

business insurance

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New reinsurer forming for D&O liability risks

NEW YORK—Several leading financial interests are forming a monoline company to reinsure directors and officers liability policies expected to be written by Aetna Casualty & Surety Co.

The new reinsurer, which initially will write \$15 million in limits on a quota-share basis, will substantially increase D&O capacity in the market. It is expected to

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Fairchild's insurers settle pollution suit

By ROBERT A. FINLAYSON

SAN JOSE, Calif.—Insurers of Fairchild Semiconductor Corp. are negotiating how much each will pay toward a multimillion-dollar settlement of a suit alleging the semiconductor manufacturer contaminated drinking water in south San Jose.

The settlement was reached last month on behalf of Fairchild, a subsidiary of Schlumberger Ltd. in New York, and at least 11 of its insurers with 523 residents of south San Jose.

They had sued the semiconductor manufacturer in April 1982, alleging they were harmed by chemicals that leaked from a Fairchild plant and contaminated their drinking water in 1980-1981.

The settlement resolves all claims by the residents, a Fairchild spokeswoman said.

The terms of the settlement were sealed by the court and, at the behest of attorneys for Fairchild's insurers, all parties to the settlement with the San Jose residents agreed to sign confidentiality statements promising not to discuss any aspect of the settlement, including the amount of the settlement or the amount paid by the individual insurers.

But, *Business Insurance* has learned that the settlement exceeds \$6 million, paid by Fairchild's primary and general liability insurers in 1979, 1980 and 1981.

Fairchild's insurers still are disputing just how much each of them should pay on the loss but agreed to fund the settlement with the residents to prevent the case from going to trial, sources close to the settlement negotiations said.

In a suit filed by Fairchild against its insurers, Fairchild has asked the San Francisco Superior Court to determine the amount each insurer is obligated to pay to settle the "underlying (liability) claims," a reference to the lawsuit filed by the San Jose residents, explained one attorney familiar with the case who asked not to be named.

Fairchild's suit in San Francisco Superior Court is against primary and excess general liability insurers that wrote coverage for the company from Jan. 1, 1977 to Jan. 1, 1983 and seeks to recover \$17 million Fairchild owes the state for remedial work done to

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Jury orders ALG unit to pay \$7 million in bad-faith suit

By STEPHEN TARNOFF

ALEXANDRIA, Va.—An American International Group Inc. unit must pay a law firm it insured \$7 million, including \$5 million in punitive damages, for failing to settle a lawsuit on the firm's behalf, a federal court jury has ruled.

The decision last month against National Union Fire Insurance Co. of Pittsburgh, Pa., is the largest bad-faith verdict in Virginia history, according to a plaintiffs' attorney.

The Fairfax, Va., law firm of Bettius, Fox & Shumate alleged that the insurer's foot-dragging and failure to contribute to a settlement under a \$2 million professional liability policy seriously damaged the firm, which is now dissolving.

As a result of National Union's actions, the law firm was cited for contempt of court, was assessed approximately \$230,000 in fines that later were waived and saw most of its business dry up, according to an attorney for Bettius.

National Union wound up contributing \$400,000 to the settlement anyhow, the attorney pointed out, adding that the case could have been settled with a \$300,000 contribution.

National Union has filed a motion for a judgment in its favor despite the jury's verdict and, alternatively, is asking for a new trial. A hearing on the motion is set for Sept. 5.

An attorney for National Union and a spokeswoman for the insurer last week declined to comment on the verdict because it is being contested.

The bad-faith litigation against National Union arose from a Virginia state court decision in a consolidated case that was first brought in 1982 by owners of 27 condominium units in Alexandria, known as the

Sentinel of Landmark.

The owners sued various parties in connection with the sale of the units, including the law firm and two of its members, the condominium owner-developer, the real estate firm and various salespeople. The plaintiffs alleged in part that the attorneys defrauded the condominium owners in connection with registration of condominium documents with state authorities.

National Union provided a defense for the law firm and the attorneys under a professional liability insurance policy with limits of \$2 million. The law firm had purchased the coverage in 1982 through a state bar association insurance program.

On May 10, 1985, a year after the trial in the underlying litigation began, Alexandria Circuit Court Judge Donald H. Kent ruled two Bettius attorneys defrauded the condominium owners. He also ruled the firm—which previously was known as Bettius, Rosenberger & Carter—was liable for the attorneys' fraud, even though it had defrauded no one.

In addition, the court also found the owner-developer was liable for the attorneys' fraud, but that the real estate firm and the salespeople were not liable.

As part of his decision, Judge Kent ruled the condominium owners' deeds should be rescinded, they should be released from their mortgage obligations and that any incidental damages be paid by the liable parties.

The law firm alleged in its suit against National Union that it had made several attempts to comply with the terms of Judge Kent's ruling. However, every settlement suggested required a financial contribution from National Union.

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The case could have been settled with a \$300,000 contribution, points out a Bettius attorney.

Free Trade Zone considers 50 new lines

By JUDY GREENWALD

NEW YORK—The New York Free Trade Zone, an alternative to the surplus lines insurance market in New York state, soon may expand its horizons and attract more business, predict its administrator and some insurers now writing business in the zone.

However, fewer insurers currently are members of the Free Trade Zone than two years ago. A total of 117 insurers have paid the \$1,000 FTZ licensing fee this year, 15% fewer than the 138 members two years ago.

The FTZ was created in 1978 to permit specifically licensed insurers to write high-premium or unusual risks without rate form approval.

Now, the New York Insurance Department is considering adding 50 classifications of business to the lines of coverage that can be written in the zone.

If approved, these new lines should generate about another 10 million in net written premiums volume, says Charles Rapaciuolo, who supervises the special risk section of the New York Insurance Department's property companies' bureau.

The FTZ "is worthwhile," maintains Joseph P. Decaminada, secretary and counsel at the Atlantic Mutual Insur-

Largest N.Y. Free Trade Zone insurers in 1985
(In thousands of dollars)

Group	Net premiums	Underwriting profit (loss)
American International Group	\$40,068	(\$2,396)
Crum & Forster	31,454	5,418
Royal Insurance Group	12,253	(5,079)
Hartford Insurance Group	8,481	(1,626)
Frontier Insurance Co.	7,925	1,189
CIGNA Corp.	5,362	2,326

Source: New York Insurance Department

Chart: Amy Palmer

ance Co., which writes business through the FTZ.

"To my knowledge, there's been no problem in its operations," Mr. Decaminada said, explaining that the Free Trade Zone gives admitted insurers the opportunity to "get into the surplus lines business" while still providing the insurance buyer with the protection of New York's property/casualty guaranty fund.

"It's sort of another arrow in your quiver," he says.

Insurers wrote \$151.9 million in net premium through the zone last year, a decline from the record \$215 million in net premiums written in the FTZ in 1984. However, the 1984 volume was inflated by a policy that carried a \$65 million premium written by an affiliate of American International Group Inc., traditionally the zone's most active insurer.

AIG will not comment on the huge policy or its FTZ activities.

Not counting this policy, FTZ net premium volume increased by about \$2 million or 1.3% in 1985 over 1984, but the 1985 volume represented a 41.2% increase from the \$107.6 million in net premiums written in 1983.

"It's always been a steady increase since its inception," said Mr. Rapaciuolo.

The FTZ has not grown faster, he said, because "companies are afraid right now. They don't want to chance anything. If companies don't have enough background on a risk, they just don't want to go near it."

Another factor that could spur growth within the Free Trade Zone is the "flex rating" system authorized by the recently enacted New York tort reform legislation, says Walter A. Rhulen, chairman and president of Frontier Insur-

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update

New D&O reinsurer formed

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begin operations by October.

The reinsurer is being formed by Chase Investment Bank, Willis Faber P.L.C., Conning & Co., Johnson & Higgins and London United Investments Ltd., the parent of H.S. Weavers (Underwriting) Agencies Ltd.

Aetna also is expected to participate in forming the venture, but a spokesman for the company would not confirm this.

These companies collectively are contributing \$25 million to the new company, which is to be capitalized with \$150 million. Letters have been mailed soliciting the remaining \$125 million from about 300 companies that Chase believes would be interested, said Vincent E. Gallagher, managing director at Chase.

However, investors in the company—tentatively called Excess Risk Insurance Co.—are not guaranteed coverage, he noted.

The private offering is expected to close late next month, after which underwriting will begin, Mr. Gallagher said.

Aetna and London United will be the underwriters for ERIC. Stephen Sills, who was vp at Stewart Smith in New York and a leading D&O underwriter, resigned his post last Monday to become ERIC's chief underwriter.

While ERIC will provide reinsurance limits of about \$15 million initially, it may increase its limits to about \$23 million next year, Mr. Gallagher speculated.

Aetna, which has never been a major D&O insurer, is expected to retain \$2 million and \$3 million on each risk, he said.

N.Y. issues Dyna Span warning

NEW YORK—The New York Insurance Department is warning insurance buyers, agents and brokers in the state to be wary of doing business with Boca Raton, Fla.-based Dyna Span Corp.

Using New England International Surety Inc.—a Panamanian insurer that is not licensed in the United States or Panama—Dyna Span has offered itself to New York agents and brokers as a market for liquor liability, directors and officers liability and real estate and insurance agents and brokers errors and omissions coverage, an Insurance Department spokesman said.

The New York department announced last week that it disputes Dyna Span's claim to be exempt from state regulation under the federal Risk Retention Act. The department contends that Dyna Span is improperly conducting business in New York through an unlicensed insurer.

New England International—unrelated to both New England Insurance Co. and New England Reinsurance Corp.—does not maintain trust funds in New York and therefore should not be used by licensed surplus lines brokers, the department says.

New York agents or brokers that do business with Dyna Span after last week's announcement could be subject to administrative action, including license revocation, the department said.

The department cannot take any action against Dyna Span itself, since the company is not licensed in New York, the spokesman said. However, the state attorney general's office—which currently is investigating Dyna Span—could issue an injunction to stop Dyna Span from conducting business in the state, the spokesman said.

Fifth analyst leaves A.M. Best

OLDWICK, N.J.—Robert A. Bailey last week resigned as chief property/casualty analyst for A.M. Best Co. in a dispute over his authority to assign insurance company ratings.

Mr. Bailey, vp in charge of the property/casualty division, became the fifth analyst to resign from Best's staff of 10 property/casualty analysts since January.

A memorandum to the Best staff from Chairman and President Arthur Snyder—read to *Business Insurance* by a Best spokesman—said, "Bob's resignation stems primarily from his request for autonomous control of the property/casualty department, including full authority for assignment of Best's ratings for all property/casualty companies. Obviously, I could not approve a request requiring management to abdicate its responsibilities for this important corporate function to a single individual."

Under Best's rating procedures, the property/casualty vp reviews all ratings developed by the staff of analysts. Ratings of the 100 largest property/casualty insurers as measured by net written premiums—as well as rating changes of two grades or more for any insurer—are reviewed by a committee that until last week consisted of Mr. Snyder, Senior Vp C. Burton Kellogg II and Mr. Bailey.

Mr. Bailey essentially wanted to eliminate this committee review, according to the Best spokesman.

Mr. Bailey—who will join reinsurance broker E.W. Blanch Co. in September as senior vp in charge of a newly formed financial security division—could not be reached for comment.

Four other Best property/casualty analysts have resigned since January, including: Gary Kratzer, now with the New York Insurance Exchange; Kelly King, now with NAC Re; and Gerard Altonji and Paul Sherbine, both with Marsh & McLennan Cos. Inc.

The Best spokesman declined to comment on the reasons for their resignations.

One source, who asked not to be identified, said that some of the four "perceived the same problem that led to (Mr. Bailey's) leaving," but also had other reasons for resigning, including more attractive job offers.

The source added that Mr. Snyder's memo may have overstated Mr. Bailey's position in the conflict over rating assignments.

"I don't think that he felt that his input into the rating was commensurate with his knowledge and experience," the source said, adding Mr. Bailey did not seek total autonomy.

The members of the review committee disagreed "in varying degrees" on ratings for several insurers and in the case of one top 100 company the views of committee members were "rather diver-

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Superfund measure includes worker protection provisions

By CAROL CAIN

WASHINGTON—The new version of the federal Superfund Act will include provisions to help ensure the safety of workers participating in hazardous waste cleanup projects.

Organized labor pushed for the provisions, which have gone largely unnoticed, to prevent a repeat of the "asbestos experience," said Donald Elisburg, administrator of the Occupational Health Legal Rights Foundation.

The foundation, formed by a unit of the AFL-CIO, was designed in part to educate workers and employers to prevent occupational diseases (*BI*, April 8, 1985).

Business and labor have learned that loss prevention and safety measures—such as the training of workers—reduce injuries and workers compensation costs, Mr. Elisburg said.

But, he pointed out that the safety of workers who clean up hazardous waste sites was not addressed by the original Comprehensive Environmental Response, Compensation and Liability Act, better known as the Superfund. The legislation containing the new provisions, now before a House-Senate conference committee, would reauthorize the Superfund law for another five years.

The Superfund reauthorization legislation is expected to be approved by Congress by the end of the week.

The original authors of Superfund "forgot about workers," said David L. Mallino, legislative director of the Industrial Union Department, an AFL-CIO affiliate.

Worker protection provisions were included, at the urging of labor, in both Senate and House versions of the Superfund reauthorization that were passed last year. The provisions contained in the final conference

committee report:

- Mandate that the Occupational Safety & Health Administration develop safety and health provisions for workers who will be involved in hazardous waste cleanup projects paid for with Superfund money.

However, the bill does not specify what the regulations should cover.

In addition, the bill requires the federal Environmental Protection Agency to adopt identical standards that would cover state and local government employees who are not covered by OSHA standards.

It is expected to take 18 to 24 months to develop such standards. In the interim, the EPA will develop guidelines to be followed for worker protection.

- Mandate that workers engaged in hazardous waste cleanup financed under the Superfund be trained in procedures to safely do their job.

- Establish a training grant program to be annually financed with \$10 million of Superfund money.

The worker protection provisions in the Superfund legislation have gone largely unnoticed by employers and insurers because attention has been focused on the liability and taxation provisions of the reauthorization legislation (*BI*, Aug. 4).

But labor groups say that worker protection is one of the most important parts of the Superfund legislation.

"We, as a nation, are about to engage in a brand new industry... that will require substantial amounts of money... to clean up the toxic garbage dumped in and around the country in the past 25 to 30 years," Mr. Mallino said.

In lobbying for inclusion of worker protection provisions, Mr. Mallino said labor argued that "untrained workers going into a toxic dump, which is probably one of the most hazardous (jobs)... that anybody would have to work in, ought to know what they are doing."

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Equitable shifts plans to new firm

By JUDY GREENWALD

NEW YORK—The Equitable Life Assurance Society of the United States is transferring its entire group life/health business to a new joint venture formed with a major hospital chain.

Equicor, the joint venture formed by Equitable and Hospital Corp. of America, will allow employers to offer workers traditional indemnity health coverage, health maintenance organization and preferred provider options under the same group health contract, says Gilbert M. Reich, Equicor's chairman and chief executive officer.

"We hope we can better control costs for customers," as well as provide employees "with quality health care," Mr. Reich said.

In addition to health insurance, the Equitable-HCA joint venture also will offer employers group life, dental and disability coverages.

Insurance and health care industry
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Industry veteran killed in Los Angeles hotel

By STEVE TARAVELLA

LOS ANGELES—Norris Hayes, who held management positions with Beacon Insurance Co., Mentor Insurance Ltd. and Hartford Insurance Group during a 30-year career in the insurance industry, was killed in his Los Angeles hotel room late last month.

The Los Angeles Police Department is investigating Mr. Hayes' death as a homicide.



Mr. Hayes

Mr. Hayes, a self-employed reinsurance auditor, had been staying at the Sheraton Town House Hotel for several days when he was found dead in his room early on July 31, according to police Lt. Rick Morton of the Rampart detective division.

Mr. Hayes, 54, had stayed at the Wilshire Boulevard hotel periodically over a period of about three weeks while conducting an audit of financially troubled Mission Insurance Co. for a domestic reinsurer, said Donald Connors, assistant general counsel at Mission Insurance Group Inc. in Los Angeles.

The hotel is about three blocks from MIG's headquarters. Mr. Hayes' body was found by hotel staff at about 11 a.m. after associates of Mr. Hayes were unable to wake him. He had eaten dinner the previous night with friends or business associates and was last seen on the hotel grounds shortly after midnight, Lt. Morton said.

The cause of death has been listed as strangulation sometime between 1 a.m. and 7 a.m. While Mr. Hayes had also been beaten,
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inside

✓ This week's editorial points out that if state regulations become too onerous for admitted insurers, they will form surplus lines subsidiaries to write the business at the terms and conditions they desire. **PAGE 8**

✓ While New York's recently enacted tort reforms ease what surplus lines brokers cited as "problems" with Regulation 41, three other states are imposing new regulations on non-admitted insurers. **PAGE 70**

✓ New Jersey's surplus lines guaranty fund is enjoying a revenue windfall, but some observers say the revenue may not be sufficient to pay claims. **PAGE 71**

✓ While prominent surplus lines insurers and wholesalers have withdrawn from the market at a steady pace over the past several years, market observers say fewer companies are now pulling out. **PAGE 72**

✓ Investors regard the publicly held insurance brokers as a haven from the impact of an economic slowdown, and rightly so, comments insurance industry analyst Leonard M. Wilson. **PAGE 79**

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Surplus lines volume hits new high

By KATHRYN J. McINTYRE

Despite restricted capacity, the surplus lines insurance marketplace is raking in record premiums.

Surplus lines insurance—policies written on a non-admitted basis and free from states' rate and form regulation—exploded in 1985 to generate \$3.9 billion in premiums in the United States. That was a 69.4% increase from the \$2.3 billion in surplus lines premiums written in 1984 and an 85.7% increase from the \$2.1 billion written in 1983 (see chart, page 11).

Huge rate hikes and new demand for surplus lines insurers' capacity from commercial insurance

buyers turned away by admitted insurance companies created the record growth. Triple-digit rate hikes for liability insurance and double-digit rate increases for property insurance have been the norm, with rates charged around 175% of admitted market manual rates.

And, although reinsurers have nearly abandoned surplus lines insurers, creating capacity problems for those seeking high limits, surplus lines insurers just slashed the limits offered and still increased their premiums.

Increased policyholder surplus contributed by parent companies allowed surplus lines insurers to write more premiums and keep more of the risk for their own accounts.

Surplus lines insurance premiums began to grow in late 1984, when admitted insurance companies clamped down new underwriting guidelines to stem their losses and dumped policyholders whose risks didn't meet the new rules. Total surplus lines premiums edged up 8.8% in 1984 to \$2.3 billion after falling or remaining flat since 1980.

The growth continued through the first half of 1986, wholesalers and underwriters agree.

Among 80 wholesalers responding to a survey about their results in the first six months of this year, 71 reported increased premium volume, with 13 more than doubling their premiums, 20 reporting gains of 50% to 99% and 38 reporting growth of

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Ten largest surplus lines insurers

Insurer (Parent company)	Non-admitted direct premiums (000)			Total gross premiums (000)			Statutory combined ratio	
	1985	1984	% change	1985	1984	% change	1985	1984
Lexington Insurance Co. (American International Group Inc.)	\$361,726	\$209,439	72.7%	\$377,066	\$233,399	61.6%	77.0%	73.1%
California Union Insurance Co. (CIGNA Corp.)	192,105	62,489	207.4	300,791	141,087 ¹	113.2	136.5	131.3 ¹
Great American Surplus Lines Insurance Co. (Great American Insurance Co.)	180,129	35,178 ¹	412.1	180,266	35,190 ¹	412.3	93.2	136.1
Scottsdale Insurance Co. (Nationwide Mutual Insurance Co.)	150,898	20,480	636.8	263,099	43,859	499.9	98.7	125.0
International Surplus Lines Insurance Co. (Crum & Forster/Xerox Corp.)	140,479	102,671	36.8	155,084	118,157	31.3	200.0	152.9
Evanston Insurance Co. (Evanston Services Inc.)	129,927	94,537	37.4	185,641	127,994	45.0	143.0	155.3
United National Insurance Co. (American Insurance Service Inc.)	104,434	47,509	119.8	124,780	53,254	134.3	89.9	88.1
First State Insurance Co. (Hartford Insurance Group/ITT Corp.)	104,212	113,581	-8.2	184,807	204,553	-9.7	179.0	357.9
St. Paul Surplus Lines Insurance Co. (Atwater McMillian Inc./The St. Paul Cos. Inc.)	104,152	48,452	115.0	125,759	66,796	88.3	120.5	131.0
Constitution State Insurance Co. (The Travelers Corp.)	95,901 ¹	33,131 ¹	189.5	109,361	40,923	167.2	129.7	106.3

Source: Insurers' annual convention statements

Ten largest insurance wholesalers

Brokers (Parent company)	Premium volume (000)			Gross revenues (000)			Percent surplus lines ¹	
	1985	1984	% change	1985	1984	% change	1985	1984
Swett & Crawford Group (The St. Paul Cos. Inc.)	\$530,571	\$337,704	57.1%	\$50,411	\$32,517	55.0%	45%	30%
Montgomery & Collins Inc. (CIGNA Corp.)	343,975	158,983	116.4	30,761	14,361	114.2	30	35
Stewart Smith Holdings Inc. (Stewart Wrightson Holdings P.L.C.)	299,000	216,000	38.4	21,500 ^E	19,400 ^E	10.8	75	60
Crump E & S Group (The Crump Cos. Inc.)	284,000	190,000	49.5	31,047	17,511 ²	77.3	20	20
Alexander Howden North America Inc. (Alexander & Alexander Services Inc.)	238,794	NA	NA	19,456	NA	NA	30	NA
MGA's/Underwriting managers (Parent company)								
Crum & Forster Managers Corp. of Illinois (Crum & Forster/Xerox Corp.)	\$418,471	\$277,127	51.0%	NM	NM	NM	34%	43%
Shand, Morahan & Co. Inc. (Alexander & Alexander Services Inc.)	281,629	226,729	24.2	NM	NM	NM	50	48
Victor O. Schinnerer & Co. Inc. (Marsh & McLennan Cos. Inc.)	268,000	144,000	86.1	\$34,840 ^E	\$18,720 ^E	86.1%	2	5
Atwater McMillian Inc. (The St. Paul Cos. Inc.)	214,248	147,728 ²	45.0	NM	NM	NM	50	33
Cameron & Colby Co. Inc. (Hartford Insurance Group/ITT Corp.)	211,483 ³	212,559 ³	-0.5	NM	NM	NM	49	54

^E Estimate based on 7.2% for Stewart Smith in 1985, 9% in 1984; 13% for Schinnerer.

NA—Not available due to consolidation NM—Not meaningful due to affiliation with markets ¹ Percent placed with non-admitted markets ² Restated ³ Direct writings only, excludes reinsurance

Surplus lines

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up to 49%.

The tight insurance market that created this big growth may be easing now, however, with capacity opening up and prices peaking.

A few wholesalers and surplus lines underwriters say that in just the last few months and even weeks they have seen capacity beginning to open up for liability insurance and signs of competition for property insurance.

"There is no question that the excess liability market opened up," observes James A. Bradley, executive vp of Swett & Crawford Group in Los Angeles, the largest wholesale broker in the country.

"In the last 90 days we could start putting together \$20 million of third-party liability business on an occurrence basis as opposed to underwriters insisting on claims-made," he reports.

Swett & Crawford brokers around the country also report that property insurance prices have leveled off and some accounts are going back to admitted insurance companies.

"Property premiums are not going up, and we're losing some of our small commercial accounts to standard companies," agrees Earl R. Lanning, vp of Crump Cos. Inc. in Memphis and coordinator of Crump's E&S Division, which ranks as the fourth-largest wholesale broker in the country.

Most of the largest surplus lines insurers admit that competition for property insurance is developing, but few report dropping their rate demands. And, most say only that current liability rate increases are easing compared with last year, while capacity is still tight.

Market conditions will remain tough for insurance buyers until the end of 1988, with softening beginning at the end of 1988 or

early in 1989, predicts S. Richard Vassallo, senior vp of Chicago-based underwriting manager Crum & Forster Managers Corp. of Illinois.

Few surplus lines insurers report any gains in capacity.

Indeed, casualty insurance capacity available from eight of the 10 largest surplus lines insurers as ranked by *Business Insurance* is less this year than it was in 1985.

Only First State Insurance Co. and St. Paul Surplus Lines Insurance Co. maintained their 1985 casualty capacity in 1986 while also increasing their capacity to write property insurance.

First State and St. Paul Surplus Lines each offer \$5 million in limits for casualty policies. First State's property risk capacity is now \$7.5 million; St. Paul offers \$6.5 million.

The surplus lines insurers are ranked based on 1985 premiums

written on a direct, non-admitted basis—the definition of surplus lines.

These insurers' influence on the surplus lines market is great. Collectively, they wrote \$1.6 billion in surplus lines premiums in 1985—40% of the \$3.9 billion in surplus lines premiums written.

Reinsurers' reluctance to provide surplus lines insurers with support not only is reducing the limits of coverage available to policyholders, but also is forcing surplus lines insurers to retain more of the business they write.

"The reinsurance market out there is not interested in reinsuring surplus lines companies," comments Lawrence S. Doyle, president and chief executive officer of First State.

To accommodate growing premiums and additional business written on a net basis, half of the surplus lines insurers received contributions from their parent

companies to increase their policyholder surplus. These include: Lexington Insurance Co., with a \$40 million contribution from American International Group Inc.; Great American Surplus Lines Insurance Co., with a \$30 million contribution from Great American Insurance Co.; Evanston Insurance Co., with a \$37.5 million contribution from Evanston Services Inc.; United National Insurance Co., with a \$5 million contribution from American Insurance Service Inc., followed by another \$5 million this year; and St. Paul Surplus Lines, with a \$3 million contribution from St. Paul Fire & Marine Insurance Co.

California Union Insurance Co. also received a contribution to its surplus, but the \$8 million was used to stop the drain on policyholder surplus created by losses on pooled CIGNA Corp. reinsurance business.

First State and Scottsdale Insurance Co. increased their policyholder surplus with profits in 1985.

Surplus fell the most at International Surplus Lines Insurance Co. due to a 100% portfolio indemnity agreement with International Insurance Co., another Crum & Forster unit. The transaction drastically increased ISLIC's reported paid losses in 1985.

Surplus also fell slightly at Constitution State Insurance Co., a subsidiary of The Travelers Indemnity Co., due to a net loss.

Retaining more business this year will reduce ceding commissions paid to surplus lines insurers, which will result in some surplus lines insurers reporting larger expense ratios for 1986 than in the past.

For example, Lexington Insurance Co., the largest surplus lines insurer, has reported negative expense ratios for at least six years but probably will report a positive expense ratio for 1986, says Joseph R. Wiedemann, president and chief executive officer.

Some surplus lines insurers, however, have chosen to reduce their use of reinsurance, especially with unlicensed reinsurers, in an effort to protect or improve their ratings from A.M. Best Co.

Great American Surplus Lines, the third-largest surplus lines insurer, said it reduced its use of unauthorized reinsurers to protect its A rating.

United National Insurance, the seventh-largest surplus lines insurer, reduced its use of reinsurance and increased its net retentions, hoping to regain its A-plus rating lost last year when Best gave it a B-plus rating because of its reliance on reinsurance. However, Best assigned the insurer a B-plus rating again, and the insurer is negotiating with the rating organization.

Only one of the 10 largest surplus lines insurers suffered a drop in its rating as assigned this year. Evanston Insurance was dropped to a B-plus from an A-contingent.

ISLIC, however, regained a rating this year due to its 100% reinsurance agreement with International Insurance. ISLIC now carries International Insurance's A rating.

Best dropped the contingent rating from AIG's A-plus rating for its group of companies, giving Lexington an A-plus rating.

Four of the largest surplus lines insurers carry Best's ratings flowing from reinsurance pooling agreements within their insurance groups.

These include, with A ratings: St. Paul Surplus Lines, which pools business with St. Paul companies; First State, which pools business with Hartford Fire Insurance Co.; and Cal Union, which pools business with other CIGNA Corp. units.

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Unsettling times for the insurance business?



TIME TO TALK TO HULL

With every periodical comes news of turmoil in the insurance industry. Depending on your own experiences, the accounts can be unnerving.

But as the adage states: "When the going gets tough..." Now it's time to get going. For while governments and the industry itself struggle with current

dilemmas, you still need to do business.

That's where Hull's position as a dominant independent excess/surplus firm can work in your favor. We have been able to respond quickly to the demands

of change — often finding alternatives to evaporating markets...and placing risks our giant counterparts can't handle.

Yes, for the time being, news in the industry is unsettling. But you can't let good business fall by the wayside. Now — more than ever — it's time to talk to Hull.

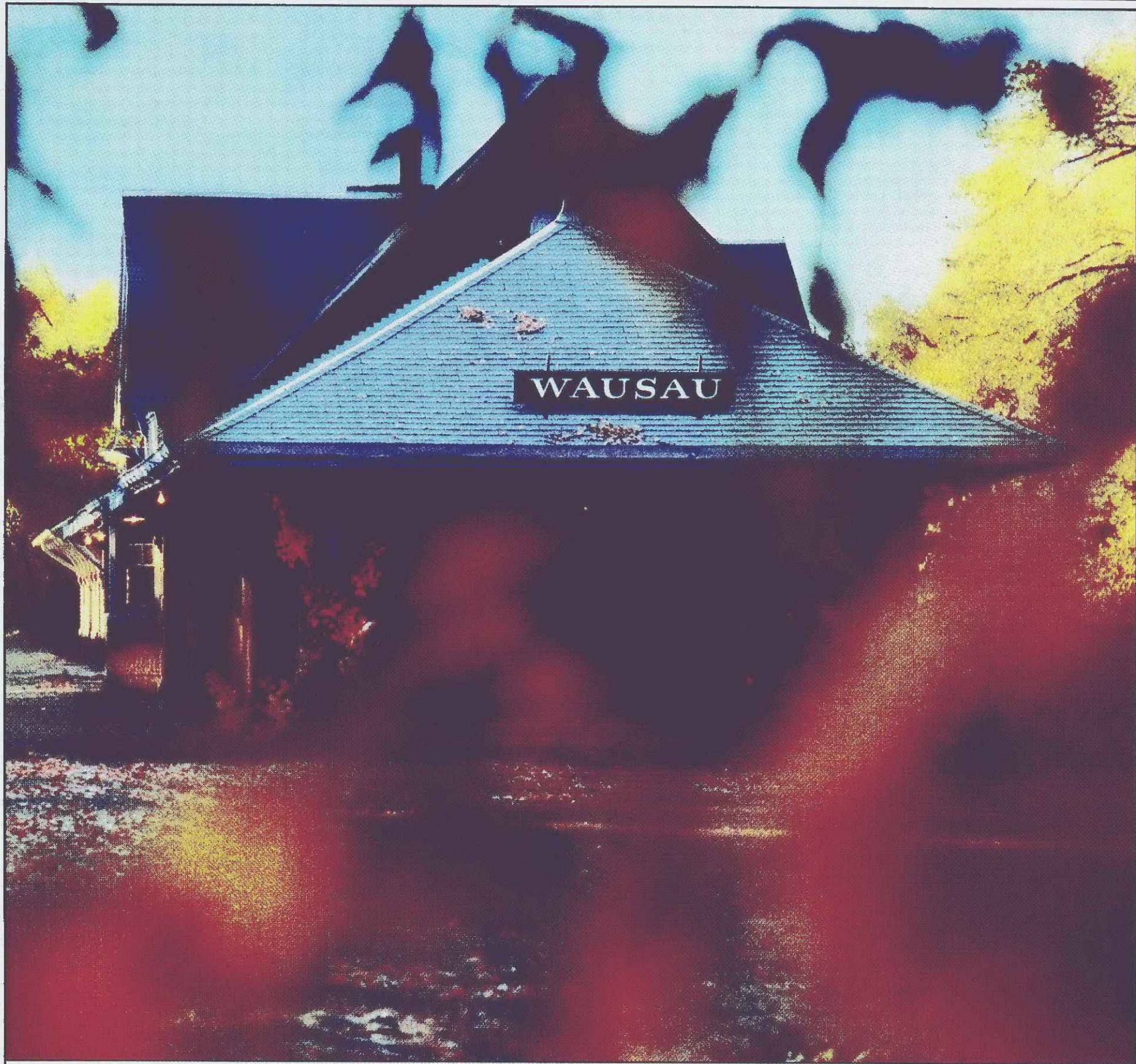


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Surplus lines

Continued from page 4

Scottsdale Insurance Co., a unit of Nationwide Mutual Insurance Co., carries its group's A-plus rating. Great American Surplus Lines earns an A rating based on its own financial strength.

Constitution State Insurance Co., a subsidiary of The Travelers Indemnity Co., is eligible for a Best's rating in 1988 based on its financial performance. Its parent company has an A rating.

Despite big rate hikes in 1985, only half of the 10 largest surplus lines insurers reported better underwriting results for the year.

The biggest improvement was reported by First State, which reduced its combined loss and expense ratio to 179% in 1985 from 357.9% in 1984. Still, First State's combined ratio was the second worst among the 10 leaders.

Also improving their underwriting results in 1985 were Great American Surplus Lines, Scottsdale Insurance, Evanston Insurance and St. Paul Surplus Lines.

But, of the insurers with improved combined ratios, only Great American Surplus Lines and Scottsdale reported combined ratios below 100%.

Two other leading surplus lines insurers reported slightly worse combined ratios than last year, but still below 100%: Lexington, with the lowest combined ratio, 77%; and United National, with a combined ratio of 89.9%.

Both insurers benefited from ceding commissions that reduced their expense ratio. Lexington's expense ratio was a negative 5% and United National's was 1.6%.

Improved underwriting results produced net income increases for four insurers: Lexington, Great American Surplus Lines, Scottsdale and United National.

First State and St. Paul Surplus Lines trimmed their underwriting losses, but losses grew worse for Evanston and ISLIC. Meanwhile, Cal Union and Constitution State report net losses due to losses from the business they pool with affiliated insurers, but profits on their surplus lines business.

Only a two of the 10 insurers are requiring claims-made forms for most general liability insurance: Lexington and Cal Union. However, Cal Union will soon offer an occurrence form again.

Three insurers that ranked among the 10 largest surplus lines insurers last year fell from the chart this year.

Two of those companies—Mutual Fire, Marine & Inland Insurance Co. and Great Southwest Fire Insurance Co.—which ranked, respectively, as fifth and seventh—are not writing insurance now (see story, page 72).

Admiral Insurance Co., which was the 10th-largest surplus lines insurer last year, was bumped from the rankings by Constitution State, despite an 88.6% gain in premiums written on a direct, non-admitted basis to \$89.6 million in 1985.

Close behind is Westco Insurance Group in Ramsey, N.J., with \$85.4 million in premiums written on a non-admitted basis in 1985 by Western World Insurance Co. and its subsidiaries Tudor Insurance Co. and Stratford Insurance Co. The group wrote \$42.1 million in surplus lines premiums in 1984.

Also coming up fast among the largest surplus lines insurers is Columbia Casualty Co., a CNA Financial Corp. unit that wrote \$76.9 million in premiums on a direct, non-admitted basis in 1985. Columbia Casualty, a leading surplus lines insurer in the late 1970s, had let its premium volume dwindle during the competitive rating cycle. Its 1984, surplus lines premiums totaled just \$16.4 million.

To access the capacity of these surplus lines insurers, retail bro-

kers must either have a surplus lines license or turn to a surplus lines broker, managing general agent or underwriting manager—generically known as wholesalers.

These wholesalers can specialize in brokering insurance or in underwriting as an MGA or underwriting manager, or they can combine the functions. And, they place business with both surplus lines insurers and admitted insurers.

Among those that primarily place business as brokers, the biggest growth was reported by Montgomery & Collins Inc., a CIGNA Corp. unit, whose premium volume ballooned 116.4% to nearly \$344 million. M&C reports placing 54% of its premiums as a broker.

M&C's growth moved it into the spot of the second-largest wholesale broker in the country, edging out Stewart Smith.

Stewart Smith, now the third-largest wholesale broker in the country, reported a 33.4% increase

in premiums placed in 1985 to \$299 million from \$216 million in 1984. Stewart Smith places 85% of its premiums as a broker.

The largest wholesale broker in the country for the second year running, Swett & Crawford Group, reported a 57.1% increase in premiums to \$530.6 million in 1985. Eighty percent of its business is placed as a broker.

Crump E&S Group, the wholesale unit of retail broker The Crump Cos. Inc., was right behind in growth, reporting a 49.5% increase in premiums to \$284 million. About 54% of its premiums are placed as a broker.

A new addition to the list of leading wholesalers is Alexander Howden North America Inc., an Alexander & Alexander Services Inc. subsidiary that consolidated various A&A wholesale units.

Alexander Howden North America is the fifth-largest wholesale broker and fills an opening on

the chart vacated by Sayre & Toso, the Mission Insurance Group Inc. underwriting manager that has reduced its volume.

Alexander Howden North America reported its operations placed \$238.8 million in premiums last year—£2% as a broker. The broker said it could not provide comparable figures for 1984.

Four of five managing general agents/underwriting managers that rank among the 10 largest U.S. wholesalers are the exclusive access to their surplus lines markets, providing all their underwriting and management services.

Crum & Forster Managers Corp. of Illinois, the new name of the former L.W. Biegler Inc., manages fifth-ranked ISLIC; Shand, Morahan manages sixth-ranked Evanston. Atwater McMillian Inc. manages ninth-ranked St. Paul Surplus Lines; and Cameron & Colby manages eighth-ranked First State.

Except for Shand, which holds a

52% interest in Evanston Insurance, these underwriting managers are under common ownership with their exclusive markets. Estimates of their gross revenues are not meaningful because they would not receive the same compensation as MGAs/underwriting managers not affiliated with their markets.

Victor O. Schinnerer & Co. Inc., the underwriting management subsidiary of Marsh & McLennan Cos. Inc., underwrites only for unaffiliated insurers, principally CNA Insurance Co. BI estimates that Schinnerer's gross revenues, including investment income, equal about 13% of its premiums, or \$34.8 million.

Profiles of the 10 largest surplus lines insurers begin on page 12 and of the 10 largest wholesalers on page 40. Also, a listing of other surplus lines insurers responding to the BI survey begin on page 37; a directory of wholesalers begins on page 56.



*Season after season, responding
in an ever-changing*

Booming surplus lines market lures investors

Booming business in the surplus lines insurance market is attracting new investors.

The newest independent surplus lines insurer is Atlanta-based United Capitol Insurance Co., which began writing insurance in late July with capital and surplus of \$28 million.

The insurer plans to write about \$50 million in gross premiums during its first 12 months.

United Capitol is a subsidiary of United Capitol Holding Co., which raised \$30 million in a private placement handled by Alex. Brown & Sons in Baltimore. About two-thirds of the 30-odd investors—including individuals and venture capital funds—are in the United States; one-third are European.

The holding company recently

purchased the licenses of Great Southwest Fire Surplus Lines Insurance Co. from Sentry Insurance Group and renamed the shell United Capitol Insurance.

The new insurer is not yet officially open for business as it finishes placing its reinsurance treaties this month, says its president, Bruce Esselborn, who in April left an 18-year career with American International Group Inc.

Mr. Esselborn, 43, held various positions at AIG, including executive vp responsible for several property/casualty companies; executive vp of domestic life and accident and health companies; and vp in charge of branch and field operations in the United States and Canada.

"We originally were interested in

an E&S lines brokerage and recognized the great opportunity and need in the underwriting business," said Gaston Caperton, chairman of the new company. Mr. Caperton also is president of McDonough Caperton Insurance Group in Charleston, W.Va., which ranks as the 18th-largest retail broker in the United States.

"We recruited Bruce to be president and chief executive officer with total underwriting control," Mr. Caperton said. "I have no underwriting authority. We at McDonough Caperton will submit business to this company as any other broker."

United Capitol plans to do business with "select E&S brokers and certain retailers with in-house E&S facilities," Mr. Esselborn

says. The company initially will accept business from as many as 200 producers but then cut the producer force to 60 to 80, he said.

Among the first policies the insurer wrote were product liability insurance for a well-established bow and arrow manufacturer; liability coverage for a best-in-class security service; and general liability insurance for a road paver.

About 85% to 90% of United Capitol's business will be casualty insurance, most of which will be in the primary layer, Mr. Esselborn says.

"We'll avoid anything where there is claims frequency or frequency of transaction—we prefer more difficult casualty risks where the risk has long experience where we can really underwrite it and

strive for the best in the class."

United Capitol will write "unique and unusual products," Mr. Esselborn said, such as insurance for firearms manufacturers. "We probably wouldn't write pistols but we would write 50-caliber machine guns," he said, explaining that the product liability risk associated with machine guns is less "because the public doesn't own them."

While writing a \$500,000 net line, United Capitol is setting up treaty reinsurance to underwrite umbrella and excess liability insurance and higher property insurance limits. "We also will write some D&O," he said.

United Capitol Insurance is formally approved as a non-admitted insurer in 15 states and can operate in 10 others that do not have such regulation. It is seeking reapproval in seven states where its approval was allowed to lapse after Great Southwest Surplus Lines stopped writing insurance last fall. Approval to operate in the remaining states also is sought.

United Capitol Insurance is licensed in Wisconsin and Arizona.

Mr. Esselborn projects the insurer will employ 40 to 50 people by the end of 12 months, which will be "lean and mean," he says. McDonough Caperton is providing a lot of the back-room support services for the company, he noted.

"All the senior officers have an equity position in the company," Mr. Esselborn said, adding: "All the senior officers worked for me at one time or another."

The senior officers are: John S. Gibson, president of AIG's Lexington Insurance Co. from 1973 to 1982, as executive vp and senior casualty officer; Steve Zeitman, formerly an excess and umbrella underwriter with AIG and most recently with Cravens Dargan & Co. in Atlanta, as vp-excess and umbrella liability; Gary Resman, formerly with AIG, as assistant vp-primary casualty; Peggy Brown, who had been property manager for Lexington twice in the past, as vp-property; Don Browne, formerly claims officer in the Southeast for AIG, as vp-claims; and Mary Jane Robertson, an eight-year veteran of Coopers & Lybrand, as vp and controller and management information systems officer.

In addition to Mr. Esselborn and Mr. Caperton, who serve as inside directors of the company, the board of directors includes: John Hill, retired president of Aetna Life Insurance Co. and retired chairman of Hospital Corp. of America; Dakin Ferris, retired vice chairman of Merrill Lynch; Landon Hilliard, a current partner at Brown Brothers Harriman & Co. in New York; Mike Morrissey, president of Manhattan Life Insurance Co.; and Maurice Slayton, president and chief operating officer of Conning & Co.

Mr. Caperton says he hopes the company will go public in 18 months to three years.

One of the newest wholesale brokers to enter the market is North American Excess Corp., which was opened last month in New York by John A. Colavecchio. The company will serve retail brokers in the New York, New Jersey and Connecticut areas, he said.

It has not placed any coverage yet, but will handle commercial general liability, umbrella liability and property policies, he says.

North American Excess is owned by London broker Rowbotham Insurance Group.

Mr. Colavecchio was Sayre & Toso's New York branch manager until Aug. 1, the effective date of his resignation. ■



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opinions



Regulation by market forces

IT'S BASICALLY futile for state insurance regulators to try to cap commercial property/liability insurance rate hikes or dictate policy forms through additional regulation of admitted insurers.

If insurance regulators cap rates that are too low or require policy forms that are too expansive to suit admitted insurers, the insurers will simply form surplus lines insurance company subsidiaries to write the business at the terms and conditions they desire.

This is not conjecture. Look at the list of the 10 largest surplus lines insurers in the United States on page 3 of this issue: Eight are owned by insurance groups that also own admitted insurers.

And, five of these surplus lines insurers totally reinsure or pool the business they write with affiliated, admitted insurers. This achieves a better spread of risk, provides the surplus lines insurers with more capacity and often brings the surplus lines unit a better rating from A.M. Best Co.

Since so much surplus lines business is ending up on the books of admitted insurers anyway, it's clear that the driving force behind surplus lines premium growth is that surplus lines insurers can raise the rates or restrict the form to make the risk insurable in the eyes of the underwriter.

We find nothing wrong with this, we hasten to

add, because a marketplace free from rate and form regulation for commercial insurance buyers is regulated nonetheless—by market forces.

Consider how California Union Insurance Co. lost 80% of its liability insurance policyholders after the CIGNA Corp. unit declared that it would write liability insurance only on a claims-made policy form. These policyholders went to other insurers that still offer an occurrence form. Now, Cal Union is preparing to again offer an occurrence form.

Furthermore, when insurance rates quoted have exceeded the policyholders' willingness or ability to pay, the policyholder instead has either gone without insurance or has formed an alternative risk-funding vehicle.

We do not expect insurance regulators to give up regulating all commercial property/liability insurance rates and policy forms used by admitted insurers just because the rules can be circumvented by a surplus lines insurance subsidiary.

We do, however, encourage regulators proposing such new constraints to consider how much business will be driven into the surplus lines market. The higher the volume of business that merely will be shifted to surplus lines insurers, the less reason for the regulator to waste his or her time on the new regulation.

letters

We have met the enemy, and the enemy is us

To the editor: Has the world gone mad—or just me?

Yes, it's fashionable, and even "American," to blame the insurance problems on lawyers and insurance companies. And why not? After all, haven't we been victimized for years by insurance companies that because of our free enterprise system in open competition chose not to raise rates; and by lawyers who dared to sue both individuals and corporations who insist on cheating, killing and crippling other people?

You can't pick up the local newspaper or any magazine these days without finding bold headlines about either the insurance "crisis" or examples of huge awards that should never have been given, and,

after a review of the facts, don't make any sense.

Oh, we could continue on this pity party about how we, the people, have been done in by the lawyers and the insurance companies.

But maybe, just maybe, there is even yet another villain in this little drama who silently and relentlessly is culpable. (Shhh, don't tell anybody—it's the jurors!)

Now that I've said it out loud, I'm traveling the slow, but steady, road to moral outrage. It's about time that Americans realized and practiced their constitutional obligations maturely, forthrightly and equitably. The concept invading the courtroom that someone must be responsible for everything that happens to us in life is not only a bold untruth, but patently absurd!

If I fall down a flight of stairs, could it possibly be my fault? Do I have no responsibility to look where I am going—or to make sure that my cuffs aren't too long?

If my child falls off the edge of a slide in the playground because he or she is too young, is there the smallest chance that as a parent I wasn't paying attention?

Does it make any sense at all to hold a manufacturer liable and award multimillion-dollar awards because the purchaser used the equipment in imaginative ways never intended, expected or even dreamed of by the manufacturer? This craziness has to stop!

Jurors in our legal system have a responsibility to weigh all the facts and then make appropriate decisions based on reasonableness, honesty and fairness tempered with compassion. Until we understand that all citizens subsidize these outrageous awards through our escalating insurance premiums, the "crisis" is going to continue.

But don't despair, there is a glimmer of hope! When a jury decided recently that the National Football League had done some things that perhaps weren't squeaky clean (indeed, had been bad boys) and awarded the United States Football League one single dollar in damages, they struck the first chord for a return to good, old-fashioned, American common sense.

Steven R. Webber
President
Webber Consulting Group
Atlanta, Ga.

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Surplus lines premiums zoom

The states and the District of Columbia are sharing in the spoils of the booming surplus lines market, according to a *Business Insurance* survey of state insurance departments.

Surplus lines premium volume increased 69.4% in 1985 to \$3.9 billion from \$2.3 billion in 1984. And the 1985 premium volume was 85.7% greater than the \$2.1 billion reported in 1983.

A total of 46 states and the District of Columbia reported increases in surplus lines premiums last year, while five states showed declines.

The marked increase in surplus lines activity also increased the amount of surplus lines taxes going into state coffers. A total of \$135.3 million in sur-

plus lines taxes were paid in 1985, up 76.3% from \$76.7 million in 1984 and 100.6% from \$67.4 million paid in 1983.

Leading the pack of states with the biggest increase in premium volume was Montana, which reported a 193.9% jump to \$5.9 million in 1985 from \$2 million the previous year and a 188.9% leap from 1983 volume of \$2.04 million.

The state reporting the largest surplus lines premium volume was California. A total of \$610.3 million in surplus lines premiums were written in that state last year, a 132.5% increase from \$262.5 million in 1984 and a 166.9% leap from 1983's volume of \$228.6 million.

Other states reporting more than \$250 million in surplus lines premiums last year were: Texas, \$478.9 million; Louisiana, \$340.9 million; and Florida, \$283.8 million.

Rhode Island posted the sharpest decline in surplus lines premium volume. Premiums in that state tumbled 78.1% to \$5.3 million in 1985 from \$24.3 million in 1984.

States writing less than \$5 million in surplus lines premiums during 1985 were: Delaware, \$3.2 million, and South Dakota, \$4.5 million.

The state reaping the most surplus lines taxes was Texas, with \$18.4 million in 1985, a 71.6% increase from \$10.7 million the previous year.

Surplus lines premiums and taxes by state

State	Surplus lines premiums					Surplus lines taxes			
	1985	1984	1983	85-84 % change	85-83 % change	1985	1984	1983	% Tax rate
Alabama	\$77,949,900	\$42,326,325	\$35,885,625	84.2%	117.2%	\$3,117,996	\$1,693,053	\$1,435,425	4.00
Alaska	36,625,726 ¹	52,227,000	44,021,000	-29.9	-16.8	1,718,017 ¹	1,834,261	1,540,910	4.00 ²
Arizona	17,764,766	17,766,143	15,168,718	—	17.1	532,943	532,984	455,062	3.00
Arkansas	30,499,303	19,106,260	13,250,127	59.6	130.2	1,219,970	764,255	529,993	4.00
California	610,265,214	262,464,293	228,607,739	132.5	166.9	18,307,956	7,873,929	6,858,230	3.00
Colorado	48,591,925	25,382,116	25,382,117	91.4	91.4	977,023	507,075	507,075	2.00
Connecticut	52,505,631	37,649,883	28,141,818	39.5	86.6	2,100,225	1,505,995	1,125,672	4.00
Delaware	3,218,469	3,811,446	4,993,657	-15.6	-35.5	64,369	76,229	99,873	2.00
District of Columbia	36,663,335	34,500,000	29,197,724	6.3	25.6	733,267	690,000	583,954	2.00
Florida	283,751,415	191,940,368	146,574,350	47.8	93.6	7,485,031	4,956,605	3,782,798	3.00
Georgia	105,592,977	61,525,905	54,545,996	71.6	93.6	4,235,781	2,461,036	2,181,965	4.00
Hawaii	23,894,295	14,291,004	11,404,648	67.2	109.5	1,118,253	668,819	533,738	4.68
Idaho	9,220,673	4,867,328	7,513,317	89.4	22.7	276,620	126,933	225,400	3.00
Illinois	70,780,456	83,013,033	80,036,557	-14.7	-11.6	2,123,414	2,490,391	2,401,097	3.00
Indiana	60,180,025	29,319,865	30,514,268	105.3	97.2	1,511,246	732,997	764,811	2.50
Iowa	21,558,497	14,497,877	12,596,387	48.7	71.1	431,170	289,957	251,927	2.00
Kansas	42,642,863 ¹	22,793,063	17,006,939	87.1	150.7	1,705,714	831,422	675,183	4.00 ³
Kentucky	27,650,373	23,522,232	21,114,072	17.5	31.0	829,511	705,667	633,422	3.00
Louisiana	340,890,676	250,958,635	236,467,494	35.8	44.2	16,665,372	8,786,778	5,800,178	5.00 ⁴
Maine	8,338,100	4,678,108	4,413,506	78.2	88.9	250,143	140,387	132,078	3.00
Maryland	34,909,683 ¹	30,303,545	27,067,209	15.2	29.0	1,047,290 ¹	897,707	782,431	3.00
Massachusetts	100,000,000 ¹	57,974,350	54,409,725	72.5	83.8	4,000,000 ¹	2,318,974	2,176,389	4.00
Michigan	192,765,531 ¹	95,796,857	98,765,124	101.2	95.2	4,167,924 ¹	2,108,538	2,151,984	2.00 ⁵
Minnesota	67,233,800	27,342,167	24,604,200	145.9	173.3	2,017,014	820,265	738,126	3.00
Mississippi	15,639,718	17,266,872 ¹	24,541,879	-9.4	-36.3	665,569	690,675	981,675	4.00
Missouri	88,709,499	43,917,960	36,791,121	102.0	141.1	4,435,475	2,195,898	1,839,556	5.00
Montana	5,893,457	2,005,419	2,039,908	193.9	188.9	162,368	51,647	55,850	5.00 ⁶
Nebraska	17,155,472	11,837,781	6,597,217	44.9	160.0	399,904	261,597	138,255	2.75 ⁷
Nevada	16,099,758 ¹	6,861,116	18,424,157	134.7	-12.6	483,514 ¹	186,472	386,549	2.00 ⁸
New Hampshire	14,361,589	5,939,908	6,188,746	141.8	132.1	287,231	118,798	123,775	2.00
New Jersey	133,660,332	84,796,112	103,820,783	57.6	28.7	4,009,810	2,543,883	3,114,623	3.00
New Mexico	9,328,162	4,639,612	4,376,800	101.1	113.1	279,845	139,188	109,420	3.00 ⁹
New York	223,874,138	95,862,880	82,342,801	133.5	171.9	8,059,469	3,450,618	2,926,715	3.60
North Carolina	47,097,575	26,573,252	23,839,567	77.2	97.6	2,354,876	1,328,663	1,192,019	5.00
North Dakota	4,595,726	2,857,547	2,278,041	60.8	101.7	45,744	29,463	39,294	1.00 ¹⁰
Ohio	16,425,811	12,414,630	11,838,754	32.3	38.7	821,277	620,732	591,938	5.00
Oklahoma	56,784,207	35,679,424	43,928,316	59.2	29.3	3,407,066	2,140,774	2,635,699	6.00
Oregon	45,848,836	24,281,436	21,140,570	88.8	116.9	1,031,599	546,332	475,663	2.25
Pennsylvania	167,500,000	90,000,000	86,250,000	86.1	94.2	5,022,935	2,635,000	2,550,000	3.00
Rhode Island ¹¹	5,317,866	24,304,963	5,607,233	-78.1	-5.2	159,536	729,149	168,217	3.00
South Carolina	28,123,350	15,761,975	15,537,625	78.4	81.0	1,124,934	630,479	621,505	4.00
South Dakota	4,464,379	2,240,283	2,084,553	99.3	114.2	181,749	90,105	85,462	4.00 ¹²
Tennessee	46,958,000 ¹	28,175,000 ¹	24,500,000 ¹	66.7	91.7	1,250,000	750,000	508,500	2.50 ¹³
Texas	478,860,441	278,984,944	255,660,205	71.6	87.3	18,436,127	10,740,920	9,842,918	3.85
Utah	17,849,759	10,707,130	7,448,168	66.7	139.7	535,493	356,905	223,445	3.00
Vermont	6,862,698	3,414,011	3,885,456	101.0	76.6	205,881	102,420	116,563	3.00
Virginia	37,308,844	16,093,316	15,810,000	131.8	136.0	1,002,131	443,978	434,775	2.75
Washington	78,569,164	41,055,892	40,014,785	91.4	96.4	1,764,987	911,517	855,127	2.25 ¹⁴
West Virginia	10,622,886	5,959,270	6,656,065	78.3	59.6	660,390	334,563	399,364	6.00
Wisconsin	58,486,422	24,067,536	18,190,911	143.0	221.5	1,681,226	722,026	535,643	3.00 ¹⁵
Wyoming	6,036,321	5,330,519	3,800,000	13.2	58.9	171,787	165,093	117,000	3.00
Totals/Averages	3,945,928,043	2,329,086,591	2,125,275,978	69.4	85.7	135,277,172	76,731,152	67,437,271	3.34

¹ State Insurance Department estimate/preliminary figure ² 3.5% before Sept. 18, 1984 ³ 2% before July 1, 1983 ⁴ 2.5% before July 1, 1984 ⁵ 3% on fire & marine, 2% on all others ⁶ 2.75% premium tax, 1.5% firemen's pension tax, 0.75% fire marshal tax ⁷ 2% premium tax, 0.75% fire marshal tax ⁸ 2% Jan. 1-July 1, 3% after July 1 ⁹ 2.5% before Jan. 1, 1984 ¹⁰ 2.5% before April 28, 1983 ¹¹ Fiscal year ending June 30, '85, '84, '83 ¹² 0.5% on fire, 4% on all others ¹³ 2.5% on liability, 3.25% on fire, 4.4% on workers compensation ¹⁴ 2.1% in 1983 ¹⁵ 0.5% on ocean marine, 3% on all others

Lexington remains largest surplus insurer

Lexington Insurance Co.

100 Summer St., Boston, Mass.
02110; 617-566-4200

	1985	1984
Gross premiums.....	\$377,065,662	\$233,398,646
Non-admitted.....	\$361,726,333	\$209,439,000
Net premiums.....	\$81,721,775	\$15,978,431
Paid-in capital.....	\$1,500,000	\$1,500,000
Capital & surplus.....	\$74,237,445	\$32,528,441
Employees.....	158	201
Combined ratio.....	77.0%	73.1%
Commercial risks.....	100%	100%
Net income.....	\$11,369,938	\$2,658,808
Best's rating.....	A-plus	A-plus

Rate increases and new business produced dramatically higher premium volume at Lexington Insurance Co. in 1985 and the growth will continue in this year, says President and chief executive officer Joseph R. Wiedemann.

Lexington's gross written premiums totaled \$377.1 million last year, up 61.6% from \$233.4 million in 1984. This year, gross premium volume should hit \$550 million, Mr. Wiedemann predicts.

Gross premiums written on a direct, non-admitted basis rose 72.7% to \$351.7 million last year from \$209.4 million.

As its premium volume expands, the way that Boston-based Lexington supports the writings has changed slightly.

While Lexington—the largest surplus lines insurer in the *Business Insurance* rankings—has supported its writings in recent years through heavy use of reinsurance, the tightened reinsurance market has forced the insurer to take an ever-increasing net line.

Net written premiums last year totaled \$81.7 million, 21.7% of Lexington's gross premiums, while 1984 net premiums of \$16 million amounted to only 6.8% of gross writings.

This year Lexington will retain about 30%, or \$165 million, of its expected gross premiums of \$550 million, Mr. Wiedemann said.

Dwindling worldwide reinsurance capacity has required Lexington to back up a larger portion

of its gross premium volume with its own capital and surplus.

And, to allow Lexington to expand its volume during the more favorable underwriting climate of the last 18 months, the insurer's parent, American International Group Inc., contributed \$40 million in cash last year more than doubling Lexington's policyholder surplus.

Including the AIG contribution, Lexington reported policyholder surplus of \$74.2 million at year-end 1985, up 128.2% from the \$32.5 million surplus at year-end 1984.

The cash infusion last year left Lexington well within the 3-1 net premium-to-surplus ratio that is the standard for property/casualty insurers, and Mr. Wiedemann said he is more comfortable with the extra cushion.

"I would like to think that surplus lines companies should write at 2-to-1 rather than 3-to-1," Mr. Wiedemann observed. "Without the infusion, we would have been severely restricted in the amount of business we could write."

By the end of this year, gains in Lexington's invested assets should push policyholder surplus to about \$100 million, which should amply cover the expected net premium volume of \$165 million, he added.

The increase in Lexington's gross premium volume last year was largely attributable to significant rate increases imposed on both casualty and property risks.

Rates on casualty business were up 250% to 260% last year over 1984 rates, while property risks faced price increases of about 125%, Mr. Wiedemann said.

These increases have "modified" somewhat in 1986, especially on property business, he reported. Casualty business is still facing rate increases of 200% this year over last, while property rates are up about 60%, he said.

Mr. Wiedemann denied that Lexington and other surplus lines insurers are engaging in price gouging.

Property/casualty rates in 1984

were about one-third of their 1979 level, Mr. Wiedemann said, noting that 300% rate increases last year only would have brought prices back to their 1979 level.

Until 1985, when Lexington posted a loss ratio of 82.0%, "1979 was the last time we had a loss ratio under 100%," Mr. Wiedemann said. "A loss ratio of 82% hardly reflects price gouging."

"I think part of that is that insureds or brokers have a short memory and forget what they used to pay," he added. "We tried to charge prices that reflected the exposure we were being asked to assume."



Mr. Wiedemann

In any case, the impact of the price hikes can be seen in Lexington's 1985 results.

Earned premiums jumped 237.2% to \$50.8 million last year from \$15.1 million in 1984.

Losses and loss expenses, meanwhile, jumped 146.7% to \$11.7 million in 1985 from \$17.3 million the year before. This translated to a loss ratio of 82% for 1985, compared with 114.9% in 1984.

For several years, Lexington has earned large ceding commissions on business it cedes to hundreds of reinsurers. Last year, as in previous years, these commissions were large enough to offset all of the insurer's other underwriting expenses and produce a negative expense ratio.

Lexington's expense ratio has climbed, though, as the growth of ceding commissions lagged behind that of other expenses.

Lexington reported total underwriting expenses of negative \$4.4 million after earning ceding commissions of \$62.7 million last year, compared with 1984 expenses of negative \$6.7 million after ceding commissions of \$49.6 million.

This translated into an expense

ratio of negative 5.0% in 1985, compared with an expense ratio of negative 41.8% in 1984.

Lexington's expense ratio for 1986 will be a positive number for the first time in at least six years, both because less premium is being ceded to reinsurers and because the ceding commissions allowed by reinsurers are smaller, according to Mr. Wiedemann.

After deducting losses and expenses from earned premiums, Lexington finished the year with an underwriting gain of \$13.5 million, up 293.2% from \$4.5 million in 1984.

Investment income climbed to \$4.5 million in 1985 from a \$1 million investment loss the previous year. After other gains and losses and federal taxes, Lexington reported statutory net income of \$11.4 million last year, up 327.6% from \$2.7 million in 1984.

While rate increases have improved Lexington's loss ratio, more restrictive underwriting practices also have helped, Mr. Wiedemann noted.

In May 1985, Lexington started using a claims-made form for primary casualty coverage, and since last October has written about 95% of its casualty business—other than automobile risks—on a claims-made form, he said.

"The general trend on the excess and surplus side of the house is to move toward claims-made," he added. "Very frankly, we thought the move might have been quicker. Some companies are still writing occurrence."

