

# Business Insurance

**update:**

## Space firm must assume cost of rocket explosion

MATAGORDA ISLAND, Texas—Space Services Inc. must shoulder the entire cost for the loss of its 55-foot Percheron rocket that blew apart on the launch pad while its engine was test-fired on Aug. 5.

SSI has liability insurance for damages the rocket might cause to third parties but not for damages to the rocket itself.

*Continued on next page*

the national newsweekly of loss prevention, risk financing & benefit management/\$1 a copy; \$30 a year Entire contents copyright 1981 by Crain Communications Inc. All rights reserved.

### Brokers' 1981 net income vs. 1980

Second quarter 1981      6 months total

**Marsh & McLennan**      +27% to \$29.8 million      +25% to \$63.1 million  
**Frank B. Hall**      +4% to \$8.62 million      +5% to \$17.5 million

**Alexander & Alexander**      -14.6% to \$12.8 million      -10.2% to \$28.6 million  
**Fred S. James**      -13.4% to \$5.1 million      -9.5% to \$10.3 million  
**Corroon & Black**      -44.4% to \$2.51 million      -37% to \$6 million  
**RBH**      -20% to \$2 million      -20% to \$4.4 million  
**E.H. Crump**      -57.6% to \$384,000      -34% to \$1.2 million

Chart: Toby Roberts

## Mid-year reports spell hard times for brokers

By **LEN STRAZEWSKI**

Is there enough?

That's the big question facing the publicly held brokers as they continue to scramble for new business to offset plummeting revenue and income growth.

Brokerage results for both the second quarter and the first half of 1981 reveal continued hard times for the brokers as price competition among insurers eats at commission levels.

Although several brokers reported solid revenue gains during the second quarter, net income—which reflects productivity,

expenses and general investment value—maintained a steady downward pace.

Marsh & McLennan Cos. Inc., still riding the crest of additional revenues from its merger with British brokerage group C.T. Bowring, was the big exception to generally dismal reports and the biggest winner this quarter, reporting net income growth of 27% over the second quarter of 1980.

E.H. Crump Cos. was the biggest loser with its second quarter net income falling more than 57%.

"This is an extremely difficult time in *Continued on page 84*

## Nuclear pools plot \$1 billion capacity

By **JOHN W. MILLIGAN**

NEW YORK—The nuclear accident at Three Mile Island may bring the nuclear utility industry in this country one singularly important benefit—\$1 billion in property insurance coverage.

Two insurer groups, one from the commercial insurance industry and the other from the nuclear industry, are working independently to find the extra insurance capacity.

This is especially significant in the wake of the March 29, 1979, incident at TMI. General Public Utilities Corp., owner of the Pennsylvania plant, faces a \$1 billion to \$1.3 billion cleanup operation and is paying \$24 million a month for replacement power (*BI*, June 15).

Future increases in insurance capacity will not help GPU's present situation, but they could save another utility company from the same grim circumstances.

Nuclear Electric Insurance Ltd. (NEIL) and American Nuclear Insurers (ANI) both hope to muster up \$1 billion in property insurance capacity.

NEIL, a Bermuda-based mutual insurance company, was formed in September 1980 by 25 utility companies following a study by an Edison Electric Institute task force on insurance. It currently provides coverage for the costs of replacement power, offering a weekly indemnity of up to \$2 million a week for the first year after a six-month deductible. It offers \$1 million a week for the second year.

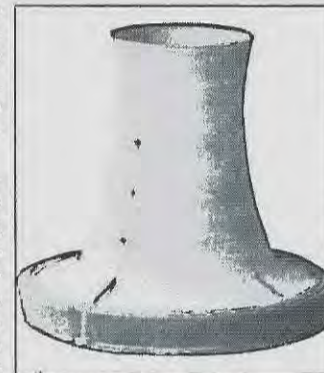
Pending a decision by the Edison Electric Institute task force, NEIL also will provide \$500 million excess of \$500 million in property coverage.

This additional coverage will be developed by NEIL with the backing of commercial reinsurers, says Alonzo Rand Jr., senior vp at Marsh & McLennan and head of its technical services department. M&M is providing consulting services to NEIL on this project.

NEIL would offer the \$500 million layer, with \$200 million reinsured on a quota-share basis by commercial reinsurers.

Premiums would range from \$850,000 to \$1.45 million for the full \$500 million layer of coverage.

*Continued on page 79*



## Who will pay Hyatt punitive claims?

By **STEPHEN TARNOFF**

KANSAS CITY, Mo.—Who will pay any punitive damages awarded in lawsuits stemming from the Hyatt Regency Hotel disaster in Kansas City is unresolved, local attorneys say. Missouri law doesn't make it clear if defendants can pass the bill to their insurers.

The lawyers also are uncertain a state prohibition on punitive damages in wrongful death cases will limit the amount of awards. Missouri allows awards in wrongful death cases to exceed the actual damages under "aggravating circumstances," they note.

The answers to the two legal questions will affect how much plaintiffs can ultimately collect and what insurance will be available to pay awarded damages stemming from the July 17 disaster.

If punitive damages are assessed and the state prohibits insurance coverage for them, insurers would be off the hook and the defendants on the hot seat to cover the awards. Some defendants, such as smaller contractors without substantial resources, might not have the money to cover uninsured punitive awards.

Suits already filed demand \$727 million in punitive damages compared with \$470 million in actual damages, and one attorney speculates the horror of the accident could convince juries to award punitive damages. "There is outrage on the street," said plaintiff's attorney Max Foust, who has taken cases against Hyatt.

But until the cause of the accident is determined, one can't be sure the cases will warrant punitive damages, he added.

Two Missouri appellate court decisions differ on whether insurance companies are responsible to pay punitive damages assessed against their policyholders, says William T. Session, an attorney with the Kansas City firm of Linde Thomson Fairchild Langworthy Kohn & Van Dyke.

"There is still a split of opinion. It is still an unsettled question," says the attorney. The Missouri Supreme Court has not ruled on the issue.

In one 1964 case involving an automobile accident, the court said it violated public policy to shift punitive *Continued on page 83*

### Disaster raises questions on architect's insurance needs

By **STEVE SHERWOOD**

The design professionals behind the Kansas City Hyatt Hotel ultimately may be exonerated, but the prospect that they might be found liable for even a portion of the \$1.2 billion in damages demanded in 43 lawsuits already filed raises serious risk management questions.

How much errors and omissions insurance does a design professional need? Is there enough insurance available in today's marketplace? Can these design professionals minimize their risk of liability losses?

Underwriters of errors and omissions insurance for design professionals interviewed by *Business Insurance* answer that these pro- *Continued on page 83*

**Special Report**

**Buyers desert surplus lines: Pages 13-74**



## update:

### Destroyed rocket not insured

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The Percheron rocket would have been used only once during a test flight scheduled later this month, said Charles Chafer, SSI vp. "It would have ended up in the ocean anyway, so why buy property insurance?"

The company spent \$1.2 million to build the rocket in hopes of becoming the nation's first commercial space flight entrepreneur.

Third-party liability coverage for the \$25 million venture was written by Lloyd's of London through brokers Clifton & Co. of San Francisco (BI, July 20).

The rocket exploded when its main liquid oxygen valve failed to open during a five-second test-firing. Mr. Chafer said no one was hurt and nothing was damaged except the rocket.

SSI hopes to have a new rocket ready in six months to a year, he said. "We were working on a new design over breakfast."

### Conferees approve HMO bill

WASHINGTON—Businesses will not have to expand the number of health maintenance organizations offered to employees under legislation approved by a House-Senate conference committee.

The conferees agreed to drop a provision approved earlier by the House requiring businesses to offer employees a choice of HMOs if one of the HMOs was controlled by an insurer or a Blue Cross/Blue Shield plan that also controls a substantial part of the health insurance market in the employer's area.

The House favored a multiple choice provision to ensure that employees have access to independent HMOs and to bar potential anti-competitive situations.

Under the current dual choice requirement, an employer with more than 25 employees must offer employees an opportunity to enroll in an HMO if the HMO asks to serve the employees.

The conferees, who approved the HMO legislation as part of major budget reconciliation bills, also agreed to keep federal funds flowing to HMOs for now, but to restrict their use.

They also approved some \$20 million in federal grants to be awarded to HMOs in the final stages of development, but grants will not be available to start new HMOs.

### Senate fails to act on pooling

WASHINGTON—Manufacturers will have to wait until at least September for federal legislation to help solve product liability problems.

The Senate adjourned for its August recess without taking action on the proposed Risk Retention Act, which would allow manufacturers to self-fund their product liability risks in groups that would be exempt from most state regulations.

The measure already has cleared the House of Representatives without opposition (BI, Aug. 3).

Senate approval is expected in September or October, observers say.

### Benefits exempt from taxes

WASHINGTON—Congress approved legislation last week that will bar the Internal Revenue Service from proposing regulations that would tax employee benefits.

The ban, which will extend to Dec. 31, 1983, covers such gray areas as employer-paid parking spaces. Key benefits, such as group health insurance, already are exempt from taxes by statute.

### Firm claims coverage for blast

GRANTSVILLE, Utah—Mining Services International is fully covered for damages resulting from a blast that destroyed its explosives manufacturing plant and left no trace of five people working inside, its president says.

The July 30 explosion, which left a 40-foot-deep crater 100 feet in diameter, caused an estimated \$790,000 to \$900,000 in damage.

"We are covered for business interruption and property damages," said Stephen Brockbank, MSI president. "We feel we have enough insurance and are presently filing claims."

Although neither Mr. Brockbank nor vp Robert Mourtisen would detail insurers or limits, Mr. Mourtisen said, "We have adequate policies—a number of them. They have been upgraded bimonthly. The last upgrading commenced in early June and went into force in July."

Some of the coverage is with Lloyd's of London, officials said.

The company's workers compensation risks are insured through the Utah State Insurance Fund. The benefits to be awarded to the survivors of the victims depend on the the worker's salary level. The maximum benefit is \$68,000.

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# Poor loss experience increasing marine rates

By WILLIAM BOOTH

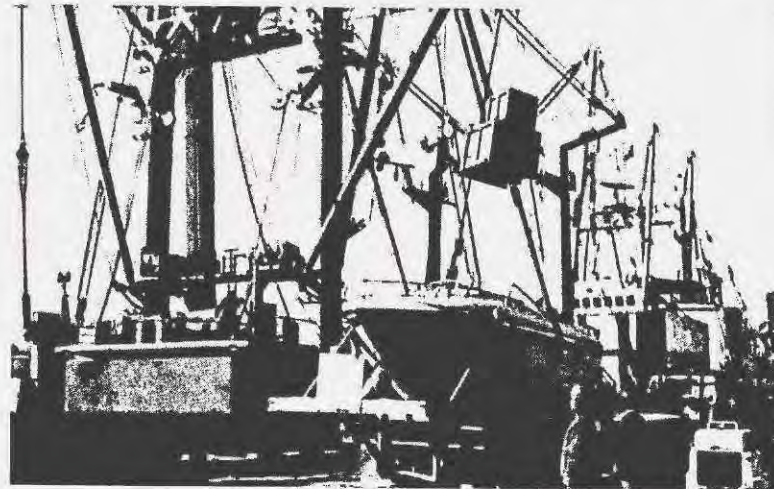
NEW YORK—Ripples of change are running through the U.S. marine insurance market where for nearly 10 years insurance buyers have enjoyed the low rates produced by fierce competition among insurers.

Shipping companies are beginning to see moderately higher rates and higher deductibles as hull insurers recoil from their worst loss experience in peacetime history.

U.S. marine insurers are just behind the higher pricing and deductible trends started in London.

"The blue-water hull market has seen its worst days and is just beginning to see some improvement," says Robert Huffert, marine manager for American Re-Insurance Co.

Besides more conservative underwriting, marine insurers are increasing their deductibles for hull coverage by as much as 30%, says John Blackman, president of Mu-



Marine insurance buyers are dealing with a slightly tighter market.

tual Marine Office Inc. in New York.

But hull insurance is still very available, despite increasing deductibles and more scrupulous attention to shipping lines' loss expe-

rience, says Richard LePage, general manager of insurance for Farrell Shipping Lines in New York City.

Insurers cite soaring shipyard

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### Fire deaths hurt earnings of Arrow

By JAMES LAWSON

NEW YORK—Assessing the cost of losing 13 executives in the Stouffer's Inn fire in Westchester County last December, Arrow Electronics Inc. is considering the purchase of key man life insurance on its new executives.

Death benefits and deferred compensation payments to the families of the 13 fire victims and personnel replacement charges cost Arrow nearly \$3 million and contributed to the company's flat earnings last year.

Key man life insurance, protection many corporations take out on their highest-ranking company officials, would have helped defray the costs to Arrow.

Arrow did not have any special insurance for supplemental executive death benefits coverage and so is paying benefits to the estates and to surviving relatives of the executives who were killed while attending a meeting at the hotel.

Thirteen others were killed in the blaze.

Arrow officials said they have not filed a claim to seek damages from Stouffer, but are "evaluating the situation." Stouffer Corp. has up to \$120 million in liability insurance.

Arrow's costs consist of charges arising from the amortization of deferred stock compensation in a restricted stock plan and special

Continued on page 4

### Satellite insurers see profits in the stars

By STEVE SHERWOOD

NEW YORK—On Dec. 10, 1979, something went wrong with the apogee motor that normally would have powered RCA's SATCOM 3 satellite from transfer orbit to geosynchronous orbit.

The satellite, representing an investment of \$77 million, lost telemetry and has not been heard from since.

Earlier that year, a rocket stage separation problem led to the destruction of the \$15 million ESC 1 satellite belonging to NASDA (the Japanese space agency), and in September 1977 the OTS, a European communications satellite, blew up on launch, resulting in a \$29 million loss.

These losses are the only three major insured commercial satellite losses. Together, they represent a total loss experience of \$121 million in a field that Marsh & McLennan space risk specialists estimate has generated \$85 million to \$90 million in premiums.

This would mean an average industry loss ratio of about 140%.

Other sources place premiums at \$55 million to \$60 million, which would give the industry a loss ratio of more than 200%.

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# Record settlement to cost IT&T's insurers \$3.5 million

By RHONDA L. RUNDLE

LOS ANGELES—International Telephone & Telegraph Corp.'s insurers will pay \$3.5 million to an injured construction worker who suffered brain damage from an electrical shock caused by a faulty extension cord manufactured by the company.

This is the largest lump-sum settlement ever made in a personal injury lawsuit in which liability was not determined by a jury, said Bruce Broillet, a Los Angeles attorney representing the 33-year-old plaintiff.

The product liability settlement will be paid by Liberty Mutual Insurance Co. and Lloyd's of London, ac-

ording to an IT&T spokesman.

The plaintiff also has received about \$330,000 in workers compensation benefits from Fremont Indemnity Co. Future medical and disability payments will add about \$100,000 a year to the injured worker's benefits.

The agreement with IT&T came the morning trial was set to start in Long Beach Superior Court. An earlier offer of \$2.3 million was rejected by Mr. Broillet, who also insisted that the settlement be paid in a lump sum and not structured over time.

"Structured settlements are a poor negotiating tool

Continued on page 4

## Grocery captive finally begins stocking risks

By JERRY GEISEL

WASHINGTON—The new super-captive for the nation's grocery industry finally is bagging some risks.

Eight food processors and manufacturers—including Nabisco Inc. of East Hanover, N.J., Williams Foods Inc. of Westwood, Kan., United Brands Corp. of New York and Campbell Taggart of Dallas—have agreed to shift some of their casualty risks to the group captive set up by the members of the Grocery Manufacturers of America.

The heavily publicized and promoted multiple-owner Bermuda reinsurance company was conceived two years ago to provide price stability for liability coverages.

While GMA members predicted last year that the program would net more than \$100 million in annual premiums for comprehensive general liability, auto and workers compensations, the program missed its Jan. 1 starting date and had attracted only one potential insured, Williams Foods Inc., by March (BI, March 9).

**Bad timing,** technical errors and the reluctance of major corporations to change sophisticated insurance programs for initial minimum premium savings bedeviled the program.

But the risks are finally being loaded. "Sure, the market is soft, but it's future price stabilization that we're looking for," said Dick Green, insurance manager for Campbell Taggart, which paid about \$1.5 million in premiums into the program to cover workers compensation, auto and general liability risks.

"Reports of its (GMA's) death are greatly exaggerated," quipped Steven Brown, vp and general counsel for the GMA. "We have seen a very encouraging influx of members . . . and the program will be operational in the near future."

But the GMA program was dramatically altered to attract support after it floundered. Key changes include:

- Persuading Kemper Corp., which is issuing policies through its American Motorists Co. subsidiary, to freeze rates for services provided to participants.

- Opening up the program to food processors that are not members of the GMA. New eligibility requirements allow non-GMA companies to join if at least 20% of

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# Striking differences

## Baseball walkout is over, but policy questions linger

By JOHN MAES and STACY SHAPIRO

CHICAGO—The "Summer Game" has resumed at Wrigley Field, Candlestick Park, Yankee Stadium and other ball parks, but the controversial issue of baseball strike insurance may be headed into extra innings.

Last week, underwriters still had to decide if they would reimburse baseball club owners' losses for the seven days of games that were canceled between the July 31 strike settlement and the end of last week when insurance would have run out. The major league players had been on strike 50 days before a settlement was reached.

"It's a very interesting point," said Robin Lewin, director for Lloyd's broker Blackwell Green Ltd., which placed the Lloyd's portion of the direct coverage and is supervising payment from Lloyd's.

"The way I see it, the strike hasn't been called off yet. The underwriters have to decide what they think about it," he said.

The baseball contract agreement came with little more than a week left on the \$50 million strike insurance policy that pays \$100,000 for each canceled game—\$50,000 for each team involved.

The coverage was split into three layers: \$10 million after the first 153 games not played and two layers of \$20 million each, payable

after the first \$10 million ran out.

Insurers had paid out \$43 million by the settlement.

"Agreement came at 4:45 a.m. on the 31st of July. But it (the contract) hasn't been ratified, so are they on strike or not?" Mr. Lewin asked last week.

If not, underwriters may dispute the claims, but they will obtain legal advice before taking any action, Mr. Lewin said.

Only the insurers on the third layer of the policy are affected. The primary layer, led by underwriter Andrew Drysdale of Lloyd's, with some domestic U.S. insurers participating, and the secondary layer, underwritten directly by Allianz and Southern American Insurance Co., were totally tapped before baseball players and club owners hammered out their new free-agency compensation agreement, the issue that led to the strike.

The third layer of coverage, the layer in question, is also split between Allianz and Southern American, but it is heavily reinsured by Lloyd's.

Lloyd's total participation, including direct coverage and reinsurance, is estimated at more than 75%.

Meanwhile, the 26 major league clubs licked their wounds from the mountains of lost gate receipts and profits from concessions, parking and television, radio and cable broadcasting rights.



Photo: Wide World

**Pete Rose is ready to play ball, but owners still must sort out insurance questions.**

Almost all say the strike insurance provided only partial relief for the owners. But while some teams felt terrible pain, others were only smarting.

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## Airlines have their answer: No coverage

By LISA BERGSON

Strike-canceled baseball games are worth \$100,000 each, but there's no such reimbursement for strike-canceled airline flights.

The air traffic controllers' strike was costing the airlines \$10 million a day last week because the stand-in controllers could not keep air traffic at its normal peak. Airline owners do not have strike insurance to cover business interruption.

However, their hull and liability insurance coverage will not be jeopardized by the walk-out of the controllers, who guide their planes for safe flights.

"As long as the government says that it's safe to fly, then our coverage will hold," says Rod Brandstedter, the director of finance for the Air Transport Assn., which represents 33 scheduled airlines.

Some carriers, like Pan Am and Federal Express, did consider insuring against the risk of business interruption by a controllers' strike.

"We thought about getting a quote from Lloyd's on strike contingency insurance, but we didn't get into any serious discussions," says Van Seward, risk manager for Federal

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Photo: Wide World

**The flight schedule boards tell the effects of the air traffic controllers' strike.**

## Nevada hotels ready to pay safety's price

By CAROL G. BLITZER

LAS VEGAS—High-rise building owners don't know what it will cost to comply with Nevada's new fire code, but with the memory of two fatal hotel fires fresh in their minds, they seem prepared to pay the price.

Hotels and banks will be most affected by the new law, which requires buildings taller than 55 feet to be retrofitted with automatic sprinkler systems, smoke detectors, public address systems and self-closing doors.

**Officials of the National Fire Protection Agency** say the new code lives up to its billing as "the toughest in the nation." They believe it is the first retrospective building code enacted to upgrade fire safety.

"We are very supportive of this new law," says Phil Satre, vp of Harrah's, a hotel subsidiary of Holiday Inns Inc. Harrah's has no intention of seeking a variance and intends to comply as soon as reasonably possible, he says. The law gives owners three years to make the necessary changes.

All public areas in Harrah's hotels in Reno and Lake Tahoe are already equipped with sprinklers, Mr. Satre says. Room sprinklers will have to be installed in the Lake Tahoe hotel and older sections of the Reno hotel.

It will cost more than \$1 million to retrofit Valley Bank's 16-story corporate headquarters in Las Vegas, estimates Earl Hedges, property manager. Seventy percent of the cost will be eaten up by the plumbing for the sprinklers. The bank's new branch building tower far exceeds code requirements, however.

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**The elaborate fire safety system at the refurbished MGM Grand Hotel is monitored 24 hours a day.**

## Federal workers may lose group abortion coverages

Federal employees and their dependents would lose health insurance coverage for abortions under an amendment approved by the House.

For the second time this year, Rep. John Ashbrook, R-Ohio, tacked an amendment onto an appropriations bill that bars federal group health insurance plans from providing abortion coverage.

The Senate killed Rep. Ashbrook's earlier amendment.

The restriction could force federal employees and their dependents to spend about \$16 million annually to pay for abortions now covered under their group health insurance plans.

Last year, about 25,000 abortions were covered under federal employee health insurance programs. The average claims cost last

### benefit beat

year was \$625.

### Firefighters' benefits

Firefighters in White Plains, N.Y., have been granted a change in the funding structure of their benefit plan as part of a new two-year contract, effective July 1.

The city will now make annual contributions of \$300 per employee to the Professional Firefighters' Assn.'s welfare fund, rather than past payments to its dental plan and a yearly benefit payment of \$125 per employee.

City Finance Commissioner J. Dwight Hadley said the payments will be increased by \$25 in 1982. ■

## IT&T's insurers to pay record settlement

Continued from page 2

because they sound like a lot of money to the plaintiff although they actually are worth less when their present value is calculated" he said.

Darrell Dean Stark was injured four years ago while employed by Paul Gansberg, a sole proprietor whose business is installing mobile homes. Mr. Stark received a near-fatal shock when the flat extension cord connected to the Black & Decker screw gun he was using short-circuited.

"This particular product (the extension cord) is not considered hazardous, but understand that the individual cord in question had been abused beyond normal wear and tear at the time the accident occurred," said an IT&T spokesperson.

The accident left Mr. Stark a quadriplegic requiring 24-hour care. Severe brain damage also impaired his ability to speak and left him with the mentality of a young child.

"IT&T claims it knows of no other accident in which these extension cords have injured people," Mr. Broillet said.

IT&T manufactured the flat cords, which were

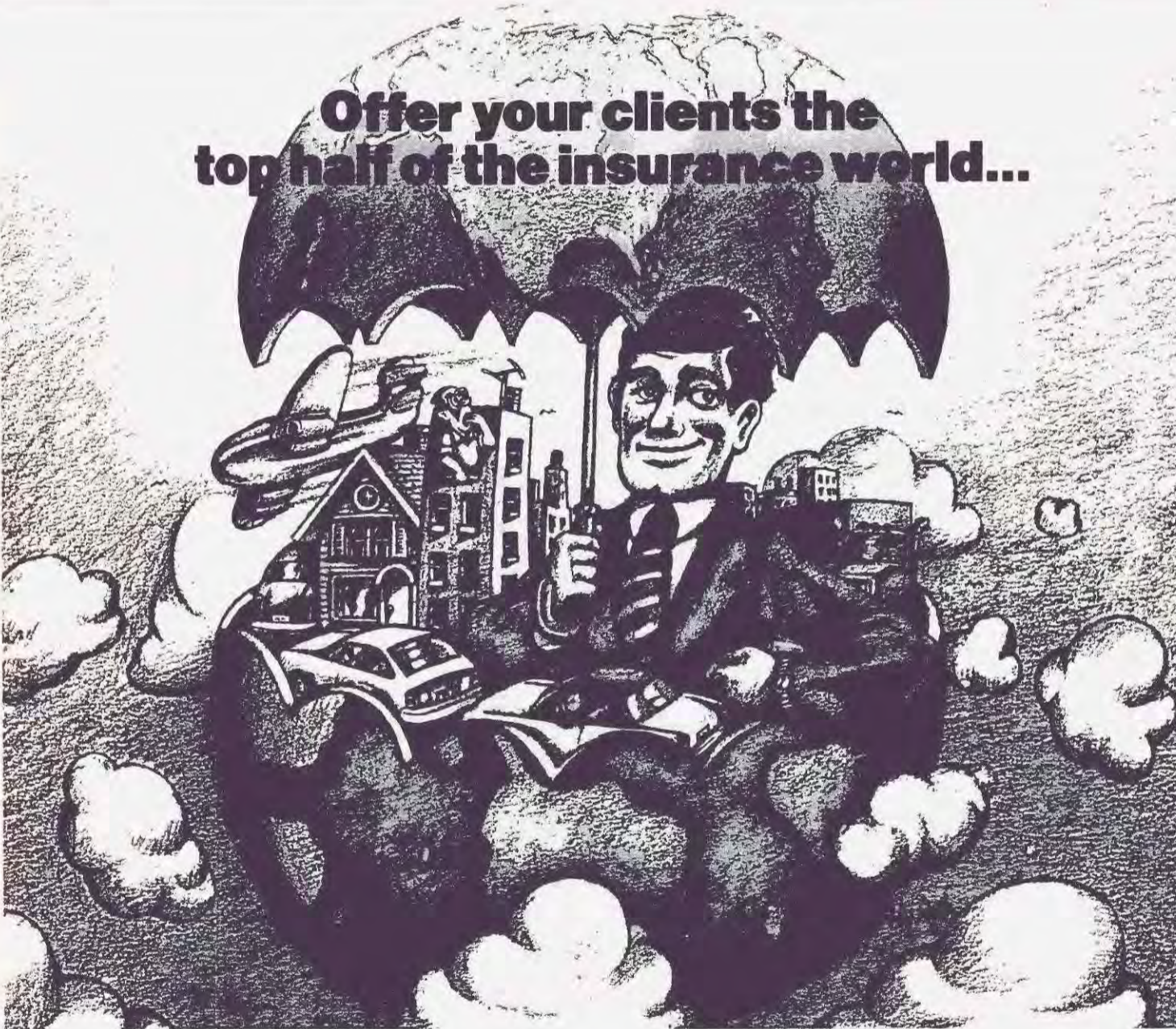
never tested by Underwriters Laboratories, from 1965 to 1979. During the same period, IT&T manufactured a different flat cord that was UL-approved. Although the two cords look alike, the non-UL-approved version was cheaper because the ground wires were two gauges smaller, less copper was used and ground wires were not separately insulated, according to Mr. Broillet.

More than \$70,000 was spent testing extension cords and building models and exhibits to show jurors that the culprit cord was a "substandard product," Mr. Broillet said. Although the cord was electrically sound, it was mechanically defective because the ground wires kinked into the hot current wire with ordinary use.

The defect develops when someone coils and uncoils the cords, he said. The flat-style cord tends to twist. Although the cords look safe, X-rays reveal internal movement of the ground wires, he said.

As part of the settlement, IT&T dropped counterclaims against the Black & Decker Manufacturing Co. and the mobile home park where Mr. Stark was working when the accident occurred.

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# THE BACKERS.

## Fire deaths cost Arrow

Continued from page 2

contracted supplemental death benefits that were paid in addition to regular company group death benefits.

Under Arrow's group insurance plan, the survivors of 11 company officials were paid supplements as part of a salary continuation program and death benefits, which doubled their base salaries, up to \$200,000.

The two top executives, the late president B. Duke Glenn Jr., and the late Roger E. Green, the firm's executive vp, were paid under terms of special employee contracts.

Under the supplemental compensation terms described in the company's proxy statement, Mr. Glenn's widow will receive an additional \$937,500 over a three-year period to satisfy a five-year agreement dated Sept. 30, 1980.

The fair market value of the Arrow stock vested on behalf of Mr. Glenn in an employee stock option plan amounted to more than \$851,105.

Mr. Green's widow will receive \$888,750 over a three-year period. The value of Mr. Green's Arrow stock in the plan amounted to \$1.8 million.

The total cost to Arrow from the tragedy amounted to more than \$5.5 million: \$1.4 million in pretax, non-cash stock compensation; \$2.6 million in supplemental death benefits; and \$1.5 million to cover additional accounting costs, the cost of hiring replacements for the deceased personnel and the cost of personnel relocation.

The company will recover a portion of the payouts in a tax benefit, which leaves a net cost of approximately \$3 million.

That cost reduced the earnings of the nation's second-largest electronics distributor last year to \$5.27 million on net revenues of \$352 million compared with 1979 earnings of \$5.5 million on net revenues of \$264 million.

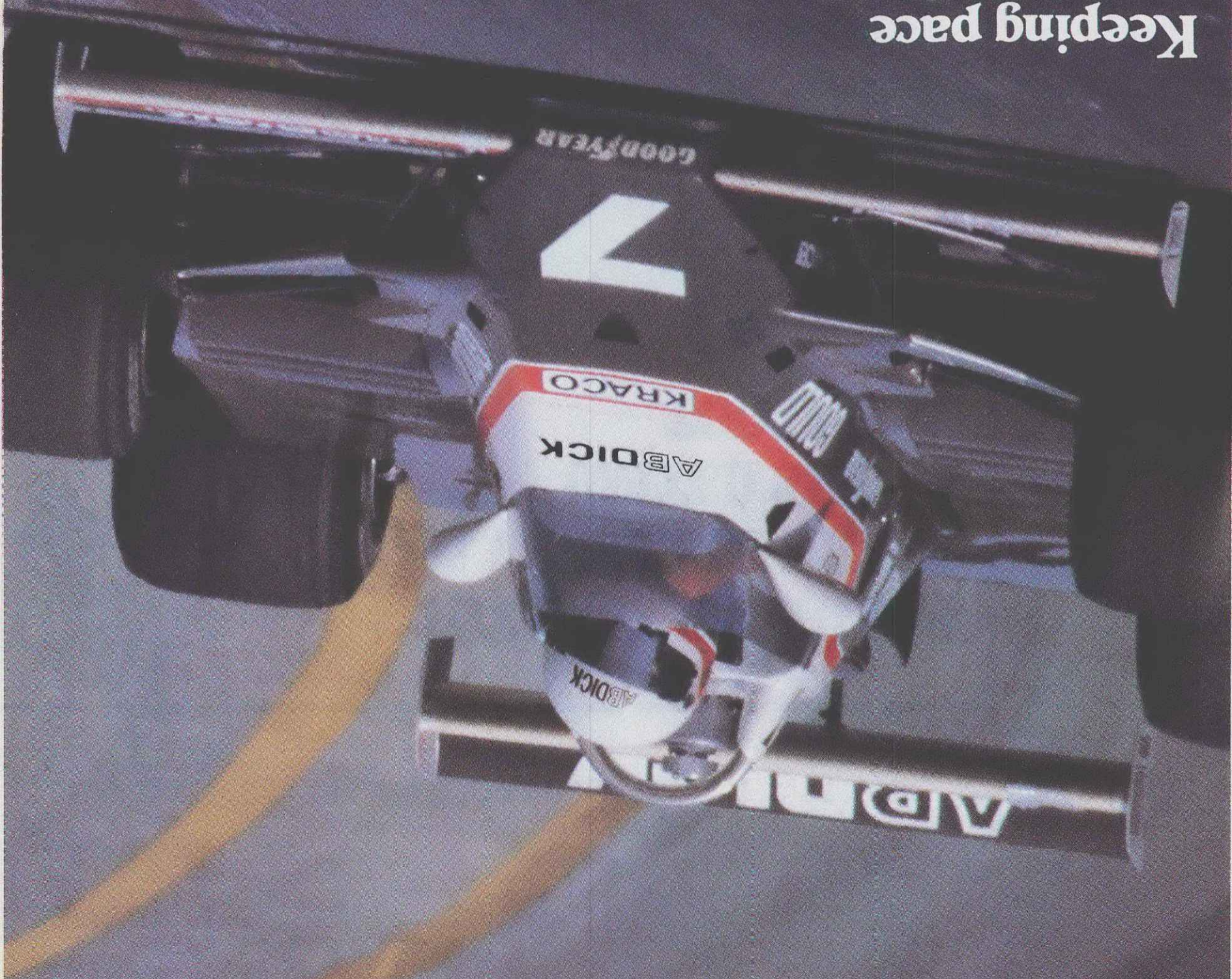
The lost management talent hurt, too.

"Arrow Electronics was a decent company that was going well," one New York analyst said. "It had a good management team that was bringing it along, but two or three of the top people were killed in that fire.

"They have a new president now, but it will take time for them to put things back together," the analyst said.

Arrow has appointed former Motorola executive Alfred Stein as its new president and chief executive officer. ■

# WAUSAU WORKS.<sup>SM</sup>



## Keeping pace with A.B. Dick's new "fast-track" spirit.

A. B. Dick Company became famous for pioneering in its field. And today, there's an exciting *new spirit* at A. B. Dick, symbolized, in part, by their company-sponsored "Indy" racing car.

This new "fast-track" attitude among A. B. Dick people is reflected in products and systems

designed to help their business customers become more productive. That's Wausau's role, too — with A. B. Dick and some 40,000 other business insur-

ance policyholders. We see our job as helping policyholders protect their primary assets — financial, physical and human resources.

"Wausau provides us a businesslike approach to claim service and loss prevention — the same as you'd take toward sales and profits," says Ron Gies, A. B. Dick's Safety Manager. "We control risks, rather than react to losses." The A. B. Dick-Wausau partnership has been down a long road. But we don't look back. Today's business pace demands full attention to every detail that affects productivity and profitability. And that's how Wausau works.



**WAUSAU  
INSURANCE  
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Wausau, Wisconsin 54401

# Nevada adopts stringent new fire code

Continued from page 3

The MGM Grand Hotel, which reopened July 30, exceeds requirements with its \$5 million fire safety system, reports Assistant Fire Chief Jim Barrett of the Clark County Fire Department. Eighty-four people were killed and more than 600 injured in the fire at the MGM Grand last November.

Not only has MGM Hotels installed sprinklers in corridors and by doors as the code specifies, it has put additional sprinkler heads in every room. "There are 31,000 sprinkler heads, some located next to shower heads because a shower is an enclosed area," says an MGM spokesperson.

Despite their willingness to proceed with modifications to meet the new law, most building owners do not know what the cost will be.

No cost-impact studies were prepared by legislators before enacting the law, admits state Sen. Joel Neal, one of the measure's authors.

"Safety, not cost, was the major concern," says Sen. Neal, noting that cost figures mentioned ranged from \$190,000 to several million dollars for the retrofitting of each building.

To soften the blow, low-interest state revenue bonds are available. The penalty for non-compliance with the law is a misdemeanor, but hotels, motels and casinos could be closed down if they don't meet the new standards, Sen. Neal says.

"No across-the-board cost estimates are available," says Fred Welden, who works in the research division of the Nevada State Legislative Counsel Bureau. Cost

differs according to construction.

"In a building with solid cement floors, it is very costly to bury sprinkler pipes. But buildings with dropped ceilings and easily accessible heating and cooling elements would be less expensive."

"Retrofitting is expensive but you can get a significant insurance break, and there are some proposals to get a tax break," says Phil Schaenman, associate administrator for the U.S. Fire Administration's National Fire Data Center, a division of the Federal Emergency Management Agency.

Mr. Schaenman says that sprinklers repeatedly have proven themselves effective in cutting fatalities and preserving property. He notes that the sprinklered arcade area of the MGM Grand Hotel in Las Vegas was saved, even

though it was right next to a 2,700-degree fire.

Calling sprinklering "the preferred choice in fire protection," Mr. Schaenman says the installation cost is about equal to putting in new carpeting. Retrofitting sprinklers would double and sometimes triple the \$1 to \$3 per square foot cost of sprinklers in new construction.

All new buildings more than seven stories have been required to have sprinklers since 1978 and a voice communication system has been required since the mid-1970s.

An appeals system is written into the new law so that certain exceptions may be made on an individual basis. The Fire Safety Board will have 11 members and will meet once a month to hear variance requests. It also will review

local ordinances.

What makes retrofitting so expensive isn't so much the cost of materials, says Steve Premer, project engineer for Grinell Fire Protection Systems in Providence, R.I. It's the labor costs, which tend to double or triple when you have to work around people and in secure areas, such as in a casino. Adding a sprinkler system to a warehouse-type building would cost about \$1 per square foot. For a hotel, with guests always present, the costs could triple, he says.

Designing time also goes up drastically. Mr. Premer estimates that it takes four to five times longer to engineer a retrofit than an original system. A current project at the Las Vegas Hilton could "keep one engineer busy for at least a year just drawing it," he says.

Sprinkler systems account for a good part of the fire safety system, and electronic alarms account for much of the rest. Frank Ellis of Ellis Electronics estimates costs ranging from \$250 to \$670 per room to outfit a hotel with appropriate public address systems, remote-controlled systems manned 24 hours a day, intercoms for the fire department's use, and smoke detectors. A typical high-rise building could take three months to equip.

"No two are the same," he says. A three-story apartment house with 15 units also would need an alarm system, but something far less elaborate, costing about \$50 to \$60 per apartment, he says.

The new law requires owners of buildings higher than 55 feet to:

- Equip exit corridors and door openings in each room with sprinklers.
- Equip elevators so they can be recalled automatically.
- Post the number of the floor on each stairwell landing and in the lobby.
- Install automatic devices to shut off air conditioning and ventilation systems.
- Post fire-escape routes.
- Install a paging alarm system with a sound level of 80 decibels.
- Install automatic sprinklers in any room used for public assembly with a total floor area of more than 5,000 square feet in a building that has 12,000 square feet. This may be waived if the public area is separated from the rest of the building by fire-resistant construction.
- Meet requirements for interior finishes spelled out by the 1979 Uniform Building Code if the room is to be occupied by more than 300 people.

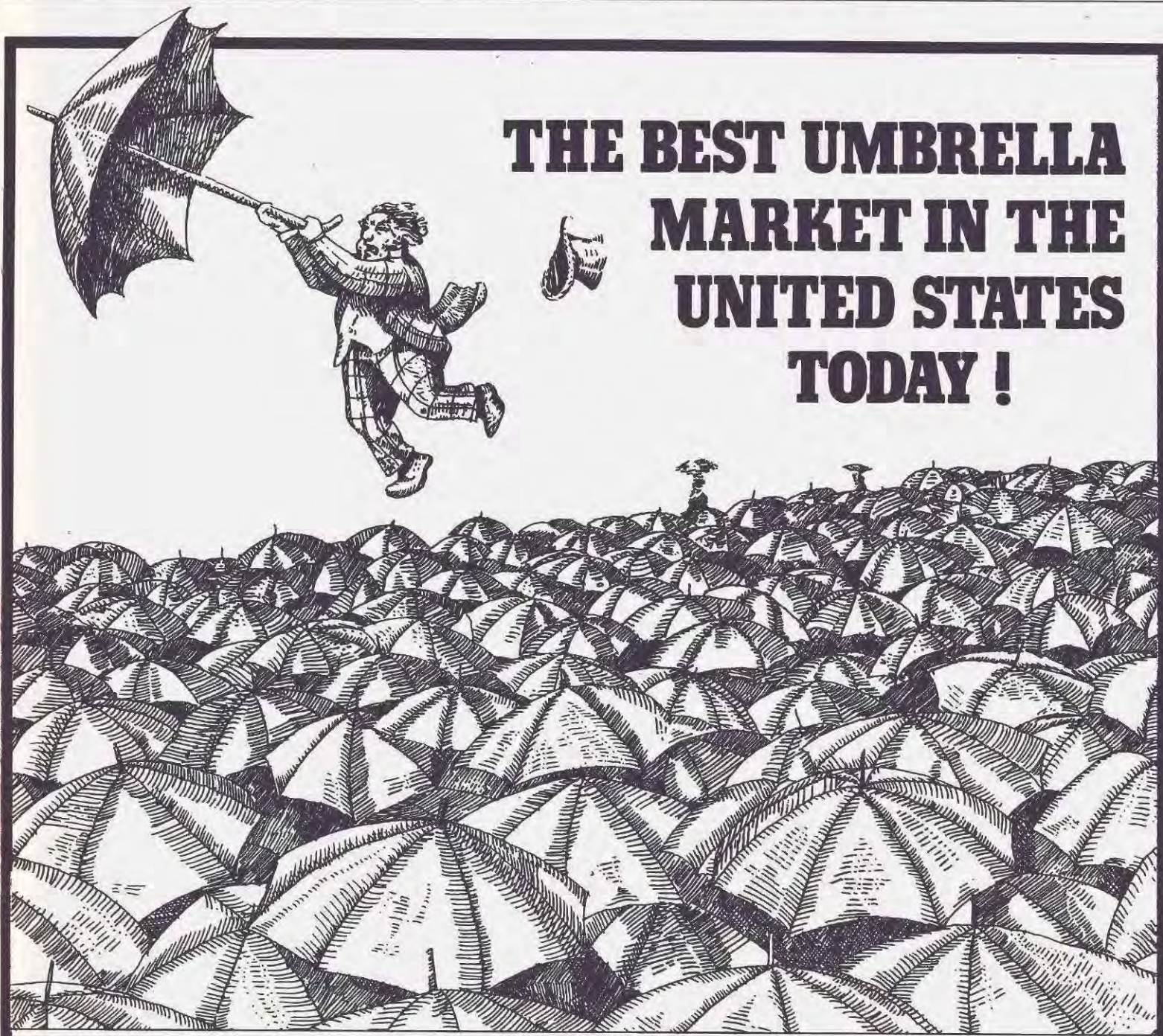
Exceptions to the new law include churches, buildings associated with churches, fraternal organizations, gymnasiums belonging to schools and other non-profit organizations.

In addition the law spells out the chain of command in case of fire: for cities or counties with fewer than 100,000 people, the chief fire official and the building official take over; in case of a conflict the city manager casts the deciding vote. Larger cities may specify the person in authority.

Every building except single-family dwellings must have every exit corridor equipped with emergency lighting. Every door of a corridor that serves 30 or more occupants must be equipped with an approved device for closing the door and must immediately provide adequate facility for exit.

Owners of buildings of three or more stories are required to enclose every open stairway and install fire alarms to comply with the Uniform Building Code.

Owners of hotels or motels with six or more guest rooms and apartment owners with three or more units must equip each sleeping room with a smoke detector. ■



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## editorial opinions

# Try a little kindness

Laid off. This euphemism for fired doesn't take the sting out of being without work.

Risk and benefit managers haven't been immune from receiving the dreaded pink slip. Many already also have been in the difficult position of passing them out. If you haven't, you may have to tomorrow.

Your procedure for laying off employees, however, can make the difference between shattering people's egos and helping them attack the job market with enthusiasm.

Consider the employee who arrives at work on a Friday morning and finds an ominous warning on the desk that a big project is being canceled that will result in realignment of staff. Anxiety strikes.

Then the boss walks into the department and announces all employees in that department are being "laid off" and they can leave immediately. A few pages on benefit continuation are thrust in the employees' hands and they are told to report to the unemployment office on Monday. Visions of degradation.

The personnel department will be available next week to answer final questions, the employees are told. "Next week? What will I be doing next week?" the employee wonders.

Mid-Friday morning and nowhere to go. Four days from the fifth-year anniversary, another 10% vesting in the thrift plan and a third week of vacation. Or four months from full retirement benefits.

And no severance pay. The employees are reeling from the shock.

The shabby treatment hardly encourages them to go out and seek another employer who just might throw them into the same mess. If they are so good, why have they been treated this way?

It could have been a different scene. The company could have left the employees with a feeling of self-worth and a plan to move ahead, without costing it that much more.

How about skipping the ominous memo? Breaking the news at once seems a little kinder.

How about extending the two-week notice employees are supposed to give their employers under the time-honored traditions of common courtesy? The employees then would have time to prepare their resumes, set up appointments and get moving on job interviews before they are out on the street.

Absent any notice, severance pay is a must. The severance benefit also should be extended even with a two-week notice. Finding a new job in two weeks is no easy task.

How about scheduled visits with the personnel and benefits department right away? These professionals could quickly explain the details of termination, heading off confusion.

How about engaging a firm to help these laid-off employees find new work? After they have given the company years of loyal service, it hardly seems too much to ask.

Faced with firing staff in a financial squeeze, you should stop and consider how you would like to be treated if you were about to lose your job. Then act accordingly.

## Worst suspicions

San Jose's decision to raid its reserves for spaying self-funded losses confirms the worst suspicions of those who have opposed government self-funding: The reserves aren't safe from the clutches of politicians who will be here today and gone tomorrow, leaving the next administration to figure out how to pay the losses when they come due.

Opponents of government self-funding and pooling will use San Jose's bad judgment to support their argument that local governments can't be trusted to run self-funding programs.

That is an overreaction, but it would be hard to quarrel with a legislature that wanted to impose rules to prevent this from happening.

## letters

Business Insurance welcomes letters from its readers. Please keep your comments as brief as possible. We reserve the right to edit letters for clarity or space. Please send your comments to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.

## Correcting misinformation . . .

To the editor: I enjoyed your recent article, "Insurers structure more liability awards" (BI, July 20), but I want to correct some misinformation.

One annuity underwriter told you just \$30 million in annuities for periodic payments was written in 1979. In 1979, Aetna Casualty funded \$31 million alone in the 419 structured settlements concluded that year.

Aetna concluded 1,004 structured settlements in the first six months of 1981, not the first five months.

I strongly suspect that I used the word "values," rather than "awards," when I said that Aetna structures claim settlements "across the board, not only in cases of big awards, but for claims in the \$10,000 to \$50,000 range as well."

The word "awards" connotes and implies that a claim's value has been established by jury verdict and that the verdict is then satisfied via a structured settlement. This is not the case. Admittedly, Aetna has used this settlement approach in claims following a verdict, but in each of these instances, the cases were on appeal. Our structured settlement then was not in satisfaction of the verdict, but was simply a negotiated compromise of the claim's value.

To satisfy an award (verdict or judgment) using the amount of the award to fund a structured settlement would obviously generate amounts to the claimant in excess of the award, thereby, we suspect, creating tax obligations to the claimant on the excess amounts.

Also, the quote attributed to me infers that the minimum which we consider for a structured settlement is \$10,000. Our recommended minimum is \$3,000. Barring unusual circumstances, structuring an amount less than this in not economically possible, unless the claim involves a child with the payment being deferred to the child's 18th birthday. I recall mentioning that we have concluded dozens of claims in which the amount structured was less than \$3,000 and that the smallest concluded to date involved the funding of some \$64, which involved a 3-year-old child. I mentioned that the smallest structured attorney's fee involved a cost of \$633.

My comment in regards to "\$10,000 to \$50,000" was that the majority of our structured settlements have fallen in this dollar range, simply because there are more claims with values in this range than there are claims with values of \$100,000 and more.

In any event, I did enjoy your article and appreciate the opportunity to assist you in its preparation.

**Rom A. Mason**  
Project coordinator  
Claim Department  
Aetna Life & Casualty  
Hartford, Conn.

## . . . and another misconception

To the editor: It was nice to see the fairly accurate and unbiased articles on periodic payment settlements by Margaret LeRoux (BI, July 20). It's a real treat to be quoted accurately.

It is important to us that one misconception, which appears in two of your articles, is cleared up. Please let your readers know that The Structured Settlements Co. is not a subsidiary of Walker, Sullivan Co. or any other firm. On July 1, 1980, the firm acquired the assets and personnel of the Structured Settlements division of Walker, Sullivan Co. and became a totally separate organization, the whole business of which is periodic payments settlements.

**Frank Barker**  
The Structured Settlements Co.  
Los Angeles

## A case of contrapropism

To the editor: I wager Commissioners Caldwell and Woodyard are steamed about your article, "NCCI is mortally wounded" (BI, July 27). Even Larry Baker must be annoyed. Here they went through all that trouble, as did several other speakers, of complimenting NCCI, pointing out to the public the successful start in our new direction and our continuing vital importance to the workers' compensation system, and you hit them with some mean contrapropisms (a newly coined word meaning the use of an inconsequential aspect of an occurrence to develop a misconception).

In truth, I have never seen contrapropism used so effectively. Although *Business Insurance* may currently have a limited audience, this is the proven way to expanding your readership, which is of course the main purpose of this stratagem.

One additional thought. The picture of Bar Harbor accompanying the article, although perfect in its irrelevance, should have been replaced by a picture of Tokyo or

London. This would tie in with the article about as well, but would have a significantly larger appeal, which was, of course, the purpose of your report.

Another additional thought. You were right to preserve the reader's interest by overlooking the main thrust of the comments made that NCCI does play and will continue to play a major, vital role in the system whatever the regulatory environment.

That's boring stuff.

**Kevin Ryan**  
President  
National Council  
on Compensation Insurance  
New York

■ *Commissioner Woodyard of Arkansas did telephone BI to clarify that it was the administered pricing system used by the NCCI to rate workers compensation insurance in 30 states that is mortally wounded and on its way out. Mr. Ryan, who spoke at the symposium in Orono, Maine, in July when the NCCI issue was raised, said then that the NCCI needs to re-examine its function.*

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Published weekly at 740 Rush St., Chicago, Ill. 60611 (312-649-5200). Offices: 220 East 42nd St., New York, N.Y. 10017 (212-210-0100); Suite 515, National Press Building, Washington, D.C. 20045 (202-638-5300); 8404 Wilshire Blvd., Los Angeles, Calif. 90048 (213-651-3710); 5327 N. Central Expwy, Suite 200, Dallas, Tex. 75205 (214-528-3561). \$1 a copy. \$30 a year in U.S. Canada and all other foreign add \$14 for surface mail. Europe and Middle East only add \$32 for air delivery. First-class mail to Canada only, add \$36. WILLIAM STRONG, vp-circulation. BARBARA RANDICK, circulation manager. ROGER DiGREGORIO, fulfillment director. Circulation dept.—Chicago (312-649-5227). Four weeks' notice required for change of address. Send subscription correspondence to Circulation dept., Business Insurance, 740 Rush St., Chicago, Ill. 60611 or phone 312-649-5221. Telex 25-4248; Cable CRAINCOM. Microfilm copies are available from: University Microfilms, 300 Zeeb Rd., Ann Arbor, Mich. 48013. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, Ohio 44691.



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BI-8-10

# Legislation to change PBGC rules urged

## washington

WASHINGTON—Employers offering pension plans would be fully liable for their pension promises under proposed comprehensive legislation to overhaul the Employee Retirement Income Security Act.

The new legislation, H.R. 4330, introduced by Rep. John Erlenborn, R-Ill., would require employers who terminate their pension plans to fund all of the plan's unfunded vested benefits over a 15-year period.

Rep. Erlenborn's legislation would close an ERISA loophole that some experts say threatens the viability of the federal insurance program that protects the vested pension benefits of employees.

Under ERISA, the Pension Benefit Guaranty Corp., a federal agency, has the right to collect 30%

of a company's net worth to guarantee the vested benefits of retirees if the company terminates its pension plan with insufficient assets to pay promised benefits.

But some companies whose pension liabilities exceed 30% of net worth might dump their plans on PBGC, since they would find it cheaper to pay a withdrawal penalty than fund the plans.

One company, AlloyTek Inc., a Grandville, Mich., aerospace firm, already is trying to use the ERISA loophole to shift \$4.5 million in unfunded vested benefits to the PBGC, while it sets up a new defined contribution plan for employees (BI, June 22).

Experts say that unless the loophole is closed soon, a wave of employers with underfunded pension plans will follow AlloyTek's lead and dump their plans on PBGC, causing termination insurance premiums to soar or possibly bankrupting the insurance system.

Rep. Erlenborn, who is one of Congress' top pension experts, also proposed the creation of a single agency, the Employee Benefit Administration, to administer ERISA, instead of two agencies—the Internal Revenue Service and the Labor Department—sharing enforcement.

The measure calls for the elimination of termination insurance

premiums, currently \$2.60 annually per participant, for employers with less than 35 participants in their pension plans.

An identical version was introduced in the Senate by Sen. Don Nickles, R-Okla., and Sen. Malcolm Wallop, R-Wyo.

### TRASOP tax credits

Corporations that maintain a TRASOP for their employees—or would like to start one soon—are also affected by President Reagan's tax-cut bill.

