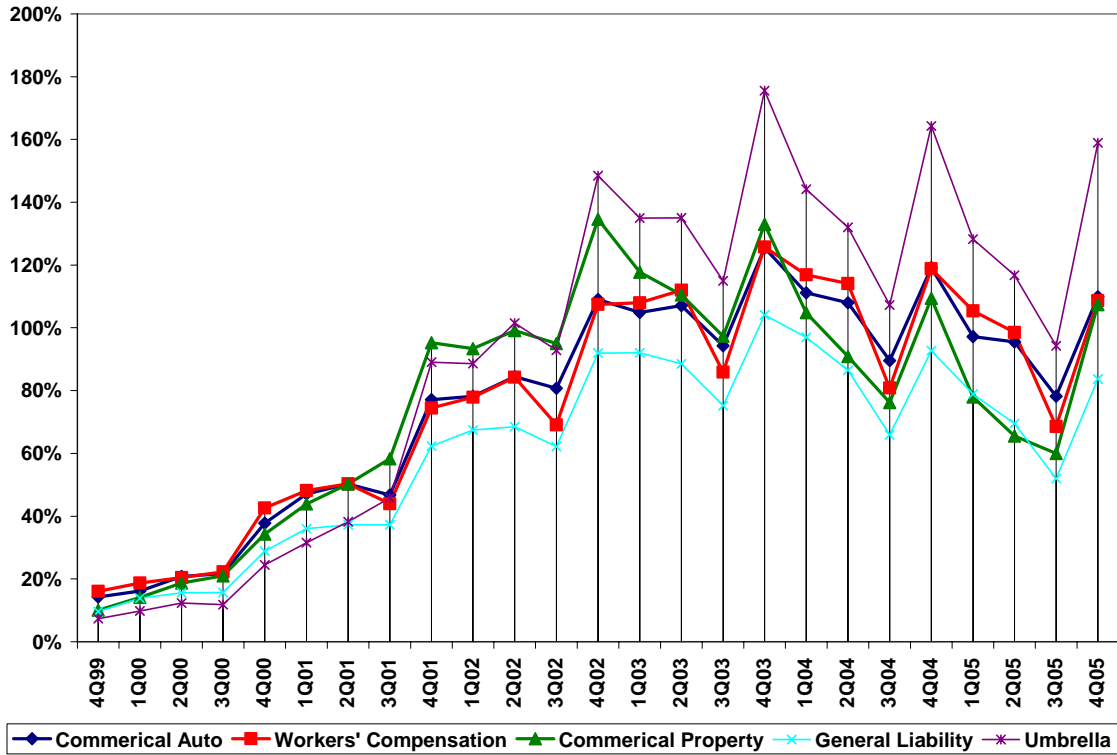
Source: The Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research.

