



THE
COUNCIL
OF INSURANCE
AGENTS &
BROKERS

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NEWS RELEASE

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For Immediate Release

COUNCIL MARKET INDEX SHOWS CONTINUED SOFTENING FOR COMMERCIAL P/C INSURANCE MARKET IN SECOND QUARTER

WASHINGTON – The commercial property/casualty insurance market showed signs of continued softening in the second quarter of 2004, with one-third of the small accounts and more than half the medium and large accounts experiencing significant premium decreases.

The latest commercial market index, conducted by The Council of Insurance Agents & Brokers, showed 36 percent of small accounts, 57 percent of medium accounts and 53 percent of large accounts experienced premium rate decreases ranging from a slight decrease to a drop of as much as 20 percent during the last quarter. Brokers from across the country said most of their commercial accounts held steady or experienced premium decreases during the period.

For the small number of commercial clients whose premiums increased, the hike was usually in the 1-10 percent range.

The Council's survey data showed the average small commercial account experienced about a 1 percent premium decline. For medium commercial accounts, the average premium declined by 3 percent, and for large accounts, the premium decrease averaged 6 percent.

The Council represents the nation's largest commercial insurance brokers who collectively write 80 percent of all property/casualty premiums and administer billions of dollars in employee benefits accounts each year.

“Terms and conditions are still tight, but we are seeing accelerated decreases in premium rates and a return of competition to the market,” said Ken A. Crerar, president of The Council. “The questions now are how far and how fast will those rates come down. There are some mitigating factors such as reserve levels and the overall economic recovery that could serve as brakes on the market.”

Brokers responding to the survey said even the most difficult-to-place lines of commercial business – directors and officers insurance, general liability, umbrella, commercial auto, employment practices and workers’ compensation – seemed to be stabilizing, with more than 50 percent of accounts experiencing no change or increases of 1-10 percent in premium rates between April and June. Some brokers reported premium decreases for those lines.

Construction risks also appeared to be stabilizing, but to a lesser extent than the other troublesome lines.

The brokers responding to the survey said a return of price competition remained their biggest market concern, with nearly 90 percent of the respondents saying the developments of the past quarter have renewed or bolstered their concerns about carrier solvency.

“Starting to give away the store!” observed a broker from the Northeast.

“The market share demon is being let loose again,” agreed a broker from the Southwest.

One Midwestern broker said he had two major carriers come in with quotes that were 40 percent less than what one retail furniture business had been paying. The insurer seeking to renew the account initially was willing to reduce premiums only by 14.5 percent, but agreed to the 40 percent drop to meet the competition and keep the account.

Interestingly, the broker said, it was the first time in the last two years that any other carrier had been willing to quote competitively on that account.

“I would say the soft market has returned,” he said.

Other market concerns cited by the brokers in the latest market index were economic conditions, the need for tort reform and the loss of competitors due to market consolidation.

The analysis of Council survey data to get the average rate increases and the attached charts based on The Council survey data were prepared by Lehman Brothers.

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

Second Quarter 2004 Released: July 2004

Below are the survey results for: ALL REGIONS

NUMBER OF RESPONSES: 157

1. On average, how have premium rates changed over the last three months 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%	4%	32%	29%	24%	2%	0%	0%	0%	0%	9%
Medium (\$25K – \$100K)	1%	11%	46%	17%	20%	4%	0%	0%	0%	0%	1%
Large (>\$100K)	7%	20%	33%	18%	12%	1%	1%	0%	0%	0%	9%

2. How much have premium rates changed over the last three months 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%	32%	31%	11%	0%	0%	0%	0%	0%	11%
Broker E & O	0%	0%	1%	18%	19%	12%	3%	2%	0%	1%	45%
Commercial Auto	0%	5%	26%	28%	31%	5%	1%	0%	0%	0%	4%
Commercial Property	9%	29%	43%	10%	6%	0%	1%	0%	0%	0%	3%
Construction Risks	2%	2%	15%	22%	22%	12%	3%	1%	2%	0%	18%
D & O	2%	5%	17%	25%	29%	5%	1%	1%	0%	0%	14%
Employment Practices	0%	5%	14%	38%	20%	6%	0%	0%	0%	0%	17%
General Liability	0%	7%	34%	27%	24%	4%	0%	0%	0%	0%	4%
Medical Malpractice	0%	0%	3%	11%	8%	17%	6%	2%	2%	2%	49%
Surety Bonds	0%	0%	0%	36%	11%	6%	1%	0%	0%	0%	46%
Terrorism	1%	3%	16%	44%	12%	1%	1%	0%	0%	0%	22%
Umbrella	3%	10%	26%	21%	28%	5%	1%	0%	0%	0%	6%
Workers' Compensation	0%	3%	22%	28%	34%	4%	1%	0%	0%	0%	7%