Starting in 1983, tax credits for companies with a Tax Reduction Act Stock Ownership Plan will be based on a percentage of payroll (BI, July 13). This is a change from the present TRASOP structure in which companies may receive a 1%

to 1.5% additional investment credit on their capital expenditure.

The payroll-based credit will be phased in more slowly than expected, with companies receiving a 0.5% credit in 1983 and 1984 and a 0.75% credit from 1985-87.

An earlier proposal would have established a full 1% credit by 1985 with no sunset provision. The new law, however, limits the credit to 0.75% and requires reauthorization after 1987.

The change is of particular importance to labor-intensive companies like retail operations and banks, which have never started a TRASOP because of their relatively small capital expenditures.

The investment-based TRASOP will be around for a while longer, since companies may claim a tax credit on a carry-over period. Should a company start an investment-credit TRASOP in 1982, for example, it may wait and claim its tax credit during a later year after the investment-credit TRASOP legally is dead, if this would be to its advantage.

The present carry-over period is seven years, although Senate Finance Committee sources say it could be stretched to 15 years.

There is no carry-over period in the new law for payroll-based TRASOPs. Starting in 1983, companies must claim the tax credit and fund the plan during the same year.

The new law also includes important changes for leveraged Employee Stock Option Plans, which are often used as an investment tool.

This plan enables a company to borrow money to purchase stock for their employees and qualify for a tax deduction equal to 15% of payroll while the loan is being repaid.

Starting in 1983, corporations with this type of plan will qualify for deductions equal to 25% of principal alone, where the earlier ceiling was for principal and interest combined.

Companies may then deduct an extra amount to cover the interest.

It will be possible, then, for a company to qualify for a deduction equal to 25% of payroll on the principal alone and another deduction equal to 15% on the interest, for a combined deduction of 40%.

### Pension write-offs

President Reagan last week signed legislation that gives employees new tax breaks.

For the first time, employees covered by pension plans would have a choice of receiving a tax deduction for voluntary contributions to the corporate plan or to an Individual Retirement Account (BI, Aug. 3).

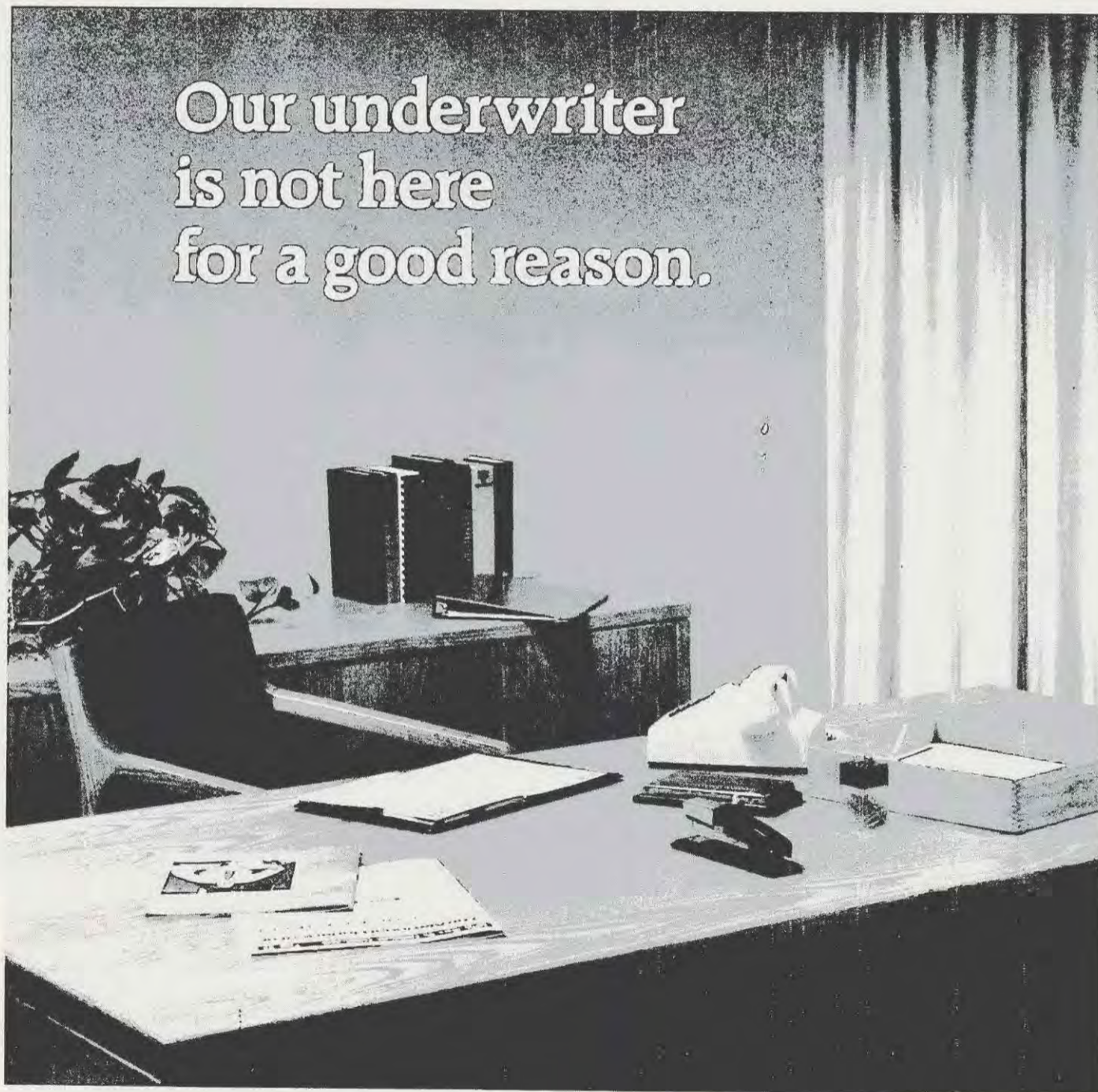
The legislation, which will go into effect Jan. 1, 1982, would allow an employee covered by a pension plan to deduct up to \$2,000 for voluntary contributions the plan or to an IRA.

### Social Security

Now that Congress has disposed of the budget and tax-cut bills, it will concentrate on finding solutions to prop up the Social Security system, which is expected to run out of money sometime next year.

When Congress returns to Washington next month, it will begin consideration of several proposals to ease Social Security's problems.

The House is expected to give special consideration to legislation proposed by Rep. J.J. Pickle, D-Texas, chairman of a House Social Security subcommittee, that would gradually raise the age at which a person could collect full Social Security benefits to 68 from 65. ■



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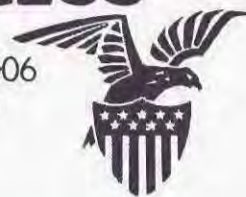
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# Excess/Surplus

# Competition alters E/S market

## BI Roundup

Buyers continue to purchase more from excess/surplus lines insurers, but market competition has changed the products and the demand, a *Business Insurance* survey reveals.

Surplus lines premium volume statistics gathered from state insurance departments show that the U.S. surplus lines market, as measured by surplus lines premium taxes, nearly stagnated in 1980. Total surplus lines premiums grew just 2.8% to \$2.24 billion in 1980 from \$2.18 billion in 1979. The

1979 volume figure was a 7.9% increase over the \$2.20 billion recorded in 1978, the year the floodgate opened in the admitted insurance market.

Insurance written by an insurer in a state in which it is not admitted to do business is surplus lines insurance, subject to a special tax rate noted in the chart below. Surplus lines insurance policies are not subject to the stricter rate and form regulation applied to admitted insurers and they are not protected by state guaranty funds. Buyers, however, are precluded under state insurance laws from using surplus lines

insurers when an admitted market is available

Thirty-one states reported more surplus lines insurance written in 1980 than in 1979, with increases ranging from less than 1% in Arizona, New York (estimated), South Carolina, Tennessee and Utah to as much as 112.9% in Mississippi.

Nineteen states and the District of Columbia showed volume decreases of as much as 25%.

The average increase in premium volume for the 51 jurisdictions was only 6.8%, a drop from the 1978-80 average increase of 22.6%.

*Continued on next page*

## Surplus Lines Premiums by State

State	Surplus Lines Premiums					Surplus Lines Taxes			
	1980	1979	1978	80-79% change	80-78% change	1980	1979	1978	% Tax rate
Alabama	28,197,108	29,823,801	24,532,850	-12.7	14.9	1,227,845	1,192,952	981,314	4
Alaska	81,888,488	43,520,000	39,906,649	19.2	30.3	1,252,850	1,136,000	1,086,310	3
Arizona	27,148,218	20,939,455	17,686,415	9.8	19.6	528,224	628,183	530,592	3
Arkansas	14,877,228	11,534,641	9,514,928	26.7	48.0	868,288	461,385	380,597	4
California	288,276,778	286,843,528	302,540,429	-1.1	-10.1	2,787,227	8,605,305	9,076,211	3
Colorado	27,828,388	25,362,750	20,769,627	9.7	34.1	897,336	497,650	415,393	2
Connecticut	28,219,277	21,957,391	20,369,003	29.6	32.2	1,277,228	878,295	814,759	4
Delaware	2,248,988	2,951,911	2,370,998	33.2	24.3	52,444	59,038	47,419	2
Dist. of Columbia	13,927,888	13,463,950	13,236,806	9.9	3.1	278,288	269,279	264,736	2
Florida	114,788,128	112,799,670	95,016,876	1.8	20.8	1,284,999	2,826,464	2,449,544	3
Georgia	18,778,221	43,513,426	43,924,684	-1.2	-2.8	1,188,128	1,740,537	1,756,987	4
Hawaii	12,288,177	9,716,381	8,980,426	27.3	37.7	278,748	455,308	420,285	4.7
Idaho	7,288,288	6,161,834	5,844,302	28.7	31.4	228,118	184,855	175,324	3
Illinois	118,827,228	126,946,633	111,233,133	11.4	1.5	1,288,117	3,808,399	3,336,994	3
Indiana	27,127,888	36,384,528	30,000,000	20.3	23.9	828,274	909,613*	750,000*	2.5
Iowa	18,278,228	12,804,294	13,686,199	-3.7	-3.0	288,228	256,086	273,724	2
Kansas	28,187,228	21,532,095	20,994,476	32.7	8.5	288,228	407,629	419,889	2
Kentucky	18,288,228	16,501,430	18,746,178	-12.0	-14.6	288,228	495,042	562,710	3
Louisiana	288,228,228	174,321,830	153,831,396	12.2	30.6	1,288,228	4,360,244	3,846,963	2.5
Maine	7,288,228	4,710,000	3,269,325	27.1	52.9	188,228	141,250	98,079	3
Maryland	28,228,228	30,021,260	22,632,466*	20.7	31.7	288,228	886,202	678,974	3
Massachusetts	28,228,228	37,251,305	41,320,000	24.2	12.3	1,188,228	1,805,638	1,652,825	4
Michigan	28,228,228	84,335,896	80,651,797	9.8	12.9	1,288,228	1,780,641	1,716,290	3
Minnesota	28,228,228	26,389,905	28,732,000	-18.8	-23.4	288,228	719,724	623,777	3
Mississippi	28,228,228	10,437,436	8,175,064	112.9	171.8	288,228	606,002	327,002	3
Missouri	28,228,228	40,720,037	38,139,347	-2.4	3.6	1,288,228	2,031,896	1,910,322	5
Montana	2,288,228	2,647,986	2,767,352	-1.1	-13.1	88,228	82,902	75,839	2.75
Nebraska	18,288,228	10,796,274	9,723,751	1.8	12.8	288,228	233,282	201,583	2
Nevada	8,288,228	6,892,730*	6,892,730	-18.0	-4.9	188,228	174,822	137,854*	2
New Hampshire	7,288,228	8,572,485	9,660,745	-12.7	-19.7	188,228	170,883	192,793	2
New Jersey	188,228,228	103,862,636	90,907,456	20.1	10.5	2,288,228	3,115,879	2,715,429	3
New Mexico	7,288,228	4,136,519	3,589,573	11.2	51.6	188,228	103,413	89,739	2.5
New York	118,228,228	209,605,473	212,840,676	0.1	-1.3	2,288,228	7,313,276	7,649,135	3.6
North Carolina	28,228,228	29,429,159	19,267,702	29.8	16.6	1,188,228	1,021,773	963,827	5
North Dakota	7,288,228	2,588,140	2,773,929	11.2	13.3	88,228	64,710	69,336	2.5
Ohio	18,288,228	14,219,046	12,328,032	22.7	10.5	288,228	710,969	622,188	5
Oklahoma	28,228,228	27,505,086	17,445,927	25.7	48.7	1,288,228	1,650,305	1,046,755	6
Oregon	28,228,228	32,080,417	26,858,281	8.9	27.7	771,738	721,809	639,733	2.25
Pennsylvania	188,228,228	95,000,000	92,000,000	5.1	8.7	2,288,228	2,750,000	2,739,687	3
Rhode Island	28,228,228	10,020,300	7,582,000	188.2	164.0*	881,228	300,619	227,460	3
South Carolina	12,718,228	13,588,521	12,818,857	8.8	7.0	148,228	543,540	512,754	4
South Dakota	2,288,228	3,135,404	3,981,426	-11.2	-33.7	111,228	127,134	149,338	4
Tennessee	27,228,228	26,811,377	20,000,000	6.7	35.0	888,228	600,000	480,713	2*
Texas	218,228,228	199,730,358	180,881,888	7.8	18.8	8,228,228	7,689,618	6,963,952	3.9
Utah	8,288,228	6,817,521	6,327,000	21.2	8.1	288,228	204,526	190,000	3
Vermont	3,277,228	3,336,414	2,714,851	21.3	35.5	118,228	100,092	81,445*	3
Virginia	17,288,228	18,784,868	17,585,342	-6.9	1.5	188,228	516,584	483,597	2.75
Washington	88,228,228	54,423,596	48,548,060	11.2	24.1	1,288,228	1,088,472	990,961	4.9
West Virginia	8,288,228	6,839,297	6,387,478	11.1	-4.8	121,228	136,785	117,082	2
Wisconsin	28,228,228	31,380,594	23,926,831	26.8	19.9	848,228	947,041	963,166	3
Wyoming	4,288,228	3,488,237	1,776,731	18.3	127.6	121,228	107,883	88,824	3.1
<b>TOTALS/AVERAGES</b>	<b>2,240,677,156</b>	<b>2,176,637,825</b>	<b>2,018,559,284</b>	<b>6.8**</b>	<b>22.6**</b>	<b>69,491,022</b>	<b>67,619,934</b>	<b>63,122,009</b>	<b>3.15**</b>

\* BI estimate \*\*Average

Chart: BI Survey of Insurance Depts.

# Surplus premiums jump in rural states

Continued from previous page  
crease of 22.6%.

Although large industrial firms traditionally purchase the greatest amount of corporate insurance, including high excess limits and multiple-liability insurance policies, non-industrial states showed the largest percentage increases in surplus lines volume last year.

Surplus lines premiums in Mississippi, for example, jumped nearly 113% to more than \$22.2 million in 1980 from \$10.4 million

in 1979.

In Rhode Island, BI estimates surplus lines volume doubled from 1979 to 1980, reaching more than \$20 million in 1980. Rhode Island officials said one company reported more surplus lines volume in 1980 than the total volume produced in the state in 1979.

Several mostly rural states reported increases of more than 15%, including Alaska, Arkansas, Hawaii, Louisiana, New Mexico, North Dakota and Wyoming.

The shift in growth, sources say, could represent a major market trend: the large corporate buyer's ability to buy traditional E/S coverages from admitted markets, leaving smaller firms in less-populated areas to purchase their insurance from the surplus lines market. The surplus lines premium growth in rural states also may reflect a national trend of business development in the Sun Belt and other states that offer corporations special tax advantages.

Other research, however, indicates that the total excess/surplus lines market may be shrinking during this very competitive period. Conning & Co., a Hartford-based research firm, estimated that total E/S writing peaked at \$3.6 billion and then fell to \$3 billion in 1980 as part of a downward spiral that could carry the market to \$2.5 billion in 1981.

Gary Ranson, Conning's casualty actuary, blames the discrepancy between official state results gath-

ered by BI and Conning results on differences in definitions.

"Our estimates are based on interviews with buyers, not states or insurance companies," he explains. "So the figures, based on our survey sample, may represent premium paid for what insurance buyers consider excess/surplus products—like excess property coverage, which may have been purchased from a licensed insurer and taxed under a different tax definition."

"We have researched state surveys, but our survey respondents and other experts have told us that the real excess marketplace, possibly including some foreign insurers that may not exactly be covered under some state laws, is about one-third bigger than state results," he said.

High-limit liability policies seem to be the most competitively priced, both buyers and insurance sellers report. Admitted insurers are writing high excess policies they wouldn't consider in the mid-1970s, leaving many surplus line insurers out in the cold, buyers say.

"The admitted carriers have increased their participation,"

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Ralph Gentry says E/S insurers fill many companies' needs.

explains John Woods, director of insurance for the Marriott Corp. in Washington, D.C. "They'll give you ceilings of up to \$20 million. It's amazing the amount of coverage you can get. I would think the non-admitted people are having some rather interesting problems today."

For most of their insurance needs, risk managers are finding sufficient coverage at competitive prices in the highly competitive, admitted market. But they say the surplus lines insurers are still filling gaps for high layers of excess coverage and exotic exposures such as auto racing or offshore oil exploration risks.

When Borden Inc. needed general liability insurance above the \$10 million provided by its primary insurer, its risk manager and broker approached the London market for the excess coverage.

"The price in the admitted market for the coverage we wanted was way out of line," says Russell Drake, director of corporate risk management for Borden. "They wanted to scalp us. The London market was very competitive in both price and form, and we wanted to strike a balance between the two markets."

Although risk managers don't seem to be clamoring for policies written by non-admitted insurers, the companies' presence keeps the market competitive and serves the needs of buyers with exotic risks, explains Ralph Gentry, director of risk management for Times Mirror Co. in Los Angeles.

If the cyclical insurance market does turn around, many buyers will look at the more cavalier, non-

\* 1783 - World's first sustained aerial flight, Montgolfier balloon (Lower Right); 1785 - English Channel crossing, Blanchard and Jeffries (Upper Right);

1793 - First North American ascent, Blanchard (Upper Left); modern hot air balloon (Center).

admitted insurers again, adds Wayne Harrison, director of insurance for AMF Corp.

In an attempt to reduce some of its self-retained risk of \$3 million, AMF placed \$500,000 of liability coverage with four non-admitted Bermuda-based insurers.

"It was actually a little traumatic at the time," Mr. Harrison says. "We had always looked to the admitted insurer for our needs. Suddenly, they weren't there."

But the only real apprehension comes from not having all the financial information that admitted insurers provide, he says.

Because non-admitted insurers are not subject to the same regulation as admitted companies, most risk managers perform their own financial solvency tests when dealing with them.

"And I wouldn't want to see them regulated more," says William Irle, director of risk management at Consolidated Foods Corp. in Chicago, whose company placed upper layers of aviation and marine insurance with non-admitted insurers. "Risk managers should just be aware that there is a risk in dealing with them."

"The big boys should know who they're dealing with," Mr. Drake of Borden says. "I think the regulators are getting in over their head with non-admitted insurers. They should spend their time protecting individuals."

In this period of a soft insurance market, the non-admitted and admitted insurers are not really competing directly, says Duncan Randall, vp in charge of insurance for Combined Insurance Co.

"They're offering different products," he says. The surplus lines market offers an innovative, bilateral policy, and admitted market offers the traditional forms.

"Non-admitted carriers are much more financially atuned than the admitted companies," Mr. Drake says. "They're looking at the risk and the premium. They don't want to process claims. They want to follow someone else in."

Sellers agree. Brokers and underwriting managers say that many products formerly sold by surplus lines insurers are now available from admitted markets so their business has shifted dramatically to licensed insurers (see story, page 17). Surplus insurers, however, don't feel like the tail of the dog. They are trying to develop new products just like admitted insurers.

But both admitted and non-admitted insurers are slashing prices.

"We're seeing renewals on umbrella liability policies at 30% to 40% below last year's premium levels," says Bob Keul, president of Montgomery & Collins, the surplus lines brokerage division of The Insurance Co. of North America.

The gap or buffer layer has disappeared, he adds. A few years ago, surplus lines brokers could fill the gap in a product liability insurance program between, say, primary limits of \$300,000 and the excess insurance attachment point of \$1 million.

Today the admitted market will underwrite coverage for the full \$1 million beneath the umbrella. It also is diving into the competition for umbrella liability plans.

Fireman's Fund Insurance Cos. and INA, for example, are both waging promotional campaigns to add that business to their books.

"In the mid-1970s, the admitted market wouldn't touch a lot of our business," says Frank Kinnett, president of the London Agency in Atlanta, the fourth largest E/S brokerage. "Now they'll put it in a package and discount it."

Admitted companies are also actively searching for new areas for growth due to competitive market conditions, comments Robert E. Willey, president of Cameron &

Colby Inc., underwriting manager for First State Insurance Co.

Umbrella liability, difference in conditions and directors and officers liability coverages are three areas in which admitted companies have made inroads on traditional E/S turf, Mr. Willey says.

If the surplus lines market can "hold its own" next year, Mr. Willey says he looks for "modest growth" in 1982.

The present soft insurance market differs with past "slack cycles," many noted. There is more capacity to underwrite risks and more companies are competing for the buyer's dollar, adds Graves D. Hewitt, chairman and chief execu-

tive officer of Cameron & Colby. This might tend "to lengthen the cycle," he says.

Retroactive liability coverage, product liability, malpractice areas and liability coverage for hotels—the latter in light of two hotel tragedies this year—are market lines that Mr. Hewitt and Mr. Willey predict will grow in the future.

Those innovative coverages are the hope of the surplus lines business, other sellers agree. They say the capacity is there for new products and new ideas. Mature product designs with growing loss history almost always move to the admitted market, leaving the surplus lines business ready for research

and development.

"Surplus lines insurers are here to stay," says Joseph E. Morahan, chairman and chief executive officer of Shand, Morahan & Co. Inc., an Evanston, Ill.-based underwriting manager.

"There will always be a need," he says, citing the surplus lines market's characteristic creativity in developing and testing new insurance products before the admitted market offers them.

Surplus lines insurers also fill voids in the market, Mr. Morahan says, offering insurance products when the admitted insurers pull back from a certain type of risk.

Mr. Morahan sees a movement

by regulators, however, to block the surplus lines market from the buyer.

Michigan, for example, has taken errors and omissions insurance for architects off the list of risks approved for surplus lines underwriting because the state Insurance Department considers the admitted market "adequate" to serve buyers' needs, Mr. Morahan says.

"There are only two or three admitted markets. That thinking is short-sighted. Markets change. I feel there should be more freedom where there is a limited market for the surplus lines market to fill the void."

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# Competition hurting E/S industry

By KATHRYN J. McINTYRE

When speaking of the surplus and specialty lines insurance market these days, the accent falls heavily on specialty. In the current insurance market, admitted insurers are getting more of the business.

Only three out of the 10 leading brokers and underwriting managers ranked by *Business Insurance* place half or more of their business with non-admitted or surplus lines insurers. The other seven are placing most of their business with admitted insurers.

Even Alexander Howden Insurance Services Inc., the new surplus lines broker encompassing Wohlreich & Anderson and five other companies, that now ranks as the nation's second-largest, places more of its business with admitted insurers in the United States than in the London market where its parent company, Alexander Howden Group Ltd., is based.

The results of the leading surplus lines insurers tell the same story. Two of the five largest North American surplus lines insurers saw their gross premium volume shrink in 1980 compared with 1979: second-largest Northbrook Excess & Surplus Lines Insurance Co., which lost 6.1%, and fifth-largest Saval Group, which lost 23.9% of its 1979 surplus lines business.

International Surplus Lines Insurance Co., the fourth-largest surplus lines insurer in the nation, eeked out a 1% gain in gross premium volume, and First State Insurance Co., the third-largest, managed a 6.6% gain in 1980. Only Lexington Insurance Co., the publicity-shy but aggressive surplus lines subsidiary of American International Group, which is now the nation's largest surplus lines underwriter, produced a double-digit percentage growth in gross premium volume in 1980: 14.9% more than in 1979.

Underwriters at Lloyd's of London, which is by far the largest surplus lines insurer in the United States but excluded from this review of U.S. surplus lines companies, also complain that they are losing U.S. business to aggressive insurers in the United States.

Those depending upon surplus lines for their living saw the pickings wither in the heat of competition from admitted insurers. Evanston, Ill.-based Shand, Morahan & Co., the nation's second-largest un-

Surplus and Speciality Lines Leaders									
Brokers	Premium vol. (000)			Gross revs. (000)			Percent surplus lines <sup>3</sup>		
	1980	1979	% chg.	1980	1979	% chg.	1980	1979	
1. Swett & Crawford	168,900	184,029	8.2	13,278	15,378	-13.7	50	55	
2. Alexander Howden	130,000	100,000 <sup>1</sup>	30.0	13,000 <sup>2</sup>	10,000 <sup>1,2</sup>	-30.0	30	30	
3. E.H. Crump Cos.	116,500	97,000	20.1	10,241	9,125	12.2	40	38	
4. The London Agency	100,000	100,000	0	6,600	6,000	10.0	30	28	
5. J.H. Blades & Co. Inc.	95,500	84,200	13.4	5,984	5,206	14.9	80	80	

Underwriting managers	Premium vol. (000)			Gross revs. (000)			Percent surplus lines <sup>3</sup>	
	1980	1979	% chg.	1980	1979	% chg.	1980	1979
1. Sayre & Toso Inc.	251,363	215,162	16.8	30,861	26,056	18.4	15	20
2. Shand, Morahan & Co. Inc.	211,000	225,000	-6.2	21,100 <sup>2</sup>	22,500 <sup>2</sup>	-6.2	85	85
3. Baccala & Shoop	112,940	101,967	10.8	11,300	10,200 <sup>3</sup>	10.8	30-35	30-35
4. Victor O. Schinnerer	110,000	91,000	20.9	11,000 <sup>2</sup>	9,100 <sup>2</sup>	20.9	10	10
5. IWest Insurance Managers Inc.	32,000	30,000	6.7	3,200	2,900	10.3	35	40

Insurers	Gross premium vol. (000)			Net premium vol. (000)			Combined ratio	
	1980	1979	% chg.	1980	1979	% chg.	1980	1979
1. Lexington	249,221	216,923	14.9	11,408	7,967	43.2	-9.8	-52.7
2. Northbrook	226,763	241,539	-6.1	19,080	9,523	100.4	95.8	88.5
3. First State	219,684	205,986	6.7	37,408	39,144	-4.4	74.0	92.6
4. International Surplus Lines	98,144	97,173	1.0	13,163	11,739	12.1	44.4	39.1
5. Saval Group Inc.	86,000	113,000	-23.9	100,543 <sup>4</sup>	84,535 <sup>4</sup>	18.9 <sup>4</sup>	102.9 <sup>4</sup>	102.4 <sup>4</sup>

<sup>1</sup> 1979 figures of Wohlreich & Anderson Group Ltd.  
<sup>2</sup> B/ estimate.  
<sup>3</sup> Percent placed with non-admitted markets.  
<sup>4</sup> Includes E/S and admitted markets.

derwriting manager and the only leading underwriting manager to place more than half its business with surplus lines insurers, also was the only underwriting manager to report a decline in premium volume in 1980 compared with 1979.

Swett & Crawford, the largest surplus lines broker, placed half of its business with surplus lines insurers and was the only leading surplus lines broker to report a decline in premium volume.

Only Houston-based broker J.H. Blades & Co. Inc., the fifth-largest surplus lines broker, broke the losing pattern of those heavily involved in the surplus lines market. It increased its premium volume 13% while still placing 80% of its business with non-admitted insurers.

Blades's expertise in energy risks and its close ties to the London insurance market helped it beat the heat of competition from admitted insurers.

Noteworthy, too, is the standard market involvement in what is known as surplus lines—traditionally the turf of entrepreneurs who created and marketed insurance products the buyer wanted when the admitted insurers refused.

Crum & Forster owns two of the five largest surplus lines brokers—fifth-ranked J. H. Blades & Co. and the fourth-ranked London Agency in Atlanta—and the fourth largest surplus lines insurer, International Surplus Lines Insurance Co.

Continental Corp. owns leading broker Swett & Crawford. American International Group owns leading insurer Lexington. Allstate owns Northbrook and The Hartford owns First State.

The national insurance brokers also have their hold on the surplus lines business. Alexander & Alexander owns Shand, Morahan and Corroon & Black owns third-ranked underwriting manager Baccala & Shoop. Marsh & McLennan owns fourth-ranked under-

writing manager Victor O. Schinnerer.

More than one-third of broker E.H. Crump's total gross revenues of \$27.9 million in 1980 were generated by its surplus lines operations, which predominately serve non-Crum retail agents and brokers. When considered separately, this surplus lines business volume makes the Crump surplus lines brokerage business the nation's third-largest.

The other national brokers also place a substantial amount of business with surplus lines insurers for their own clients under their own surplus lines licenses or surplus lines subsidiaries.

The amount of business placed with surplus lines insurers by M&M, either under its own surplus lines license or that of subsidiary NBA Excess & Surplus Lines, probably would make it the largest surplus lines broker in the country. However, because the national brokers use these licenses for their

own client business and not to serve others, they are not reported in this issue. An exception is Alexander & Alexander, the surplus lines subsidiary of A&A, which reported \$30 million in premium volume.

While the *Business Insurance* lineup of the nation's largest surplus lines brokers reflects those most active as brokers serving all retail agents and brokers, some would quarrel with the listing of top underwriting managers.

Underwriting managers are listed separately from surplus lines brokers/managing general agents in recognition of their special function. Underwriting managers control the affairs of their client-insurers, including underwriting, policy rate and form decisions, claims supervision and often reinsurance placement. In contrast, surplus lines brokers act as intermediaries between the retail broker and surplus lines insurer and managing general agents have

*Continued on next page*

## A guide to special report on E/S business

This special report on the surplus lines insurance business includes:

- A report on trends in regulation of the surplus lines market, **page 20.**
- Updates on the development of insurance exchanges in the United States, **pages 26-28.**
- Individual profiles on the five largest surplus lines brokers/managing general agents, underwriting managers and insurers, beginning on **page 29.**
- Financial and management information about other leading surplus lines brokers, underwriting managers and insurers in alphabetically listed miniprofiles. The brokers/MGAs begin on **page 57**, the underwriting managers on **page 66** and the insurers on **page 68.**
- A surplus lines broker's viewpoint on the state of the business in *Perspective*, **pages 47-48.**

Users of this special report can gain new insights into leaders in the surplus lines insurance business. Otherwise unpublished financial, market and management information was reported by these companies in response to questionnaires prepared by *Business Insurance*. Except where public records were consulted, as noted, the managements of these companies are responsible for the accuracy of the information.

Gross revenues as reported by brokers/managing general agents and underwriting managers were compiled after commissions were paid to producers. Where com-

panies did not report gross revenues, readers can estimate the gross revenues of surplus lines brokers and managing general agents at 5% to 10% of premium volume, with 7% an average. The gross revenues of underwriting managers generally would be about 10% of premium volume.

The percentage of business each listed company conducts in these areas (using definitions of the business stated in the above article) is noted, with brokerage and managing general agent work combined.

The listings also name the insurers that have contracts with the underwriting managers and the companies for which the brokers/MGAs have binding authority. The insurers used most often by a broker/MGA or underwriting manager are identified under the heading "major markets." After the phrase "markets" are the percentages of premiums placed with admitted insurers compared with non-admitted or surplus lines insurers.

The managements of these companies also listed the types of risks and insurance that they consider their specialties.

Other information listed—such as year founded, name of parent company where applicable and membership in professional organizations—can help readers assess the staying power of the companies. Membership in NAPSLO, the National Assn. of Professional Surplus Lines Offices Ltd. headquartered in Roswell, Ga., certifies the company is deemed professional by its peers. Membership in

AAMGA, The American Assn. of Managing General Agents headquartered in Washington, certifies the company has been in business for at least three years, has represented two or more admitted insurers for at least three years and does more than half of its business as an MGA.

Surplus lines insurers responding to the *BI* questionnaire provided information on their gross and net premium volume, paid-in capital, capital and surplus, number of employees, their underwriting specialties and their status as admitted and non-admitted insurers.

To avoid duplication of premiums in the rankings of the top five leaders in the three categories of surplus lines business, certain underwriting managers associated with one insurer were interviewed in conjunction with the profile of their leading market. L.W. Biegler Inc. in Chicago, for example, is discussed in the profile of International Surplus Lines Insurance Co., and Cameron & Colby in Boston is discussed in the profile of First State Insurance Co.

Other companies omitted from this special report did not complete the questionnaire for *Business Insurance*. Among the larger surplus lines brokers missing for this reason are Avreco Inc., Stewart Smith, Geo. F. Brown & Sons Inc., Cravens, Dargan & Co. Special Risks (Texas), Cravens Dargan & Co. Pacific Coast Inc., Hull & Co. and John H. Crowther.

# Admitted insurers challenging E/S industry

Continued from previous page  
binding authority from insurers but are given the rates and forms by their insurance markets.

Sayre & Toso, the exclusive underwriting manager for the Mission Group of insurance companies, is ranked as the largest underwriting manager. However, the gross premium volume reported for Sayre & Toso includes some brokerage by related managing general agents. Mission Group refuses to break down how much of its premium volume is produced as an underwriting manager and how much is produced as a broker or managing general agent.

Shand, Morahan is certainly the largest surplus lines underwriter in the traditional and pure sense of the term: 99% of its business is pro-



**James A. Bradley of IWest says 'wholesalers' could be the wave of the future in the excess/surplus industry.**

duced as an underwriting manager for seven insurers and 85% is placed with surplus lines insurers.

Victor O. Schinnerer, which now places 90% of its business with admitted markets, is hardly a surplus lines underwriting manager now,

but does fit the definition of underwriting manager.

Even these definitions are subject to change in the flexible world of surplus and specialty lines insurance. More than one company listed among these 15 says surplus

lines is a mainstay now that so much business is placed with admitted insurers.

How this creative and flexible market will develop is only conjecture now, but James A. Bradley, president of IWest Insurance Managers Inc. in Stockton, Calif., the fifth-largest underwriting manager to report its premium volume to *Business Insurance*, has some interesting ideas. Wholesalers, the generic term for these companies with special access to their markets, could replace the insurance company branch office system for serving commercial accounts, he predicts.

In the meantime, the surplus lines specialists are slugging it out for business in their traditional areas of expertise: new products,

hard-to-place risks and high-layer excess coverages.

Many are betting that environmental impairment liability insurance, which covers non-sudden pollution damage that is excluded under the comprehensive general liability insurance policy, will be a hot seller this year.

Special programs, such as Shand, Morahan's all-in-one property and liability policy for big law firms, now available in Illinois, are another new product push to maintain business.

Tough risks, like oil-patch business, is keeping others like E.H. Crump and Blades growing. But some, like liability insurance for public transit systems, are going to the admitted market.

Earl R. Lanning, vp of excess/surplus lines for E.H. Crump Cos. affiliated E/S brokers said: "Right here we have had Memphis Transit's liability coverage for 12 to 14 years, but lost it this year to Crum & Forster which wrote it for \$37,000. The high bid was \$350,000. We quoted too cheap at \$65,000 and were the second lowest bidder.

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**Earl Lanning says admitted firms are now taking tough risks.**

You see that everyday, it's not an unusual thing."

"Every major general liability product has gravitated toward admitted facilities, especially in California," Mr. Bradley of IWest says. "Seven years ago, 70% of our business was with non-admitted companies; today it is less than 35%. But we're still placing business with the same organizations."

Columbia Casualty once got much of IWest's business, for example. Now those risks go to Transcontinental, an admitted market. Both are subsidiaries of CNA Insurance Cos.

Many risks formerly written in First State Insurance Co., a Hartford Insurance Group subsidiary, are now placed through New England Reinsurance Co., another Hartford unit that is admitted in California. But when it comes to really tough, big risks, the surplus lines market with its rate and form freedom and attention to certain kinds of risks, claims the upper edge.

"Our biggest advantage is that we understand the business so well we can manuscript a form the client feels comfortable with," said Blades vp James Donahue, speaking of energy risks.

"We're working to make sure the risk manager doesn't come to us and have to hear, 'Sorry, you're not covered.'"

It's a claim every specialty and surplus lines broker will make about his area of expertise. ■



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# Legislatures consider E/S rule changes

By STEPHEN TARNOFF

A mixed bag of state legislative activity is both regulating and deregulating the excess/surplus lines market.

- Michigan, Minnesota, Arizona and Washington are among the states that have passed major legislation tightening financial requirements on the surplus lines industry.

- Michigan and Minnesota also took steps this year to reduce paperwork and provide easier access to the non-admitted market.

- New York brokers and surplus lines insurers, meanwhile, have had to contend with Regulation 41, which they claim imposes an undue amount of governmental interference.

But guaranty funds for surplus lines insurers, although proposed in New Jersey and Michigan, have so far failed to become law.

Much of the legislation is designed to protect consumers from insolvencies in the surplus lines market, state regulators say, but it breaks with tradition.

Surplus lines insurers, providing exotic types of insurance outside the mainstream of the admitted market, also remained outside the heavy regulation of admitted insurers and were excluded from state guaranty funds. Instead, states regulate the surplus lines agent or broker to encourage the placement of insurance with financially secure insurers.

Attempts in two states to impose

a guaranty fund requirement on surplus lines insurers so far have failed.

In Michigan, such a fund was pulled out of surplus lines legislation at the last minute after opposition from Lloyd's of London and the Risk & Insurance Management Society, according to a spokesman for the state Insurance Department.

In New Jersey, an appellate court virtually created a guaranty fund when it ruled that surplus lines insurers be included in an existing fund already covering admitted insurers.

But the state Supreme Court reversed the decision, and the Legislature has since passed a law specifying that the existing state guaranty fund legislation is not

applicable to surplus lines insurers.

Legislation creating a guaranty fund, however, has been drawn up and will be introduced in the next session, according to Jerry Porcelli, supervisor and technical examiner for the Surplus Lines Examining Office.

Calling such a fund "absolutely necessary," Mr. Porcelli said it would provide protection for small policyholders.

More than \$100 million in excess/surplus lines premiums were written in New Jersey last year. "In today's market, you can't have too much protection," Mr. Porcelli said.

Michigan Insurance Commissioner Nancy A. Baerwaldt agreed. "We support guaranty funds for

surplus lines," she said, adding it would provide a "safety net" for consumers.

Both the New Jersey and Michigan funds would add a percentage tax to premiums to help pay off claimants in case of insolvencies.

Guaranty funds are opposed by industry groups, including the American Assn. of Managing General Agents and the National Assn. of Independent Insurers.

According to Terry Tyrpin, the NAII's associate counsel, the main reason for opposition is that there is not enough premium volume in the non-admitted market to pay off claimants when any insolvencies do occur.

The organization, however, has not established a legislative position yet and is in the midst of studying the problem. Solutions probably will be geared toward an "early-warning system," advocating prevention rather than the after-the-fact treatment of insolvency, Mr. Tyrpin said.

An advisory committee to the National Assn. of Insurance Commissioners that is currently considering a new model surplus lines act has also opposed such funds.

"We are aware of no persuasive evidence requiring guaranty funds

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'We support  
guaranty funds,'  
Ms. Baerwaldt  
says.

for non-admitted insurers," an NAIC advisory report released last year said.

"We believe that guaranty fund protection unfortunately will tend to demphasize the prudent and expert judgment expected of and elsewhere required by the (NAIC) model act."


Tom Jenkins, special counsel to the Illinois director of insurance, added that the push for guaranty funds probably will not greatly increase because the number of insolvencies have not been great and because of the difficulty coming up with a good system.

"I don't think they will happen very quickly," he said.

"Until more insolvencies occur, there won't be a big push for guaranty funds."

The National Assn. of Professional Surplus Lines Offices commissioned a study on the guaranty fund issue last year. The study, by Samuel Weese, a professor at East-

Continued on page 22



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THE TRAVELERS

# Regulations tighten up on E/S market

Continued from page 20

ern Kentucky University in Richmond, Ky., didn't make any final recommendation on the issue. The regulation causing perhaps the biggest outcry has been Regulation 41 in New York (see related story, page 24). The regulation, which increases trust fund requirements and paperwork for brokers and insurers, has been denounced and already been the basis for one lawsuit against the state Insurance Department.

"It's a terrible waste of time and money. Our conclusion is that the non-admitted companies in New York are treated as second-class citizens," said Walter Groden, president of David C. White Agency in New York and president of the New York Excess &

Surplus Lines Assn.

Donald Gabay, first deputy superintendent of the New York Insurance Department, said that the regulation is necessary to make sure brokers go to the licensed market before the surplus market.

It also is not a significant departure from the Regulation 41 first promulgated in 1962. "We've cleaned up Regulation 41," he said. "We're only requiring that brokers do what they were supposed to do under the old Regulation 41."

Mr. Gabay added that with the institution of the Free Trade Zone and the New York Insurance Exchange, New York has taken "drastic moves toward deregulation."

Outside of the furor created by guaranty funds and Regulation 41,

the bulk of state legislation has been directed toward increasing financial requirements of surplus lines insurers and increased regulation of the surplus lines broker.

Proposals include higher capital, surplus and trust fund requirements on insurers; "white lists," of surplus lines insurers that state insurance departments consider financially secure; diligence tests for brokers to make sure they seek admitted markets before placing risks with the surplus lines market; and higher broker bonds.

**But while many recognize these measures as increased regulation of the industry, such proposals are not as subject to criticism as are guaranty funds.**

Donald Greene, an attorney with

LeBoeuf, Lamb, Leiby & MacRae and chairman of the advisory committee to the NAIC task force studying a revision of an NAIC model surplus lines law, said such legislation can be "very, very healthy" and "sensible" in protecting claimants when they do not seriously hamper surplus lines trade.

The advisory committee report, meanwhile, advocated certain capitalization requirements and other safeguards.

The view is not shared by all in the industry, however.

Avrohm I. Wisenberg, chairman of the Joint Government Relations Committee of the AAMGA and the National Assn. of Professional Surplus Lines Offices Ltd., said that increasing trust fund requirements

can exclude well-managed small companies from selling surplus lines insurance in a state.

"I've never known a trust fund to pay a claim for a foreign or non-admitted insurer," Mr. Groden added.

Still, both recognize the need to deal with insolvencies. "It will not go away," Mr. Wisenberg said.

While the legislation passed by the states has usually increased regulation, in some cases it has deregulated the industry.

At times, both trends were operating in the same state. Minnesota and Michigan, for example, strengthened financial requirements but made the non-admitted market more accessible.

Michigan raised capital and surplus requirements to \$1.5 million and also increased trust fund requirements.

Both states presume that certain lines of insurance aren't available from the admitted market and thus don't require brokers to approach admitted insurers first for those identified lines of insurance.

"There is less regulation of pricing and rates but more regulation to make sure consumers are

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**Mr. Wisenberg says requirements could hurt some smaller insurers.**

treated fairly in the marketplace," Ms. Baerwaldt, the Michigan insurance commissioner, said.

Minnesota law now requires fewer filings, paves the way for creation of a surplus lines association by licensees and excludes rates and policy forms from certain requirements.

"Generally, there will be less paperwork involved," Mary Hunstiger, the state's associate insurance commissioner said. "Overall, we're hoping the industry does more self-regulating."

That seems to be the direction legislation will go in the future, several regulators added.

Arizona recently enacted legislation that clarifies broker's liability, increases the broker's bond, sets financial requirements for U.S. domiciled insurers, increases the alien surplus lines insurer trust fund to \$1.5 million and creates a white list. But Insurance Commissioner J. Michael Low doesn't expect a substantial push for regulation outside of minimal financial requirements for surplus insurers.

"Beyond that, it will be an unregulated area as it should be," he said. "I don't see that we will be having comprehensive regulation over surplus lines. It's contrary to what the current themes of government are."

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# Revised Regulation 41 angers N.Y. surplus brokers, insurers

By **STEPHEN TARNOFF**

**NEW YORK**—Mention Regulation 41 to a New York surplus lines broker or insurer and the response won't be favorable.

The revised rules governing excess/surplus lines insurance in New York promulgated in November 1980, have raised the ire of the state's surplus lines insurance industry, which says they are unfair and create more paperwork.

"We've found many absurdities in the regulation," said Walter Groden, president of the New York Excess & Surplus Lines Assn.

"It's causing a different set of standards for non-admitted companies doing business in the state of New York.

"It's the straw that broke our backs because we don't see a need for it. If they had taken the old regulation and policed it, it would have been effective."

In response to the regulation, the association has filed a petition with the state's highest court against the state and the superintendent of insurance. Arguing for a stay in the enforcement of the regulation, the petition says that the regulation is beyond the jurisdiction of the su-

perintendent's powers and is in violation of state insurance law.

"Regulation No. 41 is causing great financial loss to the petitioner's members, substantially curtailing their business, and presents the probability of the extinction of their business in view of the unreasonable requirements of the regulation, which are impossible of compliance," according to an affidavit by Mr. Groden.

Regulation 41 has been around since 1962, but only the recent additions have raised an uproar.

Among the new provisions is Section EL2, which requires that

the brokers and insurers sign papers identifying that an admitted insurer declined a risk.

Such identification and verification is required for all five declinations from admitted insurers that a broker must obtain before going to the surplus lines market. Also records must be kept for five years.

"There's no way you can get five declinations in writing," added Avrohm I. Wisenberg, chairman of the Joint Government Relations Committee of the American Assn. of Managing General Agents and the National Assn. of Professional Surplus Lines Offices Ltd.

"Companies will hang themselves when they write the letter. They are opening themselves up to all kinds of charges by a regulatory body."

Mr. Groden added that the department has not even made plans for keeping the increased records.

For its part, the Insurance Department does not see the consequences of Regulation 41 as dire. It says the regulation for control over the non-admitted market is needed to protect claimants.

The regulation provides full disclosure to policyholders that the policy is not protected by the

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Mr. Gabay says the state's revised Regulation 41 is not unreasonable.

state's guaranty funds and that the insurer is not subject to regulation by the Insurance Department.

First Deputy Superintendent of Insurance Donald D. Gabay said the changes make the original regulation clearer.

He said the department is not trying to put the surplus lines market out of business but to make sure that it takes only what can't be placed in the admitted market.

He emphasized that the regulation is not unreasonable. "There's a question of reasonableness in everything that is done," he said. "We don't think we're being unreasonable."

Regulation 41 also raises trust fund requirements. Alien (non-U.S.) insurers must now have \$1.5 million of trust funds while foreign (non-New York) insurers must have \$750,000.

The brokers aren't as concerned with these requirements, although they still object to them.

"I've never known a trust fund to pay a claim for a foreign or non-admitted company," Mr. Groden said, indicating they don't respond adequately to insolvencies. ■



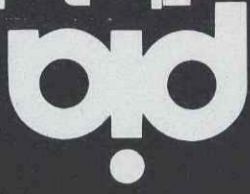
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Photo: James Lawson

A crowd gathers outside the offices of the New York Insurance Exchange in Manhattan.

## N.Y. exchange hopes to write direct risks

By JAMES LAWSON

NEW YORK—Its progress has been swift, its punch has been effective, but the New York Insurance Exchange, the new challenger to Lloyd's of London, is still waiting just outside the big arena.

The exchange, still awaiting legislation that would allow its syndicates to underwrite direct special risk coverage outside the state, has grown rapidly, but not as much as it could have grown if it had been in the excess/surplus lines business since its inception, observers say.

Exchange underwriters and officials say premium volume could have been 15% to 25% higher this year if they had been in the direct

excess/surplus lines business.

The legislation that created the New York Insurance Exchange limits direct underwriting to foreign risks and New York-based risks that have been rejected by the specially licensed New York Free Trade Zone insurers.

Exchange and syndicate officials had hoped legislation allowing the exchange to function as a surplus lines market for non-New York risks would be passed earlier this year, enabling underwriters to begin the direct coverage of special risks rejected by admitted insurers in other states. However, the state Assembly kept the bill in committee for more work.

Officials say approval could come this fall when the Legislature returns from its summer recess. The bill has already received Senate approval.

Depending primarily upon the underwriting of reinsurance packages, the exchange's 24 underwriting syndicates have generated more than \$93 million in premiums since it opened 15 months ago.

During the first 12 months, exchange syndicates generated more than \$61 million in premiums—50% more than projected.

Total premiums for the first six months of this year are more than \$63.5 million—70% more than original projections for the first six months of this year.

Exchange and syndicate officials had projected total premiums of \$75 million for this year.

"We've demonstrated we're a useful market and we're becoming more useful," says exchange President Donald E. Reutershan. "If the legislation had been passed, we would have had more syndicates, realized more growth and would have been even more useful."

Walter S. Groden, president of the New York Excess & Surplus Lines Assn., and David C. White Agency, which brokers risks to the exchange, call the New York Insurance Exchange "a 7-foot giant suffering from amnesia."

Mansour Akhavian, a vp at Pruco Managers Inc., operators of three NYIE syndicates, adds, "The exchange has grown at a very healthy pattern. We have done better than we expected, but there's no doubt we would have done even better if we would have been able to underwrite excess and surplus lines insurance."

While exchange officials and syndicate underwriters are impressed with its financial growth, some legislators don't share their enthusiasm. The exchange, one legislative source says, still has not reached projected expectations.

The bill was kept in Assembly committee in part, says Jay E. Adolf, legislative counsel to the Assembly Speaker Stanley Fink, "because they (the exchange) haven't been able to live up to their predictions."

In an economic impact report prepared by The Diebold Group Inc., the exchange is predicted to employ 2,200 workers in 1983, 6,900 in 1986 and 20,200 in 1991.

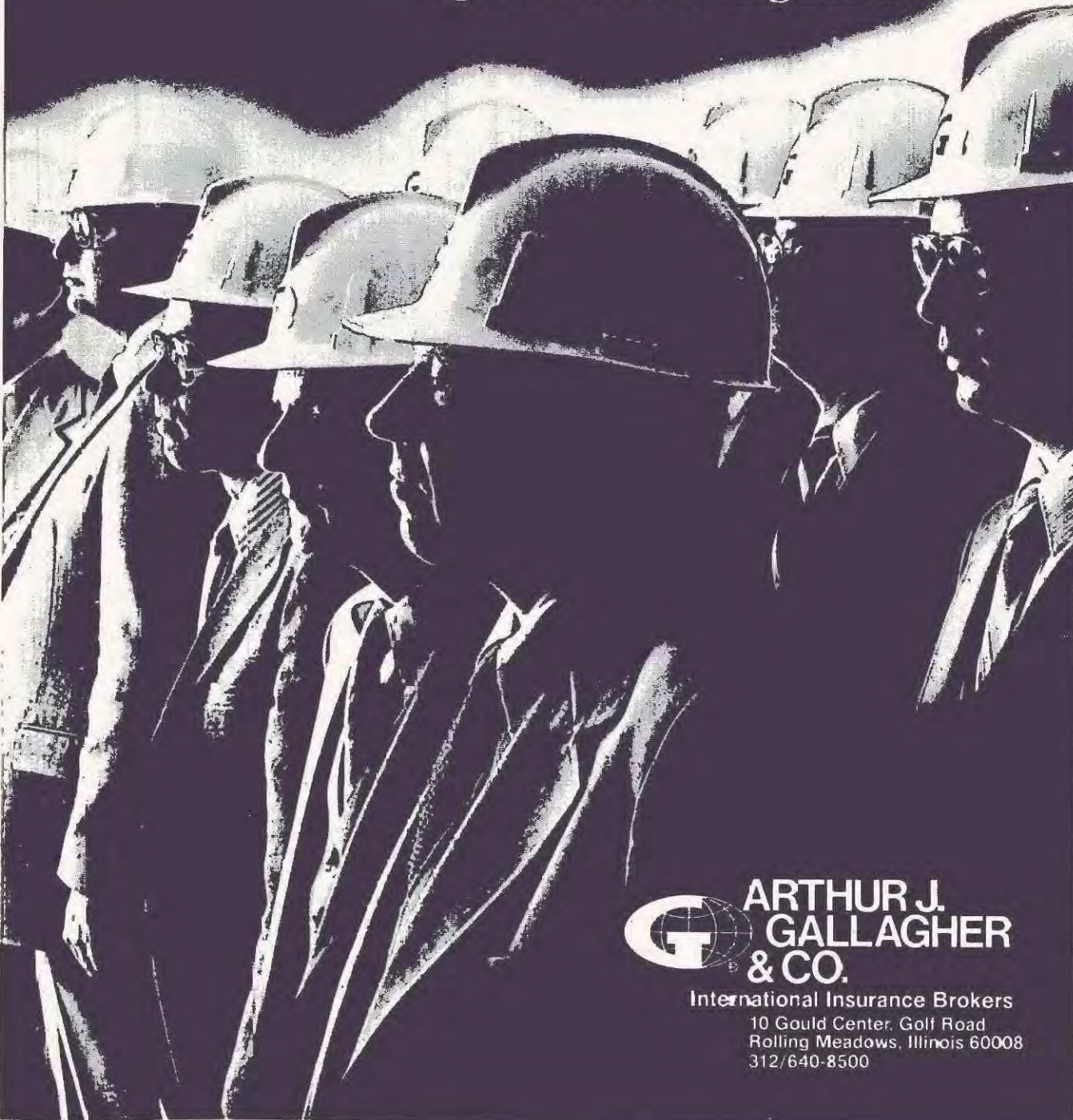
Premium growth, however, seems to depend upon when direct underwriting starts.