## Average Commercial Rate Increases by Line



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

## Cumulative Quarterly Rate Increases by Line

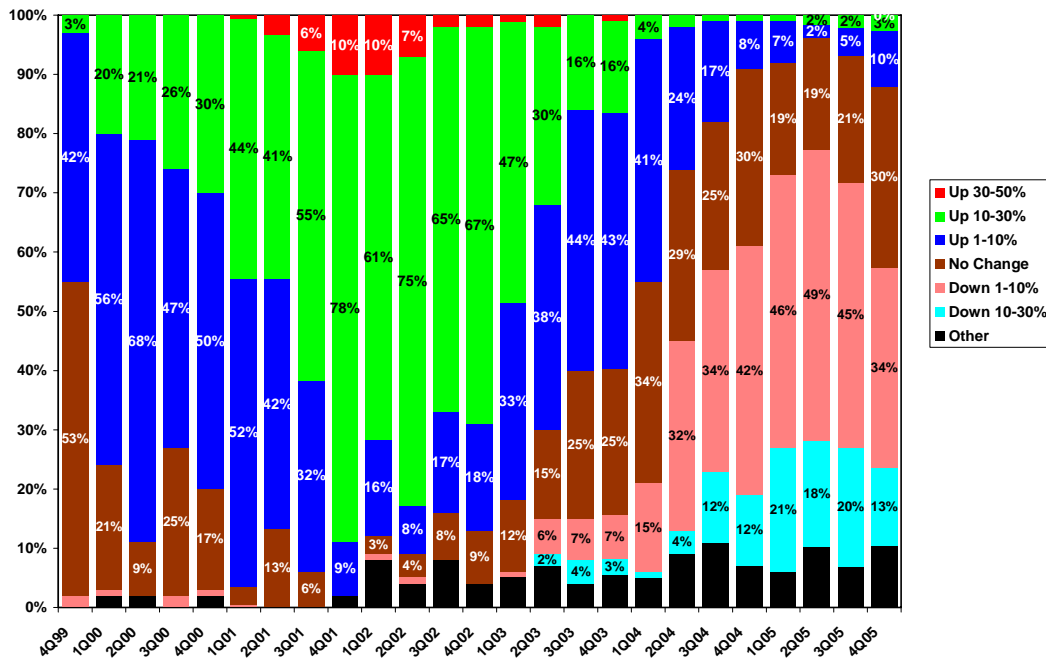


Source: The Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research.