Commercial Property – Casualty Market Survey Second Quarter 2004 Released: July 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 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%	16%	28%	35%	0%	0%	0%	0%	0%	16%
Medium (\$25K – \$100K)	2%	7%	42%	16%	23%	0%	0%	0%	0%	0%	9%
Large (>\$100K)	7%	21%	30%	19%	12%	0%	0%	0%	0%	0%	12%

2. How much have premium rates changed over the last 3 months 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	9%	16%	21%	28%	14%	0%	0%	0%	0%	0%	12%
Broker E & O	0%	0%	0%	21%	19%	19%	0%	5%	0%	0%	37%
Commercial Auto	0%	5%	23%	23%	35%	2%	0%	0%	0%	0%	12%
Commercial Property	12%	33%	33%	9%	9%	0%	0%	0%	0%	0%	5%
Construction Risks	2%	2%	23%	9%	26%	12%	2%	0%	5%	0%	19%
D & O	5%	9%	19%	16%	28%	7%	2%	2%	0%	0%	12%
Employment Practices	0%	7%	14%	33%	19%	14%	0%	0%	0%	0%	14%
General Liability	0%	9%	28%	19%	26%	5%	0%	0%	0%	0%	14%
Medical Malpractice	0%	0%	0%	7%	7%	21%	9%	2%	2%	2%	49%
Surety Bonds	0%	0%	0%	26%	9%	9%	2%	0%	0%	0%	53%
Terrorism	0%	5%	14%	37%	19%	0%	2%	0%	0%	0%	23%
Umbrella	2%	12%	14%	28%	23%	9%	2%	0%	0%	0%	9%
Worker's Compensation	0%	0%	19%	19%	47%	2%	2%	0%	0%	0%	12%

Commercial Property – Casualty Market Survey Second Quarter 2004 Released: July 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 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%	35%	30%	27%	3%	0%	0%	0%	0%	0%
Medium (\$25K – \$100K)	0%	5%	46%	16%	22%	8%	0%	0%	0%	0%	3%
Large (>\$100K)	0%	22%	30%	14%	16%	0%	0%	0%	0%	0%	19%

2. How much have premium rates changed over the last 3 months 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	3%	3%	38%	32%	11%	0%	0%	0%	0%	0%	14%
Broker E & O	0%	0%	0%	16%	8%	5%	8%	0%	0%	3%	59%
Commercial Auto	0%	8%	16%	24%	35%	8%	3%	0%	0%	0%	5%
Commercial Property	3%	27%	49%	8%	11%	0%	0%	0%	0%	0%	3%
Construction Risks	0%	0%	14%	30%	14%	8%	5%	0%	0%	0%	30%
D & O	0%	3%	14%	32%	24%	8%	0%	0%	0%	0%	19%
Employment Practices	0%	5%	14%	43%	19%	0%	0%	0%	0%	0%	19%
General Liability	0%	5%	38%	24%	30%	0%	0%	0%	0%	0%	3%
Medical Malpractice	0%	0%	3%	11%	5%	19%	5%	0%	3%	0%	54%
Surety Bonds	0%	0%	0%	27%	16%	0%	0%	0%	0%	0%	57%
Terrorism	0%	3%	11%	54%	8%	0%	0%	0%	0%	0%	24%
Umbrella	0%	0%	35%	22%	38%	3%	0%	0%	0%	0%	3%
Worker's Compensation	0%	0%	14%	41%	32%	5%	0%	0%	0%	0%	8%

Commercial Property – Casualty Market Survey Second Quarter 2004 Released: July 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 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%	3%	38%	24%	21%	3%	0%	0%	0%	0%	10%
Medium (\$25K – \$100K)	0%	7%	41%	28%	24%	0%	0%	0%	0%	0%	0%
Large (>\$100K)	7%	10%	38%	21%	17%	0%	0%	0%	0%	0%	7%

2. How much have premium rates changed over the last 3 months 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%	7%	45%	38%	10%	0%	0%	0%	0%	0%	0%
Broker E & O	0%	0%	3%	10%	34%	14%	0%	0%	0%	0%	38%
Commercial Auto	0%	3%	31%	28%	28%	7%	0%	0%	0%	0%	3%
Commercial Property	10%	17%	62%	7%	3%	0%	0%	0%	0%	0%	0%
Construction Risks	7%	3%	10%	17%	31%	14%	0%	0%	0%	0%	17%
D & O	0%	3%	17%	17%	45%	3%	0%	0%	0%	0%	14%
Employment Practices	0%	3%	14%	38%	24%	7%	0%	0%	0%	0%	14%
General Liability	0%	7%	24%	34%	28%	7%	0%	0%	0%	0%	0%
Medical Malpractice	0%	0%	3%	10%	3%	14%	7%	7%	0%	0%	55%
Surety Bonds	0%	0%	0%	48%	7%	10%	0%	0%	0%	0%	34%
Terrorism	3%	3%	10%	41%	10%	3%	0%	0%	0%	0%	28%
Umbrella	7%	14%	28%	14%	31%	3%	0%	0%	0%	0%	3%
Worker's Compensation	0%	7%	17%	31%	31%	7%	0%	0%	0%	0%	7%