"We could not begin underwriting excess and surplus lines insurance immediately. We could be in the business in one month. But realistically, we would not expect any significant underwriting this year," Mr. Reutershan says.

Companies needing special risk insurance would not begin doing so until their present policies are near expiration.

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# Illinois exchange is still waiting for the right time

By JOHN MAES

CHICAGO—No one can be certain when the long-delayed Illinois Insurance Exchange will open its doors.

Organizers can't be nailed down to a date, but they claim that its time will come and there will be more than adequate capital when the exchange does open.

The wait, though, has been long. Organizers, worried about its ability to do business in the current market, have been trying to avoid premature entry into the high-risk specialty insurance game and, consequently, have bypassed several possible opening dates.

"We didn't want to open up for business if we weren't going to do any business," said James Skelton, interim executive director. A barebones exchange could have opened in July 1980 with only two syndicates and the minimum \$4 million in capital, but it would have been skating on thin ice in a market already overloaded with capacity.

Instead, organizers have opted to wait for syndicates formed by larger companies and a more favorable market, he said.

Now, when the exchange does open its doors, it will do so with at

Hartford Insurance Group, The Travelers Insurance Cos., INA, Northbrook Excess & Surplus Lines Insurance Co. and L.W. Biegler of Chicago have also formed syndicates.

Nine applications have also been approved for syndicate brokers including: Stewart Smith Mid-America Co.; Thomas F. Sheehan; Bows & Co.; George F. Brown & Sons; M.E. Pritikin & Co.; Morency & Associates; James S. Kemper Agency; Cory & Adams, and J.L. Kelley, a New Jersey firm.



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## James Skelton says exchange could open by Oct. 1.

least nine syndicates and as much as \$35 million to \$40 million in capital, allowing Illinois to compete with the frontrunners, according to Mr. Skelton.

Nonetheless, he says the board of directors believes the exchange could be in operation by Oct. 1 if enough syndicates have pulled together their capital and the exchange has its certificate of authority.

The exchange will have separate status as an "approved non-admitted entity" for commercial risks in Illinois, Mr. Skelton said. Elsewhere, it will have to apply for status as an approved non-admitted insurer.

However, Mr. Skelton expects the exchange to be a major force in excess/surplus underwriting across the nation because brokers will find it easier to use Illinois than the New York Insurance Exchange.

"In time, we'll be a big force once our track record is established and the sophisticated brokers are aware of the ease of using the exchange," he says.

So far, nine underwriting syndicates have been approved by the exchange's interim board of directors. Two are capitalized at \$3.5 million with others as high as \$2.5 million, according to Mr. Skelton.

Among the syndicates are: First Management Syndicate, owned by the Bliss Cos. of Bloomington, Ill.; RCA Syndicate, owned by the Reinsurance Co. of America in Chicago; the Sentry Group Syndicate, owned by the Sentry Insurance Co. of Stevens Point, Wis.; General Casualty & Reliance of Illinois, Freeport, Ill.; and a jointly-owned syndicate by General Casualty Insurance Co. of Madison, Wis., and Reliance Insurance Co. of Freeport, Ill.



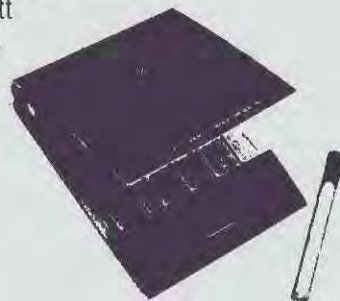
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## Florida exchange may write all lines

By STEVE SHERWOOD

MIAMI—Once the Insurance Exchange of the Americas is in full swing, it could be a factor in the excess/surplus and specialty lines markets.

But no one really knows what the exchange will be writing or who will be making the underwriting decisions. Chief Executive Officer Alan Teale says that what lines of insurance are written will be up to the underwriters at the new exchange.

The fledgling exchange is authorized to write any form of excess/surplus and international insurance and reinsurance, special risks, marine, aviation and trans-

port coverage not restricted to Florida's admitted insurers.

Indications are that all lines will be written, Mr. Teale says.

"I imagine this will include excess property lines," he explains.

Until the exchange authorizes agents and brokers and researches its volume potential, however, everything is just a bit unclear.

Mr. Teale has been deluged by inquiries about joining the exchange since his arrival from England in April.

"I've compiled a list of 1,500 people and firms that have called or come in wanting to know what the exchange is all about," he said. "A lot of them will ultimately combine to form syndicates."

Syndicates put up the money to back underwriters, who actually underwrite risks. The minimum investment—decided by the Florida Legislature—is \$3 million for each syndicate backing underwriters in some classes of risk and \$1.5 million for a syndicate backing those in limited classes.

The exchange's board would be happy to start with only 15 to 20 syndicates, Mr. Teale says.

"But if just 40% of those who have expressed interest come in, we could have as many as 50 syndicates," he says.

If each brings \$3 million to the exchange, this would mean minimum capitalization of \$150 million, he says.

"We will try to induce them to invest more than the minimum so they can write more business."

Assuming a 3-1 premium to surplus ratio, 50 syndicates would give the exchange a total capacity of more than \$400 million.

"Anyone straying beyond this (ratio) will have to show very good cause," Mr. Teale says. "We will be keeping careful eye on it."

Response and interest have come from all over the world, he says.

"It is most encouraging how people have been coming in from around the States, from South and Central America and from Europe," Mr. Teale says.

Four large Dutch groups, five British groups and one Italian group are talking seriously about joining.

"Florida is in a unique situation," he says. "This is an international state with heavy European and Latin involvement where people are investing heavily."

In addition, the exchange will offer security that goes along with being based in the United States, he says.

"I can say this because I'm an import and can see what enormous confidence the world has in the United States. The environmental possibilities offered by being a resident and operative is one of the attractive things about having the exchange here."

Mr. Teale wants to have the facility ready by fall 1982.

"We hope to have underwriters and agents selected by the end of the year so they can begin preparing themselves," he says. "We should begin in August with firm invitations to join the exchange."

Announcement of the exchange's location should come in October.

"We're using the time in between to put together a series of guides on what the exchange is about," Mr. Teale says.

The main work is talking with the Florida Insurance Commissioner's office to make sure rules are understood.

"We have a great responsibility as self-regulators to be sure we are doing everything right," Mr. Teale says.



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# Top 5 excess/surplus brokers profiled

## 1 Swett & Crawford

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	1980	1979
Premium volume	\$168,900,000	\$184,029,434
Gross rev.	\$13,277,774	\$15,377,526
Employees	309	218

"Any year you have a decline in volume is disappointing, but last year it was not unexpected," said Roy B. Oddy, chief executive officer and newly named president of Swett & Crawford's brokerage operations.

Gross premiums placed by the largest U.S. excess/surplus lines broker with 200 employees and 18 offices dropped for the third consecutive year in 1980 to \$168.9 million, an 8% decline from 1979. Gross revenues net of producers' compensation dipped to \$13.3 million from \$15.4 million in 1979.

But the Los Angeles-based broker is bullish on the future, believing it has turned a corner with its fortunes on the rise.

"This year we are exactly at the same level as last year; we have halted the reduction in premium volume," stressed Mac W. Henderson, president and chief executive officer of Foremark Corp., the new Continental Corp. holding company subsidiary that controls Swett & Crawford.

Foremark Corp. includes Swett & Crawford brokerage, Harbor Insurance Co., Swett & Crawford Management Co. Ltd. and Reinsurance Facilities Corp., which will continue to use their individual names and business plans.

"Last year was a building year," Mr. Oddy said. The broker implemented a number of management changes, introduced new products, rearranged territories, opened negotiations for some high-powered brokerage and managing general agency acquisitions and strengthened its commitment to strategic planning.

None of these changes is predicated upon higher rates in the insurance marketplace, company executives said. Low rates will continue to keep premium growth depressed, they said. That means a wholesale broker will gain business only by increasing its market share.

"Since there's going to be less of market to share, only those with staying power and the will to extend themselves to improve are going to survive," Mr. Henderson said.

Swett & Crawford, like many of



Photo: Rhonda L. Rundle  
Mr. Oddy (standing) and Mr. Henderson

its competitors, has been re-evaluating its role in the commercial insurance distribution system. It concludes that the term surplus lines broker is no longer descriptive of its business.

For instance, only half of its business now is placed with non-admitted insurers; the other half is placed with admitted insurers.

Its major markets include London, Northbrook Insurance Co., California Union Insurance Co., Harbor Insurance, Columbia Casualty Co., First State Insurance Co., Baccala & Shoop and Associated International Insurance Co. (Swett & Crawford is the exclusive broker for Harbor Insurance, but it doesn't underwrite for its sister company.)

Swett & Crawford works with

about 7,000 retail brokers, although its steady clientele is probably closer to 4,500.

"We think of ourselves as wholesalers dealing in specialty lines," Mr. Oddy said. "We're looking for more specialized areas to pursue where there is substantial premium potential to make it worth our while."

Leading Swett & Crawford's list of specialty lines is its environmental protection liability program, which premiered July 1. Under a federal regulation that goes into effect this fall, some 68,000 companies that produce, transport, treat, store or dispose of hazardous material will be required to prove financial security to cover both sudden and non-sudden pollution liability losses up to

certain levels. Although self-funding will be allowed, many companies will want the insurance.

Swett & Crawford Management Co. in New York is underwriting the coverage on behalf of Pacific Insurance Co., a subsidiary of Harbor Insurance Co.

Two leading experts on environmental liability insurance were hired away from Alexander Howden Insurance Services Inc. to head up the management company. Alexander Howden, formerly Wohlreich & Anderson Ltd., offered non-sudden pollution liability insurance before the federal government considered mandating the coverage.

Swett & Crawford is offering limits of \$10 million on any one loss or in the aggregate. A strong

selling point is unlimited defense coverage, executives say. Also, the program does not exclude genetic and antenatal damage.

Swett & Crawford also identifies political risks and directors and officers liability insurance as growth areas. Swett & Crawford reports measurable growth in its number of D&O accounts; but rates have dropped dramatically, squeezing premium volume.

"Certain classes of business—including difference in conditions and builders risk—have become non-underwritten," Mr. Henderson said. "I don't think anyone has made an inspection on a DIC risk in three years."

In the past year, Swett & Crawford's property insurance business

Continued on page 32

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Continued from page 29

has swollen in proportion to casualty placements. The mix used to be about 70% casualty to 30% property. By the end of the year, it will be almost evenly divided.

Growth in the property side has been in package policies for utilities and energy-related industries. The package policy combines boiler and machinery, fire and other perils coverage.

A committee of Swett & Crawford brokers from four or five offices meet regularly to discuss details of the program. "We've been very successful writing this through a combination of domestic and London markets," Mr. Oddy said. Many of the national brokers place this business with Swett & Crawford, obtaining limits of up to about \$200 million.

Besides its search for profitable lines of specialization, Swett & Crawford also wants to expand through acquisitions. Talks with

two surplus lines brokers and a managing general agency are at "the most sensitive stage," Mr. Oddy said.

"If we told you where they are, we would identify them," company executives said about the prospective purchases.

The three firms are described as major forces in their areas of expertise, run by high-caliber people with strong track records. "It's the specialty they are in that makes them attractive," Mr. Oddy added.

"We're putting more legs under the stool so that in the future when we encounter adverse market conditions outside our control, the impact on one or two divisions will be offset by others," he said.

The Harbor Insurance Co., a member of the Foremark group, also is undertaking an agreement with a managing general agent to accept entertainment risks. A new specialty line management company to be based on the West Coast also is in the works.

Appleton & Cox also has come under the Swett & Crawford's brokerage umbrella. Mr. Oddy said he has plans to re-establish the agency's strong reputation in the marine and aviation business. Offices are in Los Angeles and San Francisco.

Looking for new business opportunities is in tandem with a cost-containment campaign inside the company. Staff has been trimmed to about 200, down 18 from 18 months ago. The one branch office was cut in half to 20 employees.

**'We've become aware of the need for planning,' Mr. Oddy said.**

Besides decreasing staff through attrition, Swett & Crawford is trying to increase productivity by using new information systems and minicomputers. A change in home office telephone procedures will save \$40,000 this year.

"We've become highly aware of the need for long-range planning," Mr. Oddy said.

"That's a commitment we didn't have 10 years ago. Then we were an entrepreneurial firm that grew because opportunities loomed all around us."

The creation of the holding company, Foremark, is evidence of the new planning. The new structure gives the company more flexibility to start new organizations, Mr. Henderson explained. It also is intended to improve operational efficiency and to clarify lines of authority.

Following the change, Mr. Oddy was named president of Swett & Crawford brokerage effective July 1.

Swett & Crawford's brokerage offices are in Atlanta; Boston; Chicago; Columbus, Ohio; Dallas; Denver; Greensboro, N.C.; Honolulu; Houston; Los Angeles; New Orleans; New York; Orange County, Calif.; Portland, Ore.; San Diego; San Francisco; Seattle and Tampa, Fla.

New management has been installed in the Southeast and Eastern region offices, in New York City and Atlanta. Swett & Crawford is looking for increased market penetration in those areas and the midwest.

Principal officers are: Roy B. Oddy, president and chief executive officer; Lita J. Cromer, Russell D. Durkee, John W. Hanna, P. Kenneth Nitz, Donald Tarrence and Peter A. Wilkens, all senior vps and regional managers.

Swett & Crawford, founded in 1926, is a member of NAPSLO.

—By Rhonda L. Rundle



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# 2 Alexander Howden

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	1980	1979
Premium volume	\$130,000,000	Not reported
Gross rev.	\$13,000,000	Not reported
Employees	256	Not reported

Alexander Howden Insurance Services Inc., a new nationwide excess/surplus brokerage made up of Wohlreich & Anderson Group Ltd. and five other companies, took to the field Jan. 1 and became the second-largest excess/surplus lines broker in the nation.

The Atlanta-based subsidiary of London's Alexander Howden Group Ltd. combines excess/surplus lines brokerage, managing general agent and underwriting management firms on the West Coast, in New England and in the Southwest into one company with national scope.

The merged firms' premium volume was \$130 million in 1980. Wohlreich & Anderson's 1979 total was \$100 million, with gross revenues of about \$10 million.

Robert B. Clay, executive vp, declined specific comment on total revenues for 1980. *Business Insurance* estimates them at \$13 million or 10% of premium volume.

Revenues were about level with those in 1979 in excess/surplus lines, Mr. Clay said.

"The marketplace was extremely competitive in property and general casualty insurance," he said. "Everybody experienced the same results. Our hit ratio was down. We had to do a lot more quoting for the same amount of business."

The new company is best known in liability insurance for non-sudden pollution, pioneered by Wohlreich & Anderson. Much of the coverage is placed with American Special Risk Insurance Co., for which Howden is an underwriting manager. American Special Risk substantially reinsures its book of business.

Howden does a large number of long-haul trucking policies and other transportation coverages, placing them with Atlanta International Insurance Co. as the insurer's underwriting manager.

The company is also an underwriting manager for Integrity Insurance Co. in Rochelle Park, N.J., for umbrella and excess insurance.

Alexander Howden is promoting malpractice, errors and omissions and directors and officers liability and writes "a big book of financial institution business," Mr. Clay said.

These coverages, along with general liability and property insurance, are placed about 70% with admitted insurers and 30% with non-admitted insurers.

About 30% of the total \$130 million in premiums placed by Howden are with the three insurers for whom Howden is an underwriting manager: Atlanta International, Integrity and American Special Risk. Howden also holds binding authority for Great Southwest Fire Insurance Co., First State Insurance Co., RLI Insurance Co., Jefferson Insurance Co., National Indemnity Co. and underwriters at Lloyd's of London. Howden places most of its business, however, with Atlanta International, First State, Mead Reinsurance Corp. and Integrity.

In addition to Wohlreich & Anderson, the other companies that were merged into Howden are: Irby-Seawell Co., Atlanta; Irby-Seawell-Brown, Los Angeles; Howden Agencies, Cranford, N.J.; Grenham & Co., with offices in New England; and Voight Walker & Co. a West Coast firm.

Alexander Howden has 16 offices with branches in Boston; Chicago; Cleveland; Columbia, Md.;

Cranford, N.J.; Dallas; Hartford, Conn.; Indianapolis; Livingston, N.J.; King of Prussia, Pa.; Newport Beach, N.Y.; Portland, Ore.; Seattle; and San Francisco.

"We're really a combination managing general agency and general E/S brokerage," Mr. Clay said.

The company also has a branch office that belongs to the New York Insurance Exchange. "We view the exchange as another market," he said. "It has been slow to get started, but we feel it will work out. We've been in it since the beginning."

Principal officers in addition to Mr. Clay are: W.N. Irby, chairman; H.R. Seawell, vice chairman; Dave Wolf Jr., president and chief executive officer; and John Buckley and Brenda Pail, senior vps.

Alexander Howden is a member of NAPSLO and AAMGA.  
—By Steve Sherwood

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E.H. Crump

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	1980	1979
Premium volume	\$116,500,000	\$97,000,000
Gross rev.	\$10,241,000	\$9,125,000
Employees	237	220

Large excess property accounts, primarily oil patch-related, helped E.H. Crump Cos.' affiliated excess/surplus lines brokers increase premium volume and gross revenues. But the pace in 1980 was slower than in 1979.

Through 10 wholly owned and 17 jointly owned excess/surplus lines offices, Crump placed \$116.5 million in premiums in 1980, a 20% increase over 1979's volume of \$97 million, to rank third in *Business Insurance's* ranking of the top excess/surplus lines brokers. But the impressive increase is down from the 29% growth in 1979 over the \$75 million in premium in 1978.

Gross revenues increased 12% in 1980 to \$10.2 million from \$9.1 million in 1979. In 1979 they were up 52% from \$6 million in 1978.

"We have quite a number of offices," said Earl R. Lanning, vp of excess/surplus lines operations. "Some are doing extremely well, some are down, some are even. Production-wise, I would say this year was pretty well flat. We can't be up much because prices are being cut so drastically."

G&M Marine in New Orleans, a wholly owned office that is strong in oil-related risks, has shown the best results for the year, Mr. Lanning said. "Our Dallas and Houston offices are up substantially in oil patch business. A lot of big policies have been written in those two offices. They're moving in the right direction."

Aviation lines, however, were not as lucrative in 1980 as they were the year before, Mr. Lanning said. "Aviation was flat. Last year was excellent for aviation compared with the recent past. We only held our own this year."

Competition in all lines was heavy, however. "Now companies are writing big truck fleets at one-third to one-fourth what we write and we've been about breaking even," Mr. Lanning said.

"Right here, we have had Memphis Transit's liability coverage for 12 to 14 years, but lost it this year to Crum & Forster, which wrote it for \$37,000. The high bid was \$350,000. We quoted too cheap at \$65,000 and were the second-lowest bidder. You see that every day; it's not an unusual thing."

Mr. Lanning said that prices are dropping so low that someone is going to lose his shirt. "We're talking about classes that have big losses."

To meet competition and low prices, "We just work harder and try to quote more accounts," Mr. Lanning said. "Even though we get a smaller percentage of them, we are keeping premiums up."

Also, Crump is constantly introducing and looking for new products, including excess malpractice, non-sudden pollution and wrap-up bankers coverages.

Crump also is getting back into excess workers compensation insurance, an area Mr. Lanning said has potential.

"We hope to have the malpractice product on stream before September," he said. "We see a definite future in it. Big hospitals are all going self-insured, even in this soft market, and are moving into excess. We will see a tremendous move in that direction during the next three to four years when we have another malpractice coverage crisis."

Crump is working with Galen System Corp. in Dallas to put together a loss prevention/excess malpractice insurance package for self-insured hospitals. Galen, independent of Crump Cos., would handle the loss-prevention portion. Non-sudden pollution coverage



Mr. Lanning said low prices could cause someone to lose his shirt.

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The most business, however, is placed with Allianz, American/Canadian Universal, Armco Group, Colonial, Crum & Forster, First State, Lexington, National Indemnity, Southeastern Fidelity, Southern American and Lloyd's.

As of July 1, the firm added Crump London Illinois Inc. in Chicago to a long list of wholly owned offices.

Among the wholly owned offices are Crump London Underwriters Inc. in Memphis and Springfield, Mo. These offices have the largest list of specialties, including gas utilities risks, product liability, directors and officers liability, umbrella policies, commercial auto, large property accounts, commercial inland marine and difference in conditions policies.

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Principal officers are: E.H. Crump Jr., chairman and chief executive officer; Sidney A. Stewart Jr., president and chief operating officer; James M. Power, executive vp of finance; and Mr. Lanning.

Crump, founded in 1921, is a member of NAPSLO and AAMGA.

—By Steve Sherwood



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## The London Agency

1230 W. Peachtree St. N.W.,  
Atlanta, Ga. 30302;  
404-875-9641

	1980	1979
Premium volume	\$100,000,000	\$100,000,000
Gross rev.	\$8,600,000	\$6,000,000
Employees	171	159

The London Agency Inc., the fourth-largest excess/surplus lines broker, touts its links with Lloyd's of London in the lobby of its Atlanta headquarters.

A beautifully restored Lloyd's underwriting box dated 1915 is the focal point of the lobby. Perched atop is a model of the London Agency's offices.

Befitting its name, The London Agency, a Crum & Forster subsidiary since 1972, has ties to Lloyd's that date back 22 years to the brokerage firm's birth.

"When my father and his associates started the agency, there was no such term as excess and surplus," explained London Agency President Frank Kinnett. "The company was founded to handle difficult-to-place business and London was practically the only market willing to underwrite such business."

Mr. Kinnett and David E. Boyd, executive vp, whose father was also one of the founders of the agency, both learned special-risks underwriting at Lloyd's. The Lloyd's underwriting box in the lobby was obtained through their association with C.T. Bowring in London.

In today's highly competitive insurance market, few of the risks generating the total \$100 million in premium volume for The London Agency are truly difficult to place. The ties to London remain, "only today we get a lot of business from London as well as placing it there," Mr. Kinnett said.

The increased competition from admitted insurers for traditional surplus lines risks is reflected in the placement of the brokerage's premium volume. Some 70% is placed with admitted insurers. There is a 50-50 split between premiums earned as an underwriting manager and those placed as a managing general agent.

The main markets for the London Agency's business are: American International Group, including National Union Fire Insurance Co. and Lexington Insurance Co.; First State Insurance Co.; and Lloyd's of London through Bowring and the Sedgwick Group. The London Agency also does business with Canadian Universal Insurance Co. (a member of Saval Group Inc. in Boston), a primary underwriter of high-risk casualty insurance.

The London Agency has binding authority for 10 insurers through InterRe Intermediaries Inc. in New York. As a Crum & Forster company, it does business with other C&F subsidiaries as well as 50 other insurers and 1,700 agents and brokers in 43 states.

An advantage to being a member of the Crum & Forster group is access to "the stable market provided by all the other subsidiaries," Mr. Kinnett said, although with the competition in today's market,

"we frequently find ourselves competing against each other.

"We try to avoid it and have a clearance system for large national accounts, but on smaller risks we'll be working with one agent and another Crum & Forster company maybe working with a different agent. When it comes down to the two lowest bids, it's often ours and theirs."

In his annual report to stockholders, Mr. Russell noted: "There have been worse underwriting years, but 1980 was a bad one." The London Agency was not alone in its struggle to hold ground. Despite no growth in premium volume—the brokerage amassed \$100 million in premiums for both 1979 and 1980—The London Agency says its business has recorded the eighth

consecutive year of underwriting profit.

During the period, gross revenues increased slightly to \$6.6 million in 1980 from \$6 million in 1979, while the number of employees increased to 171 from 159.

The opening of an office in New Orleans earlier this year added a fourth branch to the brokerage, which also has offices in Charlotte,

N.C., Jacksonville, Fla., and Kansas City, Mo. An addition to the agency headquarters in Atlanta is now under construction and will double the building's size to 50,000 square feet.

The London Agency's continued growth will be hinged on volume of business rather than through expansion geographically or acquisition. *Continued on next page*



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Continued from previous page

sition, Mr. Kinnett said. "We're set where we want to be as to location: the Southeast. With the other Crum & Forster companies in major cities, we have no plans to add branches in New York, Chicago or San Francisco," he said.

The London Agency specializes in umbrella excess liability, a market that has seen intense competition in recent months.

"The pricing pressure has increased in the last three to five months to the point of absurdity," Mr. Kinnett said.

"In the mid-1970s, the admitted markets wouldn't touch a lot of our business. Now they'll put it in a package and discount it," he added.

Fighting admitted insurers on their own turf, The London Agency is offering a new primary policy, legal liability for horse breeders, to race tracks and horse

—By Margaret LeRoux

farms.

The policy is being underwritten by the C&F group, with The London Agency as the exclusive broker.

Filings have not yet been completed with state insurance departments so limits and rates are not yet available.

In the past, The London Agency has participated in special risks such as product liability for the Coca-Cola Bottlers Assn. and Telesat Canada, a satellite communications network.

For the future, Mr. Kinnett predicted pollution liability would be a market of opportunity for excess/surplus lines brokers and underwriters.

Mr. Kinnett is reluctant to predict when admitted insurers may start to tighten their underwriting in price and selection of risks. "I've stopped trying to predict," he said. "A year ago I would have said we'd be seeing higher prices by now; in-

stead the competition is even worse."

To meet the competition, "we try to find a level where the customer is getting a reduction and we're getting a reasonable premium," he added. Finding a reasonable level is getting harder and harder, he said.

"There are a lot of new companies in the E/S market: captives, European insurers and new U.S. companies," Mr. Kinnett said. "The capacity is increasing and they all want in."

He said some of the newer companies that are quoting low rates "will be eaten alive when the long tail (for liability claims) catches up to them."

The London Agency, founded in 1959, is a member of NAPSLO. The brokerage's principal officers besides Mr. Kinnett and Mr. Boyd are R. James Andrews, Vincent J. Delaney and John A. Jolley, all senior vps.



Photo: Steve Sherwood  
President John W. Molbeck, left, and Vp James F. Donahue of J.H. Blades & Co. Inc. of Houston.

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**5 J.H. Blades**

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	1980	1979
Premium volume	\$93,500,000	\$84,200,000
Gross rev.	\$5,984,000	\$5,206,000
Employees	112	10

Houston-based J.H. Blades & Co. the fifth-largest excess/surplus broker that specializes in oil and gas risks, beat tough competition in 1980 to increase its premium volume and gross revenues, although it missed its targeted growth.

"We probably have the best oil and gas team in the nation, even if you consider the retail side," President John Molbeck Jr. said. "When an agent comes to you in this day and age, it is a compliment. It says you have respect in this area."

Mr. Molbeck and Vp James Donahue said Blades' oil and gas expertise not only allows the company to write sophisticated policies, but also to come up with innovative products.

**The Blades Group**, a subsidiary of Crum & Forster Corp., is one of America's principal markets for energy-related risks. The excess/surplus broker also handles all classes of insurance and reinsurance, specializing in large coverage packages that are placed in the London market.

Blades writes specialty lines of oil and gas package policies, director and officers liability insurance, policies for financial institutions and umbrella liability insurance policies.

Blades did not reach its projected premium volume of \$100 million for 1980. However, an 11% increase to \$93.5 million in 1980 from \$84 million in 1979 supports the corporate officers' claims of successful hard work.

"While most companies are flat or going down in revenue, we've had significant growth," Mr. Molbeck said. "Gross revenues increased 15% to \$5,984,000 from \$5,206,000 in 1979."

The key to growth at a time when the casualty market is depressed has been hard work by Blades' 112 employees, staff expertise, an aggressive approach and the Blades reputation, company executives say.

"The name Blades in this part of the country has always given us a leg up," Mr. Molbeck said. Blades, founded in 1952 by J.H. Blades, has a worldwide reputation that was built by Mr. Blades, who died of a heart attack this year.

The company, which does all business as a broker or managing general agent, has binding authority for underwriters at Lloyd's of London, First State Insurance

# Top five underwriting managers

## 1 Sayre & Toso

2600 Wilshire Blvd., Los Angeles, Calif. 90057; 213-381-6811

	1980	1979
Premium volume	\$251,383,000	\$215,162,000
Gross rev.	\$30,861,000	\$26,056,000
Employees	493	466

(Figures are totals for Mission Insurance Group's agency division.)

"Sayre & Toso is not just the biggest, it is also the most competitive of the bunch," says a senior executive at a rival managing general agency.

Last year the Mission Insurance Group agency division, led by underwriting manager Sayre & Toso, racked up \$251.4 million in gross

premiums, an impressive 17% increase over 1979. Gross revenues climbed 18% to \$30.9 million.

These results, however, are slightly skewed by about \$3 million in gross revenues (net of commissions and fees paid to retail brokers) generated by SFO Inc., Mission's newest addition to the agency group.

The property and casualty insurance division of the former Strauss Fuchs Organization in Kansas City, Mo., was acquired in November for more than \$5 million. Co-founder Dick Fuchs continues as the agency's president.

Sayre & Toso's financial results also include business produced by two other sister managing general agencies, Carillon Managers International and George S. Kausler Ltd. The four agencies together

form Mission's agency group.

"SFO gives us more diversification of product," says Geoffrey A. Nicholls, vp of marketing. The newest agency group member specializes in package programs for supermarkets, bowling alleys, racquetball clubs, grocery warehouses and discount stores.

"Class underwriting using Insurance Service Office rates is something completely different for us and a useful addition to our basic product line," said Mr. Nicholls.

Sayre & Toso has achieved rapid growth in property underwriting and is striving to regain its historical balance of 60% casualty risks to 40% property risks. The ratio currently stands at about 55% to 45%.

"We want to write more umbrella and casualty excess insur-

ance," Mr. Nicholls said. "That's a line we're very, very competent in." This objective also reflects the intense pressure on commercial property rates where "we're in competition with nearly everybody in the country."

Commercial umbrellas are also under heavy attack from admitted markets.

For example, Fireman's Fund Insurance Co., to celebrate the 25th anniversary of its excess and special risks department, offered agents a 10% bonus over an average 15% commission for excess business they produce between May and July.

Sayre & Toso underwriters have indicated they may be willing to relax certain restrictive conditions in umbrellas to compete with an-

*Continued on next page*

Co., International Surplus Lines Insurance Co., U.S. Fire Insurance Co., Yasuda Fire & Marine of America, International Insurance Co. and Great Southwest Fire Insurance Co.

"We write some in-house lines for Crum & Forster," Mr. Molbeck said. "This makes up less than 10% of our premium volume."

The largest share of Blades' business is placed with underwriters at Lloyd's, First State, Yasuda Fire & Marine and Great Southwest Fire.

A line slip arrangement with Lloyd's allows Blades to place up to \$200 million of liability coverage in 24 hours.

Blades considers business interruption coverage for offshore oil and gas rigs its hottest new product, Mr. Donahue said. Also being marketed is errors and omissions coverage for oil and gas management partnerships and a pipeline builders risk program giving on- and offshore pipeline contractors coverage while pipe is laid.

A package policy that "combines every conceivable type of coverage an oil and gas company might want" is selling well. Financial service products, directors and officers liability insurance and errors and omissions insurance are selling reasonably well.

"Our biggest advantage is that we understand the business so well we can manuscript a form the client feels comfortable with," Mr. Donahue said. "We're working to make sure the risk manager doesn't come to us and have to hear, 'Sorry, you're not covered.'"

He said many other companies will imitate the oil and gas managers and pipeline builders products.

"The casualty market is extremely depressed as far as pricing," Mr. Molbeck said. "Any house that doesn't tell you they are doing 10 times the work to place the same amount of business they were doing three years ago is crazy."

In 1976, excess/surplus and specialty lines insurers were using non-admitted companies, he said. Today, admitted insurers are writing nearly every line except offshore oil and gas exposures. But Blades still places 80% of its business with non-admitted insurers.

Life insurance companies and nearly all alien insurers now have access to the insurance market.

"This is good for the insurance buyer as long as he makes sure his policy is secure," Mr. Molbeck said. "The price you pay for a product is irrelevant if you can't collect for a loss. The buyers we deal with are aware of this."

Mr. Donahue agreed. "I don't have a lot of confidence in the admitted market being able to fully understand the legal aspects. I've seen an insured have a land blow-out that was harming oil reservoirs of other companies. He had bought a \$50 million liability policy, but found out he wasn't covered. The excess policy followed the primary and the primary excluded this peril. He ended up without coverage."

"This is an example of the technicalities involved in the oil and gas field, he said. "A lot of things can happen to an oil well that are not visible on the surface. The process can be extremely complicated."

"The more sophisticated the risk, the better we like it. Give us a complicated risk with involved technical and legal problems and we love it."

Blades has branch offices in Dallas, New Orleans, Denver, San Antonio, Texas, and Tulsa, Okla. Subsidiaries include J.H. Blades Inc. (Oklahoma and Colorado) and J.H. Blades of Louisiana Inc.

Principal officers besides Mr. Molbeck are: Robert P. Quinn, chairman, and G.F. Burke, senior vp. J.H. Blades & Co. is a member of NAPSLO and AAMGA.

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Nicholls

Continued from previous page  
other market. "This would be an umbrella that sits over certain primary limits, but would cover other uninsured exposures from the ground up.

Sayre & Toso will consider any commercial property risk and has been an important market for earthquake coverages, Mr. Nicholls said. "We are less interested today in some of the more unusual property risks, such as rain exposure," he added.

Carillon is in nearly the same position, although its thrust is to write primary risks above high deductibles or self-insured retentions to avoid frequent claims handling. The firm separates itself from Sayre & Toso by using markets outside the Mission group of insurance companies.

Sayre & Toso places all its business with one of Mission's risk-bearing subsidiaries, including Mission Insurance Co., Mission National Insurance Co., Holland-American Insurance Co. and En-

terprise Insurance Co. A large portion of each risk is then reinsured among more than 200 reinsurers worldwide who have lines on Mission treaties.

This wide spread of risk has offset major Mission losses recently from the MGM Grand and Las Vegas Hilton hotel fires. Sayre & Toso and Carillon both participated in placement of the first \$10 million in strike insurance for the major league baseball owners.

Fifteen percent of the Mission insurance companies' net premiums written are managed by Sayre & Toso, the company reports. Reinsurers are attracted to participate in risks produced by the agency because they are always committed in partnership with Mission's own companies, Mr. Nicholls said.

"It's not like a pure MGA which is not putting its own dollars down on the risks—we are," he stressed.

**Despite its strong 1980 results,** Sayre & Toso is feeling the pressures of the tight market, Mr. Nicholls admitted. Everybody from the president down to the office service manager is stepping up marketing efforts, he said.

Line underwriters are now expected to spend a good portion of their time talking with producers, for example. This contact speeds Sayre & Toso's response to broker needs and avoids wasting their time when Sayre & Toso does not want the risk.

It's also belt-tightening time—a mandate that comes directly from the office of Mission Chairman E.R. DeRosa, respected by company executives for his strong financial management.

"We have to work harder," Mr. Nicholls said. "We won't attend unnecessary conventions, we will

rely on our professional European brokers to do the marketing for us this year rather than sending four or five people over to Europe."

Sayre & Toso writes only incidental exposures in foreign countries although this could change. One large foreign insurer recently approached the agency and offered to reinsure all foreign exposures of U.S. risks.

Unlike many of its competitors who complain of tough times in the major metropolitan markets, Sayre & Toso is experiencing its fastest growth in established offices. "The Los Angeles office is a star in our organization," Mr. Nicholls said. "San Francisco and Chicago are also very strong."

These territories seem to be catching their second wind. The newer offices that generated heavy growth last year, such as Minneapolis and St. Louis, have slowed down as new competitors have rushed into the marketplace.

Sayre & Toso full-service offices are in Dallas and Houston (formerly one office split in two this year); Los Angeles, San Francisco and Orange County, Calif.; Seattle; Portland, Ore.; Denver; Chicago; New York; New Orleans; Atlanta; Boston; St. Louis; Philadelphia; and Minneapolis. Field offices are in Sacramento, San Jose and Fresno, Calif.; Phoenix, Ariz.; Tampa, Fla.; Tulsa, Okla.; Detroit; Cleveland; and Charlotte, N.C.

Principal officers of Sayre & Toso include Westley M. Heyward, president; Walter A. Greenup, executive vp; Charles M. Floyd, senior vp of operations; Ole O. Johnson, senior vp of underwriting; and Mr. Nicholls, senior vp of marketing.

Sayre & Toso is a member of NAPSLO.

—By Rhonda L. Rundle

2

Shand Morahan

One American Plaza, Evanston, Ill.  
60201; 312-866-2800

	1980	1979
Premium volume	\$211,000,000	\$225,000,000
Gross rev.	\$25,000,000*	\$27,000,000*
Employees	384	313

(\*Business Insurance estimate)

Few companies are willing to expand staff 16% when business volume is down 6%, but that's what Evanston, Ill.-based Shand Morahan did in 1980.

The numbers prove that tough competition neither forced Shand to underwrite at rates it considered far too low, nor precluded it from developing a fully staffed in-house claims department.

**The reason:** Shand Morahan wants to make an underwriting profit for its seven insurance companies and 102 reinsurers around the world for which it underwrites professional, general and miscellaneous liability insurance and umbrella policies. It wants its underwriting profit commissions.

"Our profit commissions are based on pure underwriting results so it's a very good reason to produce an underwriting profit," said Chairman and Chief Executive Officer Joseph E. Morahan Jr. Investment income earned by insurers doesn't accrue to Shand Morahan. "That's one reason we can't chase the business at any price," he said.

But underwriting profit commissions by their nature produce a very small percentage of Shand's estimated \$25 million in gross revenues in 1980.

Parent Alexander & Alexander refuses to release Shand's gross revenues, in keeping with the corporate policy that all profit center's results not be broken out of the corporate consolidated statement.

Another reason to underwrite to a profit is to keep the reinsurers who have given their pens to Shand happy. Once gained, Shand has never lost the authority to underwrite for a reinsurer.

"In the short term we could increase volume by opening the faucet, but in the long term it would cost our reinsurers a lot of money," Mr. Morahan said, wincing at the thought.

Shand Morahan also has a bigger interest in producing underwriting profits: It has a financial interest in two of its insurers and one reinsurer, which are part of Evanston Services Inc. The surplus lines member of the group, Evanston Insurance Co., underwrote \$65 million in gross premiums for Shand in 1980. Its net earned premium was \$7.2 million.

About two-thirds of the \$14 million reduction to \$211 million in total Shand premium volume in 1980 compared with 1979 reflects market conditions, Mr. Morahan said. Business has been lost to cheaper markets, new business was written at lower rates than the year before and Shand has reduced rates on some of its accounts.

Not everyone, however, gets rate reductions, even in this market. "In some areas we haven't adjusted rates at all," said Mr. Morahan. "In other areas, over several years, rates are down 10%, 20%, with 30% in one or two areas being the highest. That's where a risk was rated up significantly because of a loss or types of work, but then good experience earns a rate reduction."

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on elaborate loss statistics maintained during its 11-year history to track the results of the business it underwrites. For architects and engineers, for example, "We keep statistics by discipline, by state, by size, by annual billings," Mr. Morahan said.

Lawyers, for instance, won the biggest rate reduction of about 30% due to their experience, but that's after rates were increased 425% in from 1976 to 1978.

While these statistics can earn a rate reduction for the lucky client with good loss experience in a class sporting few losses, the numbers can mean higher rates, too.

For example, Shand found a couple years ago when reviewing its class of architects errors and omissions insurance business that the rates charged large firms were far too low for the losses they produced.

Shand upped the rates and lost 10 or 12 large accounts with a premium volume of \$500,000 to \$750,000 because its higher rates coincided with the beginning of rate-cutting by other insurers.

"The losses on those accounts were twice the premium," Mr. Morahan said, explaining why he wasn't sorry to see them go.

The other third of the \$14 million reduction in premium volume was due to a conscious effort begun three years ago to reduce the amount of business brokered by Shand. Now Shand's business is conducted 99% as an underwriting manager, serving agents and brokers from more than 1,700 offices around the country, and only 1% as a broker.

"We used to broker risks when we weren't writing umbrellas, but now there isn't much we aren't doing," Mr. Morahan said. With capacity of \$25 million per risk (\$11 million under contract in-house and \$14 million under treaty with reinsurers) and the authority to choose classes of business for the reinsurers behind its seven markets, Shand can indeed write what it wants. Other insurers know that.

"If we take a risk to another insurer, they want to know what's wrong with it that we won't write it," Mr. Morahan said. "We only continue brokerage on existing accounts to accommodate the broker."

This decrease in business didn't stop Shand Morahan from hiring high-priced claims experts and lawyers to build its own in-house claims department, which accounts for the biggest chunk of the 16% increase in staff to 364 in 1980 from 313 in 1979.

"We didn't control claims in the past. Our claim department was monitoring outside counsel and we decided we should make all the claims decisions like a normal insurance company," Mr. Morahan explained. Now the claims department has more than 75 people, including 30 lawyers.

The staff expansion actually is reducing the expenses of Shand Morahan's insurers and reinsurers. "Outside claims supervisory counsel is expensive. We can do a good job internally and get a higher profit commission," Mr. Morahan said. "We know on the expense side we are much better off. As to handling of claims, we need four to five years to track the reserves to see if our claims people are reserving properly."

So far, the reinsurers who have looked at the work of the new claims department seem happy, Mr. Morahan reported.

More than half of Shand Morahan's business is in architects and engineers and lawyers professional liability insurance, with lawyers malpractice insurance slightly larger. Shand is the largest underwriter in the United States of lawyers malpractice insurance



Photo: Kathryn J. McCreary

**Morahan**

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Continued from previous page with about 70,000 insureds under Shand-issued policies. Ninety percent of its policyholders buy \$1 million or less in protection.

Shand Morahan's 5,000 architectural and engineering firm policyholders make it the second-largest underwriter in this field, behind underwriting manager Victor O. Schinnerer, which is the exclusive underwriting manager for CNA's architects and engineers insurance. Few, however, come close to taking advantage of Shand's \$25 million capacity, with 90% buying \$1 million or less.

The professional liability insurance market for architects and engineers is growing more competitive from the early 1970s when the only markets for the insurance were Shand, CNA and Lloyd's of London. More have entered now.

"You don't need 100 new companies to have more competition. Two or three more and you have a

soft market," Mr. Morahan said.

Shand reviews about 8,000 to 9,000 applications a year from architects and engineers, quotes on a large percentage of them but writes about 30% of the new applications and renews about 75% of its existing accounts.

Insurance for financial institutions is about another 10% of Shand Morahan's business. Besides coverage for mutual funds, banks, savings & loans institutions and stock brokers, Shand offers insurance companies a package of errors and omissions and directors and officers liability insurance that is "well accepted in the market," Mr. Morahan said.

The other 40% of Shand's business is in miscellaneous professional liability risks, umbrellas, general liability, product liability and the new environmental liability insurance product.

Among the miscellaneous professional liability products is errors

and omissions insurance for insurance agents and brokers. Shand Morahan underwrites insurance for about 12,000 to 14,000 small mutual agents through Utica Mutual Insurance Co. Medium-sized brokers both retail and surplus lines, also purchase E&O insurance from Shand Morahan.

A product with much promise, environmental impairment liability insurance, isn't selling that quickly. The program, developed when the Environmental Protection Agency began discussing financial security mandates for hazardous waste disposers, imposes extensive engineering requirements before the risk is underwritten.

Shand can offer \$25 million per occurrence and \$50 million in the aggregate for EIL insurance.

Shand expects a warmer reception to its new product for large law firms: a package policy wrapping all the property/casualty insurance needs of a law firm into

one program. "The premium dollar savings may be small, but it provides savings in time for the partner handling insurance," Mr. Morahan observed.

The savings could be large, depending upon how many high-priced billable hours the partner saves by using the package.

**Competition probably** will drive business volume down in 1981, too. Mr. Morahan is projecting about \$200 million in premium volume, even though in the first six months of 1981 the company underwrote \$105 million, \$85 million of which was in lawyers, architects and engineers professional liability insurance.

Shand places most of its business with non-admitted markets: 85% compared with 15% with admitted insurers. However, these figures were determined by including all premium placed with each insurer in the category that best describes the insurer's normal mode of operation.

Therefore, premiums written in a non-admitted insurer's state of domicile have been reflected in the non-admitted category.

Shand uses Evanston Insurance Co., a surplus lines insurer in almost all states except Illinois and the District of Columbia where it is admitted, and Insurance Co. of Evanston, an admitted insurer in Illinois, for all classes of business. The insurers are owned by the newly created Evanston Services Inc., in which Shand owns a 44% interest. These companies have no employees and their officers are Shand Morahan officers.

Also in the group is Evanston Reinsurance Co., a newly created reinsurer beginning a little underwriting now to be poised for a shift in the insurance market.

Although an underwriting manager for five other insurers, Shand will split most of its business in the future between the Evanston group of companies and Potomac Insurance Co., an admitted insurer which signed an underwriting agreement with Shand last fall.

Shand Morahan will continue the mutual agents program with Utica Mutual, but is winding down its business with Northbrook Excess & Surplus Lines Insurance Co. because it is not an admitted insurer. NESCO, which accepted architects and engineers risks from Shand, now is precluded from underwriting in Michigan, for example. Michigan decided there are enough admitted markets to stop surplus lines underwriting of the line in its state.

Business placed with Mutual Fire, Marine & Inland Insurance Co. also is decreasing, at the insurer's request. The insurer, however, helped Shand organize The Evanston Insurance Co. and is a shareholder in the company.

Shand has underwriting authority for American Bankers Insurance Co. of Florida but is placing very little business with it.

In addition to Mr. Morahan, the principal officers of Shand include Max W. Beam, president and chief operating officer; E.L. Mac Callhoun, executive vp; Richard A. Adler, vp of reinsurance marketing; Colin K. Brummet, vp of management information systems; Robert H. Libby, vp of administration and employee benefits, secretary; Robert N. Liston, vp of underwriting; Joseph J. Prochaska, vp of accounting/finance, treasurer; Victor L. Sauer, vp of claims; and Bert M. Thompson, vp/general counsel.

Shand Morahan, founded in 1970, is a member of NAPSLO.

—By Kathryn J. McIntyre

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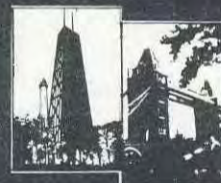


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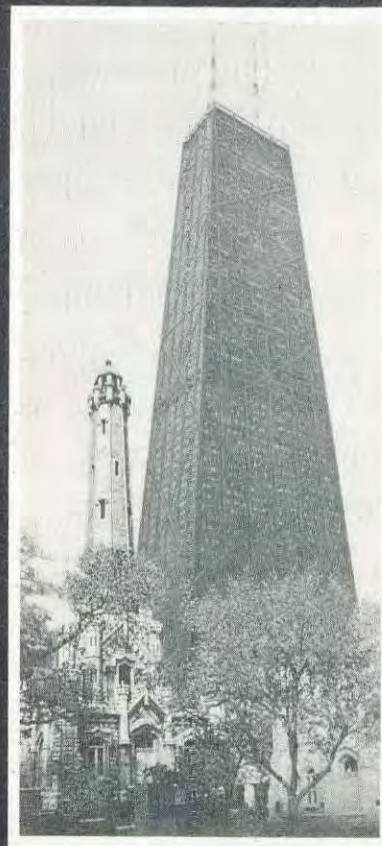
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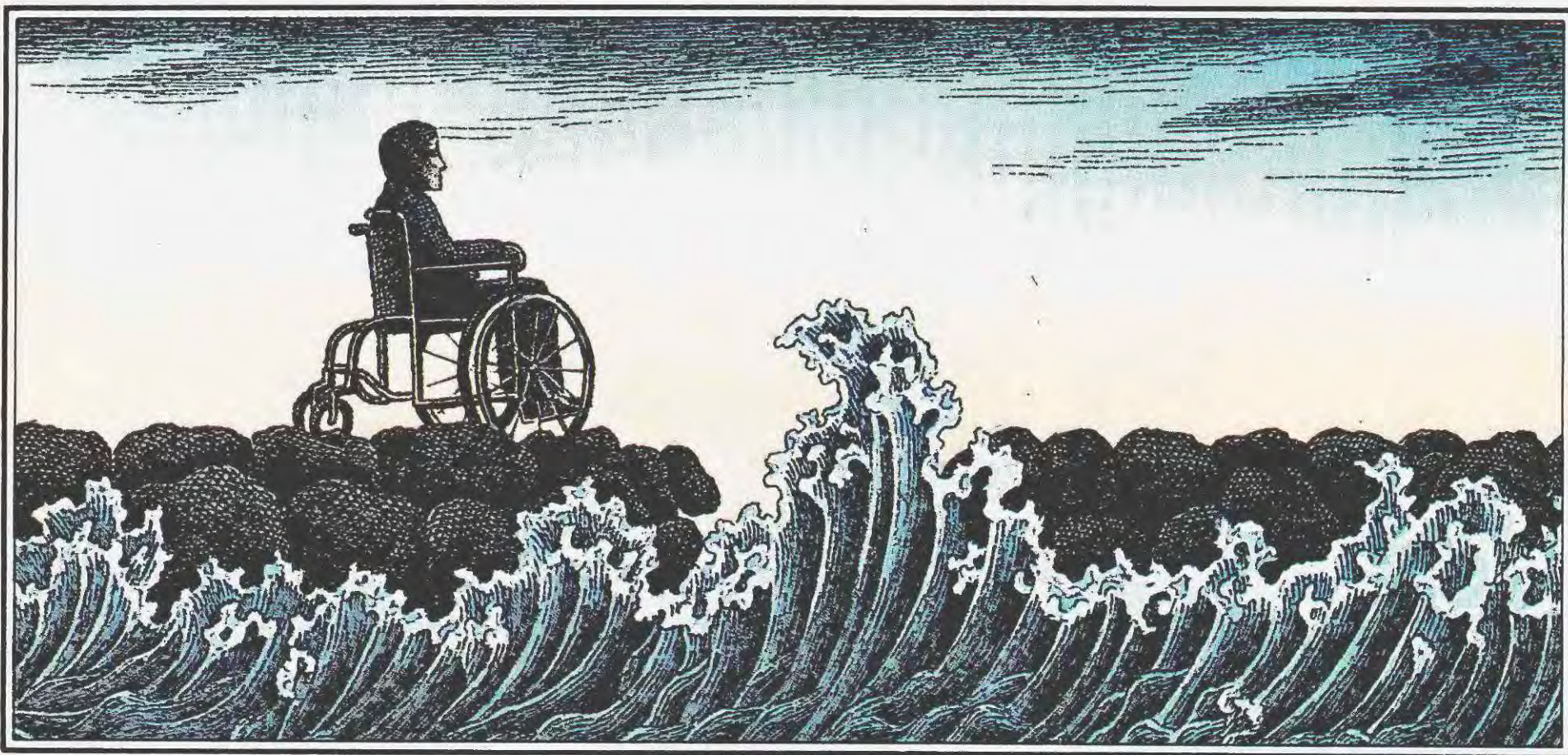
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# What Ails Workers'



While workers' compensation costs more each year, it falls short of meeting the expectations of injured workers and employers.

INA examines the problems and suggests ways to make the system more efficient and equitable.

Escalating costs of workers' compensation strain the system and raise complex questions about its future. Broadened definitions of work-related injuries, more frequent litigation, poorly coordinated benefits, increased medical costs and legislative mandates all have pushed up rates.

Workers' comp is the nation's second largest insurance expense. It now costs the average employer \$2.70 for every \$100 paid in salaries, compared with \$1.10 in 1970. High risk industries experience an even more acute problem. In mining, for instance, rates are as high

as \$60 for every \$100 in wages.

The intent was very different nearly 70 years ago when workers' comp was introduced as a no-fault method for replacing wages and paying medical expenses of work-related injuries. Employees exchanged their right to sue for assured recovery. The system was not meant as a form of retirement, unemployment or welfare.