## Insurance Rate Changes, Small Commercial Accounts\*

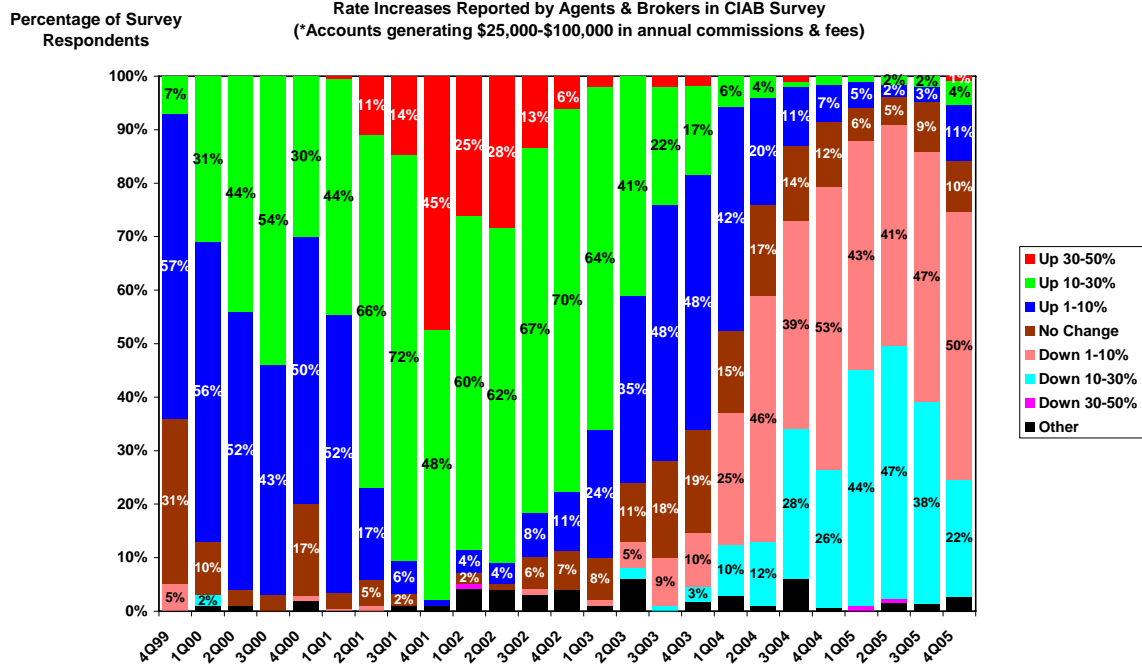
Percentage of Survey Respondents

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



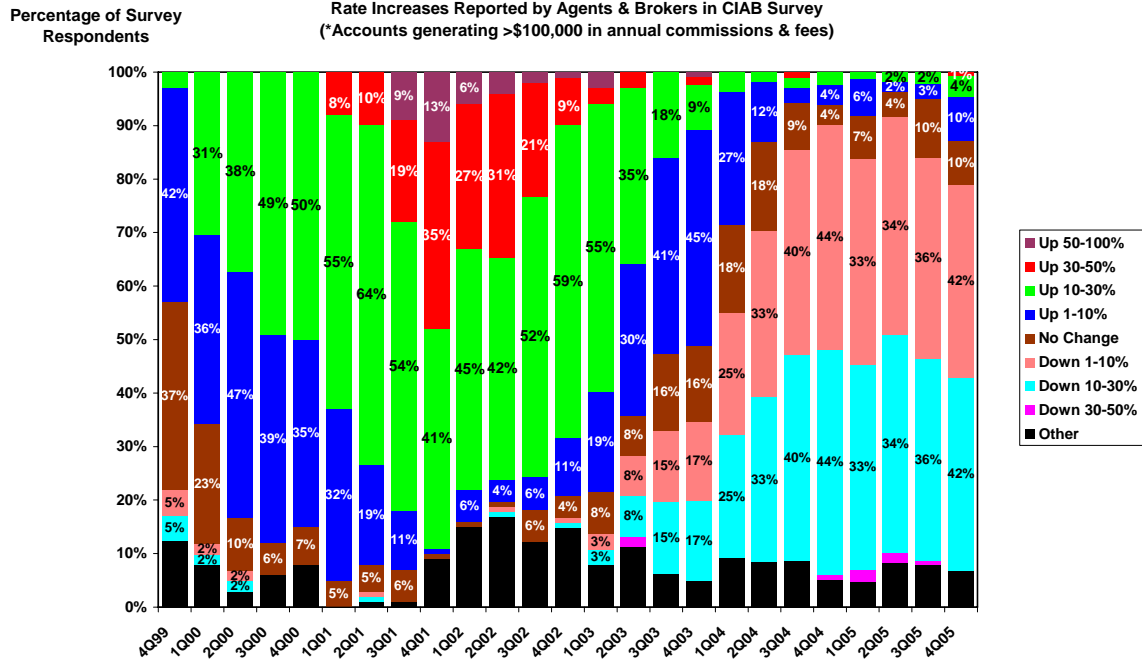
Source: The Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research.

### Insurance Rate Changes, Medium Commercial Accounts\*



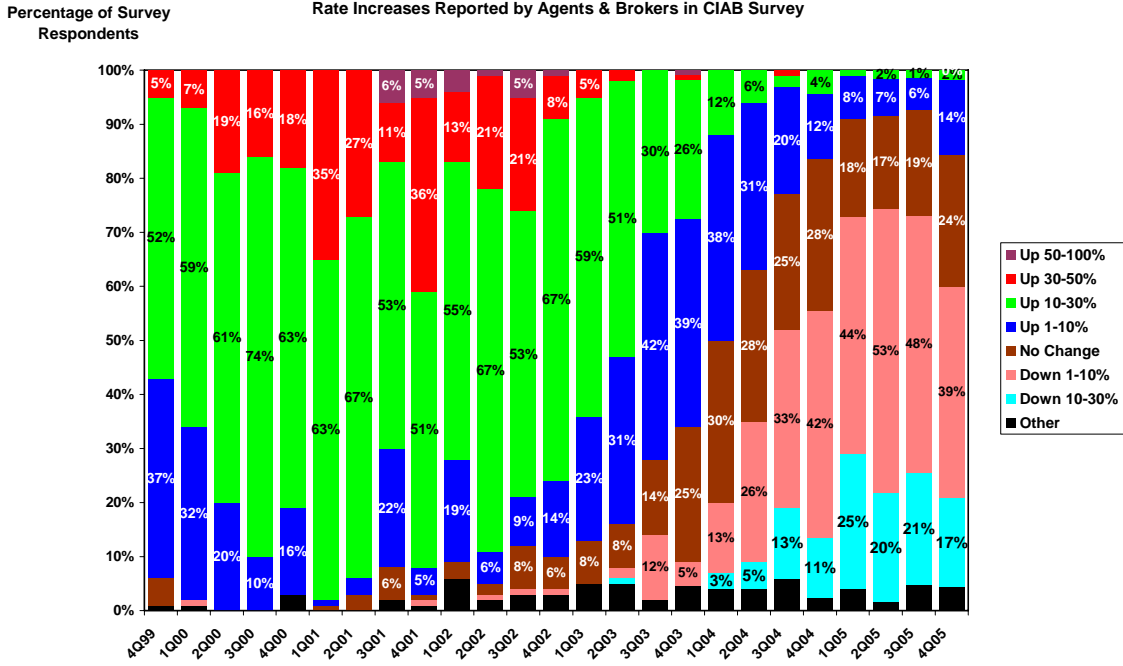
Source: The Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research.