Commercial Property – Casualty Market Survey Second Quarter 2004 Released: July 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 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%	27%	45%	9%	9%	0%	0%	0%	0%	9%
Medium (\$25K – \$100K)	0%	27%	36%	18%	18%	0%	0%	0%	0%	0%	0%
Large (>\$100K)	0%	18%	55%	18%	0%	0%	0%	0%	0%	0%	9%

2. How much have premium rates changed over the last 3 months 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%	18%	27%	36%	9%	0%	0%	0%	0%	0%	9%
Broker E & O	0%	0%	9%	9%	36%	9%	0%	0%	0%	0%	36%
Commercial Auto	0%	0%	36%	36%	27%	0%	0%	0%	0%	0%	0%
Commercial Property	9%	45%	36%	9%	0%	0%	0%	0%	0%	0%	0%
Construction Risks	0%	0%	9%	45%	9%	27%	9%	0%	0%	0%	0%
D & O	9%	9%	18%	45%	18%	0%	0%	0%	0%	0%	0%
Employment Practices	0%	9%	36%	45%	9%	0%	0%	0%	0%	0%	0%
General Liability	0%	0%	55%	45%	0%	0%	0%	0%	0%	0%	0%
Medical Malpractice	0%	0%	0%	9%	27%	9%	0%	0%	0%	0%	55%
Surety Bonds	0%	0%	0%	45%	9%	0%	0%	0%	0%	0%	45%
Terrorism	0%	0%	45%	18%	9%	0%	0%	0%	0%	0%	27%
Umbrella	9%	18%	36%	27%	9%	0%	0%	0%	0%	0%	0%
Worker's Compensation	0%	9%	45%	36%	9%	0%	0%	0%	0%	0%	0%

Commercial Property – Casualty Market Survey Second Quarter 2004 Released: July 2004

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

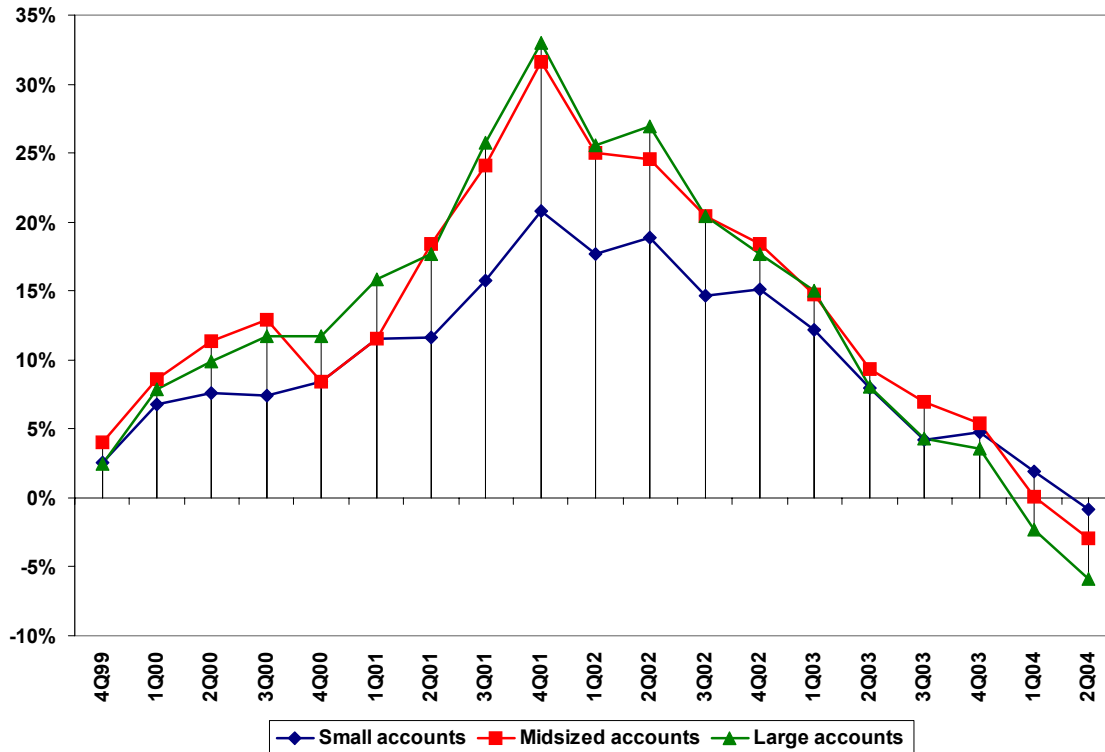
1. On average, how have premium rates changed over the last 3 months for the following accounts? Please check N/A if you don't know or don't handle the type of account.

