



NEWS RELEASE – Oct. 19, 2006

Contact: Cheryl Arvidson
Assistant Director, Strategic Communications
202-783-4400
cheryl.arvidson@ciab.com

For Immediate Release

**COMMERCIAL MARKET SOFTENS, INSURER APPETITE INCREASES
IN THIRD QUARTER, COUNCIL SURVEY SHOWS**

WASHINGTON – The commercial property/casualty market continued to soften during the third quarter, with indications that some insurers are finding an appetite for business in which they previously were not interested, according to the latest commercial market index survey by The Council of Insurance Agents & Brokers.

As has been the case the entire year, however, coastal property and catastrophe-prone risks remain costly and hard to place, brokers responding to the survey said.

The Council represents the leading domestic and international commercial insurance brokers and agents who annually write more than 80 percent of the commercial property/casualty premiums in the United States and administer billions of dollars in benefits accounts.

Six out of 10 commercial insurance brokers and agents responding to the survey said their small accounts experienced decreases in renewal premiums during the third quarter, and three quarters of the brokers responding who handle large and medium-sized accounts reported that their customers had drops in premium rates. The majority of the decreases were in the 1-10 percent range for small, medium and large accounts, the brokers said.

An analysis of The Council's survey results by Lehman Brothers showed that the average premium rates for all commercial accounts decreased 5.3 percent during the third quarter. The Lehman analysis showed the average small commercial account premium down 3.4 percent, the average medium account premium down 5.1 percent, and the average large account premium down 7.3 percent during the third quarter.

As premium prices fall and underwriters become hungry for new business, the agents and brokers said that insurers are starting to be more aggressive in pricing and more liberal in policy terms. Types of properties "normally considered unattractive" such as car dealers, restaurants, not-for-profit and habitational are being looked at with renewed interest, one respondent said.

"Underwriters are more liberal in what they will provide and what they will overlook," said a broker from the Southeast. "They are finding ways to write accounts that were E&S [excess and surplus] 12-18 months ago."

“Casualty lines are extremely soft. Standard lines companies are starting to write accounts that have been in the surplus lines marketplace. Rates/premiums are always open to downward negotiation,” agreed a broker from the Southwest.

“First signs of multi-year policies returning to certain lines,” reported a broker from the Northeast.

Meanwhile, it was another story altogether for coastal exposures, according to respondents, with wind, flood and property capacity still tight, deductibles and exclusions on the rise. Some carriers are expanding their definition of coastal property to business within 60-70 miles of the seacoast and categorizing areas such as the Chesapeake Bay as coastal.

“Further withdrawal of the market from ‘coastal’ areas – only difficulty being what the carriers actually define as coastal,” a broker from the Northeast said. “For some, it’s measured in feet, for some it’s measured in terms of miles, for others, well, we’re still trying to figure out how they’re measuring it!”

“By far the biggest issue is property located in SE coastal areas. A completely different pricing and underwriting approach from Midwest-based property risks,” said a Midwestern agent/broker.

Any catastrophe-prone property was likely to experience trouble securing coverage, the brokers and agents said, with premium levels at historic highs. Although the problems appeared to be the worst in Florida and along the Southeast coast, one respondent reported commercial earthquake rates up as high as 50 to 150 percent in Southern California.

“The absence of growing domestic capacity to address the need associated with long-term coastal growth issues presents a broader economic concern that our industry, in the wake of global climate change, will struggle to deal with,” one respondent observed.

*Founded in 1913, **The Council** is the premier association for commercial insurance and employee benefits intermediaries. The Council represents the leading commercial brokers and agents in the United States and abroad. Council members annually write 80 percent of all commercial property/casualty premiums in the United States and administer billions of dollars in employee benefits accounts. www.ciab.com*

Commercial Property – Casualty Market Survey

Third Quarter 2006 Released: October 2006

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

NUMBER OF RESPONSES: 108

1. On average, how have premium rates changed over the last three months (July 1 - September 30) 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%	15%	43%	27%	2%	1%	3%	2%	1%	5%
Medium (\$25K – \$100K)	0%	4%	26%	45%	12%	3%	3%	3%	3%	1%	1%
Large (>\$100K)	1%	12%	29%	33%	8%	3%	6%	1%	2%	1%	5%

2. How much have premium rates changed over the last three months (July 1 - September 30) 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%	13%	32%	26%	7%	6%	2%	1%	3%	7%
Broker E & O	0%	0%	5%	8%	29%	7%	3%	1%	0%	1%	46%
Commercial Auto	0%	5%	20%	42%	25%	4%	2%	0%	0%	0%	3%
Commercial Property	0%	5%	27%	24%	20%	8%	4%	4%	2%	5%	2%
Construction Risks	0%	4%	10%	33%	24%	6%	6%	2%	0%	0%	15%
D&O	0%	2%	6%	39%	36%	3%	2%	0%	0%	0%	13%
Flood insurance	0%	0%	2%	5%	47%	17%	5%	4%	0%	2%	19%
Employment Practices	0%	1%	8%	31%	40%	3%	1%	1%	0%	0%	15%
General Liability	0%	6%	20%	47%	19%	5%	1%	1%	0%	0%	1%
Medical Malpractice	0%	1%	6%	15%	27%	9%	1%	0%	0%	0%	41%
Surety bonds	0%	1%	3%	8%	50%	3%	1%	0%	0%	0%	34%
Terrorism	0%	0%	1%	12%	67%	6%	0%	0%	0%	0%	14%
Umbrella	0%	4%	19%	43%	22%	7%	3%	1%	0%	0%	2%
Workers' Compensation	3%	1%	19%	42%	25%	6%	1%	0%	0%	0%	4%

Commercial Property – Casualty Market Survey Third Quarter 2006 Released: October 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 (July 1 - September 30) 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%	4%	15%	56%	19%	4%	0%	0%	0%	0%	4%
Medium (\$25K – \$100K)	0%	4%	37%	44%	7%	7%	0%	0%	0%	0%	0%
Large (>\$100K)	0%	15%	30%	33%	7%	4%	4%	0%	0%	0%	7%