However, unanticipated mutations brought problems. Originally, work-related injury meant only an accident on the job. Now, the definition has been extended to include "cumulative trauma," emo-

tional stress, and diseases resulting from substances, once thought harmless, such as benzene or asbestos. Though perhaps socially desirable, these changes burden the system financially. Estimates suggest the long-term costs of broadened coverage could reach billions of dollars.

It's also ironic that a system intended to provide adequate and prompt replacement for economic loss, without litigation, is now an arena of adversary battles. For example, in one midwestern state, in 1979, 90% of the injured workers retained attorneys. A 1977 report found that court costs, nationwide, amounted to 17% of total benefits.

Litigation results in higher costs, delays and inequitable awards, all severely impairing the original no-fault goal.

## Overloading the system

In many instances overlapping benefits are not taken into account. Awards in most states are based on a worker's disability, not on whether he or she also may be eligi-

# Compensation?

ble for a private health plan, social security payments, unemployment insurance or, at the other extreme, for no additional benefits at all.

Another failing—benefits do not match lost wages. For example, a person with a lifelong 20% disability could return to work with no wage-loss, yet win a lump-sum judgement. A much more seriously injured individual, with a 50% disability, may discover that three-quarters of his or her earning power has virtually vanished, with no recourse to the courts.

Medical benefits also push compensation expenses higher. In the last 15 years, U.S. health care expenditures increased fivefold—from \$39 billion in 1965 to \$244 billion in 1980, or more than 9% of the GNP.

A major cause of steeply rising costs is legislative change—some of it necessary—that broadens coverages and increases benefits. During the last ten years, mandated benefits have more than doubled in all but one state. Today new legislation is needed to purge costly abuses—principally to curb litigation and redundant benefits. Many

insurers and employers are actively supporting legislation on a state-by-state basis.

## Holding the line on costs

Prudent managers can help slow the rise of workers' comp costs through use of loss control and rehabilitation services, and by urging such innovations as "wage-loss" laws.

A sound loss control program educates both employer and employee in avoiding injuries. This translates into lower costs and fewer claims. Moreover, litigation, down-time, and training replacements can add up to four or five times as much as the cost of claims. And no dollar amount can be applied to human pain and suffering.

Rehabilitation helps workers recover faster and reduces the expense of their injuries. On the average, a company can save more than \$10 in claims for every dollar invested in rehabilitation.

Recent legislation in Florida has made benefits more equitable and cut costs over 25%. This "wage-loss" concept bases benefits on the income a worker has actu-

ally lost because of injury. No one gets a windfall from the system. Benefits are paid to those who truly need them.

Complex problems—arising from the present workers' comp system—require a coordinated response. Rehabilitation and loss control are two of the tools available. Coordinating these with other approaches, such as legislative reform, can help lessen strains on the system.

## Comprehensive services

INA, one of the nation's major suppliers of workers' comp insurance, has one division, INA Loss Control Services Inc., that concentrates on accident prevention and another, International Rehabilitation Associates (IRA), is this country's largest service of its kind.

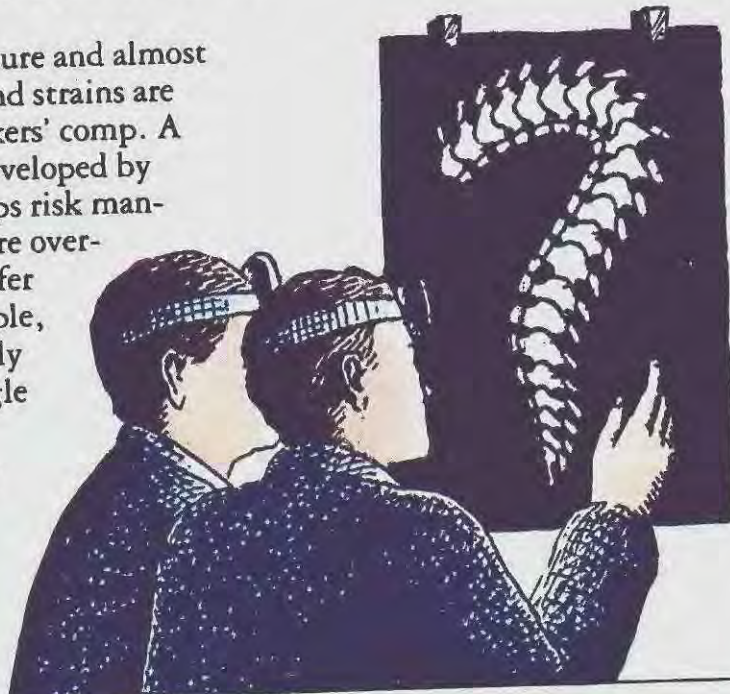
The Insurance Company of North America was founded in 1792 in Independence Hall, Philadelphia. Today, it is the largest component of INA Corporation's international network of insurance, financial, and health care interests.

In property and casualty insurance and risk management services, life and group insurance, health care management and financial service, INA and its affiliated companies offer a unique combination of products and services to business and industry worldwide.

For an informative booklet on workers' compensation, write INA, 1608 Arch Street, Dept. R, Philadelphia, PA 19101.

## Getting ahead of backaches

Hard to diagnose, difficult to cure and almost always painful, back injuries and strains are recurring problems under workers' comp. A materials handling program developed by INA Loss Control Services helps risk managers pinpoint activities that are over-taxing and can suggest new, safer ways to do the job. One example, lifting a light weight frequently can be just as harmful as a single heavy load. Another: among white collar jobs, bank tellers have the highest incidence of injured backs. Why? Tellers underestimate how heavy bags of coins can be.



**INA**  
The Professionals

3

**Baccala & Shoop**

2049 Century Park East, Los Angeles, Calif. 90067; 213-553-1333

	1980	1979
Premium volume	\$112,939,753	\$101,967,250
Gross rev.	\$11,300,000	\$10,200,000
Employees	180	165

"It's all cheap," says Baccala & Shoop President Jack Shoop, talking about price erosion in the excess/surplus lines market.

"This is why we have to be so selective. We can't expect to place the same volume as last year."

Last year's performance is a hard act to follow for the third-ranked underwriting manager. The West Coast-based firm, a subsidiary of Corroon & Black Corp., wrote \$113 million in gross premiums, an 11% gain over 1979. But, "this year we'll be lucky to write

\$100 million," Mr. Shoop said.

Business in the company's Los Angeles, San Francisco and New York offices has declined the past two years—and continues to drop.

Growth over this period has come by opening new offices in untapped territories, explains Mr. Shoop. A local underwriter gets a better crack at good business than someone miles away, he says.

"That doesn't mean we will just go out and open offices anywhere, but we will add underwriters in areas where we think there are opportunities," added James E. Keegan, senior vp in charge of casualty underwriting.

Baccala & Shoop handles policy production, underwriting and claims management for eight insurance companies including Old Republic Insurance Co., Twin City Fire Insurance Co., Nutmeg Insurance Co., Pine Top Insurance Co., Centaur Insurance Co., INSCO

Ltd., American Sentinel Insurance Co. and Mutual Fire & Inland Marine Insurance Co.

As its volume has dropped on the casualty side, Baccala & Shoop's mix of business has shifted from 70% casualty/30% property a few years ago to nearly equal proportions today.

Most of the risks Baccala & Shoop sees arrive via the leading national brokers who have access to medium and large commercial accounts. The firm also writes business brought by wholesale brokers.

"We don't have any parameters on account size," Mr. Keegan said. "But we would not normally find ourselves competing with Fireman's Fund for an umbrella coverage on a corner drugstore."

Baccala & Shoop specializes in managing the underwriting of excess liability and workers compensation coverages and primary and excess property insurance. Underwriting spans all 50 states.

The business brought to the company varies widely with geographical regions. Baccala & Shoop places large amounts of product liability insurance for automobile manufacturers in the Midwest and for components and tire manufacturers in Columbus and Akron, Ohio.

"We're a good market for pharmaceuticals that buy enormously high liability limits," Mr. Keegan said. "We don't write contraceptives or DES risks, but we do practically everything else."

Municipalities and school districts are another major source of business for Baccala & Shoop. Although admitted markets are writing more coverage, they are still shy of many risks and reluctant to write high limits.

"This is the kind of business stock companies might not want or might be willing to take only a small primary line," he said.

Four years ago, Baccala & Shoop placed many owner, landlord and tenant risks for drugstores or supermarkets. "Now it is very difficult for us to even get a chance because the standard markets are very happy with this and write big limits."

"We're pretty much out of the market for professional liability or errors and omissions coverage," Mr. Keegan said. "Treaty people don't like it so we stay away from it, except as incidental coverage combined with general liability."

Baccala & Shoop also is an important market for heavy manufacturing and utility company risks. As underwriting managers capable of mustering tremendous capacity, Baccala & Shoop often is asked by brokers to handle the primary as well as excess liability coverage on a jumbo risk.

"Generally, the answer is no," Mr. Keegan said. "Our underwriters know what they are doing when they are in the excess field. They are not equipped to sort through general liability and automobile underwriting manuals."

There are no plans to add additional insurers to the company's stable of risk-bearers. "We might consider entering a new specialty if we could put together the right underwriting staff and markets, however," Mr. Shoop said.

The firm someday may become an underwriting manager for a small reinsurance company operated by its parent, Corroon & Black Corp. The National Excess Insurance Co. currently reinsures some of Baccala & Shoop's property/casualty programs. Eventually, it will issue policies directly.

Baccala & Shoop entered the excess/special risks marketplace in 1974, doing business out of a small office in Los Angeles and a branch in San Francisco. Today it has 11 full-service offices in these cities as well as Dallas, Houston, Atlanta, Philadelphia, New York, Chicago, Minneapolis, Seattle and Columbus, Ohio.

Two field underwriting offices are in Oklahoma City, Okla., and Phoenix, Ariz. The company is considering the addition of field underwriters in a number of other cities: Boston, Indianapolis, Cleveland, Detroit, St. Louis and Kansas City, Mo.

Principal officers include Jack Shoop, president; Noel Higgitt, executive vp; James E. Keegan, senior vp; Wayne Barber, vp; and John Broderick, vp. All branch managers are also vice presidents.

—By Rhonda L. Rundle

4

**Victor O. Schinnerer**

5028 Wisconsin Ave. N.W., Washington, D.C. 20016; 202-686-2850

	1980	1979
Premium volume	\$110,000,000	\$91,000,000
Gross rev.	\$11,000,000*	\$9,100,000*
Employees	125	110

(\*Business Insurance estimate.)

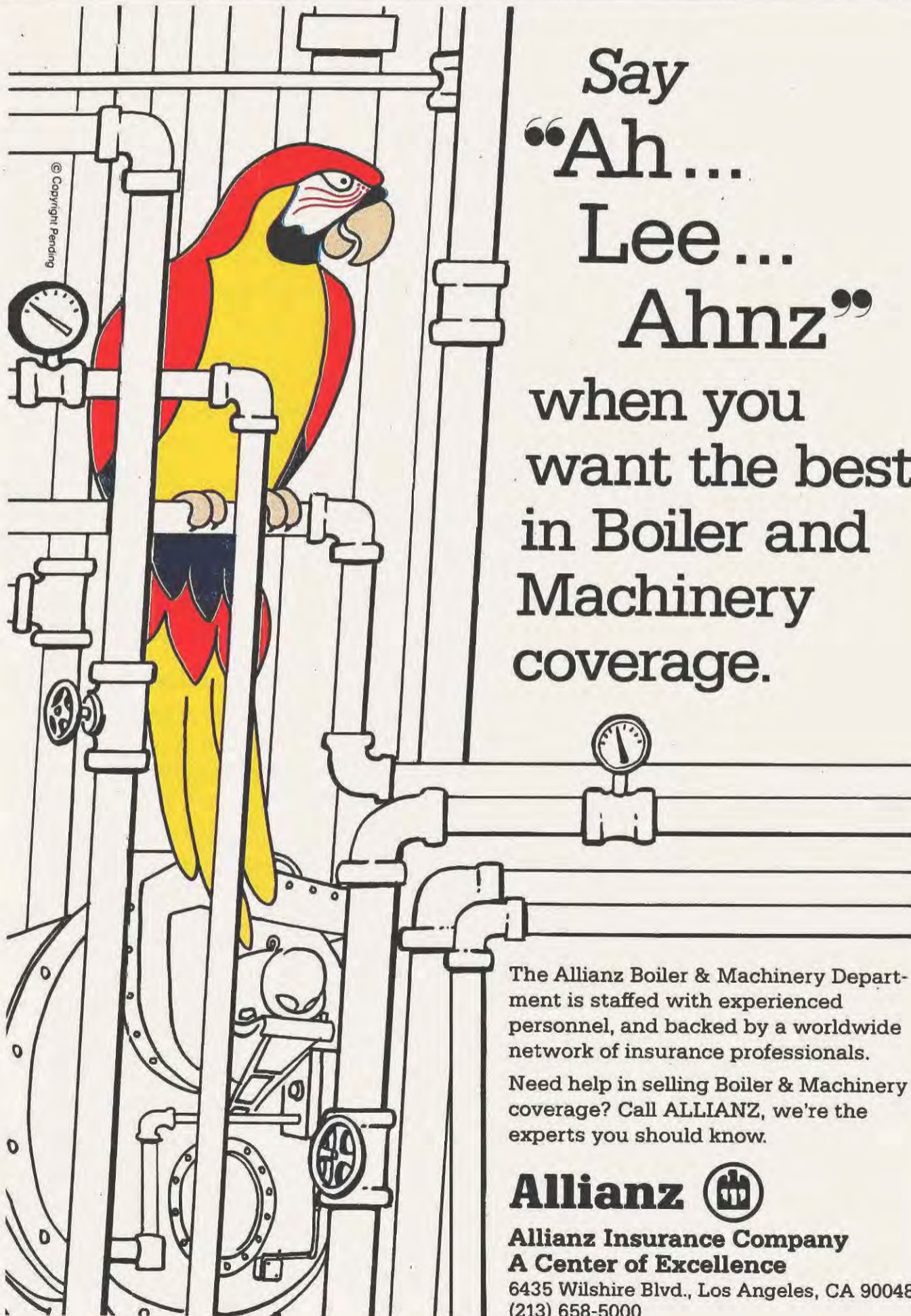
Victor O. Schinnerer & Co. Inc., a subsidiary of Marsh & McLennan Cos., is faring well as premium volume and estimated gross revenues jumped 20.8% last year.

"In the soft market, we've done well in maintaining our book of business," said Douglas Dolan, vp of technical services. "Some risks purely shop price. But the bulk of our insureds are here for the long term."

Schinnerer's success is partly based on its ability to develop programs that have made it the leader in several fields.

For example, the firm is an acknowledged giant in developing professional liability

Continued on page 50




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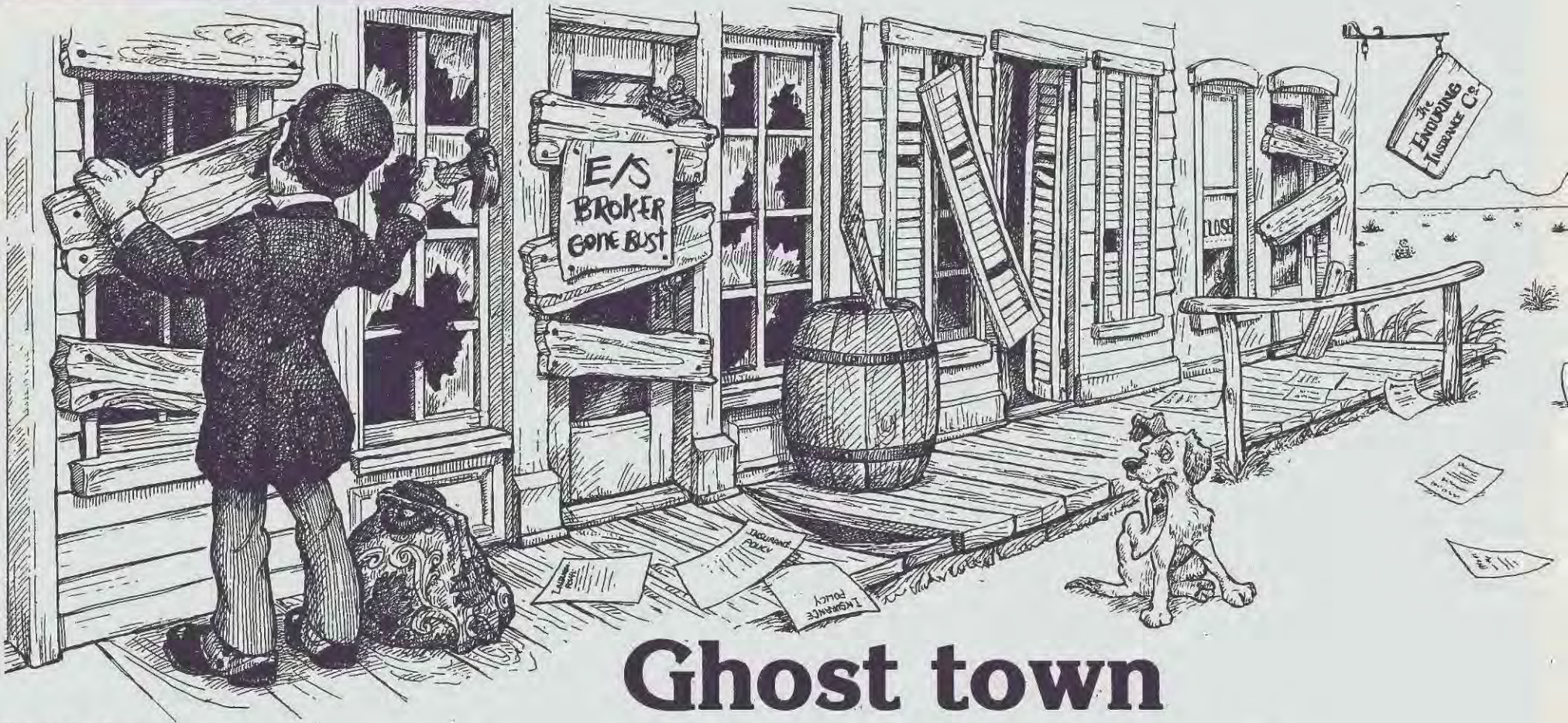


Illustration: Scott Gustafson

# Ghost town

## E/S industry feels the pinch . . .

By Charles McAlear

**U**NDERWRITING departments don't have a throttle, only an "on/off" button.

The "off" button was pushed a few years ago when insurance companies began to realize the potential of investment profits. Before the button was pushed, outstanding loss reserves, some towering over net worth, seemed to threaten the very existence of some companies. They had the potential of growing faster than inflation.

Suddenly these liabilities became an asset. While loss reserves were only an estimate subject to human judgment, investment income could be easily totaled.

Coverages where losses might not be known for years frighten the most experienced underwriters. "We are seeing a half million dollars in new losses every month on business we haven't written since 1976," said one underwriter.

But such coverages are not unattractive. A dollar collected today will be worth two or more in 1986 when such claims are finally paid.

Reserves for incurred but not reported (IBNR) losses are seen by some as a tax shelter. Taxes are not paid on such reserves although the investment income generated is often taxable. Funds can be generated from such reserves, but, with judgments increasing almost precisely with inflation, the big question is whether investments can generate enough profits.

In the early 1970s, experienced underwriters watched the standard companies try to self-destruct while

surplus lines companies watched from the sidelines. Relatively small, short on capital, pressed for reinsurance capacity, their patience was rewarded.

That's not so today. Fat with surplus, courted by reinsurers, eager for volume, many surplus lines insurers are now part of the problem, not the solution.

Horror stories abound. A product liability account had a rate of \$6 in a standard market. Last year \$3.60 was tucked away as IBNR. As the company shopped for renewal, rates from \$8.50 to less than \$2 were quoted. This year less than \$1.20 will be reserved. Will this generate enough investment income to pay \$3.60 in losses?

Standard markets now write business they actively avoided in the past. They demonstrate a willingness to change contracts formerly contingent on loss experience to pure production incentives.

The older surplus lines companies, those often accused of "gouging," are quiet. Foremost Insurance Co. is not active in the surplus lines business. Northbrook Excess/Surplus Lines Insurance Co., Columbia Casualty and Canadian Universal are not pricing with the new competition but are watching their own losses develop. They know what the loss costs are. Then where is the competitive pressure coming from?

In the example mentioned earlier, the standard company, wanting to retain the renewal, cut the rate to the bone, dropping it from \$6 to less than \$3. Two experienced surplus lines companies quoted over \$8, clearly pricing themselves out of the market. But two insurers came in at less than \$2.50.

Those two companies have the competitive edge. They were not active in writing this class of business three years ago; they have literally no experience. Neither underwrites its own business; the pen is wielded by organizations whose principal source of income depends on production, not underwriting profits.

Thus, there is little motivation to underwrite to a profitable policy. Reinsurance, plentiful and cheap, has turned some companies into pure production sources with more stake in ceding commissions than in profitability.

Captives still retain their charm, and junkets to romantic isles still lure many risk managers. A large retention is still something to boast about. Yet the truly sophisticated buyer is shifting the risks out of the captive, and not only for tax reasons. Retentions can be sharply reduced or avoided entirely because commercial insurance has become cheaper, even with taxes, commissions and overhead.

Underwriters will quote whatever it takes to retain renewals or to secure new business. Producers soon learn that submission of the bare details is most effective.

An account that developed serious losses worried an agent. The \$1 million premium was no longer attractive. It was hard to guess how much more would be required to handle the proven loss potential. Another agent, totally unfamiliar with the account, found a standard company, also unfamiliar with the class, that wrote the business for half the expiring premium.

The manufacturer of a product that generated huge losses encountered some very serious adverse publicity. The whole world seemed to know the hazards of its output. Underwriters were seriously concerned about renewal. Premiums were inadequate to losses developed before the publicity bomb exploded.

The underwriters didn't have to worry. The renewal was lost to a company that reduced the premium by \$500,000.

Such tales are no longer shocking; they've become commonplace. "There is no such thing as a \$100,000 account," said one surplus lines company president. Another, concerned that his underwriters were not aggressively working to retain

renewals, checked out one such account. The \$100,000 premium quoted was too high. If his underwriter had really sharpened his pencil, a renewal quote of \$80,000 might have saved it. But the president found that was not the case. A competing company wrote it for \$12,500.

Whole classes of business have been bought. A specialty underwriter withdrew from a class of business it had written for many years. The annual volume was approximately \$5 million. Annual losses turned out to be \$9 million. A standard company immediately filled the gap at half its rates. The total premium will be a little more than \$2 million, but the losses, elevated by inflation, will top \$10 million.

The story does not end there. Recently a new aggressive specialty company entered the marketplace with rates 50% lower. Premium generated will be \$1.25 million with the losses still more than \$10 million. Even at 14% after-tax interest rates, it will take 11 years for net income to equal the losses.

Competition for commercial accounts is not restricted to classes where investment income is a factor. Property and auto physical damage is freely written by scores of markets at rates that are grossly inadequate. Experienced commercial auto underwriters can't get half the required rate and are backing off.

Here's another horror story. An agent recently encountered the ultimate in competition on a product liability account. The premium had been nearly \$100,000 and an \$80,000 quote was secured from a competing company. The standard company writing the account froze him out. They extended last year's policy for a year for free. That's hard to beat.

But then there is the story of the account that negotiated to have its rates reduced on an expiring policy. After an audit there was enough return premium to pay for the renewal with money left over. That couldn't be true—or could it? ■



Charles McAlear is president of Charles McAlear & Associates excess/surplus lines brokers in Grand Rapids, Mich.

# perspective

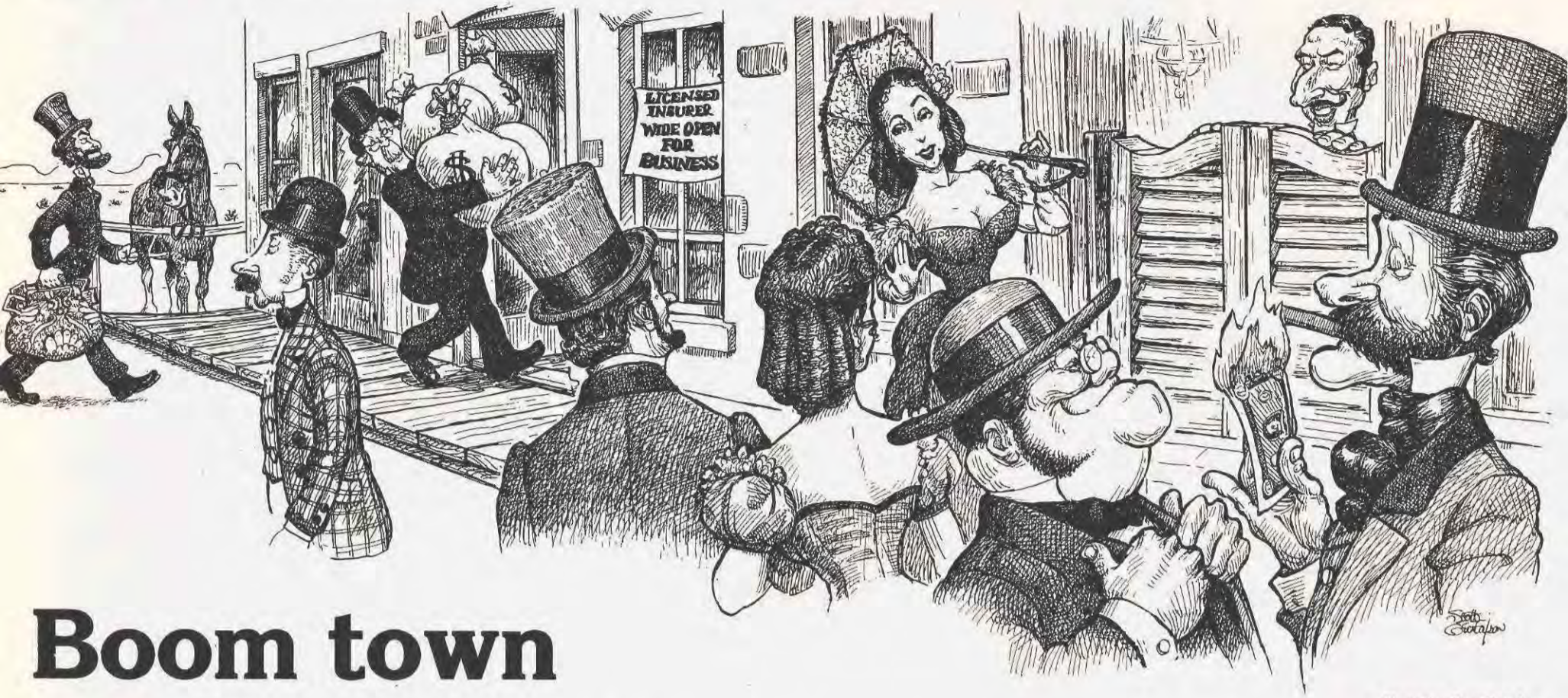


Illustration: Scott Gustafson

# Boom town . . . But admitted markets surge

By Charles McAlear

WALL STREET analysts talk of return on investment as a measure of insurance company success. With the amounts of investment income being generated, the bottom line and not the combined ratio has been declared critical. There is talk of a combined ratio of 105% to 110% being tolerable and of 115% not out of the question. Predictions of average combined ratios of 108% to 112% for 1981 are made freely and cheerfully. Next year is supposed to be more of the same with things improving hopefully in 1983.

From street level, where the agent and the surplus lines broker toil, things look decidedly differently. In their view, many companies have already put enough underpriced business on the books to assure that, if it were properly assessed, net losses will develop in the next 2½ years, even after investment income is counted.

The surplus lines broker is concerned not only with what this means for the future cost and availability of insurance, but is worried about his income.

Agents and brokers live on commissions and get no benefit from a company's investment income. As premiums drop, so do commissions. Surplus lines brokers, often heavily committed to the very classes where competition is fiercest, are perhaps most hard-hit.

One surplus lines broker had average premiums of more than \$10,000 per policy in 1978. This year, the average premium is less than \$3,000. Another large surplus lines broker can write more than \$150 million in volume and produce no profit.

A few words about why the market is so competitive are in order. In this slow-growth economy, there is little additional demand for insurance. Yet companies have the stated capital to write more insurance, and they search for new policies with lower rates.

At the same time, inflation is pushing

	Premium	Expense Loading	Actual Losses	Real Combined Ratio
Year I	\$10,000	\$4,000	\$6,000	100%
Year II	8,000	3,200	6,900	126%
Year III	6,400	2,560	7,930	164%
Year IV	5,120	2,050	9,120	218%
Year V	4,100	1,640	10,480	296%

up the costs of the goods and services the insurance dollar purchases. The much-touted investment income, upon which taxes must be paid, comes largely from invested loss reserves. The cost of paying losses is increasing faster than the rise in investment income.

If renewals are lost, expense ratios, already under inflationary pressures, soar. Some companies are dragged into the competitive fray.

To illustrate (see chart above), let's assume that over a five-year period inflation will continue as it has at 15% while premiums under the pressure of competition will be reduced by 20% annually. Loss costs increase with inflation by two-thirds while the premium is reduced to less than half.

Agents begin subsidizing the transaction as their commissions fall on the lower premium while their expenses to do the same work increase. They see their income drop to less than 25% of the first year. Unlike companies, they cannot look to investment income to cover expenses and thus feel the pinch.

The expenses that must be paid have increased 75% with inflation in this model, but the real combined loss and expense ratios aren't revealed. They are disguised by unseasoned business because the new accounts moving from market to market are going on the books of each new insurer with a loss ratio of 60% of the new depressed premium.

Depressed premiums will affect smaller companies, making them unwilling or unable to compete, allowing their market

share to erode or persuading them to merge with a source of more capital. Smaller agencies may face the same fate, particularly if commercial insurance has been their forte.

The surplus lines brokerage business is already changing. Some offices have closed. There will be fewer entrepreneurs in the field and more chains sponsored by large corporations capable of weathering a long dry season.

Some say present market conditions are sustaining a continuing growth in efficiency. The insurance buyer has long been well-served by a marketplace filled with competing producers and underwriters, large and small, generalist and specialist. Alternate means of financing future losses have always been available; the buyer or risk manager has had many choices.

If market conditions continue to favor only large corporations, smaller firms, whether producers or insurance companies, will disappear. Risk managers might contemplate this nightmare: At some future point all that is left is AIG and Marsh & McLennan—and they merge.

The tendency toward vertical integration is already evident. Some brokerage managements want every service provided an account—production, engineering, underwriting, consulting, claims handling, surplus lines and reinsurance brokering and underwriting—performed in-house. The motivation is to reduce competition and maximize profits by participating in every

aspect of the transaction. Only something truly spectacular happens. Wall Street is still happy with return on investment. Insurance company stock is still selling well. Captives, looking for tax breaks for their parent companies, vie for outside business.

There is a veritable flood on new capital, green and eager to assume risk, especially in surplus lines and reinsurance. Here investors seem to equate the high premiums obtained during the crunch of the 1970s with high profits. There is little evident perception of the risks. There is enough fuel in the form of capital and fools to waste it to keep the premiums in their downward spiral for a long time to come.

The long-term concern of those in the insurance business should be that current tight budgets are not contemplating a future return to underwriting. Younger underwriters see no future in their specialty, no satisfactory career path within the company environment. Budgets prohibit training and encourage those with experience to hop from job to job. Large-scale underwriting is becoming a lost art for which there is no demand.

This fact may have serious effects on the future well-being of the buyer. The underwriter has become a clerk capable of writing an account or declining it. He or she might be trained to increase premiums across the board, but it is doubtful that any consideration will be given to the characteristics of the individual risk. High rates will affect the well-managed account as much as the real loss generators.

There will undoubtedly be a final reckoning. Insurers will have to demand some profit to survive. What will happen when the insured, who is paying a totally inadequate rate, is asked to pay something realistic that could be a multiple of present premium? The only thing certain is that the longer the market continues in its present cycle the more drastic will be the eventual adjustment.

# 'BIM buildup'

## Wave of built-in mediocrity slowly creeping into the insurance industry

**peter downes**



Downes

*Peter Downes is manager of insurance for American Trading & Production Corp. in Baltimore. His columns of satire appear regularly in Business Insurance.*

By Peter Downes

**A**DREADFUL THING happened in Baltimore last year. The Brass Rail closed its doors forever, which had a devastating effect on some of its denizens who have not been seen since. Others among us gradually gravitated to a new watering hole on the next street, known as the Hotel Junker. There, a group of originals has established itself in the main bar, diagnose the sickness of the world and prescribe the treatments necessary to cure it.

My insurance broker friend Fred can be

found there most days. He is not the man he was, however, since nowadays he sometimes can be found eating lunch instead of just drinking it.

On my way into the bar one day, he hailed me:

"Where've ya been?"

"San Francisco. Went to RIMS."

"What was it like?"

"Pretty good. Best dinners in all the years I've been going to RIMS. Pity you didn't go. A lot of people asked about you."

"No, I'm getting too old to want to do it any more. All that hospitality suite stuff

and having to be on my best behavior and having to be polite to people I don't know or, if I do, I may not even like. Anyway, what I meant was, what was the convention like?"

"Don't know really. I spent mornings catching up with old friends and doing a little business on the side, and during the afternoons I helped with a mini-seminar, so I never got to see much of the conference as a whole. Tell you what, though, it did help reinforce a conclusion I had already reached."

"Wassat?"

"That this country is suffering badly from BIM."

"What in hell's that? Some kind of detergent?"

"No. It's my newest acronym. It means Built-In Mediocrity. The thing Spiro Agnew once implied was good for the country."

"And now you're implying that the greater part of the silent majority is nothing but a bunch of nitwits. What brought this on?"

"Well, I was to talk at RIMS about risk management in relation to cash management or something. While shopping around for ideas, I asked some internal auditors what role they played in all this. They hedged like the invexes (inverted or hedging executives) they are, but, finally, they gave me a copy of their procedure for auditing an insurance function. I read it through and then asked, 'You don't actually use this garbage, do you?' After that they got very stuffy and hot under the collar about the whole thing."

"So what did that prove other than the fact that you have no time for internal auditors?"

"Really, Fred, some of my best friends are internal auditors. However, what all this said to me was that those people have a procedure that bears no relation to how things are actually done in this world, and that procedure has been blessed with some kind of seal of approval. Since I have been audited without criticism by auditors who purportedly followed a procedure that was completely foreign to my operation... well, somebody was being deluded."

"You mean those auditors misled management?"

"I'm sure they don't think so. What I think happened was that when they ran into problems, they just made them go away."

"How?"

"Very simply. All they did was to say that they were not problems at all. Fred, people have been doing that since time began. Remember Mussolini, the old Italian dictator?"

"The one who made the trains run on time?"

"If you believe some cynics, he never improved the railroads in the slightest. All Mussolini did was change the railroad timetables."

"Yeah, I see the point. Last year

Baltimore schools gave a basic skills test that 80% or thereabouts failed. To get rid of the problem they had everybody take a much simpler test."

"That's right. But do you know, Fred, I think systems people contribute a heck of a lot of BIM."

"Well, it often seems to me that I have yet to hear of a system that really functions well, but what do you have in mind?"

"Same recipe really. Dream up a half-baked program, wrap it up in an impenetrable thicket of gobbledygook, stir well and serve to management. The trouble is that most managers do not know enough to challenge their methods, resulting in another big dose of BIM."

"Could be you're right. Every time systems people say jump, everybody changes into track suits. And I bet that all those mediocrities never doubt that they are geniuses."

"How true. But again, Fred, look at the insurance trade. Recently the top man at USF&G proclaimed that all insurance rates need to be raised, failing which a lot of companies will go broke. Perhaps rates do need raising, but the man who said it missed the whole point so far as I am concerned. If the losers he was talking about had common sense enough to learn what was happening in the real world, many of them would not be in trouble. As it is, the man at USF&G is trying to make the problem go away, and would cheerfully create more and more BIM in the process. And by the way, Fred, have you heard of any capable insurance brokers lately?"

"Pete, right up to this second I was going to pay for your second drink, but obviously you have had too much already. Anyhow, if all this BIM, as you call it, is going on, what to you think will happen in the future?"

"In a word of sorts, Fred, BAM!"

### management

## Workforce stability desirable

By Kenneth P. Shapiro

**A**lthough a certain amount of employee turnover is normal, perhaps even healthy, overall labor stability is always a desirable goal.

Perceptive managers recognize that high employee turnover is not accidental but often indicates deep-seated corporate problems requiring swift and complete remedial action.

The fault may not be in our employees, but in ourselves.

The basic causes of employee turnover can be found in four general areas: employee selection, job design, supervision and compensation.

**Selection:** The most direct way to control turnover is to hire the right employees. During the selection process, it is crucial to determine if the qualifications and interests of the applicant match those required to perform the job. In addition, by reviewing such factors as job history, family status and educational history, potential employers can assess the likelihood that the applicant will remain with the job.

Many organizations, by developing sophisticated measures to quantify the probability of a newly hired person staying with the company, have managed to decrease turnover.

**Job design:** Poor job design often leads to employee dissatisfaction and eventual turnover. By allowing and encouraging worker involvement in job structuring, this problem can be avoided. Documented studies have proven that employee participation in job design not only can

reduce turnover, but also can improve productivity.

**Supervision:** Like proper job design, the right supervision can reduce turnover and improve productivity. The key is to treat subordinates like people by attempting to adjust the level and style of supervision to the needs and motivations of each employee.

**Compensation:** To help keep turnover within acceptable limits, compensation must be both equitable and competitive. However, in the face of continuing problems of selection, structure and supervision, your compensation system, no matter how generous, will not prevent turnover by itself.

By addressing these major contributions to turnover, companies can reduce turnover and its costs. And be forewarned: turnover is expensive. The factors contributing to turnover costs include:

- Employment costs resulting from recruitment, selection and placement.
- Productivity costs due to a new employee's initial substandard performance.
- Training costs including the expense of management time used to break in new employees, in addition to the costs of any formal employee training.
- Separation costs incurred for exit interview time, placement services and any record keeping and payroll work involved.
- Social Security costs of extra employer FICA contributions.
- Costs of employer contributions for unemployment compensation.

Excessive turnover stops when good management practices begin. Astute managers first must realize the costs associated with this problem, then recognize the major part they can play in solving it.

Once that's been accomplished, the attack on the causes of turnover has truly begun.



*Kenneth P. Shapiro is a vp for Hay Huggins & Co. and a partner of Hay Associates in Philadelphia. His column on management appears monthly in BI.*

Continued from page 46  
 programs for architects and engineers.

The 43-year-old firm is continuing to expand in the architects/engineers liability product line. Schinnerer recently developed, with CNA, a project insurance policy with \$50 million limits to provide liability insurance to architects and engineers working on a specific project.

Single-project insurance is important for owners and developers because the standard professional liability insurance policies architects and engineers carry may be exhausted by claims from other projects, Mr. Dolan explained.

Schinnerer also is moving ahead in other professional liability coverages. It now offers a malpractice insurance program for lawyers in five states and hopes to expand the program nationwide by next year.

Schinnerer also is expanding its efforts in the professional liability area for hospitals and other health care professionals. This market is expected to grow substantially in the next several years.

Schinnerer now garners 85% to 90% of its premium volume from its bread-and-butter architects/engineers liability programs, but that

percentage is expected to dip slightly this year as other programs grow, Mr. Dolan said.

Other professional liability insurance programs offered include coverage for land surveyors and landscape architects.

The bulk of Schinnerer's business is placed with CNA and Columbia Casualty Co., a CNA subsidiary, although it also does business with 70 other insurers and reinsurers.

Mr. Dolan predicts continued expansion for Schinnerer because "more and more insurers are looking to expand their offerings and are seeking professional underwriting managers because they don't have the in-house expertise."

Schinnerer has 7,000 to 10,000 commercial accounts and about 5,000 agents and brokers place business with the company.

Full-service offices are in Washington, D.C., New York, Chicago and San Francisco.

Principal officers of Victor O. Schinnerer include: J. Sprigg Duvall, president; James R. Stevens, executive vp; Merrill B. Walker, senior vp and chief financial officer; Thomas F. Tucker, senior vp, and Paul L. Genecki, senior vp.

—By Jerry Geisel

# 5 IWest

P.O. Box 1651, Stockton, Calif. 95201; 209-948-0555

	1980	1979
Premium volume	\$32,000,000	\$30,000,000
Gross rev.	\$3,200,000	\$2,900,000
Employees	80	75

"There's a change taking place in the marketing of commercial insurance that makes the future of wholesalers brighter than ever," says James A. Bradley, president of IWest Insurance Managers Inc. in Stockton, Calif.

Mr. Bradley predicted that in five years IWest will write \$75 million in gross premium—more than double its 1980 volume. Wholesalers will stretch their marketplace to cover voids left by retail brokers and insurance company distribution systems, he said.

This optimistic forecast flies in the face of declining growth recorded by IWest and other surplus lines specialists.

IWest, ranked fifth in the *Business Insurance* listing, eked out a 7% gain in premium volume to \$32

million in 1980, its smallest increase in six years.

But Mr. Bradley's enthusiasm is undaunted.

Wholesalers could replace the insurance company branch office system, he said. Those offices still will handle automobile and homeowners' policies, but wholesalers will offer a more efficient distribution system for commercial risks, he said.

Retail brokers outside the major metropolitan areas haven't kept pace with growth in their communities, Mr. Bradley said. They are relying more and more on local wholesalers "to become the marketing department for their agencies," he explained.

This phenomenon is especially strong in IWest's backyard: the Central Valley region of California and non-metro areas of Washington and Oregon. While the number of retail brokers in cities like Redding has remained constant over the past decade, population and commercial growth have increased rapidly.

Regional retail brokers are also threatened by the gravitation of their accounts to group and trade association programs packaged by the national brokers. Local brokers are coming to IWest to find markets to match what these group programs offer, Mr. Bradley explained.

To focus its energies on "these markets that need us," IWest last June shut down its Los Angeles office on intensely competitive Wilshire Boulevard, Mr. Bradley said. Staff and budget were enlarged in the neighboring Encino and Orange County offices.

Because IWest is independent, not owned by another organization that doesn't know the wholesale business, it can move quickly to react to long-term trends, Mr. Bradley said. "Other wholesalers along Wilshire are also experienc-



'Other wholesalers along Wilshire are also experiencing problems,' Mr. Bradley says.

ing problems. Their parents would want to maintain a presence there for appearance's sake."

But surplus lines broker Montgomery & Collins, a unit of INA Corp., and underwriting manager Sayre & Toso, a subsidiary of the Mission Insurance Group, say their Wilshire Boulevard offices have been outperforming most of their other locations.

IWest competitors are racing to open regional offices of their own, Mr. Bradley said, but "we're already there with good people in place." The company boasts offices in Stockton, San Francisco, Fresno, San Jose, San Diego, Encino and Newport Beach, Calif; Portland, Ore.; Seattle; Denver; and Reno, Nev.

In November, IWest acquired

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Towers, Perrin, Forster & Crosby in San Francisco, which writes about \$3.5 million in annual premium.

But only 35% of the business will be retained in IWest's San Francisco office; the rest has been allocated among local offices closer to the risks.

IWest calls itself a "generalist," underwriting virtually all kinds of commercial insurance. But Mr. Bradley said the firm is "predominantly casualty-oriented." He estimated that its mix of business is 75% casualty and 25% property and aviation.

About 40% of IWest's business is brokered; the other 60% is as an underwriting manager and related functions.

IWest is underwriting manager for St. Paul Surplus Lines Insurance Co., Great American Surplus Lines Insurance Co., First State Insurance Co., Western World Insurance Co., Great Southwest Fire Insurance Co., Illinois-Wausau Insurance Co., Northbrook Excess & Surplus Insurance Co. and Chicago Insurance Co.

If IWest does not want to write a risk through one of the 20 companies for which it has underwriting authority, it can broker it through about 20 other markets that it represents, including Transcontinental Insurance Co., Columbia Casualty Co., California Union Insurance Co. and Evanston Insurance Co.

"Every major general liability product has gravitated toward admitted facilities, especially in California," Mr. Bradley said.

"Seven years ago, 70% of our business was with non-admitted companies; today it is less than 35%. But we're still placing business with the same organizations," he explained.

Columbia Casualty once got much of IWest's business, for example. Now those risks go to Transcontinental, an admitted market. Both are subsidiaries of CNA Insurance Cos.

Many risks formerly written through First State Insurance Co., a Hartford Insurance Group sub-

sidiary, are now placed through New England Reinsurance Co., another Hartford unit that is admitted in California.

The standard companies have decided that wholesalers are a more efficient way to market their commercial products, Mr. Bradley said.

"We may be underwriters, but our fundamental responsibility is in production."

IWest is not looking for additional markets now since it is not providing enough business to the markets it already represents; they are all asking for more premium and that allows IWest to be more competitive, according to Mr.

Bradley.

IWest is considering acquisition prospects in the 13 Western states where it does business.

The company is not interested in selling out, but "if we could generate enough internal working capital or find an equity partner, we would like to go national," he said.

Principal officers in addition to Mr. Bradley are: Robert Stahl, chairman; Warren S. Stanley, executive vp; and Donald E. Webb, chief financial officer.

IWest Insurance Managers, founded in 1969, is a member of AAMGA and NAPSLO.

—By Rhonda L. Rundle



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# 5 top excess/surplus insurers profiled

## 1 Lexington

100 Summer St., Boston, Mass.  
02110; 617-956-4200

	1980	1979
Gross premiums...	\$349,221,000	\$213,923,000
Net premiums...	\$11,488,000	\$7,967,000
Paid-in capital...	\$1,500,000	\$1,000,000
Capital & surplus...	\$19,483,233	\$13,120,501
Employees.....	160	160

Some may sigh or grimace, but none deny that Lexington Insurance Co. is the winner in a high-stakes market game that has trounced many a rival.

"It's No. 1. Lexington that continues to grow while the rest of us have stopped," acknowledges Robert Agnew, the president of Northbrook Excess & Surplus Insurance Co., once the industry leader and now ranked second.

Lexington's gross premium volume grew 13% in 1980 to \$249.2 million from \$216.9 million in 1979, while, its number of employees stayed the same—signs of productivity and expense control.

As a wholly owned subsidiary of American International Group, Lexington upholds the corporate penchant for reticence and controversy. Officials from the company refused to talk to *Business Insurance*, and even parent company executives contend that they know little of Lexington's secrets.

However, observers close to the company attribute its success to an array of factors, ranging from Lexington's alleged habit of investing

the float on premiums owed reinsurers to its practice of covering giant risks and passing them almost totally to reinsurers.

"It is the most perfect example of AIG's gross lines underwriting philosophy," remarks one source.

As he sees it, Lexington's greatest advantage derives from the power and flexibility awarded the gross lines underwriter.

"The guy who writes the largest piece of the action controls it—sets the price, the terms and the conditions."

The gross lines underwriter makes the broker's job easier by reducing the number of insurance companies he has to approach. Therefore, he is likely to accept a lower commission for the business, if the premium is competitive.

Lexington also makes money on reinsurance commissions, which average about three times that received by leading competitors. This disparity says something about the quality of their business, according to Donald Franz, an analyst with Smith Barney & Co. in New York.

One surplus broker says, "They are a wholesaler's wholesaler."

Lexington's hefty commissions are even more remarkable when the company's reputation for tardiness in ceding premiums to the reinsurer is taken into account. "I've heard they hold on to the premium for six to nine months," says Robert Brokaw, an analyst with Mabon Nugent & Co. in New York.

Mr. Brokaw notes that in 1980, \$64.7 million of Lexington's total liabilities of \$83.1 million was reinsurance payable, a pattern seen in

prior years, too.

"It's normal for companies to be late in their premiums," Brokaw adds. "But Lexington presses the industry practice."

Lexington's profitability, sources agree, is partially the result of investing the premiums before passing them on to the reinsurer. Lexington's investment income of \$5.2 million in 1980 was 45% of net premiums written, compared to an industry average of 10%.

Even so, Mr. Brokaw foresees no reinsurer revolt against Lexington. "You wouldn't get reinsurers sticking with you if they didn't make money on your business. They'd drop you like a hot potato, particularly on facultative risks," he says.

But others maintain that Lexington has more than just a handy way with reinsurers and their money.

"If that's all there was to it, everyone would have the same results," contends Thomas Johnson, who follows the company for Conning & Co. "If you want to know why they're ahead—it's the people. They get and keep talented people with a great deal of expertise."

Lexington is licensed in Delaware and operates in the United Kingdom and in almost 50 states on a non-admitted basis. It has an in-house capacity of roughly \$24 million for property risks and about \$12 million for casualty insurance.

Like other excess/surplus lines specialists, Lexington has a mandate to "underwrite unusual risks upon which reasonable filings are hard to establish or risks that it believes justify a different treatment

than that applicable under normal filings," according to company literature.

This translates into space technology, ocean marine, international risks and energy—all Lexington specialties, which it will handle for a minimum of \$5,000 in annual premiums.

Counted among Lexington's reinsurers are 13 other member companies of AIG and a hoard of domestic and foreign reinsurers. Lexington's domestic affiliates, chiefly the Transatlantic Reinsurance Co., the Birmingham Fire Insurance Co. and the Insurance Co. of the State of Pennsylvania, are accountable for \$32,023,116 recoverable on paid and unpaid losses, as of Dec. 31, 1980.

Among reinsurers not connected with AIG, 118 domestic firms bear \$94,625,848 recoverable on paid and unpaid losses and 33 foreign ones carry \$30,019,601. Among these companies and associations, the most significant participants are Cravens Reinsurance Facultative Facilities (\$6,293,944), Sentry A. Mutual Co. (\$4,568,332), American Reinsurance Co. (\$4,045,030), Underwriters at Lloyd's Ins. Co. (\$3,713,889) and Guy Carpenter Co. (\$3,671,132).

Lexington's habit of reinsuring most of its business—95.4% in 1980—can also make for some strange-looking figures. In 1980, for example, the combined ratio was negative 8.7%. In 1979, negative 52.7%.

The expense ratio is the culprit. In 1980 it was negative 120.5%, in 1979 a negative 139.8%. And these were no exceptions—for the five years ending last year, Lexington's average expense ratio was actually a negative 94.8%, reflecting commissions on ceded insurance. By accounting convention, these commissions are booked as debits against expenses. "Others might have low expense ratios, but they don't have negative ones," says Mr. Franz.

Officers of Lexington include: Francis S. Olesiewicz, chairman; John S. Gibson, president; Vaughan C. Gerrish and Thomas J. Seippel, senior vps.

—By Lisa Bergson

## 2 Northbrook

100 Allstate Plaza South,  
Northbrook, Ill. 60062; 312-291-6100

	1980	1979
Gross premiums...	\$226,763,424	\$241,538,521
Net premiums...	\$19,079,831	\$9,523,107
Paid-in capital...	\$6,000,000	\$36,000,000
Capital & surplus...	\$7,607,761	\$26,660,706
Employees.....	140	140

With fingers crossed, Allstate Insurance Co. executives say positive innovations may emerge from the current hardships at Northbrook Excess & Surplus Insurance Co., a wholly owned Allstate subsidiary.

The problems facing the second-largest non-admitted insurer are the result of both stringent market conditions and a string of actual or potentially bad losses, including the recent disaster at the Kansas City Hyatt Regency Hotel.

NESCO underwrote a \$25 million excess of \$1 million umbrella for Hyatt Hotels Corp. and Crown Center Redevelopment Corp.

The insurer also has reserved \$15 million for possible damages being litigated against Ralston Purina. The company is accused of leaking a soybean processing chemical, nexane, into the Louisville, Ky., sewer system where it triggered a series of explosions.

Moreover, NESCO was assessed \$15 million in May in a judgment against Kaiser Cement for allowing bricks treated with explosive chemicals for construction.

"I know we won't have a profit this year," says Robert Agnew, NESCO's president, a soft-spoken executive who chain-smoked through an interview about his company's predicament. Mr. Agnew foresees "weaker" results than in 1980 when NESCO experienced a loss of \$150,000 on a net earned basis. However, it had a 95.8% combined ratio on a net premium basis.

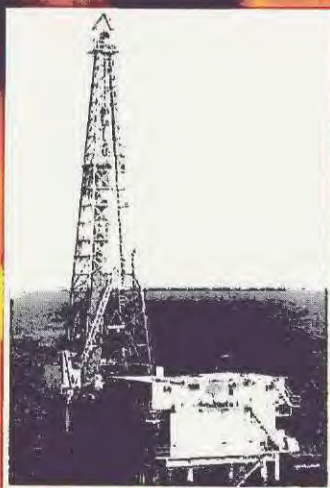
Coping with such problems is relatively new to NESCO. Born just before the excess/surplus boom of the mid-1970s, the firm started in 1972 with \$10 million in capital.

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Agency of Chicago, Ltd.

Except for 1977, when NESCO had an operating deficit of 20.7% of premiums, the company enjoyed a five-year period—1974 to 1978—of rapid growth and profitability before results leveled off three years ago.