	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%	45%	25%	10%	0%	0%	0%	0%	20%
Medium (\$25K – \$100K)	0%	25%	50%	5%	5%	10%	0%	0%	0%	0%	5%
Large (>\$100K)	15%	25%	25%	10%	0%	5%	5%	0%	0%	0%	15%

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

Average Commercial Premium Rate Changes by Account Size

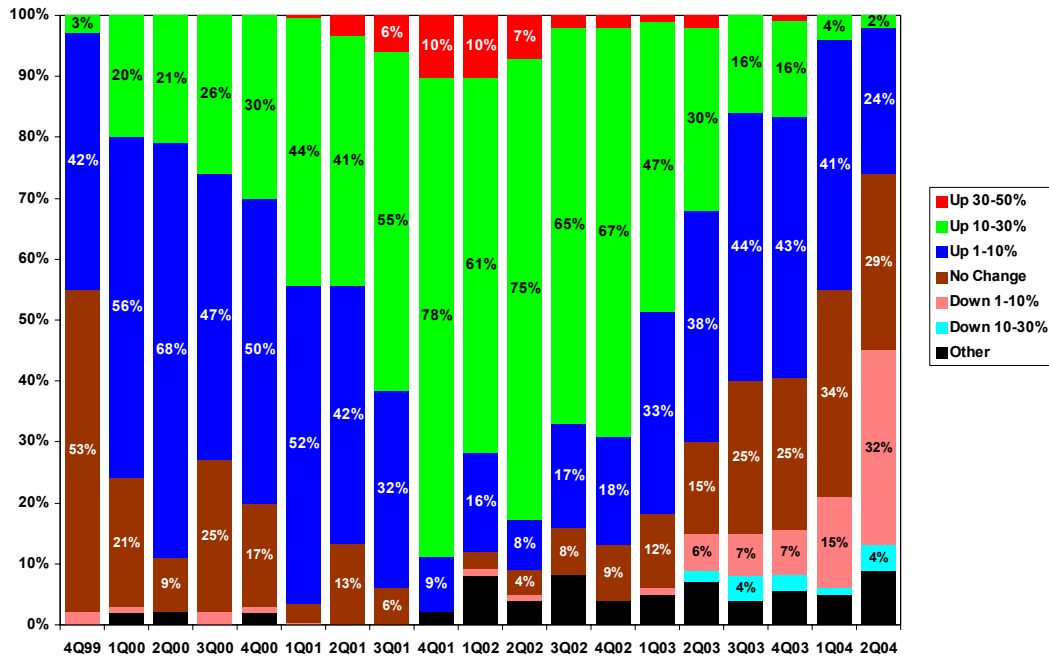


Source: Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research

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)

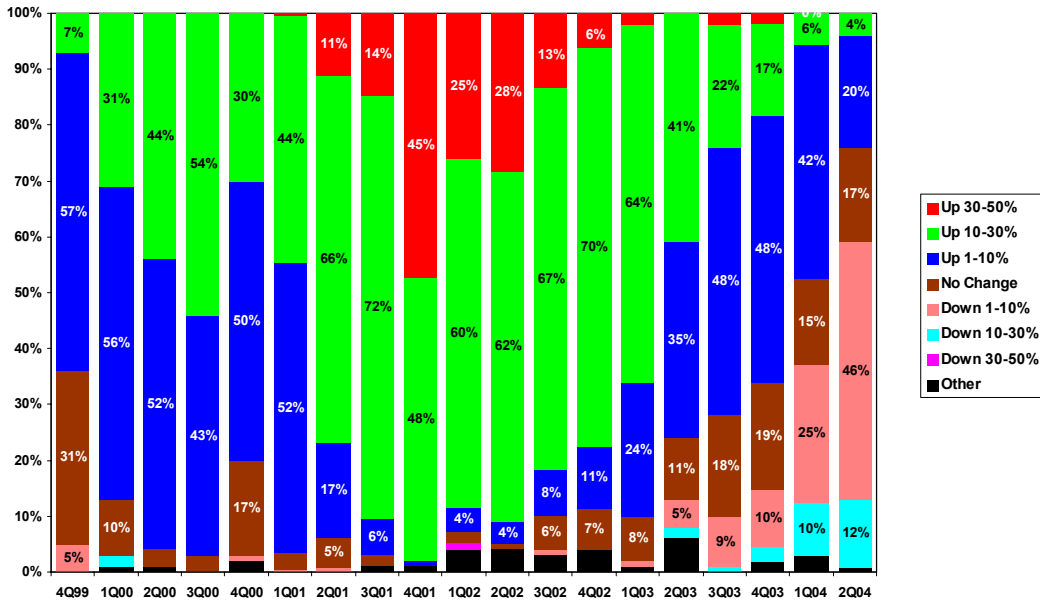


Source: Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research

Insurance Rate Changes, Medium Commercial Accounts*

Rate Increases Reported by Agents & Brokers in CIAB Survey
 (*Accounts generating \$25,000-\$100,000 in annual commissions & fees)

