

# business insurance

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## Owens-Corning withdraws from Asbestos Claims Facility

PRINCETON, N.J.—Asbestos producer Owens-Corning Fiberglas Corp. is withdrawing from the Asbestos Claims Facility for future claims.

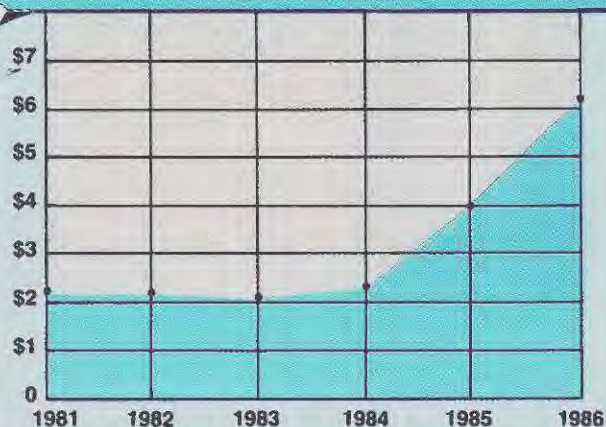
In a letter to the facility last week, the company said the facility will not represent it in asbestos cases filed against the company after Oct. 3. However, the facility will continue to represent it in ap-

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## Market peaks for surplus lines

Surplus lines insurance premiums have surged 166.7% over the past two years, but the recent boom days for the non-admitted market are coming to an end as newly competitive admitted insurers reclaim risks that had been forced into the surplus lines market, insurers and wholesalers report in *Business Insurance's* annual round-up of the surplus lines marketplace. The report, which begins on page 3, includes profiles of the largest non-admitted insurers and insurance wholesalers, as well as listings of other surplus lines insurers, brokers, managing general agents and underwriting managers.

### Surplus lines premiums (In billions of dollars)



Source: BI survey of insurance departments

Chart: Amy Palmer

## Lloyd's underwriters fight financial guarantee claims

By CAROLYN ALDRED

RICHMOND, Va.—At least two dozen Lloyd's of London syndicates are embroiled in a new financial guarantee insurance dispute, this one involving tens of millions of dollars of losses, despite Lloyd's ban on financial guarantee underwriting.

Thirty-one U.S. financial institutions are suing the syndicates, a London-based insurer, two U.S. insurers and a syndicate on the Insurance Exchange of the Americas for failing to pay claims for defaulted private mortgage-backed securities allegedly guaranteed by the insurers in the early 1980s.

A trial is scheduled for Oct. 26 in U.S. District Court for the Eastern District of Virginia in Richmond.

The last financial guarantee insurance dispute at Lloyd's involved policies insuring the value of computer leases written in the late 1970s, though Lloyd's did not classify the policies specifically as financial guarantees. The policies ultimately cost a group of Lloyd's syndicates about \$400 million in a 1981 settlement with Intel Corp. of San Francisco and other companies.

The leasing losses stemmed from a dramatic drop in the value of leased computers. When leases were not renewed, the resale value was far below the anticipated lease revenue, a loss that was insured by the syndicates.

The new financial guarantee policies in dispute allegedly guaranteed \$157.9 million in mortgages sold by Landbank Equity Corp. as securities to the financial institutions before Virginia Beach, Va.-based Landbank filed for bankruptcy in September 1985.

Court papers say it is not yet clear how many mortgages are in default, but lawyers involved in the litigation estimate that between 30% and 50% of the mortgages eventually may be defaulted—creating \$47 million to \$79 million in losses.

Each of the 31 plaintiffs claims to have "suffered signifi-

cant losses on its Landbank investments, through non-payment, default or delinquency by borrowers, through loss in the value of their investments or through the costs of Landbank-related litigation."

When the plaintiffs filed their complaint on Aug. 18, 1986, "hundreds of claims relating to hundreds of specific mortgages" had been submitted to the insurers, but no defendant had "paid a single claim submitted to it," the suit alleges.

The plaintiffs seek indemnification under the financial guarantee policies as well as under errors and omissions coverage written for Landbank directors by one of the Lloyd's syndicates just months before the Landbank entered bankruptcy.

At least \$154.5 million of the securities were covered by financial guarantee insurance, according to court papers. The amount of mortgages written while the E&O policy was in force totaled \$3.4 million, the papers say.

However, the defendants say in court papers that the financial guarantee insurance is invalid because it was procured by Landbank "by fraud and misrepresentation."

In addition, some of the defendants claim that the financial guarantee policies were written on their behalf without their knowledge by Atlas Underwriting Ltd., a Richmond, Va., wholesaler that is not named as a defendant in this litigation.

Atlas had binding authority agreements with some defendants, including the Lloyd's syndicates.

The underwriters also dispute the venue and basis for the litigation.

The Committee of Lloyd's in 1924 banned Lloyd's underwriters from writing direct financial guarantee coverage. The original prohibition was updated by the committee in 1963.

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## Federal court rules

# Late notice voids cover

By STEPHEN TARNOFF

NEW YORK—A policyholder must notify its liability insurer when there is a reasonable possibility that a claim may be filed against it or risk losing its coverage, a federal appeals court says.

In *Commercial Union Insurance Co. vs. International Flavors & Fragrances Inc.*, the 2nd U.S. Circuit Court of Appeals ruled 2-1 recently that New York-based IFF had not filed a timely notice of an "occurrence" with the insurer of a possible product liability claim. As a result, IFF cannot recover more than \$3 million in defense, indemnification and interest costs from Boston-based CU for the claim.

The June 23 decision upholds a U.S. District Court decision that found CU was not liable for indemnifying the company and reverses the portion of the ruling that CU owed IFF a defense in the product liability case.

The product liability claim was filed against IFF by Plough Inc., now Schering-Plough Corp., which had purchased an ingredient for suntan lotion from IFF. The ingredient caused skin irritations.

IFF has filed a petition with the 2nd Circuit for a

rehearing.

"The law enunciated by the majority is a major change from the law as we understood it in New York," said Wallace Dempsey, IFF's corporate secretary and general counsel. "It is limiting for the insured and quite a victory for the insurance company."

According to the decision, which interprets New York law, the test for determining whether the "notice of occurrence" provision has been triggered is whether circumstances known to the policyholder at that time would have suggested the possibility of a claim to a reasonable person.

Because IFF was aware of circumstances that would have suggested to a reasonable person that a product liability claim would be filed against it, and because it failed to notify CU until a lawsuit actually was filed, it was not entitled to coverage, the court ruled.

The court also held that although CU defended IFF for more than two months against the claim, CU did not lose its right to eventually deny coverage.

Policyholders and insurers often disagree over whether notice of claim has been filed in a timely

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## Posgate lawsuit seeks \$1 million from A&A, others

By STACY SHAPIRO

LONDON—Former Lloyd's of London underwriter Ian Posgate—who faces criminal charges for the alleged diversion of funds from Alexander Howden Group P.L.C.—is suing Alexander & Alexander Services Inc., Howden's parent, for nearly 700,000 pounds (\$1.12 million).

Mr. Posgate claims in a lawsuit filed in London's High Court last week he is owed as much as 27,000 pounds (\$43,200) under the terms of a January settlement he entered into with A&A.

In addition, Mr. Posgate is alleging damages of up to 671,605 pounds (\$1.08 million) because the 64,008 shares of A&A stock he still holds are not worth as much as he was told by an A&A official they would be.

Mr. Posgate's lawsuit says that during negotiation of the January settlement, former A&A outside director Roderick Hills, who resigned from the A&A board earlier this year, led him to believe that his A&A stock would be worth at least \$42 per share when, in fact, A&A's share price has dropped to a current level of about \$25 per share.

The difference in the stock's value reduced Mr. Posgate's ability to make payments to A&A as required under the January settlement, causing "loss and damage," the lawsuit claims.

Also named in the suit were two A&A British subsidiaries, Alexander Howden Insurance Brokers Ltd. and Alexander Howden

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Mr. Posgate

Appellate ruling reduces reversion from overfunded defined benefit plan

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## update

## Wellington loses member

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proximately 53,000 pending claims and Owens-Corning will continue as an active participant.

Owens-Corning is the first company to withdraw from the 51-member Asbestos Claims Facility, which was established in 1985 to handle asbestos claims more efficiently.

The withdrawal of the Toledo, Ohio-based Owens-Corning is the second upheaval for the facility in recent weeks. William Wall, the facility's second chief executive officer, resigned after serving only three months in the job (BI, July 27).

Owens-Corning's withdrawal, pursuant to facility rules, means that other facility members' insurance will pay a larger share of the cost of claims filed after Oct. 3. Under the facility's rules, all members contribute to defense and indemnification costs in suits filed against any member.

Owens-Corning withdrew for "more claims-handling flexibility in tailoring our defenses to future cases and their changing profile," according to William Sowinski, director of litigation.

"It's not that we're dissatisfied with the facility," he added. In addition, Owens-Corning believes it will not be held liable in the new wave of asbestos litigation involving plaintiffs such as tire workers, Mr. Sowinski confirmed, because Owens-Corning did not supply asbestos for such manufacturing operations.

"It's not a positive development, but I don't consider it a major setback," said Lawrence Fitzpatrick, who was named acting CEO of the facility last week. "The facility will continue to go on with or without Owens-Corning Fiberglas. . . . The short-run impact of OCF leaving will be minimal."

Separately, the facility has settled the first three claims negotiated under its alternative dispute resolution program, which was established in March. The cases involved former shipyard, refinery and pipe insulator workers who died from mesothelioma, a cancer caused by asbestos exposure. The facility did not release the plaintiffs' names or the amounts of the settlements.

## IEA plans to reopen in October

MIAMI—The Insurance Exchange of the Americas, which has been closed since huge reinsurance losses were discovered earlier this year, is delaying its planned reopening one month until Oct. 1.

The IEA needs the extra time to examine a new constitution the Florida Insurance Department is preparing for the facility, explained exchange President Nicholas Cross. The review will take five to six weeks, he said.

The Insurance Department is "working on a complete rewrite of the constitution," said Mr. Cross, adding that he expects to see a draft this week.

In addition, the department is asking the IEA to review how it might provide additional accounting and clerical services to members, which could leave "underwriting managers freer to underwrite," Mr. Cross said.

Meanwhile, the IEA has agreed to a settlement with Forum Insurance Co. concerning part of the treaty reinsurance business the Schaumburg, Ill.-based insurer ceded to exchange syndicates.

Mr. Cross is bound by a confidentiality agreement not to discuss the settlement, but he did say the IEA is close to an agreement with Forum regarding the remainder of the treaty business it ceded.

Officials at Forum could not be reached for comment.

## Collateral payments ruling

TOPEKA, Kan.—The Kansas Supreme Court struck down as unconstitutional a statute that allows state courts to hear evidence of a plaintiffs' payments from collateral sources in medical malpractice cases.

By a 4-3 decision, the court ruled on July 17 that the statute violates equal protection guarantees in the state's constitution by potentially discriminating against a class of tort claimants—those filing medical malpractice claims. In addition, the court said the law gave preferential protection to health care providers.

The statute, enacted in 1986, allowed courts to hear evidence of a medical malpractice plaintiffs' reimbursements under various insurance programs, including workers compensation, military service benefits and welfare benefits.

The court heard challenges to the law in three cases. Two lower courts ruled the statute unconstitutional and another said it was constitutional.

## Florida HMO declared insolvent

TALLAHASSEE, Fla.—An insolvent Florida health maintenance organization with between 9,000 and 10,000 members in the state was ordered liquidated late last month by Leon County Circuit Court Judge William Gary.

United American HealthCare Inc., which is owned by First American Bank of Lake Worth, Fla., has approximately \$600,000 in assets and \$4.5 million in liabilities, according to a spokesman for the Florida Insurance Department. The HMO was placed into receivership in mid-July (BI, July 20). Creditors of United American have until Jan. 31 to file claims.

United American members that do not find coverage elsewhere may purchase replacement health insurance policies from State Mutual Life Assurance Co. of America in Worcester, Mass.

State Mutual, which wrote an insolvency policy for the HMO

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## errors &amp; omissions

• The Wyatt Co.'s Research & Information Center is located at 1850 M St. N.W., Suite 400, Washington, D.C. 20036; 202-887-4600. The address was incorrectly reported in a story about a survey of retirement, thrift and profit-sharing plans in the Aug. 3 issue.

## Appellate ruling reduces pension asset reversion

By DEBORAH SHALOWITZ

ATLANTA—Employers that terminate overfunded defined benefit pension plans must pay plan participants not only accrued benefits, but also benefits they would have earned had they remained in the plans until retirement, an appellate court has ruled.

The decision may mean employers that already have terminated overfunded pension plans and recovered excess assets from the plans now could be liable for additional payments to former plan participants, according to benefits observers and the plaintiffs' attorney involved in the case.

In *George G. Blessitt and Willie Neal Jr. vs. Dixie Engine Co.*, the court ruled that Atlanta-based Dixie Engine should have paid employees who had not reached retirement age both accrued benefits and benefits they would have received if the plan had not been terminated in 1982.

However, some benefit experts say the decision is confusing and assails its merit.

"I'm not sure the court really understood the law and regulations they're interpreting," said Seth Tievsky, a senior attorney with The Wyatt Co.'s Research and Information Center in Washington, D.C.

"To say it's totally off the wall is an understatement," he said.

The decision is a "strange" and "upsetting" reading of the Employee Retirement Income Security Act, which sets forth the order of payment to participants

and beneficiaries when a defined benefit pension plan is terminated, agreed Frederick Rumack, director of tax and legal services in the New York office of Buck Consultants Inc.

Even plaintiffs' attorney James Altman of the Atlanta law firm of Richard D. Ellenberg P.C. admitted that "the court's opinion is kind of confused."

In an ironic twist, by widening the scope of an employer's liabilities for pension benefits in the event of a plan termination, the real impact of the decision will be "to accelerate the death of defined benefit plans" and reduce chances for their formation in the first place, Mr. Altman predicted.

However, Mr. Tievsky emphasized that until another court hears a similar case and rules authoritatively, employers outside of the 11th Circuit would not have to follow the court's ruling.

The case hinges on the interpretations of whether "promised" benefits under a defined benefit pension plan are liabilities that must be satisfied before an employer can recoup excess assets.

ERISA lists five categories of "non-forfeitable" benefits to which defined benefit plan participants are entitled on the date their plans are terminated. Plan participants also are entitled to "all other benefits of the plan" on the termination date, according to ERISA.

These six categories must be satisfied before any excess assets can revert to the employer terminating

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## ACIC, two others sue Hall

By JUDY GREENWALD

NEW YORK—American Centennial Insurance Co. and two other insurers are suing Frank B. Hall & Co. Inc. for \$80 million in connection with reinsurance they placed with Union Indemnity Insurance Co. of New York, the former Hall unit in liquidation in New York.

The three insurers claim Hall and two subsidiaries also named as defendants—Frank B. Hall Re of New York Inc. and Frank B. Hall Underwriting Managers Ltd.—are responsible for Union Indemnity's insolvency, which they allege left them with more than \$54.9 million in unreimbursed paid losses and loss adjustment expenses.

The suit, which also names as defendants a dozen current and former Hall directors and officers, also seeks \$25 million in punitive damages.

Joining with Peapack, N.J.-based ACIC, a former Beneficial Corp. subsidiary, in the suit are Newark-based International Fidelity Insurance Co. and Houston-based Ranger Insurance Co., which was acquired by Hartford, Conn.-based Chase Enterprises last year.

Attorney Jed Ringel of the New York-based firm of Stroock & Stroock & Lavan, which represents the three insurers, noted the three separate entities were brought together by another Stroock attorney, Donald

D. Gabay, a former deputy superintendent of the New York Insurance Department. The suit was filed last month in New York Supreme Court in New York.

The suit is the latest against Hall stemming from Union Indemnity's insolvency.

In March, the New York department filed a \$140-million suit against Hall, various affiliates, directors and officers and auditor Touche Ross & Co., charging that the defendants were responsible for Union Indemnity's insolvency. The suit attempts to pierce the corporate veil separating Hall and Union Indemnity by showing that the insurer operated as a department or division of Hall rather than as a subsidiary (BI, March 16).

The suit filed by the three insurers last month is similar in nature to the New York department's suit, Mr. Ringel says.

"We are creditors of Union Indemnity seeking to do the same thing," he said.

A Hall spokesman said last week that Hall "has meritorious defenses to the action" and plans to "vigorously defend" itself.

The suit filed by ACIC, Ranger and International Fidelity centers on reinsurance and retrocessional agreements placed on behalf of the three insurers by the Hall subsidiaries with Union Indemnity for various

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✓ The surplus lines market is increasingly coming under regulatory scrutiny, market observers say. **PAGE 86**

✓ A bill sent to the New Jersey governor will expand the state's surplus lines guaranty fund. **PAGE 86**

✓ Rules governing claims-made policy forms are stirring controversy in the New York Free Trade Zone. **PAGE 87**

✓ The first trade group formed to represent risk retention groups will hold its first meeting next month. **PAGE 88**

✓ A Court of Appeal in Britain has dismissed an attempt by liquidators of the insolvent Oceanus Mutual Underwriting Assn. (Bermuda) Ltd. to collect reinsurance. **PAGE 92**

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# Surplus lines hit by market turn

By KATHRYN J. McINTYRE

Suddenly, premiums are slipping away from the surplus lines insurance marketplace.

Insurance written on a surplus lines basis totaled a record \$6.2 billion in premiums in 1986, fed by huge rate increases and demand for capacity from commercial insurance buyers shut out of the admitted insurance market.

The \$6.2 billion in surplus lines premiums written in 1986, as reported by state insurance departments (see chart, page 11), is 55.8% more than the nearly \$4 billion written in 1985 and 166.7% more than the \$2.3 billion written in 1984, the first year since 1980 that surplus lines insurers reported growth.

But, in just the last few months, the tight market

appeared to peak and surplus lines insurers are feeling the pressures of competition.

Premiums charged by surplus lines insurers are dropping or just holding steady in many lines. More important, admitted insurers are reclaiming risks they had driven to the surplus lines market in the last few years. Admitted insurers are offering their capacity to these risks, and at rate reductions of up to 50%.

"We thought the market would continue to be very strong in 1987 and show a drop in 1988," commented Kenneth F. Goldstein, president of St. Paul Surplus Lines Insurance Co., the fifth-largest surplus lines insurer. "We've seen the market turn a little sooner than we anticipated."

The degree of price stability or rate decreases varies by line and by geographic area of the country.

"I don't think there's a uniformity yet," observes Kenneth W. Woods, president of California Union Insurance Co., the ninth-largest surplus lines insurer based on direct premiums written on a non-admitted basis in 1986. "We're still getting price increases on some of the business we're writing, and we're losing other business for 50% price cuts."

Says P. Kenneth Nitz, senior vp of Swett & Crawford Group, the largest surplus lines broker: "One thing you can say is that across the board it's down. In some cases, it's down a little, in others it's down dramatically."

Surplus lines insurers generally concede they are reducing property insurance rates 10% to 20%, but most often they contend they are holding liability rates

*Continued on next page*

## Ten largest surplus lines insurers

| Insurer<br>(Parent company)   | Non-admitted direct premiums (000) |                      |          | Total gross premiums (000) |           |          | Statutory combined ratio |       |
|---|------------------------------------|----------------------|----------|----------------------------|-----------|----------|--------------------------|-------|
|   | 1986                               | 1985                 | % change | 1986                       | 1985      | % change | 1986                     | 1985  |
| Lexington Insurance Co.<br>(American International Group Inc.)                    | \$674,671                          | \$361,726            | 86.5%    | \$725,021                  | \$377,066 | 92.3%    | 78.3%                    | 77.0% |
| American Empire Surplus Lines Insurance Co.<br>(Great American Insurance Co.)     | 332,759                            | 180,129              | 84.7     | 333,866                    | 180,266   | 85.2     | 92.4                     | 93.2  |
| Scottsdale Insurance Co.<br>(Nationwide Mutual Insurance Co.)                     | 308,481                            | 150,898              | 104.4    | 485,434                    | 263,099   | 84.5     | 111.4                    | 98.7  |
| General Star Indemnity Co.<br>(General Reinsurance Corp.)                         | 248,234                            | 72,460               | 242.6    | 258,306                    | 79,623    | 224.4    | 98.1                     | 83.7  |
| St. Paul Surplus Lines Insurance Co.<br>(Atwater McMillan/The St. Paul Cos. Inc.) | 194,921                            | 104,152              | 87.2     | 219,495                    | 125,759   | 74.5     | 110.3                    | 120.5 |
| Admiral Insurance Co.<br>(W.R. Berkley Corp.)                                     | 163,450                            | 89,615               | 82.4     | 192,169                    | 108,086   | 77.8     | 92.7                     | 91.6  |
| First State Insurance Co.<br>(Hartford Insurance Group/ITT Corp.)                 | 161,439                            | 104,212              | 54.9     | 420,811                    | 184,807   | 127.7    | 101.3                    | 179.0 |
| United National Insurance Co.<br>(American Insurance Service Inc.)                | 157,392                            | 104,434              | 50.7     | 178,342                    | 124,781   | 42.9     | 97.0                     | 89.9  |
| California Union Insurance Co.<br>(CIGNA Corp.)                                   | 154,186                            | 192,105              | -19.7    | 301,501                    | 300,791   | 0.2      | 105.8                    | 143.8 |
| International Surplus Lines Insurance Co.<br>(Crum & Forster/Xerox Corp.)         | 148,545                            | 144,155 <sup>1</sup> | 3.0      | 156,756                    | 155,084   | 1.1      | —                        | 200.0 |

<sup>1</sup> Restated

## Ten largest insurance wholesalers

| Brokers<br>(Parent company)  | Premium volume (000) |                      |          | Gross revenues (000)  |                       |          | Percent surplus lines <sup>1</sup> |                   |
|--|----------------------|----------------------|----------|-----------------------|-----------------------|----------|------------------------------------|-------------------|
|  | 1986                 | 1985                 | % change | 1986                  | 1985                  | % change | 1986                               | 1985              |
| Swett & Crawford Group<br>(The St. Paul Cos. Inc.)                           | \$683,836            | \$530,517            | 28.9%    | \$62,515              | \$50,411              | 24.0%    | 40.0%                              | 45.0%             |
| Montgomery & Collins Inc.<br>(CIGNA Corp.)                                   | 439,420              | 343,975              | 27.7     | 37,141                | 30,761                | 20.7     | 35.0                               | 30.0              |
| Stewart Smith Holdings Inc.<br>(Stewart Wrightson Holdings P.L.C.)           | 401,000              | 299,000              | 34.1     | 24,100 <sup>E</sup>   | 20,800 <sup>E</sup>   | 15.9     | 75.0                               | 75.0              |
| Alexander Howden North America Inc.<br>(Alexander & Alexander Services Inc.) | 365,000              | 238,800              | 52.8     | 24,800                | 19,500                | 27.2     | 40.0                               | 30.0              |
| <b>MGAs/Underwriting managers</b><br>(Parent company)                        |                      |                      |          |                       |                       |          |                                    |                   |
| Victor O. Schinnerer & Co. Inc.<br>(Marsh & McLennan Cos. Inc.)              | \$527,000            | \$268,000            | 96.6%    | \$44,795 <sup>E</sup> | \$34,840 <sup>E</sup> | 28.6     | 2.0%                               | 2.0%              |
| The London Agency Inc.<br>(Crum & Forster/Xerox Corp.)                       | 466,850              | 205,600              | 127.1    | NM                    | NM                    | NM       | 7.0                                | 14.0              |
| General Star Management Co.<br>(General Reinsurance Corp.)                   | 338,979              | 162,860              | 108.1    | NM                    | NM                    | NM       | 73.3                               | 52.3              |
| Crum & Forster Managers Corp. of Illinois<br>(Crum & Forster/Xerox Corp.)    | 331,275              | 357,163 <sup>2</sup> | -7.2     | NM                    | NM                    | NM       | 44.8                               | 34.4              |
| Cameron & Colby Co. Inc.<br>(Hartford Insurance Group/ITT Corp.)             | 323,336 <sup>3</sup> | 211,483 <sup>3</sup> | 52.9     | NM                    | NM                    | NM       | 50.0                               | 49.0              |
| Atwater McMillan Inc.<br>(The St. Paul Cos. Inc.)                            | 310,300              | 214,200              | 44.9     | NM                    | NM                    | NM       | 56.0                               | 55.0 <sup>2</sup> |

<sup>E</sup> Estimate based on 6% for Stewart Smith in 1986, 7% in 1985; 8.5% for Schinnerer in 1986, 13% in 1985

<sup>1</sup> Percent placed with non-admitted markets

<sup>2</sup> Restated

<sup>3</sup> Direct writings only, excludes reinsurance

NM—Not meaningful due to affiliation with markets

Source: BI survey. Chart: Amy Palmer

## Surplus lines

*Continued from previous page*  
 fairly steady and even raising them for difficult risks.

How much rates will be cut in the coming months by the admitted market is a tough guess.

"The market is not clear on what direction it will go," says David N. Thompson, president of International Surplus Lines Insurance Co. and its underwriting manager, Crum & Forster Managers Corp. (Ill.). "I'm optimistic that we won't see dramatic decreases."

Policy conditions also are easing. None of the insurers writes only claims-made general and excess li-

ability policies this year. The only staunch supporter of claims-made policies for other than professional liability and directors and officers liability insurance remains Lexington Insurance Co., which writes about 75% of its non-transportation casualty business on a claims-made form, vs. about 95% in 1986.

Surplus lines insurers and brokers blame the admitted market for taking their business away, rather than other surplus lines insurers. "Wholesale brokers are telling us that the reason they're not sending us business is that they're not getting it—that the stock companies are writing it before they can get it," says Nicolas

Yuschenkoff, vp and secretary of Cal Union. "There's a very strong push by most of the super-stocks to capture market share."

While surplus lines insurers responded to market pressures and eased their stance on claims-made forms, they vow that they will not drop their prices to hold renewals or to attract new business from other surplus lines insurers.

"There is nothing in our margin that tells us we can cut prices across the board," said Kevin P. Brooks, president of General Star Management Co., a General Reinsurance Corp. unit that underwrites on behalf of two Gen Re insurance subsidiaries.

"If we can't get our price, we're not writing it," said Mr. Yuschenkoff of Cal Union.

Instead, they say, they will find new market niches where they can write risks at adequate rates. Ultimately, they say, they will let their premium volumes fall if necessary to underwrite for a profit.

Mr. Brooks asserts that he believes the surplus lines underwriters mean what they say. "You will see more integrity out of the surplus lines market than ever before," he predicts.

Just 12 months ago, price integrity was not an issue. Surplus lines insurers were able to name their price and clients who could not

find insurance would pay it.

Surplus lines insurers are free from the rate and form regulation that restricts admitted insurers' ability to raise rates or change policy forms. Therefore, surplus lines insurers can price and underwrite the risk in a manner they believe will turn a profit.

The growth in surplus lines premiums would have been even more dramatic in 1986 if surplus lines insurers had not lost significant reinsurance support in 1986, reducing the limits they could write. Reinsurers retrenched from the surplus lines market last year, afraid of the risks or choosing to provide their precious capacity to admitted insurers writing more conventional business.

While many surplus lines insurers now have higher limits to offer—either with renewed reinsurance support, higher retentions supported by larger policyholder surplus or both—it is unpredictable whether the 1987 surplus lines premiums will top the 1986 volume. It depends on how much business the admitted market takes this year.

Half of the 10 largest surplus lines insurers still expect their premium volumes will be higher in 1987 than in 1986, while half predict their premiums will drop.

These 10 insurers wrote almost 40% of the \$6.2 billion in surplus lines premiums in 1986—interestingly the same percentage as the leaders wrote in 1985 and 1984.

Among the top 10 surplus lines insurers, premiums are expected to grow at Lexington, an American International Group unit; Scottsdale Insurance Co., a unit of Nationwide Mutual Insurance Co.; United National Insurance Co.; First State Insurance Co., a Hartford Insurance Group unit; and International Surplus Lines Insurance Co., a Crum & Forster unit.

Already predicting reduced premiums in 1987 due to renewed competition are General Star Indemnity Co., a Gen Re subsidiary; American Empire Surplus Lines Insurance Co., the new name of the Great American Insurance Co. subsidiary; St. Paul Surplus Lines; Admiral Insurance Co., a W.R. Berkley Corp. subsidiary; and Cal Union, a CIGNA Corp. unit.

The changing market again could alter the ranks of the 10 largest surplus lines insurers, which changed dramatically this year.

Only Lexington, which continued to dominate the surplus lines market, held its position.

American Empire moved up to second from third; Scottsdale moved to the third position from fourth last year; General Star Indemnity, which didn't even rank last year, moved into fourth; St. Paul Surplus Lines leaped to fifth from ninth; Admiral, which also didn't rank among the 10 largest last year, moved into sixth place; and First State moved up to seventh from eighth.

However, four insurers that either grew little or lost business last year fell. Cal Union fell to ninth from fifth; ISLIC fell to 10th from fifth; and gone from the Top 10 leaders are Evanston Insurance Co., which ranked sixth last year, and Constitution State Insurance Co., a Travelers Corp. unit, which ranked 10th in 1985.

All 10 of the largest surplus lines insurers reported increased policyholder surplus at year-end 1986; among the 10 leaders, only First State suffered a net loss, due to additions to loss reserves for business written in prior years.

Three of the Top 10 leaders improved their ratings from A.M. Best Co.: United National improved to an A from a B; Admiral improved to an A-plus from an A; and ISLIC improved to an A from an A-Contingent. The other seven all held their ratings from last year, either A or A-plus.

*Continued on page 6*



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## Surplus lines

Continued from page 4

The growth in surplus lines business last year also is reflected in the results of the leading insurance wholesalers, who hold surplus lines brokerage licenses or underwrite on behalf of insurers.

Among the 10 largest wholesalers, based on 1986 premium volume, six placed a larger percentage of their business with surplus lines insurers in 1986 than in 1985, and all except one of the largest wholesalers grew in 1986.

*Business Insurance* ranks wholesalers based on their total premium volume, whether the business is placed with surplus lines insurers or admitted insurers. This is because these wholesalers provide the access to markets that retail brokers cannot reach without them, either due to law or the exclusive underwriting agreements between the wholesalers and their

markets.

Under states' insurance regulations, surplus lines insurers can only issue policies to licensed surplus lines brokers. In the case of admitted insurers, some have contracted with underwriting managers and managing general agents to write certain types of business for them and demand that brokers go through those wholesalers.

Many wholesalers function as both brokers and underwriting managers or MGAs. Recognizing the different functions of the broker compared with the underwriting manager or MGA, the wholesalers are further categorized within the rankings by which function dominates their business.

As with the 10 largest surplus lines insurers, there was considerable upheaval among the leading wholesalers in 1986 compared with 1985.

Gone from the list of leaders for the first time since *Business Insur-*

*ance* started ranking these wholesalers in 1981 is Crump E&S Group, a unit of Fred S. James & Co. Reorganization of the group, which eliminated some premiums previously reported, and the closing of one underwriting management program and reduced capacity available through another held Crump's growth in 1986 to only 9.2% (see story, page 38).

Other surplus lines brokers reported growth ranging from 27.7% to 52.8%.

Also gone is Shand, Morahan & Co. Inc., the Alexander & Alexander Services Inc. subsidiary that underwrites on behalf of Evanston Insurance Co. Evanston's premiums increased only 5.5% to \$134.5 million in 1986.

New among the Top 10 wholesalers is General Star Management Co., a unit of General Reinsurance Corp., which underwrites for General Star Indemnity Co. Also joining the leaders is The London

Agency Inc., a unit of Crum & Forster Inc., which underwrites for its affiliated insurers.

Holding their places among the leading wholesalers was Swett & Crawford Group, as the largest surplus lines broker and the largest of the wholesalers.

Montgomery & Collins Inc., a CIGNA Corp. unit, and Stewart Smith Holdings Inc., also held their positions this year as the second- and third-largest surplus lines brokers.

However, Alexander Howden North America Inc. moved up a notch to the fourth-largest surplus lines broker.

With the addition of General Star and The London Agency, six underwriting managers/MGAs round out the Top 10 wholesalers this year.

The underwriting managers all switched positions. Victor O. Schinnerer & Co. Inc., a Marsh & McLennan Cos. Inc. unit, moved

up to the largest underwriting manager from third-largest; Crum & Forster Managers Corp., which underwrites for ISLIC and other Crum & Forster units, fell from the largest underwriting manager to the fourth-largest; The London Agency replaced Shand Morahan as second-largest; General Star moved into third place; and Cameron & Colby Co. Inc., a Hartford Insurance Group unit, bumped ahead of Atwater McMillian Inc., a St. Paul Cos. Inc. unit.

Except for Schinnerer, which underwrites insurance for unrelated insurers, the other underwriting managers are affiliated through common ownership with the insurers for which they underwrite.

And, all but Schinnerer and The London Agency write almost half or more of their business for surplus lines insurers. As a result, to the extent that surplus lines insurers lose business, these underwriting managers also will lose business.

The leading surplus lines and specialty brokers report reduced growth in their business due to changing market conditions. Swett & Crawford doesn't expect its premiums volume to grow more than 5% this year, compared with a 28.9% gain in 1986. Montgomery & Collins admits that it is losing renewals to competition. Stewart Smith lost 16.7% of its premium volume in the first six months of 1987 as business moved to admitted markets. And Alexander Howden is projecting about 10% growth in premiums this year, compared with 52.8% in 1986.

Profiles of the 10 largest surplus lines insurers begin on page 12 (also see box, this page) and of the 10 largest wholesalers on page 44. Also, a listing of other surplus lines insurers begins on page 41 and a directory of wholesalers begins on page 69.

### General Star Indemnity is late addition

The ranking of Stamford, Conn.-based General Star Indemnity Co. as the fourth-largest surplus lines insurer was determined during the production of this special issue.

The pages containing the articles on the leading surplus lines insurers, without considering General Star Indemnity, had already been printed when the omission of General Star Indemnity was realized.

The rankings of the largest surplus lines insurers as they appear in the chart on page 3 and in the accompanying story are correct. However, the rankings of the fifth-through 11th-largest surplus lines insurers are misstated as one position too high in the articles profiling these companies.

There is no separate article on General Star Indemnity; its business is described in the article profiling General Star Management Co., its underwriting manager. An article appears on Evanston Insurance Co., which is the 11th-largest surplus lines insurer.

*Business Insurance* regrets any confusion this causes its readers and the surplus lines insurers. To reprint the pages to correct the rankings would have entailed a large printing job and a several-day delay in the delivery of this issue.

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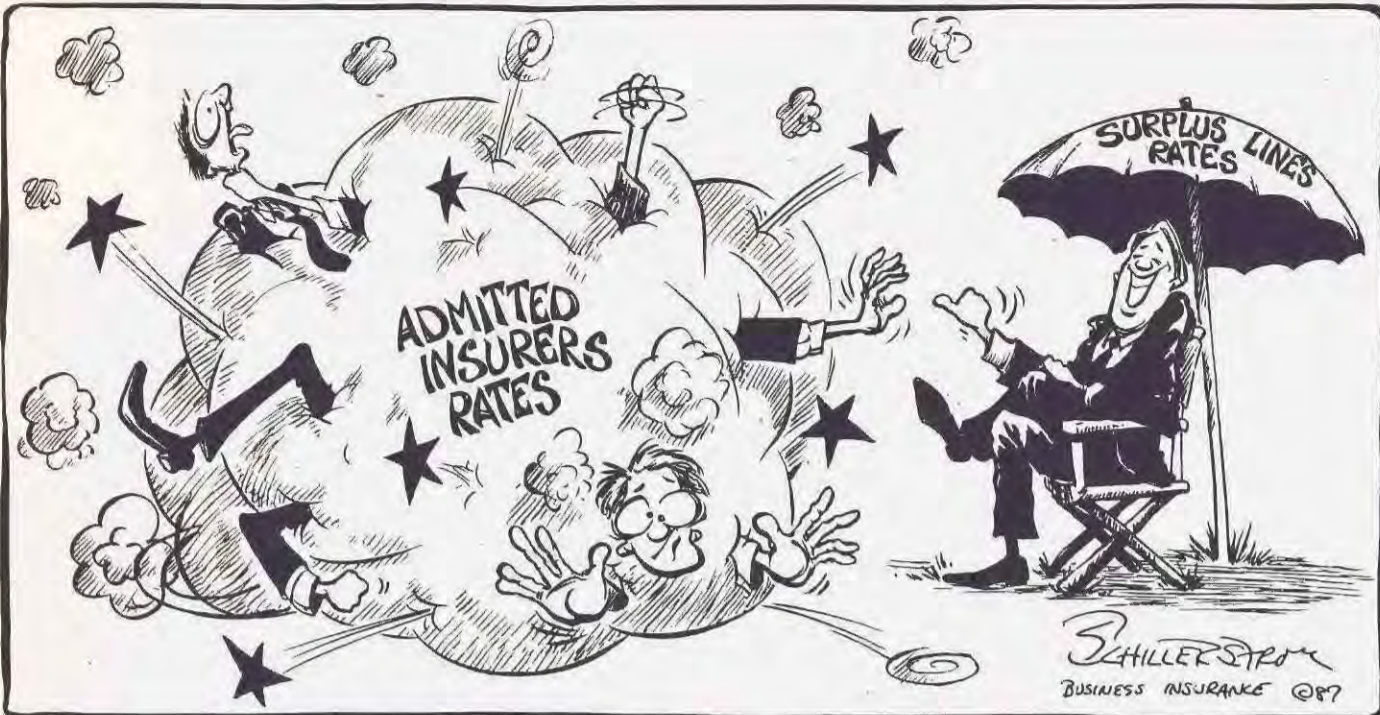
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## Healthy competition

**T**HERE IS NO DOUBT remaining: The commercial insurance marketplace is heading into a competitive cycle.

The leaders in the surplus lines insurance market are beginning to lose business, because the admitted market is writing more business and at lower rates (see spotlight report, beginning page 3).

But no one should yet decry that the commercial insurance marketplace is headed into another competitive tailspin, because we are not there yet. Furthermore, irrational competition—as contrasted with healthy competition—could be averted.

Understandably, the surplus lines market would have preferred that commercial insurance market conditions remain tight longer. After all, a commercial insurance market short of capacity is the surplus lines insurers' day in the sun. They can write more premiums, at higher rates and on more restrictive forms, because the admitted market can't absorb all the demand.

But, from the consumers' viewpoint, the tight commercial insurance market is ending none too soon. It's only fair, from their perspective, that the tight market ease quickly since it took hold so quickly and so severely.

The stabilization of rates in the surplus lines market and the movement of more predictable risks back to the admitted market at lower premiums is to be applauded. While the capacity of the surplus lines market to absorb risks rejected by the admitted market during tight market condi-

tions is welcomed—even by the policyholders that begrudgingly pay the higher surplus lines rates—it should be kept in its proper role. That role is filling a need when capacity is not available from admitted insurers.

Likewise, current price trends in the surplus lines market are proper, considering the run of rate hikes in the last three years. Property insurance rates should fall while casualty rates rise only moderately or, in most cases, fall. There is no doubt that price correction is due.

This is not to say that the surplus lines insurers that contend they must hold the line on rate decreases are wrong. For the types of risky business they continue to write, they need high rates to make a reasonable profit and stay in business. This time around, they may even practice what they preach, instead of cutting rates to maintain renewals.

Another issue remaining is whether admitted insurers will price their products properly now that some competition is emerging. Many insurance company executives contend that their new price monitoring systems will help them control their underwriting. We hope so, because insurance buyers would welcome more pricing stability.

Insurance industry executives often complain that reports of rate cutting fuel the competition and lead to foolish underwriting. This need not be true if the current softening of market conditions is kept in proper perspective: a necessary correction in the cyclical pricing of insurance.

## letters

### Many aided Alexander Howden Group's recovery

To the editor: We are most appreciative for the credit given to us in your editorial concerning the Alexander Howden Group situation (*BI*, July 27).

There were, of course, many others—both British and American—involved in getting Howden back on its feet. These include not only employees of Alexander Howden Group, but also our legal and fi-

nancial advisers, as well as our families and friends who also made sacrifices.

In particular, two individuals stand out in our minds as vital contributors: One is Albert A. Skwiertz, former general counsel of Alexander Howden and now general counsel at Fred S. James & Co. Inc., and the other is Ronald A. Iles, chairman of Alexander Howden Reinsurance Brokers and now deputy chairman of the group. Two more staunch allies have

never existed, and we would like to acknowledge their contributions.

Finally, congratulations on a perceptive and sound view of a very difficult situation.

**Richard M. Page**  
Chairman and Chief Executive Officer  
**Ronald J. Berardi**  
Executive Vp and Chief Financial Officer  
Fred S. James & Co. Inc.  
New York

### Newfoundland allows contingency fees

To the editor: Regarding your article, "Canadian Work Comp Act Under Attack," in the June 29 issue, may I correct Guy Robin of Johnson & Higgins Willis Faber Ltd. on the matter of contingency fees.

This manner of attorney remuneration

became effective in Newfoundland on Sept. 1, 1986.

**Donald J. Barrett**  
Director and Chapter Representative  
Newfoundland and Labrador Chapter  
Risk & Insurance Management Society  
St. John's, Newfoundland

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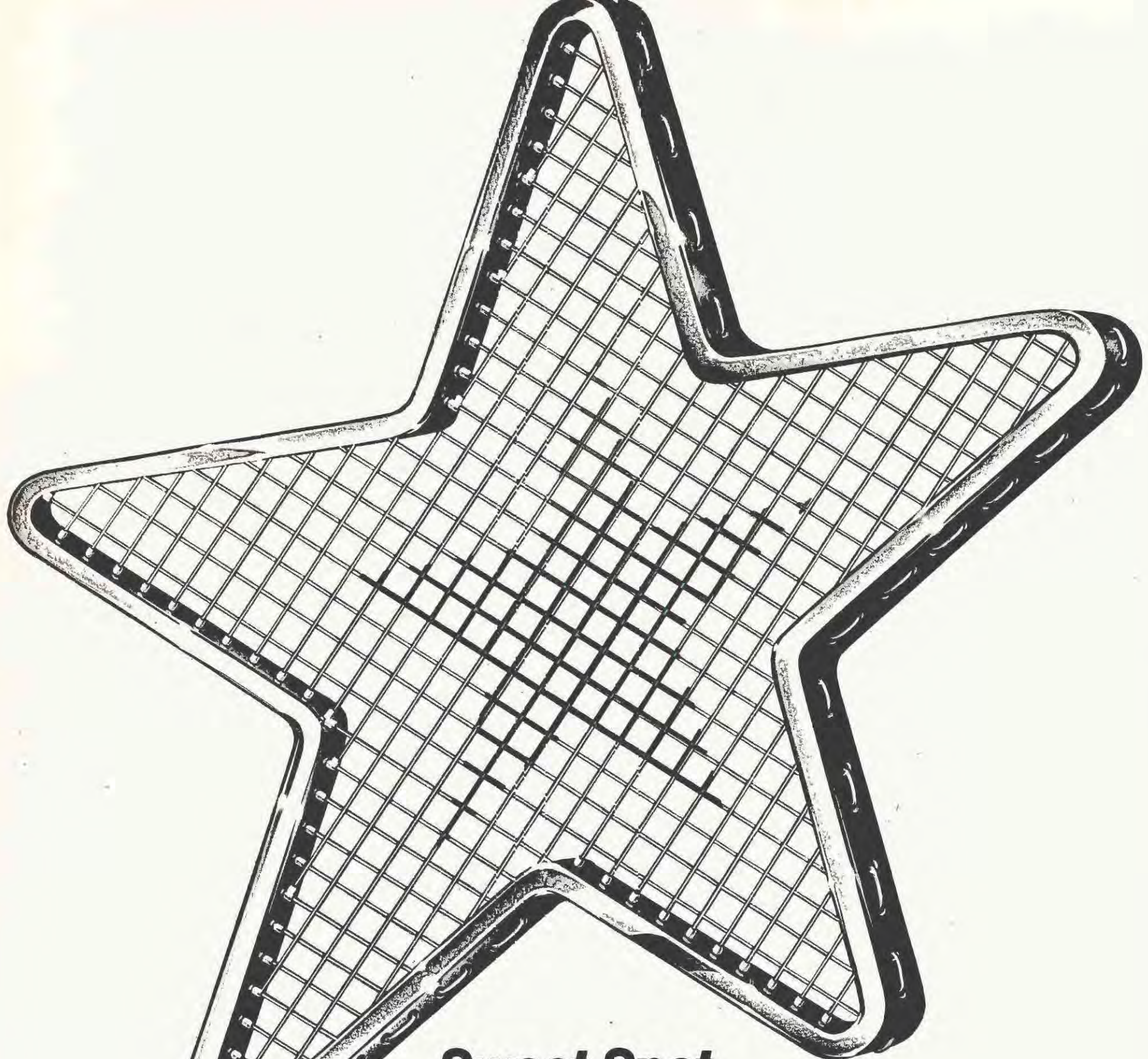


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# Surplus lines premiums surge

The surplus lines insurance market boomed in 1986, with all but two states and the District of Columbia reporting increased premium volume, according to the annual *Business Insurance* survey of state insurance departments.

Surplus lines insurers wrote nearly \$6.2 billion in premiums last year, a 55.8% increase from 1985 premium volume of \$4 billion and a whopping 166.7% leap from \$2.3 billion in 1984.

The surge in surplus lines underwriting also boosted the amount of surplus lines taxes going into state coffers. States collected more than \$206 million in surplus lines taxes during 1986, a 52.9% climb from

\$134.8 million in 1985 and a 168.7% increase from 1984 surplus lines taxes of \$76.7 million.

The state that collected the most surplus lines tax revenue during 1986 was California, which took in \$29.7 million—62.1% more than the \$18.3 million it collected in 1985.

California also generated the most surplus lines premium volume: \$989.5 million in 1986, up 62.1% from \$610.3 million in 1985.

Illinois posted the biggest increase in surplus lines premium volume, a 347.3% rise to \$316.6 million from \$70.8 million in 1985.

Other states with more than \$300 million in surplus

lines premiums were: Texas, \$689.9 million; Florida, \$407.3 million; New York, \$370.4 million; Louisiana, \$330.5 million; and Michigan, \$323.4 million.

Vermont experienced the sharpest decline in surplus lines premium volume: a 12.4% drop to \$6 million in 1986 from \$6.9 million in 1985. The other two jurisdictions in which premium volume declined in 1986 were the District of Columbia, down 9.7%, and Louisiana, down 3%.

States besides Vermont producing less than \$10 million in surplus lines premiums during 1986 were: Delaware, \$7.4 million; North Dakota, \$7.6 million; South Dakota, \$8.2 million; and Montana, \$9.2 million. ■

## Surplus lines premiums and taxes by state

| State                     | Surplus lines premiums   |                          |                          |                   |                   | Surplus lines taxes     |                         |                       |                    |
|---------------------------|--------------------------|--------------------------|--------------------------|-------------------|-------------------|-------------------------|-------------------------|-----------------------|--------------------|
|                           | 1986                     | 1985                     | 1984                     | 86-85<br>% change | 86-84<br>% change | 1986                    | 1985                    | 1984                  | %<br>Tax rate      |
| Alabama                   | \$103,684,950            | \$77,949,900             | \$42,326,325             | 33.0%             | 145.0%            | \$4,147,398             | \$3,117,996             | \$1,693,053           | 4.00%              |
| Alaska                    | 83,289,212               | 66,714,755               | 52,227,000               | 24.8              | 59.5              | 2,346,550               | 1,718,017               | 1,834,261             | 4.00 <sup>1</sup>  |
| Arizona                   | 75,206,565               | 41,024,011               | 15,204,159               | 83.3              | 394.6             | 2,256,197               | 1,230,720               | 456,125               | 3.00               |
| Arkansas                  | 46,259,675               | 30,499,303               | 19,106,260               | 51.7              | 142.1             | 1,873,336               | 1,219,970               | 764,255               | 4.00               |
| California                | 989,483,000              | 610,262,000              | 263,345,000              | 62.1              | 275.7             | 29,685,000              | 18,308,000              | 7,900,000             | 3.00               |
| Colorado                  | 82,623,127               | 48,591,925               | 25,382,116               | 70.0              | 225.5             | 1,661,227               | 977,023                 | 507,075               | 2.00               |
| Connecticut               | 76,646,775               | 52,505,631               | 37,649,883               | 46.0              | 103.6             | 3,065,871               | 2,100,225               | 1,505,995             | 4.00               |
| Delaware                  | 7,430,683                | 3,218,469                | 3,811,446                | 130.9             | 95.0              | 148,614                 | 64,369                  | 76,229                | 2.00               |
| District of Columbia      | 33,096,650               | 36,663,343               | 30,728,710               | -9.7              | 7.7               | 661,933                 | 733,266                 | 614,570               | 2.00               |
| Florida                   | 407,347,486              | 285,891,244              | 193,447,291              | 42.5              | 110.6             | 11,027,041              | 7,547,797               | 4,997,324             | 3.00               |
| Georgia                   | 167,301,180              | 105,592,977              | 61,525,905               | 58.4              | 171.9             | 6,692,047               | 4,235,781               | 2,461,036             | 4.00               |
| Hawaii                    | 41,382,585               | 23,894,285               | 14,291,004               | 73.2              | 189.6             | 1,936,705               | 1,118,252               | 668,819               | 4.68               |
| Idaho                     | 14,516,666               | 9,220,673                | 4,867,328                | 57.4              | 198.2             | 435,500                 | 276,620                 | 126,933               | 3.00               |
| Illinois                  | 316,576,132              | 70,780,456               | 83,013,033               | 347.3             | 281.4             | 9,497,284               | 2,123,414               | 2,490,391             | 3.00               |
| Indiana                   | 85,303,390               | 60,180,025               | 29,319,865               | 41.7              | 190.9             | 2,049,383               | 1,511,246               | 732,996               | 2.50               |
| Iowa                      | 33,363,246               | 21,558,497               | 14,497,877               | 54.8              | 130.1             | 667,264                 | 431,169                 | 289,957               | 2.00               |
| Kansas                    | 47,952,201               | 43,731,746               | 21,174,036               | 9.7               | 126.5             | 1,918,088               | 1,727,682               | 842,144               | 4.00               |
| Kentucky                  | 33,690,878               | 27,650,373               | 23,522,232               | 21.8              | 43.2              | 1,010,726               | 829,511                 | 705,666               | 3.00               |
| Louisiana                 | 330,497,445              | 340,890,676              | 250,958,635              | -3.0              | 31.7              | 16,510,439              | 16,665,372              | 8,786,778             | 5.00 <sup>2</sup>  |
| Maine                     | 12,784,909               | 8,362,124                | 4,678,108                | 52.9              | 173.3             | 383,547                 | 250,864                 | 140,343               | 3.00               |
| Maryland                  | 74,217,600               | 34,909,683               | 30,303,545               | 112.6             | 144.9             | 2,143,200               | 1,047,290               | 897,707               | 3.00               |
| Massachusetts             | 136,029,000              | 98,875,000               | 57,974,350               | 37.6              | 134.6             | 5,441,160               | 3,955,000               | 2,318,974             | 4.00               |
| Michigan                  | 323,410,768              | 218,831,866              | 95,796,867               | 47.8              | 237.6             | 6,827,644               | 4,695,002               | 2,108,538             | 2.00 <sup>3</sup>  |
| Minnesota                 | 117,288,830              | 67,233,800               | 27,342,167               | 74.4              | 329.0             | 3,518,665               | 2,017,014               | 820,265               | 3.00               |
| Mississippi               | 29,734,784               | 15,639,718               | 17,266,872               | 90.1              | 72.2              | 1,189,391               | 625,589                 | 690,675               | 4.00               |
| Missouri                  | 132,337,316              | 88,709,499               | 43,917,960               | 49.2              | 201.3             | 6,616,866               | 4,434,475               | 2,195,898             | 5.00               |
| Montana                   | 9,244,769                | 5,893,457                | 2,005,419                | 56.9              | 352.2             | 261,286                 | 162,368                 | 51,647                | 5.00 <sup>4</sup>  |
| Nebraska                  | 20,640,786               | 17,155,472               | 11,837,781               | 20.3              | 74.4              | 625,111                 | 399,904                 | 261,597               | 2.75 <sup>5</sup>  |
| Nevada                    | 27,000,000 <sup>6</sup>  | 16,099,758               | 6,861,116                | 67.7              | 293.5             | 810,000 <sup>6</sup>    | 483,514                 | 186,472               | 3.00 <sup>7</sup>  |
| New Hampshire             | 20,650,011               | 14,361,589               | 5,939,908                | 43.8              | 247.6             | 413,000                 | 287,231                 | 118,798               | 2.00               |
| New Jersey                | 242,288,667              | 133,660,332              | 84,796,112               | 81.3              | 185.7             | 7,268,660               | 4,009,810               | 2,543,883             | 3.00               |
| New Mexico                | 22,598,753               | 9,328,162                | 4,639,612                | 142.3             | 387.1             | 677,963                 | 279,845                 | 139,188               | 3.00               |
| New York                  | 370,380,460              | 174,952,515              | 95,862,880               | 111.7             | 286.4             | 13,333,697              | 6,298,291               | 3,451,064             | 3.60               |
| North Carolina            | 72,647,589               | 47,475,802               | 26,573,252               | 53.0              | 173.4             | 3,632,380               | 2,373,787               | 1,328,663             | 5.00               |
| North Dakota              | 7,645,014                | 4,595,726                | 2,857,547                | 66.4              | 167.5             | 76,450                  | 45,774                  | 39,294                | 1.00 <sup>8</sup>  |
| Ohio                      | 27,820,212               | 16,425,811               | 12,414,630               | 69.4              | 124.1             | 1,391,011               | 821,277                 | 620,732               | 5.00               |
| Oklahoma                  | 70,617,354               | 56,784,433               | 35,679,566               | 24.4              | 97.9              | 4,237,041               | 3,407,066               | 2,140,774             | 6.00               |
| Oregon                    | 71,685,988               | 45,848,836               | 24,281,436               | 56.4              | 195.2             | 1,612,935               | 1,031,639               | 546,332               | 2.25               |
| Pennsylvania              | 264,000,000              | 167,500,000              | 90,000,000               | 57.6              | 193.3             | 7,898,716               | 5,022,935               | 2,635,000             | 3.00               |
| Rhode Island <sup>9</sup> | 11,573,310               | 5,317,866                | 24,304,963               | 117.6             | -52.4             | 347,199                 | 159,536                 | 729,149               | 3.00               |
| South Carolina            | 41,020,647               | 28,123,350               | 15,761,975               | 45.9              | 160.3             | 1,640,826               | 1,124,934               | 630,479               | 4.00               |
| South Dakota              | 8,155,195                | 4,464,379                | 2,240,283                | 82.7              | 264.0             | 219,027                 | 181,749                 | 90,105                | 2.50 <sup>10</sup> |
| Tennessee                 | 49,305,900 <sup>11</sup> | 46,958,000 <sup>11</sup> | 28,175,000 <sup>11</sup> | 5.0               | 75.0              | 1,312,500 <sup>11</sup> | 1,250,000 <sup>11</sup> | 750,000 <sup>11</sup> | 2.50 <sup>11</sup> |
| Texas                     | 689,919,223              | 478,860,441              | 278,984,944              | 44.1              | 147.3             | 26,561,890              | 18,436,127              | 10,740,920            | 3.85               |
| Utah                      | 32,895,619               | 17,849,759               | 10,707,130               | 84.3              | 207.2             | 1,007,054               | 535,493                 | 356,905               | 4.25 <sup>12</sup> |
| Vermont                   | 6,011,723 <sup>13</sup>  | 6,862,698                | 3,414,011                | -12.4             | 76.1              | 180,352                 | 205,881                 | 102,420               | 3.00               |
| Virginia                  | 56,801,000               | 37,308,844               | 16,093,316               | 52.2              | 252.9             | 1,562,027               | 1,002,131               | 443,978               | 2.75               |
| Washington                | 141,608,035              | 78,569,164               | 41,055,892               | 80.2              | 244.9             | 2,832,167               | 1,764,987               | 911,517               | 2.00 <sup>13</sup> |
| West Virginia             | 18,461,154               | 10,622,886               | 5,959,270                | 73.8              | 209.8             | 1,023,569               | 660,390                 | 334,563               | 6.00               |
| Wisconsin                 | 100,529,688              | 58,486,422               | 24,067,536               | 71.9              | 317.7             | 3,015,891               | 1,681,226               | 722,026               | 3.00 <sup>14</sup> |
| Wyoming                   | 12,340,933               | 5,726,233                | 5,856,500                | 115.5             | 110.7             | 370,228                 | 171,787                 | 175,695               | 3.00               |
| <b>Totals/Averages</b>    | <b>6,197,297,083</b>     | <b>3,978,613,914</b>     | <b>2,324,048,053</b>     | <b>55.8</b>       | <b>166.7</b>      | <b>206,022,056</b>      | <b>134,759,346</b>      | <b>76,677,208</b>     | <b>3.34</b>        |

<sup>1</sup> 3.5% before Sept. 16, 1984    <sup>2</sup> 2.5% before July 1, 1984    <sup>3</sup> 3% on fire & marine, 2% on all others    <sup>4</sup> 2.75% premium tax, 1.5% firefighters' pension tax, 0.75% fire marshal tax    <sup>5</sup> 2% premium tax, 0.75% fire marshal tax  
<sup>6</sup> State Insurance Department estimate/preliminary figure    <sup>7</sup> 2.5% in 1985, 2% in 1984    <sup>8</sup> 2.5% before April 28, 1984    <sup>9</sup> Fiscal year ending June 30, '86, '85, '84    <sup>10</sup> 0.5% on fire, 2.5% on all others; was 4% on all others  
before Jan. 1, 1986    <sup>11</sup> 2.5% on liability, 3.25% on fire, 4.4% on workers compensation    <sup>12</sup> 3% before July 1, 1986    <sup>13</sup> 2.25% before Jan. 1, 1986    <sup>14</sup> 0.5% on ocean marine, 3% on all others

**Lexington Insurance Co.**

200 State St., Boston, Mass. 02109;  
 617-330-1100

|                      | 1986          | 1985          |
|----------------------|---------------|---------------|
| Gross premiums.....  | \$725,021,078 | \$377,065,662 |
| Non-admitted.....    | \$674,670,826 | \$361,726,333 |
| Net premiums.....    | \$157,702,610 | \$81,721,775  |
| Paid-in capital..... | \$1,500,000   | \$1,500,000   |
| Capital & surplus..  | \$115,549,283 | \$74,237,445  |
| Employees.....       | 200           | 200           |
| Combined ratio.....  | 78.3%         | 77.0%         |
| Commercial risks..   | 99.7%         | 99.9%         |
| Net income.....      | \$32,069,104  | \$11,369,938  |
| Best's rating.....   | A+            | A+            |

Lexington Insurance Co.'s gross written premium volume may hit \$1 billion this year, though President Kevin H. Kelley says his eye is trained more on the bottom line than on premium production targets.

And, it seems Boston-based Lexington, a unit of American International Group Inc., is well on its way to that benchmark.

"The name of the game from where we sit is to make an underwriting profit," Mr. Kelley says. "If we can make a profit and write \$1 billion, so be it."

Gross written premiums for the first six months of 1987 totaled \$478.6 million, up 53% from \$312.8 million during the same period last year, according to Mr. Kelley. Gross premiums for 1986 were \$725 million, up 92.3% from \$377.1 million in 1985.

And, Lexington wrote \$674.7 million in premiums on a direct, non-admitted basis last year, up 86.5% from \$361.7 million in 1985, making Lexington far and away the largest U.S. surplus lines insurer ranked by *Business Insurance*.

While nearly doubling its gross premiums last year, Lexington more than doubled its underwriting gains, which jumped to \$32.4 million from \$13.5 million in 1985.

**'The name of the game from where we sit is to make an underwriting profit,' observes Kevin H. Kelley, president of Lexington Insurance Co. 'If we can make a profit and write \$1 billion (in gross premium volume), so be it.'**

"We have historically been aggressive, we have historically been opportunistic and we have historically had guts. You add those three things together and 1986 had the professional environment to create a good year," Mr. Kelley observed.

Mr. Kelley—who assumed control of Lexington earlier this year when former President Joseph R. Wiedemann was named president of American Home Assurance Co. in New York, another AIG unit—denies that Lexington is cutting prices on property and casualty business to increase its market

share.

Some surplus lines insurers say that Lexington has become a stiff price competitor at a time when most of the surplus lines market's competition is coming from admitted insurers.

"It's hard to pinpoint who is doing what to whom," Mr. Kelley countered, noting that Lexington tracks its property and casualty rates on a monthly basis.

"Those studies show conclusively that on balance for the first six months we were able to maintain increases in casualty rates."

While Lexington may have discounted rates on certain accounts, it has made up the difference with increases on other accounts, he said.

Mr. Kelley also pointed out that before taking over as president, he had served as executive vp in charge of Lexington's casualty division during a period that included the devastating competitive cycle of the early 1980s.

"If that doesn't teach you respect for casualty business, believe me, nothing will," he remarked.

Lexington's property rates, he conceded, have dropped slightly during the first six months of 1987.

While the tight market cycle may have peaked, and while admitted market competitors are making themselves felt, 1986 was a boom year for surplus lines insurers, including Lexington, he contends.

The company continued to see rate increases of 200% to 250% on casualty risks last year, Mr. Kelley reported.

Meanwhile, Lexington's overall exposure base increased only 10% or 15% last year compared to 1985, he said. "The bulk of our (premium volume) increase last year came from rate increases," he observed.

Predictably, the biggest growth in Lexington's gross writings last year was in casualty lines: Liability business accounted for \$548.3 million of the insurer's gross premiums in 1986, up 135.5% from \$232.8 million in 1985.

Property business, by contrast, produced \$176 million in gross premiums last year, up a relatively modest 48.4% from \$118.6 million in 1985.

Property and liability combined lines dropped to \$240,823 in 1986 from \$3.5 million in 1985. Lexington stopped writing package business in 1984, and the remaining premiums represent a runoff of that business, Mr. Kelley explained.

Gross premiums for all other lines, meanwhile, dropped to \$437,032 last year from \$22 million in 1985. Business falling into this category—including stop-loss coverage for self-insured programs—was not lost last year but was simply accounted for differently, Mr. Kelley said.

Overall, liability lines accounted for 75.6% of Lexington's gross written premiums last year, up from 61.8% of 1985 gross premiums. Property business, on the other hand, accounted for 24.3% of gross premiums in 1986, down from 31.5% of gross premiums the previous year.

Direct business produced \$676.4 million of Lexington's gross written premiums last year, while reinsurance assumed produced only about \$48.6 million.

All of the direct business was written on a non-admitted basis except for \$1.7 million written in Delaware, the only state where Lexington is admitted. It writes in all other states.

As it has for many years, Lexington last year ceded a substantial portion of its premiums to reinsurers.

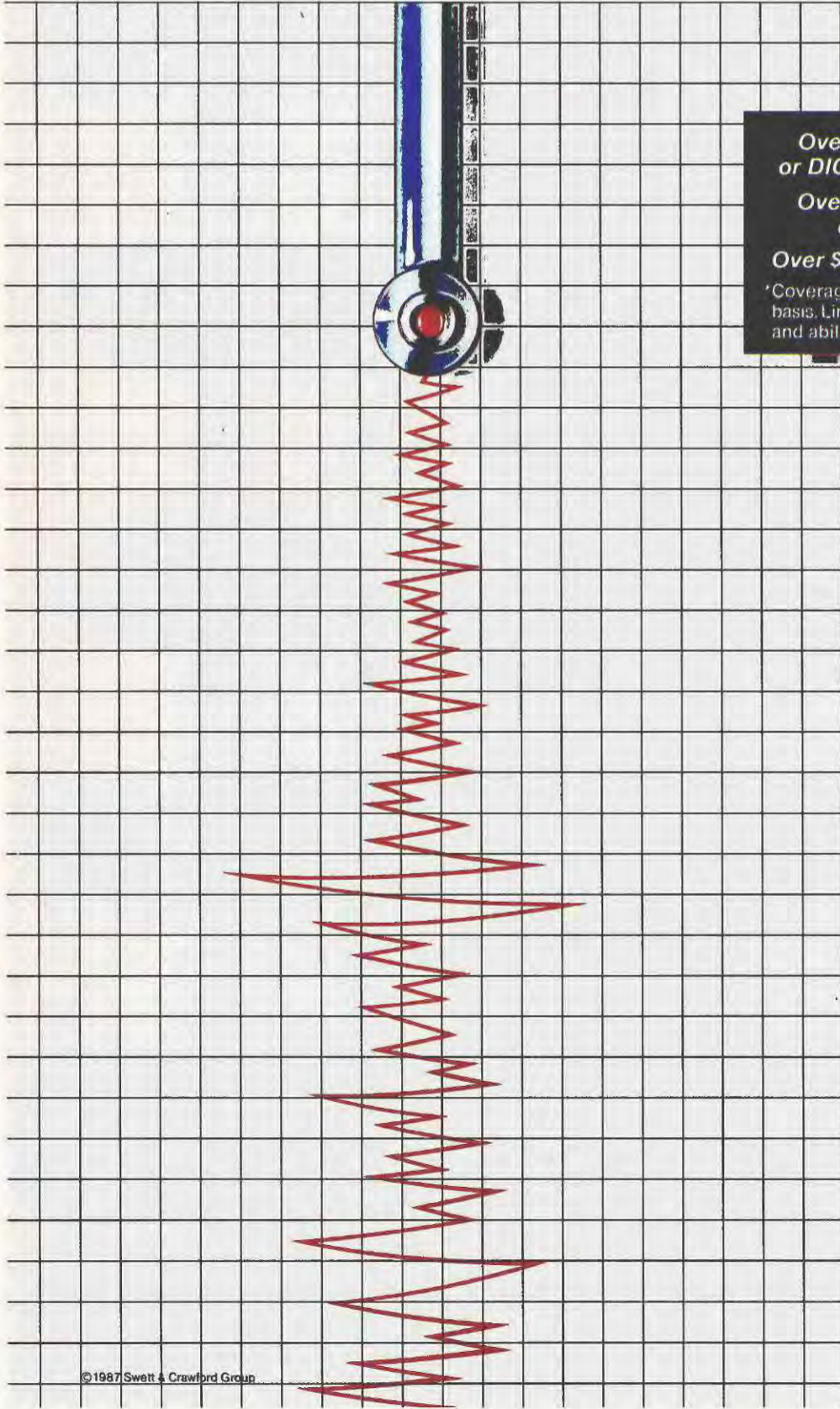
Lexington's 1986 net written premiums of \$157.7 million amounted to 21.8% of its gross writings; in 1985, net writings of \$81.7 million amounted to 21.7% of gross volume.