Mr. Wiedemann conceded that Lexington has lost some of its accounts to E&S insurers that still offer occurrence coverage, though he said he couldn't estimate how much business was lost.

Lexington hasn't suffered much from whatever business it has lost, he added, noting that gross casualty premiums through July 31 totaled \$199 million, compared with \$83 million in the same period a year ago.

Along with the use of the

claims-made form, Lexington's casualty policies also generally exclude coverage of all pollution risks and punitive damages, he added. The hard market also has allowed Lexington to more carefully select risks, another factor that will improve its bottom-line results, Mr. Wiedemann noted.

"What we want to do is write high-hazard casualty business and high-hazard property business, but business that is well-managed and is ratable," he explained.

Although Mr. Wiedemann says Lexington's client mix hasn't changed much since 1984, the percentage of gross premiums produced by casualty risks has risen, partly as a result of larger casualty rate increases.

Liability lines accounted for about 61.8%, or \$232.8 million, of Lexington's gross premiums in 1985, while accounting for about 53.8%, or \$125.5 million, of gross premiums in 1984.

Meanwhile, property lines accounted for 31.5%, or \$118.6 million, of gross premiums last year, compared with 35.7%, or \$83.3 million, the year before. Combined property and liability lines produced 0.9%, or \$3.5 million, of gross premiums in 1985, down from 2.9%, or \$6.8 million, in 1984.

Other business—consisting mainly of stop-loss coverage for self-insured programs—accounted for 5.8%, or \$22.0 million, of gross premiums in 1985, down from 7.6%, or \$17.8 million, in 1984.

Overall, about 45% of Lexington's casualty book consists of umbrella and excess coverages, while about 25% is primary business and the remaining 30% is auto liability, according to Mr. Wiedemann.

Direct business produced \$362.1 million of Lexington's gross premiums last year, while assumed reinsurance accounted for about \$15 million.

All of the direct premiums written in the United States were on a non-admitted basis except for \$345,557 written in Delaware, the only state where Lexington is admitted.

While its gross premium volume has increased, Lexington's maximum gross per-risk limit on casualty and property business has dropped, mainly because of the shortage of reinsurance capacity, Mr. Wiedemann said.

Lexington's maximum gross limit on casualty risks dropped last year to from \$10 million to \$15 million from about \$25 million in 1984. Mr. Wiedemann added that, in some cases, limits of \$25 million can be arranged with additional reinsurance placements.

Meanwhile, the maximum gross line on property risks dropped to about \$6 million in 1985 from about \$12.5 million in 1984. Mr. Wiedemann observed that the cut-back in property capacity is not as severe a blow to policyholders as the casualty capacity shrinkage, because policyholders generally are able to find additional property capacity from other markets.

Mr. Wiedemann would not disclose Lexington's net line per risk, saying only that insurer's retention has "increased substantially over prior years," and pointed to the increase in net premiums as a percentage of gross premiums.

Lexington will consider just about any type of business, according to Mr. Wiedemann. "I can't think of any class that we will not consider."

However, he added: "I'm sure that some broker, when he reads that statement, will call and

Continued on page 14

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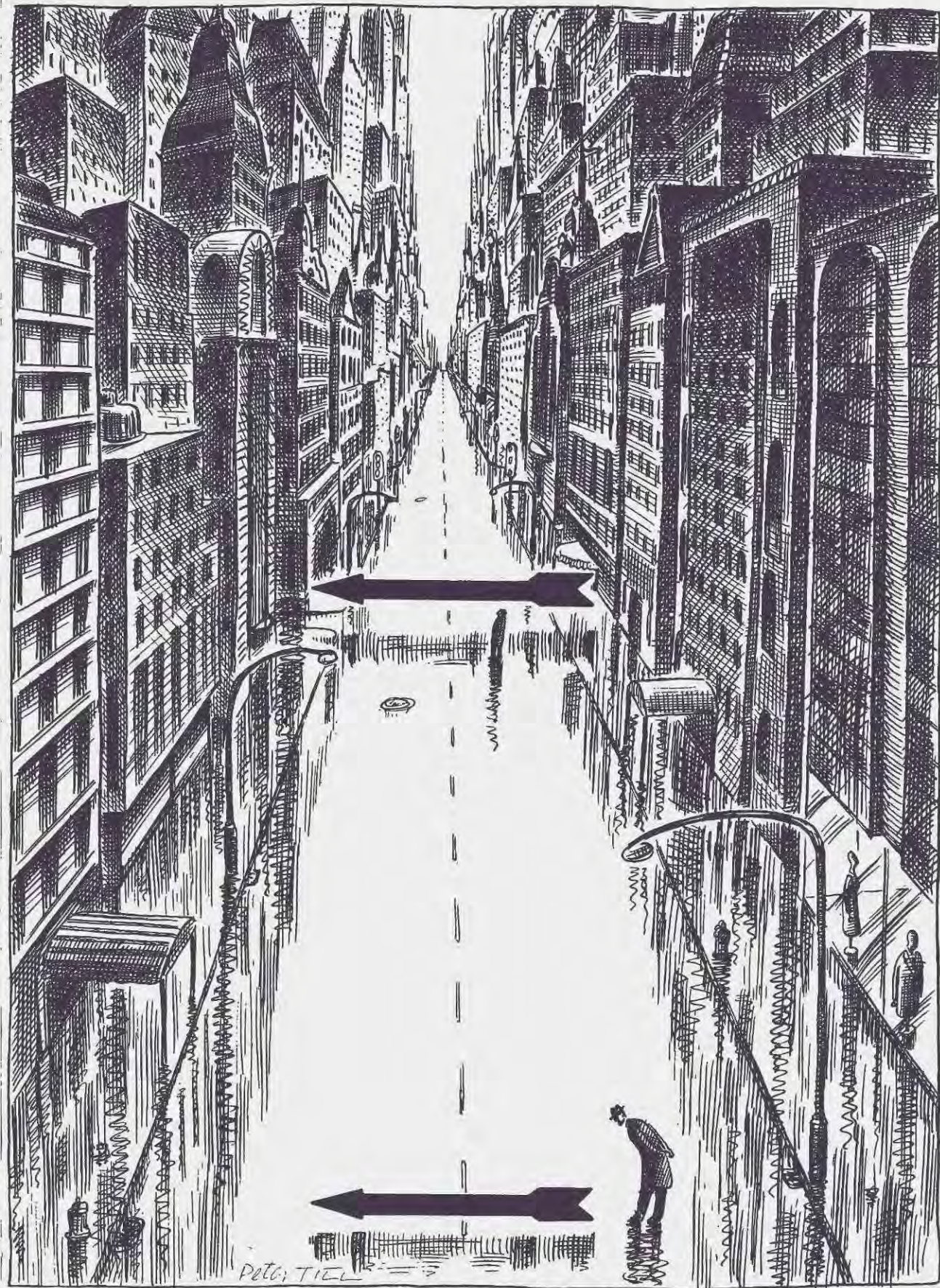
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Continued from page 12
 remind me of something I said we would not write."

He noted, though, that Lexington has shut down its ocean marine division, which wrote hull and primary and excess protection and indemnity coverage for commercial fishing vessels and yachts.

"That was a matter of rate level and not being able to become a factor in the market," he explained.

In addition, while it previously had written livestock mortality policies that had produced \$4 million to \$5 million in gross premiums per year, Lexington currently is not writing this coverage, Mr. Wiedemann said.

As previously reported, Lexington also discontinued writing satellite insurance in 1985.

Meanwhile, Lexington has stepped up its underwriting activities in other areas.

One area of growth is the insurer's program division, which writes primary property/casualty and excess casualty coverages for trade groups and professional organizations, including restaurants, day-care centers and blood banks, Mr. Wiedemann said.

Lexington's program business has grown ten-

fold since 1984, and is expected to produce gross premiums of \$60 million this year, he said.

Lexington also started writing liquor liability coverage "heavily" in several states in mid-1985 after first offering the coverage in Massachusetts.

The liquor liability line is expected to produce \$30 million in gross premiums this year, Mr. Wiedemann says.

Some surplus lines products that disappeared when the market started tightening may return this year, he added. "We are trying to revisit some things that we had on the drawing boards back in 1984 when the crunch hit," he said. Among these are product integrity coverage; a punitive damages policy that would provide coverage where it isn't legally barred; and first-party pollution cleanup coverage, which may be ready for sale by this fall.

"What we are attempting to do is study niches" that Lexington can fill, he explained. "As the need arises and to the extent that we can do a proper marketing job, we intend to take advantage of those opportunities to write new business." One of these niches, he added, might be Florida, where a rate rollback law applied to admitted insurers has prompted many to stop

writing business in the state (BI, June 16).

He added, though, that Florida—which produced \$10.6 million of Lexington's gross direct written premiums last year—"was never a big part of our business on the casualty side anyway," and that any increase in business there probably will not be large enough to affect Lexington's overall book significantly.

In addition to the casualty, property and program divisions, Lexington maintains:

- An international division, which handles coverages for the domestic and foreign operations of multinational companies.

- A special accident division, which offers stop-loss coverage to self-insurers of employee benefit programs.

The company reduced its workforce to 158 in 1985 from 201 in 1984, through attrition and automation. In addition to Mr. Wiedemann, Lexington's principal officers include Kevin Kelley, executive vp; and Walter Mooney, John Detora and Nicholas Anselmo, all senior vps.

Chairman Francis S. Oleskiewicz retired March 31. No replacement has been named.

Lexington, founded in 1965, carries an A.M. Best Co. group rating of A-plus.

—By Douglas McLeod

California Union Insurance Co.

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

	1985	1984
Gross premiums...	\$300,791,428	\$141,086,900
Non-admitted...	\$192,104,785	\$62,489,000
Net premiums.....	\$44,744,293	\$42,180,583
Paid-in capital.....	\$1,800,000	\$1,800,000
Capital & surplus..	\$16,446,610	\$17,698,391
Employees.....	70	67
Combined ratio.....	136.5%	131.3%
Commercial risks..	100%	100%
Net income.....	-\$5,255,455	-\$97,180
Best's rating.....	A	A

California Union Insurance Co. gave claims-made a chance, took a beating and now is attempting to recover business it lost earlier this year.

At the behest of its reinsurers, Cal Union dove into the world of claims-made general liability policies full-force last January. It implemented its own version of the controversial liability form across the board, expecting other insurers to follow suit.

They didn't.

Offering only claims-made coverage for casualty risks has taken its toll: More than 80% of Cal Union's policyholders whose coverage was up for renewal have gone elsewhere in the past few months, putting its year-to-date renewal loss at about 75%, estimates President Kenneth W. Woods.

But, Cal Union isn't complaining about the drop in submissions or loss of business at renewals. Officials say they can hardly keep up with the business currently being submitted and that rates are climbing dramatically on the business that is being written.

The casualty policyholders that have stayed with Cal Union are hazardous-risk businesses that had difficulty finding coverage under any terms, leaving Cal Union with "the real tough accounts that are very difficult to underwrite and that really need claims-made," says Vp and Secretary Nicolas Yuschenkoff.

Cal Union's insistence on the claims-made form has made it a less attractive market to wholesale intermediaries.

In the first six months of this year, the insurer's casualty submissions dropped 61.7% to 1,911, a far cry from the 4,984 submissions received during the first six months of 1985.

In June, a month usually frenzied with renewal activity, Cal Union received just 356 casualty submissions, down 66% from the 1,046 received in June 1985.

As of June, Cal Union had about 2,000 total policies in force, compared with approximately 4,800 policies in force at year-end 1985.

But Cal Union's officers don't intend to sit idly by, watching the company's book of business succumb to adverse selection while policyholders turn to other insurers that didn't adopt the claims-made form.

Cal Union has told its reinsurers that converting cold-turkey to claims-made forms was "ill-founded" and has submitted newly drafted policy forms to attorneys at parent CIGNA Corp. in Philadelphia for review. Cal Union hopes to have the new forms available for use by Sept. 1, Mr. Woods says.

These policies will offer three types of commercial general liability coverage: the strict claims-made coverage currently being written by Cal Union; less-restrictive claims-made coverage that resembles that offered under the claims-made form developed by the Insurance Services Office; and the occurrence-based coverage almost unanimously favored by risk managers.

Although it will take another six
 Continued on page 16

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Do the horrors of the past still exist in psychiatric hospitals? Or—maybe just as bad from a cost standpoint—have they become expensive "country clubs" instead?

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Continued from page 14

months before the company will know for sure, Mr. Woods expects the latter two policy forms to lure back some of the business Cal Union has lost.

While Cal Union currently writes all CGL coverage on the strict claims-made form, Mr. Woods expects less than half to be written on that form one year from now.

So many policyholders have left that Cal Union can't pinpoint one insurer that has picked up the lost business. But Mr. Woods says some of the insurers benefiting from Cal Union's switch to claims-made include International Surplus Lines Insurance Co., Chubb Corp. affiliates, Aetna Life & Casualty Co. and Hartford Specialty Co.

Also impacting Cal Union's casualty business is the formation of new mutual and captive insurers that are writing excess casualty risks. These include X.L. Insurance Co. in Barbados and A.C.E. Insur-

ance Co. Ltd. in the Caymans, as well as industry-specific ventures like the recently formed Electric Insurance Mutual in Barbados.

The latter project dealt Cal Union a particularly hard blow.

Cal Union has long been a leading insurer of electric utilities and is one of the few companies that write excess coverage over primary liability insurance written by Associated Electric & Gas Insurance Services Ltd., a utility mutual in Bermuda.

But by year-end, EIM will write excess liability business for virtually all of the 200 utilities now on Cal Union's roster. Mr. Woods says.

Several of its railroad policy-

holders left Cal Union for Railroad Association Insurance Ltd. (RAIL), a new association captive in Bermuda, while another has left for OIL Insurance Ltd., another Bermuda captive, Mr. Woods said.

While these developments cast a shadow over 1986, Cal Union can look back at 1985 as a banner year.

Gross premiums written on a direct, non-admitted basis increased 207.4% to \$192.1 million from \$62.5 million in 1984, making Cal Union the second-largest surplus lines insurer ranked by *Business Insurance*. Cal Union held the No. 6 spot last year.

Gross premiums, including business assumed through CIGNA's reinsurance pooling agreement, totaled \$300.8 million in 1985, up 113.2% from \$141.1 million the prior year. Gross premiums excluding those assumed through the pooling arrangement totaled \$259.3 million, a 195.3%

gain from \$87.8 million in 1984.

Of this \$259.3 million in premium, \$146 million was generated by casualty risks and \$112 by property risks, Mr. Yuschenkoff says.

Of the \$123 million in gross premium recorded by May of this year, \$72 million was casualty business and \$51 million was property business.

Cal Union reported a statutory combined ratio of 136.5% last year, up slightly from 131.3% in 1984. But when the business assumed through the pooling agreement is excluded, the company's combined ratio was only 96.6%, an improvement over 128.0% in 1984.



Mr. Woods



Mr. Yuschenkoff

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Cal Union reported a statutory net loss of \$5.3 million last year, compared with a loss of \$97,180 in 1984. However, when the pooled business is excluded, the company reported net income of \$9.7 million last year, a vast improvement over \$1.9 million in 1984.

Policyholder surplus at the end of the first quarter of 1986 was \$14 million, down from \$16.4 million at year-end 1985 and \$17.7 million at year-end 1984. The insurer maintains an A rating from A.M. Best Co.

Capacity for casualty risks and heavy property risks, like major manufacturing plants and commercial office structures, currently stands at \$8.5 million, down from \$12.5 million and \$10.5 million, respectively, this time last year.

In 1985, more than two-thirds of Cal Union's liability premium volume was generated from just five types of buyers, Mr. Woods says: manufacturers; railroads; utilities; contractors and construction companies; and other transportation concerns.

The company writes product liability for most manufacturers, except those manufacturing pharmaceuticals, chemical and tobacco products.

Cal Union does not write errors and omissions or medical malpractice coverage.

In addition, Cal Union no longer writes performance warranties on major construction projects, Mr. Woods says, explaining that since rates have risen so drastically investors have turned to other types of financing.

The company had written 10 to 15 such policies, Mr. Yuschenkoff says.

Cal Union on June 1 stopped writing its residential earthquake program marketed through the San Francisco-based Independent Insurance Agents & Brokers of California. Cal Union was unable to find acceptable reinsurance support for the program even though it was willing to pay more for the reinsurance, Mr. Woods says.

The 3-year-old program, called Property Owners Plus, was profitable and virtually loss-free. Approximately 33,000 policyholders produced gross premiums of about \$10 million last year, estimates Robert S. Cernok, vp-property.

Last September, Cal Union stopped writing most "general property" risks—commercial structures with a low property value but high loss exposure, such as small hotels, motels and restaurants. Even with steep price increases and deductible hikes, these risks have been the source of substantial losses, about 70% of which the company attributes to arson and fires of suspicious origin.

Cal Union will still write some general property business in 1986, though it has restricted the writing of this business to two veteran underwriters—one in Los Angeles and one in Chicago.

With per-risk capacity of \$1.5 million, Cal Union expects to report between \$12.5 million and \$15 million in general property premium at year-end, Mr. Woods estimates.

This would be down from about \$48 million last year.

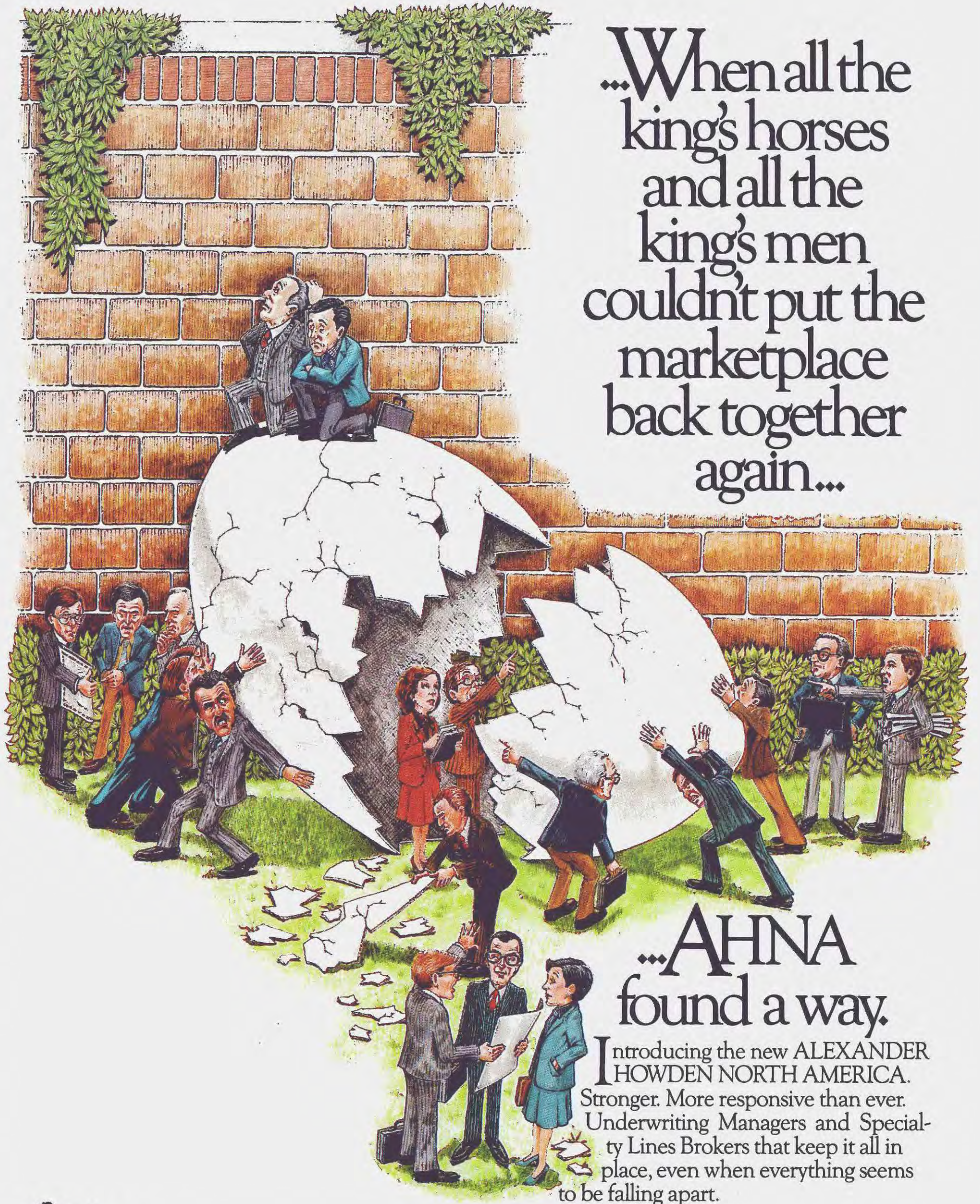
At year-end 1985, Cal Union's average policy premium, which reflects all lines including the now-diminished general property business, was \$56,000, Mr. Yuschenkoff reports.

So far in 1986, rate hikes have boosted the average premium to about \$86,000.

The minimum premium Cal Union requires on casualty risks is about \$5,000, though the average is more than \$100,000. The

Continued on page 18

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Continued from page 16
average property policy premium is about \$88,000.

Last year, about 43% of casualty policyholders renewed, but at 167% of expiring premium. So far this year, the company has kept only about 24% of its casualty policyholders, but is collecting about 103% of expiring premiums.

Rates for new and renewal property and casualty policies written since January are rising on average more than 250%, Mr. Woods says.

During the first four months of this year, rates for regular casualty business were hiked about 600%, while rates for special casualty risks saw increases of 250%. Competition has surfaced since then, slowing the rate of increase for subsequent months, they say.

Because of last year's unprecedented premium hikes, the insurer is applying rate increases this year with a lighter, more cautious stroke of the underwriting pen.

"Whereas in 1985 you could just about close your eyes and get a 100% or 150% increase on just about any kind of account, today you have to underwrite it and price it properly, relate that new price to the old price, establish the proper betterments and deductibles, and then compare it," explains Mr. Yuschenkoff.

He says cries of insurer price-gouging are unjustified, and defends Cal Union's rate hikes as necessary to make up for the previous five years' decline.

An underwriting review program on which Cal Union embarked in March 1984 is still under way, and the underwriting process used by the insurer is improving all the time, Mr. Yuschenkoff says.

In addition to using the program to pursue stable pricing, it has also become an internal underwriting management tool. For example, the review process now identifies the difference between a premium quoted by Cal Union and the rate recommended for the same risk by ISO, Mr. Woods points out.

Cal Union receives submissions from a select pool of about 75 wholesalers, recently culled down from about 90, working in about 150 offices nationwide. All are members of the National Assn. of Professional Surplus Lines Offices.

The wholesalers that gave Cal Union most of its business during the first six months of 1986 are:

- CIGNA affiliate Montgomery & Collins Inc., which produced \$37 million in premium.

- Railroad Insurance Brokers Inc., also a CIGNA unit, which produced \$8.5 million.

- Stewart Smith Holdings Inc., which generated \$8 million.

- Swett & Crawford Group and AVRECO Inc., which each produced about \$4 million.

In addition to other major wholesalers, the Los Angeles, Chicago and Lawrenceville, N.J., offices of underwriting manager CIGNA Excess & Surplus Insurance Services are authorized to submit business to Cal Union.

More Cal Union policyholders are based in California—about 15%—than in any other state.

The Los Angeles-based company writes on an admitted basis in California and is an approved, non-admitted insurer in all other states.

The company is retaining more of each risk than it did a year ago, Mr. Woods says, an action taken mostly by design but partly because of market conditions.

For example, on an \$8.5 million property risk, Cal Union willingly retains 15%—or \$525,000—of the first \$3.5 million under a quota-share reinsurance treaty. However, it now must also assume about 12%—or \$600,000—of the remaining \$5 million that it has previously ceded to quota-share reinsurers, says Mr. Woods.

Cal Union's net written premiums, including its participation in the CIGNA pool, rose 6% to \$44.7 million from \$42.2 million in 1984. However, excluding the pool business, net premiums rose 179.6% to \$38.4 million from \$13.7 million.

Many reinsurers now are requiring their ceding companies to exclude numerous conditions from coverage, creating "big, big arguments" with surplus lines insurers, Mr. Yuschenkoff says.

One reinsurer, he notes, recently applied 25 new exclusions under its treaties, including liability coverage for manufacturers of products involving radiation.

Besides Mr. Woods and Mr. Yuschenkoff, other principal officers are: Michael P. Fujii, vp-finance, who is coordinating implementation of the company's "ESTEAM" computerized underwriting program; John P. Rugee, vp-casualty; and Robert S. Cernok, vp-property.

—By Steve Taravella

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	1985	1984
Gross premiums.....	\$180,256,679	\$35,190,163
Non-admitted.....	\$180,129,074	\$35,178,287
Net premiums.....	\$47,981,400	\$6,774,691
Paid-in capital.....	\$2,000,000	\$2,000,000
Capital & surplus.....	\$51,502,120	\$18,082,088
Employees.....	78	43
Combined ratio.....	93.2%	136.1%
Commercial risks.....	100%	100%
Net income.....	\$4,475,948	\$637,872
Best's rating.....	A	A

After operating on a strict diet during the competitive insurance market cycle, Great American Surplus Lines Insurance Co. now is pursuing surplus lines business with a renewed and voracious appetite.

Gross premiums written on a direct, non-admitted basis in 1986 will top \$400 million, according to

officials of the Cincinnati-based Great American Insurance Co. subsidiary.

That would be more than double the \$180.1 million recorded in 1985 that ranks Great American Surplus as the third-largest surplus lines insurer.

If attained, the projected gross premium volume for 1986 also would be a better than eleven-fold increase from \$35.2 million in 1984.

To accommodate the dramatic growth, the policyholder surplus of Great American Surplus was increased \$30 million by a capital contribution from Great American Insurance.

At year-end 1985, policyholder surplus totaled \$51.5 million, compared with \$18.1 million at year-end 1984, including \$4.5 million in 1985 net income and \$1.5 million in unrealized capital gains.

However, the insurer's charge for unauthorized reinsurance at year-

end 1985 increased to \$2.8 million from \$553,124 in 1984.

Nearly all of the surplus lines insurer's gross premium volume is attributable to direct, non-admitted business. Of the \$180.3 million in gross premium volume the insurer wrote in 1985, only \$136,605 was written in Delaware, where Great American Surplus is an admitted insurer. The company writes as a surplus lines insurer in the remaining 49 states and the District of Columbia.

Great American Surplus, which is headquartered in Cincinnati, first began writing more surplus lines business in late 1984.

"It wasn't that we were doing

things that we never had done before," explained Joseph M. Walsh, president. "It was the prospect of rate levels and terms that would provide us with a better profit level that triggered our growth rate."

Before late 1984, "we felt that the rates had become so depressed with the competition that we couldn't aggressively go out and write business," added Walter E. Snyder, executive vp.

While rates depend on the class of business, the surplus lines insurer's minimum rates for primary property and liability coverages generally are 175% of the rates recommended by the Insurance Services Office, Mr. Snyder noted. For umbrella coverage, again depending on the class of business, the minimum premium for \$1 million of coverage is \$5,000, he said.

Not only did the tighter conditions in the admitted market and

the resulting increased surplus lines business materialize two years later than company officials had expected, but the timing of the sudden surge in business also came as something of a surprise, according to Mr. Walsh.

Company officials in 1984 had projected \$24 million in gross premiums written on a direct non-admitted basis for 1985, \$11 million less than the insurer eventually wrote in 1984.

"We made that projection before we knew what 1984 would be," Mr. Walsh explained. Before the boom in business in the last few months of 1984, company officials projected that 1984's gross premium level would be even with the \$22.8 million recorded in 1983.

Business improved at such a rapid pace in 1985 that company officials revised their gross premium volume projection four times during the year, Mr. Walsh noted.

While the insurer's growth in gross premiums contributed to the rise in net written premium volume, Great American Surplus also significantly reduced the amount of business ceded to reinsurers. The company's net written premium volume in 1985 increased sevenfold to almost \$48 million from nearly \$6.8 million the year before.

Two factors contributed to the reduction in reinsurance, Mr. Walsh explained: "The company was growing and was willing to take it. Also, reinsurers were not willing or didn't have the capacity to take as much."

Most notably, Great American Surplus has reduced the amount of reinsurance purchased from foreign-based unauthorized companies. If A.M. Best Co. cannot rate the reinsurer, or if the reinsurer's Best rating is lower than Great American Surplus' A rating, the surplus lines insurer's rating could be lowered, Mr. Walsh explained.

Mr. Snyder pointed out that Great American Surplus had planned in 1985 to retain more net written volume on its casualty business than it had in 1984.

Using a \$1 million casualty policy as an example, Great American Surplus retained only \$74,000 in 1984 and reinsured the rest on a quota share basis.

Beginning Jan. 1, 1985, Great American increased its retention on a \$1 million limit to \$114,000 and on July 1, 1985, it increased it again to \$160,000.

Great American Surplus' net written premium volume will soar even more dramatically in 1986 because the company is ceding even less of its casualty business to reinsurers.

As of Jan. 1, its retention on a \$1 million casualty policy rose to \$608,000, and as of its July 1 renewals, the company is retaining \$611,000 of a \$1 million limit.

Reinsurance allows Great American Surplus to write \$7.5 million in excess liability limits, down from \$10 million a year ago. Its property insurance capacity is nine times its net line, which is at least \$25,000.

"I think we all have taken more net, and I'm sure everyone has done it for their own reasons," Mr. Snyder speculated, referring to other surplus lines insurers.

The insurer's net income increased 602% in 1985, recovering from a dramatic drop in 1984 from 1983. Great American Surplus recorded net income of nearly \$4.5 million in 1985, up from \$637,872 the year before. In 1983, the company reported net income of \$3.2 million.

Another eye-catching statistic from last year is the significantly lower combined ratio of 93.2%, compared with 136.1% in 1984.

Continued on page 22



Mr. Walsh



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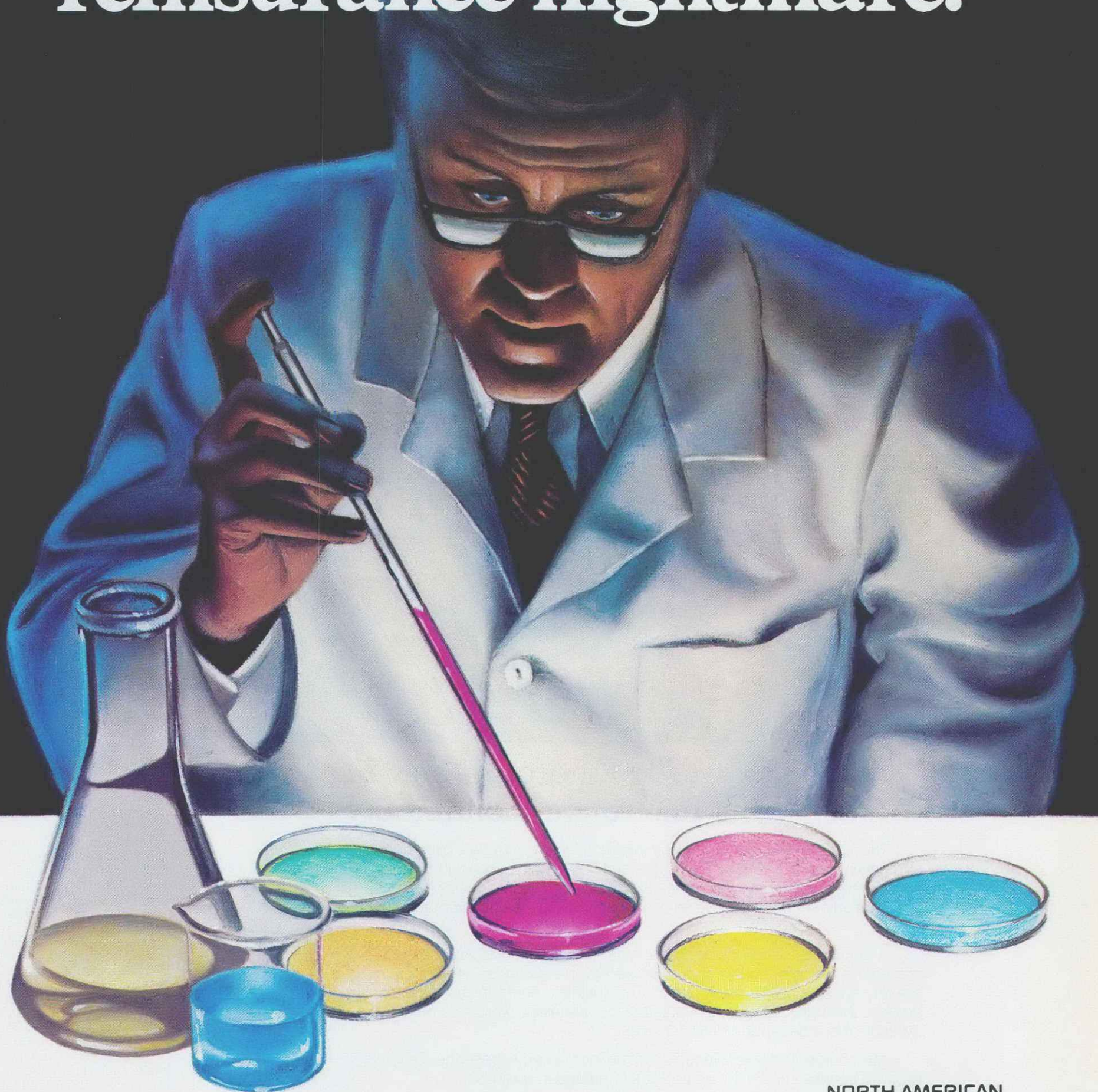
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Continued from page 20

But, Mr. Walsh pointed out that the 1984 combined ratio was hiked 25 points because loss reserves for prior years were strengthened by \$10 million.

"In 1985, we weren't strengthening reserves. All we were doing was writing business" and at stronger rates, he noted.

Great American Surplus writes coverage for 75 producers, 50 of which have authority to bind coverage up to \$200,000 in limits. The brokers with binding authority generally write owners, landlord and tenants liability insurance and small property coverages, according to Mr. Snyder. "We have an appetite for that."

Of the \$180 million in gross premium volume in 1985, the brokers with binding authority wrote \$45 million in coverage, or 25% of the total volume.

Of the remainder, casualty business accounted for \$70 million, or

38.9%; umbrella and excess liability coverage accounted for \$48 million, or 26.7%; and property coverage accounted for \$17 million, or 9.4%.

Great American Surplus last year wrote \$142 million of liability coverage, \$15 million of auto liability coverage, \$10.4 million of fire business, \$3.8 million of commercial multiperil coverage, \$2.9 million of incidental medical malpractice coverage, \$2.5 million of auto physical damage business and \$1.9 million of allied lines business, according to its 1985 annual statement filed with the Delaware Insurance Department.

Except for some long-tail exposures, Great American Surplus generally writes liability coverage on the 1973 ISO occurrence form.

Through June of this year, the surplus lines insurer has written \$166 million of gross premiums on a non-admitted basis: approximately \$86 million, or 52.1%,

casualty; \$35 million, or 21.2%, coverage bound by its binding authorities; \$32 million, or 19.4%, umbrella and excess liability; and \$12 million, or 7.3%, property.

Mr. Walsh is not surprised that casualty business now accounts for more than half of the business that Great American Surplus writes, compared with less than 40% in 1985. "We expected that because that kind of business is the most rejected by the standard market."

But, there are several other risks often rejected by the standard market that Great American Surplus will not write. They include: medical malpractice liability for hospitals and physicians; "major" errors and omissions liability and directors and officers liability, neither of which the insurer ever has written; railroad casualty; earthquake coverage, although some earthquake coverage may be provided under a difference in conditions policy; adult theaters and

bookstores; bars, although the insurer provides coverage to restaurateurs that serve alcohol; environmental impairment liability, which it wrote between 1981 and 1985 when there was adequate reinsurance support; and pharmaceutical liability.

Those exposures are specialty risks, and Messrs. Walsh and Snyder emphasized that Great American Surplus is a surplus lines insurer, not a specialty market.

"There's a difference between surplus and specialty lines," Mr. Walsh explained. "It's not a wise use of our capital. It requires special handling. I don't call that surplus lines business. I call it specialty business."

"D&O is a specialty line," Mr. Snyder added. "You need a financial underwriter for that. It's not a standard property and casualty line."

In addition, most specialty risks are excluded in the company's

treaty contracts with its reinsurers, Mr. Snyder added. Nearly all of the coverage that Great American Surplus cedes to reinsurers is ceded on a treaty basis, according to the two top officers.

Great American Surplus does write asbestos abatement coverage, but Messrs. Walsh and Snyder do not consider it a specialty product.

The surplus lines insurer has provided asbestos abatement coverage with up to \$1 million in limits since November 1984. The coverage, which is written on a claims-made form, costs policyholders \$19.50 per \$100 that the policyholder charges its clients to remove asbestos materials.

"We were the first company doing it knowledgeably," Mr. Walsh asserted. "We started doing that recognizing that the standard market was not going to provide that for people doing asbestos removal. We devised our rates and underwriting requirements."

Another risk for which Great American Surplus has provided coverage for the last 18 months is the large fixed amusement park, but it will not cover traveling carnivals, which state fairs often utilize. The surplus lines insurer offers the fixed parks \$500,000 in liability limits and writes the coverage on an occurrence form. Rates are based on a percentage of the park's receipts and its loss experience.

The same limits are available to day-care centers, but Great American Surplus has "very few" of these risks on its books, Mr. Walsh noted. The coverage is not available to home care providers.

And, although it does not write "major" E&O classes, the surplus lines insurer will write "incidental" E&O coverages for municipalities, management consultants and import/export brokers, Mr. Snyder noted.

Although Great American Surplus writes coverage nationwide, its business is concentrated in 12 to 15 states, according to Mr. Walsh. While two of those states, Florida and New Jersey, have enacted regulations that some industry experts believe may significantly affect the non-admitted market, Mr. Walsh does not foresee significantly changing Great American Surplus' writings in either state.

The new Florida insurance rate regulation and tort reform law will not create significant new opportunities for non-admitted insurers, Mr. Walsh said, although at least nine admitted carriers decided in the first few weeks after the law was enacted not to write new or renewal property or liability policies in the state.

Under the law, admitted insurers are required to freeze rates, refund a percentage of premiums this year and roll back 1987 rates to 1984 levels unless they can prove higher rates are required (BI, June 16; July 7).

"I don't think the Florida law is going to end up driving the standard lines companies out of the state," Mr. Walsh said, noting that until a lawsuit challenging the constitutionality of the legislation is resolved, insurers may hold in escrow the premium refunds that they would have to return to policyholders under the new law (BI, July 21).

Another critical factor will be the rates that admitted insurers can charge as of Jan. 1, he said.

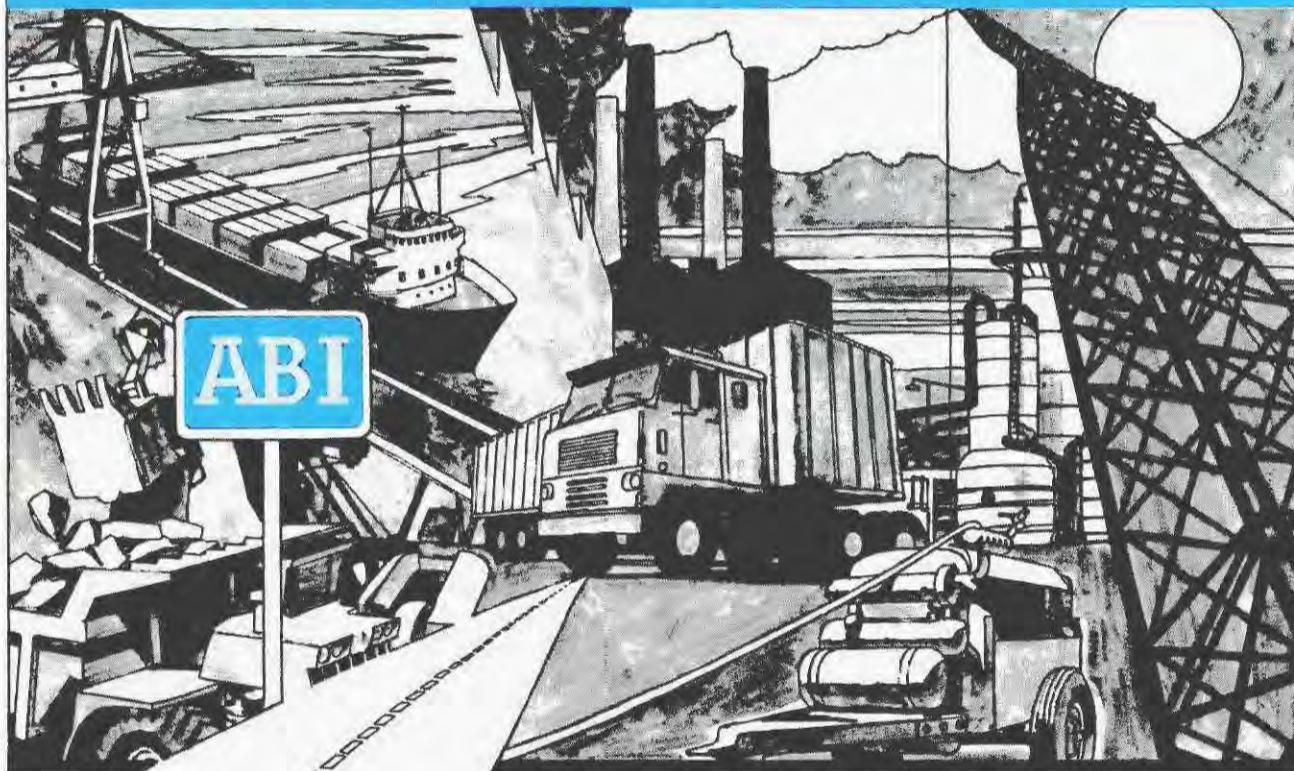
And in New Jersey, although 26 of the 55 surplus lines insurers writing business in the state with-

Continued on page 24



Mr. Snyder

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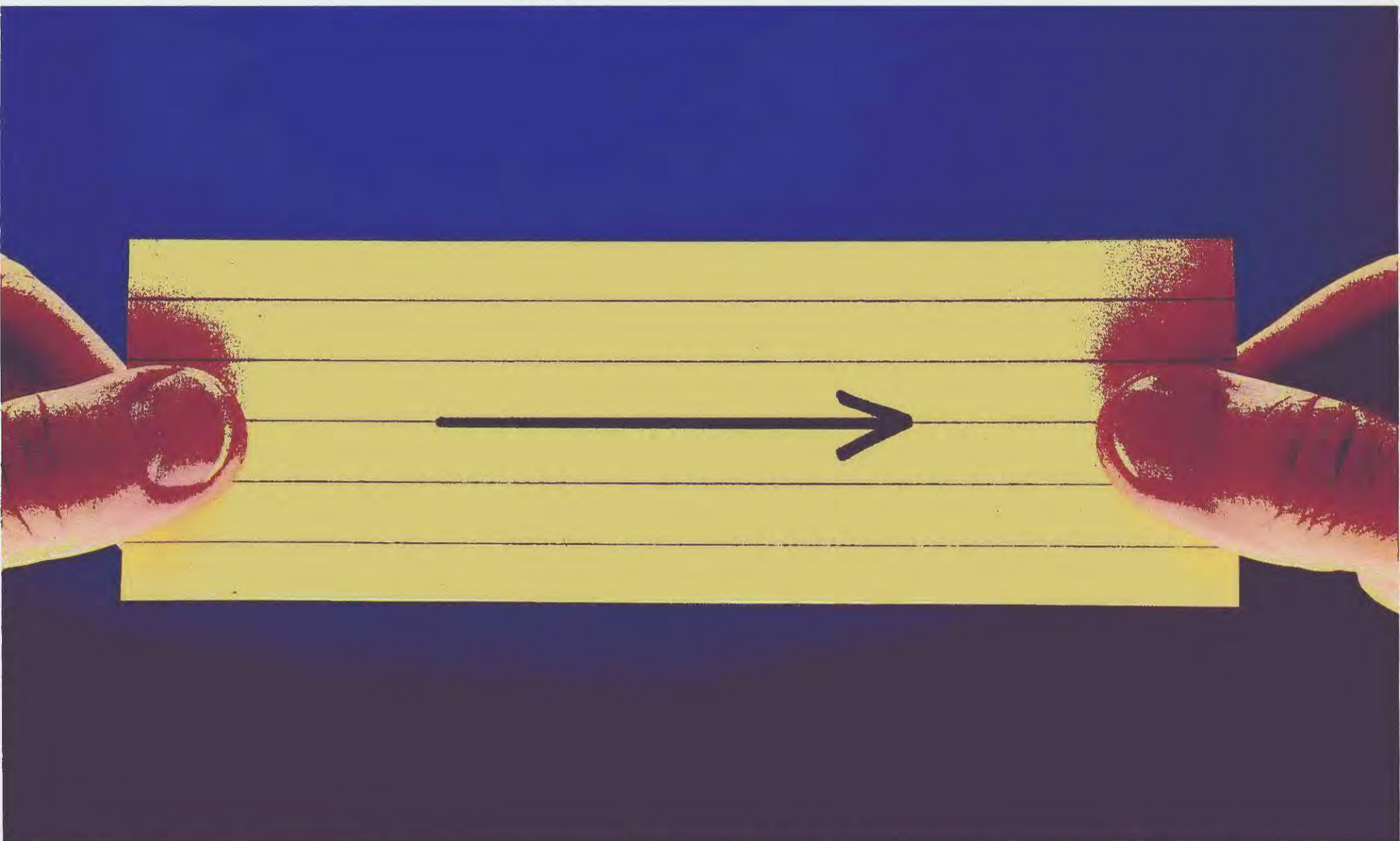
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Continued from page 22

drew immediately following the establishment of a guaranty fund for non-admitted insurers in 1984. Mr. Walsh attributes Great American Surplus' increased business in the state solely to the hardened market.

"It would be awful hard for us to measure" the added business attributable to the pullout of the surplus lines insurers in comparison with the business resulting from the constricted standard market, Mr. Walsh said.

"Our business has increased all over the U.S. because of the tightened marketplace," he said.

Mr. Walsh noted that the decision to stay in New Jersey was not a difficult one. The fee assessed Great American Surplus to help capitalize the guaranty fund was not significant enough to drive the insurer from the state, he said. "The New Jersey fund is being funded by an initial investment of \$25,000—a one-time fee. We paid it. Then the law said that policyholders will have to pay to keep the fund going."

Both Mr. Walsh and Mr. Snyder said they were uncomfortable speculating about even the short-term future of the surplus lines market. "I wish I had a crystal ball. I don't know," Mr. Snyder said. "It will depend on the appetite of the admitted market."

However, both agreed there will be a reduction in property insurance written by surplus lines insurers.

For Great American Surplus, business will continue as usual, according to the top officers. "What we are today, we expect we will be the remainder of 1986," Mr. Walsh said. "And in 1987," Mr. Snyder added.

Besides Messrs. Walsh and Snyder, the top officials are Carl H. Linder Jr., chairman; Ronald F. Walker, executive vp; and Chet A. Nalepa, vp.

—By Dave Lenckus

Scottsdale Insurance Co.

6991 E. Camelback Road, Suite A210, Scottsdale, Ariz. 85251; 602-941-3144

	1985	1984
Gross premiums.....	\$263,098,662	\$43,858,757
Non-admitted....	\$150,898,020	\$20,480,000
Net premiums.....	\$7,886,881	\$23,182,468
Paid-in capital.....	\$6,000,000	\$6,000,000
Capital & surplus....	\$9,188,037	\$7,557,843
Employees.....	221	69
Combined ratio.....	98.7%	125.0%
Commercial risks....	95%	95%
Net income.....	\$5,183,446	-\$5,396,873
Best's rating.....	A-plus	A-plus

Scottsdale Insurance Co.'s long-range plan is paying off in a big way.

Because of a dramatic surge in premium volume in 1985, only its fourth full year of operation, Scottsdale jumped into the ranks of the 10 largest surplus lines insurers for the first time with \$150.9 million of gross premiums

written on a direct, non-admitted basis in 1985, a 637% increase from \$20.5 million in 1984.

This growth established Scottsdale in the No. 4 spot among the leading surplus lines insurers ranked in the *Business Insurance* survey.

"The reason that we've grown so fast is the fact we had the financial backing, we had the experienced personnel in place and the market switched around so fast that the capacity dried up, rates went up and no one else was wanting to write insurance," explained Roland L. Wiegiers, president of Scottsdale.

"We were ready when the market started to turn in early '84," he said.

Scottsdale's parent, Nationwide Insurance Group, is committed to a long-range plan that also is designed to help round out Nationwide's market niche, Mr. Wiegiers noted.

In addition, Scottsdale used its first months of existence to build up a staff of experienced excess/surplus lines personnel and "getting the game plan in place," Mr. Wiegiers said.

"We started putting the company together in early 1982," he explained. "At that time, the market was very soft, and there was very little need for an excess/surplus lines company. The general agent didn't have enough business to go around because most of the business that falls into the E/S market was still being written in the standard companies."

But as the insurer was formed, company executives kept an eye on the next cycle, he said.

"In our long-range planning, we projected that there would be a turnaround. No one knew exactly when, but we were betting that it would come within a year or two of the time we started the company," Mr. Wiegiers recalled. "We were fortunate enough to be correct."



Mr. Wiegiers

When the long-range plan was implemented in 1982, Scottsdale's management was shooting for \$50 million in annual gross premiums by year-end 1986.

Instead, the insurer recorded \$263 million in gross premiums in 1985, a 500% jump from \$43.9 million the year before and far beyond the level the company had hoped to reach a year later.

Approximately 20%, or \$52.6 million, of Scottsdale's gross premium volume is generated by National Casualty Co., an admitted Nationwide affiliate that cedes 100% of its business to Scottsdale.

National Casualty is licensed in every state and is used as a "running mate," Mr. Wiegiers explained. "Where we need a licensed company, we use National Casualty. A lot of that would be for commercial auto."

"Where we don't need a licensed company, we use the Scottsdale company, because it gives us more flexibility in rating and underwriting."

Scottsdale is an approved non-admitted insurer in all states except Connecticut, New York, Massachusetts and Maine. It is licensed in Arizona, Delaware and Ohio.

Mr. Wiegiers said he expects that Scottsdale will produce about \$420 million in gross premiums this year, again with National Casualty contributing about 20% of the premiums.

Scottsdale reported net income of \$5.2 million in 1985, compared with a \$5.4 million loss the year before.

However, these figures do not reflect Scottsdale's business accurately since it participates in a pooling arrangement with five other Nationwide affiliates.

According to Mr. Wiegiers, pooling helped Scottsdale grow quickly by giving it access to Nationwide's surplus. "Without that pooling arrangement, we would have been working off a set surplus amount, and we would have had to make some drastic cutbacks."

But, the pooling arrangement alone did not pull Scottsdale out of the red, Mr. Wiegiers pointed out. "Our book of business changed from a loss position to a profit position in '85, mainly because of the increase in rates," he noted.

The insurer's combined ratio also is reported on a pooled basis. It fell to 98.7% in 1985 from 125% the year before.

Without the pooling arrange
 Continued on next page

The advertisement features three circular frames showcasing computer equipment. The top frame, labeled 'maxi', shows a large room with multiple desks, each equipped with a terminal and printer. The middle frame, labeled 'mini', shows a smaller room with several desks and a large floor-mounted unit. The bottom frame, labeled 'micro', shows a desktop computer system with a monitor, keyboard, and printer. The text 'maxi', 'mini', and 'micro' is written in a large, stylized blue font. Small text credits 'Courtesy of IBM' and 'Courtesy of Apple Computer Inc.' are visible.

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Continued from previous page
 ment, Scottsdale's combined ratio would have been approximately 109%, largely because of start-up expenses that are still on the books, Mr. Wiegiers noted.

But, the ratio in 1986 should drop to about 96% before pooling, he added.

Commercial risks account for 95% of Scottsdale's gross premium volume, but the insurer retains a book of personal lines business—mainly coverage for low-value dwellings—that it developed when it was jockeying for the market turn. That type of business does not "jump around as much" from insurer to insurer during soft market cycles, which provides the insurer with a hedge against reduced business during soft cycles, Mr. Wiegiers pointed out.

The insurer's bread-and-butter business is "small- or medium-sized mercantile risks that would not normally meet the standard underwriting requirements because of the class of business or the age of the building," Mr. Wiegiers explained.

That business also was one of the first risks Scottsdale covered. "Small package policies we were interested in," Mr. Wiegiers said.

Mr. Wiegiers said Scottsdale targets casualty coverage for "small commercial risks of \$200,000 (in limits) or less and small businesses with annual sales of less than a half-million dollars.

"We were not interested in high-limit long-tail casualty business, and we're still not doing that. Primary, low-limit casualty was of an interest to us then and still is."

And, in 1984, when capacity began disappearing from the standard market, Scottsdale was in a position to write that casualty business.

"We were fortunate to have our reinsurance treaties in place during the soft market, and they renewed without a lot of difficulty into the tighter market," Mr. Wiegiers said.

Although Scottsdale feels fortunate that treaties were carried into the tight market fairly easily, shrinking reinsurance capacity has caused the insurer to slash its own limits offered on casualty business.

"On the casualty side, we were writing at \$5 million limits. We've dropped that down to \$1 million limits because of the tightening in the reinsurance market," Mr. Wiegiers noted.

Prior to pooling, the insurer retains up to \$250,000 of a casualty risk and cedes the remainder.

But for property business, Scottsdale is increasing available limits to \$700,000 from \$400,000. "And that again is a change in the reinsurance markets," Mr. Wiegiers added, referring to easing conditions.

Scottsdale retains up to \$100,000 of each property risk and cedes the remainder.

"We're trying to reduce the casualty writings and increase the property to get a little better balance," he said. "But it's difficult to do because the hottest thing out there is the casualty business. It's hard to change that spread."

Scottsdale also writes commercial auto risks—excluding long-haul trucking—and personal lines property coverages.

Scottsdale offers up to \$500,000 in commercial auto limits, of which it retains \$150,000 and cedes the rest.

Scottsdale will write limits up to \$300,000 on a personal property risk, retaining \$100,000 and ceding the remainder. However, Mr. Wiegiers noted, the coverage is usually written for limits below \$100,000.

Scottsdale's business is written entirely through managing general agents; 130 agents in 160 offices have binding authority.

"I think it's the best way to write

the excess and surplus lines business," said Mr. Wiegiers.

Scottsdale's MGAs get a thorough going-over before they are allowed to hold binding authority for the insurer, he added.

"We find out what they're made of, what kind of people they have, their track record, what other companies they represent."

Although Scottsdale's annual statement states that the insurer's net written volume fell from \$23.2 million in 1984 to \$7.9 million last year, those figures are pooled and do not necessarily indicate the insurer was retaining less risk, Mr. Wiegiers pointed out.

Scottsdale's casualty reinsurance is placed by Reinsurance Agency Inc. in Chicago. Its property reinsurance is brokered principally through E.W. Blanch Co. in Minneapolis.

The insurer writes several programs that Scottsdale reinsures with specialty treaties. That busi-

ness includes liability programs for police, public officials and school board members.

Geographically, Scottsdale's business is concentrated heaviest in California and New York, followed by Florida, New Jersey, Texas and Arizona.

In Florida, the insurer has restricted the amount of business its MGAs can accept. That move is a response to the additional business that Mr. Wiegiers says is finding its way to the surplus lines market after several admitted companies restricted their activity in response to legislation that calls for admitted insurers to freeze rates, refund a portion of liability insurance premiums this year and roll back 1987 rates to 1984 levels (BI, June 16).

And, although New Jersey is a "difficult state to write in," because of the state guaranty law to protect policyholders against insolvencies of surplus lines insur-

ers, Scottsdale will continue to offer coverage there, Mr. Wiegiers said.

Because of the amount of business finding its way to the surplus lines insurers during the tight market conditions, Scottsdale recently has not felt compelled to develop new products.

"There's so much business available out there, we haven't really put anything new together," Mr. Wiegiers said. "Generally, it's the same business that's submitted to the standard company that's turned down for some reason. It's repriced and written through our company or any other E/S company."

One product the insurer offers that standard companies have been reluctant to write is liability coverage for day-care centers.

"Day-care centers have been a hot item," Mr. Wiegiers said. "Personally, I feel the press has published all the bad risks and bad

losses and not published the good things about that class of business. We've maintained a position here that it's no worse or no better than any other casualty class. We have maintained a market pretty much in all states."

He estimated that Scottsdale has written approximately \$15 million in premiums for day-care centers this year.

Mr. Wiegiers said Scottsdale does not plan soon to change the coverage it offers, except to again begin writing umbrella business in 1987. It stopped writing umbrellas earlier this year because buyers' "unlimited need" for umbrella coverage forced too-rapid growth in that area for Scottsdale, he said.

Mr. Wiegiers believes that prices for surplus lines coverage "are probably at their peak now. I don't see them going any higher."

Whether those rates are too high or too low is difficult to deter-

Continued on next page



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Continued from previous page

mine, he noted. "Especially for the casualty business. There's such a long tail on the casualty business, that we won't know for five years."

One reason rates seem so high, he noted, is because "they've been so low for the last five years. Rates have gone up drastically."

"And, there may be cases where they've gone up too much and there may be cases where they're still not high enough."

He expects prices in the excess/surplus market will begin falling within the next year or two.

Because of its explosive growth, Scottsdale has had to beef up its staff considerably. It increased its employee roster to 221 in 1985 from 69 in 1984.

In addition, the insurer has gained enough new business to add a night crew. The company utilizes a staff of 50 employees at night, most of whom are data entry and filing personnel. Some underwriting is also done by the late-hour staff.

Mr. Wieggers said there are several advantages in using a second shift. "We can use the same space and office equipment," he remarked. "And, it also gives us access to a good labor market," like women who have worked in the insurance industry previously at day jobs but left the field to devote time to their families.

To accommodate its growth, the insurer plans to leave the building where it occupies three floors and move to a 51,000-square-foot location, also in Scottsdale, this month.

The biggest challenge facing Scottsdale is coping with the next soft market.

"Our whole theory on running this company is to grow when the market is right to write this class of business," he said.

But, if market conditions become very soft, the insurer may find itself "in a no-growth situation, maybe even a slacking-off period," he said. "We try not to overstaff in any area, and I wouldn't see us slacking off to the point where we would have to lay off a large number of people."

"But that's one of the tricks in running a company like this, where it goes in cycles. You have to make sure you don't overstaff in the good times because you'll certainly be overstaffed in the bad times," he said.

Apart from Mr. Wieggers, principal officers at Scottsdale are Jack King, vp-legal; Bill DeMoss, vp-claims; Tom Stamm, vp-underwriting and marketing; Jim Kapeller, vp-accounting/treasurer; Ron Pieper, vp-data processing; and Barb Nasworthy, vp-administrative services.

—By Michael Bradford

International Surplus Lines Insurance Co.

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

	1985	1984
Gross premiums....	\$155,084,489	\$118,157,243
Non-admitted....	\$140,478,881	\$102,671,149
Net premiums.....	\$31,112,729	\$40,428,520
Paid-in capital.....	\$1,500,000	\$1,500,000
Capital & surplus..	\$5,750,975	\$31,116,678
Employees.....	254	209
Combined ratio.....	200.0%	152.9%
Commercial risks..	100%	100%
Net income.....	\$-32,443,324	\$-3,264,518
Best's rating.....	A	A-plus

Chicago-based International Surplus Lines Insurance Co. is operating this year with a clean slate, an A rating from A.M. Best Co. but much less policyholder surplus.

The reason: As of Dec. 31, ISLIC, a Crum & Forster subsidiary, entered into a 100% portfolio indemnity agreement with Inter-

national Insurance Co., another C&F unit.

In addition, all insurance written by ISLIC now is immediately reinsured with International Insurance. Under the agreement, International Insurance assumed all of ISLIC's loss reserves, including reserves for incurred-but-not-reported losses, and reinsurance recoverables.

Loss reserves were not discounted in the transaction. ISLIC paid International Insurance \$194.7 million, which is exactly the amount reported by ISLIC as reinsurance recoverables from International Insurance.

The transaction provided ISLIC with:

- An \$8.8 million gain in a charge for liability for unauthorized reinsurance. ISLIC last year carried an \$8.8 million provision for unauthorized reinsurance.

- A Best's rating of A. Last year, ISLIC lost its A-plus rating because Best decided the insurer reported too much reinsurance recoverable from reinsurers that were not licensed in the United States.

ISLIC's 1984 annual statement showed \$30.1 million in reinsurance recoverables from unauthorized reinsurers but the 1985 annual statement shows none, due to the portfolio indemnity agreement.

With all its reinsurance recoverables coming from International Insurance Co., ISLIC picks up International Insurance's A rating.

- A net underwriting loss of \$49.9 million. Losses incurred of \$91.1 million are a result of the indemnity agreement, under which ISLIC paid all loss reserves to International Insurance. Loss expenses incurred totaled \$7.4 million and other underwriting expenses incurred totaled \$5.9 million, but premiums earned totaled only \$54.4 million.

Investment income and realized capital gains of \$16.4 million, plus a \$1.1 million tax credit, reduced ISLIC's net statutory loss to \$32.4 million.

The net loss would have wiped out ISLIC's policyholder surplus but for the gain from the change in liability for unauthorized reinsurance.

Including a net unrealized capital loss of \$2.3 million, ISLIC's year-end 1985 policyholder surplus totaled \$5.8 million.

At the end of the first quarter in 1986, ISLIC's surplus had doubled to \$10.2 million, due to investment gains.

But ISLIC's reduced policyholder surplus is not an issue, due to the current pooling agreement with International Insurance.

"The pooling was to add financial stability and strength to ISLIC," said David N. Thompson, the new president of ISLIC and its underwriting manager, Crum & Forster Managers Corp. of Illinois (see story, page 51).

The pooling goes beyond International Insurance Co. International Insurance has a pooling arrangement with four other C&F insurance affiliates, under which all direct underwriting is combined and then shared proportionately.

The other C&F insurers in the pool are Industrial Indemnity Co., North River Insurance Co., U.S. Fire Insurance Co. and Westchester Insurance Co.

Mr. Thompson refused to discuss the 1985 results of ISLIC, explaining that he was not with ISLIC then. He joined the company as president, effective April 1986.