2. How much have premium rates changed over the last 3 months (July 1 - September 30) 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%	26%	41%	19%	7%	0%	0%	0%	0%	7%
Broker E & O	0%	0%	4%	15%	22%	7%	4%	4%	0%	0%	44%
Commercial Auto	0%	4%	33%	33%	26%	4%	0%	0%	0%	0%	0%
Commercial Property	0%	7%	41%	22%	15%	11%	4%	0%	0%	0%	0%
Construction Risks	0%	0%	4%	44%	30%	4%	4%	0%	0%	0%	15%
D & O	0%	4%	7%	44%	30%	7%	0%	0%	0%	0%	7%
Flood Insurance	0%	0%	0%	11%	48%	15%	0%	0%	0%	4%	22%
Employment Practices	0%	0%	15%	41%	33%	0%	0%	0%	0%	0%	11%
General Liability	0%	0%	33%	37%	22%	7%	0%	0%	0%	0%	0%
Medical Malpractice	0%	0%	7%	11%	22%	15%	4%	0%	0%	0%	41%
Surety Bonds	0%	0%	4%	15%	44%	4%	0%	0%	0%	0%	33%
Terrorism	0%	0%	0%	7%	78%	7%	0%	0%	0%	0%	7%
Umbrella	0%	4%	26%	52%	4%	11%	4%	0%	0%	0%	0%
Worker's Compensation	0%	0%	11%	37%	41%	7%	4%	0%	0%	0%	0%

Commercial Property – Casualty Market Survey Third Quarter 2006 Released: October 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 (July 1 - September 30) 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%	12%	30%	21%	3%	3%	9%	6%	3%	9%
Medium (\$25K – \$100K)	0%	3%	9%	39%	12%	3%	9%	6%	9%	3%	6%
Large (>\$100K)	0%	6%	27%	27%	3%	6%	15%	0%	6%	3%	6%

2. How much have premium rates changed over the last 3 months (July 1 - September 30) 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%	6%	18%	21%	12%	15%	6%	3%	6%	9%
Broker E & O	0%	0%	3%	6%	24%	9%	3%	0%	0%	3%	52%
Commercial Auto	0%	6%	6%	42%	30%	6%	6%	0%	0%	0%	3%
Commercial Property	0%	0%	15%	21%	15%	9%	6%	12%	6%	12%	3%
Construction Risks	0%	6%	6%	18%	24%	9%	15%	3%	0%	0%	18%
D & O	0%	0%	3%	45%	27%	3%	3%	0%	0%	0%	18%
Flood Insurance	0%	0%	0%	3%	48%	24%	6%	3%	0%	3%	12%
Employment Practices	0%	3%	6%	33%	33%	6%	3%	3%	0%	0%	12%
General Liability	0%	6%	6%	45%	24%	9%	3%	3%	0%	0%	3%
Medical Malpractice	0%	3%	3%	12%	30%	12%	0%	0%	0%	0%	39%
Surety Bonds	0%	0%	0%	3%	58%	6%	3%	0%	0%	0%	30%
Terrorism	0%	0%	0%	6%	70%	9%	0%	0%	0%	0%	15%
Umbrella	0%	3%	6%	39%	30%	6%	6%	3%	0%	0%	6%
Worker's Compensation	0%	0%	15%	42%	30%	6%	0%	0%	0%	0%	6%

Commercial Property – Casualty Market Survey Third Quarter 2006 Released: October 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 (July 1 - September 30) 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%	11%	50%	33%	0%	0%	0%	0%	0%	6%
Medium (\$25K – \$100K)	0%	0%	39%	44%	17%	0%	0%	0%	0%	0%	0%
Large (>\$100K)	0%	11%	28%	33%	22%	0%	0%	0%	0%	0%	6%

2. How much have premium rates changed over the last 3 months (July 1 - September 30) 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%	6%	17%	33%	33%	6%	0%	0%	0%	0%	6%
Broker E & O	0%	0%	6%	6%	33%	6%	0%	0%	0%	0%	50%
Commercial Auto	0%	0%	28%	44%	17%	6%	0%	0%	0%	0%	6%
Commercial Property	0%	6%	28%	50%	17%	0%	0%	0%	0%	0%	0%
Construction Risks	0%	6%	22%	17%	28%	0%	0%	0%	0%	0%	28%
D & O	0%	6%	0%	33%	50%	0%	0%	0%	0%	0%	11%
Flood Insurance	0%	0%	6%	6%	44%	11%	6%	6%	0%	0%	22%
Employment Practices	0%	0%	6%	33%	39%	6%	0%	0%	0%	0%	17%
General Liability	0%	6%	28%	56%	11%	0%	0%	0%	0%	0%	0%
Medical Malpractice	0%	0%	6%	22%	22%	6%	0%	0%	0%	0%	44%
Surety Bonds	0%	6%	0%	11%	61%	0%	0%	0%	0%	0%	22%
Terrorism	0%	0%	6%	17%	67%	6%	0%	0%	0%	0%	6%
Umbrella	0%	6%	22%	39%	28%	6%	0%	0%	0%	0%	0%
Worker's Compensation	0%	0%	17%	44%	22%	11%	0%	0%	0%	0%	6%

Commercial Property – Casualty Market Survey Third Quarter 2006 Released: October 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 (July 1 - September 30) 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%	17%	50%	33%	0%	0%	0%	0%	0%	0%
Medium (\$25K – \$100K)	0%	8%	33%	50%	8%	0%	0%	0%	0%	0%	0%
Large (>\$100K)	8%	25%	25%	33%	8%	0%	0%	0%	0%	0%	0%

2. How much have premium rates changed over the last 3 months (July 1 - September 30) 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%	8%	50%	33%	0%	8%	0%	0%	0%	0%
Broker E & O	0%	0%	8%	0%	42%	8%	8%	0%	0%	0%	33%
Commercial Auto	0%	0%	42%	33%	17%	0%	0%	0%	0%	0%	8%
Commercial Property	0%	8%	25%	17%	17%	25%	8%	0%	0%	0%	0%
Construction Risks	0%	0%	17%	50%	17%	8%	0%	0%	0%	0%	8%
D & O	0%	0%	17%	33%	25%	0%	17%	0%	0%	0%	8%
Flood Insurance	0%	0%	0%	0%	58%	8%	8%	8%	0%	0%	17%
Employment Practices	0%	0%	0%	33%	50%	0%	0%	0%	0%	0%	17%
General Liability	0%	17%	25%	50%	8%	0%	0%	0%	0%	0%	0%
Medical Malpractice	0%	0%	0%	25%	17%	8%	0%	0%	0%	0%	50%
Surety Bonds	0%	0%	8%	8%	33%	0%	0%	0%	0%	0%	50%
Terrorism	0%	0%	0%	25%	42%	8%	0%	0%	0%	0%	25%
Umbrella	0%	0%	25%	58%	17%	0%	0%	0%	0%	0%	0%
Worker's Compensation	8%	8%	25%	42%	8%	0%	0%	0%	0%	0%	8%