For 1986, net premiums for liability lines amounted to 24.9% of gross liability volume, while net premiums for property lines equaled about 12% of gross premium volume.

Mr. Kelley said that the net premium figures reported in Lexington's annual statement are skewed downward by fronting programs written for captive insurance companies, which accounted for 10% to 15% of the insurer's gross written premiums last year.

Continued on page 16

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The Aetna Casualty and Surety Company, Aetna Excess and Surplus Lines Company

## The benefits of claims made coverage in professional liability

Claims made insurance is hardly a new concept. It has been the basic form of coverage for many professional liability lines for over 30 years. During this period it has proven its stability and has served the professional insureds who have benefited from its advantages exceedingly well.

Today, liability insurance written on a claims made basis continues to grow in popularity and use. One reason is that it enables both the insurer and the insured to respond with some control to the current liability and economic climates, and to periodically make adjustments in the coverage as required.

Simply defined a claims made policy is one where the insurer is responsible for claims first made against the insured during the period when the policy is in force.

(An "occurrence" policy is one where the insurer is responsible for events that occurred during the policy period, regardless of when the claim is made.) The basic question to be answered to determine if a claims made policy will cover is "When was the claim first made against the insured?"

This concept offers several advantages and benefits to insureds, especially professionals, directors and officers and others who are subject to "long tail"

claims. With coverage based on the date the claim is made, the question of when the occurrence took place becomes relatively unimportant. The insured knows that he will be covered on all claims made during policy period. He does not need to be concerned with unknown claims that may be made sometime in the future, or with the size of judgments that may then prevail. A future claims made policy, with proper limits will protect him at that point in time.

## Architects & Engineers Professional Liability

Shand Morahan continues to be one of the leading sources of quality liability protection for architects and engineers.

Since 1970 we have offered continuity of coverage in this industry which has been beset by a decade and a half of escalating claims and compensatory judgments. We continue to renew coverage for our present clients, and we are also writing new business in this area. Most favorable risks include medium-size firms: architects, HVAC and civil engineers, landscape architects, land surveyors, and interior designers.

We are particularly interested in firms with annual gross fees of \$2 million or less; firms with annual gross fees or billings of up to \$7.5 million may be considered. We are also writing a limited number of project policies.

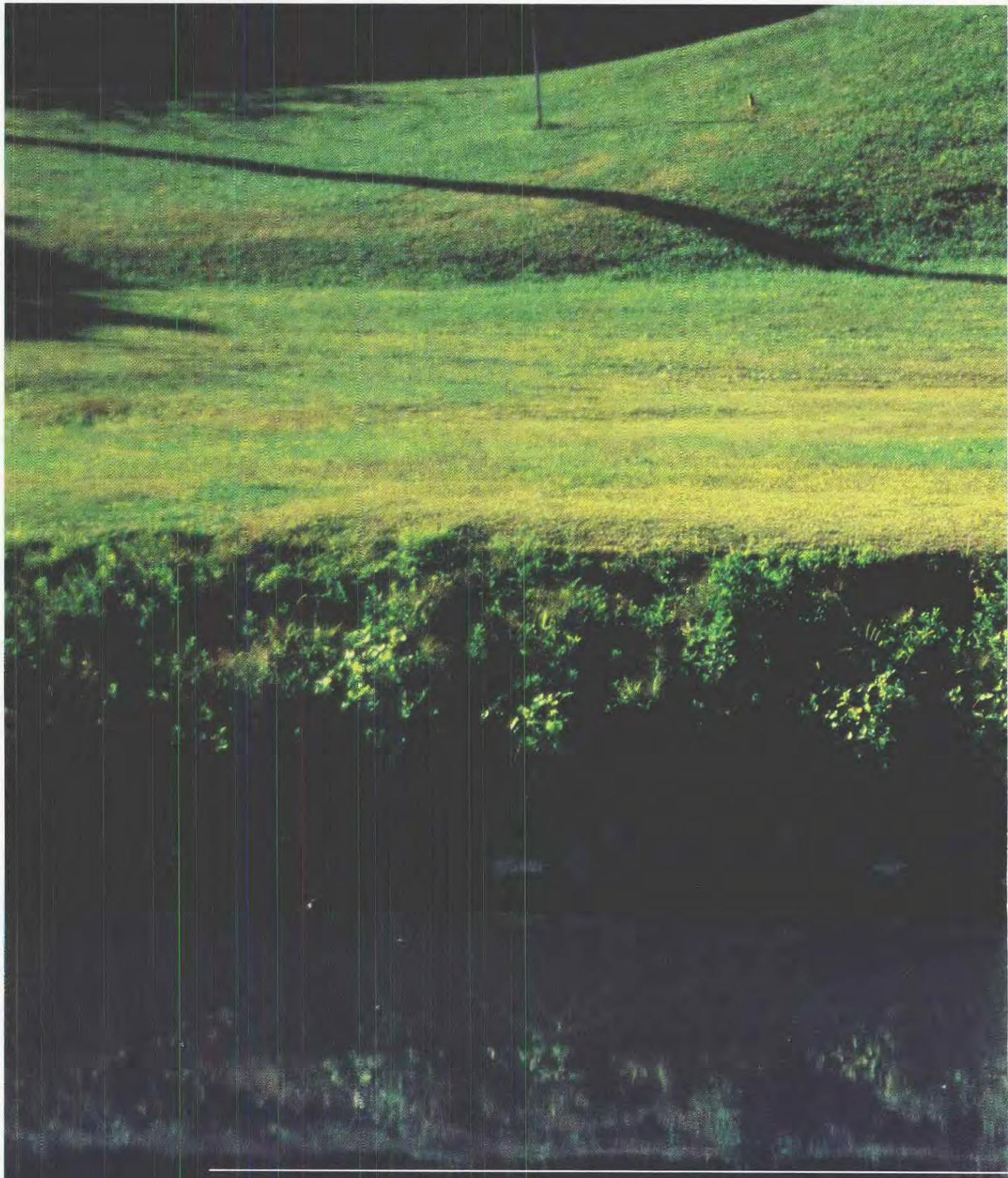
Coverage is written on a professional liability claims made basis and clients are assured of our highly respected, prompt claims service along with the stability, continuity and expertise that has kept us a leader in Architects & Engineers Liability Insurance for the past seventeen years.

## Insurance Agents & Brokers Professional Liability

Insurance professionals can look to Shand Morahan for reliable liability protection as well. Under our Insurance Agents & Brokers policy coverage is provided to the named insured while acting as an insurance agent, broker, managing general insurance agent, surplus line broker, excess line broker and life insurance agent.

The policy covers acts, errors or omissions in professional services, including such related activities as notarizing, mutual fund sales, premium financing, insurance consulting and advising, engineering, appraising, incidental claims adjusting and public relations activities. Limits of liability up to \$3 million are available. This coverage requires a minimum premium of \$30,000 and a minimum deductible of \$30,000. Coverage is on a claims made basis and prior acts coverage is available.

We are particularly interested in medium-size firms producing \$10 million to \$100 million annually in agency premium volume.



Season after season,  
responding responsibly and professionally  
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# The Biggest News In Excess Liability Is Buried At The Bottom Of This Ad.

...with a single policy  
of \$75 million over  
\$25 million in excess  
liability insurance is  
major news to anyone in  
need of this type of coverage.\*

But the biggest story is  
the American Excess Insurance  
Association. A new facility comprised of  
domestically admitted insurance companies  
with the underwriting skill and capacity to bring  
stability to the excess liability market.

The members of the American Excess Insurance  
Association (you may have heard us called the "Ameri-  
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insurance institutions. The association is qualified to  
do business in almost every state of the union.

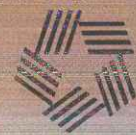
Within our single policy you can avoid missing  
layers, inconsistent policy language, offshore captives  
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\*Note: A few classes are restricted to \$50 million in excess of \$50 million.  
Each member is severally and not jointly liable for its share, as specified in the policy,  
of any assumed risk. Terms and conditions of coverage are as stated in the policy.

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writing facility, one pol-  
icy of \$75 million  
beginning at \$25 million.

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(Underwriting member companies: The Ætna Casualty and Surety Company, Insurance Company of North America, Federal Insurance Company, United States Fire Insurance  
Company, General Accident Insurance Company of America, The Home Insurance Company, North American Company for Property and Casualty Insurance,  
The Travelers Indemnity Company, Zurich Insurance Company, U.S. Branch.)

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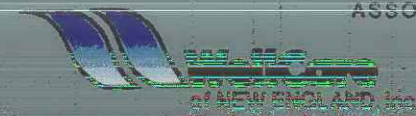
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Continued from page 18

Basically, these are small, uncomplicated risks like owners, landlords and tenants coverage for small businesses, restaurants and retail stores, he explained.

About 50 of American Empire's 75 producers have authority to bind primary liability coverage with up to \$200,000 limits.

In 1986, American Empire's maximum primary liability capacity was \$1.5 million, of which it retained \$900,000 and reinsured the remainder. This year, the company raised capacity to \$2 million, increasing its net line to \$1.1 million.

The third-largest segment of American Empire's business, umbrella and excess liability insurance, accounted for 19%, or \$64 million, of gross premiums in 1986.

Approximately 45 wholesalers wrote excess liability coverage on behalf of American Excess in 1986.

Mr. Walsh predicted gross premiums written in 1987 in this category will total only \$20 million.

Capacity in this line is dropping dramatically because less "quality" reinsurance is available, according to Mr. Walsh.

Currently, the insurer has excess liability capacity of \$5 million, down from \$7.5 million in 1986 and \$10 million in 1985.

American Empire retains the first \$650,000 of each excess liability risk it writes, and cedes \$350,000 to treaty reinsurers. The remainder is backed by automatic facultative reinsurance, Mr. Walsh explained.

Another reason excess liability capacity has dropped during the last couple of years is because reinsurers have insisted that surplus lines insurers meet certain minimum requirements for reinsurance treaties. Mr. Walsh explains that if the company does not think it has enough business to support those treaty requirements, the company will simply reduce capacity in that line.

American Empire's smallest business segment, high-layer property insurance, accounted for 10%, or \$35 million, of 1986 gross premiums. Gross premium volume from these risks will drop to about \$20 million in 1987, Mr. Walsh says.

In 1986, only 25 of American Empire's brokers produced this business, which includes excess property coverage for risks such as department stores, warehouses and light manufacturing facilities.

American Empire's property insurance capacity is 10 times its net line, which is at least \$25,000.

In the past couple of years, American Empire has reduced both the number of reinsurers with which it does business to nine from 13, Mr. Walsh said.

The reinsurers to which American Empire cedes the most business are: General Reinsurance Corp. of Stamford, Conn.; Hanseco Insurance Co. of Boston; Travelers Indemnity Co. of Hartford, Conn.; Zenith Insurance Co. of Encino, Calif.; Ranger Insurance Co. of Wilmington, Del.; and Allendale Mutual Insurance Co. of Johnston, R.I.

American Empire writes coverage on a non-admitted basis in all states except Delaware, where it is licensed. It writes the most business in California, followed by Illinois, Michigan, New Jersey, Florida, Massachusetts, New York and Pennsylvania.

—By Deborah Shalowitz

**Scottsdale Insurance Co.**

8370 E. Via De Ventura, Scottsdale, Ariz. 85258; 602-948-0505

|                        | 1986          | 1985          |
|------------------------|---------------|---------------|
| Gross premiums.....    | \$485,434,126 | \$235,093,662 |
| Non-admitted.....      | \$308,480,783 | \$150,893,720 |
| Net premiums.....      | \$22,455,496  | \$7,883,581   |
| Paid-in capital.....   | \$6,000,000   | \$6,003,500   |
| Capital & surplus..... | \$10,897,293  | \$5,283,037   |
| Employees.....         | 299           | 221           |
| Combined ratio.....    | 111.4%        | 98.7%         |
| Commercial risks.....  | 95%           | 65%           |
| Net income.....        | \$3,032,933   | \$5,283,446   |
| Best's rating.....     | A+            | A+            |

Capitalizing on the financial muscle of its parent, the Columbus, Ohio-based Nationwide Insurance Group, Scottsdale Insurance Co. took full advantage of the flood of business that swept into the surplus lines market in 1986.

Rolland L. Wieggers, president of the 5-year-old surplus lines insurer, calls 1986 "a great year" and expects Scottsdale to continue

to grow in 1987, even though admitted insurers now are beginning to write business they shunned during the hard market.

"You hear a lot of moans and groans, but I see 1987 coming in as a pretty good year," he says.

Mr. Wieggers says there is no question that commercial insurance rates have fallen, but he sees rates stabilizing at current levels for the remainder of the year.

"Toward the end of 1986, most companies had caps on" he explains. "I think everybody came back in the market the first six months of '87, and that means more people are fighting for premium and that tends to push rates down."

But, he says many admitted insurers have already reached their volume goals for the year and will likely stop writing new business during the remainder of 1987.

"I think '87 is going to trend out

**'You hear a lot of moans and groans, but I see 1987 coming in as a pretty good year,' says Rolland L. Wieggers, Scottsdale's president. Mr. Wieggers predicts rates will stabilize at current levels for the remainder of the year.**

just about where we are right now," he says.

Last year, Scottsdale's direct, non-admitted premium volume rose 104.4% to \$308.5 million from \$150.9 million in 1985, to capture the No. 3 spot in *Business Insurance's* rankings of the 10 largest surplus lines insurers.

Scottsdale made its first Top 10 appearance last year, when it occupied fourth place following a 63% increase in non-admitted premiums in 1985, up from \$20.5 million in 1984.

The insurer's gross premium volume jumped 84.5% to \$485.4 million in 1986 from \$263.1 million in 1985.

Mr. Wieggers says he expects gross premium volume to jump about 15% in 1987 to about \$570 million and another 10% increase in 1988 to \$620 million, explaining that Scottsdale's growth rate will slow because of changes in the market and the fact that its premium base is much larger.

About \$135.3 million—or  
*Continued on next page*

**'Sometimes you have to take a step back to preserve what you have,' explains Chet A. Nalepa.**

ity risk it writes, and cedes \$350,000 to treaty reinsurers. The remainder is backed by automatic facultative reinsurance, Mr. Walsh explained.

Another reason excess liability capacity has dropped during the last couple of years is because reinsurers have insisted that surplus lines insurers meet certain minimum requirements for reinsurance treaties. Mr. Walsh explains that if the company does not think it has enough business to support those treaty requirements, the company will simply reduce capacity in that line.

American Empire's smallest business segment, high-layer property insurance, accounted for 10%, or \$35 million, of 1986 gross premiums. Gross premium volume from these risks will drop to about \$20 million in 1987, Mr. Walsh says.

In 1986, only 25 of American Empire's brokers produced this business, which includes excess property coverage for risks such as department stores, warehouses and light manufacturing facilities.

American Empire's property insurance capacity is 10 times its net line, which is at least \$25,000.

In the past couple of years, American Empire has reduced both the number of reinsurers with which it does business to nine from 13, Mr. Walsh said.

The reinsurers to which American Empire cedes the most business are: General Reinsurance Corp. of Stamford, Conn.; Hanseco Insurance Co. of Boston; Travelers Indemnity Co. of Hartford, Conn.; Zenith Insurance Co. of Encino, Calif.; Ranger Insurance Co. of Wilmington, Del.; and Allendale Mutual Insurance Co. of Johnston, R.I.

American Empire writes coverage on a non-admitted basis in all states except Delaware, where it is licensed. It writes the most business in California, followed by Illinois, Michigan, New Jersey, Florida, Massachusetts, New York and Pennsylvania.

—By Deborah Shalowitz

# What Do You Do When Insurance You In The

Continued from previous page

28%—of Scottsdale's gross premium volume is generated by National Casualty Co., an admitted Nationwide affiliate that cedes 100% of its business to Scottsdale. That compares with \$95.2 million in premium written by National Casualty—36% of Scottsdale's gross volume—in 1985.

Scottsdale is actively moving to shift more business from National Casualty to Scottsdale as part of the insurer's plan to write more business on a non-admitted basis, says James R. Kapeller, vp and treasurer.

"That's more our cup of tea," Mr. Kapeller says, explaining that the percentage of total business written through National Casualty will decline further in 1987.

National Casualty is licensed in every state and writes commercial auto and low-value dwelling risks.

Scottsdale also writes exclusi-

vely through National Casualty in New York because Scottsdale is not an approved surplus lines insurer in the state.

Despite the tremendous rise in Scottsdale's premium volume over the past five years, Mr. Wieggers says the insurer is focusing on underwriting profit, not on growth.

"The No. 1 mission of the company is to continue to underwrite to a profit. Size has never been a major factor," he says, adding, "We'll grow when we think the market is right and we'll not grow as much when we think it's not."

Based on its own book of business, Scottsdale met its goal of an underwriting profit in 1986. Scottsdale's combined ratio improved in 1986 to 98.5% from 109% in 1985, and Mr. Wieggers says he believes Scottsdale's combined ratio will fall to perhaps as low as 96% this year.

Scottsdale reported a 111.4%

**'The No. 1 mission of the company is to underwrite to a profit,' Mr. Wieggers says.**

combined ratio on a statutory basis in 1986, compared with a 98.7% combined ratio in 1985. But these figures do not reflect Scottsdale's performance, but rather reflect the performance of the reinsurance pool in which Scottsdale participates with five other Nationwide affiliates, explains Mr. Kapeller.

Scottsdale's loss ratio for the pooled business rose to 87.5% last year from 83.6% in 1985, while the expense ratio advanced to 23.9% from 15.1% in 1985.

Scottsdale's own book of busi-

ness produced net income of \$11.6 million last year, compared with a \$28.8 million loss in 1985 created by start-up expenses.

After pooling, Scottsdale's net income stood at \$3 million in 1986, compared with \$5.2 million the previous year.

The company's surplus increased to \$10.9 million at year-end 1986 from \$9.2 million in 1985.

Net premiums, which reflect the pooling arrangement, leaped 184.6% to \$22.5 million in 1986 from \$7.8 million the previous year.

Mr. Wieggers says that Scottsdale's gross premium volume increased so dramatically in 1986 because many admitted markets were not accepting new business, forcing many buyers into the non-admitted market. Scottsdale was able to take advantage of this situation because it had the backing of the Nationwide pool, he explains.

"We didn't do anything really new last year. There was just more business available. There was a tightening of capacity in all companies. Scottsdale was fortunate to be in the pool with Nationwide, so we had the surplus to take advantage of an ideal market situation," he says.

"The rates were there and we had the surplus to do it and that was in our long-range plan to grow when the market was right and not put any emphasis on it when it wasn't. 1986 was an ideal time to do it," he adds.

Mr. Wieggers says Scottsdale has tried to insulate itself from market cycles by focusing on the types of business that admitted insurers will not pursue, even in a competitive market.

Admitted insurers "don't want the \$5,000, \$10,000 or \$15,000 (in premium) account; they want the \$200,000, \$300,000 and \$400,000 account," he explains.

"We write that (jumbo) class of business, but we've always tried to position ourselves not to depend on it because we know it will come and go," Mr. Wieggers says.



Mr. Wieggers

Scottsdale, he says, focuses on the smaller accounts, writing mostly primary property policies with limits of \$200,000 to \$400,000 for smaller mercantile risks and primary casualty risks with a maximum \$1 million limit.

Scottsdale is not a market for large property or casualty risks, heavy medical malpractice, errors and omissions, directors and officers or heavy product liability insurance. It also does not write ocean marine business.

But, aside from these areas, Scottsdale will consider just about any other type of risk, Mr. Wieggers says.

For example, in late 1985 and early 1986, when most insurers would not write liability coverage for day-care providers, Scottsdale aggressively wrote the business, Mr. Wieggers recalls.

"We felt it was a good risk. It got some bad publicity on some real bad claims, but we remained very aggressive in that and continued through 1987," he says.

Now, however, the situation has turned around and many admitted insurers are looking to write day-care business. As a result, prices for this risk have been cut by as much as 50%, below the level that Scottsdale thinks is needed to properly write this type of risk, Mr. Wieggers says.

"We think the rates are cut too much on it now. So we're losing a lot of that business because we've drawn the line where we think our break-even is on it."

Two areas in which Scottsdale is looking to expand its book of business are umbrellas and association business, Mr. Wieggers says.

The insurer stopped writing new umbrella business in 1986 after it had substantially exceeded its premium volume goals for the line. But, beginning this month, Scottsdale again will write new umbrella policies.

"We realize that that's a long-tail-type business, but we think the rates are fairly adequate in that line of business," he says.

Scottsdale, which wrote about \$60 million in association liability risks last year for groups as diverse as police departments, public officials, nurses and school boards, plans to expand this line of business in 1987.

Scottsdale's association business is reinsured under a separate treaty, Mr. Wieggers said, explaining that while claims frequency on

Continued on next page

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*Continued from previous page*  
 association risks is high, there are very few severe claims.

"It's not the catastrophe-type payout that you might think it is," he says.

Scottsdale only writes coverage for members of public entity associations with populations of less than 50,000. Mr. Wieggers says the company does not plan to expand these programs into large metropolitan areas.

According to Scottsdale's 1986 convention statement, 70.7% of its direct business was liability, 14.6% was commercial multiperil, 7% was property. The remainder was composed of other lines.

Generally, Mr. Wieggers says Scottsdale's overall loss experience has been better than average.

"I don't know of any line of business we'll get out of in 1987 because of poor experience," he says, though he concedes that "we may get out because the rates are not

there."

Scottsdale offers maximum capacity of \$1 million for casualty risks, including umbrellas. It now is attempting to negotiate reinsurance treaties that would allow Scottsdale to increase this limit next year, Mr. Wieggers says, though he adds, "We really don't need to and we probably won't be real aggressive on that."

On the property side, Scottsdale can offer limits of up to \$1 million, but the insurer typically writes policies with limits between \$200,000 and \$400,000.

Scottsdale retains \$250,000 on casualty risks and a minimum of \$100,000 and a maximum of \$200,000 on property risks before its business is pooled with the other Nationwide units.

Scottsdale's reinsurance is placed through three brokers: E.W. Blanch Co. in Minneapolis, which handles Scottsdale's property reinsurance; Reinsurance Agency Inc. in Chicago, which handles casualty reinsurance; and Inter Re Co. of San Francisco, which handles commercial auto reinsurance.

Scottsdale has been able to improve the terms of its reinsurance treaties because of its favorable loss experience, Mr. Wieggers says.

"We've been able to improve some of our profit-sharing and gain higher limits (for next year) based strictly on our good experience in the last two years," he maintains.

Scottsdale is admitted in Arizona, Delaware and Ohio and is an approved, non-admitted insurer in every other jurisdiction except New York, Connecticut and Maine. The bulk of its direct business is written in California, Florida, New Jersey and Texas.

Scottsdale's principal officers, in addition to Mr. Wieggers and Mr. Kapeller, are Thomas D. Stamm, vp-underwriting and marketing; William D. DeMoss, vp-claims; Ronald L. Pieper vp-data processing; Jack A. King, vp-legal affairs; and Barbara D. Nasworthy, vp-administration.

—By Robert A. Finlayson



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### St. Paul Surplus Lines Insurance Co.

445 Minnesota St., Suite 900, St.  
Paul, Minn. 55101; 612-221-7066

|                      | 1986          | 1985          |
|----------------------|---------------|---------------|
| Gross premiums....   | \$219,494,669 | \$125,759,165 |
| Non-admitted.....    | \$194,921,150 | \$104,151,645 |
| Net premiums.....    | \$24,534,109  | \$21,607,519  |
| Paid-in capital..... | \$2,000,000   | \$2,000,000   |
| Capital & surplus..  | \$9,645,196   | \$7,280,514   |
| Employees.....       | 205           | 185           |
| Combined ratio.....  | 110.3%        | 120.5%        |
| Commercial risks..   | 100%          | 100%          |
| Net income.....      | \$2,410,488   | -\$309,425    |
| Best's rating.....   | A             | A             |

If survival of the fittest applies  
to non-admitted insurers, St. Paul  
Surplus Lines Insurance Co. is

evolving to the top of the surplus  
lines market.

The surplus lines insurer's sub-  
stantial premium growth in 1986  
boosted the St. Paul, Minn.-based  
company to the No. 4 spot among  
the surplus lines insurers ranked  
by *Business Insurance* from ninth  
place in last year's rankings.

And, in addition to reporting a  
record premium volume, the sub-  
sidiary of St. Paul Fire & Marine  
Insurance Co. reduced its com-  
bined ratio to 110.3% from 120.5%  
in 1985 and reported \$2.4 million  
in net income, compared with a  
\$309,425 net loss in 1985.

"We are very pleased with our  
results and anticipate that 1987

will show continued improve-  
ment," said St. Paul Surplus Lines  
President Kenneth F. Goldstein.

Although he had predicted last  
summer that the insurer might post  
another operating loss in 1986, its  
bottom line was "better than we  
thought because business written  
in the last few years has performed  
better than we thought."

Mr. Goldstein added that a more  
careful underwriting approach  
worked hand-in-hand with rate in-  
creases in 1985 and 1986.

"When you combine higher rates  
and better underwriting, you're  
going to produce better than ex-  
pected results. . . . Rates were  
going up because there wasn't as  
much capacity and there was a lot  
of demand," he explained.

St. Paul Surplus Lines increased  
property rates an average of 10% to  
20% in 1986 and hiked casualty  
rates an average of 100%. While  
these increases were not as dra-  
matic as rate hikes in 1985, "we  
were on a higher base to start  
with," Mr. Goldstein pointed out.

St. Paul Surplus Lines' gross  
premium volume increased 42.7%  
to \$219.5 million in 1986 from  
\$125.8 million in 1985. Gross pre-  
miums written on a direct, non-ad-  
mitted basis grew 46.6% to \$194.9  
million from \$104.2 million in  
1985. Company executives expect  
the insurer to write about \$220  
million in direct premiums by the  
end of 1987.

Net written premium volume  
grew 11.9% to over \$24.5 million in  
1986 from \$21.6 million in 1985.  
Capital and surplus, fueled by the  
insurer's profit in 1986, increased  
24.5% to more than \$9.6 million  
from \$7.3 million in 1985.

In the first half of 1987, St. Paul  
Surplus Lines wrote \$108 million  
in direct premiums, an increase of  
20.4% over the \$86 million written  
in the first half of 1986.

Mr. Goldstein said that premium  
volume is "a little bit off" execu-  
tives' original predictions for 1987.  
"We thought the market would  
continue to be very strong in 1987  
and show a drop in 1988. We've  
seen the market turn a little sooner  
than we anticipated," he said.

"Submission activity is up from  
all-time highs of last year, but our  
hit ratio is down. More shopping is  
going on" because more insurers  
are willing to quote business in  
1987, said Robin G. Critelli, vp of  
marketing.

The hard mar-  
ket arrived at the  
right time for St.  
Paul Surplus  
Lines, executives  
say.



Ms. Critelli

"We geared  
ourselves for the  
market change  
and we were  
fairly well-  
poised to take  
advantage of it," explained Execu-  
tive Vp Arthur B. McHugh.

Senior Vp Janet R. Nelson pointed  
out that many of St. Paul Surplus  
Lines' competitors were struggling  
to obtain reinsurance and maintain  
capacity during the hard market,  
which "prevented them from really  
being able to respond" to market  
opportunities. "We couldn't handle  
everything submitted—we were at  
system overload—but we were bet-  
ter prepared to respond than many  
people were," Ms. Nelson stressed.

"In 1986, there was a tremendous  
concern for security and we would  
like to think that the St. Paul name  
added quite a bit to the whole equa-  
tion," Mr. Goldstein said, noting  
that St. Paul Surplus Lines and all  
other St. Paul Fire & Marine units  
have an A rating from A.M. Best Co.

He added that the insurer's care-  
ful selection of its reinsurers was  
another advantage. "We as a com-  
pany were very concerned about  
what reinsurers we used, and like-  
wise our brokers and insureds were  
concerned."

Continued on page 28

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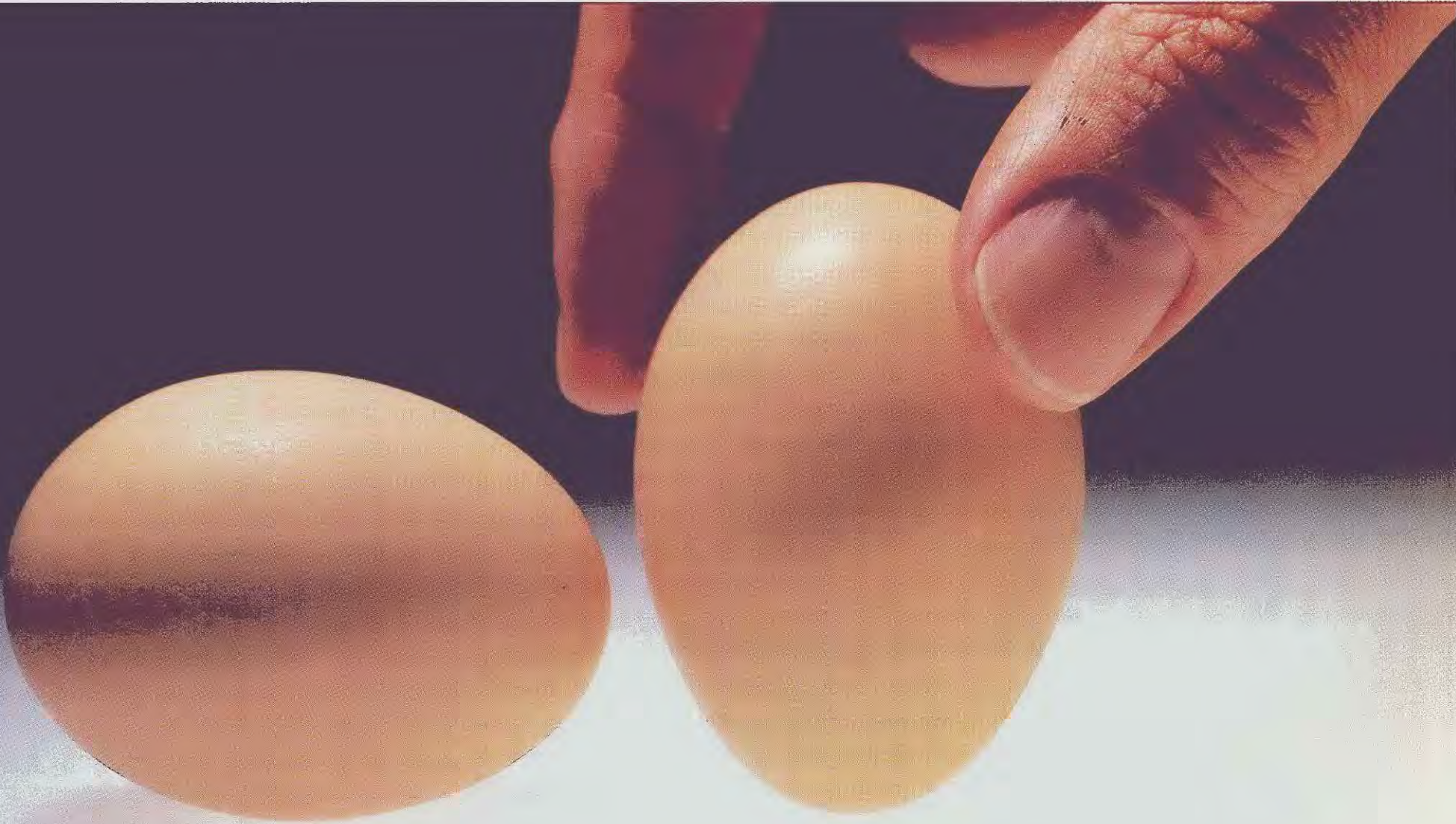


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Continued from page 26

Mr. Goldstein characterized the decision made in 1984 by St. Paul Surplus Lines to shift its emphasis from high-frequency primary liability risks to excess, buffer-layer and umbrella business as "very successful."

"That's one of the reasons we did better in 1986 than we had originally planned. A good deal of our business has shifted to excess casualty—88% of our total book," he observed.

At the beginning of 1986, St. Paul Surplus Lines stopped writing environmental impairment liability and political risk coverages. Prior to pulling out of those markets, the insurer had offered \$1 million in primary EIL limits and \$25 million of excess political risk limits.

"There was an effort in 1985 and 1986 to really concentrate on those areas where we could have the biggest impact, and there was a tre-

mendous need for the basic property and casualty E/S type business. We saw that as an opportunity to realize greater rewards" than the insurer would have gained by writing EIL and political risk coverages, Mr. Goldstein stressed.

Mr. McHugh said the insurer's decision to withdraw from political risk underwriting was spurred by the fact that "the people we were using as reinsurers—which was basically the London marketplace—everyone else was using at the same time. . . . It just didn't make sense for us to stay in the political risk arena."



Mr. McHugh

St. Paul Surplus Lines has no specific plans to re-enter any lines of business in 1987, but "we are always looking at new programs," Mr. Goldstein commented.

Ms. Nelson pointed out that "there aren't many classes that we wouldn't entertain on an individual risk basis. We consider ourselves E/S individual risk underwriters, so we would entertain a wide variety of risks as it stands."

However, St. Paul Surplus Lines does not write medical professional liability insurance, which is written through St. Paul Fire & Marine.

More than 60% of St. Paul Surplus Lines' premium volume is written through its Surplus Lines Division, which concentrates on large accounts, with less than 40% written through its Athena Division, which focuses on smaller accounts and program business.

Last year, 84% of the Surplus Lines Division's premium volume was derived from casualty risks, while 16% was derived from property risks.

Ms. Nelson explained that most of the Surplus Lines Division's business is umbrella policies. These are "predominantly lead umbrellas or first excess umbrellas typically within the first \$25 million. We don't consider ourselves a capacity market," she said.

The portion of the division's business that is written on a primary basis is "predominantly product liability and a big chunk of that is medical products," said Ms. Nelson. Most of this coverage is written on a claims-made form.

The Surplus Lines Division's clients are mostly large commercial accounts. While some are Fortune 500 accounts, "that is not our area of emphasis," she said, noting that the average annual client premium is in the \$150,000 to \$200,000 range.

However, she stressed that in the property area, St. Paul Surplus Lines is "almost entirely a primary facility writing smaller risks—there are virtually no Fortune 500 accounts. There we prefer manufacturers and processing-type risks."

The major producers for the Surplus Lines Division are: Stewart Smith Holdings Inc., based in New York, and Swett & Crawford Group, another St. Paul Cos. Inc. subsidiary based in Los Angeles. Business is also produced through a network of about 50 wholesale brokerages around the country.

Of the wholesale brokerage network, top producers include: PCM Excess Inc. in New York; Gerald L. Sullivan & Associates in Portland, Ore.; Neal, Lloyd & Co. Inc. and Travis-Pedersen & Associates Inc. in Chicago; Anexco Insurance Agency Inc. in Boston; Sherwood Insurance Services, based in San Francisco; Wood & Co. Inc. in Atlanta; and Tuley/Barnard & Associates Inc. in Houston.

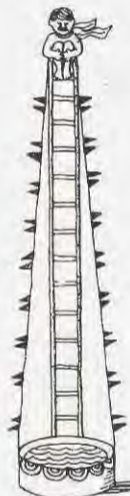
About 86% of the Athena Division's premiums last year was derived from casualty business, while 14% was produced by property risks.

Continued on next page

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Continued from previous page

About 15% of the division's book is professional liability business, "predominantly directors and officers liability and some miscellaneous errors and omissions coverages. Some of the business is primary, but the majority is excess, with limits of \$10 million available," said Mr. McHugh.

All of the professional liability business is written on a claims-made form, he said.

The rest of the business written through Athena consists of traditional surplus lines property and casualty accounts, usually for businesses of a smaller size than those written through the Surplus Lines Division, Mr. McHugh explained. He characterized the average annual premium as "in the \$25,000 to \$30,000 range."

The Athena Division writes business produced solely by members of Swett & Crawford Group.

Only about 10% of St. Paul Surplus Lines' non-professional liability book of business is written on a claims-made form, Mr. Goldstein estimated, primarily long-tail liability business such as product liability insurance.

"The claims-made form did not win as much acceptance as we had hoped," he commented, adding that the percentage of business written on the claims-made form will probably not change much in 1987.

St. Paul Surplus Lines offers \$5 million in capacity for most liability risks and retains up to \$1 million per risk, the same as last year. In addition, the insurer can write up to \$10 million in capacity for D&O coverage, with a similar retention.

The insurer can offer up to \$7.5 million in limits for property risks, with a net retention of less than \$500,000.

"During 1985 and 1986, we were one of the few E&S companies to maintain our limits," Mr. Goldstein explained, which helped the insurer increase its volume over the past two years.

St. Paul Surplus Lines uses major domestic reinsurers as well as London reinsurers. While the majority of its reinsurance support is domestic, "We were able to increase our London support in 1986," in contrast with many other insurers, Ms. Nelson pointed out.

In general, the reinsurance market is "more flexible" in 1987 than it was in 1986, Mr. Goldstein commented. "Reinsurers are more willing to consider casualty business" in 1987, though it is still difficult to obtain reinsurance, he stressed.

Mr. Goldstein said that because of the increase in competition among insurers, "we don't see a whole lot of growth in the next year or two" in the insurer's basic book of business. And he stressed that St. Paul Surplus Lines will decrease its volume in lines of business where rates are not adequate.

St. Paul Surplus Lines is actively tracking industry rate levels, checking for adequacy, the executives explain.

"We keep information in our data base on virtually all classes of business and departments. We spend a lot of time with our actuaries analyzing this information," Mr. Goldstein said.

And Mr. McHugh added that through the data base, "We have statistical information on every policy we've ever written."

"We feel the E/S industry is changing and a lot more emphasis is being made on bringing in additional resources—claims, actuarial, government affairs and legal support. We feel we will have the edge up on our competitors if we can use these things in the future," Mr. Goldstein stressed.

Mr. Goldstein and Mr. McHugh pointed out that because the insurer only has one office and does

not have to monitor the activities of branch offices in other parts of the country, it can exert better control of its operations than some other insurers.

Mr. McHugh predicted that in the future, surplus lines brokers and insurers will "find it difficult to operate without a substantial organization behind them." St. Paul Surplus Lines has reduced the number of producers it works with over the past two years and carefully monitors their financial strength and capabilities, he said.

"We're also trying to do a better job of bringing our resources to the table. We want to do business with quality brokers and our strat-

egy has been to selectively keep key wholesalers around the country," Mr. Goldstein agreed.

The insurer now does business with "about a fourth of the people we were doing business with a few years ago," he said.

St. Paul Surplus Lines writes only commercial lines business and writes on a direct, non-admitted basis in 48 states and the District of Columbia. It is licensed only in Delaware, where it wrote \$39,410 in premiums in 1986. It does not write business in New Jersey.

In addition to Mr. Goldstein, Ms. Nelson and Mr. McHugh, George Y. Tsui is a senior vp of the insurer.

—By Linda J. Collins

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|                      | 1986          | 1985          |
|----------------------|---------------|---------------|
| Gross premiums...    | \$192,169,389 | \$108,086,450 |
| Non-admitted...      | \$163,450,124 | \$89,615,358  |
| Net premiums...      | \$114,886,718 | \$46,001,059  |
| Paid-in capital...   | \$2,000,000   | \$2,000,000   |
| Capital & surplus... | \$50,086,731  | \$37,221,727  |
| Employees...         | 116           | 112           |
| Combined ratio...    | 92.7%         | 91.6%         |
| Commercial risks...  | 100%          | 100%          |
| Net income...        | \$13,991,836  | \$5,964,466   |
| Best's rating...     | A+            | A             |

After a boom year in 1986, Admiral Insurance Co. expects the increasingly competitive commercial insurance market to soon have an impact on the nation's fifth-largest surplus lines insurer.

As the market softens, admitted insurers increasingly will write the business that had been written by surplus line insurers during the past couple of years, leaving insur-

ers like Admiral with whatever risks are left, Admiral's top officers predict.

"We eat the crumbs that fall off their tables," says Executive Vp Martin J. Calpin.

"We're basically always selected against," adds President Michael J. Sneed.

Still, Admiral can be pleased with its 1986 results. Last year, the insurer generated \$163.5 million in premiums on a direct, non-admitted basis, up 82.4% from \$89.6 million in 1985. All but 1% of that business is related to commercial risks.

The company reported a total gross premium volume of \$192.3 million, which reflects in part business generated in Delaware and New Jersey, where it is an admitted insurer. That was a 77.9% increase from the \$108.1 million in gross premiums written by Admiral in 1985.

Net premiums written in 1985

increased a disproportionate 149.7% to \$114.9 million in 1986 from 49.7% from \$46 million in 1985, because of the elimination of a reinsurance treaty, says Mr. Sneed.

Net income increased a whopping 133.3% to \$14 million last year from \$6 million in 1985. Admiral's combined ratio deteriorated slightly because of reserve increases to 92.7% in 1986 from 91.6% in 1985.

Boosted in part by a \$1.9 million capital contribution from its parent company, Greenwich, Conn.-based W.R. Berkley Corp., Admiral's policyholder surplus increased 34.6% to \$50.1 million from \$37.2 million.

Admiral officials predict that, be-

cause of the softening commercial insurance market, gross premium volume will be reduced this year by about 14% to about \$165 million. The projection was arrived at after a meeting last fall with Admiral's line underwriters, Mr. Sneed explains.

"We polled our underwriters, and then made our best judgment of the marketplace."

And, he says of 1988, "I think we would be coming down again. We expect a continuing softening of the marketplace."

"It's a little premature for us to try and put a handle on it," says Mr. Calpin. "We are countercyclical to the licensed carriers. We don't know what they're going to do, so we don't know what we're going to do."

But, in comparing 1987 with 1986, "I think our net income will be significantly larger," he adds.

Product lines Admiral wrote last year include heavy product liability coverage, which is usually writ-

ten on a claims-made basis; difficult manufacturers and contractors classes; non-standard property insurance; and professional liability insurance for clients like medical laboratories.

Today, says Mr. Sneed, "the list wouldn't be different, but in 1986 we saw much more standard business from the admitted carriers than we're seeing today."

He also notes Admiral is willing to write monoline product liability coverage as well as writing product liability risks as part of a comprehensive general liability policy, whereas most insurers will write it only as part of a CGL policy. "I think that's a major difference," he says.

Admiral writes "what the licensed carriers permit us to," says Mr. Calpin. "The (insurance) market can turn every bit as quickly as the stock market can turn," he says.

"Right at this particular point of time," for instance, Admiral is writing owners, landlords and tenants coverage for high-hazard clients like hotels, though "OL&T risks seem to be flowing back into the licensed carriers at a very, very fast rate," says Mr. Calpin. Umbrella coverages also are flowing back into the admitted market, he says.

"The only way you can truly define what a 'classic, surplus lines carrier' writes is by defining what the standard carriers are writing," he continues. "They're starting to go after larger, six-figure premium accounts, even though there might be somewhat touchy products exposures."

For now, however, they're not going after the "truly tough" product liability risks, Mr. Calpin says. "That's only a matter of time, but it's also a matter of geography."

Underwriting policies can vary between admitted insurers' offices, explain the Admiral officials. "It's very difficult for the senior management of a large, standard company to communicate countrywide down to its lowest underwriting point," says Mr. Sneed.

This is not to say these insurers have bad management, says Mr. Calpin. "You've got so many links in the chain, you just can't get that information down."

As a result, says Mr. Sneed, Admiral has found itself competing with admitted insurers for difficult product liability risks because the insurers' underwriters have not gotten the "right message from their management at that point in time."

An admitted insurer will write a risk at \$60,000 that was priced at \$25,000 during the soft market and think he got a "good jump," says Mr. Sneed. "But we're charging \$190,000 because that's what the risk calls for. That's not a criticism; that's just the way it is."

Admiral has no new products planned to make up for the loss of premium volume to the admitted market. Niches or classes of business not already filled are "very few and far between, and getting scarcer," Mr. Calpin observes.

"So far, we haven't anything on the drawing board at this point in time," says Mr. Sneed.

Lines of business Admiral has never written include "true" professional liability, such as for doctors and attorneys; liquor liability; directors and officers liability; and day-care center liability coverage.

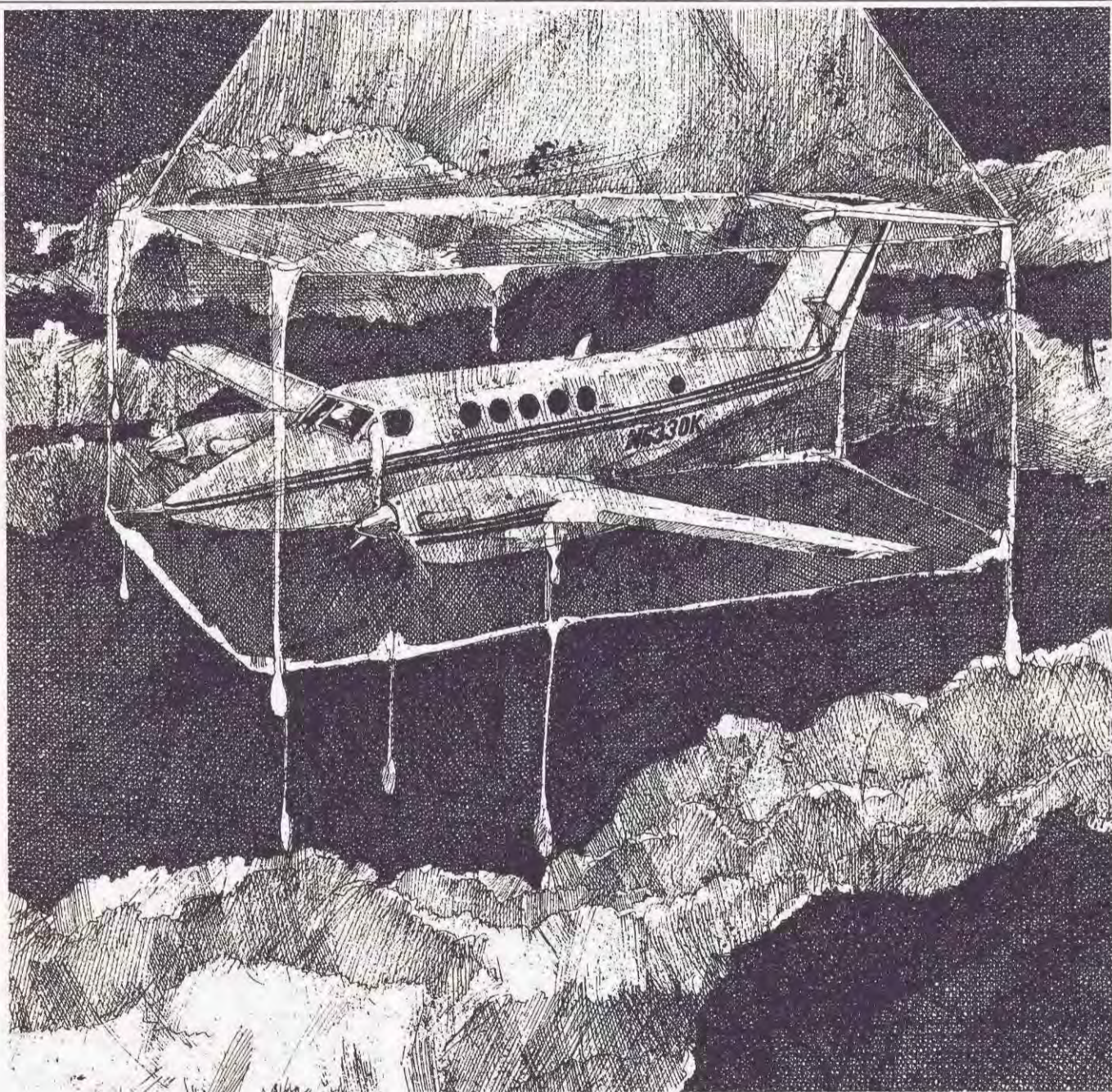
Mr. Sneed notes also that "in 1986, our policy count dropped rather significantly and our premiums increased dramatically. We got out of certain classes of business which were more labor-intensive," including smaller umbrella programs. Fewer than 40 umbrella programs remain on the books.

Among the programs dropped were an animal mortality insurance program and an errors and omissions insurance program for insurance agents from which the company began to withdraw in 1985.

*Continued on next page*



Mr. Sneed



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*Continued from previous page*

Admiral's financial guarantee business also has fallen off dramatically because of the Tax Reform Act of 1986, which eliminated limited partnerships as a viable tax shelter (BI, June 1).

As a result, Admiral went from writing \$10 million of financial guarantee premiums in 1984 and 1985 to \$1.5 million in 1986. And the company expects to write only about \$300,000 in financial guarantee premiums this year.

"The tax law put us out of business," says Mr. Snead.

Admiral, which retains \$200,000 per risk, will write up to \$1 million in limits on a gross basis. However, Admiral most commonly offers \$500,000 and \$300,000 policy limits, Mr. Snead says.

It essentially cedes reinsurance to only three companies: Prudential Reinsurance Corp., USF&G Corp. and Constitution Reinsurance Corp.

Almost all of Admiral's property business, and about 75% of its casualty policies—making up the bulk of its business—are written on a primary basis. Of its remaining casualty business, 20% is written over self-insured retentions, while the remaining 5% is written on an excess basis, Mr. Calpin says.

Admiral prefers low deductibles of up to about \$2,500 for its primary business. If a large deductible is required, Mr. Calpin says, Admiral tries to persuade the client to become self-insured. In some cases in which this is not feasible, Admiral will send the business elsewhere, then agree to write coverage on an excess basis.

However, Admiral generally prefers to be the first layer of "true" insurance over a self-insured retention, Mr. Snead says. "We're not an excess market.

"Because of our A-plus rating, and good claims-handling ability, practically every carrier is willing to write over us," adds Mr. Snead.

"We deal exclusively with wholesale brokers," says Mr. Calpin. "It's a truism, but it's a people business, and I can know and understand and depend upon the people in 100 wholesalers coast to coast but I won't know people in 10,000 retail agencies coast to coast."

In addition, while retail agents "could be and frequently" are professional and skilled practitioners, most handle only a few surplus lines risks each year. Admiral wants assurance its brokers are familiar with each state's surplus lines laws and know how to make the proper filings, he says.

"It's our niche and everybody knows it," says Mr. Snead of Admiral's wholesaler-only policy. He notes that sometimes he gets a call about a piece of business, and asks the caller if he is a wholesaler. When the response is "What's a wholesaler?," says Mr. Snead, "I always know" the business is not for Admiral.

Admiral deals with 165 wholesalers working from 300 offices, he says. The top wholesalers with whom Admiral does business are: J.J. Francis & Associates in Cherry Hill, N.J.; Crump E&S Group, based in Memphis, Tenn.; Montgomery & Collins Inc. in Los Angeles; Stewart Smith Holdings Inc. in New York; McAlear Associates Inc. in Grand Rapids, Mich.; Tri-City Insurance Brokers' Chicago office; British-American Associates in Philadelphia; Swett & Crawford Group in Los Angeles; James Brisson Associates in Jenkintown, Pa.; and F&G Markets in Baltimore.

Admiral prides itself on its underwriters' experience. "Our average underwriters have at least 10 years' experience," says Mr. Snead, noting this is more experience than average underwriters at an admitted insurer have.

The surplus lines business demands more underwriting experience, because policies cannot be lumped into homogeneous groups, Admiral officials contend.

"You really have to have those gray hairs to do it," he says.

One new Admiral employee who had worked 30 years at an admitted insurer still needed a year to learn the surplus lines market, Mr. Snead says. "That's kind of typical of what we have to do."

Mr. Snead notes that throughout this market cycle, Admiral's staffing has remained near 1986's level of 116, despite its premium fluctuations. "We have to be staffed at all times for the flow of business, because you simply can't tool up fast enough," Mr. Calpin says.

In addition to Mr. Snead and Mr. Calpin, principal Admiral officers include J.J. Duffett, senior vp, and Kathleen Crawford, vp and treasurer.

—By Judy Greenwald

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|                       | 1986          | 1985          |
|-----------------------|---------------|---------------|
| Gross premiums.....   | \$420,811,452 | \$184,807,443 |
| Non-admitted.....     | \$161,439,180 | \$104,215,101 |
| Net premiums.....     | \$175,492,860 | \$20,613,599  |
| Paid-in capital.....  | \$5,000,000   | \$5,000,000   |
| Surplus.....          | \$68,074,473  | \$66,962,749  |
| Employees.....        | 0             | 0             |
| Combined ratio.....   | 101.3%        | 179.0%        |
| Commercial risks..... | 99%           | 99%           |
| Net income.....       | \$-1,429,254  | \$-689,953    |
| Best's rating.....    | A+ pooled     | A+ pooled     |

Like other surplus lines insurers, Boston-based First State Insurance Co. again is feeling the heat of competition.

While First State has granted property insurance rate reductions of 10% to 20% this year, it has been losing business to other insurers willing to offer 40% to 50% reductions, according to Lawrence S. Doyle, president and chief execu-

tive officer.

"We are losing (property) business and have been for six months. We are not going to meet our (property) premium objectives for this year," Mr. Doyle predicted, noting that while First State had planned for its property premium volume to be flat for 1987, it will probably decline by about 20%.

Rate reductions on casualty business have lagged about six months behind property reductions, and 1986 still saw "healthy" rate increases for casualty risks, Mr. Doyle reported.

During the first half of this year, however, casualty accounts were being renewed at expiring rates or at reductions of about 10%, and the reductions may accelerate to between 10% and 20% during the second half of this year, he predicted.

First State—a unit of Hartford Fire Insurance Co.—has begun to lose market share on casualty business in the last three months be-

cause of price competition, and is seeing some business go to competitors at price reductions of up to 40%, Mr. Doyle said.

With only a couple of exceptions, most other surplus lines insurers have been "well-behaved," Mr. Doyle said, explaining that, unlike during the last soft cycle, most of the price competition is coming from admitted markets.



Mr. Doyle

Despite the loss of property and casualty business, though, First State expects its gross premium volume for 1987 to be at last year's level and possibly up by as much as 20%, reflecting new business and an emphasis on specialty underwriting, Mr. Doyle said.

First State's gross direct written

premiums—including both admitted and non-admitted business—shot up 49.4% last year to \$245.3 million from \$164.2 million in 1985.

Direct premiums written on a non-admitted basis, meanwhile, jumped 54.9% last year to \$161.4 million from \$104.2 million in 1985.

The increase in direct non-admitted business pushes First State to the No. 6 spot in the *Business Insurance* rankings of the largest surplus lines insurers from the No. 8 spot.

After being rocked by disastrous underwriting losses on business written during the soft market, First State completely re-underwrote its book between 1984 and 1985, and results continue to improve.

The 1986 results on First State's own business are difficult to discern from its statutory financial statement because First State participates in a reinsurance pooling arrangement with other Hartford Insurance Group affiliates.

Under the arrangement, First

State cedes all of its direct written premiums to Hartford Fire and in turn assumes as reinsurance a share of the pool's premiums. Losses and expenses also are pooled, and proportional shares are allocated to First State.

Last year, First State wrote direct premiums of \$245.3 million and assumed as reinsurance \$175.5 million in pool premiums, making for total gross written premiums of \$420.8 million.

Meanwhile, the insurer ceded its direct written business to Hartford Fire, leaving it with net written premiums of \$175.5 million, representing the pool business it assumed.

For 1985, gross written premiums totaled \$184.8 million, consisting of \$164.2 million in direct business and \$20.6 million in reinsurance assumed through the pool.

Net written premiums for 1985, after ceding of direct business to Hartford Fire, were \$20.6 million.

First State's 1986 earned premiums—again, reflecting pooled business—totaled \$127.8 million, more than six times the \$20.2 million reported in 1985.

Losses and loss expenses incurred, meanwhile, rose to \$92.6 million last year from \$28.4 million the previous year. Other underwriting expenses climbed to \$50.6 million from \$7.1 million in 1985.

First State thus finished last year with an underwriting loss of \$15.4 million, up slightly from a \$15.2 million loss in 1985, but on a much larger volume of business.

The insurer cut its loss ratio nearly in half last year to 72.5% from 140.1% in 1985. First State's 1986 expense ratio was 28.8%, down from 38.9% in 1985.

The insurer's 1986 combined ratio totaled 101.3%, down substantially from the 179.0% reported in 1985.

While these ratios reflected experience on the pooled business, the loss ratio on First State's own business was roughly the same as that of the pool, according to Mr. Doyle, who added that First State's own expense ratio was lower than the 28.8% allocated from the pool last year and that the insurer actually produced an operating profit for Hartford Fire.

First State reported investment income of \$11.7 million last year, up 34.5% from \$8.7 million in 1985.

After other gains and losses, the insurer finished the year with a net loss of \$1.4 million, more than double the 1985 net loss of \$689,953.

The 1986 net loss, however, was more than offset by a \$2.5 million net unrealized capital gain, and First State finished 1986 with policyholder surplus of \$68.1 million, up 1.7% from \$67 million in 1985.

Mr. Doyle noted that First State's bottom-line performance continued to be hurt last year by the need to bolster loss reserves for business written during the soft market, when First State was the second-largest surplus lines insurer.

"We are still paying for the sins of the past, but I think we will be in excellent shape for 1988 and 1989," he observed.

"The last thing a company should do is carry forward a reserve inadequacy," he added. "That is a recipe for disaster."

First State also made "substantial provisions" last year for unrecoverable reinsurance, though Mr. Doyle would not reveal how much was reserved.

When First State began ceding its direct business to Hartford Fire under the pooling arrangement in 1985, it assigned its rights under numerous reinsurance contracts with authorized and unauthorized reinsurers to its parent.

Hartford Fire, however, charges First State for losses it incurs as a result of uncollectible reinsurance, Mr. Doyle explained.

Last year, First State reported \$454.6 million in reinsurance

Continued on next page



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Continued from previous page  
recoverables from Hartford Fire on unpaid losses, \$193 million in premiums in force and \$74.7 million in unearned premiums.

Cameron & Colby Co. Inc.—exclusive underwriting manager of First State and Boston-based affiliates New England Insurance Co. and New England Reinsurance Corp.—also manages the reinsurance portfolio supporting Hartford Fire on the First State business.

Although signs of softening have returned to the surplus market this year, the majority of First State's premium growth last year was due to rate increases, Mr. Doyle said.

The insurer had about a 10% increase in policy count between 1985 and 1986 that accounted for a portion of the rise in direct writings, but rising prices accounted for the bulk of the increase in gross direct premiums, he said.

Of First State's 1986 gross direct premium volume of \$245.3 million, 68.7%, or \$168.6 million, consisted of liability lines; 19%, or \$46.5 million, consisted of fire and allied lines; 8.2%, or \$20.2 million, consisted of inland marine policies; and 4.1%, or \$10 million, consisted of auto physical damage policies.

Of the insurer's \$83.9 million in admitted premiums, \$47.1 million was derived from California, \$34.6 million from Massachusetts, \$564,985 from Delaware and \$1.6 million from foreign locations.

First State's largest account is a primary lawyers professional liability program written on a claims-made form for the Massachusetts Bar Assn., Mr. Doyle said.

Only about 10% of the insurer's liability business is written on a claims-made form, Mr. Doyle added, noting that First State writes claims-made excess liability policies only when primary coverage is also on a claims-made basis.

Most of First State's casualty business continues to consist of following-form excess coverages, he said, explaining that roughly three-quarters of the insurer's excess policies attach at \$5 million or above, while about one-quarter attach at \$2 million.

First State's maximum gross line on casualty risks is \$5 million, unchanged from last year, while its maximum net line is \$2 million, Mr. Doyle said, noting that the insurer prefers to write \$5 million excess of \$5 million.

Property business, meanwhile, continues to consist solely of primary rather than excess business.

First State's maximum gross line on property risks is \$7.5 million while its maximum net line is \$1.5 million, unchanged from last year.

Since it re-underwrote its book of business in 1984-85, First State has concentrated its casualty underwriting on medium-sized commercial accounts, writing owners, landlords and tenants, manufacturers and contractors and product liability coverages, Mr. Doyle said.

But with competition returning, particularly from admitted markets, First State is shifting toward slightly more hazardous risks.

"The business has become a little bit tougher, but prices for that kind of business are holding up because they are not being written by the stock companies," he said.

For example, First State now writes high-rise construction contractors where last year it may have preferred contractors involved in low-risk construction like highway paving, he said.

First State also is concentrating on specialty property and casualty underwriting including a nursing home liability program; a liquor liability program; a truck physical damage program; and a property program for the entertainment industry, underwritten through California managing general agents that have limited binding authority for First State, he said.

Meanwhile, First State last year

installed an automated policy issuance system and on Sept. 1 will go on line with a new claims management system, Mr. Doyle noted.

About 80% of First State's business is produced by the large wholesale brokers, while 20% is produced by retail brokers.

The automation, and the relatively small size of Cameron & Colby's field offices, will allow First State greater flexibility in reacting to market changes, Mr. Doyle suggested.

"We are well-positioned from an expense standpoint to back off when prices are going south because we do not have a big overhead," he said.

Executives in addition to Mr. Doyle, include Richard E. Willey, chairman; and Ralph J. Palmieri, Lynford M. Richardson and William Griffiths, executive vps.

First State currently carries a Best's rating of A-plus pooled.

—By Douglas McLeod

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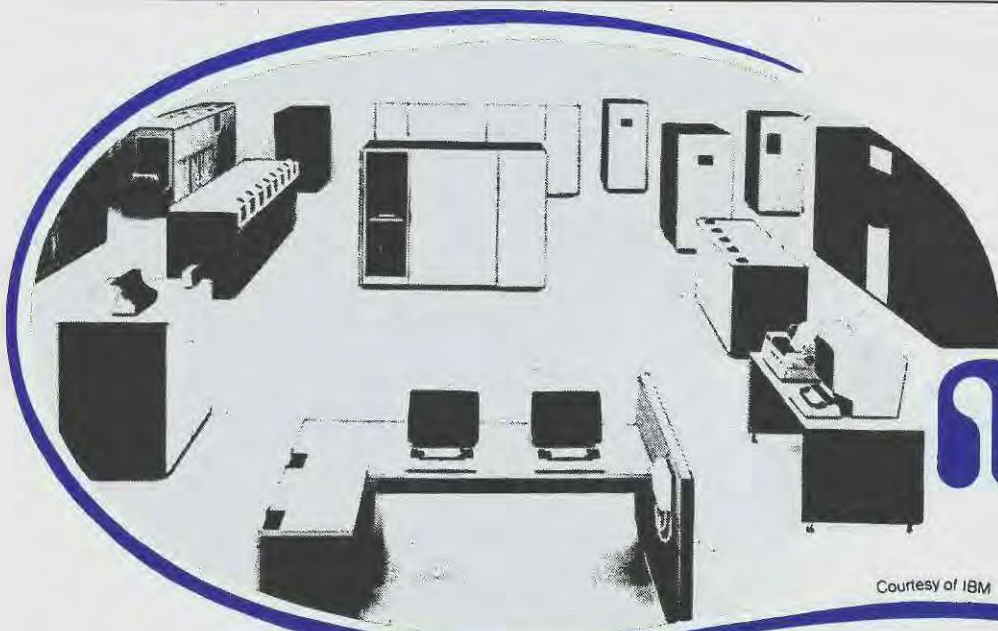
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|                        | 1986          | 1985          |
|------------------------|---------------|---------------|
| Gross premiums.....    | \$178,341,858 | \$124,780,295 |
| Non-admitted.....      | \$157,391,810 | \$104,434,142 |
| Net premiums.....      | \$54,550,170  | \$27,029,663  |
| Paid-in capital.....   | \$2,542,925   | \$2,542,925   |
| Capital & surplus..... | \$64,228,568  | \$44,362,674  |
| Employees.....         | 91            | 72            |
| Combined ratio.....    | 97.0%         | 89.9%         |
| Commercial risks.....  | 95%           | 95%           |
| Net income.....        | \$7,668,685   | \$4,802,167   |
| Best's rating.....     | A             | B+            |

1986 was another banner year for United National Insurance Co., just as Chairman and Chief Executive Officer Raymond L. Freudberg predicted a year ago.

But while the Philadelphia-based surplus lines insurer now has reported dramatic growth two years in a row, the 1986 spurt was not quite as spectacular as in 1985.

United National wrote a record \$178.3 million in gross premiums in 1986, up 42.9% from 1985's volume of \$124.8 million. In 1985, gross premium volume grew 134.3% from \$53.4 million in 1984.

Gross premiums written on a direct, non-admitted basis grew 50.7% to \$157.4 million in 1986 from \$104.4 million in 1985, making United National the seventh-largest surplus lines insurer ranked by *Business Insurance*. In 1984, the insurer wrote \$47.5 million in premiums on a direct, non-admitted basis.

About 95% of United National's surplus lines premiums were related to commercial lines business during 1986, the same as in 1985.

United National also reported net income of \$7.7 million in 1986, up 59.7% from \$4.8 million in 1985.

A \$13 million capital infusion from parent American Insurance Services Inc. helped boost United National's policyholder surplus 44.8% to \$64.2 million in 1986 from \$44.4 million in 1985.

American Insurance is owned by American Manufacturing Corp., a privately held conglomerate based in Philadelphia that bought United National from Mr. Freudberg and two partners in 1979.

United National's premium volume is still increasing this year, but the pace has slowed. Gross premiums in the first quarter of 1987 totaled \$44 million, up 4.7% from \$42 million in year-earlier quarter.

The "very dramatic" growth of 1985 and 1986 was produced primarily by rate hikes on renewal business, explains Mr. Freudberg.

While rate hikes were mostly across the board, increases were larger in casualty lines, adds Seth D. Freudberg, Raymond Freudberg's youngest son, who was promoted to president and chief operating officer from executive vp in January.

However, growth in 1987 will come from new business generated by additional producers, not from rate increases, Raymond Freudberg asserts.

The company's overall goal remains "(turning) an underwriting profit," says Seth Freudberg, and it is "never our intention to alter that position."

Already, the company has added 14 managing general agents or underwriting managers, bringing 1987's total to 41 from 27 in 1986.

And, to further support its growth plan, United National added 19 employees in 1986, bringing the company's total workforce to 91 at year-end from 72 in 1985.

As United National's business has grown, its combined ratio has deteriorated slightly to 97.0% in 1986 from 89.9% in 1985.

However, the loss ratio improved to 64.8% in 1986 from 88.3% in 1985, while the expense ratio declined to 32.2% from 1.6%.

The rise in the expense ratio was caused by United National's deci-

sion to increase its net line, which reduced ceding commissions paid by reinsurers.

"We felt that the business was becoming more profitable and we wanted to keep more for ourselves," explains Raymond Freudberg.