Percentage of Survey Respondents

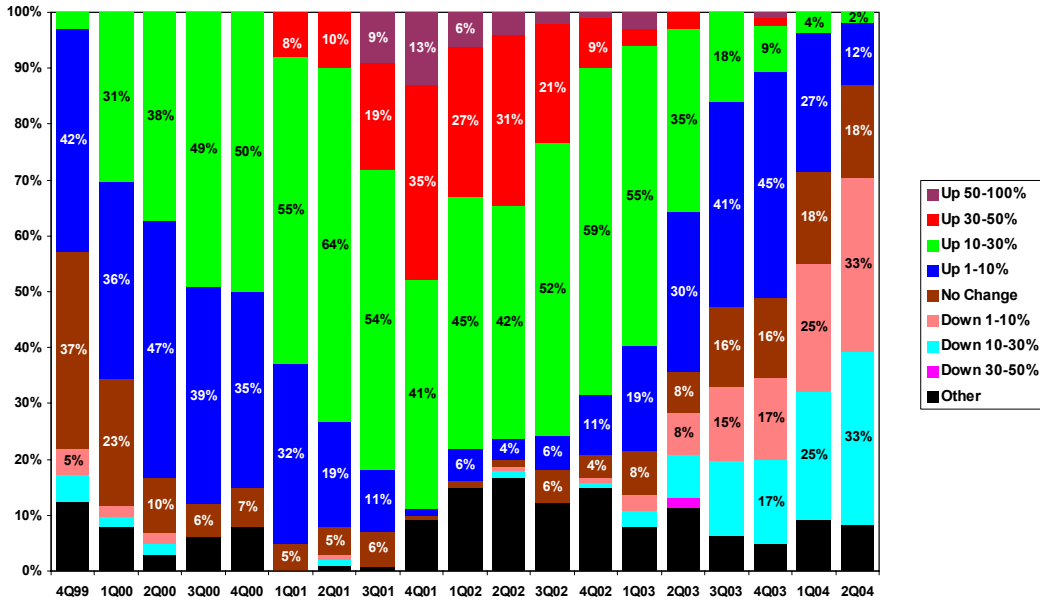


Source: Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research

Insurance Rate Changes, Large Commercial Accounts*

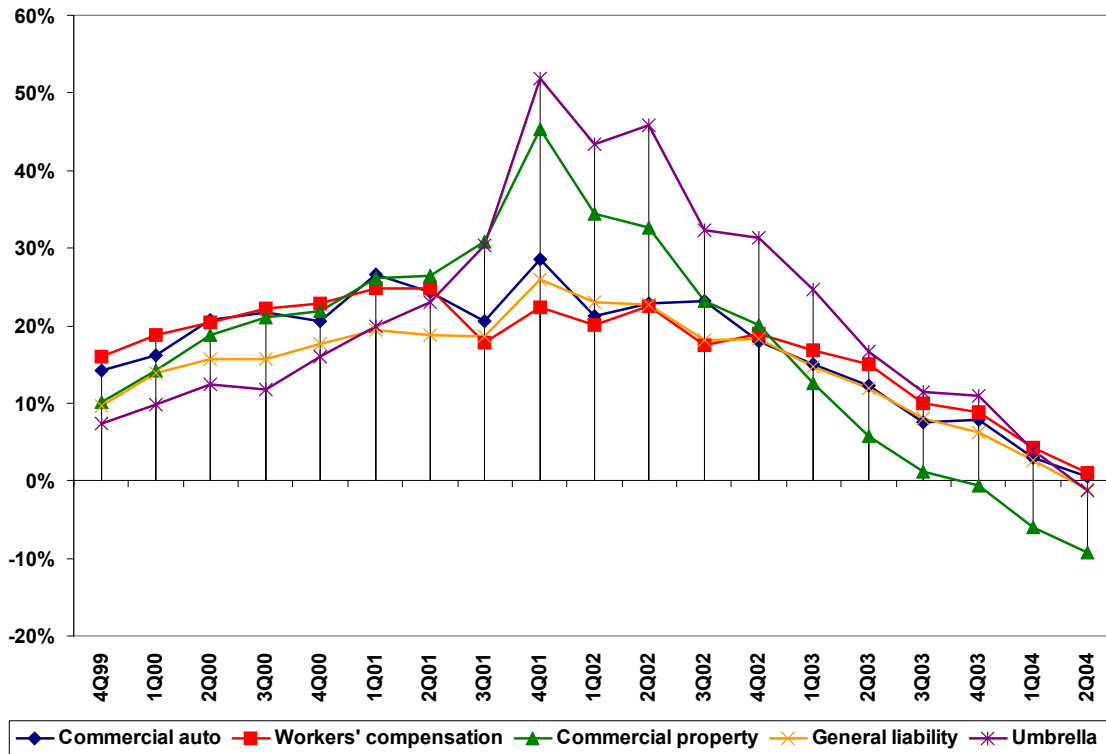
Rate Increases Reported by Agents & Brokers in CIAB Survey
 (*Accounts generating >\$100,000 in annual commissions & fees)