Commercial Property – Casualty Market Survey Third Quarter 2006 Released: October 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 (July 1 - September 30) 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%	6%	17%	33%	39%	0%	0%	0%	0%	0%	6%
Medium (\$25K – \$100K)	0%	6%	22%	50%	17%	0%	0%	6%	0%	0%	0%
Large (>\$100K)	0%	17%	22%	44%	6%	0%	0%	6%	0%	0%	6%

2. How much have premium rates changed over the last 3 months (July 1 - September 30) for the following lines? Please check N/A if you don't know or don't handle the line.

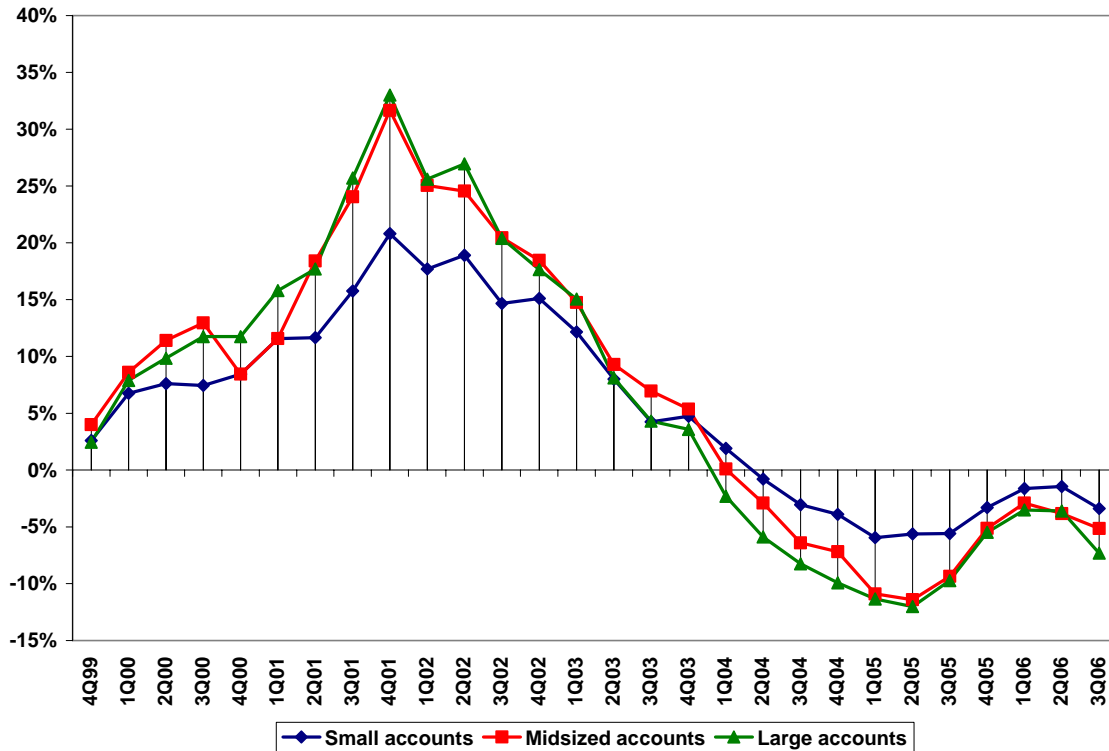
	1 Down 30-40%	2 Down 20-30%	3 Down 10-20%	4 Down 1-10%	5 No Change	6 Up 1-10%	7 Up 10- 20%	8 Up 20- 30%	9 Up 30- 50%	10 Up 50- 100%	N/A
Business Interruption	0%	6%	6%	33%	33%	6%	0%	0%	0%	6%	11%
Broker E & O	0%	0%	6%	11%	33%	6%	0%	0%	0%	0%	44%
Commercial Auto	0%	11%	6%	56%	28%	0%	0%	0%	0%	0%	0%
Commercial Property	0%	6%	28%	17%	39%	0%	0%	0%	0%	6%	6%
Construction Risks	0%	6%	11%	44%	22%	0%	0%	6%	0%	0%	11%
D & O	0%	0%	6%	17%	56%	0%	0%	0%	0%	0%	22%
Flood Insurance	0%	0%	6%	0%	44%	17%	0%	6%	0%	0%	28%
Employment Practices	0%	0%	11%	11%	56%	0%	0%	0%	0%	0%	22%
General Liability	0%	6%	17%	56%	22%	0%	0%	0%	0%	0%	0%
Medical Malpractice	0%	0%	17%	11%	39%	0%	0%	0%	0%	0%	33%
Surety Bonds	0%	0%	6%	6%	44%	0%	0%	0%	0%	0%	44%
Terrorism	0%	0%	0%	17%	61%	0%	0%	0%	0%	0%	22%
Umbrella	0%	6%	17%	33%	33%	11%	0%	0%	0%	0%	0%
Worker's Compensation	11%	0%	39%	44%	6%	0%	0%	0%	0%	0%	0%

Average 3Q06 Commercial Rates Decreased 5.3%

Average Rate Declined 5.3% in 3Q06				
	Small	Mid	Large	Avg
3Q06	-3.4%	-5.1%	-7.3%	-5.3%
2Q06	-1.4%	-3.8%	-3.6%	-3.0%
1Q06	-1.6%	-2.9%	-3.5%	-2.7%
4Q05	-3.3%	-5.1%	-5.5%	-4.6%
3Q05	-5.6%	-9.4%	-9.7%	-8.2%
High (4Q01)	20.8%	31.7%	33.0%	28.5%
Low	-6.0% (1Q05)	-11.4% (2Q05)	-12.0% (2Q05)	-9.8%