"The financial statements speak for themselves," Mr. Thompson says.

According to ISLIC's annual statement filed with the Illinois Insurance Department, ISLIC wrote a record \$155.1 million in

Continued on next page

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Continued from previous page
gross premiums in 1985, up 31.3% from \$118.2 million in 1984. About 30% of the premiums was related to liability lines, with the other 20% property and property/liability lines combined.

Net premiums written totaled \$31.1 million, down from \$40.4 million in 1984, before the indemnity portfolio agreement.

For 1986, ISLIC will show no net premiums written, due to the pooling agreement.

Net premiums written in 1985 on a direct, non-admitted basis totaled \$140.5 million, up 36.8% from \$102.7 million, ranking ISLIC as the fifth-largest surplus lines insurer in 1985. ISLIC

writes on a non-admitted basis in all states except Illinois, where it is licensed and wrote almost \$11 million in premiums last year.

Big growth among other surplus lines insurers surpassed growth at ISLIC, which a year ago was the third-largest surplus lines insurer.

ISLIC's 1985 combined ratio climbed to 200%, compared with 152.9% in 1984. The 1985 loss and loss expense ratio was 181%; the expense ratio was 19%. That compares with a 1984 loss and loss expense ratio of 131.1% and an expense ratio of 21.8%. In 1983, ISLIC reported a loss and loss expense ratio of 54% and an expense ratio of 4.7%.

The insurer's largest line, other liability insurance, recorded a 186.4% pure loss ratio in 1985.

Other liability lines includes general liability, directors and officers liability and professional liability insurance, which are ISLIC's specialties.

Losses grew worse on business written in 1982 and 1983, according to Schedule P of the annual statement. For example, all liability lines in 1982 recorded a loss and loss expense ratio of 116.7% at year-end 1985, compared with 106.7% reported at year-end 1984 and 92.5% reported at year-end 1983.

Likewise, all liability lines written in 1983 recorded a loss and loss expense ratio of 118.7% at year-end 1985, compared with 106.7% recorded at year-end 1984 and 90.7% recorded at year-end 1983.

These increased loss ratios reflect both losses paid and increased reserves for losses.

In 1985, Xerox Corp., which owns Crum & Forster, contributed \$67.5 million net of tax to increase the loss reserves on all business written by CFMC (Ill.). Of that, about \$21.4 million was contributed to ISLIC.

While the pooling arrangement with International Insurance is designed to increase the financial strength of ISLIC, it does not affect its capacity. That capacity is dictated by the reinsurance arranged by CFMC (Ill.).

CFMC (Ill.) offers limits of \$1 million for casualty insurance, down from \$3 million a year ago, and \$3 million for professional liability and D&O insurance, down from \$5 million.

In 1984, the underwriting manager had \$20 million in capacity for both professional liability and D&O liability insurance. In 1983, capacity for both lines was \$25 million.

Property insurance capacity remains the same as last year: \$2.5 million. It was \$5 million in 1984 and 1983.

Although capacity is down compared with last year, continued rate increases are expected to maintain ISLIC's premium volume at about its 1985 volume.

"We don't expect significant dif-

'We don't expect significant differences in premium volume in 1986 vs. 1985,' said Mr. Gibbs.

ferences in premium volume in 1986 vs. 1985," said Dennis C. Gibbs, senior vp and chief financial officer.

ISLIC reported 254 employees at year-end 1985, which are the employees of CFMC (Ill.).

Other officers of ISLIC are Robert J. Vairo, chairman and chief executive officer, who is also chairman and CEO of C&F Underwriters Group; and Gary J. Ferguson, Walter Mueller, Norman Reid and S. Richard Vassallo, senior vps.

—By Kathryn J. McIntyre

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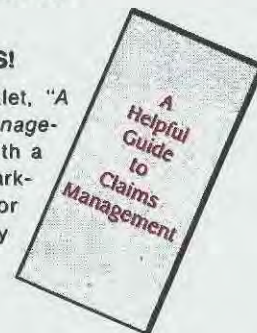
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Evanston Insurance Co.

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

	1985	1984
Gross premiums	\$185,640,782	\$127,993,752
Non-admitted	\$129,926,656	\$94,536,855
Net premiums	\$62,356,998	\$18,947,527
Paid-in capital	\$41,256,145	\$3,756,145
Capital & surplus	\$68,812,756	\$39,387,018
Employees	0	0
Combined ratio	143.0%	155.3%
Commercial risks	100%	100%
Net income	-\$8,377,180	\$350,276
Best's rating	B+	A*

*Contingent rating

Despite significant premium growth and a modest decrease in its combined ratio, Evanston Insurance Co. finished 1985 with a statutory net loss.

However, the company's management believes that rate hikes and other measures the company began to implement in 1983—and

continues today—may possibly push Evanston's results back into the black this year.

Evanston, which specializes in professional liability insurance, wrote \$129.9 million in gross premiums on a direct, non-admitted basis last year, up 37.4% from \$94.5 million in 1984.

In addition to rate hikes, the increased non-admitted premium volume reflects a shift of business to the non-admitted market and the greater volume of product liability business written by Evanston last year, explains Joseph J. Prochaska Jr., chairman and chief executive officer of Shand, Morahan & Co. Inc., which manages Evanston.

Shand, Morahan, a unit of Alexander & Alexander Services Inc., is the majority stockholder in Evanston's parent, Evanston Services Inc. (see story, page 52).

Total gross premiums, including reinsurance assumed by Evanston,

Evanston has tapped outside actuarial firms to get a better handle on ultimate losses and boost reserves.

jumped 45% to \$185.6 million last year from \$128 million in 1984.

Mr. Prochaska believes premium volume will rise again in 1986, though he declined to venture an estimate because of the uncertainty of the marketplace.

Evanston's combined ratio dipped slightly last year to 143.0% from 155.3% in 1984.

"We saw an improvement in 1985 but certainly not to the extent we would have liked," Mr. Prochaska said.

Evanston attributes the high combined ratio to loss deteriora-

tion in lawyers professional liability and hospital and medical malpractice business written in prior years. Moreover, Evanston posted a statutory net loss of \$8.4 million in 1985, compared with a \$350,000 profit in 1984.

"We expect to see significant improvement in the combined ratio in 1986," he said, noting that the company's combined ratio was 105% in the first quarter of 1986.

However, he declined to predict Evanston's year-end 1986 combined ratio. Evanston reported a net underwriting loss of \$21.6 million in 1985, compared with a \$9.2 million underwriting loss the previous year. Investment income totaled \$12.4 million, up 63.7% from \$7.6 million in 1984.

The insurer also increased its policyholder surplus to \$68.8 million at year-end 1985 from \$39.3 million in 1984 through a \$37.5 million capital infusion from parent Evanston Services Inc. A \$15 million

infusion was made in the first quarter of 1985, while \$22.5 million in new capital was added at the end of the year. "This has enabled us to write more business and still maintain prudent financial ratios," Mr. Prochaska says.

"We didn't have to have the capital to write more business but we believed we had to have the capital to write more business responsibly."

A.M. Best Co. recently lowered Evanston's rating to a B-plus from an A (contingent), but Mr. Prochaska says the lower Best's rating should not have a significant impact on Evanston.

"It's a question of a value judgment," he says. "We did improve in our ratios."

"Many other companies in the marketplace have received very significant downgradings," he adds. "I don't believe it will have any significant impact on the marketability of the company."

Evanston began raising prices and increasing reserves in late 1982 and 1983 when the deterioration in its book of business became apparent. And it continued to shore up reserves in 1984 and 1985.

"We've spent significant time analyzing reserves and results," Mr. Prochaska says, adding that Evanston has tapped outside actuarial firms to get a better handle on ultimate losses and boost reserves to proper levels.

According to Evanston's annual convention statement, long-tail liability business written in 1984 was expected to produce a loss ratio of 122.2%. However, by the end of 1985, that loss ratio was increased to 183.5%.

Evanston increased rates in 1985 an average of 75%, though rates for some lines, like insurance company errors and omissions, rose more than 300%.

In addition, Evanston last year added "cost-inclusive" provisions to policy forms for some coverages, under which defense costs are included in policy limits.

Evanston specializes in professional liability and errors and omissions insurance, including coverage for architects and engineers; insurance agents and brokers; lawyers; insurance companies; and mutual funds. It also writes medical malpractice insurance for physicians and hospitals.

The insurer has significantly diversified its book of business so that no one program accounts for more than 20% of the total book, while most lines amount to less than 15% of the total.

Evanston now offers limits of \$3 million per risk for all lines it writes, down from \$20 million per risk for most lines and at least \$5 million for all others last year. However, the insurer still can offer additional capacity above \$3 million for many lines, using facultative reinsurance.

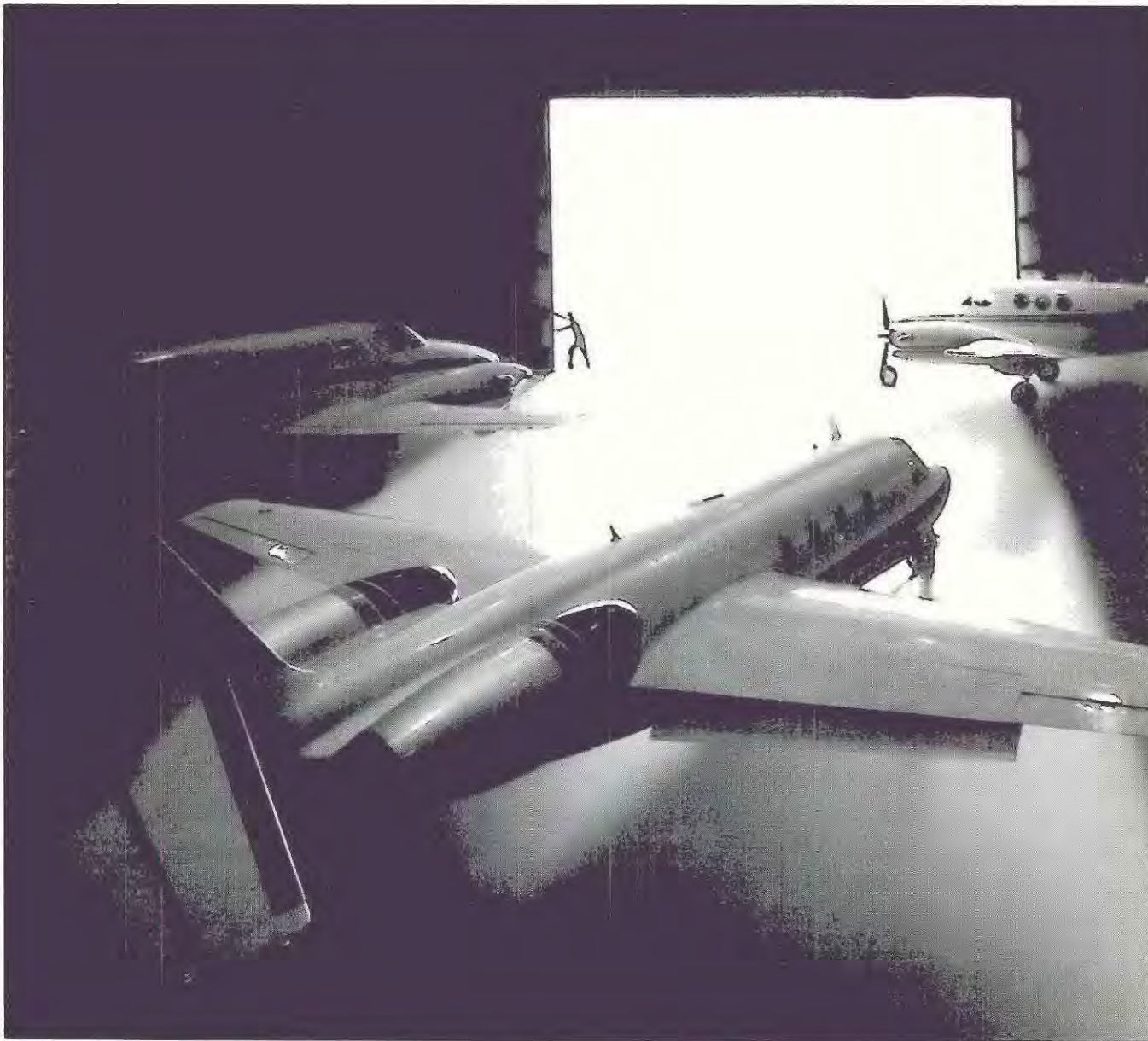
Currently, Evanston's net line is about \$1 million, compared with \$700,000 to \$750,000 last year.

Evanston increased its overall retention to about 30% of gross premiums last year, and this retention will increase to about 55% to 60% in 1986, explains Mr. Prochaska, noting that the increase is partially caused by the lack of reinsurance capacity.

Last year, net premiums totaled \$62.4 million, up 230% from \$18.9 million in 1984.

Evanston participates in virtually all business underwritten by Shand Morahan, though Evanston writes a small amount of business that is not produced by Shand, including some reinsurance and some direct non-admitted business. Evanston is an admitted insurer in Illinois and the District of Columbia. The insurer reports no employees; Shand Morahan's staff handles Evanston's operations.

—By Stephen Tarnoff



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	1985	1984
Gross premiums...	\$124,780,295	\$53,273,609
Non-admitted...	\$104,434,142	\$47,508,645
Net premiums.....	\$27,029,663	\$6,069,874
Paid-in capital.....	\$2,542,925	\$2,542,925
Capital & surplus...	\$44,362,674	\$33,500,369
Employees.....	72	57
Combined ratio.....	89.9%	38.1%
Commercial risks...	95%	95%
Net income.....	\$4,802,167	\$3,666,548
Best's rating.....	*	B-plus

*Best and insurer currently negotiating rating.

Even speaking conservatively, 1986 promises to be another banner year for Philadelphia-based United National Insurance Co., says Raymond L. Freudberg, president and chief executive officer.

And, first-quarter results indicate that Mr. Freudberg's projection is on the mark.

For the first quarter of 1986, gross premium volume totaled \$42 million, a 184% increase compared with \$14.8 million for the first three months of 1985.

Mr. Freudberg believes that the insurer will maintain that growth rate throughout the remainder of 1986, because the continuing lack of capacity in the admitted marketplace will translate into a growing demand for excess/surplus coverage, he said.

About 85%, or \$35.7 million, of the first-quarter premiums was written on a surplus lines basis, Mr. Freudberg estimates.

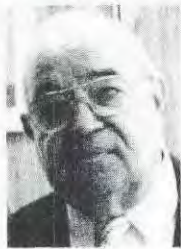
The exceptional first quarter results follow a year during which United National's gross premium volume climbed 134.3% to \$124.8 million from \$53.3 million the year before. Gross premiums included \$5.1 million in premiums written on an admitted basis and \$15.3 million in assumed reinsurance.

Gross premiums written on a

direct, non-admitted basis in 1985 jumped 119.8% to \$104.4 million, ranking the American Insurance Service Inc. subsidiary as the seventh-largest surplus lines insurer. In 1984, United National wrote \$47.5 million of surplus lines business and ranked as the ninth-largest surplus lines insurer.

The insurer is licensed only in Pennsylvania and is an approved non-admitted insurer in 40 states and Washington, D.C.

United National also continued to maintain a low combined ratio in 1985—89.9%. The ratio was only slightly higher than the 88.1% ratio United National recorded in 1984.



Mr. Freudberg

The combined ratios are reduced by ceding commissions from reinsurers that are used to reduce the underwriting expense ratio.

In 1985, the pure loss ratio was 88.3% and the expense ratio was 1.6%, while in 1984 the pure loss ratio was 103.9% and its expense ratio was a negative 15.8%.

The jump in premium volume contributed to a 32.1% increase in net income. United National recorded \$4.8 million in net income in 1986, compared with \$3.6 million the year before.

And, policyholder surplus increased \$10.9 million to \$44.4 million from \$33.5 million in 1984. A \$5 million capital infusion from United National's parent accounted for nearly half of the increase.

American Insurance contributed another \$5 million to its subsidiary in May, bringing United National's current surplus

to \$51.3 million, Mr. Freudberg noted.

American Insurance is owned by American Manufacturing Corp., a privately held conglomerate based in Pennsylvania.

Despite United National's strong growth, the insurer did not earn a higher A.M. Best Co. rating for 1985 as it had hoped. According to Mr. Freudberg, Best assigned the insurer a B-plus rating for the second consecutive year, but United National had sought an A-plus rating. The insurer currently is negotiating with the rating organization, which declined to comment on the situation.

Best dropped United National's rating to a B-plus in 1984 from an A-plus the year before because of United National's reliance on reinsurance.

And, although United National doubled its net retention level to 25.9% in 1985 from 12.8% in 1984, Best still is concerned about the insurer's reliance on reinsurance, Mr. Freudberg explained.

In 1985, United National's net written volume was \$27 million, compared with \$6.1 million in 1984.

"We have not accepted it," said Mr. Freudberg, referring to the 1985 Best's rating. "We are in discussions with them."

Mr. Freudberg pointed out that United National has severed ties with several reinsurers whose Best ratings had dragged down United National's rating. "We're limiting reinsurers to those which meet a higher financial standard," he explained.

In addition, United National has formed a committee to review the 158 reinsurers it utilizes.

United National's growth in 1985 is chiefly attributable to strong rate increases, according to Mr. Freudberg. "A lot of the business we wrote did not expand our base of risks but our base of premiums."

In some cases, premiums "dramatically increased," he said. For example, the rates for some primary general liability and umbrella product liability exposures increased 300%, he noted.

However, new products accounted for a small portion of last year's spurt.

For example, United National began offering an insurance product for asbestos abatement contractors in 1985. Under the program, the insurer provides up to \$1 million in coverage excess of \$1 million to contractors removing asbestos from buildings.

The company retains 5% or \$50,000 of each risk and cedes the remainder to reinsurers.

In addition, United National began offering excess directors and officers coverage with limits up to \$10 million excess of \$1 million.

Like the asbestos abatement coverage, United National cedes a majority of the risk to reinsurers. "The amount of our risk is as close to nil as you can get," Mr. Freudberg pointed out.

Toward the end of last year, the insurer also began to write "a large amount" of heavily reinsured hospital excess umbrella liability insurance, which includes medical malpractice coverage, Mr. Freudberg said. United National has written limits up to \$10 million excess of \$5 million.

United National currently is considering several other new excess programs that "are likely to be done," Mr. Freudberg noted, declining to provide any details.

The insurer also began offering primary coverage to hospitals for claims filed by visitors. The coverage does not provide protection against claims filed by patients. Coverage limits of \$500,000 are available.

Continued on next page



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Continued from previous page

Some \$81.4 million, or approximately 65%, of the insurer's gross premium volume in 1985 involved "heavy traffic" risks such as shopping centers, theaters, apartment houses and restaurants. In 1984, this group accounted for \$18.7 million, or 35.1%, of its \$53.2 million gross premium volume.

The risk that generated the second-largest percentage of United National's premium volume was commercial multiperil: \$10.5 million in direct written premiums, a drop from \$12.5 million in 1984.

Other commercial lines written by United National include fire insurance, \$6.6 million in direct written premiums; auto liability, \$2.5 million; and inland marine, \$1 million.

Mr. Freudberg characterized the risks that United National writes as "basic."

"We stay away from sophisticated features such as expanded owners, landlords and tenants liability insurance, personal injury, and libel and slander."

The insurer's treaty capacity is \$500,000 for property risks, \$1 million for primary liability and \$500,000 for buffer liability, Mr. Freudberg said.

United National has discontinued its ocean marine program, which generated \$4.2 million in direct written premiums in 1985, because the treaty reinsurance rates quoted have become prohibitive, Mr. Freudberg noted.

While reinsurers "require and desire" the claims-made form on some other risks, they are making exceptions, he said.

But, United National is writing product liability coverage this year on a claims-made basis "by direction of the reinsurers," Mr. Freudberg said.

United writes about half of its business in-house, he noted.

The other half is written primarily by managing general agents, although underwriting managers write some business. Four MGAs account for 80% of United's outside business.

They are: Tennessee Underwriters in Franklin, Tenn.; Myron F. Steves & Co. in Houston, Texas; Paige-Ruane Inc. in King of Prussia, Pa.; and Insurex Inc. in Paramus, N.J.

Underwriting managers include Doran Excess Underwriters Inc. in Mechanicsburg, Pa., and Transco Insurance Services in Solvang, Calif.

United avoids writing business in-house in states with "restrictive judicial systems," Mr. Freudberg said.

But, it will write coverage in such states if the coverage is written by an MGA, he noted. For example, he said, California has a restrictive judicial system, but United National wrote \$17.9 million in direct written premiums there through Transco in 1985, the largest total it wrote in any state.

"He's able to get a better selection" of risks, Mr. Freudberg said.

United has started writing "a fair amount more" business in New York state, which it had previously avoided, because the company can now "enjoy appropriate pricing there," Mr. Freudberg said.

In New York, the insurer is writing policies covering restaurant and retail chains, theaters and shopping centers. In 1986, United National expects to write nearly double the \$4 million in premiums it wrote there in 1985.

And, while the insurer has been diminishing the amount of coverage it will write in Florida, it is reassessing its position in light of the new insurance rate regulation and tort reform law in the state (BI, June 16). At least 12 admitted insurers have imposed underwriting restrictions in Florida as a result of the legislation until the issue of the law's constitutionality

is resolved.

United National is waiting to see the results of litigation, Mr. Freudberg said. "Two months ago, I would have said we would diminish our business in Florida. Now we are reassessing that. If the law is sustained, we probably will do more business; if it falls, it will be as it was."

To better handle its additional business, United National has increased its staff by 26.3% to 72 from 57.

United National has two subsidiaries: Diamond State Insurance Co. and Hallmark Insurance Co. Inc.

Diamond, which is admitted in

Mississippi and Delaware, specializes in surplus lines in Pennsylvania and wrote \$11.8 million in business there last year.

Hallmark, which is admitted in Illinois, Indiana, and Wisconsin, specializes in small commercial risks, mainly in Illinois, according to Mr. Freudberg. The subsidiaries' results are not pooled with United National's results.

In addition to Mr. Freudberg, principal officers of United National include Seth D. Freudberg, executive vp; John F. Kupka, vp-underwriting; Gerald J. Durkin, vp-claims; and Kevin L. Tate, vp-controller.

—By Avra Wing

First State Insurance Co.

60 Battery March St., Boston, Mass. 02110; 617-357-8400

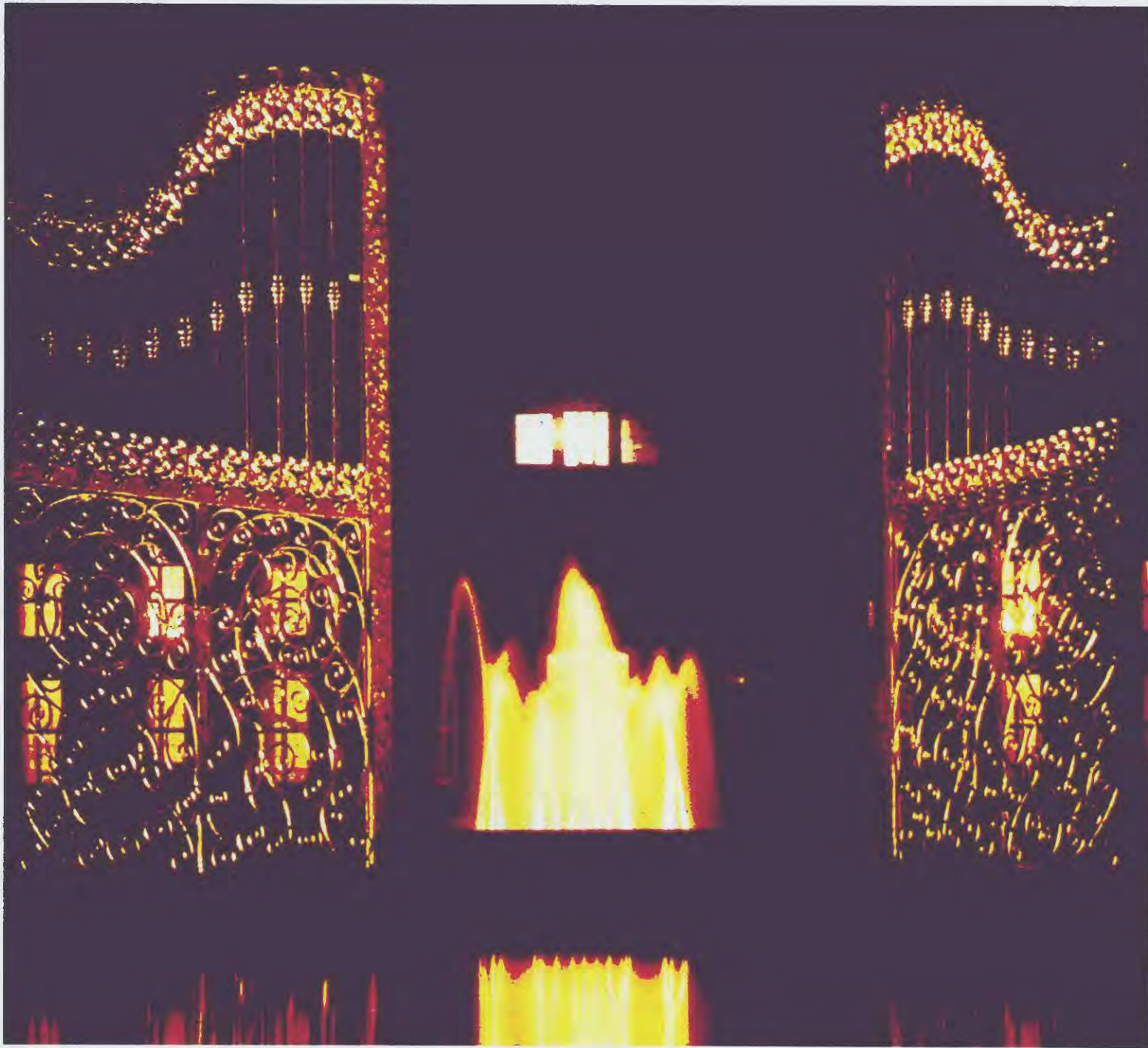
	1985	1984
Gross premiums.....	\$184,807,443	\$204,553,348
Non-admitted.....	\$104,212,101	\$113,581,471
Net premiums.....	\$20,613,599	\$7,426,328
Paid-in capital.....	\$5,000,000	\$5,000,000
Capital & surplus.....	\$66,962,748	\$65,487,299
Employees.....	0	0
Combined ratio.....	179.0%	357.9%
Commercial risks.....	99%	99%
Net income.....	-\$689,953	-\$10,383,650
Best's rating.....	A-pooled	A-pooled

After recording its worst underwriting results ever in 1984, First

State Insurance Co. started to turn its performance around last year and expects results to improve still more in 1986.

The source of the improvement has been a drastic re-underwriting program that started with the cancellation or non-renewal of nearly all of First State's 1984 business. The program also has included rate hikes and coverage restrictions on the new business the insurer has booked.

First State's current book of business is "100% different" from the book the insurer wrote in 1984, says President and Chief Executive Officer Lawrence S. Doyle. "We
Continued on next page



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Continued from previous page

In the course of the re-underwriting process, gross written premiums declined 9.7% to \$184.8 million in 1985 from \$204.6 million in 1984. Gross direct non-admitted premiums slid 8.2% to \$104.2 million from \$113.6 million in 1984.

"Our growth rate is basically flat because we turned over the book," Mr. Doyle explained.

In a year that saw rate hikes and new business boosting the premium volume of other surplus lines insurers, the slight decline in volume at First State was enough to drop the insurer into the No. 7 slot in the *Business Insurance* ranking of the largest surplus lines insurers from the No. 2 slot it occupied last year.

Mr. Doyle added, however, that First State last year insured one-third the number of risks it had insured in 1984 at nearly the same premium volume.

Meanwhile, underwriting results—while still far from favorable—improved last year as earned premiums climbed and losses were reduced.

First State—a Boston-based unit of Hartford Fire Insurance Co.—reported a loss ratio of 140.1% and an expense ratio of 38.9% in 1985, adding up to a combined ratio of 179.0%.

This compares with a loss ratio of 319.3% and expense ratio of 38.6%—or a combined ratio of 357.9%—for 1984.

As more premiums on recently written business are earned this year, Mr. Doyle said he expects the loss ratio to drop to about 100% and the expense ratio to 21%, for a combined of 121% in 1986.

"We are certainly seeing the benefit of the aggressive action we had taken," he observed, noting that the benefits were not as visible last year as they will be in 1986 and 1987.

While the results of the re-underwriting program won't be clearly visible until year-end 1986, First State's performance showed some improvement last year.

Earned premiums rose 49% to \$20.2 million from \$13.6 million in 1984, both because of rate increases and because of the insurer's larger net retention.

Losses and loss expenses, meanwhile, declined 34.6% to \$28.3 million last year from \$43.4 million the previous year. Other underwriting expenses jumped 140.4% to \$7.1 million in 1985 from \$2.9 million in 1984, as net commission and brokerage expenses rose.

First State finished the year with an underwriting loss of \$15.2 million, an improvement over the previous year's underwriting loss of \$32.7 million.

Investment income, meanwhile, rose 15.7% to \$8.7 million from \$7.3 million in 1984. After other gains and losses and taxes, First State narrowed its net loss to \$689,953 last year from \$10.4 million in 1984.

A \$2.2 million unrealized capital gain more than offset last

year's loss and resulted in a net addition of \$1.5 million to First State's policyholder surplus, which stood at \$67 million at year-end 1985 compared with \$65.5 million at year-end 1984.

Mr. Doyle conceded, however, that "we are still not making a lot of money even with all the pricing changes."

The pricing changes at First State—as with most surplus lines insurers—have been dramatic. Casualty rates last year averaged 135% over 1984 prices, while property increases averaged 43%, according to Mr. Doyle.

So far this year, casualty rates are up another 50%, he added.

Casualty business accounted for 60.6%, or \$112.1 million, of First State's gross premiums last year.

Property prices, however, "have leveled off already and are going down slightly," Mr. Doyle said.

First State's property business—which accounted for \$67 million, or 36.3%, of 1985 gross premiums—is all primary rather than excess coverage, and the insurer competes for this business not with other surplus lines insurers but with admitted insurers, he said.

"Basically, it's the Aetna, the Travelers and Fireman's Fund coming after our accounts," Mr. Doyle said, explaining the softening of First State's property rates.

The remaining 3.1% of First State's 1985 gross premiums was produced by combined property and liability lines.

Along with raising rates, First State has tightened its insuring conditions on the new business it has written.

For example, the minimum attachment point on excess liability policies—which account for 90% of First State's casualty book—was raised last year to \$2 million, and may range as high as \$5 million, Mr. Doyle said. Previously the minimum attachment point was \$1 million.

First State last year phased out writing umbrella liability risks, and now writes only following-form excess policies, he said. The insurer also phased out the writing of primary liability policies, which had accounted for about 10% of its casualty book in 1984.

The remaining 10% of the insurer's casualty book comprises professional indemnity coverages for mid-sized financial institutions and lawyers, he added.

In addition to these underwriting changes, First State now:

- Excludes all pollution risks from its policies.
- Includes defense costs within policy limits.
- Imposes a single aggregate limit on all liability exposures, including products and completed operations and owners, landlords and tenants exposures, though this could



Mr. Doyle

change, Mr. Doyle said.

"That's a problem for us going forward," he observed, noting that other excess liability insurers don't necessarily impose the same aggregate limit. "If there is a lack of continuity among excess layers, it's difficult for brokers to complete the lineup."

First State has not made broad use of the claims-made form for casualty risks, now writing only about 5% of its casualty business on a claims-made basis, Mr. Doyle said.

"Unfortunately, it was difficult to sell in many areas," he explained, noting resistance not only from buyers but also from agents and brokers who were unwilling to cope with the complexities of a switch from occurrence coverage.

The use of claims-made forms presents underwriters with a "good news/bad news" situation, he added: The good news is that a policyholder has accepted claims-made coverage; the bad news is that the policyholder that accepts the form tends to be a high-hazard risk and represents adverse selection for the underwriter.

"We have convinced (our reinsurers) that we can do better for them by writing Main Street commercial business" on an occurrence form, Mr. Doyle said.

Much of First State's casualty business is composed of medium-sized light manufacturers, service industries, construction risks and shopping centers, he noted.

"We don't write the Fortune 500 at all. Most of our business is medium-sized commercial accounts," he said.

While First State is willing to consider writing most lines of insurance—the more hazardous ones on a claims-made form—the only line it refuses to consider is directors and officers liability coverage, Mr. Doyle said.

First State's maximum gross limit per casualty risk is \$5 million, unchanged from last year, while its maximum net line is \$2 million, Mr. Doyle said, adding that the insurer uses its full per-risk limit on about 60% of its business.

The insurer's gross line on property risks is \$7.5 million—up from \$5 million last year—while its net line is \$1.5 million. First State "very seldom" uses its full gross limit on property business, Mr. Doyle said.

The tightening of reinsurance markets has produced a marked increase in First State's net retention per risk, a trend that is continuing this year, Mr. Doyle noted.

"We are keeping more of the business because the reinsurance market out there is not interested in reinsuring surplus lines companies," he said, adding that the reinsurers' attitude is "ironic" since the business is now "realistically" priced and would be profitable.

Since the end of 1984, First State has participated in a reinsurance pooling arrangement with Hartford Fire, ceding 100% of its direct business to its parent.

Continued on next page



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Hartford Fire, in turn, has assumed First State's hundreds of reinsurance contracts—many of them with unauthorized reinsurers—thus removing the drain on First State's policyholder surplus of liabilities for unauthorized reinsurance.

First State's net written premiums last year totaled \$20.6 million, or 11.2% of gross premiums of \$184.8 million. Most of the net volume represented reinsurance assumed from Hartford through the pool.

In 1984, net premiums of \$7.4 million amounted to just 3.6% of gross volume of \$204.6 million.

This year, First State's net volume will jump dramatically, to \$105 million or about 50% of its expected gross written premium volume of \$210 million, according to Mr. Doyle.

Cameron & Colby Co. Inc.—exclusive underwriting manager of First State and affiliates New England Insurance Co. and New England Reinsurance Corp.—also manages the reinsurance portfolio that supports the First State business but is ceded to Hartford Fire, Mr. Doyle explained.

The number of reinsurers in this portfolio is "substantially lower" than it was in 1984 and now consists mainly of U.S. reinsurers that are broker markets, he said.

Cameron & Colby has recently been compelled to rely more heavily on facultative reinsurance for casualty business, mainly to generate capacity no longer available from treaty reinsurers, he said.

The manager also has significantly increased First State's reserves for uncollectible reinsurance, according to Mr. Doyle, who declined to provide figures or name the reinsurers involved.

The property reinsurance program, which includes excess-of-loss and surplus treaties, is basically unchanged since last year, he noted, adding that property reinsurers were not called upon to pay any losses on First State's book in 1985.

First State's 1985 annual statement shows \$389.1 million in reinsurance recoverable on unpaid losses from Hartford Fire, with \$164.2 million of premiums in force—First State's direct written premium volume. Assumed reinsurance accounted for \$20.6 million.

Of the direct business, \$104.2 million, or 63.5%, is written on a non-admitted basis. The remaining \$60 million is written in the three states where First State is admitted: California, which accounted for \$42.7 million in direct premiums; Massachusetts, which produced \$17.1 million; and Delaware, which produced \$177,965.

On March 31, the New York Insurance Exchange approved the withdrawal application of First State Syndicate, a New England Re subsidiary that until last year had been writing direct business as an exchange underwriting member.

First State Syndicate had previously announced its intention to withdraw from the exchange (BI, Sept. 2, 1985).

About 75% of First State's business comes from independent wholesale brokers or the wholesale arms of the major retail brokers, Mr. Doyle said. The remaining 25% comes from retail brokers with whom First State has had long-standing relationships.

First State is developing about 10 new products that may be introduced when the surplus lines market becomes competitive again, according to Mr. Doyle, who declined to discuss specifics of the products.

First State also has formed a new Alternative Risk Management unit, intended to put together risk funding arrangements as an alternative to traditional insurance, using

Abbey Overseas Group, a Bermuda-based Hartford unit.

Details of the claims-made coverage that would be offered in such funding arrangements are still being worked on, Mr. Doyle said.

First State's officers are identical to those of its underwriting manager, Cameron & Colby. In addition to Mr. Doyle, they include Richard E. Willey, chairman, and Ralph J. Palmieri, executive vp.

Graves D. Hewitt, who had been chief executive officer, retired June 1. He is now serving as a consultant to Willcox Inc., the reinsurance intermediary owned jointly by Johnson & Higgins in New York and Willis Faber P.L.C. in London.

Chester A. Abbey, who had served as vice chairman, has moved to Bermuda as president of Abbey Overseas.

First State last year was assigned a rating by A.M. Best Co. of A-pooled.

—By Douglas McLeod

St. Paul Surplus Lines Insurance Co.

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

	1985	1984
Gross premiums.....	\$125,759,165	\$66,795,847
Non-admitted.....	\$104,151,645	\$48,452,174
Net premiums.....	\$21,607,519	\$18,343,673
Paid-in capital.....	\$2,000,000	\$2,000,000
Capital & surplus.....	\$7,280,513	\$4,270,940
Employees.....	185	184
Combined ratio.....	120.5%	131.0%
Commercial risks.....	100%	100%
Net income.....	-\$309,425	-\$2,057,105
Best's rating.....	A	A-plus

Rate hikes and new business promise to increase premium volume at St. Paul Surplus Lines Insurance Co. through 1987.

However, poor results from business on the books prior to 1985 probably will produce a statutory net loss in 1986—the company's fourth in a row.

"Overall, we're still going to

show improved results, but I don't know if we'll show a profit" in 1986, says Kenneth F. Goldstein, president of the Atwater McMillan Inc. subsidiary.

St. Paul Surplus Lines reported a statutory net loss of \$309,425 in 1985, a marked improvement from a \$2.1 million loss in 1984 and a \$1.6 million loss in 1983.

To boost policyholder surplus, which decreased \$2.2 million to \$4.3 million in 1984, St. Paul Fire & Marine Insurance Co. contributed \$3 million to the insurer's surplus in 1985, increasing it to \$7.3 million.

Although St. Paul Surplus Lines may post yet another operating loss this year, company executives believe that its improved 1985 results signal that the worst is behind the company.

St. Paul Surplus Lines reported \$104.2 million in gross premiums written on a direct non-admitted basis in 1985, ranking it as the

eighth-largest surplus lines insurer in the *Business Insurance* survey.

That's a whopping 115% increase from \$48.5 million in direct, non-admitted premiums written in 1984, and nearly 50% more than the \$70 million that St. Paul Surplus Lines executives expected to write last year.

Gross premium volume in 1985 totaled \$125.8 million, an 88.3% increase from \$66.8 million in 1984.

But, the rise in net premiums was not nearly as large, as net premiums grew 17.8% to \$21.6 million in 1985 from \$18.3 million in 1984.

One reason for last year's spectacular increase in gross premiums was significant rate increases, according to Mr. Goldstein.

He added that he expects rates to rise through the end of 1986, although percentage increases have not been as great this year as in 1985.

Continued on next page



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spotlight report

Continued from previous page

"For 1985, rate increases were much stronger than we expected, particularly in the casualty area," Mr. Goldstein explained. "At one point in the year, we were getting 200% to 300% rate increases. On property, we were getting 100% average increases.

"This year, we are still seeing higher rate increases than we expected, although not anywhere near the increases in 1985," Mr. Goldstein noted. Rates this year have increased an average of 100% for casualty business and 25% for property coverages, he said.

Besides the rate increases, St. Paul Surplus Lines executives expect continued improved results because the company has redirected its underwriting policy to minimize claims frequency.

Beginning in 1984, the insurer stopped writing high-frequency primary liability risks, like grocery store accounts. Instead, St.

Paul Surplus Lines is writing more excess casualty business, which produces fewer claims.

"We're seeing much better yearly results for the business written in 1985 and 1986," Mr. Goldstein said, comparing the insurer's 120.5% combined ratio in 1985 with the 131% combined ratio it posted the in 1984. "We expect a gain on the business we're writing now," he added.

For 1986, company executives expect that the insurer will write \$200 million in direct premiums. Through the first six months of the year, St. Paul Surplus Lines wrote \$84.9 million in direct premiums and generated a first-half combined ratio of 114.5%.



Mr. Goldstein

Mr. Goldstein expects casualty volume to grow faster than property this year. He projects that \$155 million, or 77.5% of the projected premium volume will be casualty, while \$45 million, or 22.5%, will be property.

In 1985, casualty business accounted for about 70%, or \$88 million, of gross premium volume, while property business accounted for 30%, or \$37.7 million.

Mr. Goldstein also expects that the company will maintain the shift toward excess and umbrella casualty coverages it initiated in 1984. He projects that 70% of its 1986 casualty volume will be made up of excess business, 20% will be umbrella coverages and 10% primary.

Meanwhile, like last year, 90% of the property coverage written this year by St. Paul Surplus Lines will be on a primary basis.

The company writes a diverse range of property risks, with the

the heaviest concentration in the manufacturing businesses.

St. Paul Surplus Lines' gross capacity for most casualty risks remains at \$5 million. Gross capacity for most property lines increased with its July 1 reinsurance treaty renewal to \$6.5 million from \$4.5 million last year.

St. Paul Surplus Lines writes excess liability coverage on both occurrence and claims-made forms, depending upon the type of form used by the primary insurer, Mr. Goldstein says. However, it will write some types of risks—such as long-tail product liability exposures—only on a claims-made form, and will not write excess coverage for such risks whose primary insurance is written on an occurrence basis.

Mr. Goldstein noted that reinsurers are becoming more comfortable with the idea of assuming liability business written on an occurrence form. "At the begin-

ning of the year, we had a lot of resistance from reinsurers who wanted claims-made only. We're getting some signs now that they are more willing to be more flexible," Mr. Goldstein said.

St. Paul Surplus Lines maintains joint reinsurance contracts with St. Paul Fire & Marine.

St. Paul Surplus Lines stopped writing two types of coverage earlier this year: environmental impairment liability and political risk.

"We felt there were better opportunities for those resources in other areas. There's an awful lot of engineering work that has to be done," Mr. Goldstein said, noting that the company only wrote a minimal amount of EIL business.

He added that the insurer discontinued its political risk book for similar reasons.

Among other areas that the company's resources are now being applied are specialty products such as directors and officers liability, liquor liability and property coverages for offshore and onshore oil drilling operations.

St. Paul Surplus Lines offers up to \$5 million in D&O limits to for-profit organizations, though it won't write financial institution risks.

"Though we are currently writing mainly on an excess basis, attaching over a minimum underlying of \$5 million, our intent in this area is to achieve a better balance in our D&O book by increasing our primary writings to about 25% of the total," he says.

The minimum premium for the coverage is \$20,000, and there is a minimum \$100,000 deductible for primary coverage.

St. Paul Surplus Lines is a market for liquor liability coverage for establishments in Pennsylvania, Delaware, Florida and North Dakota whose liquor sales comprise less than 50% of their total receipts. Coverage is written only on a primary basis, with limits of \$500,000 available. There is a "minimal" deductible, according to Mr. Goldstein. The coverage is now written on an occurrence form, though the insurer plans to soon begin writing solely on a claims-made basis.

It also expects to expand the program to additional states.

In addition, St. Paul Surplus Lines offers up to \$30 million in business interruption coverage to onshore drilling operations as part of the oil industry coverage. It also can write \$7.5 million in physical damage coverage for offshore drilling operations.

The D&O, liquor liability and oil drilling programs are marketed exclusively through wholesale broker Swett & Crawford Group, another St. Paul Cos. Inc. unit.

The major producers for St. Paul Surplus Lines include Swett & Crawford and Stewart Smith Holdings Inc. nationwide; Neal, Lloyd & Co. Inc. and Travis-Pedersen & Associates Inc. in Chicago; Anexco Insurance Agency Inc. on the East Coast; Sherwood Insurance Services on the West Coast; Wood & Co. Inc. in Atlanta; Tuley/Barnard & Associates Inc. in Texas; and McAlear Associates Inc. in Michigan.

St. Paul Surplus Lines carries a Best's rating of A, the rating assigned to St. Paul Cos. Inc. affiliates.

The company, which writes only commercial risks, writes on a direct, non-admitted basis in 48 states and the District of Columbia. It does not write in Delaware, where it is licensed, or in New Jersey, where it is not an approved non-admitted insurer.

In addition to Mr. Goldstein, the principal officers of St. Paul Surplus Lines are Arthur B. McHugh and Janet B. Nelson, senior vps; and Terry Y. Younghanz, vp.

—By Dave Lenckus

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Constitution State Insurance Co.

One Financial Plaza, Hartford, Conn. 06103; 203-277-4692

	1985	1984
Gross premiums.....	\$109,361,425	\$40,922,544
Non-admitted.....	\$95,906,517	\$33,131,211
Net premiums.....	\$28,447,449	\$11,192,045
Paid-in capital.....	\$2,250,000	\$2,250,000
Capital & surplus.....	\$20,708,415	\$21,276,702
Employees.....	55	23
Combined ratio.....	129.7%	106.3%
Commercial risks.....	97%	95%
Net income.....	-\$568,721	\$1,117,969
Best's rating.....	A*	A*

*Rating assigned to parent, Travelers Indemnity Co.

Constitution State Insurance Co. really got down to business during 1985.

Last year was Constitution State's first full year of actively writing business, though the Travelers Indemnity Co. subsidiary was created in 1979, explained President Donald L. Cole.

Constitution State previously wrote little business because management was unhappy with market conditions, said Mr. Cole.



Mr. Cole

Another factor inhibiting its growth was that Constitution State during its early years was not approved to write business in a number of states, pointed out Vp Russell D. Hendrickson.

The company also needed time to get acquainted with the wholesalers that produce its business, he said.

But, last year, "We saw some good things happen in the marketplace, and we decided 1985 was a good time to start writing business," said Mr. Cole.

"We could take advantage of a satisfactory increase in pricing, which could then take place on our existing business as well," he added.

As a result, Constitution State's gross premiums written on a direct, non-admitted basis soared 189.5% to \$95.9 million in 1985 from \$33.1 million the prior year, ranking it as the 10th-largest U.S. surplus lines insurer in the *Business Insurance* survey.

A total of 97% of Constitution's direct business was written on a non-admitted basis in 1985, up from 95% in 1984.

Total gross premiums rose 167.2% to \$109.4 million from \$40.9 million.

Meanwhile, net written premiums increased 154.2% to \$28.4 million from \$11.2 million, while earned premiums more than doubled to \$20.3 million from \$9.2 million in 1984.

But, as premium volume rose, so did the company's combined ratio—to 129.7% in 1985 from 106.3% in 1984.

Constitution State assumed reinsurance from Travelers during its first year of operation to generate premium volume, Mr. Cole explained.

"Everyone knows what happened to the reinsurance business" last year, he said. "It just didn't run well. It's running off, but it's still in there." Constitution State assumed \$11.1 million in reinsurance in 1985.

Overall, losses incurred and loss expenses at Constitution State soared 175% to \$22.3 million from \$8.1 million. After adding in other underwriting expenses, Constitution State reported a net underwriting loss of \$7.6 million in 1985, compared with a \$1 million loss in 1984.

Partially offsetting the underwriting loss was investment income, which jumped 143% to

\$5.6 million in 1985 from \$2.3 million in 1984. After taxes are taken into account, Constitution State was left with a \$569,000 statutory net loss, compared with \$1.1 million in net income in 1984.

But if Constitution State's surplus lines business alone is considered, the company posted close to a \$1.5 million profit, Mr. Cole said. The surplus business generated a 111% combined ratio last year, while the reinsurance business generated a 130% combined ratio, he said.

Constitution State does not write business for any Fortune 1,000 companies, said Mr. Hendrickson, adding, "We plan to continue to emphasize the small-to medium-sized accounts."

Of the \$98.3 million in both admitted and non-admitted direct business written by Constitution State in 1985, the biggest chunk, \$76.2 million, was for "other liability." This category largely con-

sisted of primary owners, landlords and tenants coverage and liability coverages for manufacturers and contractors, said Mr. Hendrickson.

It also writes condominium directors and officers liability coverage.

"We did write a substantial amount of liquor legal liability, but we have stopped writing that for all intents and purposes," said Mr. Hendrickson.

"We did write about \$30 million worth of umbrella and excess liability business," he added. But the insurer stopped writing this business as of Jan. 1, he said, because of "the confusion over the claims-made" general liability insurance form.

The insurer also writes "very, very little products (liability) by itself," said Mr. Hendrickson.

Other major lines include commercial multiperil, of which Constitution State wrote \$11.2 million

in premium last year. It also wrote \$7.4 million in fire coverages.

The company will also write inland marine coverage, but only if it is in connection with other lines.

"We do not write any earthquake as such," added Mr. Hendrickson. The company also writes no workers compensation or "hardly any" medical malpractice.

Although its business grew dramatically last year, Constitution State's mix of business has remained essentially the same, except for dropping excess liability and umbrella liability insurance, said Mr. Hendrickson.

On business for which it has basic reinsurance treaties in place, Constitution State will write gross limits of \$3 million per risk for general liability and \$5 million for property. If facultative reinsurance is arranged, Constitution State normally will offer maxi-

mum limits of \$5 million for general liability lines and \$15 million for property coverage.

On a net basis, Constitution State will retain an average of about \$250,000 to \$500,000 per risk.

Constitution State's main reinsurers are Hanseco Reinsurance Co., Prudential Reinsurance Co., The North American Co. for Property & Casualty Insurance, CNA Reinsurance of London, Reliance Insurance Co. and Transamerica Insurance Co.

Constitution State studies its reinsurers "very closely to make sure we have good security," said Mr. Hendrickson. Because it works closely with its reinsurers, the insurer is able to determine how sound their financial positions are.

This year, "We kept our treaties basically in place, with most of the same reinsurers on most of the

Continued on next page



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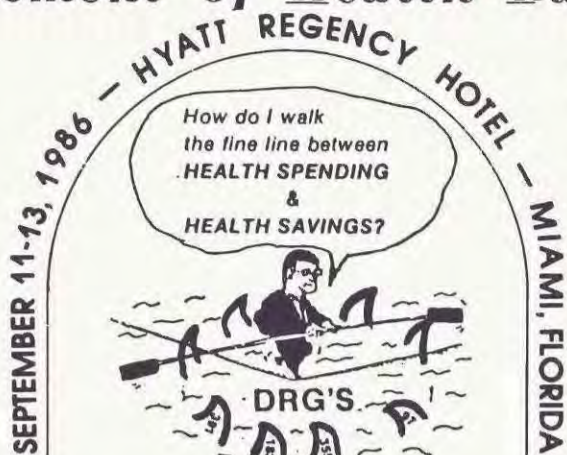
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Continued from previous page treaties," said Mr. Hendrickson, although "the terms and conditions were tighter and the pricing was up."

The company has suffered no "shortfalls" from uncollected reinsurance, said Mr. Cole. According to Schedule F of its 1985 annual statement, the company does not cede any reinsurance to unauthorized insurers.

Constitution writes business through 24 managing general agents based in 33 locations around the country, said Mr. Hendrickson.

Constitution does not plan to increase its agent force, said Mr. Hendrickson. "We are very happy and pleased with the people we have now representing us," he said. They were appointed primarily because Travelers worked with them in the past, "so we had a business relationship with them."

"It is a true partnership between

our general agents, our reinsurers and ourselves. We all try to make a profit, and if one doesn't make a profit, the partnership could easily dissolve."

While the company plans to make a profit this year, it estimates it will write only \$80 million to \$90 million in gross premiums, down from \$109.4 million in 1985, said Mr. Hendrickson.

"At the present time, and effective Jan. 1, 1986, we were writing exclusively claims-made and, as you know, this has not been accepted by the industry and the state regulators to a large extent, as well as the retail agents and insureds, so our volumes have been down because other companies are offering the occurrence coverage," he said.

Mr. Hendrickson added, though, "We're planning to modify our stance on that, to go back to a conservative marketing plan using the occurrence forms for selected classes of business, and that's basically Main Street OL&T business. We are waiting right now for approval from our lead reinsurers."

This year, Constitution's reinsurance business "shouldn't be a drain on operations at all." It anticipates posting total profit of \$2.3 million. Of that, about \$1 million will be from the \$8 million it expects to generate from its assumed reinsurance business.

The company's overall combined ratio should be about 104% to 105% for excess/surplus lines business, and 101% for the assumed reinsurance business, company officials estimate.

"Basically, what we're trying to do is maintain our volume close to \$100 million gross (on the E/S business) through 1991. It moves as we see the cycle changing, so \$100 million is a benchmark we're working on," said Mr. Hendrickson.

In 1987, he said, Constitution State expects to post \$2.5 million in profit, of which \$500,000 would be generated by about \$6 million in reinsurance assumed. Its overall combined ratio should be about 97.3%, with the excess/surplus lines business posting a 96% combined ratio and assumed reinsurance generating a 100% combined ratio.

The surplus lines market will probably be "at its high point, or close to it" in 1986 or 1987, said Mr. Cole. "I would see the primary insurance companies getting more competitive—by competitive, I mean price competitive—in late '87 to '89."

"Surplus lines companies should not be in business to compete with the primary companies on a price basis," Mr. Cole said. Constitution State "will not fight them on that basis," he added.

"We're willing to contract" rather than compete, added Mr. Hendrickson.

Price competition already has appeared in "certain pockets of the country, where a number of standard admitted companies and some of the E/S companies are becoming very competitive in the property area, and we see some softening of some of the rates," said Mr. Hendrickson.

The only other state in which the insurer is admitted is Connecticut, where it is domiciled.

Constitution State carries an A rating from A.M. Best Co., the rating given to parent Travelers Indemnity.

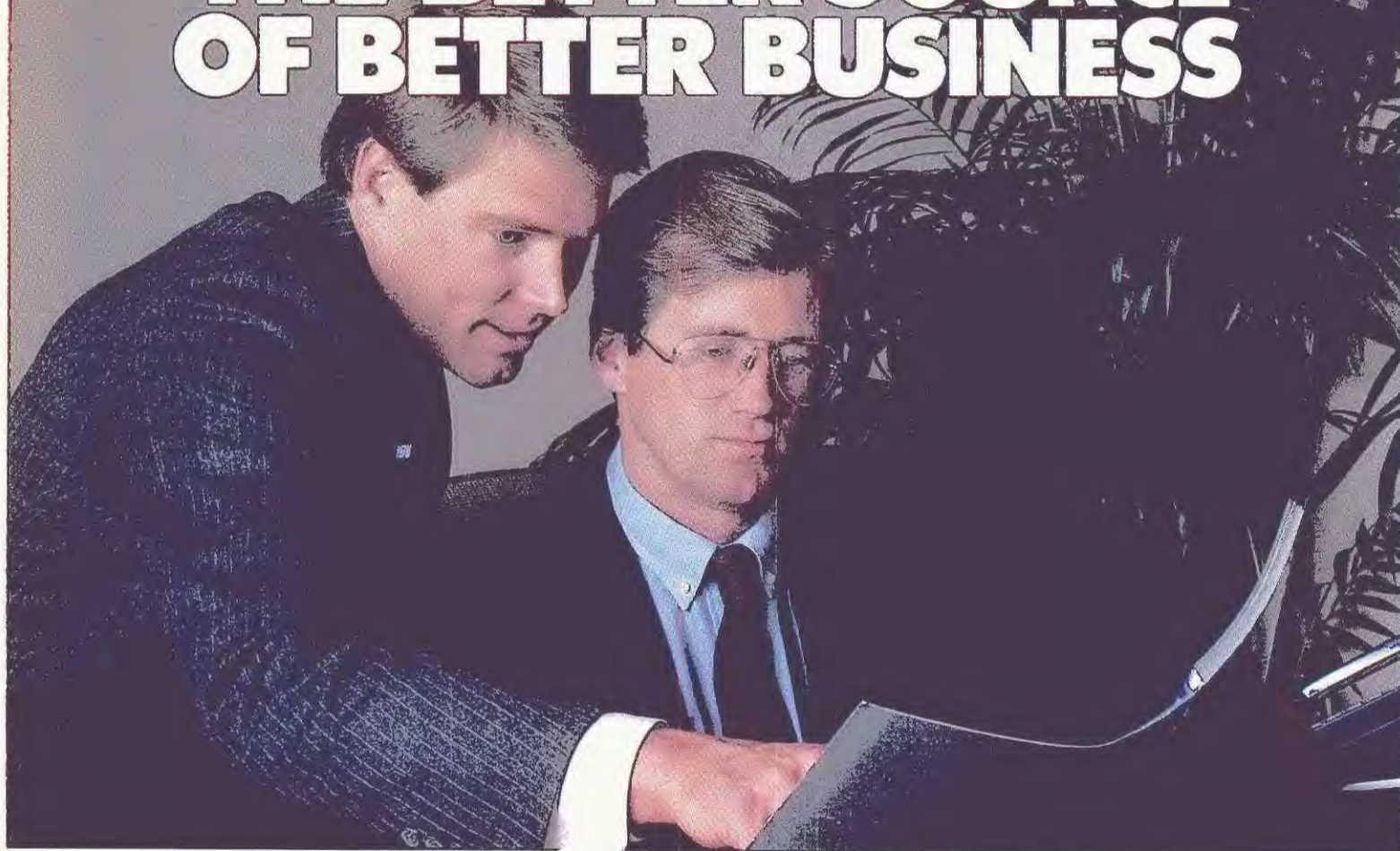
Other principal officers of Constitution State include its chairman, Wheeler H. Hess Jr.

—By Judy Greenwald



Mr. Hendrickson

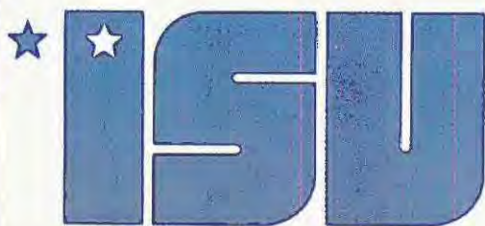
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Directory of surplus lines insurers

Admiral Insurance Co.
 1255 Caldwell Road, P.O. Box
 5725, Cherry Hill, N.J. 08034;
 609-429-9200

	1985	1984
Gross premiums.....	\$108,086,450	\$60,984,750
Non-admitted.....	\$89,615,358	\$47,508,470
Net premiums.....	\$46,001,059	\$26,152,110
Paid-in capital.....	\$2,000,000	\$2,000,000
Capital & surplus.....	\$37,221,727	\$15,549,272
Employees.....	11	11
Combined ratio.....	91.6%	115%
Commercial risks.....	95%	99%
Net income.....	\$5,964,466	\$1,794,006
Best's rating.....	A	A

Year founded: 1952.
Parent company: W.R. Berkley Corp.

Affiliates: Jersey/International Group Inc., Jersey/International Underwriting Managers Inc., Northwest/International Underwriting Managers Inc., Southwest/International Underwriting Managers Inc.

Approved non-admitted in: 47 states and District of Columbia

Admitted in: Delaware, New Jersey, Texas.

Principal officers: M.J. Snead, president; M.J. Calpin and L.M. Oberg, executive vps; J.J. Duffett, senior vp; K. Crawford, treasurer.

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

	1985	1984
Gross premiums.....	\$49,872,468	\$50,355,824
Non-admitted.....	\$22,041,942	\$19,774,792
Net premiums.....	\$2,984,997	\$2,643,625
Paid-in capital.....	\$2,000,000	\$2,000,000
Capital & surplus.....	\$9,485,970	\$11,100,796
Employees.....	52	76
Combined ratio.....	196.4%	288.2%
Commercial risks.....	100%	100%
Net income.....	(\$150,210)	(\$1,514,864)
Best's rating.....	Not assigned	Not assigned

Year founded: 1978.

Parent company: Allianz of America Inc.

Specialties: Property insurance.

Approved non-admitted in: 47 states and District of Columbia.

Admitted in: California, Missouri, New York.

Principal officers: Herbert Hansmeyer, president; William J. Shepard, executive vp; Trevor E. Care, senior vp; Anthony C. Tirdel, vp; Paul Kaduk, treasurer.

Columbia Casualty Co.
 55 E. Jackson Blvd., 17W, Chicago, Ill. 60471; 312-822-6826

	1985	1984
Gross premiums.....	\$157,935,834	\$71,434,725
Non-admitted.....	\$76,896,733	\$16,366,736
Net premiums.....	\$64,174,669	\$54,566,047
Paid-in capital.....	\$2,000,000	\$2,000,000
Capital & surplus.....	\$39,455,685	\$34,598,085
Employees.....	30	27
Combined ratio.....	122.8%	126.6%
Commercial risks.....	100%	100%
Net income.....	\$5,004,442	\$1,593,872
Best's rating.....	A + *	A + *

*Pooled rating
Year founded: 1900.
Parent company: Continental Casualty Co.

Approved non-admitted in: 47 states and District of Columbia.

Admitted in: Illinois.

Principal officers: E.J. Noha, chairman; N.W. Prather, president; D.H. Chookaszian and W.D. Courtney, vps.

Essex Insurance Co.
 P.O. Box 11046, Richmond, Va. 23230; 804-270-3870

	1985	1984
Gross premiums.....	\$18,196,336	\$8,781,878
Non-admitted.....	\$11,551,657	\$3,783,104
Net premiums.....	\$5,794,152	\$3,389,137
Paid-in capital.....	\$1,250,000	\$1,000,000
Capital & surplus.....	\$3,258,759	\$2,504,646
Employees.....	NA	NA
Combined ratio.....	96.5%	131.3%
Commercial risks.....	100%	100%
Net income.....	\$330,044	(\$652,406)
Best's rating.....	Not assigned	Not assigned

Admitted in: Delaware.

Principal officers: Anthony Foster Markel, president; Steven Andrew Markel, vp/treasurer; Alan Irving Kirshner, chairman.

Year founded: 1980.

Parent company: Markel Corp.

Specialties: Property, casualty, inland marine, physical damage.

Approved non-admitted in: Alabama, Arizona, Arkansas, Colorado, District of Columbia, Florida, Georgia, Michigan, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maryland, Mississippi, Missouri, Montana, Nebraska, New Mexico, North Dakota, Ohio, Oklahoma, Oregon, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, West Virginia, Wisconsin, Wyoming.

Admitted in: Delaware.

Principal officers: Anthony Foster Markel, president; Steven Andrew Markel, vp/treasurer; Alan Irving Kirshner, chairman.