Mr. R. Freudberg

Seth Freudberg notes that the increased expense ratio is "an indication that we are using our unused capacity to a greater extent. We really were underutilizing our capital, so this is like catching up."

United National also is tapping some of that capital to increase its net retention level. Last year, the insurer retained 30.6% of its gross premium volume, compared with 21.7% in 1985.

The insurer's net written premi-

ums increased 102% to \$54.5 million in 1986 from \$27.0 million in 1985. For the first quarter of this year, net written premiums totaled \$15.0 million, up 369% from \$3.2 million in the first quarter of 1986.

In another change from previous years, United National no longer cedes business to reinsurers with a rating lower than A from A.M. Best Co., with one exception for property reinsurance from a professional reinsurer with a B-plus rating, which neither would identify.

In addition, United National now is using an outside consultant to evaluate its reinsurers.

These policies were implemented largely in response to Best's decision in 1984 to lower United National's rating to a B-plus from an A-plus because of its heavy reliance on reinsurance. United National's rating has since been raised to an A.

And, Raymond Freudberg predicts that United National's higher retention levels, along with the com-

pany's continued profitability, "should lead back to an A-plus rating" next year.

Raymond Freudberg describes United National as a "main line" surplus lines insurer. The company is not interested in the more "off-beat" lines, he explains.

Rather, United National concentrates on excess property and primary liability insurance for restaurants, taverns, hotels, shopping centers, light manufacturing facilities and condominiums. The insurer also writes some excess liability insurance for small contractors.

United National is "not particularly interested in writing the cleanest risks," says Seth Freudberg.

Raymond Freudberg adds that



Mr. S. Freudberg

"surplus lines companies should not be bidding for and competing for those risks" that can be covered in the admitted market.

For excess property risks, the insurer retains a maximum of \$125,000 on each risk and can offer limits up to \$3 million backed by treaty and facultative reinsurance.

The insurer writes primary liquor law liability insurance with \$50,000 limits in Pennsylvania, where it is licensed. United National, which may raise the limit to \$100,000, retains 100% of each liquor liability risk, notes Seth Freudberg.

United National also writes excess hospital professional liability insurance on an occurrence basis, retaining \$100,000 of each risk. The company can put together up to \$25 million in facultative reinsurance for hospital risks, although it usually writes per-risk limits only up to \$10 million.

The insurer also writes hospital  
*Continued on next page*



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Continued from previous page

primary general liability insurance with \$1 million limits, retaining \$50,000 of each risk.

The insurer also writes excess hospital general liability coverage with limits of \$4 million backed by facultative reinsurance.

Looking to the future, the insurer is trying to encourage development of purchasing groups.

For example, while United National rarely writes professional liability and drug manufacturers liability insurance, the company "would consider them in a purchasing group," provided "strong, appropriate reinsurance" can be secured, notes Raymond Freudberg.

United National also is trying to expand its product liability insurance business, according to Raymond Freudberg.

United National's product liability program lagged last year because the program was written on a claims-made basis, he explains, while the buyers that United National hoped to attract were able to find occurrence-based product liability coverage.

Since February, though, United National has been trying to renegotiate its product liability reinsurance treaty on an occurrence basis.

United National's main treaty reinsurers are: Employers Reinsurance Corp. of Overland Park, Kan., and Constitution Reinsurance Corp. of New York. Its

facultative reinsurers include: General Reinsurance Corp. of Stamford, Conn.; Buffalo Reinsurance Co. of Woodland Hills, Calif.; and Skandia America Reinsurance Corp., American Re-Insurance Co. and Munich American Reinsurance Co., all of New York.

The wholesalers that produce the most business for United National are: Doran Excess Underwriters Inc. in Mechanicsburg, Pa.; Myron F. Steves & Co. in Houston; Professional Managers Inc. in Atlanta; Sunderland Insurance Services in Walnut Creek, Calif.; Transco Insurance Services, in Solvang, Calif.; and The IPC Group in Philadelphia.

United National is licensed in Pennsylvania and writes as a non-admitted insurer in 42 states and Washington, D.C.

The insurer has two subsidiaries: Diamond State Insurance Co. and Hallmark Insurance Co. Inc. Diamond State is licensed in Mississippi and Delaware and operates as an approved, non-admitted insurer in Pennsylvania and Texas. Hallmark is licensed in Illinois, Indiana and Wisconsin and operates as an approved, non-admitted insurer in Oklahoma.

Principal officers, besides Raymond and Seth Freudberg, are Kevin L. Tate, vp/controller; Gerald J. Durkin, vp-claims; Patricia Rodman, acting vp-underwriting; and Gilbert A. Wilder, treasurer.

—By Deborah Shalowitz

**California Union Insurance Co.**

3700 Wilshire Blvd., Suite 900, Los Angeles, Calif. 90010; 213-480-4700

|                      | 1986          | 1985          |
|----------------------|---------------|---------------|
| Gross premiums.....  | \$301,501,432 | \$300,791,428 |
| Non-admitted.....    | \$154,186,409 | \$192,104,785 |
| Net premiums.....    | \$52,307,484  | \$44,744,293  |
| Paid-in capital..... | \$1,800,000   | \$1,800,000   |
| Capital & surplus..  | \$17,691,886  | \$13,981,862  |
| Employees.....       | 92            | 87            |
| Combined ratio.....  | 105.8%        | 143.8%        |
| Commercial risks..   | 95%           | 95%           |
| Net income.....      | \$4,490,750   | -\$7,720,203  |
| Best's rating.....   | A             | A             |

California Union Insurance Co. is determined to avoid low-balling rates in this year's softening commercial insurance market, even if it means stalling the insurer's growth.

The CIGNA Corp. unit's executives, who in the past have characterized their ultimate business ob-

jective as achieving a pure underwriting profit, say changes in the market won't change that goal.

"If we can't get our price, we're not writing it," says Vp and Secretary Nicolas Yuschenkoff. "As the market softens, we're not going to grow. We know that. But we're not out to grow."

"We are consciously not writing underwritten business, and we won't," echoes Vp Michael P. Fujii.



Mr. Yuschenkoff

"The emphasis is not gross production—the emphasis is underwriting profitability."

To maintain its market share without slashing prices, the eighth-largest surplus lines insurer in the *Business Insurance* rankings plans to emphasize the strict underwriting philosophy it implemented during the hardening market of 1985-'86 and to develop expertise in various specialty lines of insurance.

While it has not yet selected the areas into which it will expand, Cal Union last month invited wholesalers interested in pitching their particular expertise to a meeting to be held in conjunction with the upcoming national convention of the National Assn. of Professional Surplus Lines Offices in New Orleans.

This strategy marks a return to past business practices for Cal Union, which left specialty products—like recall insurance for food canners and general liability

insurance for burglar alarm installers—during the hard market of early 1985.

As the market continued to harden, Cal Union gambled on the future of claims-made policy forms and lost. It introduced claims-made general liability policies on an exclusive basis in January 1986 and, in the first five months of last year, watched some 80% of its policyholders switch insurers at renewals because of it.

These defections are one reason Cal Union has dropped from the No. 2 spot it held in *BI*'s rankings last year.

Of those policyholders that stopped buying coverage from Cal Union, "a very low percentage" returned when the company introduced a more liberal claims-made policy and a new occurrence form, says President Kenneth W. Woods.

"We wrote some new business we wouldn't otherwise have written, but a lot of the accounts who left when we went claims-made stayed with the people they went with (at renewals)."

On a statutory basis, in which its results are consolidated with those of other CIGNA units, Cal Union reported 1986 gross premiums written on a direct, non-admitted basis of \$154.2 million, down 19.7% from \$192.1 million in 1985.

When reporting independently of other CIGNA units, however, the picture changes. Cal Union wrote \$256.7 million in premiums in 1986, a scant 1% dip from the \$259 million written in 1985, executives say. Stiff premium increases in the early part of last year helped the insurer hold to that level of business despite its client losses.

Of the \$301.5 million in gross premium volume it reported to state insurance departments, 48% was written

Continued on next page



Mr. Fujii



Mr. Woods

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Continued from previous page  
 ten on a direct, non-admitted basis.

The insurer writes on an admitted basis in California, home to about 15% of its premium volume independent of other CIGNA units. Cal Union is an approved, non-admitted insurer in the District of Columbia and all other states except New Hampshire, where it does not conduct business.

With the other companies in CIGNA's internal pooling arrangement, Cal Union enjoys an A rating from the A.M. Best Co., the same as last year.

The bulk of Cal Union's business is written for the heavy manufacturing, utility, construction, railroad and wholesale/retail trade industries.

Cal Union does not write professional liability coverages, including medical malpractice and directors and officers liability insurance.

It also does not write environmental impairment liability, taxicab liability or pharmaceutical liability, and writes little municipal liability coverage.

About 80% of the policies Cal Union issued in 1986 were on claims-made forms. By contrast, only 25% to 30% of the policies it issues this year will be claims-made policies.

Today, Cal Union issues three types of policies: its strict claims-made policy form; a less-restrictive claims-made form that resembles the form developed by the Insurance Services Office; and an occurrence-based policy form.

The insurer currently has \$10 million in heavy property capacity and \$7.5 million in liability capacity, compared with the \$8.5 million that it could mount for each type of coverage last year. It maintains its \$1.5 million capacity for general property risks.

Cal Union has increased its own

retention by about 10%, and now keeps 12% of its casualty business and 15% of its property business.

Its lead treaty reinsurers are the reinsurance division of Allstate Insurance Co. in Northbrook, Ill.; American Reinsurance Co. in New York; Buffalo Reinsurance Co. in Woodland Hills, Calif.; Munich Reinsurance Co. in New York; NWNL Reinsurance Co. in Minneapolis; NAC Re Corp. of New York; North American Reinsurance Corp. in New York; and St. Paul Fire & Marine Insurance Co. in St. Paul, Minn.

Cal Union has about 2,200 policies in force, about 75% casualty policies and about 25% property policies.

At year-end 1987, Mr. Yuschenkoff expects the average policy to generate a premium of \$60,000. That compares with policy premium averages of \$65,000 at year-end 1986 and \$56,000 at year-end 1985.

Each month the insurer receives 250 to 300 casualty submissions and 175 to 250 property submissions, eventually writing 25% to 35% of them.

In deciding which risks to underwrite, the insurer is adhering to its strict underwriting guidelines: following its price adequacy standards; monitoring per-policy price decreases; monitoring accounts it loses; and tracking the insurers that pick up the business.

The company is consolidating its underwriting practices into CIGNA Excess & Surplus Insurance Services, a network of three underwriting offices in Chicago, Los Angeles and Lawrenceville, N.J., coordinated by Mr. Fujii.

Cal Union reported a 105.8% combined statutory ratio in 1986 as part of the CIGNA pool, a considerable improvement from the 143.8% combined statutory ratio reported in 1985.

However, when business as-

sumed through the pooling agreement is excluded, the insurer's combined ratio was only 90%—a steady improvement from the 96.6% reported in 1985 and 128.0% in 1984.

That respectable figure includes heavy reserves for incurred-but-not-reported casualty losses, like a \$20 million gross reserve for a train derailment in Miamisburg, Ohio, last summer.

The insurer had an amazingly loss-free year on its property book, with no major claims, Cal Union executives say.

Because the greatest competition has taken place in the property insurance market, which began softening in April 1986 for large accounts, Cal Union has seen that business shrink from 40% of its book to about 25%, Mr. Fujii says. Whereas the insurer wrote about \$110 million in gross property premiums last year, it may only write \$50 million in all of 1987, Mr. Yuschenkoff notes.

If it wants to write a casualty risk, the insurer often is forced to take upper excess layers—such as excess of \$15 million—because competition is becoming stronger for lower, higher-priced layers.

The competition the insurer is now experiencing isn't necessarily from other surplus lines markets. As the market has softened, admitted insurers have taken more of the conventional business that had been driven to the non-admitted market by lack of capacity.

"Wholesale brokers are telling us that the reason they're not sending us business is that they're not getting it—that the stock companies are writing it before they can get it," says Mr. Yuschenkoff. "There's a very strong push by most of the super-stocks to capture market share."

Cal Union works with about 75 producers, all NAPSLO members, that collectively have about 150 branch offices nationwide.

The wholesalers from which it received the most business during the first half of this year, in order of volume, are: Montgomery & Collins in Los Angeles, Cal Union's exclusive broker for California business and the second-largest surplus lines broker ranked by *Business Insurance*; Railroad Insurance Brokers Inc., also a CIGNA unit; Stewart Smith Holdings Inc.; Insurance Brokers Service Inc. in Chicago; and Eastern Risk Managers Ltd. in New York.

To better serve these producers as well as its own underwriters, the insurer has invested some \$3 million in ESTEAM (which stands for E&S Team), a three-tier automated system designed to improve the company's operations.

One segment of the system captures and stores pricing information, which it presents to underwriters by class and coverage layer, among other criteria. A second function, developed to improve cash flow, sends out premium statements as soon as policies are bound. The system has on-line billing and cash receipt capabilities.

The third level, in implementation now, is a reporting feature that will permit Cal Union underwriters to access the underwriting system without any previous computer programming experience.

Coordinated by Mr. Fujii, ESTEAM is a stand-alone system, but it can tie into CIGNA's data centers in Denver and Voorhees, N.J. Cal Union underwriters, claims processors and accounting personnel all were represented on an internal committee that designed the system's functions.

In addition to Messrs. Yuschenkoff, Woods and Fujii, other Cal Union officers include John P. Rugee, vp-casualty, and Robert S. Cernok, vp-property.

—By Steve Taravella

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**International Surplus Lines Insurance Co.**

200 S. Wacker Drive, Chicago, Ill., 60606; 312-993-6300

|                      | 1986          | 1985          |
|----------------------|---------------|---------------|
| Gross premiums....   | \$156,755,754 | \$155,084,489 |
| Non-admitted.....    | \$148,545,037 | \$144,155,000 |
| Net premiums.....    | \$0           | \$31,112,729  |
| Paid-in capital..... | \$1,500,000   | \$1,500,000   |
| Capital & surplus..  | \$15,411,792  | \$5,750,975   |
| Employees.....       | 325           | 261           |
| Combined ratio....   | None          | 200%          |
| Commercial risks..   | 100%          | 100%          |
| Net income.....      | \$12,005,982  | -\$32,443,324 |
| Best's rating.....   | A             | A-contingent  |

Chicago-based International Surplus Lines Insurance Co. fell to ninth place from fifth place among the 10 largest surplus lines underwriters in 1986, but its bottom line improved considerably to a \$12 million profit compared with a \$32.4 million loss in 1985.

However, because ISLIC cedes all its premiums and losses to a pool operated by Crum & Forster Inc., its parent company, the surplus lines insurer reports no underwriting gain or loss on its specialty property/liability products.

ISLIC's profits were produced by \$8.7 million in capital gains, \$1.7 million in investment income and \$1.6 million in commissions.

An unrealized capital loss of \$2.6 million and other adjustments reduced the addition to surplus to \$9.7 million. But, that nearly tripled policyholder surplus to \$15.4 million in 1986 from \$5.8 million in 1985. **right?**

ISLIC entered into a 100% portfolio indemnity agreement in 1985 with International Insurance Co., a Chicago-based Crum & Forster unit, under which it ceded all its loss reserves to International.

The pooling, which continues on all business ISLIC writes, goes beyond International Insurance to a pool with four other Crum & Forster units. All their direct underwriting is combined and then shared proportionally.

While there are no publicly available reports on the results of ISLIC's business, which is underwritten by Crum & Forster Managers Corp. of Illinois (see story, page 64), Senior Vp and Chief Financial Officer Dennis C. Gibbs said the 1986 results were generally better than in 1985.

ISLIC "about broke even on an accident-year basis," said President David N. Thompson. Mr. Gibbs said it appears that on an accident-year basis, ISLIC is producing an underwriting profit this year.

ISLIC's marginal growth in premium volume—to \$156.8 million in gross premiums in 1986 compared with \$144.2 million in 1985—reflects its reduced capacity in 1986 compared with 1985 as well as stricter underwriting guidelines.

Capacity in 1986 dropped to \$1 million from \$3 million for casualty insurance and to \$3 million from \$5 million for professional liability and directors and officers liability insurance.

Higher rates in 1986 allowed ISLIC to maintain its volume in 1986.

This year, ISLIC's capacity is back up to \$5 million for professional liability and D&O liability insurance and \$2.5 million for other specialty casualty lines.

Property capacity is the same as in the last several years: \$2.5 million, which is all ISLIC wants.

The increased liability capacity is available because ISLIC is retaining more risk and it has more reinsurance support.

ISLIC's net retention has on average doubled from a year ago, including participation with reinsurers in upper layers of policies, said Roger A. Quigley, recently appointed senior vp and chief underwriting officer.

For some products, ISLIC's re-

tention exceeds \$1 million, such as for a \$5 million D&O policy.

In addition to D&O and professional liability insurance, ISLIC's specialty liability products include umbrella, layered excess and buffer policies, as well as excess insurance written above a self-insured retention.

Of its \$156.8 million in gross premiums written, \$120.7 million are categorized as "other liability," in ISLIC's annual statement. The next largest line is fire, with \$13.7 million, followed by commercial multiperil, with \$10.9 million.

ISLIC is licensed in Illinois, where it wrote \$8.2 million in premiums on an admitted basis. The company wrote on a surplus lines basis in all other states. Premiums written on a non-admitted basis totaled \$148.5 million.

The employees and officers of ISLIC are the same as those of CFMC (Ill.).

—By Kathryn J. McIntyre

**Evanston Insurance Co.**

Shand Morahan Plaza, Evanston, Ill. 60201; 312-866-2800

|                      | 1986          | 1985          |
|----------------------|---------------|---------------|
| Gross premiums....   | \$207,211,820 | \$185,640,782 |
| Non-admitted.....    | \$134,466,052 | \$129,926,656 |
| Net premiums.....    | \$137,871,367 | \$62,356,998  |
| Paid-in capital..... | \$24,753,687  | \$41,256,145  |
| Capital & surplus..  | \$67,059,591  | \$68,812,756  |
| Employees.....       | 0             | 0             |
| Combined ratio....   | 111.4%        | 143.0%        |
| Commercial risks..   | 100%          | 100%          |
| Net income.....      | \$409,077     | -\$8,377,180  |
| Best's rating.....   | B             | B+            |

After posting a statutory net loss in 1985, Evanston Insurance Co. has bounced back, significantly reducing its combined ratio and achieving a net profit in 1986.

However, gross premiums written on a direct, non-admitted basis only increased 3.5% at the Evanston, Ill.-based insurer, dropping it to the 10th place from in the Busi-

ness Insurance rankings of surplus lines insurers from 10th place last year.

Evanston, which specializes in professional and product liability insurance, wrote \$134.5 million in gross premiums on a direct, non-admitted basis in 1986, up from \$129.9 million in 1985. Gross premiums rose to \$207.2 million in 1986, up 11.6% from \$185.6 million in 1985.

The increase in premium volume last year stemmed primarily from significant rate increases on renewals, explains Joseph J. Prochaska Jr., chairman and chief executive officer of Shand, Morahan & Co. Inc., an Alexander & Alexander Services Inc. subsidiary that manages Evanston.

"It's fair to say the increase in premium volume came as a result of increased rates, not as a result of increased exposures and policy counts," he says. The number of policies written by Evanston and

the average limit of those policies were down in 1986, he adds.

Although it did not achieve an underwriting profit in 1986, Evanston's combined ratio plunged to 111.4% from 143.0% in 1985. And, Evanston's combined ratio would have been even lower had it not been for continued loss deterioration in business written in past years, especially lawyers professional liability business.

"Except for lawyers professional liability, 1986 was a very good year," Mr. Prochaska says. Evanston is no longer writing many of the accounts that triggered the loss deterioration.

"We're not anticipating any significant deterioration of prior year reserves," Mr. Prochaska adds. "We feel comfortable with the pricing of the current-year business, so from that standpoint that should significantly assist in profitability."

Continued on next page



# SPEAKING OF NORTHLAND

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—Ron Wartick,  
John H. Crowther, Inc.

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—John Grabam,  
Grabam-Rogers, Inc.

**Northland Insurance Companies**  
St. Paul, MN

*Our name speaks for itself!*

Continued from previous page

Evanston is writing lawyers professional liability insurance on a much more restrictive basis, and policies written in 1986 and this year should be profitable or at least break even, said Shand President E.L. "Mac" Calhoun.

The reduction in Evanston's combined ratio and a 50.4% increase in investment income to \$18.7 million from \$12.4 million in 1985 translated into statutory net income of \$409,077 in 1986, compared with a statutory net loss of \$8.4 million in 1985.

Despite this performance, A.M. Best Co. lowered Evanston's rating to B from B-plus.

"We're disappointed, but so far the support from brokers that we do business with has been very favorable," Mr. Prochaska said, adding that Best's ratings have been much more conservative during the past several years.

Evanston's net written premium volume rose substantially in 1986 to \$137.9 million from \$62.3 million in 1985, an increase of 121.1%.

Evanston increased its net line in 1985, especially in primary layers, due to a combination of reinsurance capacity restrictions and a strategy to increase retentions over time, Mr. Prochaska explained.

It currently retains about \$1 million per risk, the same as a year ago, and up from about \$700,000 to \$750,000 in 1985.

Evanston began raising prices and increasing reserves in late 1982 and 1983, when the deterioration in its book of business became apparent, and has continued to raise prices and shore up reserves ever since. However, rate increases slowed considerably during 1986, Evanston officials point out.

Rate hikes were considerably smaller during the last three months of 1986 compared with the beginning of the year, primarily because renewals earlier in the year did not receive significant rate increases in 1985, explained Mr. Calhoun.

During 1986, Evanston's rate increases averaged about 90% overall, but varied considerably depending on the line of business.

For architects and engineers professional liability insurance, for example, rate increases on renewals average 45% in 1986. However, accounts renewing in January averaged 150% rate increases, while rates for accounts that renewed at the end of the year were increased only 10% to 15%.

Rate increases averaged more than 150% for lawyers professional liability business; 70% for miscellaneous errors and omissions coverages; more than 100% for hospital professional liability insurance; 50% for product liability insurance; 80% for agents and brokers errors and omissions insurance; and 140% for insurer professional liability coverage.

During the first six months of 1987, Evanston raised rates an average of 20% to 30%, but again the size of the increase varies with the line of business. Rates for architects and engineers professional liability insurance, for example, have increased only about 10% on renewal, while rates for miscellaneous errors and omissions coverages have risen 30% to 40%.

In addition, rates have been increased about 20% for the first six months of 1987 for medical malpractice coverage for non-physicians and surgeons.

Evanston also has raised deductibles and included defense costs within policy limits in all lines.

Mr. Prochaska says Evanston has lost some business during the first six months of 1987 because of increased competition and the insurer's unwillingness to reduce prices below an acceptable level. For instance, the company has lost insurance company directors and

officers liability business.

Evanston offers limits of \$3 million per risk, though it can write up to \$5 million in coverage for many lines. Limits above \$5 million are available through facultative reinsurance on a limited basis, depending on the risk.

Mr. Prochaska predicts these limits will remain fairly stable because reinsurers are not yet offering more capacity for professional liability insurance.

"Not yet in our lines," Mr. Prochaska said. "We still see reinsurance capacity as somewhat skittish," but he notes reinsurers are expressing more interest in writing professional liability risks.

Evanston cedes reinsurance to between 30 and 40 reinsurers.

Evanston recently introduced a new directors and officers liability coverage for non-profit groups, but the insurer has been "very slow and cautious" in entering this market, said Mr. Prochaska.

The new coverage, written on a claims-made basis, will offer \$500,000 and \$1 million annual aggregate limits. A minimum annual premium of \$3,500 has been established, and minimum deductibles range from \$750 for each claim/each director or officer to \$1,500 each claim/all directors and officers to \$2,500 each claim/organization reimbursement.

While Evanston's underwriting results have improved, the insurer must cope with a new source of uncertainty. In January, Alexander & Alexander announced it is considering selling Shand, Morahan, which is the majority stockholder in Evanston Services Inc., Evanston Insurance Co.'s parent.

However, Mr. Prochaska maintains that A&A's announcement will not affect Evanston's business.

"We don't believe it has any significant impact," he said. "It's really business as usual for us."

He also declined to make any specific predictions about Evanston's future premium volume or profitability.

"I don't think we expect to see any significant changes at Evanston in premium-writing levels for 1987," he says. "We hope to see some further improvement in the combined ratio and some additional improvement in bottom-line profitability."

Evanston is an admitted insurer only in Illinois. It is no longer an admitted insurer in the District of Columbia, reflecting a move to have such business written by Insurance Co. of Evanston, also a subsidiary of Evanston Services.

Evanston reports no employees, as Shand Morahan's staff handles Evanston's operations.

—By Stephen Tarnoff

# Finally. After

## INTRODUCING AN EFFECTIVE, EFFICIENT INSURANCE

### IN THE BEGINNING.

When the property and casualty insurance business began, around 2000 B.C., the work wasn't easy. There was all that merchandise on the caravan to keep track of. Recording information was an impossible task. Finding qualified stone cutters was bad enough without thinking about the information storage problem. Communication? Forget it. Even Job could've lost patience waiting for a reply from Babylonia.

*The P & C insurance business circa 2000 B.C. Send out the caravan and cross your fingers.*



### MUCH LATER.

3,870 years later, things weren't much better. Paper was a definite improvement over stone slabs, and the Pony Express was faster than the caravan. But, after all, ponies can only hold so much paper. Typists were easier to find than stone cutters, too, but a page of paper can only hold so many words. And in insurance, there always have been a lot of words. There just wasn't any information link, although with enough typewriters...

*Relying on the Pony Express for your information link was something less than reassuring.*



*LIFE Picture Service, LIFE Magazine © Time, Inc.*



*In the '40s, reams and reams became rooms and rooms.*

### THE TYPEWRITER

**ARMY.** Think about how many pages one typewriter can turn out in one day. Multiply that times 50. That will give you some idea of the amount of information property and casualty insurance people had to deal with in the '30s and '40s. And the storage problem didn't just continue, it got worse. All that paper from all those typewriters had to go, someplace.

And although faithful mailmen trudged through rain, snow, sleet and dark of night, people were still waiting for information. Would there ever be something to link MGA's and insurance companies?

### A HERO ON THE HORIZON.

By 1950, it appeared, somewhat briefly, that help had arrived at last. The computer. It could store all the information. Of course hiring a Ph.D. was expensive, but he was the only one who could communicate with that giant mass of metal. Even with all that hardware, the communication lag continued. The computer couldn't talk to you and didn't feel much like talking to anyone else either. Except the Ph.D. And although one huge piece of machine had replaced 50 typewriters, there was still all that information that had to go on all that paper.

*Attempts at meaningful conversation with the first metal heroes were somewhat less than warming.*



*TIME Magazine*

# Directory of surplus lines insurers

**Adriatic Insurance Co.**  
3420 Severn Ave., Suite 300,  
Metairie, La. 70002; 504-455-7235

|                      | 1986         | 1985         |
|----------------------|--------------|--------------|
| Gross premiums....   | \$11,526,392 | \$5,021,169  |
| Non-admitted....     | \$10,517,117 | \$3,481,879  |
| Net premiums.....    | \$10,141,125 | \$4,176,701  |
| Paid-in capital..... | \$646,875    | \$646,875    |
| Capital & surplus..  | \$2,513,958  | \$1,823,151  |
| Employees.....       | 9            | 8            |
| Combined ratio....   | 95.0%        | 96.0%        |
| Commercial risks..   | 62.9%        | 66.5%        |
| Net income.....      | \$190,341    | \$73,728     |
| Best's rating.....   | Not assigned | Not assigned |

**Year founded:** 1979.

**Specialties:** Commercial auto physical damage.

**Approved non-admitted in:** Alabama, California, District of Columbia, Florida, Illinois, Indiana, Kansas, Louisiana, Maryland, New York, Oklahoma, Texas and Virginia.

**Admitted in:** Arizona, Delaware, Mississippi, Nevada, New Mexico and Oregon.

**Principal officers:** Anthony Ciervo Jr., president; Joseph Edmond Taylor, secretary; Kenneth Albert Jurgensen, vp.

**Allianz Underwriters Insurance Co.**  
6435 Wilshire Blvd., Los Angeles, Calif. 90048; 213-658-5000

|                      | 1986         | 1985         |
|----------------------|--------------|--------------|
| Gross premiums....   | \$64,139,847 | \$49,872,468 |
| Non-admitted....     | \$34,318,134 | \$22,041,942 |
| Net premiums.....    | \$7,101,657  | \$2,984,997  |
| Paid-in capital..... | \$2,000,000  | \$2,000,000  |
| Capital & surplus..  | \$18,017,166 | \$9,485,970  |
| Employees.....       | 40           | 52           |
| Combined ratio....   | -76.4%       | 196.4%       |
| Commercial risks..   | 53.4%        | 44.7%        |
| Net income.....      | -\$7,587,990 | -\$150,210   |
| Best's rating.....   | Not assigned | Not assigned |

**Year founded:** 1978.  
**Parent company:** Allianz of America Inc.

**Specialties:** Property lines including difference in conditions.

**Approved non-admitted in:** District of Columbia and all states except California, Missouri and New York.

**Admitted in:** California, Missouri and New York.

**Principal officers:** Herbert F. Hansmeyer, president/chairman; Trevor E. Care, senior vp-property;

John W. Keefe, senior vp-claims; Paul D. Kaduk, senior vp/secretary/treasurer; Wolfgang Schlink, vp-German-linked business.

**Columbia Casualty Co.**

55 E. Jackson Blvd., Chicago, Ill. 60604; 312-822-6826

|                      | 1986          | 1985          |
|----------------------|---------------|---------------|
| Gross premiums....   | \$224,961,712 | \$157,935,833 |
| Non-admitted....     | \$101,887,701 | \$76,896,733  |
| Net premiums.....    | \$98,838,093  | \$64,174,669  |
| Paid-in capital..... | \$2,000,000   | \$2,000,000   |
| Capital & surplus..  | \$48,729,230  | \$39,455,685  |
| Employees.....       | 30            | 30            |
| Combined ratio....   | 113.5%        | 122.8%        |
| Commercial risks..   | 81%           | 82%           |
| Net income.....      | \$9,126,804   | \$5,004,442   |
| Best's rating.....   | A+            | A+            |

**Year founded:** 1974.

**Parent company:** Continental Casualty Co.

**Approved non-admitted in:** District of Columbia and all states except Illinois, Louisiana and Maine.

**Admitted in:** Illinois.

**Principal officers:** Edward J. Noha, chairman; Noel W. Prather, president; Dennis H. Chookaszian, William D. Courtney and Thomas R. Iglesias, vps.

*Continued on next page*

# 4,000 Years.

## INFORMATION MANAGEMENT SYSTEM: DATA LINK.

### THE SHRINKING HERO.

By the 1960's, size was conquered and the Ph.D. was gone. As long as you could speak the computer's language, you could get information in. But getting it out wasn't so easy. It had to be in there somewhere, but where? And what if you wanted just one number that was on page 5? Or information in different combinations? No deal. It was all or nothing. Everybody got the same system, too, with all the same features. There wasn't any customizing, even though everybody's business wasn't the same.



*The machine was smaller, but he still wasn't very friendly.*

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### How to use directory

The insurers listed in this directory, which specialize in surplus lines insurance, completed questionnaires to be listed in this *Business Insurance* special report on the surplus lines business.

There is no charge to be included in the directory; however, to be listed more than 50% of a company's gross premiums must be written on a non-admitted basis and related to commercial risks.

Financial information is taken from the companies' annual statements as filed with state insurance departments.

Gross premium volume is the combination of direct business and reinsurance assumed by a company. The next entry reflects gross premiums written on a direct, non-admitted basis—the definition of surplus lines.

Net written premium volume is calculated by subtracting reinsurance ceded from gross premium volume.

Paid-in capital is the total of the value of both common capital stock and preferred capital stock of the company; the next entry reflects surplus as regards policyholders.

The statutory combined ratio is arrived at by adding the company's ratio of losses and loss expenses incurred to premiums earned with the ratio of underwriting expenses to net premiums written.

Statutory net income is after dividends to policyholders and federal income tax.

The Best's rating listed under each year is the rating given by A.M. Best Co. following the close of each year.

Each listing also includes the year the insurer was founded, its parent company (if any), commercial risks the company specializes in insuring and names of subsidiaries.

States in which the company is an approved, non-admitted insurer; and those in which it is an admitted insurer follow.

Names and titles of principal officers complete the listings.

Continued from previous page

**Constitution State Insurance Co.**

1 Financial Plaza, Hartford, Conn.  
06103; 203-277-2778

|                      | 1986         | 1985          |
|----------------------|--------------|---------------|
| Gross premiums....   | \$93,210,805 | \$109,361,425 |
| Non-admitted..       | \$71,108,266 | \$95,900,517  |
| Net premiums.....    | \$40,713,697 | \$28,447,449  |
| Paid-in capital..... | \$2,250,000  | \$2,250,000   |
| Capital & surplus..  | \$23,132,209 | \$20,708,415  |
| Employees.....       | 62           | 55            |
| Combined ratio....   | 106.4%       | 129.7%        |
| Commercial risks..   | 95%          | 98%           |
| Net income.....      | \$2,423,785  | -\$568,722    |
| Best's rating.....   | A-contingent | A-contingent  |

**Year founded:** 1979.

**Parent company:** Travelers Indemnity Co.

**Specialties:** Primary property/casualty, errors and omissions, restaurants, dwellings, directors and officers liability.

**Approved non-admitted in:** District of Columbia and all states except Connecticut and New Jersey.

**Admitted in:** Connecticut and New Jersey.

**Principal officers:** Donald L. Cole, president; Russell D. Hendrickson, chief operating officer; Philip G. Smith, chief financial officer; David N. Huit and Stephen A. Sutton, assistant vps.

**Empire Indemnity Insurance Co.**

809 N.W. 36th St., Oklahoma City, Okla., 73118; 402-341-0135

|                      | 1986         | 1985         |
|----------------------|--------------|--------------|
| Gross premiums....   | \$13,569,767 | \$7,273,914  |
| Non-admitted..       | \$9,160,643  | \$2,905,070  |
| Net premiums.....    | \$0          | \$0          |
| Paid-in capital..... | \$1,500,000  | \$1,500,000  |
| Capital & surplus..  | \$6,816,000  | \$6,252,000  |
| Employees.....       | NA           | NA           |
| Combined ratio....   | NA           | NA           |
| Commercial risks..   | 100%         | 100%         |
| Net income.....      | \$564,000    | \$535,000    |
| Best's rating.....   | E            | Not assigned |

**Year founded:** 1957.

**Parent company:** Empire Fire & Marine Insurance Co.

**Specialties:** Beauty and barber shops, tanning salons, used car dealers, bowling centers.

**Approved non-admitted in:** All states except Connecticut, Delaware, District of Columbia, Louisiana, Maine, Massachusetts, Minnesota, New Hampshire, New Jersey, New York, Oklahoma and Rhode Island.

**Admitted in:** Oklahoma.

**Principal officers:** Reginald MacJamieson, chairman; Richard Francis Williams, president; Francis Joe Kratky, secretary/treasurer; Charles Bradshaw Ralph and Steven Ray Sell, vps.

**Essex Insurance Co.**

P.O. Box 11046, Richmond, Va.  
23230-9981; 804-273-1400

|                    | 1986         | 1985         |
|--------------------|--------------|--------------|
| Gross premiums.... | \$35,062,252 | \$18,196,336 |
| Non-admitted..     | \$32,976,320 | \$11,551,657 |
| Net premiums.....  | \$11,534,487 | \$5,734,152  |

|                      |              |              |
|----------------------|--------------|--------------|
| Paid-in capital..... | \$1,500,000  | \$1,250,000  |
| Capital & surplus..  | \$5,743,915  | \$3,258,759  |
| Employees.....       | 18           | 15           |
| Combined ratio....   | 79.7%        | 96.5%        |
| Commercial risks..   | 100%         | 100%         |
| Net income.....      | \$2,084,742  | \$330,044    |
| Best's rating.....   | Not assigned | Not assigned |

**Year founded:** 1980.

**Parent company:** Markel Corp.  
**Approved non-admitted in:** All states except Alaska, California, Connecticut, Delaware, Maine, Massachusetts, Minnesota, New Hampshire, New Jersey, New York, Pennsylvania and Rhode Island.

**Admitted in:** Delaware.

**Principal officers:** Anthony F. Markel, president; Steven A. Markel, vp/treasurer; Raymond A. Johnson, vp/secretary; Jacquelyn Sweeney Ash and Albert Ardman, vps.

**Mt. Hawley Insurance Co.**

9025 N. Lindbergh Drive, Peoria, Ill.  
61615; 309-692-1000

|                      | 1986         | 1985         |
|----------------------|--------------|--------------|
| Gross premiums....   | \$41,120,303 | \$34,189,551 |
| Non-admitted..       | \$41,096,616 | \$30,440,831 |
| Net premiums.....    | \$20,199,184 | \$17,983,901 |
| Paid-in capital..... | \$2,000,000  | \$2,000,000  |
| Capital & surplus..  | \$14,364,449 | \$10,478,831 |
| Employees.....       | 367          | 318          |
| Combined ratio....   | 64.8%        | 84.0%        |
| Commercial risks..   | 100%         | 100%         |
| Net income.....      | \$10,070,805 | \$615,665    |
| Best's rating.....   | B+           | Not assigned |

**Year founded:** 1979.

**Parent company:** RLI Insurance Co.

**Specialties:** Oil, contracting, manufacturing, self-insured retentions.

**Subsidiaries:** G.V. Reardon, Los Angeles; RLI Special Risk, Hartford, Conn.; Paul McGee Associates, Boston.

**Branch offices:** Overland Park, Kan.; St. Paul, Minn.

**Approved non-admitted in:** District of Columbia and all states except Delaware.

**Admitted in:** Delaware.

**Principal officers:** G.D. Stephens, president; J.E. Zogby, treasurer/secretary; J.E. Michael, R.R. Leventry and J.V. Colosimo, vps.

**National Fire & Marine Insurance Co.**

3024 Hamey St., Omaha, Neb.  
68131; 402-346-7400

|                      | 1986          | 1985          |
|----------------------|---------------|---------------|
| Gross premiums....   | \$177,102,457 | \$52,387,977  |
| Non-admitted..       | \$130,987,017 | \$30,537,763  |
| Net premiums.....    | \$107,273,454 | \$27,132,193  |
| Paid-in capital..... | \$2,500,000   | \$2,500,000   |
| Capital & surplus..  | \$357,539,566 | \$363,033,107 |
| Employees.....       | NA            | NA            |
| Combined ratio....   | 83.7%         | 93.3%         |
| Commercial risks..   | 99.9%         | 99.8%         |
| Net income.....      | \$42,683,873  | \$37,986,395  |
| Best's rating.....   | A+            | A+            |

**Year founded:** 1949.

**Parent company:** Berkshire Hathaway Inc.

**Specialties:** Commercial vehicles,

public vehicles, general liability, excess liability.

**Subsidiaries:** Redwood Fire & Casualty Insurance Co., Pasadena, Calif.

**Approved non-admitted in:** District of Columbia and all states except Hawaii, Massachusetts, Nebraska, New Jersey and Rhode Island.

**Admitted in:** Nebraska, New Jersey.

**Principal officers:** Roland D. Miller, president; William D. Lyons and Gary W. White, vps; Betty J. Peterson, secretary; Robert D. O'Connell, vp/treasurer.

**Nautilus Insurance Co.**

7550 E. Redfield Road, Scottsdale, Ariz. 85260; 602-951-0905

|                      | 1986         | 1985         |
|----------------------|--------------|--------------|
| Gross premiums....   | \$37,624,368 | \$6,887      |
| Non-admitted..       | \$36,783,512 | NA           |
| Net premiums.....    | \$21,313,527 | \$6,887      |
| Paid-in capital..... | \$4,200,000  | \$3,000,000  |
| Capital & surplus..  | \$10,867,614 | \$7,442,021  |
| Employees.....       | 55           | 6            |
| Combined ratio....   | 87.1%        | NA           |
| Commercial risks..   | 100%         | 100%         |
| Net income.....      | -\$429,282   | -\$52,286    |
| Best's rating.....   | A+           | Not assigned |

**Year founded:** 1985.

**Parent company:** W.R. Berkley Corp.

**Approved non-admitted in:** District of Columbia and all states except Florida and Arizona.

**Admitted in:** Arizona.

**Principal officers:** Michael J. Sneed, president; Eugene Keating, executive vp/chief operating officer; Kenneth Lewin, vp-marketing; Douglas Rutherford, vp-underwriting; Kenneth Brundage, vp-claims; John Runberg, treasurer.

**Northfield Insurance Co.**

Hamm Building, St. Paul, Minn.  
55102; 612-298-0444

|                      | 1986         | 1985         |
|----------------------|--------------|--------------|
| Gross premiums....   | \$52,441,104 | \$23,385,927 |
| Non-admitted..       | \$52,441,104 | \$23,385,927 |
| Net premiums.....    | \$32,282,400 | \$14,236,721 |
| Paid-in capital..... | \$2,500,000  | \$2,500,000  |
| Capital & surplus..  | \$13,818,955 | \$12,151,265 |
| Employees.....       | NA           | NA           |
| Combined ratio....   | 77.0%        | 92.2%        |
| Commercial risks..   | 98.9%        | 97%          |
| Net income.....      | \$2,943,841  | \$1,058,004  |
| Best's rating.....   | A+           | A+           |

**Year founded:** 1972.

**Parent company:** Northland Insurance Co.

**Approved non-admitted in:** District of Columbia and all states except Connecticut, Hawaii, Maine, Massachusetts, New York and Rhode Island.

**Admitted in:** Delaware.

**Principal officers:** Gene Gopon, president; D.W. Elliott, senior vp; John Iannucci, John McFarland, David Pickard and Daniel J. Zaborosky, vps.

Continued on facing page



# The Mystery of the Missing Fuel

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Continued from facing page

**Pacific Insurance Co.**

4201 Wilshire Blvd., Los Angeles, Calif. 90010; 213-937-5411

|                        | 1986         | 1985         |
|------------------------|--------------|--------------|
| Gross premiums.....    | \$89,889,776 | \$53,871,384 |
| Non-admitted.....      | \$54,096,594 | \$21,111,181 |
| Net premiums.....      | \$18,653,049 | \$22,632,560 |
| Paid-in capital.....   | \$2,000,000  | \$2,000,000  |
| Capital & surplus..... | \$26,261,658 | \$23,633,045 |
| Employees.....         | 197          | 190          |
| Combined ratio.....    | 111.3%       | 111.7%       |
| Commercial risks.....  | 100%         | 100%         |
| Net income.....        | \$3,425,241  | \$570,126    |
| Best's rating.....     | A            | A            |

**Year founded:** 1978.

**Parent company:** Continental Insurance Co.

**Specialties:** Directors and officers liability, podiatrists and chiropractors professional liability.

**Approved non-admitted in:** District of Columbia and all states except Hawaii, California and New York.

**Admitted in:** California and New York.

**Principal officers:** Eugene L. Allen, president; Nino D. Crisafulli, Alfred J. Leonard, John Sugita and H. George Surprenant, senior vps.

**Royal Surplus Lines Insurance Co.**

628 Hebron Ave., Glastonbury, Conn. 06033; 704-522-3250

|                        | 1986         | 1985         |
|------------------------|--------------|--------------|
| Gross premiums.....    | \$4,863,720  | \$18,369,083 |
| Non-admitted.....      | \$23,498,523 | \$18,369,083 |
| Net premiums.....      | \$4,560,063  | \$2,791,946  |
| Paid-in capital.....   | \$2,500,000  | \$2,500,000  |
| Capital & surplus..... | \$30,304,501 | \$27,140,673 |
| Employees.....         | 28           | 32           |
| Combined ratio.....    | 10.0%        | 45.4%        |
| Commercial risks.....  | 99.7%        | 100%         |
| Net income.....        | \$4,354,000  | \$2,564,248  |
| Best's rating.....     | A            | A            |

**Year founded:** 1983.

**Parent company:** Royal Insurance Co.

**Approved non-admitted in:** Alabama, Alaska, Arizona, Arkansas, California, Colorado, District of Columbia, Florida, Georgia, Idaho, Hawaii, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maryland,

Michigan, Minnesota, Mississippi, Missouri, Montana, Nevada, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming.

**Admitted in:** Connecticut.

**Principal officers:** George W. Ansbro, chairman/president/chief executive officer; Arthur F. Evans, executive vp; John E. Amico, senior vp; Joseph A. Bambury Jr., general counsel/corporate secretary; Donald L. Campbell and Arthur D. Perschetz, vps.


**United Capitol Insurance Co.**

1400 Lake Hearn Drive, Atlanta, Ga. 30319; 404-843-5599

|                      | 1986         | 1985 |
|----------------------|--------------|------|
| Gross premiums.....  | \$25,214,502 | NA   |
| Non-admitted.....    | \$25,018,471 | NA   |
| Net premiums.....    | \$17,223,210 | NA   |
| Paid-in capital..... | \$1,500,000  | NA   |


Continued on next page

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### Swett & Crawford Group

3699 Wilshire Blvd., Los Angeles,  
Calif. 90010; 213-251-1200

|                     | 1986          | 1985          |
|---------------------|---------------|---------------|
| Premium volume...   | \$683,836,000 | \$530,571,000 |
| Gross revenues..... | \$62,515,000  | \$50,411,000  |
| Employees.....      | 749           | 675           |
| Commercial lines..  | 100%          | 100%          |
| Admitted business   | 60%           | 55%           |
| Non-admitted.....   | 40%           | 45%           |

Not many brokers can say they handled \$150 million more business last year than they did the previous year. But then Swett & Crawford Group isn't like many other brokers.

The Los Angeles-based wholesaler, a family of seven surplus lines brokerage and underwriting management units, pulls in at No. 1 for the fourth year in a row in *Business Insurance's* annual review of wholesale marketers—a feat matched by only one other company, the defunct Sayre & Toso Inc., which held the No. 1 spot from 1979 to 1984.

Sayre & Toso, Mission Insurance Group Inc.'s once prominent, but now inactive, underwriting management unit, closed its doors Jan. 1 (*BI*, Feb. 9).

To put Swett's achievements in perspective: The \$62.5 million in gross revenues it reported in 1986 would make it the 11th-largest U.S. broker of any type, sandwiched between Fort Worth, Texas-based Bayly, Martin & Fay International Inc.'s \$92.7 million in revenues and Boston-based Republic Hogg Robinson Inc.'s \$48 million. BM&F and RHR were ranked 10th and 11th, respectively, in *BI's* annual ranking of the Top 20 U.S. retail brokers (*BI*, June 22).

Swett, a unit of The St. Paul Cos. Inc., reports handling \$683.8 million in premiums last year, 28.9% more than the \$530.6 million it handled in 1985 and 29.8% more than the \$527 million in premium volume handled by the next-largest wholesaler, Victor O. Schinnerer & Co. Inc.

"1986 was the best year in the history of the S&C Group," proclaims P. Kenneth Nitz, 46, senior vp and head of the group's growing National Marketing Division.

Among the company's successes the marketing division, which handled \$42 million in premiums last year and, having handled almost that much in the first six months of 1987, expects to produce more than \$80 million this year.

National Marketing, which debuted in January 1986, has a staff of 28, including 15 senior brokers, in its offices in New York, Los An-

geles, Chicago and Dallas. A fifth office may spring up soon in Atlanta.

The division is an internal business practice available to brokers in S&C offices nationwide, offering assistance in placing particularly difficult or important accounts. National Marketing brokers may have contacts or expertise to speed a placement with which a local office is struggling.

In May, for example, the National Marketing Division had arranged for such diverse coverage placements as \$300 million in property insurance for a utility, \$100 million in liability coverage for a hotel/casino and \$15 million in directors and officers liability coverage for a large financial institution, Mr. Nitz explains.

Placements like that are keeping Swett's business strong in 1987, despite softening market conditions. The company estimates its first-half 1987 premium volume at \$338.2 million, up about 5% from \$320.6 million handled during the first six months of 1986.

Other Swett offices have come to view the National Marketing Division as more than a last resort. Swett producers nationwide "look at us as an extension of their office marketing team," Mr. Nitz observes. "They realize what markets we have access to, where we have good relationships with markets, (and that) even though they might have access to them, we might have a better working relationship with them on a day-to-day basis."

To help complete an insurance placement, members of the National Marketing team have been known to fly to local offices and stay as long as needed, perhaps even meeting directly with the policyholder.

The division crosses all seven companies comprising Swett & Crawford Group, helping improve the effectiveness of each S&C unit.

S&C's subsidiaries are:

- Swett & Crawford, which brokers a broad spectrum of commercial property and casualty coverages for accounts paying premiums generally in the six figures.

- Among other things, the Los Angeles-based unit that leads the S&C Group is known for its ability to arrange directors and officers liability coverage.

- Appleton & Cox, which places coverage for St. Paul's "top brass" agents, a group of independent agents across the country favored by St. Paul for either the volume of business they generate or for the loss ratio that business produces.

This unit, once a division of the Swett & Crawford brokerage unit, is based in Minneapolis.

Continued on next page

## Surplus lines insurers

Continued from previous page

|                     |              |    |
|---------------------|--------------|----|
| Capital & surplus.. | \$27,577,755 | NA |
| Employees.....      | 36           | NA |
| Combined ratio..... | 111.3%       | NA |
| Commercial risks..  | 99.2%        | NA |
| Net income.....     | \$241,361    | NA |
| Best's rating.....  | Not assigned | NA |

Year founded: 1986.

Parent company: United Capitol Holding Co.

Specialties: Asbestos abatement contractors, specialty contractors.

Approved non-admitted in: District of Columbia and all states except Maine, New Hampshire and Rhode Island.

Admitted in: Arizona and Wisconsin.

Principal officers: Bruce A. Eselborn, president/chief executive officer; John S. Gibson, executive vp; Steven S. Zeitman, vp-excess casualty; Gary S. Resman, vp-primary casualty; Peggy H. Brown, vp-property.

### United Coastal Insurance Co.

100 W. Washington St., Phoenix,  
Ariz. 85003; 203-560-1670

|                      | 1986         | 1985         |
|----------------------|--------------|--------------|
| Gross premiums.....  | \$10,610,104 | \$137,125    |
| Non-admitted..       | \$9,383,889  | \$137,125    |
| Net premiums.....    | \$10,610,104 | \$137,125    |
| Paid-in capital..... | \$1,500,000  | \$1,000,000  |
| Capital & surplus..  | \$10,855,656 | \$10,348,901 |
| Employees.....       | 4            | 3            |
| Combined ratio.....  | 83.7%        | 13.0%        |
| Commercial risks..   | 100%         | 100%         |
| Net income.....      | \$420,368    | \$64,640     |
| Best's rating.....   | Not assigned | Not assigned |

Year founded: 1985.

Parent company: United Coasts Corp.

Specialties: Asbestos abatement contractors.

Approved non-admitted in: District of Columbia and all states except Alabama, Arizona, Florida, Idaho, Maine, New Hampshire, Ohio, Rhode Island, Tennessee and Vermont.

Principal officers: Stuart A. Kessler, Henry W. Nozko Jr. and Roger M. Freedman.

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Continued from previous page

• Dana Roehrig & Associates, which is known for placing excess liability and commercial auto insurance for small-to-medium accounts.

Roehrig has general liability binding authority for markets like American Empire Surplus Lines Insurance Co. of Cincinnati and National Fire & Marine Insurance Co. of Omaha, Neb.

The underwriting/brokerage composition of this unit, which operates from St. Petersburg, Fla., has shifted from about 90%/10% to about 75%/25%.

• John H. Crowther Inc., which is known for its commercial auto, product and financial services liability business. Based in Minneapolis, it also is known for liquor liability expertise in Minnesota.

• Montgomery General Agency, which is known for its primary product liability and general liability expertise, as well as its large industrial property placements.

Based in Ardmore, Pa., this unit also is regarded for its expertise in fine arts coverages.

• Fort Hill Insurance Agency, the newest of the group's companies. Based in Boston, Fort Hill is known for its commercial auto skills.

Fort Hill writes auto coverage for Carolina Casualty Insurance Co. in Jacksonville, Fla., and Canal Insurance Co. in Greenville, S.C. The unit boasts a strong errors and omissions program for a variety of professions.

Fort Hill recently acquired Martin Ginden Insurance Agency in Dedham, Mass., a two-employee firm whose appeal to S&C was its strong presence in suburban areas outside Boston. It handles \$9 million to \$10 million in premium volume annually.

• IWest Insurance Managers, a West Coast wholesaler once strong in municipal business that has seen much of its public entity business go the way of pools and joint underwriting authorities.

IWest—based in Stockton, Calif., with an underwriting center in Fresno—still offers public officials liability coverage in 13 Western states, and binds commercial umbrella business on behalf of St. Paul Surplus Lines Insurance Co.

About 80% of IWest's revenues are generated by brokering activity, and about 20% by underwriting activity; the two business segments contributed about equal amounts in the past.

"We've tried to take the success of each individual entity and push it, where it fits, into another entity and try to grow on that success," explains Mr. Nitz of shifts in the operations of the S & C Group units.

About 80% of the group's premium volume last year was placed as a broker, and about 20% was placed in the capacity of either underwriting manager or managing general agent.

The insurers with which the group placed the most business last year are: American Empire; W.R. Berkeley Corp. in Greenwich, Conn.; CNA Insurance Cos. in Chicago; Crum & Forster; First State Insurance Co. in Boston; General Star Indemnity Co. in Stamford, Conn.; Harbor Insurance Co. in Los Angeles; Scottsdale Insurance Co. in Scottsdale, Ariz.; Westco Insurance Group in Ramsey, N.J.; Northland Insurance Group in St. Paul; St. Paul units; and Lloyd's of London and other London underwriters.

None of these received more than 15% of S&C's business volume. About 60% of its premiums were placed with admitted insurers and about 40% were placed with non-

**'We've tried to take the success of each individual entity and push it, where it fits, into another entity and try to grow on that success,' explains Senior Vp P. Kenneth Nitz, referring to the shifts in the operations of Swett & Crawford Group units.**

admitted insurers.

IWest and Swett, largely because of their size, contributed the most to S&C's profit last year. West Coast offices, which produced about 38% to the group's premiums, generally reported the greatest growth in 1986, although Swett's Chicago office presents a notable exception.

Business volume produced by the Chicago office nearly doubled last year, making that office a "very, very successful" one, reports Joseph L. Fox, S&C's president and chief executive officer.

If S&C adds more units to the

group, they likely would come aboard through acquisition rather than start-up, Mr. Fox says. The company is now seriously negotiating with two companies and is considering three or four others as potential acquisitions. These could either become stand-alone S&C units, like Fort Hill, or be merged into an existing S&C unit, the way the Ginden agency folded into Fort Hill.

Today, S&C's seven companies are producing about 5% more volume than they were at this time last year, Mr. Fox says. He does not

expect year-end 1987 results to exceed last year's by more than that amount.

"Most people in the industry are a bit surprised at how quickly this whole thing has turned around. We see no signs that there isn't going to be a continued softening, certainly in the property area, where it's gotten pretty bad," he explains.

One blow S&C suffered from the softening market was NEWS, which in the end delivered not headlines but an obituary.

National Excess Wholesale Slip (NEWS), a new excess liability insurance facility announced by Swett last December at a splashy conference at the Los Angeles Press Club, has since gone the way of ELF, Excess Liability Facility, a similar facility organized by Alexander & Alexander Services Inc. of New York that never got off the ground.

Before deciding to shelve the project temporarily, Swett had amassed almost \$23 million in ca-

capacity from five British companies and 12 U.S. companies, including First State Insurance Co. of Boston, Chubb Custom Insurance Co. of Warren, N.J., St. Paul Surplus Lines Insurance Co. of St. Paul, Minn., and Transamerica Insurance Co. of Los Angeles.

Nonetheless, its total premium volume didn't even approach \$1 million, a far cry from the \$100 million it was projected to write in 1987.

"Basically, we found that the market shifted faster than we expected," explains Senior Vp Nancy Oblinger. By the time NEWS was up and running, the small and medium-sized employers that the facility intended to service found other options in a host of new alternative liability markets, some of them offshore.

Although NEWS consumed considerable Swett energies, not the least of which was developing a

Continued on next page

# "HERE'S TO FIFTY MORE!"

July 1, 1987 marks the beginning of Victor O. Schinnerer & Company's fiftieth year in business. As we complete our first half century we would like to reflect on the corporate philosophy that has brought us this far.

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Our growth and accomplishments are an indication that we have been

doing something right—that something has always been to operate first and foremost with the needs of our insureds in mind. We provide our service with a dedication to professional excellence and the highest business integrity and trust that within that framework, all else will follow.

This philosophy has shaped all Schinnerer insurance programs developed since the beginning, and our promise is to follow the same path into the next fifty years and beyond—because never losing sight of that original premise is our true goal no matter what our present or future endeavors may be.



Mr. Nitz

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Continued from previous page  
software system for submission and communication, the company doesn't view the venture as a lost investment.

NEWS likely will be activated in the future—probably at the onset of another hard market, Swett says. Since its insurers already are in place, and since policy wording is complete, NEWS could be reactivated within a week.

As the market softens, Swett & Crawford is recommitting its energies to speciality insurance programs, like the umbrella and liquor liability insurance program its Denver office recently arranged for the National Club Assn. with retail broker Fred S. James & Co. Inc. of New York.

"One of the reasons we're going to do more of this, very frankly, is that that's what the markets we deal with are looking to do. They're looking for niches, saying, 'Our premium volume is eroding, we can't get the price we want, but there must be niches out there where we can still make an impact,'" says Mr. Fox.

Specialty program development may make up for some business S&C lost when it closed its political risk underwriting division in Dallas early last year after its market—St. Paul affiliate Athena Assurance Co.—stopped writing those coverages. Swett continues to broker political risk coverages, however.

To deal effectively with such changes at the insurer level, Swett & Crawford plans to change some of its own business practices as well.

"We're putting a great deal of emphasis in 1987 on getting our people back to selling again," Mr. Fox says.

To that end, the company has retained an outside independent sales instructor to conduct training sessions for S&C employees. All S&C offices are scheduled to receive either a two-day or a three-day training course, a customized version of sales motivation courses offered periodically in many pro-

fessions. The seminars, which were first offered to S&C's West Coast offices, were introduced in January.

Members of the National Marketing team also are conducting product seminars for Swett offices, such as a session on D&O insurance issues. These seminars, first offered in June, are similar to what Swett has offered in the past to its retail brokers.

Both types of seminars are designed to rekindle the aggressive sales skills that went untapped during the hard market when, as Mr. Nitz puts it, brokers "weren't fishing, but watching the fish jump in the boat."

Another tool the company is using to keep its sales force on top of market changes is Market Line, an internal news bulletin coordinated by Ms. Oblinger. As S&C brokers learn of various insurance company changes, they inform Ms. Oblinger, who dispatches the in-

formation as quickly as necessary to all offices.

For instance, when an S&C broker in New York learned in June that Royal Indemnity Co. of New York was increasing its D&O limits, a "late bulletin" was disseminated to other offices with the details.

Increased emphasis on sales isn't S&C's only response to the softening market. The group plans to diversify into areas related to its core business, especially into the burgeoning risk management services field.

"That's an area we need to be involved in for our retail base because that's going to be an area of great growth in the near future," explains Mr. Nitz.

For instance, S&C's premium-financing operation—which funds commercial auto business in Wisconsin and liquor liability business in Minnesota—probably will be expanded into other states, and a

dormant premium financing operation in Florida probably will be reactivated for commercial auto business.

The group also may expand its Florida claims-handling business, in which Roehrig processes mainly commercial auto claims for insurers. This would provide a flow of income that is not vulnerable to market cycles, Mr. Fox reasons.

Significant personnel changes also occurred at S&C during the year. Most notably, Executive Vp James A. Bradley resigned in January to start both retail and wholesale brokerage networks (*BI*, April 20). S&C has no immediate plans to put someone else in that position.

"Fortunately, because of our size, one individual's leaving doesn't have the impact it would on a smaller organization," says Mr. Fox.

With 50 offices in 29 states, S&C does business with 20,000 retailers,

ranging from national alphabet houses like New York-based Marsh & McLennan Cos. Inc. to small independents like the family-owned Mahowald Insurance Agency in St. Cloud, Minn.

S&C currently employs 769 people today, up 14% from the 675 it employed last year.

Robert A. Scott, previously chief financial officer at Whittaker Health Services in Los Angeles, became Swett's chief financial officer in January.

W. Dana Roehrig retired as president of Roehrig and Southeastern manager of the group at year-end and has been replaced by Senior Vp John A. Jolly.

Other principal officers of the group, all senior vps, are: J.R. "Skip" Hartman, R. Brian Jarman, Joseph P. Falcone, Warren Stanley, Donald J. Tarrence, Ronald D. Wartick, Peter A. Wilkens and Thomas S. O'Brien.

—By Steve Taravella

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**Montgomery & Collins Inc.**

3700 Wilshire Blvd., Suite 400, Los Angeles, Calif. 90010; 213-480-4501

|                     | 1986          | 1985          |
|---------------------|---------------|---------------|
| Premium volume...   | \$439,419,954 | \$343,975,367 |
| Gross revenues..... | \$37,140,672  | \$30,761,346  |
| Employees.....      | 184           | 178           |
| Commercial risks..  | 100%          | 100%          |
| Admitted business   | 65%           | 70%           |
| Non-admitted.....   | 35%           | 30%           |

Montgomery & Collins Inc. President Robert P. Keul takes great satisfaction in pointing out the Los Angeles-based wholesale broker's premium volume has grown to nearly \$440 million from about \$80 million in 1980—more than a five-fold increase in just six years.

As its premium volume increases, so has M&C's clout in the marketplace, Mr. Keul says, explaining that M&C has access to more markets today than ever before.

fore. And, M&C—which *Business Insurance* ranks as the nation's second-largest wholesale broker—plans to use that access to shift away from the heavy use of several key managing general agency agreements and toward more brokerage business, Mr. Keul says.

"You do not want to become known as a marketer of one product," Mr. Keul says, calling the change a "step toward the future." Mr. Keul says M&C is now working with more than 40 markets. "Ultimately, there is more capability in the brokerage market," he says, adding: "They grow and have innovations going on all the time that you've got to have access to."

Over the past seven years, Mr. Keul has successfully charted a course for M&C that has resulted in continued premium volume and revenue growth.

Last year was no exception, even though the company fell short of

its record-smashing 1985 growth—a fact that Mr. Keul blamed on the softening commercial insurance market.

M&C's premium volume for 1986 reached \$439.4 million, up 27.7% from \$344 million in 1985. Gross revenues hit \$37.1 million in 1986, up 20.7% from \$30.8 million in 1985.

Mr. Keul notes that while M&C's 1986 premium volume did not rise more than 100%, as it did in 1985, the increase was healthy. He also pointed out that 1985 was an unusual year—with rapidly rising rates and significantly curtailed capacity in the admitted market. Comparing 1986 with 1984 gives a more accurate picture of the wholesaler's results, he says.

"If you compare revenue with 1984, it went up 2½ times in 1986, which is remarkable," Mr. Keul says. M&C's 1984 gross revenues totaled \$14.4 million.

"Obviously we're very pleased

with the results for 1986," he adds.

Mr. Keul notes that M&C's premium volume has jumped dramatically in the past three years, while the number of employees has grown only slightly. For example, the company had 184 employees in 1986, compared with 178 a year earlier.

Also, revenue per employee was up significantly during the three-year period to \$201,630 in 1986 from \$88,343 in 1984, an increase of 128%.

Mr. Keul says M&C is able to do so much more business without dramatically increasing its staff because "we are better overall at what we're doing."

Like most surplus lines brokers, M&C experienced slower growth in 1986 because of the softening insurance market. Mr. Keul says the market began to change in the second quarter of last year.

"Every month thereafter in '86 was not growing at the same rate

over '85," he observes.

Generally, Mr. Keul says, casualty rates are holding steady, rather than rising as they did at the beginning of 1986, while property rates are becoming much more competitive.

Mr. Keul says the degree of softening varies according to both geographic regions and on the degree of hazard associated with an account.

"Certainly without question the standard market has become more aggressive," he says. "Whether we like it or not, we live in a reactive posture and that business that came to us last year (from the standard market) is being renewed elsewhere for very, very competitive terms. So we're not seeing those 100% to 200% increases anymore, specifically on the lower- to medium-hazard type business."

Mr. Keul says higher-hazard accounts have seen less severe rate reductions or, in some cases, no reduction at all.

"I think the unusual aspect of it is some of us thought that (the hard) marketplace would stay with us longer," Mr. Keul remarks. "Not only are prices coming down, but policy form restrictions are easing."

"For the past two years there was a lot of emphasis placed on claims-made vs. occurrence, and a lot of that has left our vocabularies these days," he explains.

Mr. Keul says that on the larger, higher-hazard accounts, if prices were not reduced, then the form was broadened or modified to be more favorable to the buyer.

Mr. Keul also says that, in general, business is "being shopped more."

"The flow of business to M&C has not decreased that much, but there is now more competition for it," he adds. As a result, he says, retention of accounts is eroding.

Mr. Keul says capacity in both the standard and non-standard markets is improving.

"We see the standard side of the business—the admitted side of the business—putting out improved capacity, and in some cases the non-admitted side—the specialty companies—now have higher limits available."

As a result of the softening market, Mr. Keul says, M&C is returning to the "standard profile" of a surplus lines broker, "meaning you handle the more specialty-oriented accounts, as opposed to business that came out of the admitted markets."

Mr. Keul says that because of this, it is important for M&C to continue to expand its markets. He says M&C is working hard this year to strengthen its long-term relationships with the markets it currently uses and with the brokers that produce business for M&C.

In 1986, about 48% of M&C's business was generated by the national alphabet brokers, about the same as in 1985. But Mr. Keul says that M&C is shifting more toward local and regional brokers in 1987.

The softer market has caused M&C to become more aggressive, Mr. Keul says, adding: "We're out in front of people today more than ever before."

About 51% of M&C's premium volume is brokerage business, 48% is placed with markets for which the company acts as managing general agent, and 1% is written for Royale Belge I.R., a Belgian company for which M&C is the exclusive U.S. underwriting manager.

But Mr. Keul says these figures will change significantly in 1987, with the MGA business dropping to as low as 40% to 45% of the M&C's premium volume as the company moves to emphasize brokerage business.