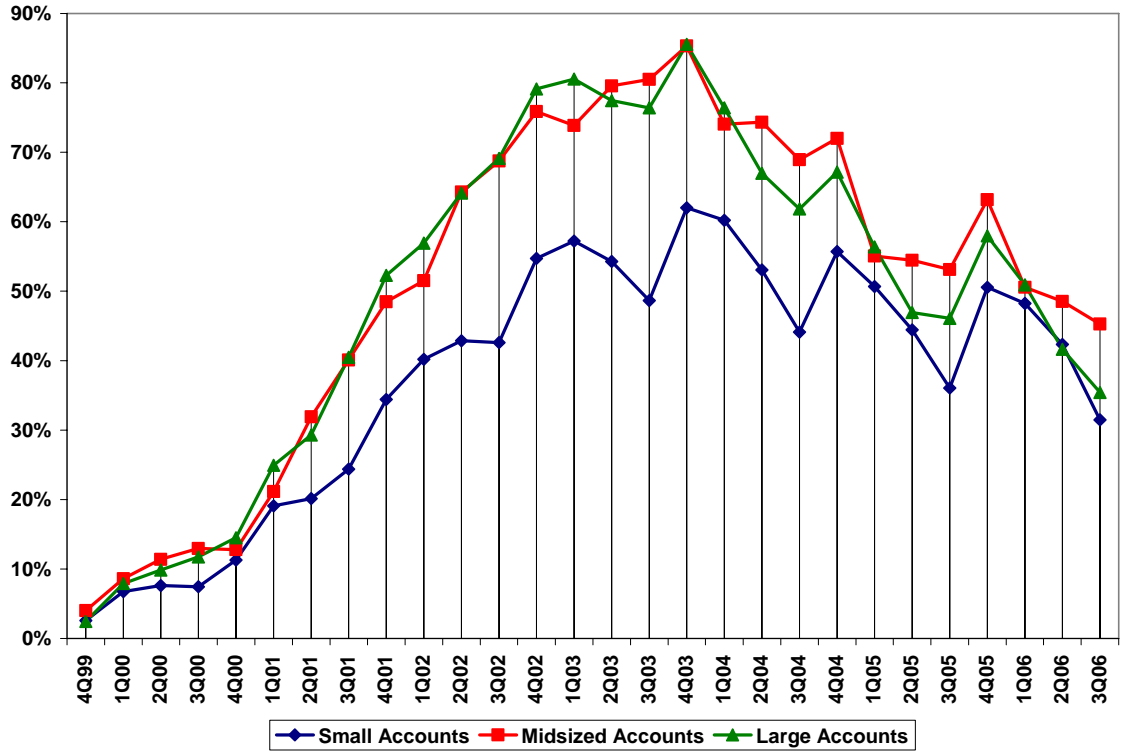
Source: Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research.

Average Commercial Premium Rate Changes by Account Size



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

Cumulative Quarterly Rate Increases by Account Size



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

By-Line 3Q06 Rate Changes Ranged From -6.9% to -1.4%

	Comm'l Auto	Workers' Comp	Comm'l Property	Gen'l Liability	Umbrella	Average
3Q06	-6.5%	-6.8%	-1.4%	-6.9%	-5.5%	-5.4%
2Q06	-4.5%	-6.9%	9.3%	-5.6%	-3.6%	-2.3%
1Q06	-4.0%	-7.9%	2.3%	-5.3%	-4.1%	-3.8%
4Q05	-4.2%	-4.6%	-1.0%	-4.7%	-2.0%	-3.3%
3Q05	-6.0%	-6.8%	-9.2%	-8.4%	-6.3%	-7.3%
High	28.6%	24.9%	45.4%	26.0%	51.9%	35.3%
Low	-6.6%	-7.3%	-13.3%	-9.2%	-6.6%	-8.6%

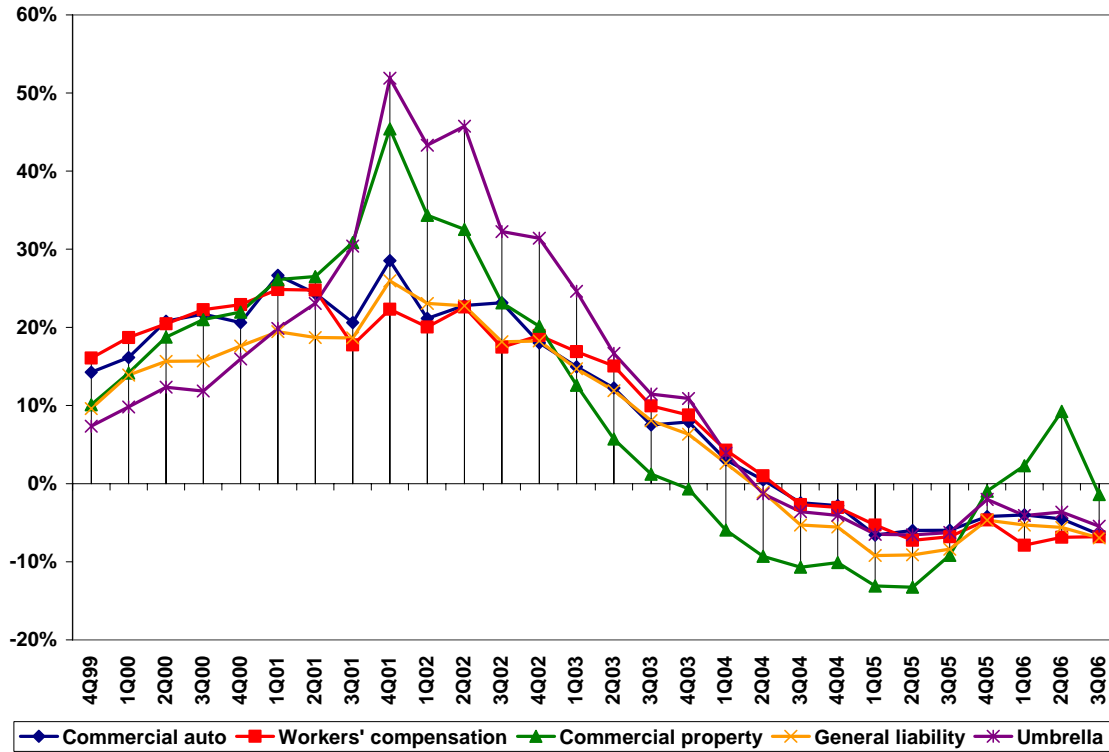
Source: Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research.