Continued on page 38

Directory explained

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 insurance business.

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.

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3699 Wilshire Boulevard
 Los Angeles, CA 90010

Continued from page 37

Interstate Fire & Casualty Co.

55 E. Monroe St., Chicago, Ill.
60603; 312-346-6400

	1985	1984
Gross premiums	\$96,686,252	\$114,725,105
Non-admitted	\$37,439,775	\$20,403,917
Net premiums	\$52,276,906	\$76,984,875
Paid-in capital	\$1,750,000	\$1,750,000
Capital & surplus	\$45,188,692	\$37,207,513
Employees	NA	NA
Combined ratio	158.2%	143.2%
Commercial risks	100%	100%
Net income	(\$6,042,011)	(\$10,925,895)
Best's rating	A*	B+**

*Contingent; pooled rating

**Pooled rating

Year founded: 1950

Parent company: Interstate National Corp.

Specialties: Excess and umbrella, excess private passenger, home health care.

Subsidiaries: Chicago Insurance Co., Interstate Indemnity Co.

Approved non-admitted in: 47 states and District of Columbia.

Admitted in: Michigan, Illinois.

Principal officers: Patrick S.

O'Flynn, president/chief executive officer; John Dunbar, vp-underwriting/reinsurance; John Keefe, vp/claims counsel; James McGill, vp/treasurer/chief financial officer; Raymond Garver, vp-branch operations.

National Fire & Marine Insurance Co.

3024 Harney St., Omaha, Neb.
68131; 712-346-7400

	1985	1984
Gross premiums	\$52,387,977	\$20,042,058
Non-admitted	\$30,537,763	\$11,323,563
Net premiums	\$27,132,193	\$10,684,132
Paid-in capital	\$2,500,000	\$2,500,000
Capital & surplus	\$363,033,107	\$289,447,174
Employees	385	353
Combined ratio	93.3%	112.3%
Commercial risks	93.9%	89.9%
Net income	\$37,986,395	\$21,013,970
Best's rating	A+	A+

Year founded: 1949

Parent company: Berkshire Hathaway Inc.

Specialties: Long-haul trucking, other types of trucking, public buses.

Subsidiaries: Redwood Fire & Casualty Co.

Approved non-admitted in: 45

states and District of Columbia.

Admitted in: Nebraska, New Jersey.

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

Nautilus Insurance Co.

14455 N. Hayden Road, Scottsdale, Ariz. 85260; 602-951-0905

	1985*	1984
Gross premiums	\$9,145,305	NA
Non-admitted	\$8,744,313	NA
Net premiums	\$5,391,424	NA
Paid-in capital	\$3,000,000	NA
Capital & surplus	\$8,330,000	NA
Employees	31	NA
Combined ratio	92.9%	NA
Commercial risks	95.6%	NA
Net income	(\$630,000)	NA
Best's rating	Not assigned	NA

*Figures are for October 1985 to July 1986

Year founded: 1985

Parent company: W.R. Berkley Corp.

Specialties: Primary general liability, monoline property coverage and multiperil policies.

Approved non-admitted in: Alabama, Alaska, Arkansas, California,

Colorado, Connecticut, District of Columbia, Georgia, Hawaii, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin, Wyoming.

Admitted in: Arizona.

Principal officers: Michael J. Sneed, president; Eugene J. Keating Jr., executive vp/chief operating officer; Douglas B. Rutherford and Kenneth E. Lewin, vps; John M. Runberg, treasurer.

Northfield Insurance Co.

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

	1985	1984
Gross premiums	\$23,385,927	\$19,230,408
Non-admitted	\$23,385,927	\$19,230,408
Net premiums	\$14,236,721	\$9,065,096
Paid-in capital	\$2,500,000	\$2,500,000
Capital & surplus	\$12,151,265	\$11,438,511
Employees	146	93
Combined ratio	92.2%	110.7%
Commercial risks	85%	80%

Net income	\$1,058,004	(\$61,120)
Best's rating	A+	A+

Year founded: 1972

Parent company: Northland Insurance Co.

Approved non-admitted in: 42 states and District of Columbia.

Admitted in: Delaware.

Principal officers: Gene George Gopon, Jerome Bernard Simon, Austin Chapman, Donald William Elliott, John Francis Iannucci.

Pacific Insurance Co.

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

	1985	1984
Gross premiums	\$53,871,384	\$30,430,922
Non-admitted	\$21,111,181	\$16,173,709
Net premiums	\$22,632,560	\$4,251,440
Paid-in capital	\$2,000,000	\$2,000,000
Capital & surplus	\$23,633,045	\$20,986,994
Employees	NA	NA
Combined ratio	111.7%	115%
Commercial risks	100%	100%
Net income	\$570,126	\$3,290,778
Best's rating	A	A

Year founded: 1978

Parent company: Harbor Insurance Co.

Specialties: Directors and officers professional liability, excess liability.

Approved non-admitted in: 48 states and District of Columbia.

Admitted in: California, New York.

Principal officers: Edwin V. Hughes, president; Eugene L. Allen, executive vp; Alfred J. Leonard, senior vp; Harry D. Boyd, senior vp/secretary; Mark Burke, senior vp/treasurer.

Royal Surplus Lines Insurance Co.

628 Hebron Ave., Glastonbury, Conn. 06033; 704-522-2000

	1985	1984
Gross premiums	\$18,369,083	\$5,823,903
Non-admitted	\$18,369,083	\$5,823,903
Net premiums	\$2,791,946	\$432,727
Paid-in capital	\$2,500,000	\$2,500,000
Capital & surplus	\$27,140,673	\$26,991,045
Employees	NA	NA
Combined ratio	45.4%	220.3%
Commercial risks	100%	100%
Net income	\$2,564,249	\$1,895,355
Best's rating	A*	A*

*Rating of parent company.

Year founded: 1982

Parent company: Royal Insurance Co. of America.

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.

Admitted in: Connecticut.

Principal officers: George W. Ansbrosio, chairman/chief executive officer; Arthur F.S. Evans, executive vp; John E. Amico, vp; Joseph A. Bambury Jr., general counsel/corporate secretary; Donald L. Campbell, vp/investment officer.

Southern American Insurance Co.

5350 Poplar Ave., Memphis, Tenn.
38119; 901-761-1770

	1985	1984
Gross premiums	\$33,786,061	\$14,263,434
Non-admitted	\$22,377,305	\$9,188,653
Net premiums	\$6,298,643	\$3,692,573
Paid-in capital	\$7,000,000	\$2,000,000
Capital & surplus	\$14,920,892	\$10,132,718
Employees	50	33
Combined ratio	99.9%	109.5%
Commercial risks	100%	100%
Net income	\$1,497,344	\$1,234,696
Best's rating	A+	A+

Year founded: 1929

Parent company: The Crump Cos. Inc.

Specialties: Umbrella liability, buffer layer, gas utilities.

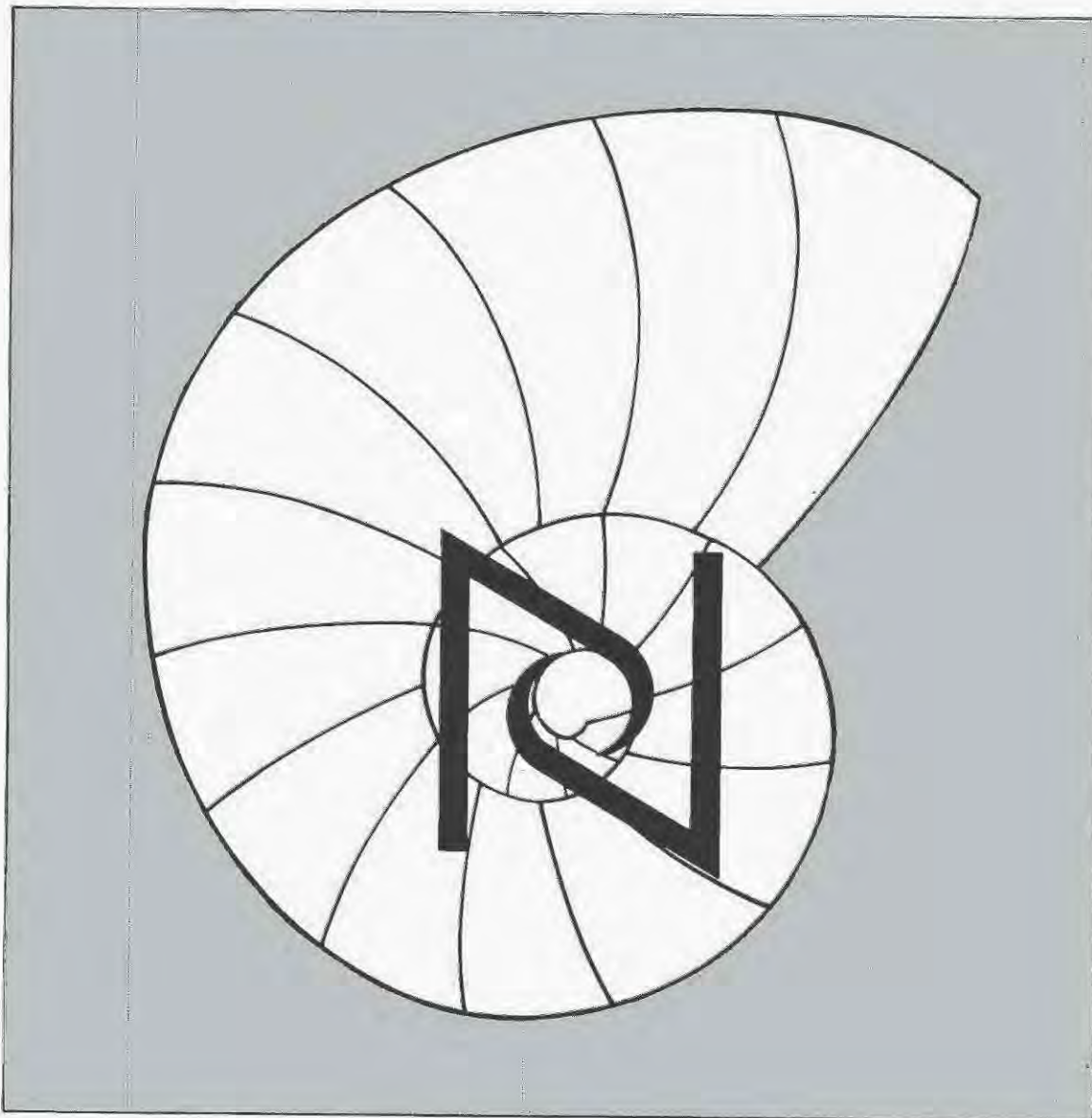
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Admitted in: Louisiana, Mississippi, Tennessee.

Principal officers: Sidney A. Stewart Jr., chairman; Donald A. Thomas, president; James M. Power, executive vp; James C. Campbell, senior vp-underwriting; Billy G.

Continued on page 39

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Continued from page 38
Hamm, senior vp-claims.

United Capitol Insurance Co.
1400 Lake Hearn Drive, Suite 130,
Atlanta, Ga. 30319; 404-843-5599

Year founded: 1986; no results available.

Parent company: United Capitol Holding Co.

Specialties: Primary casualty products on both an occurrence and claims-made basis, buffer liability, umbrella liability, excess liability, asbestos abatement liability; primary and excess property.

Approved non-admitted in: Alabama, Arkansas, District of Columbia, Georgia, Hawaii, Idaho, Indiana, Kansas, Maryland, Michigan, Mississippi, Missouri, Nebraska, Oklahoma, Oregon, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wyoming.

Admitted in: Arizona, Wisconsin.
Principal officers: Bruce A. Esselborn, president; John S. Gibson, executive vp; Steve S. Zeitman, vp-casualty; Peggy H. Brown, vp-property; Donald H. Browne, vp-claims.

Principal officers: Stuart A. Kessler, president; Henry W. Nozko Jr., secretary/executive vp; Roger M. Freedman, vp/treasurer.

Westco Insurance Group
48 S. Franklin Turnpike, Ramsey,
N.J. 07446-0504; 201-825-3300

	1985	1984
Gross premiums.....	\$95,022,596	\$47,267,215
Non-admitted.....	\$85,420,638	\$42,058,982
Net premiums.....	\$54,637,360	\$27,940,285
Paid-in capital.....	\$1,549,500	\$1,549,500
Capital & surplus.....	\$29,830,299	\$27,545,345
Employees.....	145	110
Combined ratio.....	108.3%	110.1%
Commercial risks.....	100%	100%
Net income.....	\$3,033,629	\$4,254,514
Best's rating.....	A+*	A+*

*Pooled rating

Year founded: 1964.

Subsidiaries: Tudor Insurance Co., Stratford Insurance Co.

Approved non-admitted in: 48 states and District of Columbia.

Admitted in: New Hampshire, New York.

Principal officers: Derek Hughes, president; Andy Frazier, R.L. Smith, Claude Signore and John Caruccio, senior vps.

less ance

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Market report on Lloyd's of London, the New York and Illinois Insurance Exchanges and the Insurance Exchange of the Americas.

**business
insurance**

United Coastal Insurance Co.

100 W. Washington St., Phoenix,
Ariz. 85003-1899; 203-560-1670

	1985	1984
Gross premiums.....	\$137,125	NA
Non-admitted.....	\$137,125	NA
Net premiums.....	\$137,125	NA
Paid-in capital.....	\$1,000,000	NA
Capital & surplus.....	\$10,348,901	NA
Employees.....	3	NA
Combined ratio.....	13%	NA
Commercial risks.....	100%	NA
Net income.....	\$64,640	NA
Best's rating.....	Not assigned	NA

Year founded: 1985.

Parent company: United Coasts Corp.

Specialties: Third-party liability for contractors specializing in asbestos removal.

Approved non-admitted in: Alaska, Colorado, Connecticut, District of Columbia, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Mississippi, Missouri, Nebraska, Nevada, New Jersey, New Mexico, North Carolina, North Dakota, Oklahoma, Oregon, Pennsylvania, South Dakota, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin, Wyoming.

Admitted in: Arizona.



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Swett & Crawford in wholesale limelight

Swett & Crawford Group

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

	1985	1984
Premium volume...	\$530,571,000	\$337,704,000
Gross revenues.....	\$50,411,000	\$32,517,000
Employees.....	675	557
Commercial lines..	100%	100%
Admitted business..	55%	70%
Non-admitted.....	45%	30%

The centerpiece of Swett & Crawford Group's swank Los Angeles headquarters is an intriguing collection of tattered telexes dating to the 1930s.

Displayed under glass, the yellowed cables tell of insurance placements made in days gone by for risks like motion pictures made in Hollywood's heyday with stars like James Cagney.

From those early days in the excess/surplus lines industry, S&C today has come to play the leading role in arranging wholesale property/casualty coverages.

S&C remains on top of *Business Insurance's* ranking of wholesale brokers for the second consecutive year, thanks to a strong increase in premium volume.

A subsidiary of The St. Paul Cos. Inc., S&C reports \$530.6 million in premium volume in 1985—\$248.2 million in the first half and \$282.4 million in the second. That's up 57.1% from 1984 premiums of \$337.7 million.

The 1985 premium growth exceeds the prediction of \$475 million to \$500 million the company made at this time last year, and is 27% more than the \$418.5 million posted by the next-largest wholesaler, Crum & Forster Managers Corp. of Illinois.

And, the growth continues: Six months into 1986, S&C reports \$356 million in premium volume, up 43.4% from the \$248.2 million in premium reported during the first six months of 1985.

Gross revenues also reflect S&C's market dominance: S&C's gross revenues jumped 55% to \$50.4 million from \$32.5 million in 1985.

Those revenues not only are the largest among the wholesale brokers, but would place Swett & Crawford in 11th place in *BI's* ranking of the largest U.S. retail brokers, between Arthur J. Gallagher & Co.'s \$81.6 million in revenues and Republic Hogg Robinson Inc.'s \$36.7 million.

S&C's growth is attributed about equally to price increases and business from new clients, says Executive Vp James A. Bradley.

New business will continue to represent a big chunk of revenues, he speculates, because of the changing buying habits of some existing clients.

Smaller companies, for example, no longer are renewing umbrella coverages.

About 80% of the premium volume reported by the wholesaler was placed as a broker and about 20% was placed as a managing general agent.

President and Chief Executive Officer Joseph L. Fox calls this ratio "a healthy balance."

The group is expected to write about \$150 million in premiums this year and broker about \$570 million, for a total volume of \$715 million.

Of the seven companies that make up Swett & Crawford Group, the Swett & Crawford subsidiary performs most of the pure brokering and contributed about half of S&C's revenues.

The other six S&C companies also act as brokers but they have made their reputations largely as MGAs. Collectively, they contri-

buted about half of the group's revenues last year.

Except for Appleton & Cox, these six companies all operated under the National Insurance Wholesalers banner until St. Paul consolidated their operations with those of Swett in June 1984.

The companies that make up S&C, all of which were coincidentally formed in the early-to-mid-1960s, are:

- Swett & Crawford, which brokers a broad spectrum of commercial property and casualty coverages for accounts paying premiums

generally in the six figures.

Known as a leading wholesaler of directors and officers liability coverage, much of which is placed with various St. Paul companies and Harbor Insurance Co., Los Angeles-based Swett also specializes in placing earthquake and difference-in-conditions coverage.

- Appleton & Cox in Minneapolis, formerly a division of Swett & Crawford and now one of S&C Group's subsidiaries.

A&C is dedicated to placing coverage for St. Paul's "top brass" agents, a group of independent

agents across the country favored by St. Paul for either the loss ratio on business they broker or the sheer amount of business they produce.

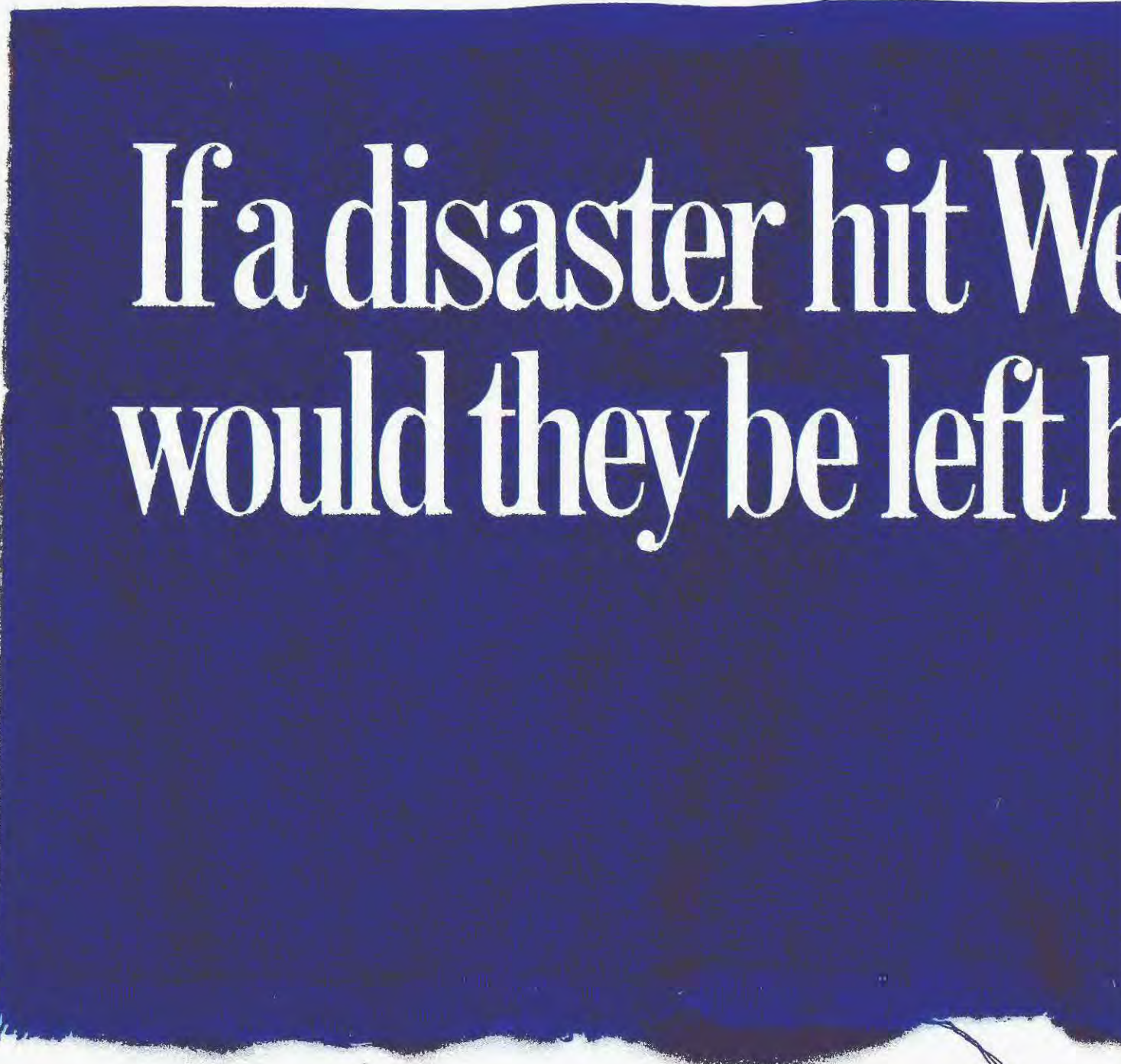
- Dana Roehrig & Associates in St. Petersburg, Fla., which is known for arranging excess liability and commercial auto insurance. It has MGA agreements for trucking coverages with National Indemnity Co. in Omaha, Neb., and Canal Insurance Co. in Greenville, S.C., among others.

- John H. Crowther Inc., which is strong in primary liability and

product liability coverages. A medium-sized brokerage based in Minneapolis, Crowther also writes many small property risks, arranges liquor liability coverage in several states. Among insurers it has MGA agreements with are Northland Insurance Co. in St. Paul and Columbia Casualty Co., a CNA Financial Corp. unit in Chicago.

- IWest Insurance Managers, which writes public entity liability insurance for Great American Surplus Lines Insurance Co. Based in

Continued on next page



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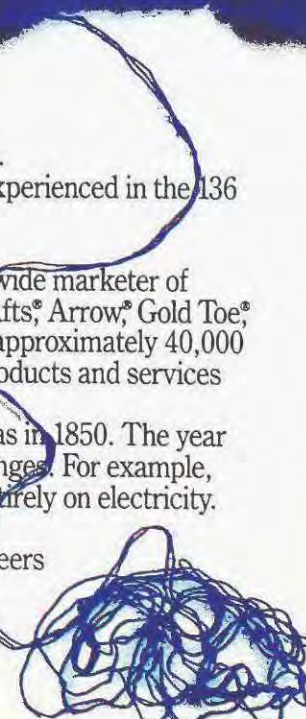
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Continued from previous page
Stockton, Calif., it also writes a significant amount of excess liability insurance.

- Montgomery General Agency in Ardmore, Pa., which is known for large, industrial property coverages, although its liability business is growing.

Montgomery General binds both property and liability risks for Scottsdale Insurance Co. and writes liquor liability coverage in Pennsylvania for Athena Assurance Co., a St. Paul unit.

- Fort Hill Insurance Agency, S&C Group's most recent addition. Boston-based Fort Hill specializes in medium-sized property and casualty placements, including commercial auto risks in Maine

and New England states. It has binding authority for Great American Surplus Lines, Jefferson Insurance Co. of New York and Canal.



Mr. Fox

Fort Hill, acquired by S&C last May, handled about \$47.3 million in premium volume in 1985. The brokerage, which has a strong presence in the Northeast, fills a geographical gap for S&C that has been vacant since former S&C management closed a Boston office almost three years ago.

Fort Hill, which Mr. Fox says represents "a super fit" into the group, brought with it 51 employees, bringing S&C's employee base to about 725 today.

The seven companies are developing the synergy which Mr. Fox and Mr. Bradley say they had hoped for. The competition in the companies' business dealings has turned into friendly rivalry and cooperation, Mr. Fox explains.

"Nobody had any idea of the success of it," says Mr. Bradley, who credits St. Paul with foresight in merging two of its wholesale operations. He says St. Paul is now in a "smiling mode" after S&C Group reported record profits last year.

Each S&C company still retains

an independent and entrepreneurial bent, Mr. Bradley says. IWest and Swett both have offices in San Francisco with very different identities, and Swett and Dana Roehrig operate as independent companies in the Tampa/St. Petersburg area.

S&C Group imposes no across-the-board minimum premium or revenue guidelines for the transactions of its member companies. Rather, because of their individual strengths and differences, they



Mr. Bradley

each set their own guidelines.

Nonetheless, to their collective benefit, they well work together in some group enterprises.

S&C's National Marketing Division is one business practice helping the company stay on top.

The concept, which grew out of an informal business network already in use, involves senior brokers in New York, Chicago and Los Angeles responding to calls from any S&C employee nationwide seeking assistance.

Developed at S&C's September 1985 managers meeting in Boston, National Marketing debuted last January. To date, eight senior brokers have been recruited specifically for this enterprise, working with two already on board: Senior Vp Kenneth Nitz and Vp Paul Harbour, both in Los Angeles.

The program has a national financial institution expert and each office has at least one casualty and one property specialist.

National Marketing brokers focus on accounts important to local offices. In one recent placement, a broker at IWest in Seattle called on a National Marketing broker in Los Angeles for help with a difficult \$40 million property placement presented by a Seattle retailer. The National Marketing broker, who tapped several other S&C brokers, had the coverage bound with six underwriters in a week.

The division is run as a resource and service center for other brokerage offices, not as an S&C profit center. If a National Marketing broker is able to arrange coverage, credit for that policy is given to the office where the inquiry originated.

The program gives local S&C offices access to top-quality brokerage talent—and national underwriting capacity—that they otherwise could not afford. The program has been "very successful," reports Mr. Bradley.

Other new marketing tactics at S&C include S&C Energy, a division spun off from the group's oil and gas industry specialists in Dallas. S&C Energy now offers property coverage limits of \$5 million for offshore physical damage and \$30 million for damage to land-based operations.

The coverages are written on behalf of St. Paul Surplus Lines Insurance Co. and St. Paul Fire & Marine Insurance Co.

Most of S&C's new products are local, not national. Swett recently became a marketer of liquor liability in Georgia for Lexington Insurance Co., an American International Group Inc. affiliate, and in Florida for St. Paul companies, Mr. Fox says. In addition, a public entity liability program with Great American Surplus Lines recently was expanded into several Western states.

California produces more of S&C's business than any other state. Excess liability coverage—from "Mom & Pop" stores to Fortune 100 companies—is its biggest class of business. No other single coverage represents as much as 15% of S&C's business, not even D&O, long a Swett staple.

By virtue of S&C's size, the brokers that bring S&C the most business are presumably the largest U.S. retail brokers, Mr. Bradley says. The group receives business from more than 20,000 agents nationwide, ranging from national alphabet houses to local independent agents. Crowther alone deals with more than 8,000 producers.

S&C places business with about 275 insurers, including underwriters at Lloyd's of London, S&C's only non-U.S. market.

Alphabetically, the 12 markets with which Swett places the most business are: Admiral Insurance Co.; California Union Insurance

Continued on next page

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Continued from previous page

Co.; Columbia Casualty; First State Insurance Co.; General Star Indemnity Co.; Great American Surplus Lines; Harbor; Industrial Underwriters Insurance Co.; Lloyd's underwriters; National Indemnity; Northland; St. Paul units; and Western World Insurance Co.

No insurer, including St. Paul affiliates, writes more than 15% of S&C's business each year. Non-admitted insurers received 45% of the premiums placed by S&C last year, up from 30% in 1984.

One program S&C credits with its ability to stay on top of today's turbulent business environment is the company's Market Line.

Market Line is an internal bulletin tracking changes in the market, such as an insurer that no longer accepts a certain type of risk, imposes new policy restrictions or writes a previously ignored line of coverage.

The information, coordinated by Vp Nancy L. Oblinger in Los Angeles, is telephoned in by S&C employees across the country, each eager to be "the first to find something out," Mr. Fox says.

Notice often is released in a weekly newsletter format, but depending on the urgency of the information, can be disseminated via telex, Ms. Oblinger says.

Mr. Bradley suspects these bulletins regularly beat reports on troubled companies that appear in the industry press. In fact, Market Line has become such an effective way to keep a pulse on the market that S&C was able to stop using Midland Insurance Co. more than a year before its problems became public knowledge, Mr. Fox says.

By this time next year, S&C expects to disseminate this information more quickly over its computer system, Mr. Bradley says. Brokers will be able to check the system daily for an updated look at market changes.

Mr. Fox says the final \$5 million to \$6 million cost to S&C for the system reflects the "substantial investment in the future" that S&C is willing to make in technology.

The company is also willing to make an investment in people. S&C has one of the lowest employee turnover rates in the business, due in large part to an incentive compensation plan instituted last year, "specifically designed to retain our most important people," Mr. Fox says.

S&C has contributed a significant percentage of profits to the program, which doles out bonuses based on performance. The program has been "very successful so far" and probably is not rivaled by any competing wholesaler, he says. S&C says it didn't lose any key people it wanted to retain last year. "It's something we take a lot of pride in," notes Mr. Fox.

Another benefit S&C employees have is the opportunity to work in the European brokerage community through an innovative exchange program with several London brokers. By year-end, eight S&C employees from various regional offices each will have spent four weeks gaining first-hand experience in the London market.

While personal, professional growth is the goal of this program, corporate growth is the name of the game, stateside. In addition to the Fort Hill acquisition, S&C is shoring up several existing offices.

The Swett office in Chicago, which never met corporate growth expectations, was enlarged this year by adding several key people lured from competing brokers.

Chief among them is Thomas S. O'Brien, former president of Stewart Smith Mid-America. Under his guidance, that office has grown to 20 people, from about eight, in less than nine months, with an attendant revenue increase, the company reports.

S&C expects to more than double the volume of the Chicago office this year from 1985, striving for the same market dominance in Chicago that it has in Los Angeles and San Francisco.

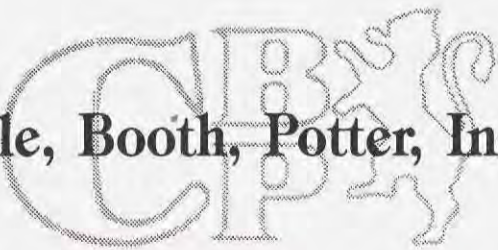
Atlanta operations also are being expanded, as operations in Michigan were earlier this year with the opening of a Crowther office. During the next 18 months, Kansas City, Mo., and Memphis, Tenn., are possibilities for additional expansion, the company says.

Other key S&C officers include: E.J. Souza, senior vp/chief financial officer; John Wilkens, president of Appleton & Cox; and John A. Jolley, W. Dana Roehrig, Warren S. Stanley, Donald J. Tarrence, Ronald D. Wartick and Peter A. Wilkens, senior vps.

S&C is a member of both NAPSLO and AAMGA.

—By Steve Taravella

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Montgomery & Collins Inc.

3700 Wilshire Blvd., Suite 400, Los Angeles, Calif. 90010; 213-480-4501

	1985	1984
Premium volume...	\$343,975,367	\$158,983,465
Gross revenues.....	\$30,761,346	\$14,361,415
Employees.....	178	163
Commercial lines..	100%	100%
Admitted business..	70%	65%
Non-admitted.....	30%	35%

Coming off a stunning performance in 1985, Montgomery & Collins Inc. is looking ahead to a record-smashing 1986.

The CIGNA Corp. subsidiary's premium volume rose a whopping 116.4% in 1985 to \$344 million from \$159 million in 1984. Gross revenues rose to \$30.8 million in 1985 from \$14.4 million in 1984, an increase of 114.2%.

This performance propelled Montgomery & Collins to the number-two position among the wholesale brokers ranked by *Business Insurance*, up from fourth position last year.

In the first six months of 1986, M&C's premium volume jumped another 105.9% to \$256.8 million from \$124.7 million for the same period in 1985.

Gross revenues shot up 92.1% to \$21.9 million in the first six months of 1986, compared with \$11.4 million in 1985.

While M&C President Robert P. Keul readily admits that the tight property/casualty insurance market and its skyrocketing premiums are largely responsible for the giant jumps in the broker's premium volume and gross revenues, he says Montgomery & Collins has spent years developing the skills and the markets that now are allowing it to thrive.

"I think you have to consider that those numbers have been growing at a pretty steady rate for a number of years," Mr. Keul says. "We went through all that growth and expansion (in the late 1970s and early 1980s) and today that's paying off because people are coming to us for many of the things they know we do well," he adds.

Gross revenues are mounting at M&C because of premium rate hikes, not because commission rates have increased, he says.

"So you're looking at a (premium) volume that's pulling (revenues) up. It's not that we're keeping a bigger piece of it today," he adds.

The continuing upward spiral of liability insurance rates are justified, both Mr. Keul and M&C Operations Vp Gus Doering Jr. agree. While liability insurance rates are up anywhere from 200% to 500%, they say in most cases the increases are needed.

"Compared to the premium last year, yes, it's a horrendous increase, but last year's premium was ridiculous in many cases," Mr. Doering maintains. He says current premium levels are roughly equivalent to 1980 levels when an inflation factor is added.

But while they defend current premium levels, Messrs. Keul and Doering admit that many buyers are unable to afford the same level of coverage they purchased in the soft market.

"The premiums are so astronomical that to structure the program the way it was five years ago is absolutely uneconomical," Mr. Keul says, noting that buyers must now accept much higher self-insured retentions.

And, while buyers are certainly victims of price increases, Mr. Keul says surplus lines brokers also feel the pinch because buyers sometimes cannot afford to renew coverage.

"Because of the affordability issue," business retention rates are "not anything to be proud of," says Mr. Keul.

Less than two years ago, M&C

typically would see non-renewals on about four or five large accounts a month. Now, the number of accounts not renewing coverage fills several pages in the broker's monthly reports.

"I can't tell you how hard it is to find a market for most of this stuff," says Mr. Doering. "Then, when you do get a market, (the buyer) says: 'At that price, we'd go broke,' and they cancel you."

"But we're not complaining. Believe me," Mr. Keul quickly adds.

While the hard market has done wonders for surplus lines brokers' revenues, the lack of capacity continues to be a source of concern.

Mr. Keul says that admitted insurers' decisions to limit the types of risks they will write and the limits they will offer has forced more business into the surplus lines market.

"Literally, in some cases they go

Continued on next page

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Continued from previous page

off the air," he says, speaking of admitted insurers. "For six months, nine months, they write nothing. And all that business is out there. So accounts that should be written in the admitted market, can't be written. So it comes to us and goes to the non-admitted side for a while," Mr. Keul explains.

As a result, he says non-admitted insurers are being asked to write a tremendous volume of business. "So they turn back to their sources of business and put premium limitations on them," he notes.

Right now, M&C's biggest frustration is "our inability to put accounts together—to close them," according to Mr. Keul. "We get them started nicely, but then we can't get the limit done, which is the biggest problem. Or, when we get it done, the premium level is more than the buyer wanted to pay."

But while M&C's current financial picture is rosier than ever, Messrs. Keul and Doering say they are concerned that the market will turn soft again.

"I think it's far too early to see this market swing back the other way," Mr. Doering says. "But I think we're starting to see it. We're losing business to the standard market that we didn't lose at all three months ago."

Noting that most insurance professionals have predicted the hard market will last at least until 1987, Mr. Keul says M&C brokers began noticing competition from admitted insurers for some liability risks in June and that admitted markets have never stopped competing for some property risks.

"I don't see any justification for standard markets to start to compete in the surplus lines area after a quarter or two of profits," Mr. Doering maintains.

"We had an account here that we were going to renew, and we put in the terms—they were up maybe 10% or 20%. A standard market came in and cut (the premium) by 150%," Mr. Keul says.

This kind of price cutting has occurred more than once in the past two months, Mr. Keul adds, though he says it is not clear whether these episodes are merely anomalies or part of a growing trend.

"Maybe it was just a blip," Mr. Keul says.

About 54% of M&C's premium volume is brokered business, 45% 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.

Royale Belge writes primary general liability coverage and gap or buffer coverages, Mr. Keul says.

Gap coverage has become increasingly important in the current hard market, because umbrella insurers are often reluctant to provide excess coverage over primary limits they consider too low. Getting coverage to fill in this gap is usually difficult, surplus lines brokers say.

Mr. Keul says Royale Belge provides this "key area" of coverage and has given M&C about a 25% increase in capacity over last year. "Which we took to mean they were pleased with what we did," Mr. Doering adds.

As in previous years, Pacific Employers Insurance Co. and California Union Insurance Co. were M&C's largest markets in 1985, accounting for 40% and 15%, respectively, of the broker's business. Both are Los Angeles-based CIGNA units.

Pacific Employers is an exclusive M&C market for both primary and excess casualty coverages and umbrella coverage. Cal Union writes both excess casualty, property and umbrella coverages for M&C in California on an exclusive basis and in other states on a non-exclusive basis. The insurer is also M&C's top market for heavy construction business.

While they acknowledge that M&C places more than half of its business with Pacific Employers and Cal Union, Messrs. Keul and Doering rankle at the suggestion that M&C favors its two sister companies over other markets.

"If we favored sister companies over the other markets, they would either have to be incredibly stupid to keep doing business with us or we'd have to be so slick they didn't know we were doing it," says Mr. Doering. "Neither's the case."

M&C benefits from its ownership by CIGNA in that it has exclusive access to Pacific Employers, Mr. Keul says. "But we try to leverage that in-house facility to gain access to business that can be placed with other facilities," he explains.

Other 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; Evanston Insurance Co. in Evanston, Ill.; Industrial Underwriters Insurance Co. in Dallas; and Lloyd's of London underwriters.

Admiral is a primary casualty market for M&C, Mr. Keul says. Two years ago, M&C also placed a significant amount of financial guarantee coverage for limited real estate partnerships with Admiral. But that business has dried up, Mr. Keul says, noting that the tax legislation pending in Congress would eliminate many of the tax advantages of such partnerships.

M&C now places only property coverage with Allianz, though last year the broker also placed some casualty risks with the insurer. Allianz has "really pulled in its horns," Mr. Doering says.

First State, Industrial Underwriters and Lloyd's underwriters are M&C markets for excess casualty, umbrella and property coverage, while Evanston writes professional liability and directors and officers liability coverage for M&C.

Mr. Keul says premiums placed with Evanston fell in 1985 because the insurer is not accepting as much D&O business as in previous years.

M&C holds binding authority for Western World Insurance Co. in Ramsey, N.J.; Guaranty National Insurance Co. in Denver; and Scottsdale Insurance Co. in Scottsdale, Ariz.

These insurers are used for primary general liability business, Mr. Keul says. He notes that M&C also brokers some business with these markets, explaining that the risks it underwrites for these insurers are "generally smaller ones."

There were two notable changes in M&C's markets in 1985. Chicago-based L.W. Biegler Inc., now known as Crum & Forster Managers Corp. of Illinois, had been a major professional liability market for M&C, but Mr. Keul says tighter underwriting criteria at CFMC (Ill.) have reduced the amount of business that M&C places with the underwriting manager.



Mr. Keul



Mr. Doering

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Continued on next page

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Also, M&C last year stopped using its binding authority with Great Southwest Fire Insurance Co. in Scottsdale, Ariz.

Mr. Keul says M&C made the decision because of Great Southwest's deteriorating financial condition.

Great Southwest stopped writing new and renewal business last September. The company's shell was sold to a group of investors who have renamed it United Capital Insurance Co. The Atlanta-based insurer is now beginning to underwrite surplus lines insurance (see story, page 3).

About 48% of M&C's business is generated by the national alphabet brokers, according to Mr. Keul, while 52% comes from regional and local brokers.

This is about the same mix as last year, although Mr. Keul notes that in absolute terms, the number of retail brokers M&C deals with has declined every year for the past three years.

Messrs. Keul and Doering say this decrease is not because new brokers aren't coming to M&C with business, but because M&C is not responding to new producers.

"We have systematically gone through our sources of business and tried to eliminate those people who were not as professional or who did not—after repeated conversations—understand what we do," Mr. Keul explains.

For example, he says, M&C will not deal with brokers who want it to try to compete with admitted insurers.

"So we have a core of producers that have been with us in the soft market and the hard market. And those people are getting the majority of our attention today," Mr. Keul says.

While a large percentage of M&C's business comes from the alphabet brokers—Marsh & McLennan Inc. is M&C's single largest source of business—the company does "give a lot of attention" to smaller retail brokers, Mr. Keul says. Such brokers are "still our number one client," he adds.

Mr. Keul says that both national and regional retail brokers bring M&C about the same type of business, with one exception: Heavy construction business comes exclusively from the large brokerage houses.

Montgomery & Collins, according to Mr. Keul, does not now specialize in any particular line of coverage.

At one time M&C did specialize to a limited extent in coverages for municipalities, hospitals and schools, but the broker has followed a trend set by its markets toward more traditional types of business risks.

"The market sets the pace on these things," Mr. Doering says. Insurers no longer are interested in the kind of "innovative" programs brokers were putting together just a few years ago, he explains.

"A year from now, they'll probably be looking for programs. But, right now, who needs it from a company's standpoint?" Insurers are now happy "if they can write 10 umbrellas a day for a million bucks," he says.

But, while M&C is not developing any innovative coverage programs or expanding any specialty lines of business, the broker is looking to expand its property business, Mr. Keul says.

"If an M&C broker walks into a retailer's office and the retailer hands him an umbrella and a property risk at the same time, we would hope that we have the expertise to handle both sides of the house on a given account," Mr. Keul says.

"That wasn't always the case, but now we have hired people who can speak the property language and we're emphasizing that," he

says.

Montgomery & Collins increased its staff during 1985 and has further increased it in the first six months of this year to handle the growth of its business. M&C currently has 190 employees, compared with 178 at the end of 1985 and 163 at the end of 1984.

M&C has offices in Los Angeles, Sacramento, San Francisco and San Jose, Calif.; Boston; New York and Buffalo, N.Y.; Dallas; Houston; Charlotte, N.C.; Chicago; Columbus, Ohio; Denver; Detroit; Hartford, Conn.; Honolulu; Indianapolis; Kansas City, Mo.; New Orleans; and Philadelphia.

M&C currently is not planning to open any new offices this year.

Principal officers in addition to Mr. Keul and Mr. Doering are: Robert B. Angle, Warren D. Miller, and Michio Nekota, regional vps.

M&C is a member of both NAPSLO and AAMGA.

—By Robert A. Finlayson

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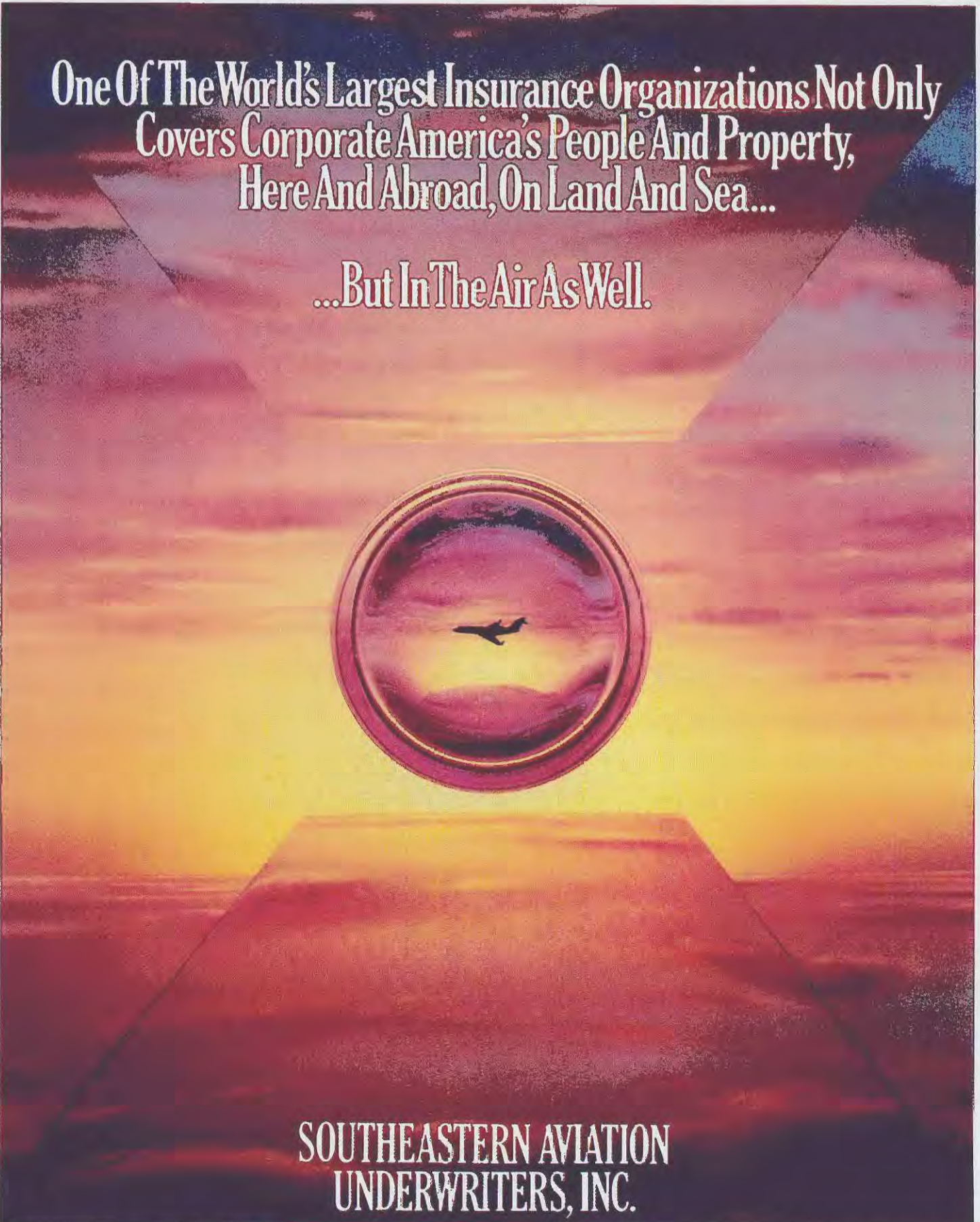
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	1985	1984
Premium volume...	\$299,000,000	\$216,000,000
Gross revenues.....	\$21,500,000*	\$19,400,000*
Employees.....	230	220
Commercial lines..	100%	100%
Admitted business..	25%	40%
Non-admitted.....	75%	60%

*-BI estimate

The hardening commercial insurance market sent a big spurt of business to Stewart Smith Holdings Inc. last year, but its gross revenues did not quite keep pace with premium volume, says Chairman Patrick J. Osborn.

The third-largest U.S. wholesale broker, according to *Business Insurance* rankings, reported premium volume of \$299 million in 1985, a hefty 38.4% increase from the \$216 million reported in 1984.

But BI estimates that Stewart Smith's gross revenues as a percentage of premium were smaller in 1985 than in 1984. According to BI estimates, gross revenues totaled about \$21.5 million in 1985, or about 7.2% of premium, compared with \$19.4 million in 1984, or 9% of that year's premium volume. Stewart Smith does not release gross revenues.

A decline in Stewart Smith's aviation business, in particular, the loss of United Airlines as a major aviation account, contributed to the slower gross revenue growth, according to Mr. Osborn.

"That, of course, has affected our premium, so our growth, in fact, is not as dramatic as it might have been," said Mr. Osborn.

Although Mr. Osborn declined to identify the aviation account that the broker lost, *Business Insurance* learned it was United (BI, July 28).

United is now doing business directly with Stewart Smith's parent company, London-based Stewart Wrightson Holdings P.L.C., which is the largest aviation broker in the world.

No particular reason was given for United's decision to go to London, Mr. Osborn said. "They had requested it, and we said OK," he said. "We in the U.S. obviously didn't get commissions when that happened."

This year, the pace of Stewart Smith's premium growth has slowed considerably. The brokerage posted \$156 million in premiums during the first six months of 1986, only slightly more than the \$154 million it reported for the first six months of 1985.

"There's definitely been a leveling off in premium increases being demanded by insurers," explained Mr. Osborn. Although there are still increases, the percentages are smaller, he said.

Also curbing Stewart Smith's revenue growth in 1985 was the fact that it no longer is a managing general agent for aviation business or public official liability insurance on behalf of Providence, R.I.-based Forum Insurance Co., Mr. Osborn noted.

Forum has "virtually retired" from doing any MGA business, he explained. This fact was confirmed by Forum's president.

Also, Stewart Smith had the "long-term objective" of "putting some of this business into our own insurance companies," he said.

Stewart Wrightson Insurance Co. Holdings Inc., a subsidiary of Wrightson Holdings, owns Associated International Insurance Co. in Los Angeles and New York-

based Calvert Insurance Co.

Stewart Smith is Associated's MGA for directors and officers liability insurance and for pension fund managers' liability insurance. It acts as Calvert's MGA for non-profit D&O insurance, although "we interchange somewhat" these lines of business between them, Mr. Osborn said.

Despite the insurers' close relationship to Stewart Smith, however, Mr. Osborn asserts that the insurers operate "completely at arms length" from the wholesale broker for other lines of business.

Calvert began accepting business from other brokers in 1984 and now obtains well in excess of 50% of its business from others, said Mr. Osborn.

Stewart Smith also is a correspondent for underwriters at Lloyd's of London on railroad protective insurance, he said.

Last year also was marked by an increase in the amount of business placed with non-admitted insurers. In 1985, non-admitted insurers received 75% of Stewart Smith's premiums, compared with 60% in 1984. The same ratio held in the first six months of this year.

One reason for the shift, said Mr. Osborn, was "a lot of our major activities were with admitted insurers," such as the Forum, and "we lost a lot of those."

Another reason, he said, is that in today's hard market, a lot of risks are reverting to the traditional surplus markets.

Meanwhile, the source of Stewart Smith's business has been changing as well. Two years ago, President Martin E. McConnell, who since has retired, told BI that Stewart Smith did little business with "alphabet brokers" and "by far" the majority of its producers were medium-to-large brokers (BI, Aug. 20, 1984).

That has changed because there is more expertise within surplus lines organizations than the retail brokers can assemble.

In a trend Mr. Osborn said he began to observe last year, major brokers who had put together their own in-house operations during the soft market are returning to brokers (BI, Aug. 12, 1985).

"There really has been quite a dramatic growth in business from the major brokers," he said.

At the same time business from major brokers is increasing, "there's a lot of evidence" that small brokers, who previously had gone to the surplus market themselves, are turning to Stewart Smith as well.

Not only don't these smaller brokers have the time to deal directly with the surplus market because they are "so concerned with keeping together the normal insurance lines of business," they also "haven't got the clout, or the expertise, to deal with some of the real problems that exist in the surplus market, both in terms of coverage, availability and also policy forms," he said.

In addition to business from new clients, Stewart Smith anticipates additional premiums from new products as well. One particularly promising new product, he said, is insurance for genetic engineering firms.

According to Ed Casey, president of Stewart Smith West in Los Angeles, the brokerage is offering a combination errors and omission and product liability package for genetic engineering firms.

Under a London line slip arrangement, up to \$1 million in primary coverage is available, and Stewart Smith will attempt to arrange excess coverage as well. Deductibles vary with the size of the risk, said Mr. Casey.

Stewart Smith began developing the coverage three years ago, but wrote its first account only about a year ago, said Mr.

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Genelco

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Casey. Six policies have been written, and the broker plans to market the coverage more aggressively.

No other new products have been offered, but "we're in fact researching some at the moment," Mr. Osborn says.

The problem right now is coming up with ideas, he said. "The market over here (in the United States) tends to be not interested, because they haven't got the time or the people to cope with new ideas," and London doesn't have the capacity to commit to new kinds of business.

Despite last year's decline in aviation business, it still represents "quite a big portion" of Stewart Smith's volume, Mr. Osborn said.

"We're probably one of the very few remaining surplus line aviation brokers left," he said. Stewart Smith's success in this line is partly because of its relationship with Stewart Wrightson, and partly because of its history, said Mr. Osborn, noting Stewart Smith was "one of the first brokers to really make an effort to get aviation business."

D&O insurance also remains an important Stewart Smith line despite the diminished amount of capacity available. In fact, said Mr. Osborn, unlike the situation with aviation, D&O premium volume is up because of rate hikes.

Stewart Smith's expertise is not limited to these two lines, however. As the fourth-largest wholesaler, "We like to think we can take any problem and have a specialist in almost any field you can name," Mr. Osborn said.

The markets Stewart Smith uses on a nationwide basis are First State Insurance Co. in Hartford; Lloyd's; Columbia Casualty Casualty Co. in Chicago; California Union Insurance Co. in Los Angeles; and Admiral Insurance Co. in Cherry Hill, N.J., said Mr. Osborn. Various Stewart Smith offices use other companies on a regional basis, he said.

There are "very few really, truly independent surplus lines companies left," said Mr. Osborn. To a large extent, he commented, major surplus lines insurers are now subsidiaries of major insurance companies, and all the independents have been taken over.

There is an analogous situation at Lloyd's, he added, where the big syndicates get bigger, and the small syndicates are finding it difficult to survive. "It really doesn't become a free market anymore."

While price hikes are beginning to level off, market problems remain, said Mr. Osborn. "They haven't gone away. Capacity is still desperately difficult. The claims-made/occurrence controversy is still bubbling—it hasn't been satisfactorily addressed.

"The sad thing is that certainly in the surplus lines market, there really has been no semblance of unanimity between the various markets as to which forms they want to use, which is going to hurt the clients ultimately," he said.

Mr. Osborn added: "Certainly there seems to be a good acceptance" that use of the occurrence form will continue "other than for the very tough risks."

Another lingering problem, said Mr. Osborn, is tight reinsurance capacity.

"I don't see the casualty reinsurance market—other than vanilla-type business—changing for the surplus lines business. I think reinsurers were so badly bruised, that even with a large injection of capacity into the market, I find it hard to believe that the liability reinsurance market is going to expand dramatically."

"I don't think it's strictly fair to say London dictates what the reinsurance market does," said Mr. Osborn, referring to suggestions

that it does.

"London lost tremendous amounts writing casualty and quite rightly decided to do something about it. I think the names there have an important say in what syndicates do, and in many instances will not let underwriters write occurrence casualty business."

And, he noted, the United States has to rely on London reinsurance support only for catastrophe covers. There is no need for the London market in the working casualty covers "where a lot of the problems have arisen," he said.

Mr. Osborn predicts it will be "at least" two or three years before price competition returns "at least on the tougher accounts"—the business the admitted market "doesn't want or can't write." Competition may begin earlier for the small Main Street business, he said.

"Unfortunately, I think within

the next five years the market will go through its usual cycle, and rates will come down, capacity will grow," he said. Property certainly will "come under attack."

But looking specifically at Fortune 500 companies and companies with big loss exposures, Mr. Osborn said, "I will be very surprised if rates ever decrease to the extent they have in the past." The insurance industry has been so "badly scarred," he said. "I just can't see it happening again within that time frame."

Mr. Osborn said he believes many of the special facilities created to provide capacity will "continue to flourish. I would be surprised if they don't continue."

"Quite a large part" of the traditional surplus lines business that is now using these facilities, said Mr. Osborn "is unlikely to return, even if competition does increase."

This does not necessarily bode ill for the future of the surplus lines

industry, he said. It only will lose the very high capacity business, which never generated very big premiums anyway, he said.

In addition, he said, many of the facilities that have been created are intended to provide capacity that is only in excess of what is available in the marketplace.

Furthermore, he said, "when the market settles down," more new products that the market now has neither "the appetite, the time nor the premium" to consider will be "dreamed up."

Mr. Osborn says he has a "question mark," however, as to whether recent price hikes will be enough to take care of the severe losses generated during the soft market, some of which are long term and still unknown.

Four corporations operate under the umbrella of Stewart Smith Holdings: Stewart Smith West, based in Los Angeles, which has a branch office in San Francisco;

Stewart Smith East, in New York, with branch offices in Boston, Pittsburgh and Philadelphia; Stewart Smith Mid-America, in Chicago; and Stewart Smith Southwest, in Dallas.

No acquisitions were made last year. Certified Claims, a claims-handling facility based in Highland Park, Ill., was closed during the year.

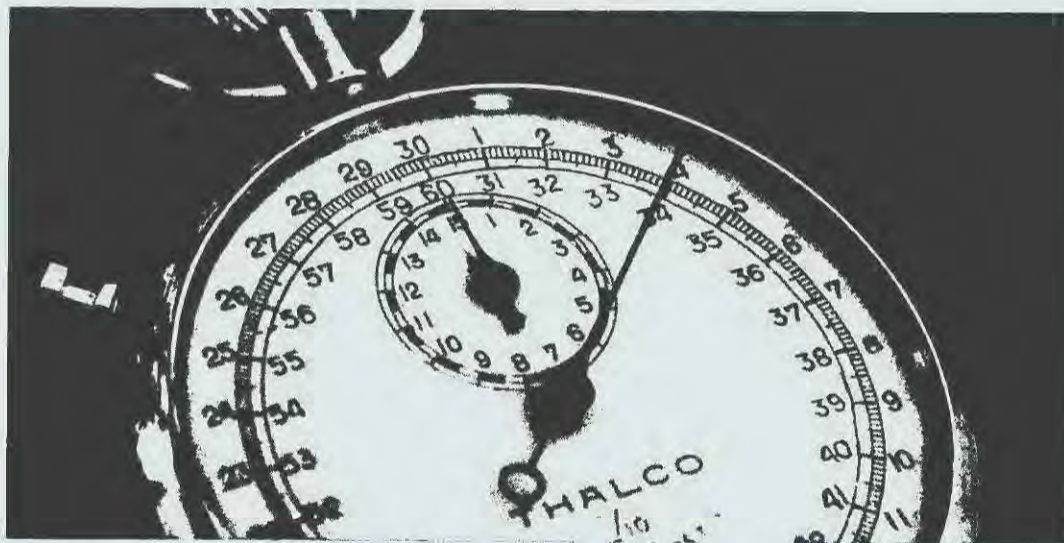
Stewart Smith increased the number of its employees last year to 230 from 220.

In addition to Mr. Osborn, principal officers of the company include George N. Gibbs Jr., formerly senior vp, who was named to the post of president and chief operating officer in June. He will assume the chairmanship in January, when Mr. Osborn returns to London. The other principal officer is John R. Rogers, vp-finance.

Stewart Smith is a member of both the NAPSCO and AAMGA.

—By Judy Greenwald

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Crump E&S Group

5350 Poplar Ave., Memphis, Tenn. 38119; 901-761-1550

	1985	1984
Premium volume...	\$284,000,000	\$190,000,000
Gross revenues.....	\$31,047,000	\$17,511,000
Employees.....	330	250
Commercial lines..	99%	99%
Admitted business..	80%	80%
Non-admitted.....	20%	20%

Several changes lie ahead for the excess/surplus and specialty lines operation of The Crump Cos. Inc. following its most successful year ever.

And, topping the list is a new name. The Memphis, Tenn.-based wholesale broker is changing its name this month to Crump E&S Group from CIS/Creative Insurance Specialists Group.

The change comes just two years after Crump removed its name from the broker's shingle. At that time, because more than 90% of its surplus lines business was generated by agents and brokers unassociated with Crump Cos. Inc., the brokerage decided to de-emphasize its ties to the operations.

But, executives within the group found that the Crump name was well-recognized and well-respected in the specialty lines marketplace, said Earl R. Lanning, vp of Crump Cos. Inc. and E&S division coordinator.

"Most of our wholesale offices said that they would prefer to go back to the Crump name," he explained.

By any name, the E&S operations mirrored the dramatic growth of Crump's retail brokerage operations in 1985 (*BI*, June 23).

Crump E&S, the fourth-largest U.S. wholesale broker in the *Business Insurance* rankings, reported \$284 million in premium volume in 1985, a 49.5% jump from \$190 million in 1984.

Gross revenues soared 77.3% to \$31 million in 1985 from \$17.5 million in 1984.

The operation's 1985 growth rate exceeded Mr. Lanning's expectations by so much that he said he thought he "would wake up and it would all be a dream."

"I've been in this business for 26 years, and I've never seen anything, anywhere (in E&S) that had as much growth as we did in 1985," Mr. Lanning emphasized.

"The 11 companies reporting directly to me more than doubled their revenues," he continued, pointing out that growth was fairly uniform throughout the group.

In response to its growing business, the E&S offices' employee roster rose 32% in 1985 to 330 employees from 250. By the end of June, it had risen to 340.

Crump E&S is "a combination" surplus lines broker, MGA and underwriting manager, Mr. Lanning explained. But, it refers to itself as an E&S and specialty lines broker.

In 1985, brokerage activity accounted for 54% of its premium volume, down two percentage points from 1984. Underwriting management activities generated 34% of premium volume, four points more than last year, and MGA activities produced 12% of premiums, down two points from 1984.

"The areas where we had underwriting authority grew a little faster because of the tight market situation," Mr. Lanning explained.

About 80% of Crump's E&S business was placed through admitted insurers and 20% through non-admitted insurers, unchanged from 1984.

About 75% of Crump E&S's growth was "from new insureds who were rejected from standard markets," Mr. Lanning said. The other 25% of growth was generated by price increases averaging more than 25% on renewals. But, the

growth from price increases wasn't as much as it could have been because some accounts were lost.

"In wholesale, you never write 100% of last year's business," Mr. Lanning noted.

"Our biggest growth in the last 12 months has been in products liability, then excess liability—both in terms of pricing and new submissions," he said.

"Property business grew very rapidly in 1985. We've had tremendous growth in commercial auto, in our offices that write it, in 1985 and so far in 1986. Our casualty business would have grown as fast or faster except for a shortage of markets," he explained.

Mr. Lanning noted that while he still sees some rate increases, they are somewhat offset by a softening property market.

"A lot of business that should have been handled by standard markets came to us in 1985 and the first part of 1986, and now we're finding that standard markets are writing some of those accounts again," he said. "This is good business that should not have been coming to us anyway."

So far in 1986, Crump E&S Group's growth has tracked with Mr. Lanning's projections. "In the first half, we hit 49.7% of our annual projection."

Mr. Lanning predicted the group's 1986 revenues would top \$35.7 million, a 15% increase over 1985 revenues, not including growth through acquisitions.

Although the national and regional brokers use the Crump facilities, most of its producers nationwide are medium-sized to large independent agents.

"These major brokers make up less than 5% of our producers, but probably produce 15% to 20% of our total premium volume," Mr. Lanning pointed out.