M&C's shift in emphasis to more  
*Continued on page 54*



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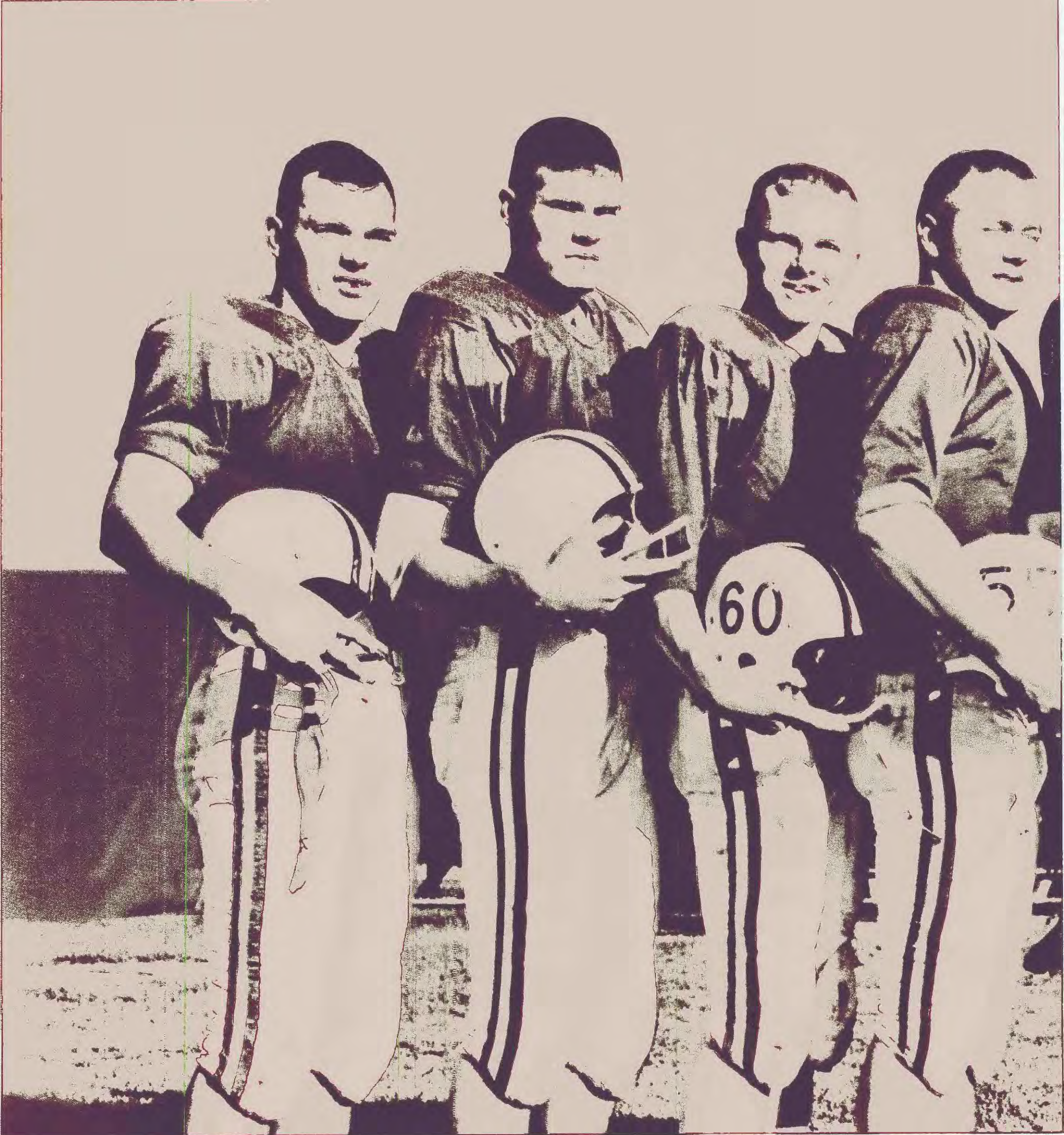
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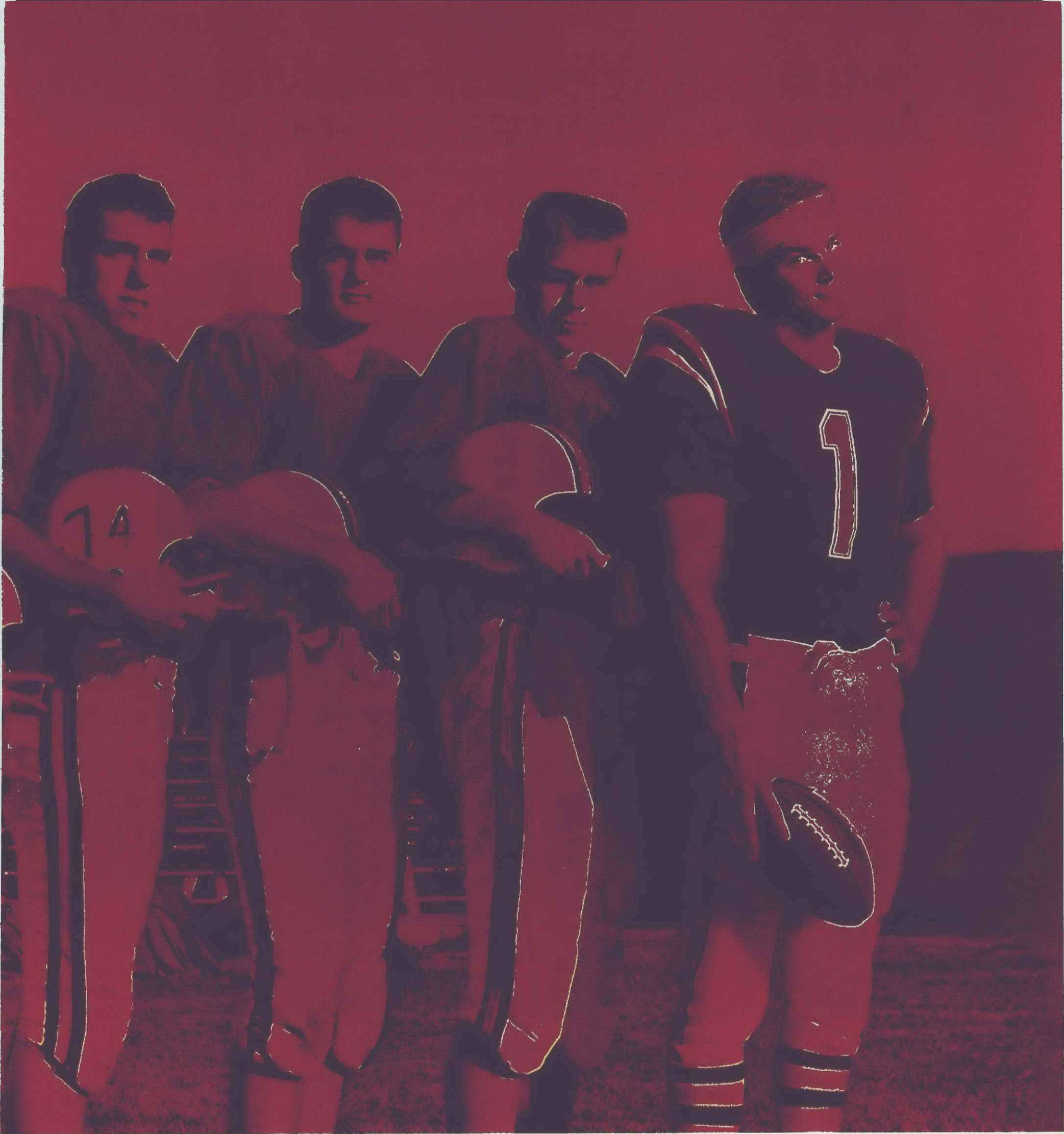
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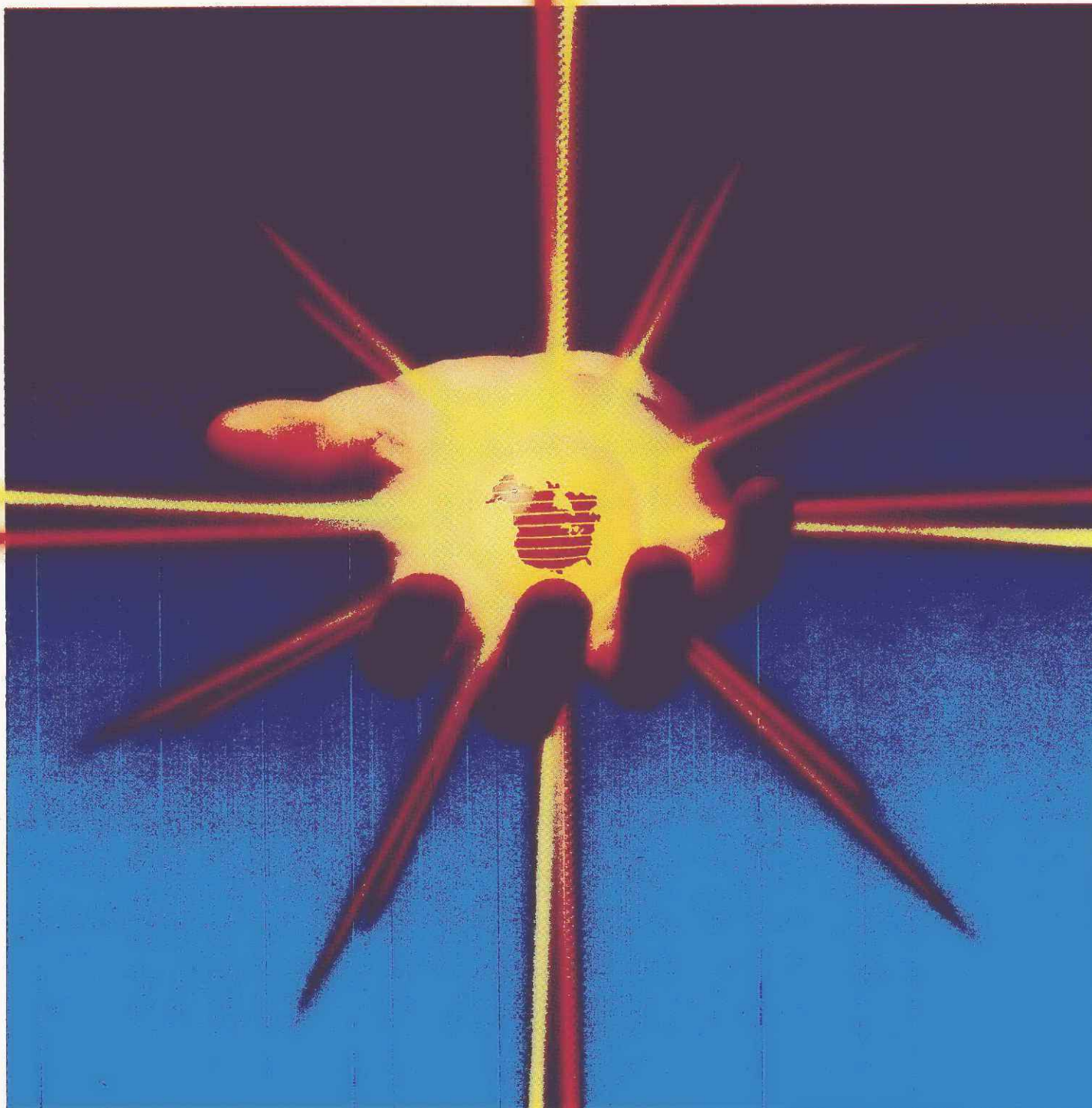


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# Cargo liability

## Why throw the seaworthy Hague-Visby Rules overboard?

By Samuel Tranchina

THE DEBATE BETWEEN the Hamburg Rules and the Hague-Visby Rules has been thrashing around for so long that every conceivable argument, both pro and con, has been microscopied and fluoroscoped to exhaustion in an effort to extract the most minute element of comfort for one's preconceived position.

Considering that history, it hardly seems necessary or even justified to continue the proliferation of words and yet I pick up the pen to do just that in response to an article relative to a June 1 meeting in Geneva, Switzerland, sponsored by the United Nations Conference on Trade and Development and the International Chamber of Commerce, apparently held in the hope of resuscitating the moribund and ailing Hamburg Rules (*BI*, June 15).

The Hague Rules, of 1924, depict the responsibilities and liabilities of ocean carriers to third parties; in particular, cargo interests. The Visby Amendments revised the Hague Rules somewhat, most notably in the package liability limitations (from \$500 in 1936 to \$840 currently). The Hamburg Rules, as proposed, reduce or eliminate some of the ocean vessel owners' defenses under the theory that this will ultimately reduce the transportation expense of cargo shippers.

At that Geneva meeting, William Augello, general counsel of the Shippers National Freight Claims Council, once again trumpets the cause of the SNFCC for adoption of Hamburg.

The position of the SNFCC is well known to the U.S. Department of Transportation, the Maritime Law Assn. of the United States and the American Institute of Marine Underwriters, and, under the circumstances, a chronicle of that position would not generate a response. Unfortunately, however, a number of misconceptions permeate the article and these indeed require a response in the interest of better understanding the issues involved.

In the first instance, mention is made of the support for Hamburg by shippers associations accounting for some 63% of the world's cargo trade. A minimal understanding of that trade quickly exposes the presumption of that statement.

We must consider that the Hamburg Rules were promulgated in 1978 under the auspices of UNCTAD and the United Nations Conference on International Trade Law at the instigation of Third World nations. Given that nine years later, only 11 of the required 20 nations have ratified or acceded to Hamburg, one wonders why all of the early Third World support—and more recently the support of 63% of world's shippers—has produced such dismal support for the treaty itself.

I hasten to mention that these 11 nations include such maritime giants as Barbados, Lebanon, Morocco, Senegal and Tanzania, but not one Western European nor North American country. These signatory nations represent 4.6% of U.S. seaborne trade.

The likely answer to that dismal response is that the Hague Rules, as amended by the Visby Protocol and again by the Special Drawing Rights Amendment in 1979, is serving the commercial interests of the world well and that these

interests have made their preference known eloquently by

simply supporting Hague/Visby and ignoring Hamburg. The Visby Amendments came into force on June 23, 1977, and today 28 countries have adopted them. They account for some 30.44% of U.S. seaborne trade.

At the heart of the dispute between Hamburg and Hague/Visby (including the U.S. Carriage of Goods by Sea Act of 1936, or COGSA, which is based on the Hague Rules), is the so-called 17 defenses available to vessel owners

cling to this pie-in-the-sky dream as it simply does not survive closer scrutiny.

Consider, if you will, a consignee trying to assimilate the legalities and nuances of Hamburg and, having done so, trying to find the agent or his carrier in a remote port or, worse still, in an inland location, who would be authorized to receive and pay claims. Add to this the chance of a bank accepting a carrier's Hamburg bill of lading to secure a letter of credit or loan and it becomes readily apparent

that the worldwide underwriting fraternity that almost universally rejects

Hamburg does not do so out of fear of loss of premiums.

Setting the issue of carriers' defenses aside for a moment, the next major dissatisfaction registered against the Hague Rules, especially since the advent of "containerization," is the package limitation. Under U.S. law (COGSA) this was set at \$500, which—in many instance—has proven to be totally unrealistic. The Visby Amendments and the Hamburg Rules

the limitation issue along the same lines, with Hamburg having only a slight monetary advantage.

What will Hamburg accomplish and at what cost? It has been described as a loosely drafted and rambling compendium of 34 articles, all of which will serve as grist for legal mills. Article 31 requires a contracting state to denounce all previous conventions effective from the date Hamburg comes into force.

Assuming, for the sake of argument, that 20 states ultimately do ratify Hamburg, that will still leave the majority of trading nations operating under two other treaties, the Hague Rules and the Hague/Visby.

It has long been conceded that uniformity in rules governing international trade is of utmost importance. Adding a third regime would be destructive to this goal and would spawn a flurry of forum shopping by the maritime lawyers of this world. In contrast to Hamburg, the Hague Rules are the most widely ratified treaty in private international law, with some 80 nations adhering to them in one form or another. The Hague Rules were devised to serve the needs of both vessel owners and cargo owners and to accomplish that end, it allocated the risks attending ocean-going trade between these parties with freight rates reflecting this allocation.

Hamburg would substitute negligence law for well-established contract law, thereby adding cargo claims to the over-burdened case load of negligence litigation.

Contrary to Mr. Augello's suggestion that the lukewarm reception accorded Hamburg relates to a Catch-22 scenario, the reality is that the trading nations of the world clearly understand the relationship of carrier and cargo interests, vis-a-vis cost effectiveness, and have opted to ignore Hamburg and stay with a regime that enjoys a 50-year history of understanding and case law.

In the final analysis, the success of any commercial regime is efficiency and cost. Abandoning Hague and Hague/Visby at this time does violence to both criteria. Hague/Visby promises no surprises and addresses most of the perceived inequities of Hague. It does so with no disruption to the admiralty bar. Like all "free lunches," the greater recoveries promised by the proponents of Hamburg are illusory at best and extremely costly at worst.

I see no justification for opening the Pandora's box that is Hamburg. Like Pandora's box, it would be best left on the shelf of time.

*Samuel Tranchina is a vp of Great American Insurance Co. in New York, in charge of worldwide ocean marine operations. In addition he is a director of the American Institute of Marine Underwriters and chairman of its liability committee, and a member of the liability committee of the International Union of Marine Insurers.*

### speaking out

**Early Hamburg proponents embraced it as a vehicle for exacting greater recoveries from carriers at no cost to them. The more starry-eyed supporters went so far as to envision a world where cargo insurance was no longer necessary. Few, if any, still cling to this pie-in-the-sky dream.**

when dealing with cargo claims, with the exoneration for errors in navigation and management of the vessel perceived to be the most onerous. Hamburg would substitute these defenses with strict liability and a presumption of negligence unless the vessel owner can prove that he, his servants or agents took all measures that could reasonably be required to avoid the occurrence and its consequences.

The benefits for cargo are more perceived than real. As early as 1979, Professor William Tetly of Canada concluded in his commentary on the Hamburg Rules that the carrier's liability is not increased but, rather, slightly reduced. It would be naive to assume that substituting Hamburg negligence for Hague/Visby contractual obligation would make vessel owners any more eager to respond to cargo claims than they are currently.

The problem is exacerbated by the financial plight of many carriers, which has them fighting for their very existence. I think we can realistically assume that they will avail themselves of all legal defenses under Hamburg as they have and do under Hague/Visby.

Early Hamburg proponents embraced it as a vehicle for exacting greater recoveries from carriers at no cost to them. The more starry-eyed supporters went so far as to envision a world where cargo insurance was no longer necessary. Few, if any, still

address this inequity by converting this limit to 667 Special Drawing Rights (\$844 at current exchange rates) and 835 SDRs (\$1,056) per package, respectively.

(SDRs are an "imaginary" unit of currency based on five actual currencies—U.S., West German, British, French and Japanese—used to avoid adverse fluctuations among single currencies.)

While the Hamburg limit is somewhat higher, neither is spectacular—since even at 835 SDRs, the limit still hovers around \$1,000 per package.

A more significant increase in carrier liability limits appears in both the Visby Amendments and the Hamburg Rules, and that is the option available to cargo owners to enumerate the number of packages stuffed into a container with each package thereafter considered a separate unit for limitation purposes. This issue has generated considerable litigation in the United States and the current legal posture tracks closely with both the Visby and Hamburg approach, so that the benefit is mostly anticlimactic.

Finally, and most importantly, both regimes permit the cargo owner to claim on a per-kilo (or pound) basis, at his option, for damage to containerized cargo. The limit under Visby is 2 SDRs (\$2.53) per kilo while under Hamburg it is 2½ SDRs per kilo. In essence, both have addressed

# ASK A RISK MANAGER

## Claims handling can be improved

**Q**

In your last column (*BI*, June 8), you identified claim administration management as a function that you assume is lacking in most risk management departments. How do you propose risk management departments address claims management administration?

**A**

I was addressing a way risk managers could seize an opportunity to gain some recognition in the loss and risk control area through an effective program of claims administration. While the focus of my remarks was on opportunities for the future, the

point also made was that management of the claims administration function may be the best way to introduce a program of effective risk control.

I believe that most risk managers would welcome any help they can get on managing claims administration vs. the traditional way their self-insured (or retrospectively insured) claims are handled.

The subjects of claims service, claims management reviews or audits, third-party administrators and claims adjusting policies have all been addressed in various publications. All of these articles seem to zero in on how individual claims are being handled. I have yet to see an article that addresses the need or explains how to develop a program to manage the administrative function itself.

For example, a recent newsletter addresses an ever-present subject—claims management audit or review: the need to review files, the policy procedures used to handle these files and the competency and experience of those individuals adjusting claims files. All of this is good information that is needed to begin to control claims costs.

Another article addresses claims services from the administrator's view. First, it explains the contract arrangements with the client and/or broker or developing an in-house claims service. Then, it covers the history of the organization and its special references of satisfied customers. Details of claims handling philosophy are followed with questions on how a client wanted to have claims settled—in a hurry or thoroughly over time. Personal practices and adjuster salary administration, methods of handling

claims reviews and claims service costs wrapped up the subject.

A very good article on third-party claims administrators outlined the growing number of "commercial" risks and large self-funded/insured programs that demanded sound claims administration. There is no question that as the marketplace has forced higher retentions on their policyholders, those policyholders have also become more comfortable in living with and handling the funding and claims administration of those retentions.

Those third-party administrators discussed in this article were major players—their client base and gross revenues continue to grow—not entirely from their employees' expertise in claims management, but from a large degree because of the insurance marketplace.

While several comments were made with respect to "risk management information systems" and how the systems permitted processing and tracking of individual claims, none addresses reports that could be issued to clients that would address the quality and efficiency (or lack of it) of the work performed. Have you ever seen your third-party administrator's internal audit/quality control procedures, and do they include a report to their management on the effectiveness of the work performed?

Actuarial evaluations and studies have now become a way of life for large self-insurers. The need for an actuarial evaluation to satisfy outside auditors, state insurance departments and fronting companies is an annual exercise. The need to couple this with a claims "audit" may also be an annual expense. The claims audit done to satisfy the actuary may be needed to "enhance the accuracy of projections," so our actuary says.

Again, we are addressing some individual needs and not necessarily the soundness of the overall claims administration policy.

At our company, we began to address our claims administration function by requesting an outside view of our:

- Claims manager's job description, job duties and performance standards. We wanted to define the expectations of this position—for the manager's benefit and for those to whom he reports. This was an internal exercise.
- Claims service company standards. What are the current standards in place with respect to the services of the third-party administrator?
- Claims audit program. Do we have a formalized program for measuring performance of the service company? Does it properly cover the areas of claims investigation, litigation, communication and reserving practices?
- Claims management program. Is there an ongoing review and control of the claims administration process

and are periodic reports to our claims manager sent to senior management?

The results of this study prompted us to look hard at the true objectives of our claims administration function.

We obviously needed to put those in writing to show how it would work with and fit into the risk management process. We needed to spell out the separate functions of claims management in our organization along with a detailed policy on selecting our third-party administrator.

While the initial results of our "outside look" are not unfavorable, they do point out the need for closer management of the processes with respect to reports from the administrator and formalized review of claims files. A pleasing and interesting conclusion was that our program was sound and the quality of claims administration was above the level produced by the industry in general.

I don't know if any other risk managers have been challenged by their umbrella and excess insurers to have a bona fide claims administration audit performed before the insurers would consider and quote on their risk, but we did. This in itself points up the need for a quality claims administration program so your risk can qualify for the best insured program available in the excess insurance marketplace.

*Would you like advice from an experienced colleague on a risk management, benefits management or actuarial problem? Four features in the Perspective section of Business Insurance can give you some answers.*

*Ask A Risk Manager, Ask A Benefit Manager, Ask A Benefit Actuary and Ask A Casualty Actuary answer written questions from readers on risk and benefits management issues and actuarial problems.*



Mr. Perry

*This month's column, on risk management issues, is written by Ralph F. Perry Jr., vp and director of risk management at Amfac Inc. in San Francisco. Joseph W. Duva, director of employee benefits at Allied-Signal Inc. in Morristown, N.J., answers benefits management questions. William J. Miner, an actuary with The Wyatt Co. in Chicago, answers*

*actuarial questions on benefits issues. And, Richard E. Sherman, a principal with Coopers & Lybrand in San Francisco, answers actuarial questions in the casualty field.*

*Mr. Duva's and Mr. Perry's columns appear alternately on the second Monday of each month. Mr. Miner's and Mr. Sherman's columns appear alternately on the first Monday of each month. Mr. Perry's next column will appear in October.*

*Address your questions to ASK, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590. Please give us your name, title and employer; however, Business Insurance will consider unsigned letters.*

## Car accident covered under work comp

In a case of first impression, the Supreme Judicial Court of Massachusetts ruled that, under the "street risks" provision of the workers compensation code, compensation was payable to an employee for injuries suffered in an automobile accident that occurred while the employee was en route to a doctor's office for the treatment of a work-related injury.

Jesse T. McElroy Jr. sustained a back injury while working on the

*These abstracts were prepared by Cases Unlimited Inc. Copies of these decisions are available by sending a \$10 check payable to Cases Unlimited to Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590. List the number for each opinion.*

### legal briefs

assembly line for General Motors Corp.

He was out of work from April 1978, until Jan. 16, 1979, and received weekly benefits.

On Mr. McElroy's return to work, he was assigned to light duty, but later was transferred back to his regular assembly line job.

Soon thereafter, he began complaining of a recurrence of back pains. He ceased work on Feb. 15, 1980.

Mr. McElroy was checked periodically by the doctor at the plant clinic and was treated by his private physician.

On March 21, 1980, while driving his

own automobile to keep an appointment with his physician, Mr. McElroy was in an automobile accident.

He sustained catastrophic injuries including 100% loss of function in his right arm.

Since March 1980, his medical problems have related solely to the injuries arising out of the automobile accident.

Mr. McElroy brought a claim for workers compensation. While the board awarded him compensation, the trial court found the post-automobile accident injuries were not compensable.

The appellate court said that an

employee's going to a doctor's office for treatment of a work-related injury has its genesis in, and is necessitated by the employment relationship.

Although Mr. McElroy's trip to his doctor was not expressly authorized by his employer, the court nonetheless believed that General Motors' authorization could be inferred both from its conduct and from its statutory duty to pay for the employee's medical treatment.

Thus, the court concluded that Mr. McElroy's injuries sustained in the automobile accident while traveling to obtain medical treatment for a compensable, work-related injury were also compensable.

*Case of McElroy, Supreme Court of Massachusetts, June 12, 1986 (BI/04/A.\$10)*

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practice the art  
that he knows best.  
—Cicero*



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The field of excess and special risks is no place for amateurs. It's a hard-ball business with extraordinary stakes. And as an independent broker or agent, you can't afford to take unnecessary chances with your carriers. You need confidence in their ability to write complex coverages, provide consistently higher limits and, whenever necessary, honor multi-million dollar claims.

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Continued from page 47

brokerage business and the use of more markets will mean a decrease in the amount of business placed with Pacific Employers Insurance Co. and California Union Insurance Co., both in Los Angeles, which traditionally have been M&C's two largest markets.

In 1986, M&C placed about 55% of its business with these two insurers, which are owned by Philadelphia-based CIGNA Corp., M&C's parent. But next year, says Mr. Keul, Pacific Employers and Cal Union probably will account for only 35% to 40% of M&C's premium volume.

"We have this tremendous flow of business that has come to us—to the (Pacific Employers) facility—but we also now have improved options, if you will, to take that business elsewhere," Mr. Keul says.

Also, Royale Belge Group has decided to terminate its underwriting management agreement with M&C. Mr. Keul says officials of the Brussels, Belgium-based insurer came to M&C several months ago and said they felt that insurance pricing in North America was eroding too quickly and that they wanted to terminate the MGA agreement effective next month.

"They had hoped that pricing levels would remain stable for several years," Mr. Keul explains.

The primary general liability accounts that M&C had written on behalf of Royale Belge can be placed in the brokerage market, Mr. Keul says, stressing that Royal Belge accounted for only about 1% of M&C's premium volume.

Pacific Employers is an exclusive M&C market for excess casualty and umbrella coverages. Cal Union writes excess casualty, property and umbrella coverages for M&C in California on an exclusive basis and in other states on a non-exclusive basis.

Cal Union is M&C's top market for heavy construction business, and Mr. Keul says that is not expected to change despite the broker's shifting strategy.

M&C has a separate division within the Los Angeles office that specializes in heavy construction and builder's risk business.

"We've always been actively involved in (construction risk business) and that business is still a tremendous part of what we do. And, it's a capability that not a lot of people have because we provide the engineering service," according to Mr. Keul.

Major markets to which M&C brokers business include: Admiral Insurance Co. in Haddonfield, N.J.; Allianz Insurance Co. in Los Angeles; First State Insurance Co. in Boston; Employers Reinsurance Corp. in Overland Park, Kan.; Universal Security Insurance Co. in Glendale, Calif.; Fireman's Fund Insurance Cos. in Novato, Calif.; International Insurance Co. in Chicago; and Constitution State Insurance Co. in Hartford, Conn.

Admiral is a market for excess casualty and umbrella business for M&C. Mr. Keul notes that M&C is one of the insurer's leading producers.

First State, Industrial Underwriters Insurance Co. of Dallas and Lloyd's of London underwriters are M&C markets for excess casualty, umbrella and property coverage, while Allianz is a major property market.

Mr. Keul notes that the market for directors and officers liability and errors and omissions coverages, which has been virtually non-existent during the past 18 months, is starting to come back. As a result,

**'When the market gets soft, there's renewed interest in program business,' Mr. Keul says**

M&C may do more business this year with Evanston Insurance Co. in Evanston, Ill.

Evanston fell out of M&C's group of top markets in 1986 because of the insurer's shift away from D&O and E&O business, Mr. Keul explains.

New to the list of M&C's largest markets in 1986 were Fireman's Fund and Employers Re.

Mr. Keul says that M&C actively courted Fireman's Fund because of its reputation as an outstanding company. "We specifically went out and developed them," he says, adding, "They're a first-class operation."

M&C places property and excess liability risks with Fireman's Fund.

Employers Re made the list because of an increase in excess workers compensation insurance M&C was asked to place; Employers Re is a major market for such coverage.

Three regional insurers also made the list of M&C's top companies in 1986: Universal Security, Constitution State and International.

M&C places mostly primary casualty business with Constitution State and excess casualty accounts with Universal Security and International.

Mr. Keul says M&C is placing renewed emphasis on Lloyd's underwriters. He says M&C has been successful in using the London market in the past but adds he hopes to place more business in London this year.

Mr. Keul says that the softening market may mean that program business may come back to the surplus lines market.

"When the market gets soft, then there's renewed interest in program business," he says, noting that M&C, like other surplus lines brokers, is looking into potential new insurance products, although it currently does not have any planned.

Generally, Mr. Keul says M&C is placing some emphasis on property business.

"We are writing more property business, but those lines of coverage have had as much or more competition than the casualty business, so it's difficult," he says.

M&C holds binding authority for Western World Insurance Co. in Ramsey, N.J.; Guaranty National Insurance Co. in Englewood, Colo.; and Scottsdale Insurance Co. in Scottsdale, Ariz.

M&C has offices in Los Angeles; Boston; Detroit; New Orleans; Buffalo, N.Y.; Hartford, Conn.; New York; Charlotte, N.C.; Honolulu; Philadelphia; Chicago; Houston; Sacramento and San Jose, Calif.; Columbus, Ohio; Indianapolis; San Francisco; Dallas; Kansas City, Mo.; and Denver.

M&C is not planning to open any new offices this year.

Principal officers in addition to Mr. Keul are: Michio Nekota, Warren Miller and Robert Angle, regional vps, and Robert T. Ricketts, underwriting vp.

Mr. Ricketts was formerly the manager of M&C's San Jose branch and was recently promoted to underwriting vp.

Gus Doering Jr., former operations vp, is retiring this year. Mr. Keul says he has not yet found a replacement for Mr. Doering.

Mr. Keul says Mr. Doering was a "tremendous asset" to the company and his departure will be a "huge loss."

M&C is a member of both NAPSLO and AAMGA.

—By Robert A. Finlayson



Mr. Keul

**Stewart Smith Holdings Inc.**

123 William St., New York, N.Y.  
10038; 212-964-2929

|                     | 1986          | 1985          |
|---------------------|---------------|---------------|
| Premium volume...   | \$401,000,000 | \$299,000,000 |
| Gross revenues..... | \$24,100,000* | \$20,800,000  |
| Employees.....      | 250           | 230           |
| Commercial lines..  | 100%          | 100%          |
| Admitted business   | 25%           | 25%           |
| Non-admitted.....   | 75%           | 75%           |

\*BI estimate

The parent of Stewart Smith Holdings Inc. may be about to be acquired by a large British broker, but the New York-based wholesale brokerage remains proudly independent, its chairman stresses.

Willis Faber P.L.C., the second-largest British broker, plans to purchase Stewart Smith's parent company, Stewart Wrightson Holdings P.L.C., for more than \$450 million, giving Willis Faber its first major U.S. affiliate (BI, July 6).

However, Stewart Smith does not have any relationships with U.S. companies that could be compromised by the merger, says Chairman Patrick J. Osborn.

"We've jealously guarded our independence from ownership by any American interests, because we felt that any such ownership would hamper our efforts to provide objectivity without any conflict," he says.

"There will be no clash at all with our existing clients," adds Jeremy D. Cooke, president of Stewart Smith East, one of the four units that operate under the Stewart Smith Holdings umbrella.

Mr. Osborn said no decision has been made as to precisely how two Willis Faber surplus lines brokerage subsidiaries in the United States—Global Special Risks Inc. in San Francisco and McAlear Associates Inc. of Grand Rapids, Mich.—will be absorbed under the Stewart Smith umbrella.

But while the two subsidiaries' operations may not necessarily be integrated with Stewart Smith's wholesale operations, the merger is likely to have at least a "synergistic" impact because they will be under the group's ownership, says Mr. Osborn.

"It will obviously increase the lines of coverage and also the geographical presence of the combined group," he says, noting that Global Surplus Lines, for example, specializes in Southwestern and Western energy business.

Third-ranked Stewart Smith's premium volume increased 34.1% in 1986 to \$401 million from \$299 million in 1985, making it the third-largest surplus lines broker.

The increase, however, was attributable to the purchase of two surplus lines brokers: Major Surplus Holdings of New York, which had 1986 premium volume of about \$80 million, and S.L. Alexander Inc. of Los Angeles, which reported a 1986 premium volume of about \$35 million (BI, Feb. 23).

Although purchased later, both companies' 1986 premium volume is reflected in Stewart Smith's results as of Jan. 1, 1986. Mr. Cooke remains Major Surplus Line's president.

Without these acquisitions, Stewart Smith's premium volume would actually be about 15% to 20% less, says Mr. Osborn.

In fact, the company reported a 16.7% drop in premium volume for the first six months of 1987 to \$172.7 million from \$207.3 million.

Stewart Smith does not release its gross revenues. However, BI estimates 1986 gross revenues of about \$24.1 million, or about 6% of premiums, compared with \$20.8 million, or 7% of premiums, in 1985.

"It's been a difficult six months in the sense that the traditional admitted insurers are again pursuing lines of coverage and particular accounts for which they had no appetite in the past two years," Mr. Cooke says. "We have lost some renewals, not to the competitors or surplus lines markets but to the standard markets.

"This comes as no surprise to us and is to be expected, when one considers that a year ago the surplus lines market was at its most dominant."

In particular, more business is being written by American Inter-

national Group Inc. of New York; Crum & Forster Insurance Cos. of Warren, N.J.; The Travelers Corp. of Hartford, Conn.; and Liberty Mutual Insurance Co. of Boston. This trust is particularly significant for umbrella coverages, he says.

"It would appear they are taking much larger net lines and are now offering both \$5 million and \$10 million limits in the umbrella area," says Mr. Cooke.

With high excess liability insurance limits now being offered by alternative facilities like Cayman Islands-based A.C.E. Insurance Co. Ltd. and Barbados-based X.L. Insurance Co. Ltd., wholesalers are being forced into the "narrower window of opportunity," or the first \$25 million or \$50 million layer of excess liability coverage, he says.

In evaluating Stewart Smith's financial results, Mr. Cooke says, "Frankly, we are pleased in view of the difficult marketplace and new competitive era we seem to be en-

tering into once again."

As much as 40% of the premium volume generated by some Stewart Smith offices are the result of new business, though these gains are being somewhat offset by rate decreases, says Mr. Cooke.

Despite the greater level of competition, "we're still seeing even more business" because the retail broker "wants no stone unturned in order to canvass the market," he adds. While two years ago, two insurer quotes for any particular risk would have been sufficient, retail brokers are now seeking as many as 10, he says.

The softening market, however, does present opportunities for new products, Mr. Cooke points out.

Over the past three years, the marketplace has been "so distressed" that surplus lines brokers have had their "hands full" merely placing their regular lines of business, let alone introducing new products, he says.

Now, as the marketplace becomes more competitive, brokers must introduce innovative products, he says. "I think you will see new products being developed over the next 12 months by Stewart Smith."

Stewart Smith already has arranged an exclusive excess asbestos removal liability insurance facility in the London market for both demolition contractors and asbestos abatement companies. The facility can provide limits of up to \$10 million excess of \$1 million.

In the errors and omissions area, one of Stewart Smith's specialties, the broker also is developing a product for asbestos abatement industry consultants and planners, notes Mr. Cooke.

Another new Stewart Smith product is an executive compensation product, which insures executives' "golden parachutes" in the event they are successfully challenged in court.

Continued on next page



Mr. Osborn



Mr. Cooke



# Lifeline

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Continued from previous page  
The broker has offered limits of up to \$10 million, depending upon the size of the executive compensation package.

The controversy over the claims-made policy form issue has presented Stewart Smith with opportunities for new business as well. Gaps can develop as a result of clients switching back to an occurrence policy from a claims-made form, says Mr. Cooke, adding that "we have been successful in providing coverage to fill some of these potential gaps."

While Stewart Smith places all types of commercial property/casualty risks, it specializes in aviation, directors and officers liability and E&O coverages.

Aviation insurance alone accounts for about 7.5% of the broker's business. Stewart Smith is "still one of the only wholesalers left of any consequence dealing with substantial aviation business," says Mr. Osborn.

"More domestic markets are willing to write aviation business that used to find its way to the London market," he says.

While primarily a broker, 7.5% of Stewart Smith's business comes as a managing general agent. New York-based Special Program Management, a Stewart Smith unit, acts as an MGA for two units of Stewart Wrightson Insurance Co. Holdings Inc., a subsidiary of Stewart Wrightson Holdings.

Special Program Management serves as an MGA for Associated International Insurance Co. of Los Angeles for directors and officers liability insurance and for pension fund managers' liability insurance. It also acts as an MGA for New York-based Calvert Insurance Co. for D&O insurance for non-profit institutions. Stewart Smith produces about 20% of the business accepted by these companies.

Stewart Smith's MGA business also includes various business written from its Dallas office on behalf of Constitution State Insurance Co. of Hartford, Conn., and railroad protective insurance written on behalf of Lloyds syndicates.

About 75% of Stewart Smith's business is written on a non-admitted basis, while 25% is admitted, about the same as a year ago.

Markets used on a national basis by Stewart Smith include First State Insurance Co. in Boston; underwriters at Lloyds; Columbia Casualty Co. in Chicago; California Union Insurance Co. in Los Angeles; Admiral Insurance Co. in Cherry Hill, N.J.; Harbor Insurance Co. in Los Angeles; Lexington Insurance Co. in Boston; St. Paul Surplus Lines Insurance Co. in St. Paul, Minn.; and Crum & Forster Inc. units, in Morristown, N.J.

"The key to being a successful surplus lines broker is to target and market your risk intelligently because certain insurers have different appetites for different types of risk," explains Mr. Cooke. A

knowledge of where to go with a particular risk is crucial, he says.

"We do not believe in a shotgun approach to marketing business."

Stewart Smith did not place any business with insurers that went out of business last year, notes Mr. Osborn. "We have very strict guidelines about the security we're willing to use, and we were not affected by insolvencies in 1986."

Major brokers are accounting for a somewhat diminishing share of Stewart Smith's business, says Mr. Osborn. "When the market goes soft, the major brokers don't need the independent wholesaler so much," he explains.

Instead, Stewart Smith is concentrating very much on business produced by smaller brokers that generate about \$5 million to \$25 million in annual premium volume, says Mr. Osborn. The company does business with 3,500 brokers.

"Clearly, whilst we enjoy and encourage business from the major

alphabet houses, our thrust is going to be on continuing to do business with and servicing the privately owned independent retailers," says Mr. Cooke.

"We have the products and expertise they need, and they probably need it in both a soft and a tight market cycle," he adds.

As for what stage the market is in now, Mr. Osborn says, "We're really in a very, very unique market at the moment," explaining that some business is being renewed at increased rates, some at the same price and some at rates up to 30% lower.

"It's a market that is very difficult to quantify," he says.

"I think it's fair to say the marketplace is still trying to find itself," agrees Mr. Cooke, stressing it would be incorrect to describe it as soft. "We're simply trying to find out where we're going."

Mr. Osborn and Mr. Cooke say the market has undergone some

significant changes during this recent hard market. A great many buyers that either became self-insurers or increased their retentions over the last two years are not changing their strategy, despite the more competitive rates offered by insurers this year. "They've gotten used to the idea" of larger retentions, they add.

"I think the market will get softer," Mr. Cooke predicts. Insurers' loss ratios will deteriorate and investment income will not make up the deficit, he says.

The market will harden in mid-1989, he adds, though not to the same degree as it did in the mid-1980s because the "low side" won't be as severe this time around.

The increased amount of risk retained by insurers is a key reason why market swings will not be as severe, says Mr. Osborn. "The reinsurance market had a tremendous impact previously, and I think it will have less of an impact now be-

cause the big insurers are prepared to take much bigger retentions."

Stewart Smith has no acquisition plans at the moment, "although we're always open to acquisitions if they're the right fit." The firm increased its number of employees by 20 to 250 in 1986.

Besides Stewart Smith East, the other three corporations operating under the Stewart Smith umbrella are Stewart Smith West in Los Angeles; Stewart Smith Mid-America in Chicago; and Stewart Smith Southwest in Dallas.

Stewart Smith also has offices in San Francisco and Sacramento, Calif.; Prescott, Ariz.; Boston; Philadelphia; and Pittsburgh.

Other principal officers include John R. Rogers, vp-finance. Eugene Eisenmann heads Stewart Smith Southwest, while Edward Casey heads its West Coast operation.

Stewart Smith is a member of both NAPSLO and AAMGA.

—By Judy Greenwald



# To A Lot Of Insurance This Was A Stop Sign.

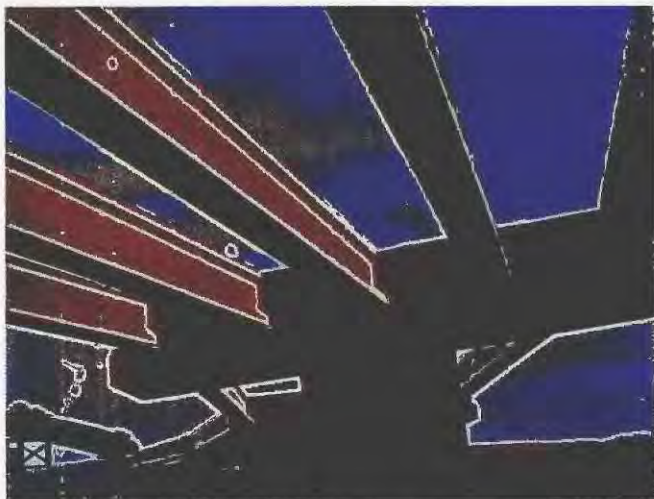
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|                     | 1986          | 1985*         |
|---------------------|---------------|---------------|
| Premium volume...   | \$365,000,000 | \$238,793,516 |
| Gross revenues..... | \$24,800,000  | \$19,456,380  |
| Employees.....      | 246           | 256           |
| Commercial risks..  | 100%          | 100%          |
| Admitted business   | 60%           | 70%           |
| Non-admitted.....   | 40%           | 30%           |

\*1985 figures are based on results from the five entities that merged to form Howden North America.

A teamwork philosophy and system of "networking" accounts will make Alexander Howden North America Inc. the best wholesale brokerage in the business, says its management.

The Atlanta-based subsidiary of Alexander & Alexander Services Inc. has a unique approach to ser-

ving its clients, says the company's new president, and that was part of the lure that brought him to the helm of the fourth-largest wholesale broker in the *Business Insurance* ranking.



Mr. Hanna

John Hanna, who left as president and chief operating officer of Dallas wholesaler Maclean, Oddy & Associates Inc. to take the same position with Howden North America on July 1, said he

joined the company "because of the combination of people, business philosophy and direction that the company is moving."

"This company has the capability to be second to nobody in its ability to place large property/casualty and energy accounts."

Howden North America relies on

a system it has labeled "networking," which aims to put clients in the hands of brokerage personnel best suited to place the business with underwriters who understand and are willing to write the coverage. When business is accepted in one of 10 offices that make up the Howden North America network, it is either handled there or channeled to the location best equipped to service the account.

As for the success of networking, "The results speak for themselves. It works," Mr. Hanna says.

Those results: Howden North America, which was formed only last year, generated premiums totaling \$365 million in 1986, a 52.8% increase compared with \$238.8 million in premiums produced in 1985 by the five entities that united to form the company.

Gross revenues increased to \$24.8 million, up 27.2% from the \$19.5 million recorded in 1985 by the companies that came together to

form Howden North America.

"Last year, we exceeded our expectations," remarked Chairman Daniel E. Kestenbaum.

Howden North America is having another good year in 1987, Mr. Kestenbaum observed. "We're quite pleased with our results, given the significant softening of the market."

Executive Vp Robert B. Clay added, "We anticipate exceeding \$400 million" in premium in 1987.

The five companies that banded together to form Howden North America included Alexander Howden Insurance Services, a surplus lines broker and managing general agency specializing in mid-sized accounts, and Alexsam Inc., a wholesaler that spe-



Mr. Kestenbaum

cialized in large property/casualty accounts.

While those two companies no longer exist, the remaining three units are still in place as Howden North America offices. They are Illinois R.B. Jones, a Chicago-based MGA and surplus lines broker; Eyl & Gordon Insurance Brokers in New York, a wholesaler specializing in jewelers block, fine arts and precious metals coverages; and Alexander Howden Ltd. in Toronto, which specializes in utility and energy-related accounts.

Along with the Atlanta, Chicago, New York and Toronto locations, the brokerage's network encompasses offices in Boston; Cleveland; Dallas; Newport Beach, Calif.; Cherry Hill, N.J.; and Seattle.

The New Jersey office, which Howden North America operates as its mid-Atlantic regional base, was formerly J.J. Francis & Associates. The office was acquired last April and renamed Francis Brokerage Services.

After deciding to establish the Cherry Hill operation as a base for the area, Howden North America sold its Columbia, Md., office to Burns & Wilcox Ltd., a Southfield, Mich.-based underwriting manager.

Howden North America plans to open a new office in San Francisco, by year-end, Mr. Kestenbaum said.

The company's growth this year, despite the softening commercial insurance market, is coming from "a tremendous amount of new business," Mr. Kestenbaum said. "And it's coming from all over the country; there is no particular region that we feel is responsible."

He added, "In order to be successful in a soft market, you have to sell your way through it."

Mr. Clay pointed out that Howden North America has "a very strong sales effort underway. . . . We are employing what we refer to as a 'critical few' concept in getting our business."

He explained that Howden North America's "sales effort is directed toward a core group of agents that control mid- to large-sized commercial property/casualty accounts. These are generally the alphabet houses and large regional agents. . . . These are our clients and we refer to them as our 'critical few' agents. We have a very, very strong sales effort directed towards those agents."

Mr. Hanna explained that the brokerage is viewing the more competitive market as an opportunity to increase its business and is making sure employees don't develop a bad attitude during the current cycle.

*Continued on next page*



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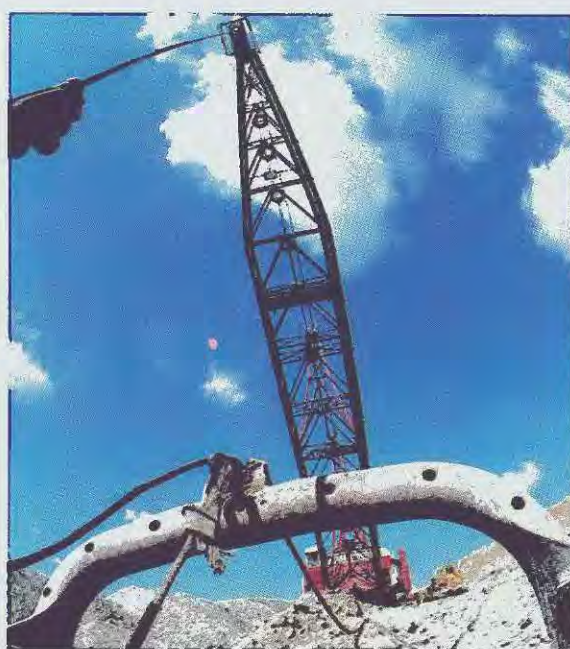
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*Continued from previous page*

There are pitfalls in a soft market that could cause personnel to stumble, he pointed out. "We're trying to condition our people not to use the soft market as an excuse for failure. That's what happens."

Instead, he said, employees are being coached to look at the current soft market as "a fantastic opportunity," Mr. Hanna said. "There are more accounts in the market seeking better terms. That means more opportunities to be successful. Thus, we have to condition our people to handle those accounts more efficiently since there will be less income on each account."

Brokers can easily develop negative attitudes if they are simply told they must handle twice as many accounts to produce the same premium volume as before he said. "And a lot of people sit back and take that negative attitude, and their results show it. We're not

going to let that happen."

Mr. Kestenbaum said Howden North America is banking on its past performance to retain clients' business during the soft market. No matter what the market condition, the brokerage has "tried in our corporate culture from our inception to provide a high level of service to those who value it."

The softening in the market began with increased competition for property accounts earlier this year and has spread to some casualty risks. On the casualty side, "the rule of thumb is, the shorter the tail, the softer it is," he noted.

Growth for Howden North America is coming from both property and casualty accounts.

"This may surprise some people, but we are a very large wholesale property broker," Mr. Clay remarked. "We don't have real good figures on our competitors, but we feel we are one of the largest wholesale property brokers in the

country."

The brokerage expects to generate \$100 million in property insurance premiums this year, according to Mr. Kestenbaum.

On the casualty side, Howden North America expects a new product to sell well in a recovering energy economy.

"We have a facility to handle excess liability on construction wrap-up projects," said Mr. Hanna, explaining that the program provides limits of \$45 million excess of \$5 million. "That is available to us through London." The program is designed for single-project construction risks and covers all the contractors in the job. It can be written on a claims-made or occurrence form.



Mr. Clay

Mr. Hanna said he is "extremely optimistic" about the recently organized facility "because of what is happening in the economy. There was a general slowdown of construction projects when the price of oil dropped. So many of the facilities that need this are energy-related: utilities, refineries and petrochemical plants."

Mr. Hanna said he expects more energy-related plants to be built as the price of oil rises. "And, we're starting to see more activity than we were a year ago."

Howden North America continues to offer one of its most successful products: long-haul trucking liability coverage through a joint venture with Home Transportation Agency, a unit of The Home Insurance Co.

Under the program, Howden North America acts as an underwriting manager for The Home, generally writing liability insurance up to a limit of \$1 million. However, higher limits can be arranged, Mr.

Clay noted, and a reinsurance treaty is being arranged that would allow buyers to purchase \$1 million excess of \$1 million.

Mr. Clay said, "We got it off the ground in 1986 and we are pleased with the results."

In 1986, the trucking risk program generated around \$25 million of annualized premiums. This year, it should produce from \$35 million to \$40 million in annualized premiums, according to Mr. Clay. The business represents 7% of Howden North America's total business.

The brokerage also has re-established a liability insurance facility for railroad contractors that it had discontinued temporarily when capacity tightened. Written through Illinois R.B. Jones, the program provides per-occurrence liability limits of \$5 million, with a \$10 million aggregate limit. The coverage, written on a claims-made form by Lloyd's of London syndicates and other London companies, requires a minimum premium of \$9,000.

Illinois R.B. Jones also offers specialty contracts written in the London market that include errors and omissions coverage for architects and engineers, seedsman's E&O coverage and an excess medical stop-loss insurance program for self-insured employers.

Howden North America continues to work closely with its sister company Alexander Howden Ltd. in London, Mr. Kestenbaum noted.

"Our integration and synergism with our sister company in London provides both sides with a level of service, responsiveness and teamwork that none of our competitors possess. For the client's benefit and the retail broker's benefit, networking not only includes—but emphasizes—the London connection," Mr. Kestenbaum said.

One type of coverage Howden North America no longer offers is financial guarantee insurance for banks to cover personal automobile loans. The coverage was written through the brokerage's banking division in Atlanta, which was discontinued last year.

Apart from the 7% of its business Howden North America places as an underwriting manager, another 8% is written as a managing general agent. Mr. Clay said those percentages should remain about the same in 1987.

The 8% MGA business represents coverage written for Lloyd's syndicates and a small amount of primary liability and property business Howden North America binds on behalf of Scottsdale Insurance Co. in Scottsdale, Ariz.

Howden North America places 85% of its business as a brokerage for insurers, including: International Insurance Co. of Chicago; Admiral Insurance Co. of Cherry Hill, N.J.; St. Paul Surplus Lines Insurance Co. of St. Paul, Minn.; National Union Fire Insurance Co. of Pittsburgh, Pa.; Lexington Insurance Co. of Boston; First State Insurance Co. of Boston; California Union Insurance Co. of Los Angeles; Fireman's Fund Insurance Co. of Novato, Calif.; Columbia Casualty Co. of Chicago; units of Philadelphia-based CIGNA Corp.; the Illinois Insurance Exchange in Chicago; and RLI Insurance Co. of Peoria, Ill.

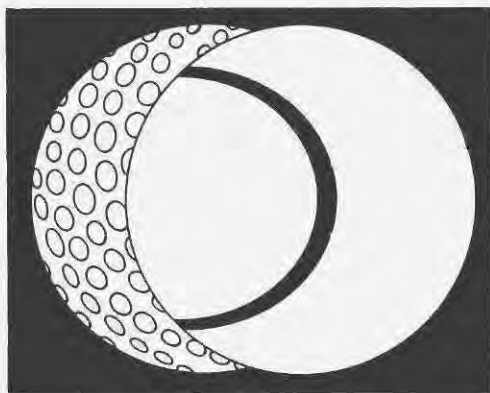
Altogether, 60% of the broker's business is insured by admitted insurers and the remainder is with non-admitted companies. All the business produced by Howden North America is commercial.

There were 246 employees at Howden North America at the end of 1986, seven fewer than in 1985.

In addition to Mr. Kestenbaum, Mr. Hanna and Mr. Clay, principal officers at Howden North America are: Dennis Rupp, Richard Ruhe and Roger Ruppe, executive vps, and Dave Wolf Jr., vice chairman.

Howden North America is a member of AAMGA and NAPSLO.

—By Michael Bradford



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|                     | 1986          | 1985          |
|---------------------|---------------|---------------|
| Premium volume...   | \$527,000,000 | \$268,000,000 |
| Gross revenues..... | \$44,795,000* | \$34,840,000* |
| Employees.....      | 292           | 164           |
| Commercial lines... | 100%          | 100%          |
| Admitted business   | 98%           | 98%           |
| Non-admitted.....   | 2%            | 2%            |

\*BI estimate

With its best year ever under its belt, Washington, D.C.-based underwriting manager Victor O. Schinnerer & Co. Inc. is poised for further growth.

In 1986, Schinnerer's premium volume virtually doubled for the second year in a row.

Schinnerer's 1986 premium volume of \$527 million is a 96.6% leap from 1985 premium volume of \$268 million. In 1984, the underwriting manager posted \$144 million in premiums.

This tremendous increase in business has catapulted Schinnerer to the No. 1 spot in the *Business Insurance* ranking of underwriting managers and managing general agents, compared with the company's No. 3 ranking in 1985 and No. 6 position in 1984.

While premium volume growth last year was helped considerably by the purchase of ENCON Insurance Managers Inc., a Canadian underwriting manager, growth is shooting ahead this year without the aid of any acquisitions.

During the first six months of 1987, Schinnerer, a Marsh & McLennan Cos. Inc. subsidiary, produced premium volume of \$287 million, up 30.3% from \$214 million during the same period in 1986.

If business continues to increase, it is possible that Schinnerer's premium volume this year could approach or hit the \$600 million mark, company officials say.

Reaching that level would be a heady achievement for an underwriting manager whose premium volume was just \$125 million four years ago, and whose growth rate slowed substantially during the soft market of the early 1980s.

"1986 was a great year... an exciting year that exceeded all expectations," beams Schinnerer Senior Vp Douglas C. Dolan Jr.

Mr. Dolan describes 1985 and 1986 as "bellwether years" in which Schinnerer reaped the fruits of its historic, consistent

underwriting philosophy.

During the soft market of the early 1980s, Schinnerer was prepared to lose, and in fact did lose, business to competitors because it refused to get on price competition bandwagon and continued to price coverage according to risk and loss experience.

Schinnerer's insurers fully supported the underwriting manager's decision not to follow the price-cutting leaders, Mr. Dolan says.

"Our carriers support our position of responsible underwriting and pricing. If that means letting a significant part of business go, we would rather do that than follow the market down," he explains.

To illustrate Schinnerer's underwriting philosophy, Mr. Dolan draws a line in which rates closely follow experience compared with the underwriting line of competitors that resembles a roller coaster going up and down as the market alternately softened and hardened.

Just as Schinnerer eschewed unjustified rate cutting during the soft market, it doesn't raise rates just

because the market tightens.

"We don't raise prices (when things are tight) to what the market can bear or take. On the same token, during the soft market, we don't follow prices down. We are looking for a long-term stable ride rather than the typical roller coaster," Mr. Dolan said.

This long-term and steadfast commitment to sound underwriting have been beneficial to both buyers and insurers, he points out.

"During the soft market we had not engaged in ruinous price-cutting and our carriers' capital base was not eroded," Mr. Dolan said.

"While we suffered somewhat during the soft market of 1979 to mid-1984, sticking to our long-term outlook now has paid off," he added.

While insurers that didn't price according to risk during the soft market had to raise prices drastically or exit various product lines,

*Continued on next page*

Joe P. Moss, Pres.

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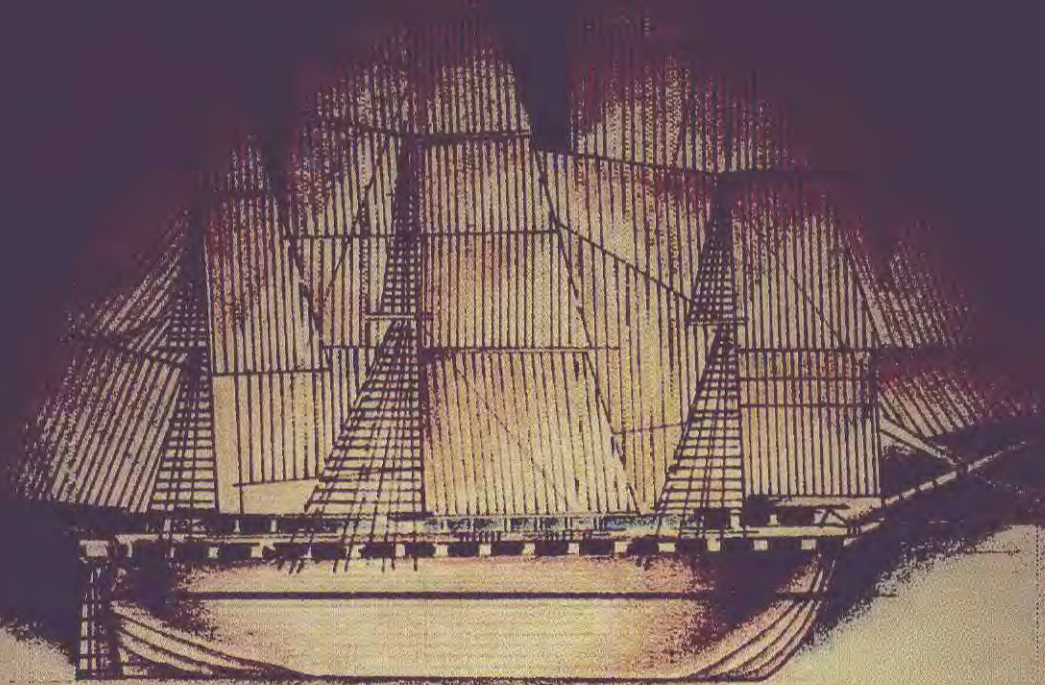
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*Continued from previous page*  
 Schinnerer's insurers were ready to do business when the market tightened. "Our carriers were essentially prepared to give us as much capacity for as much well-written business as we could present," said Mr. Dolan.

Now, as the commercial insurance market again begins to soften, Schinnerer is not changing its strategy.

"The market is already beginning to soften again in a lot of areas," he said, adding that by the end of 1987 or beginning of 1988 Schinnerer will lose some business to price-cutting competitors.

For example, Schinnerer expects premium growth for excess hospital professional liability business to be flat because companies will re-enter that market and charge lower rates than Schinnerer to gain market share, Mr. Dolan said.

"But, we are not going to follow (the price-cutting) leaders," he said.

Business still is booming in Schinnerer's architects and engineers professional liability program offered under an exclusive arrangement with CNA Insurance Cos. of Chicago.

During the last year, premium volume for architects and engineers professional liability coverage just about doubled, Mr. Dolan said. The reason for that growth: While competitors, burned in the soft market withdrew, cut back coverage or raised rates by 200% or more, Schinnerer raised rates by

11% last year and has planned no rate hikes for 1987.

And with coverage limits of \$15 million, Schinnerer's architects and engineers professional liability program offers a higher limit than any competitor, Mr. Dolan said.

"While \$15 million is usually more than enough coverage, Schinnerer has been able to put together higher limits on big projects," he said.

Schinnerer's architects and engineers professional liability program—now in its 31st year—is endorsed by the American Institute of Architects and the National Society of Professional Engineers.

Schinnerer holds a commanding share—about 65%—of the architects and engineers professional liability insurance market, but more competition could be on the horizon: A group of architects and engineers is attempting to organize a risk retention group to cover professional liability exposures (*BI*, June 8). However, Mr. Dolan questions the need for such a risk retention group and whether such a group would be viable.

"The Schinnerer architects/engineers program is based on actuarial, justified rates. So, a risk retention group set up at lower rates would, almost by definition, self-destruct," he says.

But, he adds, risk retention groups can fill a definite need when the commercial insurance market does not respond and provide the coverage that is needed.

For example, Schinnerer is the

underwriting manager for United Educators Insurance Risk Retention Group Inc., which was recently licensed in Vermont.

The United Ed program was organized to provide educational institutions with long-term, stable excess liability and educators legal liability coverage.

United Ed is offering \$5 million of excess liability coverage over a retention of \$1 million, with an additional \$10 million in excess coverage available through American Home Assurance Co. of New York. The risk retention group also provides \$5 million of educators legal liability insurance.

Schinnerer also is the underwriting manager for a similar program—School, College & University Underwriters Ltd., or SCUUL—that was established last year in Bermuda (*BI*, Dec. 8, 1986).

Mr. Dolan notes that both United Ed and SCUUL offer policy forms specifically tailored to meet the needs of educational institutions and are broader than forms used in the commercial marketplace.

Already, commercial insurers are responding to United Ed and SCUUL by cutting prices and making coverage more available.

But Mr. Dolan hopes educational institutions take a long-term view and keep in mind that markets that are now coming back and courting educational institutions will again leave the market when the underwriting cycle hardens once again.

Schinnerer also is talking to various organizations about forming

risk retention groups for professional liability insurance, including a group that would write medical malpractice insurance.

Premium volume produced by Schinnerer's hospital excess professional liability program increased by about 80% in 1986 as Schinnerer picked up a substantial amount of new business when other insurers left the market, Mr. Dolan said.

This program, written through Travelers Corp. of Hartford, Conn., provides up to \$28 million of coverage over retentions of \$1 million per claim/\$3 million aggregate.

Just as Schinnerer dominates the architects/engineers professional liability insurance market, it is a leading market for real estate agents' errors and omissions coverage. Mr. Dolan estimates that Schinnerer provides E&O coverage to more than 120,000 real estate agents, or 75% of the market.

The Travelers-insured program, introduced in 1983 and endorsed by the National Assn. of Realtors, is offered nationwide, with a \$5 million policy limit.

Many real estate agents, though, can expect rate hikes as high as 90% this year, due to increased claims frequency, Mr. Dolan said. Rates for the coverage have not been increased since 1985.

"Real estate E&O is a class of business where rising consumer expectations have resulted in more litigation. Real estate agents are looked upon as a source of compensation for some perceived misrepresentation. A rate hike was needed," Mr. Dolan said.

But Mr. Dolan hopes that future rate increases can be moderated with the start of a new loss prevention program developed with the Realtors.

Schinnerer also offers an E&O coverage program for non-profit organizations and a directors and officers liability insurance program for both for-profit and non-profit organizations. The programs are written by Federal Insurance Co. of Short Hills, N.J., a unit of Chubb Corp.

Limits provided by these programs range from between \$5 million and \$10 million.

Schinnerer has no current plans to re-enter the lawyers' professional liability insurance market. It left that market in 1984 when the insurer that wrote the Schin-

nerer program—United States Liability Insurance Co. of King of Prussia, Pa.—dropped out.

Schinnerer made one acquisition—a major one—in 1986 with its purchase last October of ENCON Insurance Managers, a Canadian underwriting manager based in Ottawa that also has offices in Toronto and Dallas.

Established in 1962, ENCON is a specialist in professional liability insurance programs and maintains the same underwriting philosophy as Schinnerer, Mr. Dolan says.

"In essence, they are almost a Canadian duplicate of us—a perfect fit," he says.

The acquisition "gave us an opportunity to expand into the Canadian market—where we had not been before—and gave ENCON a significant opportunity to expand into the U.S.," Mr. Dolan said.

Terms of the acquisition were not disclosed, but Mr. Dolan said ENCON's premium volume for 1986 was in excess of \$100 million.

Mr. Dolan says Schinnerer is neither acquisition-hungry or acquisition-averse, noting that any opportunity would be judged individually.

Schinnerer's employee roster has expanded significantly in the last year because of both the ENCON purchase and increased hiring. Currently, Schinnerer has 325 employees—the majority in Washington—up 85.7% from 175 employees a year ago.

Schinnerer maintains offices in New York, Chicago, San Francisco, Dallas, Bermuda, Ottawa and Toronto.