Percentage of Survey Respondents

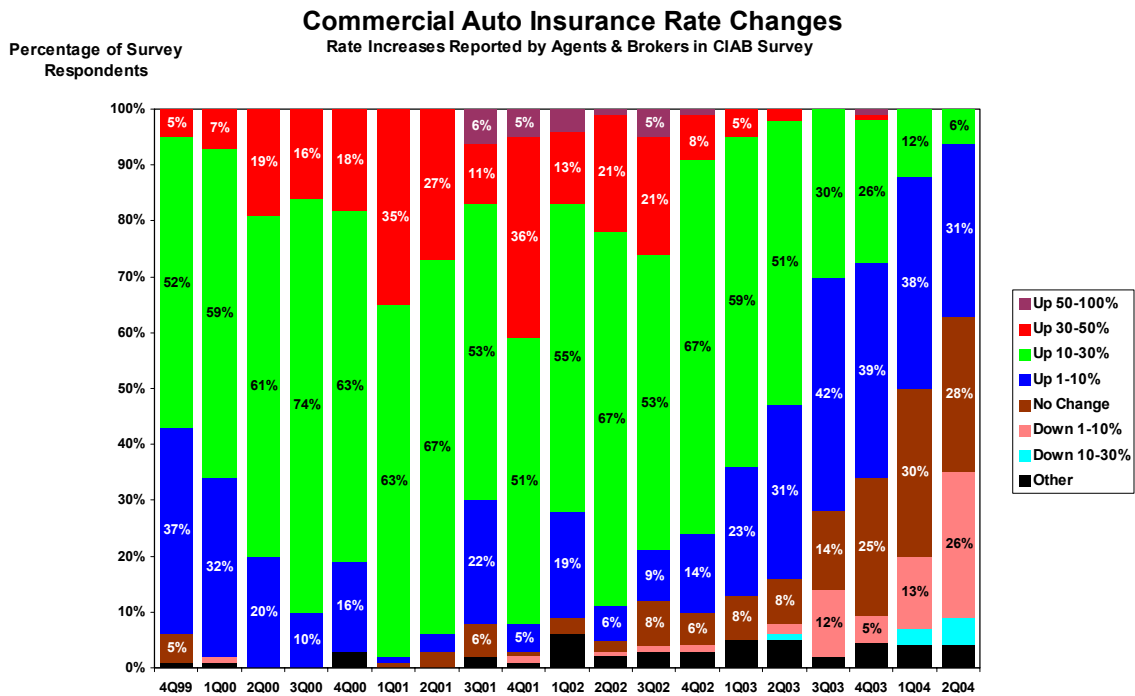


Source: Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research

Average Premium Rate Changes by Line