Rate Changes in Other Lines

3Q06 Rate Changes in Other Lines			
	3Q06	High	Low
Business interruption	-0.5%	28.8%	-8.1%
Construction	-2.5%	38.7%	-3.6%
D&O liability	-2.9%	32.4%	-4.8%
Employment practices	-2.9%	21.9%	-4.4%
Medical malpractice	-1.6%	32.5%	-1.6%
Surety bonds	-0.8%	11.2%	-0.8%

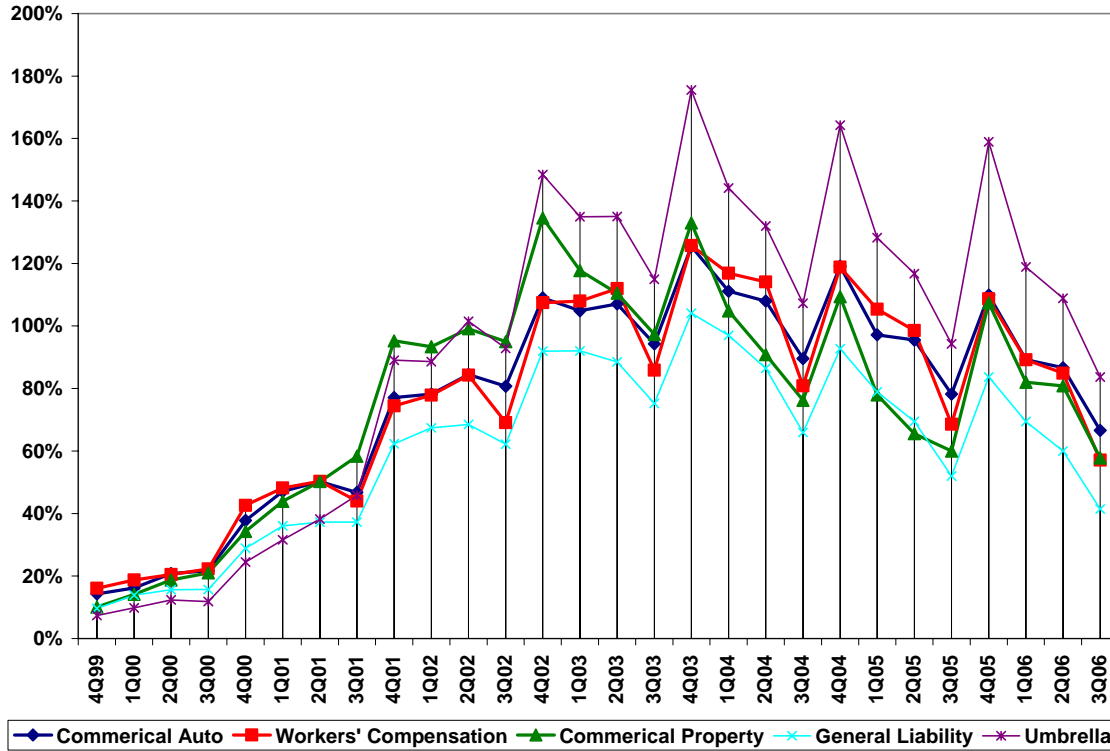
Source: Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research.

Average Commercial Rate Increases by Line



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

Cumulative Quarterly Rate Increases by Line

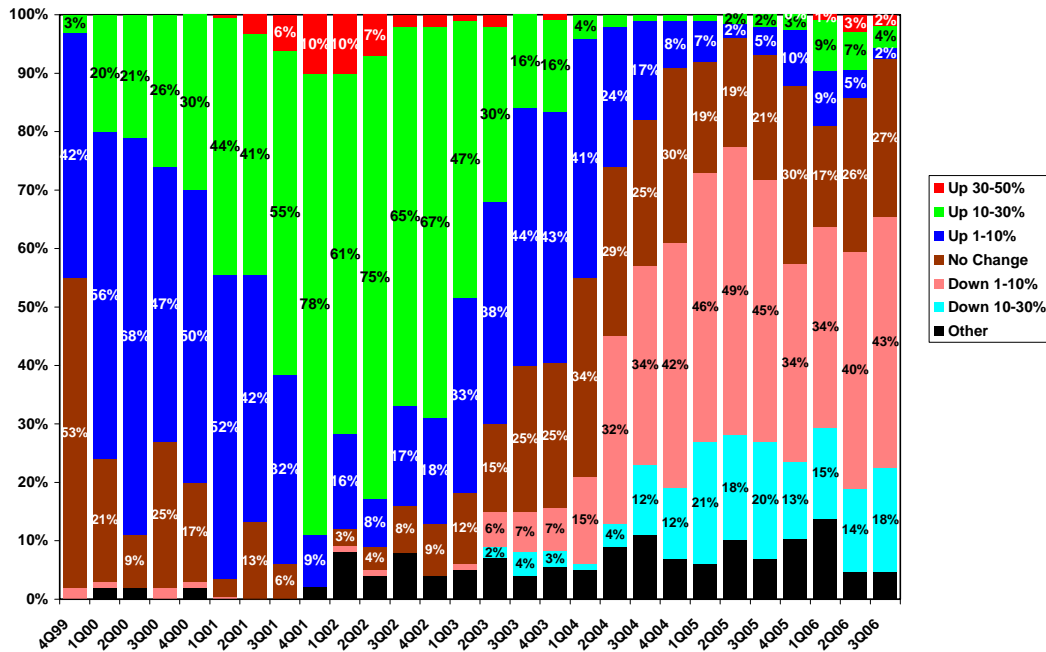


Source: Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research.