And, despite his current troubles, Mr. Agnew stresses his commitment to remain available to provide capacity when it is sorely needed.

"We're going to stay in the same posture and wait for the cycle to turn," Mr. Agnew says of the general downswing in excess/surplus business.

NESCO traditionally writes limits of up to \$25 million on umbrellas and excess liability insurance lines; excess property insurance, particularly for difference in conditions risks, such as floods and earthquakes; professional liability, particularly for architects, engineers, lawyers; and, since 1979, directors and officers liability and medical malpractice.

In keeping with Allstate's five-year plan for the subsidiary, Mr. Agnew will aim to increase NESCO's retention of premiums to 30% from 8% and to increase gross premiums to \$385 million in 1986 from this year's projected \$221 mil-



'We're going to stay and wait for the cycle to turn,' Mr. Agnew says.

lion. NESCO plans to compete by offering new products—there are two in the pipeline—and not by aggressively chopping prices. As of the second quarter of this year, Mr. Agnew put a halt to coverage price-cutting.

"Our prices are lower than we feel confident with," he says, adding that NESCO finds that the high-price structure of 1977-1978 was not as "redundant" as was once believed.

In lieu of price-cutting, NESCO hopes to attract new business by introducing what, for it, are novel types of coverage.

Starting in the third quarter, for example, it will offer a wholesale product with a \$5 million limit designed for small and medium-sized companies.

In the past, "We have always had a disproportionate number of Fortune 500 customers," according to Mr. Agnew.

But it is just those major corporate clients that are lured by price-cutting competitors.

"Mission, American International Group and the Insurance Co. of North America have taken ac-

counts away from us," he complains.

At the same time, Mr. Agnew says he is discouraged by the continued encroachment of admitted insurers on the excess/surplus marketplace.

"There's no need for us or for Lloyd's if the large multiline companies continue to fit the bill," he says.

Looking ahead, Mr. Agnew says he believes the market will turn in NESCO's favor, perhaps as soon as 1982.

He is cautious, however. "In 1979, we thought it would turn by now," he recalls. "We figured prices were so low that the industry wouldn't let it continue. But it has."

NESCO is an admitted insurer in Illinois and California. It is an approved, non-admitted insurer in all other states holding approved lists.

—By Lisa Bergson

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GROUP DEPARTMENT

3

## First State

60 Battery March St., Boston, Mass.  
02110; 617-357-8400

	1980	1979
Gross premiums...	\$219,684,000	\$205,986,000
Net premium.....	\$37,408,000	\$39,144,000
Paid-in capital.....	\$5,000,000	\$5,000,000
Capital & surplus..	\$79,407,935	\$70,076,713
Employees.....	200	180

The First State Insurance Co. fits in New England, conservatively turning a profit during difficult market conditions.

The insurer brought in \$219.6 million in gross premiums last year, a 7% increase over 1979, and retained \$37.4 million to produce its best loss ratio in five years.

The insurer's combined ratio for 1980 improved to 74% compared with 1979's combined ratio of 92.6%. It also earned \$133 million in investment income for 1980, a 26% increase over 1979.

This gives Graves D. Hewitt, chairman and chief executive officer of Cameron & Colby, the company's underwriting manager, leave to say with no small understatement, "1980 was a nice year."

First State and Cameron & Colby were purchased by The Hartford Group in 1977. The excess/surplus lines insurer is very active in special property/casualty insurance and financial institution services. This includes specialties like primary and excess umbrella



Photo: Jack Milligan

First State's Richard E. Willey, left, and Chester A. Abbey.

liability, difference in conditions and errors and omissions and directors and officers liability coverage for financial institutions.

It is an admitted insurer in Delaware and Massachusetts and qualified as an E/S insurer in all other states.

"We're a very conservative New England crowd," Mr. Hewitt said of Cameron & Colby's management style. The firm moves "very cautiously" into new product areas and does not like wild, unplanned growth, he said.

"We build block by block."

Conservative it may be, but First State has grown at an impressive clip over the past five years. Gross premium volume has gone from

\$90 million in 1976 to last year's \$219 million, a steady progression that has been interrupted only by a drop from \$240 million in 1978 to \$205 million in 1979.

Part of last year's success can be traced to expanded services, said Richard E. Willey, president of Cameron & Colby and vice chairman of First State. The company wrote more directors and officers liability coverage, achieving a "modest penetration into the market."

But on the bottom line, Mr. Hewitt gives the credit for 1980 to the company's high-quality staff, assembled to meet the demands of competing in a tight insurance market.

A strong staff is especially im-

portant in excess/surplus lines, Mr. Willey said, since this business relies so heavily on "judgment rating."

And as simple and traditional as that may sound, Mr. Hewitt and Mr. Willey insisted it is the single most important ingredient in the company's success.

First State will concentrate further on its West Coast activities, he added, in an effort to "mature" their field of operations there.

Like their admitted competitors, E/S insurers have been hurt by a highly competitive insurance market, Mr. Willey said.

Because their market has become so competitive, admitted companies have been looking for new areas in which to expand. This has led to some E/S business going back to the admitted insurers, he said, which are writing coverages now for risks they would not take a few years ago.

Umbrella liability, difference in conditions and, to a lesser extent, directors and officers liability are three areas where admitted companies have raided what has been traditional E/S turf.

Mr. Willey estimates that about 70% of difference in conditions insurance is now written by admitted insurers.

And like admitted companies, Mr. Hewitt said, E/S insurers are relying more on investment income than in years past because of high interest rates.

"Everyone in the casualty business is living on cash flow" rather than concentrating on a high underwriting profit, he said. There is "nothing wrong" with this approach as long as adequate loss reserves are maintained, he said.

More than 99% of First State's \$133 million in investment income last year came from bonds and other fixed maturities.

Besides Mr. Hewitt and Mr. Willey, officers include: Richard E. Stone, president; Chester A. Abbey, executive vp; and Kenneth L. Cook, James V. Maguire and James P. MacCausland, senior vps.

—By John W. Milligan

4

## International Surplus Lines

100th floor, Sears Tower, 233 S. Wacker Drive, Chicago, Ill. 60606; 312-876-3100

	1980	1979
Gross premiums...	\$98,144,368	\$97,173,449
Net premiums.....	\$13,163,253	\$11,738,721
Paid-in capital.....	\$1,500,000	\$1,500,000
Capital & surplus..	\$37,607,701	\$26,660,706
Employees.....	175	170

As part of a profit center, International Surplus Lines, a wholly owned subsidiary of Crum & Forster, enjoys an enviable flexibility. It expands or contracts according to market conditions.

Judging by industry records, decade-old International Surplus Lines followed the industry pattern of rapid growth in the mid-1970s, to direct premiums written of \$83,757,000 in 1978 from \$9,160,000 in 1974, followed by an apparent flattening in recent years.

Gross premiums increased just less than \$1 million to \$98.1 million in 1980 from \$97.2 million in 1979.

However, a slowdown in ISLIC business is offset by the continued growth of its companion organization, L.W. Biegler Inc., which feeds business to Crum & Forster Insurance Cos. Of the \$220 million premiums written in 1980 by the profit center, 60% went to Crum & Forster's other subsidiaries and 40% to International Surplus Lines, said Louis W. Biegler, president of both his namesake and ISLIC.

Since it is Mr. Biegler's policy to try to underwrite all risks, no matter how difficult, he can channel some, such as directors and officers coverage, to what he considers the appropriate licensed insurers and direct very novel and/or hazardous business to ISLIC.

For now, ISLIC will "deliberately remain quite flat," he says, indicating that there are savings in rates and red tape in taking advantage of the many licensed markets now open to many once-exotic risks, like accountants liability in-

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urance.

To maintain ISLIC's level of activity, meanwhile, Mr. Biegler intends to experiment with new geographic locales, new product lines, and, when appropriate, new prices and new forms.

The company's net written premiums to policyholders' surplus amounted to 36% in 1980. Its combined ratio was 44.4%.

From its home offices with a panoramic view of Chicago, International Surplus Lines gives an appearance of solidity. Initially capitalized for \$4 million, it now boasts a total surplus of \$37,607,701. The company's total assets, according to the president's report on 1980, reached \$126,419,740.

International Surplus Lines—an admitted insurer in Illinois—underwrites professional liability, excess workers compensation (specific only), excess casualty, railroad liability and property coverages.

Although the prices for many of these coverages and services are going down, Mr. Biegler does find consolation in the fact that many customers are increasing the amount of coverage they buy. In the case of one of International Surplus Lines' specialties, railroads, he points out that companies are buying up to \$100 million in coverage from a ceiling of \$25 million eight years ago.

Mr. Biegler, however, says the current price war is dangerous and foolhardy. Noting that many of the newcomers from the admitted market are slashing prices 80% to 90%, Mr. Biegler warns: "If losses occur, they'll quickly get out of this business or increase their rates."

Acknowledging that "we too have cut prices as much as 25%," he claims to have done so only for existing clients with "good loss experience."

In keeping with Mr. Biegler's observation that "many once exotic risks are becoming routine," ISLIC will focus on areas that represent new and uncharted terrain. Among these, he has targeted environmental protection, blanket coverage for savings & loans institutions and banks and retroactive coverages, the last being "a very legitimate form of insurance," he says. International, he adds, was "modestly involved" in the MGM Grand Hotel's retroactive coverage.

There may be some time lag before International Surplus Lines' new coverages catch on, however. Introduced on Jan. 1, the environmental impairment coverage, for instance, may be slow going, Mr. Biegler said. The Reagan administration's policies are still being formed, and, due to lack of experience, insurers are keeping their prices high.

"There are a great many insureds that have a proposal for this kind of coverage, but they are holding off until they find out what the regulations will be," he said.

Mr. Biegler has also made an effort "to get in on the ground floor" of the New York and Illinois insurance exchanges. Through Crum & Forster, ISLIC was among the original syndicate members in the New York Insurance Exchange and already has subscribed to a syndicate on the Illinois Insurance Exchange to which ISLIC plans to contribute \$4 million.

Says Mr. Biegler: "I see this as a way of taking a look at business we wouldn't normally see. Also, the exchanges can help domestic insurance companies improve their reinsurance position in lieu of the unlicensed reinsurers they've had to accept over the years."

Besides Mr. Biegler, officers are B.P. Russell, chairman; S. Richard Vassallo, executive vp; Carmina Murphy, senior vp/secretary; Gabriel Gilead, senior vp/treasurer; and Norman R. Reid, senior vp.

—By Lisa Bergson

**5 Canadian Universal (Saval)**

22 Batterymarch St., Boston, Mass. 02109; 617-956-4424

	1980	1979
Gross premiums...	\$142,000,000	\$156,000,000
Net premiums...	\$100,543,000	\$84,535,000
Paid-in capital...	\$4,000,000	\$4,000,000
Capital & surplus...	\$39,314,000	\$36,744,000
Employees	90	85

(Includes admitted writings)

The Saval Group, a trio of insurers, is broadening its product base to recover from a \$26 million drop in excess/surplus lines business last year.

Saval also is simplifying its organizational structure in a move which will at least make life easier for the management of this Boston-based group of companies that

*Continued on next page*



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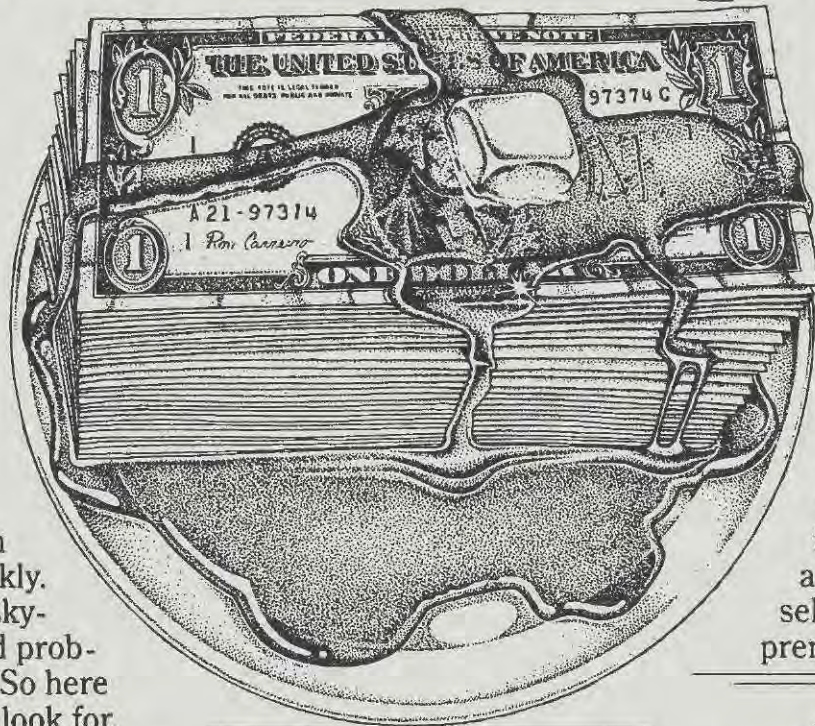
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Boston, Massachusetts

Continued from previous page writes both excess/surplus and admitted insurance lines.

The group is actually a flexible—and at first glance somewhat confusing—system of three insurance companies purchased in 1978 by the Chromalloy American Corp.

The American Universal Insurance Co., Canadian Universal Insurance Co. Ltd. and Canadian Universal Insurance Co. Inc. had consolidated gross premiums of \$142 million in 1980 and \$156 mil-

lion in 1979.

AU is an admitted company in all states except New York, California and Hawaii, and sells excess/surplus lines in those three states. CU Ltd. handles general insurance lines in Canada and excess/surplus lines in the United States. Founded in 1979, CU Inc. eventually will assume CU Ltd.'s excess/surplus lines activities in this country.

Excess/surplus lines business in the United States provides a signif-

icant portion of the group's consolidated gross premiums, some 60% in 1980 and 72% the year before.

Saval, however, lost a big chunk of its excess/surplus business last year. Gross premium volume fell to \$86 million from \$113 million in 1979 and \$110 million in 1978 when casualty insurance rates became so competitive that it turned away some renewal business rather than keep it at an unsettling underwriting loss.

To replace this loss, said Earl C.

Ostroff, Saval's executive vp, the group broadened its product base to provide a better mix. New areas include property/fire-related risks, mortgage impairment liability, marine coverage and commercial auto insurance for emergency and municipal fleets and truck drivers driving intermediate routes in metropolitan areas.

The group is staying away from product liability since the rates are too competitive at this time, Mr. Ostroff said, but is looking at environmental impairment and excess medical malpractice liability as candidates for future growth.

Saval's management philosophy, Mr. Ostroff said, is to "do anything that is a legitimate risk" as long as it brings a "fair price." It is "conservative in the extreme" with its investments, putting a 10-year maximum on long-term bonds and remaining "extremely liquid" on short-term investments.

Saval sells through a system of special agents and wholesalers, some of whom have binding authority on "garden variety" risks, Mr. Ostroff said.

By the end of 1981, Saval hopes to have completed a corporate restructuring that will separate its Canadian and U.S. interests.

Until recently, CU Ltd. has written general insurance business in Canada, while CU Ltd. and AU have both written excess surplus lines policies in the United States. To reduce the confusion between the Internal Revenue Service and its Canadian counterpart, Saval will restrict CU Ltd. to general lines in Canada, and has activated CU Inc. to write excess/surplus lines in the United States exclusively. AU will split its activities between surplus lines and admitted lines in the United States.



Earl C. Ostroff

CU Inc., which wrote its first policy in 1980, is an approved surplus lines insurer in 32 states and the District of Columbia, and is "on the verge" of being approved in four more, Mr. Ostroff said. Saval hopes to have CU Inc. approved in all 50 states by the end of the year.

The newest Saval company has an somewhat interesting history. It was actually chartered in Rhode Island in 1966 when the nationalism movement first erupted in Quebec and threatened to engulf CU Ltd., located in there. CU Inc., was seen as a hedge against possible nationalization.

Saval kept CU Inc. as a "standby charter" when CU Ltd. was not taken over and the business climate in Quebec began to improve, Mr. Ostroff said, and was finally activated in 1979.

Rather than seeing them as separate entities, Saval has viewed its three companies as profit centers that can be used flexibly as conditions require, Mr. Ostroff said.

—By John W. Milligan



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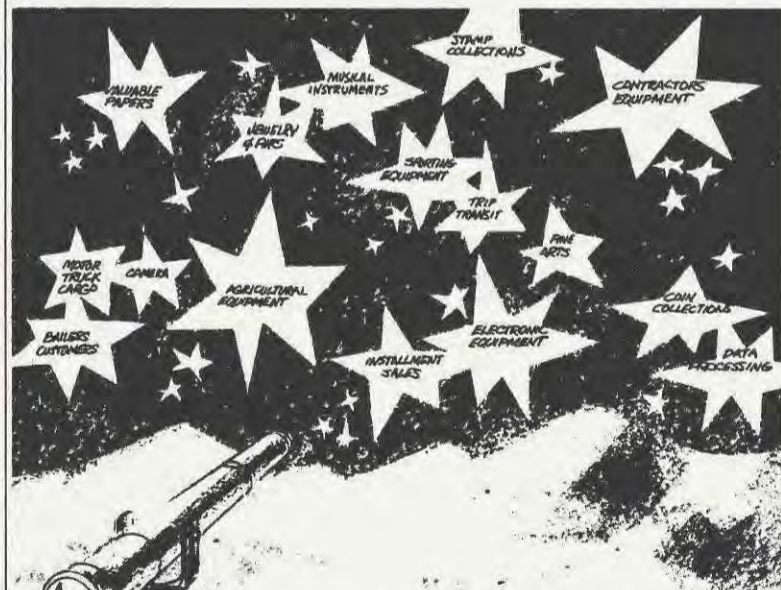
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# E/S managing general agents/brokers

**A**

**Alexsam Inc.**  
Four Piedmont Center, 3565  
Piedmont Road N.E., Atlanta, Ga.  
30363; 404-261-3400

	1980	1979
Premium volume	\$30,000,000	\$24,500,000
Gross rev.	NA	NA
Employees	18	18

**Parent company:** Alexander & Alexander Inc.

**Year founded:** 1976.  
**Principal officers:** Dennis C. Rupp, president; Charles J. Hollingsworth, vp/property; John W. Williams, vp/casualty.

**Branch offices:** Los Angeles.  
**MGA/broker:** 100%.  
**Markets:** 40% admitted; 60% non-admitted.

**Major markets:** C&F Group, Cameron & Colby, California Union, AIG Cos., Columbus Casualty, Northbrook Excess.  
(Gross revenues reported in A&A's annual report, not reported separately.)

**All Lines Insurance Agency Inc.**  
2300 Kohler Memorial Drive,  
Sheboygan, Wis. 53081;  
414-458-8700

	1980	1979
Premium volume	\$784,719	\$970,113
Gross rev.	\$101,809	\$109,362
Employees	6	6

**Parent company:** Heritage Mutual Insurance Co.

**Year founded:** 1971.  
**Principal officers:** Richard A. Hoskinson, executive vp.  
**MGA/broker:** 85%.  
**Underwriting manager:** 15%.  
**Binding authority for:** Great Southwest, Admiral, Capitol Indemnity, Lloyd's, Hartford Steam Boiler.

**Underwriting manager for:** Lloyd's, Admiral.  
**Markets:** 10% admitted; 90% non-admitted.  
**Major markets:** Lloyd's, St. Paul Surplus, Admiral.  
**Membership:** NAPSLO.

**Allied Programs Corp.**  
1133 Ave. of the Americas, New York, N.Y. 10036; 212-921-7600

	1980	1979
Premium volume	\$30,000,000	\$22,000,000
Gross rev.	\$3,200,000	\$2,500,000
Employees	30	22

**Year founded:** 1975.  
**Principal officers:** Jay Leipszeig, president; David Lawrence, executive vp; Joseph W. Pettit, vp of underwriting/marketing; William Foy, vp of underwriting/property.

**Branch offices:** Union City, N.J.; Fort Lauderdale, Fla.  
**MGA/broker:** 66%.  
**Underwriting manager:** 33%.  
**Binding authority for:** Monarch of Ohio, Puritan Insurance Co.

**Underwriting manager for:** Puritan Insurance Co.  
**Markets:** 80% admitted; 20% non-admitted.

**Major markets:** Puritan Insurance Co., Ambassador/Horizon, Agricultural, Birmingham, Atlanta, International.

**Specialties:** Builders, risk umbrella, primary auto, products, CGL.  
**Membership:** NAPSLO.

**American Insurance Facilities Inc.**  
504 Standard Life Building,  
Pittsburgh, Pa. 15222; 412-261-2383

	1980	1979
Premium volume	\$3,100,000	NA
Gross rev.	\$279,000	NA
Employees	4	NA

**Year founded:** 1979.  
**Principal officers:** Bern Smith, president; P.A. Lutz, secretary/treasurer; Frank X. Lutz, risk analyst.

**MGA/broker:** 100%.  
**Markets:** 60% admitted; 40% non-admitted.  
**Specialties:** Coal, oil and gas operations; cargo and transport; river operations; logging and lumber risks.

**American X/S Underwriters**  
511 Arcadian Ave., Waukesha, Wis.  
53187; 414-547-1261

	1980	1979
Premium volume	\$2,770,000	\$3,360,000
Gross rev.	\$328,706	\$377,496
Employees	6	6

**Parent company:** The American Cos. Inc.

**Year founded:** 1967.  
**Principal officers:** John Owens, president; Donald R. Rust, executive vp; George E. Schlehlein, junior vp.

**MGA/broker:** 100%.  
**Binding authority for:** Canadian Universal, Guaranty National, Illinois Employers of Wausau, Jefferson, Lloyd's, St. Paul Surplus Lines, Western World.

**Markets:** 15% admitted; 85% non-admitted.  
**Major markets:** Same as binding authority.  
**Membership:** NAPSLO.

**Anderson & Murison Inc.**  
201 S. Lake Ave., Pasadena, Calif.

91101; 213-684-3114

	1980	1979
Premium volume	NA	NA
Gross rev.	\$1,701,302	\$1,867,732
Employees	32	36

**Year founded:** 1965.  
**Principal officers:** David F. Anderson, president; Horst L. Lechler, senior vp.

**Branch offices:** Tempe, Ariz.  
**MGA/broker:** 100%.  
**Binding authority for:** American Home Assurance, Ambassador Insurance, Bellefonte Underwriters, Canal Insurance, Coastal Casualty Insurance, Great American Surplus, Great Falls, Jefferson, National Union, Northfield, Northland, St. Paul Surplus, London Contractholders.

**Markets:** 80% admitted; 20% non-admitted.

**Major markets:** Same as binding authority.  
**Specialties:** Casualty, property and commercial auto.  
**Membership:** AAMGA.

**Anexco Insurance Agency Inc.**  
60 State St., Boston, Mass. 02109;  
617-227-6722

	1980	1979
Premium volume	\$2,000,000	NA
Gross rev.	\$192,110	NA
Employees	7	2

**Parent company:** Aneco Re.  
**Year founded:** 1979.  
**Principal officers:** Kenneth L. Cook, president; Patrick Ciano, executive vp; Gary J. Joyal, assistant vp.

*Continued on next page*

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**THE SPECIALISTS**

Continued from previous page

**MGA/broker:** 60%.  
**Underwriting manager:** 40%.  
**Binding authority for:** First State, Illinois Employers of Wausau, Great Southwest Fire Insurance Co., Union Ind. of New York, Mutual Fire Marine & Inland, Lloyd's.  
**Underwriting manager for:** Same as binding authority.  
**Markets:** 95% admitted; 5% non-admitted.  
**Major markets:** Same as binding authority.  
**Membership:** NAPSLO.



**Bache Special Risk Brokers Inc.**

685 Third Ave., New York, N.Y. 10017; 212-791-7333

	1980	1979
Premium volume	\$7,468,240	NA
Gross rev.	\$1,351,751	NA
Employees	12	NA

(Fiscal year is from Aug. 1, 1980 to July 1, 1981.)

**Parent company:** Eache Group Inc.

**Year founded:** 1980.  
**Principal officers:** Roger S. Walsh, president; Harold G. Moran, executive vp; John W. Kabaker, senior vp; John Blodgett, vp.

**Branch offices:** San Francisco.  
**MGA/broker:** 98%.  
**Underwriting manager:** 2%.  
**Binding authority for:** Agricultural E&S Insurance Co., Puritan Insurance Co., New England Re (special program).

**Underwriting manager for:** Great American Insurance Co. (New York Free Trade Zone).

**Markets:** 26% admitted; 74% non-admitted.

**Major markets:** Northbrook E&S, First State, Agricultural Excess & Surplus, Ambassador Insurance Co.

**Specialties:** Seedmen's E&O, layered property risks, large capacity umbrella lines, product liability and municipality risks.

**Membership:** NAPSLO.

**Bohrer, Croxdale & McAdoo Inc.**

430 South Ave., Suite 400, Springfield, Mo. 65806; 417-869-2550

	1980	1979
Premium volume	\$2,800,000	\$2,200,000
Gross rev.	\$249,200	NA
Employees	7	NA

**Year founded:** 1977.

**Principal officers:** Yvonne S. Bohrer, president; Sydney T. Croxdale, vp; Sidney M. McAdoo, secretary/treasurer.

**MGA/broker:** 100%.

**Binding authority for:** Empire Insurance Cos., Midwest Mutual Insurance Co., Great Southwest Fire Insurance Co., Illinois Employers of Wausau, Transit Casualty Co., Compass Insurance Co., Excel Insurance Co., Capitol Indemnity Co.

**Markets:** 50% admitted; 50% non-admitted.

**Major markets:** Empire Insurance Co.

**Specialties:** Transportation, trucking.

**Membership:** NAPSLO.

**Brown & Riding Insurance Services Inc.**

500 Airport Blvd., Suite 130, Burlingame, Calif. 94010; 415-579-0172

	1980	1979
Premium volume	NA	NA
Gross rev.	\$2,000,000	NA
Employees	7	NA

(Revenue figure is for first six months of 1981.)

**Year founded:** 1980.

**Principal officers:** B. Peter Brown, president; David F. Riding, vp.

**MGA/broker:** 75%.

**Underwriting manager:** 25%.

**Binding authority for:** Admiral Insurance Co., Alliance Insurance Co., Zurich American Insurance Co. of Illinois, Lloyd's.

**Markets:** 50% admitted; 50% non-admitted.

**Major markets:** Admiral, Alliance, Zurich American, Continental, CNA.

**Specialties:** Products, umbrellas, difficult excess auto liability, physical damage.

**Membership:** NAPSLO.

**Burt & Scheld Specialty Underwriters Inc.**

140 S. Atlantic Ave., P.O. Box 2574, Ormond Beach, Fla. 32074; 904-677-4453

	1980	1979
Premium volume	\$2,000,000	\$1,800,000
Gross rev.	Not reported	Not reported
Employees	7	7

**Parent company:** Ormond Re Group Inc.

**Year founded:** 1962.

**Principal officers:** Robert W. Scheld, chairman/president.

**MGA/broker:** 75%.

**Underwriting manager:** 25%.

**Binding authority for:** Great Southwest Fire, Northeastern Fire, Sovereign Marine & General, North East, Penn America, American Family, Jardine Glanville Ltd., Interstate National.

**Markets:** 10% admitted, 90% non-admitted.

**Major markets:** North East, Great Southwest Fire, American Family.

**Membership:** NAPSLO.



**Cambridge General Agency**

50 California St., San Francisco, Calif. 94111; 415-788-8250

	1980	1979
Premium volume	\$18,531,000	\$18,789,000
Gross rev.	\$2,141,000	\$2,144,000
Employees	49	49

**Year founded:** 1967.

**Principal officers:** A. Mason Blodgett, president; Wesley Luekens, secretary/treasurer; Ray Stocker, general manager.

**Branch offices:** Huntington Beach, Calif.

**MGA/broker:** 60%.

**Underwriting manager:** 40%.

**Binding authority for:** Great Southwest Fire, Employers of Wausau, Lloyd's, Puritan, Yasuda, Zurich American, American Universal.

**Underwriting manager for:** Ennia, Terra Nova, Excess, United National.

**Markets:** 25% admitted; 75% non-admitted.

**Major markets:** Mead Reinsurance, Great Southwest Fire, American Universal, Lloyd's.

**Specialties:** Products, public entities, commercial auto, boats, umbrella.

**Membership:** NAPSLO, AAMGA.

**Canon Insurance Service**

1246 S. La Cienega Blvd., Los Angeles, Calif. 90035; 213-657-6620

	1980	1979
Premium volume	\$5,500,000	\$4,250,000
Gross rev.	\$550,000	\$450,000
Employees	9	7

**Year founded:** 1963.

**Principal officers:** William B. Rosenfeld, president; A.M. Rosenfeld, vp; R.C. Martin, assistant secretary; H.B. Patton, assistant treasurer.

**MGA/broker:** 80%.

**Binding authority for:** Imperial Casualty & Indemnity Co., Comstock Insurance Co., Fremont Indemnity Co., Yosemite & Great Falls Insurance Co.

**Markets:** 70% admitted; 30% non-admitted.

**Major markets:** Great Falls, Fremont.

**Specialties:** Inland marine, jewelers block, preschools, homeowners and PAF.

**Membership:** AAMGA, NAPSLO.

**Commercial Risks Inc.**

2118 N. Akard, Dallas, Texas; 214-744-5329

	1980	1979
Premium volume	\$1,500,000	\$1,500,000
Gross rev.	NA	NA
Employees	5	NA

**Year founded:** 1967.

**Principal officers:** Fred N. Elder, president; Jim Parker, vp; Helen Smith, vp/secretary/treasurer.

**MGA/broker:** 51%.

**Underwriting manager:** 49%.

**Binding authority for:** American Druggists, Guaranty County Mutual, Arcadia Insurance Co.

**Underwriting manager for:** Lloyd's, Northeastern Fire Insurance Co.

**Markets:** 10% admitted; 90% non-admitted.

**Major markets:** Lloyd's, Arcadia Insurance Co., Northeastern Fire Insurance Co.

**Specialties:** Product liability, truck liability, truck physical damage, general liability.

**Membership:** NAPSLO.

**Compass Insurance Group of Agencies**

6420 Wilshire Blvd., Suite 1225, Los Angeles, Calif. 90048; 213-655-0368

	1980	1979
Premium volume	\$1,900,000	\$1,600,000
Gross rev.	\$200,000	\$150,000
Employees	4	4

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**Parent company:** Harry Gorst Co. Inc.  
**Year founded:** 1968.  
**Principal officers:** Donald J. Penniall, executive vp; Harry W. Gorst, president; Phil Rathbun, vp.  
**Branch offices:** Los Angeles, London.  
**Subsidiaries:** Creative General, American Excess.  
**MGA/broker:** 80%.  
**Underwriting manager:** 20%.  
**Binding authority for:** G.S.W., Fremont, Sutter.  
**Underwriting manager for:** G.S.W., Fremont, Sutter.  
**Markets:** 20% admitted; 80% non-admitted.  
**Major markets:** Same as binding authority; mostly G.S.W.  
**Membership:** NAPSLO.

**Connecticut Underwriters Inc.**  
 329 Main St., Portland, Conn.  
 06440; 203-342-0713

	1980	1979
Premium volume	\$14,700,000	\$10,910,000
Gross rev.	\$1,631,700	\$1,309,200
Employees	14	12

**Year founded:** 1964.  
**Principal officers:** Henry J. Storn, president; M.M. Maud, vp; Arthur Peterson, account representative; Donald R. Timck, assistant vp.  
**MGA/broker:** 100%.  
**Binding authority for:** Western World, GASL & Co., Wansen, Northbrook, Zurich American.  
**Markets:** 43% admitted; 57% non-admitted.  
**Major markets:** Western World, Canadian Univ., CNA, Balboa.  
**Specialties:** Nurses professional, insurance agents E&O.  
**Membership:** NAPSLO.

**Coplen General Insurance Agency Inc.**  
 100 N. Winchester Blvd., Suite 395, San Jose, Calif. 95128;  
 408-248-0925

	1980	1979
Premium volume	\$2,610,091	\$3,046,219
Gross rev.	\$463,029	\$432,716
Employees	9	10

**Year founded:** 1964.  
**Principal officers:** Robert S. Coplen, chairman/president; Richard S. Coplen, executive vp; Susan C. Kane, underwriting vp; Patricia K. Coplen, secretary/treasurer.  
**MGA/broker:** 100%.  
**Binding authority for:** Great Falls Insurance, Great Southwest Fire Insurance Co., Sutter Insurance Co., Dependable Insurance Co., Newport Insurance Co., Comstock Insurance Co., Universal Security Insurance Co., Chicago Insurance Co.  
**Markets:** 80% admitted; 20% non-admitted.  
**Major markets:** Great Falls Insurance, Sutter Insurance Co., Great Southwest Fire Insurance Co., Dependable Insurance Co.  
**Membership:** AAMGA, NAPSLO.

**Corvette General Agency Inc.**  
 70 Fourth St. N.W., Atlanta, Ga. 30379; 404-881-0911

	1980	1979
Premium volume	\$2,300,000	\$2,215,000
Gross rev.	NA	NA
Employees	10	9

**Year founded:** 1968.  
**Principal officers:** Theo Corvette, president, Lois Phillips, secretary/treasurer; Robert Kohrman, vp.  
**Branch offices:** Langley, S.C.; Murphy, N.C.; Tampa, Fla.  
**MGA/broker:** 98%.  
**Underwriting manager:** 2%.  
**Binding authority for:** American Modern Home, American Family Home, American Security, Foremost, Balboa, S&H, Puritan, Dependable, Thomas Jefferson, Omega, National American of N.Y.

**Underwriting manager for:** Same as binding authority.  
**Markets:** 100% admitted.  
**Major markets:** American Modern Home, Foremost, Thomas Jefferson, National American, S&H.  
**Membership:** AAMGA.

**Creative Underwriters of the South Inc.**  
 90 Bagby Drive, Suite 309, Birmingham, Ala. 35209; 205-942-2547

	1980	1979
Premium volume	\$2,572,897	\$2,397,650
Gross rev.	\$320,603	\$270,992
Employees	5	5

**Year founded:** 1976.  
**Principal officers:** Evelyn Kerce, president.  
**MGA/broker:** 100%.  
**Binding authority for:** Lloyd's, Great Southwest Fire, Jefferson of New York, Southwestern Fidelity, Guaranty, Puritan, Foremost.  
*Continued on next page*

# CD PC CRAVENS, DARGAN & COMPANY PACIFIC COAST

MARKETS FOR:

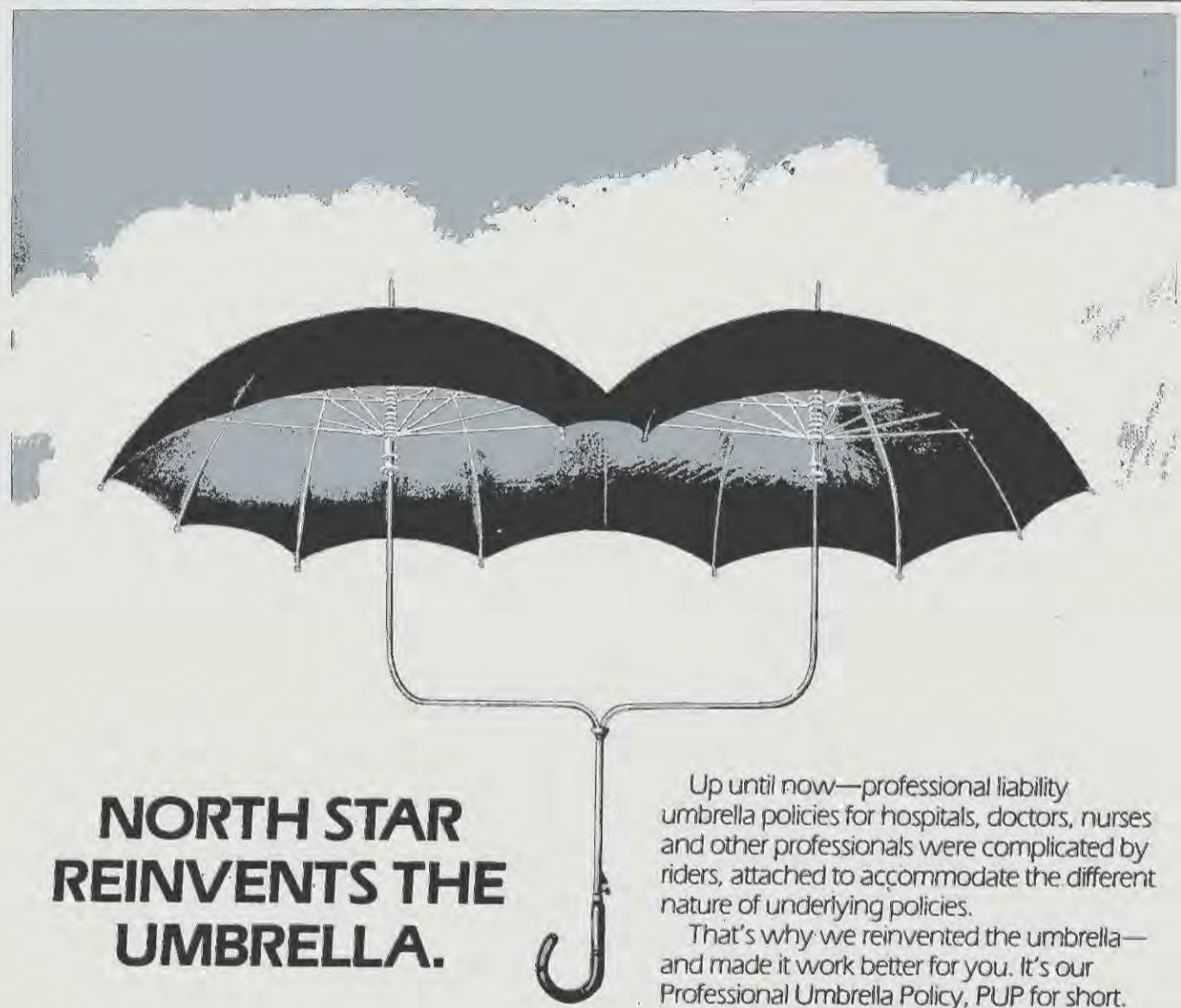
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# NORTH STAR

# Spotlight Report

Continued from previous page

**Markets:** 20% admitted; 80% non-admitted.

**Major markets:** Lloyd's, Great Southwest Fire.

**Specialties:** Truck physical damage.

**Membership:** NAPSLO.

## Crump-Davis Inc.

Suite 1141, 8150 N. Central Expressway, Dallas, Texas 75206; 214-363-7636

	1980	1979
Premium volume	\$15,000,000	\$10,000,000
Gross rev.	\$970,000	\$668,000
Employees	20	18

**Parent company:** Joint venture with E.H. Crump Cos., Memphis, Tenn.

**Year founded:** 1977.

**Principal officers:** Richard D. Davis, president; Ray Eller, executive vp; Terry Girardot, Laura Wohlgemuth, James Cloud, Ward Stevenson, vps.

**Branch offices:** Houston, Denver.

**MGA/broker:** 100%.

**Binding authority for:** Admiral, Ensign, Zale Indemnity.

**Markets:** 15% admitted; 85% non-admitted.

**Major markets:** Lexington, Southern American, Baccala & Shoop, Lloyd's.

**Specialties:** Physical damage on drilling rigs, operators extra ex-

pense (cost of well control), umbrella liability (petrochemical risks and utilities).

**Membership:** NAPSLO.

## D

### Deering & Associates Inc.

2607-A Carver St., Durham, N.C. 27705; 919-477-7364

	1980	1979
Premium volume	\$2,600,000	\$1,500,000
Gross rev.	\$268,000	\$148,000
Employees	10	6

**Year founded:** 1979.

**Principal officers:** C.T. Deering, president; Michael T. Deering, vp; Irene Deering, secretary/treasurer.

**MGA/broker:** 100%.

**Binding authority for:** Western World, Empire Fire & Marine, Puritan, Emmco-Excel.

**Markets:** 40% admitted; 60% non-admitted.

**Major markets:** Western World, Empire Fire & Marine.

**Specialties:** Long-haul physical damage, private passenger physical damage, D&O, private detectives liability.

**Membership:** NAPSLO.

### Dilbeck-Dominey Underwriters

4370 Peachtree Road N.E., Atlanta,

Ga. 30319; 404-231-1000

	1980	1979
Premium volume	\$1,900,000	\$1,800,000
Gross rev.	\$190,713	\$180,505
Employees	3	4

**Parent company:** Atlantic American Corp.

**Principal officers:** Norman T. Dunn Jr., general manager.

**MGA/broker:** 100%.

**Binding authority for:** Lloyd's, Excess, Old Republic, State Security.

**Markets:** 60% admitted; 40% non-admitted.

**Major markets:** Lloyd's, Old Republic.

**Membership:** NAPSLO.

## E

### Employers Risk Managers Inc.

5944 Sherry Lane, P.O. Box 25148, Dallas, Texas 75225; 214-368-5831

	1980	1979
Premium volume	\$1,800,000	\$1,600,000
Gross rev.	NA	NA
Employees	3	2

**Year founded:** 1976.

**Principal officers:** Jay E. Min-ton Jr., president; Kay Haygood, executive vp; Jack Baldwin, vp.

**MGA/broker:** 100%.

**Binding authority for:** Indemnity Underwriters Insurance Co.

**Markets:** 10% admitted; 90% non-admitted.

**Major markets:** Indemnity Underwriters Insurance Co., Amherst Insurance Co., American Re Excess.

**Specialties:** Excess employers indemnity, excess liability.

**Membership:** NAPSLO.

### E & S Facilities Inc.

Building 10, Suite 102, Office Park Circle, Birmingham, Ala. 35253; 205-879-9340

	1980	1979
Premium volume	\$11,500,000	\$10,200,000
Gross rev.	\$648,542	\$575,030
Employees	12	11

**Year founded:** 1975.

**Principal officers:** Don J. Pate, president; James A. Rikard, vp.

**Branch offices:** Atlanta.

**MGA/broker:** 80%.

**Underwriting manager:** 20%.

**Binding authority for:** Great American Surplus Lines, Safety Mutual, Canal, Zurich American, Employers National, American Special Risk, Admiral.

**Underwriting manager for:** Safety Mutual Insurance Co., Admiral.

**Markets:** 30% admitted; 70% non-admitted.

**Major markets:** First State, Ranger, Highland, Employers National, Bellefonte, Great American Surplus Lines.

**Specialties:** Umbrella, property.

**Membership:** NAPSLO.

### Excess & Surplus Lines Insurance Brokers Inc.

3440 Wilshire Blvd., Suite 810, Los Angeles, Calif. 90010

	1980	1979
Premium volume	\$4,600,000	\$3,900,000
Gross rev.	\$360,000	\$304,000
Employees	8	6

**Year founded:** 1975.

**Principal officers:** Douglas DeLano, chairman; Jerry C. Boyer, president/treasurer.

**MGA/broker:** 95%.

**Underwriting manager:** 5%.

**Binding authority for:** Great American Surplus.

**Underwriting manager for:** Same as binding authority.

**Markets:** 70% admitted; 30% non-admitted.

**Specialties:** Excess, umbrellas, earthquake.

**Membership:** NAPSLO.

## F

### Firemark International Surplus Lines Brokers

330 Washington St., Marina Del Rey, Calif. 90291; 213-82-3330

	1980	1979
Premium volume	NA	NA
Gross rev.	NA	NA
Employees	NA	NA

**Year founded:** 1981.

**Principal officers:** Preston Zillgitt, chairman; Charles M. Wright, president; William K. Cooper, executive vp; Debra C. Newmark, vp.

**MGA/broker:** 90%.

**Underwriting manager:** 10%.

**Markets:** 50% admitted; 50% non-admitted.

**Major markets:** Lloyd's, Carillon, Comstock Insurance, RTC, Shand Morahan, Transport Special Risk, Scottish & York, Chubb Custom.

### The First National Insurance & Reinsurance Agency Inc.

P.O. Box 110, Celina, Ohio 45822; 419-586-5181

	1980	1979
Premium volume	\$5,155,600	\$4,717,071
Gross rev.	\$320,525	\$336,453
Employees	5	5

**Parent company:** First Ohio Financial Corp.

**Year founded:** 1961.

**Principal officers:** Don W. Montgomery, president; J.R. Brandes, Bernard W. Moore, vps; L.P. Hanni, secretary.

**MGA/broker:** 90%.

**Underwriting manager:** 10%.

**Binding authority for:** Republic Mutual Insurance Co., American Modern Home, American Druggists, Northeastern Fire Insurance Co.

**Underwriting manager for:** Washington Jefferson Mutual Insurance Co.

**Markets:** 92% admitted; 8% non-admitted.

**Major markets:** Republic Mutual Insurance Co., Northeastern Fire Insurance Co.

**Membership:** NAPSLO.

## G

### Vern Gilbert Co.

P.O. Box 130, Beaverton, Ore. 97075; 503-643-4811

	1980	1979
Premium volume	\$7,000,000	\$6,500,000
Gross rev.	NA	NA
Employees	22	22

**Year founded:** 1952.

**Principal officers:** Vern Gilbert, president; Malcolm Murison, vp.

**Branch offices:** Bellevue, Wash.

**MGA/broker:** 98%.

**Underwriting manager:** 2%.

**Binding authority for:** Jefferson Insurance Co., American Home, Great Southwest, Guaranty National, Occidental Insurance Co., National Indemnity, Western World, Foremost, Lloyd's, Terra Nova, Excess Insurance Co.

**Underwriting manager for:** Same as binding authority.

**Markets:** 60% admitted; 40% non-admitted.

**Specialties:** Long-haul truck, real estate E&O, restaurant/bar packages, liquor liability.

**Membership:** NAPSLO, AAMGA.

### Great Land General Agency

4791 Business Park Blvd., Anchorage, Alaska 99503; 907-279-4538

	1980	1979
Premium volume	\$6,989,000	\$4,551,000
Gross rev.	NA	NA
Employees	12	9

**Year founded:** 1978.

**Principal officers:** Linn R. Lockwood, president; Jeanne L. Lockwood, treasurer; Dennis Brown, vp.

**MGA/broker:** 65%.

**Underwriting manager:** 35%.

**Binding authority for:** Lloyd's and 16 other companies.

**Underwriting manager for:** Ennia Insurance Co. Ltd. U.K., Excess Insurance Co., Terra Nova, Bishopgate.

**Markets:** 15% admitted; 85% non-admitted.

**Major markets:** Lloyd's, Scottish York, First State.

**Specialties:** Property, casualty, aviation.

**Membership:** NAPSLO.

### Gresham & Associates Inc.

777 Cleveland Ave., P.O. Box 6806, Atlanta, Ga. 30315; 404-766-4762

	1980	1979
Premium volume	\$3,750,000	\$2,000,000
Gross rev.	\$262,500	\$120,000
Employees	9	6

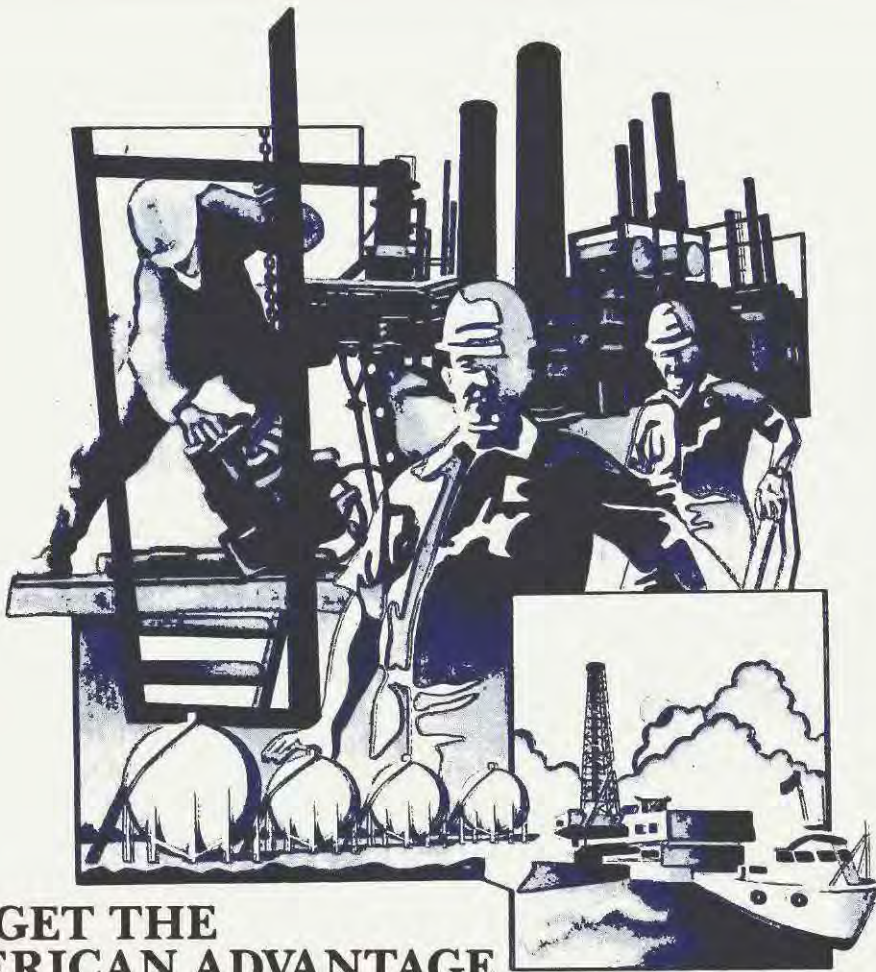
**Year founded:** 1979.

**Principal officers:** James V. Gresham, president; David L. Gresham, senior vp; Barbara G. Gresham, secretary/treasurer.

**MGA/broker:** 100%.

**Major markets:** International Insurance Co., First State Insurance Co., Admiral Insurance Co.

**Specialties:** Commercial umbrellas, product liability, general liability, excess workers compensa-



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tion, SMP (package policies).  
**Membership:** NAPSLO.

**H**

**L.E. Harris Agency Inc.**

1353 Holton Lane, P.O. Box 1108,  
 Langley Park, Md. 20787;  
 301-439-4700

	1980	1979
Premium volume	\$6,613,119	\$7,126,928
Gross rev.	\$477,191	\$529,702
Employees	19	18

**Year founded:** 1922.  
**Principal officers:** J.J. Harris, chairman; David A. Riffert, president; Nicholas Taub, executive vp.  
**Branch offices:** Baltimore; Washington, D.C.  
**MGA/broker:** 95%.  
**Underwriting manager:** 5%.  
**Binding authority for:** Jefferson of New York, National Indemnity, National Union of Pittsburgh, U.S. Liability, Lloyd's and six other companies.

**Underwriting manager for:** North East Insurance Co.

**Markets:** 25% admitted; 75% non-admitted.

**Major markets:** Lloyd's, National Indemnity, North East Insurance Co., U.S. Liability, Jefferson of New York.

**Specialties:** Umbrella, D&O, convention cancellation, difficult casualty, commercial auto.

**Membership:** A A M G A, NAPSLO.

**Hartje & Co.**

3525 Piedmont Road N.E., Atlanta, Ga. 30305; 404-262-3350

	1980	1979
Premium volume	\$4,200,000	\$5,190,175
Gross rev.	\$387,000	\$393,491
Employees	7	8

**Year founded:** 1975.  
**Principal officers:** Richard N. Hartje, president; Linda G. West, vp; Mike Wilbanks, secretary

**Branch offices:** Nashville, Tenn.

**MGA/broker:** 100%.

**Markets:** 50% admitted; 50% non-admitted.

**Major markets:** U.S. Fire, First State.

**Specialties:** Umbrella insurance.

**Membership:** NAPSLO.

**Horan, Goldman Cos. Inc.**

2 Bryn Mawr Ave., Bryn Mawr, Pa. 19010; 215-527-4400

	1980	1979
Premium volume	NA	NA
Gross rev.	\$1,780,000	\$1,660,000
Employees	40	42

**Year founded:** 1964.

**Principal officers:** William Goldman, president; Victor D. Giordano, executive vp; Mary Marines, vp/secretary; Stanley Pustilnick, vp/treasurer; John W. McCabe, Sally McCosker, Christina M. Madden, Harry Landers, vps.