Large brokers use Crump E&S for its specialties, such as gas utilities, aviation, marine, large property accounts and umbrella liability or gap-layer excess coverages.

"Independent agents come to us for a spread of everything we do: a lot of truck business; smaller property accounts; owners, landlords and tenants coverage; manufacturers and contractors liability; umbrellas; products liability; directors and officers liability; errors and omissions; aviation; and marine coverages."

About 10% of the business placed through Crump London Underwriters is from Crump's retail brokerage operations, but "considerably less than 10%" of the E&S offices' business is from Crump retail offices, he said.

While Crump E&S will have good opportunities for growth in the next two to three years, "it's going to be in the more difficult types of lines—business that ought to be in the specialty market," Mr. Lanning said. "We'll have to look for niches and specialties again, as opposed to just being here."

There are signs the market is stabilizing, he added.

"The attitude of the markets is totally different than it was six weeks ago. A number of insurance company people have started talking to me about long-term relationships. Capacity hasn't expanded yet, but the attitude of the markets is far more positive."

Crump E&S wants long-term, and stronger, relationships with insurers. To that end, Mr. Lanning is establishing an internal marketing department in Memphis.

"One or more of our offices have



Mr. Lanning

access to virtually all of the E&S insurers, but some companies are only writing business with two or three of our 17 offices," he said.

Some insurers have expressed a desire to write more business through Crump E&S, but they are unwilling to deal directly with each office, he explained.

"So I'm bringing in a top-notch casualty marketing underwriter and property marketing underwriter to work directly with me in placing business for all of our offices through the companies who are willing to do it this way," Mr. Lanning said.

When an E&S office spots a client that fits the criteria of one of these insurers, it can forward the business to the Memphis office, he said. The marketing underwriter "will know exactly what business those insurers want and can screen and funnel the business to them that directly fits their desires."

Mr. Lanning already has hired the property expert: William L. Tickle, a former vp with Crump London Underwriters, the Memphis E&S office, in charge of large accounts. Mr. Lanning hopes to hire a casualty expert soon.

In product development, Crump E&S plans to have available by fall a package of various coverages for savings and loan corporations, Mr. Lanning said. "When we get this thing launched, it ought to be a major product."

The package will include D&O and several kinds of E&O coverage. "A lot of these coverages they just can't get anywhere else," he said.

Limits for the program, which will include primary and excess coverage, are not available yet because the reinsurance is still being arranged.

"Colonial Penn Insurance Co. will be the issuing primary carrier... and a number of reinsurers are involved," Mr. Lanning noted.

This business will be reinsured both in the United States and London, he said, adding that the reinsurance for the E&O coverages already has been assembled.

The package will be offered in all states by all Crump E&S offices.

Crump London Underwriters also just expanded the coverages it can offer gas utilities through a new managing general agency arrangement with an A.M. Best A-rated insurer, which Mr. Lanning declined to name at the request of the insurer.

Crump-owned Southern American Insurance Co. has written general liability insurance for gas utilities, but now Crump London Underwriters can write primary general liability, workers compensation and commercial auto coverage for gas utilities in 28 states, primarily in the Sun Belt.

For gas utilities, Crump London has authority to underwrite primary general liability insurance up to a \$500,000 combined single limit and commercial auto liability limits up to a \$1 million combined single limit, according to Era E. Horner, Jr., president of Crump London Underwriters.

Although price problems seem to be easing—with casualty price increases at a lower rate than last year and property prices leveling off—reinsurance problems are still limiting market capacity, Mr. Lanning said.

"There were scads of people writing reinsurance two years ago that have gotten out of the market completely and the ones that are left are oftentimes taking smaller lines," he said.

And, compounding the problem, "insurers are being more careful about who they will accept reinsurance from than they were two years ago," Mr. Lanning added.

Crump E&S sometimes has dif-

Continued on next page

Continued from previous page

ficulty filling out certain layers of coverage, but it generally can find a market in time. "We're finding a market for most coverages," he said. "It's a question of, 'Do clients want to pay the premium?'"

Two problem lines are D&O and product liability coverage, Mr. Lanning said.

"There are a lot of D&O risks that we wrote two years ago, but can't get quotes on now, or they're so full of exclusions that the client would be foolish to buy them," Mr. Lanning noted. "We lost a number of our D&O accounts simply because they were not willing to pay the price for the coverage."

"The same thing happened in products liability. Clients went bare."

But Mr. Lanning added the higher premiums on the D&O and product liability business Crump E&S retained probably offset the business the broker lost.

Crump E&S also is searching for a market to replace Monarch Co. of Ohio, which had been the issuing insurer on a book of agricultural aviation and general aviation business with Crump E&S as underwriting manager. Monarch was sold to General Reinsurance Corp., noted Donald A. Thomas, executive vp of Crump Cos. Inc. and president of Southern American Insurance Co.

"We spent the whole first quarter looking for an admitted carrier that would agree to be the issuing carrier for the whole book," Mr. Thomas explained.

But, without an issuing insurer, a lot of aviation business that would have been placed for other retail brokerages was lost.

Southern American restructured treaties to write some of the aviation business produced by Crump retail offices.

But, Mr. Lanning said he is still looking for an admitted aviation market.

Including the former Monarch-written aviation business, Southern American probably writes 5% of Crump E&S's entire book of business, said Mr. Lanning. Southern American also writes umbrella and gap-layer excess coverages.

Three insurers each write 5% of the business Crump places: American International Group Inc., which writes a number of Crump's umbrella excess, large property and professional liability accounts and is also its biggest D&O market; Crum & Forster for umbrella, professional liability and property coverages; and Reliance Insurance Cos., primarily for municipality business written through Planet Insurance Co.

Crump E&S also places 5% to 10% of its business with Lloyd's underwriters, Mr. Lanning added.

In acquisitions, Crump E&S purchased the book of business of H&W Insurance Services, an E&S brokerage with offices in Encino, San Francisco and Santa Ana, Calif., and in Atlanta.

The book of business was "very substantial," Mr. Lanning noted. How much Crump buys of this business will depend upon how much business is renewed.

"It will turn out to be the biggest wholesale acquisition that we've ever made," he predicted.

H&W's California offices have been combined with E.H. Crump of Calif., and its two key principals, David R. Hoskins and Joseph F. Weckerle, are president and chairman of the new facility—Crump/H&W Insurance Services.

H&W's Atlanta office was combined with Crump-Loveless Inc., Crump's Georgia E&S affiliate.

And, Crump E&S opened a new office—Crump Mid Atlantic—in Trevese, Pa., in the second quarter of 1985. It hired two experienced E&S brokers, Dennis G. O'Keefe and Frank J. Ksionska, as president and executive vp.

"They're well into profits in 1986," Mr. Lanning said.

The brokerage's Crump-Davis Inc. affiliate also opened a one-man production office in Tulsa, Okla. in mid-1985.

In management changes so far in 1986, Mr. Horner was promoted to president of Crump London Underwriters from executive vp, and Denis Cleaver was promoted to president of Creative Insurance Specialists Inc., Crump's Florida E&S affiliate.

In addition to Mr. Lanning, Mr. Power and Mr. Thomas, top officers include Sidney A. Stewart, chairman and chief executive officer; James M. Power, president and chief operating officer; Gordon E. Noble, executive vp and Crump E&S West Coast Division Coordinator; and Edward B. Morrow Jr., executive vp.

Crump E&S is a member of NAPSLO and AAMGA.

—By Linda J. Collins

Alexander Howden North America Inc.

1705 Commerce Drive N.W., Atlanta,
Ga. 30318; 404-351-5880

	1985	1984
Premium volume...	\$238,793,516	NA
Gross revenues.....	\$19,456,380	NA
Employees.....	256	NA
Commercial lines..	100%	NA
Admitted business	70%	NA
Non-admitted.....	30%	NA

Alexander Howden North America Inc., the newest major player in the surplus lines brokerage arena, is taking a teamwork approach to expand its business.

The new company, which was formed in January and met final regulatory requirements in July, was created through a merger of five surplus lines brokerage and managing general agency subsidiaries.

The consolidated forces that

make up Howden North America generated \$238.8 million in premium volume in 1985, placing the company in the No. 5 spot among the wholesale brokers profiled by *Business Insurance*.

"We have put together our resources in order to respond to a chaotic market," says Daniel Kestenbaum, president and chief executive officer of Alexander Howden North America.

"We're enhancing our operation on an almost daily basis," Mr. Kestenbaum adds.

"We believe that in order to get the job done, it's necessary to access our best resources on a North American basis, often needing many of our markets in order to complete a line and often needing our best talent in order to accomplish it," Mr. Kestenbaum explained.

Companies that united to create Howden North America include:

• Atlanta-based Alexander

Howden Insurance Services, an excess/surplus lines broker and managing general agency specializing in mid-sized accounts.

• Alessam Inc., a wholesale intermediary that specialized in large property/casualty accounts.

• Illinois R.B. Jones, a Chicago-based MGA and surplus lines broker.

• Eyl & Gordon Insurance Brokers in New York, a wholesale broker specializing in insurance for jewelry wholesalers, retailers and manufacturers.

• Alexander Howden Ltd. in Toronto, which serves as a conduit to the London market for U.S.-based risks.

The Toronto facility is actually owned by Alexander Howden Ltd. in London, A&A's British brokerage affiliate. But the new Atlanta-based brokerage has management responsibility for the office.

Continued on next page

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Continued from previous page

Alexander Howden Insurance Services and Alexsam no longer exist as entities. Alexsam was absorbed in the merger and moved its Atlanta office into the Howden North America headquarters.

However, Illinois R.B. Jones and Eyl & Gordon continue to operate under those names as subsidiaries.

Howden North America Executive Vp Robert B. Clay says Howden North America does not operate just as a holding company for the entities under its banner.

For instance, Howden North America has created a brokerage division and placed its most qualified "large account" personnel in the division's offices around the country.

Mr. Clay explained this move ties in with the teamwork philosophy.

"We have a lot of branch operations around the country," he said, pointing out that the brokerage division is staffed with personnel in Atlanta, Chicago, Toronto, New York, Dallas and soon Los Angeles.

"We're housing in certain key market areas our best large-account national brokers. And where we don't have those people, we're going out in the marketplace and hiring those people."

Branch operations that are not part of the brokerage division handle mid-sized business, Mr. Clay explained. "A regular branch will also be a production sales base. Thirdly, the branch would get a national large account into the system and get our national

account brokers involved.

"In essence, the branch would quarterback the placement and then we would call on the resources we have staffed in the brokerage division."

Howden North America also has offices in Boston; Philadelphia; Columbia, Md.; Cleveland; Newport Beach, Calif.; and Seattle.

In its first six months of operation, Howden North America estimates it has generated premiums of \$176.4 million. Mr. Kestenbaum predicts that the last half of 1986 will show "significantly greater"



Mr. Kestenbaum

activity than the first six months. Premium volume could reach \$400 million by year-end, he says.

Estimated revenues for the first half of this year were \$10.9 million. In 1985, the companies that make up Alexander Howden North America generated \$19.5 million in revenues.

Seventy percent of the premiums generated last year by these companies were placed with admitted insurers, and Mr. Kestenbaum said he doesn't expect that percentage to change during Howden North America's first full year of operation.

Of that premium volume, 18% was placed as a managing general agent while the remainder was brokered, and that ratio probably will not change either, he says.

Howden North America now employs 253 workers.

Despite the great amount of negative publicity that has been associated with the Alexander Howden name in London, Mr. Kestenbaum said that management "never seriously considered" not using the Howden name in the new brokerage's title.

"The reality is, we have a great deal of pride in the Alexander Howden name. The North American aspect just identifies our place of business. It indicates the fact that we are a truly North American company."

Mr. Clay added that Howden North America "works closely with its sister company, Alexander Howden Ltd., based in London. Jointly, the two companies have developed worldwide marketing capacity in the U.S. domestic market, London and the international marketplace."

Mr. Clay said the U.S. and London Howden operations generate combined premiums of more than \$1 billion and give clients access to world markets.

But Howden North America, despite its links with London, is having a difficult time finding capacity.

"We're seeing a little loosening on the property side, a few more people willing to take an exposure, write business," said Mr. Clay. "Casualty is still very, very tight."

However, there is "an emerging buffer layer market on the casualty side," Mr. Clay noted. A buffer layer fills gaps between primary coverage and umbrella or excess layers.

Mr. Clay said coverage is beginning to appear that will fill gaps between \$500,000 and \$1 million, adding that such coverage is placed with The Home Insurance Co. and Admiral Insurance Co.

Long-tail liability risks, like pharmaceutical companies, are still extremely difficult to place, along with directors and officers liability coverage and such specialty lines as "carnival-type risks and ice skating rinks," he said.

And many coverages that were considered standard during the soft market are being written by the surplus lines market because

of a lack of capacity among admitted insurers, he added.

"OL&T-type exposures, shopping centers, some accounts of that nature are in the excess/surplus lines area now that would historically be standard lines-type placements," he said.

Howden North America is able to offer specialty coverages through several "long-standing London contracts" maintained by the Illinois R.B. Jones facility says Mr. Clay.

Those contracts provide professional liability coverage programs for architects and engineers, seedsmen's E&O, liquor liability for establishments in Illinois, medical stop-loss protection for self-insured employers and railroad contractors.



Mr. Clay

In addition, Mr. Clay says Howden North America and The Home are "embarked on a joint venture called Home Transportation Agency."

In the venture, Howden North America acts as an MGA for The Home to write long-haul trucking liability insurance to limits of \$1 million.

The arrangement has generated more than \$12 million in premiums since its inception.

In addition to The Home, Howden North America holds binding authority for Lloyd's of London underwriters.

On a brokerage basis, Howden North America frequently places business with International Insurance Co., Columbia Casualty Co., California Union Insurance Co., First State Insurance Co., Fireman's Fund Insurance Co., American International Group, General Star Indemnity Co., St. Paul Surplus Lines Insurance Co., Scottsdale Insurance Co., CIGNA Corp., Transcontinental Insurance Co. and Hartford Specialty Co.

While a "significant percentage" of Howden North America's business is generated by large national brokers, around 60% of the business comes from regional retail brokers, Mr. Clay said.

"We specialize in medium- to large-sized commercial accounts that we consider technically complex," Mr. Clay noted.

Despite the controversy over the introduction of claims-made liability forms for many types of business, Howden North America hasn't seen much business written on claims-made forms.

"It hasn't swept through the casualty market as people anticipated it would," said Mr. Clay.

Howden North America's management expects the current tight market conditions to soften, and hopes to be building a clientele that will need its services if there comes a time when wholesalers might not be as important in accessing capacity.

"As the market crests, we hope to have obtained a level of professional service that will be sufficiently valued by our brokerage clients," said Mr. Kestenbaum.

That casualty market crest probably won't appear before the first quarter of 1988, he adds, but when it does, "We will have paid our dues during the difficult times and established credibility and excellent service."

Principal officers, in addition to Mr. Kestenbaum and Mr. Clay, include Dave Wolf Jr., chairman; Dick Ruhe, Dennis Rupp and Michael McDermott, executive vps; and Bruce E. Harrell, senior vp/chief financial officer.

Howden North America is a member of NAPSLO and AAMGA.

—By Michael Bradford

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"Lloyd's, London, Correspondents"

Crum & Forster Managers Corp. of Illinois

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

	1985	1984
Premium volume...	\$418,471,000	\$277,127,000
Gross revenues.....	NA	NA
Employees.....	254	233
Commercial lines..	100%	100%
Admitted business	66%	57%
Non-admitted.....	34%	43%

"It's a new beginning," declares David N. Thompson, president and chief operating officer of Crum & Forster Managers Corp. of Illinois.

Indeed, there is a lot new at the Chicago-based Crum & Forster Corp. subsidiary, which ranks as the largest underwriting manager in the United States with \$418.5 million in premiums underwritten in 1985 on behalf of four Crum & Forster insurance companies.

Among the most important developments are its new name, its new senior officers and its new offices.

The former L.W. Biegler Profit Center became Crum & Forster Managers Corp. of Illinois earlier this year.

The company's name was changed from Biegler—for its 1971 founder Louis W. Biegler, who retired in March 1985—to "align us very closely with Crum & Forster," Mr. Thompson explains.

"It's good for our image."

The new senior officers of CFMC (Ill.), as it is now known, include a new chairman and a new president. Richard E. Stone, who had been recruited in June 1984 and succeeded Mr. Biegler upon his retirement, resigned as chairman and chief executive officer effective April 15 and Mr. Thompson was named president.

The titles of chairman and chief executive officer are now held by Robert J. Vairo, who is based in New Jersey and also serves as chairman and chief executive officer of C&F Underwriters Group. CFMC (Ill.) is part of that group.

S. Richard Vassallo, a veteran Biegler employee who had held the title of president under Mr. Stone, is now a senior vp of CFMC (Ill.).

Mr. Stone decided he wanted to return to the reinsurance business, Mr. Thompson said. And, Mr. Stone's decision coincided with Mr. Thompson's desire to "become a president," he noted.

Mr. Thompson, 36, had been with Crum & Forster for the last five years, most recently as chief financial officer of C&F Underwriters Group, where he was responsible for captive insurance company formations for C&F producers and financial planning.

Mr. Stone, who has since been named president of Willcox Inc., the joint reinsurance brokerage venture between Johnson & Higgins and Willis Faber P.L.C., could not be reached for comment.

Other new managers at CFMC (Ill.) include Dennis C. Gibbs as chief financial officer and Gary J. Ferguson as senior claims officer. Mr. Gibbs had been a senior manager at Price Waterhouse in New York and Mr. Ferguson had been a branch manager of Industrial Indemnity Co., another Crum & Forster subsidiary.

In addition to Mr. Vassallo, Walter L. Mueller and Norman R. Reid continue as a senior vp.

In another significant change, the offices of CFMC (Ill.) were moved July 1 from the 100th floor of the Sears Tower to a building one-third the height across the street.

The underwriting manager, which also manages all the business of Crum & Forster's International Surplus Lines Insurance Co. unit, now occupies 53,000 square feet, compared with 22,000 square feet it had occupied in the world's tallest building.

"We have room to grow now, which we didn't have before," Mr.

Thompson says. Already, the staff has been expanded to 286 from 254 at year-end 1985 and 233 at year-end 1984. Plans are to expand to 300, he said.

"We're adding in underwriting and claims now," Mr. Thompson said. The staff additions earlier in the year were primarily in financial services.

Other significant changes for the underwriting manager in the last year include a further reduction in capacity.

CFMC (Ill.) offers limits of \$1 million for casualty insurance, down from \$3 million a year ago, and \$3 million for professional liability and directors and officers liability insurance, down from \$5

million. In 1984, the underwriting manager had \$20 million in capacity for both professional liability and D&O liability insurance. In 1983, capacity for both lines was \$25 million. Property insurance capacity remains the same as last year: \$2.5 million. It was \$5 million in 1984 and 1983.

"The market for excess/surplus lines is not what it was three years ago," Mr. Thompson says. "Reinsurers just are not interested in E&S exposures."

However, "we will be working with reinsurers for more capacity in 1987," Mr. Thompson said.

CFMC (Ill.) underwrites only against the treaties it has arranged for its products, not only when underwriting for ISLIC but also when underwriting for other Crum & Forster insurers. In addition to ISLIC, CFMC (Ill.) underwrites for International Insurance Co., North River Insurance Co.

and U.S. Fire Insurance Co. The major reinsurers supporting CFMC (Ill.) treaties are: Kemper Reinsurance Co., Skandia America Reinsurance Co., Munich Reinsurance Co., NWNL Reinsurance Co. and F&G Re, a unit of USF&G Corp.

Due to the reduction in capacity, premium volume in 1986 is projected to be \$406 million, down slightly from the record \$418.5 million written in 1985.

Still, that's 47% more than the \$277.1 million in premiums that Biegler reported for 1984, when it also ranked as the largest underwriting manager.

CFMC (Ill.) also will not report any volume in 1986 from the Illinois Insurance Exchange or in

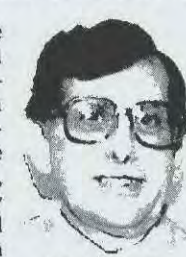
Canada. The L.W. Biegler Syndicate on the Illinois exchange stopped writing Dec. 31., after writing \$33.6 million in premiums in 1985, or 42% of the exchange's 1985 volume. "We wanted to put more emphasis on our operations here," explained Mr. Vassallo, referring to CFMC (Ill.).

The Canadian office was turned over to Crum & Forster of Canada Ltd. in early 1986. "The Canadian market is a lot different. It didn't make sense for us," Mr. Thompson said. The Canadian office generated only 3% of 1985 premiums and was the subject of an investigation into loss reserving practices by Canadian tax authorities (BI, March 10). "This is a civil tax matter that is still being reviewed by the Canadian government," said Albert Moore, senior vp and general counsel at Crum & Forster Corp.

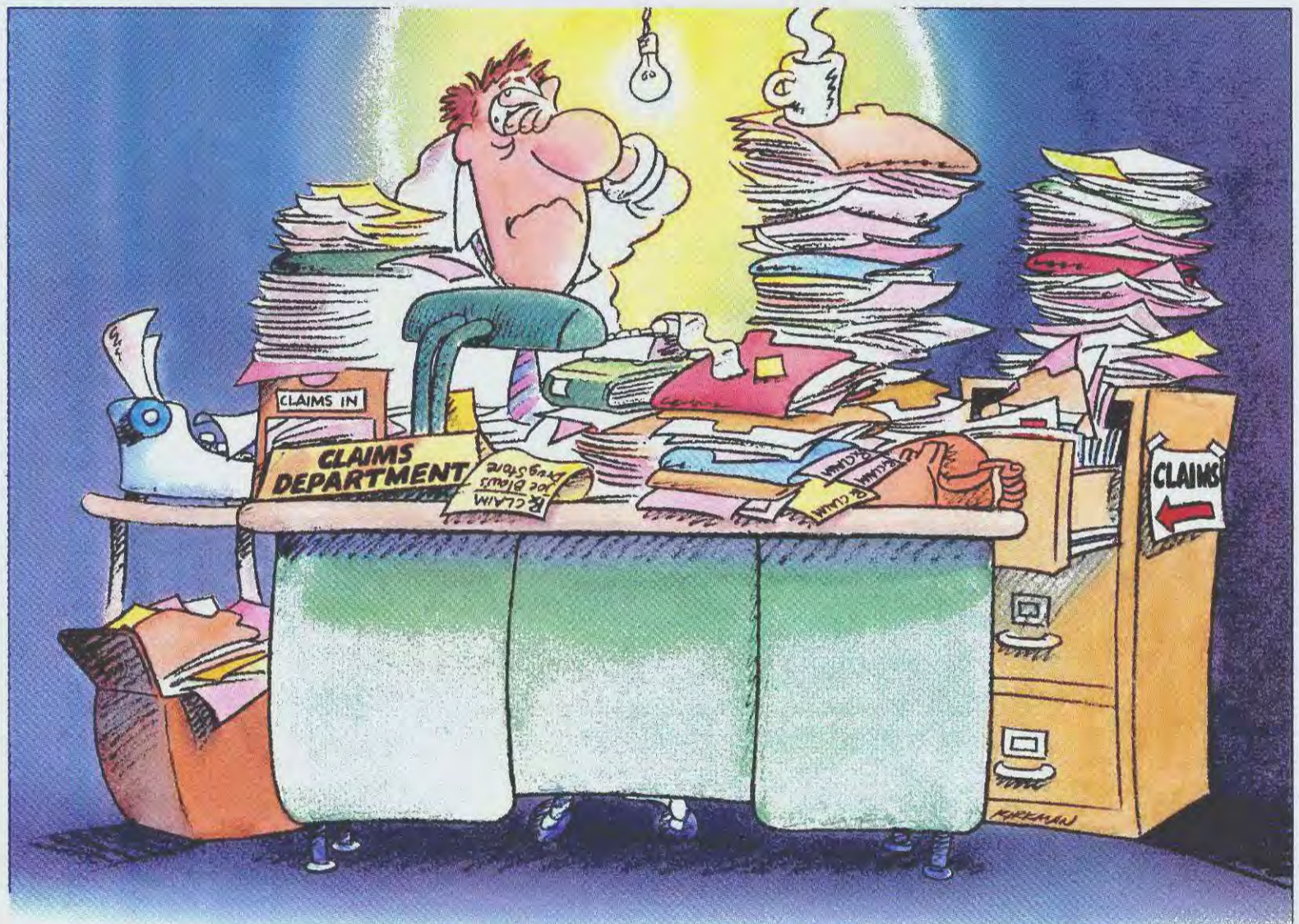
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Mr. Thompson



Mr. Vassallo



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Continued from previous page
 CFMC (Ill.) is maintaining its other branch offices in Los Angeles and Miami.

With all these changes in place, Mr. Thompson said the company is concentrating on development of its strategic plan: CFMC (Ill.) wants to be known for product expertise, as it was in the past as Biegler, and for "our innovation and excellence."

In addition, CFMC (Ill.) wants to "make an underwriting profit because of the high-risk business we are in," added Mr. Thompson. ISLIC has not reported a profit since 1983 (see story, page 26).

CFMC (Ill.) is operating under new "risk selection criteria," which Mr. Thompson described as "more restrictive now than in 1985."

"We're putting more emphasis on renewing our book—the time left is spent looking at new business," he said. The prices quoted for renewal and new business have been reviewed by actuaries, both those on staff and from outside firms.

"We feel our current prices will give us an underwriting profit," Mr. Thompson said.

Rate increases this year range from 200% to 300% for casualty, professional liability and D&O insurance and 50% to 100% on property insurance, Mr. Vassallo said.

Similar price increases for liability insurance and 25% to 50% price increases on property insurance during 1985 were "a big factor" in the 51% increase in premiums written by company, Mr. Thompson noted.

Crum & Forster in 1985 contributed \$67.5 million net-of-tax to the loss reserves for business written by CFMC (Ill.) for Crum & Forster subsidiaries.

"With that behind us, we feel our reserves are well within adequate ranges," Mr. Thompson said.

Only 34% the business written in 1985 was placed with ISLIC, down from 43% in 1984. "We use ISLIC when rate and form changes are required," Mr. Thompson explains. The other companies are admitted insurers, subject to state rate and form regulation.

Some things, however, have remained the same at the Chicago-based underwriting manager.

Business written has remained relatively proportionate to years past. About 38% is casualty; 31% E&O and professional liability; 18% directors and officers liability; and 13% property insurance.

CFMC (Ill.) is still interested in writing many of the products it has been known for over the years: casualty insurance, including primary and buffer layers excess of \$250,000 but mostly excess of \$500,000; excess liability insurance following form, both occurrence and claims-made; and umbrella insurance. D&O insurance for non-profit institutions and condominium boards, liability insurance for public officials and school boards and corporate D&O also are specialties.

And, in the professional liability area, CFMC (Ill.) writes coverage for lawyers, accountants, architects and engineers, real estate agents and insurance agents.

Property insurance written includes package programs, monoline fire and inland marine insurance.

The company stopped writing its professional liability package for financial institutions, which included D&O insurance, a little more than a year ago.

CFMC (Ill.) also no longer is a big market for railroad liability insurance, a specialty which Mr. Biegler had developed. Most of the railroad business has gone to a new captive, Railroad Association Insurance Ltd., for which Mr. Biegler is an underwriting consultant.

CFMC (Ill.) accepts submissions from about 1,000 producers, the number Mr. Stone had pared the production force to a year ago. About 65% of the producers are wholesalers, but the 35% retail brokers bring the underwriting managers more of its volume.

CFMC (Ill.) does not release its gross revenues, but *Business Insurance* estimates that the underwriting manager's revenues are about 7.5% to 10% of premiums written, or about \$31 million to \$41 million.

CFMC (Ill.) is a member of NAPSLO.

—By Kathryn J. McIntyre

Shand, Morahan & Co. Inc.

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

	1985	1984
Premium volume...	\$281,629,000	\$226,729,000
Gross revenues.....	NA	NA
Employees.....	432	444
Commercial lines..	100%	100%
Admitted business	50%	52%
Non-admitted.....	50%	48%

Rate hikes on professional liability insurance and an upsurge in product liability insurance underwriting contributed to double the expected growth last year for underwriting manager Shand, Morahan & Co. Inc.

Premium volume increased 24.2% to \$281.6 million in 1985 at the second-largest underwriting manager in the country. Shand had expected volume to increase only about 10% from 1984 premiums of \$226.7 million.

And, rate hikes continue in 1986 as Shand attempts to write for an underwriting profit, which it failed to do in 1985.

"We're still seeing—even at this point in time—rate increases averaging in excess of 75%, especially on surplus lines business, and they are justified by the losses," says Joseph J. Prochaska Jr., Shand's chairman and chief executive officer.

"There's no question that rates in all lines are still moving up significantly," Mr. Prochaska adds.

These rate hikes will contribute to growth in 1986, despite the fact Shand has lost significant capacity this year and now writes on behalf of only three insurers, down from six in 1985.

Shand, an Evanston, Ill.-based subsidiary of Alexander & Alexander Services Inc. in New York, now offers capacity of only \$3 million, compared with \$20 million a year ago. Shand's limits were down to as low as \$2 million at the beginning of 1986.

"We weren't exempt from the contraction of the worldwide reinsurance support as it affects U.S. casualty business," Mr. Prochaska says.

The number of Shand's in-house reinsurers is down to 17 now from 36 last year.

"It's been difficult in the marketplace to place reinsurance on long-tail U.S. casualty lines," he adds. "It's just a general reluctance for reinsurers to get involved in those types of lines so it's been a difficult marketing job putting together capacity."

"The reinsurance market for professional liability and errors and omissions remains very, very tight," adds Shand President E.L. "Mac" Calhoun.

About 80% of Shand's business is professional liability and errors and omissions insurance, primarily for architects and engineers and insurance agents and brokers, followed by lawyers and insurance companies.

"The days of \$20 million to \$30 million are gone in this kind of a reinsurance market," Mr. Prochaska says.

Mr. Calhoun says he does not believe that Shand will offer greater capacity next year than the current \$3 million. Any new reinsurance capacity coming into the marketplace is generally not interested in errors and omissions or professional liability business, he notes.

Shand probably will not see an increase in the number of reinsurers until 1988.

However, on isolated risks, Shand has been able to put together facultative and direct excess reinsurance to write limits of \$5 million and \$10 million.

Shand's markets are Evanston Insurance Co., a surplus lines insurer, and Insurance Co. of Evanston, an admitted insurer in 37 states. Both companies are owned by Evanston Insurance Services Inc., in which Shand holds a 52% share.

Shand is the exclusive underwriting manager for the Evanston companies.

Shand's only other market now is Utica Mutual Insurance Co., for which it writes an insurance agent association's E&O insurance program.

Shand also writes some lawyers' E&O insurance on behalf of syndicates at Lloyd's of London.

The three insurers that no longer are among Shand's markets are:

AGC Insurance of Australia, General Accident Insurance Co. of America and Mutual Fire, Marine & Inland Insurance Co.

AGC stopped writing an Australian architects and engineers program through Shand because it found the administrative cost too high relative to the amount of business. The business is now being written by Evanston Insurance, says Mr. Prochaska.

Shand and General Accident mutually agreed to end their six-year-old relationship as of July 1, 1986. General Accident wants to concentrate on standard-line businesses and Shand has decided to concentrate its efforts in the surplus lines area, primarily through Evanston Insurance Co.

While some of this business from General Accident will be written by Evanston Insurance and some will be written by Insurance Co. of Evanston, Shand will lose a portion of the book, Mr. Prochaska says.

Mutual Fire, Marine has been under voluntary supervision by the Pennsylvania Insurance Department since June 13 and is not writing new business or paying claims during a 90-day period (BI, July 28).

"In the last two or three years, they have not been a major market for us," Mr. Prochaska says.

The loss of the three markets has not impaired Shand's ability to write the business it wants, he contends, though he adds "we are always actively pursuing new markets."

And, rate hikes will create more growth for Shand this year, Mr. Prochaska says.

The biggest rate hikes—300% or more—are being imposed for insurance company errors and omissions insurance, Mr. Prochaska says.

Rate hikes for lawyers professional liability insurance, meanwhile, have registered more than 200%. Rates have risen 75% for agents and brokers E&O insurance and 50% to 60% for architects and engineers E&O coverage.

Even though these rate hikes are smaller than last year's, they have cost Shand some lawyers professional liability business. Shand has lost state bar association business since the underwriting manager first started raising rates in October 1982.

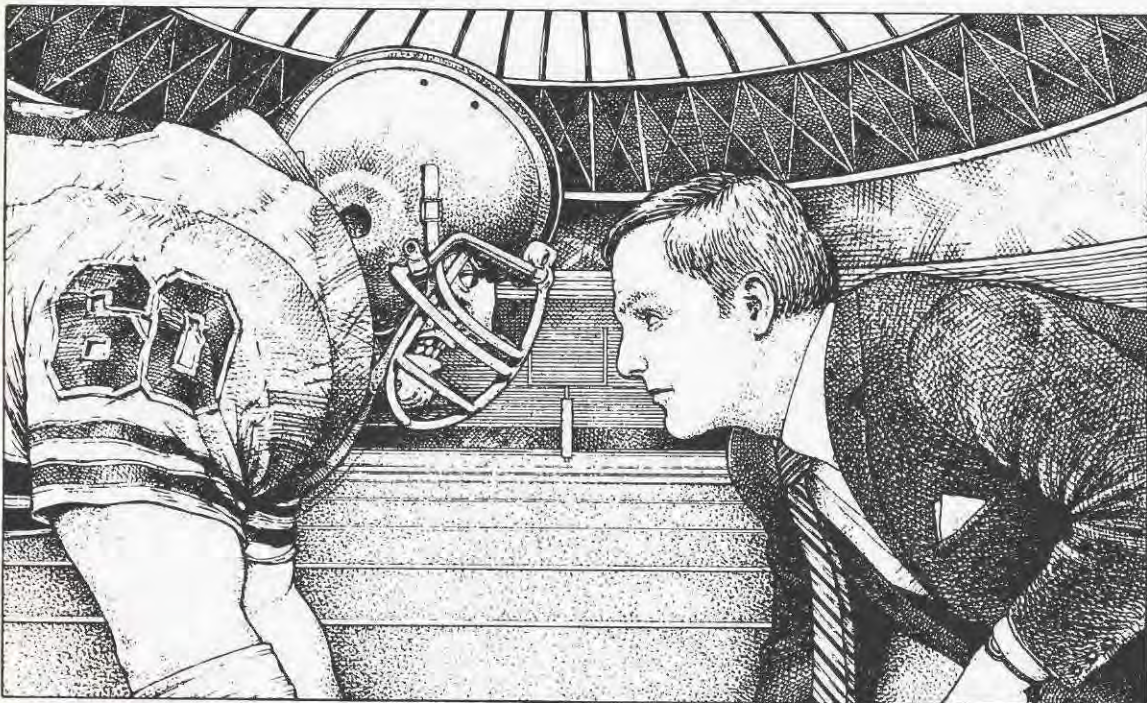
Today, Shand's lawyers professional liability business is focused on small- and intermediate-sized law firms. Shand also prefers smaller architect and engineering firms, Mr. Calhoun says.

Rate increases, however, have



Mr. Calhoun

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not yet produced an underwriting profit on the business Shand writes, and Shand is restricting its policy forms, raising deductibles and implementing new loss-control programs.

Although Shand does not reveal how large the losses were, Evanston Insurance Co., whose business in 1985 was produced solely by Shand, recorded a 143% combined ratio. However, that was a reduction from the 155.3% combined ratio in 1984 (see story, page 28).

Shand has experienced its greatest loss deterioration in the lawyers professional liability line.

To improve its underwriting results across all lines, Shand in 1985 rewrote its professional liability insurance to include defense costs within policy limits.

"We're not seeing a significant amount of resistance to that," Mr. Prochaska said, noting that at least Shand is providing a market.

Shand also is raising the deductibles, which apply to defense costs as well as indemnity payments. For lawyers, deductibles probably have doubled over a year ago, Mr. Calhoun says, and they may have doubled or tripled for insurers.

Shand has also initiated a "loss-prevention function" for lawyers E&O insurance, which it hopes to expand to other lines of business. Under the program, a Shand employee evaluates the firm's risk of loss and reviews its loss-control procedures.

For all lines, but particularly when the policy is excess of a large self-insured retention, Shand is increasing the auditing of policyholder claim files.

And, Shand is reviewing loss reports on a monthly instead of a quarterly basis, to compare the frequency and severity of losses in each line of business with Shand's projections.

"That enables us to be aware much faster of areas where we need further correction," Mr. Calhoun says.

In 1985, Shand placed 50% of its business in the non-admitted market, up slightly from 48% in 1984. Mr. Calhoun expects that percent to increase to 60% by the end of 1986.

Much of the increase will be due to the new business Shand writes, such as product liability insurance, which is being placed with Evanston Insurance.

In addition, some business Shand lost, such as lawyers professional liability, was written in the admitted market, thus decreasing Shand's percentage of business in that market.

In 1985, Shand gave priority to renewal business if it was an acceptable underwriting risk, Mr. Prochaska says. Every program had restrictions. This year, however, Shand has been able to slightly loosen those restrictions and is writing more new business.

Shand writes all professional liability insurance on a claims-made basis, but it has not seen as significant a movement to the claims-made form for comprehensive general liability as it anticipated, said Mr. Prochaska.

Similar to last year, about 1,700 to 2,000 retail brokers nationwide produce business for Shand, although the bulk of its business comes from about 200 brokers.

The company has not made any acquisitions during the past year and does not anticipate any soon.

Shand's workforce dropped slightly in 1985 to 432 from 444.

Shand Vice Chairman Max W. Beam retired July 1, though he continues as a consultant.

Besides Mr. Prochaska and Mr. Calhoun, other principal officers include, Richard A. Adler, Robert H. Libby and Robert N. Liston, executive vps.

Shand is a member of NAPSLO.
—By Stephen Tarnoff

Victor O. Schinnerer & Co. Inc.

5028 Wisconsin Ave. N.W., Wash-
ington, D.C. 20016; 202-885-9500

	1985	1984
Premium volume...	\$268,000,000	\$144,000,000
Gross revenues.....	NA	NA
Employees.....	164	137
Commercial lines...	100%	100%
Admitted business	98%	95%
Non-admitted.....	2%	5%

Sticking to a consistent underwriting philosophy is producing record results at underwriting manager Victor O. Schinnerer & Co. Inc.

In 1985, Schinnerer's premium volume almost doubled, leaping to \$268 million from \$144 million in 1984, making it the third-largest underwriting manager/managing general agent ranked by *Business Insurance*.

And, premium volume in 1986 is

almost certain to break 1985's record. During the first six months of this year, the Marsh & McLennan Cos. Inc. subsidiary, racked up a premium volume of \$214 million, compared with \$107 million during the corresponding period in 1985.

With the acquisition of Encon Insurance Managers Inc.—a major Canadian underwriting manager, which, pending regulatory approval and execution of a definitive agreement, will become a wholly-owned Schinnerer subsidiary—premium volume this year could top the \$500 million mark.

This huge growth in business is the harvest of the company's unwavering commitment to price coverage according to risk and avoidance of suicidal price-cutting wars that may reduce premiums in the short run, but cost businesses major markets when insurers pull out after sustaining huge losses.

"Our philosophy is you have to produce a long-term profitable

result to maintain a viable market," says Schinnerer Senior Vp Douglas C. Dolan Jr.

"Pricing is based on actuarially justified experience for that class of business rather than a market-driven what-do-you-need to get the business," he says.

That pricing philosophy has proved itself in spades, Mr. Dolan says.

"Where other competitors are cutting back or are losing markets, or have restrictions on premium volume, we have major programs with national coverage availability, higher limits than our competition and no real premium restrictions other than what we always had, which is to underwrite an overall profitable book of business," Mr. Dolan says.

"By protecting our insurers and reinsurers in the soft market, they are standing fully behind us in this market," Mr. Dolan adds.

For example, Schinnerer's flag-

ship architects and engineers professional liability program, offered under an exclusive arrangement with CNA Insurance Cos., provides \$15 million of coverage—a limit higher than programs offered by competitors—with no capacity restrictions.

"Where a number of competitors have dropped out or cut capacity for architects and engineers liability coverage, we've done neither. We have CNA ready to accept as much qualified business as we can write," Mr. Dolan says.

At the same time, while competitors were boosting architects and engineers professional liability insurance rates 200% to 300%, Schinnerer raised rates by just 35% in 1985 and by only 11% this year.

Mr. Dolan notes, however, that Schinnerer's competitors "substantially undercut" the rates Schinnerer was charging at the time.

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This combination of high limits with modest rate increases is bringing in new risks and allowing Schinnerer to regain business that was lost to price-cutting competitors during the soft market of the late 1970s and early '80s.

In 1985 alone, premium volume for Schinnerer's architects and engineers professional liability insurance program climbed 80%, Mr. Dolan said. With this spurt in business, Schinnerer estimates it now has about 65% of the architects and engineers market.

Mr. Dolan acknowledges that refusing to cave in to market pressures cost the company business during the soft market.

Rather than join the price-cutting frenzy, Schinnerer watched and waited.

"We have been in the architects and engineers market for 30 years and, as a result, probably have better, more credible statistics than anyone else," Mr. Dolan said.

Because of that experience, Schinnerer executives knew that competitors' prices were not based on sound underwriting and that a crash was inevitable.

"Others were thinking in terms of the amount of premium availability... and didn't properly judge what rates should have been," Mr. Dolan said. And, when competitors in the architects and engineers

professional liability field withdrew or cut back coverage because their insurers were burned by unsound underwriting, Schinnerer was posed to pick up their business, Mr. Dolan said.

The architects and engineers program, which Schinnerer pioneered in 1957, is endorsed by the American Institute of Architects and the National Society of Professional Engineers, he noted.

"It is the longest-running, nationally endorsed professional liability insurance program," Mr. Dolan adds, noting that the program accounts for about 70% of Schinnerer's premium volume.

Schinnerer also is winning back business for its professional real estate agents errors and omissions policy, which is insured through Travelers Corp. units.

Like architects and engineers liability coverage, real estate errors and omissions coverage wasn't being priced according to risk, Mr. Dolan said.

Other firms had underpriced their product or their underwriting guidelines were so lax that

premiums didn't support loss experience, Mr. Dolan said.

As losses mounted, competitors pulled out or drastically cut back on coverage. The result, according to Mr. Dolan, is that Schinnerer is the principal market for real estate E&O coverage, estimating that the company has between 60% and 70% of that market.

The Travelers-insured program, introduced in 1983 and endorsed by the National Assn. of Realtors, is available nationwide. Limits of \$5 million are offered.

In 1985, rates for the real estate E&O program were increased between 20% and 40%; Schinnerer now is evaluating whether there is a need for a rate increase this year. But if there is an increase, it will be modest, Mr. Dolan said.

Schinnerer's hospital excess professional liability program also has gained new business as other markets pulled back or withdrew, Mr. Dolan said. This program, written over retentions of between \$1 million per claim/\$3 million aggregate, also is written for Travelers and provides up to \$28 million of coverage. While Schinnerer has been able to keep this \$28 million limit for its excess professional liability program for hospitals, limits have been cut in its E&O program for non-profit organizations and a directors and officers liability insurance program

for both for-profit and non-profit organizations.

Limits in these programs, written by Federal Insurance Co. of Short Hills, N.J., a Chubb Corp. unit, have dropped to between \$5 million and \$10 million, down from \$25 million. Federal reduced limits to slow growth because there was a possibility that business could balloon, giving Federal more business than it was comfortable with, Mr. Dolan said.

Schinnerer would like to return to the lawyers professional liability market, a field it left last year when the insurer of its program—United States Liability Insurance Co., pulled out.

While the program's experience was favorable, United States Liability withdrew because it felt the market was too volatile, Mr. Dolan said. The lawyers professional liability insurance market was a victim in the early 1980s of price competition, he recalled.

"For a time, there was excess capacity chasing market share," he said. But, starting in late 1984, rates skyrocketed.

"There probably has been over-reaction... trying to recover from inadequate rates from before," he said. Mr. Dolan believes it is possible to write a profitable book of business for lawyers professional liability insurance.

"We think there is an opportunity for a long-term program, and, at some point, we will get back into the market and establish ourselves as a major player," he said.

Late last month, Schinnerer announced that it would acquire Encon Insurance Managers Inc., a Canadian underwriting manager based in Ottawa.

"It is a perfect fit," Mr. Dolan said, noting that Encon shares Schinnerer's philosophy of basing rates on experience. Encon, which also specializes in professional liability insurance programs, has offices in Toronto and in Dallas, through a U.S. subsidiary. Encon, founded in 1962, is expected to produce about \$70 million in premium volume this year, Encon officials say.

The transaction is subject to approval by Canadian officials and the execution of a definitive agreement. Terms of the transaction are not being disclosed.

Between 15,000 and 18,000 producers, ranging from one-person agencies to the alphabet brokers, place business with Schinnerer.

Last year, about 98% of business was written in the admitted market, up from 95% in 1984.

About 95% of Schinnerer's premium volume is generated as an underwriting manager, with less than 5% as a managing general agent. Brokerage business comprises less than 1% of Schinnerer's premium volume.

Schinnerer is an underwriting manager Continental Casualty Co., a CNA unit; Travelers Indemnity Co.; and Federal Insurance Co. CNA and Travelers are the largest underwriters of Schinnerer's business.

In addition, Schinnerer is a Lloyd's of London correspondent.

To cope with the rising volume of business, Schinnerer's employment roll has climbed. In 1985, the company added 27 staffers bringing the number of employees to 164, up from 137 in 1984.

Aside from its headquarters in Washington, Schinnerer has offices in New York, Chicago and San Francisco.

Schinnerer's principal officers are: J. Sprigg Duvall, president; James R. Stevens, executive vp; Merrill B. Walker, senior vp and chief financial officer; and Marshall A. Ames, Paul L. Genecki, Thomas F. Tucker, senior vps.

During the year, Mr. Dolan and Mr. Ames were promoted to senior vps from vps.

-By Jerry Geisel

Atwater McMillian Inc.

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

	1985	1984
Premium volume...	\$214,200,000	\$147,700,000
Gross revenues.....	NA	NA
Employees.....	197	191
Commercial lines..	75%	75%
Admitted business..	50%	67%
Non-admitted.....	50%	33%

Despite a 45% increase in premium volume in 1985 and continued strong growth through the first quarter of 1986, executives at Atwater McMillian Inc. are taking measures to strengthen the performance of the underwriting management subsidiary of the St. Paul Cos. Inc.

Atwater, the fourth-largest underwriting manager/managing general agent profiled by *Business Insurance*, has drastically reduced the number of producers for which it will write business and has started to rely on increased actuarial support to maintain underwriting integrity.

Despite the reduction in number of producers, Atwater's premium volume increased 45% in 1985 to \$214.2 million from \$147.7 million in 1984.

For several years, Atwater maintained a network of 200 producers, in addition to writing business generated through members of Swett & Crawford Group, another St. Paul Cos. Inc. subsidiary (see story, page 40).

However, Atwater now is writing business for only 50 producers and Swett & Crawford.

Most of the 150 producers for which Atwater no longer writes business are managing general agents. The underwriting manager now maintains relationships only with wholesalers that primarily act as brokers, according to Robin Critelli, vp-marketing.

"We're positioning ourselves with brokers that are providing a good match to our operations," Ms. Critelli explained. "By establishing these relationships in the hard market, we believe they will be with us through all the cycles."

Company executives believe that by relying more heavily on actuarial support, staff members underwriting for subsidiary St. Paul Surplus Lines Insurance Co. will write risks better and Atwater will be able to maintain an appropriate rate structure.

Actuaries "will work very closely with surplus lines underwriters," according to Kenneth F. Goldstein, president. "It will help us recognize when our price levels are adequate."

Non-admitted commercial business, which is written only for St. Paul Surplus Lines, accounted for 50% of Atwater McMillian's premium volume in 1985. Admitted commercial business, written for affiliates St. Paul Fire & Marine Insurance Co. and to a much lesser extent Ramsey Insurance Co. and Athena Assurance Co., accounted for the remaining premium volume.

The 50-50 split between non-admitted business and admitted business is a direct reflection of the reduced capacity offered by admitted insurers last year and the higher rates charged by St. Paul Surplus Lines. In years prior to 1985, admitted business accounted for approximately two-thirds of Atwater's premium volume.

Non-admitted business still accounted for 50% of the \$145.6 million in premiums Atwater wrote in the first half of 1986.

Another trend Atwater McMillian has seen is a greater demand for buffer casualty business, spurred by self-insurers seeking coverage between their retention levels and the point at which excess insurers are willing to

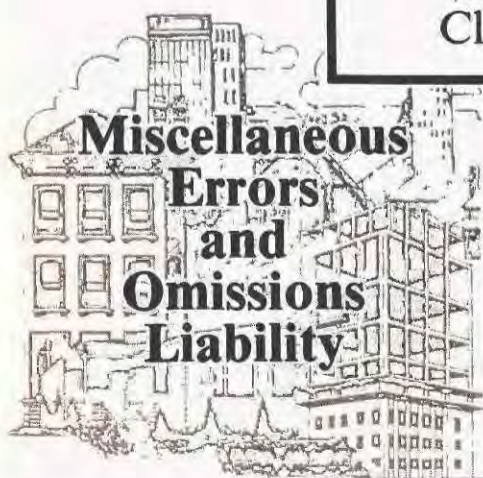
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Continued from previous page
attach, according to Kenneth F. Goldstein, president and chief operating officer.

Mr. Goldstein noted that policyholders with primary coverage face a similar problem, because excess and umbrella insurers are requiring higher attachment points than the limits that primary insurers will provide.

"So, there's a need to purchase a buffer to fill the gap between the primary and the underlying requirement of the umbrella or excess carrier," he said.

Buffer casualty policies accounted for 10% of premium volume in 1985, and Mr. Goldstein expects it will comprise the same percentage of business in 1986. Atwater did not write any buffer casualty business in 1984.

Atwater did not introduce any new products in 1985 and does not plan to in 1986. Instead, it has focused on providing traditional excess/surplus lines coverage.

Premium volume typically is generated by mid-sized risks, policyholders that generate between \$50,000 and \$200,000 in premiums underwritten by Atwater.

Rate increases in 1986 will be much weaker than last year, but rates for casualty exposures still will jump approximately 100% while rates for property exposure will climb 25%, according to Mr. Goldstein. "There's no question that our prices had to be raised substantially—especially to recover from 1984, which produced our worst results," he said (see story, page 33).

In addition to Mr. Goldstein, principal officers of Atwater McMillian are Arthur B. McHugh, senior vp-surplus lines; and Janet R. Nelson, vp-specialty risk.

—By Dave Lenckus

Cameron & Colby Co. Inc.

60 Batterymarch St., Boston, Mass.
02110; 617-357-8400

	1985	1984
Premium volume...	\$211,483,000	\$212,559,000
Gross revenues.....	NA	NA
Employees.....	400	400
Commercial lines..	100%	100%
Admitted business	51%	46%
Non-admitted.....	49%	54%

Cameron & Colby Co. Inc. is still waiting for the effects of rate increases and underwriting restrictions to show up in the results of the insurers it manages.

Although the results of one of the insurers—First State Insurance Co.—improved somewhat during 1985, the full impact of Cameron & Colby's tough new underwriting program will not be felt until year-end 1986, says Lawrence S. Doyle, president and chief executive officer.

In addition to First State, which writes primarily direct, non-admitted insurance, Cameron & Colby manages New England Insurance Co., which writes direct insurance on an admitted basis, and New England Reinsurance Corp., which now writes only treaty reinsurance after having phased out its facultative reinsurance operations in 1985.

Gross direct premium volume of First State and New England Insurance declined marginally in 1985 to \$211.5 million from \$212.6 million in 1984. First State accounted for \$164.2 million of the direct writings in 1985, while New England Insurance accounted for \$47.3 million.

Of the total premium volume, direct writings on an admitted basis have grown faster than writings on a non-admitted basis over

the past few years.

In 1985, admitted business accounted for 51% of total premium volume, compared with a 46% share of premium volume in 1984.

Of First State's direct premiums, \$104.2 million, or 63.5%, were written on a non-admitted basis in 1985.

The remaining 36.5% of First State's premium volume was written in California, Massachusetts and Delaware, where the insurer is admitted. In comparison, First State's direct admitted business was 30.6% of overall direct premiums of \$163.7 million in 1984 and 25.1% of direct premiums of \$170.3 million in 1983.

Much of the growth of First State's admitted book has been in California, where the insurer has been able to pick up new business from other insurers that have run into financial difficulties, including Mission Insurance Co., according to Mr. Doyle.

First State also improved its bottom line somewhat last year, narrowing its net loss to \$689,953 from a loss of \$10.4 million in 1984.

But, the results were not as good for all of Cameron & Colby's operations combined.

Gross premiums written by the three managed insurers—including New England Re—dropped 25.4% last year to \$407.4 million from \$545.9 million in 1984. The drop follows a 12.9% decline in gross premiums in 1984 from \$626.6 million in 1983.

Net premiums, meanwhile, remained relatively steady, slipping 2.9% to \$121.3 million last year from \$124.9 million in 1984. Earned premiums dropped 11.7% to \$119 million from \$134.7 million in 1984.

The three Cameron & Colby-managed companies finished 1985 with a net loss of \$24.5 million.

And, the three Cameron & Colby-managed companies finished 1985 with a net loss of \$24.5 million, nearly triple 1984's net loss of \$8.3 million.

Contributing to the poor experience was a \$35 million underwriting loss related to the discontinuance of New England Re's facultative book of business, according to a Cameron & Colby annual statement.

Mr. Doyle said that he expects 1986 results to improve as the effects of the new underwriting process take hold.

For First State, this process has included cancellation or non-renewal of virtually all policies the insurer had written in 1984, resulting in a completely new book of business for 1985.

The new underwriting program also included triple-digit rate increases and more restrictive insuring conditions for casualty risks, as well as double-digit increases for property risks last year, according to Mr. Doyle.

The financial position of the Cameron & Colby companies also has been strengthened through a reinsurance pooling arrangement with their parent, Hartford Fire Insurance Co., that provides for proportional sharing of premiums, losses and expenses.

Under the arrangement in 1984, the three insurers have transferred to Hartford Fire hundreds of

authorized and unauthorized reinsurance contracts, preventing the drain on their statutory surplus that the increased liabilities for unauthorized reinsurance would have caused.

For First State, the change in unauthorized reinsurance liability produced a gain of \$19.3 million in 1984, more than offsetting that year's net loss and allowing only a slight erosion of policyholders surplus after an \$11 million dividend was paid to Hartford Fire. In 1985, First State showed no gains or losses related to unauthorized reinsurance.

First State's policyholders surplus amounted to \$67 million at year-end 1985, up marginally from \$65.5 million at year-end 1984. Surplus was \$67.2 million at the year-end 1983.

New England Insurance Co.'s surplus was \$37 million at year-end 1985, while New England Re currently has a surplus of about \$123.4 million after a recent contribution of \$15 million by Hartford Fire, according to Mr. Doyle.

Cameron & Colby's officers carry identical titles with the managed insurers.

In addition to Mr. Doyle, Cameron & Colby's officers include Richard E. Willey, chairman; Ralph J. Palmieri, executive vp; Lewis J. Mollman, executive vp; and Lynford M. Richardson, executive vp and comptroller.

Graves D. Hewitt retired as chief executive officer on June 1. Chester A. Abbey, former vice-chairman, has moved to Bermuda as president of Hartford affiliate Abbey Overseas Group.

Cameron & Colby, a member of NAPSLO, has offices in Atlanta, Boston, Chicago, Los Angeles, New York and San Francisco.

—By Douglas McLeod

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Directory of wholesale intermediaries

a

Acadiana Special Risks Inc.

1616 Jefferson St., Lafayette, La.
70501; 318-237-2000

	1985	1984
Premium volume...	\$3,400,000	\$2,500,000
Gross revenues.....	\$264,000	\$218,000
Employees.....	4	3
Commercial lines..	100%	100%
Admitted business..	25%	30%
Non-admitted.....	75%	70%

Year founded: 1976.
Type of business: 100% broker.
Broker for: Primarily Interstate Fire & Casualty Co., Chicago Insurance Co., Highlands Insurance Co., Mount Hawley Insurance Co., Lloyd's of London.
Specialties: Oil and gas.
Principal officers: Glenn J. Hebert, president; Kathy Fussell, vp.
Membership: NAPSLO, Louisiana Surplus Lines Assn.

Agency Intermediaries

121 Village Walk, Guilford, Conn.
06437; 203-457-1463

	1985	1984
Premium volume...	\$5,000,000	\$2,700,000
Gross revenues.....	\$490,000	\$285,000
Employees.....	8	4
Commercial lines..	100%	100%
Admitted business..	30%	60%
Non-admitted.....	30%	40%

Year founded: 1981.
Type of business: 65% broker, 35%

managing general agent.
Branch offices: Agency Intermediaries of New Jersey, Dover, N.J.
MGA for: Scottish & York Insurance Co. Ltd., Lincoln Insurance Co.
Broker for: Primarily Canadian Universal Insurance Co., Interstate National Corp., Marine Office of America Corp., Integrity Insurance Co.

Correspondent: Lloyd's of London.
Principal officers: Erina C. Fazekas, president-Connecticut office; John J. George, president-New Jersey office; Manja H. Connors, secretary/treasurer.
Membership: NAPSLO, Connecticut Surplus Lines Assn., New Jersey Surplus Lines Assn., New England Surplus Lines Assn.

Alexander Howden North America Inc.

1705 Commerce Drive N.W.,
Atlanta, Ga. 30318; 404-351-5880

See profile, page 49.

Alexander Underwriters General Agency Inc.

P.O. Box 105051, Atlanta, Ga.
30348; 404-981-7100

	1985	1984
Premium volume...	\$33,825,704	\$26,027,144
Gross revenues.....	\$3,754,653	\$2,889,013
Employees.....	109	88
Commercial lines..	51%	53%
Admitted business..	75%	75%
Non-admitted.....	25%	25%

Year founded: 1974.
Parent company: International

Indemnity Group Inc.
Branch offices: Orlando, Fla.; Baton Rouge, La.; Columbia, Tenn.
Underwriting manager for: International Indemnity Co., Florida International Indemnity Co.
Broker for: Primarily Chicago Insurance Co., International Surplus Lines Insurance Co., United National Insurance 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 Murphy, vps.
Membership: AAMGA, NAPSLO.

American Insurance Markets

12610 E. Northwest Highway,
Dallas, Texas 75228; 214-279-3607

	1985	1984
Premium volume...	\$18,000,000	\$16,000,000
Gross revenues.....	\$2,500,000	\$2,300,000
Employees.....	32	33
Commercial lines..	60%	50%
Admitted business..	70%	75%
Non-admitted.....	30%	25%

Year founded: 1976.
Type of business: 70% underwriting manager, 20% managing general agent, 10% broker.
Underwriting manager for: Southwest American Lloyd's Insurance Co.
MGA for: National County Mutual Insurance Co.
Broker for: Primarily Fireman's Fund Insurance Co., Sheffield Insurance Co.

Specialties: Commercial property, apartments, condominiums.
Principal officers: Charles McDearmon, president; Gage Forrest, executive vp; Dean Cheatham, controller; Mary Carlson, vp-personal lines; Ron Fous, vp-commercial lines.
Membership: AAMGA, Texas Surplus Lines Assn.

American Overseas Underwriters Inc.

P.O. Box 1968, Cocoa, Fla. 32922;
1365 N. Courtney Parkway, Suite D,
Merritt Island, Fla. 32952;
305-452-3360

	1985	1984
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: 1986.
Type of business: 25% managing general agent, 75% broker.

Subsidiaries: Ocean Underwriters Inc.
MGA for: Derek Bryant & Associates Ltd.
Broker for: Primarily Derek Bryant Associates Ltd.
Correspondent: Lloyd's of London.
Specialties: Ocean marine, inland marine
Principal officers: Bob Wilson, Silvia Wilson and Stephen York.

Anderson & Murison Inc.

800 W. Colorado Blvd., Los Angeles, Calif. 90041;
213-255-2333

	1985	1984
Premium volume...	NA	NA
Gross revenues.....	\$2,172,815	\$1,791,829
Employees.....	33	31
Commercial lines..	90%	90%
Admitted business..	65%	75%
Non-admitted.....	35%	25%

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, Great American Surplus Lines Insurance Co., Western World Insurance Co., American Modern Home Insurance Co., Great Falls Insurance Co., Southern Insurance Co.
Broker for: Primarily General Star Management, Topa Insurance Co., First State Insurance Co., Colonia Insurance Co.

Correspondent: Lloyd's of London.
Specialties: General liability, property/package.
Principal officers: David F. Anderson, president; Horst L. Lechler, senior vp; William V. King, vp/controller.
Membership: AAMGA, NAPSLO.

Arlington/Roe & Co. Inc.

5546 Shorewood Drive, P.O. Box
20905, Indianapolis, Ind. 46220;
317-257-9123

	1985	1984
Premium volume...	\$5,300,000	\$3,400,000
Gross revenues.....	\$680,000	\$440,000
Employees.....	17	13
Commercial lines..	55%	43%
Admitted business..	82%	86%
Non-admitted.....	18%	14%

Year founded: 1964.
Type of business: 92% managing general agent, 8% broker.

MGA for: American Modern Home Insurance Co., Century Surety Co., Empire Fire & Marine Insurance Co., Foremost Insurance Co., Great American Surplus Lines Insurance Co., Midwest Mutual Insurance Co., Minnehoma Insurance Co., National Indemnity Co., Nautilus Insurance Co., Northland Insurance Co., Northfield Insurance Co.

Broker for: Primarily American International Group Inc., Crum & Forster Managers Corp., Employers Reinsurance Corp., Fireman's Fund

Continued on page 57

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Guide to BI directory of wholesale marketers

The annual *Business Insurance* directory of wholesale marketers lists underwriting managers, managing general agents and wholesale 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.

The *Business Insurance* questionnaire 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 MGA 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. MGAs 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 of London syndicate).

Location of branch offices and subsidiaries, specialties (any type of commercial risk placed that comprises 25% or more of annual premium volume) and names and titles of principal officers are included.

Membership in either of the two national professional surplus lines organizations—the National Assn. of Professional Surplus Lines Offices (NAPSLO) or 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 37.