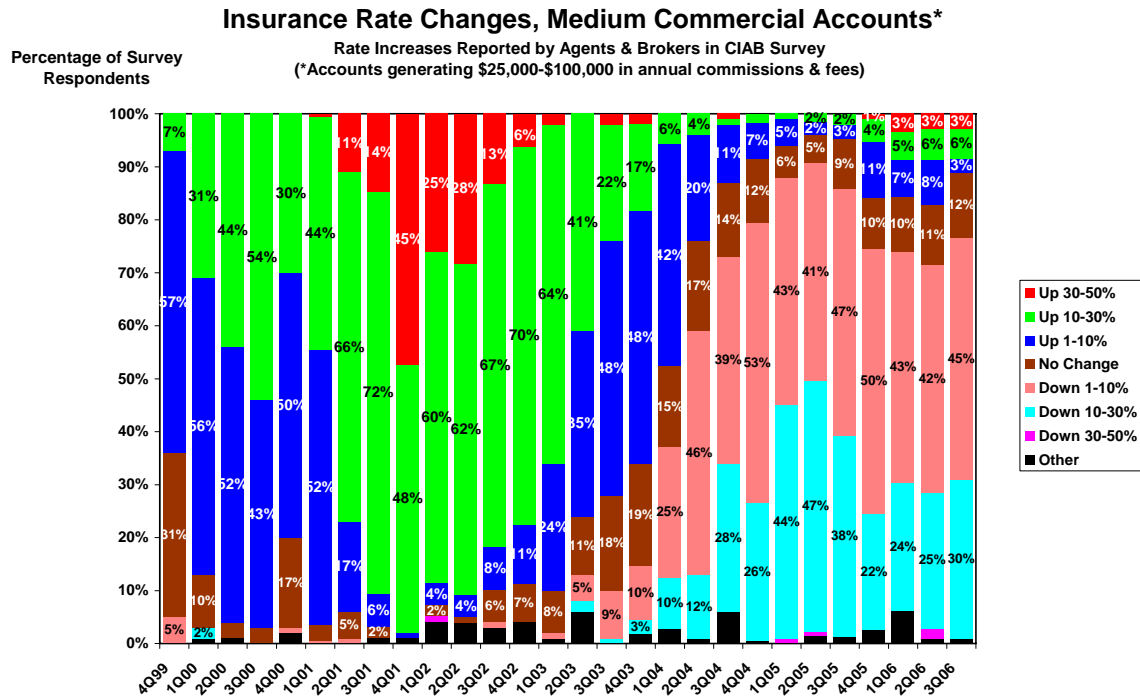
Insurance Rate Changes, Small Commercial Accounts*

Percentage of Survey Respondents

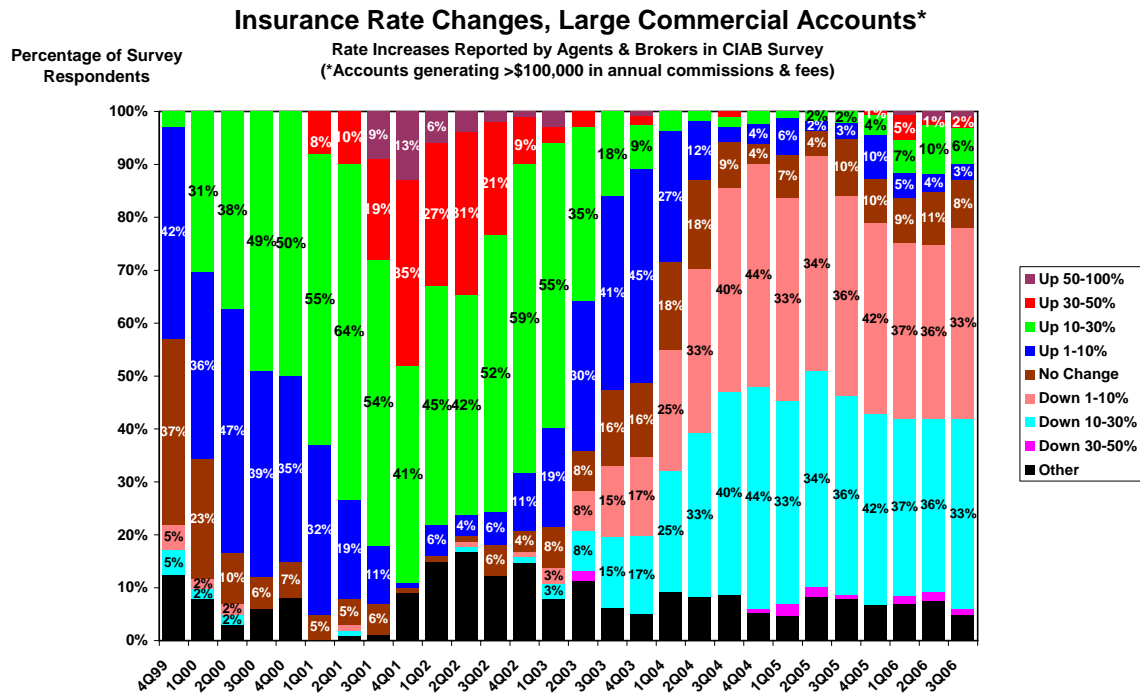
Rate Increases Reported by Agents & Brokers in CIAB Survey
(*Accounts generating <\$25,000 in annual commissions & fees)



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

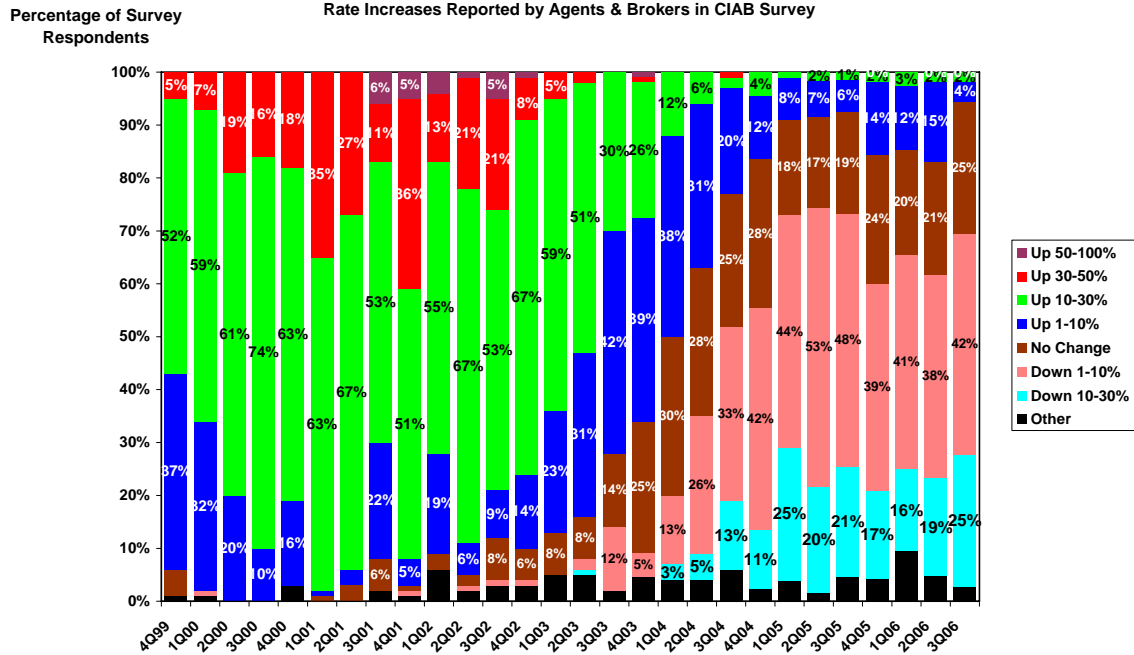


Source: Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research.