Some 98% of Schinnerer's business was written by admitted insurers in 1986, unchanged from 1985.

In addition, about 95% of Schinnerer's premium volume is generated as an underwriting manager with less than 5% as a managing general agent. Brokerage business amounts to about 1% of Schinnerer's premium volume.

Schinnerer also is a correspondent for underwriters at Lloyd's of London.

Schinnerer's principal officers are: J. Sprigg Duvall, president; James R. Stevens, executive vp; Merrill B. Walker, senior vp and chief financial officer; Marshall A. Ames, Paul L. Genecki, Thomas F. Tucker, senior vps.

—By Jerry Geisel

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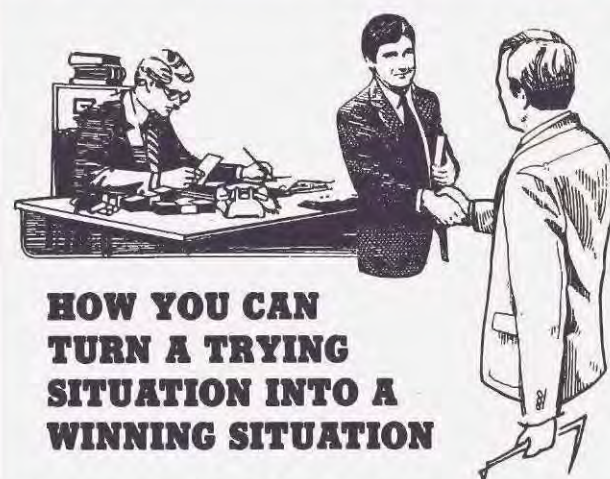
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**The London Agency Inc.**

1230 W. Peachtree St. N.W., Atlanta, Ga. 30309; 404-875-9641

|                     | 1986          | 1985          |
|---------------------|---------------|---------------|
| Premium volume...   | \$466,850,279 | \$205,600,000 |
| Gross revenues..... | \$16,853,403  | \$9,040,000   |
| Employees.....      | 185           | 174           |
| Commercial lines..  | 100%          | 100%          |
| Admitted business   | 93%           | 86%           |
| Non-admitted.....   | 7%            | 14%           |

The 70-year-old underwriting box transplanted from Lloyd's of London to the office of The London Agency Inc. looks at first glance like two oak church pews on each side of a small altar.

And from the looks of The London Agency's 1986 results, management may have bent a knee or two at the underwriting shrine.

Riding the crest of a hard market cycle, the Atlanta-based subsidiary of Crum & Forster Inc. watched its premium volume and gross revenues head toward the heavens as it catapulted to the No. 2 spot among underwriting managers/managing general agents surveyed by *Business Insurance*.

The London Agency recorded premium volume of \$466.9 million in 1986, a 127% increase compared with \$205.6 million in 1985. Its gross revenues jumped to \$16.9 million, up 86% from \$9 million in 1985.

And, in 1985, the agency's premiums increased 85% from \$110.9 million in 1984. Gross revenues in 1985 rose only 12% from the previous year's \$8.1 million.

The growth in 1986, the agency's management says, is the result of a huge increase in the average premium size of the agency's principal offering: commercial umbrella policies written as a managing general agent for Crum & Forster units.

The average premium for a commercial umbrella policy increased to \$86,000 in 1986 from \$25,000 the year before, explained James A. Dixon, president of The London Agency. At the same time, the number of policies issued fell by 1,100 in 1986, a 20% decrease from 1985.

This explains why The London Agency needed to increase its staff only 6.3% to 185 at year-end 1986 compared with 174 in 1985.

"We price the same product much higher during a time when the industry permitted us to price the product effectively," Mr. Dixon observed.

London Agency Chairman Steven D. Smith added that the company doesn't retreat during a hard market cycle like some others might.

"As a specialty underwriter, we often find ourselves in a contrarian market position," he noted. "When the market is very hard and there are few places for producers to go, that's when we tend to step forward and make our resources available."

The umbrella policy, written on an occurrence form, provides excess liability limits of \$1 million to \$5 million above \$1 million of underlying primary coverage. Most is written on behalf of International Insurance Co. in Chicago, another Crum & Forster unit. Other C&F units also write the coverage, including United States Fire Insurance Co., of Morristown, N.J.; North River Insurance Co. of Morristown, N.J.; and Westchester Fire Insur-

ance Co. of Basking Ridge, N.J.

The umbrella coverage is written on an occurrence form, while most of the agency's competitors are writing such business on a claims-made basis, Mr. Dixon pointed out.

Although The London Agency has never written the coverage on a claims-made form, "in the early part of 1986, it was a consideration," said Mr. Dixon. "ISO was still talking about the utilization of claims-made and a number of companies had made the conscious decision on heavy products classes, malpractice, things of that nature, that they were going to use claims-made."

Last year, the coverage generated 80% of the premiums handled by the agency.

Buyers of the umbrella policy represent a broad range of commercial risks, including contractors, mercantile risks, hotels, motels, stores and manufacturers. "We don't have any one single classification that we

**'As a specialty underwriter, we often find ourselves in a contrarian market position,' notes Chairman Steven D. Smith. 'When the market is very hard and there are few places for producers to go, that's when we tend to step forward.'**

concentrate on," said Mr. Dixon.

About 15% to 20% of premiums are produced as "brokerage business" for other markets, Mr. Smith pointed out. Those markets include Interstate Fire & Casualty Co. in Chicago, Lexington Insurance Co. in Boston and First State Insurance Co. in Boston.

In addition, about 5% of premium is placed with underwriters at Lloyd's of London.

All the business handled by The London Agency is commercial lines.

Last year, 93% of the premiums were placed with admitted insur-

ers, compared with 86% the previous year. The amount of business placed in the non-admitted market fell to 7% in 1986 from 14% the year before.

The changes in those figures do not represent a decision to place more business with admitted insurers, said Mr. Dixon, but the impact of the increase in premiums for the umbrella coverage that is written by admitted companies.

Apart from the umbrella program, The London Agency also places some excess property coverages and inland marine risks.

Property limits available through the agency vary greatly according to the risk. "We have extensive property capacity," said Mr. Smith.

The London Agency specializes in "medium to large premium-sized accounts that also reflect medium-to high-hazard exposures," he said.

But Mr. Dixon pointed out that there are a few risks the agency is not interested in handling, such as "catastrophic" risks involving chemicals, pharmaceuticals, explosives or malpractice risks.

Mr. Smith explained that "we try and stay in areas that we are comfortable with and try not to get outside our capabilities."

In 1986, 60% of the agency's premium volume came from wholesale producers while the remainder was from retailers. A "high percentage" of the business from retailers was from national organizations, according to Mr. Dixon.

Mr. Smith said The London Agency  
*Continued on next page*

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Mr. Dixon

This explains why The London Agency needed to increase its staff only 6.3% to 185 at year-end 1986 compared with 174 in 1985.



Mr. Smith

"As a specialty underwriter, we often find ourselves in a contrarian market position," he noted. "When the market is very hard and there are few places for producers to go, that's when we tend to step forward and make our resources available."

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**SKANDIA AMERICA GROUP**

Continued from previous page

Agency expects premium volume generated in 1987's softening marketplace "to remain reasonably stable or decline slightly. However, at the same time we expect our in-force policy count to rise slightly, which means there will be a lowering of our average premium size."

In spite of that projection, the agency is "slightly ahead of our plan for the year," he added. "And, in fact, we are slightly ahead of 1986."

During the first half of this year, gross premium volume is up approximately 20% to about \$259 million.

"We are particularly pleased with the first-quarter pricing," Mr. Dixon said. "Pricing levels held hard with our January renewals, which was significant."

Adjustments in price began showing up later in the year, he added.

Mr. Smith said: "The market is adjusting, with the principal adjustments taking place in the property lines at this point in time. Most casualty lines, I think, are holding reasonably firm."

Mr. Dixon added that The London Agency has noticed only in recent weeks some softening of casualty rates. "On an overall basis, for the first six months there hasn't been any major change in our pricing."

**'We are particularly pleased with the first-quarter pricing,' says President James A. Dixon.**

Mr. Smith pointed out the duration of the market softening is "hard to project." He added, though, that "the insurance industry is much more sophisticated as a result of the last cycle and has put in place some price-monitoring types of systems that hopefully will measure and prevent" prices from falling below a "slight-profit or break-even" point.

Mr. Smith and Mr. Dixon observe that admitted insurers now are accepting risks that only the surplus lines insurers would take on during the most recent hard market cycle.

"No question," Mr. Smith declared. "During the hard market, a fair percentage of risks gravitated to the E/S or specialty business because that was the only market that was available."

"As the market has softened and financial results have improved, standard admitted companies have become more aggressive as their expectations of improved results

are greater."

Mr. Dixon said: "I wouldn't say there is any one particular class that goes back (to the admitted market). Because The London Agency has consistently over the years written all different types of classes, we see an erosion in each category. In other words, some contracting risks go back, some mercantile risks go back, some manufacturing risks go back."

Mr. Smith added, "I think it's fair to generalize that the more Main Street-type exposures and the smaller, less hazardous risks gravitate back to the admitted market first."

Although several surplus lines insurers have made headlines recently because of their financial problems, insolvencies have not greatly affected The London Agency, said Mr. Smith.

"I think the only impact of insolvencies on our business is the extent of uncollectable reinsurance from past arrangements," he noted. "That will impact not only us but the industry at an extent which you simply can't quantify at this point in time."

While he would not say specifically how much reinsurance The London Agency is unable to collect from troubled reinsurers, Mr. Smith did add that the agency has made "what we hope is adequate provision for those ultimate con-

tingencies."

The amount of uncollectable reinsurance is a "relatively minor factor in our business. But nonetheless, a cost of doing business," said Mr. Smith.

Despite the significant number of insolvencies among non-admitted markets, more regulation of surplus lines insurers is not necessarily a good solution, according to Mr. Smith.

The surplus lines industry evolved to fill a need not being met by the standard market, Mr. Smith pointed out.

"The surplus lines agent assumes the responsibility along with the client in assessing the security" of an insurer, he said. "You can never guarantee solvency, but I think as long as agents, brokers and customers evaluate and buy their protection from financially stable companies, there shouldn't be a problem. It's only when a financially unstable company provides an extremely low price that the broker or customer may find a problem."

Guaranty funds for surplus lines insurers are definitely not a good idea, said Mr. Smith.

"I believe the insurance industry can do a better job of filling insurance needs than any government bureaucracy," he remarked. "The industry is perfectly capable of policing itself."

Guaranty funds have not been effective in accomplishing what they are set up to do, said Mr. Smith. "The words 'guaranty fund' imply that there will be no problem if a company goes bankrupt. That's just not true."

The future is difficult to project, says Mr. Smith, "particularly in the specialty business. I would suggest The London Agency is and will continue to be an aggressive player in the specialty insurance market, hopefully responsive to the needs of agents, brokers and the consumer."

Apart from Mr. Smith and Mr. Dixon, who joined the agency last year after leaving Floyd West & Co. in Dallas, principal officers of The London Agency are J. Michael Rogers, E.G. Lassiter and Reuel B. Euttram, senior vps.

The 28-year-old agency, which has branch offices in Tampa and New Orleans, is a member of NAPSLO.

—By Michael Bradford

**General Star Management Co.**

Financial Centre, P.O. Box 10354 Stamford, Conn. 06904; 203-328-5700

|                     | 1986          | 1985          |
|---------------------|---------------|---------------|
| Premium volume...   | \$338,979,000 | \$162,860,000 |
| Gross revenues..... | NM            | NM            |
| Employees.....      | 140           | 98            |
| Commercial lines..  | 100%          | 100%          |
| Admitted business   | 26.7%         | 47.7%         |
| Non-admitted.....   | 73.3%         | 52.3%         |

Although General Star Management Co. more than doubled its premium volume last year, the underwriting manager's volume is slipping this year.

The reason: the loss of excess liability business to admitted market insurers.

General Star Management—which underwrites for two General Reinsurance Corp. units, General Star Indemnity Co. and General Star National Insurance Co.—saw its gross premium volume balloon 108.1% last year to \$339 million from \$162.9 million in 1985.

General Star Management's gross written premium figures for 1986 and 1985 include various amounts of admitted insurance premiums written on behalf of North Star Reinsurance Co., another General Re unit. General Star Management has used General Star National to write nearly all admitted business instead of North Star Re.

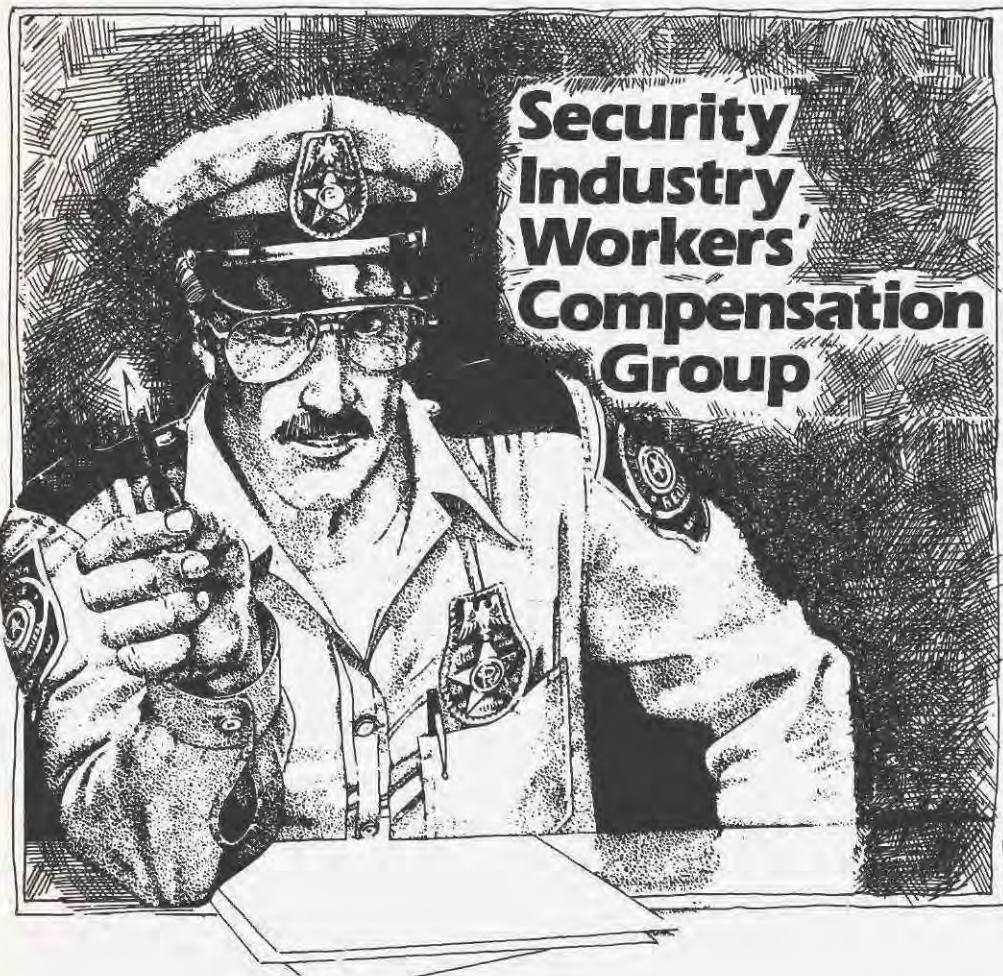
The expansion makes the previously unranked General Star Management the third-largest underwriting manager/managing general agent ranked by *Business Insurance*.

However, during the first half of 1987, gross written premiums fell 25.3% to \$125.6 million from \$168.1 million during the same period last year.

"The standard markets have become more aggressive price-wise, and we have not responded to that," noted General Star Management President Kevin P. Brooks. "Virtually everything we are losing in the excess department is going to the standard markets" rather than to other surplus lines insurers.

But General Star Management is taking steps to attract new business, including recently increasing

Continued on next page



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its maximum excess liability limit to \$10 million from \$5 million, Mr. Brooks noted.

The management company is not reducing rates on a widespread basis, however, he said. While it has lost casualty business to other markets that have offered rate reductions of up to 40%, General Star Management is renewing the bulk of its business at last year's rates, Mr. Brooks said.

"There's nothing in our margin that tells us we can cut prices across the board," he explained.

The company does not seem too disturbed by the decline in premium volume: Gross premiums for all of 1987 may amount to only \$275 million, and Mr. Brooks said that he would not be bothered if volume fell below this level.

Mr. Brooks also is dubious about the publicity that is accompanying the manager's explosive growth over the last two years.

"There are benefits to having a low profile," he observed.

One of these, he explained, is the ability to deal effectively with a select group of producers. Two years ago, as property/casualty markets were tightening, General Star Management worked with 160 producers; this number has since been pared to 95, all wholesale brokers, Mr. Brooks said.

Until 1985, the pace of the company's growth was leisurely.

"Our growth during the first seven to eight years was very slow and deliberate, and we were very comfortable with it. Our experience over that period appears to be strong," Mr. Brooks pointed out.

Now, General Star Management's growth is tracking the soaring growth of the two insurers for which it underwrites.

General Star Indemnity, a non-admitted insurer licensed only in its home state of Connecticut, wrote just less than \$20 million in gross premiums in 1984 and substantially less than that amount in prior years.

But the insurer received surplus contributions of \$20 million in 1985 and \$40 million in 1986, and volume expanded commensurately. Gross written premiums amounted to \$258.3 million in 1986—including \$10.7 million written on an admitted basis in Connecticut—up 224.4% from \$79.6 million in 1985. Gross premiums in 1985 were up 298.7% from \$20 million in 1984.

Net premiums totaled \$100 million last year, up 76.6% from \$56.7 million in 1985.

General Star Indemnity's earned premiums amounted to \$70.2 million last year while losses, loss expenses and other underwriting expenses amounted to \$70.6 million, leaving an underwriting loss of \$367,046.

After investment gains of \$11.2 million, taxes and other gains and losses, the insurer ended the year with net income of \$9.3 million. Policyholder surplus as of Dec. 31, 1986, was \$74.5 million.

Meanwhile, General Star National—formerly known as Monarch Fire Insurance Co.—was acquired by General Re in November 1985 and received a surplus contribution of \$26 million that year.

General Star National, operating as an admitted insurer in all states except Hawaii, reported gross written premiums of \$82.6 million last year, up 104% from \$40.5 million in 1985. Net premiums totaled \$18.4 million, up 114% from \$8.6 million in 1985.

General Star National's earned premiums amounted to about \$10.5 million last year, while losses, loss adjustment expenses and underwriting expenses totaled \$10.4 million, leaving an underwriting gain of \$108,258.

After investment income of \$3 million, taxes and other gains and losses, General Star National reported net income of \$2.3 million

**'I don't think we have withdrawn from a line in 10 years, but then we haven't added things that often either. Change comes very slowly around here. We aren't prone to knee-jerk reactions to things,' says President Kevin P. Brooks.**

for 1986. Policyholder surplus as of Dec. 31, 1986, was \$30.5 million.

About \$248.5 million, or 73.3%, of General Star Management's 1986 gross premiums were written on a non-admitted basis, while \$90.5 million of its gross premiums, or 26.7%, were admitted.

This represents a substantial increase in non-admitted business from the previous year, when 52.3%, or \$85.2 million, of the management company's \$162.9 million in gross premiums were non-admitted and 47.7%, or \$77.7 million, were admitted.

And for the first six months of 1987, non-admitted business comprised 78.4%, or \$98.5 million, of the management company's \$125.6 million in gross premiums, while admitted business accounted for 21.6%, or \$27.1 million.

The bulk of General Star Management's \$339 million in 1986 gross premiums—roughly \$259 million—is attributable to excess liability coverages, according to Mr. Brooks.

About 65% of the management company's excess liability book consists of umbrella business,

while 35% consists of following-form excess policies, Mr. Brooks said, adding that the same proportions apply for business written through the first six months of this year.

Nearly all of General Star Management's excess liability business attaches above a \$1 million primary layer, Mr. Brooks noted. General Star Management's relatively conservative underwriting style has not changed in the last year, he added.

The management company avoids Fortune 500—or even "Fortune 2,000"—risks and writes relatively little product liability business, he said.

General Star Management also does not write any errors and omissions, directors and officers liability or medical malpractice policies, he said.

"There are lots of things we don't do," he observed.

While maintaining that no single

type of risk makes up a large share of General Star Management's casualty book, Mr. Brooks said that the manager does write a lot of owners, landlords and tenants policies and liability coverage for small to medium-sized contractors.

The management company has not withdrawn from—or jumped into—any significant coverage lines, he added.

"I don't think we have withdrawn from a line in 10 years, but then we haven't added things that often either," Mr. Brooks said. "Change comes very slowly around here. We aren't prone to knee-jerk reactions to things."

Roughly \$75 million of General Star Management's 1986 gross premium volume consisted of primary liability coverages, comprising mainly OL&T and M&C coverages, Mr. Brooks said.

Primary liability policyholders tend to be larger than the

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Continued from previous page  
 underwriting manager's excess liability accounts and typically maintain large deductibles or self-insured retentions, he said.

All of the company's primary accounts are written on a non-admitted basis, he added.

In addition, about \$5 million of the company's 1986 gross premiums were derived from property business, Mr. Brooks reported.

This year, the primary liability share of the management company's overall book will increase as excess liability business is lost to admitted insurers, he added.

Since General Star Management—as a surplus lines underwriting manager—cannot compete with admitted markets on the basis of price, it has increased its available limit on umbrella and excess risks to \$10 million from \$5 million as of June 1, Mr. Brooks reported.

The new limit—made possible with the support of a recently arranged reinsurance treaty—may attract submissions that the management company might not otherwise have seen, given the more competitive market, he observed.

General Star Management's staff increased to 140 employees last year from 98 in 1985. The staff currently numbers about 146.

The underwriting manager has steadily increased the size of its claims department staff in anticipation of the "inevitable" flow of claims that will follow the premium growth of the past two years, Mr. Brooks said.

Accounting and data processing systems also are being improved to ease the handling of the larger volumes of business, he noted.

In addition to Mr. Brooks, principal officers of General Star Management include Sam C. Anderson, John B. Gould and Scott Lockett, second vps in charge of the excess, primary and property departments, respectively; and Richard D. Gray, vp and manager of the firm's Chicago office.

General Star Management is a member of NAPSLO.

—By Douglas McLeod

**Crum & Forster Managers Corp. of Illinois**

200 S. Wacker Drive, Chicago, Ill. 60606; 312-993-6300

|                     | 1986          | 1985          |
|---------------------|---------------|---------------|
| Premium volume...   | \$331,275,000 | \$357,153,000 |
| Gross revenues..... | NM            | NM            |
| Employees.....      | 325           | 261           |
| Commercial lines..  | 100%          | 100%          |
| Admitted business   | 55.2%         | 65.6%         |
| Non-admitted.....   | 44.8%         | 34.4%         |

In a "very hectic year" of change, as described by its president of 16 months, David N. Thompson, the new management of Crum & Forster Managers Corp. of Illinois reshaped the company in the image they envisioned last year.

CFMC (Ill.), the renamed L.W. Biegler Profit Center, increased its capacity, recruited hordes of new staff, implemented more restrictive underwriting and pricing guidelines—now all reduced to 21 product books—and established making an underwriting profit as its primary goal.

"We are all focused on product expertise and service," Mr. Thompson said, with the goal to provide "responsive yet prudent" products.

CFMC (Ill.), a Chicago-based underwriting management subsidiary of Crum & Forster Inc., now offers about twice the capacity it did last year for the specialty commercial products it writes on behalf of four Crum & Forster insurance companies.

Capacity offered by CFMC (Ill.) increased substantially Jan. 1, with the Crum & Forster insurance units assuming larger net lines on the business written by CFMC (Ill.) and with more support from reinsurers.

Capacity for professional liability and directors and officers liability risks is now \$5 million, up from \$3 million; casualty capacity is \$2.5 million, up from \$1 million; and property capacity is the same as last year, \$2.5 million, which

was "all we asked for," Mr. Thompson said.

CFMC (Ill.) uses facultative reinsurance when needed to provide additional limits.

And, by year-end 1986, the staff at CFMC (Ill.) was 24.5% larger—growing to 325 from 261 at year-end 1985. The company expects to employ 380 at year-end 1987.

The largest staff growth was in the claims department, the financial department and the underwriting staff, said Mr. Thompson. There was little growth in administration, reinsurance, brokerage or marketing staffs.

The additional staff, recruited primarily in the Chicago area, is designed to improve service and improve reporting, analysis and price monitoring, Mr. Thompson said.

"Controls, guidelines and pricing are three areas where we've placed emphasis," commented Dennis Gibbs, senior vp and chief financial officer, who joined the company with Mr. Thompson last year.

Among the additional staff was another high-level management change this year.

Roger A. Quigley joined CFMC (Ill.) in March as senior vp and chief underwriting officer. Mr. Quigley had been vp-casualty and excess underwriting for Crum & Forster Underwriters Group in Basking Ridge, N.J., the predecessor to Crum & Forster Commercial Insurance, and is a 22-year veteran of Crum & Forster.

Mr. Quigley, who formerly had oversight responsibilities for CFMC (Ill.), assumed the responsibilities of Richard Vassallo, who is now senior vp of product development and special areas of research.

"Roger took over where Dick left off, to implement new approaches and refinements of old products," said Mr. Thompson.

In addition, with the promotion of the CFMC (Ill.) Chairman and Chief Executive Officer Robert J. Vairo to president of Crum & Forster Inc. in February, William E. Buckley became chairman and



Photo: Mary Herleby

**Dennis Gibbs, left, David Thompson and Roger Quigley all have joined CFMC (Ill.) within the last 18 months.**

CEO of the Illinois underwriting manager. Based in Basking Ridge, N.J., Mr. Buckley is CEO of Crum & Forster Commercial Insurance, which encompasses all Crum & Forster commercial underwriting in 40 states east of the Rockies.

Crum & Forster is a subsidiary of Xerox Corp., which acquired the company in January 1983.

But, while capacity and staff grew at CFMC (Ill.), premium volume fell slightly in 1986 compared with 1985, down 7.2% to \$331.3 million from \$357.2 million.

The 1985 premium volume is restated to omit premiums produced by a New York office, which does not report to CFMC (Ill.)

The lower premium volume dropped CFMC (Ill.) to the fourth spot among the underwriting managers/managing general agents ranked by *Business Insurance*, from the largest last year, even considering the restatement of premiums, because other companies grew dramatically.

Reduced capacity last year and the termination of some MGA relationships, in keeping with the CFMC (Ill.) plan to be responsible for all of its underwriting, reduced the 1986 volume, Mr. Thompson said.

However, Mr. Gibbs advised: "Comparing volume one year to the next can be misleading. There was a significant reduction in exposure units and a significant increase in premium per risk in '86," he explained, citing the "mul-

tiply price increases in 1986" and the large number of small policies written in 1985.

"We achieved well-priced volume in 1986," Mr. Thompson said, which was a goal he cited last year with the implementation of stricter risk selection criteria in 1986.

Premiums written this year are expected to total \$365 million, or a 10% increase compared with 1986.

The amount of business written on a surplus lines basis increased in 1986 to 44.8% in 1986 from 34.4% in 1985, reflecting the need for the rate and form flexibility offered by a surplus lines insurer. The percentage written on a surplus lines basis is expected to remain about the same this year.

CFMC (Ill.) writes on a surplus lines basis on behalf of Chicago-based International Surplus Lines Insurance Co. and on an admitted basis on behalf of North River Insurance Co. of Morristown, N.J.; United States Fire Insurance Co. of Morristown, N.J.; and International Insurance Co. of Takoma Park, Md.

Major reinsurers supporting business written by CFMC (Ill.) now are Kemper Reinsurance Co., of Long Grove, Ill.; NWNL Reinsurance Co. of Minneapolis and F&G Reinsurance Ltd., a Bermuda-based unit of USF&G Corp.

The underwriting manager places a small percentage of business—1%—as a broker with other markets.

Continued on next page



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Continued from previous page

Among the underwriting refinements introduced by Mr. Quigley is quoting the commercial umbrella policy offered by CFMC (Ill.) with defense costs outside the limits, which began June 30. For the last couple of years, defense costs had been quoted within limits, but the product was not selling in a softening insurance market.

In addition, Mr. Quigley has revised rating techniques.

"We establish an actuarially supportable rate and determine our floor rate," Mr. Quigley explained. The floor rate is "the point at which we walk away" if the buyer wants to pay less, he explained.

"We think pricing is more definable than judgment pricing" used in recent years by surplus lines underwriters, Mr. Quigley said.

While allowing that prices are coming down in some lines, Mr. Quigley said the underwriting manager has not yet seen the competition charging prices for its products below the CFMC (Ill.) floor prices.

The rating structure for some products also has been changed, Mr. Thompson noted. For example, professional liability premiums now are based mostly on revenues rather than just the number of people employed by the policyholder.

"We have significantly enhanced our underwriting capabilities with Roger and the additional staff," Mr. Thompson said.

A major accomplishment this year was the completion of the 21 product books, one for each of CFMC's (Ill.) products. The books, which cover pricing, underwriting guidelines, claims handling, reinsurance and marketing, compile information that had been in various files.

"They are very helpful in training. It's easy to show new employees our position," Mr. Thompson said.

CFMC (Ill.) products include errors and omissions insurance for accountants (through a program endorsed by the American Institute of Certified Public Accountants), architects and engineers, lawyers, insurance agents, real estate agents, pension actuaries and appraisers.

Generally, the company does not write medical professional liability insurance, except excess policies for hospitals.

It writes D&O insurance predominantly for not-for-profit organizations, but also for corporations, which represent about 30% of its premium volume. It does not, however, offer D&O to financial institutions, a product it stopped selling more than two years ago when the company determined that the risk of loss was too high.

In addition to umbrella policies, casualty insurance products include a layered excess policy, buffer policies and excess insurance written excess of a self-insured retention.

The buffer policies still demanded in the softening insurance market are principally for public entities, Mr. Quigley noted.

Property insurance products include a package for public entities as an aggregate for self-funded programs, a package that involves a substantial deductible for hard-to-place business and specialties such as coverage for stamp and coin collections.

About 38% of premiums were generated by E&O policies, 36% by casualty policies, 14% by property policies and 12% by D&O policies.

CFMC generally writes excess of \$500,000, although its starting point is \$250,000.

CFMC (Ill.) lost two programs in the last year to alternative facilities. It had provided D&O insurance to members of National Assn. of Mutual Insurance Cos., which

formed its own insurer this year. And, CFMC (Ill.) had written environmental impairment liability insurance through Bowes & Co. in Chicago for petroleum marketers. Bowes is forming a risk retention group to write the coverage, which CFMC (Ill.) had reinsured with the Pollution Liability Insurance Assn.

CFMC (Ill.) is interested in selling its specialty products to purchasing groups and is negotiating with one now, Mr. Thompson said. The purchasing group was brought to CFMC (Ill.) by a wholesaler.

Generally, CFMC (Ill.) is a market for companies smaller than the Fortune 500.

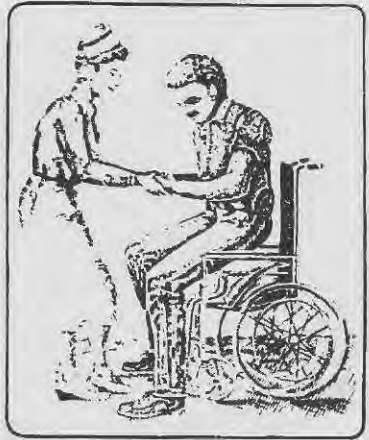
While CFMC (Ill.) continues to write professional liability on a claims-made form, it generally is offering the occurrence form for general liability risks. "We have a small amount of claims-made excess of the London form," Mr. Quigley said, explaining that Crum

*Continued on next page*

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Continued from previous page  
 & Foster does not consider the claims-made form appropriate for conventional general liability insurance.

A public entity package that had been written during 1986 on a claims-made form was returned to an occurrence form this year, with 1986 policyholders given the option to purchase an unlimited reporting period for the one year of claims-made coverage.

Commission levels paid producers were increased June 30, to 15% from 12.5% for wholesale brokers and to 10% from 7.5% for retail brokers. Other surplus lines underwriters raised commissions early in 1987, said Mr. Quigley.

Over the last year, the number of producers was gradually reduced to 600 from 1,000, with the 400 "redirected to some through the existing wholesale network," said Mr. Thompson. "Some had only one policy with us."

About 45% of CFMC (Ill.) premiums are generated by wholesale brokers and 55% retail brokers, including national retail brokers that hold surplus lines licenses.

Commenting on current market conditions, Mr. Quigley observed that the remaining buffer layer business and casualty policies written excess of a self-insured retention generally are renewing at the same premium, or with prices down fractionally. In addition, most professional liability lines and non-profit D&O also fall in this category.

However, premiums are falling somewhat—in the 5% to 15% range—for property insurance while premiums continue to go up for corporate D&O insurance and some E&O products, such as lawyers in California, Mr. Quigley said. But the increases are not dramatic, he adds.

However, conventional risks are returning to standard markets for significant savings now that capacity in the admitted market has increased, he noted. A conventional risk, he noted, would be a manufacturing company with a moderate product liability exposure.

CFMC (Ill.) is committed to seeking an underwriting profit at the risk of losing premium volume, Mr. Thompson stressed.

"We are committed to maintaining the appropriate price or losing the account," Mr. Thompson stressed. "We will not play in cutthroat competition." The company also is committed to maintaining its expanded staff, regardless of its premium volume, Mr. Thompson said.

He added that new specialties also could be developed if the competition drives the price of current CFMC (Ill.) specialties down too low.

CFMC (Ill.) does not release gross revenues; as an underwriting manager affiliate of its sole markets, an estimate of its gross revenues would not be meaningful compared with underwriting managers or managing general agents that do business with unrelated companies.

A civil tax dispute with Canadian authorities over loss reserving involving United States Fire Insurance Co. and Crum & Forster of Canada, which had once reported to the Chicago underwriting manager, was settled in the last year (BI, March 10, 1986). "The matter has been resolved in a manner favorable to United States Fire," a C&F spokesperson said, declining further comment.

CFMC (Ill.), which has branch offices in Los Angeles and Miami, is a member of NAPLSO.

Other officers of the company are Gary J. Ferguson, senior vp-claims; Walter L. Mueller, senior vp-administration; and Norman R. Reid, senior vp-reinsurance.

—By Kathryn J. McIntyre

**Cameron & Colby Co. Inc.**

60 Batterymarch St., Boston, Mass.  
 02110; 617-357-8400

|                    | 1986          | 1985          |
|--------------------|---------------|---------------|
| Premium volume...  | \$223,336,000 | \$211,483,000 |
| Gross revenues...  | NM            | NM            |
| Employees.....     | 450           | 400           |
| Commercial lines.. | 100%          | 100%          |
| Admitted business  | 50%           | 51%           |
| Non-admitted.....  | 50%           | 49%           |

Cameron & Colby Co. Inc. is trying to downplay its role as underwriting manager while playing up the names of the three Boston-based Hartford Insurance Group Inc. affiliates it manages: First State Insurance Co., New England Insurance Co. and New England Reinsurance Corp.

"The public at large doesn't know what it is," President and Chief Executive Officer Lawrence S. Doyle said of Boston-based Ca-

meron & Colby, the fifth-largest managing general agent/underwriting manager. "They may think it's a law firm, not an insurance company."

Regardless of possible name recognition problems Cameron & Colby experienced significant growth in its underwriting operations last year.

Gross direct written premiums of First State and New England Insurance totaled \$323.3 million in 1986, up 52.3% from \$211.5 million in 1985. First State—which primarily writes direct non-admitted business—accounted for \$215.3 million of the gross premiums, while New England Insurance—writing strictly on an admitted basis—accounted for \$78 million.

First State's direct premium volume consists of \$161.4 million written on a non-admitted basis in 47 states and \$83.9 million written on an admitted basis in California, Massachusetts, Delaware and for-

eign jurisdictions.

The direct volume figures do not include reinsurance assumed by the insurers through a pooling arrangement with Hartford. Under the arrangement, each company cedes its direct business and assumes a share of pooled premiums, losses and expenses.

Although First State reported a \$15.4 million underwriting loss last year—up slightly from a loss of \$15.2 million in 1985—the loss was on a much larger volume of business and reflected an improvement in the insurer's experience. First State's net loss widened to \$1.4 million from a loss of \$639,953 in 1985, and the insurer finished last year with surplus of \$68.1 million.

New England Insurance reported an underwriting loss of \$8.7 million on earned premiums of \$66.1 million last year, compared with an underwriting loss of \$2.7 million on earned premiums of \$3.6 million in 1985. The insurer ended

1986 with a net loss of \$2.5 million—compared with a gain of \$435,439 in 1985—and reported surplus of \$35 million.

Including the reinsurance operations of New England Re, Cameron & Colby reported earned premiums of \$365.8 million last year and a net underwriting loss of \$38 million. Net income after investment gains and other gains and losses amounted to \$1.1 million. Policyholders surplus of the three Cameron & Colby-managed insurers totaled \$232.5 million.

Richard E. Willey retired as chairman of Cameron & Colby last month, and no successor has been named. In addition to Mr. Doyle, Cameron & Colby officials include Ralph J. Palmieri and William Griffiths, executive vps.

Cameron & Colby, a member of NAPLSO, has offices in Boston, Chicago, Los Angeles, Atlanta, New York and San Francisco.

—By Douglas McClell

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## Atwater McMillian Inc.

445 Minnesota St., Suite 900, St. Paul, Minn. 55101 612-221-7066

|                   | 1986          | 1985          |
|-------------------|---------------|---------------|
| Prem. inv. volume | \$310,300,000 | \$214,200,000 |
| Gross revenues    | NM            | NM            |
| Employees         | 217           | 197           |
| Commercial lines  | 100%          | 100%          |
| Admitted business | 44%           | 45%           |
| Non-admitted      | 56%           | 55%           |

Atwater McMillian Inc., the sixth-largest U.S. managing general agency/underwriting manager, is carefully monitoring the adequacy of the rates it and its competitors are charging for various lines of business.

The actuarial team of the underwriting management subsidiary of St. Paul Fire & Marine Insurance Co. works closely with underwriters to determine the proper "pricing of large individual risks

and... evaluate (overall) pricing on different segments of our business," explains Janet R. Nelson, senior vp-surplus lines.

While this procedure is time-consuming, this capability is particularly useful to the company during the current rapidly shifting market, she adds.

If the competition and price-cutting that Atwater McMillian now sees in the marketplace heats up, the underwriting manager may decide to stop writing specific lines of business rather than write them at inadequate price levels, Ms. Nelson says.

Since the surplus lines market is much more volatile than the closely regulated admitted market, "we

need all the help we can get to try to understand the turning points in our business," she explains.

Atwater McMillian is composed of three divisions. The Surplus Lines Division writes business submitted by Los Angeles-based Swett & Crawford Group Inc.—another unit of St. Paul Cos. Inc., the holding company of St. Paul Fire & Marine—and New York-based Stewart Smith Holdings Inc., as well as by a network of approximately 50 wholesale brokerages around the country.

This business is written for two St. Paul Fire & Marine subsidiaries: St. Paul Surplus Lines Insurance Co. and Ramsey Insurance Co.

This division writes predominantly individual excess/surplus lines accounts generating premiums in "the six-digit range," Ms. Nelson explained, describing the clients as "large businesses."

The Athena Division writes specialty product lines solely produced

by Swett & Crawford. Its client base is mostly smaller commercial accounts that generate premiums in "the five-digit range," according to Ms. Nelson.

This business is written for St. Paul Surplus Lines and another St. Paul subsidiary, Athena Assurance Co.

While "we have the capability to write more business through Ramsey and Athena, they are not being used now extensively," Ms. Nelson says. "We continue to study how we want to use our admitted capabilities on the E/S side," she adds.

Unlike the Surplus Lines and Athena divisions, which write only business produced by wholesalers, the Specialty Risk Division writes

jumbo standard casualty accounts generating annual premiums of more than \$1 million and produced by St. Paul Fire & Marine's entire agency force.

"Specialty Risk is the large national accounts underwriting facility for St. Paul Fire & Marine," Ms. Nelson explained.

The business is written by St. Paul Fire & Marine and two of its subsidiaries, St. Paul Mercury Insurance Co. and St. Paul Guardian Insurance Co.

The combined premium volume of Atwater McMillian's three underwriting management divisions grew 44.9% in 1986 to \$310.3 million from \$214.2 million in 1985.

Of that premium volume, 36.1% (\$112 million) was written through the Specialty Risk Division, while 41% (\$127 million) was written through the Surplus Lines Division and 22.9% (\$71 million) was written through the Athena Division.

While premium growth slowed somewhat in the first half of 1987 because of an increase in competition, Atwater McMillian still reported a 12.5% increase to \$163.8 million from \$145.6 million in the first half of 1986.

"On the casualty side, we doubled our premium volume in 1986 from 1985," Ms. Nelson said, attributing this growth to both new business and premium rate increases.

Kenneth F. Goldstein, Atwater McMillian's president and chief operating officer, explained that premium growth in 1985 was more "rate-driven. In 1986, there was more balance between the two."

He predicts that the Surplus Lines Division will generate a larger percentage of the company's premium volume in 1987 "because of the strength in its rates."

And while rates for most lines of business are now stabilizing or reducing, "We're continuing to grow in 1987 and are pleased about that. We had expected the market to continue to strengthen throughout 1987, but we still have premium growth," Ms. Nelson stressed.

Property insurance rate reductions have been in the 5% to 10% range in 1987, while casualty insurance rate reductions have been "in the 10% range," Mr. Goldstein said.

Arthur B. McHugh, senior vp of the Athena Division, explained: "There has been good loss experience on some of our accounts and we're passing that on to our clients" through rate reductions.

According to Ms. Nelson, competition has been most active from admitted markets.

"Many of the accounts we wrote in the past two years were formerly with standard insurers and we are now going back to them, in some cases with dramatic rate reductions from 1986 rates," she said.

Rates are still increasing between 5% and 10% for some of the more difficult lines, such as product liability and liquor liability, Ms. Nelson said.

Of its book of business, 44% was written by admitted insurers in 1986—down one percentage point from 1985—and 56% by non-admitted insurers. These percentages remained unchanged during the first half of 1987.

Atwater McMillian introduced no new products in 1986 and, so far in 1987, has no plans to do so.

The company reported 217 employees at the end of 1986, up 10.2% from 197 in 1985.

By the end of June the staff expanded further, to 225. All employees are housed in its St. Paul home office.

Besides Mr. Goldstein, Mr. McHugh and Ms. Nelson, George Y. Tsui is senior vp of Atwater McMillian's Specialty Risk Division.

The company is a member of NAPSLC.

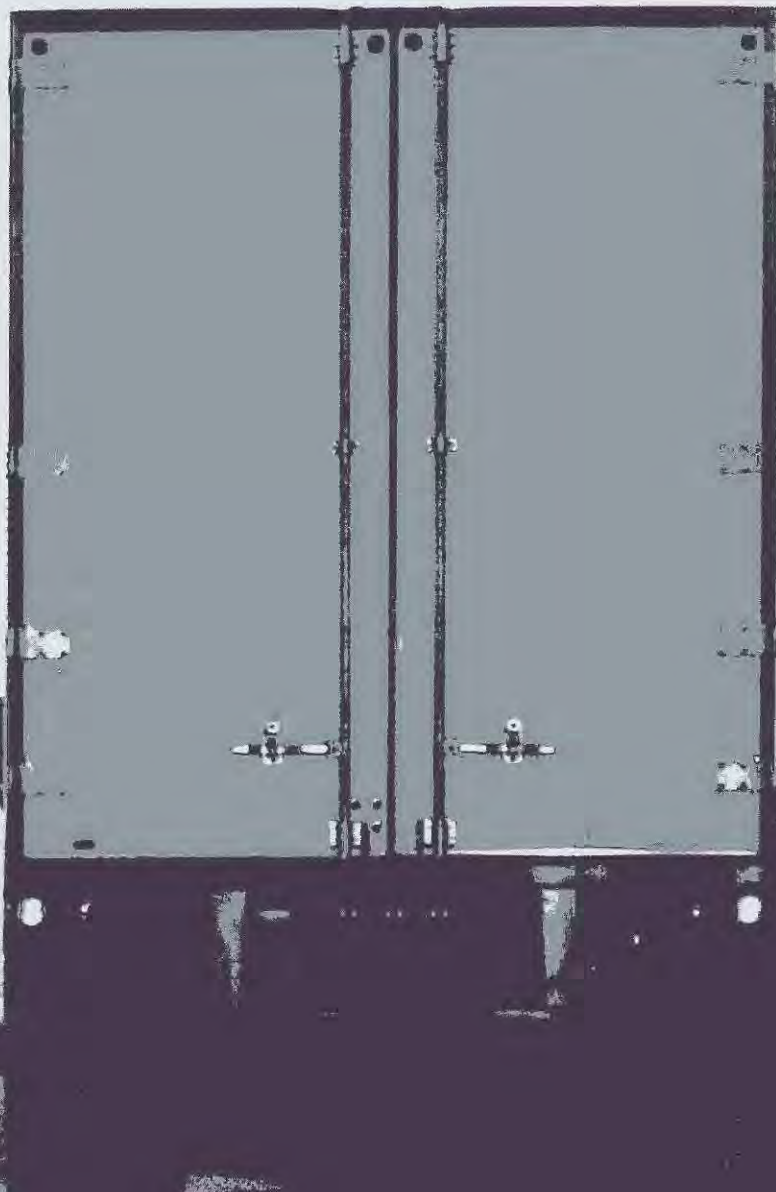
—By Linda J. Collins



Ms. Nelson



Mr. Goldstein



# Crump E&S closely trails top wholesalers

Crump E&S Group is undergoing a period of adjustment.

The wholesaler has spent the first part of 1987 adjusting to both a changing commercial insurance marketplace and the acquisition of its parent, Memphis-based retail broker The Crump Cos. Inc., by London-based Sedgwick Group P.L.C., the world's third-largest broker, in November 1986.

Memphis-based Crump E&S is now the excess/surplus arm of Sedgwick subsidiary Fred S. James & Co. Inc., the fourth-ranked U.S. retail broker, and it has combined its large surplus lines brokerage operations with James' much smaller New Amsterdam Excess Inc., formerly based in New York.

At the same time, James has split the reinsurance brokerage offices of Crump E&S—which formerly were included in the group's annual premium volume—into a free-standing unit.

Because of this decision, Crump E&S has dropped out of *Business Insurance's* rankings of the nation's largest surplus lines brokers, underwriting managers and managing general agents.

And, while Crump E&S still refers to itself as a surplus lines broker, 55% of its business is produced in its role as either an underwriting manager or managing general agent, while only 45% of its business is brokered to insurers.

The company spent the first part of 1987 regrouping following the merger of The Crump Cos. with Sedgwick, explained Sidney A. Stewart, Crump E&S's chairman and James' vice chairman.

"When the merger took place in November, there was a consolidation of a lot of things," he explained. Over the past several

months, Crump E&S has been "trying to explain what we can offer to the James offices."

While only about 5% of Crump E&S's business was generated by retail business produced by The Crump Cos., New Amsterdam primarily was used to service business produced by James, according to Mr. Stewart.

While he noted that James' retail offices are "under no directive to place their business with Crump E&S, nor is Crump E&S under any directive to handle James business," both Crump E&S and James would like to expand the business Crump E&S places for James retail offices.

Shortly after the acquisition of The Crump Cos., James executives decided to establish Crump E&S's facultative reinsurance brokerage operations, Crump Re Inc., as a free-standing unit and report their results separately, rather than continuing to include them in Crump E&S's results.

Crump Re is now based in Hartford, Conn., with offices in New York, Dallas, Atlanta and Minneapolis.

Reflecting this change, Crump E&S reported a premium volume of \$260 million in 1986, a 9.2% gain over a restated \$238 million in 1985, which would have ranked Crump E&S as the fifth-largest U.S. wholesale broker last year, instead of fourth. It previously reported a 1985 premium volume of \$284 million.

New Amsterdam reported \$50 million in premium volume in 1986, which was not included in Crump E&S's premium volume.

Mr. Stewart explained that when Crump E&S's reinsurance operations were relatively small, it made

sense for their financial results to be included in the wholesaler's financials.

However, the reinsurance operation "has now grown to be quite large and so we have extracted those figures from 1985 and 1986 results. It is going to be a pretty substantial reinsurance operation, and we think it has reached the size where we ought to carry it separately," Mr. Stewart explained.

Despite the increase in premium volume, Crump E&S's gross revenues dropped 8.2% to \$24.1 million in 1986 from \$26.2 million in 1985.

The major problem in 1986 was a lack of capacity among insurers, Mr. Stewart said.



Mr. Stewart

"We could have written a lot more business" if more capacity was available, he pointed out.

Orville D. Jones, executive vp of Crump E&S, agreed. "Last year we were just trying to keep our head above the water by handling the business that was coming in and finding the people to write it."

While new business submissions grew substantially in 1986, many insurers were unwilling to look at it because they were using their capacity to renew existing accounts, Mr. Stewart explained.

The limited market capacity also hurt two of Crump E&S's underwriting management programs, according to Mr. Stewart.

"One piece of the group that was severely limited because of capacity" was a municipal insurance program produced by subsidiary S.J. Petrakis Insurance Services Inc., Mr. Stewart said.

Petrakis, which has offices in San Francisco and Los Angeles, manages the program, which is written by Reliance Insurance Co. of Philadelphia. The program remained in force during 1986, but former coverage limits of \$5 million excess of a self-insured retention that varies with the size of the risk were reduced to \$1 million excess of an SIR in 1986, he explained.

That reduced Petrakis' gross revenues in 1986 by about one-third, according to Mr. Stewart.

In 1987, limits for the program

have been increased to \$2 million.

The underwriting management activities of subsidiary Crump London Underwriters in Memphis also were reduced because James' Memphis-based Southern American Insurance Co. subsidiary "has ceased writing new business and curtailed writing renewals for most business," Mr. Stewart said. Crump London Underwriters formerly wrote a substantial amount of business through Southern American.

James is attempting to sell the surplus lines insurer, which had been part of Crump prior to the merger, because it did not fit James' strategy (BI, June 23).

Crump E&S's premium growth in other areas was "masked" by the reduction in premiums from those two areas, Mr. Stewart stressed.

"The premium growth rate for our pure E&S business was up over 20%" in 1986, said Mr. Jones.

About 70% of Crump E&S's business in 1986 was placed with admitted insurers and 30% with non-admitted insurers.

However, in 1986, the majority of Crump E&S's premium volume was attributable to its underwriting manager/MGA role. About 34% of the company's premium volume came from underwriting management, 21% was written as an MGA, while 45% was placed with insurers in its role as a wholesale broker.

In 1985, 54% of the group's business was produced as a broker, 34% as an underwriting manager and 12% as an MGA.

MGA activities picked up in 1986 partly because several Crump E&S offices now have MGA authority, according to Mr. Stewart.

"When you have MGA authority and the business fits in with it, it makes it easier to write business through the MGA agreements than to do it on a case submission basis," Mr. Stewart explained.

However, he noted that in the current marketplace, it is easier to place brokerage business.

In fact, Mr. Stewart expects Crump E&S's largest growth in 1987 will be in the wholesale brokerage sector. "You are going to see less MGA authority coming out. A lot of people who have been given that authority have abused it, and many companies are more reluctant" to issue authority, he said.

Even if the insurers wanted to issue managing general agent agreements, they would likely be stopped by their reinsurers, added Mr. Jones. He said that "a number of reinsurers over-extended themselves" in the last soft market, and as a result, "they aren't going to allow as much MGA business" in their treaties with insurers.

So far in 1987, Crump E&S has seen increased competition from both other wholesalers as well as the admitted market, Mr. Stewart and Mr. Jones pointed out. This has caused gross revenues for the first six months of 1987 to drop 15.4% to \$11 million from \$13 million in the first six months of 1986.

But according to Mr. Jones, the E&S market "experienced such tremendous growth in 1985 and 1986" that it is "just dropping back" to more normal levels.

"Property rates are coming down fast," while casualty prices are being reduced on a "more selective" basis, he said.

"I think the market turned quicker than almost everyone thought it would," Mr. Stewart added.

Several admitted insurers overreacted during the hard market of 1984-1986 and "engaged in a lot of class underwriting," Mr. Jones explained. "Most E&S organizations were writing business that standard companies should have been writing. What's happening now is that a

lot of the standard companies are coming back and getting the business that they cut off."

Still, for the first six months of 1987, Crump E&S's premium volume is only 6% lower than its projections, according to Mr. Jones.

In the first six months of 1987, Crump E&S's premium volume dropped 9.6% to \$113 million from \$125 million in the first half of 1986. But Mr. Stewart predicts that "part of that will be offset by being able to place higher limits for people who couldn't get them before."

"In the first quarter, our offices had to adjust" to market conditions and the merger. "We are picking up in the second quarter," he said.

Because of market conditions, Crump E&S offered no new products in 1986. Even if the company had wanted to offer a new program, insurers would not have been interested in participating, Mr. Jones explained.

"They had enough problems keeping the capacity to write the business that they'd been writing," he stressed.

Crump E&S specializes in placing aviation, financial institution, marine, gas and oil field, gas utilities, commercial auto, municipality, umbrella and yacht coverages, said Mr. Jones. However, except for umbrella coverage, which represents 30% of its business, no specialty represents as much as 25% of Crump E&S's annual premium volume.

In general, the brokerage wrote less business in all lines in 1986 due to a "lack of markets," Mr. Jones said.

Crump E&S clients include agents and brokers of all sizes. "As a group, we can answer virtually all the needs of the agency/brokerage community, but the bulk of our business probably revolves around the middle-sized broker" and the medium-sized account, he added.

But, the focus of a particular office may vary, Mr. Stewart said.

The only acquisition Crump E&S made in the past 18 months was the May 1986 purchase of H&W Insurance Services Inc., a wholesale broker with five offices in California.

Crump E&S has no plans to make further acquisitions, though "if something comes up, we would certainly look at it," Mr. Jones said.

The broker's Regency International office in Hamilton, Bermuda, was combined with James' office in January 1987 and is now in a "wind-down situation," according to Mr. Jones. There may be further office consolidations in 1987.

Crump E&S reported 270 employees at year-end 1986 and 267 at the end of June 1987, up from 220 employees in 1985.

In 1986, about 7% of its business was placed with American Empire Insurance Co., formerly Great American Surplus Lines Insurance Co., and about 6% with American International Group Inc. units. These were the only two insurers with which Crump E&S placed more than 5% of its business.

Other markets with which Crump E&S placed 4% of its business in 1986 included: First State Insurance Co. and underwriting manager Cameron & Colby Co. Inc., units of Hartford Insurance Group; National Indemnity Cos.; and Admiral Insurance Co.

In addition, Crump E&S placed 11% of its business with various Lloyd's of London underwriters, according to Mr. Jones.

In addition to Mr. Stewart and Mr. Jones, top officers of Crump E&S are: Earl L. Lanning, vp and manager of the Specialty Marketing Group, and Patrick R. O'Brien, vp of finance and administration.

Crump E&S is a member of AAMGA and NAPSLO.

—By Linda J. Collins

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**a**

## ARC Excess & Surplus Inc.

300 Old Country Road, Mineola, N.Y. 11501; 516-747-4100

|                     | 1986         | 1985 |
|---------------------|--------------|------|
| Premium volume...   | \$75,000,000 | NA   |
| Gross revenues..... | NA           | NA   |
| Employees.....      | 10           | NA   |
| Commercial lines..  | 100%         | NA   |
| Admitted business   | 85%          | NA   |
| Non-admitted.....   | 15%          | NA   |

**Year founded:** 1986.

**Type of business:** 100% broker.

**Subsidiaries:** ARC Consulting Group Inc.

**Broker for:** Primarily National Union Fire Insurance Co. of Pittsburgh, Pa., The Home Group Inc., Tudor Insurance Co., Royal Insurance Co., Old Republic Insurance Co., Federal Insurance Co., CNA Insurance Cos., Evanston Insurance Co., CIGNA Group, Harbor Insurance Co., RLI Insurance Co.

**Correspondent:** Lloyd's of London.

**Specialties:** Directors and officers liability

**Principal officers:** Albert L. Salvatico, Richard A. Pierstein and Christopher J. Cavallaro.

## Acadiana Special Risks Inc.

1616 Jefferson St., Lafayette, La. 70501; 318-237-2000

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | \$3,350,000 | \$3,400,000 |
| Gross revenues..... | \$255,000   | \$264,000   |
| Employees.....      | 4           | 4           |
| Commercial lines..  | 100%        | 100%        |
| Admitted business   | 2%          | 25%         |
| Non-admitted.....   | 98%         | 75%         |

**Year founded:** 1976.

**Type of business:** 100% broker.

**Broker for:** Interstate Fire & Casualty Insurance Co., Highlands Insurance Co.

**Correspondent:** Lloyd's of London.

**Specialties:** Oil and gas.

**Principal officers:** Glenn J. Hebert, president; Kathy Fussell, vp.

**Membership:** NAPLSLO, Louisiana Surplus Lines Assn.

## Accident Underwriters Inc.

5339 Alpha Road, Suite 105, Dallas, Texas 75240; 214-233-9787

|                     | 1986*       | 1985 |
|---------------------|-------------|------|
| Premium volume...   | \$6,500,000 | NA   |
| Gross revenues..... | \$812,500   | NA   |
| Employees.....      | 17          | NA   |
| Commercial lines..  | 95%         | NA   |
| Admitted business   | 96%         | NA   |
| Non-admitted.....   | 4%          | NA   |

\* 1987 estimates.

**Year founded:** 1987.

**Type of business:** 85% underwriting manager, 15% broker.

**Branch offices:** Atlanta, Los Angeles, New York.

**Underwriting manager for:** United Fidelity Life Insurance Co.

**Broker for:** State Mutual Life Insurance Co., The Kemper Group.

**Correspondent:** Lloyd's of London.

**Specialties:** Group travel accident, college athletic insurance, accidental death and dismemberment.

**Principal officers:** Philip K. Munson, president; Thomas J. Lenihan III, executive vp; Charles E. Bell, Southeast regional manager; Christine Canosa, New York regional manager; Michael McGonigle, West Coast regional manager.

## Agency Intermediaries Inc.

121 Village Walk, P.O. Box 451, Guilford, Conn. 06437; 203-457-1463

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | \$6,300,000 | \$5,000,000 |
| Gross revenues..... | NA          | NA          |
| Employees.....      | 11          | 7           |
| Commercial lines..  | 99%         | 99%         |
| Admitted business   | 40%         | 40%         |
| Non-admitted.....   | 60%         | 60%         |

**Year founded:** 1981.

**Type of business:** 70% broker, 30% managing general agent.

**Subsidiaries:** Agency Intermediaries of New Jersey, Dover, N.J.; Agency Intermediaries of Massachusetts, Dedham, Mass.

**Broker for:** Marine Office of America Corp., Hermitage Insurance Co., Canadian Universal Insurance Co. Ltd., Interstate Fire & Casualty Insurance Co., Michigan Mutual Insurance Co., United National Insurance Co., United Community Insurance Co., Chubb Custom Insurance Co., Fireman's Fund Insurance Cos., American International Group Inc.,

*Continued on next page*

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## GROW WITH THEIR NEEDS



Continued from previous page  
Homestead Insurance Co.  
**Correspondent:** Lloyd's of London.  
**Specialties:** Property/casualty, inland marine, ocean marine.  
**Principal officers:** Erina P. Connors, president-Connecticut office; John George, president-New Jersey office; Robert MacTaggart, president-Massachusetts office; Raymond C. Connors and Barbara Raymond, vps.  
**Membership:** NAPSL0, Connecticut Excess Surplus Lines Assn., New Jersey Surplus Lines Assn., New England Surplus Lines Assn.

**Agency Marketing Services Inc.**  
1001C Pasadena Ave. S., St. Petersburg, Fla. 33707; 813-384-1036

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | \$6,000,000 | \$4,000,000 |
| Gross revenues..... | \$350,000   | \$220,000   |
| Employees.....      | 6           | 4           |
| Commercial lines..  | 100%        | 100%        |
| Admitted business   | 40%         | 30%         |
| Non-admitted.....   | 60%         | 70%         |

**Year founded:** 1982.  
**Type of business:** 100% broker.  
**Broker for:** Primarily Interstate Fire & Casualty Insurance Co., Fireman's Fund Insurance Cos., Lexington Insurance Co., Evanston Insurance Co.  
**Correspondent:** Lloyd's of London.  
**Specialties:** Errors and omissions, aviation, umbrella policies.  
**Principal officers:** Kevin Schuck, president; Bryon Chenell, vp.  
**Membership:** NAPSL0, Florida Surplus Lines Assn.

**Alexander Howden North America Inc.**  
1705 Commerce Drive, Atlanta, Ga. 30318; 404-351-5880  
  
See profile on page 61.

**Alexander Underwriters General Agency Inc.**  
P.O. Box 105051, Atlanta, Ga. 30348; 404-981-7100

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume..    | \$42,767,336 | \$33,825,704 |
| Gross revenues..... | \$8,125,794  | \$3,720,827  |
| Employees.....      | 137          | 113          |

|                    |     |     |
|--------------------|-----|-----|
| Commercial lines.. | 51% | 51% |
| Admitted business  | 66% | 67% |
| Non-admitted.....  | 34% | 33% |

**Year founded:** 1974.  
**Parent company:** International Indemnity Group Inc.  
**Type of business:** 89% underwriting manager, 10% broker, 1% managing general agent.  
**Branch offices:** Orlando, Fla.; Baton Rouge, La.  
**Underwriting manager for:** International Indemnity Co., Florida International Indemnity Co.  
**Correspondent:** Lloyd's of London.  
**Specialties:** Commercial auto, general liability.  
**Principal officers:** James A. Alexander, president; Farris A. Alexander, vp/secretary; C. Glenn Alexander, vp/treasurer; Benny Byrd Jr. and Joseph E. Murphy, vps.  
**Membership:** AAMGA, NAPSL0, Georgia Surplus Lines Assn., Louisiana Surplus Lines Assn.

**American Insurance Markets General Agency Inc.**  
1914 Pendleton, Garland, Texas 75041; 214-279-3607

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$10,087,429 | \$17,753,654 |
| Gross revenues..... | \$1,778,000  | \$2,670,453  |
| Employees.....      | 28           | 54           |
| Commercial lines..  | 40%          | 64%          |
| Admitted business   | 86%          | 89%          |
| Non-admitted.....   | 14%          | 11%          |

**Year founded:** 1975.  
**Type of business:** 78% underwriting manager, 13% managing general agent, 9% broker.  
**Underwriting manager for:** Southwest American Lloyds Insurance Co.  
**MGA for:** National Lloyd's Insurance Co., National County Mutual Insurance Co.  
**Broker for:** Primarily Sheffield Insurance Co., Royal Excess & Surplus Lines Insurance Co., Lexington Insurance Co., Fireman's Fund Insurance Cos.  
**Correspondent:** Lloyd's of London.  
**Specialty:** Commercial property.  
**Principal officers:** Charles McDearmon, president; Gage Forrest, executive vp; Dean Cheatham, vp/controller; Mary Carleson, vp-marketing; Paula McCrea, vp-commercial underwriting.

**Membership:** Texas Surplus Lines Agents Assn.

**American Overseas Underwriters Inc.**  
P.O. Drawer 1968, Cocoa, Fla. 32923; 305-452-3360

|                     | 1986 | 1985 |
|---------------------|------|------|
| Premium volume...   | NA   | NA   |
| Gross revenues..... | NA   | NA   |
| Employees.....      | 3    | NA   |
| Commercial lines..  | 100% | NA   |
| Non-admitted.....   | 100% | NA   |

**Year founded:** 1986.  
**Type of business:** 100% broker.  
**Correspondent:** Lloyd's of London.  
**Specialties:** Marine, marinas, property.  
**Principal officers:** Robert C. Wilson, president; Stephen H. York, vp; Silvia D. Wilson, secretary/treasurer.  
**Membership:** Florida Surplus Lines Assn.

**Anderson & Murison Inc.**  
800 W. Colorado Blvd., Los Angeles, Calif. 90041; 213-255-2333

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | NA          | NA          |
| Gross revenues..... | \$2,737,713 | \$2,172,815 |
| Employees.....      | 34          | 33          |
| Commercial lines..  | 85%         | 90%         |
| Admitted business   | 55%         | 65%         |
| Non-admitted.....   | 45%         | 35%         |

**Year founded:** 1965.  
**Type of business:** 90% managing general agent, 10% broker.  
**Branch offices:** Fountain Hills, Ariz.  
**MGA for:** Jefferson Insurance Co. of New York, American Empire Surplus Lines Insurance Co., Western World Insurance Co., Southern Insurance Co., Topa Insurance Co.  
**Broker for:** Primarily General Star National Insurance Co., Topa Insurance Co., First State Insurance Co., Colonia Insurance Co.  
**Correspondent:** Lloyd's of London.  
**Specialties:** General liability, property.  
**Principal officers:** David F. Anderson, president; Horst L. Lechler, senior vp; William V. King, vp/controller.  
**Membership:** AAMGA, NAPSL0, Surplus Lines Assn. of California.

**Anglo-American Ltd.**  
201 Bloomfield Ave., Verona, N.J. 07044; 201-239-7000

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | \$4,250,000 | \$4,000,000 |
| Gross revenues..... | NA          | NA          |
| Employees.....      | 7           | 7           |
| Commercial lines..  | 98%         | 98%         |
| Admitted business   | 10%         | 10%         |
| Non-admitted.....   | 90%         | 90%         |

**Year founded:** 1975.  
**Type of business:** 90% managing general agent, 10% broker.  
**MGA for:** Sphere Drake Insurance Co. P.L.C., Terra Nova Insurance Co. Ltd., Lincoln Insurance Co., Mt. Hawley Insurance Co., Foremost Insurance Co., Public Service Mutual Insurance Co.  
**Broker for:** Lexington Insurance Co., North American Specialty Insurance Co., Sphere Drake Insurance Co. P.L.C., Lincoln Insurance Co.  
**Correspondent:** Lloyd's of London.  
**Specialties:** Physical damage, vehicles, garage keepers legal liability.  
**Principal officers:** Samuel Bergerman, president.  
**Membership:** NAPSL0, New Jersey Surplus Lines Assn.