Although we make every effort to published complete and accurate information, *Business Insurance* is unable to verify all figures supplied by responding companies.

Continued from page 56

Insurance Cos., Shand, Morahan & Co. Inc.

Principal officers: Francis L. Roe, president; James A. Roe, executive vp.
Membership: NAPSLO, AAMGA, Indiana Surplus Lines Assn.

Atlantic Underwriters Inc.

30800 Telegraph Road, Suite 4852, Birmingham, Mich. 48010; 313-258-9510

	1985	1984
Premium volume...	\$19,099,002	\$6,034,500
Gross revenues.....	\$1,881,872	\$529,566
Employees.....	8	3
Commercial lines..	100%	100%
Admitted business.	100%	100%

Year founded: 1983.
Type of business: 100% managing general agent.

MGA for: Ranger Insurance Co., National Indemnity Co., Fireman's Fund Insurance Cos.

Principal officers: Theodore R. Kelter, chairman; Douglas Guldán, president; Marilyn Chernoff, executive vp; Robert Pullan, vp.

Atwater McMillian Inc.

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

See profile, page 54.

Avreco Inc.

200 W. Monroe, Chicago, Ill. 60606; 312-663-1500

	1985	1984
Premium volume...	\$80,200,000	\$41,800,000
Gross revenues.....	NA	NA
Employees.....	42	35
Commercial lines..	100%	100%
Admitted business.	25%	20%
Non-admitted.....	75%	80%

Year founded: 1962.
Parent company: Cameron General Corp.

Type of business: 100% broker.
Branch offices: New York.

Subsidiaries: Cameron Excess Inc.
Broker for: Primarily California Union Insurance Co., First State Insurance Co., Columbia Casualty Co., Great American Surplus Lines Insurance Co.

Specialties: Hospital malpractice, professional liability.

Principal officers: Fred H. Pearson, president; Ronald J. Moore, executive vp; Kenneth C. Heyman, secretary/treasurer.

Membership: NAPSLO.

b

C.J. Barr & Associates Inc.

969 Taylorsville Road, Washington Crossing, Pa. 18977; 215-321-0310

	1985	1984
Premium volume...	\$5,000,000	\$500,000
Gross revenues.....	\$350,000	\$25,000
Employees.....	3	2
Commercial lines..	100%	75%
Admitted business.	35%	50%
Non-admitted.....	65%	50%

Year founded: 1984.
Type of business: 95% broker, 5% managing general agent.

Branch offices: New York.
Broker for: Primarily Chubb Group of Insurance Cos., American International Group Inc., Lloyd's of London.

Specialties: Bankers blanket bond, commercial fidelity, directors and officers liability.

Principal officers: Christopher J. Barr, president.

Beech Street Insurance Services Inc.

2550 Fifth Ave., Suite 730, San Diego, Calif. 92103; 619-235-0386

	1985	1984
Premium volume...	NA	NA
Gross revenues.....	\$215,691	\$199,526
Employees.....	4	4
Commercial lines..	100%	100%
Admitted business.	60%	70%
Non-admitted.....	40%	30%

Year founded: 1976.
Type of business: 70% broker, 30% managing general agent.

Broker for: Primarily Illinois Insurance Exchange, First State Insurance Co., Oxford Property & Casualty Insurance Co., Harbor Insurance Co., RLI Insurance Co.

Correspondent: Lloyd's of London.

Specialties: Primary marine, CGL.

Principal officers: Roy E. Erwin, chairman; Don K. Lewis, president.

J.H. Blades & Co. Inc.

P.O. Box 22003, Houston, Texas 77227-2003; 713-780-8770

	1985	1984
Premium volume...	\$140,536,000	\$99,152,000
Gross revenues.....	\$7,570,000	\$5,142,000
Employees.....	103	106
Commercial lines..	100%	100%
Admitted business.	70%	70%
Non-admitted.....	30%	30%

Year founded: 1952.
Parent company: Crum & Forster/Xerox Corp.

Type of business: 35% managing general agent, 65% broker.

Branch offices: Tulsa, Okla.; Dallas.

MGA for: United States Fire Insurance Co., International Insurance Co., International Surplus Lines Insurance Co.

Broker for: Primarily U.S. Fire Insurance Co., First State Insurance Co., Interstate Fire & Casualty Insurance Co., Fireman's Fund Insurance Co., Lloyd's of London.

Correspondent: Lloyd's of London.
Specialties: Oil and gas exploration and development, manufacturing, contractors, financial institutions.

Principal officers: Benjamin D. Wilcox, chief executive officer/president; Marianne Ryan, senior vp-finance; Martin Taylor and John Fox, senior vps.

Membership: NAPSLO, Texas Surplus Lines Assn.

Bliss & Glennon Inc.

23868 Hawthorne Blvd., Suite 200, Torrance, Calif. 90505; 213-772-0214

	1985	1984
Premium volume...	\$10,360,484	\$4,486,890
Gross revenues.....	NA	NA
Employees.....	12	10
Commercial lines..	60%	60%
Admitted business.	53%	69%
Non-admitted.....	47%	31%

Year founded: 1966.
Type of business: 65% managing general agent, 35% broker.

MGA for: Western World Insurance Co., Topa Insurance Co., Chicago Insurance Co., Comstock Insurance Co., Homeland Insurance Co., Nautilus Insurance Co.

Broker for: Primarily Admiral Insurance Co., RLI Insurance Co.,

Employers Reinsurance Corp.

Correspondent: Lloyd's of London.
Specialties: Alarm installers liability.

Principal officers: Donald F. Glennon, president; Robert P. Abramson, vp/chief financial officer; Joyce Warne, secretary; Corinne Jones, assistant vp.

Membership: AAMGA, NAPSLO.

Bohrer, Croxdale & McAdoo Inc.

430 South Ave., Suite 400, P.O. Box 1035, Springfield, Mo. 65805; 417-869-2550

	1985	1984
Premium volume...	\$6,572,000	\$3,431,000
Gross revenues.....	NA	NA
Employees.....	12	11
Commercial lines..	98%	98%
Admitted business.	50%	50%
Non-admitted.....	50%	50%

Year founded: 1977.
Type of business: 60% managing general agent, 40% broker.

MGA for: Northland Insurance Co., Northfield Insurance Co., Empire Insurance Co., Scottsdale Insurance

Co., Penn-American Insurance Co., Nautilus Insurance Co.

Broker for: Primarily First State Insurance Co., General Star Management, Lexington Insurance Co., Employers Reinsurance Corp., International Surplus Lines Insurance Co., Tudor Insurance Co., Mount Hawley Insurance Co.

Correspondent: Lloyd's of London.
Specialties: Long-haul and commercial trucking.

Principal officers: Yvonne S. Bohrer, president; Sydney T. Croxdale, vp; Sidney M. McAdoo, secretary/treasurer.

Membership: AAMGA, NAPSLO.

Brown & Riding Insurance Services Inc.

107 S. B St., San Mateo, Calif. 94401; 415-579-0172

	1985	1984
Premium volume...	\$6,729,805	\$5,476,368
Gross revenues.....	NA	NA
Employees.....	10	7
Commercial lines..	100%	100%
Admitted business.	70%	65%
Non-admitted.....	30%	35%

Continued on page 58

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Continued from previous page

Year founded: 1980.
Type of business: 90% broker, 10% managing general agent.
Branch offices: Los Angeles.
MGA for: Alliance Insurance Co.
Broker for: Primarily Associated International Insurance Co., Alliance Insurance Co., Admiral Insurance Co., Harbor Insurance Co., RLI Insurance Co., Transcontinental Insurance Co.
Specialties: Primary product liability, commercial umbrella and excess liability.
Principal officers: B. Peter Brown, president; David F. Riding, executive vp; Richard B. Schlesinger and Ramon C. Howing, vps; Kaycie L. Palmer, assistant vp.
Membership: NAPSLO.

Geo. F. Brown & Sons Inc.
 55 E. Monroe St., Chicago, Ill.
 60603; 312-346-6400

	1985	1984
Premium volume...	\$43,835,284	\$38,664,685
Gross revenues.....	\$4,151,525	\$3,594,645
Employees.....	74	72
Commercial lines..	100%	100%
Admitted business.	50%	50%
Non-admitted.....	50%	50%

Year founded: 1912.
Parent company: Interstate National Corp./Fireman's Fund Insurance Cos.
Type of business: 88% broker, 12% managing general agent.
Branch offices: Atlanta, Houston, Los Angeles, San Francisco.
Broker for: Primarily Admiral Insurance Co., Employers Re Corp., Western Employers Insurance Co., CNA Insurance Cos., Shand, Morahan & Co. Inc., Lexington Insurance Co.
Correspondent: Lloyd's of London.
Principal officers: Patrick S. O'Flynn, president; Mark J. Strong, senior vp; Roy Cody, Robert Crump, Thomas Gilson, Christopher Morrish and Rodney Neitzel, vps.
Membership: NAPSLO, Surplus Lines Assn. of Illinois.

Cambridge General Agency
 P.O. Box 7340, San Francisco, Calif. 94120; 415-441-8500

	1985	1984
Premium volume...	\$17,418,000	\$10,639,337
Gross revenues.....	\$2,201,394	\$1,486,198

Employees.....	33	28
Commercial lines..	97%	91%
Admitted business.	19%	16%
Non-admitted.....	81%	84%

Year founded: 1966.
Type of business: 86% managing general agent, 14% broker.
Branch offices: Covina, Calif.
Affiliated company: A. Mason Blodgett & Associates.
MGA for: Penn-America Insurance Co., Scottsdale Insurance Co., First State Insurance Co., Financial Indemnity Co., Foremost Insurance Co.
Broker for: Primarily American Universal Insurance Co., Lexington Insurance Co., United National Insurance Co., Interstate Fire & Casualty Insurance Co., Balboa Insurance Co.
Correspondent: Lloyd's of London.
Principal officers: A. Mason Blodgett, president; Wesley H. Luekens, secretary/treasurer.
Membership: AAMGA, NAPSLO.

Cameron & Colby Co. Inc.
 60 Batterymarch St., Boston, Mass.
 02110; 617-357-8400

See profile, page 55.

Century Underwriters Inc.
 Suite 1414, Investment Building,
 239 4th Ave., Pittsburgh, Pa. 15222;
 412-281-7252

	1985	1984
Premium volume...	\$6,282,000	\$4,140,000
Gross revenues.....	\$408,936	\$367,785
Employees.....	10	10
Commercial lines..	80%	75%
Admitted business.	65%	90%
Non-admitted.....	35%	10%

Year founded: 1965.
Type of business: 85% managing general agent, 15% broker.
MGA for: Sphere Drake Insurance Co. Ltd.
Broker for: Primarily Rockwood Insurance Co., Westmoreland Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Property.
Principal officers: Eugene J. Marsalek, president/treasurer; Harry Pat Cawley, vp.
Membership: NAPSLO, Pennsylvania Surplus Lines Assn.

Charter House Inc.
 2123 8th Ave. S., P.O. Box 40346;
 Nashville, Tenn. 37204;
 615-269-4024

	1985	1984
Premium volume...	\$19,411,969	\$6,153,037
Gross revenues.....	\$1,640,702	\$535,455
Employees.....	12	7
Commercial lines..	100%	100%
Admitted business.	75%	100%
Non-admitted.....	22%	0

Year founded: 1983.
Type of business: 100% broker.
Branch offices: Atlanta; Birmingham, Ala.; Louisville, Ky.; Raleigh, N.C.
Broker for: Primarily Illinois Insurance Exchange, National Union Fire Insurance Co.
Specialties: City and county governments.
Principal officers: David Van Dyke, president; Walter Elliott Jr. and Del F. Powell, senior vps; D.L. Butts and Travis Shamel, vps.

Chicago Underwriting Group Inc.
 211 W. Wacker Drive, Third Floor,
 Chicago, Ill. 60606; 312-750-8800

	1985	1984
Premium volume...	\$22,700,000	\$7,150,000
Gross revenues.....	NA	NA
Employees.....	14	8
Commercial lines..	100%	100%
Admitted business.	90%	90%
Non-admitted.....	10%	10%

Year founded: 1983.
Parent company: Old Republic International Corp.
Type of business: 100% underwriting manager.
Underwriting manager for: Old Republic Insurance Co., Capitol Fire & Marine Insurance Co., International Business & Mercantile Reassurance Co.
Specialties: Directors and officers liability, professional liability.
Principal officers: John A. Dore, president; Martin J. Perry, William J. Schwass and Barlow M. Westcott III, vps.
Membership: NAPSLO.

Commercial Insurance Brokers Inc.
 11285 Elkins Road, Suite K-4,
 Roswell, Ga. 30076; 404-442-1915

	1985	1984
Premium volume...	\$4,000,000	\$2,500,000
Gross revenues.....	NA	NA
Employees.....	5	4
Commercial lines..	100%	100%
Admitted business.	50%	50%
Non-admitted.....	50%	50%

Year founded: 1984.
Type of business: 100% broker.
Broker for: Primarily Fireman's Fund Insurance Co., CIGNA Insurance Co., Western Employees Insurance Co., Stone Mountain Insurance Co., Constitution States Insurance Co., Insurance Exchange of the Americas.
Specialties: Hotels/motels, restaurants, apartments, product liability.
Principal officers: Kenneth B. Hughes, president.
Membership: NAPSLO.

Commercial Insurance Network
 18960 Base Camp Road, P.O. Box
 1181, Monument, Colo. 80132;
 303-488-2920

	1985	1984
Premium volume...	\$1,950,000	NA
Gross revenues.....	\$117,000	NA
Employees.....	4	NA
Commercial lines..	100%	NA
Admitted business.	20%	NA
Non-admitted.....	80%	NA

Year founded: 1985.
Type of business: 100% broker.
Branch offices: Colorado Springs and Denver, Colo.; Salt Lake City, Utah.
Broker for: Primarily Fireman's Fund Insurance Cos., Lloyd's of London.
Principal officers: Michael T. Shoback, president.
Membership: Colorado Excess & Surplus Lines Assn.

Compass Insurance Group of Agencies
 805 Fairmont Ave., Glendale, Calif.
 91203; 818-507-1980

	1985	1984
Premium volume...	\$7,800,000	\$3,100,000
Gross revenues.....	\$805,000	\$315,000
Employees.....	8	5
Commercial lines..	80%	75%
Admitted business.	35%	28%
Non-admitted.....	65%	72%

Continued on page 59

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Continued from page 58

Year founded: 1971.
Type of business: 80% managing general agent, 20% broker.

MGA for: Scottsdale Insurance Co., Topa Insurance Co., American Home Assurance Co., Terra Nova Insurance Co., Excess Insurance Group Ltd., River Thames Insurance Co. Ltd., English & American Insurance Co., British National Life Assurance Co. Ltd., Bishopsgate Insurance P.L.C., Unionamerica Insurance Co. Ltd., The Orion Insurance Co. P.L.C., Bryanston Insurance Co. Ltd.

Broker for: Primarily Scottsdale Insurance Co., Topa Insurance Co., Terra Nova Insurance Co., Excess Insurance Group Ltd., River Thames Insurance Co. Ltd., English & American Insurance Co., British National Life Assurance Co. Ltd., Bishopsgate Insurance P.L.C., Unionamerica Insurance Co. Ltd., The Orion Insurance Co. P.L.C., Bryanston Insurance Co. Ltd.

Correspondent: Lloyd's of London.
Principal officers: Harry W. Gorst, president; Robert C. Blackwell, chief financial officer; Leighton R. Cairns, vp; Pat J. Piccinonno, manager.
Membership: NAPSLO.

casualty.
Principal officers: Louis W. Biegler, president; Eugene W. Bader and William L. Biegler, vps; Carmina M. Murphy, vp/secretary.

trailers and motorhomes.
Principal officers: Theo Corvette, president; Carolyn Corvette, vp; Lois F. Phillips, secretary/treasurer.
Membership: AAMGA.

Crum & Forster Managers Corp. of Illinois
200 S. Wacker Drive, Sixth Floor, Chicago, Ill. 60606; 312-993-6300

Commercial lines.....	99%	99%
Admitted business.....	40%	70%
Non-admitted.....	60%	30%

Year founded: 1947.
Parent company: Penn Independent Associates Inc.

Type of business: 30% managing general agent, 70% broker.
Branch offices: Pittsburgh; New York; Springfield, N.J.; Highland Heights, Ohio; Charleston, W.V.; Chicago.

Subsidiaries: DVUA of New York Inc., DVUA of New Jersey Inc., DVUA of Ohio Inc., DVUA of West Virginia Inc., DVUA Illinois Inc.

MGA for: Guaranty National Insurance Co., National Indemnity Co., RLI Insurance Co., Western World Insurance Co., Penn-America Insurance Co.

Broker for: More than 60 companies.

Correspondent: Lloyd's of London.
Principal officers: Irvin Saltzman, president; Charles Ellman, executive vp; Leroy S. Ellman, executive vp/secretary; Robert Cohen and Charles Conway, senior vps; Wade L. Hoff.
Continued on page 60

Corvette General Agency Inc.
70 Fourth St. N.W., Atlanta, Ga. 30308; 404-881-0911

	1985	1984
Premium volume.....	\$1,325,000	\$1,269,000
Gross revenues.....	\$322,697	\$345,240
Employees.....	7	7
Admitted business.....	100%	100%

Year founded: 1968.
Type of business: 100% managing general agent.
Branch offices: Dade City, Fla.; Langley, S.C.; Elkin, N.C.

MGA for: American Modern Home Insurance Co., Foremost Insurance Co., Transamerica Premier Insurance Co.

Specialties: Mobile homes, travel

Cox Insurance Group Inc.
5170 Commerce Circle, P.O. Box 17008, Indianapolis, Ind. 46217; 317-887-0030

	1985	1984
Premium volume.....	\$10,000,000	\$8,000,000
Gross revenues.....	\$1,200,000	\$910,000
Employees.....	21	20
Commercial lines.....	100%	100%
Admitted business.....	5%	5%
Non-admitted.....	95%	95%

Year founded: 1981.
Type of business: 100% broker.
Subsidiaries: Cox Enterprises Inc.
Broker for: Primarily Lloyd's of London.

Correspondent: Lloyd's of London.
Principal officers: Raybon E. Cox, president; William Krantz and Terri Moriarty, vps.

Membership: NAPSLO.

Crump E&S Group
5350 Poplar Ave., Memphis, Tenn. 38119; 901-761-1550

See profile, page 48.



Delaware Valley Underwriting Agency Inc.
420 S. York Road, Hatboro, Pa. 19040; 215-443-3500

	1985	1984
Premium volume.....	\$105,000,000	\$60,000,000
Gross revenues.....	\$9,770,000	\$5,940,000
Employees.....	87	95

Connecticut Underwriters Inc.
329 Main St., Portland, Conn. 06480; 203-342-0713

	1985	1984
Premium volume.....	\$31,285,157	\$26,844,294
Gross revenues.....	\$2,701,461	\$2,417,914
Employees.....	36	31
Commercial lines.....	91%	91%
Admitted business.....	13%	15%
Non-admitted.....	87%	85%

Year founded: 1964.
Type of business: 53% managing general agent, 47% broker.

Branch offices: Lynnfield, Mass.
Subsidiaries: Con Exco Insurance Agencies Inc., Professional Service Associates of N.Y. Inc., R.I. Underwriters Inc., Crinco Premium Finance.

MGA for: Western World Insurance Co., Great American Surplus Lines Insurance Co., Mount Vernon Fire Insurance Co., United States Liability Insurance Co., Foremost Insurance Co.

Broker for: Primarily Lexington Insurance Co., Canadian Universal Insurance Co., Illinois Union Insurance Co.

Correspondent: Lloyd's of London.
Specialties: General liability.

Principal officers: Henry J. Stone Jr., president/treasurer; M.M. Munch, vp/secretary; John Scanlon, L. Clark and Daniel Peterson, vps.
Membership: NAPSLO.

Continental Special Risks
P.O. Box 1820, Roswell, Ga. 30077; 404-442-8727

	1985	1984
Premium volume.....	\$5,000,000	\$1,600,000
Gross revenues.....	NA	NA
Employees.....	12	6
Commercial lines.....	90%	95%
Admitted business.....	5%	2%
Non-admitted.....	95%	98%

Year founded: 1984.
Type of business: 90% managing general agent, 10% broker.

MGA for: Scottsdale Insurance Co., United States Liability Insurance Co., Mount Vernon Fire Insurance Co., Colonial Penn Insurance Co., Sphere Drake Insurance Co., English & American Insurance Co.

Broker for: Primarily Shand, Morahan & Co. Inc., Victor O. Schinnerer & Co. Inc.

Principal officers: Robert Schacher, president.
Membership: NAPSLO.

Corporate Advisors Inc.
910 Skokie Blvd., Northbrook, Ill. 60062; 312-564-5820

	1985	1984
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: 1971, reactivated in 1986.

Type of business: 100% broker.
Broker for: Primarily Illinois Insurance Exchange, Transamerica Insurance Co., Crum & Forster Insurance Co.

Correspondent: Lloyd's of London.
Specialties: Spectator liability, participant legal liability, excess

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Continued from previous page
man, treasurer.

Membership: NAPSLO, AAMGA.

Delta General Agency Corp.

4828 Loop Central Drive, Houston,
Texas 77081; 713-666-2777

	1985	1984
Premium volume...	\$16,700,360	\$20,000,000
Gross revenues.....	\$2,213,334	\$2,600,000
Employees.....	50	60
Commercial lines.....	60%	50%
Admitted business.....	50%	80%
Non-admitted.....	20%	20%

Year founded: 1945

Parent company: Delta Lloyd's Insurance Co.

Type of business: 80% underwriting manager, 18% managing general agent, 2% broker.

Branch offices: Dallas.

Subsidiaries: Alpha Adjusting Co.

Underwriting manager for: Delta Lloyd's Insurance Co.

MGA for: Scottsdale Insurance Co., Nautilus Insurance Co., Jefferson Insurance Co. of New York, National Indemnity Co., Interstate Fire & Casualty Co.

Correspondent: Lloyd's of London.

Principal officers: Avrohm I. Wisenberg, chairman; Donald A. King, president; William Fink, vp.

Membership: AAMGA, NAPSLO, Texas Surplus Lines Assn.

Doran Excess Underwriters Inc.

P.O. Box 317, Mechanicsburg, Pa.
17055; 717-697-4626

	1985	1984
Premium volume...	\$24,539,830	\$5,167,038
Gross revenues.....	NA	NA
Employees.....	9	8
Commercial lines.....	100%	100%
Admitted business.....	1%	1%
Non-admitted.....	99%	99%

Year founded: 1975.

Type of business: 100% underwriting manager.

Underwriting manager for: United National Insurance Co., Diamond State Insurance Co., Hallmark Insurance Co.

Specialties: Commercial excess and umbrella liability, hospital professional liability.

Principal officers: W.L. Doran, president; R.G. Hihn, vp; E.D. Firestone, treasurer; Y.B. Baughman, secretary.

Membership: NAPSLO.

Aaron B. Dupuy & Sons Inc.

5155 Galaxie Drive, P.O. Box 4744,
Jackson, Miss. 39206;
601-982-3533

	1985	1984
Premium volume...	\$11,000,000	\$12,000,000
Gross revenues.....	\$863,000	\$948,000
Employees.....	25	30
Commercial lines.....	50%	50%
Admitted business.....	50%	50%
Non-admitted.....	50%	50%

Year founded: 1962.

Type of business: 90% managing general agent, 10% broker.

Subsidiaries: Aaron B. Dupuy & Sons of L.A. Inc., Foundation Funding Corp.

MGA for: Western World Insurance Co., General Agents Insurance Co. of America Inc., Foremost Insurance Co., Empire Fire & Marine Insurance Co., American Security Insurance Co., Great American Surplus Lines Insurance Co.

Broker for: Primarily American International Group Inc., Lloyd's of London.

Correspondent: Lloyd's of London.

Specialties: Commercial trucking, mobile homes.

Principal officers: Aaron B. Dupuy Jr., president; Aaron B. Dupuy III, secretary/treasurer; Jean Pierre Dupuy, vp.

Membership: NAPSLO, AAMGA.

EBCO General Agency

1420 Union Ave., P.O. Box 40048,
Memphis, Tenn. 38104;
901-725-2263

	1985	1984
Premium volume...	\$33,081,773	\$36,994,206
Gross revenues.....	\$2,580,378	\$2,885,548
Employees.....	175	188
Commercial lines.....	13%	5%
Admitted business.....	70%	80%
Non-admitted.....	30%	20%

Year founded: 1970.

Parent company: Farris Evans Insurance Agency Inc.

Underwriting manager for: Balboa Insurance Co.

MGA for: Balboa Insurance Co.

Broker for: Primarily Lexington Insurance Co., General Star Management, Stonewall Insurance Co., Interstate Insurance Group, Constitution State Insurance Co., Alliance Insurance Co., Fireman's Fund Insurance Cos., Shand, Morahan & Co. Inc., Illinois Insurance Exchange.

Principal officers: Farris Evans, president; Carl E. Davis, Farris Evans Jr. and Stan Evans, vps; Violet B. Evans, secretary/treasurer.

Membership: NAPSLO.

E&S Facilities Inc.

31 Inverness Center Parkway, Suite
280, Birmingham, Ala. 35243;
205-969-1700

	1985	1984
Premium volume...	\$35,000,000	\$33,500,000
Gross revenues.....	\$3,148,544	\$3,359,440
Employees.....	51	53
Commercial lines.....	100%	100%
Admitted business.....	40%	45%
Non-admitted.....	60%	55%

Year founded: 1975.

Type of business: 80% broker, 20% managing general agent.

Branch offices: Atlanta; Charlotte, N.C.

MGA for: Employers National Insurance Co., Carolina Casualty Insurance Co., United States Fire Insurance Co.

Broker for: Primarily Employers National Insurance Co., First State Insurance Co., Royal Indemnity Co., Fireman's Fund Insurance Cos., Great American Surplus Lines Insurance Co., Tudor Insurance Co., United States Fire Insurance Co., Admiral Insurance Co., The Home Insurance Co., Lexington Insurance Co.

Correspondent: Lloyd's of London.

Specialties: Primary and excess casualty.

Principal officers: Don J. Pate, chairman; Charles H. Garrison, president; D.L. Lackey, Carson Keller and Bob Lowery, vps; Sondra H. Pate, secretary/treasurer.

Membership: NAPSLO.

ESL Inc.

P.O. Box 1458, Harrisburg, Pa.
17105; 717-255-6820

	1985	1984
Premium volume...	\$1,000,000	\$700,000
Gross revenues.....	\$120,000	\$98,000
Employees.....	3	3
Commercial lines.....	100%	100%
Admitted business.....	30%	30%
Non-admitted.....	70%	70%

Year founded: 1981.

Parent company: Pennsylvania National Mutual Casualty Insurance Co.

Type of business: 85% broker, 15% managing general agent.

Branch offices: Trenton, N.J.; Baltimore; Greensboro, N.C.; Kansas

City, Mo.

Subsidiaries: ESL Surplus Lines Insurance Agency Inc.

Broker: Primarily for Utica Insurance Co., International Surplus Lines Insurance Co., Evanston Insurance Co., Lexington Insurance Co., First State Insurance Co., Lincoln General Insurance Co.

Specialties: Public entities, financial institutions.

Principal officers: D.D. Walters, president; Robert S. Schade, executive vp; Donald L. Walmer, vp; Kenneth R. Shuts, secretary/counsel; Kenneth Shaffer, treasurer.

Membership: Pennsylvania Surplus Lines Assn.

Environmental Compliance Services Inc.

721 E. Lancaster Ave.,
Downingtown, Pa. 19335;
215-269-6731

	1985	1984
Premium volume...	\$24,000,000	\$6,100,000
Gross revenues.....	NA	NA
Employees.....	25	19
Commercial lines.....	100%	100%
Admitted business.....	90%	80%
Non-admitted.....	10%	20%

Year founded: 1979.

Type of business: 60% managing general agent, 40% broker.

Subsidiaries: Consulting Services Inc.

Specialties: Hazardous waste and chemical distributors.

Principal officers: E.M. Meyers, chairman; William Kronenberg III, president; David M. Rosenberg, executive vp; Frank A. Piliro, vp-finance; Susan W. Carsrud, vp-underwriting.

Membership: NAPSLO.

Excess & Surplus Lines Insurance Brokers Inc.

13848 Ventura Blvd., Suite A,
Sherman Oaks, Calif. 91423;
818-990-8860

	1985	1984
Premium volume...	\$24,000,000	\$12,800,000
Gross revenues.....	\$2,280,000	\$1,260,000
Employees.....	27	18
Commercial lines.....	100%	100%
Admitted business.....	51%	85%
Non-admitted.....	49%	15%

Year founded: 1975.

Type of business: 66% broker, 34% managing general agent.

Branch offices: Sherman Oaks, Calif.

MGA for: Great American Surplus Lines Insurance Co.

Broker for: Primarily Associated International Insurance Co., RLI Insurance Co., Topa Insurance Co.

Correspondent: Lloyd's of London.

Specialties: Primary general liability and products, difference-in-conditions including earthquakes and floods, commercial umbrella policies.

Principal officers: Douglas DeLano, chairman/executive vp/secretary; Jerry C. Boyer, president/treasurer.

Membership: NAPSLO.

Executive Coverage Managers Inc.

18 John St., New York, N.Y. 10038;
212-233-2564

	1985	1984
Premium volume...	\$4,200,000	\$1,750,000
Gross revenues.....	\$345,000	\$151,000
Employees.....	7	6
Commercial lines.....	99%	99%
Admitted business.....	95%	99%
Non-admitted.....	5%	1%

Year founded: 1980.

Type of business: 80% managing general agent, 20% broker.

MGA for: United States Liability Insurance Co., Mount Vernon Fire Insurance Co., First Central Insurance Co.

Broker for: Primarily Chubb Custom Insurance Co., Interstate Indemnity Co., North Star Excess Insurance Corp., Calvert Insurance Co., Lloyd's New York, Continental Insurance Co., Michigan Mutual Insurance Co.

Specialties: Casualty and commercial umbrella.

Principal officers: John Pidoto, president; William Amendolare, vp.

Membership: Professional Insurance Wholesalers Assn.

Ex-Plus Agency Inc.

15 Spinning Wheel Road, Suite
326, Hinsdale, Ill. 60521;
312-325-7557

	1985	1984
Premium volume...	\$3,400,000	\$1,791,000
Gross revenues.....	\$230,000	\$109,600
Employees.....	5	3
Commercial lines.....	100%	100%
Admitted business.....	47%	54%
Non-admitted.....	53%	46%

Year founded: 1983.

Type of business: 100% managing general agent.

MGA for: Occidental Fire & Casualty Co. of North Carolina, Harco National Insurance Co., Wilshire Insurance Co.

Principal officers: William J. Wilson, president.

Membership: NAPSLO.

J.H. Ferguson & Associates Inc.

500 Davis St., Evanston, Ill. 60201;
312-866-0260

	1985	1984
Premium volume...	\$12,757,162	\$18,431,619
Gross revenues.....	NA	NA
Employees.....	15	17
Commercial lines.....	80%	20%
Admitted business.....	75.3%	0
Non-admitted.....	24.7%	100%

Year founded: 1979.

Parent companies: JHF Corp. and Allstate Insurance Cos.

Type of business: 100% underwriting manager.

Subsidiaries: J.H. Ferguson Professional Underwriting Agency.

Underwriting manager for: Colonial Penn Insurance Co., Colonial Penn Franklin Insurance Co.

Principal officers: J.H. Ferguson, president; W.D. Scherr, financial vp; Chian D. Siall, assistant vp.

Membership: AAMGA, NAPSLO.

Firemark International Surplus Lines Brokers

330 Washington, Suite 711, Marina
del Rey, Calif. 90292; 213-822-1221

	1985	1984
Premium volume...	\$2,500,000	\$2,000,000
Gross revenues.....	\$250,000	\$200,000
Employees.....	3	4
Commercial lines.....	100%	100%
Admitted business.....	80%	50%
Non-admitted.....	20%	50%

Year founded: 1981.

Type of business: 100% broker.

Broker for: Primarily Associated

Continued on page 61

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International Insurance Co., RLI Insurance Co., Zenith Insurance Co., General Star Management, Fireman's Fund Insurance Cos., Interstate Insurance Co., Golden Bear Insurance Co., Comstock Insurance Co., Great American Insurance Co., Seaboard Surety Co., Constitution State Insurance Co., Employers Reinsurance Corp., Twin City Fire Insurance Co.

Specialties: Directors and officers liability, general liability.

Principal officers: Charles M. Wright, president; Debra C. Newmark, vp.

Membership: NAPSLO.

Fischer Underwriting Group

P.O. Box 814, Hasbrouck Heights, N.J. 07604; 201-288-8620

	1985	1984
Premium volume...	\$18,500,000	\$6,500,000
Gross revenues.....	NA	NA
Employees.....	12	10
Commercial lines..	100%	100%
Admitted business.	70%	70%
Non-admitted.....	30%	30%

Year founded: 1981.

Parent company: Nelson, Hurst & Marsh Ltd.

Type of business: 100% underwriting manager.

Underwriting manager for: RLI Insurance Co., Mount Hawley Insurance Co., American Capacity Insurance Co.

Specialties: Directors and officers liability.

Principal officers: Donald R. Fischer, president.

Membership: NAPSLO, AAMGA, New Jersey Surplus Lines Assn.

J.J. Francis & Associates Inc.

800 N. Kings Highway, Cherry Hill, N.J. 08034; 609-482-2522

	1985	1984
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: 1986.

Type of business: 100% broker.

Broker for: Primarily Admiral Insurance Co., Columbia Casualty Co., Canadian Universal Insurance Co.

Specialties: Primary product/general liability, professional liability.

Principal officers: John J. Francis, president; Barbara DiPietro.



Gateway Underwriters Agency Inc.

319 N. Fourth St., St. Louis, Mo. 63102; 314-621-7000

	1985	1984
Premium volume...	\$6,500,000	\$2,800,000
Gross revenues.....	NA	NA
Employees.....	11	10
Commercial lines..	99%	99%
Admitted business.	30%	50%
Non-admitted.....	70%	50%

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 Woolen, secretary/treasurer.

Membership: NAPSLO.

Gemblock Associates Inc.

1500 Broadway, New York, N.Y. 10036; 212-302-5599

	1985	1984
Premium volume...	\$25,000	NA
Gross revenues.....	\$3,750	NA
Employees.....	2	NA
Commercial lines..	100	NA
Admitted business.	100%	NA

Year founded: 1985.

Type of business: 100% broker.

Broker for: Primarily Lloyd's of London.

Correspondent: Lloyd's of London.

Specialties: Jewelers block, furriers block.

Principal officers: Peter L. Eyl, president; Laura A. Smith, secretary.

General Star Management

P.O. Box 10354, Stamford, Conn. 06904-2354; 203-328-5700

	1985	1984
Premium volume...	\$163,000,000	\$28,000,000
Gross revenues.....	NA	NA

Employees.....	98	45
Commercial lines..	100%	100%
Admitted business.	48%	67%
Non-admitted.....	52%	33%

Year founded: 1978.

Parent company: General Reinsurance Corp.

Type of business: 100% underwriting manager.

Branch offices: New York, Chicago, Los Angeles.

Underwriting manager: General Star National Insurance Co., General Star Indemnity Co.

Principal officers: Kevin P. Brooks, president.

Membership: NAPSLO.

Glanvill Special Risk Insurance Brokers Inc.

90 John St., New York, N.Y. 10038; 212-619-4220

	1985	1984
Premium volume...	\$47,000,000	\$24,500,000
Gross revenues.....	\$3,572,000	\$1,809,000
Employees.....	37	29
Commercial lines..	100%	100%
Admitted business.	40%	50%
Non-admitted.....	60%	50%

Year founded: 1980.

Parent company: Jardine Insurance Brokers Inc.

Type of business: 60% broker, 40% managing general agent.

Branch offices: San Francisco.

MGA for: Agricultural Excess & Surplus Lines Insurance Co., Scottsdale Insurance Co., Constitution State Insurance Co.

Broker for: Primarily First State Insurance Co., St. Paul Surplus Lines Insurance Co., American International Group Inc.

Specialties: Excess commercial casualty.

Principal officers: John Mairs, president; Al Conde, Art Foreza Jr. and Joe Harrington, vps.

Membership: NAPSLO, Professional Insurance Wholesalers Assn. of New York.

Global Facilities Inc.

200 Sunrise Highway, Rockville Centre, N.Y. 11570; 516-678-5353

	1985	1984
Premium volume...	\$4,125,000	\$2,600,000
Gross revenues.....	NA	NA
Employees.....	4	4

Commercial lines..	98%	98%
Admitted business.	95%	95%
Non-admitted.....	5%	5%

Year founded: 1977.

Type of business: 55% managing general agent, 45% broker.

MGA for: First Central Insurance Co., Investors Insurance Co., Mount Vernon Fire Insurance Co., New York Merchant Bankers Mutual Fire Insurance Co.

Broker for: Primarily Evanston Insurance Co., Calvert Insurance Co., Lloyd's New York, Security Insurance Co. of Hartford.

Specialties: Multiperil commercial auto.

Principal officers: Robert Shapiro, president; Sheldon Bagatell, vp.

Membership: NAPSLO, Professional Insurance Wholesalers Assn. of New York.

Good Weather International Corp.

555 N. Broadway, Jericho, N.Y. 11753; 516-938-7512

	1985	1984
Premium volume...	\$6,500,000	\$5,000,000
Gross revenues.....	NA	NA

Employees.....	10	8
Commercial lines..	100%	100%
Admitted business.	100%	100%

Year founded: 1958.

Type of business: 100% underwriting manager.

Branch offices: Washington, D.C.

Underwriting manager for: Chubb Insurance Group of Cos., Federal Insurance Co., Vigilant Insurance Co.

Specialties: Weather insurance.

Principal officers: Henry Fox, president.

Membership: NAPSLO.

Harry W. Gorst Co. Inc.

805 Fairmont Ave., Glendale, Calif. 91203; 818-507-0900

	1985	1984
Premium volume...	\$24,000,000	\$18,000,000
Gross revenues.....	\$2,160,000	\$1,200,000
Employees.....	27	23
Commercial lines..	31%	28%
Admitted business.	10%	22%
Non-admitted.....	90%	78%

Year founded: 1968.

Continued on page 62

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Continued from page 61

Type of business: 80% managing general agent, 20% broker.

MGA for: Topa Insurance Co., Scottsdale Insurance Co., Terra Nova Insurance Co. Ltd., Dominion Insurance Co. of America, Excess Insurance Co. Ltd., River Thames Insurance Co. Ltd., English & American Insurance Co. Ltd., St. Katherine Insurance Co. P.L.C., British National Life Assurance Co. Ltd., Bishopsgate Insurance P.L.C., Unionamerica Insurance Co. Ltd., The Orion Insurance Co. P.L.C., Bryanston Insurance Co. Ltd.

Broker for: Primarily Topa Insurance Co., Scottsdale Insurance Co., Terra Nova Insurance Co. Ltd., Dominion Insurance Co. of America, Excess Insurance Co. Ltd., River Thames Insurance Co. Ltd., English & American Insurance Co. Ltd., St. Katherine Insurance Co. P.L.C., British National Life Assurance Co. Ltd., Bishopsgate Insurance P.L.C., Unionamerica Insurance Co. Ltd., The Orion Insurance Co. P.L.C., Bryanston Insurance Co. Ltd.

Correspondent: Lloyd's of London.

Principal officers: Harry W. Gorst, president; Robert C. Blackwell, chief financial officer; Leighton R. Cairns, Michael F. Heagerty, William A. Lemon and Ronald Cuscino, vps.

Membership: NAPSLO, AAMGA.



H & W Underwriters (Agency) Inc.

P.O. Box 10303, Kansas City, Mo. 64111; 913-676-9301

	1985	1984
Premium volume.....	\$5,087,813	\$4,432,177
Gross revenues.....	\$779,018	\$558,524
Employees.....	10	9
Commercial lines.....	100%	100%
Admitted business.....	2%	2%
Non-admitted.....	98%	98%

Year founded: 1975.

Type of business: 85% managing general agent, 15% underwriting manager.

Branch offices: Tempe, Ariz.

MGA for: Terra Transit Insurance Co. Ltd.

Correspondent: Lloyd's of London.
Specialties: Association professional liability, labor union errors and omissions, taxi cab excess.

Principal officers: Neil R. Poupirt, president; Princess Culig, executive vp; Mike Kosednar, vp.
Membership: NAPSLO.

Horan, Goldman Cos. Inc.

2 Bryn Mawr Ave., P.O. Box 440, Bryn Mawr, Pa. 19010; 215-527-8230

	1985	1984
Premium volume.....	\$32,000,000	\$19,700,000
Gross revenues.....	\$3,360,000	\$2,220,000

Emp.oyees.....	39	38
Commercial lines.....	85%	80%
Adm.tted business.....	50%	60%
Non-admitted.....	50%	40%

Year founded: 1964.

Parent company: Jardine Glanvill Ltd.

Type of business: 60% broker, 30% managing general agent, 10% underwriting manager.

Branch offices: Columbia, Md.; Cherry Hill, N.J.; Concord, N.H.; New York.

Subsidiaries: H.G. Managers Inc., Ralph C. Blumberg Inc.

MGA for: Great American Surplus Lines Insurance Co., Jefferson Insurance Co. of New York, National Indemnity Co., St. Katherine Insurance Co. P.L.C., United States Liability Insurance Co.

Broker for: Primarily Admiral Insurance Co., American Universal Insurance Co., Crum & Forster Insurance Co., California Union Insurance Co., General Star Management.

Correspondent: Lloyd's of London.

Principal officers: William Goldmar, president; Sally McCosker, Harry Landers, Stanley Pustilnick, John W. McCabe and Mark Smith, vps; Mary M. Parke, treasurer.
Membership: AAMGA, NAPSLO.

Huycke General Agency

508 W. Sixth Ave., Anchorage, Alaska 99501; 907-276-5333

	1985	1984
Prem:um volume.....	\$2,960,000	\$1,500,000
Gross revenues.....	\$319,800	\$146,500
Employees.....	6	3
Commercial lines.....	79%	60%
Admitted business.....	26%	60%
Non-admitted.....	74%	40%

Year founded: 1976.

Type of business: 100% managing general agent.

MGA for: American Family Home Insurance Co., Aegon Insurance Co. Ltd., Scottsdale Insurance Co., National Casualty Co., Continental Insurance Co.

Specialties: Commercial auto.

Principal officers: Peter C. Huycke, owner.

Membership: AAMGA.



Independent Insurance Wholesalers Inc.

P.O. Box 23781, 7140 S.W. Fir Loop, Suite 211, Tigard, Ore. 97223; 503-684-1956

	1985	1984
Premium volume.....	\$8,295,000	\$3,693,000
Gross revenues.....	\$780,000	\$400,000
Employees.....	12	5
Commercial lines.....	100%	100%
Admitted business.....	20%	20%
Non-admitted.....	80%	80%

Year founded: 1983.

Type of business: 70% broker, 30% managing general agent.

Branch offices: Dublin, Calif.

MGA for: Western World Insurance

Co., Nautilus Insurance Co., Agricultural Excess & Surplus Insurance Co.

Broker for: Primarily Admiral Insurance Co., Agricultural Excess & Surplus Insurance Co., Progressive Casualty Insurance Co., Comstock Insurance Co., Tudor Insurance Co., Lloyd's of London.

Correspondent: Lloyd's of London.

Principal officers: Robert K. Stahl, president; Thomas E. Sawyer and Stacey A. Griffin, vps; Sherrie L. Stahl, secretary.

Membership: NAPSLO.

Insurance Facilities Inc.

140 N. Main, Sioux Falls, S.D. 57102; 605-336-0798

	1985	1984
Premium volume.....	\$9,017,511	\$6,296,026
Gross revenues.....	\$956,200	\$740,025
Employees.....	30	26
Commercial lines.....	50%	50%
Admitted business.....	70%	70%
Non-admitted.....	30%	30%

Year founded: 1965.

Type of business: Underwriting manager, managing general agent.

Branch offices: Bismarck, N.D.; Minneapolis.

Underwriting manager for: Economy Fire & Casualty Co.

MGA for: Economy Fire & Casualty Co., Jefferson Insurance Co. of New York, Occidental Fire & Casualty Co. of North Carolina, Adriatica Insurance Co., Constitution State Insurance Co., American Modern Home Insurance Co., Colonia Insurance Co., National American Insurance Co., American Reliable Insurance Co., Rockwood Insurance Co., Western National Assurance, Summit Insurance Co. of New York, Balboa Insurance Co.

Principal officers: J.T. Schneider, D.J. Dougherty, R.J. Schneider.

Insurex Inc.

66 Route #17, Paramus, N.J. 07652; 201-368-8040

	1985	1984
Premium volume.....	NA	NA
Gross revenues.....	\$910,612	\$366,959
Employees.....	19	9
Commercial lines.....	80%	80%
Admitted business.....	60%	65%
Non-admitted.....	40%	35%

Year founded: 1978.

Type of business: 70% broker, 30% managing general agent.

Branch offices: Spring Valley, N.J.
MGA for: Terra Nova Insurance Co. Ltd., English & American Insurance Co. Ltd., Sphere Drake Insurance P.L.C., United National Insurance Co.

Broker for: Primarily Lexington Insurance Co., Evanston Insurance Co., Imperial Casualty & Indemnity Co., Chubb Custom Insurance Co., Canadian Universal Insurance Co.

Correspondent: Lloyd's of London.

Principal officers: Gregory Gross, chairman/ chief executive officer; Barry Riff, president; Frances Golardi, vp.

Membership: NAPSLO, New Jersey Surplus Lines Assn.

Intercontinental Insurance Managers Inc.

1100 Woodfield Road, Suite 320, Schaumburg, Ill. 60195; 312-490-9770

	1985	1984
Premium volume.....	\$49,700,000	\$43,568,985
Gross revenues.....	\$6,808,613	\$5,775,560
Employees.....	108	131
Commercial lines.....	100%	100%
Admitted business.....	100%	100%

Year founded: 1982.

Parent company: Intercontinental Financial Group of North America.

Type of business: 100% managing general agent.

Branch offices: Indianapolis, Louisville, Ky.; St. Louis; Kansas City, Mo.; Oklahoma City; Minneapolis; Milwaukee.

MGA for: Intercontinental Insurance Co.

Specialties: Workers compensation.

Principal officers: James L. Watson, president; Williams H. Wiggs, vp-finance; Kevin O. Marks, loss control manager; Elizabeth Ferrans, claims manager; John L. Hibbett, underwriting manager.

International Placement Services Inc.

7710 Carondelet, St. Louis, Mo. 63105; 314-725-8394

	1985	1984
Premium volume.....	\$14,500,000	\$7,900,000
Gross revenues.....	\$1,123,288	\$600,400
Employees.....	16	14
Commercial lines.....	100%	100%
Admitted business.....	20%	25%
Non-admitted.....	80%	75%

Year founded: 1981.

Type of business: 70% managing general agent, 30% broker.

MGA for: Great American Surplus Lines Insurance Co., Lincoln Insurance Co.

Broker for: Primarily Seibels, Bruce Group, Penn-America Insurance Co., Interstate Insurance Co., First State Insurance Co., Lexington Insurance Co., Illinois Insurance Exchange, Great Central Insurance Co., Mt. Hawley Insurance Co., Fireman's Fund Insurance Cos., Lloyd's of London.

Correspondent: Lloyd's of London.

Specialties: Umbrellas, large municipalities and school districts, asbestos contractors.

Principal officers: Richard J. Eichhorn, president; Gary C. Uhlemeyer, executive vp; Gary A. Dell, Richard L. McCleery and Daniel J. Walter, vps.
Membership: NAPSLO.

Interprofessional Underwriters Inc.

723 DeKalb St., Bridgeport, Pa. 19405; 215-275-4300

	1985	1984
Premium volume.....	\$11,998,000	\$16,735,978
Gross revenues.....	NA	NA
Employees.....	10	9
Commercial lines.....	100%	100%
Admitted business.....	100%	35%
Non-admitted.....	0	65%

Continued on page 63

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Continued from page 62

Year founded: 1982.
Type of business: 100% underwriting manager.
Underwriting manager for: Imperial Casualty & Indemnity Co.
Principal officers: Anthony J. Witcak, president; Nicholas P. Croce Jr., executive vp; Evangeline Spadaccini, secretary; Michael J. Doody, assistant vp.
Membership: NAPSLO.

Interstate Excess Inc.

2600 S. Telegraph Road, Suite 130, Bloomfield Hills, Mich. 48013; 313-338-3232

	1985	1984
Premium volume...	\$5,700,000	NA
Gross revenues.....	\$267,000	NA
Employees.....	7	NA
Commercial lines..	100%	NA
Admitted business	32%	NA
Non-admitted.....	68%	NA

Year founded: 1974; surplus lines division formed as new company in 1985.

Type of business: 83% broker, 17% managing general agent.

MGA for: CIGNA Corp., Agricultural Insurance Co.

Broker for: Primarily Illinois Union Insurance Co., California Union Insurance Co., Lexington Insurance Co., Liberty National Fire Insurance Co., American Continental Insurance Co., Old Republic Insurance Co.

Specialties: Hospital malpractice, property.

Principal officers: Charles E. Marlin, vp; Donald C. Marlin, vp.

Membership: Michigan Surplus Lines Assn.

Intex Underwriters Inc.

2700 W. 15th St., Suite 300, Plano, Texas 75075; 214-867-2200

	1985	1984
Premium volume...	\$5,500,000	\$5,000,000
Gross revenues.....	\$935,000	\$850,000
Employees.....	10	10
Commercial lines..	100%	100%
Admitted business	35%	45%
Non-admitted.....	65%	55%

Year founded: 1982.

Parent company: Intex Management Co. Ltd.

Type of business: 70% managing general agent, 30% broker.

Branch offices: Austin, Texas.

Broker for: Primarily Guaranty National Insurance Co., Insurance Exchange of the Americas.

Principal officers: Klaus J. Gebhardt, chairman; John F. Schapperle, director; Mark D. Gebhardt, marketing director.

Membership: NAPSLO.

j

Jaeger & Haines Inc.

P.O. Box 1623, Fayetteville, Ark. 72702; 501-521-2551

	1985	1984
Premium volume...	\$7,041,000	\$4,981,000
Gross revenues.....	\$959,000	\$621,000
Employees.....	21	16
Commercial lines..	65%	70%
Admitted business	70%	80%
Non-admitted.....	30%	20%

Year founded: 1976.

Type of business: 90% managing general agent, 10% broker.

Correspondent: Lloyd's of London.

Principal officers: Larry Haines, president; Mike Johnson, vp-underwriting; Gloria Taylor, vp-administration; Ed Elliott, vp-marketing.

Membership: AAMGA, NAPSLO.

R.L. Jarrett (Holdings) Inc.

7557 Rambler Road, Suite 650, Dallas, Texas 75231; 214-696-6969

	1985	1984
Premium volume...	\$30,911,000	\$16,633,000
Gross revenues.....	\$2,179,000	\$1,132,000
Employees.....	23	19
Commercial lines..	100%	100%
Admitted business	40%	22%
Non-admitted.....	60%	78%

Year founded: 1968.

Parent company: London United Investments P.L.C.

Type of business: 100% broker.

Branch offices: Houston, Texas; Tulsa, Okla.

Subsidiaries: R.L. Jarrett (New York) Inc.

Broker for: Primarily Aetna Life & Casualty Co., First State Insurance

Co., Jersey International Group, Admiral Insurance, Tri-State Insurance Co. of Minnesota, Lowndes Lambert Group Ltd.

Correspondent: Lloyd's of London.
Specialties: Umbrella excess liability, operators extra-expense.

Principal officers: Keith R. Rutledge, president; W.R. Brickley, executive vp; Frank H. Haynes, vp; Diana Robbins, vp/Houston manager; Bettye Still, secretary.

Membership: NAPSLO, Texas Surplus Lines Assn.

J.J. Jeffers Insurance Brokerage Inc.

P.O. Box 3337, Van Nuys, Calif. 91407; 818-780-2976

	1985	1984
Premium volume...	\$2,200,000	\$1,250,000
Gross revenues.....	\$330,000	\$218,750
Employees.....	3	3
Commercial lines..	100%	100%
Admitted business	70%	65%
Non-admitted.....	30%	35%

Year founded: 1983.

Type of business: 63% broker.

MGA for: Cameron & Colby Co.

Inc., Crum & Forster, Interstate National Corp., Topa Insurance Co., Fireman's Fund Insurance Cos., Shand, Morahan & Co. Inc., Lexington Insurance Co.

Specialties: Primary and excess general liability, primary and excess property, financial institutions, errors and omissions.

Principal officers: Janet J. Jeffers, president.

Membership: NAPSLO, California Surplus Lines Assn.

Don R. Jensen & Co.

330 S. Wells St., Chicago, Ill. 60606; 312-939-5240

	1985	1984
Premium volume...	\$8,400,000	\$7,840,000
Gross revenues.....	NA	NA
Employees.....	11	10
Commercial lines..	99%	99%
Admitted business	65%	35%
Non-admitted.....	35%	65%

Year founded: 1931.

Type of business: 63% managing general agent, 37% broker.

MGA for: Colonial Penn Insurance

Co., First State Insurance Co.

Broker for: Primarily California Union Insurance Co., Great American Surplus Lines Insurance Co., Mt. Hawley Insurance Co.

Principal officers: Theodore R. Malecki and Robert L. Richards.

Membership: NAPSLO.

Jensvold & Le Fevre Inc.

5600 N.W. Central Drive, Suite 104, Houston, Texas 77092; 713-462-6223

	1985	1984
Premium volume...	\$5,000,000	\$4,500,000
Gross revenues.....	\$375,000	\$337,500
Employees.....	8	7
Commercial lines..	100%	98%
Admitted business	10%	5%
Non-admitted.....	90%	95%

Year founded: 1982.

Type of business: 50% managing general agent, 50% broker.

MGA for: Sphere Drake Insurance Co. Ltd., Homestead Insurance Co.

Broker for: Primarily Interstate Fire & Casualty Co., Chicago Insurance Co., Underwriters Indemnity Co., First State Insurance Co.

Correspondent: Lloyd's of London.
Specialties: Oil, gas and energy; product liability.

Principal officers: Marcus D. Jensvold, president; M. Doris Le Fevre, executive vp; Michael F. Dowling, vp.

Membership: NAPSLO, Texas Surplus Lines Assn.

Jensvold & Le Fevre of Illinois Inc.

1100 31st St., Suite 400, Downers Grove, Ill. 60515; 312-963-1616

	1985	1984
Premium volume...	\$4,000,000	\$1,250,000
Gross revenues.....	NA	NA
Employees.....	5	3
Commercial lines..	99.5%	99.5%
Admitted business	80%	70%
Non-admitted.....	20%	30%

Year founded: 1983.

Type of business: 90% broker, 10% managing general agent.

MGA for: Guardian Insurance Co.

Broker for: Primarily Lexington Insurance Co., Insurance Exchange of the Americas, Northwestern National

Continued on page 64

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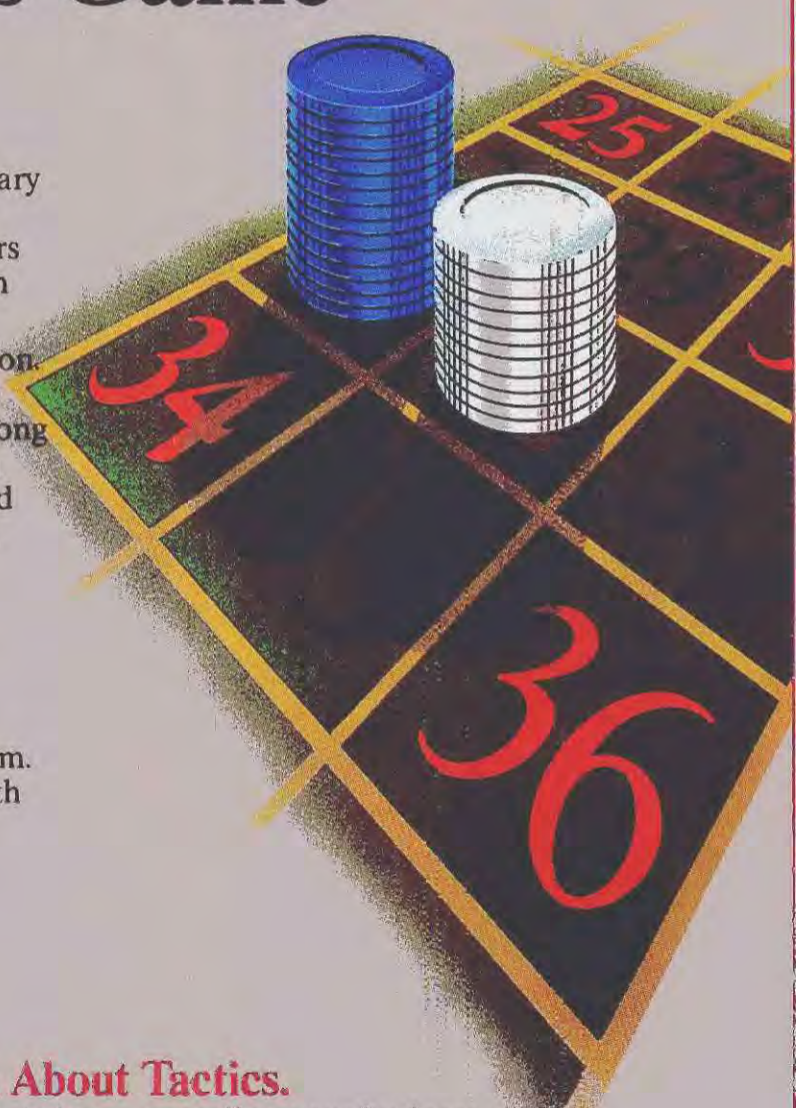
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Continued from page 63
Insurance Co.

Specialties: Commercial truck physical damage, commercial property, excess auto liability.

Principal officers: Ronald J. Guzy, president; Alan Reid, executive vp; William Orblych, vp; C. John Ramocki, secretary.

Membership: NAPSLO.

Jersey/International Group Inc.

1255 Caldwell Road, P.O. Box 5725, Cherry Hill, N.J. 08034; 609-429-9200

	1985	1984
Premium volume...	\$108,086,450	\$60,990,286
Gross revenues.....	NA	NA
Employees.....	120	97
Commercial lines..	99%	99%
Admitted business.	8%	13%
Non-admitted.....	92%	87%

Year founded: 1973.

Parent company: W.R. Berkley Corp.

Type of business: 100% underwriting manager.

Branch offices: Jersey/International Underwriting Managers Inc., Cherry Hill, N.J.; Northwest/International Underwriting Managers Inc., Seattle; Southwest/International Underwriting Managers Inc., Austin, Texas.

Subsidiaries: Admiral Insurance Co.

Underwriting manager for: Admiral Insurance Co.

Specialties: Property/casualty, financial guarantee.

Principal officers: M.J. Sned, president; M.J. Calpin and L.M. Oberg, executive vps; J.J. Duffett, senior vp; K. Crawford, treasurer.

Membership: AAMGA, NAPSLO.

k

Kiger-Parks Insurance Group

154 Patchen Drive, Suite 96, P.O. Box 11456, Lexington, Ky. 40575-1456; 606-268-0707

	1985	1984
Premium volume...	\$14,000,000	\$15,000,000
Gross revenues.....	\$2,260,000	\$2,355,000
Employees.....	19	25
Commercial lines..	9%	10%
Admitted business.	80%	75%
Non-admitted.....	20%	25%

Year founded: 1984.
Parent company: Kiger Enterprises Inc. and Jerry Parks Equine Insurance-Kentucky Inc.
Type of business: 100% broker.
Branch offices: Ocala, Fla.
Broker for: Primarily American Live Stock Insurance Co., General Insurance Co. of Trieste & Venice.
Correspondent: Lloyd's of London.
Specialties: Livestock mortality, livestock fertility, horse farm liability.
Principal officers: Syl Kiger, managing partner; Jerry Parks, general partner; Virginia Rustay, manager-underwriting department.
Membership: Kentucky Surplus Lines Assn.

Klinger Associates Inc.

5660 Caito Drive, Indianapolis, Ind. 46226; 317-542-9890

	1985	1984
Premium volume...	\$6,000,000	\$5,000,000
Gross revenues.....	NA	NA
Employees.....	5	4
Commercial lines..	100%	100%
Admitted business.	50%	50%
Non-admitted.....	50%	50%

Year founded: 1982.
Type of business: 100% broker.
Principal officers: Robert Klinger, president.
Membership: NAPSLO.

LMG Services Ltd.

116 John St., New York, N.Y. 10038; 212-791-1200

	1985	1984
Premium volume...	\$35,000,000	\$22,000,000
Gross revenues.....	\$2,100,000	\$1,300,000
Employees.....	20	20
Commercial lines..	98%	93%
Admitted business.	80%	93%
Non-admitted.....	20%	13%

Year founded: 1970.
Type of business: 100% broker.
Branch offices: LMG Excess of New Jersey, Middletown, N.J.
Subsidiaries: Mule Associates Inc., Mule Associates of New Jersey Inc.
Broker for: Primarily American International Group Inc., General Star Management, Lloyd's New York, New England Insurance Co., Crum & Forster Insurance Co., Providence Washington Insurance Co., Mt. Vernon Fire Insurance Co.
Principal officers: Alvin B. Moss, president; John S. Dalton, executive

vp; Fred Berger, Stuart A. Farber and Phil Cacioppo, vps.
Membership: NAPSLO.

Landmark Management Corp.

601 N.W. 23rd St., P.O. Box 676, Oklahoma City, Okla. 73101; 405-521-9911

	1985	1984
Premium volume...	\$13,367,500	\$8,420,500
Gross revenues.....	NA	NA
Employees.....	29	29
Commercial lines..	95%	95%
Admitted business.	42%	58%
Non-admitted.....	58%	42%

Year founded: 1971.
Parent company: Landmark Insurance Group Inc.
Type of business: 50% managing general agent, 50% broker.

Branch offices: Wichita, Kan.
MGA for: Canal Insurance Co., Scottsdale Insurance Co., National Fire & Marine Insurance Co., National Indemnity Co., Foremost Insurance 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, Crum & Forster Managers Corp., Employers Reinsurance Corp., Lloyd's of London.
Correspondent: Lloyd's of London.
Specialties: Commercial automobile, umbrella.
Principal officers: William E. Thompson, chairman; Charles C. Caldwell, president; Philip Tolleson and Sally A. Stursa, vps.
Membership: NAPSLO, AAMGA, Oklahoma Surplus Lines Assn.