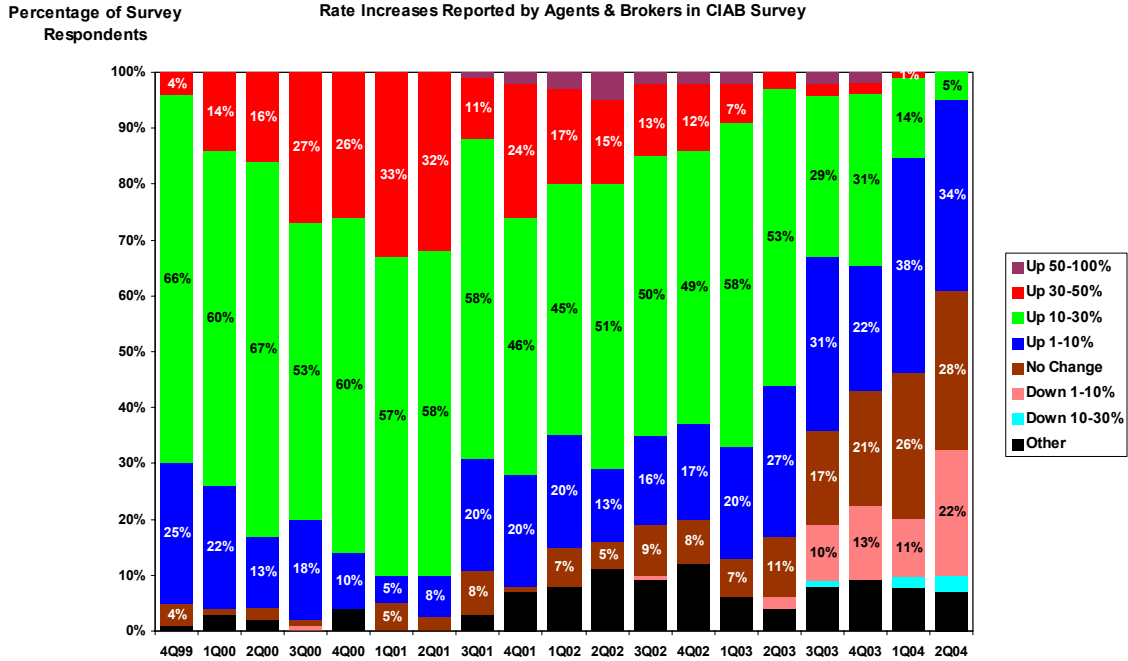


Source: Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research



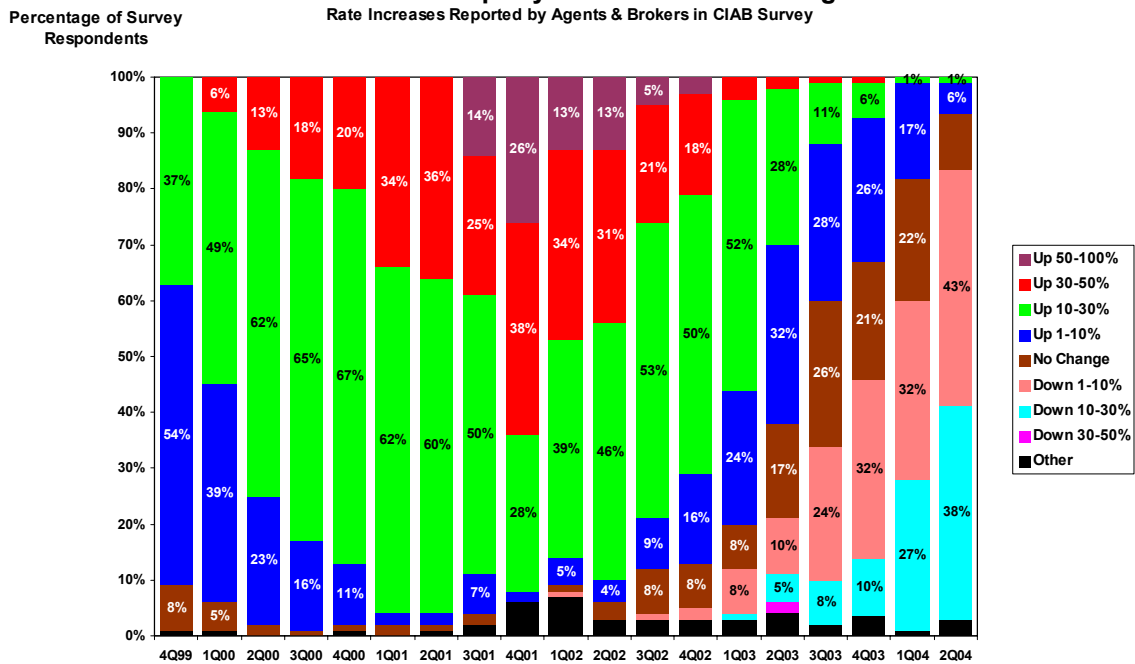
Source: Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research