**Arlington/Roe & Co. Inc.**  
5546 Shorewood Drive, P.O. Box 20905, Indianapolis, Ind. 46220; 317-257-9123

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | \$7,300,000 | \$5,300,000 |
| Gross revenues..... | \$870,000   | \$680,000   |
| Employees.....      | 23          | 18          |
| Commercial lines..  | 56.3%       | 55.7%       |
| Admitted business   | 67%         | 70%         |
| Non-admitted.....   | 33%         | 30%         |

**Year founded:** 1964.  
**Type of business:** 85% managing general agent, 15% broker.  
**MGA for:** Foremost Insurance Co., National Indemnity Insurance Co., Empire Fire & Marine Insurance Co., Midwest Mutual Insurance Co., Nautilus Insurance Co., Northfield Insurance Co., Northland Insurance Co., American Modern Home Insurance Co., American Empire Surplus Lines Insurance Co., Century Surety Co.  
**Broker for:** Primarily International Surplus Lines Insurance Co., Interstate Fire & Casualty Insurance Co., Employers Reinsurance Corp., Imperial Casualty & Indemnity Co., Evanston Insurance Co., Fireman's Fund Insurance Cos., Harbor Insurance Co., Lexington Insurance Co.

**Correspondent:** Lloyd's of London.  
**Principal officers:** Francis L. Roe, chairman; James A. Roe, president; Nancy E. Young and Allen J. Grau, vps.  
**Membership:** AAMGA, NAPSL0, Indiana Assn. of Professional Specialty Lines Offices.

**Atwater McMillian Inc.**  
445 Minnesota St., Suite 900, St. Paul, Minn. 55101; 612-221-7066  
  
See profile on page 66.

**AVRECO Inc.**  
10 S. LaSalle St., 12th Floor, Chicago, Ill. 60603-1099; 312-346-6161

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$99,000,000 | \$80,200,000 |
| Gross revenues..... | \$6,039,000  | \$6,015,000  |
| Employees.....      | 44           | 42           |
| Commercial lines..  | 100%         | 100%         |
| Admitted business   | 35%          | 35%          |
| Non-admitted.....   | 65%          | 65%          |

**Year founded:** 1962.  
**Parent company:** Cameron General Corp.  
**Type of business:** 100% broker.  
**Branch offices:** New York; Cameron Excess, Scottsdale, Ariz.  
**Broker for:** California Union Insurance Co., Columbia Casualty Co., First State Insurance Co., St. Paul Surplus Lines Insurance Co., American International Group Inc.  
**Specialties:** Hospital malpractice, professional liability.  
**Principal officers:** Fred H. Pearson, president; Ronald J. Moore, executive vp; Kenneth C. Heyman, secretary/treasurer.  
**Membership:** NAPSL0, Illinois Surplus Lines Assn.



**J.H. Blades & Co. Inc.**  
P.O. Box 22003, Houston, Texas 77227-2003; 713-780-8770

|                     | 1986          | 1985          |
|---------------------|---------------|---------------|
| Premium volume...   | \$176,105,000 | \$140,536,000 |
| Gross revenues..... | \$11,271,000  | \$6,238,377   |
| Employees.....      | 93            | 96            |
| Commercial lines..  | 100%          | 100%          |

Continued on page 72

# American Treaty Management Corporation

Executive Offices: 90 William Street, New York, N.Y. 10038—Tel: (212) 968-7899 Telex: 971825

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Greensburg, Pa. 15601  
A.M. BEST RATED "A"/CLASS XV

## How to use directory

The annual *Business Insurance* directory of wholesale marketers lists underwriting managers, managing general agents and surplus lines brokers that responded to a questionnaire provided by *Business Insurance*.

The directory is published as an editorial service; there is no charge for companies to be included.

Following the company name, address and telephone number, listings include the year the company was founded and the parent company, if any. Companies were asked to provide premium volume; gross revenues; number of employees; percentage of premium volume related to commercial lines; the percentage of premium volume placed with admitted and non-admitted insurers; and the percentage of premium volume placed as an underwriting manager, managing general agent and wholesale broker.

*Business Insurance* defines an underwriting manager as a company that handles all the affairs of the insurance company, including underwriting, reinsurance and claims, with the possible exception of investments of the company.

A managing general agent is defined as having underwriting authority for an insurer, which includes the ability to determine rates on individual risks; it can bind and issue policies on behalf of the insurer. The managing general agent may or may not have reinsurance and claims supervision authority related to the insurance it has written.

A broker places business with markets but has no underwriting authority or binding authority without approval of the insurer.

Companies acting as underwriting managers were asked to list companies for which they have underwriting authority. Managing general agents gave the names of companies for which they have binding authority, while brokers supplied names of companies with which they place the most business. Also noted is whether a company is a correspondent for Lloyd's of London, meaning it has binding authority for a Lloyd's syndicate.

Locations of branch offices and subsidiaries, specialties (any commercial risk placed that comprises 25% or more of the company's annual premium volume) and names and titles of principal officers are included.

Companies' membership in either of the two national professional surplus lines organizations—the National Assn. of Professional Surplus Lines Offices (NAPSLO) and the American Assn. of Managing General Agents (AAMGA)—as well as state surplus lines organizations complete the listings.

In addition to this directory of wholesale marketers, a listing of surplus lines insurers that responded to a *Business Insurance* questionnaire begins on page 41.

Although we make every effort to publish complete and accurate information, *Business Insurance* is unable to verify all figures supplied by responding companies.

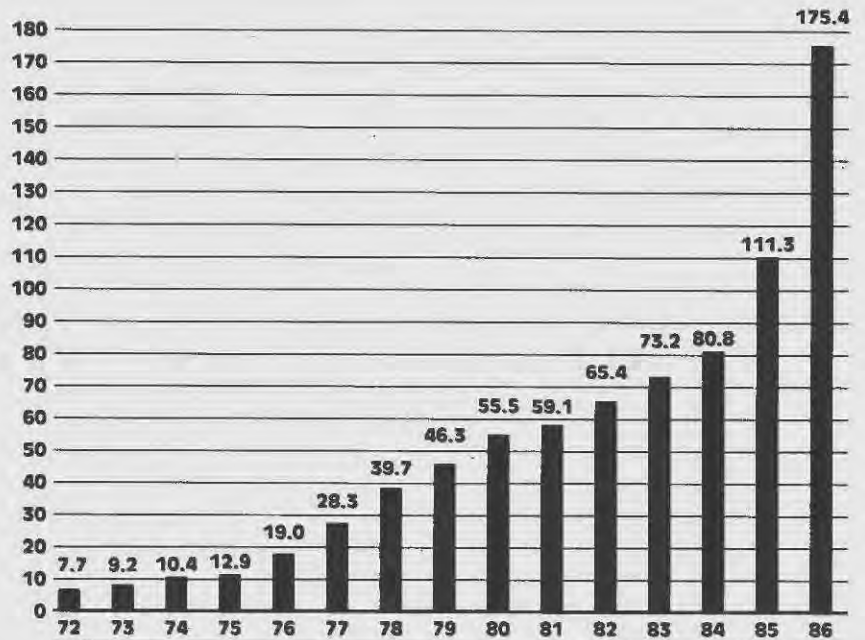
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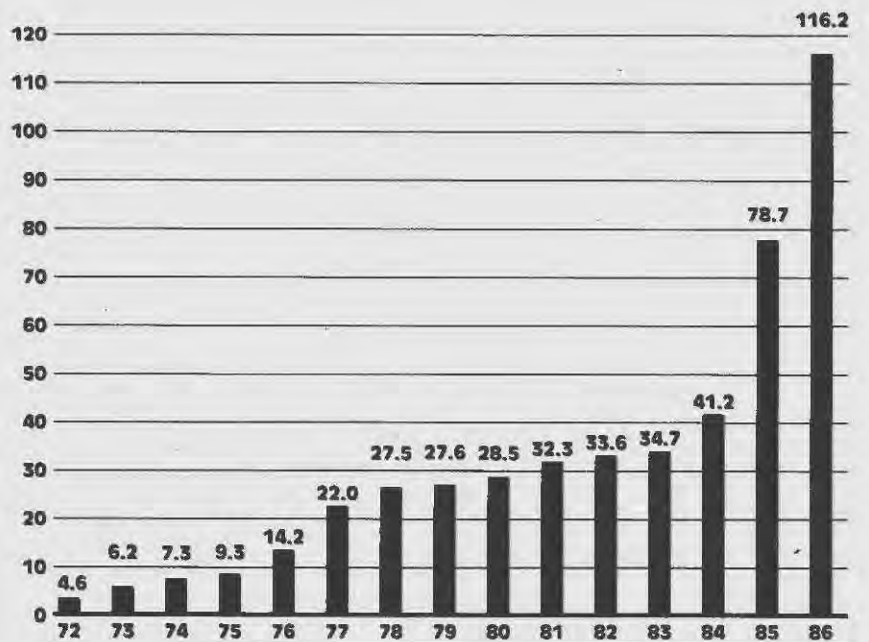
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**Total Assets**  
1972 — 1986  
(In Millions)



**Direct Premiums Written**  
1972 — 1986  
(In Millions)



**Western World  
Insurance Company**

Ramsey, New Jersey 07446-0504

Continued from page 70

**Year founded:** 1952.  
**Parent company:** Crum & Forster/Xerox Corp.  
**Branch offices:** Tulsa, Okla.  
**Correspondent:** Lloyd's of London.  
**Specialties:** Energy-related risks.  
**Principal officers:** S.D. Smith, president; John Fox, Martin Taylor and M. Hamilton, senior vps; Dave Mayer, vp.  
**Membership:** AAMGA, NAPSLO, Texas Surplus Lines Assn.

**Bliss & Glennon Inc.**

23868 Hawthorne Blvd., Suite 200, Torrance, Calif. 90505; 213-772-0214

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$15,240,211 | \$10,360,484 |
| Gross revenues..... | NA           | NA           |
| Employees.....      | 22           | 17           |
| Commercial lines..  | 70%          | 70%          |

**Year founded:** 1966.  
**Type of business:** Managing general agent and broker.  
**Branch offices:** Mission Viejo and Morgan Hill, Calif.  
**MGA for:** Topa Insurance Co., Western World Insurance Co., Penn-America Insurance Co., Nautilus Insurance Co.  
**Broker for:** Admiral Insurance Co., Employers Reinsurance Corp., American Universal Insurance Co., Harbor Insurance Co., Tudor Insurance Co.  
**Correspondent:** Lloyd's of London.  
**Principal officers:** Donald F. Glennon, president; Robert P. Abramson, vp/treasurer; Joyce Warne, secretary.  
**Membership:** AAMGA, NAPSLO.

**Bohrer-Croxdale & McAdoo Inc.**

P.O. Box 1035 S.S.S., Springfield, Mo. 65805; 417-869-2550

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | \$8,000,000 | \$6,500,000 |
| Gross revenues..... | NA          | NA          |
| Employees.....      | 18          | 15          |
| Commercial lines..  | 98%         | 98%         |
| Admitted business   | 40%         | 40%         |
| Non-admitted.....   | 60%         | 60%         |

**Year founded:** 1977.  
**Type of business:** 80% managing general agent, 20% broker.  
**MGA for:** Northfield Insurance Co., Northland Insurance Co., Scottsdale Insurance Co., Nautilus Insurance Co., Empire Insurance Co., General Agents Insurance Co., Penn-American Insurance Co.  
**Broker for:** Primarily Tudor Insurance Co., Stonewall Surplus Lines Insurance Co., National Casualty Co., General Star Indemnity Co., International Surplus Lines Insurance Co.  
**Correspondent:** Lloyd's of London.

**Specialties:** Commercial vehicles, long-haul trucking, general liability, high-risk property.  
**Principal officers:** Yvonne S. Bohrer, president, Sydney T. Croxdale vp; Sidney M. McAdoo, secretary.  
**Membership:** AAMGA, NAPSLO.

**Brown & Riding Insurance Services Inc.**

107 S. B St., San Mateo, Calif. 94401; 415-579-0172

|                     | 1986         | 1985        |
|---------------------|--------------|-------------|
| Premium volume...   | \$10,640,000 | \$6,729,805 |
| Gross revenues..... | NA           | NA          |
| Employees.....      | 10           | 10          |
| Commercial lines..  | 100%         | 100%        |

|                   | 80% | 70% |
|-------------------|-----|-----|
| Admitted business |     |     |
| Non-admitted..... | 20% | 30% |

**Year founded:** 1983.  
**Type of business:** 100% broker.  
**Branch offices:** Los Angeles.  
**Broker for:** Primarily Admiral Insurance Co., Harbor Insurance Co., Transcontinental Insurance Co., RLI Insurance Co., Associated International Insurance Co., Interstate Fire & Casualty Insurance Co.  
**Correspondent:** Lloyd's of London.

**Principal officers:** B. Peter Brown, president; Richard B. Schlessinger and Ramon C. Howing, vps; Kaycie L. Palmer and Chris A. Brown, assistant vps.  
**Membership:** AAMGA, NAPSLO.



**Cambridge General Agency**

1825 Sacramento St., San Francisco, Calif. 94109; 415-441-8500

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$21,500,000 | \$18,000,000 |
| Gross revenues..... | \$2,539,000  | \$2,149,000  |
| Employees.....      | 35           | 31           |
| Commercial lines..  | 99%          | 97%          |
| Admitted business   | 19%          | 33%          |
| Non-admitted.....   | 81%          | 67%          |

**Year founded:** 1966.  
**Type of business:** 77% managing general agent, 23% broker.  
**Branch offices:** Covina, Calif.  
**MGA for:** Scottsdale Insurance Co., Penn-America Insurance Co.  
**Correspondent:** Lloyd's of London.

**Principal officers:** A. Mason Blodgett, president; James M. Blodgett, executive vp-southern. California office; Wesley H. Luekens, executive vp/general manager.  
**Membership:** AAMGA, NAPSLO.

**Cameron & Colby Co. Inc.**

60 Batterymarch St., Boston, Mass. 02110; 617-357-E400  
 See profile on page 66.

**Centrex Underwriters Inc.**

P.O. Box 171176, Memphis, Tenn. 36187; 901-362-7246

|                     | 1986 | 1985 |
|---------------------|------|------|
| Premium volume...   | NA   | NA   |
| Gross revenues..... | NA   | NA   |
| Employees.....      | 5    | 3    |
| Commercial lines..  | 100% | 100% |
| Non-admitted.....   | 100% | 100% |

**Year founded:** 1985, began managing general agency business in 1986.  
**Type of business:** 100% managing general agent.  
**MGA for:** Investors Insurance Co. of America, Homestead Insurance Co.  
**Specialties:** Umbrella, excess liability.  
**Principal officers:** Joseph Carlson, president; Eric Sturm and Robert Smith, vps.

**Century Underwriters Inc.**

Suite 1414, Investment Building, Pittsburgh, Pa. 15222; 412-281-7252

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | \$7,100,000 | \$6,200,000 |
| Gross revenues..... | \$616,000   | \$409,000   |
| Employees.....      | 10          | 10          |
| Commercial lines..  | 90.1%       | 85.5%       |
| Admitted business   | 71.5%       | 79.3%       |
| Non-admitted.....   | 28.5%       | 20.7%       |

**Year founded:** 1965.  
**Type of business:** Underwriting manager, managing general agent and broker.  
**Underwriting manager for:** Sphere Drake Insurance Co. P.L.C.  
**Broker for:** Rockwood Insurance Co., Westmoreland Casualty Co., Home Insurance Co., Mid-Continent Insurance Co., National Indemnity Co.  
**Correspondent:** Lloyd's of London.  
**Specialties:** Commercial auto

physical damage.  
**Principal officers:** Eugene J. Marsalek, president; Pat Cawley, vp; Alice J. Marsalek, treasurer.  
**Membership:** NAPSLO, Pennsylvania Surplus Lines Assn.

**Chapin Insurance Services Inc.**

500 Sansome St., Suite 504, San Francisco, Calif. 94111; 415-391-5790

|                     | 1986*        | 1985*        |
|---------------------|--------------|--------------|
| Premium volume...   | \$12,000,000 | \$13,000,000 |
| Gross revenues..... | \$1,000,000  | \$1,000,000  |
| Employees.....      | 14           | 8            |
| Commercial lines..  | 100%         | 100%         |
| Admitted business   | 30%          | 30%          |
| Non-admitted.....   | 70%          | 70%          |

\* Figures for year-end 1986 and estimated year-end 1987.  
**Year founded:** 1979.  
**Parent company:** PIA of California Inc.  
**Type of business:** 70% broker, 30% managing general agent.  
**MGA for:** Lexington Insurance Co.  
**Broker for:** Professional Indemnity Agency, CNA Insurance Cos., Cameron & Colby Co. Inc., Employers Reinsurance Corp., General Reinsurance Corp.  
**Specialties:** Crane and rigging, fiduciary liability, umbrella and excess liability.  
**Principal officers:** Samuel T. Chapin, president; Venita M. Cappel, executive vp.  
**Membership:** AAMGA.

**Charter House Inc.**

236-D Old Shackle Island Road, Hendersonville, Tenn. 37075; 615-822-2200

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$25,083,780 | \$19,411,969 |
| Gross revenues..... | \$2,369,121  | \$1,640,702  |
| Employees.....      | 16           | 12           |
| Commercial lines..  | 100%         | 100%         |
| Admitted business   | 5%           | 78%          |
| Non-admitted.....   | 95%          | 22%          |

**Year founded:** 1983.  
**Type of business:** 100% broker.  
**Branch offices:** Atlanta; Birmingham, Ala.; Louisville, Ky.; Raleigh, N.C.  
**Broker for:** Primarily Titan Indemnity Co.  
**Specialties:** City and county governments.  
**Principal officers:** David Van Dyke, president; Del F. Powell and Walter Elliott Jr., senior vps; D.L. Butts and Travis Shamel, vps.  
 Continued on facing page

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Continued from facing page

**Chesapeake Underwriters Inc.**  
415 W. Franklin St., P.O. Box 5271,  
Richmond, Va. 23220;  
804-649-8446

|                     | 1986        | 1985 |
|---------------------|-------------|------|
| Premium volume...   | \$6,600,000 | NA   |
| Gross revenues..... | \$1,726,000 | NA   |
| Employees.....      | 25          | NA   |
| Commercial lines..  | 100%        | NA   |
| Admitted business   | 80%         | NA   |
| Non-admitted.....   | 20%         | NA   |

**Year founded:** 1986.  
**Type of business:** 100% broker.  
**Branch offices:** Alexandria, Va.;  
Washington, D.C.  
**Subsidiaries:** Chesapeake Audit &  
Inspection Co., Richmond, Va.  
**Specialties:** General liability.  
**Principal officers:** Anthony J.  
Witzcak, president; Parker A. Curlee,  
Cathi Setelin and Kathy Ingrao, vps.

**Commercial Brokerage Corp.**  
230 N. River Ridge Circle,  
Burnsville, Minn. 55337;  
612-890-9525

|                     | 1986      | 1985 |
|---------------------|-----------|------|
| Premium volume...   | \$100,000 | NA   |
| Gross revenues..... | \$7,500   | NA   |
| Employees.....      | 2         | NA   |
| Commercial lines..  | 100%      | NA   |
| Admitted business   | 5%        | NA   |
| Non-admitted.....   | 95%       | NA   |

**Year founded:** 1986.  
**Type of business:** 100% broker.  
**Broker for:** Admiral Insurance  
Co., International Surplus Lines In-  
surance Co., Illinois Emcasco Insur-  
ance Co.  
**Principal officers:** Peter J. Shean,  
president; Barbara L. Shean, vp.

**Commercial Insurance Brokers Inc.**  
11285 Elkins Road, Suite K-4,  
Roswell, Ga. 30076; 404-442-1915

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | \$6,000,000 | \$4,000,000 |
| Gross revenues..... | NA          | NA          |
| Employees.....      | 6           | 4           |
| Commercial lines..  | 100%        | 100%        |
| Admitted business   | 60%         | 50%         |
| Non-admitted.....   | 40%         | 50%         |

**Year founded:** 1984.  
**Type of business:** 100% broker.  
**Broker for:** Fireman's Fund Insur-  
ance Cos., INA Employers Insurance  
Co., Columbia Insurance Co., Royal  
Insurance Co., Constitution State In-  
surance Co., Lexington Insurance  
Co., Stone Mountain Insurance Co.,  
American Specialty Insurance Co.,  
American Southern Insurance Co.  
**Specialties:** Motels, apartments,  
restaurants.  
**Principal officers:** Kenneth B.  
Hughes, president.  
**Membership:** NAPSLO.

**Commercial Insurance Underwriters Inc.**  
1200 E. Woodhurst, M-400,  
Springfield, Mo. 65804;  
417-883-3277

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | \$7,081,190 | \$3,984,827 |
| Gross revenues..... | \$769,453   | \$449,489   |
| Employees.....      | 10          | 6           |
| Commercial lines..  | 100%        | 100%        |
| Admitted business   | 25%         | 50%         |
| Non-admitted.....   | 75%         | 50%         |

**Year founded:** 1984.  
**Type of business:** 60% managing  
general agent, 40% broker.  
**Branch offices:** Overland Park,  
Kan.  
**MGA for:** Guaranty National In-  
surance Co., Scottsdale Insurance  
Co., Essex Insurance Co., Acceptance  
Insurance Co.  
**Broker for:** Admiral Insurance  
Co., General Star Indemnity Co., RLI  
Insurance Co., Tudor Insurance Co.  
**Specialties:** Restaurants and tav-  
erns.  
**Principal officers:** Davis W.  
Hinrichs and Robert L. McGrew.  
**Membership:** NAPSLO, Surplus  
Lines Assn. of Missouri.

**Compass Insurance Group of Agencies**  
805 Fairmont Ave., Glendale, Calif.  
91203; 818-507-1980

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | \$8,250,000 | \$7,800,000 |
| Gross revenues..... | \$990,000   | \$805,000   |
| Employees.....      | 8           | 8           |

|                    |     |     |
|--------------------|-----|-----|
| Commercial lines.. | 80% | 80% |
| Admitted business  | 40% | 40% |
| Non-admitted.....  | 60% | 60% |

**Year founded:** 1971.  
**Type of business:** 100% managing  
general agent.  
**MGA for:** Scottsdale Insurance  
Co., Topa Insurance Co., American  
Home Insurance Co.  
**Correspondent:** Lloyd's of Lon-  
don.  
**Principal officers:** Harry W.  
Gorst, president.  
**Membership:** AAMGA, NAPSLO.

**Connecticut Underwriters Inc.**  
329 Main St., Portland, Conn.  
06480; 203-342-0713

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$36,251,710 | \$31,743,000 |
| Gross revenues..... | \$3,427,000  | \$3,090,413  |
| Employees.....      | 34           | 29           |
| Commercial lines..  | 80%          | 80%          |
| Admitted business   | 50%          | 50%          |
| Non-admitted.....   | 50%          | 50%          |

**Year founded:** 1964.  
**Type of business:** Managing gen-  
eral agent and broker.  
**Branch offices:** Con Exco Insur-  
ance Agency, Lynnfield, Mass.  
**Subsidiaries:** Professional Insur-  
ance Assn. of New York, Rhode Is-  
land Underwriters Inc., Professional  
Service Associates Inc., Cuinco Pre-  
mium Finance, all in Portland, Conn.  
**MGA for:** Western World Insur-  
ance Co., American Empire Insurance  
Co., Foremost Insurance Co., United  
States Liability Insurance Co., Mt.  
Vernon Insurance Co., CNA Insur-  
ance Cos.  
**Broker for:** Lexington Insurance  
Co., The Home Group Inc., CIGNA  
Group, Royal Insurance Co., Colum-  
bia Casualty Co.  
**Correspondent:** Lloyd's of Lon-  
don.  
**Principal officers:** H.J. Stone,  
president; M.M. Stone, secretary/  
treasurer.  
**Membership:** AAMGA, NAPSLO.  
*Continued on next page*



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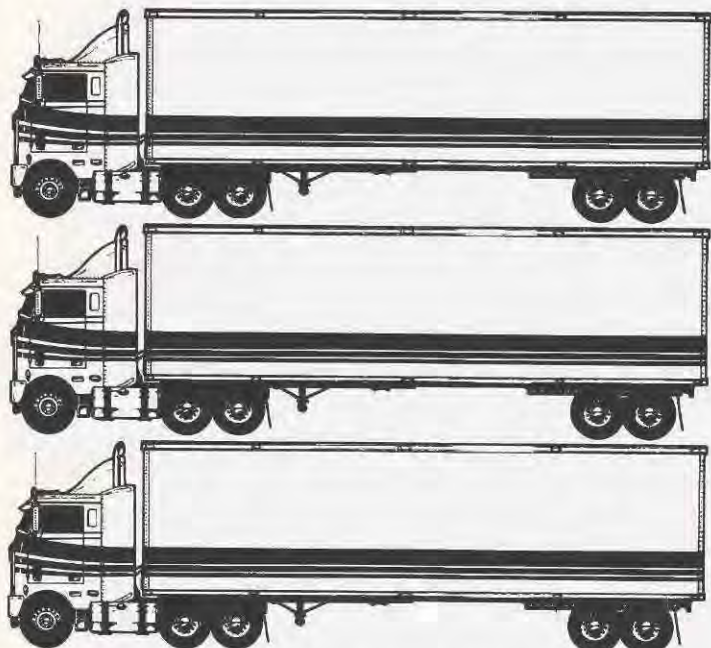
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Continued from previous page

## Continental Special Risks Inc.

200 Hembree Park Drive, Suite K,  
Roswell, Ga. 30076; 404-442-8727

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | \$5,500,000 | \$5,000,000 |
| Gross revenues..... | NA          | NA          |
| Employees.....      | 14          | 12          |
| Commercial lines..  | 90%         | 90%         |
| Admitted business   | 10%         | 5%          |
| Non-admitted.....   | 90%         | 95%         |

**Year founded:** 1984.

**Type of business:** 90% managing general agent, 10% broker.

**Subsidiaries:** Continental Premium Finance Corp.

**MGA for:** Scottsdale Insurance Co., National Casualty Co., Essex Insurance Co., United States Liability Insurance Co., Mt. Vernon Fire Insurance Co.

**Broker for:** Evanston Insurance Co., National Union Fire Insurance Co. of Pittsburgh, Pa., Illinois Insurance Exchange, United National Insurance Co., Chubb Group.

**Principal officers:** Robert Schacher, president; Donna Schacher, vp.

**Membership:** NAPSLO.

## Corporate Advisors Inc.

910 Skokie Blvd., Suite 204,  
Northbrook, Ill. 60062;  
312-564-5820

|                     | 1986      | 1985 |
|---------------------|-----------|------|
| Premium volume...   | \$540,000 | NA   |
| Gross revenues..... | NA        | NA   |
| Employees.....      | 5         | NA   |
| Commercial lines..  | 100%      | NA   |
| Admitted business   | 50%       | NA   |
| Non-admitted.....   | 50%       | NA   |

**Year founded:** 1971, reactivated in 1986.

**Type of business:** 100% broker.

**Broker for:** Illinois Insurance Exchange, Transamerica Insurance Co., United Capital Insurance Co., Hartford Insurance Group.

**Correspondent:** Lloyd's of London.

**Principal officers:** Louis W. Biegler, president; C.M. Murphy, William L. Biegler and Eugene W. Bader, vps.

**Membership:** Illinois Surplus Lines Assn.

## Cox Insurance Group

5170 Commerce Circle,  
Indianapolis, Ind. 46237;  
317-887-0030

|                     | 1986        | 1985         |
|---------------------|-------------|--------------|
| Premium volume...   | \$8,000,000 | \$10,000,000 |
| Gross revenues..... | NA          | NA           |
| Employees.....      | 25          | 28           |
| Commercial lines..  | 99%         | 99%          |
| Admitted business   | 5%          | 5%           |
| Non-admitted.....   | 95%         | 95%          |

**Year founded:** 1981.

**Type of business:** 95% managing general agent, 5% broker.

**Branch offices:** St. Petersburg, Fla.

**Subsidiaries:** Cox Enterprises, Indianapolis.

**Correspondent:** Lloyd's of London.

**Specialties:** Medical stop-loss.

**Principal officers:** Ray Cox, president; Bill Krantz, vp-finance/controller.

**Membership:** NAPSLO.

## Cravens, Dargan & Co., Pacific Coast

3700 Wilshire Blvd., Suite 740, Los Angeles, Calif. 90010;  
213-480-4440

|                     | 1986         | 1985          |
|---------------------|--------------|---------------|
| Premium volume...   | \$95,744,123 | \$131,975,980 |
| Gross revenues..... | \$9,996,034  | \$12,930,368  |
| Employees.....      | 85           | 137           |
| Commercial lines..  | 100%         | 100%          |
| Admitted business   | 95%          | 95%           |
| Non-admitted.....   | 5%           | 5%            |

**Year founded:** 1903.

**Parent company:** CIGNA Corp.

**Type of business:** 95% underwriting manager, 5% broker.

**Branch offices:** San Francisco, Seattle, Chicago, Atlanta.

**Underwriting manager for:** Century Indemnity Insurance Co.

**Broker for:** California Union Insurance Co.

**Principal officers:** Donald Shorey, president; William E. Rucker and Art Werden, vps; Jonathan Wallace, assistant vp-finance.

**Membership:** NAPSLO.

## Crum & Forster Managers Corp. of Illinois

200 S. Wacker Drive, Chicago, Ill. 60606; 312-993-6300

See profile on page 64.

## Crum & Forster Managers Corp. of New York

110 William St., New York, N.Y. 10038; 212-306-4900

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$33,000,000 | \$27,000,000 |
| Gross revenues..... | NA           | NA           |
| Employees.....      | 90           | 81           |
| Commercial lines..  | 100%         | 100%         |
| Admitted business   | 75%          | 75%          |
| Non-admitted.....   | 25%          | 25%          |

**Year founded:** 1967.

**Parent company:** Crum & Forster/Xerox Corp.

**Type of business:** 99% underwriting manager, 1% broker.

**Subsidiaries:** Crum & Forster Managers Corp. (New Jersey), CFMC Inc.

**Underwriting manager for:** The North River Insurance Co., International Surplus Lines Insurance Co., International Insurance Co.

**Correspondent:** Lloyd's of London.

**Specialties:** Non-profit directors and officers liability, public official liability, school board liability, umbrella liability.

**Principal officers:** Roger J. Consolla, president; Donald McGuire, vp-financial; George V. Nichols, vp-professional liability; Richard Kennedy, vp-casualty; Charles Cox, vp-reinsurance.

**Membership:** AAMGA, NAPSLO.

## Crump E&S Group

5350 Poplar Ave., Memphis, Tenn. 38119; 214-891-5970

|                     | 1986          | 1985          |
|---------------------|---------------|---------------|
| Premium volume...   | \$260,000,000 | \$238,000,000 |
| Gross revenues..... | \$24,100,000  | \$26,247,000  |
| Employees.....      | 270           | 220           |
| Commercial lines..  | 99%           | 99%           |
| Admitted business   | 70%           | 70%           |
| Non-admitted.....   | 30%           | 30%           |

**Year founded:** 1955.

**Type of business:** Sedgwick Group P.L.C.

**Subsidiaries:** C.I.S. Northwest Inc., Kirkland, Wash.; Creative Insurance Specialists, Sanford, Fla.; Crump-Davis Inc., Dallas and Denver; Crump-Davis of Houston Inc., Houston; Crump/H&W Insurance Services Inc., Encino, Long Beach, Los Angeles, San Diego and San Francisco, Calif.; Crump London of Illinois Inc., Chicago; Crump London of Louisiana Inc., New Orleans; Crump London of Ohio Inc., Columbus, Ohio; Curmp London Underwriters, Memphis, Tenn.; Crump-Loveless Inc., Atlanta; Crump Mid-Atlantic Inc., Trevose, Pa.; Crump-Northeast Risk Managers Ltd., New York; G&M Marine Inc., New Orleans; Crump Aviation Underwriters, Memphis, Tenn.; S.J. Petrakis Insurance Services Inc., San Francisco and Los Angeles; Regency International, Hamilton, Bermuda.

**Underwriting manager for:** Reliance Insurance Co., Planet Insurance Co.

**MGA for:** Admiral Insurance Co., Albany Insurance Co., Allianz Underwriters Insurance Co., American Empire Surplus Lines Insurance Co., Canal Insurance Co., Employers National Insurance Corp. of Oklahoma, First Financial Insurance Co., First State Insurance Co., Guaranty National Insurance Co., Home & Automobile Insurance Co., Interstate Fire & Casualty Co., Jefferson Insurance Co. of New York, Marine Office of America Corp., National Indemnity Co., Northland Insurance Co., Planet Insurance Co., Scottsdale Insurance Co., Transamerica Corp., Thomas Jefferson Insurance Co., Western World Insurance Co., Yasuda Insurance Co.

**Broker for:** Admiral Insurance Co., American International Group Inc., CNA Insurance Cos., Cameron & Colby Co. Inc., Crum & Forster; Employers Reinsurance Corp.; Excess Insurance Managers, Fireman's Fund Insurance Cos., Genstar Indemnity Co., Great American Surplus Lines Insurance Co., Guaranty National Insurance Co., Harbor Insurance Co., Home & Automobile Insurance Co., Interstate Fire & Casualty Co., Lexington Insurance Co., Mt. Vernon Fire Insurance Co., National Fire & Marine Insurance Co., National Indemnity Co., National Union Fire Insurance Co. of Pittsburgh, Pa., Northland Insurance Co., Scottsdale Insurance Co., Shand, Morahan & Co. Inc., C.V. Starr & Co., Tudor Insurance Co., Western World Insurance Co.

**Correspondent:** Lloyd's of London.

**Principal officers:** Orville D. Jones, executive vp/national director; Earl R. Lanning, vp; Patrick R. O'Brien, vp-finance/administration; Sidney A. Stewart Jr., chairman.

**Membership:** AAMGA, NAPSLO.

**d**

## Delta General Agency Corp.

4828 Loop Central Drive, Houston, Texas 77082; 713-666-2777

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$19,600,000 | \$17,289,000 |
| Gross revenues..... | \$2,646,000  | \$2,334,000  |
| Employees.....      | 52           | 50           |
| Commercial lines..  | 70%          | 60%          |
| Admitted business   | 75%          | 80%          |
| Non-admitted.....   | 25%          | 20%          |

**Year founded:** 1959.

**Parent company:** Delta Lloyds Insurance Co.

**Type of business:** 75% underwriting manager, 23% managing general agent, 2% broker.

**Branch offices:** Dallas.

**Subsidiaries:** Alpha Adjusting, Houston.

**Affiliated companies:** Delta Budget Accounting, Houston.

**Underwriting manager for:** Delta Lloyds Insurance Co.

**MGA for:** Scottsdale Insurance Co., Nautilus Insurance Co., Jefferson Insurance Group, National Indemnity Co., Interstate Fire & Marine Insurance Co.

**Broker for:** Lexington Insurance Co., New York Insurance Exchange.

**Correspondent:** Lloyd's of London.

**Specialties:** Surcharged fire, commercial umbrella.

**Principal officers:** Avrohm I. Wisenberg, chairman; Donald A. King, president; William A. Fink, executive

Continued on facing page

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vp.

**Membership:** AAMGA, NAPSLO,  
Texas Surplus Lines Assn.

**Doranco Inc.**

6240 Carlisle Pike, P.O. Box 1417,  
Mechanicsburg, Pa. 17055;  
717-697-4626

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$39,668,706 | \$24,540,175 |
| Gross revenues..... | NA           | NA           |
| Employees.....      | 22           | 19           |
| Commercial lines..  | 100%         | 100%         |
| Non-admitted.....   | 100%         | 100%         |

**Year founded:** 1975.

**Type of business:** 100% underwriting manager.

**Subsidiaries:** Doran Excess Underwriters Inc., Dorex Data Services Inc., Commonwealth Underwriting Services Inc., all in Mechanicsburg, Pa.

**Underwriting manager for:** United National Group.

**Specialties:** Excess and umbrella liability, hospital professional liability.

**Principal officers:** William L. Doran, chairman; Ronald G. Hihn, president; Deborah L. Grivens, vp/general counsel; Elizabeth D. Firestone, treasurer; Yvonne L. Shiner, secretary.

**Membership:** NAPSLO.

**Aaron B. Dupuy & Sons Inc.**

5155 Galaxie Drive, Jackson, Miss.  
39206; 601-982-3533

|                     | 1986        | 1985         |
|---------------------|-------------|--------------|
| Premium volume...   | \$9,750,000 | \$11,500,000 |
| Gross revenues..... | \$926,250   | \$1,092,500  |
| Employees.....      | 25          | 30           |
| Commercial lines..  | 50%         | 50%          |
| Admitted business   | 60%         | 70%          |
| Non-admitted.....   | 40%         | 30%          |

**Year founded:** 1962.

**Type of business:** 90% managing general agent, 10% broker.

**MGA for:** American Security Insurance Co., Empire Fire & Marine Insurance Co., Foremost Insurance Co.

**Broker for:** Royal Excess & Surplus Lines Insurance Co., American International Group Inc.

**Correspondent:** Lloyd's of London.

**Specialties:** Commercial trucking.  
**Principal officers:** Aaron B. Dupuy Jr., president; Aaron B. Dupuy III, secretary; Jean Pierre Dupuy, vp; Emmett Krause, certified public accountant.

**Membership:** AAMGA, NAPSLO, Mississippi Surplus Lines Assn., Louisiana Surplus Lines Assn., Louisiana Managing General Agents Assn.

**EBCO Group**

1420 Union Ave., P.O. Box 40048,  
Memphis, Tenn.  
38174-0048901-725-0966

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$46,793,375 | \$29,819,721 |
| Gross revenues..... | NA           | NA           |
| Employees.....      | 8            | 11           |
| Commercial lines..  | 15%          | 15%          |
| Admitted business   | 88%          | 85%          |
| Non-admitted.....   | 12%          | 15%          |

**Year founded:** 1980.

**Type of business:** 85% managing general agent, 15% broker.

**MGA for:** Aegon Insurance Group, Sphere Drake Insurance Co. P.L.C.

**Broker for:** Illinois Insurance Exchange, Stonewall Insurance Co.

**Correspondent:** Lloyd's of London.

**Specialties:** Truck physical damage and cargo.

**Principal officers:** F. Evans Sr., F. Evans Jr., Max Benner and A.J. Hicks.

**Membership:** AAMGA, NAPSLO.

**ECS Inc. (Environmental Compliance Services Inc.)**

721 E. Lancaster Ave.,  
Downingtown, Pa. 19335;  
215-269-6731

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$34,000,000 | \$24,000,000 |
| Gross revenues..... | NA           | NA           |
| Employees.....      | 29           | 26           |
| Commercial lines..  | 100%         | 100%         |
| Admitted business   | 95%          | 95%          |
| Non-admitted.....   | 5%           | 5%           |

**Year founded:** 1979.

**Type of business:** 100% managing general agent.

**Subsidiaries:** ECS Underwriting, ECS Brokerage, Consulting Services Inc., Bailey Meyers & Associates.

**MGA for:** National Union Fire Insurance Co. of Pittsburgh, Pa., Columbia Insurance Co.

**Specialties:** Hazardous waste general liability, auto liability, property, environmental impairment liability.

**Principal officers:** William Kronenberg III, president; David M. Rosenberg, senior vp; Susan W. Carsrud, vp-underwriting, Stanley I. Blaustein, vp-brokerage.

**Membership:** NAPSLO.

**E&S Facilities Inc.**

31 Inverness Center Parkway, Suite  
280, Birmingham, Ala. 35243;  
205-969-1700

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$33,000,000 | \$35,000,000 |
| Gross revenues..... | \$2,584,605  | \$3,148,544  |
| Employees.....      | 45           | 51           |
| Commercial lines..  | 100%         | 100%         |
| Admitted business   | 40%          | 40%          |
| Non-admitted.....   | 60%          | 60%          |

Continued on next page

# Exchanges

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111 Fulton Street, New York, NY 10038

Continued from previous page

**Year founded:** 1975  
**Type of business:** 70% broker, 30% managing general agent  
**Branch offices:** Atlanta; Charlotte, N.C.

**MGA for:** Employers National Insurance Co., Carolina Casualty Insurance Co., Guaranty National Insurance Co., Lincoln National Group, Lexington Insurance Co.

**Broker for:** Primarily First State Insurance Co., Fireman's Fund Insurance Cos., The Home Insurance Co., Transamerica Insurance Co., Royal Insurance Co., Columbia Casualty Co., Admiral Insurance Co., Tudor Insurance Co., United States Fire Insurance Co., Evanston Insurance Co., General Reinsurance Corp., American Southern Insurance Co., Great American Surplus Lines Insurance Co., RLI Insurance Co., United Capitol Insurance Co., Westco Insurance Group.

**Correspondent:** Lloyd's of London.

**Specialties:** Excess casualty insurance.

**Principal officers:** Don J. Pate,

chairman; Charles H. Garrison, president; Sondra H. Pate, secretary/treasurer.

**Membership:** NAPSLO, Brokers & Managing Agents.

**ESL Inc.**

P.O. Box 1458, Harrisburg, Pa. 17104; 717-255-6820

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | \$3,255,571 | \$1,420,902 |
| Gross revenues..... | \$185,840   | \$116,544   |
| Employees.....      | 4           | 3           |
| Commercial lines..  | 100%        | 100%        |
| Admitted business   | 29%         | 25%         |
| Non-admitted.....   | 71%         | 77%         |

**Year founded:** 1980.

**Parent company:** Pennsylvania National Mutual Casualty Insurance Co.

**Type of business:** 100% broker.

**Broker for:** International Surplus Lines Insurance Co., Evanston Insurance Co., Lexington Insurance Co., National Union Fire Insurance Co. of Pittsburgh, Pa., Utica Mutual Insurance Co., Lincoln General Insurance Co.

**Specialties:** Public officials' errors and omissions, directors and officers liability for insurance companies.

**Principal officers:** D.D. Walters, president; Robert S. Schade, executive vp; Donald Walmer, vp; Ken Shaffer, treasurer; Ken Shutts, secretary/general counsel.

**Membership:** Pennsylvania Surplus Lines Assn.

**Ian Elliott Ltd.**

1253 McGill College Ave., Montreal, Quebec H3B 2Y5; 514-878-9155

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$47,600,000 | \$33,430,000 |
| Gross revenues..... | \$4,221,000  | \$3,330,000  |
| Employees.....      | 24           | 24           |
| Commercial lines..  | 100%         | 100%         |
| Admitted business   | 96%          | 95%          |
| Non-admitted.....   | 4%           | 5%           |

**Year founded:** 1966.

**Type of business:** 100% managing general agent.

**Branch offices:** Toronto.  
**MGA for:** Scottish & York Insur-

ance Co. Ltd., Victoria Insurance Co. of Canada.

**Principal officers:** Ian Elliott, president; David Eastaugh, executive vp; Andre Doyon and Charles Gallant, senior vps.

**Membership:** NAPSLO.

**Environmental Insurance Management Inc.**

8260 Greensboro Drive, Suite 600, McLean, Va. 22102; 703-847-6588

|                     | 1986 | 1985 |
|---------------------|------|------|
| Premium volume...   | NA   | NA   |
| Gross revenues..... | NA   | NA   |
| Employees.....      | NA   | NA   |
| Commercial lines..  | NA   | NA   |
| Admitted business   | NA   | NA   |
| Non-admitted.....   | NA   | NA   |

**Year founded:** 1987.

**Type of business:** 85% underwriting manager, 15% managing general agent.

**Specialties:** Environmental impairment liability.

**Principal officers:** John J. Metelski, president.

**Esprit General Agency**

369 N. Post Oak Lane, Houston, Texas 77024; 713-681-6500

|                     | 1986        | 1985 |
|---------------------|-------------|------|
| Premium volume...   | \$6,000,000 | NA   |
| Gross revenues..... | \$390,000   | NA   |
| Employees.....      | 3           | NA   |
| Commercial lines..  | 100%        | NA   |
| Non-admitted.....   | 100%        | NA   |

**Year founded:** 1983, activated in 1986.

**Type of business:** 100% managing general agent.

**MGA for:** Adriatic Insurance Co.  
**Correspondent:** Lloyd's of London.

**Specialties:** Commercial truck physical damage, carnival and circus excess liability, commercial umbrella liability.

**Principal officers:** John E. Boyd III, owner.

**Ex-Plus Agency Inc.**

15 Spinning Wheel Road, Suite 326, Hinsdale, Ill. 60521; 312-325-7557

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | \$5,035,225 | \$3,247,080 |
| Gross revenues..... | \$411,853   | \$228,259   |
| Employees.....      | 7           | 5           |
| Commercial lines..  | 100%        | 100%        |
| Admitted business   | 85%         | 90%         |
| Non-admitted.....   | 15%         | 10%         |

**Year founded:** 1983.

**Type of business:** 80% managing general agent, 20% broker.

**MGA for:** Harco National Insurance Co.

**Specialties:** Long-haul truck liability, physical damage, cargo.

**Principal officers:** William J. Wilson, president; Marilyn J. Wilson, vp/treasurer.

**Excess & Surplus Lines Insurance Brokers Inc.**

13848 Ventura Blvd., Suite A, Sherman Oaks, Calif. 91423; 818-990-8860

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$27,500,000 | \$24,000,000 |
| Gross revenues..... | \$2,612,500  | \$2,300,000  |
| Employees.....      | 28           | 26           |
| Commercial lines..  | 100%         | 100%         |
| Admitted business   | 22%          | 51%          |
| Non-admitted.....   | 78%          | 49%          |

**Year founded:** 1975.

**Type of business:** 30% managing general agent, 70% broker.

**Branch offices:** Costa Mesa, Calif.  
**MGA for:** American Empire Insurance Co., Nautilus Insurance Co.

**Broker for:** Primarily Topa Insurance Co., RLI Insurance Co., Illinois Insurance Exchange.

**Correspondent:** Lloyd's of London.

**Specialties:** Primary general product liability, difference in conditions, commercial umbrella and excess liability.

**Principal officers:** Douglas DeLano, chairman/executive vp/secretary; Jerry Boyer, president/treasurer.

**Membership:** NAPSLO.

**f**

**FG Special Risks Inc.**

4801 Woodway, Suite 285W, Houston, Texas 77056; 713-993-9200

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$20,000,000 | \$15,000,000 |
| Gross revenues..... | \$1,800,000  | \$1,200,000  |
| Employees.....      | 20           | 17           |
| Commercial lines..  | 100%         | 100%         |
| Admitted business   | 10%          | 10%          |
| Non-admitted.....   | 90%          | 90%          |

**Year founded:** 1975.

**Parent company:** Financial Guardian Group Inc.

**Type of business:** 20% managing general agent, 80% broker.

**Branch offices:** New Orleans.  
**MGA for:** General Agents Insurance Co., National County Mutual Insurance Co.

**Broker for:** Primarily Albany Insurance Co., Marine Office of America Corp., Mt. Hawley Insurance Co., Sheffield Insurance Co., Illinois Insurance Exchange, The Home Insurance Co., Interstate Fire & Casualty Insurance Co., Fireman's Fund Insurance Co.

**Correspondent:** Lloyd's of London.

**Principal officers:** Robert J.  
*Continued on facing page*

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Continued from facing page  
 Kopal, president; Lawrence Mennes, executive vp; Janet LaHaye, vp.  
**Membership:** AAMGA, NAPSLO.

**Fischer Underwriting Group**  
 P.O. Box 814, Hasbrouck Heights, N.J. 07604; 201-288-8620

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$15,100,000 | \$16,500,000 |
| Gross revenues..... | NA           | NA           |
| Employees.....      | 8            | 10           |
| Commercial lines..  | 100%         | 100%         |
| Admitted business   | 70%          | 70%          |
| Non-admitted.....   | 30%          | 30%          |

**Year founded:** 1981.  
**Parent company:** Nelson Hurst & Marsh (Holdings) Ltd.  
**Type of business:** 100% underwriting manager.  
**Underwriting manager for:** RLI Insurance Co., Mt. Hawley Insurance Co.  
**Specialties:** Directors and officers liability.  
**Principal officers:** Donald R. Fischer, president.  
**Membership:** AAMGA, NAPSLO, New Jersey Surplus Lines Assn.

Laura A. Smith, secretary; Gina M. Eyl, assistant secretary.

**General Star Management Co.**  
 Financial Centre, P.O. Box 10354, Stamford, Conn. 06904-2354; 203-328-5700

See profile on page 63.

**Glanvill Special Risk Insurance Brokers Inc.**  
 90 John St., New York, N.Y. 10038; 212-619-4220

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$52,000,000 | \$47,000,000 |
| Gross revenues..... | \$3,865,000  | \$3,572,000  |
| Employees.....      | 33           | 37           |
| Commercial lines..  | 100%         | 100%         |
| Admitted business   | 42%          | 41%          |
| Non-admitted.....   | 58%          | 50%          |

**Year founded:** 1980.  
**Parent company:** J.I.B. Holdings Inc.  
**Type of business:** 40% managing  
 Continued on next page

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**Donald Gaddis Co. Inc.**  
 150 S. Wacker, Suite 600, Chicago, Ill. 60605; 312-853-0071

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$12,000,000 | \$10,000,000 |
| Gross revenues..... | NA           | NA           |
| Employees.....      | 8            | 7            |
| Commercial lines..  | 100%         | 100%         |
| Admitted business   | 25%          | 25%          |
| Non-admitted.....   | 75%          | 75%          |

**Year founded:** 1982.  
**Type of business:** 25% managing general agent, 75% broker.  
**MGA for:** Scottsdale Insurance Co., Nautilus Insurance Co., American Empire Surplus Lines Insurance Co.  
**Broker for:** General Star Management Co., Admiral Insurance Co., Cameron & Colby Co. Inc., International Insurance Co., Illinois Insurance Exchange, American Empire Surplus Lines Insurance Co.  
**Correspondent:** Lloyd's of London.  
**Principal officers:** Donald Gaddis, president; John Mette, property vp; John Hilligoss, casualty manager; Eric Gaddis, vp; Chris Gaddis, financial vp.  
**Membership:** NAPSLO, Assn. of Lloyd's Brokers.

**Gateway Underwriters Agency Inc.**  
 319 N. Fourth St., St. Louis, Mo. 63102; 314-621-7000

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | \$9,600,000 | \$6,500,000 |
| Gross revenues..... | NA          | NA          |
| Employees.....      | 11          | 11          |
| Commercial lines..  | 99%         | 99%         |
| Admitted business   | 30%         | 30%         |
| Non-admitted.....   | 70%         | 70%         |

**Year founded:** 1954.  
**Type of business:** 99% managing general agent, 1% broker.  
**MGA for:** National Indemnity Co., National Fire & Marine Insurance Co., Home & Automobile Insurance Co., Western World Insurance Co.  
**Correspondent:** Lloyd's of London.  
**Principal officers:** Alan Marlette, president; Ray Clines, vp; Patsy Woollem, secretary/treasurer.  
**Membership:** NAPSLO.

**Gemblock Associates Inc.**  
 1500 Broadway, New York, N.Y. 10036; 212-302-5599

|                     | 1986      | 1985     |
|---------------------|-----------|----------|
| Premium volume...   | \$669,000 | \$25,000 |
| Gross revenues..... | \$100,000 | \$3,750  |
| Employees.....      | 3         | 2        |
| Commercial lines..  | 100%      | 100%     |
| Admitted business   | 100%      | 100%     |

**Year founded:** 1985.  
**Type of business:** 100% broker.  
**Broker for:** Primarily Chubb Group.  
**Correspondent:** Lloyd's of London.  
**Specialties:** Jewelers block, furriers block, armored car and bankers blanket bonds.  
**Principal officers:** Peter L. Eyl, president; Frederick J. Nielson, vp.

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*Continued from previous page*  
 general agent, 60% broker.  
**Branch offices:** San Francisco.  
**MGA for:** Agricultural Excess & Surplus Lines Insurance Co., American Alliance Insurance Co., Scottsdale Insurance Co.  
**Broker for:** Primarily First State Insurance Co., Harbor Insurance Co., St. Paul Surplus Lines Insurance Co., Interstate Fire & Casualty Insurance Co., Crum & Forster Managers Corp.  
**Principal officers:** Roger S. Walsh, president; Arthur Forenza Jr., executive vp; Joseph Harrington and Frank Conti, vps.  
**Membership:** NAPSLO, New York Professional Wholesalers Assn., Western States Surplus Lines Assn.

**Year founded:** 1977.  
**Type of business:** 55% managing general agent, 45% broker.  
**MGA for:** First Central Insurance Co., Colonia Insurance Co., Mt. Vernon Fire Insurance Co., New York Merchant Bankers Mutual Fire Insurance Co.  
**Broker for:** Evanston Insurance Co., Calvert Insurance Co., Lloyd's New York, Security Insurance Co. of Hartford.  
**Specialties:** Multiperil, commercial automobile.  
**Principal officers:** Robert Shapiro, president; Sheldon Bagatell vp.  
**Membership:** NAPSLO, Professional Insurance Wholesalers of New York.

**Year founded:** 1961.  
**Type of business:** 100% underwriting manager.  
**Specialties:** Weather risks.  
**Principal officers:** Henry L. Fox, president; Harold Mollin, director.  
**Membership:** NAPSLO.

age, liquor liability, garage keepers legal liability, dealers open lot liability.  
**Principal officers:** James W. Edwards, chairman; Benjamin C. Armistead, president; Frances S. Birdwell, vp.  
**Membership:** NAPSLO.

**Harry W. Gorst Co. Inc.**  
 805 Fairmont Ave., Glendale, Calif. 91203; 818-507-0900

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$28,000,000 | \$24,000,000 |
| Gross revenues..... | \$2,750,000  | \$2,160,000  |
| Employees.....      | 29           | 27           |
| Commercial lines..  | 38%          | 31%          |
| Admitted business   | 25%          | 10%          |
| Non-admitted.....   | 75%          | 90%          |

**H&W Underwriters Agency Inc.**  
 P.O. Box 10303, Kansas City, Mo. 64111; 913-676-9301

|                     | 1986         | 1985        |
|---------------------|--------------|-------------|
| Premium volume...   | \$10,000,000 | \$5,000,000 |
| Gross revenues..... | \$1,334,188  | \$644,270   |
| Employees.....      | 11           | 10          |
| Commercial lines..  | 98%          | 98%         |
| Admitted business   | 15%          | 5%          |
| Non-admitted.....   | 85%          | 95%         |

general agent, 20% broker.  
**MGA for:** Jefferson Insurance Group, North East Insurance Co., National Indemnity Co., United States Liability Insurance Co., Penn-America Insurance Co., Nautilus Insurance Co., St. Katherine Insurance Co. P.L.C., Sphere Drake Insurance Co. P.L.C., AEGON Insurance Group N.V.  
**Broker for:** Primarily Lexington Insurance Co., Colonial Penn Insurance Co.  
**Correspondent:** Lloyd's of London.  
**Principal officers:** David A. Riffert, president; Donald A. Miller, vp.  
**Membership:** AAMGA, NAPSLO.

**Huycke General Agency**  
 508 W. Sixth Ave., Anchorage, Alaska 99501; 907-276-5333

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | \$3,962,000 | \$2,960,000 |
| Gross revenues..... | \$608,000   | \$319,800   |
| Employees.....      | 6           | 6           |
| Commercial lines..  | 90%         | 79%         |
| Admitted business   | 10%         | 26%         |
| Non-admitted.....   | 90%         | 74%         |

**Year founded:** 1976.  
**Type of business:** 100% managing general agent.  
**MGA for:** Scottsdale Insurance Co., National Casualty Insurance Co., American Family Home Insurance Co.  
**Specialties:** Commercial auto and contractors liability.  
**Principal officers:** Peter C. Huycke.  
**Membership:** AAMGA.

**Independent Insurance Wholesalers Inc.**  
 P.O. Box 23781, 7140 S.W. Fir Loop, Tigard, Ore. 97223; 503-684-1956

|                     | 1986*        | 1985*       |
|---------------------|--------------|-------------|
| Premium volume...   | \$12,000,000 | \$7,000,000 |
| Gross revenues..... | \$1,021,000  | \$700,000   |
| Employees.....      | 12           | 10          |
| Commercial lines..  | 100%         | 100%        |
| Admitted business   | 25%          | 30%         |
| Non-admitted.....   | 75%          | 70%         |

**Year founded:** 1983.  
**Type of business:** 85% broker, 15% managing general agent.  
**Branch offices:** Dublin, Calif.  
**MGA for:** Western World Insurance Co., Nautilus Insurance Co., Agricultural Excess & Surplus Insurance Co.  
**Broker for:** Admiral Insurance Co., Tudor Insurance Co., Navigators Insurance Co., Interstate Fire & Casualty Co., Investors Insurance Co. of America, Harbor Insurance Co., Agricultural Excess & Surplus Insurance Co.  
**Correspondent:** Lloyd's of London.  
**Specialties:** Excess, umbrella, product liability.  
**Principal officers:** Robert K. Stahl, president; Thomas E. Sawyer and Stacey A. Griffin, vps.  
**Membership:** NAPSLO.

**Insurance Facilities Inc.**  
 140 N. Main, Sioux Falls, S.D. 57102; 605-336-0798

|                     | 1986         | 1985        |
|---------------------|--------------|-------------|
| Premium volume...   | \$10,259,905 | \$9,017,511 |
| Gross revenues..... | \$984,101    | \$956,200   |
| Employees.....      | 29           | 30          |
| Commercial lines..  | 40%          | 50%         |
| Admitted business   | 80%          | 70%         |
| Non-admitted.....   | 20%          | 30%         |

**Year founded:** 1965.  
**Type of business:** 95% managing general agent, 5% broker.  
**Branch offices:** Bismarck, N.D.; Minneapolis.  
**MGA for:** Economy Fire & Casualty Co., Jefferson Insurance Group, Colonia Insurance Co., Constitution State Insurance Co., Rockwood Insurance Co., Canal Insurance Co., American Modern Home Insurance Co., American Reliable Insurance Co., Monticello Insurance Co., Occidental Fire & Casualty Co. of North Carolina, Riunione Adriatica di Sicurtà S.p.A.  
**Principal officers:** J.T. Schneider, president; D.J. Dougherty, secretary/treasurer; R.J. Schneider, executive vp.  
**Membership:** AAMGA.  
*Continued on facing page*

**Global Facilities Inc.**  
 200 Sunrise Highway, Rockville Centre, N.Y. 11570; 516-678-5353

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | \$4,675,000 | \$4,125,000 |
| Gross revenues..... | NA          | NA          |
| Employees.....      | 4           | 4           |
| Commercial lines..  | 99%         | 98%         |
| Admitted business   | 96%         | 95%         |
| Non-admitted.....   | 4%          | 5%          |

**Good Weather International Corp.**  
 555 N. Broadway, Jericho, N.Y. 11753; 516-938-7512

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | \$6,500,000 | \$6,500,000 |
| Gross revenues..... | NA          | NA          |
| Employees.....      | 10          | 8           |
| Commercial lines..  | 100%        | 100%        |
| Admitted business   | 100%        | 100%        |

**Year founded:** 1968.  
**Type of business:** 80% managing general agent, 20% broker.  
**Broker for:** Primarily Scottsdale Insurance Co., Topa Insurance Co., Terra Nova Insurance Co. Ltd., Excess Insurance Co. Ltd., Chicago Insurance Co., British National Life Assurance Co. Ltd., American Bankers Insurance Co., Yasuda Fire & Marine Insurance Co. of America, Union American Insurance Co. Ltd., Bishopgate Insurance P.L.C., River Thames Insurance Co. Ltd., St. Katherine Insurance Co. P.L.C., Mutual Reinsurance Bureau.  
**Correspondent:** Lloyd's of London.  
**Principal officers:** Harry W. Gorst, president; Robert C. Blackwell, chief financial officer; Leighton R. Cairns, Michael F. Heagerty and William A. Lemon, vps.  
**Membership:** AAMGA, NAPSLO.

**Year founded:** 1974.  
**Type of business:** 50% managing general agent, 45% underwriting manager, 5% broker.  
**Subsidiaries:** Transportation Underwriters Agency Inc., Kansas City, Mo.  
**Underwriting manager for:** American Excess Insurance Co., Paratransit Insurance Co. Ltd.  
**MGA for:** ULICO Casualty Co.  
**Broker for:** General Star Indemnity Co.  
**Correspondent:** Lloyd's of London.  
**Specialties:** Association professional liability, labor union errors and omissions, taxicab excess liability.  
**Principal officers:** Neil R. Poupirt, president.  
**Membership:** NAPSLO.

**Greenwich American Underwriters Inc.**  
 699 W. Main St., P.C. Box 2557, Hendersonville, Tenn. 37077-2557

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | \$4,500,000 | \$4,026,000 |
| Gross revenues..... | \$440,000   | \$348,000   |
| Employees.....      | 7           | 7           |
| Commercial lines..  | 99%         | 99%         |
| Admitted business   | 10%         | 10%         |
| Non-admitted.....   | 90%         | 90%         |

**L.E. Harris Agency Inc.**  
 1353 Holton Lane, P.O. Box 3889, Langley Park, Md. 20787; 301-439-4700

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$12,900,000 | \$10,584,000 |
| Gross revenues..... | \$1,995,546  | \$1,009,624  |
| Employees.....      | 17           | 16           |
| Commercial lines..  | 99%          | 99%          |
| Admitted business   | 23%          | 25%          |
| Non-admitted.....   | 77%          | 75%          |

**Year founded:** 1981.  
**Type of business:** Managing general agent.  
**MGA for:** Lexington Insurance Co., Illinois Insurance Exchange.  
**Correspondent:** Lloyd's of London.  
**Specialties:** Auto physical dam-

**Year founded:** 1922.  
**Type of business:** 80% managing

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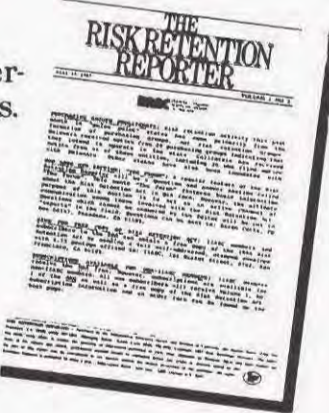
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Continued from facing page

**Insurex Inc.**

66 Route 17, Paramus, N.J. 07652; 201-368-8040

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$10,687,687 | \$10,701,184 |
| Gross revenues..... | \$1,994,942  | \$2,028,621  |
| Employees.....      | 18           | 20           |
| Commercial lines..  | 85%          | 85%          |
| Admitted business   | 40%          | 40%          |
| Non-admitted.....   | 60%          | 60%          |

**Year founded:** 1978.  
**Type of business:** 50% managing general agent, 50% broker.  
**MGA for:** United National Insurance Co., Jefferson Insurance Co., Riunione Adriatica di Sicurtà S.p.A.  
**Broker for:** Imperial Casualty & Indemnity Co., Chubb Custom Insurance Co., Lexington Insurance Co., Calvert Insurance Co., Hartford Insurance Group, Cambridge Mutual Fire Insurance Co., Fireman's Fund Insurance Cos., Home Insurance Co. of Illinois.  
**Correspondent:** Lloyd's of London.  
**Specialties:** Commercial auto physical damage.  
**Principal officers:** Gregory A. Gross, chief executive officer; Barry J. Riff, president.  
**Membership:** NAPLSO, New Jersey Surplus Lines Assn.

**Year founded:** 1978.  
**Type of business:** 100% underwriting manager.  
**Underwriting manager for:** Imperial Casualty & Indemnity Co.  
**Principal officers:** Anthony J. Witzak, president; Nicholas P. Croce Jr., executive vp; Evangeline Spadaccini, secretary; Michael J. Doody, vp.  
**Membership:** NAPLSO.

**Intercontinental Insurance Managers Inc.**

600 3 First National Plaza, Chicago, Ill. 60602; 312-444-1000

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$32,420,156 | \$28,703,670 |
| Gross revenues..... | \$6,315,200  | \$5,808,613  |
| Employees.....      | 147          | 145          |
| Commercial lines..  | 100%         | 100%         |
| Admitted business   | 100%         | 100%         |

**Year founded:** 1982.  
**Parent company:** Intercontinental Financial Group of North America.  
**Type of business:** 100% underwriting manager.  
**Branch offices:** Schaumburg, Ill.; Indianapolis; Louisville, Ky.; St. Louis; Kansas City, Mo.; Oklahoma City; Milwaukee.  
**Underwriting manager for:** Intercontinental Insurance Co.  
**Specialties:** Workers compensation.  
**Principal officers:** James L. Watson, president; Edward Schell, underwriting manager; Elizabeth Ferrans, claims manager; Kevin Marks, loss control manager; Carol Hilton, assistant comptroller.

**International Placement Services Inc.**

7710 Carondelet, Suite 433, St. Louis, Mo. 63105; 314-725-8394

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | NA          | NA          |
| Gross revenues..... | \$1,420,411 | \$1,123,288 |
| Employees.....      | 17          | 16          |
| Commercial lines..  | 100%        | 100%        |
| Admitted business   | 20%         | 20%         |
| Non-admitted.....   | 80%         | 80%         |

**Year founded:** 1981.  
**Type of business:** 70% broker, 30% managing general agent.  
**MGA for:** American Empire Insurance Co., Penn-America Insurance Co., First Financial Insurance Co., Lincoln Insurance Co.  
**Broker for:** American International Group Inc., Chicago Insurance Co., Consolidated American Insurance Co., Evanston Insurance Co., Employers Reinsurance Corp., Fidelity & Deposit Co., Fireman's Fund Insurance Cos., First State Insurance Co., Great Central Insurance Co., Harbor Insurance Co., Home Insurance Co., Illinois Insurance Exchange, Intercontinental Insurance Co., Interstate Fire & Casualty Co., International Surplus Lines Insurance Co., Mt. Hawley Insurance Co., Old Republic Insurance Co., RLI Insurance Co., Republic Western Insurance Co., Royal Surplus Lines Insurance Co., Safety Mutual Casualty Corp., St. Paul Surplus Lines Insurance Co., South Carolina Insurance Co., Stonewall Insurance Co., Transamerica Insurance Co., United Capitol Insurance Co., United National Insurance Co.  
**Correspondent:** Lloyd's of London.  
**Principal officers:** Richard J. Eichhorn, president; Gary G. Uhlemeyer, executive vp; David E. Gebhardt and Robert C. Fagan, vps.  
**Membership:** NAPLSO.

**Interprofessional Underwriters Inc.**

P.O. Box 190, Bridgeport, Pa. 19405; 215-275-4300

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$10,210,425 | \$13,544,469 |
| Gross revenues..... | NA           | NA           |
| Employees.....      | 10           | 10           |
| Commercial lines..  | 100%         | 100%         |
| Admitted business   | 100%         | 100%         |

**Year founded:** 1982.  
**Type of business:** 100% underwriting manager.  
**Underwriting manager for:** Imperial Casualty & Indemnity Co.  
**Principal officers:** Anthony J. Witzak, president; Nicholas P. Croce Jr., executive vp; Evangeline Spadaccini, secretary; Michael J. Doody, vp.  
**Membership:** NAPLSO.