Langan & Associates Inc.

5940 Tahoe Drive S.E., P.O. Box 6468, Grand Rapids, Mich. 49516-6468; 616-942-8930

	1985	1984
Premium volume...	\$37,577,957	\$19,768,000
Gross revenues.....	\$2,211,274	\$1,382,000
Employees.....	20	13
Commercial lines..	100%	100%
Admitted business.	40%	40%
Non-admitted.....	60%	60%

Year founded: 1981.
Type of business: 100% broker.
Subsidiaries: Viking Associates Inc.
Broker for: Primarily International Insurance Co., Lloyd's of London, General Star Indemnity Co., California Union Insurance Co., Illinois

Union Insurance Co., Admiral Insurance Co., St. Paul Surplus Lines Insurance Co., First State Insurance Co., Columbia Casualty Insurance Co., Fireman's Fund Insurance Cos., Western Employers Insurance Co., Canadian Universal Insurance Co., Federal Insurance Co., Chubb Custom Insurance Co., Imperial Casualty Insurance Co., Lexington Insurance Co., International Surplus Lines Insurance Co., Home Insurance Co. of Indiana, Allianz Underwriters Insurance Co., Century Indemnity Insurance Co., Liberty National Insurance Co.

Specialties: Product liability, umbrella liability, layered and excess property, difference-in-conditions.

Principal officers: James F. Langan Jr., president; David A. Young, vp-casualty; George W. Stone, vp-property; Kenneth Arneson, vp.
Membership: NAPSLO.

Lemac & Associates Inc.

3200 Wilshire Blvd., Suite 510, Los Angeles, Calif. 90010; 213-380-7451

	1985	1984
Premium volume...	\$11,350,000	\$2,706,000
Gross revenues.....	\$764,000	\$193,081
Employees.....	8	4
Commercial lines..	100%	100%
Admitted business.	49%	53%
Non-admitted.....	51%	47%

Year founded: 1972.
Type of business: 100% broker.
Broker for: Primarily Admiral Insurance Co., First State Insurance Co., RLI Insurance Co., United National Insurance Co., Industrial Underwriters Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Excess liability.
Principal officers: Bill Newton, president; Mary Tole and Frank Squibb, vps.
Membership: NAPSLO.

Leverett, Smith & Co. Inc.

875 Old Roswell Road, Building A, Suite 500, Roswell, Ga. 30076; 404-993-0645

	1985*	1984
Premium volume...	\$600,000	NA
Gross revenues.....	\$62,000	NA
Employees.....	3	NA
Commercial lines..	100%	NA
Admitted business.	5%	NA
Non-admitted.....	95%	NA

*Figures are for 1986.
Year founded: 1986.
Type of business: 100% brokerage.
Broker for: Primarily Colony Insurance Co., Fireman's Fund Insurance Cos., Canadian Universal Insurance Co., Universal Security Insurance Co.
Specialties: Product liability.
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

	1985	1984
Premium volume...	\$205,600,000	\$110,900,000
Gross revenues.....	\$9,040,000	\$8,100,000
Employees.....	174	169
Commercial lines..	100%	100%
Admitted business.	86%	80%
Non-admitted.....	14%	20%

Year founded: 1959.

Parent company: Crum & Forster/Xerox Corp.

Type of business: 50% underwriting manager, 45% broker, 5% managing general agent.

Branch offices: New Orleans; Tampa, Fla.

Underwriting manager for: Crum & Forster companies.

Broker for: Primarily Lexington Insurance Co., First State Insurance Co., American International Group Inc.

Correspondent: Lloyd's of London.
Specialties: Commercial umbrella and excess liability, property accounts.

Principal officers: Steven D. Smith, chairman; Vincent J. Delaney, president; J. Michael Rogers, E.G. Lassiter and Reuel B. Buttram, senior vps.
Membership: NAPSLO.

London American Risk Specialists Inc.

9301 S.W. Freeway, Suite 145, Houston, Texas 77074; 713-777-6404

	1985	1984
Premium volume...	\$21,000,000	\$7,900,000
Gross revenues.....	\$1,310,000	\$562,000
Employees.....	15	11
Commercial lines..	100%	100%
Admitted business.	59%	68%
Non-admitted.....	41%	32%

Year founded: 1984.
Type of business: 98% broker, 2% managing general agent.

Branch offices: Dallas.

MGA for: Western World Insurance Co.

Broker for: Primarily Aetna Casualty & Surety Co., Lloyd's of London, Admiral Insurance Co., First State Insurance Co., Interstate National Corp., Home Insurance Co.

Specialties: Umbrella liability, commercial property.

Principal officers: Brian L. Brecker, president; Kenneth S. Keathley, James Cloud and Roy Shultz, vps; Karl Emery, assistant vp.
Membership: Texas Surplus Lines Assn.

LoVullo Associates Inc.

600 Crosby Bldg., Buffalo, N.Y. 14202; 716-856-3065

	1985	1984
Premium volume...	\$6,118,000	\$5,113,000
Gross revenues.....	NA	NA
Employees.....	17	12
Commercial lines..	60%	42%
Admitted business.	97%	99%
Non-admitted.....	3%	1%

Year founded: 1974.
Type of business: 81% managing general agent, 19% broker.

MGA for: National Indemnity Co., Northland Insurance Co., Western World Insurance Co., American Modern Home Insurance Co., Jefferson Insurance Co., Preserver Assurance Co., Midwest Mutual Insurance Co.

Broker for: Primarily Lloyd's of London, Connecticut Indemnity Co.

Principal officers: Leonard S. LoVullo, chairman/secretary; Leonard T. LoVullo, president/treasurer; Kevin LoVullo, vp.

Membership: NAPSLO, AAMGA, Professional Insurance Wholesalers of New York.

Continued on page 65

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Continued from page 64



MacDuff Underwriters

126 Volusia Ave., Daytona Beach, Fla. 32074; 904-252-9601

	1985	1984
Premium volume...	\$13,100,000	\$11,500,000
Gross revenues.....	\$1,970,732	\$1,727,125
Employees.....	22	22
Commercial lines..	100%	100%
Admitted business.	20%	25%
Non-admitted.....	80%	75%

Year founded: 1939.
Parent company: Brown & Brown Inc.
Type of business: 100% broker.
Subsidiaries: MacDuff Underwriters, MacDuff America, Halcyon Underwriters.
Broker for: Primarily Hartford Insurance Co., Admiral Insurance Co., Safety Mutual Insurance Co., General Agents Insurance Co. of America, Scottish & York Group, Colonial Penn Insurance Co., Fireman's Fund Insurance Cos., Lexington Insurance Co., Chubb Group, Lloyd's of London, Insurance Exchange of the Americas.
Principal officers: J. Hyatt Brown, chairman/president; Robert Thomas, senior vp; William Rambo and David Stewart, vps; Jim W. Henderson, vp-finance.
Membership: Florida Excess and Surplus Lines Assn.

McLean, Oddy & Associates Inc.

2121 San Jacinto Tower, Suite 1818, Dallas, Texas 75201; 214-969-0090

	1985	1984
Premium volume...	\$73,000,000	\$28,000,000
Gross revenues.....	\$4,234,000	\$1,704,000
Employees.....	40	30
Commercial lines..	100%	100%
Admitted business.	50%	50%
Non-admitted.....	50%	50%

Year founded: 1983.
Parent company: Sedgwick Group P.L.C.
Type of business: 100% broker.
Broker for: Primarily Fireman's Fund Insurance Cos., American International Group Inc., Continental, CIGNA Corp., Home Group, Lloyd's of London.
Correspondent: Lloyd's of London.
Specialties: Large national and international accounts.
Principal officers: R.B. Oddy, chairman; John Hanna, president; Anita Chanpong, executive vp; John Miller and Stanley Partridge, senior vps.
Membership: NAPSLO, Texas Surplus Lines Assn.

Major Surplus Inc.

111 John St., New York, N.Y. 10038; 212-285-1109

	1985	1984
Premium volume...	\$42,500,000	\$17,500,000
Gross revenues.....	\$3,200,000	\$1,025,000
Employees.....	16	12
Commercial lines..	100%	100%
Admitted business.	50%	70%
Non-admitted.....	50%	30%

Year founded: 1976.
Parent company: Major Surplus Holdings Inc.
Type of business: 90% broker, 10% managing general agent.
Branch offices: Cedar Knolls, N.J.
Broker for: Primarily First State Insurance Co., Chubb Custom Insurance Co., Columbia Casualty Insurance Co., General Star Management; Admiral Insurance Co., International Insurance Co., St. Paul Surplus Lines Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Product liability, umbrella liability.
Principal officers: Jeremy D. Cooke, president; Michael Georganos, Howard W. Kupferberg, Lisa Garn and Amanda L. Garceau, vps; James C. Kilduff, assistant vp.
Membership: NAPSLO.

McAlear Associates Inc.

4450 Cascade Road S.E., Grand Rapids, Mich. 49506; 616-942-8000

	1985	1984
Premium volume...	\$90,166,634	\$34,118,342
Gross revenues.....	\$8,358,303	\$3,140,356
Employees.....	51	38
Commercial lines..	100%	100%
Admitted business.	19%	44%
Non-admitted.....	81%	56%

Year founded: 1970.
Parent company: Harleysville

Group.
Type of business: 82% broker, 18% managing general agent.
Branch offices: Overland Park, Kan.
MGA for: Great American Surplus Lines Insurance Co., Northfield Insurance Co., Western World Insurance Co., National Fire & Marine Insurance Co., Essex Insurance Co., Canadian Universal Insurance Co., First State Insurance Co., Columbia Casualty Insurance Co.

Broker for: Primarily Great American Surplus Lines Insurance Co., Columbia Casualty Insurance Co., General Star Management, California Union Insurance Co., Admiral Insurance Co., First State Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Manufacturing, public entities, recreational facilities.
Principal officers: Charles A. McAlear, chairman; Thomas S. Bloom, president; Ralph F. Leistner, executive vp/underwriting manager; Beverly K. Naedele, senior vp; David D. Martin, vp/assistant underwriting manager.
Membership: NAPSLO, Michigan Surplus Lines Assn.

Mining Insurance Markets Inc.

2130 Highland Ave. S., Birmingham, Ala. 35205; 205-933-9162

	1985	1984
Premium volume...	\$2,000,000	NA
Gross revenues.....	NA	NA
Employees.....	2	NA
Commercial lines..	100%	NA
Admitted business.	90%	NA
Non-admitted.....	10%	NA

Year founded: 1985.
Type of business: 100% broker.
Broker for: Primarily Rockwood Insurance Co., Rockwood Insurance Co. of Indiana.
Specialties: Coal mines, sand and gravel mines, rock quarries.
Principal officers: Charles F. Cox Jr., president.

Monarch Insurance Agency

7603 Forsyth Blvd., Suite 301, Clayton, Mo. 63105; 314-727-5235

	1985	1984
Premium volume...	\$350,000	\$50,000
Gross revenues.....	\$40,000	\$6,000
Employees.....	2	1
Commercial lines..	99%	99%
Admitted business.	90%	90%
Non-admitted.....	10%	10%

Year founded: 1984.
Type of business: 90% managing general agent, 10% broker.

MGA for: First Financial Insurance Co., Western Surety Co., Fidelity & Deposit Co. of Maryland, United National Insurance Co., Credit General Insurance Co., Republic Insurance Exchange.
Specialties: Taverns and restaurants.
Principal officers: Mary McKay, owner.

Montgomery & Collins Inc.

3700 Wilshire Blvd., Suite 400, Los Angeles, Calif. 90010; 213-480-4501

See profile, page 43.

Stan Moore & Associates

7125 W. Jefferson Ave., Suite 145, Lakewood, Colo. 80235; 303-969-8200

	1985	1984
Premium volume...	\$300,000	\$200,000
Gross revenues.....	\$30,000	\$20,000
Employees.....	4	4

Commercial lines..	50%	50%
Admitted business.	50%	50%
Non-admitted.....	50%	50%

Year founded: 1980
Type of business: 50% managing general agent, 50% broker.
Specialties: Liquor liability for taverns and restaurants.
Principal officers: Stan Moore, George Yarberry and Orval Majors.
Membership: Colorado Surplus Lines Assn.

Moore Excess Inc.

Center St., P.O. Box 565, Croton Falls, N.Y. 10519; 914-277-3955

	1985	1984
Premium volume...	\$9,000,000	\$5,000,000
Gross revenues.....	NA	NA
Employees.....	10	4
Commercial lines..	99%	99%
Admitted business.	60%	60%
Non-admitted.....	40%	40%

Year founded: 1977.
Type of business: 100% broker.
Broker for: Primarily United States Liability Insurance Co., Gen-
 Continued on page 66

business insurance

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business insurance

Continued from page 65

eral Star Indemnity Co., National Insurance Co., New England Insurance Co., Mt. Vernon Fire Insurance Co., Frontier Insurance Co.

Principal officers: Robert J. Moore, president; John A. Beckley, senior vp; Clair Navin, secretary.

Membership: NAPSLO: Professional Insurance Wholesalers Assn. of New York.

N

NAS Ltd.

100 S. Wacker Drive, Chicago, Ill. 60606; 312-726-2186

	1985	1984
Premium volume...	\$20,000,000	\$18,000,000
Gross revenues.....	\$1,600,000	\$14,460,000
Employees.....	10	10
Commercial lines..	100%	100%
Admitted business.	60%	55%
Non-admitted.....	40%	45%

Year founded: 1976.

Type of business: 100% broker.

Broker for: Primarily Columbia Insurance Co., Admiral Insurance Co., International Surplus Lines Insurance Co., First State Insurance Co.

Correspondent: Lloyd's of London.

Principal officers: T. Cah, president; Steve Johnson, executive vp; Larry Zimmer, John Bogart and T. Hoffman, vps.

Membership: NAPSLO.

N.E. Insurance Services Inc.

3600 Wilshire Blvd., Los Angeles, Calif. 90010; 213-381-3901

	1985	1984
Premium volume...	\$14,528,633	NA
Gross revenues.....	\$1,059,107	NA
Employees.....	14	NA
Commercial lines..	100%	NA
Admitted business.	85%	NA
Non-admitted.....	15%	NA

Year founded: 1985.

Type of business: 100% broker.

Branch offices: San Diego, Calif.

Broker for: Primarily Allianz Underwriters Insurance Co., Associated International Insurance Co.;

Cameron & Colby Co. Inc., Firs: State Insurance Co., New England Insurance Co., Commonwealth Insurance Co., The Home Insurance Co. Fireman's Fund Insurance Cos., Progressive Casualty Co., RLI Insurance Co., Topa Insurance Co., Lloyd's of London, Western Employees Insurance Co., Transamerica Insurance Co.

Principal officers: W.P. Baccala, chairman; R.A. Williams, president; B.F. Van Eepoel, senior vp S.M. Friedman and L.N. Prickett, assistant vps.

Nason Associates Inc.

6901 W. 63rd St., Suite 207, Overland Park, Kan. 66202; 913-677-1550

	1985	1984
Premium volume...	\$5,900,000	\$4,100,000
Gross revenues.....	\$345,000	\$314,021
Employees.....	6	6
Commercial lines..	95%	85%
Admitted business.	80%	80%
Non-admitted.....	20%	20%

Year founded: 1980.

Type of business: 100% broker.

Broker for: Primarily Global Aviation Underwriters, Phoenix Aviation, Lloyd's of London.

Specialties: Aviation insurance and aviation products liability.

Principal officers: Courtney H. Nason, president; Linda Joy, vp; Lorri Shuey, senior underwriter.

Natesco Underwriters Inc.

8131 LBJ Freeway, Suite 600, Dallas, Texas 75251; 214-235-0774

	1985	1984
Premium volume...	\$14,900,000	\$8,800,000
Gross revenues.....	NA	NA
Employees.....	12	12
Commercial lines..	100%	100%
Non-admitted.....	100%	100%

Year founded: 1962.

Parent company: Farmers Alliance Mutual Insurance Co.

Type of business: 100% underwriting manager.

Underwriting manager for: Alliance Insurance Co. Inc.

Specialties: Casualty insurance.

Principal officers: Thomas E. Corless, president; Robert O. Zeiler, vp; Thomas W. DeLany, assistant vp; David H. Jennings, assistant treasurer.

Membership: NAPSLO.

New Amsterdam Excess Inc.

130 William St., New York, N.Y. 10038; 212-732-9282

	1985	1984
Premium volume...	\$50,000,000	\$34,000,000
Gross revenues.....	NA	NA
Employees.....	19	13
Commercial lines..	100%	100%
Admitted business.	NA	NA
Non-admitted.....	NA	NA

Year founded: 1980.

Parent company: Fred S. James & Co. Inc.

Type of business: 100% broker.

Branch offices: New Amsterdam Excess of Illinois, Chicago; New Amsterdam Excess Inc., Atlanta; Pyramid Excess Insurance Brokers, San Francisco.

Broker for: Primarily First State Insurance Co., St. Paul Surplus Lines Insurance Co., Transit Casualty Co.

Principal officers: Frank Ficarra, executive vp; John G. Beckett, vp/profit center manager.

The Norco Agency Inc.

6308 Woodman, Suite 204, Van Nuys, Calif. 91401; 818-782-1912

	1985	1984
Premium volume...	\$6,370,395	\$2,746,712
Gross revenues.....	\$650,000	\$280,000
Employees.....	9	6
Commercial lines..	35%	25%
Admitted business.	90%	95%
Non-admitted.....	10%	5%

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: Primarily Comstock Insurance Co.

Specialties: Commercial vehicle material damage, commercial fire, commercial umbrella.

Principal officers: Norman J. Levine, president; Adelyne F. Levine, vp/secretary/treasurer.

Membership: NAPSLO, AAMGA.

North Island Facilities Group Inc.

30 Park Ave., Manhasset, N.Y. 11030; 516-365-7440

	1985	1984
Premium volume...	\$21,500,000	\$16,044,818
Gross revenues.....	\$1,398,000	\$1,500,000
Employees.....	35	30
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., N.I.F. Services of New England Inc., N.I.F. Services of New Jersey Inc.

MGA for: National Union Fire Insurance Co., United States Liability

Insurance Co.

Broker for: Primarily North Star Excess Insurance Corp., Royal Surplus Lines 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, PIWA.

O

Overland Underwriting Managers Inc.

P.O. Box 518, 800 Jessup Road, Thorofare, N.J. 08086; 609-845-8891

	1985	1984
Premium volume...	\$28,000,000	\$4,800,000
Gross revenues.....	\$3,920,000	\$658,000
Employees.....	16	12
Commercial lines..	100%	100%
Admitted business.	98%	100%
Non-admitted.....	2%	0%

Year founded: 1984.

Type of business: 100% managing general agent.

Branch offices: Overland Underwriting Managers Inc., Irving, Texas.

MGA for: Balboa Insurance Co. **Specialties:** Commercial automobile, public liability.

Principal officers: Robert E. Osmundsen, president; Irwin C. Keightly Jr., executive vp.

P

Pacific General Agency Inc.

115 2nd Ave. N., Edmonds, Wash. 98020; 206-771-5044

	1985	1984
Premium volume...	\$10,200,000	\$8,700,000
Gross revenues.....	\$980,000	\$840,000
Employees.....	23	20
Commercial lines..	97%	97%
Admitted business.	13%	12%
Non-admitted.....	87%	88%

Year founded: 1978.

Type of business: 60% managing general agent, 40% broker.

MGA for: Scottsdale Insurance Co., National Casualty Co., American Reliable Insurance Co.

Broker for: Primarily Scottsdale Insurance Co., National Casualty Co., American Reliable Insurance Co.

Specialties: Ocean marine.

Principal officers: Samuel W. Hartman, president; Douglas R. Hartman, vp.

Membership: NAPSLO.

Paige-Ruane Inc.

The Irwin Building, King of Prussia, Pa. 19406-0962; 215-265-4170

	1985	1984
Premium volume...	\$10,000,000	\$8,000,000
Gross revenues.....	\$1,614,971	\$800,000
Employees.....	7	7
Commercial lines..	100%	100%
Admitted business.	50%	40%
Non-admitted.....	50%	60%

Year founded: 1978.

Type of business: 400% managing general agent.

Branch offices: St. Petersburg, Fla.

MGA for: Primarily Planet Insur-

ance 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 Shafiran, resident vp; Ronald R. Ruane Jr., assistant secretary.

Membership: NAPSLO.

The Planning Corp.

11347 Sunset Hills Road, Reston, Va. 22090; 703-481-0200

	1985	1984
Premium volume...	\$10,000,000	\$10,000,000
Gross revenues.....	NA	NA
Employees.....	8	5
Commercial lines..	100%	100%
Admitted business.	10%	10%
Non-admitted.....	90%	90%

Year founded: 1971.

Type of business: 100% broker. **Specialties:** Environmental risks, leakage of underground storage tanks.

Principal officers: Timothy N. Thoelecke, chairman; Max R. Clay, president; Diane L. Schwartzers, vp.

Professional Liability Brokers & Consultants Inc.

1011 E. Touhy Ave., Suite 321, Des Plaines, Ill. 60018; 312-699-4151

	1985	1984
Premium volume...	\$4,376,000	\$835,000
Gross revenues.....	\$350,500	\$65,000
Employees.....	6	4
Commercial lines..	100%	100%
Admitted business.	85%	99%
Non-admitted.....	15%	1%

Year founded: 1984.

Type of business: 55% broker, 45% underwriting manager.

Underwriting manager for: Forum Insurance Co.

Broker for: Primarily Admiral Insurance Co., Rockwood Insurance Co., CNA Insurance Co., CIGNA Corp., New York Insurance Exchange.

Specialties: Professional liability.

Principal officers: Lawrence J. Farano, president; C. Roy Vince, vp; Ervin A. Kranberg, secretary; Richard J. Gundlach, treasurer.

Membership: Illinois Surplus Lines Assn.

Professional Liability Underwriting Managers Inc.

10801 Wayzata Blvd., Suite 300, Minnetonka, Minn. 55343-5479; 612-546-4131

	1985	1984
Premium volume...	\$85,000,000	\$35,000,000
Gross revenues.....	NA	NA
Employees.....	44	22
Commercial lines..	NA	NA
Admitted business.	92	92
Non-admitted.....	8	8

Parent company: Corroon & Black Corp.

Branch offices: New York.

Underwriting manager for: The Home Group, Western Surety Co.

Specialties: Professional liability and umbrella.

Principal officers: Gordon D. Alston, president; Paul F. Mahaffey, executive vp; Kathryn A. Feeny and James S. Swearingen, vps.

R

RISC Inc.

750 N. St. Paul St., Suite 990, Dallas, Texas 75201; 214-922-9898

	1985	1984
Premium volume...	\$16,000,000	\$21,000,000
Gross revenues.....	\$1,610,000	\$1,450,000
Employees.....	23	23
Commercial lines..	100%	99%
Admitted business.	50%	40%
Non-admitted.....	50%	60%

Year founded: 1966.

Parent company: The Rigg Group Inc.

Type of business: 60% broker, 30% managing general agent, 10% underwriting manager.


Underwriting manager for: International Lloyd's Insurance Co.

Broker for: Primarily Interstate Fire & Casualty Co., Fireman's Fund Insurance Co., First State Insurance Co., Lexington Insurance Co., St. Paul Surplus Lines Insurance Co., Royal Insurance Co.

Correspondent: Lloyd's of London

Specialties: Commercial auto.

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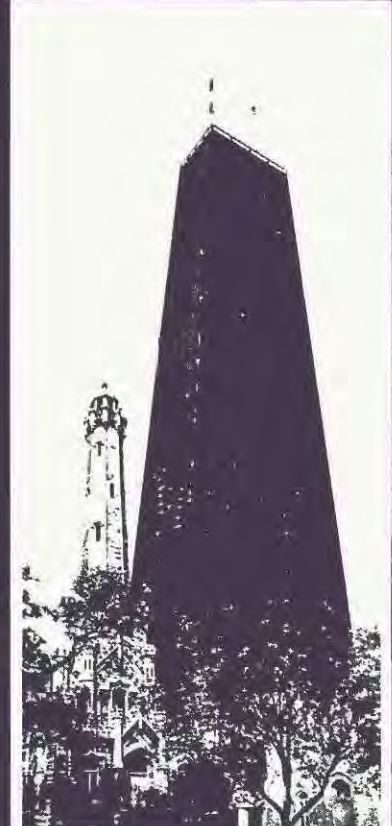
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Continued from page 66
property, energy.

Principal officers: David L. Geary, president; Francis Griffin, Paul E. Warmingham and Robin Stough, vps.
Membership: NAPSLO, Texas Surplus Lines Assn.

Ranger-Allied Underwriters

P.O. Box 2807, 5333 Westheimer, Houston, Texas 77070; 713-622-6500, 800-392-1970

	1985	1984
Premium volume...	\$6,083,194	\$7,417,735
Gross revenues.....	\$671,000	\$711,000
Employees.....	17	19
Commercial lines..	90%	90%
Admitted business..	5%	5%
Non-admitted.....	95%	95%

Year founded: 1961.
Parent company: Ranger Insurance Co.

Type of business: 90% managing general agent, 10% broker.

MGA for: National Indemnity Co., National Fire & Marine Insurance Co., Northland Insurance Co., Northfield Insurance Co., St. Katherine Insurance Co. P.L.C., Jefferson Insurance Co. of New York, Monticello Insurance Co., Adriatic Insurance Co.

Broker for: Primarily Ranger Insurance Co., Lexington Insurance Co.

Specialties: Commercial auto, buses.

Principal officers: Lowry D. Vaughn, assistant vp/general manager.

Membership: AAMGA, NAPSLO, Texas Surplus Lines Assn.

Rearick & Lenihan Inc.

5339 Alpha Road, Suite 100, Dallas, Texas 75240; 214-233-0506

	1985	1984
Premium volume...	\$15,000,000	\$12,000,000
Gross revenues.....	\$1,200,000	\$900,000
Employees.....	43	36
Commercial lines..	100%	100%
Admitted business..	98%	98%
Non-admitted.....	2%	2%

Year founded: 1976.
Type of business: 75% underwriting manager, 20% managing general agent, 5% broker.

Branch offices: Houston; Los Angeles; New York.

Subsidiaries: Rearick & Lenihan of Georgia Inc., Source Publications Inc.

Underwriting manager for: Union Fidelity Life Insurance Co.

MGA for: Kemper Group.

Broker for: Primarily Lloyd's of London, State Mutual Life Insurance Co.

Specialties: Group travel accident, accidental death and dismemberment, collegiate and youth sports accident.

Principal officers: Philip A. Rearick, president; Eileen L. Rearick, treasurer; Thomas J. Lenihan III, vp; Charles E. Bell, president-Rearick & Lenihan of Georgia Inc.

Repath Associates Inc.

4301 Hillsboro Road, Nashville, Tenn. 37215; 615-297-1739

	1985	1984
Premium volume...	\$18,500,000	\$4,000,000
Gross revenues.....	\$1,280,000	\$360,000
Employees.....	7	3
Commercial lines..	100%	100%
Admitted business..	25%	30%
Non-admitted.....	75%	70%

Year founded: 1984.
Type of business: 95% broker, 5% managing general agent.

Subsidiaries: Repath-McKell Associates Inc.

MGA for: Great American Surplus Lines Insurance Co., Colonial Penn Insurance Co.

Broker for: Primarily Affiliated FM Insurance Co., Albany Insurance Co., California Union Insurance Co., Chubb Group, Columbia Casualty Insurance Co., Fireman's Fund Insurance Cos., First State Insurance Co., Great American Surplus Lines Insurance Co., Harbor Insurance Co., Tudor Insurance Co.

Specialties: Heavy products, primary liability and umbrella.

Principal officers: Derek J. Repath, president; Tilford G. Simms, vp; Delema Sullivan, assistant secretary.

Membership: NAPSLO.

Resource Insurance Services Inc.

9494 Southwest Freeway, Suite 400, Houston, Texas 77074; 713-776-1600

	1985	1984
Premium volume...	\$36,484,000	\$31,735,000
Gross revenues.....	NA	NA

Employees.....	16	16
Commercial lines..	100%	100%
Admitted business..	15%	25%
Non-admitted.....	85%	75%

Year founded: 1980.
Type of business: 60% managing general agent, 30% broker, 10% underwriting manager.

Underwriting manager for: Colonial Penn Insurance Co.

Broker for: Primarily Lloyd's of London, Marine Office of America, Old Republic Insurance Co.

Correspondent: Lloyd's of London
Specialties: Energy-related property and casualty risks, political risk.

Principal officers: Luther C. Fuqua, president; Michael A. Miller, senior vp; Walter Caskey, vp; Tamara Mann, Cheryl Ashley, assistant vps; John Ringrose, controller.

Membership: NAPSLO, Texas Surplus Lines Assn.



Victor O. Schinnerer & Co. Inc.

5028 Wisconsin Ave. N.W., Washington, D.C. 20016; 202-885-9500

See profile, page 53.

Shand, Morahan & Co. Inc.

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

See profile, page 52.

Thomas F. Sheehan Inc.

801 N. Plaza Drive, Schaumburg, Ill. 60195; 312-490-1400

	1985	1984
Premium volume...	\$38,299,002	\$28,101,670
Gross revenues.....	\$6,394,085	\$3,775,166
Employees.....	29	27
Commercial lines..	100%	100%
Admitted business..	100%	99%
Non-admitted.....	0	1%

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 insurance for architects, engineers, lawyers, directors and officers.

Principal officers: Thomas F. Sheehan, chairman/president/chief executive officer; Ramkrishna H. Chandarana, executive vp; James F. Whitaker, vp/treasurer.

Membership: AAMGA.

Sherwood Insurance Services

201 California St., Suite 900, San Francisco, Calif. 94111; 415-956-3236

	1985	1984
Premium volume...	\$110,000,000	\$54,000,000
Gross revenues.....	\$8,900,000	\$5,000,000
Employees.....	65	61
Commercial lines..	100%	100%
Admitted business..	85%	85%
Non-admitted.....	15%	15%

Year founded: 1978.
Type of business: 95% broker, 5% managing general agent.

Branch offices: Los Angeles, Chicago.

Broker for: Primarily Crum & Forster Managers Corp., Industrial Underwriters Insurance Co., Home Insurance Co., Cameron & Colby Co. Inc., RLI Insurance Co.

Correspondent: Lloyd's of London
Specialties: Large risk commercial property/casualty accounts.

Principal officers: Donald K. Sherwood, president; James W. Barnes, senior vp/San Francisco office manager; David R. Hartoch, senior vp/Los Angeles office manager; John Middleton, vp/Chicago office manager.

Membership: NAPSLO.

Leon F. Skinner Agency Inc.

1258 Sibley Tower Building, Rochester, N.Y. 14604; 716-232-3585

	1985	1984
Premium volume...	\$500,000	\$200,000
Gross revenues.....	NA	NA
Employees.....	4	3
Commercial lines..	60%	40%
Admitted business..	60%	100%
Non-admitted.....	40%	0

Year founded: 1959.
Type of business: 100% broker.
Broker for: Primarily Connecticut Indemnity Co.

Specialties: Trucking, including bobtail/deadhead, physical damage, cargo.

Principal officers: Leon F. Skinner, president.

Southern Insurance Managers

95 Whitebridge Road, Cavalier Building, Nashville, Tenn. 37205; 615-356-2900

	1985	1984
Premium volume...	\$9,864,800	\$6,352,556
Gross revenues.....	\$1,112,900	\$622,414
Employees.....	26	17
Commercial lines..	68%	83%
Admitted business..	65%	72%
Non-admitted.....	35%	28%

Year founded: 1953.
Type of business: 98% managing general agent, 2% broker.
MGA for: Canal Insurance Co.,

Canal Indemnity Co., National Indemnity Co., National Fire & Marine Insurance Co., Home & Automobile Insurance Co., Scottsdale Insurance Co., National Casualty Insurance Co., Thomas Jefferson Insurance Co., Aegon Insurance Co., Sphere Drake Insurance P.L.C., Essex Insurance Co., Carolina Casualty Co., Nautilus Insurance Co., American Reliable Insurance Co., Minnehoma Insurance Co., Foremost Insurance Co., Western Surety Co., Northland Insurance Co.

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: NAPSLO, AAMGA.

Southern Insurance Underwriters Inc.

1700 Century Circle, Atlanta, Ga. 30345; 404-325-1700

	1985	1984
Premium volume...	\$35,000,000	\$25,000,000
Gross revenues.....	\$3,500,000	\$2,500,000
Employees.....	90	75
Commercial lines..	57%	60%
Admitted business..	60%	60%
Non-admitted.....	40%	40%

Year founded: 1964.
Type of business: 55% underwriting manager, 40% managing general agent, 5% broker.

MGA for: National Indemnity Co., Northland Insurance Co., Scottsdale Insurance Co., Jefferson Insurance Co. of New York, National Fire & Marine Insurance Co., Independent Fire Insurance Co., Safeway Insurance Co., Legion Insurance Co.

Specialties: Commercial auto, non-standard personal auto.

Principal officers: W.C. Duesenberg Sr., chairman; Wes Duesenberg Jr., president; W.P. Grubbs, vp-commercial lines; W.K. Glenn, vp-personal lines; E.L. Parker Jr., vp-marketing.

Membership: AAMGA, NAPSLO.

Sovereign Group International Inc.

242 Main St., Tottenville, N.Y. 10307; 718-317-7000

	1985	1984
Premium volume...	\$15,000,000	\$11,000,000
Gross revenues.....	NA	NA
Employees.....	21	17
Commercial lines..	NA	NA
Admitted business..	90%	100%
Non-admitted.....	10%	0

Year founded: 1976.
Type of business: 75% managing general agent, 25% broker.

Branch offices: Avenel, N.J.
MGA for: National Casualty Co., Tudor Insurance Co.

Broker for: Lloyd's of London.
Continued on page 68

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Columbia, South Carolina 29201
(803) 256-4467

Continued from page 67

Principal officers: W.J. Lynch, W. F. Lynch, D.J. Lynch, J. Certo and J. Humbert.

Membership: NAPSLO, AAMGA, Professional Insurance Wholesalers Assn.

Specialty Insurance Services Inc.

P.O. Drawer 11869, Jacksonville, Fla. 32239-1869; 904-743-4314

	1985	1984
Premium volume...	\$1,875,000	\$1,350,000
Gross revenues.....	\$193,210	\$116,208
Employees.....	6	3
Commercial lines..	100%	100%
Admitted business..	50%	50%
Non-admitted.....	50%	50%

Year founded: 1977.

Type of business: 95% managing general agent, 5% broker.

MGA for: Empire Fire & Marine Insurance Co., Agricultural Excess & Surplus Insurance Co., Alliance Insurance Co., Scottish & York Group, English & American Insurance Co. Ltd.

Broker for: Primarily International

Surplus Lines Insurance Co., Shand, Morahan & Co. Inc.

Correspondent: Lloyd's of London. **Specialties:** Commercial automobile.

Principal officers: Harley K. Dulaney, president; Joanne S. Dulaney, vp.

Membership: NAPSLO, Florida Surplus Lines Assn.

Specialty Underwriting Agency Inc.

9132 W. Ogden Ave., Brookfield, Ill. 60513; 312-387-9100

	1985	1984
Premium volume...	\$2,556,409	\$477,001
Gross revenues.....	\$218,507	\$41,665
Employees.....	6	3
Commercial lines..	99%	96%
Admitted business..	37%	22%
Non-admitted.....	63%	78%

Year founded: 1984.

Type of business: 100% broker.

Broker for: Primarily Royal Surplus Lines Insurance Co., Fire & Casualty Insurance Co. of Connecticut, Illinois Founders Insurance Co.

Specialties: Commercial property,

general liability, motor truck cargo.

Principal officers: Peter J. Dietl, president; Diane E. Dietl, vp.

C.V. Starr & Co.

3 Embarcadero Center, Suite 570, San Francisco, Calif. 94111; 415-445-2682

	1985	1984
Premium volume...	\$150,000,000	\$46,000,000
Gross revenues.....	NA	NA
Employees.....	43	42
Commercial lines..	100%	100%
Admitted business..	99%	98%
Non-admitted.....	1%	2%

Year founded: 1948.

Parent company: C.V. Starr & Co. Inc.

Type of business: 100% underwriting manager.

Branch offices: Los Angeles, Seattle, Chicago, New York.

Subsidiaries: C.V. Starr & Co. of Illinois, Pacific Starr of New York Inc.

Underwriting manager for: The Insurance Co. of the State of Pennsylvania.

Principal officers: William G.

Malone, president; Marc Welliver, William Weichold, vps; Joseph Fiore, assistant vp; Mary Whelan, treasurer.

Myron F. Steves & Co.

3131 Eastside, Suite 600, Houston, Texas 77098; P.O. Box 4479, Houston, Texas 77210-4479; 713-522-1100

	1985	1984
Premium volume...	\$47,000,000	\$34,000,000
Gross revenues.....	\$5,000,000	\$3,600,000
Employees.....	78	71
Commercial lines..	95%	95%
Admitted business..	70.5%	74.5%
Non-admitted.....	29.5%	25.5%

Year founded: 1955.

Type of business: 85% managing general agent, 15% broker.

Branch offices: Chicago.

MGA for: Guaranty National Insurance Co., Landmark Insurance Co., Scottsdale Insurance Co., National Casualty Co., National Fire & Marine Insurance Co., National Indemnity Co., INA Insurance Co., National Security Fire & Casualty Co., American Modern Home Insurance Co., Forum Insurance Co.,

United National Insurance Co.

Broker for: Primarily Cameron & Colby Co. Inc., Chubb Custom Insurance Co., American Home Assurance Co., General Star Management.

Correspondent: Lloyd's of London. **Specialties:** Hospital professional liability.

Principal officers: Myron F. Steves, Myron F. Steves Jr., Fred B. Steves and W.K. Davis, directors; Michael S. Driscoll, Jack P. Reed, Betty J. Sander and Lawrence Wiloughby, managers.

Membership: AAMGA, NAPSLO, Texas Surplus Lines Assn.

Stewart Smith Holdings Inc.

123 William St., New York, N.Y. 10038; 212-964-2929

See profile, page 46.

Jackson Sumner & Associates Inc.

P.O. Box 2540, Boone, N.C. 28607; 704-264-2787

	1985	1984
Premium volume...	\$8,000,000	\$4,200,000
Gross revenues.....	NA	NA
Employees.....	8	6
Commercial lines..	99%	99%
Admitted business..	26%	42%
Non-admitted.....	74%	58%

Year founded: 1981.

Type of business: 70% managing general agent, 30% broker.

MGA for: The Preserver Assurance Co., First Financial Insurance Co., Nautilus Insurance Co.

Broker for: Primarily Nautilus Insurance Co., Imperial Casualty Co., Admiral Insurance Co., Lloyd's of London.

Principal officers: Wayne L. Sumner, Gary G. Anderson and Thomas W. Sefton.

Membership: NAPSLO.

Surety Underwriters Agency Inc.

50 Chestnut Ridge Road, Montvale, N.J. 07645; 201-573-8788

	1985	1984
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: 1986.

Type of business: 50% underwriting manager, 50% managing general agent.

Underwriting manager for: Colonial Surety Insurance Co.

Principal officers: Wayne Nunziata, president.

Swett & Crawford Group

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

See profile, page 40.

Tennessee Underwriters

140 Fourth Ave. S., Franklin, Tenn. 37064; 615-791-1400

	1985	1984
Premium volume...	\$5,400,000	\$3,600,000
Gross revenues.....	NA	NA
Employees.....	7	6
Commercial lines..	95%	90%
Admitted business..	5%	10%
Non-admitted.....	95%	90%

Year founded: 1980.

Type of business: 70% managing general agent, 30% broker.

MGA for: United National Insurance Co., Lincoln Insurance Co.

Correspondent: Lloyd's of London. **Specialties:** Mercantile property.

Principal officers: Barry L. Gurst, president.

Membership: NAPSLO.

Transco Insurance Services

2029 Village Lane, Solvang, Calif. 93463; 805-688-4995

	1985	1984
Premium volume...	\$175,000,000	\$95,000,000
Gross revenues.....	\$15,325,000	\$10,200,000
Employees.....	115	100
Commercial lines..	100%	100%
Admitted business..	28%	20%
Non-admitted.....	72%	80%

Year founded: 1977.

Type of business: 98% underwriting manager, 2% managing general agent.

Continued on page 69

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Now, for the first time, you can listen to some of the sessions from the 1986 Business Insurance Employee Benefit Communications Conference at your convenience. If you attended the Conference, there may be a session you need to review with your management team or your staff. If you weren't able to hear the speakers first hand, this is the next best thing to being there.



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BI001 Communicating Healthcare Alternatives Panel

A three part panel that discusses how to best communicate the unique features of a particular type of healthcare plan so that employees can make informed choices. Keynote speaker, John D. Moynahan, Jr., Executive VP of Metropolitan Life, sets the tone with a description of today's changing healthcare environment and trends developing in the marketplace. Panelists—Eileen Nash, Director, External Communications, Equitable Group & Health Insurance Company, profiles an indemnity plan; Thomas D. Stroud, Director of Market Support, Humana Inc., represents a PPO; and Robert Normyle, VP, Sales & Marketing, US Healthcare, New York, discusses HMOs.

BI002 Computer Communications Panel

These panelists represent companies on the cutting edge of communication technology, and discuss how they combined market trends with technological innovations to implement state-of-the-art interactive vehicles for benefit communications. Panelists—Pamela Keeler, Director, Advanced Benefit Communications, Metropolitan Life, introduces SHOWCASE, a communications program that enables employees to directly access information about their benefits from interactive computer terminals housed in kiosks; Douglas M. Bartlett, Director, Employee Benefits U.S., NCR Corporation, introduces EstiMATE, a software package that enables employees to do long-range forecasting of their future retirement income; Peter O'Donnell, Director, Employee Benefits, RCA Corporation introduces a system that is tapped

by employees almost 7,000 times a month and can be expanded to include interactive video, job postings, local health provider information and more; and, Gary Grom, Executive Director, Human Resources, Sara Lee Corporation, discusses how his company developed a program to introduce a new 401(k) feature to their Retirement Savings Plan.

BI003 Total Benefits Communication

Don O'sen, Manager of Benefit Plans for Bell Atlantic Enterprises Corporation, gives an overview of Bell's award winning communication program, "A Wave In Benefits." His session concentrates on management objectives, budget considerations and strategies.

BI004 Print & A-V Go Hand In Hand

Michael DiStefano, Manager of Domestic Benefits at Colgate-Palmolive Company and Pamela Kekich, a Principal with Kwasha Lipton, focus on how Colgate combined a-v and print materials to build an award winning communications program called "More Financial Power." Learn why Colgate chose a marketing approach to introduce a new 401(k) feature to their employee savings plan.

BI005 Pre-Retirement Counseling

Julio Esteban, Jr., VP, Manager Communication Consulting Services, Alexander & Alexander Inc., proposes that 'retirement planning education' should be presented as a 'life planning' vehicle built into the company's total benefit package.

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Continued from page 68

writing manager, 2% broker.
Branch offices: Chicago.
Subsidiaries: Camelback Reinsurance Underwriters Inc., Transco Syndicate #1; Transre Insurance Services.
Underwriting manager for: Illinois Insurance Exchange, United National Insurance Co., Diamond State Insurance Co., Imperial Casualty & Indemnity Co.
Specialties: Product liability.
Principal officers: Peter J. O'Shaughnessy, president; Michael Kelley, treasurer; Richard Kersten, secretary; Michael Gallagher, senior vp; Robert Henson, executive vp.

Tri-City Insurance Brokers Inc.

30 Cliff St., New York, N.Y. 10038; 212-766-1800

	1985	1984
Premium volume...	\$10,000,000	NA
Gross revenues.....	NA	NA
Employees.....	15	NA
Commercial lines..	100%	NA
Admitted business..	60%	NA
Non-admitted.....	40%	NA

Year founded: 1985.
Type of business: 100% broker.
Branch offices: Chicago, San Francisco.
Broker for: Primarily Great American Surplus Lines Insurance Co., Interstate Insurance Co., International Insurance Co., Lexington Insurance Co., Illinois Insurance Exchange, Admiral Insurance Co.
Specialties: Umbrella liability, buffer liability, errors and omissions, product liability.
Principal officers: Kieran P. Burke, president; Alex Kullman, Dan Real, John Hahn and Edward Ulshaefer, executive vps.

Tri-State General Insurance Co. Ltd.

208A E. Main St., Salisbury, Md. 21801; 301-546-1255

	1985	1984
Premium volume...	\$9,750,000	\$6,700,000
Gross revenues.....	\$1,170,000	\$804,000
Employees.....	34	21
Commercial lines..	80%	80%
Admitted business..	15%	15%
Non-admitted.....	85%	85%

Year founded: 1979.
Type of business: 45% underwriting manager, 45% managing general agent, 10% broker.
Branch offices: Harrisburg and West Chester, Pa.; Cherry Hill, N.J.
Subsidiaries: Tri-State General Insurance Agency of New Jersey Inc., Tri-State General Insurance Agency of Pennsylvania Inc.
Underwriting manager for: Terra Nova Insurance Co., English & American Insurance Co. Ltd., River Thames Insurance Co. Ltd., St. Katherine Insurance Co. P.L.C., Bryanston Insurance Co. Ltd., Aegon Insurance Co., Bishopsgate Insurance Co. P.L.C.
MGA for: Guaranty National Insurance Co., Lincoln Insurance Co.
Broker for: Primarily Mt. Hawley Insurance Co., Insurance Exchange of the Americas, Illinois Insurance Exchange, Lincoln General Insurance Co.
Correspondent: Lloyd's of London
Specialties: Large property lines.
Principal officers: Edward A. Dickerson, president; Edward A. Dickerson III and James J. Dickerson, vps; Nellie R. Beals, treasurer; Eileen Dickerson, secretary.
Membership: NAPSLO, Pennsylvania Surplus Lines Assn.

Truckers Insurance Associates Inc.

Box 1494, Des Moines, Iowa 50306; 515-276-7704

	1985	1984
Premium volume...	\$9,300,000	\$5,400,000
Gross revenues.....	NA	NA
Employees.....	17	11
Commercial lines..	100%	100%
Admitted business..	100%	100%

Year founded: 1943.
Type of business: 100% managing general agent.
MGA for: Northland Insurance Co., Carolina Casualty Co., Hartford Insurance Group, Great West Casualty Co.
Principal officers: Kenneth Albaugh, president; Gary Albaugh and Doug Wilson, vps.
Membership: AAMGA.

Tuley/Barnard & Associates Inc.

13831 N.W. Freeway, Suite 365, Houston, Texas 77040; 713-690-3181

	1985	1984
Premium volume...	\$12,078,000	\$9,939,941
Gross revenues.....	\$905,850	\$844,895
Employees.....	10	15
Commercial lines..	98%	98%
Admitted business..	30%	15%
Non-admitted.....	70%	85%

Year founded: 1980.
Type of business: 85% brokerage, 15% managing general agent.
MGA for: First State Insurance Co.
Broker for: Primarily First State Insurance Co., St. Paul Surplus Lines Insurance Co., Tri-State Insurance Co. of Minnesota, Interstate Fire & Casualty Co., Fireman's Fund Insurance Cos., The Hartford Group.
Correspondent: Lloyd's of London.
Principal officers: John Tuley, president; Bob Barnard, executive vp; Marilyn Svec, senior vp; Susan Trimble, vp.
Membership: NAPSLO, AAMGA, Texas Surplus Lines Assn.



U.S. & Overseas Agencies Inc.

1693 Stuyvesant Ave., Union, N.J. 07083; 201-964-5950

	1985	1984
Premium volume...	\$4,960,000	\$2,900,000
Gross revenues.....	\$593,000	\$405,000
Employees.....	16	11
Commercial lines..	80%	80%
Admitted business..	22%	25%
Non-admitted.....	78%	75%

Year founded: 1933.
Type of business: 75% managing general agent, 25% broker.
MGA for: Foremost Insurance Co., Mount Vernon Fire Insurance Co., United States Liability Insurance Co.
Broker for: Primarily Evanston Insurance Co., Imperial Casualty & Indemnity Co.
Correspondent: Lloyd's of London.
Principal officers: Jack Neubauer,

president; Jeffrey S. Neubauer, vp; Ingrid Neubauer, secretary; Bernice Bender, treasurer.
Membership: NAPSLO.

Underwriters Management Associates Inc.

Suite 216, 95 White Bridge Road, Nashville, Tenn. 37205; 615-356-7272

	1985	1984
Premium volume...	\$8,150,000	\$6,200,000
Gross revenues.....	\$577,000	\$489,000
Employees.....	12	11
Commercial lines..	100%	100%
Admitted business..	100%	100%

Year founded: 1983.
Type of business: 100% managing general agent.
MGA for: Reliance Insurance Cos.
Specialties: Wholesale petroleum distributors, retail fuel oil dealers.
Principal officers: Don R. Jordan, chairman; William M. Sutcliffe, president/treasurer; Frederic W. Bard, vp; W. Lee Corbett, secretary.

UNI-Service Excess Facilities Inc.

180 Genesee St., New Hartford, N.Y. 13413; 315-735-3321

	1985	1984
Premium volume...	\$4,229,688	\$2,465,528
Gross revenues.....	\$330,000	\$250,000
Employees.....	7	7
Commercial lines..	97%	97%
Admitted business..	96%	100%
Non-admitted.....	4%	0

Year founded: 1979.
Parent company: Utica National Insurance Co.
Type of business: 72% broker, 28% managing general agent.
MGA for: Utica Mutual Insurance Co.
Broker for: Primarily General Star Management, Crum & Forster Managers Corp., United States Liability Insurance Co.
Principal officers: Jack B. Riffle, president; Curtis M. Pearsall, vp; John R. Lanz, treasurer; John P. Sullivan, secretary.

Continued on page 70

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Continued from page 69

Membership: NAPSLO, Professional Insurance Wholesalers Assn.

V

Variable Protection Administrators Inc.

7123 Pearl Road, Suite 300,
 Cleveland, Ohio 44130;
 800-872-7253

	1985	1984
Premium volume.....	\$66,500,000	\$60,000,000
Gross revenues.....	\$6,005,223	\$5,555,000
Employees.....	87	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., Greater Georgia Life Insurance Co., Boston Mutual Life Insurance Co.

Principal officers: David T. Manley, president; Timothy M. Eisenmenn, vp-operations; Anthony Manley, vp-claims; Susan Maddock, vp-underwriting.

Vermont Specialty Underwriters

102 S. Winooski Ave., Burlington,
 Vt. 05401; 802-862-4635

	1985	1984
Premium volume.....	\$3,145,930	\$2,866,259
Gross revenues.....	\$317,088	\$258,262
Employees.....	5	4
Admitted business.....	100%	100%

Year founded: 1982.

Type of business: 95% managing general agent, 5% broker.

MGA for: American International Group Inc., Foremost Insurance Co.

Principal officers: Warren L. Thompson, president; Roger Teese, senior vp; Steven Gentile and Carolyn Kovac, vps; Bradley D. Matulonis, treasurer.

W

Weicholz Management Corp.

1750 University Drive, P.O. Box
 4502, Coral Springs, Fla.
 33075-4502; 305-752-1222

	1985	1984
Premium volume.....	\$21,644,000	\$3,500,000
Gross revenues.....	\$2,284,282	NA
Employees.....	46	24
Commercial lines.....	100%	100%
Admitted business.....	20%	50%
Non-admitted.....	80%	50%

Year founded: 1975.

Type of business: 80% underwriting manager, 20% managing general agent.

Affiliated companies: Britamco

Underwriters Inc., Illinois Insurance Exchange syndicate, British & American Casualty Co., U.A.A.C.

Underwriting manager for: British & American Casualty Co., Britamco Underwriters Inc.

Specialties: Package policies, including retail accounts, liquor law liability, umbrellas and excess.

Principal officers: Stephen Weicholz, president; Myron A. Burdge, executive vp; Karl Wilkens, assistant vp; Ian Walker, syndicate manager; Albert S. Solomon, treasurer.

Western Network Insurance Services Inc.

650 California St., Suite 2640, San Francisco, Calif. 94018;
 415-397-5731

	1985	1984
Premium volume.....	\$12,870,000	\$1,900,000
Gross revenues.....	\$707,850	\$144,000
Employees.....	2	2
Commercial lines.....	100%	100%
Admitted business.....	100%	100%

Year founded: 1983.

Type of business: 100% broker.

Specialties: Large line property, directors and officers liability.

Principal officers: David Pfaff, chief executive officer; Ronald Hughes, president; John Smalley, assistant vp.

Wood & Co. Inc.

2900 Chamblee-Tucker Road,
 Building 14, Atlanta, Ga. 30341;
 404-455-6535

	1985	1984
Premium volume.....	\$15,600,000	\$3,150,000
Gross revenues.....	\$936,000	\$255,000
Employees.....	10	6
Commercial lines.....	100%	100%
Admitted business.....	25%	35%
Non-admitted.....	75%	65%

Year founded: 1984.

Parent company: McGriff, Seibels & Williams Inc.

Type of business: 100% broker.

Broker for: Primarily St. Paul Surplus Lines Insurance Co., Fireman's Fund Insurance Cos., Northfield Insurance Co., First State Insurance Co., Interstate Insurance Co.

Principal officers: Bruce A. Wood, president.

Membership: NAPSLO.

World Trade Services Inc.

1 World Trade Center, Suite 3369,
 New York, N.Y. 10048;
 212-466-0600

	1985	1984
Premium volume.....	\$7,600,000	NA
Gross revenues.....	NA	NA
Employees.....	7	NA
Commercial lines.....	100%	NA%
Admitted business.....	100%	NA

Year founded: 1984.

Type of business: 100% managing general agent.

MGA for: Lloyd's New York.

Principal officers: Patrick S. Whalen, president; Winifried Mohr, vp; Therese Haughie, assistant vp.

Membership: Conference of Special Risk Underwriters.

New York law eases access to non-admitted insurers

By CAROL CAIN

Some states are giving surplus lines insurers and marketers more flexibility, while others are enacting new regulations governing the non-admitted market.

For example, sections in New York's recently enacted tort reform legislation ease what surplus lines brokers cited as "problems" with the state Insurance Department's Regulation 41.

But, three other states are imposing regulations governing cancellations on non-admitted insurers.

New York's Regulation 41 requires, among other things, that intermediaries file considerable documentation to prove that a sufficient number of admitted insurers have rejected a risk before it can be offered to the surplus lines market.

The New York law was signed June 28 by Gov. Mario M. Cuomo and took effect immediately. The law:

- Reduces to three from five the required number of declinations needed from admitted insurers to place business in the surplus lines market, unless the insurance superintendent determines otherwise after holding a hearing.
- Excuses a surplus lines broker from affirming that a diligent effort was made to procure coverage from admitted insurers if it submits an affidavit from a retail producer that affirms the coverage could not be placed with admitted insurers.
- Removes a provision under which a surplus lines insurer is deemed "unacceptable" to write business in New York solely on the basis that the insurer has been authorized to write business in its domicile for less than three years.
- Removes the requirement that admitted insurers maintain underwriting submissions or other records with respect to declination unless the superintendent of insurance finds that such record keeping or reporting is required to redress abuses.

The law also says the superintendent shall review record-keeping requirements and take measures by Oct. 1 to simplify forms and other aspects of compliance.

• Requires the superintendent to conduct a study of the proper relationship between residual markets and the placement of insurance with unauthorized insurers. Results of the study are due by April 1, 1987.

The New York legislation, S. 9351(A), will give buyers easier access to the surplus lines market, said Jeremy D. Cooke, president of the National Assn. of Professional Surplus Lines Offices, a trade association based in Roswell, Ga. Mr. Cooke also is president of Major Surplus Inc., a New York-based surplus lines broker.

The more liberal New York surplus lines regulation is a "hopeful sign," said Jon Harkavy, director of governmental affairs for the Risk & Insurance Management Society in New York.

The "one bright thing" in this "liability insurance crisis" is that states, like New York, are taking a closer look at "archaic provisions" in surplus lines regulations, Mr. Harkavy said.

"I've always been very uneasy with declination provisions," Mr. Harkavy said, calling them "anti-consumer" and noting that in no other business does a buyer have to go to a competing company and obtain a signature declining the business before that buyer can purchase the product from another company.

Rather than blanket regulation, Mr. Harkavy said "targeted regulation" should be adopted to keep inexperienced buyers out of the surplus lines market, but still allow sophisticated buyers access to the market with minimal interference.

Such an approach is being considered by the Pennsylvania Insurance Department, which has drafted a rewrite of the state's surplus lines law for consideration by the General Assembly this fall.

One of the provisions in the draft totally eliminates the diligent search requirements for "large purchasers of insurance," said a spokesman from the department. Such businesses would be defined by gross revenues, total assets and number of employees.

If adopted, the new Pennsylvania law would make it easier for large buyers to purchase coverage from surplus lines insurers, while beefing up the financial requirements imposed on approved non-admitted insurers, the spokesman said. These requirements are still being studied.

Increased financial reporting requirements for non-admitted insurers is the thrust of the Surplus Lines Task Force of the National Assn. of Insurance Commissioners.

"We're reviewing trust agreements that alien companies have and working on the applications that they give (state regulators) to see if they are solvent..." said John L. George, director of the Alaska Insurance Division and chairman of the NAIC Surplus Lines Task Force.

The NAIC maintains a "white list" of non-U.S. insurers that file certain financial information. A working group of the task force is looking at what kind

of information should be required and is devising a convention statement to be used by non-U.S. insurers that want a place on the NAIC white list.

A long-range goal of the NAIC is to input this information into a computer to allow ready access by regulators, brokers and buyers, Mr. George said.

"The regulators are looking pretty hard at the surplus lines market, from this financial solvency standpoint," noted John T. Clark, executive vp of Transco Syndicate #1 Ltd. on the Illinois Insurance Exchange. He is also a member of an advisory committee that works with the Surplus Lines Task Force and formerly was director of financial services for the NAIC.

Mr. Clark sees a shift by regulators from a consumer advocacy stance of a few years ago to one of monitoring insurer solvency.

However, such a shift could mean more cumbersome regulations for surplus lines insurers, some observers say.

"I see an increasing attempt to regulate the market by imposing cancellation and non-renewal requirements on surplus lines insurers," said James F. (Jeff) Johnson, an attorney with LeBoeuf, Lamb, Leiby & MacRae in New York, which is represented on the NAIC task force's advisory committee.

Mr. Johnson says some legislators and regulators are trying to impose solutions to the "liability crisis" on both the admitted and non-admitted markets, and such action can force surplus lines insurers to withdraw from a state, he said.

That was illustrated last year in New Jersey, which adopted emergency regulations governing cancellations and non-renewals, Mr. Johnson said. Surplus lines insurers stopped writing after regulations were formulated that included them, but returned to the state after amendments were made excluding them, he said.

However, three other states, according to NAPSLO, adopted similar regulations or legislation: Pennsylvania, South Carolina and Oklahoma.

In Pennsylvania, an emergency regulation was put into effect March 17 that requires both admitted and non-admitted insurers to give a 60-day notice of the cancellation or non-renewal of commercial policies, said a state Insurance Department spokesman.

The Pennsylvania General Assembly subsequently adopted legislation setting out similar requirements, both for the admitted and non-admitted market. That legislation became effective July 3, with the governor's signature.

Similar legislative action occurred in South Carolina where legislation took effect March 5 requiring 10-day-to-30-day notices in certain cases for cancellations and non-renewals, again, both for the admitted and non-admitted market, said Susanne Murphy, general counsel to the South Carolina Insurance Department.

And in Oklahoma, a law governing commercial policy cancellations and non-renewals was adopted last year that affects the non-admitted market. The law, enacted in July 1985, establishes reasons for commercial insurance policy cancellations but does not impose notice requirements.

All of these regulations, especially because they differ in each state, make the job of the surplus lines broker "a little more difficult," said NAPSLO's Mr. Cooke.

But he said he is pleased that state regulators, through the NAIC, "really are willing to listen" to groups like NAPSLO and RIMS. These groups are increasingly asked by the NAIC to participate on its advisory committees, he noted.

"They really want us (the surplus lines market) and need us...in most states," Mr. Cooke said.

However, he added that NAPSLO and others have to keep close watch on surplus lines regulations and legislation.

He pointed specifically to New York: Even though Regulation 41 has been eased, the new law still leaves considerable power in the hands of Insurance Superintendent James Corcoran.

Most notably, surplus lines brokers will attempt to convince Mr. Corcoran that joint underwriting associations should not be considered when determining the number of declinations from the admitted market.

Traditionally, the New York Insurance Department has not permitted a surplus lines insurer to write coverage for which a JUA has been established, such as for medical malpractice insurance, said a department spokesman.

"By definition, you could not say you met the declination requirements if you've got a JUA sitting there," the spokesman said.

However, such a requirement forces an unwilling admitted insurer—as a member of a JUA—to write business that a non-admitted insurer would be willing to write, said LeBoeuf's Mr. Johnson.

This issue is expected to be part of Superintendent Corcoran's study that is due to be completed by April. The department spokesman said a hearing on the topic is expected later this year.

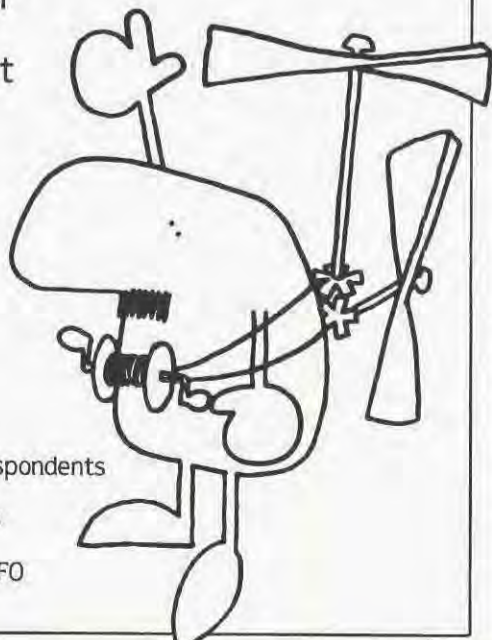
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N.J. guaranty fund sees revenues surge

By MEG FLETCHER

TRENTON, N.J.—An upsurge in surplus lines premium volume in New Jersey is creating a revenue windfall for the state's 18-month-old Surplus Lines Insurance Guaranty Fund.