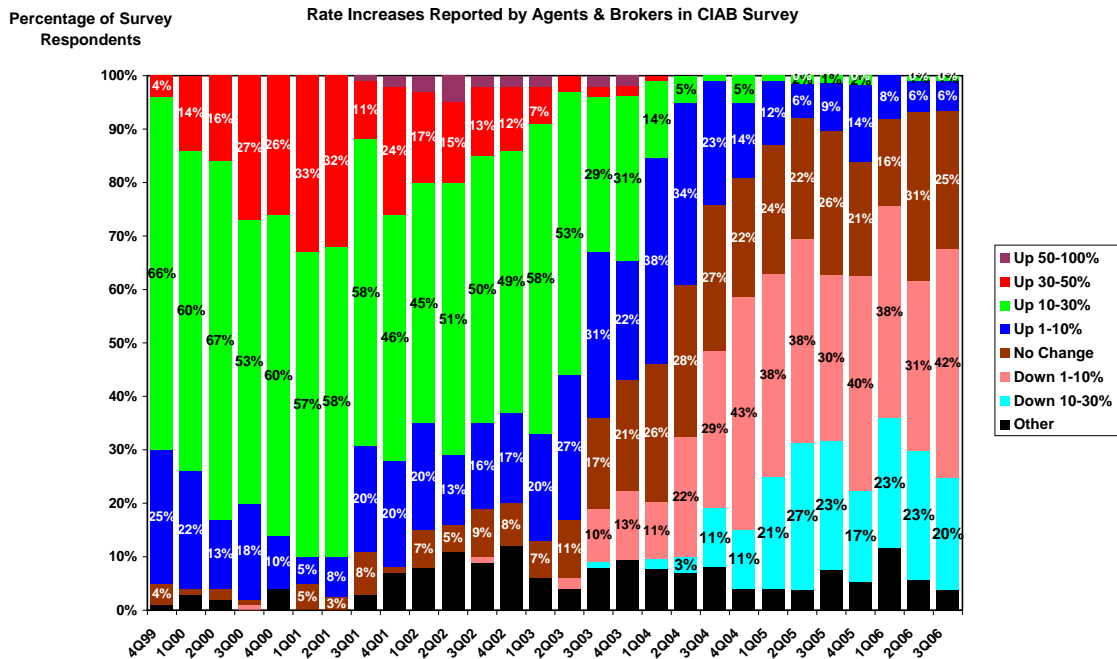
Source: Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research.

Commercial Auto Insurance Rate Changes



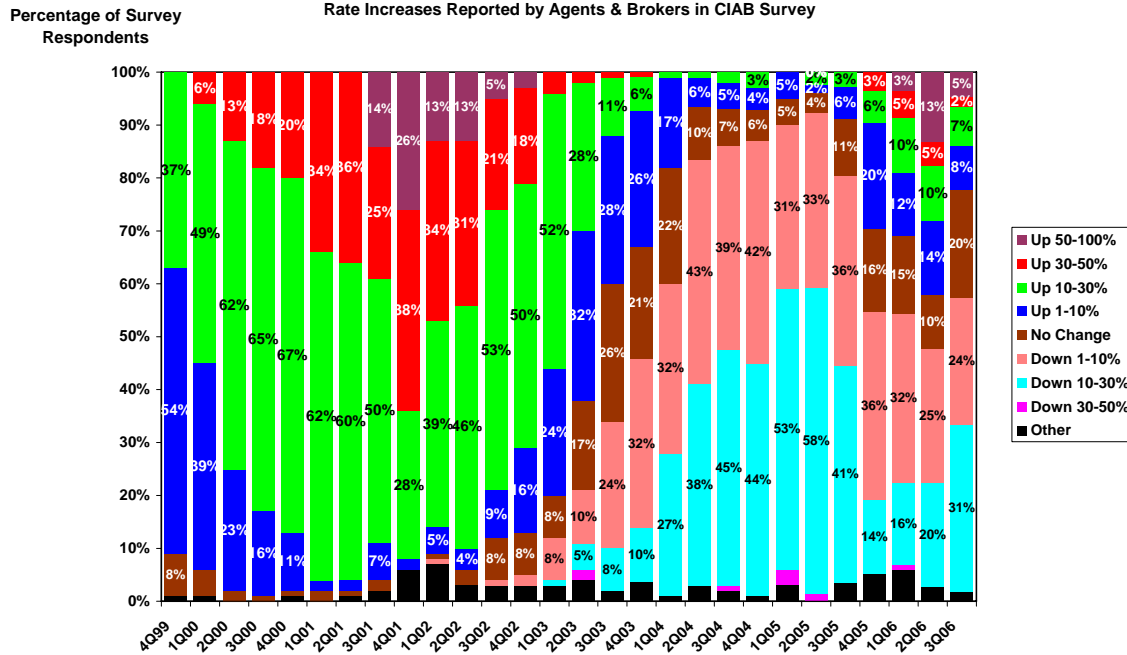
Source: Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research.