**Interstate Excess Inc.**

1471 Woodward Ave., Suite 104, P.O. Box 249, Bloomfield Hills, Mich. 48013; 313-338-3232

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | \$7,300,000 | \$2,100,000 |
| Gross revenues..... | \$201,000   | \$87,000    |
| Employees.....      | 5           | 2           |
| Commercial lines..  | 100%        | 100%        |
| Admitted business   | 59%         | 72%         |
| Non-admitted.....   | 41%         | 28%         |

**Year founded:** 1974.  
**Type of business:** 100% broker.  
**Broker for:** United Capitol Insurance Co., Illinois Union Insurance Co., Lexington Insurance Co., Evanston Insurance Co., American Continental Insurance Co., Liberty National Fire Insurance Co., National Union Fire Insurance Co. of Pittsburgh, Pa.  
**Correspondent:** Lloyd's of London.  
**Specialties:** Hospital malpractice, product liability, property.  
**Principal officers:** Charles E. Marlin, president; John F. Flaherty, executive vp; Donald C. Marlin, vp; Kay Marlin, secretary/treasurer.  
**Membership:** Michigan Surplus Lines Agents Assn.

**Jaeger & Haines Inc.**

4268 Gabel Drive, P.O. Box 1623, Fayetteville, Ark. 72702; 501-521-2551

|                     | 1986         | 1985        |
|---------------------|--------------|-------------|
| Premium volume...   | \$11,800,000 | \$7,100,000 |
| Gross revenues..... | \$1,700,000  | \$1,100,000 |
| Employees.....      | 25           | 18          |
| Commercial lines..  | 70%          | 70%         |
| Admitted business   | 25%          | 50%         |
| Non-admitted.....   | 75%          | 50%         |

**Year founded:** 1976.  
**Type of business:** 90% managing general agent, 10% broker.  
**Correspondent:** Lloyd's of London.  
**Principal officers:** Larry Haines, president; Mike Johnson, Ed Elliott, Mary Huff and Gloria Taylor, vps.  
**Membership:** AAMGA, NAPLSO.

**Jay Mar Group Ltd.**

45 Whitney Road, Mahwah, N.J. 07430; 201-891-8628

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$12,000,000 | \$15,000,000 |
| Gross revenues..... | \$1,000,000  | \$1,250,000  |
| Employees.....      | 10           | 17           |
| Commercial lines..  | 95%          | 95%          |
| Admitted business   | 60%          | 70%          |
| Non-admitted.....   | 35%          | 25%          |

\* After Oct. 1, address will be 610 Ave. H, Matamoras, Pa. 18337  
**Year founded:** 1976.  
**Type of business:** 65% managing general agent, 35% broker.  
**Branch offices:** Rosemont, Pa.; Newbury, Vt.; Middletown, N.Y.  
**MGA for:** Terra Nova Insurance Co. Ltd., Homestead Insurance Co., Frontier Insurance Co., Marine Office of America Corp., American Colonial Insurance Co.  
**Broker for:** Calvert Insurance Co., Sphere Drake Insurance Co. P.L.C., Lexington Insurance Co.  
**Specialties:** Commercial auto and truck, liquor liability.  
**Principal officers:** Jay Martin, president; Robert L. Wasserman, vp.  
**Membership:** NAPLSO, New Jersey Surplus Lines Assn.

**Don R. Jensen & Co.**

330 S. Wells, Chicago, Ill. 60606 312-939-5240

|                     | 1986         | 1985        |
|---------------------|--------------|-------------|
| Premium volume...   | \$10,000,000 | \$8,500,000 |
| Gross revenues..... | NA           | NA          |
| Employees.....      | 12           | 11          |
| Commercial lines..  | 100%         | 99%         |
| Admitted business   | 60%          | 65%         |
| Non-admitted.....   | 40%          | 35%         |

**Year founded:** 1931.  
**Type of business:** 80% broker, 20% managing general agent.  
**MGA for:** First State Insurance Co., United National Insurance Co.  
**Broker for:** American Empire Insurance Co., California Union Insurance Co., Royal Surplus Lines Insurance Co.  
**Membership:** NAPLSO.

**Jensvold & LeFevre Inc.**

P.O. Box 40998, Houston, Texas 77240-0998; 713-462-6223

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | \$6,000,000 | \$5,000,000 |
| Gross revenues..... | \$400,000   | \$375,000   |
| Employees.....      | 8           | 8           |
| Commercial lines..  | 100%        | 100%        |
| Admitted business   | 10%         | 10%         |
| Non-admitted.....   | 90%         | 90%         |

**Year founded:** 1982.  
**Type of business:** 60% managing general agent, 40% broker.  
**MGA for:** Sphere Drake Insurance Co. P.L.C., Homestead Insurance Co.  
**Broker for:** Interstate Fire & Casualty Co., Underwriters Indemnity Co., Mt. Hawley Insurance Co., First State Insurance Co., Lexington Insurance Co.  
**Correspondent:** Lloyd's of London.  
**Specialties:** Energy risks, association programs.  
**Principal officers:** Marcus D. Jensvold, president; M. Doris LeFevre, executive vp; William D. Wurdeman, vp.  
**Membership:** NAPLSO, Texas Surplus Lines Assn.

**Johnson Excess Ltd.**

640 W. Street Road, Feasterville, Pa. 19047; 215-355-6200

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | \$9,200,000 | \$7,200,000 |
| Gross revenues..... | \$802,000   | \$639,418   |
| Employees.....      | 8           | 8           |
| Commercial lines..  | 100%        | 100%        |
| Admitted business   | 70%         | 60%         |
| Non-admitted.....   | 30%         | 40%         |

**Year founded:** 1980.  
**Type of business:** 75% managing general agent, 25% broker.  
**MGA for:** American Live Stock Insurance Co., General Insurance Co. of Trieste & Venice.  
**Broker for:** Pearl Assurance P.L.C., Generali-Assicurazioni Generali S.p.A.  
**Correspondent:** Lloyd's of London.  
**Specialties:** Horse farms, horse mortality and fertility.  
**Principal officers:** Syl Kiger, president; Alan Douglass, vp; Virginia Rustay, manager; Cathy Lowe, secretary/treasurer.  
**Membership:** Kentucky Surplus Lines Assn.

**Year founded:** 1974.  
**Type of business:** 92% broker, 8% managing general agent.

**Branch offices:** Marmora, N.J.  
**Subsidiaries:** Johnson Underwriters Ltd.  
**MGA for:** United National Insurance Co.

**Broker for:** National Union Fire Insurance Co. of Pittsburgh, Pa., Illinois Insurance Exchange, United National Insurance Co., Imperial Casualty & Indemnity Co., Lexington Insurance Co., International Surplus Lines Insurance Co.  
**Specialties:** Municipal risks.  
**Principal officers:** Edward S. Johnson, president/secretary/treasurer; Dennis Pellegrino, vp; Carolyn Johnson, assistant secretary.  
**Membership:** NAPLSO, New Jersey Surplus Lines Assn., Pennsylvania Surplus Lines Assn.

**Kiger Insurance**

154 Patchen Drive, Suite 96, Lexington, Ky. 40502; 606-268-0707

|                     | 1986        | 1985         |
|---------------------|-------------|--------------|
| Premium volume...   | \$8,000,000 | \$11,000,000 |
| Gross revenues..... | \$1,440,000 | \$2,090,000  |
| Employees.....      | 15          | 22           |
| Commercial lines..  | 99%         | 99%          |
| Admitted business   | 75%         | 75%          |
| Non-admitted.....   | 25%         | 25%          |

**Year founded:** 1980.  
**Type of business:** 75% managing general agent, 25% broker.  
**MGA for:** American Live Stock Insurance Co., General Insurance Co. of Trieste & Venice.  
**Broker for:** Pearl Assurance P.L.C., Generali-Assicurazioni Generali S.p.A.  
**Correspondent:** Lloyd's of London.  
**Specialties:** Horse farms, horse mortality and fertility.  
**Principal officers:** Syl Kiger, president; Alan Douglass, vp; Virginia Rustay, manager; Cathy Lowe, secretary/treasurer.  
**Membership:** Kentucky Surplus Lines Assn.

**LMG Services Ltd.**

116 John St., New York, N.Y. 10038; 212-791-1200

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$45,000,000 | \$35,000,000 |
| Gross revenues..... | \$2,600,000  | \$2,100,000  |
| Employees.....      | 20           | 20           |
| Commercial lines..  | 100%         | 100%         |
| Admitted business   | 80%          | 80%          |
| Non-admitted.....   | 20%          | 20%          |

**Year founded:** 1969.  
**Type of business:** 100% broker.  
**Branch offices:** LMG Excess of New Jersey Inc., East Brunswick, N.J.  
**Subsidiaries:** Mule Associates Inc., Mule Associates of New Jersey Inc.  
**Broker for:** American International Group Inc., Hartford Insurance Group, General Star Indemnity Co., New England Insurance Co., Lloyd's New York.  
**Specialties:** Real estate, hotels, motels.  
**Principal officers:** Alvin B. Moss, president; John Dalton, executive vp; Fred Berger, senior vp; Stuart Farber and Philip Cacioppo, vps.  
**Membership:** NAPLSO.

**LUI Management Inc.**

200 W. Madison St., Suite 1900, Chicago, Ill. 60606; 312-855-0590

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$40,000,000 | \$10,000,000 |
| Gross revenues..... | \$3,549,000  | \$1,179,000  |
| Employees.....      | 47           | 59           |
| Commercial lines..  | 100%         | 100%         |
| Admitted business   | 20%          | 20%          |
| Non-admitted.....   | 80%          | 80%          |

**Year founded:** 1978.  
**Type of business:** 100% underwriting manager.  
**Underwriting manager for:** LUI Insurance Syndicate Inc., CalFed Insurance Syndicate Inc.  
**Principal officers:** Richard E. Foss, Barbara K. Marrs, Lonnie L. Steffen, Francis P. McGovern and Dennis J. Bieda.  
**Membership:** NAPLSO, Underwriters & Brokers Assn. of Chicago, Illinois Surplus Lines Assn.  
*Continued on next page*

# ON-TARGET

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- ★ A Guaranty Fund, the security behind the Exchange, that now exceeds \$20 million.
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**Illinois Insurance Exchange**

175 W. JACKSON BLVD., CHICAGO, IL 60604  
 Toll-Free 1-800/525-8471 (In Illinois 312/939-2400)

Continued from previous page

**Landmark Management Corp.**

601 N.W. 23rd St., P.O. Box 676,  
 Oklahoma City, Okla. 73101;  
 405-521-9911

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$17,000,000 | \$13,367,500 |
| Gross revenues..... | NA           | NA           |
| Employees.....      | 26           | 29           |
| Commercial lines..  | 95%          | 95%          |
| Admitted business   | 42%          | 42%          |
| Non-admitted.....   | 58%          | 58%          |

**Year founded:** 1971.  
**Parent company:** Landmark Insurance Group.  
**Type of business:** 50% managing general agent, 50% broker.  
**Branch offices:** Wichita, Kan.  
**MGA for:** Northfield Insurance Co., Northland Insurance Co., Canal Insurance Co., Scottsdale Insurance Co., National Fire & Marine Insurance Co., National Indemnity Co., Interstate Fire & Casualty Co., First State Insurance Co., Guaranty National Insurance Co.

**Broker for:** Stonewall Underwriters Inc., Harbor Insurance Co., Marine Office of America Corp., Crum & Forster Managers Corp. (Illinois), Employer Reinsurance Corp.  
**Correspondent:** Lloyd's of London.

**Specialties:** Commercial automobile, umbrella.

**Principal officers:** William E. Thompson, chairman; Charles C. Caldwell, president; Philip C. Tolleson and Sally A. Stursa, vps.

**Membership:** AAMGA, NAPSLO, Oklahoma Surplus Lines Assn.

**Langan & Associates Inc.**

P.O. Box 6468, 5940 Tahoe Drive  
 S.E., Grand Rapids, Mich.  
 49516-6468; 616-942-8930

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$42,271,882 | \$37,577,957 |
| Gross revenues..... | \$2,452,846  | \$2,211,274  |
| Employees.....      | 20           | 20           |
| Commercial lines..  | 100%         | 100%         |
| Admitted business   | 52%          | 40%          |
| Non-admitted.....   | 48%          | 60%          |

**Year founded:** 1981.  
**Type of business:** 100% broker.  
**Branch offices:** Chicago.  
**Broker for:** Admiral Insurance Co., Allendale Insurance Co., Allianz Underwriters Insurance Co., California Union Insurance Co., Canadian Universal Insurance Co., Century Indemnity Co., Columbia Casualty Co., Employers Reinsurance Corp., Chubb Custom Market Inc., Fireman's Fund Insurance Cos., First State Insurance Co., General Star Indemnity Co., The Home Insurance Co., Home Insurance Co. of Indiana, Illinois Insurance Exchange, CIGNA Excess & Surplus Insurance Services, Imperial Casualty & Indemnity Co., International Insurance Co., International Surplus Lines Insurance Co., Lexington Insurance Co., National Indemnity Insurance Co., National Union Fire Insurance Co. of Pittsburgh, Pa., St. Paul Surplus Lines Insurance Co., United Capitol Insurance Co., United National Insurance Co.

**Correspondent:** Lloyd's of London.

**Principal officers:** James F. Langan, president; Arthur E. Judson, executive vp; David Young, vp-casualty; George Stone, vp-property; Kenneth Arneson, vp-Chicago office.  
**Membership:** NAPSLO, Michigan Surplus Lines Assn.

**Leverett, Smith & Co. Inc.**

875 Old Roswell Road, Building A,  
 Suite 500, Roswell, Ga. 30076;  
 404-993-0645

|                     | 1986        | 1985      |
|---------------------|-------------|-----------|
| Premium volume...   | \$5,000,000 | \$200,000 |
| Gross revenues..... | \$500,000   | \$26,000  |
| Employees.....      | 3           | 1         |
| Commercial lines..  | 100%        | 100%      |
| Admitted business   | 30%         | 0%        |
| Non-admitted.....   | 70%         | 100%      |

**Year founded:** 1985.  
**Type of business:** 100% broker.  
**Broker for:** Colony Insurance Co., United Capitol Insurance Co., American Specialty Insurance Co., Illinois Insurance Exchange, Fireman's Fund Insurance Cos.  
**Specialties:** Product liability,

hotels, restaurants.  
**Principal officers:** Jerry J. Leverett, president; Robert L. Smith III, vp.

**The London Agency Inc.**

1230 W. Peachtree St. N.W.,  
 Atlanta, Ga. 30309; 404-875-9641

See profile on page 55

**London American Risk Specialists Inc.**

9301 Southwest Freeway, Suite  
 145, Houston, Texas 77074;  
 713-777-6404

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$24,387,000 | \$20,400,000 |
| Gross revenues..... | \$1,611,923  | \$1,291,663  |
| Employees.....      | 18           | 16           |
| Commercial lines..  | 100%         | 100%         |
| Admitted business   | 39%          | 37%          |
| Non-admitted.....   | 61%          | 63%          |

**Year founded:** 1984.  
**Type of business:** 93% broker, 2% managing general agent.

**Branch offices:** Dallas.  
**MGA for:** Western World Insurance Co.

**Broker for:** Aetna Casualty & Surety Co., First State Insurance Co., Interstate Fire & Casualty Co., Admiral Insurance Co., Fireman's Fund Insurance Cos., Lexington Insurance Co.

**Correspondent:** Lloyd's of London.

**Principal officers:** Brian L. Brecker, president; Kenneth S. Keathley, James E. Cloud, Roy S. Shultz and Karl Emery, vps.

**Membership:** NAPSLO, Texas Surplus Lines Assn.

**LoVullo Associates Inc.**

600 Crosby Building, 120 Franklin  
 St., Buffalo, N.Y. 14202;  
 716-856-3065

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | \$7,328,893 | \$6,118,000 |
| Gross revenues..... | NA          | NA          |
| Employees.....      | 13          | 17          |
| Commercial lines..  | 77%         | 60%         |
| Admitted business   | 58%         | 97%         |
| Non-admitted.....   | 42%         | 3%          |

**Year founded:** 1949.  
**Type of business:** 76% managing general agent, 24% broker.

**Subsidiaries:** Ardent Premium Plan.

**MGA for:** Jefferson Insurance Co., National Indemnity Co., National Casualty Insurance Co., Northland Insurance Co., Midwest Mutual Insurance Co., Western World Insurance Co., American Modern Home Insurance Co.

**Broker for:** Connecticut Indemnity Co., Tudor Insurance Co., Frontier Insurance Co.

**Correspondent:** Lloyd's of London.

**Specialties:** Commercial auto physical damage, primary general liability, motorcycle liability.

**Principal officers:** Leonard S. LoVullo, chairman; Leonard T. LoVullo, president.

**Membership:** AAMGA, NAPSLO, Professional Insurance Wholesalers Assn. of New York.

**MacDuff Underwriters Inc.**

P.O. Box 427, 126 Volusia Ave.,  
 Daytona Beach, Fla. 32015;  
 904-252-6454

|                     | 1986         | 1985        |
|---------------------|--------------|-------------|
| Premium volume...   | \$10,700,000 | \$8,400,000 |
| Gross revenues..... | \$1,700,000  | \$1,500,000 |
| Employees.....      | 17           | 23          |
| Commercial lines..  | 93%          | 92%         |
| Admitted business   | 23%          | 36%         |
| Non-admitted.....   | 77%          | 64%         |

**Year founded:** 1980.  
**Parent company:** Brown & Brown Inc.

**Type of business:** 50% managing general agent, 50% broker.  
**Subsidiaries:** MacDuff America Inc., Daytona Beach, Fla.

**MGA for:** General Agents Insurance Co., Scottish & York Insurance Co. Ltd., Essex Insurance Co.

**Broker for:** Admiral Insurance Co., Hartford Specialty Co., Lexington Insurance Co., Harbor Insurance Co., Fireman's Fund Insurance Cos., Crum & Forster Managers Corp., Safety Mutual Casualty Corp.

**Specialties:** Umbrella and excess

liability, general liability, product liability.

**Principal officers:** W.L. Rambo, vp/general manager; J. Hyatt Brown, president; Jamen Henderson, chief financial officer; Kenneth Hill, vp.

**Membership:** AAMGA, NAPSLO, Florida Surplus Lines Assn.

**Maclean, Oddy & Associates Inc.**

1445 Ross Ave., Suite 3900, Dallas,  
 Texas 75225; 214-855-7700

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$86,464,000 | \$73,026,000 |
| Gross revenues..... | \$5,348,000  | \$4,545,000  |
| Employees.....      | 43           | 40           |
| Commercial lines..  | 100%         | 100%         |
| Admitted business   | 40%          | 50%          |
| Non-admitted.....   | 60%          | 50%          |

**Year founded:** 1983.  
**Parent company:** Sedgwick Group P.L.C.

**Type of business:** 100% broker.  
**Subsidiaries:** Maclean, Oddy & Associates of Texas Inc., Maclean, Oddy-Reinsurance Intermediaries Inc., Maclean, Oddy-Underwriting Management Co., all in Dallas.

**Broker for:** Fireman's Fund Insurance Cos., American International Group Inc., Continental Corp., CIGNA Group, The Home Group Inc.

**Correspondent:** Lloyd's of London.

**Principal officers:** R.B. Oddy, chairman; Anita Chanpong, president; John Miller and Jack Souza, executive vps; Stanley Partridge, senior vp.

**Membership:** NAPSLO, Texas Surplus Lines Assn.

**McAlear Associates Inc.**

3075 Orchard Vista Drive S.E.,  
 Grand Rapids, Mich. 49506;  
 616-942-8000

|                     | 1986          | 1985         |
|---------------------|---------------|--------------|
| Premium volume...   | \$110,203,815 | \$90,166,834 |
| Gross revenues..... | \$9,869,579   | \$8,358,302  |
| Employees.....      | 62            | 51           |
| Commercial lines..  | 100%          | 100%         |
| Admitted business   | 87%           | 85%          |
| Non-admitted.....   | 13%           | 15%          |

**Year founded:** 1971.  
**Parent company:** Willis Faber Europe B.V.

**Type of business:** Managing general agent and broker.

**Branch offices:** Overland Park, Kan.

**Correspondent:** Lloyd's of London.

**Principal officers:** Charles A. McAlear, chairman; Thomas S. Bloom, president; Ralph F. Leistner, executive vp; Beverly K. Naedele, senior vp; David D. Martin, vp.

**Membership:** NAPSLO.

**Mid-Western General Agency**

3305 81st St., Suite D, Lubbock,  
 Texas 79423; 906-792-5183

|                     | 1986      | 1985 |
|---------------------|-----------|------|
| Premium volume...   | \$500,000 | NA   |
| Gross revenues..... | \$47,500  | NA   |
| Employees.....      | 2         | NA   |
| Commercial lines..  | 100%      | NA   |
| Admitted business   | 17.5%     | NA   |
| Non-admitted.....   | 82.5%     | NA   |

**Year founded:** 1986.  
**Type of business:** 50% managing general agent, 50% broker.

**MGA for:** International Underwriters Insurance Co., Fielding Reinsurance Ltd.

**Broker for:** Fielding Reinsurance Ltd., Lexington Insurance Co., Fireman's Fund Insurance Cos.

**Principal officers:** John S. Dersch, owner; Cleve Dennia, office manager.

**Mining Insurance Markets Inc.**

P.O. Box 73013, Birmingham, Ala.  
 35253; 205-933-9162

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | \$2,300,000 | \$2,000,000 |
| Gross revenues..... | NA          | NA          |
| Employees.....      | 3           | 2           |
| Commercial lines..  | 100%        | 100%        |
| Admitted business   | 100%        | 95%         |
| Non-admitted.....   | 0%          | 5%          |

**Year founded:** 1985.  
**Type of business:** 100% broker.  
**Broker for:** Rockwood Insurance Co., Rockwood Insurance Co. of Indiana.

**Specialty:** Mining risks.

**Principal officers:** Chandler F. Cox Jr., president.

**Montgomery & Collins Inc.**

3700 Wilshire Blvd., Suite 400, Los  
 Angeles, Calif. 90010;  
 213-480-4501

See profile on page 57.

**Moore Excess Inc.**

Center St., P.O. Box 565, Croton  
 Falls, N.Y. 10519; 914-277-3955

|                     | 1986         | 1985        |
|---------------------|--------------|-------------|
| Premium volume...   | \$15,000,000 | \$9,000,000 |
| Gross revenues..... | NA           | NA          |
| Employees.....      | 10           | 10          |
| Commercial lines..  | 98%          | 99%         |
| Admitted business   | 60%          | 60%         |
| Non-admitted.....   | 40%          | 40%         |

**Year founded:** 1977.  
**Type of business:** 100% broker.  
**Broker for:** General Reinsurance Corp., United States Liability Insurance Co.

**Principal officers:** R.J. Moore, president; John A. Buckley, senior vp; Claire Navin, secretary.

**Membership:** NAPSLO, Professional Insurance Wholesalers Assn. of New York.

**Stan Moore & Associates**

7125 W. Jefferson Ave., Suite 145,  
 Lakewood, Colo. 80235;  
 303-969-8200

|                     | 1986        | 1985      |
|---------------------|-------------|-----------|
| Premium volume...   | \$2,500,000 | \$300,000 |
| Gross revenues..... | NA          | \$30,000  |
| Employees.....      | 5           | 4         |
| Commercial lines..  | 95%         | 50%       |
| Admitted business   | 10%         | 50%       |
| Non-admitted.....   | 90%         | 50%       |

**Year founded:** 1980.  
**Type of business:** 100% broker.  
**Broker for:** Illinois Insurance Exchange, Mt. Hawley Insurance Co.

**Principal officers:** Stan Moore president; George Yarberry, vp; Orval Majors, treasurer; Kathryn Moore, secretary.



**NAS Ltd.**

100 S. Wacker Drive, Chicago, Ill.  
 60606; 312-726-2186

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$24,900,000 | \$18,000,000 |
| Gross revenues..... | \$1,944,000  | \$1,560,000  |
| Employees.....      | 9            | 9            |
| Commercial lines..  | 100%         | 100%         |
| Admitted business   | 60%          | 60%          |
| Non-admitted.....   | 40%          | 40%          |

**Year founded:** 1975.  
**Type of business:** 100% broker.  
**Branch offices:** Indianapolis.

**Broker for:** First State Insurance Co., Columbia Casualty Co., St. Paul Surplus Lines Insurance Co., Crum & Forster Corp., American International Group Inc., Admiral Insurance Co., Illinois Insurance Exchange, American Empire Insurance Co., General Star Indemnity Co.

**Correspondent:** Lloyd's of London.

**Specialties:** Hospital professional liability, truck liability including physical damage.

**Principal officers:** Tom Cath, Steven Johnson, Elaine Tearney, Steven Shirley, John Bogart and John Cornelius.

**Membership:** NAPSLO, Assn. of Lloyd's Brokers.

**Nason Associates Inc.**

Suite 207, 6901 W. 63rd, Overland  
 Park, Kan. 66202; 913-677-1550

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | \$6,736,000 | \$6,245,000 |
| Gross revenues..... | \$420,000   | \$355,300   |
| Employees.....      | 7           | 6           |
| Commercial lines..  | 90%         | 90%         |
| Admitted business   | 65%         | 65%         |
| Non-admitted.....   | 35%         | 35%         |

**Year founded:** 1980.  
**Type of business:** 100% broker.

**Broker for:** Associated Aviation Underwriters, United States Aircraft Insurance Group, Global Aviation Insurance Services, Aviation Office of America.

**Correspondent:** Lloyd's of London.

**Specialties:** Aircraft insurance, including aircraft manufacturers product liability.

**Principal officers:** Courtney H. Nason, president; Linda Joy, vp; Lorri Shuey, senior underwriter.

Continued on facing page

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|---------------------------|----------------------------|----------------------------|----------------------------|
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|---------------------------|----------------------------|----------------------------|----------------------------|

*Continued from facing page*  
**Membership:** Aircraft Insurance Assn.

**J.J. Negley Associates**

388 Pompton Ave., Cedar Grove, N.J. 07009; 201-239-9107

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$35,000,000 | \$26,000,000 |
| Gross revenues..... | NA           | NA           |
| Employees.....      | 40           | 36           |
| Commercial lines..  | 100%         | 100%         |
| Admitted business   | 10%          | 20%          |
| Non-admitted.....   | 90%          | 80%          |

**Year founded:** 1960.  
**Type of business:** 100% underwriting manager.  
**Underwriting manager for:** Scottsdale Insurance Co., National Casualty Co.  
**Specialties:** Health and social service agencies.  
**Principal officers:** Joseph J. Negley, chairman; Edward T. Negley, president; Brian J. Waters, executive vp.  
**Membership:** AAMGA, NAPSLO.

**The Norco Agency Inc.**

6308 Woodman, Suite 204, Van Nuys, Calif. 91401; 818-782-1912

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | \$7,200,000 | \$6,370,395 |
| Gross revenues..... | \$700,000   | \$650,000   |
| Employees.....      | 9           | 9           |
| Commercial lines..  | 35%         | 35%         |
| Admitted business   | 90%         | 90%         |
| Non-admitted.....   | 10%         | 10%         |

**Year founded:** 1960.  
**Type of business:** 90% managing general agent, 10% broker.  
**MGA for:** Century National Insurance Co., Chicago Insurance Co., Sutter Insurance Co., Topa Insurance Co.  
**Broker for:** Golden Bear Insurance Co.  
**Specialties:** Commercial vehicle material damage, commercial fire, commercial umbrella.  
**Principal officers:** Norman J. Levine, president; Adelyne F. Levine, vp/secretary/treasurer.  
**Membership:** AAMGA, NAPSLO.

**North Island Facilities Ltd.**

30 Park Ave., Manhasset, N.Y. 10030-2444; 516-365-7440

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$40,000,000 | \$21,500,000 |
| Gross revenues..... | NA           | \$1,398,000  |
| Employees.....      | 35           | 35           |
| Commercial lines..  | 95%          | 95%          |
| Admitted business   | 95%          | 95%          |
| Non-admitted.....   | 5%           | 5%           |

**Year founded:** 1976.  
**Parent company:** Orlando Management Corp.  
**Type of business:** 60% broker, 40% managing general agent.  
**Branch offices:** New York; Oradell, N.J.; Warwick, R.I.  
**Subsidiaries:** N.I.F. Services of New York Inc., New York; N.I.F. Services of New England Inc., Warwick, R.I.; N.I.F. Services of New Jersey Inc., Oradell, N.J.  
**MGA for:** National Union Fire Insurance Co. of Pittsburgh, Pa., U.S. Liability Insurance Co.  
**Broker for:** North Star Reinsurance, Royal Excess & Surplus Lines Insurance Co., Hermitage Insurance Co., The Insurance Co. of the State of Pennsylvania.  
**Specialties:** Professional liability.  
**Principal officers:** Michael A. Orlando, president; John G. Orlando, Dennis Loggie and William Battistini, vps; Euclid F. Maggiani, secretary.  
**Membership:** NAPSLO.



**Pacific General Agency Inc.**

115 Second Ave. N., P.O. Box 368, Edmonds, Wash. 98020; 206-771-5044

|                     | 1986         | 1985        |
|---------------------|--------------|-------------|
| Premium volume...   | \$10,500,000 | \$9,200,000 |
| Gross revenues..... | \$1,060,000  | \$930,000   |
| Commercial lines..  | 98%          | 97%         |
| Admitted business   | 30%          | 10%         |
| Non-admitted.....   | 70%          | 90%         |

**Year founded:** 1978.  
**Type of business:** 75% broker, 25% managing general agent.  
**MGA for:** Scottsdale Insurance Co., National Casualty Co.  
**Broker for:** American Universal

Insurance Co., Canadian Universal Insurance Co. Ltd., Commonwealth Insurance Co., The Home Insurance Co., Interstate Fire & Casualty Co., Illinois Insurance Exchange, National Casualty Co., RLI Insurance Co., Scottsdale Insurance Co., United Capitol Insurance Co.  
**Specialties:** Ocean marine.  
**Principal officers:** Douglas R. Hartman, president; Gary Galeotti, John R. Adams Jr., vps.  
**Membership:** NAPSLO, Western States Surplus Lines Conference, Assn. of Marine Underwriters, Surplus Lines Assn. of Washington.

**Paige-Ruane Inc.**

The Irwin Building, King of Prussia, Pa. 19406-0962; 215-265-4170

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$16,000,000 | \$10,000,000 |
| Gross revenues..... | \$2,800,000  | \$1,614,971  |
| Employees.....      | 8            | 7            |
| Commercial lines..  | 100%         | 100%         |
| Admitted business   | 50%          | 50%          |
| Non-admitted.....   | 50%          | 50%          |

**Year founded:** 1978.  
**Type of business:** 100% managing general agent.  
**Branch offices:** St. Petersburg, Fla.  
**MGA for:** Planet Insurance Co., Unigard Insurance Co., United National Insurance Co., Diamond State Insurance Co.  
**Specialties:** Long-term automobile leasing.  
**Principal officers:** Ronald R. Ruane Sr., president; Frederick G. Paige, secretary/treasurer; Lisa Shaffran, resident vp; David B. Sheldon, assistant vp; Ronald R. Ruane Jr., assistant secretary.  
**Membership:** NAPSLO.

**Political & Credit Risk Management Inc.**

540 S. Glenhurst, Birmingham, Mich. 48009; 313-540-2615

|                     | 1986      | 1985      |
|---------------------|-----------|-----------|
| Premium volume...   | \$900,000 | \$700,000 |
| Gross revenues..... | NA        | NA        |
| Employees.....      | 2         | 2         |
| Commercial lines..  | 100%      | 100%      |
| Admitted business   | 65%       | 60%       |
| Non-admitted.....   | 35%       | 40%       |

**Year founded:** 1983.  
**Type of business:** 100% broker.  
**Broker for:** American International Group Inc., Fidelity & Deposit Co. of Maryland, Foreign Credit Insurance Assn.  
**Correspondent:** Lloyd's of London.  
**Specialties:** Political risk, export credit, domestic credit.  
**Principal officers:** D.G. Keesee, president; R.R. Riesgo, vp; Nancy T. Keesee, secretary/treasurer.

**Professional Liability Brokers & Consultants Inc.**

1011 E. Touhy Ave., Suite 321, Des Plaines, Ill. 60018; 312-699-4151

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | \$2,700,000 | \$2,000,000 |
| Gross revenues..... | \$202,500   | \$150,000   |
| Employees.....      | 4           | 4           |
| Commercial lines..  | 100%        | 100%        |
| Admitted business   | 20%         | 10%         |
| Non-admitted.....   | 80%         | 90%         |

**Year founded:** 1984.  
**Type of business:** 100% broker.  
**Broker for:** Admiral Insurance Co., North Atlantic Casualty & Surety Co., CNA Insurance Co.  
**Specialties:** Professional liability, directors and officers liability, product liability.  
**Principal officers:** Ervin A. Kransberg, president; C. Roy Vince and Richard J. Gundlach, directors.

**Professional Liability Underwriting Managers Inc.**

11095 Viking Drive, Fourth Floor, Eden Prairie, Minn. 55344; 612-829-7600

|                     | 1986          | 1985         |
|---------------------|---------------|--------------|
| Premium volume...   | \$188,000,000 | \$85,000,000 |
| Gross revenues..... | NA            | NA           |
| Employees.....      | 80            | 43           |
| Commercial lines..  | NA            | NA           |
| Admitted business   | 85%           | 82%          |
| Non-admitted.....   | 15%           | 18%          |

**Type of business:** 100% managing general agent.  
**Principal officers:** Gordon D. Alston, president; Paul F. Mahaffey, executive vp; Kathryn A. Feeny and James S. Swearingen, vps.

**Professional Liability Underwriting Services Inc.**

550 N. Reo, Suite 201, Tampa, Fla. 33609; 813-873-5170

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$15,500,000 | \$12,500,000 |
| Gross revenues..... | \$1,250,000  | \$1,000,000  |
| Employees.....      | 7            | 5            |
| Commercial lines..  | 100%         | 100%         |
| Admitted business   | 90%          | 96%          |
| Non-admitted.....   | 10%          | 4%           |

**Type of business:** 90% managing general agent, 10% broker.  
**Branch offices:** PLUS Excess, Avenel, N.J.  
**MGA for:** Crum & Forster Managers Corp.  
**Broker for:** Crum & Forster Managers Corp.  
**Specialties:** Professional liability.  
**Principal officers:** Robert Ciuffreda, president; Mark D. Harris, vp; John Gerds, underwriting manager; Linda Lent, office manager.

**Program Underwriters Inc.**

8010 N. University Drive, Tamarac, Fla. 33321; 305-726-1600

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$36,000,000 | \$27,000,000 |
| Gross revenues..... | \$5,000,000  | \$3,800,000  |
| Employees.....      | 65           | 47           |
| Commercial lines..  | 100%         | 100%         |
| Admitted business   | 7%           | 10%          |
| Non-admitted.....   | 93%          | 90%          |

**Year founded:** 1979.  
**Type of business:** 85% managing general agent, 15% broker.  
**Branch offices:** Program Underwriters III Inc., Brandon, Fla.; Program Underwriters IV Inc., Boca Raton, Fla.; Program Underwriters V Inc., Longwood, Fla.; Program Underwriters VII Inc., Birmingham, Ala.  
**Subsidiaries:** Program Underwriters Financing Inc., Capacity Re Insurance Inc., both in Tamarac, Fla.  
**MGA for:** Casualty Indemnity Exchange, Mt. Vernon Fire Insurance Co., Latin American Property & Casualty Insurance Co., English & American Insurance Co., Terra Nova Insurance Co., Homestead Insurance Co.

**Broker for:** Home Insurance Co. of Indiana, Michigan Mutual Insurance Co., American Universal Insurance Co., Crum & Forster Inc., American International Group Inc., Aetna Life & Casualty Co., Orion Group, Sphere Drake Insurance Co. P.L.C.  
**Correspondent:** Lloyd's of London.  
**Principal officers:** Lawrence J. Buto, president; Edward L. Lustigman, Alan Goldfarb, Tony Murro and Robert L. Baum, vps.  
**Membership:** AAMGA, Florida Excess & Surplus Lines Assn.



**RISC Inc.**

750 N. St. Paul St., Suite 990, Dallas, Texas 75214; 214-922-9898

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$25,000,000 | \$20,000,000 |
| Gross revenues..... | \$2,120,000  | \$1,600,000  |
| Employees.....      | 24           | 24           |
| Commercial lines..  | 95%          | 99%          |
| Admitted business   | 50%          | 50%          |
| Non-admitted.....   | 50%          | 50%          |

**Year founded:** 1966.  
**Parent company:** The Rigg Group Inc.  
**Type of business:** 65% broker, 20% managing general agent, 15% underwriting manager.  
**Underwriting manager for:** International Lloyds Insurance Co.  
**Correspondent:** Lloyd's of London.  
**Specialties:** Trucking, energy risks.  
**Principal officers:** David L. Geary, president; Paul Warmingham, Robin Stough and Frances Griffin, vps; Allan Hildebrand, assistant vp.  
**Membership:** NAPSLO, Texas Surplus Lines Assn.

**Ranger Allied Underwriters**

P.O. Box 2807, Houston, Texas 77252-2807; 713-622-6500; 800-392-1970

|                     | 1986*       | 1985* |
|---------------------|-------------|-------|
| Premium volume...   | \$7,000,000 | NA    |
| Gross revenues..... | \$675,000   | NA    |
| Employees.....      | 14          | 17    |
| Commercial lines..  | 95%         | 90%   |
| Admitted business   | 20%         | 5%    |
| Non-admitted.....   | 80%         | 95%   |

\* Comparable 1985 figures not available due to change in accounting periods.  
**Year founded:** 1961.  
**Parent company:** Ranger Insurance Managers Inc.

**Type of business:** 85% managing general agent, 15% broker.  
**MGA for:** Northland Insurance Co., National Indemnity Co., Jefferson Insurance Co., St. Katherine Insurance Co. P.L.C., Acceleration National Insurance Co.  
**Broker for:** Marine Office of America Corp., Royal Surplus Lines Insurance Co., Employers Reinsurance Corp., Delta Lloyds Insurance Co.  
**Specialties:** Trucking risks.  
**Principal officers:** Richard Harris, Dan Krutilek, Lowry Vaughn, Ray Knickman II and Warren Diddon.  
**Membership:** AAMGA, NAPSLO, Texas Surplus Lines Assn.

**Rathbone, King & Seeley Insurance Services Inc.**

P.O. Box 7575, San Francisco, Calif. 94120; 415-421-3900

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$13,000,000 | \$18,000,000 |
| Gross revenues..... | \$900,000    | \$1,260,000  |
| Employees.....      | 19           | 24           |
| Commercial lines..  | 100%         | 100%         |
| Admitted business   | 60%          | 60%          |
| Non-admitted.....   | 40%          | 40%          |

**Year founded:** 1849.  
**Parent company:** Classified Financial Corp.  
**Type of business:** 90% broker, 10% managing general agent.  
**Branch offices:** Portland, Ore.; Burbank and Fresno, Calif.  
**Broker for:** American International Group Inc.; Shand, Morahan & Co. Inc.; Admiral Insurance Co.; Employers Reinsurance Corp.; Topa Insurance Co.  
**Correspondent:** Lloyd's of London.  
**Specialties:** Excess and umbrella liability.  
**Principal officers:** Thomas Cockrell, Anthony Raia, Ralph A. Jackson and Chris Bernau.  
**Membership:** NAPSLO.

*Continued on next page*

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**Look to the Jefferson.**

Continued from previous page

**Repath Associates Inc.**

4301 Hillsboro Road, Suite 314,  
 Nashville, Tenn. 37015;  
 615-297-1739

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$25,000,000 | \$18,000,000 |
| Gross revenues..... | \$1,600,000  | \$1,300,000  |
| Employees.....      | 9            | 8            |
| Commercial lines..  | 100%         | 100%         |
| Admitted business   | 15%          | 20%          |
| Non-admitted.....   | 85%          | 80%          |

**Year founded:** 1984.  
**Type of business:** 95% broker, 5% managing general agent.

**MGA for:** American Empire Surplus Lines Insurance Co.

**Broker for:** American Empire Surplus Lines Insurance Co., California Union Insurance Co., Chubb Group of Insurance Cos., Columbia Casualty Co., Fireman's Fund Insurance Cos., First State Insurance Co., Home Insurance Group, Illinois Insurance Exchange, Lexington Insurance Co., Providence Washington Insurance Co., Tudor Insurance Co.

**Correspondent:** Lloyd's of London.

**Principal officers:** Derek J. Repath, president; Robert A. Pugh, vp.

**Membership:** NAPSLO.

**Richter/Robb Cos.**

1900 Grant St., Suite 800, Denver,  
 Colo. 80203; 303-831-1541

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | \$6,021,000 | \$3,496,000 |
| Gross revenues..... | \$433,051   | \$279,680   |
| Employees.....      | 21          | 16          |
| Commercial lines..  | 100%        | 100%        |
| Admitted business   | 4%          | 2%          |
| Non-admitted.....   | 96%         | 98%         |

**Year founded:** 1918.  
**Type of business:** 63% broker, 27% managing general agent.

**Subsidiaries:** Richter/Robb Pacific Insurance Services Inc., San Francisco; Richter/Robb Great Lakes Corp., Rochester Hills, Mich.

**Broker for:** Lexington Insurance Co., California Union Insurance Co., Interstate Fire & Casualty Co.

**Correspondent:** Lloyd's of London.

**Specialties:** Financial institutions, umbrella and excess, directors and officers liability, excess medical.

**Principal officers:** Roger A. Richter, chairman; Roger A. Richter Jr., president; Robert D. Gaddis, executive vp; John R. Spiegel and Richard A. Mims.

**Membership:** NAPSLO.

**S**

**W.A. Schickedanz Agency Inc.**

300 W. Main St., P.O. Box 445,  
 Belleville, Ill. 62222; 618-233-0644

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | \$6,850,000 | \$4,800,000 |
| Gross revenues..... | \$775,000   | \$550,000   |
| Employees.....      | 19          | 17          |
| Commercial lines..  | 85%         | 80%         |
| Admitted business   | 90%         | 95%         |
| Non-admitted.....   | 10%         | 5%          |

**Year founded:** 1933.  
**Type of business:** 90% managing general agent, 10% broker.

**Subsidiaries:** Gateway Premium Budget Inc.

**MGA for:** AEGON Insurance Group N.V., Nautilus Insurance Co., First Financial Insurance Co., Sphere Drake Insurance Co. P.L.C., National Indemnity Co., Transamerica Premier Insurance Co.

**Broker for:** Lexington Insurance Co., Mt. Vernon Fire Insurance Co., RLI Insurance Co., Mt. Hawley Insurance Co., Terra Nova Insurance Co. Ltd., Hartford Specialty Insurance Co.

**Correspondent:** Lloyd's of London.

**Specialties:** Liquor liability.

**Principal officers:** Carl J. Miller, chairman; C. Jack Miller, president/ chief executive officer; Steven C. Miller, executive vp/secretary.

**Membership:** AAMGA.

**Victor O. Schinnerer & Co. Inc.**

5028 Wisconsin Ave. N.W.,  
 Washington, D.C. 20016;  
 202-885-9500

See profile on page 47.

**Seaboard Underwriters Inc.**

2732 Anne Elizabeth Drive,  
 Burlington, N.C. 27215;  
 919-584-1465

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$40,000,000 | \$32,000,000 |
| Gross revenues..... | NA           | NA           |
| Employees.....      | 56           | 52           |
| Commercial lines..  | 99%          | 94%          |
| Admitted business   | 65%          | 50%          |
| Non-admitted.....   | 35%          | 50%          |

**Year founded:** 1957.  
**Parent company:** Crum & Forster/Xerox Corp.

**Type of business:** 50% underwriting manager, 25% managing general agent, 25% broker.

**Correspondent:** Lloyd's of London.

**Specialties:** Truckers liability, truck physical damage.

**Principal officers:** Donald R. Sandgren president; Thomas Fletcher, Joseph Hutelmyer and Andrew Wolff, senior vps.

**Membership:** AAMGA, NAPSLO.

**Shand, Morahan & Co. Inc.**

Shand Morahan Plaza, Evanston,  
 Ill. 60201; 312-866-2800

|                     | 1986          | 1985          |
|---------------------|---------------|---------------|
| Premium volume...   | \$257,253,000 | \$281,623,000 |
| Gross revenues..... | NA            | NA            |
| Employees.....      | 403           | 432           |
| Commercial lines..  | 100%          | 100%          |
| Admitted business   | 44%           | 50%           |
| Non-admitted.....   | 56%           | 50%           |

**Year founded:** 1970.

**Parent company:** Alexander & Alexander Services Inc.

**Type of business:** 100% underwriting manager.

**Underwriting manager for:** Insurance Co. of Evanston, Evanston Insurance Co., Utica Mutual Insurance Co.

**Correspondent:** Lloyd's of London.

**Specialties:** Professional liability, product liability.

**Principal officers:** Joseph J. Prochaska, chairman/ chief executive officer; E.L. Calhoun, president; Richard A. Adler and Robert H. Libby, executive vps; William Wall, executive vp/secretary.

**Membership:** AAMGA, NAPSLO.

**Thomas F. Sheehan Inc.**

801 N. Plaza Drive, Schaumburg,  
 Ill. 60173-4919; 312-490-1400

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$42,125,903 | \$38,299,002 |
| Gross revenues..... | \$7,620,708  | \$6,394,085  |
| Employees.....      | 25           | 26           |
| Commercial lines..  | 100%         | 100%         |
| Admitted business   | 100%         | 100%         |

**Year founded:** 1978.

**Type of business:** 95% underwriting manager, 5% broker.

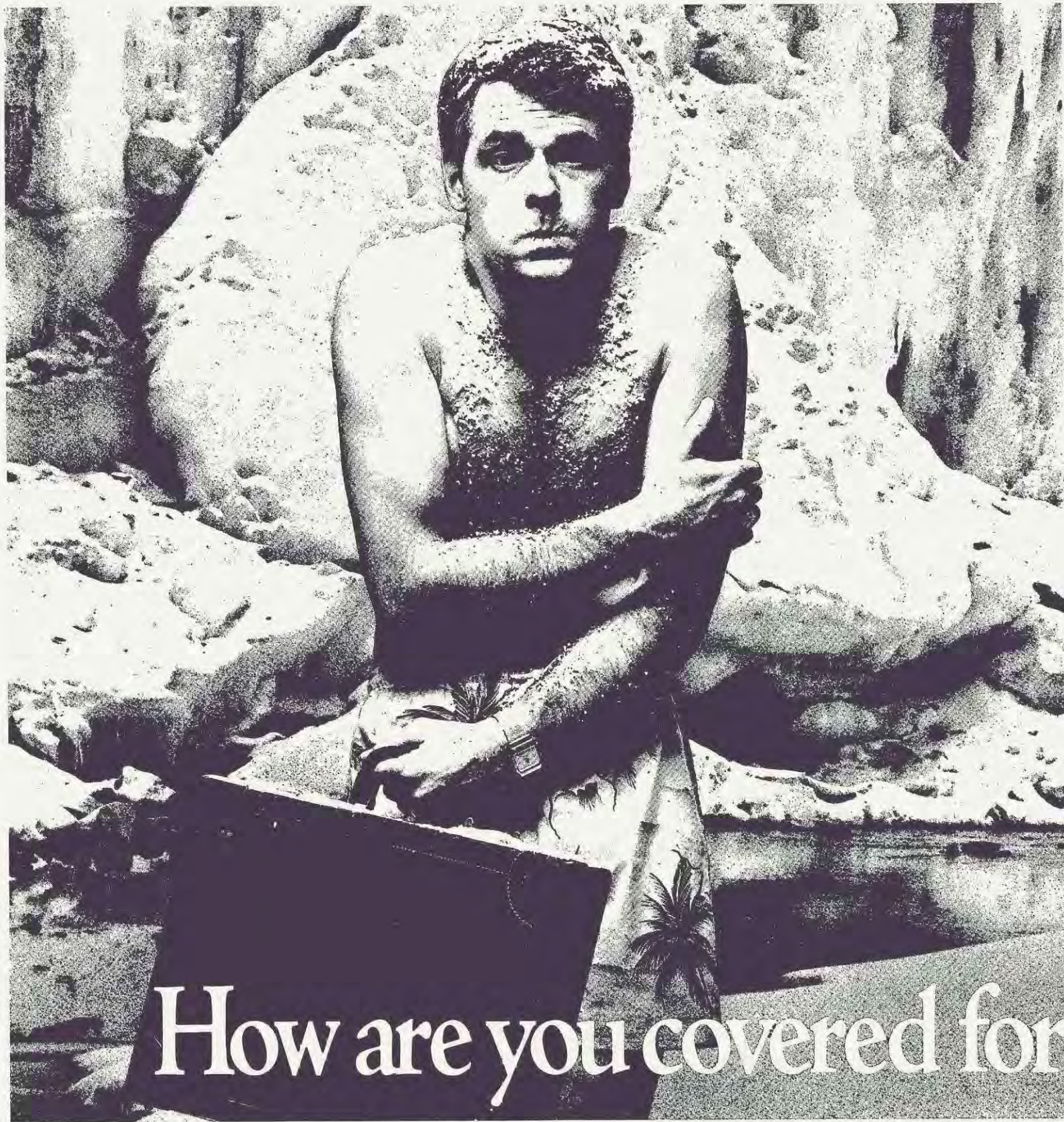
**Subsidiaries:** Peace Corp., Professional Risk Management Inc., Plaza Drive Partners.

**Underwriting manager for:** Imperial Casualty & Indemnity Co.

**Specialties:** Professional liability.

**Principal officers:** Thomas F. Sheehan, president.

Continued on facing page



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Continued from facing page  
 Sheehan, chairman; Ramkrishna H. Chandarana, executive vp; James F. Whitaker, vp/treasurer.  
**Membership:** AAMGA.

**Sherwood Insurance Services**

201 California St., San Francisco, Calif. 94111-5086; 415-956-3236

|                     | 1986          | 1985          |
|---------------------|---------------|---------------|
| Premium volume...   | \$124,000,000 | \$110,000,000 |
| Gross revenues..... | \$9,300,000   | \$8,900,000   |
| Employees.....      | 70            | 65            |
| Commercial lines..  | 100%          | 100%          |
| Admitted business   | 80%           | 85%           |
| Non-admitted.....   | 20%           | 15%           |

**Year founded:** 1978.

**Type of business:** 100% broker.  
**Branch offices:** Los Angeles, Chicago.

**Broker for:** Crum & Forster Managers Corp., Industrial Underwriters Insurance Co., St. Paul Surplus Lines Insurance Co., Cameron & Colby Co. Inc., The Home Insurance Co., Fireman's Fund Insurance Cos., Allianz Underwriters Insurance Co., RLI Insurance Co., American International Group Inc.

**Specialties:** Commercial property/casualty, difference-in-conditions.

**Principal officers:** Donald K. Sherwood, president; James W. Barnes, David R. Hartoch and Richard T. Nahas, senior vps; John P. Middleton, vp.

**Membership:** NAPSLO.

**Leon F. Skinner Agency Inc.**

1258 Sibley Tower Building, Rochester, N.Y. 14604; 716-232-3585

|                     | 1986        | 1985      |
|---------------------|-------------|-----------|
| Premium volume...   | \$2,500,000 | \$500,000 |
| Gross revenues..... | NA          | NA        |
| Employees.....      | 6           | 4         |
| Commercial lines..  | 70%         | 60%       |
| Admitted business   | 60%         | 60%       |
| Non-admitted.....   | 40%         | 40%       |

**Year founded:** 1959.

**Type of business:** 100% broker.

**Broker for:** Connecticut Indemnity Co.

**Specialties:** Trucking, including bobtail/deadhead, physical damage, cargo.

**Principal officers:** Leon F. Skinner, president.

**Sobieski & Bradley**

P.O. Box 75750, 650 E. 4500 S., Suite 320, Salt Lake City, Utah 84107; 801-268-9800

|                     | 1986 | 1985 |
|---------------------|------|------|
| Premium volume...   | NA   | NA   |
| Gross revenues..... | NA   | NA   |
| Employees.....      | NA   | NA   |
| Commercial lines..  | NA   | NA   |
| Admitted business   | NA   | NA   |
| Non-admitted.....   | NA   | NA   |

**Year founded:** 1987.

**Type of business:** 70% broker, 30% managing general agent.

**MGA for:** Nautilus Insurance Co., American Empire Surplus Lines Insurance Co., Western World Insurance Co.

**Broker for:** Admiral Insurance Co., Interstate National Corp., Fireman's Fund Insurance Cos., The

Home Insurance Co., Transcontinental Insurance Co., Associated International Insurance Co., Tudor Insurance Co.

**Specialties:** Product liability, directors and officers liability.

**Principal officers:** Michael Sobieski, president; Jim Bradley, chief executive officer; Joe Cecchini, vp; Porus Austin, secretary/treasurer.

**Southern Insurance Managers Inc.**

95 Whitebridge Road, Cavalier Building, Suite 101-109, Nashville, Tenn. 37205; 615-356-2900

|                     | 1986         | 1985        |
|---------------------|--------------|-------------|
| Premium volume...   | \$11,800,000 | \$9,800,000 |
| Gross revenues..... | \$1,324,190  | \$1,012,900 |
| Employees.....      | 28           | 30          |
| Commercial lines..  | 86.6%        | 77.1%       |
| Admitted business   | 25.1%        | 26%         |
| Non-admitted.....   | 74.9%        | 74%         |

**Year founded:** 1953.

**Type of business:** 97.2% managing general agent, 2.8% broker.

**MGA for:** National Indemnity Insurance Co., Home & Automobile Insurance Co., National Fire & Marine Insurance Co., Canal Insurance Co., Canal Indemnity Co., Nautilus Insurance Co., Scottsdale Insurance Co., National Casualty Co., Thomas Jefferson Insurance Co., Foremost Insurance Co., Transamerica Premier Insurance Co., AEGON Insurance Group N.V., Sphere Drake Insurance Co. P.L.C., Orion Insurance Co., First Financial Insurance Co., Northland Insurance Co.

**Broker for:** Mt. Hawley Insurance Co., Employers Reinsurance Corp., Admiral Insurance Co., RLI Insurance Co.

**Correspondent:** Lloyd's of London.

**Specialties:** Commercial trucking.  
**Principal officers:** Edward J. Knish, president; Roy E. Bearden, executive vp/secretary; Pam Evans, vp; Faye Bain, treasurer; Jan Bessire, assistant vp.

**Membership:** AAMGA, NAPSLO.

**Southern Insurance Underwriters Inc.**

1700 Century Circle N.E., Atlanta, Ga. 30345; 404-325-1700

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$35,425,000 | \$25,358,000 |
| Gross revenues..... | \$6,780,000  | \$9,131,000  |
| Employees.....      | 85           | 90           |
| Commercial lines..  | 46.7%        | 45.6%        |
| Admitted business   | 72%          | 69%          |
| Non-admitted.....   | 28%          | 31%          |

**Year founded:** 1964.

**Type of business:** 100% managing general agent.

**Subsidiaries:** Siuprem Inc.  
**MGA for:** National Indemnity Co., Northland Insurance Co., Independent Fire Insurance Co., Audubon Insurance Co., Aegis Security Insurance Co., Safeway Insurance Co., Insurance Co. of Florida, First Financial Insurance Co., RLI Insurance Co., Topa Insurance Co., Adriatic Insurance Co., National Fire & Marine Insurance Co., Northfield Insurance Co., Scottsdale Insurance Co., Essex Insurance Co., First State Insurance Co.

**Correspondent:** Lloyd's of London.

**Principal officers:** Wesley C. Duesenberg, chairman; Wesley C. Duesenberg Jr., president; W. Kearney Glenn, vp-personal lines; Weyman P. Grubbs, vp-commercial lines; Alvin Jones, vp-marketing.

**Membership:** AAMGA, NAPSLO.

**Sovereign Group International Inc.**

P.O. 70, 242 Main St., Staten Island, N.Y. 10307; 718-317-7000

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$20,000,000 | \$14,000,000 |
| Gross revenues..... | NA           | NA           |
| Employees.....      | 25           | 17           |
| Commercial lines..  | 100%         | 100%         |
| Admitted business   | 75%          | 85%          |
| Non-admitted.....   | 25%          | 15%          |

**Year founded:** 1976.

**Type of business:** Underwriting manager, managing general agent and broker.

**Branch offices:** Sovereign Insurance Services Inc, South Amboy, N.J.  
**Underwriting manager for:** National Casualty Insurance Co., Scottsdale Insurance Co.

**MGA for:** Tudor Insurance Co., Scottsdale Insurance Co., National Casualty Insurance Co.

**Broker for:** International Insurance Co.



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 Sentry World Headquarters  
 1800 North Point Drive  
 Stevens Point, WI 54481

*Continued from previous page*  
**Specialties:** Commercial umbrella.  
**Principal officers:** W.J. Lynch, president; W.F. Lynch, vp; Dan J. Lynch, secretary; M.T. Lynch, treasurer; J. Certo, assistant vp.  
**Membership:** AAMGA, NAPSLO, New Jersey Surplus Lines Assn.

**Special Risks Inc.**

Suite 201, 4663 Haygood Road, Virginia Beach, Va. 23455; 804-460-1104

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$19,500,000 | \$15,000,000 |
| Gross revenues..... | \$1,850,000  | \$1,225,000  |
| Employees.....      | 17           | 15           |
| Commercial lines..  | 90%          | 10%          |
| Admitted business   | 80%          | 80%          |
| Non-admitted.....   | 20%          | 20%          |

**Year founded:** 1902.  
**Type of business:** 75% managing general agent, 25% broker.  
**MGA for:** Imperial Casualty & Indemnity Co., Northland Insurance Co., American Bankers Insurance

Co., Mid-Continent Casualty Co.  
**Broker for:** Illinois Insurance Exchange, American International Group Inc., Insurance Co. of Evanston.

**Correspondent:** Lloyd's of London.  
**Specialties:** Law enforcement liability, municipal liability.

**Principal officers:** E.J. Nusbaum, chairman; Robert M. Bryand Jr., president; Barbara Roberts, secretary/treasurer.

**Membership:** NAPSLO, Specialty Underwriters Assn. of Virginia.

**Specialty Insurance Services Inc.**

6624 Merrill Road, Jacksonville, Fla. 32211; 904-743-4314

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | \$2,748,900 | \$1,875,000 |
| Gross revenues..... | \$347,600   | \$188,440   |
| Employees.....      | 7           | 7           |
| Commercial lines..  | 100%        | 100%        |
| Admitted business   | 38%         | 50%         |
| Non-admitted.....   | 62%         | 50%         |

**Year founded:** 1977.  
**Type of business:** 98% managing general agent, 2% broker.

**MGA for:** Empire Fire & Marine Insurance Co., Empire Indemnity Insurance Co., English & American Insurance Co., Agricultural Excess & Surplus Insurance Co., Lincoln Insurance Co.

**Broker for:** Shand, Morahan & Co. Inc.

**Correspondent:** Lloyd's of London.

**Specialties:** Commercial auto, surcharged property coverage.

**Principal officers:** Harley K. Dulaney, president/secretary/treasurer; Joanne S. Dulaney, vp.

**Membership:** NAPSLO, Florida Surplus Lines Assn.

**C.V. Starr & Co.**

3 Embarcadero Center, Suite 570, San Francisco, Calif. 94111; 415-445-2682

|                     | 1986          | 1985          |
|---------------------|---------------|---------------|
| Premium volume...   | \$121,500,000 | \$150,000,000 |
| Gross revenues..... | NA            | NA            |

|                    | 1986 | 1985 |
|--------------------|------|------|
| Employees.....     | 35   | 43   |
| Commercial lines.. | 100% | 100% |
| Admitted business  | 100% | 99%  |
| Non-admitted.....  | 0%   | 1%   |

**Year founded:** 1948.  
**Parent company:** C.V. Starr & Co. Inc.

**Type of business:** 100% managing general agent.

**Branch offices:** Los Angeles, Chicago, New York.

**Subsidiaries:** Pacific Starr, New York.

**MGA for:** Insurance Co. of the State of Pennsylvania.

**Principal officers:** William G. Malone, president; William Weichold, James Pyle and Bill Green, vps; Mary Whelan, treasurer.

**Membership:** NAPSLO.

**Stewart Smith Holdings Inc.**

123 William St., New York, N.Y. 10038; 212-964-2929

See profile on page 59.

**Jackson Sumner & Associates Inc.**

P.O. Box 2540, Boone, N.C. 28607; 704-264-2787

|                     | 1986         | 1985        |
|---------------------|--------------|-------------|
| Premium volume...   | \$12,500,000 | \$8,000,000 |
| Gross revenues..... | NA           | NA          |
| Employees.....      | 14           | 11          |
| Commercial lines..  | 100%         | 100%        |
| Admitted business   | 40%          | 38%         |
| Non-admitted.....   | 60%          | 62%         |

**Year founded:** 1981.  
**Type of business:** 70% managing general agent, 30% broker.

**MGA for:** Nautilus Insurance Co., First Financial Insurance Co.

**Broker for:** Admiral Insurance Co., Imperial Casualty Co., Illinois Insurance Exchange.

**Specialties:** Truck physical damage.

**Principal officers:** Wayne L. Sumner, president; Gary G. Anderson and Tom Sefton, vps; Dennis Dodson, senior underwriter.

**Membership:** NAPSLO, North Carolina Surplus Lines Assn.

**Swett & Crawford Group**

3699 Wilshire Blvd., Los Angeles, Calif. 90010; 213-251-1200

See profile on page 45.



**Transco Insurance Services**

2029 Village Lane, Solvang, Calif. 93463; 805-688-4995

|                     | 1986          | 1985* |
|---------------------|---------------|-------|
| Premium volume...   | \$178,000,000 | NA    |
| Gross revenues..... | \$17,511,000  | NA    |
| Employees.....      | 150           | NA    |
| Commercial lines..  | 100%          | 100%  |
| Non-admitted.....   | 100%          | NA%   |

\* Comparable figures not available due to change in accounting periods.

**Year founded:** 1977.  
**Type of business:** 95% underwriting manager, 5% broker.

**Branch offices:** Chicago.  
**Subsidiaries:** Camelback Reinsurance Underwriters, Phoenix; Trinity E&S Insurance Services, Los Angeles, Solvang, Redwood City and Palm Desert, Calif.; Transco Syndicate No. 1 Ltd., Chicago.

**Underwriting manager for:** Illinois Insurance Exchange, United National Insurance Co.

**Principal officers:** Peter O'Shaughnessy, president; Richard Shemitis, senior vp-underwriting; Jerry Hart, senior vp-claims; Michael Kelley, senior vp-finance; Edward Konieczny, senior vp-marketing.

**Tri-City Insurance Brokers Inc.**

30 Cliff St., New York, N.Y. 10038; 212-766-1800

|                     | 1986          | 1985         |
|---------------------|---------------|--------------|
| Premium volume...   | \$127,550,888 | \$10,000,000 |
| Gross revenues..... | NA            | NA           |
| Employees.....      | 33            | 15           |
| Commercial lines..  | 100%          | 100%         |
| Admitted business   | 40%           | 50%          |
| Non-admitted.....   | 60%           | 50%          |

**Year founded:** 1985.  
**Type of business:** 100% broker.

**Branch offices:** Chicago, Los Angeles, San Francisco.

**Broker for:** Admiral Insurance Co., American Empire Surplus Lines Insurance Co., Berkshire Hathaway Group, First State Insurance Co., Harbor Insurance Co., Illinois Insurance Exchange, Industrial Underwriters, Interstate Fire & Casualty Co., Lexington Insurance Co., London Agency Inc.

**Specialties:** Umbrella liability, product liability, excess umbrella liability, errors and omissions.

**Principal officers:** Kieran P. Burke, president; John G. Hahn, Alexander M. Kullman, Daniel S. Real and Edward W. Ulshafer, executive vps.

**Membership:** California Surplus Lines Assn., Illinois Insurance Exchange Brokers Assn., New York Insurance Exchange Brokers Assn.

**Tri-State General Insurance Agencies**

P.O. Box 2737, Salisbury, Md. 21801; 301-546-1255

|                     | 1986         | 1985        |
|---------------------|--------------|-------------|
| Premium volume...   | \$10,000,000 | \$9,750,000 |
| Gross revenues..... | \$1,200,000  | \$1,170,000 |
| Employees.....      | 31           | 34          |
| Commercial lines..  | 85%          | 80%         |
| Admitted business   | 10%          | 15%         |
| Non-admitted.....   | 90%          | 85%         |

**Year founded:** 1979.  
**Type of business:** 80% managing general agent, 20% broker.

**Branch offices:** Harrisburg and Westchester, Pa.; Richmond, Va.; Cherry Hill, N.J.

**MGA for:** Guaranty National Insurance Co., Lincoln Insurance Co., Sphere Drake Insurance Co. P.L.C., English & American Insurance Co., Terra Nova Insurance Co. Ltd., Bishopsgate Insurance Co. P.L.C.

**Correspondent:** Lloyd's of London.

**Principal officers:** Ed Dickerson, president; Ed Dickerson III and James Dickerson, vps; Nellie Beals, treasurer.

**Membership:** NAPSLO, Pennsylvania Surplus Lines Assn.

**Truckers Insurance Associates Inc.**

Box 1494, Des Moines, Iowa 50306; 515-276-7704

|                     | 1986         | 1985        |
|---------------------|--------------|-------------|
| Premium volume...   | \$14,000,000 | \$9,500,000 |
| Gross revenues..... | \$1,300,000  | \$860,000   |
| Employees.....      | 16           | 12          |
| Commercial lines..  | 100%         | 100%        |
| Admitted business   | 100%         | 100%        |

**Year founded:** 1943.  
**Type of business:** 100% managing general agent.

**MGA for:** Northland Insurance Co., Hartford Insurance Group, Carolina Casualty Co.

**Specialties:** Commercial auto.

**Principal officers:** Doug Wilson, president; Gary Albaugh, chairman; Ken Albaugh, senior vp.

**Membership:** AAMGA.

**Tuley/Barnard & Associates Inc.**

13831 Northwest Freeway, Suite 365, Houston, Texas 77040; 713-690-3181

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$11,475,849 | \$12,078,000 |
| Gross revenues..... | \$887,632    | \$905,850    |
| Employees.....      | 9            | 10           |
| Commercial lines..  | 98%          | 98%          |
| Admitted business   | 35%          | 30%          |
| Non-admitted.....   | 65%          | 70%          |

**Year founded:** 1980.  
**Type of business:** 98% broker, 2% managing general agent.

**Principal officers:** John D. Tuley, president; George R. Barnard, executive vp; Marilyn D. Svec, senior vp; Susan L. Trimble, vp.