**Branch offices:** Cherry Hill, N.J.; Columbia, Md.; Concord, N.H.; New York.

**Subsidiaries:** H.G. Managers Inc.

**MGA/broker:** 92%.

**Underwriting manager:** 8%.

**Binding authority for:** Numerous.

**Markets:** 60% admitted; 40% non-admitted.

**Membership:** A A M G A, NAPSLO.

**Hoskins & Weckerle Inc.**

6700 Fallbrook Ave., Suite 221, Canoga Park, Calif. 91307; 213-990-3040

	1980	1979
Premium volume	\$38,000,000	\$40,000,000
Gross rev.	\$3,100,000	\$3,200,000
Employees	67	72

**Parent company:** Continental Financial Services Co.

**Year founded:** 1975.

**Principal officers:** Joseph F. Weckerle, Alan G. Cooper, John J. Francis, Paul E. McCarthy.

**Branch offices:** Los Angeles, Encino, Irvine, San Francisco, Calif.; Denver, Colo.; Chicago; Atlanta; Cherry Hill, N.J.; New York; Pittsburgh.

**MGA/broker:** 97%.

**Underwriting manager:** 3%.

**Binding authority for:** Ambassador Insurance Co., Admiral Insurance Co., Puritan Insurance Co.

**Markets:** 35% admitted; 65% non-admitted.

**Major markets:** Admiral Insurance Co.; First State Insurance, Ambassador Insurance Co.

**Specialties:** Umbrella, municipal liability, E&O.

**Membership:** NAPSLO.  
 Continued on next page

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Continued from previous page

#### Huycke General Agency

508 W. Sixth Ave., Anchorage,  
Alaska 99501; 907-276-5333

	1980	1979
Premium volume	\$957,000	\$538,000
Gross rev.	\$141,074	\$134,036
Employees	4	4

Year founded: 1976.

Principal officers: Peter C. Huycke, owner.

MGA/broker: 100%.

Binding authority for: Jefferson, Monticello, National Indemnity, National Fire & Marine, Great Southwest Fire, American Family Home, Excess Insurance Co. Ltd., Ennia Insurance Co. Ltd., Continental.

Markets: 65% admitted; 35% non-admitted.

Major markets: Jefferson, Monticello, National Indemnity, National Fire & Marine, American Family Home, Continental.

Membership: AAMGA, NAPSLO.

## J

#### Jaeger & Haines Inc.

34 E. Center, Fayetteville, Ark.  
72701 531-521-2551

	1980	1979
Premium volume	\$3,200,000	\$2,300,000
Gross rev.	\$385,000	\$263,000
Employees	16	12

Year founded: 1976.

Principal officers: Larry Haines, president; Tish Jones, vp/underwriting; Mike Johnson, vp.

MGA/broker: 100%.

Binding authority for: Paxton National, Occidental Fire & Casualty, Lloyd's, Jefferson Insurance Co. of New York, Guaranty National.

Markets: 80% admitted; 20% non-admitted.

Major markets: Guaranty National, Occidental Fire & Casualty, Lloyd's.

Specialties: Commercial auto, property, general liability, professional liability.

Membership: NAPSLO, AAMGA.

## L

#### Bernard W. Levmore Co. Inc.

2 W. 46th St., New York, N.Y.  
10036; 212-840-2280

	1980	1979
Premium volume	\$2,000,000	Not reported
Gross rev.	Not reported	Not reported
Employees	8	7

Principal officers: Bernard W. Levmore, president.

MGA/broker: 75%.

Markets: 25% admitted; 75% non-admitted.

Major markets: Lloyd's Underwriters, St. Paul Fire & Marine, Hartford, Chubb.

Specialties: Jewelers block, transit of valuables, worldwide precious metals, diamonds, jewelry, art work.

#### LMG Excess Ltd.

99 John St., New York, N.Y. 10038;  
212-791-1200

	1980	1979
Premium volume	\$18,700,000	\$14,500,000
Gross rev.	Not reported	Not reported
Employees	13	12

Year founded: 1970.

Principal officers: Alvin B. Moss, president; John S. Dalton, executive vp; William A. Olson, vp; Fred Berger, Harold Colton, Dan Sullivan, underwriters; Edward McAndrews, marketing consultant.

Subsidiaries: LMG Excess Ltd. of New Jersey.

MGA/broker: 75%.

Underwriting manager: 25%.

Binding authority for: Horizon Insurance Co., Union Indemnity Insurance Co., Great Atlantic Insurance Co.

Markets: 90% admitted; 10% non-admitted.

Major markets: Horizon Insurance Co., Ambassador Insurance Co., AIG Group.

Specialties: Medical malpractice.

Membership: NAPSLO.

#### LoVullo-Millemaci Associates Inc.

Suite 600, Crosby Building, Buffalo, N.Y.; 716-856-3065

	1980	1979
Premium volume	\$4,800,000	\$5,000,000
Gross rev.	NA	NA
Employees	25	20

Year founded: 1949.

Principal officers: Leonard S. LoVullo, president.

MGA/broker: 100%.

Binding authority for: Jefferson, National Union, Progressive, Midwest Mutual, Mutual Fire, Puritan Insurance, National American.

Markets: 75% admitted; 25% non-admitted.

Major markets: Jefferson, Progressive, Midwest.

Specialties: Commercial property, casualty, motorcycle.

Membership: AAMGA, NAPSLO.

#### Lyon Underwriters Inc.

P.O. Box 20413, Orlando, Fla.  
32814; 305-894-8797

	1980	1979
Premium volume	\$100,000	NA
Gross rev.	\$10,000	NA
Employees	2	NA

Principal officers: Robert R. Lyon, president; Carolyn W. Lyon, secretary; John George, vp.

MGA/broker: 60%.

Underwriting manager: 40%.

Binding authority for: Zurich American of Illinois, Alliance Insurance Co. of Kansas, Zales Indemnity Co., American Centennial, Integrity.

Underwriting manager for: NATESCO (Alliance of Kansas), Zachry General Agency (Zale Insurance, Zale Indemnity Co.), Zurich American Insurance Co. of Ill.

Markets: 60% admitted; 40% non-admitted.

Major markets: American Excess, American Centennial, Integrity, Alliance of Kansas.

Specialties: Commercial umbrellas, product liability, D&O, E&O.

Membership: NAPSLO.

## M

#### MBC Colby Associates Ltd.

P.O. Box 5009, 200 Garden City Plaza, Garden City, N.Y. 11530;  
516-248-1188; 212-343-1188.

	1980	1979
Premium volume	\$3,500,000	NA
Gross rev.	\$370,000	NA
Employees	10	NA

Year founded: 1967.

Principal officers: Bernard Cohen, president; Bea Cohen, secretary/treasurer; Morris L. Cohen, general manager.

MGA/broker: 90%.

Underwriting manager: 10%.

Binding authority for: Monarch, American Fidelity, First Rehabilitation.

Underwriting manager for: North East Insurance Co.

Markets: 20% admitted; 80% non-admitted.

Major markets: North East, Saex Group, Union Indemnity, Dover.

Specialties: Adjusters E&O, liability physical damage, supermarkets, detective & patrol agencies.

#### Major Surplus Inc.

99 John St., New York, N.Y. 10038;  
212-285-1109

	1980	1979
Premium volume	\$12,000,000	\$11,500,000
Gross rev.	\$720,000	\$685,000
Employees	11	10

Year founded: 1975.

Principal officers: Jeremy D. Cooke, president; Arthur J. San Filippo, Gregg Lister, Paul Allocco, vps.

Branch offices: Cedar Knolls, N.J.

MGA/broker: 80%.

Underwriting manager: 20%.

Underwriting manager for: Lloyd's, First State Insurance Co.

Markets: 25% admitted; 75% non-admitted.

Major markets: First State, Lloyd's, GASLIC, North Star, Federal, Interstate.

Specialties: Primary product liability, umbrella liability, commercial physical damage, D&O, E&O, primary CGL.

Membership: NAPSLO.

#### McAlear Associates Inc.

4450 Cascade Road S.E., Grand Rapids, Mich.; 616-942-8000

	1980	1979
Premium volume	\$41,753,882	\$39,802,240
Gross rev.	\$3,956,115	\$3,438,740
Employees	48	31

Parent company: Anchor Holding Co.

Year founded: 1970.

Principal officers: Charles McAlear, president; Tom Bloom, Ralph Leistner, senior vps.

Branch offices: Detroit, Indianapolis.

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**Subsidiaries:** McAlear Nasow Associates Inc., Kansas City.  
**MGA/broker:** 97%.  
**Underwriting manager:** 3%.  
**Binding authority for:** Canadian Universal, Great American Surplus Lines, Admiral Insurance Co. and 10 other companies.  
**Underwriting manager for:** Huron Insurance Co.  
**Markets:** 40% admitted; 60% non-admitted.  
**Major markets:** Canadian Universal, Great American Surplus Lines, Admiral, Guaranty National, First State, Columbia Casualty, Northbrook.  
**Specialties:** Municipalities, hospitals, manufacturers of difficult products, chemical manufacturers, auto-related manufacturing, recreation areas.  
**Membership:** NAPSLO.

sociates Inc.  
**MGA/broker:** 100%.  
**Markets:** 40% admitted; 60% non-admitted.  
**Membership:** NAPSLO.



**NIA Excess Lines Inc.**  
 66 Route 17, Paramus, N.J. 07652;  
 201-368-8040

	1980	1979
Premium volume.	\$2,225,000	\$3,000,000
Gross rev.	\$385,000	\$520,000
Employees	4	5

**Year founded:** 1963.

**Principal officers:** Paul L. Gross, president; Frances Golardi, vp.  
**MGA/broker:** 100%.  
**Binding authority for:** Northeastern Fire Insurance Co.  
**Markets:** 5% admitted; 95% non-admitted.  
**Major markets:** Lloyd's, Northeastern Fire Insurance Co.  
**Specialties:** Auto physical damage, restaurant/tavern SMP.

**North Island Facilities Ltd.**  
 1295 Northern Blvd., Manhasset, N.Y. 11030; 516-365-7440

*Continued on next page*

# Underwriting and Loss Control Engineering Reports.

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### Mid-Continent Underwriters Inc.

700 Whitney Building, New Orleans, La. 70130; 504-581-5597

	1980	1979
Premium volume.	\$29,900,000	\$26,100,000
Gross rev.	\$4,699,000	\$3,414,000
Employees	76	68

**Parent company:** The North-West Insurance Co.

**Year founded:** 1958.

**Principal officers:** Dorothy S. Hirsch, president; Dan A. Mayer, treasurer; Sal J. Graziano Jr., secretary; I.A. Andignac, Robert W. Bilbruck, vps.

**MGA/broker:** 100%.

**Binding authority for:** Western World Insurance Co., The North-West Insurance Co., Southeast Indemnity Co.

**Markets:** 20% admitted; 80% non-admitted.

**Major markets:** The North-West Insurance Co.

**Specialties:** Workers compensation, general liability.

**Membership:** NAPSLO, AAMGA.

### Montgomery & Collins Inc.

3807 Wilshire Blvd., #1010, Los Angeles, Calif. 90010; 213-384-2101

	1980	1979
Premium volume.	\$80,500,000	\$72,000,000
Gross rev.	\$7,800,000	\$6,600,000
Employees	145	120

**Parent company:** INA Corp.

**Year founded:** 1935.

**Principal officers:** Robert P. Keul, president; Robert M. Scanlan, Gus Doering Jr., Frank J. Fischer, regional vps.

**Branch offices:** Atlanta, Boston, Buffalo, Charlotte, Chicago, Columbus, Dallas, Denver, Detroit, Hartford, Honolulu, Houston, Indianapolis, Kansas City, Los Angeles, New Orleans, New York, Philadelphia, Portland, Sacramento, San Francisco, San Jose, Seattle.

**MGA/broker:** 98.5%.

**Underwriting manager:** 1.5%.

**Binding authority for:** Western World, Great Southwest, Guaranty National, Occidental Fire & Casualty.

**Underwriting manager for:** Royale Belge.

**Markets:** 65% admitted; 35% non-admitted.

**Major markets:** Allianz, Admiral, California Union, London, Pacific Employers, Occidental.

**Specialties:** Short-line railroads, builders risks, trucking, hospitals.

**Membership:** NAPSLO, AAMGA.

### Moore Excess Inc.

Center St., P.O. Box 565, Croton Falls, N.Y. 10512; 914-277-3955

	1980	1979
Premium volume.	\$2,400,000	NA
Gross rev.	\$95,000	NA
Employees	2	NA

**Year founded:** 1977.

**Principal officers:** Robert J. Moore, president; Jean B. Moore, vp.

**Subsidiaries:** Croton River As-



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Continued from previous page

	1980	1979
Premium volume	\$5,635,215	\$5,168,678
Gross rev.	\$506,916	\$401,449
Employees	10	9

**Year founded:** 1976.  
**Principal officers:** Michael A. Orlando, president; John G. Orlando, vp.  
**MGA/broker:** 100%.  
**Binding authority for:** Puritan Insurance Co., United States Liability, Union Indemnity Insurance Co., National Union Fire Insurance Co., Mutual Fire, Marine & Inland Insurance Co.  
**Markets:** 80% admitted; 20% non-admitted.  
**Major markets:** Puritan Insurance Co., Mutual Fire, Marine & Inland, National Union Fire Insurance Co.  
**Specialties:** Miscellaneous professional liability.  
**Membership:** NAPSLO.

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**O**

**Oklahoma General Agency**  
 809 N.W. 36th, Oklahoma City, Okla. 73118; 405-525-8181

	1980	1979
Premium volume	\$16,850,000	\$15,909,223
Gross rev.	\$1,242,801	\$1,225,752
Employees	25	24

**Parent company:** Oklahoma General United Corp.  
**Year founded:** 1949.  
**Principal officers:** Marie E. Welch, president; Rick Welch, secretary/treasurer.  
**Subsidiaries:** Arkansas General Agency, Fort Smith, Ark.  
**MGA/broker:** 100%.  
**Binding authority for:** Allied Fidelity, Balboa, Empire, Great Southwestern, Implement Dealers, Jefferson of New York, Midwest Mutual, National American, National Indemnity, National Union, North Star Mutual, Puritan, St. Paul Surplus Lines, National Casualty, Commander International, Morrison Insurance Co., S&H Insurance, American Bankers.  
**Underwriting manager for:** Same as binding authority.  
**Markets:** 98% admitted; 2% non-admitted.  
**Major markets:** Empire, National American, North Star.  
**Membership:** NAPSLO.

**Q**

**Qualified Service Inc.**  
 8816 Chef Menteur Highway, P.O. Box 29366, New Orleans, La. 70189; 504-241-5885

	1980	1979
Premium volume	\$7,500,000	\$6,700,000
Gross rev.	\$1,005,004	\$856,182
Employees	30	41

**Parent company:** Haynes Brinkley & Co.  
**Year founded:** 1966.  
**Principal officers:** A. Gary Batten, president; Haynes Brinkley Jr., executive vp; Ed Mozier, secretary/treasurer  
**MGA/broker:** 100%.  
**Binding authority for:** Early American/Western Preferred, IL/GAINSCO, American Modern Home, Bankers & Shippers, Great Southwest Fire, Beacon, Scottish & York.  
**Underwriting manager for:** Same as binding authority.

**Markets:** 60% admitted; 40% non-admitted.  
**Major markets:** EA/WP, IL/GAINSCO, American Modern Home, Bankers & Shippers, Great Southwest Fire.  
**Specialties:** Truck risks.  
**Membership:** NAPSLO.

**S**

**S.I.S. Inc.**  
 8480 Morrison Road, New Orleans, La. 70127; 504-245-1600

	1980	1979
Premium volume	\$5,950,000	\$3,100,000
Gross rev.	\$708,000	\$387,500
Employees	35	20

**Year founded:** 1974.  
**Principal officers:** Robert E. Cochran, president/treasurer; Crystal Smith, secretary; Garner Kneepfler Sr., vp/underwriting; Joyce Bradley, vp/branch manager.  
**Branch offices:** Shreveport, La.  
**Subsidiaries:** S.R.U.  
**MGA/broker:** 100%.  
**Binding authority for:** Early American/Western Preferred, GASLIC, St. Paul, Guaranty National, National American of New York.  
**Markets:** 15% admitted; 85% non-admitted.  
**Specialties:** Commercial trucks.  
**Membership:** AAMGA, NAPSLO.

**Shelly, Middlebrooks & O'Leary Inc.**  
 725 Peninsular Place, P.O. Box 2905, Jacksonville, Fla. 32203; 904-354-7711

	1980	1979
Premium volume	\$10,146,620	\$10,182,382
Gross rev.	\$1,303,274	\$1,239,046
Employees	38	32

**Year founded:** 1952.  
**Principal officers:** Dan O'Leary, president; Roger T. Gobler, executive vp; Leriene S. Connolly, vp/secretary; Michael S. O'Leary, Timothy O'Leary, vps; Patrick O'Leary, assistant vp.  
**MGA/broker:** 100%.  
**Binding authority for:** Canal, Carolina Casualty, Chicago, First State, Jefferson, Monticello, National Indemnity, Northeastern, St. Paul Surplus, Western World, National Fire & Marine, Kent, Puritan, Lloyd's.

**Markets:** 77% admitted; 23% non-admitted.  
**Major markets:** Canal, Jefferson, National Indemnity, Kent, Western World, Monticello.  
**Specialties:** Commercial auto, general liability, SMP, professional, umbrella and excess.  
**Membership:** NAPSLO.

**Sherwood Insurance Services**  
 201 California St., San Francisco, Calif. 94111; 415-956-3236

	1980	1979
Premium volume	\$17,972,283	\$12,502,277
Gross rev.	\$1,130,027	\$754,373
Employees	18	13

**Year founded:** 1978.  
**Principal officers:** Donald K. Sherwood, president/CEO; F.W. Booth, vp; J.W. Barnes, Robert W. Linder, vps; Elnora Allyne, secretary.  
**MGA/broker:** 100%.  
**Markets:** 80% admitted; 20% non-admitted.  
**Major markets:** Allianz, Sayre & Toso, Lloyd's, Northbrook.  
**Specialties:** Difference in conditions, including earthquake and flood.  
**Membership:** NAPSLO.

**South Continental Insurance Agency Inc.**  
 P.O. Box 2992, Old San Juan, Puerto Rico 00903; 809-724-7300

	1980	1979
Premium volume	\$19,600,813	\$20,089,041
Gross rev.	\$1,967,823	\$2,099,012
Employees	68	63

**Year founded:** 1972.  
**Principal officers:** Frank W. Fournier, president; Charles C. Carr, Jaime Hernandez, vps.  
**MGA/broker:** 100%.  
**Binding authority for:** Corp. Insular de Seguros, Royal Insurance Co., Puerto Rican American Insurance Co., Guaranty Insurance Co., American International Underwriters.  
**Markets:** 90% admitted; 10% non-admitted.  
**Major markets:** Corp. Insular de Seguros, Royal Insurance Co., Puerto Rican American Insurance Co., American International Underwriters.  
**Specialties:** Professional liability, amusement liability, security guard liability, surplus property and excess liability.

	1980	1979
Premium volume	\$3,250,000	\$3,500,000
Gross rev.	\$320,000	\$340,000
Employees	12	NA

**Year founded:** 1976.  
**Principal officers:** Charlie Phillips, president; Diane Petty, vp; Ford Petty, secretary/treasurer.  
**MGA/broker:** 100%.  
**Binding authority for:** National Indemnity, Carolina Casualty, Guaranty National, Western World, Lloyd's, Coastal Casualty, Allied Fidelity, St. Paul Surplus Lines, Cranford, Foremost, Florida Insurance Co.  
**Underwriting manager for:** Western World, Guaranty National, National Indemnity, Allied Fidelity, Puritan, Foremost, Carolina Casualty, Coastal Casualty.  
**Markets:** 75% admitted; 25% non-admitted.  
**Major markets:** National Indemnity, Carolina Casualty, Guaranty National, Foremost.  
**Specialties:** M&C, OLT, products, property inland marine.  
**Membership:** AAMGA, NAPSLO.

**Southern Insurance Managers**  
 95 Whitebridge Road., P.O. Box 50297, Nashville, Tenn. 27205

	1980	1979
Premium volume	\$6,500,000	\$7,500,000
Gross rev.	\$588,000	\$698,000
Employees	17	25

**Year founded:** 1953.  
**Principal officers:** Edward J. Knish, J. Stuart Jones.  
**MGA/broker:** 100%.  
**Binding authority for:** Canal, National Indemnity, Peninsular Fire, National American-Omaha & New York, Carolina Casualty, Northland/Northfield, Jefferson of New York, Thomas Jefferson, Utah Home Fire, Lloyd's.  
**Markets:** 89% admitted; 11% non-admitted.  
**Major markets:** Canal, National Indemnity, Carolina Casualty, Peninsular Fire, National Fire.  
**Specialties:** Long-haul liability and physical damage.  
**Membership:** NAPSLO, AAMGA.

**Sovereign Facilities Inc.**  
 156 William St., New York, N.Y. 10038; 212-349-5580

	1980	1979
Premium volume	\$3,600,000	\$3,000,000
Gross rev.	NA	NA
Employees	9	8

**Year founded:** 1976.  
**Principal officers:** William J. Lynch, president.  
**Subsidiaries:** Sovereign Group International.  
**MGA/broker:** 100%.  
**Binding authority for:** National Union, Dairyland, Mutual Fire.  
**Markets:** 65% admitted; 35% non-admitted.  
**Major markets:** AIG Cos.  
**Membership:** NAPSLO.

**Myron F. Steves & Co.**  
 P.O. Box 20787, Houston, Texas 77025; 713-790-1511

	1980	1979
Premium volume	\$13,054,716	\$14,284,548
Gross rev.	\$1,337,482	\$1,508,638
Employees	28	30

**Year founded:** 1955.  
**Principal officers:** Myron F. Steves, Buddy Steves, Bill Davis, Fred Steves, partners.  
**MGA/broker:** 96%.  
**Underwriting manager:** 4%.  
**Binding authority for:** Guaranty National, INA County Mutual, American Special Risk Insurance Co., National Security, Lloyd's.  
**Underwriting manager for:** Surplus Underwriters Casualty Insurance Co.  
**Markets:** 46% admitted; 54% non-admitted.

**South East Underwriting Service Inc.**  
 228 W. Valley Ave., P.O. Box 6067, Birmingham, Ala. 35209; 205-942-1114

	1980	1979
Premium volume	\$8,178,000	\$7,685,000
Gross rev.	\$735,000	\$650,000
Employees	42	39

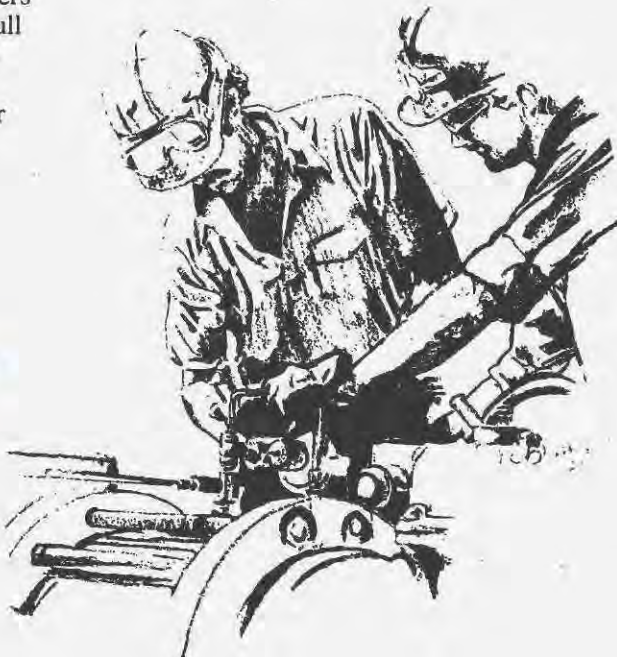
**Year founded:** 1967.  
**Principal officers:** R.J.W. Kimble Jr., president; Patricia Richard, William H. Baldwin, Ben F. Drake, vps.  
**MGA/broker:** 49%.  
**Underwriting manager:** 51%.  
**Binding authority for:** Carolina Casualty, National Indemnity, Occidental Fire & Casualty, Great Southwest Insurance, Jefferson Insurance Co., Employers Insurance Co. of Alabama, National American, Eagle Star.  
**Underwriting manager for:** Champion Insurance Co.  
**Markets:** 60% admitted; 40% non-admitted.  
**Major markets:** National Indemnity, Carolina, Great Southwest, Jefferson, Occidental.  
**Membership:** AAMGA, NAPSLO.

**Southern Cross Underwriters Inc.**  
 P.O. Box 5108, Fondren Station, Jackson, Miss. 39216; 601-981-5172

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**MID-CONTINENT UNDERWRITERS Inc.**

**V**

**Valle Excess Inc.**

99 Morris Ave., Springfield, N.J.  
07081; 201-379-1530

	1980	1979
Premium volume	\$750,000	NA
Gross rev.	\$68,000	NA
Employees	4	NA

**Year founded:** 1980.

**Principal officers:** Maria C. Valle, president; Valarie A. Campagna, vp.

**MGA/broker:** 51%.

**Underwriting manager:** 49%.

**Binding authority for:** Lloyd's.

**Underwriting manager for:** Lloyd's.

**Markets:** 5% admitted; 95% non-admitted.

**Major markets:** Interstate, Lexington, Admiral, Lloyd's, Northeastern, Chubb Custom, Bellefonte.

**Membership:** NAPSLO.

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**Major markets:** Guaranty National.

**Specialties:** Hospital professional liability excess of SIRs, educators professional liability, taxi fleets excess of SIRs, vendors single interest.

**Membership:** NAPSLO.

**Superior Underwriters**

2027 152nd N.E., C-24, Richmond, Wash. 98052; 206-643-5200

	1980	1979
Premium volume	\$6,841,895	\$7,182,880
Gross rev.	\$1,233,572	\$1,108,698
Employees	31	34

**Parent company:** Groninger & Co. Inc.

**Year founded:** 1928.

**Principal officers:** Guy N. He-dreen, president; Johannis R. Sinon, executive vp; Ormand R. Keller, vp.

**Branch offices:** Beaverton, Ore.

**MGA/broker:** 100%.

**Binding authority for:** American Bankers, Cal-Union, Dependable Insurance Co., Foremost Insurance, Lloyd's, Great American Surplus Lines, Midwest Mutual, Monticello, National Fire & Marine, National Indemnity, Sovereign, Western World, Yosemite, Great Falls.

**Markets:** 53% admitted; 47% non-admitted.

**Major markets:** Foremost, Lloyd's, Midwest Mutual, Monticello, National Indemnity, Great Falls.

**Specialties:** Commercial auto, general liability, fire, commercial package, inland marine.

**Membership:** AAMGA.

**Surplus Line  
Managers Inc.**

90 Main St., P.O. Box 487, Nashua, N.H. 03061; 603-883-1776

	1980	1979
Premium volume	\$2,630,000	\$2,480,000
Gross rev.	\$228,700	\$218,990
Employees	6	5

**Parent company:** Archie Slawby Agency Inc.

**Year founded:** 1961.

**Principal officers:** Walter S. Cogswell, president; Elizabeth A. Marston, manager/treasurer.

**MGA/broker:** 70%.

**Underwriting manager:** 30%.

**Binding authority for:** Puritan Insurance Co., Western World, Jefferson, St. Paul Surplus, Guaranty National; American Modern Home, Essex.

**Underwriting manager for:** Lloyd's.

**Markets:** 55% admitted; 45% non-admitted.

**Major markets:** Western World, Jefferson, St. Paul Surplus, Lloyd's.

**Membership:** NAPSLO.

**U**

**U.S. & Overseas  
Agencies Inc.**

1693 Stuyvesant Ave., Union, N.J. 07083; 201-964-5950

	1980	1979
Premium volume	\$4,200,000	\$4,600,000
Gross rev.	\$33,000	\$30,000
Employees	20	21

**Year founded:** 1933.

**Principal officers:** Jack Neubauer, president; Robert McLeer, vp; Bernice Bender, treasurer.

**Subsidiaries:** Affiliated with M.I.S.

**MGA/broker:** 90%.

**Underwriting manager:** 10%.

**Binding authority for:** Canadian Universal Insurance Co. Ltd., Mount Vernon Fire Insurance Co., Foremost Insurance Co.

**Markets:** 10% admitted; 90% non-admitted.

**Major markets:** Canadian Universal Insurance Co. Ltd., Mount Vernon Fire Insurance Co.

**Specialties:** OLT, M&C & product liability, buffer layers, umbrellas.

**Membership:** NAPSLO.



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Photo by: Diego Sferco

# E/S underwriting managers profiled

## A

### Alexander Underwriters General Agency Inc.

P.O. Box 105051, Atlanta, Ga.  
30348; 404-981-7100/800-241-2330

	1980	1979
Premium volume	\$26,348,508	\$27,475,415
Gross rev.	\$3,733,663	\$3,500,298
Employees	120	130

Year founded: 1974.

**Principal officers:** James A. Alexander, president; Farris A. Alexander, vp/secretary; C. Glenn Alexander, vp/treasurer; Joseph E. Murphy, Benny Byrd, vps.

**Branch offices:** Orlando, Fla.; Natchitoches, La.; Columbia, Tenn.

**Subsidiaries:** International Indemnity Co., Florida International Indemnity Co. (affiliates).

**MGA/broker:** 20%.

**Underwriting manager:** 80%.

**Binding authority for:** International Indemnity Co., Florida International Indemnity Co., Lloyd's, Excess Insurance Co.

**Underwriting manager for:** International Indemnity Co., Florida International Indemnity Co.

**Markets:** 85% admitted; 15%

non-admitted.

**Major markets:** International Indemnity Co., Morrison Assurance Co., Florida International Indemnity Co., Protective Indemnity Insurance Co. of Florida.

**Specialties:** Municipal accounts, commercial auto, workers compensation, general liability, umbrella, auto dealers.

**Membership:** NAPSLO, AAMGA.

### Associated Underwriters Inc.

10051 Fifth St. N., St. Petersburg, Fla. 33702; 813-576-2222

	1980	1979
Premium volume	\$3,500,900	\$3,200,000
Gross rev.	Not reported	Not reported
Employees	8	7

Year founded: 1963.

**Principal officers:** J.E. Yungel, president; J.W. Yungel, vp.

**Subsidiaries:** Competition Underwriters Inc.

**MGA/broker:** 40%.

**Underwriting manager:** 60%.

**Binding authority for:** Centuar Insurance Co., Penn America Insurance Co., Northeast Fire Insurance Co.

**Underwriting manager for:**

Northeast Fire Insurance Co.

**Markets:** 15% admitted; 85% non-admitted.

**Major markets:** Same as binding authority.

**Specialties:** Amusement insurance.

**Membership:** NAPSLO.

## B

### Beech Street Insurance Services

1501 Sixth Ave., San Diego, Calif. 92101; 714-236-1586

	1980	1979
Premium volume	\$2,000,000	\$1,600,000
Gross rev.	\$163,776	\$81,024
Employees	5	3

**Parent company:** John Burnham & Co

Year founded: 1976.

**Principal officers:** Robert Gruwell, vp; Debbie L. Reddeg, assistant vp.

**MGA/broker:** 10%.

**Underwriting manager:** 90%.

**Binding authority for:** Lloyd's, Terra Nova Insurance Co., Northeastern Fire, St. Paul Surplus Lines, American Special Risk Insurance Co.

**Underwriting manager for:** Same as binding authority.

**Markets:** 5% admitted; 95% non-admitted.

**Major markets:** Lloyd's, Terra Nova Insurance Co.

**Specialties:** Ocean marine, VSI program for lending institutions, aviation, general liability for oil and gas firms, property.

**Membership:** NAPSLO.

## C

### Capacity Managers International Inc.

160 Water St., New York, N.Y. 10038; 212-344-5300

	1980	1979
Premium volume	\$56,000,000	\$59,000,000
Gross rev.	\$4,200,000	\$4,100,000
Employees	81	96

**Parent company:** Ashford Holding Corp.

Year founded: 1975.

**Principal officers:** Lee A. Orabona, president; Daniel F. Maher, executive vp; George P. Dunn, senior vp; Roger W. Metzger, senior vp.

**Branch offices:** Iselin, N.J.; Chicago; Los Angeles.

**MGA/broker:** 40%.

**Underwriting manager:** 60%.

**Binding authority for:** Great Southwest Insurance Co.

**Underwriting manager for:** Midland Insurance Co., Excess Insurance Co.

**Markets:** 70% admitted; 30% non-admitted.

**Major markets:** Midland Insurance Co., First State, Northbrook, Transit, Integrity.

**Specialties:** Umbrella/excess-professional liability.

## D

### Dependable Insurance Associates Inc.

265 S. Anita Drive, Orange, Calif. 92666; 714-937-0213

	1980	1979
Premium volume	\$18,000,000	Not reported
Gross rev.	Not reported	Not reported
Employees	17	Not reported

Year founded: 1970.

**Principal officers:** James Marsh, president; Wayne Meyers, executive vp; John "Douglas" Brawley, senior vp.

**Branch offices:** West Des Moines, Iowa.

**MGA/broker:** 45%.

**Underwriting manager:** 55%.

**Binding authority for:** Numerous insurers.

**Underwriting manager for:** Fremont Indemnity, First State Insurance Co.

**Markets:** 80% admitted; 20% non-admitted.

**Major markets:** Fremont, First State, Lloyd's.

**Specialties:** Municipal, state, county, city.

**Membership:** NAPSLO.

### Doran Excess Underwriters Inc.

P.O. Box 161, Mechanicsburg, Pa. 17055; 717-697-4626

	1980	1979
Premium volume	\$4,000,000	\$5,000,000
Gross rev.	Not reported	Not reported
Employees	10	40

**Parent company:** Doranco Inc.

**Principal officers:** William Doran, president; Ronald G. Hihnes, vp; Joan D. Soutner, treasurer.

**Branch offices:** Doranco West Insurance Brokers, Oakland, Calif.

**Subsidiaries:** Dorex Data Services Inc.

**Underwriting manager:** 100%.

**Underwriting manager for:** Northeastern Fire Insurance Co., United National Insurance Co.

**Markets:** 100% non-admitted.

**Major markets:** Same as underwriting manager.

**Membership:** NAPSLO.

## E

### Elton George & Co.

4300 Centerville Drive, San Antonio, Texas 78228; 512-734-7751

	1980	1979
Premium volume	\$6,550,000	\$6,000,000
Gross rev.	\$1,100,000	\$1,020,000
Employees	30	27

Year founded: 1973.

**Principal officers:** Elton George, Mike Ashner, Leslie George, Gary Smith, Rose Elizondo, Flora Sistos, Linda Gray.

**Subsidiaries:** George Acceptance Premium Finance Inc.

**MGA/broker:** 35%.

**Underwriting manager:** 65%.

**Binding authority for:** Empire Fire & Marine, Penn America Insurance Co., Lloyd's, Interstate Fire & Casualty, Credit General Insurance Co., Terra Nova Insurance Co., Puritan Insurance Co., Ennia Insurance Co.

**Underwriting manager for:** National County Mutual Fire Insurance Co., Western Fire & Casualty Insurance Co. Ltd.; Insured Lloyd's, Southern Insurance Co.

**Markets:** 50% admitted; 50% non-admitted.

**Specialties:** Commercial auto, used-car dealers.

**Membership:** NAPSLO.

### Global Surplus Insurance Services

3325 Wilshire Blvd., Los Angeles, Calif. 90010; 213-386-8221

	1980	1979
Premium volume	\$17,000,000	\$15,000,000
Gross rev.	\$1,400,000	\$1,300,000
Employees	30	20

**Principal officers:** Henry Assad, president; Jim McFarland, David Harloch, Don Jacobsen, vps.

**Branch offices:** Los Angeles.

**MGA/broker:** 40%.

**Underwriting manager:** 60%.

**Binding authority for:** Allianz, Protective National Insurance Co.

**Underwriting manager for:** Protective National Insurance Co.

**Markets:** 85% admitted; 15% non-admitted.

**Major markets:** Protective National Insurance Co.

**Specialties:** Hazardous products, municipalities.

**Membership:** NAPSLO.

### Harry W. Gorst Co. Inc.

6420 Wilshire Blvd., Suite 1240, Los Angeles, Calif. 90048; 213-653-1607

	1980	1979
Premium volume	\$6,800,000	\$5,400,000
Gross rev.	\$500,000	\$500,000
Employees	14	10

Year founded: 1968.

**Principal officers:** Harry W. Gorst, president; L.R. Cairns, M. Heagerty, vps; R.C. Blackwell, chief financial officer.

**Branch offices:** Los Angeles, Sacramento, Calif.; Fountain Valley, Calif.; Teaneck, N.J.; Winter Park, Fla.; London.

**Subsidiaries:** Compass Insurance Group of Agencies, Siawina Insurance Brokers Inc., American Excess Insurance Agency, Creative General Insurance Agency, N.G.A. Insurance Agency, J.T. Porrazzo & Associates.

**MGA/broker:** 20%.

**Underwriting manager:** 80%.

**Binding authority for:** American Bankers, Dominion Insurance,

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**NFI**  
Northeastern  
Fire Insurance Co.  
of Pennsylvania

Yasuda Insurance, Nippon Insurance, Terra Nova Insurance, Mortgage Insurance, Union American.  
**Underwriting manager for:** Fremont, Great Falls, American Bankers, Sutter, Employers of Wausau.  
**Markets:** 20% admitted; 80% non-admitted.  
**Major markets:** Same as binding authority and underwriting manager.  
**Membership:** NAPSLO.

**H**

**Jack D. Hunter & Associates**  
 2415 Ave. J, P.O. Box 5703, Arlington, Texas 76011;  
 817-640-9901/800-433-5050

	1980	1979
Premium volume	\$21,000,000	Not reported
Gross rev.	\$1,837,500	Not reported
Employees	35	Not reported

**Year founded:** 1980.  
**Principal officers:** Jack D. Hunter, owner; Charles Beber, Bob Mapes, Bob Felts, Colin Rainey, Ted Beck, associates.  
**Branch offices:** San Augustine, San Antonio, Texas.  
**Subsidiaries:** Southern Surplus Agency, San Augustine.  
**MGA/broker:** 40%.  
**Underwriting manager:** 60%.  
**Underwriting manager for:** United National Insurance Co., Acceptance Insurance Co., National Security Fire & Casualty, General Agents Insurance Co. of America, Commonwealth Marine, General Assurance Co.  
**Markets:** 20% admitted; 80% non-admitted.  
**Major markets:** Scottish & York.  
**Specialties:** Land drilling rigs, mobile home dealers, logging equipment, coin dealers.

**J**

**Jackson & Brunson Co. Inc.**  
 P.O. Drawer 4917, Jackson, Miss. 39216; 601-362-1661

	1980	1979
Premium volume	\$2,250,000	\$1,700,000
Gross rev.	\$250,000	\$200,000
Employees	7	5

**Year founded:** 1951.  
**Principal officers:** W.C. Brunson, president.  
**MGA/broker:** 20%.  
**Underwriting manager:** 80%.  
**Binding authority for:** American Continental Insurance Co., Midwest Mutual Insurance Co., Georgia Casualty & Surety Co., Central National Insurance Co., Protective National Insurance Co., Lloyd's.  
**Underwriting manager for:** Utica Fire Insurance Co.  
**Markets:** 55% admitted; 45% non-admitted.  
**Major markets:** American Continental Insurance Co., Midwest Mutual Insurance Co., Georgia Casualty & Surety Co., Central National Insurance Co.  
**Specialties:** Non-standard private passenger auto, mobile home risks, commercial vehicle & long-haul trucking, motorcycle physical damage & liability, general liability, commercial fire risks.  
**Membership:** NAPSLO, AAMGA.

**L**

**Lawrence Excess Ltd.**  
 8 Freer St., Lynbrook, N.Y. 11563;  
 212-961-8600

	1980	1979
Premium volume	\$14,750,000	\$16,250,000
Gross rev.	\$1,871,118	\$1,891,657
Employees	44	48

**Parent company:** Wolf Wolf Groden Ltd.

**Year founded:** 1966.  
**Principal officers:** Richard L. Wolf, president; Walter S. Groden, executive vp; Harold Wolf, treasurer; Helen S. Wolf, secretary.  
**Branch offices:** Paramus, N.J.; Louisville, Ky.  
**Subsidiaries:** David C. White Agency Inc.  
**MGA/broker:** 20%.  
**Underwriting manager:** 40%.  
**Binding authority for:** Reliance Insurance Co., Sterling Insurance Co., Strauss Fuchs Organization Inc., St. Paul Fire & Marine, Safeguard Insurance Co., Eagle Insurance Co., Commercial Union Assurance, Union Indemnity Co. Inc., Millers Mutual Insurance Co., Monarch Insurance Co. of Ohio, Nassau Insurance Co., National Union Insurance Co., Otsego Mutual Fire Insurance Co., N.Y. Merchant Bakers Mutual, Pawtucket Mutual Insurance Co., Pennsylvania Lumbermens Mutual, Pennsylvania  
*Continued on next page*



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<b>33.</b>	<b>AUG 17</b>	Aug 5
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<b>36.</b>	<b>SEP 7</b>	Aug 26
<b>37. MARINE INSURANCE</b>	<b>SEP 14</b>	Sep 1
<b>38. IIAA CONVENTION ISSUE</b>	<b>SEP 21</b>	Sep 8
<b>39.</b>	<b>SEP 28</b>	Sep 16
<b>40.</b>	<b>OCT 5</b>	Sep 23
<b>41. INTERNATIONAL INSURANCE.</b>	<b>OCT 12</b>	Sep 29
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**Spotlight Report**

Continued from previous page  
 vania Millers Mutual, The Providence Mutual, Preferred Mutual Insurance Co., American Excess Insurance Co., Colonia, Lumber Mutual of Boston, Hartford Steam Boiler, Massachusetts Plate Glass Insurance Co., Marine Office Appleton & Cox, Abington Mutual Insurance Co.

**Underwriting manager for:** Transit Casualty Co., Guarantee Insurance Co., Dover Insurance Co., Transit Casualty Co. of N.J.

**Markets:** 75% admitted; 25% non-admitted.

**Membership:** NAPSLO.

**M**

**MacCreedy & Gutmann Insurance Services Inc.**

185 Post St., San Francisco, Calif. 94108; 415-788-0281

	1980	1979
Premium volume	\$3,500,000	\$7,000,000
Gross rev.	\$350,000	\$650,000
Employees	6	14

**Year founded:** 1977.

**Principal officers:** Bruce B. MacCreedy, president; John J. Dalton, Paul Feldsher, vps.

**MGA/broker:** 25%.

**Underwriting manager:** 75%.

**Underwriting manager for:** Associated International Insurance Co., Republic Western Insurance Co.

**Markets:** 100% admitted.

**Major markets:** Fireman's Fund Insurance Co., General Reinsurance Corp.

**Specialties:** Liability coverage in excess of self-insured retentions, excess workers compensation coverage, umbrellas.

**Membership:** NAPSLO.

**Louis T. Mastos & Associates Inc.**

533 California Ave., Reno, Nev. 89509; 702-786-7742

	1980	1979
Premium volume	\$2,500,000	\$2,000,000
Gross rev.	Not reported	Not reported
Employees	9	8

**Year founded:** 1971.

**Principal officers:** Louis T. Mastos, Andra C. Murray.

**Subsidiaries:** Placement Insurance Brokers, Monterey, Calif.

**MGA/broker:** 1%.

**Underwriting manager:** 99%.

**Binding authority for:** Fremont Indemnity Co., Interstate Fire, Chicago.

**Underwriting manager for:** Great Southwest Fire, Jefferson Insurance Co., Ambassador Insurance Co., Summit Home, S&H Insurance Co., Bankers & Shippers Insurance Co., Northland Insurance Co., Guaranty National.

**Markets:** 98% admitted; 2% non-admitted.

**Major markets:** Great Southwest Fire, Guaranty National, Summit Home Insurance Co.

**Membership:** NAPSLO, AAMGA.

**O**

**Organ & Co. Ltd.**

3900 N. Causeway Blvd., Metairie, La. 70002; 504-831-0825

	1980	1979
Premium volume	New	company*
Gross rev.	New	company*
Employees	New	company*

**Year founded:** 1981.

**Principal officers:** Donald V. Organ, president; E. Calvin Trussell Jr., Richard A. Parrish, S.M. DeVincent, vps; Debbie Deal, administrator.

**MGA/broker:** 2%.  
**Underwriting manager:** 98%.  
**Underwriting manager for:** Kenilworth Insurance Co.  
**Markets:** 100% non-admitted.

**S**

**The Saex Group**

474 Appleton St., Holyoke, Mass. 01040; 413-538-8261

	1980	1979
Premium volume	\$25,000,000	\$22,000,000
Gross rev.	\$3,000,000	\$2,000,000
Employees	86	95

**Parent company:** Frank B. Hall & Co. Inc.

**Year founded:** 1955.

**Principal officers:** Robert J. Saex, president; Stuart Kessler, Herbert Siegel, senior vps; M.V. Weisman, treasurer.

**Branch offices:** Providence, R.I.; Hartford, Conn.

**Subsidiaries:** Cowles & Connell Inc.

**MGA/broker:** 25%.

**Underwriting manager:** 75%.

**Binding authority for:** Numerous.

**Underwriting manager for:** Numerous.  
**Markets:** 20% admitted; 80% non-admitted.  
**Major markets:** Lloyd's.  
**Specialties:** Property, SMPs, general liability, inland marine, umbrellas.  
**Membership:** NAPSLO.

**Thomas F. Sheehan Inc.**

460 S. Northwest Highway, Park Ridge, Ill. 60068; 312-696-3366

	1980	1979
Premium volume	\$23,688,996	\$20,643,169
Gross rev.	\$2,762,827	\$2,400,181
Employees	28	32

**Year founded:** 1978.

**Principal officers:** Thomas F. Sheehan, president; Ram H. Chandarana, executive vp; James F. Whitaker, vp/treasurer.

**Subsidiaries:** Peace Corp.; Professional Risk Management Inc.

**MGA/broker:** 2%.

**Underwriting manager:** 98%.

**Underwriting manager for:** Imperial Casualty & Indemnity, Pine Top Insurance Co.

**Markets:** 99% admitted; 1% non-admitted.

**Major markets:** Imperial Casualty & Indemnity.  
**Specialties:** A&E, lawyers, accountants, D&O, trust & fiduciaries.

**V**

**Vaughan & Van Wagoner Co. Inc.**

1801 Gateway Blvd., Suite 217, Dallas, Texas 75080; 214-699-0551

	1980	1979
Premium volume	\$3,000,000	\$2,000,000
Gross rev.	\$210,000	\$160,000
Employees	9	6

**Parent company:** Northeastern Fire Insurance Co.

**Year founded:** 1935.

**Principal officers:** Bill Vaughan, president; Paul Van Wagoner, vp.

**Underwriting manager:** 100%.

**Underwriting manager for:** Northeastern Fire.

**Markets:** 2% admitted; 98% non-admitted.

**Specialties:** Oil, mine, livestock, boat.

**Membership:** AAMGA.

**Here's your BI directory to excess/surplus insurers**

**A**

**Admiral Insurance Co.**

89 Haddon Ave., P.O. Box 3030, Haddonfield, N.J. 08033; 609-429-9200

	1980	1979
Gross premiums	\$42,277,255	\$42,489,284
Net premiums	\$15,112,780	\$7,925,224
Paid-in capital	\$5,295,485	\$3,795,465
Capital & surplus	\$9,234,741	\$6,195,618
Employees	60*	60*

(\*Number of employees of Jersey/International, the company's manager.)

**Parent company:** Ensign Insurance Co.

**Subsidiaries:** Southwest/International Underwriting Managers Inc., Commander/International Underwriting Managers Inc.

**Approved non-admitted in:** 46 states.

**Admitted in:** Delaware, Texas, New Jersey; not approved in Massachusetts.

**Specialties:** Public entity, high hazard or unique general liability and products coverages, unique and unusual professional liability coverages, vacant buildings, jewelers block.

**Alliance Insurance Co.**

1122 N. Main, McPherson, Kan. 67460; 316-241-2200

	1980	1979
Gross premiums	\$8,349,666	\$9,416,540
Net premiums	\$4,974,528	\$4,756,910
Paid-in capital	\$979,908	\$979,908
Capital & surplus	\$1,928,509	\$2,029,230
Employees	350	350

**Parent company:** Farmers Alliance Mutual Insurance Co.

**Subsidiaries:** Alliance Administrators Inc.

**Approved non-admitted in:** 17 states: Alabama, Alaska, Arizona, Arkansas, California, Colorado, Florida, Georgia, Louisiana, Mis-

issippi, Nevada, Oklahoma, Oregon, Tennessee, Texas, Virginia, Washington.

**Admitted in:** Idaho, Iowa, Kansas, Missouri, Montana, Nebraska, North Dakota, South Dakota.

**Specialties:** Truck physical damage, fire and allied lines, excess general liability, excess auto liability, inland marine.

**American Excess Insurance Co.**

1 Liberty Plaza, 91 Liberty St., New York, N.Y. 10006; 212-766-7707

	1980	1979
Gross premiums	\$16,282,094	\$7,113,231
Net premiums	\$11,705,439	\$5,781,486
Paid-in capital	\$7,500,000	\$7,500,000
Capital & surplus	\$11,071,297	\$10,268,960
Employees	Not reported	Not reported

**Parent company:** American Reinsurance Co.

**Approved non-admitted in:** 45 states.

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 305/834-4445

Crump-Northeast Risk Managers Ltd.  
 New York, New York  
 212/425-7788

Crump-Specialty Risk Underwriters  
 Portland, Oregon  
 503/620-9060

Crump-Specialty Risk Underwriters  
 Seattle, Washington  
 206/827-8702

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 213/956-1002

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**Admitted in:** Delaware, New York, Connecticut, California; not approved or admitted in North Carolina.

**Specialties:** SIR program for workers compensation and liability, coal mines, energy industry, heavy equipment manufacturers, bus fleets.

**Armco Special Risks**

1221 River Bend Drive, P.O. Box 47350, Dallas, Texas 75247; 214-689-8333

	1980	1979
Gross premiums...	\$75,291,000	\$85,731,000
Net premiums...	\$72,777,000	\$39,613,000
Paid-in capital...	\$27,876,000	\$12,775,000
Capital & surplus...	\$26,806,000	\$15,327,000
Employees.....	272	245

(Figures represent combined results of Compass Insurance Co. and Bellefonte Underwriters Insurance Co. All risk written to Bellefonte Re ceded 100% to Compass/Bellefonte Underwriters.)

**Parent company:** Armco Inc.  
**Approved non-admitted in:** 50 states. Compass Insurance Co. approved in Hawaii, Kansas. Bellefonte Underwriters Insurance Co.; not approved in Arizona, Connecticut, Georgia, Idaho, Illinois, Kansas, Maine, Maryland, Massachusetts, Nevada, New Jersey, New Mexico, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Virginia, Wisconsin. Bellefonte Re Insurance Co. not approved in California, Colorado, Kentucky, Louisiana, Minnesota, New York, Oklahoma, Texas.

**Admitted in:** Compass Insurance Co. admitted in all states, except Connecticut, Hawaii, Indiana, Kansas, Maine, Maryland, New Jersey, North Carolina, Rhode Island. Bellefonte Underwriters Insurance Co. admitted in Delaware, Georgia, Kansas, Nevada, North Carolina, Ohio, Pennsylvania. Bellefonte Re Insurance Co. admitted in California, Kentucky, Louisiana, Minnesota, New York, Texas.

**Specialties:** Corporate risk casualty programs, umbrellas, transportation, property-fixed/inland marine, excess/surplus lines.



**California Union Insurance Co.**

3807 Wilshire Blvd., Los Angeles, Calif. 90010; 213-480-4700

	1980	1979
Gross premiums...	\$61,930,925	\$68,831,800
Net premiums...	\$19,051,065	\$21,799,753
Paid-in capital...	\$1,800,000	\$1,300,000
Capital & surplus...	\$18,323,424	\$14,853,013
Employees.....	58	54

**Parent company:** Insurance Co. of North America.

**Approved non-admitted in:** All states, except California.

**Admitted in:** California.  
**Specialties:** Liability and property coverages including builders' risk for oil and gas, railroad, utilities, construction and municipalities.

**Carolina Casualty Insurance Co.**

P.O. Box 2575, Jacksonville, Fla. 32203; 904-354-1691

	1980	1979
Gross premiums...	\$35,556,302	\$35,359,794
Net premiums...	\$27,660,974	\$25,181,363
Paid-in capital...	\$1,217,518	\$1,109,527
Capital & surplus...	\$9,788,405	\$8,263,462
Employees.....	88	94

**Subsidiaries:** Commercial General Agency.

**Approved non-admitted in:** No state.

**Admitted in:** All states, except Massachusetts, New Jersey, New York.

**Specialties:** Commercial auto, trucks.

**Columbia Casualty Co.**

55 E. Jackson Blvd., Chicago, Ill. 60604; 312-822-6825

	1980	1979
Gross premiums...	\$49,529,167	\$48,525,504
Net premiums...	\$18,911,364	\$20,744,895
Paid-in capital...	\$2,000,000	\$2,000,000
Capital & surplus...	\$32,523,830	\$29,529,156
Employees.....	31	34

**Parent company:** CNA Insurance.

**Approved non-admitted in:** Approved in all states, except Maine & Rhode Island.

**Admitted in:** Illinois.

**Conva Indemnity Co.**

3070 Riverside Drive, Columbus, Ohio 43221; 614-486-5981

	1980	1979
Gross premiums...	\$5,230,971	\$5,287,962
Net premiums...	\$1,853,200	\$1,333,260
Paid-in capital...	\$1,785,348	\$1,089,348
Capital & surplus...	\$6,074,048	\$4,119,424
Employees.....	28	24

**Parent company:** Columbus Insurance Holding Co.

**Approved non-admitted in:** 26 states.

*Continued on next page*

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Continued from previous page

**Admitted in:** Ohio, Missouri, Utah, New Mexico, Delaware.

**Specialties:** Nursing homes, nurses professional, medical clinics, rehabilitation centers psycho-logists professional.