### Insurance Rate Changes, Large Commercial Accounts\*



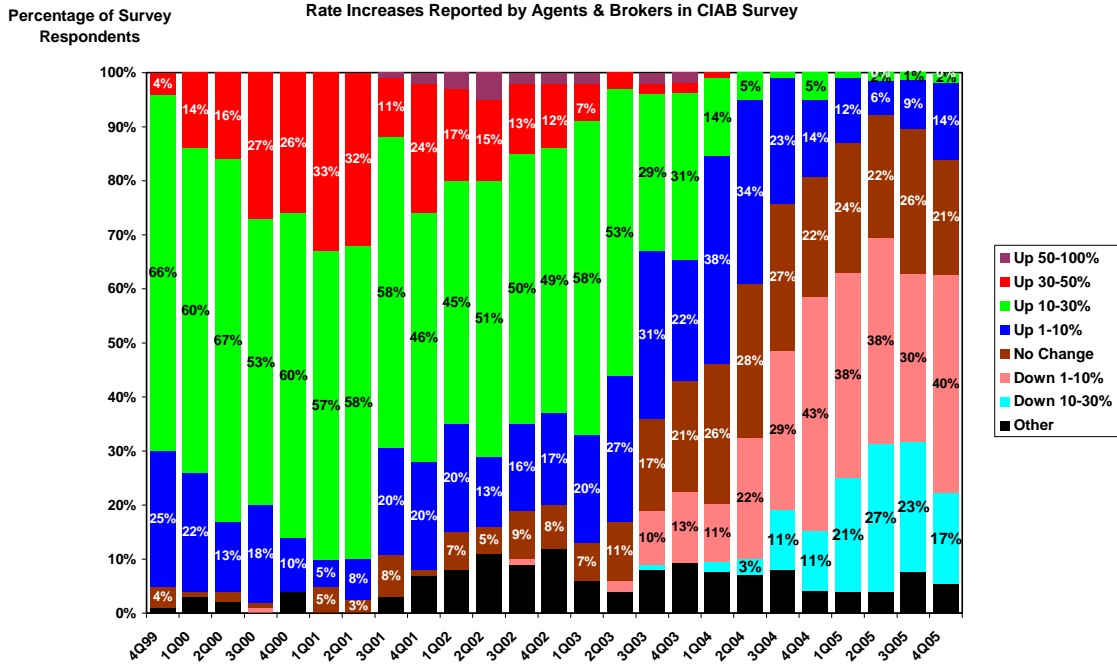
Source: The Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research.