**Membership:** AAMGA, NAPSLO, Texas Surplus Lines Assn.



**U.S. & Overseas Agencies Inc.**

1693 Stuyvesant Ave., Union, N.J. 07083; 201-964-5950

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | \$8,213,000 | \$5,911,000 |
| Gross revenues..... | \$788,000   | \$593,000   |
| Employees.....      | 17          | 16          |
| Commercial lines..  | 90%         | 90%         |
| Admitted business   | 7%          | 10%         |
| Non-admitted.....   | 93%         | 90%         |

**Year founded:** 1933.  
**Type of business:** 74% managing general agent, 26% broker.

**MGA for:** Mt. Vernon Fire Insurance Co.

**Broker for:** Canadian Universal Insurance Co. Ltd., Imperial Casualty Co.

**Correspondent:** Lloyd's of London.

**Specialties:** General liability, automobile physical damage.

**Principal officers:** Jack Neubauer, president; Jeffrey S. Neubauer, vp; Ingrid Neubauer, secretary; Bernice Bender, treasurer.

**Membership:** NAPSLO.

**U.S. Risk Insurance Agency Inc.**

5910 N. Central Expressway, Suite 1580, Dallas, Texas 75206; 214-891-6440

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | \$3,834,147 | \$4,885,869 |
| Gross revenues..... | \$416,615   | \$548,164   |
| Employees.....      | 8           | 12          |
| Commercial lines..  | 100%        | 100%        |
| Admitted business   | 20%         | 20%         |
| Non-admitted.....   | 80%         | 80%         |

**Year founded:** 1976.  
**Type of business:** 80% broker, 15% managing general agent, 5% underwriting manager.

**Underwriting manager for:** General American Fidelity & Guaranty Corp.

**Correspondent:** Lloyd's of London.

**Specialties:** Law enforcement liability, public officials liability, directors and officers liability.

**Principal officers:** Randall G. Goss, president; James Welch, vp-finance; Caren P. Roberts, vp-underwriting; Richard Powell, vp-claims.

**Membership:** NAPSLO.

*Continued on facing page*

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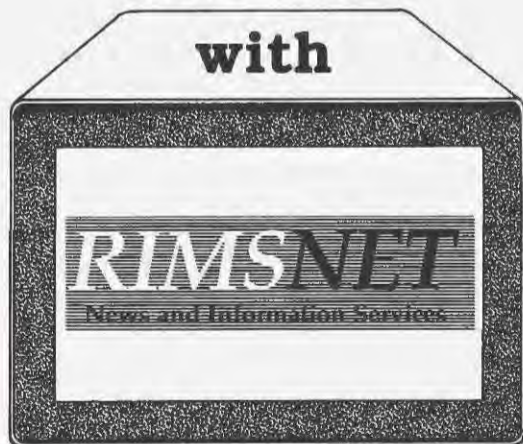
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Continued from facing page

**Underwriters Management Associates Inc.**

Suite 216, 95 White Bridge Road, Nashville, Tenn. 37205; 615-356-7272

|                     | 1986         | 1985        |
|---------------------|--------------|-------------|
| Premium volume...   | \$12,422,000 | \$8,150,000 |
| Gross revenues..... | \$1,015,000  | \$577,000   |
| Employees.....      | 13           | 12          |
| Commercial lines..  | 100%         | 100%        |
| Admitted business   | 100%         | 100%        |

**Year founded:** 1983.  
**Type of business:** 100% managing general agent.  
**Specialties:** Wholesale and retail petroleum distributors.  
**Principal officers:** Don R. Jordan, chairman; William M. Sutcliffe, president; Frederic W. Bard, executive vp; John Scoggin, treasurer; W. Lee Corbett, secretary.

**UNI-Service Excess Facilities Inc.**

180 Genesee St., New Hartford, N.Y. 13413; 315-735-3321

|                     | 1986        | 1985        |
|---------------------|-------------|-------------|
| Premium volume...   | \$4,840,000 | \$4,230,000 |
| Gross revenues..... | \$414,000   | \$350,000   |
| Employees.....      | 7           | 7           |
| Commercial lines..  | 95%         | 95%         |
| Admitted business   | 92%         | 96%         |
| Non-admitted.....   | 8%          | 4%          |

**Year founded:** 1979.  
**Parent company:** Utica National Insurance Group.  
**Type of business:** 64% broker, 27% underwriting manager, 9% managing general agent.  
**Branch offices:** Burlington, Mass.  
**Subsidiaries:** UNI-Service Excess Facilities Insurance Agency of New England Inc., Burlington, Mass.  
**Underwriting manager for:** Utica Mutual Insurance Co.  
**MGA for:** United States Liability Insurance Co.  
**Broker for:** Crum & Forster.  
**Correspondent:** Lloyd's of London.  
**Principal officers:** W. Craig Heston, president; Curtis M. Pearsall, vp; John R. Lanz, treasurer; John P. Sullivan, secretary.  
**Membership:** NAPSLO, Professional Insurance Wholesalers Assn.

**Variable Protection Administrators Inc.**

7123 Pearl Road, Suite 300, Cleveland, Ohio 44130; 800-872-7253

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$55,000,000 | \$60,000,000 |
| Gross revenues..... | NA           | \$5,555,000  |
| Employees.....      | 63           | 87           |
| Commercial lines..  | 100%         | 100%         |
| Admitted business   | 99%          | 99%          |
| Non-admitted.....   | 1%           | 1%           |

**Year founded:** 1968.  
**Type of business:** 100% underwriting manager.  
**Underwriting manager for:** Associates Life Insurance Co., CNA Life Insurance Co., Dependable Insurance Group, Boston Mutual Life Insurance Co.  
**Principal officers:** David T. Manley, president; Timothy M. Eisenmann, vp-operations; Anthony Manley, vp-claims; Susan Maddock, vp-underwriting; David Campbell, vp-marketing.

**Weicholz Management Corp.**

1750 University Drive, Suite 201, P.O. Box 754502, Coral Springs, Fla. 33075-4502; 305-752-1222

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$39,200,000 | \$21,644,000 |
| Gross revenues..... | \$3,528,000  | \$2,284,282  |
| Employees.....      | 52           | 46           |
| Commercial lines..  | 100%         | 100%         |
| Admitted business   | 0%           | 20%          |
| Non-admitted.....   | 100%         | 80%          |

**Year founded:** 1975.  
**Type of business:** 100% underwriting manager.  
**Underwriting manager for:** Brit-amco Underwriters Inc., British & American Casualty Co.  
**Specialties:** Package policies, retail accounts, liquor law liability, umbrellas and excess liability.  
**Principal officers:** Stephen Weicholz, president; Myron A. Burdge, executive vp; Ian Walker, vp; Karl Wilkens and Kenneth Sutter, assistant vps; Albert Solomon, treasurer.

**Western Network Insurance Services Inc.**

4 Embarcadero Center, Suite 1620, San Francisco, Calif. 94111; 415-397-5731

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$18,220,000 | \$12,870,000 |
| Gross revenues..... | \$950,270    | \$797,850    |
| Employees.....      | 6            | 2            |
| Commercial lines..  | 100%         | 100%         |
| Admitted business   | 90%          | 100%         |
| Non-admitted.....   | 10%          | 0%           |

**Year founded:** 1983.  
**Type of business:** 100% broker.  
**Specialties:** Property, difference in conditions, directors and officers liability, general liability.  
**Principal officers:** David Pfaff, chairman/chief executive officer; Ronald C. Hughes, president; John Smalley, vp.

**Wood & Co. Inc.**

2900 Chamblee Tucker Road, Building 14, Atlanta, Ga. 30341; 404-455-6535

|                     | 1986         | 1985         |
|---------------------|--------------|--------------|
| Premium volume...   | \$25,688,103 | \$15,347,389 |
| Gross revenues..... | \$1,493,515  | \$995,190    |
| Employees.....      | 13           | 10           |
| Commercial lines..  | 100%         | 100%         |
| Admitted business   | 18%          | 20%          |
| Non-admitted.....   | 82%          | 80%          |

**Year founded:** 1984.  
**Parent company:** McGriff, Seibels & Williams Inc.  
**Type of business:** 100% broker.  
**Principal officers:** Bruce A. Wood, president/treasurer; Evelyn W. Wood, vp-secretary; Michael G. Rimby, George E. Showalter and Donald L. Swift, assistant vps.  
**Membership:** NAPSLO.

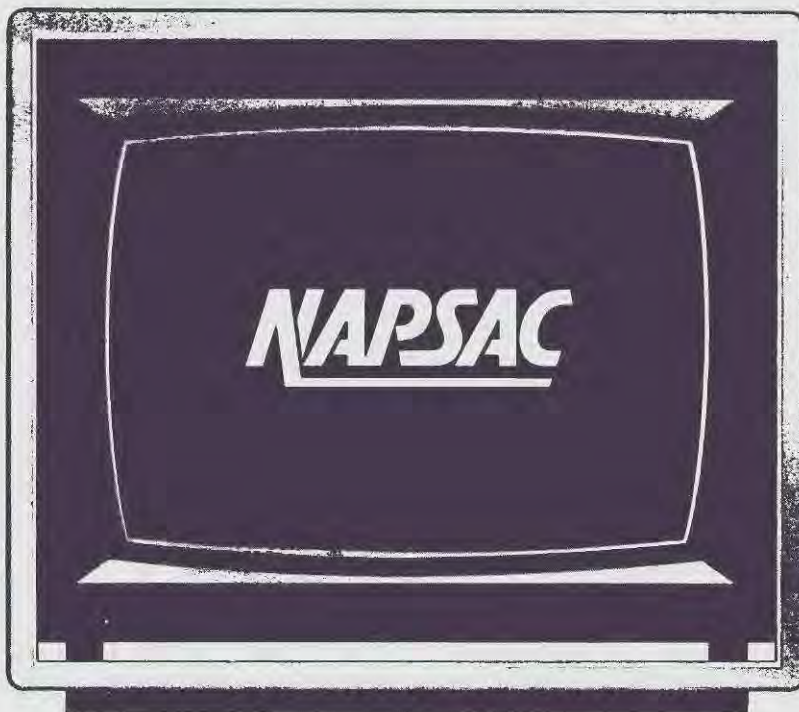
**World Trade Services Ltd.**

1 World Trade Center, New York, N.Y. 10038; 212-466-0600

|                    | 1986         | 1985        |
|--------------------|--------------|-------------|
| Premium volume...  | \$12,000,000 | \$7,600,000 |
| Employees.....     | 7            | 7           |
| Commercial lines.. | 100%         | 100%        |
| Admitted business  | 100%         | 100%        |

**Year founded:** 1984.  
**Type of business:** 100% underwriting manager.  
**Subsidiaries:** World Trade Services of Pennsylvania Inc.  
**Underwriting manager for:** Lloyds New York, Acceleration National Insurance Co.  
**Principal officers:** Patrick Whalen, president; Winfried Mohr, vp; Therese Haugie, assistant vp.

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| Jun 22           | Jun 9         |
| Jun 29           | Jun 17        |
| Jul 6            | Jun 24        |
| Jul 13           | Jun 30        |
| Jul 20           | Jul 8         |
| Jul 27           | Jul 15        |
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| Sep 7            | Aug 26        |
| Sep 14           | Sep 2         |
| Sep 21           | Sep 9         |
| Sep 28           | Sep 15        |
| Oct 5            | Sep 23        |
| Oct 12           | Sep 30        |
| Oct 19           | Oct 7         |
| Oct 26           | Oct 13        |
| Nov 2            | Oct 20        |
| Nov 9            | Oct 28        |
| Nov 16           | Nov 3         |
| Nov 16           | Nov 3         |
| Nov 23           | Nov 11        |
| Nov 30           | Nov 18        |
| Dec 7            | Nov 25        |
| Dec 14           | Dec 2         |
| Dec 21           | Dec 8         |
| Dec 28           | Dec 16        |

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# Landbank insurers sue broker

By CAROLYN ALDRED

LONDON—The Lloyd's of London syndicates being sued by 31 U.S. financial institutions for millions of dollars in disputed financial guarantee insurance claims are suing the Lloyd's broker that was their intermediary with the underwriter that bound the policies.

The 24 Lloyd's syndicates, led by syndicate 400, are suing Gibbs Hartley Cooper Ltd. in London's High Court, claiming it and its agents were "in breach of contract, negligent and in breach of care" relating to the binding authority granted to Richmond, Va.-based Atlas Underwriting Ltd.

Syndicate 400 is managed by Cuthbert Heath Underwriting Ltd., previously known as C.E. Heath (Underwriting Agencies) Ltd.

According to the lawsuit, the binding authority had been in existence for "some 20 years," with Gibbs Hartley Cooper acting as an intermediary between Atlas and the London underwriters.

The binding authority—also signed by London-based insurer Excess Insurance Co. (U.K.) Ltd., although Excess is not a plaintiff in this litigation—allowed Atlas to bind insurance "on

buildings and/or contents and/or merchandise and/or use and occupancy covering only the hazards of fire, extended coverage, vandalism, malicious mischief, sprinkler leakage and inland marine business," the papers say.

However, in April 1983, Atlas issued to now-bankrupt Landbank Equity Corp. of Virginia Beach, Va., a policy to indemnify Landbank for losses it sustained on private mortgage-backed loans, which Landbank packaged and sold as securities.

The policy, which named the Federal National Mortgage Assn. as an insured, said the underwriters would indemnify "any loss sustained by reason of the default in payments of loans insured," court papers say.

Furthermore, the policy period was defined in the contract as "the unexpired term of the individual loan itself," court papers say.

In addition, the contract also stated that "if a loan is sold, assigned or transferred by the insured, the coverage . . . shall be assigned to the purchaser," court papers say.

In issuing the policy, Atlas acted contrary to its contract with the underwriters and outside the scope of its authority, the underwriters claim.

In addition, the policy "purported to provide financial guarantee insurance. This is a kind of insurance which Lloyd's underwriters are not permitted to write," according to the Committee of Lloyd's Agreement of Nov. 25, 1963, the court papers note.

During the policy period, "Landbank issued a large number of loans which fell under the terms of the said policy. It is believed that the total of those loans is in the region of \$60 million," the court papers say.

The underwriters say in the court papers that if Gibbs Hartley Cooper had informed them of the financial guarantee policy Atlas wrote, they would have insisted that the financial guarantee policy be terminated and would have terminated or declined to renew Atlas' binding authority, or both.

However, because the policy written by Atlas was not canceled, the underwriters may be liable for the defaults by those that borrowed funds from Landbank, the underwriters point out in the court papers.

In addition, the underwriters "have incurred substantial costs in investigating and protecting their position in the United States," the papers add.

## Pension plan terminations

Continued from page 2

reached retirement age only up to the date of the plan's termination. The plaintiffs, contending that the employees were entitled to unaccrued benefits, argued that Dixie Engine had not satisfied all of the plan's liabilities and therefore should not receive the residual assets.

The U.S. District Court for the Northern District of Georgia in Atlanta ruled that Dixie Engine did use valid formulas to calculate employees' benefits, though it said Mr. Blessitt's benefit check was indeed \$592.85 short.

The District Court also refused to award attorneys' fees. The plaintiffs then appealed the lower court ruling to the 11th Circuit, which overturned the District Court decision.

Under ERISA, "Congress determined that if assets remain, employees should be paid benefits promised under the plan but not yet accrued before the employer receives the residual assets in the fund," the appellate court ruled.

Citing the 1985 2nd Circuit Court of Appeals decision, *Amato vs. Western Union International Inc.*, the 11th Circuit agreed that "upon termination of a pension plan, employees are entitled to unaccrued, forfeitable benefits under Section 1344(a)(6)" of ERISA.

Mr. Blessitt refused and filed a five-count class-action complaint against the company in 1984, charging that Dixie Engine acted in bad faith and improperly calculated the employees' benefits. The lawsuit also sought attorneys' fees.

Upon termination of the plan, Dixie Engine calculated benefits due employees who had not yet

reached retirement age only up to the date of the plan's termination. The plaintiffs, contending that the employees were entitled to unaccrued benefits, argued that Dixie Engine had not satisfied all of the plan's liabilities and therefore should not receive the residual assets.

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# London court strikes Oceanus suit

By ROGER SCOTTON

LONDON—A Court of Appeal in Britain has dismissed an attempt by liquidators of the insolvent Oceanus Mutual Underwriting Assn. (Bermuda) Ltd. to collect reinsurance from a group of companies.

Oceanus, a Bermuda-based protection and indemnity club that placed itself in liquidation in March, had filed suit in London against a group of French reinsurers led by Via Assurances for the payment of about \$80 million in outstanding claims (*BI*, May 18).

However, the litigation was dismissed last month because of Oceanus' failure to post \$1.6 million in funds, which the court required as security for legal costs, said Oceanus' joint liquidator David Anfossi, a partner with Touche Ross & Co. in Bermuda.

The joint liquidators had hoped to raise the funds from Oceanus' creditors, who would receive a portion of any reinsurance proceeds recovered in court.

"We raised just over \$1 million from creditors, but the court refused to grant us more time to raise the rest," said Mr. Anfossi. "The appeal judges felt we had ample time and based their decision to dismiss the action on the fact that creditors did not adequately support the funding efforts."

He said that Oceanus' committee of inspection, which represents the bulk of its creditors, now must decide whether it wants to proceed with a second suit against German stop-loss reinsurer Deutsche Ruckversicherer A.G.

This action, which is due to go to trial in London in October, is similar to the Via Assurance case and seeks payment of about \$14 million in outstanding claims.

The court hearing this action also ordered that Oceanus post security and gave it until the end of August to put up 250,000 pounds (\$395,000), Mr. Anfossi said.

"The committee of inspection is meeting (today) in London to de-

termine what course of action it now wants to pursue," he said. "Since there has been no judgment on the merits of the Via action, it's possible that the committee may want to commence proceedings in another jurisdiction against the French group."

Mr. Anfossi and the other joint liquidator, Christopher Morris of Touche Ross in London, are seeking the creditors' permission to use funds they already pledged in support of the legal battle against Via for the action against the German reinsurer.

But they have warned that if the suit against Deutsche Ruckversicherung results in an award of less than \$1.8 million, rather than the full amount of alleged unpaid claims, there would be little or no return for the creditors who financed the litigation.

Other possible courses of action to be discussed at today's meeting include:

- Dropping the litigation.
- Appealing the Court of Appeal's ruling in the Via Assurance case to the House of Lords, Britain's highest court.
- Proceeding only against other underwriters not so far named in suits by Oceanus.
- Appealing the order that Oceanus post security in the Deutsche Ruckversicherung action.

The liquidators have cautioned that completely scrapping the suits against reinsurers will make it difficult for creditors to collect from Oceanus. They say the best chance of any recovery lies with the Deutsche Ruckversicherung suit, even though there is little time left to prepare for trial.

Mr. Anfossi said he did not know how many creditors were involved in the collapse of Oceanus, which was managed by John Laing Management (Bermuda) Ltd. and wrote coverage for almost 2,000 vessels when it filed for liquidation. However, he believes creditors could number in the hundreds, including government entities in Argentina, Brazil and India.

opinion can be expected to take accrued benefits away from employees who have actually earned them . . . by substantially increasing the liabilities of defined benefit plans on termination by adding 'unaccrued benefits' to a priority category even upon termination of an underfunded plan.

"The result of the panel's opinion will be to reduce accrued benefits earned by older participants with long years of service with an employer in order that payments never earned or promised under a defined benefit plan can be made to satisfy the wholly speculative 'benefit expectations' of a favored, younger class of participants," the agency concluded.

However, Mr. Altman, the plaintiffs' attorney, explained that making employers pay defined benefit plan participants' unaccrued benefits would reduce the amount of the reversion to the employer—not the amount available to pay higher-priority benefits—because it would be paid out of the excess assets.

Mr. Altman did anticipate appealing the 11th Circuit decision to terminations involving underfunded plans.

Attorneys for Dixie Engine declined to comment on the court's decision.

## Claim notification

Continued from page 1

manner and the disagreements often lead to litigation.

Strict application of this decision could create a greater administrative burden for policyholders, according to attorneys and risk managers.

"This decision places the burden on risk managers to evaluate any potential claim against them and to determine as early as possible when the insurer should be placed on notice," said Ben Folkman, an attorney with the Morristown, N.J. firm of Weiner, Ostrager, Fieldman & Zucker. Mr. Folkman also is vice chairman of the Self-insurers & Risk Managers Committee of the American Bar Assn.

The decision also suggests that risk managers improve their methods for gathering information about potential claims, risk managers agree.

And Mr. Dempsey of IFF said the decision creates increased uncertainty for policyholders because of the difficulty in defining when an occurrence takes place. It also opens the door to the reporting of potentially spurious complaints to insurers, he said.

The decision might create a "U-Haul method of notification," in which policyholders inundate insurers with potential claims, agreed Jon Harkavy, director of governmental affairs for the Risk & Insurance Management Society Inc. in New York.

In addition, he said, risk managers will have to balance the risk of an insurer canceling or not renewing coverage or raising premiums if a policyholder reports claims

earlier with the possibility of the insurer denying coverage if a claim is not made quickly enough.

Contrary to some risk managers' views of the decision, an attorney for CU contended that the decision would ultimately benefit policyholders by helping to drive down the overall cost of insurance.

Requiring notification at the possibility of a claim will allow insurers to investigate claims at an early stage and potentially obtain a less expensive settlement and reduce defense costs, said Walter Williamson with the New York firm of Williamson & Williamson. The effect would be to reduce the premiums paid by other policyholders, according to Mr. Williamson.

"The court makes clear that notice-of-occurrence provisions have important insurance and public policy purposes and cannot be disregarded or treated as mere technicalities," said Mr. Williamson.

The court's decision on notification is "the clearest formulation of the rule to be found in New York," he added.

The case involved four comprehensive general liability primary policies CU issued to IFF from 1976 to 1979. Limits on the policies were \$500,000 in 1976 and 1977, and \$300,000 in 1978 and 1979.

In 1978, IFF also had a \$200,000 buffer layer policy with Bercanus Insurance Co. Ltd. of Bermuda above the \$300,000 primary CU layer. IFF also had excess insurance, including \$5 million of first-layer excess insurance from Home Insurance Co. of New York in 1976, and Fidelity & Casualty Insurance Co. of New York, a Continental Corp. unit, in 1977, 1978 and 1979, said Interna-

tional Flavor's Mr. Dempsey.

The case stems from a banana-coconut fragrance IFF agreed in 1975 to sell to Plough Inc. for Plough's newly developed Tropical Blend suntan lotion, which was marketed under the Coppertone name.

The fragrance contained 6-methyl coumarin (6-MC), a fragrance and flavoring agent that had been widely used without incident in foods, cosmetics, and toiletries since the 1920s, according to the decision.

During either 1975 or 1976, however, Plough began receiving complaints of adverse skin reactions from users of Tropical Blend products.

On July 30, 1976, Plough's chief toxicologist informed IFF's chief toxicologist that skin reactions to the suntan lotions had been reported but that there was no evidence that the fragrance was responsible. This information was also reported to IFF's president and an IFF vice president.

Subsequently, IFF's toxicologist met repeatedly with Plough officials to discuss the skin reaction problems. At one point, a Plough executive informed IFF it was facing 50 reports of skin reactions.

By mid-1977, tests by dermatologists showed that the skin reactions were photallergenic in nature and were caused by 6-MC. IFF executives were informed of this conclusion by the autumn of 1977.

Other tests subsequently confirmed the dermatological studies. In December 1978, the Food and Drug Administration ordered Plough to recall all units of Tropical Blend containing 6-MC and also informed IFF that 6-MC was banned from use in sun care products. Even after washing off the lotion con-

taining 6-MC, users who were exposed to the sun suffered skin problems.

In March 1979, three months after the FDA ban, Plough sued IFF, seeking \$10 million in damages.

Plough sought to recover the loss of millions of units of Tropical Blend containing 6-MC, the expenses of research and testing, the costs of handling and settling consumer claims and lawsuits, lost profits, and other costs associated with problems related to 6-MC.

Upon receiving the complaint, IFF for the first time notified CU of the problem.

CU retained a law firm to handle the defense of the suit against IFF. However, in May, CU notified IFF that there appeared to be no coverage due to late notice and other policy violations and that it was proceeding to investigate the claim under a reservation of rights.

IFF then retained another firm to handle the defense. CU subsequently withdrew its defense.

In November 1980, 20 months after Plough's suit against IFF, CU filed a declaratory judgment suit against IFF in federal court in New York asking the court to rule it had no duty to defend or indemnify IFF in the Plough lawsuit because it had not received a timely notice of an occurrence.

IFF subsequently settled the product liability suit filed against it by Plough for \$750,000 and then filed a counterclaim against CU to recover the costs of defending and settling the Plough case. IFF also sought to recover its attorneys fees in the lawsuit filed by CU against it.

Continued on next page

## Posgate lawsuit

Continued from page 1

Holdings P.L.C.; Alexander Syndicate Management Ltd., an independent underwriting agency managing Lloyd's syndicates formerly managed by Howden; and Mr. Hills, a former chairman of the Securities and Exchange Commission and an executive with The Manchester Group in Washington, D.C.

The suits had not yet been served against A&A or the other parties last week, but Ronald J. Roessler, A&A's vp and general counsel New York, said A&A plans to fight the suit.

"We feel the allegations are without merit and we will vigorously defend it and we expect to prevail," he said.

Mr. Posgate's allegations come three weeks after he and three other former Alexander Howden Group directors were charged with fraud in Britain in connection with the purchase of the Banque du Rhone et de la Tamise bank in Switzerland with funds allegedly diverted Howden and its subsidiaries (BI, July 20).

Also arrested were Colin Hart, former underwriter for Lloyd's syndicates managed by L.E. Hart Associates Ltd., which acquired Howden in 1976; Alan J. Page, formerly chief financial officer at Howden; and Jack H. Carpenter, a former Howden director.

A fifth man, former Howden Chairman Kenneth V. Grob, was arrested in France and is expected to be extradited to Britain as soon as possible, where his case will be joined with those of the other four men.

Mr. Posgate, once nicknamed "Goldfinger" for his crafty underwriting at syndicates 126 and 127 during the 1970s and early 1980s, and the other defendants arrested in Britain were released on 100,000 pounds (\$161,000) bail. A hearing is scheduled for Oct. 13.

The criminal charges came almost five years after Mr. Posgate and the so-called "Gang of Four"—Messrs. Grob, Page, Carpenter and former Howden director Ronald C. Comery, who has since died—were sued by A&A for allegedly misappropriating more than \$55 million in funds (BI, Sept. 27, 1982). A&A demanded the men return assets acquired with the allegedly diverted funds, including a Pissarro painting given to Mr. Posgate by Mr. Grob.

Mr. Posgate's 36-page lawsuit revolves around the terms of the January settlement between Mr. Posgate and A&A, which not only settled A&A's lawsuit against Mr. Posgate but also a suit filed by Mr. Posgate's against A&A for unfair dismissal.

A&A dropped its litigation against the other men in 1984.

Mr. Posgate claims the January settlement entitled him to a portion of the 13.4 million-pound (\$19 million) settlement of a suit against two Howden units by syndicate 126 and 127 members, which charged the syndicates were mismanaged (BI, Dec. 30, 1985). Mr. Posgate and six other syndicate members originally were excluded from the settlement.

Mr. Hills, who negotiated on behalf of A&A with Mr. Posgate in January, "made it plain" that as part of the overall arrangements, Mr. Posgate could "expect" to be paid his share of the 1985 settlement. Mr. Posgate's suit alleges. The suit states Mr. Posgate's share is between 18,223 pounds (\$28,792) and 21,862 pounds (\$34,542) plus interest, which could increase the sum to 27,000 pounds (\$42,660).

In a clause in the January settlement with Mr. Posgate, A&A said it would give written confirmation to Alexander Syndicate Management—which earlier received 13.4 million pounds from A&A and its subsidiaries to distribute to syndicate 126 and 127 members—that

A&A had no objection to the agency making immediate payment to Mr. Posgate only, the lawsuit states.

However, the suit says Mr. Hills' statements were misleading because Mr. Hills intended to resign from A&A prior to payment and because Mr. Posgate has so far not been paid, the lawsuit alleges.

Mr. Hills' statements were "intended to induce and did induce the plaintiff to enter into the January 1987 settlement," the suit says.

Also during the January settlement negotiations, Mr. Posgate was given the right to buy the Pissarro painting for \$100,000 and was asked by Freshfields, A&A's London law firm, to pay A&A another 200,000 pounds (\$316,000) to settle A&A's claims against him, the lawsuit alleges.

However, according to the suit, Mr. Posgate told Mr. Hills on Jan. 7 that he could not pay the 200,000 pounds because of the decline in the value of his A&A shares, which Mr. Posgate was using to secure the payment. Mr. Posgate suggested that the payment be reduced to 100,000 pounds, the suit says.

Mr. Hills, though, told Mr. Posgate he would be able to afford the 200,000-pound payment because the price of the A&A shares would rebound before the payment was due, court papers say.

However, A&A stock never regained its value.

A&A stock traded at about \$26 a share on Jan. 1 and \$26.75 a share on Feb. 1. It is currently trading at about \$25 a share. A&A stock reached a 52-week high of about \$42 a share last September, about the time settlement negotiations began between A&A and Mr. Posgate.

In addition, the suit says Mr. Hills, as an officer of A&A, owed Mr. Posgate—in his role as an A&A shareholder—a duty "to be honest and not to mislead the plaintiff," but "the representation was dishonest and misleading."

Mr. Posgate seeks 100,000 pounds in damages, the difference between what he has agreed to pay A&A and what he can afford to pay based on the value of his A&A shares.

Alternatively, Mr. Posgate seeks remuneration for "loss and damage" of 671,605 pounds (\$1.06 million), the difference between the value of his A&A shares prior to the negotiations and following the January settlement.

In the lawsuit, Mr. Posgate also is seeking:

- An account of the money recovered by A&A from Messrs. Grob, Carpenter, Page and Comery and payment of any such part that is Mr. Posgate's property.

- A&A had stated in documents filed with the Securities and Exchange Commission at the end of 1984 that it received \$26 million from the four men. "We have certainly not been hiding that figure," said Mr. Roessler.

- An account of the money recovered by Alexander Syndicate Management from A&A and its subsidiaries and an account of the portion of those funds that belong to Mr. Posgate.

- A declaration by A&A, its subsidiaries and Alexander Syndicate Management that the claims against Mr. Posgate made in the 1982 lawsuits are "extinguished."

Mr. Roessler says this declaration was made in the January settlement.

Mr. Hills could not be reached for comment.

In another development, Mr. Posgate "vehemently denies" the criminal charges leveled against him last month, according to a statement made by the law firm of Fenwick Elliott, which represents Mr. Posgate.

"At no time in the last five years, since the Alexander Howden matter came to light, have the police made any approach to Mr. Posgate or asked him for any comments on A&A's allegations against him," the statement said. ■

## ACIC sues Hall

Continued from page 2

periods beginning between December 1979 and November 1983.

ACIC incurred losses of more than \$29 million as a result of Union Indemnity's failure to honor its reinsurance agreements, the suit says, while Ranger lost more than \$18 million and International Fidelity lost more than \$7.9 million.

Hall was to ensure Union Indemnity was sufficiently capitalized and properly managed, the suit says. But, instead, the brokerage "engaged in self-dealing and mismanagement for its sole benefit, to the detriment and ultimate demise of Union Indemnity."

Specifically, the suit charges that Hall:

- Invested capital and surplus in Union Indemnity that was "substantially less" than was necessary to support its premium volume and the amount of risk assumed.

- Had the insurer write inadequately priced direct business "to provide markets for the problematic risks of Hall's brokerage clients."

- Intermingled business transactions, property, employees, bank accounts and records "and failed to observe the formalities of separate corporate procedures."

- Presented Union Indemnity as a part of Hall instead of as a separate corporate entity.

- Forced Union Indemnity to follow policies "dictated by and in the interest of Hall rather than of Union Indemnity."

- Forced Union Indemnity to insure risks it either knew or should have known were detrimental to its "financial well-being."

"In this manner," says the suit, "Hall has improperly dominated, influenced, managed and controlled Union Indemnity for its own gain, all at the expense of those who dealt with this entity. Given the scope of such domination and control, Union Indemnity is an agent and/or alter ego of Hall."

Hall Re and Hall Underwriting also were "mere alter-egos" of Hall, the suit says. "Adherence to the fiction" of their existence as separate entities, says the suit, would "sanction inequity and fraud" against the plaintiffs.

Furthermore, the suit says, the plaintiffs agreed to the reinsurance after Hall stated Union Indemnity had the financial capacity to meet these obligations, pledged its financial strength to Union Indemnity and said it would "stand behind" its unit.

The suit also charges Hall with "willfully and fraudulently misrepresenting" Union Indemnity's financial condition in the insurer's 1982 and 1983 annual statements.

Similar accusations were made in the New York Insurance Department suit.

In a related development, an Insurance Department spokesman said Hall has filed a motion to dismiss the department's suit, while the department has filed a motion asking that Hall present proof it is not liable for the charges the department has made against the brokerage.

A hearing on both motions has been scheduled for Oct. 14 before Superior Court Judge Ira Gammerman.

Besides the three insurers' suits and the New York department's suit, Hall faces a third suit involving Union Indemnity. The \$150 million suit filed by Omaha Indemnity Co.—which also names Hall Re of New York and Hall Underwriting Managers—involves a managing general agency agreement the brokerage arranged between Kansas City, Mo.-based World American Underwriters Inc. and Omaha Indemnity (BI, April 13). Hall Re placed a substantial amount of the reinsurance on this book of business with Union Indemnity.

Among other things, Omaha Indemnity charges Hall failed to inform it of Union Indemnity's financial problems.

Hall is countersuing, alleging that Omaha Indemnity, World American and its successor MGA, Royal American Managers Inc., were negligent in handling the business ceded to Union Indemnity and that World American and its officials fraudulently misrepresented the business they planned to write and concealed information about the risks actually bound (BI, June 22). ■

## Claim notification

Continued from previous page

Following trial in the coverage litigation, a jury found that IFF was not entitled to any damages from CU.

However, the district court judge partly overruled the verdict. Judge Milton Pollack found that IFF was entitled to defense costs from CU. However, he let stand the portion of the verdict denying IFF compensation for the Plough settlement.

Judge Pollack also granted IFF a new trial to determine its litigation costs in the Plough action and the CU lawsuit.

At a second trial, the jury found IFF could recover \$834,900 for its defense costs in the Plough action and \$372,600 for costs it incurred in the CU lawsuit.

Both IFF and CU appealed Judge Pollack's decisions to the 2nd Circuit.

CU argued that IFF's breach of the notice requirements voided all of the insurer's duties, including the duty to defend.

IFF argued it was entitled to the \$750,000 it paid to settle the Plough action as well as its cost of defense.

Both sides also appealed the

**A major issue was how, under New York law, to interpret the notice of occurrence provision.**

amount of defense costs that the jury had awarded IFF in the second trial.

A major issue in the case was how, under New York law, to interpret the notice of occurrence provision that required IFF to give written notice of an "occurrence" to CU "as soon as practicable."

CU argued that by September 1977, IFF knew enough about the occurrences that it could reasonably conclude a lawsuit might be brought by Plough and that at that time it had a duty to notify CU.

IFF argued that it did not have reasonable cause at that time to believe it might be sued and that it had a good faith belief it was not liable.

However, in its decision, the 2nd Circuit panel found that IFF had not complied with the notice of occurrence provision in the policy and therefore was not entitled to

either a defense or indemnification from CU.

According to the court, the test for determining whether the notice provision in the policy had been triggered was whether the circumstances known to the policyholder at that time would have suggested to a reasonable person the possibility of a claim.

According to CU, by September 1977, 18 months before Plough sued IFF, IFF knew:

- 6-MC was photo-allergenic.
- Plough had contracted to pay IFF over \$700,000 for a fragrance containing 6-MC.
- Plough had spent thousands of dollars to determine the cause of the Tropical Blend problem.
- Millions of units of Tropical Blend could not be sold and would have to be destroyed.
- Many individuals had suffered personal injuries, some of which were severe, because of the fragrance.

"The fact that this harmful property was unknown prior to September 1977 is of no aid to IFF in view of its failure to give the required notice until March 1979," the court said.

"A jury might thus easily have concluded that a reasonable person, knowing in September 1977 that IFF's product had caused and was causing great losses to Plough, would have realized that there had been an occurrence possibly giving rise to a claim covered by the policy."

Notice-of-occurrence provisions enable insurers to make a timely investigation of events and exercise control of the claim that may lead to a settlement before litigation and enable insurers to take steps to eliminate the risks of similar occurrences in the future, the court noted.

Insurers also can establish more accurate renewal premiums and maintain adequate reserves when they are notified of possible claims in a timely manner, the court said.

"Had IFF given timely notice, CU could have taken steps to protect the public from further exposure to 6-MC," the court said.

The court also found that Judge Pollack erred in finding that because of an insurer's broad duty to defend policyholders, CU owed IFF a defense even if the notice of occurrence clause was breached.

"IFF's compliance with the notice requirement... was a condition precedent to all of CU's duties under the policy, including the duty to defend," the court said.

The court also ruled that in providing a two-month defense to IFF in the Plough action, CU did not waive its rights to invoke the notice of occurrence provision, nor was it legally estopped from denying coverage.

CU only could be estopped from denying coverage if the period of time taken by the insurer to determine compliance were unreasonable and the defense offered by the insurer prejudiced the policyholder, the court said.

A May 31, 1979 letter from CU, in which it stated it believed IFF's notice of an occurrence was late and it intended to reserve its right to deny coverage, was a legally effective disclaimer of coverage, the court said.

"Insurers should therefore be allowed a reasonable period of time to investigate questions of coverage while they undertake a defense," the court added.

In a dissenting opinion, Judge Jon Oakes said that CU should be required to defend and indemnify IFF because IFF complied with its obligation to notify CU of the Plough suit.

Judge Oakes said the definition of "occurrence" was ambiguous in the policy and should be construed against the insurer. He also said the dangers of the chemical in the fragrance were not discovered until after the "occurrence." ■

## update

### Florida HMO declared insolvent

Continued from page 2

will cover contract providers' claims for services rendered up until July 31. The policy also covers claims from non-contract providers filed by Jan. 31, 1988, for services that commenced before July 31.

### Jury clears asbestos makers

BROOKLYN, N.Y.—Six asbestos companies were dismissed from a product liability suit last week when a U.S. District Court jury decided there was insufficient evidence to prove the companies made the asbestos products that caused the death in May of a Brooklyn Navy Yard worker.

The worker died from an asbestos-related cancer. Plaintiff's attorney Steve Phillips said he plans to seek a new trial.

Defendants in the case were: Armstrong Cork Co.; Owens-Illinois Inc.; Owens-Corning Fiberglas Corp.; Pittsburgh Corning Corp.; Eagle-Picher Industries Inc.; and Raymark Industries Inc.

All but Raymark were represented by Arthur Olick, an attorney for the Asbestos Claims Facility.

### Panel acts on Price Anderson

WASHINGTON—The Senate Environment and Public Works Committee approved a version of the Price Anderson Act last week increasing the nuclear power industry's liability for an accident to almost \$7 billion from its current level of \$700 million.

The Senate is expected to consider the legislation this fall.

Under the bill, each nuclear reactor would be liable for up to a \$60 million retrospective assessment in the event of a nuclear accident. That assessment could not exceed \$12 million per year.

Under a House bill passed last week, each reactor could be assessed up to \$63 million, not to exceed \$10 million per year (BI, Aug. 3).

If total claims exceed \$7 billion, the Senate bill gives Congress six months to determine how to handle additional claims. If no solution is determined within that time, claims would be paid by a judgment appropriations fund established by the Treasury.

### Pension terminations opposed

DENVER—Unions representing Kaiser Steel Corp. workers are seeking a hearing on the company's application to terminate four pension plans as part of its bankruptcy petition.

The 7,000 employees enrolled in the plans stand to lose more than \$44 million in promised benefits if the Pension Benefit Guaranty Corp. takes over the plans, which are underfunded by more than \$200 million, says David W. Furgason, a Denver attorney representing the United Steelworkers of America.

In March, the PBGC terminated one of the steelmaker's pension plans that covered approximately 1,000 employees (BI, March 9).

### Insurer covers Florida doctors

CHICAGO—Continental Casualty Co. has begun writing medical malpractice insurance for Florida physicians that previously purchased coverage from CIGNA Corp.

Philadelphia-based CIGNA decided earlier this year to stop writing the coverage for around 3,000 Florida doctors and devote that capacity to its directors and officers liability writings nationwide (BI, July 13).

Continental Casualty, a Chicago-based unit of CNA Financial Corp., expects to write coverage for "a significant portion" of the physicians who were covered by CIGNA, a spokesman said.

Continental Casualty is offering limits of \$1 million per occurrence with a \$3 million aggregate at "competitive rates," according to the spokesman.

### Briefly noted

**Commercial and private property damage** caused by a tornado that killed 27 people in Edmonton, Alberta, July 31 may exceed \$250 million Canadian (\$189 million), said Lorne Delbert, chairman of the Insurance Bureau of Canada's Edmonton branch claims committee. . . . After five false starts in nine months, the **Canadian Insurance Exchange** hopes to name its official opening day following an Aug. 20 meeting with potential major investors, said Ted Belton, the exchange's chief executive officer. The CIE has registered two syndicates, each with \$10 million Canadian (\$7.6 million) in capital, nine underwriting managers and 13 brokers. . . . President Reagan nominated **David M. Walker** to be promoted to assistant secretary for pension and welfare benefits for the Labor Department from deputy assistant secretary. . . . A compromise **omnibus banking bill** barring federal regulators until March 1, 1988, from granting banks broader authority in the insurance, real estate and securities industries (BI, April 6) awaits President Reagan's signature. . . . Additional Underwriting Agencies No. 6 will run off business for members of syndicates managed by Lloyd's agency **Oakeley Vaughan (Underwriting) Ltd.** for underwriting years 1984, 1985 and 1986 because Oakeley Vaughan made no attempt to re-register. . . . Illinois Gov. James R. Thompson last week signed legislation that permits the formation of captive insurance companies (BI, June 29). . . . The United Steelworkers of America last week approved a new contract with **LTV Corp.** that includes a new pension program restoring most benefits lost when LTV's pension plans were terminated earlier this year by the Pension Benefit Guaranty Corp. PBGC officials say the new plan violates federal pension law. . . . New York Gov. Mario Cuomo last week signed legislation creating a temporary **\$3 million fund to pay laid-off workers' health insurance premiums.** The fund, activated by layoffs involving at least 50, will pay as much as \$500 or four months of premiums. The law, effective Aug. 31, will expire Jan. 31.

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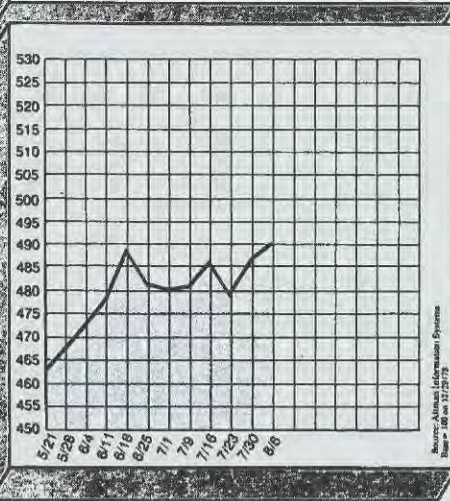
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**BI Insurance Index**



# Competition may not hurt insurer stock performance

By **MYRON M. PICOULT**  
Special to Business Insurance

**C**ASEY STENGEL ONCE said, "It's easy to get the players. Gettin' em to play together, that's the hard part."

As one listens to comments from the insurance brokerage community about how commercial property/casualty insurance prices are coming apart at the seams and responses from insurance company managements, it is obvious that rate increases have been on the wane for many months and that prices are hotly competitive for some lines of coverage.

In the latter part of 1984, after a ludicrous six-year decline, commercial lines prices began to move up. Over a two-year period, rates for most standard commercial lines of coverage doubled and rates for some forms of liability insurance soared even more. By early 1986, rate increases began to moderate. It would be fallacious not to have expected a deceleration pattern to evolve. The incredibly low level of catastrophe losses over the past 18 months, combined with the sharp rate increases that had been obtained over the past two years, led to the current reductions in property insurance rates.

Some industry observers are of the persuasion that rate-cutting is again a way of life in the business. They quickly point to the recent trends in the property insurance arena and insurers' increasing willingness to write some types of low-hazard casualty business as a harbinger of what is to come. Some members of the insurance brokerage community have even implied that rates are coming down faster now than they did in the last cycle.

It should be recognized that many brokers have more of a "micro" perspective of the marketplace, compared with insurance company management's "macro" point of view.

*Myron M. Picoult is senior vp and senior insurance analyst with Oppenheimer & Co. in New York. He is the past president of the Assn. of Insurance & Financial Analysts and a member of the New York Society of Security Analysts.*



Mr. Picoult

One wonders if the comments from the brokers may be somewhat self-serving. Nonetheless, we have no doubt there is some distortion of the facts by both the brokerage community and by insurance company managements.

It will be interesting to see just how well managements detail why their premiums were either up, down or flat as second-quarter comparisons are released. The numbers are not nearly as important as the explanations of the hows, whys and wheres.

To date there appear to be two camps. One camp is watching its premium writings, while another appears to be relatively aggressive. Managements' explanations in preliminary releases are not particularly articulate.

Many industry gurus argue that although top managements are sincere in their articulation about not giving away the store, the problem is that the boys in the executive suite don't really know what is going on in the field, notwithstanding all of the noise about new sophisticated management systems.

Managements have to begin to prove that they can convince their field underwriters to play the same kind of ball that the executive team wants to play.

The lackluster performance of the stock property/casualty insurers over the past 15 months can be related to the withdrawal of investors uneasy over the prospect of price competition returning to the marketplace. Current absolute and relative price-to-earnings ratios imply a prospective downside of the underwriting cycle that will be even more devastating than the 1978-'84 debacle.

We do not buy that scenario. As we have noted in the past, the Tax Reform Act of 1986, relatively low interest rates, problems with reinsurance recoverables and flex-rating constraints should all dampen the volatility of this current cycle. Although it has a hollow ring, we believe that the current multiple relationships imply limited downside risk in the stocks.

The fact that pricing has peaked is no longer relevant given the past 15 months of insurer stock underperformance. We suspect that the key variable over the near term will be the stock market's perception of just where the underwriting cycle is.

We still expect the stock property/casualty insurance industry's combined ratio to be lower in 1988 than in 1987.

Proficient managements remain concerned about the "tails" on some of the casualty business. The recent reserve strengthening by Novato, Calif.-based Fireman's Fund Insurance Cos. underscores this point. One also wonders whether Fireman's Fund's move will provide the backbone that some other insurers need to correct the reserve line on their own balance sheets.

Furthermore, all managements realize that the level of profitability in property insurance lines is aberrant due to the lack of catastrophe losses.

The fly in the ointment remains interest rates—and inflation fears—because the property/casualty sector of the stock market is perceived to be very interest-sensitive. A rise in interest rates undermines bond values and nips at the adequacy of reserves. Conversely, a decline in rates would do the opposite. No change is basically a Mexican standoff.

Simply put, property/casualty stocks are for "value-oriented investors." A relatively sluggish economic environment, coupled with an unexciting stock market, might not be a bad environment for insurer stocks, given their underperformance.

We remain selective buyers of the companies that we believe will stick to their knitting.

In any event, more property/casualty insurer managements should be more seriously considering buying back their stock. Although it may seem extreme, some companies should literally consider going private and then becoming a public entity again several years down the road when investors once again look to a "cycle play." Managements that compromise their standards will find the capital market windows closed to them in the next go around.

## Hilb, Rogal & Hamilton

Hilb, Rogal & Hamilton of Richmond, Va., has completed its initial public offering by selling all of the 1.1 million shares. The company raised \$12.1 million dollars in the offering.

## Guaranty National

Guaranty National Corp. of Englewood, Colo., reported net income for the second quarter soared 134% to \$5.4 million from \$2.3 million in the second quarter of 1986.

Operating income also rose dramatically in the second quarter to \$5.2 million from \$1.4 million in the year-earlier quarter.

The results include a \$1.7 million "fresh start" tax benefit. Excluding this benefit, operating income for the second quarter would have been \$3.5 million.

For the first half, net income rose 67% to \$10.6 million from \$6.3 million in 1986. Operating income, before extraordinary items, jumped 117.8% in the first half to \$8.6 million from \$3.9 million.

## Chubb Corp.

The Chubb Corp. of Warren, N.J., reported net income for the second quarter rose 28.7% to \$95.4 million from \$74.1 million in the second quarter of 1986.

Second-quarter operating income ballooned 70.7% to \$91.5 million from \$53.6 million in the year-earlier period.

The second-quarter results were boosted by a \$7.2 million tax benefit from the "fresh start" provision of the Tax Reform Act of 1986.

The property/casualty division also showed marked improvement. The division's post-tax underwriting income rose to \$25.5 million in the second quarter from a \$2.5 million loss in the second quarter last year. Chubb's combined ratio improved to 95.1% in the second quarter of 1986 from 98.0% in the corresponding period of 1985.

For the first half, Chubb's net income rose 37% to \$182.7 million from \$133.3 million in the first half of 1986, while operating income jumped 72.4% to \$170.2 million from \$98.7 million.

The insurer's first-half combined ratio dipped to 96.5% from 99.5%.

## British Issues

| Aug. 5 Companies | Price | P/E  | Div.  | Yield | High-Low    |
|------------------|-------|------|-------|-------|-------------|
|                  | pence |      | pence | %     | pence/pence |
| Comml Union      | 365   | 12.6 | 17.8  | 4.9   | 378-360     |
| Genl Accident    | 1025  | 11.1 | 38.3  | 3.7   | 1094-1025   |
| Gdn Royal Exch   | 999   | 12.5 | 46.5  | 4.7   | 1062-970    |
| Royal            | 554   | 9.4  | 21.2  | 3.8   | 568-533     |
| Sun Alliance     | 1050  | 12.1 | 32.2  | 3.1   | 1100-1037   |

| Brokers        | Price | P/E  | Div.  | Yield | High-Low    |
|----------------|-------|------|-------|-------|-------------|
|                | pence |      | pence | %     | pence/pence |
| CE Heath       | 525   | 15.7 | 34.5  | 6.5   | 545-525     |
| Hogg Robinson  | 223   | 12.4 | 15.7  | 4.3   | 259-218     |
| JH Minet       | 408   | 13.4 | 12.9  | 3.2   | 443-408     |
| Sedg Grp       | 325   | 14.8 | 16.4  | 5.1   | 340-325     |
| Stew Wrightson | 604   | 21.6 | 17.8  | 2.9   | 635-604     |
| Willis Faber   | 408   | 14.3 | 14.8  | 3.6   | 425-408     |

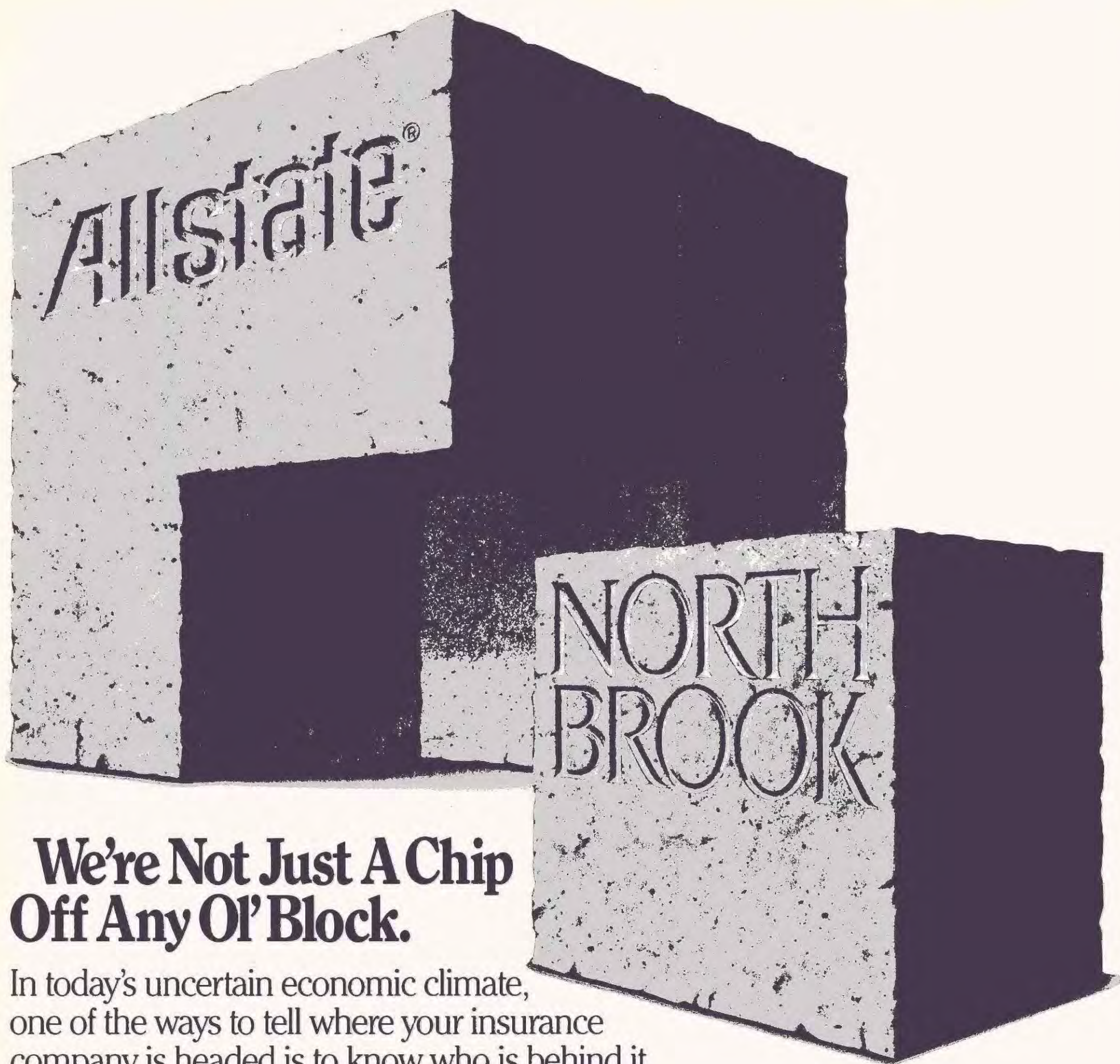
Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

## BI Industry Stock Report

August 6, 1987

7/31/87 thru 8/6/87

| Brokers                                 | Price   | % Chg.  | P/E  | \$ Div. | % Yld. | High | Low     | Vol.(000) |         |
|---|---------|---------|------|---------|--------|------|---------|-----------|---------|
| Alexander & Alexander Svcs              | NYSE    | 25.38   | 9.7  | 30.2    | 1.00   | 3.9  | 25.38   | 23.00     | 1,628.6 |
| Baldwin & Lyons Inc                     | OTC     | 20.00   | 0.0  | 8.0     | 0.20   | 1.0  | 20.00   | 20.00     | 0.5     |
| Corroon & Black Corp                    | NYSE    | 30.75   | 1.7  | 14.3    | 0.84   | 2.7  | 31.50   | 30.50     | 160.3   |
| Gallagher Arthur J & Co                 | OTC     | 21.00   | -1.2 | 15.8    | 0.40   | 1.9  | 21.25   | 20.75     | 24.9    |
| Hall Frank B & Co Inc                   | NYSE    | 11.13   | 12.7 | 0.0     | 0.00   | 0.0  | 11.13   | 9.88      | 664.3   |
| Marsh & McLennan Cos Inc                | NYSE    | 63.75   | 4.9  | 16.6    | 2.40   | 3.8  | 63.75   | 60.63     | 1,707.8 |
| Poe & Assoc Inc                         | OTC     | 11.75   | 0.0  | 14.9    | 0.40   | 3.4  | 11.75   | 11.75     | 59.3    |
| AGENTS/BROKERS                          | AVERAGE |         | 15.1 |         | 3.0    |      |         |           |         |
| <b>Conglomerates &amp; Holding Cos.</b> |         |         |      |         |        |      |         |           |         |
| Berkley W R Corp                        | OTC     | 25.25   | -5.5 | 7.1     | 0.28   | 1.1  | 26.00   | 24.75     | 232.2   |
| Berkshire Hathaway Inc Del              | OTC     | 3940.00 | 3.1  | 130.8   | 0.00   | 0.0  | 3940.00 | 3890.00   | 1.1     |
| CIGNA Corp                              | NYSE    | 65.75   | 5.2  | 8.4     | 2.80   | 4.3  | 65.75   | 62.50     | 1,329.4 |
| CNA Fintl Corp (CNA)                    | NYSE    | 55.00   | 4.0  | 12.6    | 0.00   | 0.0  | 55.00   | 52.13     | 201.2   |
| General Re Corp                         | NYSE    | 54.38   | 4.1  | 14.6    | 1.00   | 1.8  | 54.38   | 52.25     | 3,072.9 |
| ITT (Hartford Group)                    | NYSE    | 64.63   | 2.4  | 14.1    | 1.00   | 1.5  | 64.63   | 62.63     | 3,020.4 |
| Sears Roebuck & Co. (Allstate)          | NYSE    | 55.63   | 5.0  | 13.5    | 2.00   | 3.6  | 55.63   | 52.88     | 4,163.4 |
| Transamerica Corp (Occidental)          | NYSE    | 43.25   | -1.1 | 8.8     | 1.76   | 4.1  | 43.75   | 42.25     | 932.1   |
| CONGLOMERATES/HOLDING COS.              | AVERAGE |         | 68.1 |         | 0.2    |      |         |           |         |
| <b>Insurers</b>                         |         |         |      |         |        |      |         |           |         |
| Acceptance Ins Hldgs Inc                | OTC     | 14.50   | 5.5  | 8.1     | 0.00   | 0.0  | 14.50*  | 13.50     | 159.9   |
| Aetna Life & Cas Co                     | NYSE    | 58.38   | 1.1  | 8.2     | 2.76   | 4.7  | 58.38   | 57.25     | 1,851.5 |
| American General Corp                   | NYSE    | 38.38   | -3.8 | 10.3    | 1.25   | 3.3  | 39.63   | 38.00     | 2,298.0 |
| Ameri Heritage Life Invst Co            | NYSE    | 31.50   | 0.0  | 15.5    | 0.96   | 3.0  | 32.00   | 31.50     | 10.8    |
| American Indty Fintl Corp               | OTC     | 13.25   | 0.0  | 0.0     | 0.56   | 4.2  | 13.25   | 13.00     | 20.5    |
| American Intl Group Inc                 | NYSE    | 73.38   | 3.9  | 16.2    | 0.25   | 0.3  | 73.38   | 68.25     | 1,849.2 |
| Aneco Reins Ltd                         | OTC     | 2.94    | 2.2  | 0.0     | 0.00   | 0.0  | 3.00    | 2.88      | 39.8    |
| Avenco Corp                             | NYSE    | 24.25   | 3.2  | 15.3    | 0.28   | 1.2  | 24.25   | 23.63     | 53.9    |
| Business Mens Assurn Co Amer            | OTC     | 43.00   | 9.6  | 0.0     | 1.10   | 2.6  | 43.00   | 37.00     | 706.6   |
| Chubb Corp                              | NYSE    | 64.38   | 2.8  | 9.1     | 1.68   | 2.6  | 64.38   | 61.63     | 826.7   |
| Aon Corp                                | NYSE    | 26.88   | -3.2 | 9.5     | 1.20   | 4.5  | 27.50   | 26.88     | 398.2   |
| Continental Corp                        | NYSE    | 46.00   | -0.3 | 10.4    | 2.60   | 5.7  | 46.00   | 45.00     | 757.6   |
| Crown Life Ins Co                       | OTC     | 270.00  | 0.0  | 9.3     | 6.40   | 2.4  | 270.00  | 270.00    | 1.0     |
| Durham Corp                             | OTC     | 32.50   | -2.3 | 19.1    | 0.92   | 2.8  | 32.75   | 32.50     | 18.1    |
| Farmers Group Inc                       | OTC     | 45.25   | 4.0  | 13.7    | 1.20   | 2.7  | 45.25   | 43.25     | 2,791.3 |
| Fairmont Fintl Inc                      | AMEX    | 17.63   | 0.0  | 9.9     | 0.00   | 0.0  | 0.00    | 0.00      | 0.0     |
| Fireman Fd Corp                         | NYSE    | 34.50   | -2.8 | 0.0     | 0.40   | 1.2  | 35.00   | 34.00     | 794.2   |
| Fremont Gen Corp                        | OTC     | 17.63   | 0.0  | 0.0     | 0.60   | 3.4  | 17.68   | 17.50     | 151.9   |
| Great West Life Assurn Co               | OTC     | 700.00  | 0.0  | 14.4    | 18.00  | 2.6  | 0.00    | 0.00      | 0.0     |
| Home Group Inc                          | AMEX    | 18.00   | -4.6 | 3.9     | 0.20   | 1.1  | 18.63   | 18.00     | 1,197.8 |
| Hanover Ins Co                          | OTC     | 32.00   | -0.8 | 7.7     | 0.36   | 1.1  | 32.25   | 32.00     | 87.9    |
| Harleysville Group Inc                  | OTC     | 16.38   | 2.3  | 5.1     | 0.40   | 2.4  | 16.38   | 15.63     | 85.3    |
| Harley Steam Boiler Insprtn             | OTC     | 29.63   | 1.3  | 12.2    | 1.00   | 3.4  | 29.75   | 29.25     | 201.2   |
| Kans City Life Ins                      | OTC     | 29.75   | 1.7  | 11.4    | 0.96   | 3.2  | 30.00   | 29.50     | 19.0    |
| Kemper Corp                             | OTC     | 29.75   | -3.3 | 9.5     | 0.60   | 2.0  | 30.00   | 29.50     | 2,109.6 |
| Liberty Corp S C                        | NYSE    | 45.25   | -1.1 | 16.3    | 0.80   | 1.8  | 46.75*  | 44.63     | 53.9    |
| Lincoln Natl Corp Ind                   | NYSE    | 53.25   | 0.0  | 10.7    | 2.16   | 4.1  | 53.88   | 52.75     | 260.5   |
| Mission Ins Group Inc                   | PAC     | 1.38    | 0.0  | 0.0     | 0.00   | 0.0  | 4.38    | 0.69      | 2.5     |
| Monumental Corp                         | OTC     | 55.63   | 0.0  | 18.8    | 0.00   | 0.0  | 55.63   | 55.63     | 1.1     |
| Nac Re Corp                             | OTC     | 23.50   | -2.1 | 30.1    | 0.00   | 0.0  | 23.75   | 23.13     | 180.4   |
| Nobel Ins Ltd                           | OTC     | 12.75   | 3.0  | 9.6     | 0.37   | 2.9  | 12.75   | 12.00     | 88.5    |
| Northwestern Natl Life Ins              | OTC     | 27.00   | -2.7 | 7.7     | 0.96   | 3.6  | 27.75   | 27.00     | 91.1    |
| Ohio Cas Corp                           | OTC     | 44.50   | 2.9  | 10.9    | 1.68   | 3.8  | 44.50   | 43.50     | 418.2   |
| Old Rep Intl Corp                       | OTC     | 31.13   | 2.5  | 9.4     | 0.80   | 2.6  | 31.25   | 30.50     | 329.8   |
| Orion Cap Corp                          | NYSE    | 23.00   | -3.2 | 0.0     | 0.76   | 3.3  | 23.00   | 21.75     | 75.2    |
| Protective Corp                         | OTC     | 14.88   | -1.7 | 12.8    | 0.70   | 4.7  | 15.00   | 14.88     | 457.7   |
| Provident Life & Acc Ins Co             | OTC     | 21.63   | -1.7 | 11.9    | 0.84   | 3.9  | 22.00   | 21.25     | 818.6   |
| Reliance Group Hldgs Inc                | NYSE    | 10.00   | 1.3  | 11.1    | 0.16   | 1.6  | 10.50   | 10.00     | 336.2   |
| St Paul Cos Inc                         | OTC     | 50.75   | 3.0  | 9.4     | 1.76   | 3.5  | 50.75   | 49.00     | 1,552.3 |
| SAFECO Corp                             | OTC     | 28.25   | -3.4 | 9.8     | 0.96   | 3.4  | 28.75   | 27.75*    | 2,512.2 |
| Scor U S Corp                           | OTC     | 12.50   | 4.2  | 14.9    | 0.00   | 0.0  | 12.50   | 11.50     | 357.6   |
| Selbels Bruce Group Inc                 | OTC     | 15.75   | -6.0 | 10.4    | 0.80   | 5.1  | 17.25   | 15.75     | 168.5   |
| Selective Ins Group Inc                 | OTC     | 26.50   | -1.9 | 8.4     | 1.08   | 4.1  | 26.50   | 26.25     | 53.8    |
| Statensman Group Inc                    | OTC     | 6.50    | -5.5 | 0.0     | 0.05   | 0.8  | 6.69    | 6.13      | 510.3   |
| Tokio Marine & Fire Ins Co              | OTC     | 69.50   | 0.0  | 78.1    | 0.19   | 0.3  | 69.50   | 69.50     | 3.3     |
| Torchmark Corp                          | NYSE    | 29.50   | -2.9 | 10.5    | 1.20   | 4.1  | 30.25   | 29.50     | 1,245.0 |
| Travelers Corp                          | NYSE    | 45.50   | 0.6  | 9.4     | 2.28   | 5.0  | 45.75   | 44.75     | 1,057.3 |
| Tronwick Group Inc                      | OTC     | 12.75   | 1.0  | 21.6    | 0.00   | 0.0  | 12.88   | 12.50     | 216.5   |
| United Fire & Cas Co                    | OTC     | 30.00   | 0.0  | 9.6     | 0.96   | 3.2  | 30.00   | 30.00     | 6.6     |
| United States Fld & Gty Co              | NYSE    | 39.00   | 0.3  | 8.4     | 2.48   | 6.4  | 39.00   | 37.88     | 2,901.8 |
| Unum Corp                               | NYSE    | 25.00   | 7.0  | 0.0     | 0.40   | 1.6  | 25      |           |         |



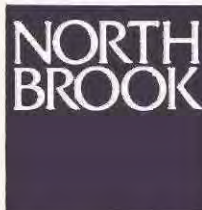
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