**E**

**Empire Fire & Marine Insurance Co.**

1624 Douglas St., Omaha, Neb. 68102; 800-228-9283

	1980	1979
Gross premiums...	\$57,403,000	\$61,699,000
Net premiums...	\$32,674,000	\$35,955,000
Paid-in capital...	\$2,906,832	\$1,906,832
Capital & surplus...	\$19,704,472	\$16,136,433
Employees.....	134	117

**Parent company:** Zurich Holding Co. of America Inc.

**Subsidiaries:** Empire Indemnity Co.

**Approved non-admitted in:** five states.

**Admitted in:** Admitted in all states except California, Connecticut, Louisiana, Maryland, New York, District of Columbia, Delaware, Massachusetts, New Jersey, Rhode Island.

**Specialties:** Commercial auto liability and physical damage; local, intermediate and long-haul; nursing home SMP, including malpractice, excess liability, including umbrella; general liability, unusual and standard, special SMP packages-programs.

**Empire Indemnity Co.**

1624 Douglas St., Omaha, Neb. 68102; 800-228-9283

	1980	1979
Gross premiums...	\$11,897,000	\$12,095,000
Net premiums...	Not reported	Not reported
Paid-in capital...	\$1,500,000	\$600,504
Capital & surplus...	\$3,284,000	\$1,721,445
Employees.....	0	0

**Parent company:** Empire Fire & Marine Insurance Co.

**Approved non-admitted in:** 24 states.

**Admitted in:** Wisconsin, Oklahoma.

**Specialties:** Commercial auto liability and physical damage; local, intermediate and long-haul; nursing home SMP, including malpractice; excess liability, including umbrella; general liability, unusual and standard; special SMP package-programs.

**Ensign Insurance Co.**

89 Haddon Ave., P.O. Box 3030, Haddonfield, N.J. 08033; 609-429-9200

	1980	1979
Gross premiums...	\$2,196,548	\$956,890
Net premiums...	\$1,619,271	\$543,045
Paid-in capital...	\$6,661,095	\$6,661,095
Capital & surplus...	\$8,141,853	\$6,734,150
Employees.....	60*	60*

(\*Employees of Jersey/International, parent company.)

**Parent company:** Jersey/International Inc.

**Subsidiaries:** Admiral Insurance Co.

**Approved non-admitted in:** 22 states: Arkansas, Arizona, Colorado, Georgia, Hawaii, Indiana, Kansas, Kentucky, Louisiana, Montana, Nebraska, North Dakota, Oregon, South Dakota, Texas, Utah, Virginia, Vermont, Washington, West Virginia, Wisconsin, Wyoming.

**Admitted in:** Delaware.

**Specialties:** high-hazard or unique general liability and products coverages, unique and unusual professional liability coverages, security guard liability insurance.

**Essex Insurance Co.**

P.O. Box 3569, White Bear Lake, Minn. 55110; 612-777-4445

	1980	1979
Gross premiums...	\$11,864	Not reported
Net premiums...	\$1,066	Not reported
Paid-in capital...	\$1,000,000	Not reported
Capital & surplus...	\$2,630,966	Not reported
Employees.....	1	Not reported

(Company licensed Oct. 22, 1980.)

**Parent company:** Markel Corp.

**Approved non-admitted in:** 17 states: Arizona, Colorado, District of Columbia, Hawaii, Indiana, Kansas, Mississippi, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Texas, Utah, Vermont, Virginia, Wyoming.

**Admitted in:** Delaware.

**Evanston Insurance Co.**

One American Plaza, Evanston, Ill. 60201; 312-866-2800

	1980	1979
Gross premiums...	\$64,390,185	\$44,307,822
Net premiums...	\$8,327,475	\$4,764,393
Paid-in capital...	\$3,756,145	\$3,756,145
Capital & surplus...	\$27,283,097	\$23,343,833
Employees.....	0*	0*

(Evanston Insurance has nine officers. It is managed exclusively by Shand, Morahan & Co. Inc.)

**Parent company:** Evanston Services Inc.

**Subsidiaries:** Insurance Co. of Evanston, Evanston Reinsurance Co.

**Approved non-admitted in:** 47 states; not approved in Iowa, Tennessee.

**Admitted in:** Illinois, District of Columbia.

**Specialties:** Professional liability, miscellaneous casualty.

**G**

**Great American Surplus Lines Insurance Co.**

1049E Montgomery Road, Cincinnati, Ohio 45242; 513-733-6510

	1980	1979
Gross premiums...	\$22,618,318	\$21,472,196
Net premiums...	\$5,196,818	\$5,238,080
Paid-in capital...	\$2,000,000	\$1,500,000
Capital & surplus...	\$10,492,462	\$9,823,115
Employees.....	24	23

**Parent company:** Great American Insurance Co.

**Subsidiaries:** American Empire Insurance Co.

**Approved non-admitted in:** 49 states and District of Columbia.

**Admitted in:** Delaware.

**Great Atlantic Insurance Co.**

59 John St., New York, N.Y. 10038; 212-732-2222

	1980	1979
Gross premiums...	\$37,159,578	\$37,138,467
Net premiums...	\$9,927,682	\$9,137,535
Paid-in capital...	\$1,512,510	\$1,312,510
Capital & surplus...	\$6,247,915	\$6,662,066
Employees.....	46	27

**Parent company:** Atlantica-Companhia Nacional de Seguros, Brazil.

**Approved non-admitted in:** 34 states: Alabama, Alaska, Arizona, California, Colorado, District of Columbia, Florida, Georgia, Hawaii, Idaho, Indiana, Kansas, Kentucky, Louisiana, Maryland, Mississippi, Montana, Nebraska, Nevada, New Jersey, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wyoming.

**Admitted in:** Delaware, New York.

**Specialties:** Oil drilling service risks, mercantiles, restaurants, shopping centers, umbrella liability (commercial).

**Great Falls Insurance Co.**

717 Market St., San Francisco, Calif. 94103; 415-392-3110

	1980	1979
Gross premiums...	\$11,403,000	\$11,115,000
Net premiums...	\$8,062,000	\$8,652,000
Paid-in capital...	\$1,000,000	\$1,000,000
Capital & surplus...	\$4,902,214	\$5,296,533
Employees.....	58	58

**Parent company:** Creditrith Financial.

**Approved non-admitted in:** 29 states.

**Admitted in:** California.

**Specialties:** Commercial auto liability and property damage, garage insurance, miscellaneous general liability, commercial property, motor truck cargo.

**Great Southwest Fire Insurance Co.**

9501 E. Shea Blvd., Scottsdale, Ariz. 85258; 602-860-7700

	1980	1979
Gross premiums...	\$50,309,077	\$49,062,883
Net premiums...	\$44,946,862	\$43,687,004
Paid-in capital...	\$13,081,764	\$13,081,764
Capital & surplus...	\$21,539,794	\$20,215,475
Employees.....	124	120

**Parent company:** Sentry Insurance.

**Approved non-admitted in:** 38 states.

**Admitted in:** Arizona, Idaho, Illinois, Iowa, Minnesota, Montana, Nevada, New Mexico, North Dakota, Oregon, South Dakota, Utah.

**Specialties:** High risk non-standard fire and allied lines, casualty, automobile and commercial.

**Guaranty National Insurance Co.**

100 Inverness Terrace East, Englewood, Colo. 80112; 303-779-8263

	1980	1979
Gross premiums...	\$74,517,869	\$74,494,108
Net premiums...	\$46,966,973	\$43,175,843
Paid-in capital...	\$2,000,000	\$2,000,000
Capital & surplus...	\$24,051,080	\$17,445,725
Employees.....	193	170

**Parent company:** Guaranty National Corp.

**Subsidiaries:** Landmark American Insurance Co.

**Approved non-admitted in:** 35 states; not approved in Massachusetts and Rhode Island.

**Admitted in:** Arkansas, Colorado, Idaho, Iowa, Kansas, Kentucky, Minnesota, Montana, New Mexico, Nevada, North Dakota, Utah, Wyoming.

**Specialties:** Municipalities, tough products liability, long-haul trucking, oil industries, hazardous contracting risks (as primary, excess or umbrellas).

**H**

**Harbor Insurance Co.**

4201 Wilshire Blvd., Los Angeles, Calif. 90010; 213-937-5411

	1980	1979
Gross premiums...	\$80,530,000	\$87,655,000
Net premiums...	\$35,014,000	\$39,925,000
Paid-in capital...	\$2,000,000	\$2,000,000
Capital & surplus...	\$84,842,000	\$75,424,071
Employees.....	114	128

**Parent company:** Swett & Crawford Group, subsidiary of The Continental Corp.

**Subsidiaries:** Pacific Insurance Co.

**Approved non-admitted in:** eight states; not approved in Maine, New Hampshire, Rhode Island and South Carolina.

**Admitted in:** All states, except Arkansas, Connecticut, Kansas, Maine, Massachusetts, New Hampshire, New Jersey, New York, North Dakota, Rhode Island, South Carolina, South Dakota and Vermont.

**Specialties:** D&O liability, public utilities, railroad liability, course of construction.

**I**

**Inland Mutual Insurance Co.**

1017 Sixth Ave., Huntington, W.Va. 25701; 304-529-2771

	1980	1979
Gross premiums...	\$6,900,000	\$6,700,000
Net premiums...	\$5,850,000	\$6,030,000
Paid-in capital...	Not reported	Not reported
Capital & surplus...	\$1,300,000	\$1,500,000
Employees.....	50	50

**Approved non-admitted in:** Georgia.

**Admitted in:** Alabama, Illinois, Indiana, Kentucky, Mississippi, Ohio, Tennessee, Virginia and West Virginia.

**N**

**National Fire & Marine Insurance Co.**

3024 Harney St., Omaha, Neb. 68131; 402-346-7400

	1980	1979
Gross premiums...	\$15,931,144	\$15,540,494
Net premiums...	\$15,878,283	\$16,200,858
Paid-in capital...	\$16,550,000	\$6,550,000
Capital & surplus...	\$89,568,104	\$70,022,126
Employees.....	48	48

**Parent company:** Berkshire Hathaway Inc.

**Subsidiaries:** Redwood Fire & Casualty Insurance Co.

**Approved non-admitted in:** 45 states; not approved in Massachusetts, New Jersey, New York, Rhode Island, Hawaii.

**Admitted in:** Nebraska.  
**Specialties:** General liability, commercial auto, public auto, umbrella, excess liability-auto and general liability.

**Northfield Insurance Co.**

Hamm Building, St. Paul, Minn. 55102; 612-298-0222

	1980	1979
Gross premiums...	\$3,236,277	\$4,011,712
Net premiums...	\$2,856,112	\$3,486,545
Paid-in capital...	\$2,500,000	\$1,000,000
Capital & surplus...	\$5,362,428	\$3,124,641
Employees.....	Not reported	Not reported

**Parent company:** Northland Insurance Co.

**Approved non-admitted in:** 42 states.

**Admitted in:** Delaware.

**Specialties:** Commercial auto physical damage, inland marine, general liability, miscellaneous medical classes, property.

**P**

**Pacific Insurance Co.**

4201 Wilshire Blvd., Los Angeles, Calif. 90010; 213-937-5411

	1980	1979
Gross premiums...	\$5,431,000	Not reported
Net premiums...	\$3,500,000	Not reported
Paid-in capital...	\$5,000,000	\$5,000,000
Capital & surplus...	\$8,872,104	\$5,000,000
Employees.....	0	0

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**Managers**  
Incorporated

H. James Griffith, President

(Pacific Insurance Co. is staffed by Harbor Insurance Co.)  
**Parent company:** Swett & Crawford Group (Harbor Insurance Co.)

**Approved non-admitted in:** 34 states.

**Admitted in:** California. Not approved in Arizona, Connecticut, Delaware, Hawaii, Illinois, Iowa, Maine, Massachusetts, Michigan, Minnesota, Missouri, New Jersey, North Carolina, Pennsylvania, Rhode Island, Tennessee.

**Specialties:** Environmental protection liability, D&O liability, railroad liability, umbrellas.

**Paxton National Insurance**  
 Box 6160, Harrisburg, Pa. 17112;  
 717-652-2966

	1980	1979
Gross premiums...	\$7,043,578	\$7,679,021
Net premiums...	\$6,502,282	\$7,347,187
Paid-in capital...	\$1,500,000	\$1,500,000
Capital & surplus...	\$3,804,832	\$3,163,263
Employees.....	32	33

**Parent company:** Dauphin Management Corp.

**Subsidiaries:** Remco Insurance.

**Approved non-admitted in:** 4 states; approved in 24 states.

**Specialties:** Commercial auto, general liability & products, motorcycle, SMP and commercial fire.

**R**

**Reliance Insurance Co. of Illinois**  
 Suite 200, The Tower, 10 Gould Center, 2850 E. Golf Road, Rolling Meadows, Ill. 60008; 312-640-3600

	1980	1979
Gross premiums...	\$16,452,919	\$17,543,806
Net premiums...	\$7,287,179	\$7,706,074
Paid-in capital...	\$2,000,000	\$2,000,000
Capital & surplus...	\$6,373,450	\$6,069,746
Employees.....	Not reported	Not reported*

(Reliance Insurance Co. of Illinois shares employees with Reliance Insurance Co.)

**Parent company:** Reliance Insurance Co.

**Approved non-admitted in:** 40 states and District of Columbia; not approved in California, Maine, Massachusetts, Missouri, New Jersey, North Carolina, Rhode Island, Tennessee, New York.

**Admitted in:** Illinois.

**S**

**St. Paul Surplus Lines Insurance Co.**  
 445 Minnesota St., Suite 900, St. Paul, Minn. 55101; 612-221-7066

	1980	1979
Gross rev.....	\$5,974,475	\$5,048,279
Net premiums...	\$2,516,483	\$1,913,076
Paid-in capital...	\$3,000,000	\$3,000,000
Capital & surplus...	\$7,291,544	\$6,822,040
Employees.....	16	11

**Parent company:** St. Paul Fire & Marine Insurance Co.

**Approved non-admitted in:** 48 states; not approved in Delaware, New Jersey.

**Admitted in:** Delaware.

**Safety Mutual Casualty Co.**  
 1034 S. Brentwood Blvd., St. Louis, Mo. 63117; 314-862-4500

	1980	1979
Gross rev.....	\$24,000,000	\$21,000,000
Net premiums...	\$12,000,000	\$10,060,000
Guaranty Fund...	\$1,250,000	\$1,250,000
Capital & surplus...	\$6,800,000	\$5,500,000
Employees.....	45	40

**Approved non-admitted in:** 42 states; not approved in Maine, Minnesota, New Hampshire, New York, Wisconsin.

**Admitted in:** Missouri.

**Specialties:** Self-insurers of workers compensation, accident & health.

**W**

**Western World Insurance**  
 50 S. Franklin Turnpike, Ramsey, N.J. 07446; 201-825-3300

	1980	1979
Gross premiums...	\$28,500,290	\$27,558,638
Net premiums...	\$13,102,373	\$14,252,462
Paid-in capital...	\$1,017,460	\$1,012,280
Capital & surplus...	\$11,281,194	\$8,030,202
Employees.....	65	59

**Approved non-admitted in:** 49 states and District of Columbia.  
**Admitted in:** New Hampshire.

**Z**

**Zurich American Insurance Co. of Illinois**  
 The Zurich Building, Schaumburg, Ill. 60196; 312-843-6000

	1980	1979
Gross premiums...	\$14,123,562	\$11,937,942
Net premiums...	\$7,410,326	\$5,911,979
Paid-in capital...	\$1,000,000	\$1,000,000
Capital & surplus...	\$3,844,622	\$3,605,624
Employees.....	Not reported	Not reported

**Parent company:** Zurich Insurance Co.

**Approved non-admitted in:** 45 states; not approved in Maine, Minnesota, New Jersey, Rhode Island.

**Admitted in:** Illinois.

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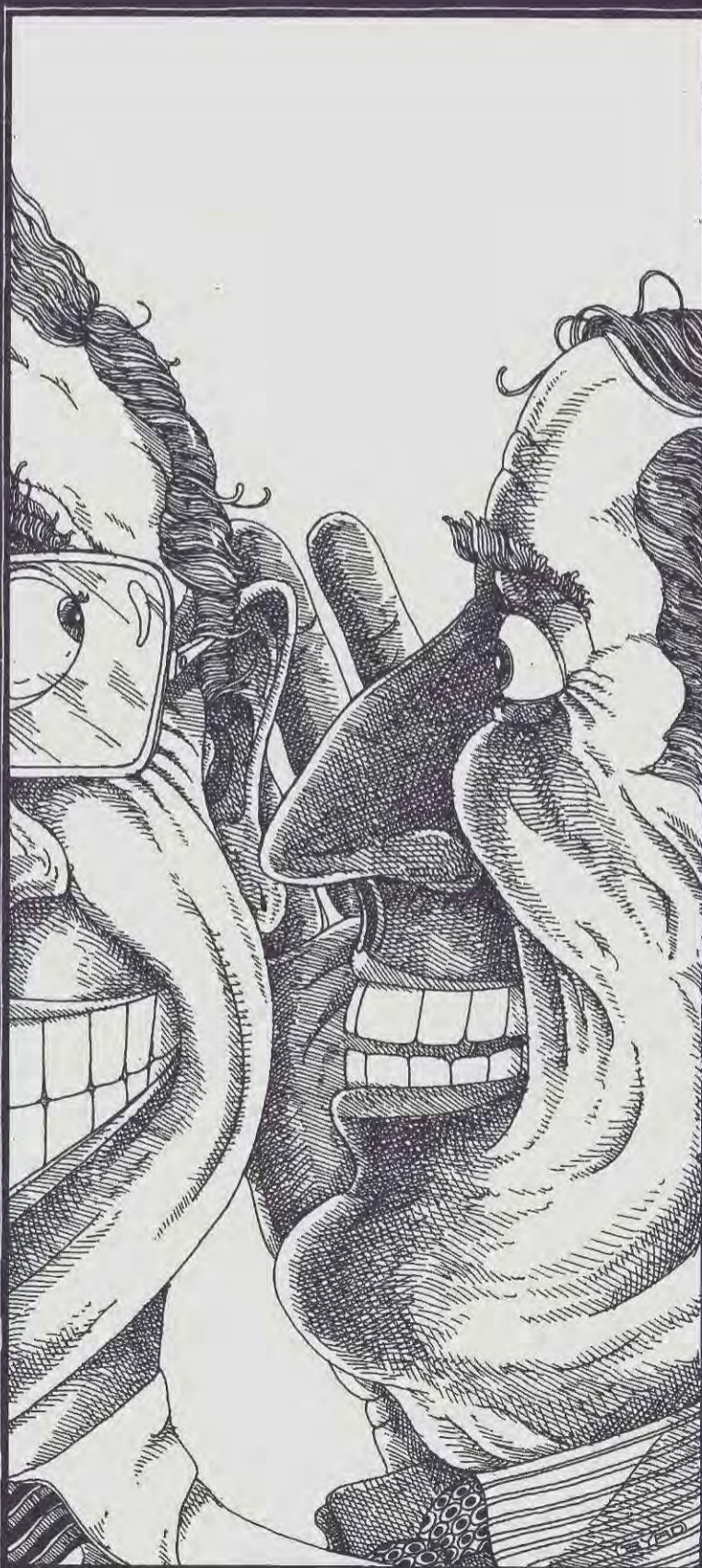
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# Geographic listing of E/S companies

## ALABAMA

### Birmingham

Creative Underwriters of the South Inc.  
E & S Facilities Inc.  
Southeast Underwriting Service Inc.

## ALASKA

### Anchorage

Great Land General Agency  
Huycke General Agency

## ARIZONA

### Scottsdale

Great Southwest Fire Insurance Co.

## ARKANSAS

### Fayetteville

Jaeger & Haines Inc.

## CALIFORNIA

### Burlingame

Brown & Riding Insurance Services Inc.

### Canoga Park

Hoskins & Weckerle Inc.

### Los Angeles

Baccala & Shoop  
California Union Insurance Co.  
Canon Insurance Service  
Compass Insurance Group of Agencies

Excess and Surplus Lines Insurance Brokers Inc.  
Global Surplus Insurance Services  
Harry W. Gors: Co. Inc.  
Harbor Insurance Co.  
Montgomery & Collins Inc.  
Pacific Insurance Co.  
Sayre & Toso Inc.  
Sweet & Crawford

### Orange

Dependable Insurance Associates Inc.

### Pasadena

Anderson & Marison Inc.

### San Diego

Beech Street Insurance Services

### San Francisco

Cambridge General Agency  
Great Falls Insurance Co.  
MacCready & Gutmann Insurance Services Inc.  
Sherwood Insurance Services

### San Jose

Coplen General Insurance Agency Inc.

### Stockton

IWest Insurance Managers Inc.

## COLORADO

### Englewood

Guaranty National Insurance Co.

## CONNECTICUT

### Portland

Connecticut Underwriters Inc.

## DELAWARE

### Wilmington

Lexington Insurance Co.

## DISTRICT OF COLUMBIA

Victor O. Schinnerer & Co. Inc.

## FLORIDA

### Jacksonville

Carolina Casualty Insurance Co.  
Shelly, Middlebrooks & O'Leary Inc.

### Orlando

Lyon Underwriters Inc.

### Ormond Beach

Burt & Scheld Specialty Underwriters Inc.

### St. Petersburg

Associated Underwriters Inc.

## GEORGIA

### Atlanta

Alexander Howden Insurance Services Inc.  
Alexander Underwriters Inc.  
Alexsam Inc.  
Corvette General Agency Inc.  
Dilbeck-Dominey Underwriters  
Gresham & Associates Inc.  
Hartje & Co.  
The London Agency

## ILLINOIS

### Chicago

Columbia Casualty Co.

International Surplus Lines Insurance Co.

### Evanston

Evanston Insurance Co.  
Shand, Morahan & Co. Inc.

### Northbrook

Northbrook Excess & Surplus Insurance Co.

### Park Ridge

Thomas F. Sheehan Inc.

### Rolling Meadows

Reliance Insurance Co. of Illinois

### Schaumburg

Zurich American Insurance Co. of Illinois

## KANSAS

### McPherson

Alliance Insurance Co.

## LOUISIANA

### Metairie

Organ & Co. Ltd.

### New Orleans

Mid-Continent Underwriters Inc.  
Qualified Service Inc.  
S.I.S. Inc.

## MARYLAND

### Langley Park

L.E. Harris Agency Inc.

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## MASSACHUSETTS

### Boston

Anexco Insurance Agency Inc.  
First State Insurance Co.  
Saval Group Inc.

### Holyoke

The Saex Group

## MICHIGAN

### Grand Rapids

McAlear Associates Inc.

## MINNESOTA

### St. Paul

Northfield Insurance Co.  
St. Paul Surplus Lines Insurance Co.

### White Bear Lake

Essex Insurance Co.

## MISSISSIPPI

### Fondren Station

Southern Cross Underwriters Inc.

### Jackson

Jackson & Brunson Inc.

## MISSOURI

### Springfield

Bohrer, Croxdale & McAdoo Inc.

### St. Louis

Safety Mutual Casualty Corp.

## NEBRASKA

### Omaha

Empire Fire & Marine Insurance Co.

National Fire & Marine Insurance Co.

## NEVADA

### Reno

Louis T. Mastos & Associates Inc.

## NEW HAMPSHIRE

### Nashua

Surplus Line Managers Inc.

## NEW JERSEY

### Haddonfield

Admiral Insurance Co.

### Paramus

NIA Excess Lines Inc.

### Ramsey

Western World Insurance Co. Inc.

### Springfield

Valle Excess Inc.

### Union

U.S. & Overseas Agencies Inc.

## NEW YORK

### Buffalo

LoVullo-Millemaci Associates Inc.

### Croton Falls

Moore Excess Inc.

### Garden City

MBC Colby Associates Inc.

Continued on next page



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## The Rock in Reinsurance

Continued from previous page

**Lynbrook**

Lawrence Excess Ltd.

**Manhasset**

North Island Facilities Ltd.

**New Hartford**

Uni-Service Excess Facilities

**New York**Allied Programs Corp.  
American Excess Insurance Co.Bache Special Risk  
Broker: Inc.Capacity Managers  
International Inc.Great Atlantic Insurance Co.  
Bernard W. Levmore Co. Inc.Major Surplus Inc.  
Sovereign Facilities Inc.**NORTH CAROLINA****Durham**

Deering &amp; Associates Inc.

**Celina**The First National Insurance  
& Reinsurance Agency Inc.**Cincinnati**Great American Surplus  
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**OREGON****Beaverton**

Vern Gilbert Co.

**PENNSYLVANIA****Bryn Mawr**

Horan, Goldman Cos. Inc.

**Harrisburg**Paxton National Insurance  
Co.**Mechanicsburg**Doran Excess Underwriters  
Inc.**Pittsburgh**American Insurance  
Facilities Inc.**PUERTO RICO**South Continental Insurance  
Agency Inc.**TENNESSEE****Memphis**

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**San Antonio**

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Agency Inc.**Waukesha**

American X/S Underwriters

**WEST VIRGINIA****Huntington**

Inland Mutual Insurance Co.

# D&O cover for associations introduced

Western World Insurance Co. now offers directors & officers liability coverage to non-profit and non-incorporated religious, cultural, charitable, fraternal, educational and community aid organizations, country clubs, athletic clubs, veterans organizations and homeowners associations.

Limits range from \$300,000 to \$1 million. The policy carries a \$2,500 per loss deductible with an optional 5% participation for losses above this amount. Deductibles of \$1,000 and \$5,000 also are offered. Defense coverage is included.

For more information contact John Curry, Western World Insurance Co., 50 S. Franklin Turnpike, Box 504, Ramsey, N.J. 07446.

## Workers comp

The Rhulen Agency Inc. is offering workers compensation coverage for quarter horse owners.

The policy applies in most states

## products & services

and eliminates the need to purchase insurance state by state. The premium is based on actual payroll and is subject only to minimum premiums required by law.

For details contact Peter L. Rhulen, Rhulen Agency Inc., Mail Pouch 4, Monticello, N.Y. 12701; 800-431-1270.

## Permanent life

Metropolitan Life Insurance Co. has introduced a program of permanent life insurance with payroll deductions.

Metromatic gives employees an opportunity to purchase permanent life insurance for themselves or family members. Metromatic policies have cash values that can be used as supplemental retirement benefits.

For further information contact Barb Collier, Metropolitan Life Insurance Co., Central Head Office, 12902 East 51st St., Box 500, Tulsa, Okla. 74121.

## E&O, D&O coverage

American International Group Inc., through National Union Fire Insurance Co. of Pittsburgh, now offers a professional liability policy to trade and professional organizations.

This policy includes directors and officers liability, errors and omissions and publishers liability coverage. One form covers national, regional or local groups. The association, its directors and officers, employees, board members and committee members are covered under the policy.

The policy's aggregate limits range from \$250,000 to \$1 million with excess limits available.

For more details contact Laura L. Collyer, Corporate Communications Department, American International Group Inc., 70 Pine St., New York, N.Y. 10270.

## Computer coverage

Fireman's Fund Insurance Co. has revised its policy for electronic data-processing hardware and software.

The policy, available to companies that lease, rent or own data-processing equipment, covers physical damage and dishonest, fraudulent or criminal acts of employees.

The coverage provides indemnification for losses from mechanical failure, faulty construction or design, electrical disturbances or blowouts within the system and data-processing media failure.

For more details contact any of the 50 Fireman's Fund branches or Dan Brigham, Fireman's Fund Insurance Cos., Box 3395, San Francisco, Calif. 94119; 415-929-2117.

## Benefit reports

Benefacts Inc., a subsidiary of Alexander & Alexander Services Inc., has introduced Report III, a personalized computer-produced employee benefits statement designed for smaller companies.

Report III can incorporate a number of facts to show employees details of their benefit plans. The individual statements contain information on total contributions from employer and employee, medical, dental, disability, group life and retirement benefits and projections on current and future benefits.

Report III services are available through local Alexander & Alexander offices. For information contact Margery Floam, Alexander & Alexander, 300 E. Joppa Road, Baltimore, Md. 21204; 301-296-3248.

## Loss control

A new booklet on loss control is now available from the risk management services company, Fleming/Redmon & Associates. "Refining Supervisory Skills for Loss Control" is on sale at \$12.50 per copy.

To order your booklet send a check or money order to Fleming/Redmon & Associates, 3800 N.

Central Ave., Suite 400, Phoenix, Arizona 85012.

## Claims system

Insurance Systems of America Inc. has introduced its new on-line Dental Health Claims Management System.

The dental claims system can process dental claims and provide flexible programs for companies. The system features user-controlled claim adjudication logic and minimum training requirements. The system allows clients to coordinate benefits, automate identification of certain claims and use multiple plans and fee schedules.

For information contact Suzanne Lynn, Insurance Systems of America Inc., Box 47975, Atlanta, Ga. 30362; 404-441-8800.

## Safety awareness

An audiovisual program promoting safety awareness has been developed by the loss-control department of the Alliance of American Insurers. This educational tool can be used with job training and employee orientation. It also can be a refresher program for safety directors and front-line supervisors.

The program is a slide show with cassettes and job-safety analysis forms for practice analyses.

The entire program is available for \$60 or can be previewed for 15 days for \$20 by contacting the Alliance of American Insurers, Loss Control Department, 20 N. Wacker Drive, Chicago, Ill. 60606.

## ERISA guide

The ERISA Reporting Guide, a reference manual and comprehensive guide to all ERISA reports and notices is available from A.S. Hansen Inc. The guide also will keep subscribers up-to-date on the complex reporting and disclosure requirements for employee benefit plans.

Also available is a brief description of the 60 changes and new requirements applicable to ERISA and employee benefit plans effective Jan. 1, 1980.

The ERISA Reporting Guide costs \$200. The guide to changes in the law is available for free. For more information contact Information Services Department, A.S. Hansen Inc., 1080 Green Bay Road, Lake Bluff, Ill. 60044; 312-234-3400.

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# with Sherwood.



Dick Nahas, Account Executive, telling a client about Sherwood's H.P.R. facilities for the electronics industry.

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# Deborah Myers named risk manager at Itek

Deborah R. Myers, 29, has been corporate risk manager at Itek Corp. in Lexington, Mass. She will be responsible for purchasing property/casualty insurance and employee benefits. Before joining Itek, Ms. Myers was risk manager at Wang Laboratories Inc. She is attending Northeastern University in Boston. She replaces Paula Adamson, who is on maternity leave. Ms. Myers will report to John F. Burns, treasurer.

## comings & goings: buyers

...sylvania State University where he received a bachelor's degree in insurance in 1970.

We'd like to report on staff changes in your risk management or employee benefits department. Just drop a note to Stephen Tarnoff, Associate Editor, Business Insurance, 740 N. Rush, Chicago, Ill. 60611 or call 312-649-5482. We'd also like to receive pictures.

Louise M. Egan has been appointed risk manager of the Catholic Medical Center of Brooklyn and Queens in New York. Ms. Egan will develop and manage programs to minimize risk and insurance claims costs to CMC and its four voluntary hospitals. Ms. Egan previously was hospital risk management specialist with the Royal Insurance Co. She also served as quality assurance supervisor at LaGuardia Hospital and as a staff nurse at LaGuardia and at Queens General and Jamaica hospitals. She received a master's degree in business administration from Pace University in 1979, a bachelor of science degree in health care management from St. Francis College and an registered nurse diploma from the Queens Hospital Center School of Nursing. Ms. Egan is a member of the American Society of Hospital Risk Managers and the American Management Assn.

Bruce Coddling was named risk manager at Varian Associates Inc. in Palo Alto, Calif. He is responsible for all purchasing of property/casualty insurance, self-insurance claims administration, risk identification and analysis and loss prevention. Mr. Coddling is a graduate of St. Mary's College. He was formerly risk manager for the city of Fresno. He will report to Robert A. Lemos, assistant secretary.

Varian also named Carol Harrington, 39, insurance analyst and Keith Sprengel, 27, claims analyst. Ms. Harrington has a bachelor's degree from San Jose State University and was formerly employed by Flamer & Co., an insurance broker. She replaces Hildy Fleischer, who is now risk manager at Memorex Corp. Mr. Sprengel, who is filling a new position, also has a bachelor's degree from San Jose State. Mr. Sprengel was formerly employed by Industrial Indemnity.

Both Ms. Harrington and Mr. Sprengel will report to Mr. Coddling.

Jerry A. Baker, 37, has been named supervisor of claims administration at The Western Co. of North America in Ft. Worth, Texas. He previously worked for Liberty Mutual in Oklahoma City, Okla., and was once a police officer. Mr. Baker is a graduate of Louisiana State University. He will report to Richard H. Moscicki, director of risk management. Western is engaged in the well servicing and offshore drilling industries.

Allegheny Ludlum Steel Corp. of Pittsburgh has named Gerald L. Belfiglio to a newly created position of director of risk management. Before joining Allegheny Ludlum, he was risk manager for Allegheny International Inc. Mr. Belfiglio, 32, is a graduate of Penn-

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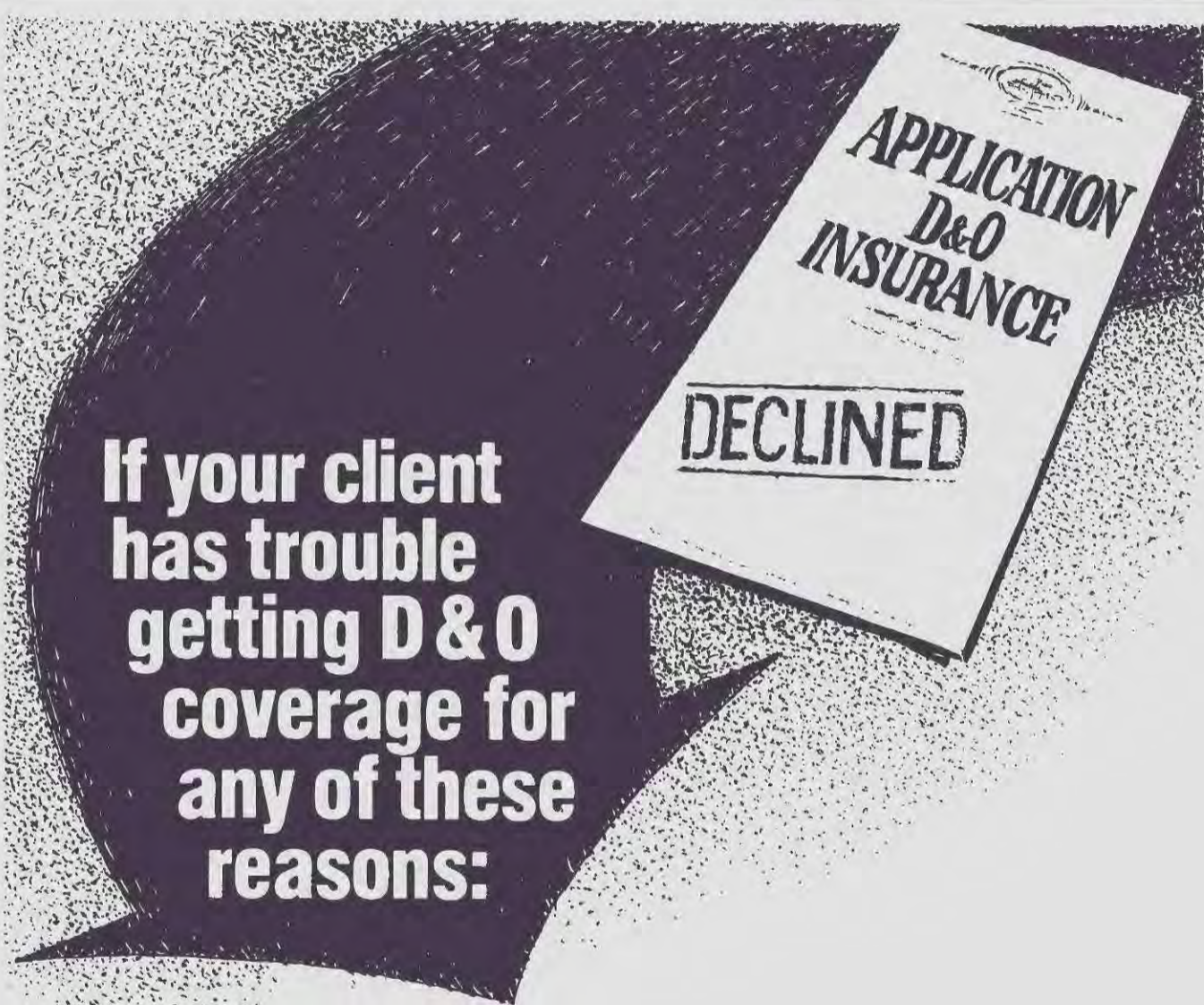
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# Clark, Wolcott head new Aetna divisions

Aetna Life & Casualty Co. has named **Robert C. Clark** as senior vp in charge of a new commercial insurance division and **Dean A. Wolcott** as senior vp in charge of a new personal finance security division.

The appointments follow a major reorganization by Aetna of its insurance and administrative divisions to emphasize marketing.

The commercial insurance division will handle marketing, administrative and profit responsibilities for business-oriented property/casualty insurance products and services.

The personal finance security division will play a similar role in relation to personal lines products.

#### Other insurer changes:

**Arthur O. King** has been named president of INAPRO Inc., a subsidiary of INA Corp. He replaces Peter Foley, who resigned to take a position with ARMCO Financial Services Group (Europe) as director of its non-life International Operations. INAPRO is INA's sales and underwriting manager for all professional liability and errors and omissions coverages.

Mr. King joined INA in 1979 as president of Market-Dyne International and most recently served as senior vp of INA, with responsibilities for special marketing services in the property/casualty group.

INA also named **Richard P. Keast** manager of a new INA office in Chicago, and **Roger S. Arnold** named general manager of the new INA office in Philadelphia.

**Lisa J. Kramer** elected a vp at INA, responsible for the company's

## comings & goings: industry

litigation department.

**Charles F. Cook** elected senior vp responsible for the New Hampshire Insurance Co.'s underwriting department.

**Renee Iaia** named special accounts consultant for UniCARE Insurance Co., a workers compensation insurer in Irvine, Calif.



Iaia

**Whitney P. Clark** joined Fremont Indemnity Co. as manager for special risks and services.

**Allyn F. Hess** elected vp of INAPRO Inc., a subsidiary of INA Corp. that provides medical malpractice insurance.

**James M. F. Henderson** named vp and manager of the Seattle branch and **Edward T. Laugle** named vp of nationwide sales for Fireman's Fund Insurance Cos.

EBI Cos. has appointed **Daniel B. Norem** vp in charge of the Sacramento and Fresno, Calif., offices.

SAIF Corp. named **Tony Ferronato** vp in charge of legal and claims divisions.

**John F. Henry** named Pacific Northwest property underwriting manager for Harbor Insurance Co., part of Foremark Corp.

#### Other suppliers

**Robert A. Hamilton** has been

promoted to senior consultant and **William M. Waugh Jr.** has been named consulting principal at A.S. Hansen Inc.'s Dallas office.



Waugh

**Daniel Nichols** joined Dallas office of Buck Consultants Inc. as an associate actuary for the firm.

St. Paul Risk Services Inc. announced two promotions: **Larry N. Jayne** promoted to claim service manager and **Richard J. Pfeiffer** promoted to account development director.

Milliman & Robertson Inc. has named four new principals: **Steven D. Brink** and **Thomas K. Custis** in the Milwaukee office, **Dennis L. Graves** in the Los Angeles office and **Frederic T. Lhamon** in the Seattle office.

**Greg Crouch** joined Austin Consulting Group as a senior consultant in charge of client development.

**Mark D. Gebhardt** elected senior vp of INTEX Management Co.

**Sandra L. Noble** appointed president of ComCo Management Inc., a division of D.W. White & Co. Inc.

#### Reinsurers

**John M. Ginley** joined Richard Whiley Inc., a reinsurance intermediary, as assistant vp responsi-

ble for domestic and international treaties.

RFC Intermediaries Inc. announced four promotions: **Robert K. Hegarty** named vp, and **Pamela L. Asbury**, **Diana R. Post** and **James A. Grace** named assistant vps.

**Edward J. Jamison Jr.** elected chairman and president of Buffalo Reinsurance Co., a member of The Continental Corp.



Jamison

**Michael R. Whittle** named secretary of North American Reinsurance Corp.'s Atlanta office.

INA Reinsurance Co. announced three promotions: **Paul R. Flack** was elected vp/actuary, **Donald G. Smiley** elected assistant vp and **Joseph R. Liuzzi** elected associate actuary.

#### Excess/surplus

**Andrew D. Hennelly** elected vp of James P. Daly Inc.

**John A. Pericin** joined the San Francisco office of Comstock Insurance Co. in the position of senior underwriter.

**Richard B. Butler** appointed inland marine manager at Texas Marine Underwriters Agency.

**Gus Gallup** named manager of new Tampa office of Swett & Crawford.

**Charles Attaway** joined Mid-Continent Underwriters Inc. as casualty manager.

**Venita Cappel** named vp of

Sam Chapin Insurance Services Inc.

**Brian Brecker** named manager of Richard L. Jarrett Sr. Inc.'s office in Houston. R.L. Jarrett (Holdings) Inc. is a subsidiary of London United Investments.

#### Agents/brokers

**Ralph O. Hanley** named head of the San Francisco office of Marsh & McLennan Inc. **H.W. Chillingworth** will replace Mr. Hanley as head of the San Jose M&M office.

**Thomas H. Ferrer** named head of the Marsh & McLennan Inc. Cleveland office.

**J. Michael Kelley** named head of the Marsh & McLennan Inc. Coral Gables, Florida, office. In his new position, he will also be responsible for the Miami Springs office.

**Robert L. Degner** appointed director of risk management for Fred S. James & Co.'s Western region.

**Robert H. Cathcart** named managing vp of the Rochester, N.Y., office of Alexander & Alexander Services Inc.

**Dennis M. Aaron** named managing vp and senior consultant in the Palo Alto, Calif., office of Anistatics, a subsidiary of Alexander & Alexander.

**Allan Sittnick** elected vice president of Johnson & Higgins (Michigan). He will continue to specialize in surety bonds and related services for the building construction industry.

**Frederick R. Johnson Jr.** joined the Chicago office of Johnson & Higgins as a vp.

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- General Liability  Products Liability
- Professional Liability



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 105 Loudon Road, Concord, NH 03301 • (603) 224-4009  
 111 John Street, New York, NY 10038 • (212) 964-4500

## datebook

**AUG. 27-28. Physical Security in EDP** program in Washington, D.C., sponsored by the Computer Security Institute, Educational Resource Center; \$495; second participant from same company, \$475; each additional from same company, \$460. Gerald I. Isaacson, Computer Security Institute, Box 528, Matawan, N.J. 07747; 201-566-8622.

**SEPT. 9-10. Casualty Loss Reserve** seminar in St. Louis, sponsored by the American Academy of Actuaries and the Casualty Actuarial Society; \$100. AAA/CAS Casualty Loss Reserve Seminar, 1835 K St. N.W., Suite 515, Washington, D.C. 20006; 202-223-8196.

**SEPT. 9-11. Fundamentals of Insurance** course in Dallas, sponsored by the Risk & Insurance Management Society; members, \$295; non-members, \$395; additional member participants, \$175. RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

**SEPT. 9-11. Techniques of Risk Management** course in Toronto, Canada, sponsored by the Risk & Insurance Management Society; members, \$295; non-members, \$395; additional member participants, \$175. RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

**SEPT. 14-15. Maritime Fraud Prevention** conference in Miami, sponsored by the Enercon Group Inc.; \$375, \$400 after Sept. 1. Bruce Abugel or Judy Mathia, Enercon Group Inc., 1110 Brickell Ave., Suite 430, Miami, Fla. 33131; 305-371-3343.

**SEPT. 14-15. Reinsurance Management** conference in Chicago, sponsored by the Interforum Group Inc.; \$495. Interforum Group Inc., 68 William St., New York, N.Y. 10005; 212-269-2240.

**SEPT. 15-17. Financial Analysis for Risk Management Decisions** seminar in Chicago, sponsored by Cozzolino Associates Inc.; \$685, plus \$50 registration fee for each company. Carol L. Cozzolino, Cozzolino Associates Inc., 12 Chippenham Drive, W. Berlin, N.J. 08091; 609-784-7105.

**SEPT. 20-23. Canadian Risk Management** conference in Toronto, sponsored by the Ontario Risk & Insurance Management Society; \$225 before Aug. 31, \$250 after. Jean C. Murphy, c/o Canadian Oxygen Ltd., 355 Horner Ave., Toronto, Ontario M8W 1Z7; 416-251-5241.

**SEPT. 21-22. Association Captives** conference in New York City, sponsored by the Interforum Group Inc.; \$595. Interforum Group Inc., 68 William St., New York, N.Y. 10005; 212-269-2240.

**SEPT. 21-22. Life Safety Code Revisions** workshop in Denver, sponsored by the division for continuing education of the National Fire Protection Assn.; NFPA members, \$185; non-members, \$210. Also Sept. 24-25 in San Francisco. National Fire Protection Assn., Batterymarch Park, Quincy, Mass. 02269; 617-328-9290.

**SEPT. 21-24. Fundamentals of Reinsurance** seminar in Irving, Texas, sponsored by the University of Dallas Risk Management Institute; \$395. Professor Bruce D. Evans, University of Dallas, Risk Management Institute, International Center, University of Dallas Station, Irving, Texas 75061; 214-579-5360 or 579-5299.

**SEPT. 24-25. Captives and Pools** conference in Warren, Vt., sponsored by the Risk Planning Group; \$550 per person, \$475 for each additional participant from same firm. Risk Planning Group Inc., Conference on Captives and Pools, 722 Post Road, Darien, Conn. 06820; 203-655-9791.

**SEPT. 28-29. Human Factors Engineering in Nuclear Safety** course in Arlington, Va., sponsored by the International Institute of Safety & Health; \$295, three or more from same firm, \$250. IISH, 5010A Nicholson Lane, Rockville, Md. 20852; 301-984-8969.

**SEPT. 30-OCT. 1. Key Issues in Asian Insurance** meeting in Hong Kong, sponsored by the Institute for International Research; \$495; two or more attendants from same company, \$460. Ms. Mariam Mohamed, I.I.R. Ltd., 6/F, Sincere Insurance Building, 6 Hennessy Road, Hong Kong.

**OCT. 1-2. First Annual Self-Insurance Institute of America** conference in New Orleans, sponsored by the Self-Insurance Institute of America. Cost of conference depends on business of participant. SIIA, 1700 E. Dyer Road, Suite 165, Santa Ana, Calif. 92705; 714-979-6318.

**OCT. 5-6. Hazard Control Management Fundamentals** seminar in Arlington, Va., sponsored by the International Institute of Safety & Health; \$295, three or more from same firm, \$250. IISH, 5010A Nicholson Lane, Rockville, Md. 20852; 301-984-8969.

**OCT. 11-14. Health Care Cost Containment** seminar in Palm Springs, Calif., sponsored by the International Foundation of Employee Benefit Plans. Members and non-members, \$360. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

**OCT. 11-15. 1981 CPCU Annual Meeting** in New Orleans, sponsored by the Society of Chartered Property & Casualty Underwriters; \$185 for members and CPCU designees only. Joan S. Keys, Director of Public Relations, Society of CPCU, Kahler Hall, Providence Road, Malvern, Pa. 19355; 215-648-0440.

**OCT. 12-14. International Risk Management** conference in Monte Carlo, Monaco, sponsored by the Risk & Insurance Management Society and the Association Europeenne des Assure de L'Industrie. Risk managers, \$675; other insurance industry personnel, \$775. RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

**OCT. 12-16. Lloyd's World of Shipping** conference in Hong Kong, sponsored by Lloyd's of Lon-

don Press. For further information and cost, contact Roy Bake, Conference Division, Lloyd's of London Press Ltd., 16/17 Bride Lane, London, EC4Y 8EB, England; 01-353-1000, ext. 30.

**OCT. 19-22. 69th National Safety Congress** in Chicago, sponsored by the National Safety Council. Members, \$60; non-members, \$80 in advance. Congress Planning, National Safety Council, 444 N. Michigan Ave., Chicago, Ill. 60611; 312-527-4800.

**OCT. 21-24. 4th Annual Aviation Law/Insurance** symposium in Orlando, Fla., sponsored by Embry-Riddle Aeronautical University; \$225. Mr. Bob Whempner, E-RAU, Star Route Box 540, Bunnell, Fla. 32010; 904-672-3439.

**OCT. 22-24. International Employee Benefits** seminar in Montreal, sponsored by the International Foundation of Employee Benefit Plans; members, \$440; non-members, \$515. IFEBP, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53005; 414-786-6700.

**OCT. 22-24. 34th Annual Profit Sharing Council** conference in Atlanta, sponsored by the Profit Sharing Council of America. Merl Douglas, Director of Public Relations and Communications, PSCA, 20 N. Wacker Drive, Chicago, Ill. 60606; 312-372-3411.

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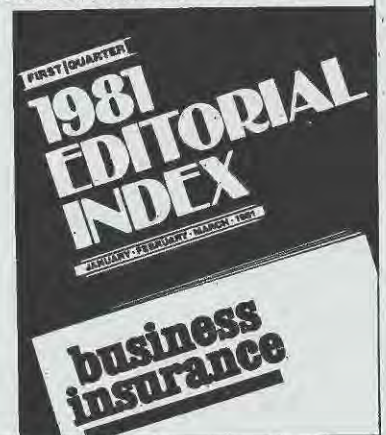
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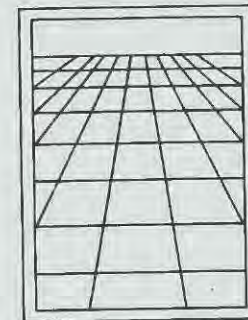
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## info

• Buck Consultants Inc. has published **Issues & Answers: Sex Discrimination in Employment**, a comprehensive handbook for employers on sex discrimination issues in the workplace. The 64-page volume provides an historical overview of women's role in the labor force, a chronology, texts of legislation, analysis of major court cases and interpretation of the judicial climate now surrounding key sex discrimination issues. For a free copy write Carolee Martin, Buck Consultants Inc., 2 Pennsylvania Plaza, New York, N.Y. 10001.

• **Key changes made by the Multiemployer Pension Plan Amendments Act of 1980**, particularly relating to employer liability, are examined in a new report by Kwasha Lipton, consulting ac-

tuaries and employee benefit specialists. Copies are available from Kwasha Lipton, Department M, 429 Sylvan Ave., Englewood Cliffs, N.J. 07632.

• Fleming/Redmon and Associates, a risk management services company, has produced a manual entitled **Refining Supervisory Skills for Loss Control**. The cost is \$12.50 per copy with discount rates for quantity orders. Write Fleming/Redmon & Associates, 3800 North Central Ave., Suite 400, Phoenix, Ariz. 85012.

• **The Nils Executive Book Service Catalog** features more than 80 titles from 31 publishers. The catalog is divided into sections featuring books on insurance, estate planning, pensions and business insurance, sales and marketing and finance and management. The catalog is available from NILS Executive Book Service, Department M 4104, 20675 Bahama St., Chatsworth, Calif. 91311.

• The National Fire Protection Assn. has published the **Flammable and Combustible Liquids Code Handbook**, a new guide to its flammable and combustible liquids code (NFPA 30). The 260-page handbook is designed to help readers better understand and apply the code. It highlights the special considerations required to ensure proper application of the code in tank storage, piping, valves and fittings, industrial plants, refineries and chemical plants. The handbook, which contains commentary and the text of the 1981 code, is available for \$15. The handbook (Order No. SPP-58) may be purchased from the National Fire Protection Assn., Batterymarch Park, Quincy, Mass. 02269.