Workers' Compensation Insurance Rate Changes



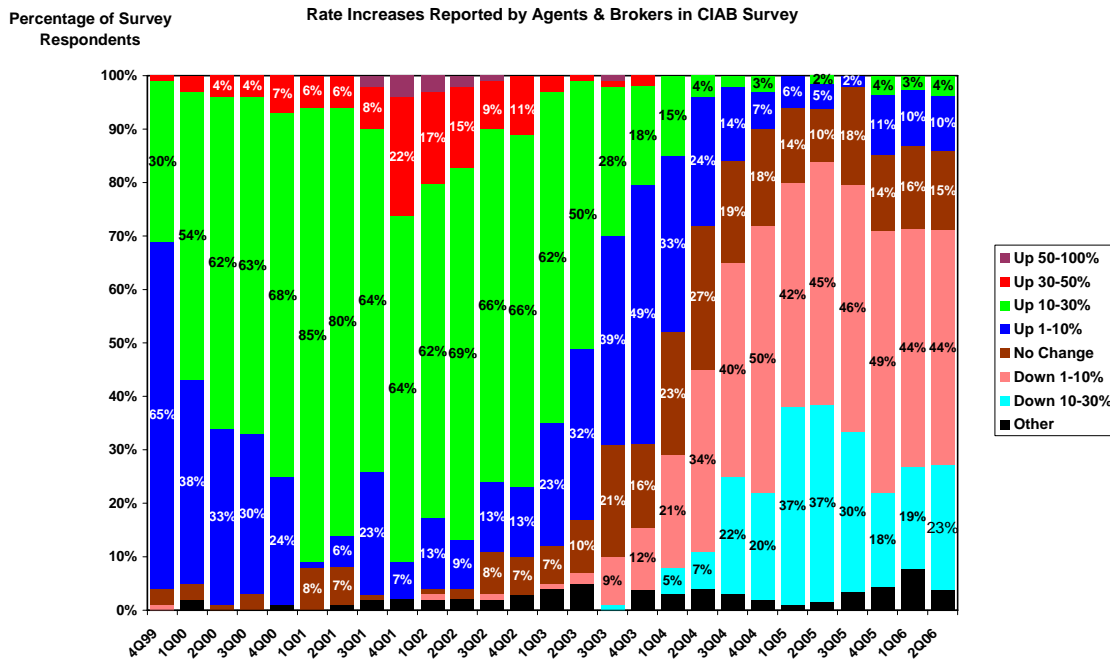
Source: Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research.

Commercial Property Insurance Rate Changes



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

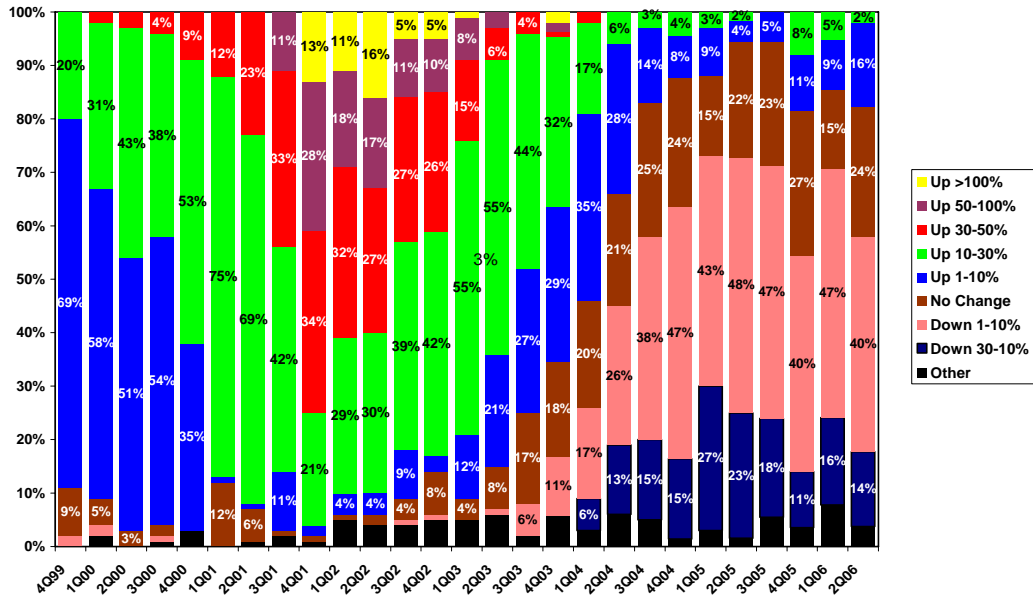
Commercial General Liability Insurance Rate Changes



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

Umbrella Insurance Rate Changes

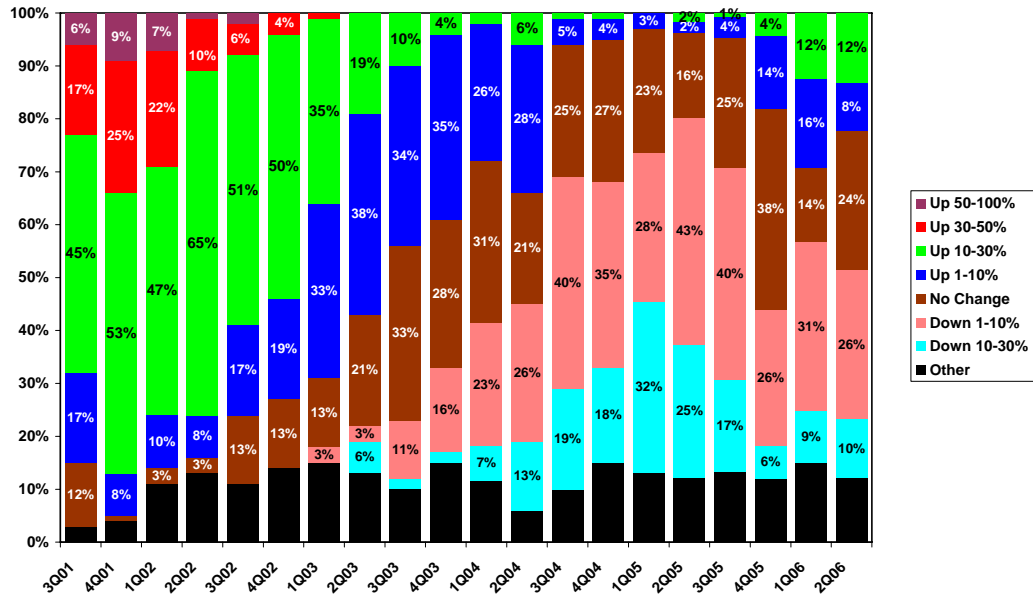
Rate Increases Reported by Agents & Brokers in CIAB Survey
Percentage of Survey Respondents



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