## Commercial Auto Insurance Rate Changes



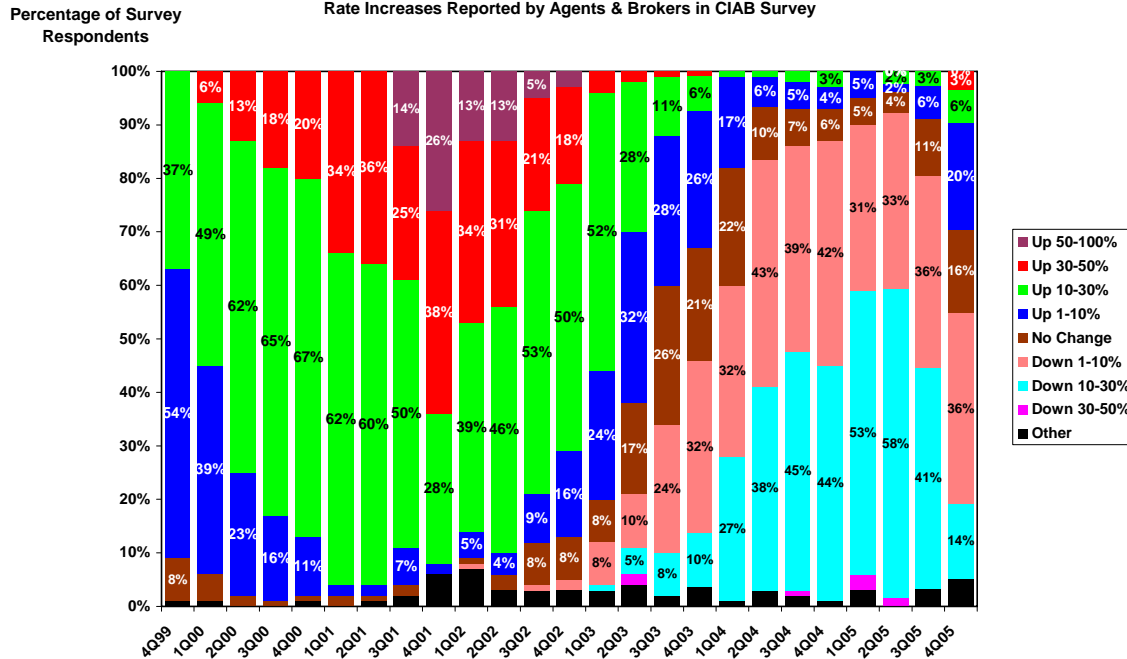
Source: The Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research.

## Workers' Compensation Insurance Rate Changes



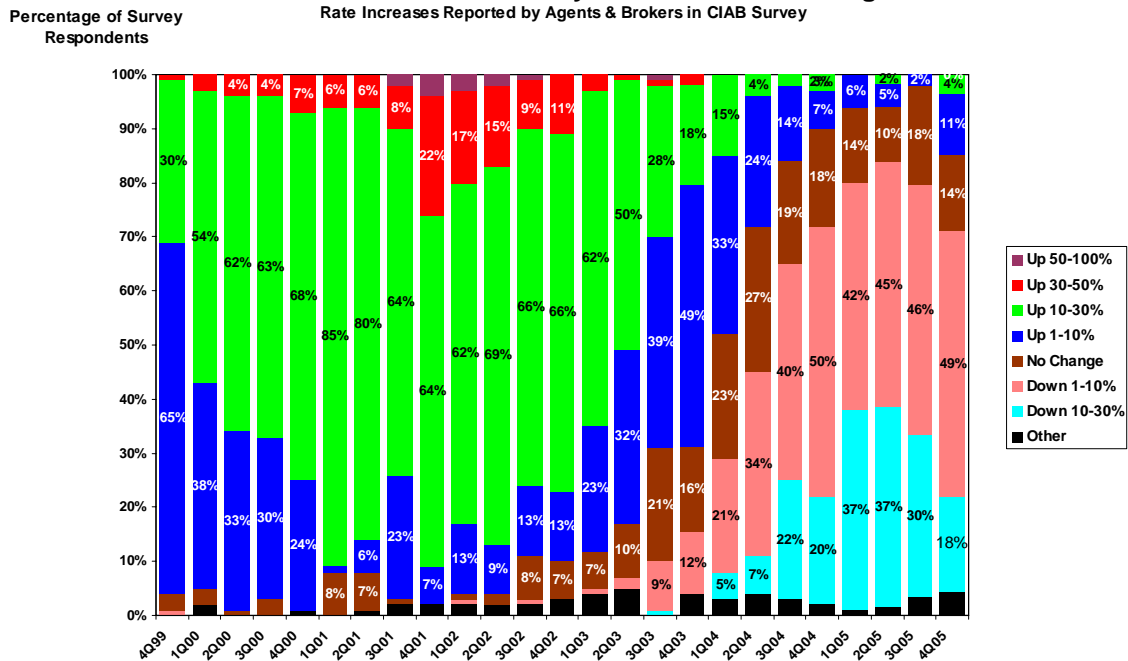
Source: The Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research.