Have a new report, booklet or promotional brochure you'd like to send to buyers of insurance? *Business Insurance* will describe your material as an editorial service in the weekly *Info for Buyers* column. Simply send us a short description of the material to be offered, along with a cost (less than \$15) and mailing address. Address all contributions to *Info for Buyers*, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611.

# Construction groups form captive insurer in Caymans

SAN JOSE, Calif.—The Western Pacific Insurance Co. Ltd. has been formed by two San Jose construction groups to write their workers compensation insurance.

The Santa Clara District of the Sheet Metal & Air Conditioning Contractors' National Assn. (SMACNA) and the Santa Clara Valley Contractors' Assn. (SCVCA) will share ownership in the mutual captive insurance company in Cayman Islands. The two groups have combined membership of 75 companies.

Homeland Insurance Cos. of San Jose is Western Pacific's licensed insurer and holds ultimate financial responsibility for all claims against the new captive.

Western Pacific has an initial capitalization of \$150,000, and members of both associations will have up to a year to join.

While membership in the captive is not mandatory, a spokesman for the groups said most members are expected to get involved.

SMACNA and SCVCA members obtain ownership in the captive by purchasing their workers compensation insurance from Western Pacific during its first

year of operation.

Ownership will be based on the amount of premium each contractor pays, the spokesman said, although a final determination will not be made until after the expiration of all first-year policies.

Western Pacific will provide its members with cash-flow advantages and better control over their own claims, said Homeland President Dave Williams.

"Workers compensation premiums are set by law so there are no savings on out-of-pocket costs," Mr. Williams said. "But they will have the advantage of getting a return on the cash flow. As mutual members in Western Pacific, they will receive any profits remaining after claims are paid."

Member companies also will know how much has been reserved to pay their claims and how much is actually being paid out, he said.

Homeland Insurance Management (Cayman) Ltd. is the captive's offshore manager, while Homeland Industrial Corp. provides claims processing, loss-control services and data processing.

# Management firm formed for captives in Vermont

Vermont Insurance Management Inc. has been formed by H. Lincoln Miller Jr. to provide management services for captive insurance companies domiciled in Vermont and established under the new Special Insurers Act of 1981.

The new company will provide necessary services to form and manage captives under Vermont law. Mr. Miller is president of the new company, and Harry A. Bonyun III, formerly manager of general insurance with Allied Chemical Corp., is secretary/treasurer and managing director.

Offices are at 87 S. Main St., Waterbury, Vt. 05676; 802-244-8711.

## Asian risks

RMCA Re is a new Singapore-based company formed by Fireman's Fund Insurance Cos. and seven foreign companies to write reinsurance business globally with an emphasis on Asia.

RMCA Re has an authorized capital in Singapore dollars equivalent to \$23.5 million and an issued

## markets

and funded capital of \$5.6 million.

Fireman's Fund has a 22.5% ownership in the company and a 22.5% ownership in RMCA Pte. Ltd., which manages the reinsurance company.

## New name

Connecticut General Insurance Corp. has officially changed its name to Connecticut General Corp., completing the conversion of the parent corporation from an insurance company to a general business corporation.

Connecticut General's insurance subsidiaries, Connecticut General Life Insurance Co. and CG/Aetna Insurance Co., will continue to operate under their current names.

## Acquisitions

Mullaney, Iskowe & Kennedy Inc., an Oakhurst, N.J.,-based in-

surance firm, has purchased the **Anthony D'Elia Agency** in Bricktown, N.J., and the **Lawrence E. Swensen Agency** in Toms River, N.J.

**Silberman & Co. of Chattanooga, Tenn.**, has merged with **Alexander & Alexander Services Inc.** Silberman's 11-member staff will be consolidated with A & A's Chattanooga staff Oct. 1. in new offices at the Osborne Office Center.

**Poe & Associates Inc.**, an insurance brokerage firm based in Tampa, Fla., has merged with **Matterhorn Bank Programs Inc.** of Baltimore.

## New offices

**The Fremont General Corp.**, a financial services holding company whose subsidiaries provide various types of insurance, has moved its Los Angeles headquarters to 525 S. Virgil Ave.

# Pension index leaps 13.9%

NEW YORK—The Buck Forward Interest Rate Index increased 13.9% in June, providing a benchmark to help sponsors of employee pension plans comply with new Financial Accounting Standards Board pension disclosure requirements.

The index was developed by Buck Consultants Inc., an employee benefit consulting firm, in January 1980 to provide an objective guideline of plan sponsors to comply with FASB Statement 36.

The Buck Forward Interest Rate Index is based on the forward interest rates inherent in the prices of risk-free U.S. government securities.

The index reflects the timing of future benefit payments to a typical group of active and retired employees.

It is intended to help financial officers select appropriate investment return assumptions to determine the actuarial present value of accumulated pension benefits for comparison with the market value of plan assets.

The Financial Accounting Standards Board now requires such a disclosure in annual corporate financial statements for fiscal years ending on or after Dec. 15, 1980.

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# Nuclear insurance groups seeking \$1 billion capacity

Continued from page 1

In the event of a loss, NEIL members would be subject to a post-loss assessment of up to 7½ times the annual premium.

The NEIL plan, however, leaves a \$50 million gap in the \$1 billion program. Currently, nuclear insurers can provide only up to \$450 million of property insurance. NEIL left this gap intentionally, Mr. Rand said, to allow limits provided by other markets to grow to \$500 million.

NEIL trusts the commercial market will provide the insurance in the future, he said. In the meantime, the nuclear utilities would have to self-fund the gap or individually purchase the coverage, as some have done, Mr. Rand said.

If the task force recommends the proposal, NEIL members will be asked for commitments at a meeting set for Aug. 20, Mr. Rand said. The new coverage will go into place as soon as enough NEIL members sign up to generate \$100 million in post-loss assessment premiums. This could be as early as mid-November of this year.

**And effective Sept. 15,** NEIL also will increase its coverage limits on replacement power to \$2.3 million a week for the first year and \$1.15 million for the second year.

American Nuclear Insurers, a joint underwriting association of 124 member companies, also would like to hit that \$1 billion mark.

ANI proposes first to raise its \$300 million in primary insurance capacity to \$450 million, said ANI President Bert Proom.

This extra capacity would come from ANI members and prospective members, Lloyd's of London and other risk pools.

A second layer of \$350 million in excess of \$450 million would be formed in one of two ways.

ANI could sign up utilities to participate in the insurance. Each utility would promise to pay \$5 million for each of its reactor units after a member of the group had a loss. ANI would provide \$200 million in contingent liability insurance to pay a utility's post-loss assessment premium if it couldn't pay its share.

If the utilities don't like this approach and too few sign up, ANI could set up a pre-funded offshore captive to provide \$350 million excess of \$450 million.

**And finally,** ANI hopes to provide \$200 million excess of \$800 million in pure, single-loss excess coverage, the capacity coming from the underwriters of the \$450 million primary layer.

Mr. Proom and members of his staff spent several weeks earlier this summer barnstorming around the country, selling the idea to ANI members and selected prospective members in nine briefing sessions.

The response to ANI's sales pitch was very good, Mr. Proom said. "We expect to sign up a significant number."

He said he feels "very positive" about raising the primary layer to \$450 million and thinks ANI can "substantially complete" the \$200 million excess of \$800 million layer.

If the group has any problems, judging by Mr. Proom's comments, it may be with the \$350 million excess of \$450 million.

If ANI doesn't round up enough nuclear utility companies, it would be willing to share capacity with NEIL. In this event, Mr. Proom suggested an arrangement under which both groups would participate in this middle layer of \$350 million excess of \$500 million on a

quota-share basis while maintaining their separate identities.

Mr. Proom has another idea in mind, too. ANI has offered to provide the Nuclear Mutual Ltd., a Bermuda captive formed in 1972 by 12 utility companies to underwrite their property insurance, with a middle layer of \$350 million in excess of NML's \$450 million primary capacity. ANI would then add another \$200 million in excess of \$800 million for a total package of \$1 billion in property coverage.

NML, in direct competition with ANI to provide primary property insurance, has yet to respond to ANI's offer, Mr. Proom said.

The impact of this drive to increase capacity for nuclear insur-

ance coverage is two-fold, Mr. Rand at M&M said.

Increased coverage, part of which will apply to the costs of decontamination, should satisfy the Nuclear Regulatory Commission's concerns on "premature decommissioning" such as what occurred at TMI.

Should a nuclear plant be shut down before its life expectancy has run out, money will hopefully be available to bring it back into operation, Mr. Rand explained.

Higher coverage limits also will satisfy the financial community, which Mr. Rand said has a heavy investment in the nuclear industry and wants to see its interests protected as much as possible. ■

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# Demand for satellite insurance grows

Continued from page 2

But this seemingly poor loss experience is not making underwriters avoid the "outer space" buyers. Underwriters see profits down the road in this hot market.

The demand for this type of coverage is expected to match the growing demand for communications satellites and the growing cost of the more sophisticated equipment being developed. As more premium is written, the loss ratio will improve unless there is another major loss.

"The commercial side (of the satellite industry) is basically screaming for more capacity," said Brian Hughes, vp with Corroon & Black's Inspace operation, which specializes in space risks. "Costs (of satellite equipment) are soaring and the number of events is soaring."

To illustrate the growing cost and complexity of satellites, Mr. Hughes compared two spacecrafts put into orbit by INTELSAT, a consortium of more than 100 nations providing satellite telecommunications service.

INTELSAT's first satellite, the Early Bird, launched in 1965, had 240 telephone circuits, weighed around 85 pounds, was 28 inches in diameter at its widest point and cost \$3 million to \$5 million.

A more advanced class of satellites, INTELSAT 5, most recently

launched May 23, has 12,000 telephone circuits and two TV channels, weighs 2,231 pounds, has operating dimensions of 21 feet high, 52 feet wide and 22 feet deep and cost about \$65 million.

The number of commercial launches also is increasing, Mr. Hughes said. There were two in 1979 and two again in 1980, but nine are planned this year, 16 in 1982 and 20 in 1983.

United States Aviation Group III, a group of 16 insurers, was formed recently to write satellite and space-risk insurance "in response to the rapidly increasing utilization of satellites by private industry," said the group's underwriting manager, U.S. Aviation Underwriters.

"In terms of value, the current generation of orbiting satellites represents investments of from \$40 million to \$90 million each, while design-stage units are projected at well over \$100 million each," the company said. "A space shuttle launch can present a loss exposure of \$300 million and up for the satellites involved."

U.S. Aviation Underwriters says USAIG has a per-risk satellite property insurance capacity of at least \$30 million.

Most satellite insurance is placed in the London and European markets, said Gerald Frick, senior vp

in Marsh & McLennan's aviation and aerospace department in New York. Insurers include Lloyd's; La Reunion Aeriennne in Paris; Munich Reinsurance Co.; Swiss Reinsurance Co. in Zurich; Skandia Insurance Co. in Stockholm, Sweden; and Assicurazioni Generali in Trieste, Italy.

Of the U.S. companies involved, Lexington Insurance Co., an excess/surplus subsidiary of American International Group, has been the most active, he said. INA Corp. also has a program.

Lexington has been writing space-related risks since 1972, said George Rivera, the company's satellite systems analyst. With a capacity of around \$20 million per risk, the company writes pre-launch, launch, in-orbit, satellite transmission insurance (for lessees of transponders) and an all-risk cover for ground support facilities.

All policies are manuscript—there is no standard form. Although each company's policy terms vary, sources list three main types:

- First is pre-launch insurance, which generally comes in two phases. The first covers transit from the manufacturer to the launch site; the second is pre-ignition coverage on the satellite, equipment and launch vehicle for all risks before liftoff or inten-

tional ignition.

- During intentional ignition, launch insurance begins. It provides coverage until the satellite arrives undamaged in its permanent orbital position.

- Now the satellite's in-orbit insurance comes into play. This protects against failure to perform its intended function in orbit.

To decide if a space venture is a good risk, most underwriters pass space risks through committees of underwriters who specialize in different fields, Mr. Rivera explained.

**Lexington participates** in more than 95% of all satellite ventures, Mr. Rivera said. "We are committed on everything. Even after the RCA loss, everyone just felt we had to take some losses as part of the business. We see great potential premiums in this program."

Premiums range from 13% to 16% of the insured value, depending on loss exposure and other factors, he said.

For what would be considered a reasonable premium for satellite insurance, some \$80 million to \$100 million per risk is available worldwide, Mr. Frick said.

Mr. Hughes estimated the per-risk capacity to be a bit higher—between \$100 million and \$140 million—because the U.S. market is growing stronger, he said.

The capacity in both the London market and the European market is \$30 million to \$40 million, he said. The U.S. market's capacity, which was around \$5 million in 1979, is now close to \$50 million.

With premiums averaging 13% of the insured value, the business is attractive to insurers despite high potential losses because of investment income.

"From our own perspective, as brokers, it is quite profitable," said Mr. Hughes.

American companies that own satellites include RCA, Western Union and COMSAT General. Several others, including American Telephone & Telegraph and GTE, have systems planned.

RCA has two satellites up and plans to launch five between October 1981 and September 1983. Their aggregate value will be \$400 million.

David Whatmough, RCA's director of general insurance says, "We want certain covers and are looking for certain rates."

"As I understand it, RCA was trying to get about \$83 million of coverage per launch, but only got \$74 million to \$75 million," Mr. Hughes said.

Estimated premium for the policies, which he said are to be placed through Marsh & McLennan, is \$50 million.

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## 'Condos' pose capacity worries

WASHINGTON D.C.—An upcoming ruling from the Federal Communication Commission could hurdle the satellite insurance market into a capacity crunch.

The FCC is expected to rule in the next two months on allowing satellite owners to sell rather than lease individual transponders to users.

Transponders are the mechanisms on a satellite that accept and then transmit signals.

If this condominium concept is allowed (and some owners reportedly are already arranging sale of transponder space aboard future satellites), it will pose challenging capacity problems for the world's space insurers, experts say.

"Condos are where a capacity problem will first manifest itself," said Brian Hughes, vp of Corroon & Black's Inspace.

Right now, satellite owners generally use any radio, television, telephone or microwave transponders

they need, then lease the rest to other users.

The owner or group of owners buys property insurance. The lessee may buy satellite transmission insurance and all-risk coverage for ground support facilities.

**With condominium** satellites on the horizon, many lessees may become partial owners. With the overall satellite owners selling transponders at a profit, the satellite's total insurance value should be greatly increased.

If ownership transfers before the launch, the transponder buyers would probably want to buy contingent launch insurance to cover their investment.

Once the satellite is in orbit, each transponder buyer probably would want satellite service interruption insurance to cover business interruption, rental of another transponder and cost for replacement of a new satellite.

"A transponder might sell for \$10 million to \$15 million, a considerable investment," Mr. Hughes said.

On a 24-transponder satellite insured by the overall owner for \$75 million to \$80 million and independently by transponder buyers, coverage could conceivably reach \$200 million or more, all of which would end up in the same market.

At this time, Mr. Hughes estimated, the worldwide space insurance market has a maximum per-risk capacity of \$100 million to \$140 million.

Western Union Corp. is trying to buy \$105 million of coverage in two layers through Alexander & Alexander for one of its Westar 5 satellites, he said. "If they get it, it will be the biggest account placed to date." Launch is scheduled for 1982.

If the FCC allows it, Western Union plans to sell some of its transponders to users, Mr. Hughes said. "At this point, some of the transponder buyers are dealing with us."

In another case, the Home Box Office cable television channel is supposed to have arranged purchase of six transponders aboard a

Hughes Aircraft Co. satellite, he said.

The estimated price of \$15 million each would add up to \$90 million, more than the satellite would cost to build.

"You can see the attraction condominium satellites have for the owners," Mr. Hughes said. With high launch and related costs associated with satellites, plus high interest rates, satellite manufacturers are having a difficult time supporting communications satellite systems on their own.

**Manufacturers** are trying to reduce costs while users are trying to guarantee themselves access to a transponder. The condominium concept solves both problems.

"My concern is that someone might insure, say, Hughes Aircraft, HBO and any other transponder buyers all at once without being aware they are really the same risk," Mr. Hughes said.

"I think underwriters are not cognizant that they are writing all of these separate risks at the same time."

Those writing direct coverage are more likely to be aware of such risk accumulation, but most satellites are heavily reinsured; reinsurers are less likely to realize that three separate policies apply to the same satellite, he said.

This problem will become more serious when the Space Shuttle begins operations, he said. With its ability to carry three satellites into orbit at once, risk will accumulate at least threefold.

"Can you imagine what the exposure would be if the shuttle took three condominium satellites up at once?" Mr. Hughes asked.

"At this point insurers do not realize they have a problem, and it is not something they will actually see happening."

Whether the condominium concept for selling transponders is appropriate is a difficult legal question, since transponders have traditionally been leased, said an FCC official. "A number of companies object to it because they allege it would cut off access to small users," he said.



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# Marine rates increasing

*Continued from page 2*  
 costs, an aging world fleet and the decreased demand for shipping as reasons for the marine insurance industry's long downward pricing spiral. Demand for the coverage fell short of insurers' capacity and, therefore, their hunger to write the insurance.

Left in the wake is Scor Reinsurance Co., which pulled out of the facultative hull business in late June because it was "not making any money," explains Vincent Sacher, a spokesman for the Dallas-based member of the French reinsurance group.

Continuing market trends of reckless underwriting and decreasing premium levels forced Scor Re's decision, Mr. Sacher says.

"There was no indication that the market would change," Mr. Sacher says. "We've been watching for the last five years. We kept saying, 'Are we going to see an upsurge? Is the cycle going to change?' We saw no immediate relief."

Scor Re, however, says it will continue to underwrite marine treaties for customers who appreciate conservative underwriting.

As long ago as 1975, the American Hull Insurance Syndicate announced that in an effort to keep premiums at profitable levels it would not be prepared to write business at less than its underwriting judgment demanded.

"Unfortunately, many accounts walked away from us," says Allen Schumacher, chairman of the syndicate.

**What followed during the 1970s** was a shrinking world fleet and a buyer's market for hull insurance. "The fortunes of the underwriters follow the fortunes of the shipping industry," Mr. Schumacher says. "Regrettably, the American merchant fleet has trouble sustaining itself during prolonged periods of peace. And our lot, regrettably, also follows the rise and fall of the fleet."

A bigger blow came in 1980 when marine insurers settled a record \$300 million claim.

They agreed to pay the giant

sum to settle a claim involving three ships being built by Avondale Shipyards. Problems in the insulation system made the ships unfit to carry their intended cargo of liquified natural gas (BI, Aug. 11, 1980).

The effects of the loss were slow to wash in. Some hull insurers are still cautious about predicting any substantial change in the market.

"I don't think sanity has returned yet," says Mr. Blackman of Mutual Marine Office. "It's still a question of firming up or losing your shirt."

Rolland Rueger, insurance manager for Mobil Oil Corp., says that it's too early to talk about a general tightening of the marine insurance market.

"I don't see any concerted restriction of the market," he says. "One individual reinsurer like Scor Re is withdrawing from one part of the business. It was an isolated decision. It was a case of one underwriter looking at his book of experience and then pulling out."

**But if there are ripples** of change in the soft U.S. marine insurance market, some waves are rolling out of the London market.

"The trend of increasing deductibles and premiums has been more significant in London," says George Benjamin, senior vp at Johnson & Higgins in New York. London underwriters have increased deductibles 20% across the board, and rates, although subject to loss experience, have also been climbing, he says.

Lloyd's marine underwriter Henry Chester says London marine insurers are "pulling out all over the place." But he claims those leaving are the fair-weather underwriters who started underwriting the business in the 1970s when the profits were good.

London's marine insurance prices stopped going down in 1979 and they are now about 5% higher than they were last year on top of the 20% increase in deductibles, Mr. Chester says.

"In general, marine insurance rates are tending to move upward at a gradual, slow rate," he says. ■

# Firms join grocery captive

*Continued from page 3*  
 their revenues are derived from processing or manufacturing food for human consumption.

• Delaying until the captive is operating a requirement in which prospective participants have to contribute to a reserve fund 25% of the premium American Motorists cedes to the GMA captive.

The decision of several huge firms to join the program gives the GMA captive new life, one insurance director noted.

"A lot of risk managers will look at it again. It will open a lot of doors," the insurance director added. "It has given the Johnson & Higgins people (who manage the program) new enthusiasm."

One of the J&H staff members who will be calling on risk managers this month will be Fred Johnson, the former insurance manager of Kraft Inc. of Glenview, Ill. Mr. Johnson served on a GMA task force that explored whether a group-owned reinsurance company would provide rate stability for grocery manufacturers.

Mr. Johnson is now a vp with Johnson & Higgins of Illinois in Chicago. His responsibility is to call and convince firms to join.

While eight companies have agreed to join, some are keeping major portions of their casualty coverage out of the captive.

For example, Nabisco is putting in auto and some general liability coverages, but it will continue to self-insure its huge workers com-

pensation program.

Similarly, United Brands Co. paid "several hundred thousand" dollars in premiums for excess general liability and auto liability coverages, but kept workers compensation out of the captive, too.

If the GMA program is to succeed, risk managers will have to be convinced that the promise of future stability will outweigh the disruption of changing insurers.

"You don't change underwriters overnight. It is a very traumatic change," explained the risk manager at a giant Midwestern food processing company. "It takes years for rapport and understanding to develop between an underwriter and a policyholder."

Nabisco and Campbell Taggart say they don't face disruption problems by joining because they already had casualty insurance programs with Kemper.

Now that some companies have given business to the GMA captive, a new wave of companies will follow, predicts Mitchell Lamott, president of J&H of Illinois.

As proposed, the captive will offer \$2 million of primary coverage for auto and comprehensive general liability risks. Workers compensation coverage to meet statutory limits is also offered. Another \$50 million is available in excess umbrella coverages.

J&H (Bermuda) is managing the program. NATLSCO, a Kemper unit, will adjust claims and provide loss-control services. ■

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# Ambiguity surrounds Hyatt claims

Continued from page 1  
damages to an insurer because the burden should rest with the party committing the wrong.

Four years later, another Missouri appellate court said it did not violate public policy to permit law enforcement officers, in a false-arrest case, to be insured against punitive damage awards.

Insurance coverage for punitive damages assessed in Missouri is "a question mark in the minds of most lawyers," says Mr. Foust. "It is not final, in my opinion."

Other states have ruled punitive damages are insurable, Mr. Session says, and other attorneys expect Missouri to follow the trend.

"Generally, I'm inclined to disagree with the premise that insurance companies can't provide coverage for punitive damages," says Robert G. Oberlander, a member of the same firm as Mr. Session. "I believe the modern trend is... to permit insurance companies to cover punitive damages."

Plaintiff's attorney Lantz Welch agrees. "We think that indicates a trend, particularly in business-type torts," Mr. Welch says.

Mr. Oberlander adds that the Hyatt cases may well be the "right time and place" for the state Supreme Court to rule on the issue.

Mr. Session says that most insurance companies probably will take the position that they will not cover punitive damages.

Mr. Foust agrees, but notes that if the insurer willing includes coverage for punitive damages, it probably will be stuck paying them.

Insurers, which backed down from a 1977 stand against insuring

punitive damages, take varying approaches to covering punitive damage awards, from paying them to litigating the issue when they are awarded (see related story).

Although lawyers agree that Missouri law prohibits the assessment of punitive damages in wrongful death cases, they not certain the prohibition will necessarily prohibit recovery of damages in excess of actual damages suffered by the survivors of those killed at the Hyatt.

"Punitive damages as such are not recoverable in a wrongful death case," Mr. Oberlander says. "But the statute provides that the trier of fact can take into consideration 'mitigating and aggravating circumstances' attending the death. 'You can call it something different, but the effect is the same.'"

Mr. Welch, however, says certain restraints are placed on lawyers handling a wrongful death case that don't apply to personal injury cases where punitive damages can be recovered.

Among the restraints in wrongful death cases: A plaintiff's attorney can't show the defendant's net worth to the jury and can't urge the jury to punish the defendants. The plaintiff's attorney can suggest that the actual award be enhanced.

Attorney Charles Patterson says that because the jury is not instructed by the court that it may award punitive damages, it "takes away a lot of the whack. The fact you can't ask for punitive damages strongly mitigates against getting them."

Plaintiff's attorney Mr. Foust says he has won wrongful death cases in which juries have awarded

punitive damages in the guise of "aggravating circumstances."

"It's punitive damages under a different name," Mr. Foust says.

The attorneys disagree, however, on how insurers might handle substantial damages awarded under the aggravating circumstances rule in wrongful death cases.

William B. Anderson, associate dean of the University of Missouri at Kansas City's Law School, says since they are not punitive damages, they are covered under the policy and insurance companies will likely pay them.

Mr. Foust agrees. "I don't think there is any chance at all of attacking them. I think (the insurers) are just stuck."

Mr. Session and Mr. Patterson, however, agree that if the damages awarded in mitigating circumstances are substantial, insurers may argue they are punitive and try to exclude them from coverage.

"There will be some arguments there," Mr. Session predicts.

Still at issue and sure to be litigated among the various named defendants is fault for the disaster, which could require assessing relative degrees of fault among defendants.

"It definitely will be an issue," Mr. Session says. "There will be plenty of scratching back and forth among defendants and insurers."

Mr. Session's and Mr. Oberlander's firm has for approximately 25 years represented the architectural firm of Monroe & Lefebvre, which was part of a consortium of architects that drew the plans for the Hyatt. Monroe & Lefebvre has since employed them as counsel.

# Architects' coverage questioned

Continued from page 1  
professionals should:

- Increase their errors and omissions insurance limits to at least \$5 million, and to \$25 million for a major project. A maximum of \$30 million is available.

- Consider coverage under higher-limit package policies for each project.

- Look into second opinions on designs.

Architects and engineers, half of whom may not buy insurance now, aren't beating down the doors of the underwriters of architects professional liability insurance for more coverage yet. Most consider the cost of insurance too high, even in today's competitive market of five insurers (BI, March 16).

"We've had one inquiry about higher limits, but that may have happened anyway; there's no way to tell," said Linda Deiss, an assistant vp specializing in E&O coverage at Illinois R.B. Jones, which places E&O policies with Lloyd's.

Design professionals who do start looking for more insurance will find ready markets where prices are holding steady despite the Hyatt disaster last month which killed 111 and injured 188, insurers agree (BI, July 27).

"I don't foresee any rate increase," says Paul Genecki, vp of administration at Victor O. Schinnerer in Washington, D.C., the largest underwriter of architects and engineers errors and omissions insurance.

"Based on our 25 years in this field, our prediction is that there will be no short-term effect and if there is a long-term effect, it will be so small that no one will notice it," he said.

Schinnerer is believed to have written professional liability policies with CNA, its largest market, or the Hyatt Regency's architects and structural engineer—PBNMML Architects Planners Inc.

and Jack Gillum Associates (under the name of Gillum-Colaco Consulting Structural Engineers), both of Kansas City, Mo. The policies are said to be for less than \$5 million each.

Firms composed of 20 to 50 people might buy \$1 million to \$5 million in coverage, while firms with 100 or more people have as high a limit as they choose, said architect Harvey Marmon of Marmon-Mok Partnership in San Antonio, Texas, and chairman of the American Institute of Architects' liability committee. But most would stop at \$10 million and few would have that much, he added.

"There is no way to get enough insurance to cover something like the Hyatt tragedy," he says. "When I think of insurance, I don't think of it to cover for something like that. I think of it to cover such things as minor leaks in roofs."

Most architects and engineers E&O policies issued by underwriting manager Shand, Morahan & Co. are for \$1 million or less, said chairman Joseph Morahan, although the Evanston, Ill.-based underwriter has the capacity to issue a \$25 million policy.

"We would recommend for larger firms a \$5 million minimum, but we can write another \$25 million on top of that," said Mr. Genecki at Schinnerer. "We would be talking about exhausting the domestic and London capacities, but as you know, with the soft market, there is capacity out there."

Mr. Howell of Design Professional says, in retrospect, no one has purchased enough insurance.

Thomas F. Sheehan, the sole underwriting manager for Imperial Casualty & Indemnity Co., of Park Ridge, Ill. says rather than just increasing limits, design professionals could ask to be included in a building owners' wrap-up or "project" liability policies to cover all designers, contractors and engi-

neers involved during and after the project.

Design professionals should be thinking of coverage in the neighborhood of \$25 million to \$50 million if they're involved in large projects, Mr. Sheehan says.

"The difficulty is that design professionals don't have the professional service fee income to support such high levels of insurance," he says, adding this is especially true of small firms.

"We are willing to write the larger project policies because they are big enough in scope that underwriters can plot exposure," Mr. Sheehan said.

What is needed most is a second opinion in the design process, Mr. Sheehan suggested. "There is need for control risk management in the process, with independent checking of designs and contracts. This is always done after a catastrophe. Why not make it part of the process when you are involved in a building where there will be large gatherings?"

Girard Lee of Bagley, Soule, Lee Architects in Chevy Chase, Md., and a member of the AIA's liability committee, is concerned about the amount of income design professionals must devote to insurance.

"Like doctors and other professionals, the cost of liability insurance is in direct relationship to the amount of awards coming out of the courts. Rates are excessive and will continue to be as long as the courts make excessive awards."

As a rule, \$250,000 of coverage will cost a firm \$10,000 to \$15,000 a year, which is why many small firms are not covered, one source explained. Mr. Lee estimates that design professionals spend from 2% to 15% of their income on liability insurance.

"Fifteen percent is very excessive, but the only way to practice responsibility is if you are insured," Mr. Lee says.

## Coverage never rigidly defined

Controversy over coverage for punitive damages heated up in the 1970s as juries began handing down big awards.

Sensing a big exposure, the insurance industry in 1977 agreed to exclude punitive damages from coverage under liability insurance policies. They argued that as punishment for misconduct, punitive damages aren't suitable for insurance coverage (BI, Sept. 5, 1977).

The Insurance Services Office, the industry rate and form organization, filed a liability policy exclusion for punitive damages with state insurance departments around the country in November 1977.

Risk managers argued that the exclusion was unfair because it removed coverage for vicarious liability.

Some insurance commissioners refused to approve the exclusion. Some insurance buyers found insurers which would delete the exclusion. Finally, dissension by some insurers who considered the loss insurable—or read the vehement buyer revolt against the exclusion—broke the united industry front. ISO was forced to withdraw the exclusion in March 1978. Insurers then announced they would revert to their long-standing customs for handling claims involving punitive damages (BI, April 17, 1978).

Some insurers say liability insurance was never intended to cover punitive damages and routinely deny coverage. Others say that without a specific exclusion, certain punitive damages are covered.

Coverage can vary, most insurers agree. If the damage was expected or intended, the occurrence would not be covered.

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# Brokers report second-quarter results

Continued from page 1

the insurance business," explained Crump Chairman E.H. Crump Jr. "High yields on investments have been the catalyst which has triggered the companies into a single-minded pursuit of cash flow."

The aggressive efforts, pursued by most of the other brokers, were not enough.

For the second consecutive quarter, M&M led the pack in both revenue and net income gains. Operating revenue for the second quarter of 1981 jumped 45% over the corresponding period in 1980 to \$215.4 million. Net income grew 27% over last year's second quarter to a record \$29.8 million.

Earnings per share for the second quarter, however, dipped slightly to 81 cents from 84 cents for the second quarter of 1980.

M&M's operating revenue for the first six months grew 43% over the first half of last year to a record \$434.2 million. Net income for the first half topped \$63 million, 25% higher than the corresponding period last year.

Earnings per share for the first half also dipped, to \$1.72 from \$1.82.

The latest results include revenues from last year's acquisition of C.T. Bowring and also reflect additional shares issued for that transaction. Bowring's results helped sustain the corporation's growth

while decreasing earnings.

Exclusive of Bowring revenue, however, operating revenue for the second quarter of 1981 grew 14% and approximately 13% for the first half of 1981.

Without revenue support from a British counterpart, Alexander & Alexander Services Inc. did not fair as well.

Revenues for the second quarter of 1981 grew a very modest 4.1% over the second quarter of last year to \$109.9 million. Net income for the second quarter, however, plunged 14.6% from last year to \$12.8 million.

Earnings per share for the second quarter dropped to 67 cents from a restated 79 cents last year.

A&A's total revenues for the first half of 1981 rose only 5.2% to \$224 million from \$213 million for the corresponding period last year. Net income for the first half dropped 10.2% to \$28.6 million from \$31.8 million.

Earnings per share for the first half of 1981 reached only \$1.50, a drop from \$1.68 last year.

Frank B. Hall & Co., the third-largest publicly held broker, was the only other commercial broker to report both revenue and net income gains for the second quarter.

Hall revenues for the second quarter grew 19% to more than \$89 million from just more than \$75 million last year. Net income grew

slightly, about 4%, to \$8.6 million from \$8.3 million.

Hall's earnings per share in the second quarter decreased 5% to 77 cents from 81 cents.

For the first half of the year, Hall revenues grew 18% to \$175.2 million from about \$149 million. Net income grew 5% to about \$17.5 million.

Earnings per share for the first half of 1981, however, dropped 4% to \$1.57 from \$1.63.

Fred S. James & Co. Inc. also showed some strong revenue gains, but reported net income declines.

James revenues in the second quarter grew 21% to \$62.3 million from \$51.7 million for the second quarter of 1980. Net income in that period, however, dropped 13.4% to \$5.1 million from about \$5.8 million.

Earnings per share in the second quarter dropped 10 cents to 56 cents this year.

Six-month results showed a 22% total revenue gain over last year to a record \$123.6 million from about \$101.3 million in 1980. Net income for the first half of the year, however, dropped 9.5% to \$10.2 million.

Earnings per share for the first half also dipped to \$1.14 from \$1.30 in 1980.

Like M&M and Hall, James revenues were supported by income from control of a British brokerage. James's interest in

Wigham Poland, according to the company, contributed \$21 million in revenues for the six-month period and \$11 million in the second quarter.

Corroon & Black Corp., the biggest loser in the first quarter of 1981, continued to suffer a downward trend in net income and gross revenues.

Revenues dropped slightly in the second quarter to \$38.4 million from \$38.8 million in the second quarter of 1980. Net income for the second quarter, however, took a steep plunge from the corresponding period last year, down 44.4% to \$2.51 million.

Earnings per share in the second quarter also dropped markedly to 33 cents from 58 cents last year.

Six-month totals are not much better. Revenues for the first half dropped 2% to \$77.2 million from \$78.6 million in the first half of 1980. Six-month net income dropped 37% to a bit more than \$6 million from nearly \$9.6 million in 1980.

C&B earnings per share for the first half of the year dropped to 77 cents from \$1.23 last year.

Rollins Burdick Hunter managed some revenue growth in the second quarter of 1981, but also was hit with the net income blues. RBH revenue in the second quarter grew 7% to about \$20 million, up from about \$18.7 million in 1980.

Net income in the second quarter dropped 20%, however, to just more than \$2 million from about \$2.5 million in 1980. Second-quarter earnings per share dropped to 45 cents from 57 cents a year ago.

For the first half, total revenues grew 5% to \$40.6 million compared with \$38.8 million last year. Net income dropped at a steady pace, down 20% for the first half to \$4.4 million.

RBH earnings per share were \$1 in the first half, down from \$1.27 last year.

At the bottom of the scale, E.H. Crump reported both revenue and net income declines for the second quarter.

Second-quarter revenues dropped 5.1% to about \$7.1 million from less than \$7.5 million in the second quarter last year. Net income dropped 57% to only \$384,000 from \$885,000 a year ago.

Crump earnings per share dropped to 15 cents from 35 cents in the second quarter of 1980.

First-half revenues showed only a slight drop, to about \$14.9 million from slightly less than \$15 million. Net income for the first half, however, dropped 34% from last year to \$1.2 million from a bit less than \$1.9 million.

Crump's first-half earnings per share dropped heavily to 47 cents from 74 cents in the first half of 1980.

## Airlines without strike cover

Continued from page 3

Express.

"When people start talking about a Federal Aviation Administration strike, a good risk manager has to consider all the options."

The options, apparently, are scant. "Unheard of," said a spokesman for Associated Aviation Underwriters when asked about coverage for the airlines' strike losses.

"I don't know of any airline business interruption coverage being available at Lloyd's," adds Vincent Catalli of Alexander &

Alexander Services Inc., the brokers serving Federal Express in this situation. And, even if it were available, the likelihood of a strike would make the premium price "quite high," Mr. Seward says.

So far, the leading passenger and package carriers have not suffered extraordinary losses. In the New York metropolitan area, for example, most of the airlines ran from 50% to 80% of their normal routes when the strike began last week.

In another instance, Federal Express reported flight delays, but

no cancellations. Of course, Mr. Seward notes, contingency measures add to his company's expenses.

More than half the nation's scheduled flights continued last week, despite the walkout. Top priority was given to aircraft used for national defense or medical care. Long-range hauls of more than 500 miles were given second priority over shuttles, such as those between Washington and New York.

The airlines and insurers interviewed did not foresee any liability for foul-ups that could result from an event "completely beyond our control," as Mr. Seward puts it.

Still, the airline industry has already seen its profits plummet in recent years from a prolonged cyclical downturn, high fuel costs and competitive price-cutting.

Harry Marden, Pan Am's director of insurance, remarked, "The baseball club owners sure had a nice coverage."

## Baseball strike ends

Continued from page 3

"It (the insurance) was only a drop in the bucket," said David Szen, a spokesman for the New York Yankees.

Traditionally the biggest draw in the game, the Yankees have been performing before crowds averaging 33,000 both at home and on the road before the strike began.

The Yankees lost 30 home dates including seven with the Boston Red Sox and the Milwaukee Brewers, two of its prime competitors. Huge crowds were expected for those games, Mr. Szen said.

The Yankees suffered other enormous losses from stalled television broadcasting rights while it remained burdened with its high costs of administrative salaries, operations and vast minor league and scouting system, he said.

"Anyone who draws well and has a large TV market had to be hurting pretty bad," he said.

But the financial effects of the strike were much less of a jolt to teams like the Minnesota Twins.

Bringing up the rear in the standings of the American League's Western Division, the Twins average crowds of only slightly more than 7,000 for home games. The team did only a "little better" at the box office than the \$50,000 insurance payment it received for each canceled game, said Laurel Prieb, a spokesman for the Twins.

With each customer paying an

average of \$6 per seat and \$3.50 for concessions, the Twins frequently take in only about \$66,500 per date. But the club's attendance has been so poor recently that sometimes the insurance would have exceeded nightly receipts, he said.

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# Positive indicators are few in brokers' quarterly results

By **LEONARD M. WILSON**  
Special to Business Insurance

The second quarter was a rough one for the publicly held insurance brokers. None was able to stem the tide of declining earnings.

Management doesn't like declines in earnings for obvious reasons: Stocks don't make money when earnings are going south. Security analysts, charged with the uncertain task of forecasting earnings, are put on the defensive when they are forced to explain why things didn't go better for the brokers.

Private brokers, according to all indications, can draw only cold comfort from the performance of the alphabet brokers. The private brokers, too, are experiencing the pinch of slow revenue growth and rising operating costs.

Lackluster results reflect a feeble advance in revenues. For the group as a whole, property/casualty commissions and fees increased only 5% to 6% in the second quarter over the same period in 1980. That is not enough to prevent a margin squeeze, given the need to expand staff and to offset a 9% to 10% inflation rate.

Areas showing promise during the last quarter generally included reinsurance brokerage, employee benefits, foreign brokerage and special services generating fee income.

The number of new accounts was another positive indicator. Second-quarter results would have been much worse if so much new business had not been produced. The brokers are knocking on new doors, and the new business statistics seem to be benefitting.

*Leonard M. Wilson, a senior analyst at First Manhattan Co. Inc. in New York, specializes in insurance brokerage stocks. He is a member of the New York Society of Security Analysts.*



Wilson

## BI ticker

The negatives, however, include flat interest income in some instances. Interest rates reached a peak in the second quarter of 1980, so comparisons lagged. Contingent commissions declined modestly, although several public brokers managed to equal 1980's level of contingents in the six months of 1981. Surplus lines brokerage also seems to be experiencing a slowdown.

Here are the specifics for some of the major brokers:

- **Marsh & McLennan** reported second quarter earnings of 81 cents per share versus 84 cents per share last year. Actually, earnings would have increased if not for the dilution of the Bowring acquisition. A strong new business effort was one factor that enabled the company to record revenue growth, likely approaching 13%.

- **Alexander & Alexander** experienced a second consecutive quarterly decline in earnings, posting 67 cents per share against the previous year's 79 cents per share. While new business was at a record level, rate reductions cut deeply into revenues.

- **Frank B. Hall** showed a fairly modest earnings decline, reporting second-quarter earnings of 77 cents per share compared with 81 cents per share in 1980. An acquisition helped comparisons slightly, and Hall also benefitted from a rise in investment income and solid new business gains.

- **Fred S. James** reported earnings of 56 cents per share against 66 cents per share in the second quarter of 1980. The acquisition of British broker Wigham Poland spurred a revenue increase of 20% for the quarter, but internal gains were more likely in the 5% to 6% range.

- **Corroon & Black** reported earnings of 33 cents per share compared with 58 cents per share a year earlier. The decline reflected nominal gains in revenues rather than any deterioration in expense control.

- **Rollins Burdick Hunter's** earnings fell to 45 cents per share compared with 54 cents per share in last year's second quarter. Like the other public brokers, RBH experienced negative operating leverage as a result of

slender revenue growth.

Since rate competition shows no signs of easing, the third quarter also will be difficult for the brokers. The ingredients for a turn in the market are not yet in place, given ample reinsurance capacity, high interest rates and still tolerable underwriting results for most insurers, despite some deterioration.

One new financial twist threw some new life into the generally steady, stark decline of the publicly held brokers. Alexander & Alexander's announcement that they had terminated merger negotiations with Sedgwick Group provided a diversion of sorts from the grinding monotony of competition.

The proposed merger would have adopted the structure of a dual resident company. That duality would have subjected the holding company to tax regulations both in the United States and the United Kingdom.

Alexander & Alexander faced a higher tax rate as a consequence. Apparently, less costly alternatives were explored, but none seemed workable. Considering the complexities of the proposed deal, it is not entirely surprising such a late-hour hitch developed.

International capabilities are likely to be important to a major broker's competitive position and growth prospects in the decade ahead. Alexander & Alexander undoubtedly will find another way to bolster its now small international presence.

## Financial Briefs Presidio Insurance Co.

Beloit Corp., a privately owned diversified industrial corporation based in Beloit, Wis., will acquire Presidio Insurance Co., Pinehurst Corp's U.S.-based reinsurance underwriting subsidiary, according to a tentative agreement between the two companies.

Beloit said it intends to increase the capitalization of Presidio. Beloit will pay about \$6.3 million for Presidio.

The transaction, subject to approval by both companies' boards and by government regulators, is expected to be completed by the end of the year.

## Reliance Insurance Co.

Reliance Insurance Co. has declared a regular quarterly dividend of 45 cents per share on the company's common stock, payable Sept. 1 to shareholders of record Aug. 17.

Reliance also declared a regular quarterly dividend of 67 cents per share of Series A preferred stock, payable Oct. 1 to shareholders of record Sept. 15.

## Voyager Group

The boards of Voyager Group Inc. and Associated Madison Cos. have approved a merger plan through which Voyager will merge with a subsidiary of Associated Madison.

Under the terms of the agreement, each share of Voyager would be exchanged for 0.45 shares of Associated Madison \$2.25 cumulative convertible preferred stock and 0.75 shares of Associated Madison common stock.

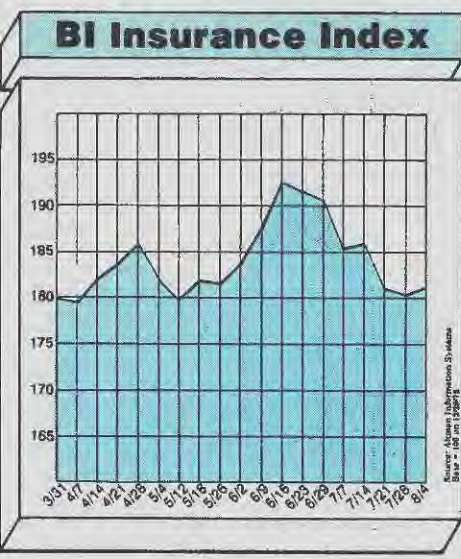
The merger agreement is subject to approval by shareholders of both companies and federal regulatory agencies.

Associated Madison is a financial services holding company. Its principal subsidiary, National Benefit Life Insurance Co., markets insurance products through the use of bank-issued credit cards.

Voyager Group's principal subsidiary, Voyager Life Insurance Co., markets credit life insurance and credit accident and health insurance. It also sells other insurance products.

## Alexander & Alexander

Alexander & Alexander Services Inc. has declared a regular quarterly dividend of 46 cents per share, payable on Aug. 31 to shareholders of record Aug. 7.



Insurance industry stocks reversed a two-week decline last week, sending the *Business Insurance* stock index up 1.5 points to 181.8 from 180.3. Thirty-three stocks rose, 20 declined in value and 19 went unchanged. Top gainers were: Banks Iowa Inc., 14.3%; Preferred Risk Life Insurance Co., 10.7%; MGIC Investment Corp., 8.9%; and U.S. Life Corp. and Carolina Casualty Corp., 8%. Largest declining stocks were: E.H. Crump Cos. Inc., 13.8%; Tokio Fire & Marine Insurance Co., 5.5%; United Fire & Casualty Co., 4%; Aneco Reinsurance Co., 4%; and Marsh & McLennan Cos. Inc., 2.8%. The 0.8% index rise surpassed two of the major market indicators.

## British Issues


8 August	Price	P/E	Div.	Yield	1 Week
Companies	pence		pence	%	High-Low
Comm Union	173	11.8	15.45	8.9	186-173
Eagle Star	303	10.1	21.43	7.1	305-299
Genl Accident	350	8.4	19.29	5.5	352-342
Gdn Royal Exch	342	8.8	22.14	6.5	346-338
Phoenix	272	8.0	21.29	7.8	274-264
Royal	383	10.6	34.29	9.0	385-370
Sun Alliance	946	9.5	47.14	5.0	950-910

Brokers	Price	P/E	Div.	Yield	1 Week
Companies	pence		pence	%	High-Low
CE Heath	290	11.4	15.00	5.2	292-290
Hogg Robinson	104	8.3	8.57	8.2	106-104
Alan Howden	126	8.2	10.00	7.9	127-124
JH Minet	139	13.9	6.50	4.7	139-138
Sedg Grp	141	11.3	7.14	5.1	143-134
Stenhouse Hldg	92	8.4	6.64	7.2	95-92
Stew Wrightson	210	11.0	17.14	8.2	212-210
Willis Faber	365	12.6	17.14	4.7	367-360

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

## BI Industry Stock Report

Insurance Cos.	AUG. 4, 1981				7/29/81 THRU 8/4/81				Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)	
	NYSE	OTC	NYSE	OTC	NYSE	OTC	NYSE	OTC									
Aetna Life & Cas Co	NYSE	38.25	1.0	6.8	2.32	6.1	38.25	38.00	210.8								
American Bankers Ins Group	OTC	7.63	0.0	12.1	0.44	5.8	7.63	7.63	87.4								
American Gen Ins Co	NYSE	39.13	0.0	6.2	2.00	5.1	40.00	39.13	32.4								
American Indty Finl Corp	OTC	16.25	-2.3	6.5	1.12	6.9	16.38	16.25	2.7								
American Intl Group Inc	OTC	59.50	3.9	11.4	0.40	0.7	59.50	57.50	97.8								
American Natl Ins Co	OTC	12.88	1.0	5.8	0.68	5.3	13.00	12.63*	93.3								
American Sts Life Ins Co	OTC	20.50	0.0	6.6	0.72	3.5	20.50	20.50	0.1								
Aneco Reins Ltd	OTC	3.00	-4.0	0.0	0.00	0.0	3.13	3.00	5.9								
Appalachian Natl Corp	OTC	2.50	0.0	7.1	0.00	0.0	2.50	2.50	0.1								
Avenac Corp	AMEX	10.88	4.8	9.0	0.50	4.6	10.88	10.13	11.5								
Banks Iowa Inc	OTC	40.00	14.3	6.4	1.44	3.6	40.00*	37.00	12.8								
Bitco Corp	OTC	40.00	-1.2	5.7	2.16	5.4	41.00	40.00	1.2								
Carolina Cas Ins Co	OTC	6.75	8.0	4.9	0.32	6.7	7.00	6.25	0.4								
Central Natl Finl Corp	OTC	9.75	0.0	3.6	0.65	6.7	9.75	9.75	0.2								
Chubb Corp	OTC	46.50	4.8	5.7	2.68	5.8	46.50	44.50	73.4								
Combined Intl Corp	NYSE	21.88	2.3	6.2	1.60	7.3	21.88	20.75	33.5								
Connecticut Gen Ins Corp	NYSE	47.88	0.0	6.3	1.76	3.7	48.00	47.88	143.0								
Continental Corp	NYSE	26.75	0.5	8.5	2.40	9.0	26.88	26.63	86.9								
Crawford & Co	OTC	16.25	0.0	12.5	0.52	3.2	16.25	16.25	6.1								
Crown Life Ins Co	OTC	108.00	-2.3	9.1	2.80	2.6	111.50	108.00	0.2								
Crum & Forster	NYSE	31.63	0.4	5.5	1.44	4.6	31.75	31.00	301.4								
Employers Cas Co	OTC	37.00	0.0	6.1	1.20	3.2	37.00	37.00	2.4								
Equifax Inc	NYSE	24.38	1.0	7.1	2.40	9.8	24.88	24.13	2.9								
Excelsior Ins Co	OTC	16.50	1.5	33.7	0.70	4.2	16.50*	16.50	1.2								
Farmers Group Inc	OTC	30.13	0.4	9.5	1.12	3.7	30.75	30.13	224.8								
First Colony Life Ins Co	OTC	46.50	-3.1	15.2	0.80	1.7	48.00	46.50	3.1								
Foremost Corp Amer	OTC	28.75	-0.9	8.4	0.80	2.8	29.00	28.75	13.1								
Great West Life Assurn Co	OTC	252.00	0.4	10.2	10.00	4.0	252.00	251.00	0.3								
Hartford Ins Co	OTC	29.25	0.0	3.9	0.72	2.5	29.25	29.25	9.9								
Hartford Steam Boiler Insnptn	OTC	46.00	0.0	8.2	2.60	5.7	46.75	46.00	16.4								
Jefferson Natl Life Ins Co	OTC	36.00	0.0	32.4	0.64	1.8	36.00	36.00	10.1								
Kemper Corp	OTC	34.25	-1.4	5.6	1.60	4.7	34.88	34.13	115.3								
Lincoln Natl Corp Ind	NYSE	42.25	-2.1	6.4	3.00	7.1	42.50	41.50	49.6								
Mgic Inv Corp	NYSE	37.88	9.0	9.9	1.28	3.4	37.88	35.75	206.5								
Mission Ins Group Inc	NYSE	46.75	4.2	8.8	1.90	2.1	46.75	44.75	38.6								
Nationwide Corp Ohio	OTC	24.63	0.0	7.0	0.70	2.8	24.63	24.63	1.9								
Northwestern Natl Life Ins	OTC	27.00	3.3	6.7	1.36	5.0	27.00	26.38	15.5								
Ohio Cas Corp	OTC	40.25	1.9	6.2	2.04	5.1	41.63	40.25	69.0								
Old Rep Intl Corp	OTC	16.25	3.2	4.1	0.92	5.7	16.25	15.63	45.0								
Pinehurst Corp	OTC	6.63	-1.9	0.0	0.00	0.0	6.75	6.63	9.5								
Preferred Risk Life Ins Co	OTC	20.63	10.7	6.9	0.80	3.9	20.75*	19.50	6.5								
Provident Life & Acc Ins Co	OTC	44.00	-3.3	6.5	2.20	5.0	44.50	44.00	5.8								
Ryan Ins Group Inc	OTC	22.00	-2.2	8.8	0.12	0.5	22.50	22.00	6.2								
St Paul Cos Inc	OTC	48.63	-5.1	8.3	2.32	4.8	49.00	46.38	182.8								
Safeco Corp	OTC	36.50	-0.7	7.0	2.00	5.5	37.00	36.50	127.7								
Spl Corp	OTC	24.50	1.0	5.6	0.80	3.3	24.50	24.25	43.1								
Seibels Bruce Group Inc	OTC	21.00	3.1	11.3	0.80	3.8	21.00	20.50	17.0								
Statesman Group Inc	OTC	6.88	0.0	5.8	0.15	2.2	6.88	6.88	6.9								
Tokio Marine & Fire Ins Co	OTC	143.00	-5.5	15.8	1.03	0.7	151.25	142.50*	0.1								
Travelers Corp	NYSE	42.25	-3.2	4.9	2.88	6.8	43.50	42.25	206.1								
United Fire & Cas Co	OTC	35.50	-4.1	9.3													



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