Workers' Compensation Insurance Rate Changes



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

Commercial Property Insurance Rate Changes

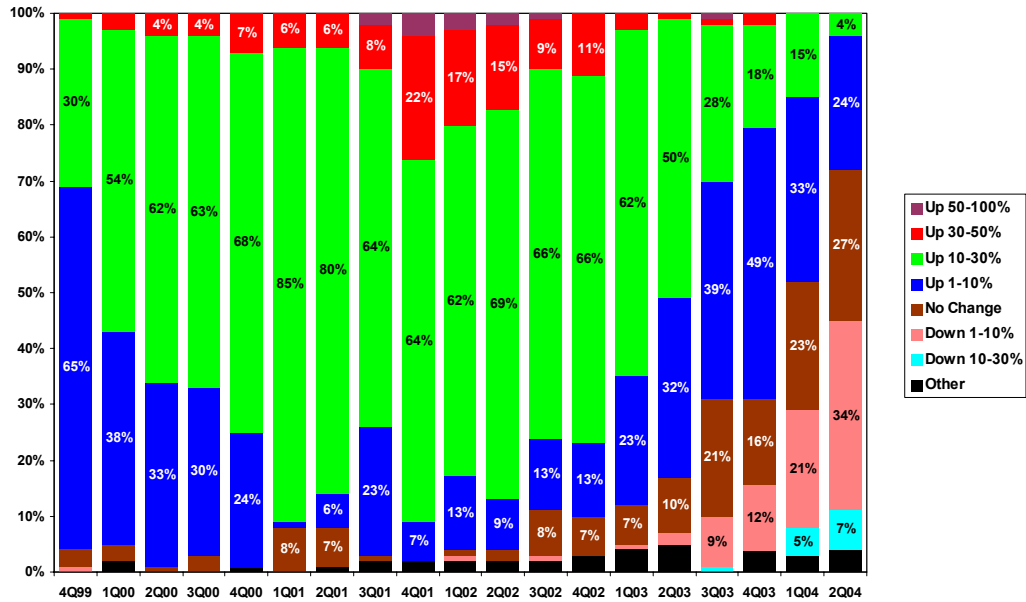


Source: Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research

Commercial General Liability Insurance Rate Changes

Percentage of Survey Respondents

Rate Increases Reported by Agents & Brokers in CIAB Survey

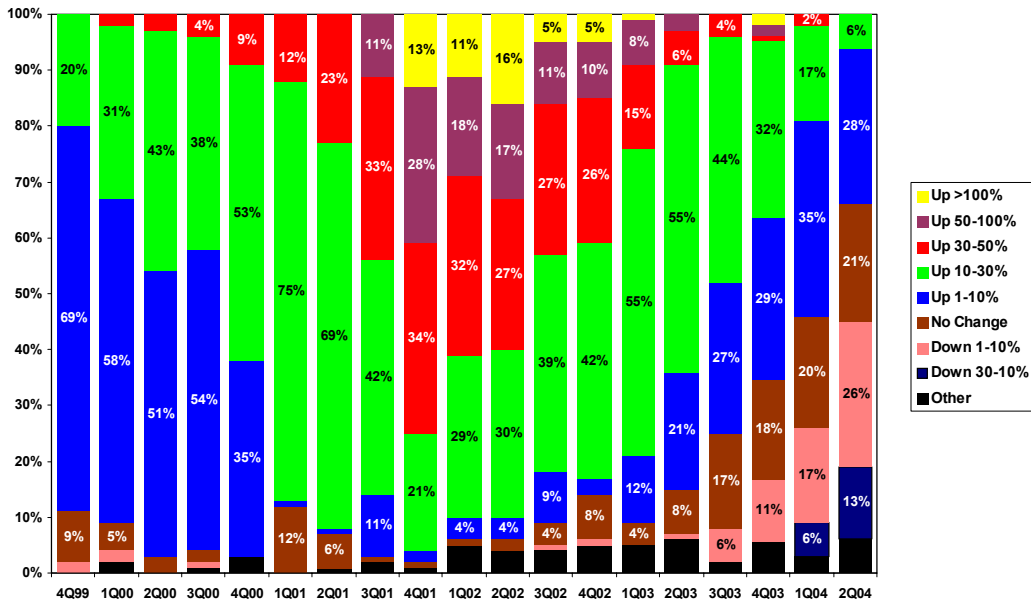


Source: Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research

Umbrella Insurance Rate Changes

Percentage of Survey Respondents

Rate Increases Reported by Agents & Brokers in CIAB Survey

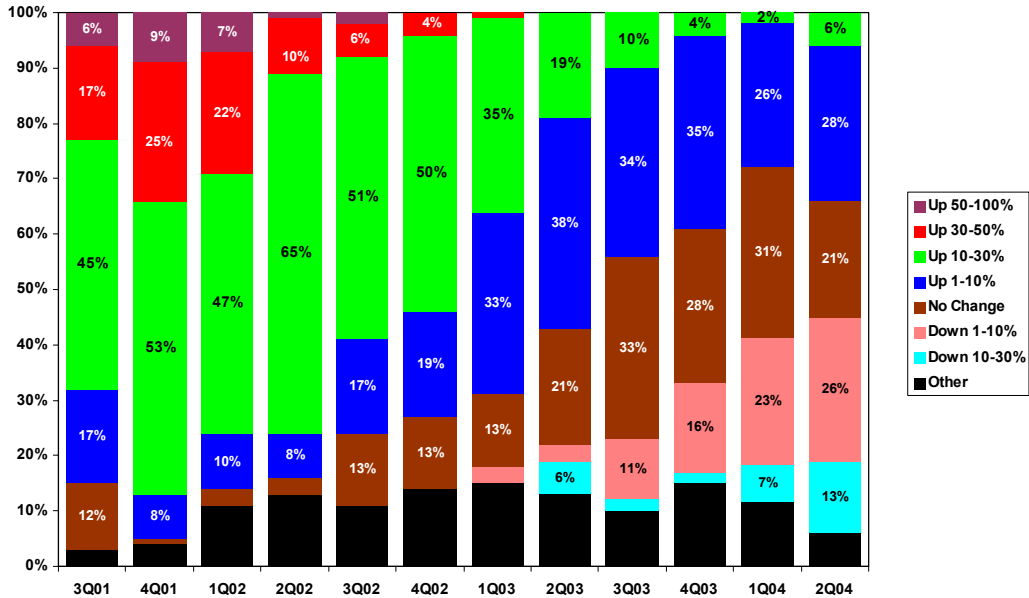


Source: Council of Insurance Agents & Brokers. Chart prepared by Lehman Brothers Equity Research

Business Interruption Insurance Rate Changes

Percentage of Survey Respondents

Rate Increases Reported by Agents & Brokers in CIAB Survey



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

Average Rate Declined 3.2% in 2Q04				
	Small	Mid	Large	Avg
2Q04	-0.8%	-2.9%	-5.9%	-3.2%
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 (2Q04)	-0.8%	-2.9%	-5.9%	-3.2%

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

By-Line 2Q04 Rate Changes Ranged From -9.3% to +1.0%						
	Comm'l Auto	Workers' Comp	Comm'l Property	Gen'l Liability	Umbrella	Average
2Q04	0.5%	1.0%	-9.3%	-1.1%	-1.3%	-2.1%
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	0.5%	1.0%	-9.3%	-1.1%	-1.3%	-2.1%

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