## Commercial Property Insurance Rate Changes



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

## Commercial General Liability Insurance Rate Changes

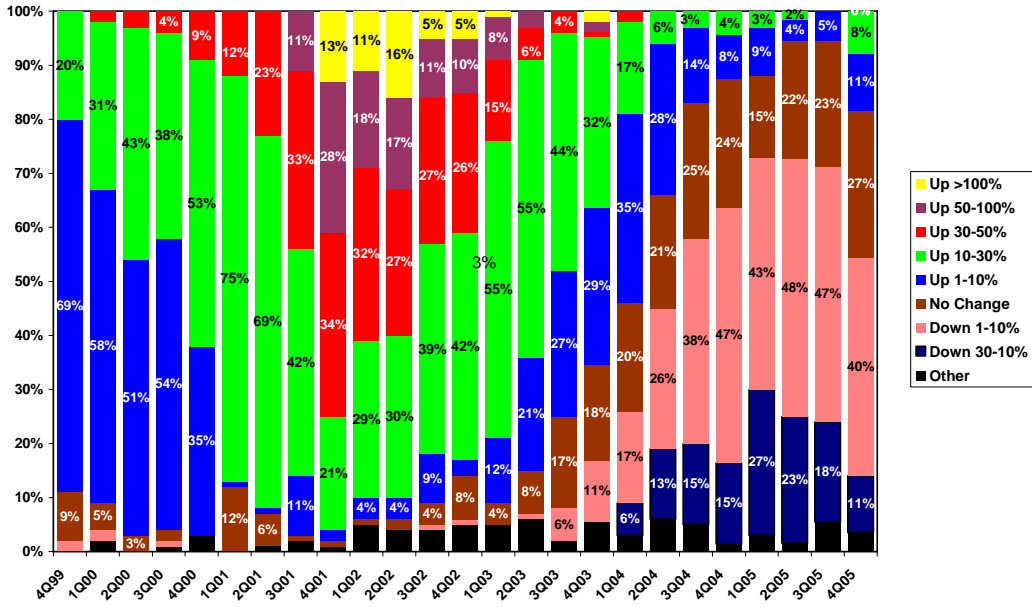


Source: The Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research.



## Umbrella Insurance Rate Changes

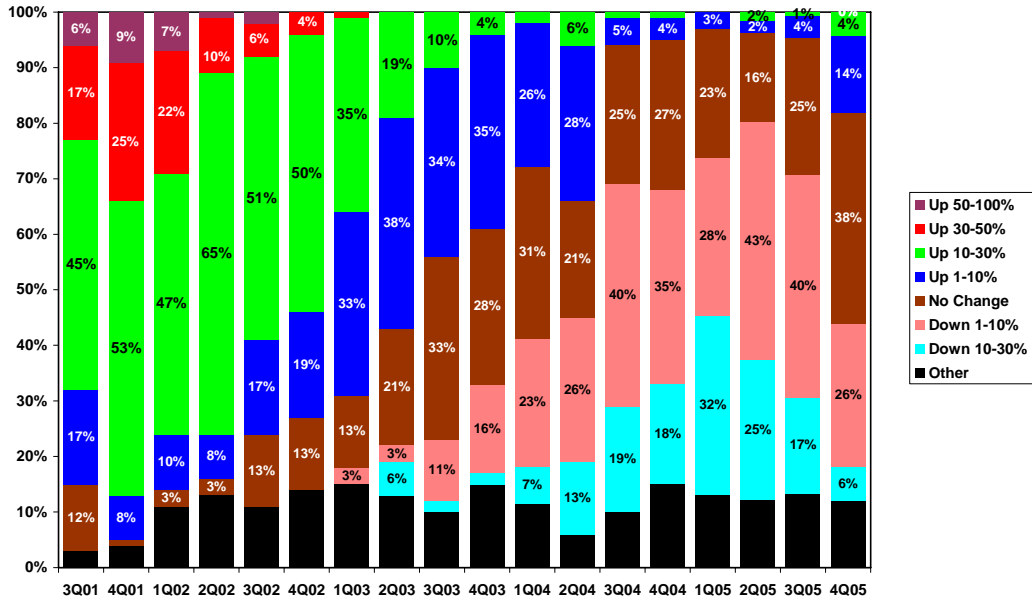
Rate Increases Reported by Agents & Brokers in CIAB Survey  
Percentage of Survey Respondents



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.