But, some observers say this additional revenue still may not be sufficient to pay outstanding claims.

The surplus lines guaranty fund, the nation's first, was established in July 1984 to pay outstanding claims owed New Jersey policyholders of Vermont-domiciled Ambassador Insurance Co.

Ambassador was taken over by the Vermont Insurance Department in 1984 and found insolvent by a state judge. However, its parent company is appealing that decision (*BI*, May 6, 1985).

In the first half of 1986, the statutorily mandated 4% surcharge on surplus lines premiums in New Jersey generated \$3.5 million in revenue for the fund, or 34.6% more than the \$2.6 million that fund officials last year had projected for the entire year.

The surcharge generated \$4.5 million in 1985.

The premium surcharge generated \$1.8 million in the first quarter of this year, compared with \$600,000 in the first quarter of 1985. However, the fund began operations only midway through last year's first quarter.

In the second quarter of 1986, the fund generated \$1.7 million, compared with \$900,000 for the corresponding period last year, according to Jesse Benton, the fund's manager.

Including the revenue generated by a one-time \$25,000 assessment against the eligible surplus lines insurers writing policies in the state, the guaranty fund generated \$9.2 million through the second quarter of 1986.

"We have been getting far better results than expected," he said.

In addition, the surplus lines fund has borrowed \$3 million of the \$10 million loan available to it from the New Jersey Property/Liability Insurance Guaranty Assn., the state's guaranty fund for admitted property/casualty insurers, to help pay Ambassador claims, noted John A. Conover, the state Insurance Department's assistant commissioner for financial examinations and liquidations.

While the fund has requested an additional \$2 million in loans, Mr. Benton said he does not expect the department to act on the request this year, explaining the fund does not "need it to stay alive" in light of the unexpected revenue increase.

If surcharge income continues at the same pace, the fund will be able to pay all outstanding Ambassador claims within six or eight years, rather than the 10 to 15 years that was originally projected, Mr. Conover said.

However, he said that projection would have to be adjusted if market conditions change.

Despite the unexpectedly high revenue flow, the guaranty fund still may face a funding crisis, according to fund attorney Richard D. Spencer Jr., a partner with the Newark, N.J., law firm of Stryker, Tams & Dill.

In a June speech, Mr. Spencer said the fund optimistically could raise \$20 million in four years, but that during the same period Ambassador's outstanding claims will total about \$50 million (*BI*, June 16).

However, Mr. Benton said the fund's total estimated liabilities actually are \$45.8 million because

of a \$300,000 per claim cap and settlement experience to date.

Richard Bouhan, government relations director of the Roswell, Ga.-based National Assn. of Professional Surplus Lines Offices Ltd., agrees that the fund still faces funding problems.

Still, the fund expects to eventually pay all 5,606 claims currently stemming from the Ambassador insolvency, according to department officials.

Last year, the fund paid about \$6.125 million for 906 claims at a rate of 40 cents on the dollar.

The New Jersey guaranty fund also is seeking some of Ambassador's remaining assets, but fund officials are concerned about a Vermont court's delay in approving dispersment of the assets, Mr.

Conover explained.

While some observers have wondered whether the establishment of the nation's first surplus lines guaranty fund might set the stage for similar action by other states, Mr. Bouhan notes such action has not materialized.

After New Jersey established the fund, 26 of the 55 eligible surplus lines insurers withdrew from the state. However, some of them had written little or no business in the state. The insurers that withdrew wrote only \$21 million, or 24.7%, of the \$85 million in total surplus lines premiums written in New Jersey in 1984, the department says.

Since then, one surplus lines insurer that had withdrawn from New Jersey, Pacific Insurance Co.

of Los Angeles has returned (*BI*, Aug. 12, 1985). In addition, London-based Terra Nova Insurance Co. Ltd. has become eligible to write New Jersey risks on a surplus lines basis, according to a department spokesman.

While no surplus lines insurers in New Jersey have gone broke since the fund was created, a bill is pending before the state Senate that would expand the fund's scope to cover a surplus lines insurer that was put into liquidation before the fund's effective date.

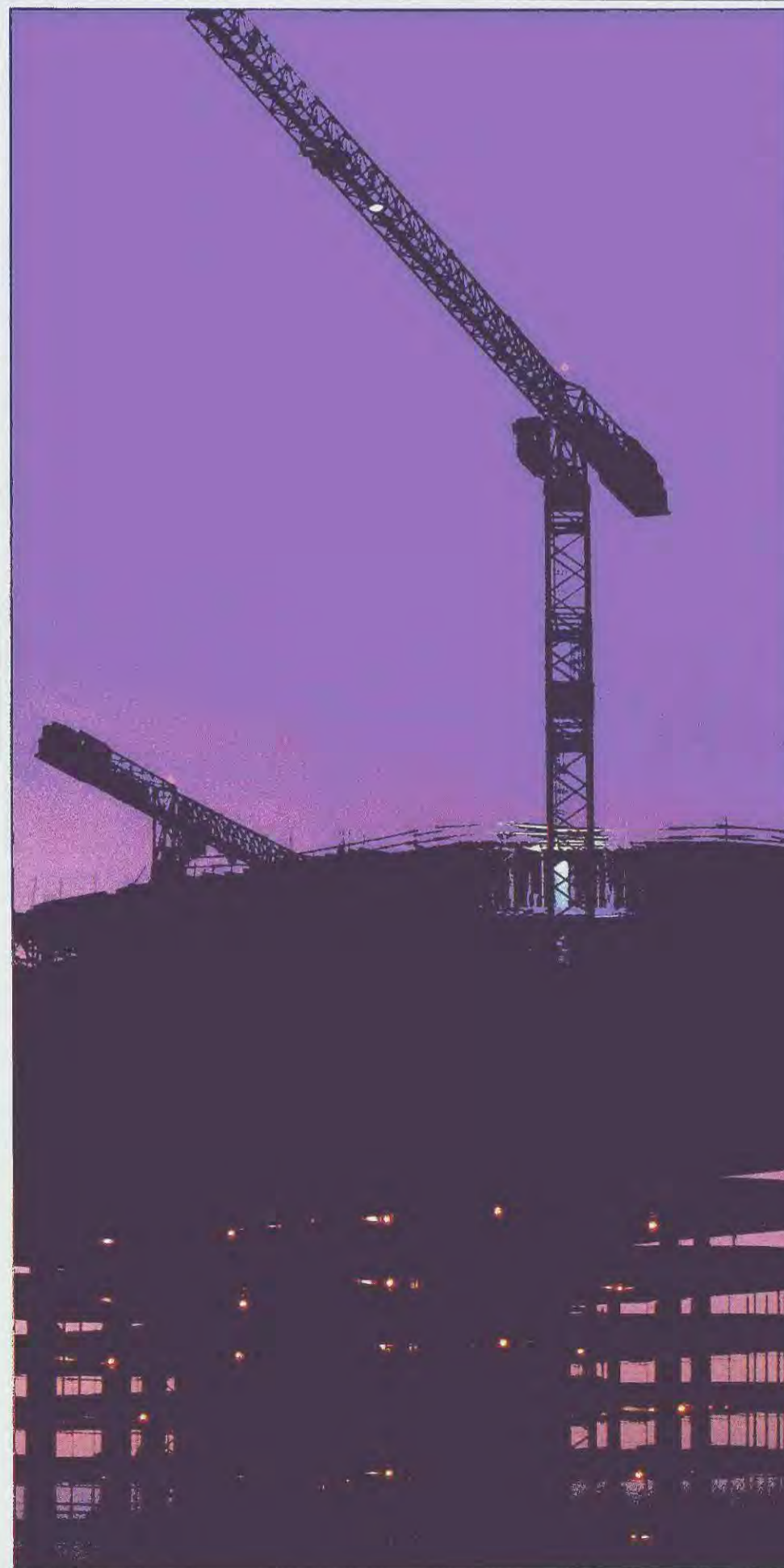
The bill, S.B. 788, would push back the effective date of the fund by about eight weeks—to June 1, 1984, from July 27, 1984. That would allow policyholders of Northeastern Fire Insurance Co. to

seek claims payments from the fund.

Northeastern Fire, which is domiciled in Pennsylvania, has been in liquidation since June 1984, according to a spokeswoman for the Pennsylvania Insurance Department.

Northeastern Fire's New Jersey policyholders currently are owed 449 claims totaling about \$1.7 million, according to a spokesman for state Sen. Donald T. DiFrancesco, the sponsor of the legislation.

However, an amendment to the bill would effectively limit the fund to only respond to claims from New Jersey policyholders of Ambassador and Northeastern, said Dale C. Davis Jr., commerce section chief for New Jersey's Office of Legislative Services. ■



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Surplus lines market shakeout slows

By STEVE TARAVELLA

The aftershocks that rocked the surplus lines insurance market following years of competitive rate-cutting may be fading to a tremble.

While prominent surplus lines insurers and wholesalers have withdrawn from the market at a steady pace over the past several years, market observers say fewer companies are now pulling out.

For instance, officers of Los Angeles-based Swett & Crawford Group a year ago watched major markets drop out seemingly at a rate of one per month.

But today, "that pace has really abated," says Joseph Fox, president of the nation's largest wholesale broker.

This year, only one of Swett & Crawford's top markets—the surplus lines unit of Wausau Insurance Cos.—has dropped out. Wausau International Underwriters, which wrote surplus lines coverages on behalf of the parent company, halted underwriting in June (BI, July 4).

But, even if the pace of withdrawals has eased, marketers still say they feel the loss of surplus lines markets.

Companies whose presence is noticeably missing in this year's surplus lines marketplace include Great Southwest Fire Insurance Co. in Scottsdale, Ariz.; Transit Casualty Insurance Co. in Los Angeles; Mutual Fire, Marine & Inland Insurance Co. in Philadelphia; Union Indemnity Insurance Co. in New York; and Northbrook Excess & Surplus Insurance Co. in Northbrook, Ill.

Great Southwest and affiliate Great Southwest Surplus Lines Insurance Co., both units of Sentry Insurance Cos. in Stevens Point, Wis., stopped writing new and renewal business last September (BI, Sept. 23, 1985).

"We wanted to direct our energies back to the basic insurance business, more to the standard lines," says Bernard Hlavac, Sentry vp and treasurer.

Great Southwest Surplus Lines' business was reinsured with Great Southwest Fire and, about three months ago, Sentry sold Great Southwest Surplus Lines' licenses to United Capitol Holding Co. in Atlanta (see story, page 3).

Great Southwest Fire, which was the seventh-largest surplus lines insurer ranked by *Business Insurance* last year, also is being sold as a shell. Mr. Hlavac expects the transaction will be completed over the next two months, after which Sentry will retain the insurer's business and assume runoff responsibilities.

Transit Casualty is now being liquidated in Missouri (BI, Dec. 2, 1985).

The company, which reported a net underwriting loss of \$23.6 million in 1984, was brought down largely because of business written for it by various managing general agents.

Union Indemnity, a unit of Frank B. Hall & Co. Inc., was taken over by the New York Insurance Department last year and also is being liquidated. The company stopped underwriting in 1984.

Mutual Fire & Marine, the fifth-largest surplus insurer in last

year's rankings with direct, non-admitted premiums of \$73 million, is currently under voluntary supervision by the Pennsylvania Insurance Department. The insurer, which presently is not writing new business or paying claims, last month unveiled a rescue plan to avoid liquidation (BI, July 28).

Northbrook Excess & Surplus, an Allstate Insurance Co. unit, stopped writing new and renewal business in January 1985 and is now in runoff (BI, Nov. 19, 1984). NESCO was ranked in 1984 as the fifth-largest U.S. surplus lines insurer and had been the third-largest in both 1983 and 1982.

Among the once-prominent wholesale marketers no longer in business are Baccala & Shoop in Newport Beach, Calif., and Global Surplus Insurance Services Inc. in Los Angeles.

Still alive, but writing much less business, is Sayre & Toso Inc. in Los Angeles, the Mission Insurance Group Inc. unit that ranked as the second-largest underwriting manager/managing general agent in last year's BI survey of wholesalers. From 1979 to 1984, it held the No. 1 position.

The company wrote about \$50 million to \$55 million in premiums in 1985. In 1984, it reported a premium volume of \$238.6 million.

In past years, the company held the pen exclusively for MIG subsidiaries like Mission Insurance Co. and Mission National Insurance Co., which were placed in conservation last year in California. But, because of financial uncertainties about these companies, S&T last year was forced to write virtually exclusively for MIG's newest company, Mission American Insurance Co.

S&T expects to write \$50 million in gross premiums this year on both property and casualty risks, estimates Geoffrey A. Nicholls,

senior vp at Mission American. The company is writing admitted business for Mission American and non-admitted business for Compac Insurance Co., an MIG unit acquired last summer.

S&T is concentrating on smaller risks with less hazardous exposures than in the past, he notes. The maximum umbrella policy limit that S&T currently can provide is \$5 million, he says.

But the company expects some growth next year, assuming the long-awaited restructuring of MIC and its subsidiaries is approved by Los Angeles Superior Court. A final version of the restructuring agreement, which was approved several months ago in tentative form, is still being hammered out.

Ray Lankford, executive vp in the Los Angeles office, heads S&T today. John B. Colavecchio, who came to the company's Los Angeles headquarters in January 1984 as executive vp and was later named president, returned to S&T's seven-person New York office several months ago as vp but left S&T for a new wholesaler Aug. 1.

That company, North American Excess Corp., has an office on John Street in New York.

Global Surplus Insurance Services Inc., a unit of Frank B. Hall & Co., closed its doors in November 1984 after the cancellation of an underwriting management agreement with Protective National Insurance Co. of Omaha, Neb.

To settle a dispute with the insurer over how Global Surplus performed its duties as Protective National's MGA, including the notification of reinsurers of claims, Hall earlier this year agreed to contribute \$45 million to a claims fund for Protective policyholders (BI, May 26; June 23).

Corroon & Black Corp. closed its Baccala & Shoop subsidiary in January 1985, after a loss of rein-

surance support forced the 11-year-old underwriting manager to substantially reduce its capacity (BI, Feb. 4, 1985).

Baccala & Shoop wrote for two Hartford Insurance Group units Nutmeg Insurance Co. and Twin Cities Fire Insurance Co., and one Corroon & Black-owned reinsurer National Excess Insurance Co.

Cameron & Colby, a Hartford affiliate in Boston, is administering runoff claims on the policies written by Baccala & Shoop, and a three-person Baccala & Shoop office in Laguna Beach, Calif., still is wrapping up other loose ends.

C&B has signed a definitive agreement to sell National Excess to an undisclosed interest, reports Stephen A. Crane, C&B senior vp and chief financial officer in New York. The broker sold an affiliated underwriting manager, Global Aviation Insurance Services Inc. in Richardson, Texas—formerly National Excess Insurance Services—to The Home Group Inc. in New York last month, he says.

William Baccala, Baccala & Shoop's former chairman, has since become involved with two other insurance operations. He is chairman of, and an investor in, Superior National Insurance Co., a workers compensation insurer in Woodland Hills, Calif., run by several former officers and employees of Mission Insurance Group.

Mr. Baccala is also chairman of N.E. Insurance Services Inc., a wholesale broker established in April 1985. With 13 employees in offices in Los Angeles and San Diego, the company handled about \$14.5 million in billed premiums its first year, reports Raymond Williams, the broker's president and formerly the Los Angeles branch manager of broker Swett & Crawford.

Policyholders for whom N.E. arranges coverage typically pay annual insurance premiums in the "high-five and low-six" figure amounts, Mr. Williams says. The insurers with which N.E. places most of its coverages include First State Insurance Co. in Boston, Allianz Underwriters Insurance Co. in Los Angeles, Progressive Casualty Insurance Co. in Mayfield Village, Ohio, and RLI Insurance Co. in Peoria, Ill.

City self-insured for huge award

NEW YORK—The New York City Health & Hospital Corp., a city agency, is self-insured for a \$65 million malpractice verdict awarded by a Bronx Supreme Court jury last month, according to an attorney for the city.

The award was made in a malpractice suit brought by a patient who developed a gangrene infection in her small intestine while waiting 18 hours in a city hospital for medical treatment.

A motion by HHC to reduce the amount awarded to plaintiff Agnes Mae Whitaker is now pending, according to Leonard Olarsch, chief of the tort division for the New York corporation counsel.

"If the motion is denied there will be an appeal," he said, adding that the HHC is totally self-insured and will pass the cost of the award on to city taxpayers.

As a result of the gangrene, Ms. Whitaker's spinal column is deteriorating and she has suffered other complications, says her attorney, Anthony Gentile of Damashek Philip P.C. in New York.

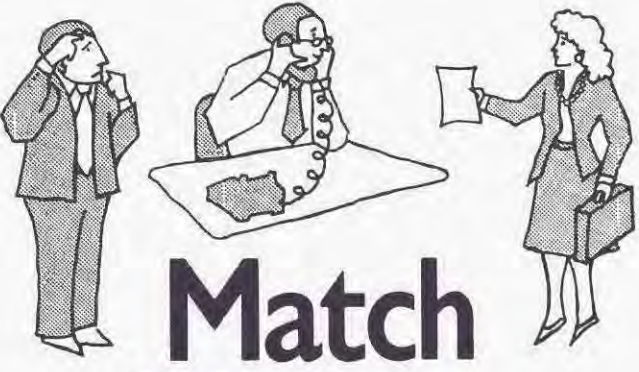
But, Mr. Olarsch maintains, "No malpractice was committed. The doctors did the appropriate things confronted with symptoms presented." ■

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update

Fifth analyst leaves A.M. Best

Continued from page 2

gent," according to the source, who said Mr. Bailey's rating recommendation in this case did not prevail.

The spokesman said he could not confirm that Mr. Bailey resigned after his decision to downgrade the rating of at least one of the 100 largest property/casualty insurers was overruled.

"The loss of the four analysts "may have slowed things down slightly" during the 1986 rating season, but will not hurt Best unless the positions are still unfilled by next March, when Best enters the busiest phase of the rating process, the spokesman said.

None of the staff positions has yet been filled. Meanwhile, Mr. Kellogg will assume Mr. Bailey's responsibilities.

Bill would tax public employees

WASHINGTON—The Senate Finance Committee approved legislation requiring state and local governments and their employees to pay the Medicare portion of the Social Security payroll tax.

That proposal, S. 2706, would amend a provision in a budget bill enacted earlier this year that only extended the Medicare tax to public employees hired after March 31, 1986.

The combined employer-employee Medicare portion of the FICA tax currently is 2.9% of the first \$42,000 of wages.

In addition, the budget bill also would set the 1987 Medicare deductible for hospital coverage at \$520. Without this limit, the formula now used would allow the Medicare deductible to rise to \$572 from the current \$492.

A smaller rise in the deductible means lower retiree health care cost increases for employers whose post-retirement health care plans pick up expenses not paid by Medicare.

Benefit rule delay likely

WASHINGTON—Senate members of a congressional conference committee that is drafting a compromise tax-overhaul bill last week were expected to propose a delay in the effective date in non-discrimination rules for health and welfare plans.

Senate conferees want to delay the effective date of non-discrimination rules until Jan. 1, 1988, sources say. Non-discrimination rules in both the House- and Senate-passed tax bills before the conference committee would go into effect on Jan. 1, 1987.

Because of the complexity of the issue, benefit lobbyists said it would be impossible for employers to meet a Jan. 1, 1987, deadline.

ISO extends form support

NEW YORK—The Insurance Services Office will continue to provide rates and rules supporting use of its prior commercial insurance policy forms through July 1, 1987. It previously had planned to end its support of the old policy forms by Jan. 1, 1987.

"The extension will give insurance companies more time to smoothly convert their data processing and other systems to handle the new, simplified policy programs," said Fred R. Marcon, ISO's senior executive vp and chief operating officer.

The eight commercial lines of insurance affected by ISO's decision are general liability, crime, property, inland marine, boiler and machinery, commercial auto, businessowners and farmowners.

New policy forms for five lines were implemented Jan. 1. The new claims-made commercial general liability form has been either approved or is available for use in 41 jurisdictions; the new occurrence CGL policy, 46 jurisdictions; crime form, 48 jurisdictions; the property form, 49 jurisdictions; the inland marine form, 50 jurisdictions; and the boiler and machinery form, 50 jurisdictions.

ISO has filed the new commercial auto, businessowners and farmowners policy forms for implementation Jan. 1, 1987.

ISO said it would continue to support the old policy forms beyond July 1, 1987, in any jurisdiction where the revised policy form is not available for use.

Free Trade Zone

Continued from page 1

ance Co. of Monticello, N.Y., an active FTZ insurer.

Under flex rating, the state insurance superintendent will tell admitted insurers how much they can increase or decrease rates for most commercial lines of coverage without prior approval. Currently, admitted insurers in New York do not need prior approval to modify filed rates on a per-policy basis (BI, June 30).

More business could wind up in the zone, in which insurers can write business free of rate regulation, if the ranges within which admitted insurers can raise rates are too narrow, Mr. Rhulen says.

"One of the only ways insurers could get the flexibility they need" would be to write business through the Free Trade Zone, Mr. Rhulen says.

However, at least one underwriter who has been active in the FTZ says the Insurance Department's recent approval of a claims-made form for professional liability coverage, an FTZ mainstay, could inhibit the zone's growth (BI, July 28).

Richard Kropp, vp-underwriting for Shand, Morahan & Co. Inc. in Evanston, Ill., said his company is re-evaluating whether to keep writing business in the zone. As Shand reads the rules, FTZ insurers must use the new claims-made form approved for admitted insurers and Shand does not like certain provisions of the New York claims-made form for professional liability insurance.

Shand has written architects and engineers professional liability coverage on behalf of General Accident Insurance Co. of America through the FTZ. This business accounts for most of the \$4.4 million in FTZ premiums posted by General Accident last year, said Mr. Kropp. The business produced a \$509,280 underwriting loss.

Mr. Kropp, who noted Shand's underwriting agreement with General Accident has been terminated, said Shand will decide whether to write any more business through the zone within the next month.

Some of the General Accident business will continue to be written by Shand on behalf of Evanston Insurance Co., a surplus lines insurer, and Insurance Co. of Evanston, an admitted insurer in 37 states, a Shand official says (see story, page 52).

Shand is considering writing this business in New York on a surplus lines basis, Mr. Kropp said. Mr. Rapacciuolo says the claims-made form's approval "has to have some effect" on business written in the zone, but "I don't see that as a major force." Professional liability is "about the only area it would affect," he said, referring to the large volume of professional liability insurance written by FTZ insurers.

Business currently written in the FTZ is classified either as Class I or Class II. Class I business includes coverage that produces a minimum annual premium of \$100,000 for one line of insurance, or \$200,000 for a package policy involving more than one line.

Class II encompasses 321 designated risks that have an unusual nature, a high loss potential or are difficult to place. The types of coverage included within Class II range from vacation rain insurance to reducing salons' professional liability.

In 1985, \$80.8 million of the FTZ's \$151.9 million in net premiums written were Class II business, with the remainder Class I business.

The 50 categories the department is considering adding to this list, said Mr. Rapacciuolo, include amusement park liability, asbestos removal liability, cosmetic manufacturers' product liability and fireworks displays liability coverage.

Underwriting results among FTZ insurers worsened considerably last year, as insurers reported a \$405,246 underwriting loss on FTZ business in 1985, compared with a \$23 million underwriting profit in 1984, though that figure also includes the huge AIG policy.

The department's Mr. Rapacciuolo blamed the decline on "very poor experience. The special risks are suffering just like the rest of the industry."

N.J. court upholds punitive damage award

TRENTON, N.J.—Manufacturers can be held liable for punitive damages in strict liability litigation even though such cases focus on the safety of a product and not the conduct of the defendant, the New Jersey Supreme Court says.

In a July 31 decision upholding a

\$300,000 punitive damage award against two asbestos producers, the high court ruled there was not a "theoretical inconsistency" in awarding punitive damages when compensatory damages are based on strict liability.

The doctrine of strict liability

imposes liability for injury without taking into consideration the defendant's "moral blameworthiness" or its intent to commit an act or cause an injury, the court noted.

The case involved a suit by former asbestos worker James Fischer and his wife, Geneva, against asbestos producers Bell Asbestos Mines Ltd. and Johns-Manville Corp. In 1981, a trial court jury awarded the plaintiffs \$91,000 in compensatory damages and \$300,000 in punitive damages. A state appellate court upheld the award.

But, the dissenting judges in the 3-2 ruling said the case should be remanded for trial because a stronger standard of "clear and convincing" evidence for imposing punitive damages is more appropriate than the "preponderance of the evidence" originally used.

A Manville attorney said other courts have ruled similarly. ■

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IG verdict

Continued from page 1

"At least three of the scenarios were communicated to National Union by Bettius on July 1, 1985, with a specific request that National Union immediately and actively participate in resolution of the claim, and that circumstances could only worsen and the cost of settlement could only increase," the complaint says.

One such offer was made by an outside investor who agreed to purchase the plaintiffs' condominium units, assume their mortgages and pay a portion of the restoration costs. Under this offer, National Union would have had to pay approximately \$350,000 on behalf of Bettius, the lawsuit says.

"Acceptance of this offer by National Union would have resulted in satisfaction of the complainants' judgments," the suit says. "National Union continually refused to respond to the offer."

The suit says that National Union refused to meaningfully participate in attempts to arrange a settlement with the plaintiffs and mostly refused to communicate with the firm or its attorneys.

"There was six months where nothing happened," said Francis McDermott, an attorney for the firm with Hazel, Beckhorn & Hanes in Fairfax. National Union's home office did not respond or participate from May 10 until November 1985, he said.

A National Union claims supervisor indicated by phone on Sept. 10 that claims against the law firm were covered by the National Union policy, according to the suit. The phone call also was acknowledged by Mr. McDermott.

But, a promised letter declaring that the law firm was covered was never sent, the suit says.

On Oct. 3, Judge Kent issued a decree ordering rescission of the deeds, the assumption of the mortgages and payment of damages to occur Nov. 29. The total amount all the defendants were required to pay was about \$2 million.

Not until Nov. 13 did National Union discuss possible settlement with the law firm.

Then, on Nov. 26, three days before the deadline, the investor who offered the proposed settlement withdrew the offer because National Union would not commit the funds needed to finance the settlement, the suit says.

Only after the investor's withdrawal did National Union say it would accept the investor's offer and pay the \$350,000, the suit adds.

"This meaningless acceptance was made and conveyed after the investor's offer had been withdrawn, a fact known to National Union and its counsel prior to the time the disingenuous 'acceptance' was relayed," the suit says.

"National Union also knew that its offer to pay \$350,000 at that point was worthless, since without the investor's involvement, it was grossly insufficient to satisfy the complainants' judgment," the suit adds.

On Nov. 27, Judge Kent held a status conference at which Bettius said the settlement could not be paid.

Judge Kent on Dec. 4 held Bettius and other defendants in contempt for failure to comply with the Oct. 3 decree and imposed a fine of \$5,000 per day beginning Dec. 6.

Later on Dec. 4, the investor made another offer to satisfy the judgment, but this time required National Union to pay \$600,000. National Union also refused this offer, the suit adds.

Judge Kent on Jan. 6 increased the fine to \$10,000 per day. He threatened to double the amount if the parties could not reach a settlement.

Finally, at a Jan. 13 hearing, the

parties negotiated another settlement under which the investor would purchase the condominium units, said Wallace L. Duncan who also represented Bettius. Under this settlement, National Union agreed to pay \$400,000.

The settlement was not finalized until the first week in February, after which all of the contempt fines were rescinded by Judge Kent.

Bettius filed suit against National Union in mid-December, seeking a declaratory judgment that the award against the law firm is a covered claim under the policy and that the insurer must pay the claim. The suit also sought a judgment that National Union acted in

'There was six months where nothing happened,' said Francis McDermott, an attorney for the firm.

bad faith, breached its fiduciary duty to the law firm and was guilty of fraud.

The suit sought \$12.5 million in compensatory damages and \$30 million in punitive damages.

In addition, the law firm later amended its complaint to seek treble damages alleging that National

Union had engaged in a pattern of racketeering under the federal Racketeer Influenced and Corrupt Organizations Act. That allegation was dismissed at trial.

Mr. Duncan, with the Washington firm of Duncan, Weinberg & Miller, said attorneys' investigation uncovered 170 cases of bad-faith brought against National Union since 1980.

"There was evidence of a number of cases where there were judgments against the insured and which National Union dragged its feet and delayed payment for months for no apparent reason," he said.

Mr. Duncan said that Marc Bettius, a partner in the firm, was

willing to write a check to cover National Union's share of the proposed settlement, but was advised against it by attorneys because of a provision in the policy that said coverage could be waived if the policyholder paid a claim without consent of the insurer.

Mr. McDermott said that National Union's failure to contribute to the settlement was "at least a major factor in the firm's dissolution."

"Basically, the firm's business has dried up," Mr. Duncan commented. "The exposure and problems arising out of the matter being unresolved brought about the dissolution of the firm," he said. ■

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Administrative:	
CEO's presidents and owners	2,983
Vice-presidents, general managers and other administrative personnel	2,018
	2,758
Financial:	
Chief financial officers and vice-presidents of finance	2,018
Secretaries, treasurers, controllers and other financial personnel	6,484
Risk/employee benefits:	
Vice-presidents, directors, managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations	8,111
Sub-total	22,354
Associations	483
Government, unions and educational institutions	1,252
Commercial Consumers	
Sub-total	24,089
Insurance agents and brokers	10,285
Insurance companies	6,739
Financial institutions	748
Actuaries, attorneys, adjusters, appraisers and consultants	3,808
Others allied to the field	1,308
TOTAL	46,977

* Source: Business/Occupational breakdown of qualified circulation, Nov. 25, 1985 issue, as submitted to BPA for December 1985 BPA Publisher's Statement.

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Fairchild settlement

Continued from page 1

cleanup contaminated soil and groundwater at the company's San Jose manufacturing facility.

The suit also seeks to recover \$75,000 in attorneys' fees and \$2 million for breach of duties to defend Fairchild.

Fairchild collected some money from its property insurers to repay government cleanup costs, according to several sources familiar with the loss, who asked not to be named. But the company seeks the bulk of those cleanup costs from its liability insurers under the argument that the cleanup was necessary to mitigate damages caused by the chemical contamination.

The chemical contamination was discovered in December 1981: 40,000 gallons of waste trichloroethane (TCA) had been leaking from an underground storage tank at Fairchild's facility in south San Jose over an 18-month period. Further investigation determined that the solvent had traveled through the groundwater and contaminated a nearby drinking water well owned by the Great Oaks Water Co., a private water company serving about 65,000 people in the San Jose area.

The well was removed from service shortly after the contamination was discovered, according to Betty Roeder, resident of Great Oaks.

In early 1982, residents of the neighborhood served by the contaminated well expressed concern over the discovery of cardiac defects in children born to residents of the neighborhood.

In April of 1982, these residents filed suit in Santa Clara County Superior Court against Fairchild; Great Oaks Water Co.; Owens-Corning Fiberglas Corp., the manufacturer of the underground storage tank that leaked; and the firm that installed the tank.

A 1984 epidemiological study of the San Jose residents by the state of California did not link the birth defects with the chemical contamination.

Of the insurers who agreed to the settlement with the residents, Integrity Insurance Co. of Paramus, N.J., paid the largest portion of the loss. *Business Insurance* learned from sources close to the negotiations.

Fairchild had three excess policies with Integrity; one in each of the years from 1979 to 1981, according to court papers. Officials with Integrity would not respond to questions concerning the Fairchild loss.

Truck Insurance Exchange of Los Angeles, part of the Farmers Insurance Group, was Fairchild's primary CGL insurer from Jan. 1, 1975, to Jan. 1, 1982, according to court papers.

In 1979, the first year of policies tapped to pay the settlement, Fairchild bought excess coverage from Integrity;

Insurers wanted a gag order on the settlement to decrease press reports that could prompt other San Jose residents, not a party to the 1982 litigation, to sue for similar damages, an attorney said.

American Re-Insurance Co. of Dover, Del., part of the Aetna Life & Casualty Group; Puritan Insurance Co. of Johnston, R.I., part of the Employers Re Group—a unit of General Electric Co.; Fireman's Fund Insurance Co. of Novato, Calif.; and AIU Insurance Co. of New York, an American International Group unit.

Fairchild's excess insurers in 1980 included: Integrity; American Excess Insurance Co. of New York, a unit of the Aetna Life & Casualty Group; Puritan; and AIU, the court papers also say.

In 1981, excess coverage was provided by Integrity and Protective National Insurance Co. of Omaha, a unit of the St. Regis Group, owned by Champion International Corp.

None of the insurers would disclose the limits of the policies or the amount paid on the Fairchild loss. But sources familiar with the loss said "the penetration to" Protective National was \$4.5 million, which was over a \$1.5 million primary policy. Thus, insurers paid at least \$6 million toward settlement of the San Jose litigation.

According to sources familiar with the settlement negotiations, who asked not to be named, Truck officials thought they had obtained a release from liability for the loss after they agreed to pay \$2 million toward settlement of the case. That \$2 million is in an escrow account pending settlement among the insurers.

Insurers wanted a gag order on the settlement with the San Jose residents to decrease press reports that could prompt other San Jose residents, not a party to the 1982 litigation, to sue for similar damages, according to an attorney involved in the litigation.

However, the attorney noted that the case has received such wide press coverage over the past three years that it is unlikely any residents interested in seeking damages are not already a party to the litigation.

The residents were represented by James F. Boccardo, a well-known San Jose plaintiffs' attorney. Mr. Boccardo declined to comment on the July 3 settlement, except to say that the plaintiffs were pleased with the outcome.

Fairchild was represented by Brobeck, Phlether & Harrison and Landels, Ripley & Diamond, both in San Francisco.

Superfund reauthorization

Continued from page 2

"The fact is," noted Mr. Elisburg, "unlike many of other kinds of dealings with hazardous substances," where highly skilled workers use special equipment in a controlled environment, "these deadly substances are sitting out there in 55-gallon drums.

"We're going to be taking laborers, operating engineers, construction-type people... and they will be going out there with shovels and wheelbarrows, trying to figure out what this soup is they're working in," Mr. Elisburg said.

Such a situation raises a "whole other line of compensation and product liability issues," he added.

The Reagan administration offered the only vocal opposition to the worker protection provisions, noted Mr. Mallino.

While the Labor Department has agreed to the language in the conference report, it is not enthusiastic that Congress is mandating OSHA to set standards for a particular work environment.

Setting such standards is a "regulatory exercise" and is the secretary of labor's authority, said Bruce C. Wood, the department's associate deputy undersecretary for congressional affairs.

"The Labor Department has consistently opposed legislative regulation," added Rebecca Morris, senior legislative officer for congressional affairs with the department.

"No one would say these workers shouldn't be protected," said Dorothy Strunk, Republican senior legislative associate with the House Committee on Education and Labor. However, Congress should not be telling OSHA to write regulations, she said.

In recent years, however, organized labor groups have criticized OSHA for failing to set standards as well as for lax enforcement, which is why labor groups worked so hard to have the provisions included in the Superfund reauthorization.

The Labor Department considers the final worker protection provisions somewhat of an improvement over earlier language, which specified exactly what should be included in the OSHA regulations, Ms. Morris said.

Some employer groups, like the Chemical Manufacturers Assn. in Washington, also were concerned with those earlier provisions, said Lori Ramonas, associate director of health, safety and chemical regulations with the CMA.

However, the CMA concentrated its lobbying efforts on other provisions of the Superfund reauthorization, like the taxation sections, and allowed the Labor Department to lead the opposition against the worker protection provisions, Ms. Ramonas said.

The U.S. Chamber of Commerce said it did not take a position on the worker protection proposals.

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Jun 2	May 20
Jun 9	May 28
Jun 16	Jun 4
Jun 23	Jun 10
Jun 30	Jun 18
Jul 7	Jun 24
Jul 14	Jul 1
Jul 21	Jul 8
Jul 28	Jul 16
Aug 4	Jul 23
Aug 11	Jul 29
Aug 18	Aug 6
Aug 25	Aug 13
Sep 1	Aug 19
Sep 8	Aug 26
Sep 15	Sep 3
Sep 22	Sep 9
Sep 29	Sep 16
Oct 6	Sep 24
Oct 13	Oct 1
Oct 20	Oct 7
Oct 27	Oct 15
Nov 3	Oct 22
Nov 10	Oct 28
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Equitable, HCA venture

Continued from page 2

try analysts generally praised Equitable's move, which marks the first time a health insurer has transferred all of its group business to a joint venture formed with a health care provider.

Several other health insurers have formed joint ventures with hospital companies, but these ventures only offer PPO or HMO plans and do not assume all the group business underwritten by the insurer (*BI*, July 22, 1985).

"Together they're going to do something that's not been done before," commented Barbara Santry, an analyst with Wessels, Arnold & Henderson in Minneapolis.

The move is "quite wise" because Equicor can take advantage of economies of scale as well as a "large amount" of corporate good will, she said.

Equitable and HCA announced plans to form the venture earlier this year, but their boards did not approve the agreement until last week (*BI*, March 10).

The new firm, which is expected to begin business this fall, will combine Equitable Group & Health Insurance Co., which accounts for about 25% to 30% of Equitable's overall business, with HCA Health Plans, an HCA division that has underwritten group life and health coverages.

Equitable and HCA each are contributing \$90 million in cash to the new company. Including the assets of Equitable Group & Health and HCA Health Plans, Equicor will start with capital of more than \$400 million.

Equitable Group & Health reported premium and premium equivalents of \$4 billion in 1985, while HCA Health Plans reported premium and premium equivalents of \$1 billion.

The new company may go public in five years, said Mr. Reich, who currently is president of Equitable Group & Health.

Equicor eventually expects to introduce its three-pronged group health care program—traditional indemnity plans, HMOs and PPOs—in 200 markets over a three-year period, said Mr.

Reich. However, Equicor will renew existing Equitable indemnity group health contracts in markets where the three-pronged approach is not offered.

Initially, Equicor will concentrate on markets where both Equitable and HCA already have a major presence, including New York, Pittsburgh, Chicago, Los Angeles and San Francisco.

Mr. Reich stressed that individuals covered under Equicor policies will not be limited to the use of HCA hospitals.

"This is not an exclusive arrangement with HCA hospitals," he said. "It's necessary we do that in order to satisfy our customer plan."

However, Equicor will be able to negotiate discounts for policyholders when an HCA hospital is selected, he said, although he would not elaborate on the type or size of the discounts to be negotiated.

Mr. Reich added that Equitable until now has been able to offer employers PPOs in only a few markets and has not offered any HMO options, "so this will fill out our product line."

"We have been aware that some of our traditional competitors have had a head start," said Mr. Reich, who estimated that Equitable is about five years behind other major group health insurers in offering HMO options, and perhaps two to three years behind in its PPO offerings.

But, he adds, though Equicor is starting from "a few yards back," HCA and Equitable believe "if we execute it properly over the next few years, we could, perhaps, catch up or even leapfrog the marketplace."

Equicor is a "growth business for the '80s and '90s," Mr. Reich said. In examining current health care trends, "we saw our premiums diminishing in the future as a result of continuing trends for companies moving from insured to self-insured arrangements."

Equitable also saw its premium growth potentially stymied by HMO arrangements, he explained.

"The most competitive organizations are going to be those that combine the health care

delivery with health care financing," said Joseph C. Hutts, president of HCA Health Plan who will become Equicor's vice chairman and chief operating officer.

It made no sense, he said, for HCA "to try to start from scratch" and attempt to compete with group health insurers on a national basis. "We could never have done it as well as we could do it this way."

The joint venture between Equitable and HCA enables each to combine their own expertise, agreed Randy Huyser, an senior health care analyst with Montgomery Securities in San Francisco.

The arrangement, he said, will help improve Equitable's profit margins and help HCA fill hospital beds. "I think it makes a lot of sense."

Starting up a new company, he added, enables HCA and Equitable to make a "fresh start" and "get out from under" Equitable's bureaucracy. The new joint venture can adopt a more efficient management structure than Equitable's, so that "it can move more quickly than just an internal arrangement."

However, Leon Hynan, a vp at Metropolitan Life Insurance Co. in New York, a major Equitable competitor, said such a joint venture between a group health insurer and a health care provider "strikes us as somewhat contradictory in terms of what we think the customer should be looking for."

Hospital chains, he explained, want to fill hospital beds, while employers want to reduce lengths of stay in hospitals.

Mr. Hynan says there is more possibility for conflict of interest under a joint venture like Equicor than under Metropolitan Life's "arm's length" approach, under which it arranges individual PPO contracts with hospitals and other providers on a regional basis.

But HCA's intent in forming Equicor is not to fill hospital beds, responded Mr. Hutts. While HCA will fill some hospital beds as a result of the "synergy" of the venture, "the primary reason is to have the most competitive vehicle to compete in this new industry," he said.

Police investigate Hayes' death

Continued from page 2

the beating did not cause his death, police say.

The Mission audit was to have concluded the following day, Mr. Connors said, adding that police have impounded some of the papers related to the audit that were found in Mr. Hayes' hotel room.

Police have no suspects yet, "but it's definitely a murder," Lt. Morton said.

There was no evidence of forced entry, but robbery is being considered as a motive, he said.

Certain "items of value" were taken from Mr. Hayes' room, but Lt. Morton declined to identify them.

"With what (little) we have, it's going to be a long investigation," Lt. Morton said.

The manager of the hotel declined to comment on Mr. Hayes' death, referring all inquiries to police investigators.

Mr. Hayes, who lived in Salisbury, Conn., at the time of his death, was frequently called upon for his services as a self-employed reinsurance auditor.

"He was a gregarious kind of guy who knew his stuff. We're really sorry to see this happen," MIG's Mr. Connors says. "I'd gotten very close to him."

MIG had hoped to retain Mr. Hayes' services for related projects in the future, after MIC's restructuring plan is completed, Mr. Connors added.

MIC, which was placed in conservation last year by the California Insurance Department, is still hammering out a final version of its restructuring agreement, which must be approved by a Los Angeles Superior Court.

Mr. Hayes' death brings to an end a career that spanned approximately 30 years in the commercial U.S. and offshore insurance market.

His most recent insurance company management position was at Beacon, where he was executive vp.

Mr. Hayes left Beacon in 1984, after the insurance company was placed in rehabilitation by the North Carolina Insurance Department in February 1984 (*BI*, Feb. 27, 1984; Jan. 14, 1985).

Prior to joining Beacon, he directed the development of worldwide insurance operations at New Orleans-based Ocean Drilling & Exploration Co. (*BI*, May 4, 1981). He came to ODECO in April 1981 from Mentor, its Bermuda underwriting subsidiary, where he had worked from 1979 to 1981.

As a Mentor vp, Mr. Hayes doubled the insurer's loss reserves and pulled the insurer out of the aviation and facultative hull markets, which had shown poor results (*BI*, April 6, 1981).

Before joining Mentor, Mr. Hayes worked at Aetna Insurance Co., the Connecticut General Life Insurance Co. property/casualty insurer that was merged with other CIGNA Corp. units after Connecticut General and INA Corp. combined to form CIGNA. Mr. Hayes served as vp-underwriting at Aetna from September 1976 to February 1979.

Prior to that, he spent about four years overseas working to bring Italian, West German, Dutch and British insurers owned by ITT Corp., which at the time had recently acquired Hartford Insurance Group, into the Hartford fold.

Mr. Hayes joined Hartford in Chicago in 1956 and remained with its U.S. operations until 1972.

He is survived by his wife Frances and two grown children.

Health care costs double inflation rate

WASHINGTON—Health care costs increases slowed last year but still rose more than twice as much as the general inflation rate.

In 1985, health care spending totaled a record \$425 billion, up 8.9% from the previous year, the Department of Health and Human Services reports.

Last year's rise in health care costs is down from a 9.1% increase in 1984, but it is more than double the 3.9% increase in the 1985 Consumer Price Index.

Other HHS findings include:

- Health insurers and self-

insured employers paid 31.3%, or \$133.3 billion, of all expenditures; direct-patient payments accounted for 24.8%, or \$105.6 billion; the federal government accounted for 29.3%, or \$124.4 billion; and state and local governments paid 11.9%, or \$50.4 billion.

• The nation's \$425 billion health care bill included \$166.7 billion for hospital care, \$82.8 billion for physician services, \$35.2 billion for nursing care, \$28.5 billion for drugs and medical supplies and \$27.1 billion for dental care.

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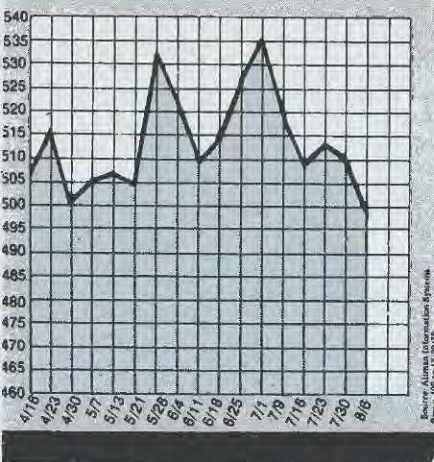
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BI Insurance Index



The Business Insurance index of insurance industry stocks continued its decline last week, ending at 498.6 points on Aug. 6, down 6.5 points from the 505.1 points recorded on July 23. The previous week, the BI index tumbled 8.0 points from 513.1 points on July 23. A total of 14 stocks posted losses, while 11 remained unchanged during the trading period. Stocks that posted the biggest losses were: Tokio Marine & Fire Insurance Co., down 9.0%; Corroon & Black Corp., down 7.5%; Kemper Corp., down 7.0%; Aneco Reinsurance Co. Ltd., down 6.7%; and Nobel Insurance Ltd., down 6.5%. The leading gainers were: Fairmont Financial Inc., up 7.5%; Old Republic International Corp., up 5.9%; CNA Financial Corp., up 4.8%; Washington National Insurance Co., up 4.2%; and Zenith National Insurance Co., up 3.9%. The major market indicators' performance, although sluggish, was slightly better than that of the BI index, which advanced an average of 1.3%. The NYSE composite, Standard & Poor's 500 index and the Dow Jones 30 Industrials all crept up an average of 0.1% during the trading period.

Brokerages able to ride above economic storms

By LEONARD M. WILSON
Special to Business Insurance

RISING PREMIUM rates currently preoccupy investors in the public insurance brokerages, as if this were the sole reason for the stocks' long-term appeal.

Yet, over the years that we have analyzed these companies, the brokers have proved largely immune to the economic shocks that periodically beset U.S. industry in general. Moreover, on the other side of the ledger, the brokers seem to benefit, perhaps disproportionately, from affirmative external developments.

What accounts for this ability to prosper under a variety of circumstances? Service businesses, in general, tend to be less volatile, and insurance brokerages, in particular, reflect the indispensable nature of the product. This characteristic has not been completely lost on investors who typically place quite generous valuations on the brokers.

Take the current environment: The U.S. economy is sluggish and, in fact, the industrial sector has demonstrated little growth over the past two years. Some sectors, such as energy and agriculture, already are feeling serious dislocations.

Yet, there is no discernable impact upon publicly owned brokers' operating progress.

Clearly, individual offices are not immune to local conditions. For example, an office in Houston may not be performing as well as one in Boston. But, given an alphabet broker's broad geographical diversification, the depressed energy sector does not materially influence overall progress.

The U.S. economy is a study in perplexity. The manufacturing sector lacks vigor and industrial activity has remained flat for virtually two years. Indeed, some observers fear a full-fledged recession.

Investors, though, regard insurance brokers as a haven from the impact of an economic

What accounts for this ability to prosper? Service businesses, in general, tend to be less volatile, and insurance brokerages, in particular, reflect the indispensable nature of the product. This characteristic has not been completely lost on investors who typically place quite generous valuations on the brokers.

slowdown, and rightly so. First, past recessions have not made much of a dent in insurance brokerage gains. Second, whatever the economic effect on brokers, it tends to lag 12 to 18 months.

Therefore, a 1987 recession might not be felt until 1988, still far enough away not to be an investment deterrent.

Tax reform also raises a specter of uncertainty. While the final details of legislation are still to be determined by Senate and House conferees, analysts already are drawing their conclusions about the consequences of the bill.

One established view holds that the proposed legislation favors service industries against heavy industries. The insurance brokers—service industry par excellence—fall into the category of full taxpayers at the federal level. Such tax shelters as the investment tax credit are not especially meaningful to the brokers.

Consequently, if the federal tax rate drops from 46% to between 33% and 36%, the public brokers would benefit appreciably.

We have run calculations on the potential annualized increment to earnings as a result of tax legislation. By our estimates, earnings in the first full year of reform would rise 10% to 20%, depending upon the broker. Any variation is a function of geographical earnings mix in the main, since foreign earnings would not be helped.

The increment to earnings is at the upper end of the scale across the spectrum of U.S. industries. The tax reduction also should bolster insurance brokerage free cash flow in varying degrees.

Disinflation is another illustration of the broker's ability to benefit when other industries suffer. Disinflation in the U.S. economy has meant difficulty in raising prices and pressure on profit margins for many businesses.

The brokers, on the other hand, have experienced an easing in cost pressures. Compensa-

sation no longer must be lifted materially to allow for a rising price level. Even while cost pressures are easing, the underwriting cycle has pushed up the price of commercial insurance, in contrast to the stable prices for the economy as a whole.

Here is a group that seems immune to the structural problems of the U.S. economy, stands to benefit from tax reduction and is helped by disinflation. These are the factors that create high price earnings ratios.

Marsh & McLennan Cos. Inc., as an example, carries an appraisal well in excess of that accorded the Standard & Poor's Index. The group's appeal goes beyond a cyclical rise in premium rates.

We can look back to the 1970s and cite similar examples of an ability to escape from the adverse effects of economic dislocation. Insurance brokerage continues to be an attractive business for this reason. After rate hikes on commercial lines taper off, the brokers should retain their upscale investment image for being able to ride above the storms.



Mr. Wilson

Leonard M. Wilson, a special limited partner at L.F. Rothschild, Unterberg, Towbin in New York, specializes in insurance brokerage stocks. He is a member of the New York Society of Security Analysts.

British Issues

Aug. 5 Companies	Price pence	P/E	Div. pence	Yield %	1 Week	
					High	Low
Comml Union	301	27.4	16.9	5.6	304	299
Genl Accident	812	14.8	35.2	4.3	829	812
Edn Royal Exch	839	16.1	46.5	5.5	855	838
Royal	824	13.7	40.8	5.0	842	824
Sun Alliance	688	22.9	28.2	4.1	693	685

Brokers	Price	P/E	Div.	Yield	1 Week	
					High	Low
HE Heath	510	8.2	38.0	7.5	515	510
Hogg Robinson	311	10.7	16.2	5.2	315	311
HM Minet	250	9.6	14.1	5.6	254	250
Hedg Grp	360	13.8	18.3	5.1	367	360
Hew Wrightson	447	13.9	19.0	4.4	454	437
Villie Faber	410	15.5	15.5	3.8	418	410

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

BI Industry Stock Report

8/6/86 7/31/86 thru 8/6/86

Brokers	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol.(000)
Alexander & Alexander Svcs	NYSE 35.75	-3.7	0.4	1.00	2.8	36.25	35.13	323.5
Bladwin & Lyons Inc	OTC 29.00	3.6	72.5	0.60	2.1	32.00	25.00	1.3
Corroon & Black Corp	NYSE 33.25	-7.6	17.8	0.65	2.0	35.50	33.25	513.5
Crump E H Cos Inc	OTC 29.25	1.7	22.7	0.25	0.8	29.25	28.75	170.1
Haligher Arthur J & Co	OTC 28.00	3.2	22.6	0.20	0.7	28.00	26.00	62.0
Wall Frank B & Co Inc	NYSE 24.88	-3.4	0.0	0.00	0.0	25.38	24.63	79.2
Marsh & McLennan Cos Inc	NYSE 63.13	-1.2	22.2	1.50	2.4	66.38	63.13	549.4
Reed & Assoc Inc	OTC 12.25	-2.0	0.0	0.32	2.6	12.50	12.25	1.9
AGENTS/BROKERS	AVERAGE		2.7		1.8			

Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol.(000)	
Continental Corp	NYSE 44.50	0.6	0.0	2.60	5.8	44.63	44.00	458.0
Crown Life Ins Co	OTC 350.00	0.0	3.5	6.40	1.8	350.00	350.00	0.5
Durham Corp	OTC 44.00	0.0	11.8	1.36	3.1	44.50	44.00	11.4
Farmers Group Inc	OTC 38.75	0.0	13.9	1.00	2.6	39.75	38.75	1,016.2
Fairmont Finl Inc	AMEX 18.00	7.5	22.8	0.00	0.0	18.00	16.88	143.7
Fireman Fd Corp	NYSE 38.50	1.7	0.4	0.30	0.8	38.50	37.50	468.7
Fremont Gen Corp	OTC 23.50	-1.1	0.0	0.48	2.0	24.13	23.50	233.0
Great West Life Assurn Co	OTC 850.00	0.0	8.5	18.00	2.1	875.00	850.00	0.3
Home Group Inc	AMEX 22.75	-1.1	108.3	0.00	0.0	23.50	22.75	1,187.8
Hanover Ins Co	OTC 56.75	-4.6	30.3	0.56	1.0	59.25	56.75	17.4
Hartford Steam Boiler Insptn	OTC 48.00	1.1	15.2	0.60	1.3	48.50	48.00	61.4
Kans City Life Ins	OTC 33.25	0.8	13.1	0.87	2.6	33.25	33.00	12.9
Kemper Corp	OTC 29.75	-7.0	15.7	0.60	2.0	31.75	29.75	676.2
Liberty Corp S C	NYSE 39.00	0.0	16.5	0.72	1.8	40.00	38.63	15.1
Lincoln Natl Corp Ind	NYSE 50.38	-3.8	11.4	2.00	4.0	51.50	50.38	662.6
Mission Ins Group Inc	PAC 4.00	45.5	0.0	0.00	0.0	4.22	2.88	133.0
Monumental Corp	OTC 55.00	0.0	19.6	1.40	2.5	55.13	55.00	28.4
Nac Re Corp	OTC 32.75	-2.2	0.0	0.00	0.0	34.00	32.75	111.2
Nobel Ins Ltd	OTC 14.50	-6.5	19.1	0.37	2.6	15.50	14.00	128.9
Northwestern Natl Life Ins	OTC 28.00	-3.4	12.3	0.86	3.1	29.25	28.00	214.9
Ohio Cas Corp	OTC 75.25	-5.3	16.0	3.00	4.0	79.88	75.25	194.3
Old Rep Intl Corp	OTC 36.00	5.9	13.2	0.78	2.2	36.00	35.38	249.7
Orion Cap Corp	NYSE 31.00	-6.1	0.0	0.76	2.5	32.75	31.00	62.2
Protective Corp	OTC 21.25	-2.3	11.6	0.70	3.3	22.00	21.25	46.5
Provident Life & Acc Ins Co	OTC 27.13	-1.4	9.5	0.84	3.1	27.50	27.00	120.4
St Paul Cos Inc	OTC 39.50	-4.2	23.9	1.50	3.8	40.50	39.50	2,036.6
SAFECO Corp	OTC 57.75	3.4	13.7	1.70	2.9	57.75	56.50	410.2
Seibels Bruce Group Inc	OTC 16.50	-1.5	0.0	0.80	4.8	16.50	16.00	13.7
Selective Ins Group Inc	OTC 20.63	-5.2	0.0	0.92	4.5	21.75	20.63	90.7
Statesman Group Inc	OTC 5.75	0.0	41.1	0.05	0.9	6.00	5.75	45.0
Tokio Marine & Fire Ins Co	OTC 454.00	-9.0	85.5	0.00	0.0	493.50	454.00	15.4
Torchmark Corp	NYSE 29.75	-1.7	12.0	0.60	2.0	30.63	29.75	673.1
Travelers Corp	NYSE 44.75	1.1	11.3	2.16	4.8	44.75	43.38	1,523.6
Trenwick Group Inc	OTC 20.25	-5.8	0.0	0.00	0.0	21.50	20.25	175.7
United Fire & Cas Co	OTC 25.75	-1.0	20.4	0.80	3.1	26.00	24.75	42.9
United States Fid & Gty Co	NYSE 39.50	1.6	0.0	2.32	5.9	39.50	38.13	1,388.9
Uslife Corp	NYSE 41.63	-1.8	10.9	1.12	2.7	42.00	40.88	453.4
Washington Natl Corp	NYSE 30.88	4.2	13.6	1.08	3.5	30.88	29.63	63.4
Zenith Natl Ins Corp	OTC 26.50	3.9	132.3	0.80	3.0	27.25	26.50	129.7
INSURANCE COMPANIES	AVERAGE		8.8		2.1			

The Home Group Inc.

The Home Group has filed a registration statement with the Securities and Exchange Commission seeking to sell 40% of the outstanding stock of Home Reinsurance Co. for an estimated \$105 million to \$125 million.

Five million shares of common stock will be sold for an estimated \$21 to \$25 per share.

New York-based Home Group said the offering's proceeds will be used to support expansion of the Home Re's property treaty and property and casualty facultative operations and its international reinsurance business.

PaineWebber Inc. and the First Boston Corp. are the underwriters.

Reliance Group

Saul P. Steinberg, who controls Reliance Group Holdings Inc., plans to take the company public.

According to a registration statement filed with the Securities and Exchange Commission, Reliance plans to offer 24.3 million common shares, or about 33%, of Reliance's outstanding stock to the public. The company expects the stocks to generate \$16 to \$19 per share, which means the offering could raise between \$388.6 million and \$461 million.

The company said the proceeds will be used to redeem \$526 million in debt as well as preferred stock.

A company spokesman said once the company becomes public, Reliance Group will have a total stock market value of between \$1.28 billion and \$1.52 billion, with Mr. Steinberg, his family and certain affiliated trusts continuing to own about 67% of its outstanding stock.

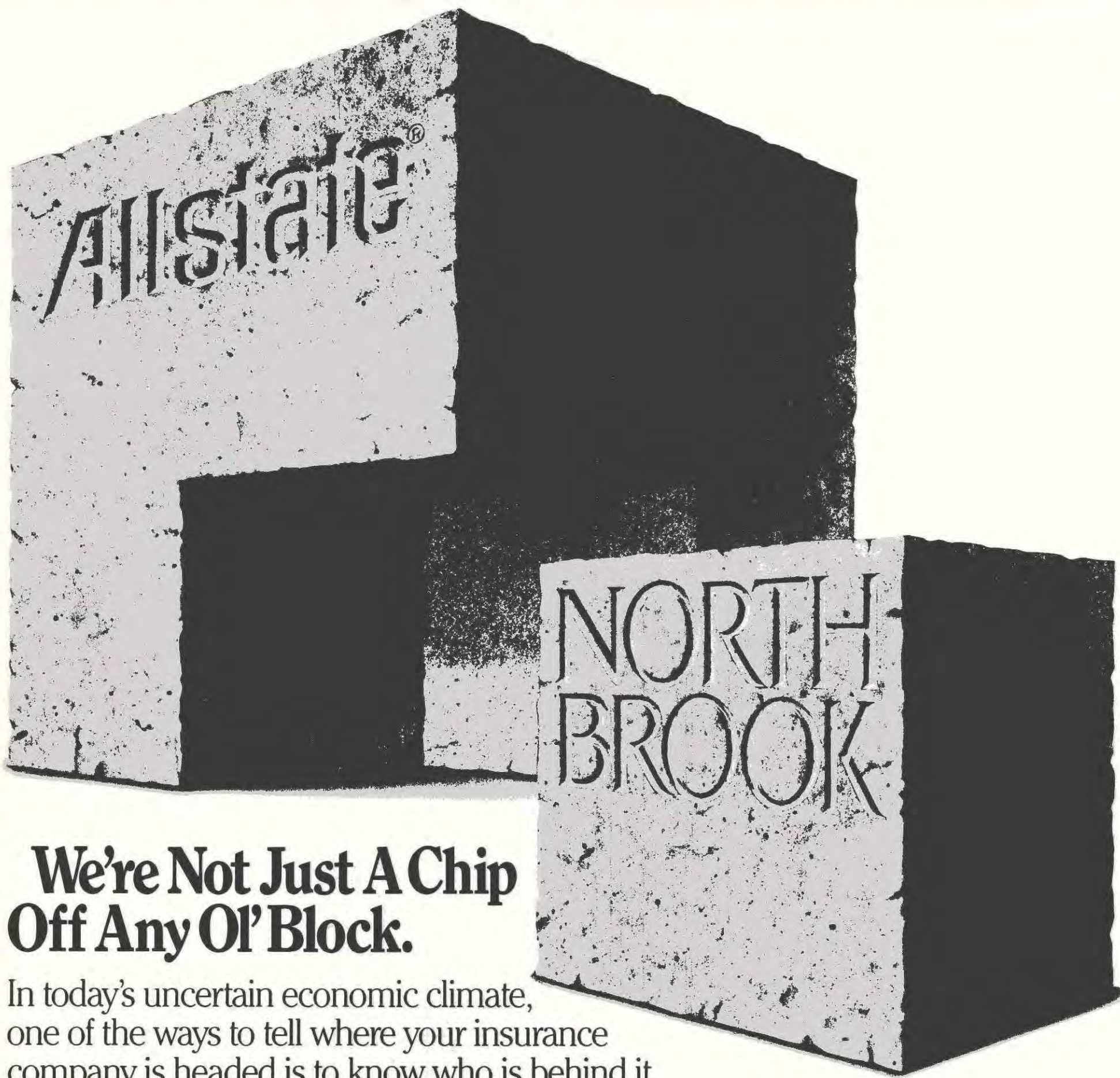
Mr. Steinberg took Reliance private in 1982 (BI, Jan. 18, 1982).

Argonaut Insurance Co.

Teledyne Inc. says it plans to spin off Argonaut Insurance Co. and its affiliates.

The Argonaut companies, which write large commercial workers compensation risks and associated casualty coverages, reported gross premiums of \$286.6 million last year. Including Argonaut, Teledyne reported 1985 revenues of \$4.7 billion.

The transaction is expected to be consummated in the fourth quarter, once regulatory approvals have been obtained. A company spokesman said details of the transaction will be available next month.



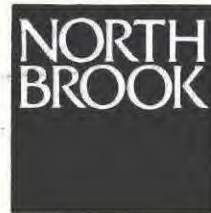
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